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# MALAWI REPORT

ASSESSMENT OF SELECTED TRADE FACILITATION  
MEASURES IN FIVE COUNTRIES IN SOUTHERN AFRICA

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# MALAWI REPORT

## ASSESSMENT OF SELECTED TRADE FACILITATION MEASURES IN FIVE COUNTRIES IN SOUTHERN AFRICA

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E3 Analytics and Evaluation Project

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## ACRONYMS

ASYCUpDA	Automated System for Customs Data
CBM	Coordinated Border Management
CEM	Country Economic Memorandum
COMESA	Common Market for Eastern and Southern Africa
DP	Development Partner
DTIS	Diagnostic Trade Integrated Study
E3	Bureau for Economic Growth, Education, and Environment (USAID)
ECA	East African Community
EG	Economic Growth
EIF	Enhanced Integrated Framework
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GoM	Government of Malawi
HS	Harmonized Commodity Description and Coding System
JICA	Japanese International Cooperation Agency
KAP	Key Action Plan
KII	Key Informant Interview
LPI	Logistics Performance Index (World Bank)
MDA	Ministries, Departments, and Agencies
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
M&E	Monitoring and Evaluation
MBS	Malawi Bureau of Standards
MGDS	Malawi Growth and Development Strategy
MoITT	Ministry of Industry Trade and Tourism
MRA	Malawi Revenue Authority
MSI	Management Systems International
MTEF	Medium-Term Expenditure Framework (Malawi)
NASFAM	National Association of Smallholder Farmers in Malawi
NES	National Export Strategy
NGO	Non-Governmental Organization
NSW	National Single Window
NTB	Non-Tariff Barrier (to trade)
NTFC	National Trade Facilitation Committee

NTM	Non-Tariff Measure
NWGTP	National Working Group on Trade Policy (Malawi)
OECD	Organization for Economic Cooperation and Development
OPC	Office of the President and Cabinet
OSBP	One-Stop Border Post
PPD	Public-Private Dialogue
RKC	Revised Kyoto Convention
SADC	Southern Africa Development Community
SOW	Statement of Work
SPS	Sanitary/ Phytosanitary
TBT	Technical Barrier to Trade
TF	Trade Facilitation
TFA	Trade Facilitation Agreement (WTO)
TFI	Trade Facilitation Indicator
TFM	Trade Facilitation Measure
TFP	Trade Facilitation Program (SADC)
TFTA	Tripartite Free Trade Area Agreement (WTO)
TRR	Office of Trade and Regulatory Reform (USAID/E3)
USAID	United States Agency for International Development
USG	United States Government
WCO	World Customs Organization
WEF	World Economic Forum
WTO	World Trade Organization

## EXECUTIVE SUMMARY

The trade facilitation measure (TFM) assessment is intended to provide useful guidance to USAID/Southern Africa in its oversight of future activities related to trade facilitation. The assessment is not intended to assess the costs and benefits of trade measures that have already been implemented. Instead, it focuses on capturing stakeholders' informed views on the future costs and benefits of TFM implementation. This report presents results from the assessment of Malawi, one of the countries that USAID selected for the study.

To guide the approach for the assessment and ensure that its findings are aligned with USAID's purpose and intended uses, as described above, the assessment team and USAID developed the following set of research questions:

1. What is the potential range of benefits associated with the implementation of specific TFMs or categories of TFMs?
2. What is the potential range of costs associated with the implementation of specific TFMs or categories of TFMs?
3. What is the feasibility and timeframe of the implementation of specific TFMs or categories of TFMs?
4. How do respondents rank their priorities among the TFMs they consider the most important to implement?

The following is the final ranking of priority TFMs for action in Malawi:

1. Regional Transit Procedures;
2. National Single Window; and
3. Customs Connectivity.

The main findings and conclusions are that:

**Regional Transit Procedures (RTPs):** Survey respondents said that improving regional transit procedures (in particular through Mozambique) would offer the largest range of benefits for Malawian traders. With about 70 percent of Malawi trade transiting through Mozambique,<sup>1</sup> the survey confirmed that this is the single most important trade facilitation issue for Malawi. The benefits for implementing fair and transparent RTPs are extensive, and the cost to implement the required reforms is high in terms of political will and bilateral cooperation between Malawi and its regional partners.

**National Single Window (NSW):** For the second priority, survey respondents selected a national single window project that harmonizes and streamlines the trade regulatory regime, including how licenses and permits are administered, and addresses border management bottlenecks. The constant theme in the data has been that the current trade administration system is disjointed with multiple agencies not well coordinated. Coupled with the reliance on a non-automated system of acquiring permits and licenses for import and export trade further adds to avoidable fixed costs, and erodes competitiveness.

**Customs Connectivity:** The third-ranked priority was "implementation of harmonized customs procedures and IT connectivity (HCPI)," which ranked even higher among private sector respondents. Respondents indicated an overall appreciation for the progress that customs administration has made toward modernization. But a major frustration is arising from new electronic systems that are not working well due to structural capacity constraints and a fixation of tariff policy for revenue generation that is

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<sup>1</sup> Personal communication with a private sector firm in Blantyre on April 27, 2016.

adversely decreasing trading volumes. In this regard, private sector respondents brought up two main challenges: poor internet connectivity (which is slowing down customs processing through the newly rolled-out Automated System for Customs Data, or ASYCUDA, World<sup>2</sup>) and misalignment in the tariff structure (which prioritizes revenue collection at the expense of facilitating greater trade volumes<sup>3</sup>).

**Security:** A cross-cutting issue that respondents rated highly was security in Mozambique. Many respondents cited conflict in Mozambique as a constraint on trade, particularly when transiting through Mozambique to Beira or Nacala. In an escalation of a simmering conflict between old civil war foes, army operations began in Tete Province in October 2015; thousands have fled to bordering Malawi, fearing violence and harassment from government soldiers. The situation is still evolving in Mozambique. Private sector key informant interviews (KIIs) reported incidents of hijacking, thefts of containers, and cargo missing in transit. The situation represents a major and immediate threat to regional trade for Malawi and other countries in the region, like Zimbabwe and Zambia.

**Coordinated Border Management (CBM):** This is another challenge to cross-border trade that private sector KII respondents flagged. Malawi has 14 agencies at the border that have an objective to regulate trade, and nine of sixteen respondents said a lack of coordination between the various agencies is a major impediment.<sup>4</sup> They pointed to a lack of a coordinated risk management systems, information requirements that are not streamlined, lack of information sharing among the cross-border agencies, poor congestion management, and staffing issues such as insufficient personnel to handle the workload. This causes variation in delivery time and flows into costs, which diminishes the economic value for traders and consumers.

**TABLE ES-1: RECOMMENDATIONS**

Recommendation	Action By
<b>NATIONAL LEVEL</b>	
USAID should identify potential private sector associations that it can support (through capacity-building initiatives, project support, research, training, etc.) to advocate more effectively on trade facilitation issues at the national and regional levels.	USAID
USAID should support customs connectivity. ASYCUDA World has been rolled out to three of the major border crossings as part of the pilot phase. It will have to be rolled out to the rest of the borders, and internet connectivity should be strengthened. Poor online connectivity has the potential to hamper the trade facilitation agenda going forward. Technology improvements are increasing efficiency in trade logistics; this technology rides on electronic platforms. Consideration should be given to supporting these electronic platforms.	USAID and Development Partners
USAID should consider supporting formulation and implementation of an effective CBM system. Political commitment to reduce the number of agencies at the border exists, but no assessment has been undertaken to decide which agencies should remain at the border and how these agencies would cover all border functions, share information, and conduct joint risk management strategies.	USAID and DPs
Development partners should also strengthen coordination mechanisms at the national level to ensure effective participation of the relevant stakeholders in the drive to implement TFMs at the national level. The National Trade Facilitation Committee has launched in Malawi, but most of its activities will require support in the short to medium term. Regular dialogue will be required to negotiate the implementation of quite complicated processes like the NSW.	DPs

<sup>2</sup> Personal communication with private sector representatives and firms in Blantyre, Malawi on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

<sup>3</sup> Personal communication with private sector representatives and firms in Blantyre, Malawi on April 27 and 28, 2016, and in Lilongwe on April 26, 2016.

<sup>4</sup> Personal communication with private sector representatives and firms in Blantyre, Malawi on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

<b>Recommendation</b>	<b>Action By</b>
The Government of Malawi (GoM) should broaden private sector representation on the National Trade Facilitation Committee.	GoM
The GoM should ratify the World Trade Organization (WTO) Trade Facilitation Agreement (TFA).	GoM
Malawi private sector firms should support the work of business associations that have the potential to advocate for improved trade facilitation, including at the regional level.	Private Sector
GoM should review all import and export licenses with the purpose of eliminating all that are not truly functional. All new licenses should be centrally coordinated and not issued by individual ministries. Pairing this with publication of a comprehensive list would allow producers to clearly understand all import and export licenses required.	GoM
Reduce the number of border agencies to improve inspections and risk management among border agencies. Where possible, this can involve delegating some border functions to the Malawi Revenue Authority.	GoM
<b>REGIONAL</b>	
Ensure common paperwork and coordinated processing (e.g., office hours), with neighboring borders, particularly Mozambique.	Governments, DPs
USAID should support some work on regional transit procedures monitoring through the Southern Africa Development Community (SADC) Secretariat.	USAID
USAID should support a study to benchmark fees and charges in the SADC region.	USAID
International development partners, including USAID, should coordinate activities aimed at establishing a corridor and border monitoring platform for SADC.	DPs
International development partners, including USAID, should strengthen cooperation around regional integration, especially the implementation of TFMs across the member states, particularly transit measures.	DPs
USAID should work with SADC authorities to strengthen transit procedures in the region. Specific studies can be carried out around understanding the political economy, to come up with effective recommendations that the countries can adopt.	SADC Authorities/ USAID
Develop a regional transit and bond guarantee scheme along the major corridors to Beira and Nacala with Mozambique and Zambia. This would lower the risk associated with international transport.	SADC Authorities/ DPs/Member States
<b>TRIPARTITE</b>	
Member states of the Tripartite Free Trade Area should strengthen the Non-Tariff Barrier (NTB) Reporting and Monitoring Mechanism, with a particular focus on the requirements for the resolution of barriers and the greater participation of the private sector in the implementation process.	Tripartite Member States/ DPs
ICT will remain an important component of trade facilitation as technology evolves. African countries have to invest more in backbone ICT infrastructure to not be left behind.	Tripartite Member States/ DPs
<b>FUTURE RESEARCH</b>	
USAID should broaden the geographical coverage of this study to include other key countries in Southern Africa, such as Zimbabwe and Mozambique.	USAID
USAID should support the use of the online survey tool developed as part of this study on a more regular basis (e.g., once a year) as a cost-effective means to track the private sector's view of broad trends in the region on priority trade facilitation issues over time.	USAID
USAID should undertake a regional baseline survey of fees and charges in the region.	USAID



# INTRODUCTION

This Malawi country report is one of a series of products for an assessment examining the anticipated costs and benefits associated with implementing selected TFMs in South Africa. The assessment was commissioned by the United States Agency for International Development's (USAID) Southern Africa Mission and the Trade and Regulatory Reform Office within USAID's Bureau for Economic Growth, Education and Environment (E3/TRR) and USAID/Southern Africa. The E3 Analytics and Evaluation Project conducted this assessment, and USAID's Statement of Work (SOW) for the study is included as Annex I.

From April to June 2016, the assessment team conducted a desk review and field research. The deliverables for this assessment include:

- Five stand-alone country reports, one for each of the five countries studied, including Botswana, Malawi, Namibia, South Africa and Zambia.
- An overall final report that consolidates the primary findings, conclusions and recommendations from all five country reports, as well as any regional-level findings, conclusions and recommendations that can be drawn from reviewed secondary sources and the primary data collected in the five target countries.

## Background

For countries, reducing unnecessary delays and costs increases trade, attracts investments, and supports growth and job creation. TFMs can particularly benefit developing countries, where exporting goods frequently takes three times as many days as it does in developed nations. According to a study by the Organisation for Economic Co-operation and Development (OECD), for sub-Saharan African countries, a 4.5-day reduction at the border would generate approximately 10 percent increased exports with OECD countries and greater increases for exports to other regions.<sup>5</sup>

Given the prominence of TF on the world's development stage — an area where the next wave of gains from trade could be extracted — donors and other partners have emphasized assisting developing and least-developed countries in implementing the WTO TFA signed in Bali in 2013.

The TFA represents a commitment by WTO members to harmonize trade policies and practices to expedite the movement, release and clearance of goods, including goods in transit. The TFA contains approximately 35 technical measures imposing obligations on WTO members to:

- Increase transparency.
- Improve governance through disciplines on rule and decision-making processes.
- Implement streamlined and modernized border procedures and control techniques.
- Enhance the movement of goods in transit (OECD, 2015).

The TFA contains special provisions for developing and least-developed countries, including transitional periods for implementation of TFMs and the designation of certain measures ("Category C") as requiring development assistance and support for capacity building before implementation.

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<sup>5</sup> Wilson, N., (2009). Examining the effect of certain customs and administrative procedures on trade. OECD Trade Policy Studies, 51-79.

## Southern Africa Development Community's Trade Facilitation Programme

The assessment examined TFMs that are based primarily on those described in the SADC's Trade Facilitation Programme (TFP), which was developed in consultation with key stakeholders from SADC member states at the request of the SADC Secretariat. The TFP outlines a harmonized approach to TF for SADC member states to use as a blueprint to help meet the WTO TFA's recommendations. The TFP uses a five-year timeline and covers 28 TFMs clustered around four pillars: transparency, predictability, simplification and cooperation. The TFP measures roughly correspond to the TFA's requirements, but are not identical. They include such measures as national single windows (NSW), trade information portals, appeals procedures and an inter-regional transit management system.

While there is recent research on the positive effects of TF generally, there is a dearth of reliable quantitative information on the cost of implementation of specific TFMs (Duval, 2006).<sup>6</sup> This is especially the case for southern Africa. In the absence of quantitative information on the costs and benefits of TF, Duval (2006) argued that expert surveys, even with their limitations, could be used to examine the relative cost of implementing a range of TFMs.<sup>7</sup>

### Purpose, Audience and Uses

The TFM assessment is intended to provide useful guidance to USAID/Southern Africa in its oversight of future TF related activities. The assessment is not intended to assess the costs and benefits of trade measures that have already been implemented, but will instead focus on capturing stakeholders' informed views on the future costs of and benefits from TFM implementation. The assessment focuses on five SADC member states: Botswana, Malawi, Namibia, South Africa and Zambia.<sup>8</sup>

The primary audiences for this assessment are the Regional Economic Growth Office within USAID/Southern Africa, USAID/E3/TRR, and staff and stakeholders for a future iteration of the Trade Hub in the region. The audience also includes host country agencies involved in TF, industry and economic growth promotion, revenue collection and customs functions, as well as the SADC Secretariat, the SACU, and other bilateral and multilateral partners in USAID economic growth programming.

USAID/Southern Africa and its implementing partners will use this assessment to guide the priorities and work plans for the future iteration of the Trade Hub and other activities to support TF in the region. In particular, this is intended to generate evidence not available from other sources that will guide USAID in advising and assisting host country governments that request support in deciding how to implement WTO TFA "Category C" TFMs, and other national and regional-level TF protocols, plans and programs.

### Assessment Questions

To guide the approach for the assessment and align its findings with USAID's purpose and intended uses described above, the assessment team and USAID developed the following set of research questions:

- I. What is the potential range of benefits associated with the implementation of specific TFMs or categories of TFMs?

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<sup>6</sup> Yann D., (2006). Cost and benefits of implementing trade facilitation measures under negotiations at the WTO: An exploratory survey. Asia-Pacific Research and Training Network on Trade Working Paper Series 3.

<sup>7</sup> The Duval survey conducted qualitative research with 14 trade facilitation experts based in Asia to assess the anticipated costs and benefits of specific TFMs.

<sup>8</sup> USAID categorizes these five countries as within southern Africa.

2. What is the potential range of costs associated with the implementation of specific TFMs or categories of TFMs?
3. What is the feasibility and timeframe of the implementation of specific TFMs or categories of TFMs?
4. How do respondents rank their priorities among the TFMs they consider the most important to implement?

## Assessment Methodology

The assessment used a mixed-methods approach to generate and triangulate evidence about the perceptions of a wide spectrum of stakeholders as to the relative importance of TFMs, and how best to sequence them in the countries of study.

Data collection methods and sources included comprehensive reviews of national and regional level policy documents and secondary data, in-depth semi-structured KII with knowledgeable stakeholders, as well as brief online surveys that targeted members of trade and supply chain associations in each country of study. This largely qualitative approach generated in-depth country-specific analyses and rich descriptions of the perceptions of key stakeholders, primarily from private-sector actors involved in different aspects of cross-border trade.

The assessment report also provides some descriptive statistics for analyzing collected data. The assessment team used these findings to build conclusions on the optimal selection and sequencing of TFMs and recommendations for implementing TF interventions in each country of study. These recommendations will enable USAID and government counterparts to make informed decisions for future programming. Annex II provides a detailed description of the methodology used in this assessment.

## COUNTRY CONTEXT AND ANALYSIS

### Structure of the Economy

Malawi's economic performance remains highly vulnerable to severe weather conditions, fluctuating terms of trade, and unpredictable aid inflows, with exports concentrated in few primary commodities (mainly tobacco). Structural challenges like inadequate energy and water supplies, narrow access to finance, a largely unskilled labor force, high transportation costs, and weak regional connectivity and trade facilitation have limited the country's ability to reach its full growth potential.<sup>9</sup> Growing weaknesses in the management of public finances over the past decade have also contributed to a worsening fiscal situation.

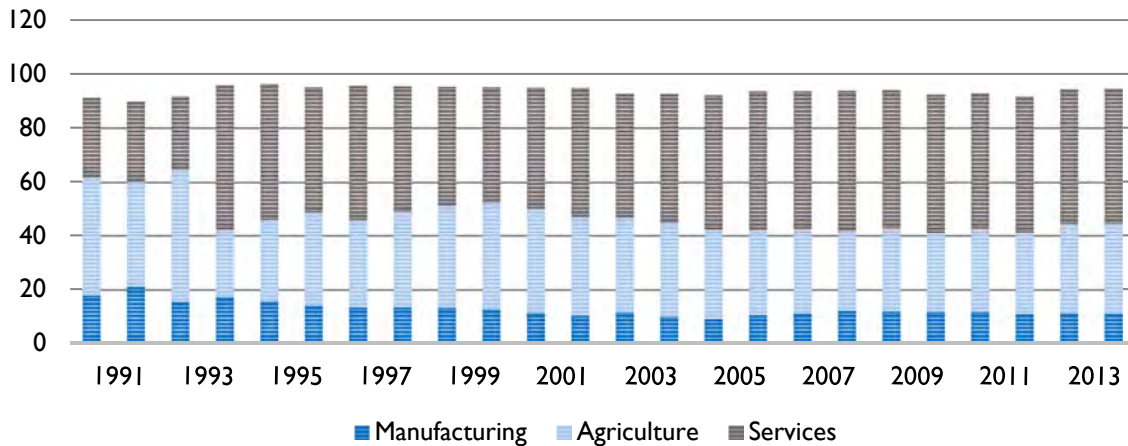
Malawi's economy is dominated by agriculture, which accounts for an average of 33 percent of the country's gross domestic product (GDP).<sup>10</sup> This reliance on raw commodities trade with limited value added has been a leading cause of high volatility in Malawi's GDP growth, as poor harvests coupled with regular droughts and floods have significantly impacted agricultural output. The contribution of the manufacturing sector to economic growth has been declining over the years after peaking in the early 1990s (see Figure 1). Despite efforts to promote industrialization even at the regional level, this has not translated into diversification within agriculture or growth in the manufacturing sector. Growth in the services sector has been steady, but even these services are largely linked to the agriculture sector.

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<sup>9</sup> Country Economic Memorandum, 2010; Diagnostic Trade Integrated Study 2014

<sup>10</sup> Government of Malawi, Malawi Economic Report, 2014

**FIGURE I: VALUE ADDED AS A PERCENTAGE OF MALAWI GDP**



Source: World Development Indicators 2015

The country's medium-term focus is guided by the Malawi Growth and Development Strategy II, which has the following strategic priorities:

1. Agriculture and Food Security;
2. Transport Infrastructure and Nsanje World Inland Port;
3. Energy, Industrial Development, Mining, and Tourism;
4. Education, Science, and Technology;
5. Public Health, Sanitation, Malaria, and HIV and AIDS Management;
6. Integrated Rural Development;
7. Green Belt Irrigation and Water Development;
8. Child Development, Youth Development, and Empowerment; and
9. Climate Change, Natural Resources, and Environmental Management.

### Regional Trade Performance

Trade is important to the Malawi economy. As with any small, landlocked economy – whether it is Rwanda, Mongolia, or Switzerland in a previous century – trade in Malawi is crucial to growth. However, during the last three decades, Malawian exports and consequently its GDP have grown slowly. In fact, the country's performance ranks among the bottom of performers among developing countries.

Historically, Malawi has had a structural trade deficit with SADC. The negative trade balance is mainly due to weak private sector investment for value addition due to the macroeconomic challenges such as high interest rates, inflation, and shortage of foreign exchange.<sup>11</sup>

<sup>11</sup> Mwanakatwe, 2014

**TABLE 1: MALAWI'S TRADE BALANCE WITH SADC STATES (IN USD)**

Partners	Trade Balance in Value in 2015
Angola	\$54,000
Botswana	-\$7,003,000
Congo, Democratic Republic of the	\$1,120,000
Lesotho	-\$312,000
Madagascar	-\$5,181,000
Mauritius	-\$21,082,000
Mozambique	\$26,914,000
Namibia	-\$4,625,000
Seychelles	-\$787,000
South Africa	-\$337,095,000
Swaziland	-\$20,397,000
Tanzania, United Republic of	-\$20,211,000
Zambia	-\$98,590,000
Zimbabwe	\$74,793,000
<b>Southern African Development Community (SADC) Aggregation</b>	<b>-\$412,402,000</b>

Source: TradeMap

By far, Malawi's largest trading partner is South Africa, followed by Zambia and Zimbabwe. These trade streams are fairly one-sided, as the trade balances in Table 1 show. The exception is Zimbabwe, where Malawi has a positive balance of USD \$75 million.

**TABLE 2: MALAWI EXPORTS TO SADC BY PRODUCT AT HS-2 (IN USD) – TOP 10<sup>12</sup>**

Product Code	Product label	Balance in Value in 2015
'23	Residues, wastes of food industry, animal fodder	\$33,908,000
'04	Dairy products, eggs, honey, edible animal products,	\$31,729,000
'09	Coffee, tea, mate and spices	\$28,797,000
'17	Sugars and sugar confectionery	\$17,426,000
'12	Oil seed, elegendiac fruits, grain, seed, fruit, etc.,	\$9,280,000
'08	Edible fruit, nuts, peel of citrus fruit, melons	\$5,392,000
'68	Stone, plaster, cement, asbestos, mica, etc. articles	\$4,649,000
'52	Cotton	\$2,892,000
'44	Wood and articles of wood, wood charcoal	\$918,000
'40	Rubber and articles thereof	\$675,000

Source: TradeMap 2016

According to Trade Map data, in 2015 Malawi enjoyed a trade surplus in only 17 out of the 96 product categories for regional and international trade. In the SADC region, Malawi enjoys a trade surplus in 15 out of 96 products categories. Malawi's global trade performance has been poor over the years with major exports being concentrated in the tobacco sector with limited value addition. However, within the SADC region, the major export basket is spearheaded by animal fodder, dairy products, and coffee and tea. This points to new areas of export growth potential as, with the exception of coffee and tea, the export basket to the region is diversifying away from traditional exports.

<sup>12</sup> HS2 is the Harmonized Commodity Description and Coding System, a multipurpose international product nomenclature developed by the World Customs Organization (WCO).

**TABLE 3: MALAWI IMPORTS FROM SADC BY PRODUCT AT HS-2 (IN USD) – TOP 10**

Product Code	Product label	Balance in Value in 2015
'27	Mineral fuels, oils, distillation products, etc.	-\$91,419,000
'24	Tobacco and manufactured tobacco substitutes	-\$45,698,000
'31	Fertilizers	-\$35,387,000
'10	Cereals	-\$30,664,000
'25	Salt, sulfur, earth, stone, plaster, lime, and cement	-\$29,505,000
'85	Electrical, electronic equipment	-\$25,118,000
'48	Paper and paperboard, articles of pulp, paper, and board	-\$24,633,000
'87	Vehicles other than railway, tramway	-\$24,327,000
'72	Iron and steel	-\$22,989,000
'84	Machinery, nuclear reactors, boilers, etc.	-\$21,464,000

Source: TradeMap 2016

Malawi has a trade deficit with SADC, which is reflected even at the product level. Essentially, Malawi imports from the region more than it exports to it. The composition of imports is largely biased toward fuel imports, re-exports of tobacco, and fertilizers. Looking at the top 10 import commodities, it is clear that Malawi is mostly importing ingredients for production from the region (see Table 3).

### National Trade Facilitation Policy Objectives

At the center of Malawi's medium-term objectives is the structural transformation from an importing and consuming country into a producing and exporting one through greater trade and industrial integration. Specific policy strategies have been expounded through the National Export Strategy (NES), Malawi Trade Policy (MTP), and Industrialization Policy. The NES and MTP have prioritized trade facilitation as follows:

- **National Export Strategy (2013–2017):** The strategy to build Malawi's productive base and its export capacity in a manner that empowers producers and traders is based on three areas of focus. These are: 1) prioritizing growth clusters namely – oil seed products (groundnuts, sunflower, soya, and cotton), sugar cane products, manufactures (beverages, agro-processing, plastics and packaging, assembly); 2) building a conducive environment that facilitates trade; and 3) building the capacity of economic institutions that includes regulatory reforms in trade.
- **Malawi Trade Policy (July 2016):** The MTP focuses on structural transformation of the productive sector through supporting and managing integration in regional and global markets, supporting value chains and increasing exports. It has nine policy objectives anchored around elimination of barriers to trade and reducing the cost of trading through trade facilitation.

Malawi's trade facilitation objectives primarily focus on infrastructure enhancement and building the technical capacities of trade facilitation institutions, in particular targeting customs modernization. Being a landlocked country, high costs from excessive and inefficient trade administration systems and poor infrastructure quickly render exports uncompetitive and add unnecessary fixed-cost burdens.

The latest update from the National Trade Facilitation Plan has prioritized the implementation of a national single window (NSW), coordinated border management (CBM) and one-stop border posts (OSBPs). Reform efforts focus on both the business and trade regulatory environment and specific procedures governing much of the import and export systems. Customs-related processes, such as the removal of multiple tariffs, appeals, risk management, post-clearance audit, advanced rulings, and others, are also under review. Various government agencies have been presenting project proposals to development partners (DPs) for financing around some of the areas that are highlighted above, but funding gaps still remain.

## Status on Establishment of National Trade Facilitation Systems/Processes

As a member of the WTO, Malawi is obligated to the following: aligning national legislation to WTO rules, undertaking WTO notification obligations, building institutional capacity, and increasing observation of trade rules. The authorities have already embarked on instituting trade facilitation coordination mechanisms, beginning with the National Trade Facilitation Committee (NTFC).<sup>13</sup>

Malawi became the 91st contracting party of the Revised Kyoto Convention (RKC).<sup>14</sup> At an operational level, Malawi was already implementing RKC best practices, including through the review of the Customs and Excise Act, as well as the introduction of post-clearance audit and risk management units to facilitate trade.

## Status of PPD on Trade Policy and Facilitation

Public-private sector dialogue on trade facilitation takes place at different levels and in various platforms. At the ministerial level is the Public-Private Sector Dialogue (PPD) Forum. The operational level's forums include the National Working Group on Trade Policy (NWGTP) and the Access to Markets Technical Working Group (ATM), which operates as a subcommittee of the Trade Industry and Private Sector Development Sector Wide Approach (TIP SWAp). Dialogue is robust in the PPD Forum and the Access to Markets group; the NTFC will be reporting to ATM group.<sup>15</sup> Mostly, these meetings take place on a quarterly basis and are co-chaired between Industry and Government.<sup>16</sup>

## Status of Implementation of Key Trade Facilitation Measures

### How Does Malawi Rank in TFM Indices?

The World Bank's "Doing Business" indicators provide objective measures of business regulations for local firms in 189 economies and selected cities at the subnational level. These measures include those related to trading across borders, which look at the costs related to border compliance and documentary compliance. The results for Malawi are presented in Table 4.

**TABLE 4: MALAWI – WORLD BANK 'DOING BUSINESS' (2016)**

Trading Across Borders Indicator		Malawi	Sub-Saharan Africa
<b>Export</b> Border compliance	Time to export (hours)	85	108
	Cost to export (USD)	243	542
<b>Export</b> Documentary compliance	Time to export (hours)	131	97
	Cost to export (USD)	342	246
<b>Import</b> Border compliance	Time to import (hours)	64	160
	Cost to import (USD)	143	643
<b>Import</b> Documentary compliance	Time to import (hours)	63	123
	Cost to import (USD)	162	351
<b>DB 2016 trading across borders Ranking</b>		123	
<b>DB 2016 trading across borders Distance to frontier score /100%</b>		59.77	

Source: (World Bank, 2016)

<sup>13</sup> Personal communication with public sector representative in Malawi, 29 April, 2016

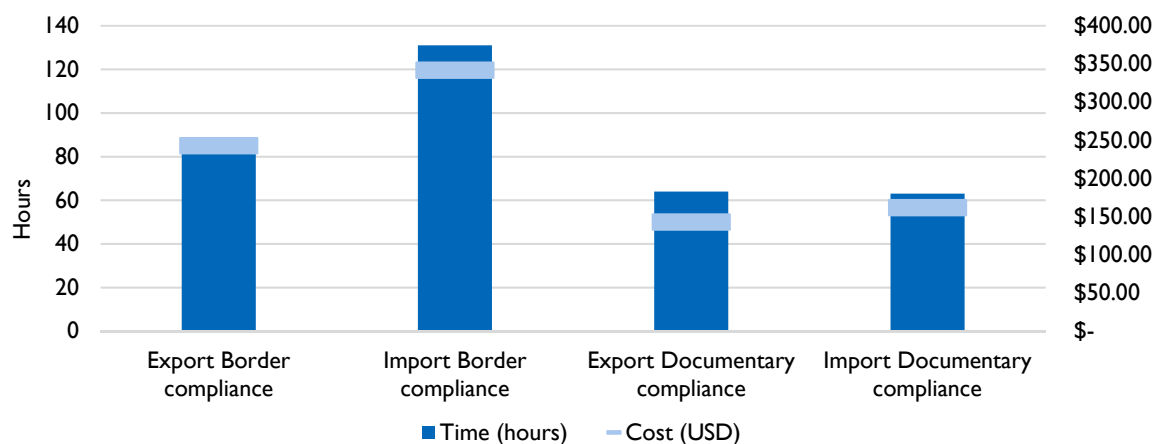
<sup>14</sup> Basically dealing with simplification and harmonization of customs procedures.

<sup>15</sup> The PPD forum secretariat is held by the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) because of its private sector membership structure.

<sup>16</sup> Kambala & Kaferapanjira, 2015

Malawi ranks 123rd out of 160 countries in terms of trading across borders, which is favorable compared to countries such as South Africa (currently ranked at 130). However, Malawi still ranks below average in terms of export documentation and compliance for both the time taken to export and the cost to export, as shown in Figure 2.

**FIGURE 2: MALAWI – DOING BUSINESS, TRADING ACROSS BORDERS**



Source: (World Bank, 2016)

Malawi has implemented reforms that have made trading across borders easier, due to improvements in customs clearance procedures and transport links between the port of Beira in Mozambique and Blantyre (World Bank, 2016). However, recently renewed civil conflict in Mozambique has affected internal transit routes in that country.

**TABLE 5: MALAWI – WORLD BANK LPI 2014**

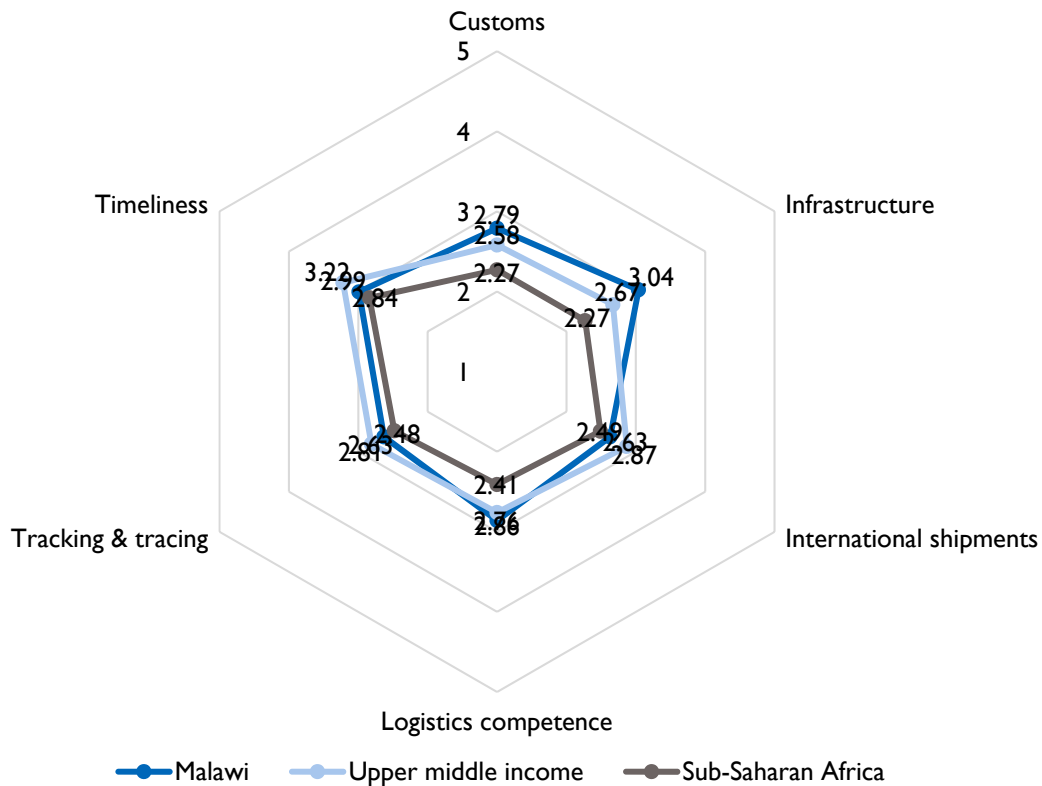
	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timelines	LPI 2014
<b>Rank</b>	<b>62</b>	<b>48</b>	108	70	100	<b>100</b>	<b>73/160</b>
<b>Score</b>	2.79	3.04	2.63	2.86	2.63	2.99	<b>2.81/5</b>

Source: (World Bank, 2014)

In the World Bank Logistics Performance Index (LPI), Malawi’s score is similar to its Doing Business index score. The LPI measures six indicators to generate a holistic view of a country’s performance with regard to cross-border value chains. Overall, Malawi ranks 64th out of the 160 countries measured and scores 2.79 out of a maximum of 5, putting it just above average.



**FIGURE 3: MALAWI LPI SCORES, 2014**



Source: (World Bank, 2014)

Malawi’s potential areas of improvement include customs, international shipments, tracking and tracing, logistics competence, and customs. Considering the WTO TFA focus areas, Malawi stands to gain even more ground in the LPI, as implementation is likely to improve customs, international shipments, logistics/transit, and tracking and tracing.

### Domestic Processes on Trade Facilitation

The OECD Trade Facilitation Indicators (TFI) index aligns with the WTO TFA and provides a way to assess the economic and trade impact of trade facilitation measures.<sup>17</sup> The aim of the TFI is to provide governments with the information to design policy that improves their border procedures, reduce trade costs, and ultimately boosts trade flow. The estimates based on the indicators help inform governments to prioritize specific trade facilitation actions and mobilize technical assistance and capacity-building efforts in a more targeted way. Table 6 shows Malawi’s scores across 11 TFI areas.

17 Moisé, E., T. Orliac and P. Minor (2011), “Trade Facilitation Indicators: The Impact on Trade Costs,” *OECD Trade Policy Papers*, No. 118, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/5kg6nk654hmr-en>

**TABLE 6: OECD TRADE FACILITATION INDICATORS – MALAWI**

OECD TF indicators	Definition	Malawi's Score
Advance Rulings	Prior statements by the administration to requesting traders concerning the classification, origin, valuation method, etc., applied to specific goods at the time of importation; the rules and process applied to such statements.	0.00
Appeal Procedures	The possibility and modalities to appeal administrative decisions by border agencies.	1.00
Co-operation – External	Co-operation with neighboring and third countries.	0.00
Co-operation – Internal	Co-operation between various border agencies of the country; control delegation to customs authorities.	0.00
Fees and Charges	Disciplines on the fees and charges imposed on imports and exports.	1.00
Formalities – Automation	Electronic exchange of data; automated border procedures; use of risk management.	1.00
Formalities – Documents	Simplification of trade documents; harmonization in accordance with international standards; acceptance of copies.	0.33
Formalities – Procedures	Streamlining of border controls; single submission points for all required documentation (single windows); post-clearance audits; authorized economic operators.	1.00
Governance and Impartiality	Customs structures and functions; accountability; ethics policy.	0.86
Information Availability	Publication of trade information, including on internet; enquiry points.	1.50
Involvement of the Trade Community	Consultations with traders.	1.00

Source: (OECD, 2015)<sup>18</sup>

The OECD TFI scores countries' performance in each indicator on a scale from 0 (the lowest) to 2 (the highest). On the basis of this measurement, Malawi has not been performing well when it comes to advance rulings, external and internal cooperation, and formalities – documents. Some progress is being made toward improving transparency on fees and charges, appeals, customs procedures automation, and information availability.

### Domestic Processes on Trade Facilitation

To effect the Revised Kyoto Conventions (RKP), the Malawi Revenue Authority (MRA) is in the process of reviewing its Customs and Excise Act. Reflecting the results of the OECD TFI scores for Malawi, MRA has reported that it has not yet implemented advance ruling customs procedures, citing a lack of start-up financing.<sup>19</sup> Meanwhile, MRA has been able to migrate to ASYCUDA World, which is an information and communications technology (ICT) system to improve efficiency of customs operations, allowing for interface with other government agencies, more use of e-documents, and better reporting on a pilot basis. The migration has not been smooth; problems have included long down times due to poor connectivity.

With support from the World Bank Group (WBG), the government has implemented the Trade Portal,<sup>20</sup> which is live, and it will soon embark on a national single window project that will span the next five years. The first stage will be to undertake a feasibility assessment and develop the blueprint. The African Development Bank (AfDB) supports the development of some one-stop border posts (OSBPs), beginning

<sup>18</sup> <http://www2.compareyourcountry.org/trade-facilitation?cr=oeed&lg=en&page=0>

<sup>19</sup> Report of National Trade Facilitation meeting, December 9, 2015.

<sup>20</sup> [www.malawitradeportal.gov.mw](http://www.malawitradeportal.gov.mw)

with the biggest (in terms of volume), Mwanza and Songwe. The government's road map toward launching a full-fledged NSW includes a business process re-engineering involving all trade governance subsystems to ensure addressing all non-tariff measures that are creating unnecessary barriers to trade.

Malawi has not yet ratified the WTO Trade Facilitation Agreement (TFA), nor notified its Category A commitments. According to relevant authorities, the technical work has been completed and the ratification process is in its final stages.<sup>21</sup>

## Measures Facilitating Trade Facilitation within Southern Africa

The importance of the regional trading environment, and systems that enable trade facilitation, on Malawi's trade performance is well-recognized within Malawi's trade community. While customs modernization is progressing well, with the recent rollout of the web-based ASYCUDA World, significant technology, administrative, and structural problems still constrain Malawi's performance as a trading nation. The submission of customs declarations in hard copy remains the norm,<sup>22</sup> and the country's weak internet connectivity network<sup>23</sup> continues to be a significant constraint.

As a landlocked country, Malawi depends heavily on the efficiency of transit corridors and ports in neighboring countries. Despite some progress in the past six years, Malawi remains heavily dependent on the efficiency of the corridors. Ongoing efforts notwithstanding, transport time to the nearest maritime port still is usually several days. This was raised as the major concern for trade facilitation by many KII respondents during the course of fieldwork for this study.<sup>24</sup> This increases the cost of trading and also limits the range of exportable products, effectively excluding most types of perishables. Clearly, transit procedures through Mozambique, and Zimbabwe in particular, are critical to the regional integration agenda in SADC, as far as Malawi is concerned.

## Impediments to Trade and Trade Facilitation

Despite some of the aforementioned positive developments, some practices are bottlenecks to trade and trade facilitation. Malawi requires *import and export licenses*, and other non-tariff measures, for a large number of products from traders when they import or export goods. These licenses are often difficult to obtain; although fees are not charged on the licenses themselves, KII respondents expressed concerns about the delays in obtaining them from agencies based only in the capital city of Lilongwe.<sup>25</sup> Another KII respondent also mentioned that to ensure that licenses are obtained in time, companies often have to send staff door-to-door to collect the necessary signatures to obtain the relevant licenses, creating additional staffing costs and putting particular burdens on small companies.<sup>26</sup>

The way licenses are administered also generates some uncertainty in the market, as companies cannot sign longer-term (and more lucrative) export contracts amid uncertainty as to whether they can obtain licenses in time or whether export bans will be introduced.<sup>27</sup> This negatively impacts their investment decisions and, subsequently, their access to credit as the financial sector avoids this risk.

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21 Personal communication with public sector representative in Malawi, April 29, 2016

22 World Trade Organization (WTO), Malawi Trade Policy Review 2016.

23 Personal communication with public sector representatives in Lilongwe on April 28, 2016, and private sector firms in Blantyre on April 27, 2016.

24 Personal communication with private sector representatives and firms in Blantyre, Malawi on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

25 Personal communication with a trade association representative in Blantyre Malawi, April 27, 2016.

26 Personal communication with a private sector firm in Lilongwe Malawi, April 26, 2016

27 Personal communication with private sector representative in Lilongwe, Malawi, April 25, 2016

The application of *mandatory standards* is particularly restrictive and increases delays and costs, as import inspections often duplicate tests undertaken by qualified laboratories in countries of origin.<sup>28</sup> The Malawi Bureau of Standards (MBS) enforces mandatory standards (called technical regulations) in Malawi to ensure that products are safe for consumers to use or consume, and importers have to demonstrate compliance with Malawi technical regulations. The MBS tests all consignments of products covered by a technical regulation at borders and does not recognize other countries' certificates of conformity.<sup>29</sup> This means that consignments with certificates of conformity from regional or international standards bodies demonstrating compliance with Malawi standards are retested when they arrive at Malawi's borders. This lack of mutual recognition and duplicative testing leads to additional costs and delays for such products upon importation. These delays drive up costs for companies in Malawi.<sup>30</sup> One private sector respondent reported that some of the standards are overly restrictive and, in practice, support revenue collection rather than trade facilitation.<sup>31</sup>

Moreover, within the context of border management, a solution to the multiplicity of border agencies remains elusive, despite a Cabinet directive to restrict the number of institutions at the border. Agencies at the border are not coordinated; for example, they do not have joint risk assessment strategies that would have allowed for joint checks. This causes delays at the border and drives up demurrage charges.

Multiple Tariff and Tariff Nuisance: The simple average applied MFN tariff for Malawi in FY 2015–16 is 12.7 percent, down from 13.1 percent in FY 2009–10.<sup>32</sup> Malawi has multiple tariff structure comprising eight percentage bands: 0, 5, 7.5, 10, 15, 20, 25, and 200, compared to six percentage bands (0, 5, 7.5, 10, 20, and 25) in FY 2009–10. This has raised the incidence of tariff nuisance<sup>33</sup> and creates confusion among traders. During the trade policy review process, MRA indicated a desire to address both of these elements in the 2016–17 financial year.

## FINDINGS

### Ranking TFMs in Terms of Priority

This section presents participants' TFM rankings. The analysis addresses Assessment Question 4 and is based on findings from both the KIIs and the online survey to examine the relative importance that members of the wider Malawian trading community place on TFMs. Annex II details the selection process of the initial list of TFMs. Table 7 shows how many times KII respondents raised a TFM as a priority across respondent categories. This information was used to select the TFMs to examine to answer questions 1–3 in the report.

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28 Personal communication with a private sector firm in Lilongwe, Malawi, April 26, 2016

29 Background interview with a representative from public sector Malawi, April 28, 2016

30 Personal communication with private sector representatives and firms in Blantyre, Malawi on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

31 Personal communication with a private sector firm in Lilongwe Malawi, April 26, 2016

32 WTO, Malawi Trade Policy Review (WT/TPR/S/335), pg. 7

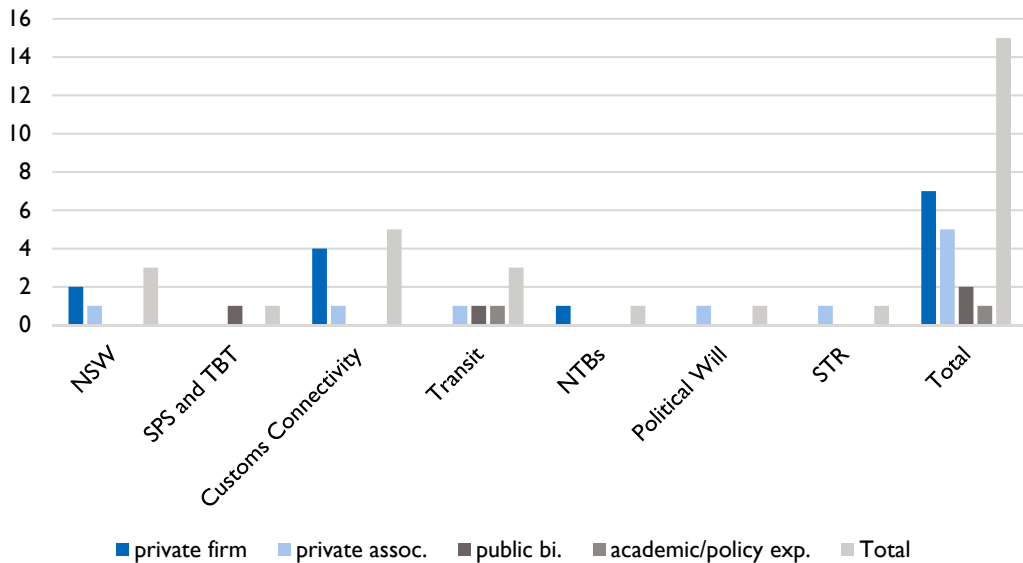
33 A tariff so low that it costs the government more to collect it than the revenue it generates. It sometimes refers to a tariff that does not have any protective effect — some countries defend this as necessary to raise revenues.

**TABLE 7: TFM<sub>s</sub> AND CROSS-CUTTING ISSUES RAISED BY MALAWI KII RESPONDENTS**

Final List of Priority TFM <sub>s</sub> for Malawi		Priority TFM <sub>s</sub> Identified During Desk Review	Total Private Firms: 7	Total Private Associations: 5	Total Public Bilateral Govt. Agencies : 2	Total Int'l Donors/ Academics/ Policy Experts: 1	Total Organizations Represented by KII Respondents: 15
1	Improved Coordinated Border Management (CBM) and agency coordination	Y	3	3			6
2	Harmonization of customs procedures related to electronic clearing and IT connectivity at borders	Y	5	2			7
3	Stronger Risk Management Systems			1			1
4	Removal of non-tariff barriers (NTBs)		3		1		4
5	Enhanced coordination and notification of changes regional transit procedures	Y	3	2	2	1	8
6	Simplified and harmonized documentation for trade,						0
7	National Single Window (NSW)	Y	3	2	1	1	7
8	Rail and road infrastructure upgrades						0
9	One Stop Border Posts (OSBP)		1	1			2
10	Trade Information portal	Y					0
11	Fees and charges	Y	1		1		2
12	Efficiency at seaports and linking infrastructure upgrades						0
13	Removal of Technical Barriers to Trade (TBTs) including sanitary and phyto-sanitary (SPS) measures		2			1	3
14	Monitoring Trade Corridors and Borders	Y					0
15	Authorized Economic Operators (AEOs) preferred Trader (or driver) schemes						0
16	Simplified Trade Regime (STR)			1			1

Figures 4, 5, 6, and 7 illustrate how KII respondents across the categories ranked the various TFMs as their first, second, and third priorities for implementation. The 16 KII respondents in Malawi chose to speak in detail on about 10 TFMs that they regarded as priorities. Figure 4 shows that “transit” was most frequently cited by KII respondents as their No. 1 priority for implementation, with the national single window coming in as the second-most commonly cited priority.

**FIGURE 4: HOW THE 16 MALAWI KIIs RANKED THE POSSIBLE TFMs FOR THEIR FIRST PRIORITY TO IMPLEMENT**

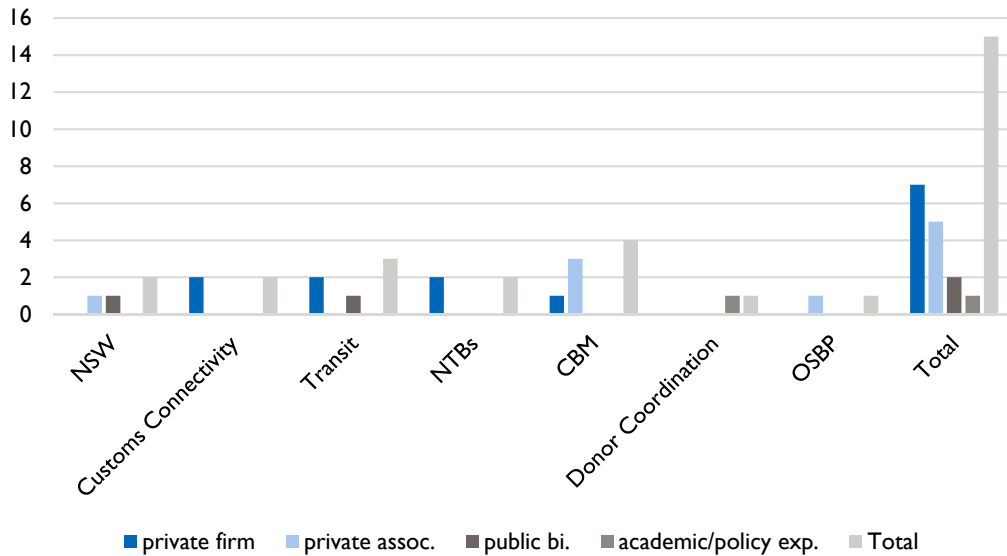


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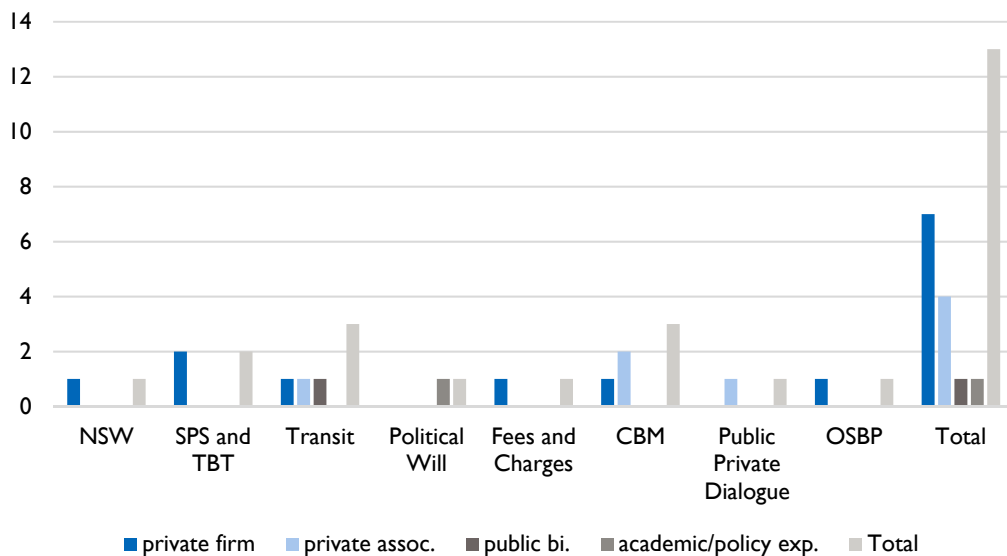
Figures 5 and 6 show KIIs preferences for the positions ranked second and third. NSW is the most commonly cited TFM for the No. 2 ranking, while customs connectivity emerges as the most popular selection for No. 3.

<sup>34</sup> Public bi. stands for Public Sector Bilateral Agency.

**FIGURE 5: HOW THE 16 MALAWI KIIs RANKED THE POSSIBLE TFM<sub>s</sub> FOR THEIR SECOND PRIORITY TO IMPLEMENT**



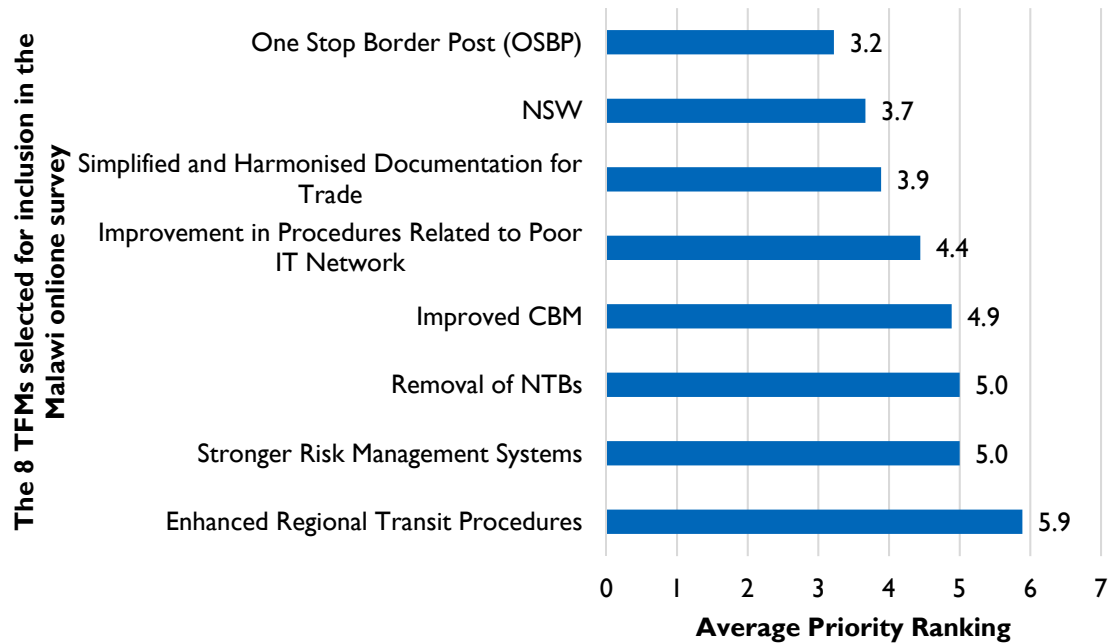
**FIGURE 6: HOW THE 16 MALAWI KIIs RANKED THE POSSIBLE TFM<sub>s</sub> FOR THEIR THIRD PRIORITY TO IMPLEMENT**



The respondents to the Malawi online survey were also asked to rank TFM<sub>s</sub> in order of importance to their businesses.

Figure 7 shows each TFM’s average score as ranked by the Malawi online survey respondents. They ranked the eight TFM<sub>s</sub> selected for the Malawi online survey against each other to prioritize them for implementation in their country based on each TFM’s potential beneficial impacts for their business.

**FIGURE 7: HOW 10 ONLINE SURVEY RESPONDENTS RANKED THE EIGHT SELECTED TFM<sub>s</sub> AS A PRIORITY FOR IMPLEMENTATION IN MALAWI**



Using this data, the assessment team developed rankings for the TFM<sub>s</sub> in answer to Assessment Question 4. Table 8 shows the two sets of rankings side by side. The TFM<sub>s</sub> are taken from the WTO’s technical definition. The study team’s assessment was that differences in the rankings, while notable in two of the top four priorities, can be attributed to characteristics of the two respondent groups. More importantly, differences in the rankings can be explained to a degree by some TFM<sub>s</sub> representing different aspects of interconnected issues, so that the wording of some TFM<sub>s</sub> in fact masks the overlap between priorities. While different priorities contain significant differences, in some cases these can be nuances, and the rankings have more in common than is first apparent. The following section discusses this in more detail.

**TABLE 8: FINAL TFM RANKINGS FOR TWO DATA SETS (HIGHEST TO LOWEST)**

KII-prioritized TFM <sub>s</sub> for Southern African implementation	Online survey prioritized TFM <sub>s</sub> for implementation in Malawi
<ol style="list-style-type: none"> <li>1. Regional transit procedures</li> <li>2. National single window</li> <li>3. Customs connectivity</li> <li>4. Coordinated border management</li> </ol>	<ol style="list-style-type: none"> <li>1. One-stop border posts</li> <li>2. Simplified and harmonized procedures for trade</li> <li>3. National single window</li> <li>4. Customs connectivity</li> <li>5. Coordinated border management</li> <li>6. Removal of NTBs</li> <li>7. Strong risk management systems</li> <li>8. Regional transit procedures</li> </ol>

### Analysis of Rankings

KII respondents ranked regional transit procedures (RTPs) as the top priority, but online survey respondents ranked RTPs as priority eight. The top-ranked issue for online respondents is one-stop border posts. At the heart of the KII ranking of RTPs as the No. 1 priority was frustration that transit procedures are neither transparent nor streamlined across the region. This frustration is echoed in the



online ranking of OSBP, which would clearly be part of the solution for addressing traders' dissatisfaction with the current ease of regional cross-border trading.

Most KIIs have been involved in the preliminary deliberations of the World Bank NSW project. This is another explanation for the difference in how key informants and online respondents expressed their understanding of the wider issue of ease of cross-border trade. As such, many KIIs (in particular the private sector associations and public sector representatives) may think about the issue of trade facilitation through the lens of procedural requirements. These respondents also might have brought a more detailed understanding of the stages of NSW implementation, including simplification and harmonization of trade procedures and coordination of border management.

## Key Obstacles and Challenges to Trade

This section is a synthesized discussion of the findings across KII respondent categories about the key obstacles, constraints, and challenges to cross-border trade in Malawi. KII respondents mentioned a wide range of issues due to the open-ended nature of this question. Many issues are also closely linked to the priority TFMs identified by KII respondents. This section does not rank or prioritize the obstacles.

**Non-Tariff Barriers:** Private sector KII respondents noted that one of the key challenges to cross-border trade is the overall cost of NTBs in Malawi.<sup>35</sup> Respondents referred to several NTBs, including poorly administered TBT and SPS requirements, corruption, and a complex and sometimes capricious licensing regime, much of which is applied in an uneven and confusing manner.<sup>36</sup> Although no study has been undertaken to determine their cost in the Malawi context, respondents expressed that they knew of or had experienced major delays in business transactions to comply with various NTB procedures, many of which they regard as irrelevant. Malawi has more than 200 non-tariff measures,<sup>37</sup> in some cases based on pre-colonial legal grounds (for example, the Control of Goods Act). This translates into non-tariff barriers that cause a nuisance to traders and add unnecessary fixed costs. One KII respondent in the freight forwarding business stated that these barriers can add a delay of up to two weeks to a shipment.<sup>38</sup> Some KII respondents linked the cost of trade, and the unpredictability of when consignments will make it to market, directly to NTBs.<sup>39</sup>

NTBs are of particular concern to exporters and importers in Malawi, as they are a major impediment to international trade and can prevent market access. Exporting companies seeking access to foreign markets and companies importing products need to comply with a wide range of non-tariff measures, including technical regulations, product standards, and customs procedures. Whereas NTMs are an integral aspect of modern-day trade practice, their welfare benefit must be balanced with boosting competitiveness or the result will be a rise in NTBs. This is the case in Malawi; due to the slow pace of reforms, some NTMs are no longer relevant and have become NTBs.

**Transit Procedures:** KII respondents raised access to seaports and the uneven application of regional transit procedures as major constraints to efficient cross-border trade.<sup>40</sup> Transit requirements, including the lack of transparency in the administration of fees and charges, can be a significant impediment to the

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35 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

36 Personal communication with academia representative on May 18, 2016, public sector representatives in Lilongwe on April 27 and 28, 2016, and private sector firms in Blantyre on April 28 and 29, 2016.

37 See Malawi Trade Portal. [www.malawitradeportal.gov.mw](http://www.malawitradeportal.gov.mw)

38 Personal communication with a trade association representative in Lilongwe, April 25, 2016.

39 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

40 Personal communication with academia representative on May 18, 2016, public sector representatives in Lilongwe on April 27 and 28, 2016, and private sector firms in Blantyre on April 28 and 29, 2016.

flow of trade in Malawi. Many respondents cited the problem of changes to transit procedures between Mozambique and Zimbabwe not being communicated through effective channels nor an official strategy. The TFA requires publication of information on fees and charges imposed in connection with transit, importation, and exportation. An example of this was when transit bonds nearly blocked cargo out of Malawi in 2014.<sup>41</sup> Despite efforts between the relevant agencies at a bilateral level, little has changed in recent years. One KII summed up the only difference by saying that while Zimbabwe authorities will adjust or remove the impediment when confronted, the authorities in Mozambique are not cooperative.<sup>42</sup> Such feedback aligns with respondents' perception that bilateral efforts between the governments to improve transit procedures are not yielding sufficient progress for regional transit reform. This applied in particular to advance notification of changes in procedures and fair application of fees and charges. One solution being proposed by respondents is adopting a regional (SADC) approach to formulating and monitoring transit measures. Such an approach could mitigate vested interests in the transit trade economy that benefit maintaining from the status quo.<sup>43</sup> According to KII respondents, the main vested interests are to promote Mozambican/Zimbabwean truckers to move most of the transit cargo, and to maximize fiscal revenues from trade.<sup>44</sup>

**Coordinated Border Management:** CBM is another challenge to cross-border trade that private sector KII respondents flagged. Malawi has more than a dozen agencies at the border with the objective of regulating trade, and a lack of coordination between the various agencies is a major impediment, respondents said.<sup>45</sup> They pointed to a lack of a coordinated risk management systems, information requirements that are not streamlined, lack of information-sharing among the cross-border agencies, poor congestion management, and staffing issues such insufficient personnel to handle the workload. This causes variation in delivery time and flows into costs, which diminishes the economic value for traders and consumers.

**Simplified Trade Regime:** The Common Market for Eastern and Southern Africa (COMESA) implemented the simplified trade regime (STR) to help small traders benefit from preferential rates that commercial traders pay when importing or exporting goods within COMESA member states. The regime is operational between Zimbabwe and Zambia, and Zimbabwe and Malawi. Goods imported under the Simplified Certificate of Origin enter Malawi free of customs duty. This certificate is issued at the border by the customs officer and is for consignments of USD \$2,000 or less. One KII respondent representing a private sector association stated that the regime was not working well on the Malawi side. Malawi has not raised the threshold to USD \$2,000 (unlike the other two regional partners); MRA has not designated officers to handle STR clients at the border; and the Cross-Border Charter that the regional parties negotiated is also not being implemented. Additionally, KIIs mentioned the need for a publicity campaign among small traders to raise awareness on the availability and use of this service. In some cases, small traders smuggle commodities across porous borders even where those commodities are duty-free.

**Customs Procedures:** The respondents also talked about the complexity of the customs regime and procedures. For example, both private and public sector KII respondents spoke of the lack of coordination between government agencies and limited connectivity of government IT systems. This was viewed as undermining the progress of the Malawi Revenue Authority (MRA), in particular, to move to a paperless system through its customs modernization program.

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41 Personal communication with public sector representatives in Lilongwe on April 25 and 26, 2016, and private sector firms and representatives in Blantyre on April 28 and 29, 2016.

42 Personal communication with a trade association representative in Blantyre, April 28, 2016.

43 Personal communication with a representative of private sector firms in Blantyre, April 27, 2016.

44 Personal communication with a representative of private sector firms in Blantyre, April 28, 2016.

45 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

## Other Constraints to Trade

**Security and Trade:** Some respondents cited conflict in Mozambique as a constraint on trade, particularly when transiting through Mozambique to Beira or Nacala. Sixteen months after the ruling party, the Mozambique Liberation Front (Frelimo), won elections in October 2014, tensions have been running high with the opposition Mozambique National Resistance (Renamo) guerillas. In an escalation of a simmering conflict between old civil war foes, army operations began in Tete Province in October 2015, and thousands have fled to bordering Malawi fearing violence and harassment from government soldiers. The situation is still evolving in Mozambique. Private sector KIIIs reported incidents of hijacking, thefts of containers, and cargo missing in transit. The situation represents a major and immediate threat to regional trade for Malawi and other countries in the region, like Zimbabwe and Zambia.

**Application of Arbitrary Fees and Charges:** Transit fees in Mozambique are a concern for Malawian transporters and are now regarded as an NTB by the Malawi authorities and private sector organizations. The TFA requires transparent publication of fees and promotes reducing the number and diversity of fees. The GoM has submitted a complaint to Mozambique via the SADC Secretariat, and the Government of Mozambique has failed to justify the arbitrary fees.<sup>46</sup> The GoM is pressing for a regional study to guide applicable fair fees and charges, and there is hope that this will produce a benchmark for referencing by governments.

## FINDINGS FOR ASSESSMENT QUESTIONS 1-3 BY TFM

This section presents the findings for assessment questions 1-3 for each of the three TFMs selected as priorities for implementation in Malawi. The frequency counts of how KII respondents prioritized the TFMs are presented in Table 9. The online survey findings and qualitative findings derived the content analysis from KII data collection are presented under each TFM and related assessment question. Graphs that demonstrate how online survey respondents ranked and rated Enhanced RTPs as a priority for implementation in Malawi based on their perception of its potential economic benefits are presented under Assessment Question 1.

### TFM Priority #1: Regional Transit Procedures

Regional transit procedures (RTPs) refers to procedures that allows goods to move under customs control from the customs office of departure to the customs office of final destination (Article 9 of the WTO TFA) and all measures related to the freedom of transit (Article 11 of the WTO TFA). These provisions are intended to improve the movement of goods across other territories in the region before their final destination. In the SADC region, the Transit Management System was adopted in 2009 to harmonize and standardize procedures for goods in transit. It includes transit procedures and a bond guarantee system; however, none of the members have subscribed to its implementation.<sup>47</sup>

The KII respondents that raised this measure as a priority referred to some particular aspects of the Malawi context when discussing RTP. The most frequently mentioned issue was the unpredictability and lack of transparency in the application of fees and charges and other administrative requirements along transit routes through Mozambique and Zimbabwe.<sup>48</sup> According to the respondents, authorities in these countries have a tendency to change measures without informing importers and exporters from Malawi,

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<sup>46</sup> Meeting Report, National Trade Facilitation Committee, December 9, 2015.

<sup>47</sup> SADC TFP Draft 12-04-16, p. 31-32

<sup>48</sup> Personal communication with academia representative on May 18, 2016, public sector representatives in Lilongwe on April 27 and 28, 2016, and private sector firms in Blantyre on April 28 and 29, 2016.

and this causes major logistical challenges. In addition, they apply the fees and charges in an unfair and inefficient way.<sup>49</sup> Provided examples included delays in the administration of the *contra marca* number<sup>50</sup> requirement and charging for various commodity scans and spot-checks that are never conducted (e.g., along the Nacala corridor and port). KII respondents noted that Malawian authorities have been trying to engage with their counterparts, but the situation on the ground is not changing. The context has further been complicated with the insurgence of a civil war in the northern part of Mozambique.<sup>51</sup>

Private sector KII respondents singled out other issues as well, including inadequate intermodal transport infrastructure in the transit region with a focus on road transport rather than rail for bulky cargo.<sup>52</sup> More generally, investment in the region's rail infrastructure has been limited. Road transport remains the most dominant, accounting for close to 80 percent of all trade cargo. In recent years, there has been investment in the Sena Railway to connect the Moatize coal field to the port city of Nacala-a-Velha (in Mozambique) through Malawi. Construction is currently halted at the moment because of conflict, but it is expected that this will offer an alternative and more competitive mode of transport along the Nacala corridor.

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49 Personal communication with a trade association representative in Blantyre Malawi, April 28, 2016.

50 Every consignment transiting or imported into Mozambique needs to be bonded through Mozambique pending final clearance or re-export into a neighboring country. To show that this bond is in place, this so-called *contra marca* number is issued. It has to be in place before a consignment can be dispatched. In the case of transit cargo, this number is obtained by the truckers' border agent. In the case of import cargo to Mozambique, the importer's customs clearing agent obtains the number.

51 Personal communication with academia representative on May 18, 2016, public sector representatives in Lilongwe on April 27 and 28, 2016, and private sector firms and trade associations in Blantyre on April 28 and 29, 2016.

52 Personal communication with public sector representatives in Lilongwe, Malawi, on April 26 and 28, 2016.

**TABLE 9: KII FINDINGS FOR TFM PRIORITY #1, REGIONAL TRANSIT PROCEDURES**

Count of Organizations Represented During the KIIs by Respondent Category <sup>53</sup>	Private Sector – Firms 3/7	Private Sector – Associations 2/5	Public Sector – Bilateral Agencies 2/3	Academics, Policy Experts/ Other Donors 1/1
<b>Malawi TFM Priority # 1 Enhanced Regional Transit Procedures</b>				
<b>Assessment Question 1: What is the potential range of benefits associated with the implementation of this TFM?</b>				
Reduced time to trade?	Yes - 3	Yes - 2	Yes - 2	Yes - 1
Reduced cost to trade?	Yes - 3	Yes - 2	Yes - 2	Yes - 1
Reduced paperwork and administration?	Yes - 1 No - 2	No - 2	No - 2	No - 1
More certainty on when goods will get to market?	Yes - 3	Yes - 2	No - 2	No - 1
More certainty on costs to trade?	Yes - 2 No - 1	Yes - 2	Yes - 1 No - 1	Yes - 1
More firms/ association members interested in beginning international trade?	No - 3	Yes - 1 No - 1	No - 2	No - 1
<b>Assessment Question 2: What is the potential range of costs associated with the implementation of this TFM?</b>				
Estimated cost to implement?	Don't know - 3	Don't know - 2	Don't know - 2	Don't know - 1
How much time do [public sector] respondents think is required for government to implement this measure? <sup>54</sup>	Not asked - 3	Not asked - 2	Don't know - 1 Not asked - 1	Less than 6 months - Less than a year - More than 18 months - More than 2 years - Don't know - Not asked -
What types of costs/ resources do public sector respondents think are required to implement this TFM?	Not asked - 3	Not asked - 2	Don't know - 1 Not asked - 1	Not asked - 1
Of these types of costs, which would be the biggest government expense to implement this measure?	Not asked - 3	Not asked - 2	Don't know - 1 Not asked - 1	Not asked - 1

53 The count represents the number of organizations represented by the group and individual KIIs that answered specific questions for this TFM out of the total number of organizations represented in the country study for that category

54 The questions on the amount of time and types of costs/resources required to implement each TFM were included in the KII instruments for and directed to public sector and policy experts, academics, or other donors only, unless a private sector respondent was knowledgeable about the costs.

Count of Organizations Represented During the KIIs by Respondent Category <sup>53</sup>	Private Sector – Firms 3/7	Private Sector – Associations 2/5	Public Sector – Bilateral Agencies 2/3	Academics, Policy Experts/ Other Donors 1/1
<b>Assessment Question 3: What is the timeframe and feasibility for the implementation of this TFM?</b>				
Are there other measures or steps that need to be taken before this TFM can be implemented?	Yes - 1 Don't know - 2	Yes - 1 No - 1	Yes - 1 No - 1	Don't know - 1
If yes, what are the steps or measure that need to be undertaken before implementation of this TFM?	1- Implementation of SADC Trade Agreements	1 - At regional level, SADC needs to be more aggressive in mediation and monitoring implementation of Trade Agreements	1 - Implementation of SADC Trade protocol	-
Any opinion on why this TFM isn't implemented yet?	2 - Malawi has demonstrated political will/ made efforts 2 - Lack of political will is on the Mozambique side 1- Implementation has been focused on road transport and current efforts have targeted rail. There is need to also target water transport 1 - It is dependent on bilateral agreements about transit processes/ it's beyond Malawi's direct control	1 - Malawi has demonstrated political will made efforts 2 - Lack of political will is on the Mozambique side 1 - Security of goods is not guaranteed in Mozambique. There is theft of goods even from sealed containers 1 - There is the issue of their bond mechanisms which are also not working well	1 - Malawi has made efforts with Mozambique, lack of political will is on the Mozambique side 1 – Mozambique civil war is an impediment 1 - It is dependent on bilateral agreements about transit processes/ it's beyond Malawi's direct control	1 - Lack of transport infrastructure 1 – It is dependent on bilateral agreements about transit processes/ it's beyond Malawi's direct control 1 - Malawi has demonstrated political will made efforts

**Assessment Question 1: What is the potential range of benefits associated with the implementation of TFM Priority #1?**

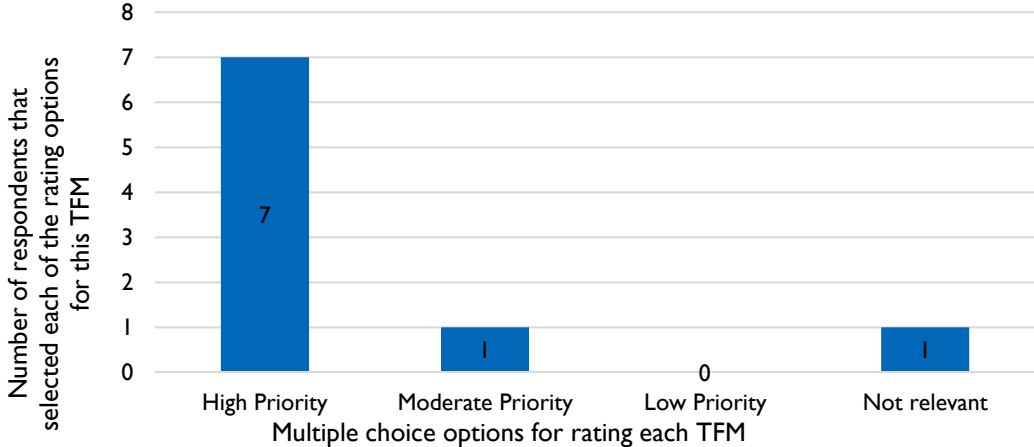
**KII Findings Summary**

RTP was a priority for eight of the 16 KII respondents and was discussed in detail during the Malawi interviews across the respondent categories. These KII respondents identified a range of significant benefits if RTP were implemented. Across the categories, respondents agreed that effective implementation of regional transit procedures would reduce time and cost to trade, leading to more certainty on when goods will reach market. Private sector respondents also expressed the opinion that implementation of RTP would improve certainty as to the costs to trade, thus increasing transparency. According to respondents, it would afford firms the space and certainty to better plan and would boost competitiveness.

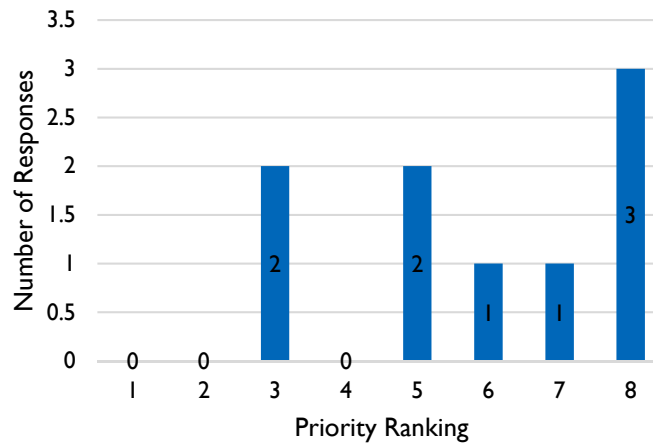
**Online Survey Responses**

Online survey respondents were asked to prioritize the eight selected TFMs for implementation based on the potential beneficial impacts of the TFM for their businesses. Figure 8 shows how the nine Malawi online survey respondents ranked RTP among the eight selected TFMs as a priority for implementation in Malawi, with 1 being the highest priority and 8 being the lowest priority.

**FIGURE 8: MALAWI ONLINE SURVEY FINDINGS FOR HOW RESPONDENTS RATED ENHANCED RTP**



**FIGURE 9: HOW ONLINE SURVEY RESPONDENTS RANKED RTP AS A PRIORITY AMONG THE EIGHT SELECTED TFMs**



Seven of the eight online survey respondents rated enhanced RTP as a “high-priority” trade facilitation measure. However, when comparing it to a list of seven other TFMs selected for the Malawi online survey, no respondents ranked it as either their first or second priority, and only two of the eight respondents ranked it as their third priority.

The content analysis from the KII respondents who chose RTP as a priority measure show a high degree of convergence in their perspectives about the obstacles, challenges, and constraints for RTP implementation. This also applies to the perceived benefits highlighted by the KII respondents, such as reductions in time to trade and cost of trade. Seven respondents stated that a reasonable RTP system would benefit traders in terms of certainty of trade costs. These benefits are based on the assumption that RTP would reduce delays (especially in Mozambique) that are affecting trade logistics.

Moreover, in Southern Africa, transporters involved in transit operations have to buy a customs bond at least equal to the duty payable on the cargo for each border crossed. Having to buy a bond at each border adds to the cost and complexity of cross-border transit in the regional context.<sup>55</sup> In addition, the lack of information and transparency in the application of procedures in transit countries is driving up trade costs, as the traders have to hedge against the risk of uncertainty.

All respondent categories gave examples of areas that need to improve for the region to have a well-functioning regional transit system. These include: making accessible clear descriptions of import and export procedures, customs administrative requirements, and documentation; a guarantee framework; providing a description of the transit routes with applicable fees and charges; corruption and bribery; security; and notifying users of changes when they are made.

**Assessment Question 2: What is the potential range of costs associated with the implementation of TFM Priority #1 RTP?**

This section presents a brief summary of findings on perceived costs to implement enhanced RTP, as presented in Figure 9. Respondents didn't have much knowledge of the costs to implement most TFMs across the different categories. The study addressed certain questions on costs to public sector respondents based on the assumption that private sector respondents would be less informed of the costs to the government to implement TFMs.

<sup>55</sup> Personal communication with a trade association representative in Blantyre, April 28, 2016.



The nature of RTP appeared to make it particularly challenging for both the public and private sector respondents to speak to costs. This is because, as discussed, implementation of the measures would have to be by Mozambican/Zimbabwean authorities and not the GoM. As such, not surprisingly, the public sector respondents did not have an idea of underlying costs to implement RTP. However, their overall impression was that most of the measures related to addressing RTP would be costly not as much in financial terms as in terms of political will and a change in mindset toward facilitating trade as part of the broader regional trade integration agenda.<sup>56</sup>

Nevertheless, some level of financial investments would have to be made toward coordination between the Malawi and Zimbabwe/Mozambican customs authorities and ensuring interoperability so that the respective systems can “talk to each other.” Additional costs could reasonably be expected for efforts to curb corruption among Mozambican/Zimbabwean public officials.<sup>57</sup> A principal problem is the need for a transparent system of notifying third parties of changes in procedures and measures.<sup>58</sup> The costs related to enhancing transparency would be expected to be administrative in nature.

It could be expected that some cost centers would be required for improving security along the transit routes. Private sector KII respondents in general bemoaned the lack of security for cargo in transit.<sup>59</sup> For example, bales of sugar may be replaced with bags of sand; sometimes whole containers go missing on the Mozambican route.<sup>60</sup>

### **Assessment Question 3: What is the feasibility and timeframe of the implementation of TFM Priority #1 RTP?**

Of the three KII respondents representing private firms that raised enhanced RTP as a priority, one said that the implementation of SADC Trade Agreements was necessary before RTP can be expected to improve. Of the two KII respondents representing trade or supply chain associations, one said that at the regional level, SADC needs to be more aggressive in mediation and monitoring implementation of trade agreements before enhanced RTP can be implemented. Of the two respondents representing bilateral agencies, one said the implementation of the SADC Trade Protocol is necessary.

From the KII respondents across all response groups who prioritized this TFM, the consensus is that implementation is feasible but complexities exist due to the reluctance of Mozambique and Zimbabwe to address transit challenges for Malawi traders in their countries.<sup>61</sup> Rail linkages to the seaports are becoming a reality with recent investments by Vale,<sup>62</sup> but transit procedures remain to be negotiated.<sup>63</sup> For example, the transit bond mechanisms are not working well (see preceding reference to *contra marca*).

In terms of the timelines to implement these measures, the public sector KII respondents indicated that the onus was on the Mozambique/Zimbabwe side, and that implementation of this measure is at the mercy of political processes. The perception was that Mozambique in particular has been dragging its feet on any measures that will facilitate transit trade. For example, despite agreeing with the GoM some three years

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56 Personal communication with a public sector representative in Lilongwe, April 26, 2016.

57 Personal communication with a public sector representative in Lilongwe, April 26, 2016.

58 Personal communication with a public sector representative in Lilongwe, April 26, 2016.

59 Personal communication with private sector representatives and firms in Blantyre, Malawi on 27 and 28 April 2016 and in Lilongwe on 25 and 26 April, 2016.

60 Personal communication with private sector firm in Blantyre on April 27, 2016.

61 Personal communication with a trade association representative in Lilongwe, April 28, 2016.,

62 The goal of this project is linking the Moatize coal mine to Nacala-à-Velha, where Vale is building a deep-water seaport, revamping some 682 kilometers of existing railroads and laying a new 230-kilometer section. The corridor is crossing the south of Malawi, bordering Mozambique.

63 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on and April 25 and 26, 2016. Public sector representatives met on April 25 and 26, 2016.

ago on the need to have a one-stop border post at Mwanza, Mozambique has yet to countersign the agreement.

The respondents noted little improvement in the implementation of RTP, despite several efforts at the bilateral level with procedures in Mozambique being less transparent than in Zimbabwe.<sup>64</sup> In fact, one private sector KII respondent stated that whereas Zimbabwean authorities were at times positively responsive when queried on unfair measures, the Mozambicans were non-responsive.<sup>65</sup> As such, respondents across the different categories held the view that it is unlikely for the regional transit procedures to be agreed to at the bilateral level, but that such measures should be agreed and monitored through the SADC Trade Protocol, which is currently (at best) silent on measures that should be adopted and enforced.

## **TFM Priority #2: National Single Window**

The purpose of a single window is to provide a platform and processes for paperless (electronic) exchange of trade information between participants in the trade process, largely accomplished through a single electronic lodgment.<sup>66</sup>

As a TFM, the NSW process will inevitably affect and be affected by other measures, such as coordinated border management (CBM), one-stop border posts (OSBPs), and harmonization of customs procedures; inevitably, the implementation process would also affect non-tariff barriers. This can be better appreciated by looking at the individual aspects of the implementation process, which include: policy planning, erecting the legal and institutional framework, undertaking a business process analysis, simplifying trade documents, organizing the data harmonization for the single window, and managing the product, as shown in Figure 10. This would be an incremental multi-year project. The successful implementation would also require cooperation between the government and the various business sectors.

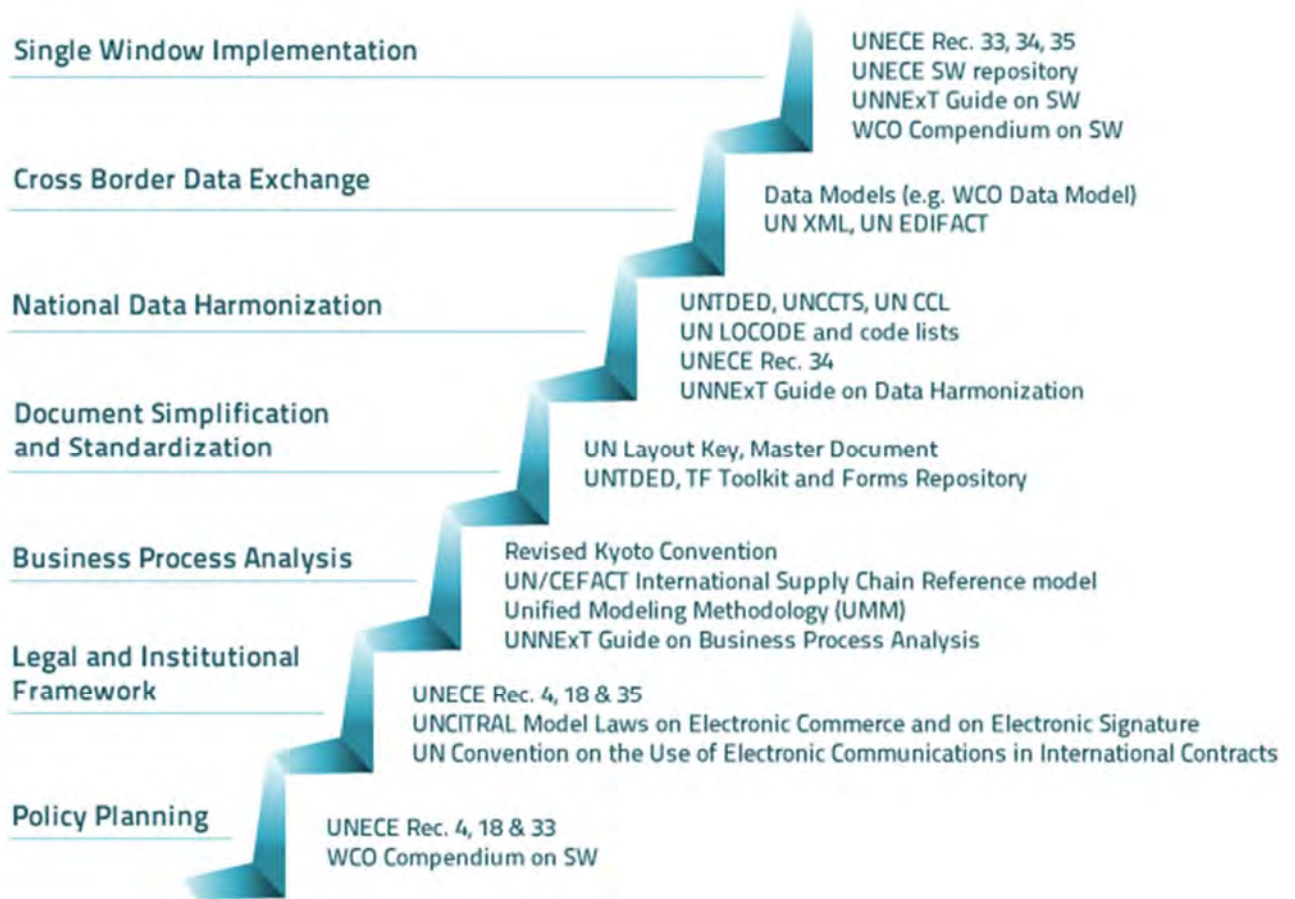
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64 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016. Public sector representatives met on April 25 and 26, 2016.

65 Personal communication with private sector firm in Blantyre, Malawi, on April 27, 2016.

66 Record, Richard; McLinden, Gerard; Siva, Ramesh. 2013. Lao PDR - Preparation of a national single window: a blueprint for implementation. Washington, DC: World Bank.

**FIGURE 10: SINGLE WINDOW STEP-BY-STEP APPROACH**



Source: UNECE- UN/CEFACT

Table 10 presents results from KIIs for this TFM for questions 1, 2, and 3. Figures 12 and 13 under Assessment Question 1 demonstrate how online survey respondents ranked and rated enhanced RTPs as a priority for Malawi implementation, based on their perception of its potential economic benefits.

**TABLE 10: KII FINDINGS FOR PRIORITY TFM #2 NATIONAL SINGLE WINDOW**

Count of Organizations Represented During the KIIs by Respondent Category <sup>67</sup>	Private Sector – Firms, 3/7	Private Sector – Associations, 2/5	Public Sector – Bilateral Agencies, 1/3	Academics, policy experts/ other donors, 1/1
<b>Malawi TFM Priority # 2 National Single Window (NSW)</b>				
<b>Assessment Question 1: What is the potential range of benefits associated with the implementation of this TFM?</b>				
Reduced time to trade?	Yes - 3	Yes - 2	Yes - 1	Yes - 1
Reduced cost to trade?	Yes - 3	Yes - 2	Yes - 1	Yes - 1
Reduced paperwork and administration?	Yes - 3	Yes - 2	Yes - 1	Yes - 1
More certainty on when goods will get to market?	Yes - 3	Yes - 2	No - 1	Yes - 1
More certainty on costs to trade?	Yes - 3	Yes - 2	Yes - 1	Yes - 1
More firms/ association members interested in beginning international trade?	No - 3	Yes - 1 No - 1	No - 1	Yes - 1
<b>Assessment Question 2: What is the potential range of costs associated with the implementation of this TFM?</b>				
Estimated cost to implement?	Don't know - 3	Don't know - 2	Don't know - 1	Don't know - 1
How much time do [public sector] respondents think is required for government to implement this measure? <sup>68</sup>	Not asked - 3	Not asked - 2	More than 2 years - 1	Not asked - 1
What types of costs/ resources do public sector respondents think are required to implement this TFM?	Not asked - 3	Not asked - 2	New equipment - 1 Hiring more staff - 1 Staff training - 1 Other: technical assistance/ advice - 1	Not asked - 1
Of these types of costs, which would be the biggest government expense to implement this measure?	Not asked - 3	Not asked - 2	New equipment - 1	Not asked - 1

<sup>67</sup> The count represents the number of organizations represented by the group and individual KIIs that answered the TFM specific questions for this TFM out of the total number of organizations represented in the country study for that category

<sup>68</sup> The questions on the amount of time and types of costs/ resources required to implement each TFM were included in the KII instruments for and directed to public sector and policy experts, academics or other donors only, unless a private sector respondent was knowledgeable about the costs.

Count of Organizations Represented During the KIIs by Respondent Category <sup>67</sup>	Private Sector – Firms, 3/7	Private Sector – Associations, 2/5	Public Sector – Bilateral Agencies, 1/3	Academics, policy experts/ other donors, 1/1
<b>Assessment Question 3: What is the timeframe and feasibility for the implementation of this TFM?</b>				
Are there other measures or steps that need to be taken before this TFM can be implemented?	Yes - 3	Yes - 1 No - 1	Yes – 1	Yes - 1
If yes, what are the steps or measure that need to be undertaken before implementation of this TFM?	1 - Business process re-engineering related to NTBs 2 - Streamlining of border procedures- CBM 2 - Trade Portal	1- Private Sector Dialogue to ensure the private sector can lobby against export bans and permits	1 – ICT improvement 1 - CBM Coordinated border management 1 - Trade Portal	1 - Transit
Any opinion on why this TFM hasn't been implemented yet?	3 – Financing 1 – Political resistance of government agencies to address the many NTBs 1 – Political rents and vested interests [of government agencies] that benefit from status quo	2 – Financing 1 – Limited technical capacity at local level 1 – Automation is new area for government- some people think they will lose their jobs	1 – Financing 1 – weak national ICT backbone	1 – Financing 1 - Requires a comprehensive process of business process re-engineering 1 – Government resistance to reform
Any opinion on why this TFM hasn't been implemented yet?	A. Financing. More than 200 NTBs are located in Malawi. Each has a desk behind it. Any process seeking to rationalize or update is met with resistance. B. Financing. The NSW requires a lot of financing since it is a big undertaking. Government has been looking for financing and it appears to have secured it from the World Bank. C. Financing. Political rents and vested interests that are benefitting from the current status quo.	A. Limited fiscal space to accommodate such a big project. Limited technical know-how at the local level. Also, automation is a new area for government agencies. Some people fear losing their jobs. B. This project has been discussed for a long time; it can be an issue of funds	A. Lack of ICT infrastructure and the financial capacity of the government. The ICT national backbone is really weak compared to the demand of expected public online services. A lot of investment is required, and government does not have the fiscal space to support it.	A. Not sure but the system would cost a lot of money. Also any reform process in this area would require a comprehensive process of business process re-engineering. This is where resistance will be met.

## Assessment Question 1: What is the potential range of benefits associated with the implementation of TFM Priority #2?

### KII Findings Summary

Seven KII respondents considered the implementation of the NSW to be a top priority in terms of potential benefits. There was convergence across the different respondent categories that the implementation of a NSW would reduce time to trade and related costs; reduce paperwork and administration; increase certainty as to when goods will get to the market; and afford for more precise estimates on how much it would cost the good to get there. Overall, they expect a positive impact on trade that would increase competitiveness.

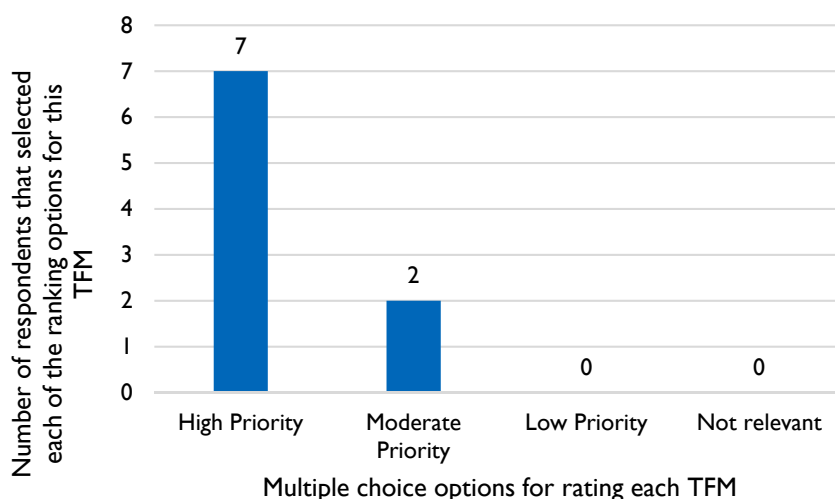
The private sector respondents specifically viewed the implementation of the NSW as a way of dealing with the complexity of non-tariff barriers.<sup>69</sup> According to one of the private sector association respondents, Malawi has more than 200 NTBs and behind each is a system that enforces it.<sup>70</sup> Therefore, any process that led to the streamlining or even removing these NTBs would really support trade in Malawi in terms of reducing time and paperwork involved.

Another view is that implementing NSW was a good way to streamline border procedures in a manner that improves time release, and consequently would bring some certainty on the costs to trade.<sup>71</sup>

### Online Survey Responses

The online and KII responses about NSW showed a strong convergence. When asked to rate the importance of implementation of NSW based on the potential benefits for their businesses, seven of the nine online survey respondents rated NSW as high priority. Figure 11 demonstrates how the nine Malawi online survey respondents rated NSW.

**FIGURE 11: HOW MALAWI ONLINE SURVEY RESPONDENTS RATED NSW AS A PRIORITY**



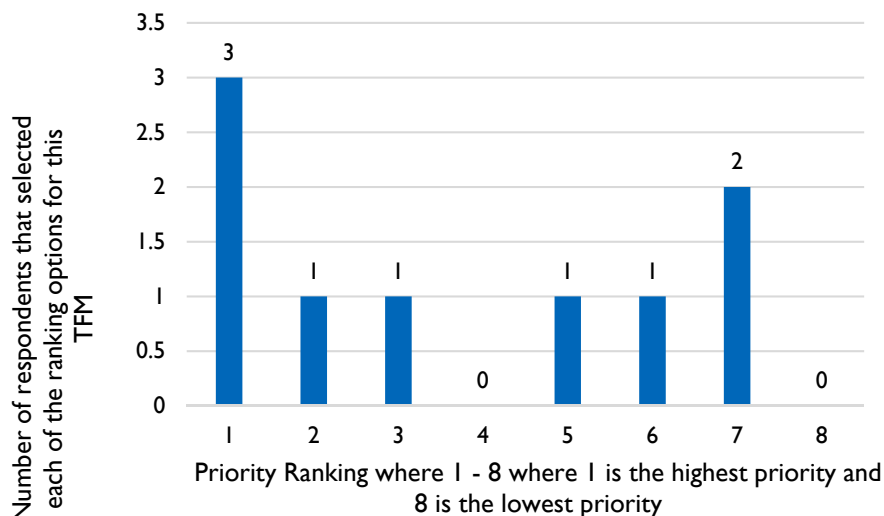
69 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

70 Personal communication with private sector representatives in Lilongwe, Malawi, on April 26, 2016.

71 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

In addition, when asked to rank their highest priorities among the eight TFMs, five of the nine respondents had implementation of the NSW among their top three priorities, with three respondents ranking it first. Figure 12 demonstrates how the nine Malawi online survey respondents ranked the implementation of the NSW in relation to the other seven TFMs selected for the Malawi online survey, with 1 being the highest ranking and 8 being the lowest.

**FIGURE 12: HOW MALAWI ONLINE SURVEY RESPONDENTS RANKED NSW AS A PRIORITY AMONG THE EIGHT SELECTED TFMs**



**Assessment Question 2: What is the potential range of costs associated with the implementation of TFM Priority #2?**

None of the seven KII respondents who raised NSW as priority knew the costs of implementing it, and all seven agreed that the lack of financing is one reason the NSW has not been implemented. Some indicated that substantial technical assistance, infrastructure, and financing would be required for the project to succeed. Overall, respondents generally agreed that costs would not outweigh the windfalls from the investment in terms of trade facilitation.

The GoM’s National Trade Facilitation Action Plan pegs the NSW project at USD \$7 million. This includes costs for carrying out the initial feasibility assessment (or blueprint) and then implementing all of the stages for the project over five years.

**Assessment Question 3: What is the feasibility and timeframe of the implementation of TFM Priority #2?**

**KII Findings Summary**

Six KII respondents considered NSW a vital TFM that needs to be implemented in Malawi. However, when asked to mention some other measures that need to be implemented before an NSW can be established, three of the seven private sector respondents outlined measures like CBM, and addressed NTBs, among others. Respondents raised various issues as challenges to implementing the NSW in Malawi.

**Bureaucratic Resistance and Vested Interests:** At least 193 non-tariff measures are scattered around various ministries, departments, and agencies.<sup>72</sup> As one respondent noted, “Behind every NTB is a desk or someone’s job.” Several respondents believe that NSW implementation, which includes streamlining procedures and processes, is sure to face some resistance due to bureaucratic resistance to change.<sup>73</sup> These NTMs are administered through various compliance requirements. The submission and processing of applications for permits and licenses remains non-computerized and must be carried out in the capital city of Lilongwe. Private sector KII respondents also flagged that the system’s administration is largely inefficient and they spend a lot of time moving from office to office to chase down approvals.<sup>74</sup>

The seven KII respondents from across all categories noted that the implementation of the NSW would take a long time, given its technical complexities. More importantly, several acknowledged the institutional-level intricacies related to vested interests and political rent-seeking, which a number said could derail the whole project.<sup>75</sup> In the short term, they state that effort has to be channeled toward instituting the building blocks of a NSW. These building blocks include interventions such as: making sure the trade portal is working well; business process re-engineering related to streamlining NTMs and the removal of NTBs; and CBM.

Several KII respondents believed the lack of progress in the implementation of the NSW has largely been due to lack of financing.<sup>76</sup> The private sector respondents and development partner respondents also noted the issue of political rent-seeking. This is where individual firms lobby the government for tariff protection or the application of other non-tariff measures in a way that benefits them, rather than the common good. In an environment that is not transparent and where authority is vested in a few individuals, private sector respondents feel that some opaque aspects of trade policy implementation are tuned to suit vested interests. Any effort to change this status quo are met with resistance, according to the private sector respondents.<sup>77</sup>

**Coordinated Border Management:** More than 10 agencies exist at the border, despite a GoM Cabinet directive three years ago to reduce the number to around five. Respondents expressed the opinion that these agencies are not coordinated, even at the level of conducting joint risk assessments and sharing information.<sup>78</sup> Some private sector respondents attributed significant delays at the border to this multiplicity of border agencies.<sup>79</sup> Lack of transparency on border procedures was also mentioned as facilitating a culture of corruption that is prevalent at the border, especially where small (cross-border) traders are involved.

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72 Source: Malawi Trade Portal ([www.malawitradeportal.gov.mw](http://www.malawitradeportal.gov.mw))

73 Personal communication with private sector representatives in Lilongwe, Malawi, on April 26, 2016.

74 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016. Public sector representatives met on April 25 and 26, 2016.

75 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016. Public sector representatives met on April 25 and 26, 2016.

76 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27, 2016, and in Lilongwe on April 25, 2016. Public sector representatives met on April 25 and 26, 2016; and Academia respondent on May 18, 2016.

77 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

78 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

79 Personal communication with private sector representatives in Lilongwe on April 25 and 26, 2016.



## TFM Priority #3: Harmonization of Customs Procedures and IT Connectivity

“Customs procedures” refers to the practices used by customs officers to clear goods into a country and levy tariffs. This includes clearance procedures such as documentation and inspection, methods of determining a good's classification, and methods of assigning its value as the base for an ad valorem tariff.<sup>80</sup> The SADC TFP and the WTO TFA refer to customs procedures in the context of admission of goods inward/outward for processing. However, the SADC TFP notes that the SADC Protocol on Trade does not make specific provision or mention of temporary admission of goods or inward and outward processing. It flags this as an area needing review and oversight to ensure that member states comply with WTO TFA mandates.<sup>81</sup>

Six of the 16 KII respondents selected the implementation of harmonized customs procedures and IT connectivity (HCPI) as a priority to implement in Malawi. Not surprisingly, all six respondents were from the private sector, the domain of the main users of customs services. Whereas respondents expressed an overall appreciation on the customs administration's progress toward modernization, they noted two major frustrations: 1) New electronic systems are not working well due to structural capacity constraints and 2) A fixation of tariff policy for revenue generation is adversely decreasing trading volumes. In this regard, the private sector respondents raised two main challenges: poor internet connectivity (which is slowing down customs processing through the newly rolled-out ASYCUDA World<sup>82</sup>) and the misalignment in the tariff structure (which prioritizes revenue collection at the expense of facilitating greater trade volumes).<sup>83</sup>

The results from KIIs collected around this TFM in answer to assessment questions 1, 2, and 3 are presented in Table 11. Graphs that demonstrate how online survey respondents ranked and rated Enhanced RTPs as a priority for implementation in Malawi based on their perception of its potential economic benefits are presented under Assessment Question 1.

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<sup>80</sup> Glossary of International Customs Terms, World Customs Organization

<sup>81</sup> SADC TFP Final Draft Report, April 11, 2016, Page 24

<sup>82</sup> Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

<sup>83</sup> Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 26, 2016.

**TABLE 11: KII FINDINGS FOR TFM PRIORITY #3,  
HARMONIZATION OF CUSTOMS PROCEDURES AND IT CONNECTIVITY**

Count of Organizations Represented During the KIIs by Respondent Category <sup>84</sup>	Private Sector – Firms, 5/7	Private Sector – Associations, 2/5	Public Sector – Bilateral Agencies, 0/3	Academics, Policy Experts/ Other Donors, 0/1
<b>Malawi TFM Priority #3 Harmonization of Customs Procedures and IT Connectivity</b>				
<b>Assessment Question 1: What is the potential range of benefits associated with the implementation of this TFM?</b>				
Reduced time to trade?	Yes - 5	Yes - 2		
Reduced cost to trade?	Yes - 5	Yes - 1 No - 1		
Reduced paperwork and administration?	Yes - 2 No - 3	Yes - 2		
More certainty on when goods will get to market?	Yes - 3 No - 2	Yes - 1 No - 1		
More certainty on costs to trade?	Yes - 1 No - 4	Yes - 2		
More firms/ association members interested in beginning international trade?	No - 5	No - 1 Not asked - 1		
<b>Assessment Question 2: What is the potential range of costs associated with the implementation of this TFM?</b>				
Estimated cost to Implement?	Don't know - 5	Don't know - 2		
How much time do [public sector] respondents think is required for government to implement this measure? <sup>85</sup>	Not asked - 5	Not asked - 2		
What types of costs/ resources do public sector respondents think are required to implement this TFM?	Not asked – 5	Not asked - 2		
Of these types of costs, which would be the biggest government expense to implement this measure?	Not asked - 5	Not asked - 2		

84 The count represents the number of organizations represented by the group and individual KIIs that answered the TFM specific questions for this TFM out of the total number of organizations represented in the country study for that category.

85 The questions on the amount of time and types of costs/ resources required to implement each TFM were included in the KII instruments for and directed to only public sector and policy experts, academics, or other donors, unless a private sector respondent was knowledgeable about the costs.

Count of Organizations Represented During the KIIs by Respondent Category <sup>84</sup>	Private Sector – Firms, 5/7	Private Sector – Associations, 2/5	Public Sector – Bilateral Agencies, 0/3	Academics, Policy Experts/ Other Donors, 0/1
<b>Assessment Question 3: What is the timeframe and feasibility for the implementation of this TFM?</b>				
Are there other measures or steps that need to be taken before this TFM can be implemented?	Yes - 1 No - 1 Don't know - 2 Not asked - 1	Yes - 2		
If yes, what are the steps or measure that need to be undertaken before implementation of this TFM?	1 - Customs procedures need to be re-evaluated from the perspective of facilitating trade. For example, exporting bulk commodities inconveniences the exporter.	1 - Part of the process should include streamlining border agencies. [coordinated border management] 1 - Malawi needs a strong internet backbone.		
Any opinion on why this TFM hasn't been implemented yet? [Coded responses]	5 - Malawi has a poor ICT backbone 3 – ICT backbone is insufficient to host ASYCUDA World or other online platforms 1 - Financing 1 - Tariff policy is overly balanced toward revenue collection rather than trade facilitation	1 - Malawi has a poor ICT backbone 1 – Vested interests / resistance among the agencies (especially around agriculture trade) 1 – Some implementation has been done but still too many required documents for export		

## Assessment Question 1: What is the potential range of benefits associated with the implementation of TFM Priority #3?

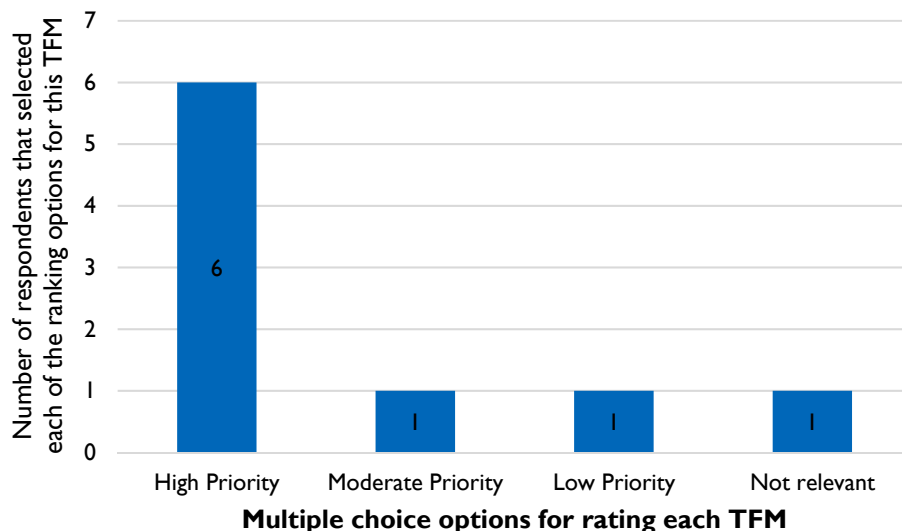
### KII Findings Summary

Implementation of HCPI is a priority for six of the 16 KII respondents, across all respondent categories. During the interviews, the two central issues that respondents raised were poor internet connectivity and the policy misalignment of fiscal and trade facilitation objectives. Respondents also identified a range of potential benefits, if these challenges could be addressed. The KIIs expected that addressing HCPI would reduce the costs and time to trade; three of the seven private sector respondents also indicated that it would increase certainty on when goods will get to the market.

### Online Survey Responses

When asked to rate the importance of HCPI<sup>86</sup> based on the potential beneficial impacts of the TFM for their businesses, six of the nine online survey respondents rated it high priority. Figure 13 demonstrates how the nine Malawi online survey respondents rated the HCPI.

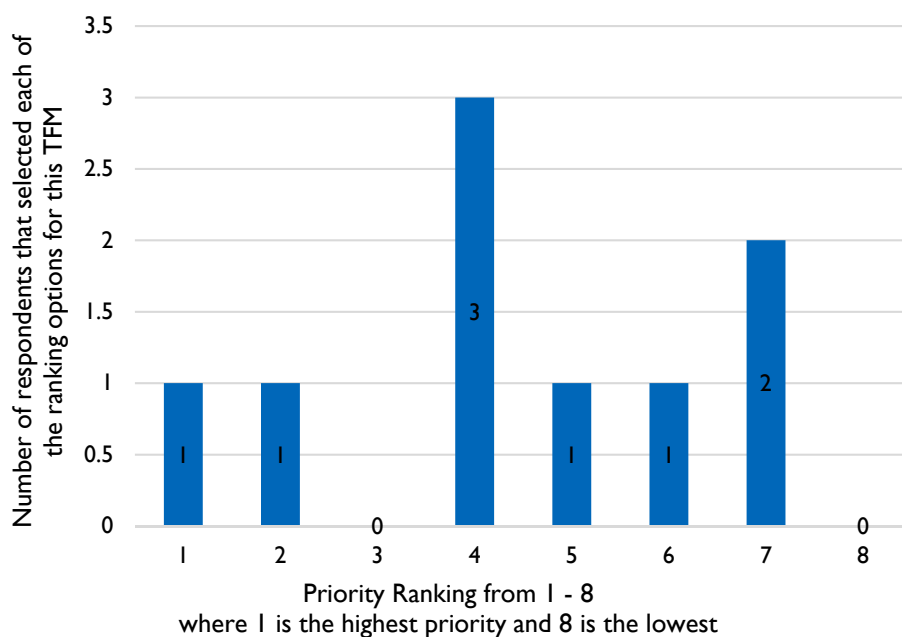
**FIGURE 13: HOW MALAWI ONLINE SURVEY RESPONDENTS RATED HCPI**



When it came to ranking HCPI among eight TFMs that were selected for the Malawi online survey, only one respondent ranked it the first priority; one ranked it second; and no respondents ranked it third. Three respondents ranked it in fourth place, the highest-concentration ranking for HCPI. Figure 14 demonstrates how the nine Malawi online survey respondents prioritized HCPI in relation to the other TFMs, with 1 being the highest ranking and 8 being the lowest.

<sup>86</sup> To simplify trade facilitation policy language in the online survey, this TFM was described as “improvement in customs procedures related to poor IT network.”

**FIGURE 14: HOW MALAWI ONLINE SURVEY RESPONDENTS RANKED HCPI AS A PRIORITY AMONG THE EIGHT SELECTED TFMs**



### Qualitative Discussion

Four of the six respondents cited the need to rebalance the trade facilitation objectives of tariff policy, with the revenue expansion objectives.<sup>87</sup> In other words, they believe that further removal of tariffs would boost trade and have a positive impact on overall domestic tax revenues. Malawi has been dismantling and streamlining tariffs in the context of the COMESA Common External Tariff (CET). However, GoM remains dependent on international tax revenues for 10 percent of its domestic revenues.<sup>88</sup> This dependency impacts the authority’s appetite for further tariff liberalization, as the tax base remains narrow.

All six respondents who cited this TFM as a major obstacle raised the issue of poor internet connectivity infrastructure across the country, and the need for new investment.<sup>89</sup> With more systems planned to go online, including trade facilitation systems like the national single window (NSW), the networks will face increased pressure. Currently, the recently rolled-out ASYCUDA World system has long spells of outages with no back-up systems in place. This causes delays at the border.<sup>90</sup>

### Assessment Question 2: What is the potential range of costs associated with the implementation of TFM Priority #3?

#### KII Findings Summary

As noted in the preceding section on regional transit procedures, respondents could not estimate the costs required to implement the HCPI. KII respondents did not provide specific information on the cost

<sup>87</sup> Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27, 2016, and in Lilongwe on April 26, 2016.

<sup>88</sup> IMF Country Report No. 16/182, pg. 22

<sup>89</sup> Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

<sup>90</sup> Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27, 2016, and in Lilongwe on April 25 and 26, 2016.

to improve HCPI. They did, however, indicate that to address the challenges would require a substantial financial investment over a couple of years.

The National Trade Facilitation Plan has assessed the cost of the removal of the multiple tariffs and tariff nuisance at USD \$50,000. This includes addressing the orientation of tariff policy as primarily for revenue generation, and assessing where to best strike a balance between revenue generated by tariffs and the overall economic benefits of trade, as well as between domestic and cross-border measures. One public sector KII respondent called for a comprehensive review of the taxation system in Malawi.

### **Assessment Question 3: What is the feasibility and timeframe of the implementation of TFM Priority #3?**

#### **KII Findings Summary**

All KII respondents who cited HCPI as a priority raised the issue of inadequate ICT infrastructure to provide the necessary backbone for all the electronic systems that are being introduced by various trade facilitation initiatives, such as ASYCUDA World.<sup>91</sup> Modernization of customs procedures, which includes implementing electronic platforms, is a vital ingredient in promoting transparency and curbing corruption under the Trade Facilitation Agreement. The views of the respondents reflect the time needed to achieve best practice in these areas, but it can be done with political will and financing.<sup>92</sup>

Two respondents from the private sector also mentioned the need to streamline processes for customs documentation, especially on imports, so that customs declaration requirements do not cause unnecessary delays and increase trade costs.<sup>93</sup> As the time of interviews, the submission of customs declarations in hard copy remained the norm.

Malawi's customs clearance system is not linked seamlessly with non-custom systems, and this can result in requiring more than 10 documents to export.<sup>94</sup> A customs system that is not synchronized with non-customs systems can cause major havoc for cross-border trade. For example, one KII respondent observed the lack of coordination in risk management systems, which entails that traders have to complete multiple forms even where they are not regarded as "risky" from a customs perspective.<sup>95</sup> Vested interests among the some of the agencies has meant resistance to reform, especially around agriculture trade.<sup>96</sup>

## **CONCLUSIONS FOR RANKING THE SELECTED TFMs**

This section presents the assessment team's conclusions for a final ranking of selected TFMs in order of priority for implementation in Malawi. These conclusions are based on the interpretation of all the findings across the selected TFMs drawn from the various data sources (desk review, KII, and online survey responses, as well as subject matter expertise on these issues in Malawi).

The following is the final ranking of priority TFMs for action in Malawi:

1. Regional transit procedures, including one-stop border posts.
2. National single window.

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91 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016, and in Lilongwe on April 25 and 26, 2016.

92 Personal communication with private sector firms in Blantyre, Malawi, on April 27, 2016, and in Lilongwe on April 25, 2016.

93 Personal communication with private sector firms in Blantyre, Malawi, on April 28, 2016, and in Lilongwe on April 26, 2016.

94 Personal communication with private sector firm in Lilongwe on April 26, 2016.

95 Personal communication with private sector trader representative in Blantyre on April 27, 2016.

96 Personal communication with private sector representatives and firms in Blantyre, Malawi, on April 27 and 28, 2016.

### 3. Customs procedures.

**Regional Transit Procedures:** The assessment team believes that improving regional transit procedures (in particular through Mozambique) would offer the largest range of benefits for Malawian traders. With about 70 percent of Malawi trade transiting through Mozambique,<sup>97</sup> this is the single most important trade facilitation issue in Malawi. The benefits are extensive, but the cost of implementation of the required reforms is high in terms of political will and bilateral cooperation between Malawi and its regional partners. Working through the various complex issues involved in improving regional transit will test the genuineness of the regional integration process in SADC. However, the benefits of cost and time reductions, and enhancements to the certainty for traders in their trade logistics management, are well established. A test of good faith would be the implementation of a one-stop border post between Malawi and Mozambique.

**National Single Window:** At the national level, a national single window project that overhauls the current trade legal framework and the system for administering licenses and permits, as well as addresses border management issues, should be the primary focus for the authorities over the medium term. A consistent theme in the data has been that the current trade administration system is disjointed with multiple agencies that are not well coordinated. Coupled with the reliance on a non-automated system, the process for acquiring import and export permits and licenses is inefficient. The NSW implementation process includes steps like policy planning, erecting legal and institutional frameworks, document simplification and standardization, data harmonization, and others that would be key to addressing some of these deeply systemic challenges to reducing trade costs and constraints.

**Coordinated-Border Management:** With more than 10 border agencies, Malawi's traders have no shortage of bureaucratic partners as they conduct their business. The respondents to the assessment clearly believe that rationalized coordinated border management is important to expedite the clearance of imports and exports by customs and other agencies. Uncoordinated borders are the most problematic links in global supply chains. They are frequently blamed for undermining the capacity of developing countries to compete on global markets.<sup>98</sup> As a result, development organizations have devoted ample attention to supporting reform and modernization of border clearance processes in the context of trade facilitation technical assistance. The KII respondents clearly indicated that, in spite of significant effort, border management inefficiencies continue to impact heavily on the competitiveness of Malawi traders.

**ICT Infrastructure for Trade Facilitation:** Malawi is making gains in ICT infrastructure penetration, but is still lagging even by regional standards. Internet penetration in Malawi is at around 6 percent at the end of 2016, whereas the African average is now at around 28 percent.<sup>99</sup> The use of ICT is becoming a crucial component of trade facilitation. Developments in ICT infrastructure for trade facilitation have enabled customs automation, cargo tracking, pre-arrival clearance, risk analysis, the electronic submission of documents, information management, terminal operations, and electronic single windows. With a weak ICT backbone infrastructure, Malawi is at risk of not realizing the full benefits of trade facilitation. Improvement in ICT infrastructure for trade facilitation will potentially increase revenue collection, expedite customs clearance, and reduce costs of logistics.

## Non-Priority TFMs

**Trade Information Portal:** The Ministry of Industry, Trade and Tourism (MoITT) has launched the Malawi Trade Portal (MTP). While this is no longer a priority for the government, more effort has to go

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<sup>97</sup> Personal communication with a private sector firm in Blantyre on April 27, 2016.

<sup>98</sup> The Trade Post Blog: Single Window Systems: What We Have Learned. Submitted by Gerard Mclinden on Tuesday, April 30, 2013.

<sup>99</sup> <http://www.internetworldstats.com/stats.htm>

into public sensitization of this new service and linking the trade portal as a first step in the implementation of the trade NSW. It is hoped that the advent of the MTP will begin to level the playing field for access to trade information. Already the small and medium enterprise associations are hailing the MTP as a move in the right direction.<sup>100</sup>

**Fees and Charges:** Some private sector respondents pointed out that fees and charges were not such a critical TFM in Malawi.<sup>101</sup> The launch of the trade portal may also have contributed to this sentiment, given that most fees and charges can be found online. However, fees and charges related to testing SPS/TBT standards by the Malawi Bureau of Standards (MBS) were flagged as least transparent; payments can be demanded and paid for services that are not delivered.<sup>102</sup>

**Risk Management Systems:** Balancing trade facilitation on the one hand with trade security on the other – allowing legitimate goods and travelers to pass through borders without unnecessary hindrances while protecting the international trade supply chain from threats posed by organized crime, smugglers, commercial fraudsters, terrorists, and goods that could endanger people – is one of the biggest challenges for any customs authority. However, some private sector respondents said that while risk management for customs control is working well and improving, risk management systems for non-tariff measures are still far from satisfactory. This threatens to negate the efficiency gains from improving customs control. It is not uncommon to find delays at the border caused by SPS/TBT checks, even where truckers have cleared custom checks.<sup>103</sup>

## RECOMMENDATIONS

### Recommendations for the Implementation of Malawi-Specific TF Activities

#### Recommendations to USAID

- USAID should identify potential private sector associations it can support (through capacity-building initiatives, project support, research, training, etc.) to advocate more effectively on trade facilitation issues at the national and regional levels. This could be done initially through mapping the existing associations and assessing their current strengths and weaknesses in the area of trade facilitation.
- USAID should support customs connectivity. ASYCUDA World has been rolled out to three of the major border crossings as part of the pilot phase. It will have to be rolled out to the rest of the borders, and internet connectivity should be strengthened. Poor online connectivity has the potential to hamper the trade facilitation agenda going forward. Technology improvements are increasing efficiency in trade logistics; this technology rides on electronic platforms. Consideration should be given toward supporting these electronic platforms.
- USAID should consider supporting formulation and implementation of an effective CBM system. Despite a lack of political commitment to reduce the number of agencies at the border, no assessment has been undertaken to decide which agencies should remain and how these agencies would cover all border functions, share information, and conduct joint risk management strategies.

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100 Nations Newspaper of 14 July, pp 8

101 Personal communication with private sector firm representatives in Lilongwe, April 26, 2016, and in Blantyre on April 28, 2016.

102 Personal communication with a representative of private sector firms in Blantyre, April 27, 2016.

103 Personal communication with a private sector association in Blantyre, May 3, 2016.



## Recommendations to USAID and other international partners

- Development partners should strengthen coordination mechanisms at the national level to ensure effective participation of the relevant stakeholders in the drive to implement TFMs. The NTFC has launched in Malawi, but most of its activities will have to be supported in the short to medium term. Regular dialogue will be required to negotiate the implementation of complicated processes like the NSW.

## Recommendations to the Government of Malawi (GoM) and the Malawi private sector

- The GoM should broaden the private sector representation in the National Trade Facilitation Committee.
- The GoM should ratify the WTO Trade Facilitation Agreement.
- Malawi private sector firms should support the work of business associations that have the potential to advocate for improved trade facilitation, including at the regional level.
- The GoM should review all import and export licenses with the purpose of eliminating all but the truly functional. All new licenses should be centrally coordinated and not issued by individual ministries. Complementing this with publication of a comprehensive list would allow producers to have a clearer understanding of all import and export licenses required.
- Reduce the number of border agencies to improve inspections and risk management among border agencies. Where possible, this can involve delegating some border functions to the Malawi Revenue Authority.

## Recommendations for the Implementation of Regional TF Activities

### Recommendations to USAID

- USAID should support some work on regional transit procedures monitoring through the SADC Secretariat.
- USAID should support a study to benchmark fees and charges in the SADC region.

### Recommendations to USAID and other international partners

- International development partners, including USAID, should coordinate activities aimed at establishing a corridor, and a border-monitoring platform for SADC.
- International development partners, including USAID, should strengthen cooperation around regional integration, especially the implementation of TFMs across the member states, particularly transit measures.
- USAID should work with SADC authorities to strengthen transit procedures in the region. Specific studies can seek to understand the political economy factors affecting implementation, to assist implementation of trade facilitation reform in specific countries.

### Recommendations to member states of the Tripartite Free Trade Area

- Member states of the Tripartite Free Trade Area should strengthen the NTB Reporting and Monitoring Mechanism with a particular focus on the requirements for the resolution of barriers and the greater participation of the private sector in the implementation process.
- Develop a regional transit and bond guarantee scheme along the major corridors to Beira and Nacala with Mozambique and Zambia. This would lower the risk associated with international transport.

- ICT will remain an important component of trade facilitation as technology evolves. African countries have to invest more in backbone ICT infrastructure to avoid being left behind.

## **Recommendations for Future Research**

- USAID should broaden the geographical coverage of this study to include other key countries in Southern Africa, such as Zimbabwe and Mozambique.
- USAID should support the use of the online survey tool developed as part of this study on a more regular basis (e.g., once a year) as a cost-effective means to track broad trends in the views of the private sector in the region on priority trade facilitation issues over time.
- USAID should undertake a regional baseline survey of fees and charges in the region.

# ANNEX I:ASSESSMENT STATEMENT OF WORK

## Performance Evaluation of Southern African Trade Hubs and Assessment Survey of Trade Facilitation Measures

This statement of work describes two research activities required by USAID/Southern Africa: (1) the design and implementation of a final performance evaluation of the USAID Southern Africa Trade and Competitiveness Program (the “Southern Africa Trade Hub,” or SATH project, hereafter), and (2) the design and implementation of an assessment survey on the costs and benefits of implementing selected trade facilitation measures in the Southern Africa region. The primary purpose of the performance evaluation is to gather and synthesize information regarding the SATH project’s performance to date and assess achievements versus expected results. The objective of the assessment survey is to provide useful guidance to USAID/Southern Africa in its oversight of future trade facilitation-related activities.

### Activity Description and Background

#### SATH Project

USAID’s SATH project was awarded to AECOM International Development under Contract No. 674-C-00-10-00075-00, with a period of performance from September 2010 to September 2015. The project was initially designed to take an integrated approach to two high-level United States Government priorities: the Global Hunger and Food Security Initiative, which became the Feed the Future (FTF) program, and the African Growth and Competitiveness Initiative (AGCI). The AGCI expired in September 2010 and was replaced by the African Competitiveness and Trade Expansion Initiative (ACTE)<sup>104</sup>, which is building trade capacity across sub-Saharan Africa. SATH was also designed to act as one of three USG Trade Hubs in sub-Saharan Africa to increase exports to the U.S. under the African Growth and Opportunity Act (AGOA) and to provide “Aid-for-Trade” assistance as mandated by USG commitments under the Doha round of negotiations at the WTO.

**FIGURE I SATH PROJECT COUNTRIES**



*Image Credit: USAID*

The SATH project was awarded with a total ceiling of \$82,610,195. However, the actual obligations during the evaluation period (October 2011 – September 2015) were \$52,656,705, of which \$1,800,000 is bi-lateral South Africa FTF funds for grants under contract. The project base contract end date was September 2014, and an option year was executed that extended the project through September 2015. Due to a range of factors including the conclusion of key activities with some SADC member states, the project was extended until March 20, 2016.

The SATH project was initially designed to achieve results across two objectives: (1) Advancement of the Regional Integration Agenda, and (2) Increased Trade Capacity of Regional Value Chains, which each

<sup>104</sup> ACTE was launched at the AGOA Forum in Lusaka, Zambia in June 2011.

contained four intermediate results (IRs). In November 2012, the SATH project scope of work was reorganized to focus on a single result or technical focus: Advancement of the Regional Trade, Investment, & Integration Agenda, with five IRs that are presented in the following section. The 2012 project reorganization also reduced the funding allocated (\$10 million rather than \$16 million per year) and the number of countries in which the project would work. The area of operations for the project changed from the 15 countries in the SADC region to Southern Africa as defined by USAID's Africa Bureau, which in practical terms includes the five Southern Africa Customs Union countries (Botswana, Namibia, South Africa, Lesotho, and Swaziland) and three FTF focus countries (Mozambique, Malawi, and Zambia). The project beneficiaries were broadened to include not only SADC but also member state governments and the private sector. Also at this time, the contractor changed its Chief of Party and other key personnel.

A mid-term evaluation of the project was completed in 2014, although significant changes in the approach, management, and activity of the project have occurred since then.

### **Costs and Benefits of Trade Facilitation Measures**

Given the prominence of trade facilitation on the world development stage as an arena where existing evidence suggests the next wave of gains from trade can be realized, there has been a concerted emphasis among development partners to assist developing and least developed countries in implementing the requirements of the WTO TFA signed in Bali in 2013. This is based on the premise that the adoption of trade facilitation measures will, in the long run, benefit all economic actors. However, these measures also often have varying degrees of set-up costs. There is an acknowledged dearth of reliable quantitative information on the cost of implementation of specific trade facilitation measures, including for the Southern Africa region (Duval 2006).

In the absence of quantitative information on the costs and benefits of trade facilitation measures, Duval (2006) argued that expert surveys, although they have recognized limitations, could be used to examine the relative cost of implementation of a range of such measures. This type of study can help develop a common understanding on the trade facilitation measures that have the least set-up costs while unlocking maximum benefit.

The SATH project developed a Comprehensive Trade Facilitation Programme (CTFP)<sup>105</sup> draft, which was submitted to the SADC Trade, Industry, Finance and Investment Directorate. The CTFP was developed in consultation with key stakeholders from SADC member states in response to a request of the SADC Secretariat. The CTFP outlines a harmonized approach to trade facilitation for SADC Member States to use as a blueprint to help meet the recommendations of the TFA. The CTFP uses a five-year timeline and covers 28 trade facilitation measures such as NSWs, Trade Information Portals, appeals procedures, and an interregional transit management system.

## **Development Hypothesis**

As noted in the previous section, the SATH project launched in 2010 with two overarching objectives and eight IRs, but in November 2012 it was reorganized to have one objective (“Technical Focus”) with the following five IRs:

Technical Focus: Advancement of the Regional Trade, Investment, & Integration Agenda:

- IR 1.1: Improved Trade Facilitation

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<sup>105</sup> The CTFP draft will be made available to the evaluation team by USAID. Unless stated otherwise, all references made to the CTFP refer to the draft version.

- IR 1.2: Greater Competitiveness in Agricultural Value Chains
- IR 1.3: Increased Trade & Investment in the Textiles and Apparel Sector
- IR 1.4: Strengthened Regulatory Capacity for the Clean Energy Sector
- IR 1.5: A Better Enabling Environment

It has yet to be confirmed whether a formal Theory of Change (TOC) diagram or narrative was prepared as part of the 2012 project reorganization. The evaluation team will inquire if a TOC (possibly called a Results Framework) was developed for the project and, if not, the evaluation team may work collaboratively with USAID to prepare a TOC should it be deemed useful to the evaluation objectives.

## Existing Data Sources

The evaluation and assessment survey will build upon the following documentation that will be provided by USAID/Southern Africa, to be supplemented by additional documentation located by the evaluation team.

- The SATH project contract, including all modifications
- The SATH project M&E Plan and Indicator Table, including any Data Quality Assessments completed
- Summarized list of project targets by intervention area (extracted directly from the contract)
- All Contractor Performance Assessment Reports for the SATH project
- SATH project Annual Work Plans
- SATH project Value Chain Analysis Report
- USAID/Southern Africa Annual Reports (PPR)
- SATH Project Annual Reports
- Mid-Term Evaluation of the Southern Africa Trade Hub, 2014<sup>106</sup>
- USAID/Southern Africa FTF Strategy
- Summary of the SADC Regional Indicative Strategic Development Plan
- SADC Trade, Industry, Finance and Investment Trade Thematic Group Strategy
- Draft Comprehensive Trade Facilitation Program
- Miscellaneous studies and reports prepared by the SATH project
- Cost and Benefits of Implementing Trade Facilitation Measures under Negotiations at the WTO: an Exploratory Survey (Duval 2006), including survey instrument

The evaluation team will seek out additional sources of information, including contemporaneous evaluations of trade facilitation programs, which may be useful for designing the instruments to be used in the evaluation and assessment survey.

## Purpose, Audience and Intended Use

### Purpose

The primary purpose of the performance evaluation is to inform USAID's decision-making processes with respect to its strategic approaches for achieving the intended results of its work on trade facilitation in Southern Africa. To that end, it is expected that the evaluation team will gather and synthesize information regarding the SATH project's performance to date and assess achievements versus expected results. Given the changes in scope, staff, and management of the SATH project since the mid-term evaluation was conducted, a major component of the performance evaluation will be to

<sup>106</sup> [http://pdf.usaid.gov/pdf\\_docs/PA00K8GT.pdf](http://pdf.usaid.gov/pdf_docs/PA00K8GT.pdf).

assess changes in performance since the mid-term evaluation. This will include documenting whether, or to what extent, the SATH project achieved its objectives, and describing any changes in project approaches and performance since the mid-term evaluation.

The recommendations and lessons identified by the evaluation should provide practical guidance and feasible measures to support the sustainability of outcomes achieved to date, as well as best practices and areas of improvement that can be used in subsequent programs of this type.

The purpose of the assessment survey is to provide estimates on implementation costs and benefits associated with selected trade facilitation measures, which may provide some useful guidance to USAID/Southern Africa and other missions and Agency offices involved in designing and overseeing future trade facilitation-related activities.

### **Intended Use**

The performance evaluation findings, conclusions, recommendations, and lessons learned from the evaluation will be used to inform decisions about the implementation of future USAID trade hub programming.

The assessment survey will be used by USAID/Southern Africa and its implementing partners to guide the priorities and work plans for the future iteration of the Trade Hub and other activities to support trade facilitation in the region.

### **Audience**

The primary audiences for this evaluation and assessment Survey are the Regional Economic Growth Office within USAID/Southern Africa, the Trade and Regulatory Reform Office within USAID's Bureau for Economic Growth, Education, and Environment (USAID/E3/TRR), and staff and stakeholders for the future iteration of the Trade Hub.

## **Evaluation Questions**

The performance evaluation will seek to answer the following evaluation questions (EQs):

#### **Relevance:**

- EQ1: In what ways has the project been successful or not in achieving results towards its stated objectives?

#### **Management:**

- EQ2: How has the management structure as implemented supported or hindered project performance?
- EQ3: What are the management factors influencing the achievement and non-achievement of project objectives?

#### **Promising Practices:**

- EQ4: What are the key strategic, programmatic, technical, and managerial features of the project that should be taken into account when implementing a new Southern Africa Trade and Competitiveness Hub Project in the region?

#### **Sustainability:**

- EQ5: What mechanisms have been put in place to ensure sustainability of the project achievements?

- EQ6: Based on the findings and conclusions from the preceding questions, what factors have been identified that are likely to positively affect the sustainability of project achievements?

## **Gender Considerations**

USAID guidance and policies, including its Gender Equality and Female Empowerment Policy and Automated Directives Systems (ADS) 203.3.1.5, require that project designs, performance monitoring, and evaluations adequately address gender concerns. The ways in which gender will be taken into account for the performance evaluation and assessment survey will be proposed in the evaluation team's Evaluation Design Proposal. The evaluation team is expected to be responsive to USAID's dual expectations for treating gender appropriately: (a) gathering sex disaggregated data, and (b) identifying gender differential participation in and benefits from aspects of the project, where differences on this basis are possible. It is envisioned that gender-sensitive approaches will be relevant to the evaluation questions investigating both the participation of women in the SATH project, including the management structure, and the differential impacts of the project based upon gender.

## **Research Design and Data Collection Methods**

### **Timing Considerations**

Due to timing considerations, specifically the close-out of the SATH project by March 2016, USAID expects that the final performance evaluation and assessment survey will be carried out in separate stages, with performance evaluation activities occurring first. Data collection under the performance evaluation will need to commence in time to reach project staff and other stakeholders involved in project implementation before demobilization occurs around February 2016. The evaluation team's data collection planning should also consider that a workshop is being organized by USAID/Southern Africa for mid-January 2016, which will allow for opportunities to collect data from key project personnel and participants.

### **Performance Evaluation Design**

The proposed design for the performance evaluation should be informed by the mid-term evaluation of the project that was completed in 2014. In addition, the evaluation design and data collection approaches should consider the relatively brief duration since the previous evaluation as well as the short period of time available for data collection given the upcoming project closure.

In developing the evaluation design, the evaluation team should consult with USAID on a sampling strategy for prioritizing which activities and countries to visit for data collection. It is expected that the evaluation team will inventory activities across the five current project IRs that have been conducted since the mid-term evaluation, and focus the evaluation research on those activities that are of particular interest to the Mission.

### **Performance Evaluation Data Collection Methods**

USAID expects that the performance evaluation will incorporate a mixed-methods approach that will collect and analyze both primary and secondary qualitative and quantitative data. Data collection methods may include, as appropriate:

- Review of project documentation and performance data

- Review of relevant trade and customs data<sup>107</sup>
- Semi-structured key informant interviews, which may include project participants/beneficiaries and stakeholders including representatives from the private and public sectors
- In-person observations at selected activity sites

It is not anticipated that the surveys or focus group discussions will be carried out for the final performance evaluation.

Prior to commencement of the field work, the evaluation team will submit for USAID's approval an Evaluation Design Proposal that will include a Getting to Answers matrix linking each evaluation question to the project activity and related performance indicators, expected data sources, and data collection and analysis methods. This matrix will show how performance indicators and secondary and primary data to be collected will be triangulated to verify the quality of the data and evidence. The Evaluation Design Proposal will also include instruments to be used with each identified method, along with an analysis plan that explains how data collected from the various sources will be integrated to answer the evaluation questions.

### Assessment Survey Design

As a separate activity from the performance evaluation, the evaluation team will also design and implement an assessment survey that is expected to inform the following:

1. An analysis of the costs and benefits to the public and private sectors of different trade facilitation measures described in the CTFP draft
2. A ranking of the most cost-effective measures identified from the list generated above, according to their feasibility in the current political environment.
3. Recommendations to inform USAID's future trade facilitation-related activities.

The proposed approach for this survey should draw upon the work of Duval (2006) within the Southern Africa context as well as more recent research on the feasibility of implementing the trade facilitation measures in the TFA.<sup>108</sup> The survey should encompass the following SADC members: Angola, Botswana, Lesotho, Madagascar, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe.<sup>109</sup> The approach will include surveys of targeted key informants, as well as a review of secondary data and other analyses related to the 2013 TFA that is publically available.

It is expected that the survey will focus on the following cost components:

- **Regulatory/Legislative Costs:** Extent to which new legislation will be needed, requiring expertise and time;
- **Institutional Costs:** Extent to which new institutions will be needed, additional units in existing institutions, or restructuring within existing institutions;
- **Human Resources Training Costs:** Extent to which government officials will need to be trained for efficient implementation of the trade facilitation measure;
- **Equipment/Infrastructure Costs:** Extent to which new/additional equipment will be needed for implementation of the measure, as well as to ensure its effectiveness (e.g., if docs are

<sup>107</sup> Depending on the timing of secondary data, the evaluation team may find it useful to review publically available data sets such as the World Bank LPI or the "Doing Business" report series.

<sup>108</sup> As they are not currently publically available documents, USAID will attempt to make available to the evaluation team the WTO Trade Facilitation Agreement Facility needs assessments completed through 2015 during the desk review process.

<sup>109</sup> At the time of this writing, there are certain restrictions on USAID's ability to work in Zimbabwe. As new restrictions are implemented or current restrictions removed, the evaluation team must adjust its focus accordingly.



published online but SMEs do not have internet access because of inadequate national communications infrastructure);

- **Political Costs:** Extent to which such measures will be resisted by staff within relevant institutions or by policy makers because of fears of losing political support they need; and
- **Recurring/Operating Costs:** Costs associated with maintaining the new/additional systems associated with the trade facilitation measure (e.g., replacement of computers and software for e-customs or e-trade document systems, salary/wages of dedicated additional staffs or experts).

## Assessment Survey Data Collection Methods

The evaluation team will prepare an Assessment Survey Design Proposal (which will be separate from the Performance Evaluation Design Proposal) describing its proposed approach, sampling strategy, work plan, and draft instrument(s) to carry out this survey, which will be finalized in consultation with USAID. The data collection instrument(s) should be field tested, and any final changes incorporated in consultation with USAID.

## Data Analysis Methods

The Evaluation Design Proposal should describe the proposed data analysis methods relevant for the types of data collected that will inform the answer to each evaluation question. The Design Proposal should also include a Getting to Answers matrix that will link proposed data analysis methods to each evaluation question.

## Strengths and Limitations

### Performance Evaluation

The primary limitation anticipated for the performance evaluation is that budget and time constraints are likely to require a sampling strategy that will not allow for examination of a representative range of SATH project activities to answer the evaluation questions. In its Evaluation Design Proposal, the evaluation team should describe any strengths or additional limitations identified for the performance evaluation design.

### Trade Facilitation Measures Assessment Survey

In its Survey Assessment Design Proposal, the evaluation team should describe any identified strengths or limitations for the proposed survey assessment design.

## Deliverables and Reporting Requirements

It is anticipated that the evaluation team will be responsible for the following deliverables. A final list of deliverables, including specific due dates, will be proposed in the Evaluation Design Proposal for USAID approval.

Deliverable	Estimated Due Date
<b>Final Performance Evaluation</b>	
1. Draft Evaluation Design Proposal, including sampling plan, data collection and analysis methods, draft data collection instruments, team composition, proposed timeline, and estimated budget	o/a January 15, 2016
2. Final Evaluation Design Proposal	o/a 1 week following receipt of USAID comments on the draft
3. Outbriefing to USAID Mission and interested parties at the end of field research	To be proposed in the Evaluation Design Proposal
4. Presentation of preliminary evaluation findings/conclusions/recommendations to USAID	To be proposed in the Evaluation Design Proposal
5. Draft Evaluation Report	To be proposed in the Evaluation Design Proposal
6. Final Evaluation Report	To be proposed in the Evaluation Design Proposal
7. Evaluation Report Summary	To be proposed in the Evaluation Design Proposal
<b>Assessment Survey</b>	
8. Assessment Survey Design Proposal, including sampling plan, data collection and analysis methods, draft data collection instruments, team composition, proposed timeline, and estimated budget	o/a January 15, 2016
9. Draft Assessment Survey Report	To be proposed in the Assessment Survey Design Proposal
10. Presentation of preliminary survey findings to USAID and selected invitees	To be proposed in the Assessment Survey Design Proposal
11. Final Assessment Survey Report	To be proposed in the Assessment Survey Design Proposal

All documents will be provided electronically to USAID no later than the dates indicated in the Evaluation Design Proposal. All debriefs will include a formal presentation with slides delivered both electronically and in hard copy for all attendees.

## Team Composition

It is expected that evaluation team members will have relevant prior experience in Africa, familiarity with USAID's objectives, approaches, and operations, and prior evaluation/assessment experience. In addition, individual team members should have the technical qualifications identified for their respective positions. SADC nationals should be considered for each of these roles.

The evaluation team should consist of a range of experts and supporting staff, based on the specific tasks and sub-tasks required to carry out the activities described in this SOW. In its Evaluation Design Proposal and Survey Assessment Design Proposal, the evaluation team should propose specific positions and individuals to carry out the required activities for each of those respective activities, including CVs of core team members.

At this stage, it is expected that the performance evaluation team may include the following positions:

- **Team Leader (Evaluation Specialist):** The Team Leader will have a minimum of a Master's Degree in a relevant discipline (International Trade Law, Economics, etc.) and at least five years'

of experience in donor-funded performance evaluations in Africa. The Team Leader will have excellent analytical and report writing skills as well as demonstrated skills in applied economic analysis, project management, and survey administration. S/he will also possess sound knowledge of regional integration; particularly in SADC and the SACU.

- **Trade and Integration Expert:** The Trade and Integration Expert will have a minimum of a Master's Degree in a relevant discipline (International Trade Law, Economics, etc.) and eight years of experience in international trade. S/he should have experience with USAID evaluation projects in Africa and have demonstrated abilities in applied economic analysis. The expert will have sound knowledge of regional integration particularly in Southern Africa along with familiarity with SADC and the SACU.
- **Customs and Trade Facilitation Advisor:** The Customs and Trade Facilitation Advisor will have a minimum of a Master's degree in a relevant field (Economics, Business Management, etc.) and at least eight years' experience in trade facilitation and transport at the national, regional, and/or international level (preferably in Southern Africa). S/he will possess excellent analytical and report writing skills as well as demonstrated experience in customs operations, trade policy and trade facilitation at national, regional, and international levels. The Advisor will also have experience with transport planning, policy and customs reform and a demonstrated ability to evaluate development reforms in a developing country context. S/he will possess a sound knowledge of and experience with modern trade facilitation tools as outlined in the TFA, WTO and WCO Conventions on customs and trade facilitation (including efforts to harmonize customs and transit procedures in Southern Africa), and USAID programs including the Agency's Evaluation Policy.
- **Agricultural Economist:** The Agriculture Economist will have a minimum of a Master's Degree in Agricultural Economics and at least eight years' experience in international trade with an emphasis on agricultural products. S/he will have excellent analytical and report writing skills as well as demonstrated skills in applied economic analysis and survey administration. S/he will also have a sound knowledge of agricultural policies in Southern African and familiarity with SADC and the SACU.
- **Researchers/Logisticians (x2):** Researchers supporting the evaluation team will have a minimum of a Bachelor's Degree and at least two years' experience in international trade with an emphasis on agricultural projects. They will have excellent analytical and report writing skills and proven experience with carrying out semi-structured interviews. They will possess sound knowledge of agricultural policies in Southern Africa and familiarity with SADC and the SACU. They will also provide logistical support to the evaluation team including the scheduling of interviews and travel preparations.
- **Activity Coordinator:** The Activity Coordinator should hold a minimum of a Bachelor's Degree with at least two years of relevant research and evaluation experience. The Activity Coordinator is expected to help coordinate, support, and oversee the evaluation team's efforts across the required tasks to ensure their successful completion.

Home Office support may also be provided by the contractor carrying out this evaluation, including technical guidance, research assistance, administrative oversight, data analysis, and logistical support.

## USAID Participation

An interactive and collaborative process is envisioned between the evaluation team, USAID/Southern Africa, and USAID/E3/TRR to carry out this activity. USAID and the evaluation team will be engaged during the design process to consider options for answering the evaluation questions and designing the assessment survey, to ensure agreement on the focus and approaches for the design and delivery of the

performance evaluation and assessment survey The desirability of USAID participation in evaluation activities such as data collection will be considered prior to the initiation of field research.

## **Scheduling and Logistics**

Tasks included in this SOW are expected to be completed from o/a November 2015 to August 2016. A preliminary timeline is included on the following page for the performance evaluation tasks. The specific dates for completion of tasks for the assessment survey are pending further discussion between USAID and the evaluation team but it is anticipated that they will be completed by August 2016. In the Evaluation Design Proposal and Survey Assessment Design Proposal, the evaluation team will include more detailed schedules with specific dates of completion for the respective tasks and deliverables under this SOW.

It is anticipated that the evaluation team will be responsible for procuring all logistical needs related to this SOW, such as work space, transportation, printing, translation, and any other forms of communication. USAID will offer some assistance as appropriate in providing introductions to partners and key stakeholders as needed, and will ensure the provision of data and supporting documents as required.

Tasks and Deliverables	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016
Secondary document review	█					
Schedule interviews/site visits	█	█				
<b>Draft Evaluation Design Proposal</b>	█	█				
USAID provides comments on Draft Evaluation Design Proposal		█				
<b>Final Evaluation Design Proposal</b>		█				
In-Country Research		█	█			
<b>Outbrief to Mission</b>			█			
Data Analysis and Report Drafting			█	█	█	
Present Preliminary Findings/Conclusions/Rec's to USAID				█		
<b>Submit Draft Evaluation Report</b>					█	
USAID provides comments on Draft Evaluation Report					█	
<b>Submit Final Evaluation Report</b>						█

## Reporting Requirements

The format of the evaluation report should follow USAID guidelines set forth in the USAID Evaluation Report Template (<http://usaidlearninglab.org/library/evaluation-report-template>) and the How-To Note on Preparing Evaluation Reports (<http://usaidlearninglab.org/library/how-note-preparing-evaluation-reports>). The format will include an executive summary, table of contents, list of acronyms, evaluation design and methodology, findings, conclusions, and recommendations and lessons learned. The report will be submitted in English and should not be more than 40 pages, excluding annexes.

A copy of the final evaluation report will be delivered to the USAID Development Experience Clearinghouse (DEC) within 30 days of USAID's acceptance of the final evaluation report and approval to post it on the DEC.

A brief summary of the evaluation report, not to exceed 15 pages and excluding any potentially procurement-sensitive information, should also be submitted electronically in English for dissemination among implementing partners and stakeholders.

All members of the evaluation team should be provided with USAID's mandatory statement of the evaluation standards they are expected to meet, shown in the text box below, along with USAID's conflict of interest statement that they sign where necessary before field work starts.

### USAID EVALUATION POLICY, APPENDIX I

#### CRITERIA TO ENSURE THE QUALITY OF THE EVALUATION REPORT

- The evaluation report should represent a thoughtful, well-researched and well organized effort to objectively evaluate what worked in the project, what did not and why.
- Evaluation reports shall address all evaluation questions included in the scope of work.
- The evaluation report should include the scope of work as an annex. All modifications to the scope of work, whether in technical requirements, evaluation questions, evaluation team composition, methodology or timeline need to be agreed upon in writing by the technical officer.
- Evaluation methodology shall be explained in detail and all tools used in conducting the evaluation such as questionnaires, checklists, and discussion guides will be included in an Annex in the final report.
- Evaluation findings will assess outcomes and impact on males and females.
- Limitations to the evaluation shall be disclosed in the report, with particular attention to the limitations associated with the evaluation methodology (selection bias, recall bias, unobservable differences between comparator groups, etc.).
- Evaluation findings should be presented as analyzed facts, evidence and data and not based on anecdotes, hearsay or the compilation of people's opinions. Findings should be specific, concise and supported by strong quantitative or qualitative evidence.
- Sources of information need to be properly identified and listed in an annex.
- Recommendations need to be supported by a specific set of findings.
- Recommendations should be action-oriented, practical, and specific, with defined responsibility for the action.

## Data Management

The storage and transfer of data collected for this evaluation will adhere to the requirements laid out in USAID's Automated Directives Systems (ADS) 579.<sup>110</sup> The evaluation team should also follow applicable Institutional Review Board (IRB) guidance on data security and confidentiality. Final datasets are expected to be submitted to USAID in a format consistent with ADS 579.

## Estimated Budget

The evaluation team will propose for USAID's approval estimated budgets as part of its Evaluation Design Proposal and Assessment Survey Design Proposal, considering costs required to complete all tasks under these respective activities, including those costs already incurred to date during the design stages.

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<sup>110</sup> See <http://www.usaid.gov/sites/default/files/documents/1868/579.pdf>.

## ANNEX II: DETAILED ASSESSMENT METHODOLOGY

### Qualitative Approach

While there is recent research on the positive effects of trade facilitation generally, there is a dearth of reliable quantitative information on the cost of implementation of specific TFMs (Duval, 2006).<sup>111</sup> This is especially the case for southern Africa. In the absence of quantitative information on the costs and benefits of trade facilitation, Duval (2006) argued that expert surveys, even with their limitations, could be used to examine the relative cost of implementation of a range of TFMs.

In close consultation with USAID, the assessment team designed and implemented this iterative qualitative approach to align with the management purpose and intended uses of this assessment. First, the assessment sought to inform the optimum balance between costs and benefits of prioritizing certain TFMs for implementations in the countries of study (but they did not determine whether an a priori conception or theory of what that optimum balance would be). Qualitative research methods were more suited to exploring phenomena over seeking to confirm predetermined hypotheses about phenomena.

Second, similar to Duval's 2006 study, the resources were too limited to develop and apply quantitative models and implement measures for the costs and benefits of selected TFMs in all five countries. In lieu of expensive and time consuming quantitative methods, the team collected data from relevant experts, including the private-sector actors involved in different aspects of trade, the public actors providing public services that support trade, as well as academics and policy experts.

### Country-Specific Approach

The USAID-funded Southern Africa Trade Hub project produced the SADC TFP Final Report, which outlined a harmonized approach to trade facilitation including 28 TFMs such as NSWs, trade information portals, appeals procedures and an inter-regional transit management system, as well as cross-cutting issues such as donor coordination and aligning national and regional objectives.

However, an examination of all 28 TFMs in each country is beyond the scope of this assessment and would fail to take account of the varying levels of progress across countries.

At the outset of the research, the assessment team identified for each country those approximately eight to 10 TFMs for which international partnerships could be most beneficial.

To develop this subset, the team looked at a range of secondary sources, including the following:

- As the intention of the study is to assess the costs and benefits of future TFM implementation, the criteria for prioritizing TFMs to be assessed in each country considered if the TFM was designated as “Category C” (TFMs that the country will require extra time and technical assistance to implement) through a WTO TFA Trade Facilitation Agreement Facility needs assessment process.
- For all five countries, and especially where a country of study has not yet completed and published a WTO TFAF needs assessment, the team assessed the status of TFM implementation

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<sup>111</sup> Yann, D., (2006).



in each country through a review of the OECD TFIs<sup>112</sup> and other secondary data and relevant literature.

The TFMs that emerged as relevant to the national context, and for which international partnerships could be most beneficial were used to triangulate with data collected from KIIs and brief country-specific online surveys. The KII instruments were designed to elicit respondent perspectives on the most compelling TF issues and measures, whether or not they were included in the SADC TFP or country “Category C” TFMs.

For the purpose of designing a streamlined online survey that respondents would most likely complete, the instrument used the subset of TFMs identified as most relevant to each country during desk review for respondents to rate and rank the ones that are their highest to lowest priorities. But they also had open-ended questions that allowed respondents to identify key obstacles and interventions outside of that list.

## **Data Collection Methods, Sources and Instruments**

### **Desk Review**

The TF specialists for each country of study reviewed national and regional-level policy papers, studies and assessments to develop a cross-country understanding of how SADC member states operationalize TFMs, including potential approaches to assess the costs and benefits of specific measures or categories of measures.

Following this, the assessment team undertook country-specific document collection and review to develop profiles capturing country-specific data on trade and the status of implementation of relevant TFMs, as well as relevant academic and policy studies. This review was used to inform the purposive selection of key informants and tailor the KII and online survey instruments to respondent categories and the country context.

### **Key Informant Interview Instruments**

The assessment team designed and employed semi-structured KII instruments to elicit what the respondents think are key obstacles that impede trade; and then what they think are the priority TFMs or interventions that should be implemented to alleviate these obstacles. Then respondents were asked a battery of questions about the benefit, costs, sequencing and obstacles for implementation for each TFM they raised as a priority. This was a lengthy part of the discussion and most interviews had to be limited to discussing two to four TFMs in detail due to time constraints.

At the end of the interview, respondents were asked to rank the TFMs they raised as a priority and were also free to mention and rank other TFMs they did not have time to discuss in detail. All respondents were also asked for their perspectives on what TFMs were not a priority, general observations on national and regions TF issues, as well as suggestions for future TF interventions and research. The KIIs on average took about 1.5 hours to complete.

The assessment team designed and implemented a KII instrument for each respondent category with mostly similar and comparable questions, but worded them to capture the particular perspective of the group in question. For example, private-sector firms and associations were asked what would be the

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<sup>112</sup> <http://www.oecd.org/trade/facilitation/indicators.htm>

impact on their firms and associations if a particular TFM was implemented. Every group was asked what would be the impact on trade in the country in general.

The KII instruments had a mix of open and closed-ended questions to create a small set of finite responses of how different categories of respondents rank TFMs in terms of benefits (and costs where feasible), as well as rich narratives to mine for greater depth and understanding of the challenges experienced by traders and why respondents prioritized certain TFMs over others. For example, close-ended questions were used to confirm whether or not respondents thought a TFM they raised is a priority to unlock benefits for traders in the country; which particular benefits are associated with a TFM they raised as a priority; and whether or not there are other TFMs or steps that need to be taken before the TFM in question can be implemented.

A small set of close-ended questions about the required costs and resources to implement specific TFMs were directed to public-sector respondents, based on the assumption that private-sector respondents would be less informed of the costs to the government to implement TFMs.

Open-ended questions were used to elicit what respondents thought were the main obstacles of trading across borders and why these have not yet been addressed; to describe the potential benefits of implementing the TFMs they raised as priorities; as well as why they thought a TFM has not been implemented and what are the steps or measures that needed to be undertaken before a particular TFM could be implemented.

### **Pilot Interviews and Design and Instrument Validation Workshops**

The team leader and deputy team leader conducted pilot interviews over three days in Pretoria and Johannesburg to test the KII instruments and adjust them as needed for the country context and respondent categories. At the end of the week, these two team members joined USAID personnel from the Southern Africa Mission to present the assessment design, KII instruments and South Africa pilot interview data at a validation workshop with key stakeholders in Pretoria. The team leader was supported by the Botswana research assistant to collect more pilot interviews and refine the instrument. The team leader and Mission personnel co-facilitated a second validation workshop for key stakeholders in Gaborone. The results of the stakeholder validation workshops are in Annex XI.

Based on the pilot process, the team leader and deputy team leader consistently trained the research assistants on how to apply and refine the KII instrument in the other countries. The team leader trained and remotely supervised the Namibian TF specialist and the Botswana research assistant. The deputy team leader trained and remotely supervised the Zambian research assistant.

### **Online Surveys**

The TFM assessment design proposal noted that if feasible, the assessment team would incorporate brief but country-specific online surveys to ascertain the trade facilitation priorities of the members of private-sector associations. The online surveys were designed to gather evidence from a wider group of firms involved in trade across borders about what are the TF interventions that were the highest priority in terms of potential to generate economic benefits for the private sector in each country of study.

The assessment team anticipated that with most online surveys the response rate would be low, but would use online responses to triangulate the desk review and KII findings on which TFMs and how should they be prioritized for implementation in each country of study. An example of a country-specific online survey instrument is in Annex V.

## Sampling Approach

### Country Selection

USAID asked MSI to prioritize data collection the countries of study with key partners for maximizing trade facilitation in the region, as well as countries with bilateral partner agencies that have asked USAID for advice on the implementation of WTO TFA “Category C” measures. Also, Malawi and Zambia were prioritized for the study as Feed the Future partner countries. Mozambique, also a Feed the Future country that has a key trade corridor, was not selected because the travel and translation costs were beyond the available budget for the assessment.

### Key Informant Interview Respondent Selection

Primary data collected from four broad respondent categories with a balance of at least 50 percent private sector:

- Private-sector business owners and managers.
- Private-sector trade association representatives.
- Public-sector government and regional body officials.
- Academics, policy experts, non-governmental organizations, think tanks, donors and other international organizations.

### Online Survey Respondent Selection

The assessment team targeted associations that represent firms involved in trading across borders, including exporting/importing in the primary economic sectors of the country of study, as well as firms that provide freight forwarding, supply chain, logistics and transportation services. The TF specialists identified and contacted several trade, logistics or supply chain associations in each country, which likely have a majority of members that trade across borders.

The majority of private-sector associations contacted agreed to send the request to take the online survey to their members. One South Africa association noted that their members were already asked to complete a number of online surveys, and offered to send the request to selected members most likely to take the survey. Trade association members were sent a request to respond to the one of six versions of the “USAID Trade Facilitation Assessment Short Online Survey for Trade Association Members,” designed to be specific to each country.

**TABLE I: TOTAL NUMBER OF RESPONDENTS BY COUNTRY, RESPONDENT CATEGORY AND DATA COLLECTION METHOD**

Respondent categories	Botswana		Malawi		Namibia		South Africa		Zambia	
	Individuals	KIIs	Individuals	KIIs	Individuals	KIIs	Individuals	KIIs	Individuals	KIIs
KIIs - Private Sector - trade, supply chain, or professional services firms that trade across borders	9	6	8	7	8	8	4	3	9	8
KIIs - Private Sector - trade or supply chain associations	6	6	5	5	3	3	8	8	2	2
KIIs Public sector – government officials	3	3	3	3	4	3	9	4	6	4
KIIs - Public sector - multilateral and regional organizations	0	0	0	0	3	1	0	0	2	1
KIIs - Academics, policy experts/ other donors	3	3	1	1	3	3	1	1	1	1
Total number of KIIs and individual respondents per country	21	18	17	16	21	18	22	16	20	16
<b>Background interviews</b>	<b>Botswana</b>		<b>Malawi</b>		<b>Namibia</b>		<b>South Africa</b>		<b>Zambia</b>	
Private and public sector stakeholders, policy experts	2		1		0		4		0	
<b>Online survey respondents</b>	<b>Botswana</b>		<b>Malawi</b>		<b>Namibia</b>		<b>South Africa</b>		<b>Zambia</b>	
Total	29		9		14		32		8	

## Data Analysis Methods

The data analysis for the assessment is based on an iterative process of inductive assessments of the status, costs, benefits and obstacles or thorny issues for implementation, and their related impacts for TFMs that could emerge as a priority for implementation for each country of study. First, the TF specialists used the TFMs and cross-cutting issues for implementation listed in the SADC TFM as a structured way to organize and track data on each TFM as it emerged from the different data sources.

Second, the TF specialists conducted a comprehensive country contextual analysis and identified the likely TFMs that would be raised by KII respondents. Each TF specialist documented these initial findings on the likely candidates in a “TFM country tracker” which served as a living list, amended as new data emerged from the different sources in each country. The team leader and deputy team leader

conducted a regional context analysis to start to identify the key issues that would likely emerge across the country KII data.

Third, each TF specialist conducted pilot KII interviews to test the instruments. The data collected from the pilot KIIs generated a better understanding of the types of costs and benefits associated with each TFM raised by respondents and the inter-related obstacle or thorny issues surrounding each TFM. The assessment team used the pilot KII data to select a list of eight to 10 TFMs that would likely be raised by the remaining KII respondents to be included in the country-specific online surveys.

### **Criteria for Selection of Priority Trade Facilitation Measures per Country Report**

To ensure a robust discussion of each TFM selected to be assessed in detail in each country report, TFMs selected to be assessed in detail was based on the frequency with which each TFM was raised by KII respondents, as well as the TFMs that had the most agreement across the respondent categories as a priority intervention. As these are the TFMs that were discussed in detail in the battery of TFM specific assessment questions by a concentration of respondents, the team was able to gather and synthesize the different perspectives of the costs and benefits of these TFMs.

### **Qualitative Data Analysis**

The TF specialists were responsible for the content analysis of the qualitative KII data for their assigned country or countries, and the technical manager read every interview record closely, entered or supervised and checked the data entry for all KII data. Additionally, they performed a parallel content analysis process for each set of country KIIs and generated a separate list of themes and sub-themes to discuss and confirm findings with the respective country authors. The content analysis included NVivo coding of themes and subthemes under relevant elements about each TFM.

### **Assessment Team**

The assessment team from the E3 Analytics and Evaluation Project included the following personnel:

- Catherine Grant Makokera, Team Leader and Trade Facilitation Specialist for South Africa and Botswana.
- Temwa Gondwe, Deputy Team Leader and Trade Facilitation Specialist for Malawi and Zambia.
- Servaas van den Bosch, Trade Facilitation Specialist for Namibia.
- Heinrich Krogman and Asmita Parshotam, Local Researchers for South Africa.
- Salvation Andrese, Logistician for South Africa.
- Zachariah Njoroge, Local Researcher/Logistician for Botswana.
- Taffy Chirunda, Local Researcher/Logistician for Namibia.
- Nelson Chisenga, Local Researcher/Logistician for Zambia.

Technical and project management support was also provided by the following MSI home office staff:

- Jessica Gajarsa, Assessment Coordinator, conducted data analysis and drafting.
- Haley Fults, Project Manager.
- Rajan Kapoor supported qualitative data analysis.
- Lala Kasimova and Setsuko Oya provided assistance with data entry.

## Limitations

Due to time and resources constraints for this assessment, it was not feasible for the assessment approach to include the application of inferential statistics. The assessment approach does not provide specific quantitative and monetized findings and conclusions about the costs and benefits of the TFMs examined, for which a retrospective econometric study would be better suited.

Studies seeking to explore the economic benefits of TFMs and their associated implementation costs have two key limitations: the lack of official statistics on trade costs and facilitation programs and the variation among program points of origin and trade costs (Akinkugbe, 2009; Fujimitsu, 2013; Moise, 2013; Portugal-Perez & Wilson, 2009; WTO, 2015). Implementation costs were not easy to quantify because they were rarely carried out independently of other broad policy objectives aimed at maximizing revenue and increasing transparency (WTO, 2015). The overall lack of official statistics on trade cost in countries throughout the world was a serious limitation for empirical research (Akinkugbe, 2009; Fujimitsu, 2013; Portugal-Perez & Wilson, 2009). Previous studies required substantial time and monetary investment to acquire limited quantitative implementation cost data, across multiple countries (Akinkugbe, 2009; Portugal-Perez and Wilson, 2009). The 2014 United Nations Conference on Trade and Development revealed that a majority of countries in the least developed category (LDC) had implemented only a small number of TFMs. Limited implementation further complicates the ability of researchers to collect qualitative data on the costs of TFM implementation.

Additionally, there were several factors that may have limited the assessment's ability to fully capture the diverse range of perspectives of key stakeholders and to yield actionable information for decision-makers.

- The assessment was implemented in a fairly short timeframe, so it was possible that relevant respondents/stakeholders were not available for primary research or participation in the validation workshops.
- There was only sufficient time and resources to conduct KIIs with a small number of stakeholders across several stakeholder groups in each country. Therefore, the study was not able to capture as large a range of perspectives as would be the case in a larger study.
- The ability of the assessment to conduct small-scale surveys was dependent on the willingness and cooperation of stakeholders to identify respondents and contact information. This was especially the case with members of trade associations, for whom contact information for the membership was required.
- It was likely that many respondents, and specifically private-sector respondents, were unable to provide reliable information about the costs of implementing specific TFMs. As the study had a specific focus on understanding the views of the private sector, there may have been insufficient information about the costs to develop evidence-based findings.
- The qualitative nature of the assessment was unlikely to provide the team with the type of evidence required to provide quantitative or monetized assessments of costs and benefits.

## ANNEX III: KEY INFORMANT INTERVIEW DATA COLLECTION INSTRUMENTS

This annex presents the KII instruments that were used for three broad respondent categories:

- Private sector.
- Public sector.
- International donors, policy experts and academics.

### Key Informant Interview Topic Guide – Private Sector

**This Topic Guide is intended for use in field research with representatives of private sector firms involved in trading across borders, as well as trade associations with members that are firms that are involved in trading across borders. It should be followed as closely as possible to guide key informant interviews with these respondents. There are a few questions where a specific set of responses are provided in order to assist in the collection of data that can be more easily quantified. Instructions to the interviewer are in red.**

#### I. Introduction (~5 minutes)

- a. Thank the respondent for taking the time to participate in the interview
- b. Introduction to the researcher and the research
  - Introduce yourself: I am a Trade Facilitation Specialist residing in \_\_\_\_\_. I represent an assessment team fielded by Management Systems International, a Washington DC based firm that has been contracted by the U.S. Agency for International Development (USAID) to conduct an independent assessment of the costs and benefits of selected trade facilitation measures (TFMs) or interventions in 5 SADC states.
  - Research is intended to help USAID and regional and government stakeholders better address the obstacles to trade and specifically to help countries comply with the recent WTO Trade Facilitation Agreement (if the respondent is unfamiliar with the agreement, a short explanation will be provided)
  - Research will be used to identify what changes in policy and practice would make it easier for businesses to trade across borders.
- c. Description of the objectives of the discussion
  - Obtain information about the business of the firm as it relates to trade.
  - Understand better the challenges faced by the firm in moving products and services across borders.
  - Understand better what the firm view as the most important steps that could be taken make trading across borders easier.
- d. We will follow privacy protocols to protect your anonymity [interviewers will be trained to be compliant with USAID policy in regards to the "USG Common Rule" for the protection of human subjects]:
  - Explain confidentiality and anonymity and note whether the respondent would like to remain anonymous, and that the assessment team will ask permission if would like to use a quote from the respondent in the final report.
  - Explain how collected data will be stored without identifying information.
  - Ask if the respondent is willing to be recorded and note their response.

- e. Explain recording, length and nature of discussion
- f. Check whether respondents have any questions.

## II. Background Information (~ 10 minutes)

- a. Role of Respondent
  - Position
  - Responsibilities
  - Length of time with the organization
- b. Activities of the Firm (**The answers to these questions should be researched by the interviewer in advance and be recorded with the interview notes. If further clarification is required, ask some version of this question.**)
  - In what sectors does the firm operate?
  - How many employees does the firm currently have?
  - In what way is the firm involved in moving goods across borders – importing, exporting, transportation, facilitation of trade?
  - If exporting, what percentage of the output of the firm is exported?
  - If exporting, where are the key markets for the firm?
  - What is the approximate level of annual revenue for the firm?

## III. Obstacles to Cross-Border Trade (~20 minutes)

- a. **Transition:** *I would like to spend a little time speaking with you about the experiences of your members in trading across borders...*
- b. Could you describe what is you think the biggest challenge faced by your firm in trying to move goods across borders?
  - Explore why it is a challenge/how it impacts the firm.
  - Would the removal or reduction of this challenge make you more likely to trade?
  - Has the situation changed in the last five years?
  - Do you have any opinions on why this is such a challenge/why policies haven't been changed to make it easier?

## IV. Battery of Questions about Each TFM the respondent has identified is a priority (~25 minutes)

**Transition:** *Thank you very much for all of that information. I would like to switch topics a bit and speak to you about some of the trade facilitation measures that are planned to be implemented in the next few years. Now, not all of these may be relevant to your members, so just let me know if it isn't something that is important to your members and we can move on to the next measure.*

**\*\*Begin Battery for first TFM \*\***

Repeat this line of questioning for each TFM or TF issue selected for the country of study. Remember to ask about the TFMs of study in a random order, so the same order isn't followed in each interview.

**Interviewer explains the next set of questions:** Now I am going to ask you some questions about this TFM, [Read the TFM in question aloud as part of the questions below as you read it verbatim].

- Would implementing this measure be important to your firm? [If no, move on to the next measure.]
- If this measure were implemented, what would be the impact on your business? (**The interviewer will ask the prompt questions below relevant to the TFM in question.**)
  - Reduced time to trade?
  - Reduced cost to trade?
  - Reduced paperwork and administration?



- More certainty on when goods will get to market?
- More certainty on costs to trade?
- More traders/ your firm will be more interested in beginning international trade?
- Do you have any sense of how much it would cost to implement this measure?
- b. **Interviewer explains the next set of questions:** Now I am going to ask you about the status of implementation and sequencing this TFM.
  - Do you have any opinions on why this trade measure hasn't been implemented yet?
    - Are you aware of any political or private sector resistance to this TFM? If yes, please describe
      - Are there other TFMs or trade facilitation interventions that have to be implemented before this one can be implemented?
    - If yes, please list these TFMs that must be implemented in the order they should be sequenced before and/or after the implementation of this TFM.

**Interviewer explains the next set of questions:** Now I am going to ask you some questions about how would you describe the importance of this measure to your firm. I am going to read the TFM aloud we have been discussing and make a statement with it. And then I will ask you whether you agree or disagree with the statement: **[Read the TFM aloud at part of the statement and then read verbatim this question and the options below.]**

- “If implemented, [read TFM in question aloud] will generate large economic impacts for your business. Do you “strongly agree,” “agree,” “disagree,” “strongly disagree,” or “do not know” with this statement?”
- \_\_\_\_\_.

- **Interviewer to follow this Skip Logic:** If the respondent stated that they “strongly agree” in the previous question, then ask the question below verbatim; if the respondent didn't answer “strongly agree to the previous question skip to the conclusion and end the interview. (~5 mins)
  - “In the previous question you stated that you “Strongly agree that [TFM X] will generate large economic impacts for your business. Can you tell me why this measure is so important for you?”

**Repeat the above questions for the remaining priority TFMs.**

- **Ranking:** *Thank you very much for all of that information. As a final point, I would like to ask you to rank in order of priority the specific trade facilitation measures that we have discussed. Could you please tell me which one you consider the most important to implement followed by the second, third etc. through to the least important?*

**V. Conclusion:**

- Thank the respondent for their time.
- Tell the respondent they are welcome to contact you to ask questions at a later date.

Ask permission of the respondent to use their name in the report if you might use a quote. Note their response: \_\_\_\_\_

## Key Informant Interview Topic Guide – Public Sector

This Topic Guide is intended for use in field research with representatives from public sector bilateral agencies responsible for providing services or supporting policies related to trade facilitation/ customs or regional economic communities (RECs) that support trade facilitation policy implementation in member states. It should be followed as closely as possible to guide KIIs with these respondents. There are a few questions where a specific set of responses are provided in order to assist in the collection of data that can be more easily quantified. Instructions to the interviewer are in red.

### I. Introduction (~5 minutes)

- a. Thank the respondent for taking the time to participate in the interview
- b. Introduction to the researcher and the research
  - i. Introduce yourself: I am a Trade facilitation Specialist residing in \_\_\_\_\_. I represent an assessment team fielded by Management Systems International, a Washington DC based firm that has been contracted by the U.S. Agency for International Development (USAID) to conduct an independent assessment of the costs and benefits of selected trade facilitation measures (TFMs) or interventions in 5 SADC states.
  - ii. Research intended to help USAID and regional and government stakeholders better address the obstacles to trade and specifically to help countries comply with the recent WTO Trade Facilitation Agreement (if the respondent is unfamiliar with the agreement, a short explanation will be provided)
  - iii. Research will be used to identify what changes in policy and practice would make it easier for businesses to trade across borders.
- c. Description of the objectives of the discussion
  - i. Understand better the challenges faced by the government in supporting trade facilitation.
  - ii. Understand better what the Agency views as the most important steps that could be taken to make trading across borders easier and why.
  - iii. Understand the amount and nature of the costs required to implement these measures
- d. We will follow these privacy protocols to protect your anonymity if you prefer not to be quoted [interviewers will be trained to be compliant with USAID policy in regards to the "USG Common Rule" for the protection of human subjects]:
  - i. Explain confidentiality and anonymity and note whether the respondent would like to remain anonymous, and that the assessment team will ask permission if would like to use a quote from the respondent in the final report.
  - ii. Explain how collected data will be stored without identifying information.
  - iii. Ask if the respondent is willing to be recorded and note their response.
- e. Explain recording, length and nature of discussion.
- f. Check whether respondents have any questions.

### II. Background Information (~ 5 minutes)

- a. Role of Respondent
  - Can you please tell us a little bit about yourself and your role here at \_\_\_\_\_?
    - Position
    - Responsibilities
    - Length of time with the ministry/agency

- b. Structure and Purpose of the Agency.
- Can you tell us a little bit about the role or responsibilities of your organization in supporting the implementation of the TFA?

**The next two topic sections (III and IV) can be delivered in any order. It is recommended that if the respondent is cooperative and engaged, section III should be addressed prior to IV. If however the respondent appears uncooperative or reticent, section IV should be addressed prior to III.**

**III. Obstacles to Cross-Border Trade (~ 15 minutes)**

- **Transition:** *I would like to spend a little time speaking with you about your experience working with the private sector in moving goods across borders – both importers and exporters...*
  - a. Could you describe what you think the biggest challenges are faced by trade actors in your country in trying to move goods across borders?
    - Could you explore why these are the major challenges?
    - Do they make your private sector actors (importers, exporters or transport companies) trade less than they otherwise would?
    - How might these challenges impact private sector exporters, importers, or transport companies differently?
    - Has the situation improved in the last five years?
    - Do you have any opinions on why this is such a challenge/why policies haven't been changed to make it easier?
    - Can you tell me a little bit about what steps your agency has taken or is taking to try to address these challenges and make it easier for private sector to move their products across borders?

**IV. Institutional Challenges (~ 10 minutes)**

- a. **Transition:** *Thank you for all of that information. I would like to switch topics a little bit and talk some about the opportunities and challenges that you and your agency faces in trying to work with importers, exporters and shipping companies to move products about borders...*
- b. Can you describe for me what you think are the main strengths of the Ministry/Agency? As an organization, where do you think you are most successful in achieving your objectives? [**If the respondent needs clarification on the question, try offering up the prompts below**]
  - Clear standards and processes
  - Talented and well trained staff
  - Good relationships with the private sector
  - Good collaboration with colleagues from other agencies
- c. What are some of the biggest challenges your organization faces in trying to achieve your objectives? [**If the respondent needs clarification on the question, try offering up the prompts below**]
  - Funding not sufficient
  - Difficult to find good staff
  - Changing standards and rules for performance
- d. Are there one or two issues facing your organization right now that are especially important? Please describe them and their impact on TF.

**V. Battery of Questions about Each TFM the respondent has identified is a priority (~25 minutes)**

**Transition:** *Thank you very much for all of that information. I would like to switch topics a bit and speak to you about some of the specific trade facilitation measures or issues that are planned to be implemented in the next*

few years. Now, not all of these may be relevant to your organization, so just let me know if it isn't something that is important to you and we can move on to the next measure.

**\* \*Begin Battery for first TFM \*\*\*\*\***

TF Issue/ Measure I Interviewer explains the next set of questions: Now I am going to ask you some questions about each TF issues you have raised and/or TFMs that have yet to be implemented in your country. [Repeat this line of questioning for each TFM or TF issue selected for the country of study. Remember to ask about the TFMs of study in a random order, so the same order isn't followed in each interview.]

- Would implementing this measure be important to your improving trade facilitation in your country? [If no, move on to the next measure]
- Would your agency be involved in implementing this? [If no, move on to the next measure]
- What benefits do you think implementing this measure would have for traders?
- If this measure were implemented, what kind of impact would this have on your organization?
  - Reduced paperwork and administration?
  - Reduced time and costs?
- Will this measure cost money and time for the government to implement?  
Yes/ No
- Interviewer to follow this Skip Logic: [If respondent answered yes to the previous question, ask the next four questions, if not skip to question "If this measure was implemented, what would be the impact on trade?"]
  - Do you have any sense of how much it would cost the government to implement this measure? [Please read verbatim this question and the options below for every relevant measure]

If YES – Ask the responded to specify and note the Currency

please specify amount and currency if respondent uses other than USD

- 
- Less than USD 1 million
  - USD 1-5 million
  - More than USD 5 million
  - The respondent doesn't know
- 
- Do you have any sense of how much time it would take for the government to implement this measure? [Please read verbatim this question and the options below for every relevant measure]
    - Less 6 months
    - Less than a year
    - More than 18 months
    - More than 2 years
  - What are the types of costs and/or resources that will be required of the government to implement this measure?
    - New equipment
    - Hiring more staff
    - Staff training
    - If other please specify \_\_\_\_\_
  - Of these, which would be the biggest expense for you to implement this measure?

- If this measure were implemented, what would be the impact on trade? (**The interviewer will ask the prompt questions below relevant to the TFM in question**)
  - Reduced time to trade?
  - Reduced cost to trade?
  - Reduced paperwork and administration?
  - More certainty on when goods will get to market?
  - More certainty on costs to trade?
  - More firms interested in beginning international trade?
- **Interviewer explains the next set of questions:** Now I am going to ask you about the status of implementation and sequencing this TFM.
  - Do you have any opinions on why this trade measure hasn't been implemented yet?
  - Are you aware of any political or private sector resistance to this TFM? If yes, please describe.
  - Are there other TFMs or trade facilitation interventions that have to be implemented before this one can be implemented?
    - If yes, please list these TFMs that must be implemented in the order they should be sequenced before and/or after the implementation of this TFM?
- **Interviewer explains the next set of questions:** Now I am going to ask you some questions about how would you describe the importance of this measure to your country. I am going to read the TFM aloud we have been discussing and make a statement with it. And then I will ask you whether you agree or disagree with the statement: [**Read the TFM aloud at part of the statement and then read verbatim this question and the options below**]
  - "If implemented, [**read TFM in question aloud**] will generate large economic impacts for this country. Do you "strongly agree," "agree," "disagree," "strongly disagree," or "do not know" with this statement?"
 

\_\_\_\_\_.
- **Interviewer to follow this Skip Logic:** If the respondent stated that they "strongly agree" in the previous question, then ask the question below verbatim; if the respondent didn't answer "strongly agree to the previous question skip to the conclusion and end the interview. (~5 mins)
  - "In the previous question you stated that you "Strongly agree that [**read TFM in question aloud**] will generate large economic impacts for your country. Can you tell me why this measure is so important for your country to implement?"

**\*\*End Battery for first TFM and Repeat the above questions for the remaining priority TFMs\*\***

#### VI. Final Ranking of TFMs the Respondent has identified as his/her priorities:

*Thank you very much for all of that information. As a final point, I would like to ask you to rank in order of priority the specific trade facilitation measures that we have discussed.*

**Interviewer to list each TFM the respondent noted was important to confirm they both have the same TFMs in mind before ranking**

- *Could you please tell me which of these TFMs do you consider the most important for [your Country] to implement first?*
- *Which of the remaining TFMs is the most important for [your Country] to implement second?*

- Which of the remaining TFM<sub>s</sub> is the most important for [your Country] to implement third?
- [etc. through to the least important]

**VII. Conclusion:**

- Thank the respondent for their time.
- Tell the respondent they are welcome to contact you to ask questions at a later date.

Ask permission of the respondent to use their name in the report if you might use a quote. Note their response: \_\_\_\_\_.

## Key Informant Interview Topic Guide – International Donors, Policy Experts and Academics

This Topic Guide is intended for use in field research with representatives of international donors, as well as trade facilitation policy experts and academics. It should be followed as closely as possible to guide KII's with these respondents. There are a few questions where a specific set of responses are provided in order to assist in the collection of data that can be more easily quantified. Instructions to the interviewer are in red.

### I. Introduction (~5 minutes)

- a. Thank the respondent for taking the time to participate in the interview
- b. Introduction to the researcher and the research
  - Introduce yourself: I am a Trade facilitation Specialist residing in \_\_\_\_\_. I represent an assessment team fielded by Management Systems International, a Washington DC based firm that has been contracted by the U.S. Agency for International Development (USAID) to conduct an independent assessment of the costs and benefits of selected trade facilitation measures (TFMs) or interventions in 5 SADC states.
  - Research intended to help USAID and regional and government stakeholders better address the obstacles to trade and specifically to help countries comply with the recent WTO Trade Facilitation Agreement (if the respondent is unfamiliar with the agreement, a short explanation will be provided)
  - Research will be used to identify what changes in policy and practice would make it easier for businesses to trade across borders.
- c. Description of the objectives of the discussion
  - Understand better what the researcher views as the most important steps that could be taken to make trading across borders easier and why.
  - Understand better the challenges in supporting trade facilitation.
  - Understand the amount and nature of the costs required to implement these measures.
  - Explore existing research and other processes underway that might be relevant for this survey.
- d. We will follow these privacy protocols to protect your anonymity if you prefer not to be quoted [interviewers will be trained to be compliant with USAID policy in regards to the "USG Common Rule" for the protection of human subjects]:
  - Explain confidentiality and anonymity and note whether the respondent would like to remain anonymous, and that the assessment team will ask permission if would like to use a quote from the respondent in the final report.
  - Explain how collected data will be stored without identifying information.
  - Ask if the respondent is willing to be recorded and note their response.
- e. Explain recording, length and nature of discussion.
- f. Check whether respondents have any questions.

### II. Background Information (~ 5 minutes)

- c. Role of Respondent
  - Can you please tell us a little bit about yourself and your role here at \_\_\_\_\_?
    - Position
    - Responsibilities
    - Length of time with the academic institution?

- d. Areas of research being undertaken by academic institution in the area of Trade Facilitation.
- Can you tell us a little bit about the areas of research that your organization is undertaking in the area of trade facilitation?

### III. Obstacles to Cross-Border Trade (~ 15 minutes)

- **Transition:** *I would like to spend a little time speaking with you about your experience studying/researching/working on trade policy and trade facilitation- both imports and exports...*

Could you describe what you think are three of the biggest challenges faced by trade actors in your country in trying to move goods across borders?

- Could you explore why these are the major challenges?
- Are you seeing any evidence that these challenges are effectively making private sector actors (importers, exporters or transport companies) trade less than they otherwise would?
- How might these challenges impact private sector exporters, importers, or transport companies differently?
- Has the situation changed in the last five years?
- Do you have any opinions on why this is such a challenge/why policies haven't been changed to make it easier?
- Can you tell me a little bit about the research that is currently being undertaken in this area, and any policy recommendations that are coming through?

### IV. Trade Facilitation Measures (~25 minutes)

- **Transition:** *Thank you very much for all of that information. I would like to switch topics a bit and speak to you about some of the specific trade facilitation measures that are planned to be implemented in the next few years.*

**Measure 1** [Repeat this line of questioning for each TFM or TF issue selected for the country of study. Remember to ask about the TFMs of study in a random order, so the same order isn't followed in each interview.]

- Would implementing this measure be important to improving trade facilitation in your country? [If no, move on to the next measure]
- What benefits do you think implementing this measure would have for traders?
- Will this measure cost money and time for the government to implement? Yes/ No?
- Interviewer to follow this Skip Logic: **If yes to the previous question, ask the next four questions, if not skip to question "If this measure was implemented, what would be the impact on trade?"**
  - Do you have any sense of how much it would cost the government to implement this measure? [Please read verbatim this question and the options below for every relevant measure]
    - Less than \$1m dollars [please specify if respondent uses other currency]
    - \$1-\$5m dollars
    - More than \$5m dollars.
  - Do you have any sense of how much time it would take for the government to implement this measure? [Please read verbatim this question and the options below for every relevant measure]
    - Less 6 months
    - Less than a year
    - More than 18 months
    - More than 2 years
  - What are the types of costs and/or resources that will be required of the government to implement this measure?
    - New equipment



- Hiring more staff
- Staff training
- If other please specify \_\_\_\_\_
- Of these, which would be the biggest expense for you to implement this measure?
- If this measure were implemented, what would be the impact on trade? (**The interviewer will ask the prompt questions below relevant to the TFM in question**)
  - Reduced time to trade?
  - Reduced cost to trade?
  - Reduced paperwork and administration?
  - More certainty on when goods will get to market?
  - More certainty on costs to trade?
  - More firms interested in beginning international trade?
- **Interviewer explains the next set of questions:** Now I am going to ask you about the status of implementation and sequencing this TFM.
  - Do you have any opinions on why this trade measure hasn't been implemented yet?
    - Are you aware of any political or private sector resistance to this TFM? If yes, please describe.
      - Are there other TFMs or trade facilitation interventions that have to be implemented before this one can be implemented?
    - If yes, please list these TFMs that must be implemented in the order they should be sequenced before and/or after the implementation of this TFM.
- **Interviewer explains the next set of questions:** Now I am going to ask you some questions about how would you describe the importance of this measure to your country. I am going to read the TFM aloud we have been discussing and make a statement with it. And then I will ask you whether you agree or disagree with the statement: (**Read the TFM aloud at part of the statement and then read verbatim this question and the options below**)
  - “If implemented, [read TFM in question aloud] will generate large economic impacts for this country. Do you “strongly agree,” “agree,” “disagree,” “strongly disagree,” or “do not know” with this statement?”

\_\_\_\_\_.
- **Interviewer to follow this Skip Logic:** If the respondent stated that they “strongly agree” in the previous question, then ask the question below verbatim; if the respondent didn't answer “strongly agree to the previous question skip to the conclusion and end the interview. (~5 mins)
  - “In the previous question you stated that you “Strongly agree that [TFM X] will generate large economic impacts for your country. Can you tell me why this measure is so important for your country to implement?”

**Repeat the above questions for the remaining priority TFMs.**

- **Ranking:** *Thank you very much for all of that information. As a final point, I would like to ask you to rank in order of priority the specific trade facilitation measures that we have discussed. Could you please tell me which one you consider the most important to implement followed by the second, third etc. through to the least important?*

**V. Conclusion:**

- Thank the respondent for their time.
- Tell the respondent they are welcome to contact you to ask questions at a later date.

Ask permission of the respondent to use their name in the report if you might use a quote. Note their response: \_\_\_\_\_.

## **ANNEX IV: TRADE FACILITATION MEASURES SELECTED FOR THE COUNTRY SPECIFIC ONLINE SURVEYS**

This annex includes the TFMs that were selected for each country-specific online survey based on the priority trade facilitation issues identified during desk review for each country. Where the concept of a TFM may not be straightforward to all audiences, explanatory language was included in the online survey itself to aid respondents that may not be familiar with the trade facilitation policy language.

### **Botswana Priority Trade Facilitation Measures**

1. Improved border management and coordination.
2. Improvement in harmonization of customs procedures, including enhanced electronic clearing for customs, IT connectivity and information exchange at borders, especially with South Africa.
3. Removal of NTBs (such as import restrictions, customs delays, technical barriers, sanitary/ phytosanitary measures, or other systems preventing or impeding trade).
4. Improvement of roads and physical infrastructure at border posts, for example Kasungula Bridge, truck parking and rest stops.
5. Simplified and harmonized documentation for trade, in particular for small traders.
6. Enhanced coordination of regional transit procedures.
7. Stronger risk management systems, including the efficient use of scanners and sampling of containers.
8. NSW: An online platform that allows traders to process trade documents (like applications and payments for licenses and/or certificates; processing of customs declarations, etc.), with a single entry point.

### **Malawi Priority Trade Facilitation Measures**

1. Improved border management and agency coordination, including at Mwanza, Songwe.
2. Improvement in customs procedures related to poor IT network of ASYCUDA, no back up and frequent outages.
3. Removal of NTBs such as import restrictions, customs delays, or other systems preventing or impeding trade.
4. NSW: An online platform that allows traders to process trade documents (like applications and payments for licenses and/or certificates; processing of customs declarations, etc.), with a single entry point.
5. Simplified and harmonized documentation for trade, in particular for small traders.
6. Enhanced coordination and notification of changes regional transit procedures. For example, there should be advanced notice every time Mozambique is about to make changes in transit procedures.
7. Stronger risk management systems: a concept whereby customs do not have to check/examine all shipments, but apply their scarce resources to more risky imports determined by an assessment of past compliance level of a trader.
8. OSBP: A concept whereby traffic crossing the border need only to stop at one border post between two countries.

### **Namibia Priority Trade Facilitation Measures**

1. Improved border management and coordination.
2. Increased capacity of rail transport for bulk cargo, as well as unlocking hinterland through rail upgrades.

3. Removal of NTBs, such as import quotas, subsidies, customs delays, TBT and SPS measures, or other systems preventing or impeding trade.
4. Enhanced electronic clearing for customs, IT connectivity and information exchange at border.
5. Increased efficiency of the seaport especially in terms of handling and customs clearing.
6. Simplified and harmonized documentation for trade.
7. Enhanced coordination of regional transit procedures.
8. Stronger risk management systems: an intervention for customs officers implement improved risk management practices and tools so they do not have to examine all shipments, but apply their scarce resources to more risky imports determined by an assessment of past compliance level of a trader.
9. NSW: An online platform that allows traders to process trade documents (like applications and payments for licenses and/or certificates; processing of customs declarations, etc.), with a single entry point.

### **South Africa Priority Trade Facilitation Measures**

1. Improved border management and coordination, including at Beitbridge.
2. Increased capacity of rail transport for bulk cargo.
3. Removal of NTBs such as import quotas, subsidies, customs delays, technical barriers, or other systems preventing or impeding trade.
4. Enhanced electronic clearing for customs, IT connectivity and information exchange at borders.
5. Development of behind the port facilities and enhanced inter-modal linkages for transportation.
6. Simplified and harmonized documentation for trade.
7. Enhanced coordination of regional transit procedures.
8. Stronger risk management systems (to ensure the efficient implementation of practices and tools to assess compliance by traders).

### **Zambia Priority Trade Facilitation Measures**

1. CBM to address inefficiencies arising from the multiplicity of agencies at the border, which causes delays in the movement and clearing of goods.
2. Zambia Trade Information Portal, a web-based platform to address poor access to current trade information on regulations, procedures and forms governing the importing, exporting and transit of goods.
3. NSW to increase the efficiency in dealing with government agencies regulating cross-border trade. A NSW is an online platform that allows traders to process trade documents (like applications and payments for licenses and/or certificates; processing of customs declarations, etc.), with a single entry point.
4. Strengthened Risk Management Systems by implementing improved practices and operational tools that allow customs agents to assess, profile and target the flow of goods and people. If implemented, customs agents would not have to check/examine all shipments, but apply their scarce resources to more risky imports determined by an assessment of past compliance level of a trader.
5. Improved customs procedures for the valuation of goods. The current problem is that Zambia Revenue Authority does not accept the dutiable value as indicated on some invoices, resulting in lengthy appeals procedures.
6. Improved customs procedures through the automated ASYCUDA web platform, especially functional issues related to poor IT network of ASYCUDA (e.g., no back up and frequent outages).
7. Enhanced coordination and notification of changes regional transit procedures. For example, there should be advanced notice every time the DRC and/or Zimbabwe is about to make changes in transit procedures.

8. OSBP: Improve efficiency of operations at the Chirundu OSBP with Zimbabwe and rollout the OSBP concept to other border posts as well.

## **Southern Africa Regional Priority Trade Facilitation Measures**

1. Improved border management and coordination.
2. Enhanced electronic clearing for customs, IT connectivity and information exchange at borders.
3. Removal of NTBs such as import restrictions, customs delays, or other systems preventing or impeding trade.
4. Improved physical infrastructure at ports and border posts as well as on roads and rail networks.
5. NSW: An online platform that allows traders to process trade documents (like applications and payments for licenses and/or certificates; processing of customs declarations, etc.), with a single entry point.
6. Simplified and harmonized documentation for trade, in particular for small traders.
7. Enhanced coordination of regional transit procedures.
8. Stronger risk management systems: An intervention for customs officers implement improved risk management practices and tools so they do not have to examine all shipments, but apply their scarce resources to more risky imports determined by an assessment of past compliance level of a trader.

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## **ANNEX VI: STAKEHOLDER VALIDATION WORKSHOPS REPORT**

Two validation workshops were held in the Southern Africa region in early April 2016. These workshops served to review and discuss the research design and key informant interview instruments of the Trade Facilitation Management (TFM) Assessment Survey. These workshops also provided an opportunity for USAID to present key policymakers and private sector representatives with the TFM survey assessment methodology and data collection instruments. The methodology, survey and results of the initial desk research and pilot studies in South Africa and Botswana were presented during the workshops in order to elicit feedback on the assessment approach and design from key stakeholders. The objective was to gather stakeholder input and ensure a robust and relevant survey, which provides information useful to regional stakeholders working on trade facilitation policy and programs.

### **Workshop Objectives**

The two validation workshops brought together a small group of key stakeholders from different entities. The workshops provided an avenue to achieve several objectives, key among them:

- Explain the purpose and value of the TFM study and bring about buy-in from the stakeholders.
- Present draft instruments for TFM study.
- Outline sampling framework to be used in TFM study.
- Share findings from pilot research/interviews.
- Provide opportunity to stakeholders to give feedback on the above objectives.

The purpose of the TFM study itself was well captured by USAID: “USAID Southern Africa commissioned MSI to help us organize and prioritize our development assistance as it relates to Trade Facilitation.”

### **Workshop Attendance**

Invitations were sent to participants several weeks ahead of time and both sessions recruited a fruitful group of participants. Participants hailed from seven different sectors:

- Former Trade Hub employees
- Government officials
- Academics, policy experts, and researchers
- National business organizations
- Trade associations
- Donors, regional and international bodies
- Private sector firms

#### **April 1 event in Pretoria, South Africa**

Nineteen participants attended the workshop, excluding USAID and MSI facilitators.

#### **April 8 event in Gaborone, Botswana**

Twenty-two participants attended the workshop, excluding USAID AND MSI facilitators.

## Workshop Agenda

The workshops were designed as half-day events, shown in the agendas below.

### April 1 event in Pretoria, South Africa

Session Description	Presented by:
Arrival, Registration – arrival tea served	
Welcome Remarks	Mr. Paul Pleva, Mr. Evan Chinembiri
Presentation and discussion of survey methodology	Ms. Catherine Grant
Mid-morning tea	
Presentation on results of pilot study	Ms. Catherine Grant
Participants interactions and feedback	
TFM next steps	Ms. Catherine Grant, Mr. Temwa Gondwe
Closing remarks	Mr. Paul Pleva, Mr. Evans Chinembiri

### April 8 event in Gaborone, Botswana

Session Description	Presented by:
Arrival, Registration – arrival tea served	
Welcome Remarks	Mr. Evans Chinembiri
TFM study, Instruments and SA Pilot interview	Ms. Catherine Grant
Participants interactions and feedback	Participants
Botswana Pilot interviews & findings	Mr. Isaac Ndung'u
Participants interactions and feedback	Participants
Mid-morning tea	
TFM next steps	Ms. Catherine Grant and participants
Closing remarks	Mr. Evans Chinembiri



## Key Issues

### April 1, Pretoria Workshop

Studies to help prioritize TFMs show that South Africa has advanced trade facilitation measures; however, the government and private sector perspectives provided valuable analysis and critique.

#### **Supply Chains/Corridors**

In South Africa, each business needs a complete supply chain in order to trade productively. Individual supply chains compete for business. A Department of Transport (DOT) study in South Africa focused on supply chains in the South African Development Community (SADC) context and found the supply chains were physically defined within eight corridors. Therefore, it is important to focus on transport infrastructure, logistics and time issues, trade and development facilitation, education, and legal funding in order to help increase production capacity within the supply chains. From a logistics perspective, cost is most important for transport economics, but it is important to focus more on multi-modalism rather than individual modes of transport. It might be important to incorporate the Federation of East and Southern Africa Road Transport Associations (FESARTA) as stakeholders. It is important to focus on suggestions of the USAID Open Expedited Trade studies to explore methods of sharing information and ensuring supply chains are used to create a better trade environment.

#### **Lack of Alignment in Regulatory Environment**

In South Africa's current regulatory environment there is a lack of alignment, which results in lost time and cost as well as in breaks in the supply chain. One example of this is the fact that there are 39 principle acts in a supply chain focusing on border management yet these principle acts only exist in practice within a ten kilometer radius of border posts. Thus, there is no perceived combined risk profile across the whole supply chain. Another contributing factor to the lack of alignment is that the private sector has different strategies for individual countries rather than a one-size-fits-all approach.

#### **Zimbabwe and Beitbridge**

For South Africa, Zimbabwe is the gateway to Zambia and Malawi, but Zimbabwe's main border post, Beitbridge, often has bottlenecks so Botswana is used as an alternative route. However, when South Africa is exporting to Malawi, there is no option to use any border but Beitbridge, which results in delays and additional costs for Malawian consumers. Another issue is that the lack of border authority coordination between states affects the fleet capacity utilization as trucks sit at the border and this causes only 50% of the fleet to be used at one time. One recommendation was use rail lines to ship goods to Harare, bypassing the need for crossing the road border at Beitbridge. One question was raised as to whether there needs to be more emphasis on South Africa's role in this international transportation system. However, it was noted that it is also helpful to talk to smaller players with creative solutions to manage the borders. Zimbabwe should be included in this assessment given the importance of it to trade in the region.

#### **Double Border Post vs. One Stop Border Post**

One possible solution to these border issues is having a streamlined double border post rather than a single stop solution. One of the challenges to the one stop solution is the immense legal issues it would present. South Africa's National Treasury paper on one stop border posts raises the question of whether sharing of technology is viable. Zimbabwe and South Africa negotiating a technology sharing agreement would mitigate the process delays experienced at Beitbridge, for example.

#### **Bonds and Trade Guarantees**

The SADC regional transit bond was delayed by financial regulations and SADC is not sure it will be delivered. If that is the case, it raises the question of what will happen to the trade of transport services under the SADC Protocol. Another question arises about guarantees and when one country's responsibility in the export process ends what country will pick it up.

### **The Border Management Agency**

Discussions are being held in the National Economic Development and Labour Council on the Border Management Authority (BMA). However, the people authoring the bill are not the people conducting trade (the process is being led by the Department of Home Affairs). Therefore, they do not have as much insight into the actual problems in border management. Furthermore, the bill may hamper trade flow rather than enable it. A National Treasury study shows the BMA legislation may be moving towards a single authority system with significant implementation costs involved.

### **Other Country Needs Assessment**

South Africa is trying to assist the World Customs Organization at the regional office and is pushing for the further adoption of the Kyoto Protocol by countries in the region.

### **Capacity and Process Constraints at Border Posts**

When looking at informal cross border trade, specifically Zambia and Malawi, it is important to discuss the issues with cross border traders during field research. Some of the border posts have a capacity constraint tied to infrastructure. These capacity and infrastructure issues can create bottlenecks. Additionally, there is a process constraint, which might contribute even more to bottlenecks than infrastructure constraints.

### **Where We Should Focus**

An important consideration is whether to keep interviews at a national level or try and expand them internationally. No matter which decision is made, a part of the interviews will need to be on issues of regional harmonization. Additionally, it is important to know how to engage on the political level, which includes discovering how important trade facilitation measures are in the regional political discourse. It is possible to look at the various participants in the value chains to emphasize these issues. For example, an operator in Botswana faces registration challenges going into Zambia.

### **South African Customs Union vs. South African Development Community**

In the South African Development Community (SADC) context there is a growing divide on South African Customs Union (SACU) versus SADC challenges. SACU to SACU trade is easier than SACU to SADC. The World Trade Organization Trade Facilitation Agreement is actively trying to ensure all countries, including SACU countries, fully implement and coordinate financial connectivity notifications on the agreement. South Africa's ratification of the WTO TFA is still with Parliament, specifically the National Council of Provinces.

### **Informal Cross Border Trading**

Informal cross-border traders generally do not have large enough scale, volume or systems in place to comply with the border regulations. It is unknown how the informal traders will be affected by TFM. Some traders may work within their own borders to make trade work more productively as most of the issues are governmental in nature. The informal services around the movement of goods might also have a great impact on the efficiency of border posts.

### **Other Points**

In addition, the following points were mentioned:

- A solution stemming only from WTO TFA is not strong enough because security agencies, which play an important role, are often left out.
- Is it possible to use the information from Global Track to help monitoring (similar to the NTBs Monitoring Mechanism) the performance of border posts.
- SACU push on implementation by South Africa of WTO TFA and RKC implementation.

- Low hanging fruit is procedures, not infrastructure, which is slow and expensive. Work with corridor initiatives where relevant: MCLI, Walvis Bay.
- NTBs need real unpacking. There is a transit issue in South Africa where trucks disappear.
- FEWSNET data on informal cross border trade such as access to technology. Comparison between smaller and bigger players. Andre Riche, trade facilitation consultant, shows examples of how the private sector can improve trade facilitation.

### **April 8, Gaborone Workshop**

The workshop attendants actively participated in the TFM assessment presentation as well as on other issues they considered of paramount importance. To several participants, the workshop provided an avenue to air out grievances or concerns regarding trade facilitation. Equally, the workshop provided an opportunity for certain issues to be clarified to the assessment team. Key issues raised by the participants can be summarized as follows:

#### **Change from CTFP to TFP**

An officer from SADC clarified that although the draft document was referred to as Comprehensive Trade Facilitation Programme (CTFP), the final version adopted by SADC Council of Ministers dropped the 'C' and therefore the document is Trade Facilitation Programme.

#### **Risk Factor – Road Transport**

Desk research has identified lack of policing along major roads to be a risk factor. However, some participants were of the view that the presence of police on roads, particularly in the neighboring countries, presents additional costs to truckers in term of bribes demanded. Hence, police presence may act as a hindrance to free movement of goods. In the case of South Africa, it was noted that hijacking is rampant and therefore the presence of police within short intervals is helpful. Some routes are more prone to car hijacking than others. In past years, this risk has increased dramatically. According to BusinessTech<sup>1</sup>, in 2015 truck hijacking in South Africa increased by 29.1% from 991 to 1279. It is suspected that some truck drivers could be part of criminal networks.<sup>113</sup>

#### **Aid for Trade Strategy**

Botswana government under the Ministry of Trade and Industry is currently working on Aid for Trade strategy, which is expected to be finalized in June 2016. Consultations have been completed and draft strategy is expected soon. When operational, the Aid for Trade strategy will address several trade facilitation measures.

#### **Non-Tariff Barriers**

The participants observed that Non-Tariffs Barriers (NTBs) remain the greatest hindrance to regional trade though SADC's NTB Monitoring mechanism is in place. The participants observed that the NTB monitoring mechanism is non-effective. The SADC secretariat does not have the power or a mechanism in which to eliminate reported NTBs. However, any solutions that require corrective action may be difficult to implement. Countries give various justifications for their regulations, which, in essence, are NTBs. The SADC relies on the goodwill of the member country to eliminate NTBs.

Example: Botswana truckers transporting perishable goods to Namibia or Angola will be required to travel to Windhoek for clearance.

A number of NTBs in transit issues has complicated Botswana truckers' operations in the region. Some truckers have exited the business on account of frustration with cross border businesses.

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<sup>113</sup> <http://businesstech.co.za/news/government/99648/2015-crime-stats-for-south-africa-everything-you-need-to-know/>

There is a gap between reporting NTBs and finding solutions. Peer review mechanisms between countries could be helpful if developed. The SADC secretariat is limited and waits for the private sector to report NTBs. The Southern African Business Forum (SABF) will meet in August during the SADC summit and could provide a platform for engagement with the private sector on TF. This initiative is supported by the European Union delegation.

### **Implementation of Regional Programs**

A participant observed that for regional integration, public sector driven solutions rarely achieve their intended objectives and that solutions can only be found if an “outside the box” approach is adopted by active participation from the private sector. Initiatives that are private-sector driven often realize faster results.

During key informant interviews, it was reported that Business Botswana has had limited engagement with chambers of commerce in the region. The Botswana National Productivity Center (BNPC) representative pointed out that many are frustrated by the slow pace of benefits accruing from membership of SACU and SADC. To this end, the TFM study should solicit solutions as opposed to the usual approach of first investigating challenges/problems and later trying to attain solutions. Any approach that is not solution oriented is not appropriate. Key informants should be used to help policymakers in fast tracking implementations.

### **Transit Challenges**

Transit challenges are a major issue for trade in Southern Africa. This issue was expanded upon by the Managing Director of Botswana Vaccine Institute (BVI). He stated that BVI is a Botswana government-owned private company. It is the only African vaccine lab able to provide purified Foot-and-Mouth Disease vaccines as well as offer emergency antigen banks. The company has potential, through trade, to be the premier vaccine supplier in Africa. However, vaccines and requisite raw materials are classified as hazardous goods. Transit challenges of hazardous goods negatively impact business operations, as per the following examples of BVI:

- Air Botswana airplanes lack capacity to transport raw materials from Johannesburg, yet road licenses cannot be given by South Africa to transport the materials.
- South Africa fails to give permits to transport vaccines or raw materials by road from Oliver Tambo Airport.
- South Africa buys vaccines from BVI and transports them by road to South Africa but cannot allow BVI to transport consignments by road.
- BVI forced to transport products from South Africa via Nairobi – which does not have restrictions imposed by South Africa.

Some South African companies penalize transporters for delayed cargo. The penalty is deducted from invoice amounts. This results to transporters making losses. However, addressing transit issues is in the SADC agenda.

### **Coordinated Border Management (CBM)**

SADC has guidance on Cross Border Management (CBM) implementation. There are case studies including:

- Zambia piloted CBM in some selected borders.
- The Democratic Republic of the Congo and Zambia have a joint border management commitment.

- In Malawi different agencies such as police, customs, immigration, health etc. are collaborating. Some development agencies could be willing to help member states regarding CBM.

BURS is in the process of upgrading their systems at the borders and as soon as neighboring countries are ready BURS will be working on a connectivity agenda.

#### **Political Will**

There is a lack of political will emanating from lack of trust between member countries hindering regional integration. In a number of cases, talks between governments do not yield intended results. There is a perception that a lack of strong political will between South Africa and Botswana has hindered deepening of regional trade.

#### **Trade Facilitation within SACU**

It was reported that Trade Facilitation within SACU is still under discussion. Currently, there is more collaborative understanding between member countries, particularly South Africa and Botswana.

#### **Discriminating Fees**

Botswana-registered trucks crossing to Zambia at Kazungula are charged higher fees than Zambian registered carriers. However, Botswana officially charges uniform amounts irrespective of the country where the truck is registered, leading to a discrepancy between laws and practices.

#### **Conclusion**

Both workshops benefitted from vigorous participation from the attendants, which will lead to sustained participation in the survey going forward. USAID was able to present key policymakers and representatives from the private sector with the methodology and data collection instruments to be used. The two workshops offered valuable input, which was used to redefine the TFM study methodology and priority areas.

## April I Participating Organizations

Organization
Global Track
Global Track
Tralac
ARUP/FSCMA
SAPICS
Unitrans
SAIIA
DBSA
North-West University
Department of Transport South Africa
US Department of State
US Embassy
DTI
AGBIZ
Department of Agriculture, Forestry & Fisheries
SARS
DOT
Graca Machel Trust
MSI
USAID
MSI
TIPS
MSI
MSI

## April 8 Participating Organizations

Organization
Former SATT Employee
Blue Sky Airways
Former SATT Employee
Former SATT Employee
BOTRA
BURS
BEMA
BURS
Western Apparels
BNPC
BVI
Ministry of Trade - DIT
Business Botswana
Botswana Chamber of Mines
Trade Hub
Business Botswana
Business Botswana
WIBA
WIBA
EU Delegation
Ministry of Trade & Industry
SADC
USAID
MSI
MSI
MSI