The COMESA Perspectives on Trade Facilitation Agreement and E-Commerce Development in Africa

Presentation to the 6th Edition of the International Single Window Conference

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Outline of the Presentation

I. Introduction to the COMESA

II. Implementation of Trade Facilitation Measures

III. Achievements and Challenges

IV. Digital FTA Initiatives

V. Lesson Learnt

VI. way forward
I. INTRODUCTION TO THE COMESA

What is COMESA

- The Common Market for Eastern and Southern Africa (COMESA) was formed in 1994, replacing the Preferential Trade Area (PTA) that had been in place since the early 80s.

- The birth of COMESA was characterised by the pan-African solidarity and collective self-reliance for shared destiny

- In 1978, Ministers in Lusaka adopted the "Lusaka Declaration of Intent and Commitment to the Establishment of the PTA."
Member States (2016): 19 Cs
Size: 11.6 Million SQ. KM
Popn: 491.8 million (est. 2015)
GDP: $718 billion (est. 2015)

∑ Other Countries expected to join soon

- Tunisia
- South Sudan
- Somalia
COMESA Vision and Mission

**VISION**

- to be a fully integrated, internationally competitive regional economic community with high standards of living for its entire people ready to merge into an African economic community.

**MISSION**

- Endeavour to achieve sustainable economic and social progress in all Member States through increased co-operation and integration in all fields of development particularly in trade, customs and monetary affairs, transport, communication and information technology, industry and energy, gender, agriculture, environment and natural resources.
Aims and Objectives of the COMESA

1. To attain Sustainable growth and development;
2. To promote joint development & adoption of macro-economic policies and programmes;
3. To co-operate in the creation of an enabling environment for foreign, cross border and domestic investment;
4. To co-operate in the promotion of peace, security and stability;
5. To co-operate in strengthening the relations between the COMESA and the rest of the world; and
6. To contribute towards the establishment, progress and the realisation of the objectives of the African Economic Community.
COMESA Institutions

1. COMESA (PTA) Bank
2. COMESA Clearing House (Regional Payment and Settlement System)
3. COMESA Monetary Institute
4. COMESA Regional Investment Agency
5. COMESA (PTA) Reinsurance Company (ZEP-RE)
6. The African Trade Insurance Agency
7. COMESA Leather and Leather Products Institute
8. COMESA competition Commission
9. COMESA Court of Justice
10. COMESA Business Council
11. Federation of National Associations of Women in Business
12. Alliance Trade for Commodity Trade in ESA (ACTESA)
The COMESA Legal instruments & tools

- COMESA Treaty
- Protocols
- Regulations
- Directives
- Council Decisions
- Procedures and manuals
- Strategies and initiatives
- Work Programmes/Plans
COMESA Instruments and tools of Trade Facilitation

- Protocol on Transit Trade and Transit Facilities
  - Regional Customs Bond Guarantee Scheme (RCTG)
  - Single Administrative Document
  - Automotive System for Customs Data
  - COMESA Carrier License
  - Harmonized road transit charges
  - Standard Axle load limits
  - Standard Vehicle (truck) dimensions
- Protocol on Third Party Motor Vehicle Insurance Scheme
  - The Yellow Card Insurance Scheme
- Protocol on Rules of Origin
- Common Customs Management Regulations (CMRs)
- Common Tariff Nomenclature (CTN)
- Common External Tariff (CET)
- Other tools and initiatives (such as NTB online report portal…)
Achievements and Challenges in Trade facilitation
The progress towards the integration:

✓ COMESA FTA since 2000  >>>>>>>16/19 MS as of (2016)
✓ Increase Intra-COMESA goods exports = $10.1 billion (2015)
✓ Increase Intra-COMESA services exports = $38 billion (2015)
✓ Customs Automation implementation (100%)
✓ WTO Customs Valuation Agreement (100%)
✓ Common Customs laws (CMRs) (98.3%)
✓ Common Tariff Nomenclature (CTN) (69.1%, as of 2016)
✓ Common External Tariff (CET) (34%, as of 2016)
✓ 15/19 of COMESA MS have signed Tripartite FTA –
✓ Simplified Trade Regime (STR) for SME cross borders

Trade facilitation instruments are being implemented
## Implementation of TF in COMESA Region (as Sept. 2017)

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Development of OSBPs in COMESA Region

No of OSBPs in COMESA between MS (as of Sept 2017)

- Completed/Operational: 18
- Under Construction: 7
- Planning/Feasibility Study: 6
- Total: 31
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Resolution of the NTBs in the COMESA Region

- Intra-COMESA exports increased from US$1.5bn in 2000 after the establishment of FTA to US$ 9.0 bn in 2015.
- However, the share of intra-COMESA trade vis-à-vis COMESA global exports remains low 12.2% in 2015.
- One of the factors attributed to low intra-regional trade is the existence of non-tariff barriers (NTBs).
- NTBs hinder intra-regional trade by increasing the cost of doing business, adds to the costs of goods and services thereby hindering market access and affecting export competitiveness.
- A Tripartite Online NTB Reporting and Monitoring and eliminating Mechanism is in place and since 2008.
Online NTBs reporting and monitoring

The Mechanism for Reporting, Monitoring & Eliminating Non-Tariff Barriers

The following Regional Economic Communities (RECs) are integrating the economies of their member states into a single enlarged market through the grand Tripartite Free Trade Area (FTA):

- Common Market for Eastern and Southern Africa (COMESA)
- East African Community (EAC)
- Southern African Development Community (SADC)

Identification, removal and monitoring of Non-Tariff Barriers to trade by the Member States in the Tripartite Community is one of the priority areas for policy harmonisation and coordination under the Tripartite framework. With tariff liberalisation largely achieved, the challenge remains to eliminate non-tariff and other barriers to trade that contribute to the high cost of doing business across the region thereby inhibiting intra/inter-regional trade.

To this end, COMESA, EAC and SADC are implementing an Non-Tariff Barriers (NTBs) reporting, monitoring and eliminating mechanism which incorporates concrete timelines for the removal of NTBs. All three RECs
Online NTBs reporting and monitoring

http://www-tradebarriers.org

*Note: If NTB is not resolved by the above process, it will be solved at bilateral or regional negotiation
NTBs in the COMESA Region ... (contd.)

• What is the results of Online NTBs Reports?
  – 204 NTBs have been reported among the COMESA MS and 182 of them have been resolved with a success rate of 89.2% with only 7 NTBs outstanding NTBs for COMESA MS.
  – The most prevalent NTBs include customs and administrative entry procedures (89), transport, clearing and forwarding (32) and specific limitations (27).

👍 progressive result that give motive to work more!!!
Cross border Trade Challenges

There are a lot of challenges to be addressed.

Political Will, Inter-agency Collaboration
Complicated Trade Procedures, Many Document Requirements
Many different ICT systems, Laws and Regulations
Conflict of Interest, Financial Issues
Many Stakeholders, Compliance
Connectivity within the country, Governance
Difficulty in trade data exchange, Change Management
People and Business In-Readiness, Regional Connectivity
Inadequacy in Technology Infrastructure, Barriers in Interoperability
System Development, Compliance

Realization

achieving trade transaction cost/time reduction and compliance goals
What is the better way of Solution?

1. Global Approach
2. Continental Approach
3. Regional Approach
4. National Approach

3Cs:
- Cooperation
- Collaboration
- Coordination

• WH Questions?
• Checklist
Implementing TFA to promote and deepen regional integration in COMESA towards Africa integration
Implementation of WTO TFA, Single Window and e-commerce in COMESA Region

• The COMESA Treaty and subsequent regulations is in line with the WTO TFA and promotes paperless cross border trade and the use of e-commerce.

• There are various instruments and tools of Trade Facilitation which are designed based on international standards and best practices to achieve the visions and objectives of the Common Market.

• Their success level varies in Member States of the region due to several reasons
Regional Approach to the TFA implementation

- The 25th COMESA Council of Ministers meeting in December 2015 decided that the:
  - Appreciated the regional approach
  - MS be urged to coordinate their technical assistance needs especially for category C provisions for seeking assistance from development partners; and
  - Secretariat Coordinates the resource mobilization for a regional trade facilitation programme aimed at implementation of Category C commitments.
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Summary of Average Clearing Times (2016/2017)

- The average Clearing Times for the 10 COMESA countries under the COMESA Regional TRS study:

  - No. of border posts covered: 33
  - Import Clearance time: 5d 1h 14m
  - Export Clearance time: 2d 6h

Delay Long time ....>> high cost to trade.... why?
Key Recommendations made by TRS (2016/2017)

1. Building TRS Regional and National Capacities
2. Modernisation and Business process reengineering
3. Systems Automation and Simplification of Procedures and Processes
4. Systems Harmonisation and Inter-connectivity
5. Develop or improve OSBPs and Enhance Integrated Border Management
6. Risk Management driven clearance and control process
7. Develop national and regional Single windows
8. Improve the physical and ICT infrastructure
9. Capacity building and public awareness
10. Improve Integrity and accountability of traders and officers
11. Develop Regional workprograme to address the challenges
Customs and Trade Facilitation Work Programme 2018-2020

• Regional CTWP 2018-2020 is prepared and adopted by the Member States at the Trade and Customs Committee Meeting on September 15/2017
  – to address the challenges and
  – to implement the COMESA Digital FTA initiatives
COMESA Digital FTA initiatives

- **What is it?**

  - DFTA initiative to develop *comprehensive systems* that
    - covers whole trade supply chain process to empower to enhance cross-border intra-regional trade
    - supported by the modern ICT and best practices and international standards as a tool to minimise trade barriers and facilitate international trade and investment.

- It aims to provide traders and authorities with the necessary digital tools and infrastructure they need for enhancement of intra-trade and global trade.
Scope of the COMESA Digital FTA initiatives

- DFTA Covers the Whole Trade Supply Chain (BUY-SHIP-PAY) process

**DFTA**

**E-Regulation**
- Online access of required Laws and procedures
- Trade information Portal
- E-transaction facilities (e-signature + digital stamp)
- (+) Others

**E-Trade**
- e-commerce
- E-Payment Gateway
- Mobile Apps for Small Scale Cross border traders
- (+) Others

**E-Logistics**
- eCO System
- Regional e-SW
- Yellow Card System,
- CVTFS-Cargo Trucking
- RCTG MIS
- (+) Others

Upgrade of existed new system and adding new systems
COMESA Digital FTA initiatives

1. COMESA E-Market (e-Commerce platform):

- Electronic Market Exchange System (CEMES) is a fully-fledged e-business solution that enable the traders in the region to *buy, sell, pay, insure, deliver and receive* products and services, wherever they are, in real time at a lower cost and to contribute to *poverty reduction and economic growth*.

- To build an *inclusive platform* for COMESA region traders to trade online and to do business freely, easily, openly, and fairly will be fundamental to the economy of COMESA member states.

- It will also include promotion small scale cross border traders and entrepreneurs by encouraging to their products integrate/interface with regional E-commerce platforms.
Part of Business Process flow of e-Commerce

- The entire business processes will be automated via the internet

BUY     SHIP     PAY

Order   Payment   Delivery -Tracking   After -Sale Support

Payment (Using REPSS at Clearing House)

Customer

DELIVERY

Customer Support

Transporters

CEMES ONLINE

Suppliers & Resellers

Wholesaler

Insurance ZEPRI & ATI
Payment Methods

Paying using website – Third Party

Paying using Mobile - Mobile Operators

Paying using POS – Money Transfer Operators, Exchange Houses, Retail Outlets and others

COMESA Payment – Using COMESA – REPSS thru Clearing House

Money Received by Exporter or Seller
Regional Payment & Settlement System (REPSS) Model

- DESIGNED BY COMESA CENTRAL BANKS PAYMENTS EXPERTS,
  
  INPUTS FROM THE IMF, COMMERCIAL BANKS AND OTHER FINANCIAL INSTITUTIONS OF THE REGION.
  
  FINANCIAL SUPPORT FROM THE EU UNDER THE REGIONAL INTEGRATION SUPPORT PROGRAMME (RISP).

- MULTILATERAL NETTING SYSTEM WITH END-OF-DAY SETTLEMENT IN A SINGLE CURRENCY (US$ OR EURO).

- ENABLES IMPORTERS/EXPORTERS TO PAY/RECEIVE PAYMENT FOR GOODS/SERVICES THROUGH AN EFFICIENT AND COST EFFECTIVE PLATFORM

- SYSTEM OPERATES THROUGH MEMBER STATES CENTRAL BANKS AND THEIR CORRESPONDING BANKING SYSTEMS.
Regional Payment & Settlement System (REPSS) Model

1. Importer
2. Exporter
3. Local Central Bank
4. COMESA Clearing House
5. Settlement Bank
6. Local Bank

T+0
T+1
**LCs UNDER REPSS**

**LC Process under REPSS**

1. **SALES CONTRACT**
   - Importer/LC Applicant
   - Exporter/Beneficiary

2. Request for LC
3. LC issued
4. Deposit of LC amount
5. Notification of receipt of funds for transfer to Beneficiary at maturity of LC
6. Advises availability of funds at Importer’s Central Bank
7. LC advised
8. Goods shipped
9. Airway/Way Bill, Bill of lading
10. Presentation of LC compliant documents
11. Presentation of LC compliant documents
12. Presentation of LC compliant documents
13. Payment
14. Payment advice on maturity of LC for credit of exporter via REPSS
15. Payment advice for benefit of Exporter’s Central Bank
16. Payment sent to Exporter’s Central Bank
17. Payment for credit of exporter
18. Payment
19. Tender of Delivery Order/Bill of Lading, Airway/Way Bill
20. Delivery of goods

**Issuing bank**

**Advising/Nominated bank**

**COMESA REPSS**
Mobile Apps for Informal Cross Border Trader’s Data Collection

GREAT LAKES TRADE FACILITATION PROJECT
- DRC
- Rwanda
- Uganda
COMESA RCTG-Carnet

REGional Customs Transit Guarantee
Management Information System
Common Market For Eastern and Southern Africa | RCTG-MIS

Benefits:
- Reduce cost to business
- Minimize revenue leakage
- Increase Trust and Trade
THE COMESA YELLOW CARD SCHEME

REGIONAL THIRD PARTY MOTOR VEHICLE INSURANCE

"Regional third party motor vehicle insurance"
Towards to ...COMESA Regional SW and eCO
COMESA Regional Single Window

FROM

PREVIOUS ENVIRONMENT

TRADER

Electronic

Paper

Transport

Customs

Agriculture

Health Dept

TO

CVTFS Integrated Regional Single Window

TRADER

Electronic

Paper

Transport

Customs

Agriculture

Health Dept

CVTFS

COMESA Trade Facilitation Instruments

- Customs Decaration Document (COMESA CD)
- Regional Customs Transit Bond Gaurantee
- Yellow Card,
- COMESA Carriers License,
- COMESA Certificate of Overload Control,
- Export and import Documents, and
- Bureaux of Standards Documents
- COMESA Certificate of Origin
Contents of RSW may include:-
1. Customs Declaration Document (COMESA CD);
2. Regional Customs Transit Guarantee (RCTG);
3. Yellow Card Scheme,
4. COMESA Certificate of Origin
5. COMESA Carriers License,
6. COMESA Cargo Tracking System (CVTFS);
7. COMESA Certificate of Overload Control,
8. Export and import Documents, and
9. Bureaux of Standards Documents
10. Other applications
Initial Pilot of Cargo tracking (CVTS) Countries Involved

- **Djibouti Corridor**
  - Ethiopia  (Control Center Installed ) *
  - Djibouti Control Center Installed ) *

- **North-South Corridor**
  - Congo DR  (Four Control Centers *
  - Malawi  (Control Center ) *
  - Zambia  (Control Center )

- **Northern Corridor**
  - Rwanda  (Control Center) *
  - Kenya  Starting point of Northern Corridor

- **Other RECs Involved**
  - Tanzania Aware* Has Control Center for DRC in Dar Es Salaam
  - Mozambique * Has officially aware of CVTFS
Proposed Web-based COMESA eCO system

- The Preferred model is advanced and fully electronic or web-based eCO system and includes the following Main functionalities based on the Protocol on RoO:

1. Online Exporter’s Registration Process
   - Online application for registration
   - Online approval of registration

2. Online application and issuance of eCO process
   - Online application for CO
   - Online issuance of eCO

3. Online Checking and Verification of eCO Process
   - Online receive and submit eCO to Customs
   - Online Verification of eCO by Customs
### COMESA Certificate of Origin

**Exporter**

ACS Enterprises,
5th Floor, Kenta Building, Ben Bella Road Off Cairo Round About, Zambia

**Consignee**

KPM Limited, Zambia

**Country**

Zambia, Congo DR

**Marks and Numbers**

Product No: 45324

**Customs**

Tariff No.

**Origin**

Certificate of Origin

11. Declaration by Exporter/Producer/Supplier/Authorised Person

I, the undersigned, hereby declare that the above details and statements are correct, that all goods are produced in Zambia.

12. Certificate of Origin

It is hereby certified that the goods mentioned are of Zambian origin.

**Watermark**

**e-Signature**

**eStamp**

**Certificate Issue Status**

Approved / Issued

**Reference Number**

ZMeCO/1R

**Originating Criteria**

P
FUTURE: ONLINE PORTAL AND MOBILE PLATFORM for the 50MAWSP

July 15th of 2016, the African Development Bank approved an USD 12.4M grant to COMESA, EAC and ECOWAS, to create a multinational networking platform for women entrepreneurs. Women face gender-specific obstacles such as lower levels of education, weak property rights and legal & cultural barriers. As a consequence, they have particular challenges to access financial and non-financial services.

“A 50 Million Women Speak”
A platform to support women empowerment

50 Million Women Speak
A dynamic networking social media platform for women entrepreneurs, connecting them with one another.

Information sharing
Peer to peer learning
Access to finance
Business opportunities
Business growth
job creation

36 Countries

Women entrepreneurship
what changes

<table>
<thead>
<tr>
<th>2017</th>
<th>2022 (achievement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creation of webplatform and mobile application</td>
<td>50,000 monthly active platform users</td>
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<tr>
<td>Deployment of country-teams for content gathering, sensitization and training</td>
<td>80 teams deployed and operational</td>
</tr>
<tr>
<td>4% of women entrepreneurs have access to loans</td>
<td>10% of women entrepreneurs have access to loans</td>
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<td>USD 50,000 average annual income of the businesses of platform users</td>
<td>USD 100,000 average annual income of the businesses of platform users</td>
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“A statistical data base to strengthen countries’ national monitoring and evaluation systems in the area of financial inclusion.”

Source: IDFC-AIDB
Opportunities and enablers

• Political and leadership Commitment
• Coordination and collaboration effort of stakeholders
• COMESA Medium Strategic Plan (MTSP) 2016-2020
• The COMESA 2016-2020 Regional IT Strategy
• Digital FTA Implementation Action Plan
• TFTA and CFTA Negotiations
• WTO TFA enforced at global level and MS are ratifying and implementing the agreement.
• Technical Assistance from development partners
• Key elements of the COMESA Organization:
CHALLENGES

- Multiple membership and commitments of MS (e.g. EAC+COMESa or SADC + COMESA)
- Policy coherence and coordination at national and regional level
- Low prioritisation of regional integration programmes,
- Capacity limitation in implementing regional integration agenda;
- Minimal contribution by the private sector, civil society, parliamentarians and other non-state actors
- Lack of coordination between regulatory agencies and other stakeholders at border control points,
- Adopt new systems without business process analysis, particularly at Member States.
- Limitation of ownership and full rights of new ICT systems at MS
- Limitation of standardization, interoperability and sustainability of ICT systems used in trade facilitation processes at MS
Lesson Learnt

• COMESA provides best practices throughout Africa and the world at large, in regional integration activities.
• Implementation of the TF measure should contribute to efficient customs and logistics and ultimately the reduction of trade transit related costs;
• Regional TF measures need implementation by at least MSs along the major corridors so that the intended benefits are earned by the region !!!!
• Adoption of Regional SW and e-commerce strategies by MSs is the way to go that will enable governments and private sector players to reap the benefits of FTA and their investments!!!
BPA: the first step to be taken before introducing eSW and paperless trade facilitation measures

Source: UNESCAP
**BPA+: An Integrated Methodology**

<table>
<thead>
<tr>
<th>Trade-related procedures before cargo movement</th>
<th>Cargo origin</th>
<th>Border crossing point</th>
<th>Border crossing point</th>
<th>Cargo destination</th>
<th>Trade-related procedures after cargo arrival</th>
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### BPA of Trade Procedures

**Business Process Analysis** (BPA) for diagnosis of TF bottlenecks along entire supply chain

**Time-Cost Distance Method** (TCD) & **Time Release Study** (TRS) to Improve/verify BPA time and cost estimates

*So far, the most comprehensive TCD application is the ADB CAREC Corridor Performance Measurement and Monitoring (CPMM)*
Way forward

➤ **Policy (higher) level:**

- Enhance Political and Leadership commitment
- African RECs should work closely for a comprehensive and inclusive policy development and legal framework that encompasses international, continental and regional commitments.
- Strengthen cooperation, collaboration and coordination, public-private dialogue, civil society and other non-state actors partnership
- Standardized and harmonized and simplified regulation and procedures and sustainable system
- Address the challenges identified particularly related to supply side constraints, such as ICT infrastructure
- Strengthen the partnership with development partners
Way forward

Implementation level:

• Benefit from sharing experiences and best practices
• Apply BPA+ approach (BPA+ TRS+ TCD) performance measurement and proper diagnosis inline with UN recommendations and WCO Guidelines.
• Step-by-step adoption and implementation of Regional SW and e-commerce strategies by MSs to enable governments and private sector players to reap the benefits of their investments
• Implementation according to “variable geometry” principle but “no one should remain behind”.
• Continuous capacity building & technical assistance as well as best practice experience sharing
• Change mgt and Continuous Implementation Monitoring and Evaluation
© YES We CAN build an inclusive collaboration for TFA and e-commerce development in Africa
THANK YOU!!!

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