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TRADE INTEGRATION AND FACILITATION REFORMS IN THE HORN OF AFRICA AND WAY FORWARD

CONSULTING

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ACRONYMS

AEO	Authorized Economic Operator
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
APZFD	Djibouti Ports and Free Zones Authority
ARII	Africa Regional Integration Index
AU	African Union
AUC	African Union Commission
CMI	Corridor Management Institution
CoC	Certificate of Conformity
CoI	Certificate of Inspection
COMESA	Common Market for Eastern and Southern Africa
CRATES	Customs Reform and Trade Enhancement Somalia
DANIDA	Denmark Development Cooperation
DFID	Department for International Development
DWT	Dead Weight Tonnage
DPs	Developing Partners
EAC	East African Community
ECTS	Electronic Tracking Cargo System
EID	Enhanced Integrated Framework
ESLSE	Ethiopian Shipping and Logistics Services Enterprise
FTA	Federal Transport Authority
HoA	Horn of Africa
HoAI	Horn of Africa Initiative
HS	Harmonised System (Convention)
IBM	Integrated Border Management
ICJ	International Court of Justice
ICT	Information & Communication Technologies
IGAD	Inter-Governmental Authority on Development
IEG	Independent Evaluation Group (World Bank)
IMF	International Monetary Fund
IFC	International Finance Corporation
IRIMP	IGAD Regional Infrastructure Master Plan
IT	Information Technologies
ITC	International Trade Centre

ISCOS	Inter-Governmental Standing Committee on Shipping
KEBS	Kenya Bureau of Standards
KRA	Kenya Revenue Authority
KSH	Kenya Shilling
LAPSSET	Lamu Port-Southern Sudan-Ethiopia
MRA	Mutual Recognition Agreement
NBE	National Bank of Ethiopia
NMC	National Monitoring Committee
NTFC	National Trade Facilitation Committee
OSBP	One Stop Border Post
PSI	Pre-Shipment Inspection
PVoC	Pre – Export Verification of Conformity
OSBP	One Stop Border Post
PCS	Port Community System
PIDA	Programme for Infrastructure Development in Africa (AU)
REC	Regional Economic Community
RMIS	Road Management Information System
RKC	Revised Kyoto Convention
RO-RO	Roll On-Roll Off
RTSA	Road Transport Services Agreement (Kenya/Ethiopia)
SADC	Southern Africa Development Community
SICRP	Somali Investment Climate Reform Program
SPS	Sanitary and Phytosanitary
STR	Simplified Trade Regime
SW	Single Window
TFA	Trade Facilitation Agreement (WTO)
UN	United Nations
UN/CEFACT	United Nations Centre for Trade Facilitation and Electronic Business
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNDP	United Nation Development Program
USAID	United States Agency for International Development
USD	United States Dollar
VAT	Value-Added Tax
WB	World Bank
WCO	World Customs Organization

WFP	World Food Programme
WIM	Weigh in Motion
WCO	World Customs Organisation
WFP	World Food Program
WTO	World Trade Organization

1 Purpose of the study

The Horn of Africa Initiative (HoAI) was launched in October 2019 by the Ministers of Finance of Djibouti, Ethiopia, Eritrea, Kenya and Somalia with the support of three Development Partners (DPs): the African Development Bank (AfDB), the European Union (EU) and the World Bank (WB). The initiative calls for investments of about US$15 billion over the next decade, by supporting the development of economic corridors (transport, energy and digital) and trade, promotion of value-added regional value chains, thus improving human capital and increasing resilience in the region.

Stakeholders recognise that, in order to enhance the impact of physical investments in regional infrastructure networks, complementary "soft" investments are needed both at national and regional levels, aiming to remove current obstacles to an effective regional and trade integration. Accordingly, this study investigates the main challenges to such a goal, identifying policy, institutional, regulatory and administrative barriers hindering cross-border trade in goods and services (and investment), including those governing the logistics industry. The exercise aims to raise awareness among the Horn of Africa (HoA) countries on these issues. The intention is to trigger a debate at national level around the problems identified and on what governments should do to address them, in order to increase efficiency in cross-border trade, cut the red tape for businesses in the region and facilitate private investment. It should be noted that, while important for trade, tariffs are not typically seen as part of the trade facilitation agenda and, as a result, the subject is not discussed in detail in this report.

The analysis carried out in this report shows that in the HoA, the incidence of Non-Tariff Barriers (NTBs) is particularly high and this presents a serious challenge to regional trade and integration in this region. In many cases, these barriers are not clearly identified because of the lack of appropriate dialogue and consultation mechanisms between governments and private stakeholders in the HoA countries on one hand and, on the other hand, because of the limited coordination among their respective trade and transport facilitation programmes. As a 2012 report from the Institute of Economic Affairs highlights[1], in developing countries, NTBs need to be brought to the forefront of the trade debate if they want to move into the export of higher value-added products. To this end, such countries must put them as a clear priority in future trade policy and in domestic policy making. Although NTBs take some considerable time to resolve - depending on the degree of political will in the concerned countries[2] - bilateral and internal negotiations in the affected and imposing countries are needed. In this regard, this study recommends some solutions that should be pursued in the short or medium term by HoA nations, in order to increase convergence of their national trade policies and regulations, in view of simplifying the business environment for traders, reduce unnecessary administrative burdens and enable logistics companies to operate effectively and efficiently within the region.

[1] Sushil Mohan, Sangeeta Khorana and Homagni Choudhury, "Barriers to prosperity – developing countries and the need for trade liberalisation", IEA Discussion Paper No. 44, November 2012, The Institute of Economic Affairs, 2 Lord North Street, London, SW1P 3LB.
[2] Linda Calabrese and Andreas Eberhard-Ruiz, "What types of Non-Tariff Barriers affect the East African Community?", Overseas Development Institute, Briefing paper November 2016.

The present report starts with a description of methodology. It is followed by a chapter on the state of play in HoA, and subsequently by details of success factors. The report closes with recommendations summarised in a matrix in Chapter 5.

2. Methodology

The information contained in this study is in large part based on discussions with both public and private stakeholders in some HoA countries, mainly in Kenya, as well as with DP and IGAD experts. It is complemented by a desk review of documents based on literature search.

The report has gathered general perception/information from representatives of entities engaged in transport and customs formalities or frequently using border crossing points between the HoA countries, such as customs clearance agents, transport companies, logistics providers and informal traders. Interviews have been conducted by using a semi-structured approach, beginning with specific questions, but leaving room for open-ended discussions to allow for exploration of the issues from each interviewed person's point of view. Interviews have been conducted primarily via phone or virtual platforms, due to the current COVID-19 situation. Interviewees were selected based on their availability and may not cover a fully representative sample of stakeholders. Additional information has been extracted also from recent studies and strategy papers of the European Commission, the World Bank, the African Development Bank, the African Union, UNECA, UNCTAD, UNDP, WTO, WCO, WFP and other International Organisations and International Finance Institutions, as well as from technical reports prepared by consulting firms and think tanks involved in development and policy Studies. A comprehensive list of the documentation analysed is provided in Annex II.

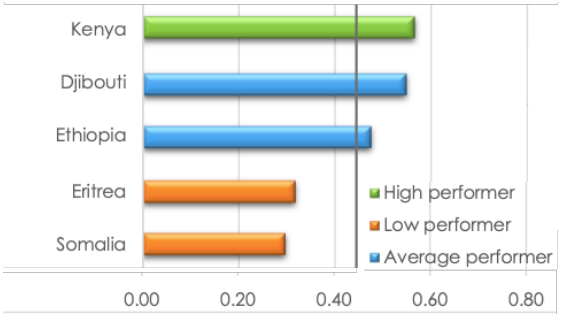
During the research work, a number of legal texts and regulations have been collected, such as bilateral and regional agreements, Conventions, Protocols, MOUs and procedural handbooks on transports and customs procedures, as well as strategic papers from the main RECs of which the HoA countries are members. Other information has been extracted from local newspapers, business magazines (e.g. Somalia Investor, Capital Ethiopia, The African Report, Daily Nation Kenya, La Nation Djibouti, etc.), information portals, web forums and blogs (e.g. voyageforum.com, routard.com, Africanews, Hiiraan Online, Ethiopiamonitor.com, Horndiplomat.com, A Week in the Horn[3], etc.). The desk research also took into account all available studies and best practice on integrated border management and trade facilitation.

[3] A Week in the Horn is the official blog of the Ethiopian Ministry of Foreign Affairs (https://mfaethiopiablog.wordpress.com).

3. Trade integration in the HoA

The Africa Regional Integration Index (ARII) 2019, a multi-dimensional index jointly developed by the African Union Commission (AUC), the United Nations Economic Commission for Africa (UNECA) and the AfDB, analyses the current status of integration in African countries for what concerns trade, as well as in other four additional areas, namely: 1) regional infrastructure, 2) productive integration, 3) free movement of people and 4) financial & macroeconomic Integration. The ARII report, most recently revised on 29 April 2020[4], reveals that, from a trade integration perspective, most of HoA countries are low or average performers, with the only exception of Kenya, that is ranked as the best integrated country in the HoA and the second-best integrated country on the entire African continent, after South Africa, in all the five dimensions covered by the study (see Figure 1).

Figure 1: HoA Regional integration score, performance per country



Source: Africa Regional Integration Index

Kenya also enjoys a good performance on the productive, infrastructure and free movement of people dimensions at continental level, while Eritrea and Somalia are considered the least integrated countries in Africa, especially in the trade dimension. Ethiopia, on the other hand, is ranked as the least integrated nation on the productive side in the COMESA Region and the country with the worst trade complementarity[5], despite being considered as the best macroeconomically integrated nation in the HoA Region[6] (see Table 1).

Table 1: Integration status in the HoA countries

Country	Regional Integration	Rank	Trade Integration	Rank	Productive Integration	Rank	Macroeconomic Integration	Rank	Infrastructural Integration	Rank	Free movement of people	Rank
Kenya	0.674	2	0.566	2	0.813	2	0.377	4	1.000	1	0.654	4
Djibouti	0.537	3	0.549	3	0.200	3	0.309	7	0.718	2	1.000	1
Ethiopia	0.413	4	0.475	4	0.043	8	0.853	1	0.539	4	0.061	8
Somalia	0.404	5	0.297	7	0.175	4	0.352	5	0.279	6	1.000	1
Eritrea	0.205	8	0.317	6	0.166	5	0.249	8	0.157	7	0.117	7

Source: Africa Regional Integration Index

The ARII, as shown in the above table, also considers the free movement of people as an essential ingredient for measuring the level of regional integration of African nations. In particular, intra-regional mobility is crucial

[4] https://www.uneca.org/publications/africa-regional-integration-index-report-2019

[5] Low trade complementarity means in practice that the country exports the same goods that other countries in the region produce. Vice versa, a high degree of trade complementarity means that the country's exports are of goods that other countries do not produce.

[6] The macroeconomic integration measures the status of convergence and alignment of the macroeconomic policies of a country with the macroeconomic policies adopted by its neighbours. A positive ranking in this area means that the country has a high potential to attract cross-border investments, because a high degree of convergence and alignment of macroeconomic policies helps investors to calculate the value and potential of their investments. The macroeconomic integration, in turn, is based on three sub-indicators: 1) the regional inflation differential: that measures the difference between a country's inflation rate and the inflation rate targeted by a certain region; 2) the regional convertibility of currency: which evaluates the number of countries within a certain region with which a country shares a common currency or with whose currency its own currency is convertible; 3) the number of bilateral investment treaties in force allowing the free movement of cross-border capital flows.

for equilibrating unbalanced regional labour markets[7] and has a trade-creation effect due to an increase in the number of trade transactions which the network of migrant workers create in the countries where they move, both permanently and temporarily[8]. With regard to this area, the best performers in the HoA are Kenya and Djibouti, while Ethiopia and Eritrea lie in the bottom due to the strict visa policies applied. Somalia, on the other hand, despite its poor performance on the trade dimension, is ranked high as a result of its liberalised policies on the free movement of people. However, Ethiopia has realised in the last years significant improvements in terms of visa openness and free movement of people, following a decision by the government, implemented since 1th June 2018, that allows all global visitors to apply for visas to the country online through a modernized eVisa system[9], as pointed out by the 2019 Africa Visa Openness Report presented by the African Union Commission and the AfDB at the Africa Investment Forum (AIF) held in Johannesburg from 11 to 13 November 2019. Ethiopia has also concluded a visa abolition agreement in 1966 with Kenya allowing the citizens of both countries to move visa-free in the other country; a similar arrangement is in force with Djibouti.

Statistics from UNCTAD (available up-to 2018) clearly show that all the countries in this sub-region are highly dependent on imports and commodity-dependent. UNCTAD[10] defines a nation as "commodity-dependent" when more than 60 per cent of its total exports consists in primary commodities, namely: 1) agricultural products, including livestock, crops, forestry, and fishing products (this is the case of Kenya, Ethiopia, Somalia and Djibouti[11]); 2) minerals, ores and metals (Eritrea), or 3) crude oil, gas and other hydrocarbons in a natural state (not-refined). Ethiopia and Kenya are the largest economies in the HoA. However, while Ethiopia has recorded a progressive reduction of its import flows from 2016 to 2018, with a fluctuating trend for what concerns exports, Kenya has steadily increased both imports and exports in the reference period, totalling imports for 17.3 billion USD and exports for 6 billion USD in 2018. Although the trade balance between the two countries is historically in favor of Kenya, in 2017 Ethiopia registered a significant increase in the value of exports to Kenya due to a prolonged drought that decimated crops in the latter, pushing the country to buy huge quantities of cereals and legumes from its neighbors, including Ethiopia[12].

Djibouti, Somalia and Eritrea on the other hand, have very small trade exchanges with the rest of the world, with a heavy dominance of imports – especially of food products - over exports, due to their food insufficiency. In Djibouti for instance, the World Food Programme (WFP) calculates that the country imports about 90 percent of the food it needs[13].

Table 2: HoA countries - Total trade with the World

Imports in USD, (+000)	2016	2017	2018	Exports in USD, (+000)	2016	2017	2018
Ethiopia	16,632,809	16,076,180	15,499,571	Kenya	5,656,227	5,747,415	6,050,421
Kenya	14,113,762	16,690,197	17,376,721	Ethiopia	2,918,701	3,162,571	2,830,573
Somalia	1,080,000	1,240,000	1,240,000	Somalia	440,000	260,000	340,000
Eritrea	1,032,507	1,101,340	1,150,507	Eritrea	424,333	545,759	664,474
Djibouti	705,177	767,933	804,434	Djibouti	138,980	142,302	168,303

Source: UNCTADStat

As indicated in Table 3 below, trade statistics on the aggregated trade flows of each HoA nation with the other countries within the region also show that Ethiopia and Somalia are those importing more from the region, and that the main exporter in the HoA, Kenya, has as its main destination markets Somalia, Ethiopia and Djibouti,

[7] UNCTAD (United Nations Conference on Trade and Development). 2018. Economic development in Africa report 2018: Migration for structural transformation. http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2118.

[8] International Labour Organisation, Organisation for Economic Co-operation and Development, World Bank Group, "The Contribution of Labour Mobility to Economic Growth", Joint paper for G20 Labour and Employment Ministers' Meeting Ankara, Turkey, 3-4 September 2015.

[9] Ngoma N. J., "Éthiopie: des visas en ligne pour faciliter l'arrivée des touristes », AfricaNews, 1 June 2018.

[10] United Nations Conference on Trade and Development, State of commodity dependence, 15 October 2019.

[11] In Djibouti, 61% of the total exports consist in primary commodities. This percentage, however, is more equally divided than the other countries in the HoA (43% are agricultural exports, 13% are ores, metals and minerals, and 4% are fuels). In recent years, growth has been mainly driven by the growth of transportation and logistics services because of its strategic position to serve other landlocked countries, and Ethiopia in particular.

[12] During 2017, Kenya purchased from Ethiopia maize and dried beans for a total of more than 70 million USD, with large part of these goods (especially maize) shipped via road through the Moyale border. In the same period, according to the Economic Survey 2018 published by the Kenya National Bureau of Statistics (KNBS), Kenya registered a decline in the demand of commodities from Ethiopia of manufactured products including insecticides, rubber tyres, sugar confectionery, prefabricated buildings, stoppers, caps and lids of containers.

[13] https://www.wfp.org/countries/djibouti

while exports to Eritrea are much less. Conversely, Ethiopia export flows in the HoA are mainly directed to Somalia, Djibouti and Kenya.

Table 3: Intraregional trade flows between the HoA nations

Imports in USD, (+000)	2016	2017	2018	Exports in USD, (+000)	2016	2017	2018
Kenya imports from other HoA countries	5,767	23,805	20,101	Kenya exports to other HoA countries	269,340	257,938	206,040
Ethiopia imports from other HoA countries	93,419	91,144	87,929	Ehiopia exports to other HoA countries	268,715	355,110	311,280
Somalia imports from other HoA countries	65,397	65,253	56,207	Somalia exports to other HoA countries	698	2,359	8,075
Djibouti imports from other HoA countries	20,170	21,157	22,568	Djibouti exports to other HoA countries	42,100	39,454	48,798
Eritrea imports from other HoA countries	38,493	42,164	41,789	Eritrea exports to other HoA countries	2,704	2,654	3,305
Total Intra-HoA imports share	**2.50%**						
Total Intra HoA exports share	**9.08%**						

Source: our elaboration on UNCTAD and ITC data

The comparison between the trade flows of each HoA nation with the values of goods exchanged by each of them with the remaining HoA countries, reveals that the total intra-HoA import share is only **6%** (2.50% for intra-HoA imports and 9% for intra-HoA exports), much below the continental intra-Africa average, which is **15%** (13 percent for imports and 16.6 percent for exports)[14]. The Intra-HoA trade share has been calculated, in line with the UNCTAD methodology used in the ARII, as the sum of intra-HoA exports and imports divided for the total trade (imports+exports) of Africa with the rest of the world. However, it has to be noted that all the statistics on the level of intra-Africa trade do not reflect the real size of intra-continental trade, as they do not capture the current volume of informal exchanges occurring at African borders, which is considerably high, reaching at some borders astounding levels of more than 80%[15].

3.1 Key obstacles to intra-regional trade

There are three main reasons why levels of intra-regional trade in the HoA are relatively low. First, a critical factor is represented by the **limited sub-regional transport connectivity**, as roads in the sub-region are few and most of them are not suitable for trade, as explained in next paragraphs in more detail. Second, there are several **security constraints**, due to the persistence of conflicts and social tensions in some cross-border areas, that deter economic operators from using border crossings located there. Consequently, large shares of goods traffic within the HoA currently move predominantly by air or sea, or more limitedly by railway, where it exists. The third key factor is the **existence of many NTBs** that raise trade and transportation costs in the region and costs of importing and exporting goods, making business uncompetitive and restricting market access.

3.1.1. Limited sub-regional transport connectivity and poor condition of roads

The existence of few roads in poor conditions is a main impediment to trade between HoA countries, as this situation considerably raises transport costs for traders, making movement of cargo in the region difficult and dangerous. Transport costs are escalated because trucks can travel only at low speeds, which increases fuel consumption and the risk of thefts and attacks by bandits, protesters or terrorists. As a consequence, transport companies avoid using these roads or are willing to use them only if escorted by the police. This latter solution, however, further escalates the transport cost, as high fees have to be paid for this service. Moreover, the bad state of HoA roads contributes to vehicles breakdowns and damages to the transported cargo, acting as a further disincentive for both transporters and traders. This is further aggravated in some cases by the absence of gas stations, garages, or workshops for repairing damaged vehicles along these roads. From time-to-time, border closings, accidents, roadblocks etc. further exacerbate these problems.

The largest economies in the HoA (Kenya and Ethiopia) are linked with each other only through a road connecting Addis Ababa and Nairobi via the border crossing point of Moyale, where transport costs are exceptionally high for a trip that on average takes less than 20 hours. Logistics operators interviewed in Kenya

[14] UNCTAD, Economic Development in Africa Report - Made in Africa – Rules of Origin for Enhanced Intra-African Trade, 2019

[15] A recent paper published by the International Food Policy Research Institute (IFPRI) gives an overview of the level of informal trade in Uganda, Rwanda, Namibia, Cameroon, Kenya, Benin, Botswana and other West African countries, revealing levels of trade between African countries that are routed informally in some cases exceeding 80% (e.g. Benin-Nigeria).

attributed the high costs for moving cargo along this 1,554 kilometres-long road[16], mainly to its poor conditions, in particular in the Ethiopian territory - from Hawassa to Ageremariam - which was described as "*rough and slow-going*"[17].

Apart from Moyale, there are no other roads connecting Ethiopia and Kenya that are suitable for trade. The Mandera border post, at the crossroads between Ethiopia, Kenya and Somalia, is currently closed, while the Konso-Omorate-Ileret road, which passes through a remote area north of Lake Turkana in Kenya, is not used by transport operators because of its bad conditions, excessive length, banditry and inter-ethnic problems, that are particularly frequent in this area. Moreover, the absence of any customs office - both for Kenya and Ethiopia - at the Omorate border (only an Ethiopian immigration controlling post is present, located about 35 Km. from the border), results in a considerable presence of informal activities and irregular migrants' traffic[18].

Similarly, from Kenya to Somalia there are no roads suitable for transport, as the Somalia National Development Plan 2020-2024, adopted in 2020 by the Ministry of Planning, Investment and Economic Development[19] recognises; the latter also considers the poor road transport infrastructure as one the main barriers to the growth of Somalia's trade.

Conversely, much better road transport links exist between Ethiopia and Eritrea, Ethiopia and Djibouti and Djibouti and Somalia, the first two countries being linked by six roads, four[20] of them connecting Addis Ababa to the port of Massawa, and two[21] the Port of Assab to Addis Ababa[22]. The connection between Ethiopia and Djibouti is currently ensured by three road corridors: 1) Djibouti-Galafi, 2) Djibouti-Dewele and 3) Tadjoura-Balho - the latter opened for traffic end of 2019. Moreover, on January 3, 2018, a 756-km electrified railway connecting Ethiopia to Djibouti via Dewele officially started commercial operations, which cut transport time to about 12 hours (compared to two or three days on trucks along the other road corridors). The railway link, which currently carries about 25% of Ethiopian import and export freight to the Port of Djibouti[23], is expected to greatly improve transportation logistics between Djibouti and Addis Ababa, by shifting about 50 percent of the current freight volume currently transported on the Djibouti corridor[24]. Djibouti and Somalia are connected by 2 main roads: the Djibouti-Borama-Hargeisa, and Djibouti-Berbera, which runs along the Gulf of Aden coastline, joining the two ports.

The route passing through Galafi stretches for a total of 877 km, of which 188 km are in Djibouti. This road, commonly known as "Djibouti corridor" is currently the main route for Ethiopian trade, accounting for about 95% of Ethiopia's imports and exports, served by a trucking industry dominated for almost 97% by Ethiopians truckers, that apply much lower tariffs than Djiboutian transporters[25]. According to figures of the Djibouti Ports and Free Zones Authority (*Autorité des Ports et Zones Franches de Djibouti*, APZFD), an average of 1,000 to 1,500 trucks cross the border between Ethiopia and Djibouti (both directions) daily. Along the Djibouti corridor, most of shipments, especially containerized (75%), move via the multimodal system. A recent efficiency assessment of the Addis Ababa-Djibouti corridor made by the United Nations Development Programme (UNDP)[26] estimates that unimodal transport is around 18 percent more expensive than multimodal, with clearance costs that tend to be lower at Modjo, although road transport tariffs for multimodal cargo are around 20 percent lower than those offered to unimodal cargo. The multimodal transport system, i.e. the usage of multiple modes of transportation under a single contract concluded with a carrier assuming responsibility of the shipment from point of receipt to point of destination, was introduced in Ethiopia with the Multimodal

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[16] Once completed the construction of the Lamu port, the distance between Ethiopia and Kenya will be cut by about 300. Lamu Port is an ambitious project launched by the Government of Kenya in 2012 under the "Vision 2030" strategy and is part of the "Lamu Port-Southern Sudan-Ethiopia" (LAPSSET) transport corridor, one of Africa's largest infrastructure projects, aimed at improving transport linkages between Kenya, Ethiopia and South Sudan. This project also comprises rail lines, highways, an oil pipeline, resort cities and airports (in Lamu). The LAPSSET Corridor will intersect the Addis Ababa-Nairobi road intersecting it in the city of Isiolo. Port of Lamu became operational on Thursday 20 May 2021, with the inauguration of its firth bench, while other 2 berths are expected to be completed by October 2021.

[17] Phone interviews with Charles Maina (Commercial Manager Bollorè Logistics, Nairobi, Kenya) and Felix Angwenyi (CEO of Felixclearcom Logistics Ltd., Nairobi, Kenya).

[18] European Union Emergency Trust Fund for Stability and addressing the root causes of irregular migration and displaced persons in africa (EUTF), "Cross-border analysis and mapping cluster 1: southwest Ethiopia-northwest Kenya », August 2016.

[19] http://mop.gov.so/wp-content/uploads/2019/12/NDP-9-2020-2024.pdf

[20] These are: 1) the Addis Ababa-Adigrat-Zalam-Asmara (933 Km.), 2) the Addis Ababa-Mekele-Adawa-Rama-Mereb-Asmara (1.005 Km.), 3) the Addis Ababa-Gonder-Humera-Asmara (991 Km.); and 4) the Addis Ababa Awash-Bedeche-Bure-Assebe (876 Km.).

[21] Addis Ababa-Adama-Awash-Bure-Assab (884 Km.) and Addis Ababa-Debre Birhan-Kombolcha-Bure-Assab (861 Km.).

[22] The Daily Monitor, "Re-opening roads to Assab, Massawa ports priority", 12 July 2018.

[23] Cuenca, O. "Ethiopia – Djibouti line reports reduced revenue due to vandalism", International Railway Journal, Dec 16, 2020.

[24] The Ethiopian Herald, "Unddoing logistics hurdles", 5 January 2018.

[25] World Bank, "Transport and logistics in Djibouti: contribution to job creation and economic diversification", Policy note, Final report, February 2013.

[26] UNDP, "The Djibouti City – Addis Ababa Transit and Transport Corridor: Turning Diagnostics into Action", (UNCTAD/ALDC/2018/6), 27 Nov 2018.

Transport of Goods Proclamation No. 548/2007. The Multimodal Transport System (MTS), however, was implemented in the country only in 2012, following the adoption, by the Ethiopian Ministry of Transport, of the Multimodal Transport Implementation Directive, effective since January 1, 2012[27]. To date, the only licensed Multimodal Transport Operator (MTO) in the country is the Ethiopian Shipping and Logistics Enterprise (ESLSE), a public company that the Ethiopian government recently announced will be partly privatised[28]. The decision of reserving the provision of MTO services in Ethiopia to the ESLSE was based on the assumption that the combination of different transport modes requires more logistics coordination (as this is essential for reducing the cost of multimodal transport), and that differently from ESLSE, the private sector in Ethiopia was still lacking organisation and management tools required to manage effectively the multimodal system. In October 2020, however, the Ethiopian Maritime Affairs Authority (EMAA) drafted a Multimodal Transport Operator Directive, currently pending approval by the Council of Ministers, which aims at opening the multimodal transport service to any entity granted with a license. However, in order to obtain such a license, applicants have however to fulfil a series of very stringent financial, capacity and organizational requirements, including a minimum capital of at least 350 million Birr (about 8 million USD), to hold a competency certification to manage multimodal transport operations and have gained at least 5 years of experience as a carrier, shipping agent, shipping company, multimodal transport operator, among others.The draft Directive also allows foreign companies to obtain a MTO license for operating in Ethiopia, but exclusively in joint venture with an Ethiopian partner, insofar they fulfil the requirements stated by the Directive[29].

In terms of time, the UNDP efficiency assessment study observes that the unimodal transport is slower than the multimodal, because of lengthy clearance processes undertaken within the Djibouti Port. Conversely, in the unimodal system, the Ethiopian documentation is completed and duties collected while the goods are at the port, before they move in transit to the destination for final clearance and release. The study also points out that exports (for which the unimodal process is the only option available), take a tenth of what an import takes, the major reason being that the Djibouti corridor is less congested for export, and because of the reduced regulatory controls (and inefficiencies) for exporting goods.

The Djibouti corridor enters Ethiopia through the Galafi border post, where Ethiopian and Djiboutian border agencies apply duplicated border formalities both at exit and entry. Ethiopian Customs also maintain a coordination office in Djibouti Port, whose main task is to record arrival manifests and to monitor and control the movement of goods according to the dispatch orders received from Ethiopian inland customs offices. In Galafi, trucks usually have to join the queue to complete border formalities on one side of the border, and then to join another queue to fulfil them in the other side. The entire border crossing takes on average half a day, which is a major disruption for a journey that on average requires up to three days. Delays at the Galafi border considerably raise costs for traders. Facilities at the border post are also limited and in need of improvement, with frequent electricity cuts hindering the use of information technology (IT) for processing customs and other border documents. The Governments of Ethiopia and Djibouti have however expressed an intention to convert this border post into a One-Stop Border Post (OSBP) with improved infrastructure and efficiency in service delivery by all border agencies operating at this site. To this end, a first feasibility study was commissioned by IGAD in 2017[30] within the “Djibouti-Addis Ababa-Juba-Kampala Corridor project”, completed in December 2018, where architectural and engineering design and a final feasibility report for the establishment of an OSBP in Galafi were completed (see Figure 2).

[27] The Multimodal Transport Implementation Directive establishes that all cargo moved via such mode of transport must be shipped and cleared within dry ports or bonded warehouses that are authorized by Ethiopian Customs.

[28] Desiderio Consultants, " Ethiopia launches a Single Window system and announces liberalization of logistics services", 6 January 2020.

[29] Desiderio Consultants, « Ethiopia to open up the multimodal sector for private actors", 30 April 2021.

[30] Trade and transport facilitation study of the Kampala-Juba-Addis Ababa-Djibouti corridor, contract no. ECSD/IGAD/001/2015, Final architectural and engineering design report and final feasibility report - Galafi One Stop Border Posts.

Figure 2: IGAD feasibility study on the Galafi OSBP: layout of the proposed facility

Another study on the Galafi OSBP was launched in 2018 with the WB's support under the Ethiopia Trade Logistics Project (Consulting Service for Establishment of One-Stop Border Post in the Ethio-Djibouti corridor), which was subsequently cancelled after a few months. UNCTAD, within the framework of the 2018 Enhanced Integrated Framework (EID), also completed a diagnostic study on the Addis Ababa-Djibouti corridor that examined best practices in the establishment of Corridor Management Institutions (CMIs), making recommendations for the creation of such an authority for overseeing transport operations along the Djibouti corridor. The study, among others, recommends that Ethiopian and Djiboutian governments **should develop an integrated approach in their respective trade policies, by coordinating as much as possible their respective trade and transport facilitation programmes**, so to make the trading environments in both countries more efficient[31]. Lastly, an analysis of the Djibouti corridor operations was completed by the World Food Programme (WFP) Office of Internal Audit in 2019. This study highlights how high volumes of humanitarian cargo are periodically transported in bulk along the corridor and the lack of silos in the Ethiopian territory that (if constructed) would allow traders to save significant congestion-induced demurrage costs[32].

Although almost all the road traffic between Ethiopia and Djibouti is channelled through Galafi, in the next few years the shorter route connecting Djibouti to Addis Ababa via Dire Dawa is expected to become much more intensively used which, in turn, will put much more pressure on the border post at Dewele[33], that will need improved solutions to increase its operational efficiency, including the possibility to build an OSBP at this site. Likewise, the increasing volumes of traffic that the new Tadjourah-Balho road is attracting[34], will need infrastructure and procedural improvements at the border between Ethiopia and Djibouti to streamline cross-border operations and reduce congestion.

However, despite the availability of three road corridors linking Djibouti to Ethiopia, the port of Djibouti does not have sufficient capacity to accommodate all the Ethiopian import, export and transit trade, which is growing fast due to the rapid expansion of the Ethiopian economy, reaching in 2019 more than 13.5 million metric tons for import and more than 1.7 million metric tons for export[35]. First, the port of Djibouti is highly congested, mainly because of the large volumes of imported break-bulk and bulk cargo that lie for long periods at the port terminal awaiting removal. Second, port charges[36], warehouse tariffs, and dwell time[37] are on average higher than those applied by the other ports in East Africa, although the Djibouti Port Authority started since 2017 a reduction of its prices for all port services across the new Doraleh Multipurpose Terminal for general cargo,

[31] UNCTAD, The Djibouti City – Addis Ababa Transit and Transport Corridor: Turning Diagnostics into Action, 2018.
[32] https://docs.wfp.org/api/documents/WFP-0000107009/download/
[33] World Bank, "Ethiopia - Ethiopia Trade Logistics Project Project Appraisal Document", Report No: PAD2035, March 14, 2017.
[34] "La route Tadjourah-Balho, un pas vers une économie décentralisée, published on La Nation (Djibouti), on 18/08/2019.
[35] AfDB, Consulting Services for the Trade and Transport Facilitation Service between Kenya and Ethiopia, final report, March 2019.
[36] e.g. Terminal Handling Charges, stevedoring and shore handling activities
[37] Dwell Time is the total time elapsed from when the cargo arrives at the port to when it is released.

dry bulk and vehicles[38]. Because of these problems, Ethiopian traders have recently started to use alternative ports and corridors. The Ethiopian Shipping and Logistics Services Enterprise (ESLSE) for instance, recently started using Djibouti's Port of Tadjourah, with a first shipment received on July 17, 2020. The port of Tadjourah, which was initially developed with the aim to transporting mainly potash from Ethiopia's Afar region, has been idle for years, but with its depth of 12 meters with 2 berths of 435m length, has a potential to accommodate vessels of up to 80,000 DWT[39] and to serve especially northern Ethiopia, thanks to the 120 km.-long Tadjoura-Balho road, that, compared with the Djibouti corridor, is new and in good condition[40]. However, one of the main problems in the use of this port is the lack of adequate equipment for loading/discharging cargo from vessels, which limits the use of the port only to RO-RO[41] ships or vessels having their own gear (deck cranes, derricks, etc.) that don't need cranes at the port for handling of cargo and containers. Government of Djibouti should therefore evaluate the possibility to implement a Public-Private-Partnership (PPP) scheme or to transfer to a private enterprise (under a concession agreement) the operating rights of the port infrastructure, so that the necessary rehabilitation or construction works will be carried out by the concessionaire, including provision of new equipment.

Among other ports in the HoA region that are being used by Ethiopia as an alternative to Djibouti, the **Berbera port** is particularly interesting. It is a relatively short distance from Addis Ababa (950 kilometres), which is about the same distance as Djibouti[42]. Port of Berbera is a natural deep-water port with 5 berths and a storage capacity of 1 million tons[43], that has mainly functioned in the past as a domestic port for dhows[44] and small regular vessels, and occasionally for livestock trade with Middle Eastern countries. Ethiopia began using the Port of Berbera in February 2015, largely for imports of food aid shipments arranged by organizations such as the UN's World Food Program (WFP). To date, it is estimated that 2/3 of total imports through Berbera are destined for Ethiopia, although the precise share is unknown, since transit of goods is informally arranged, not being regulated by any specific legislation[45]. However, for Berbera port to become a realistic alternative to Djibouti, significant upgrading works are needed both at the port and the corridor. To this end, the government of Somaliland signed in May 2016 a 30-year concession agreement (with the option for extension), with DP World, which included the development and expansion of the port, the provision of new equipment for the handling of containers and the creation of a 12.2 square kilometres free zone for handling freight destined to Ethiopia. After completion of a 400-metre quay and a 25-hectare yard extension in August 2020[46], a new container terminal was inaugurated on 24 June 2021, having capacity for 500,000 TEUs a year, to be expanded in future to increase capacity up to 2 million TEUs per year[47]. Port-service management is also partly automatised, with processing times substantially reduced, as port users have now to visit only two offices at the port to release their goods, instead of previously seven or eight[48].

With regard to the Berbera corridor, two diagnostic studies have been undertaken so far: the first by Louis Berger S.A. in partnership with Africonsult with an EU funding, and the second in 2017 by Maritime & Transport Business Solutions, under a contract by TradeMark East Africa[49], the latter including an analysis of the potential traffic that the Berbeta corridor can attract and the competition dynamics with the Djibouti corridor.

The Berbera-Togwajale-Addis Ababa corridor is mentioned in the Somalia National Development Plan 2020-2024 as one of the trade corridors having the highest potential to accelerate regional integration in the HoA, by linking Ethiopia to the Middle Eastern and Asian markets. The document also highlights the importance of developing a strategy guiding external investments for transport corridors to facilitate regional economic

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[38] "Djibouti Reduces Port Tariff by over 80%", published on Ethiopiamonitor.com on April 14, 2020. The latest Djibouti Ports Tariff Book (2018) is available here: https://www.portdedjibouti.com/port-tariff/

[39] DWT is the measure of how much mass a ship is carrying, inclusive of cargo, fuel, passengers, and crew, excluding the weight of the vessel.

[40] Muluken Yewondwossen, "Ethiopia starts using Port of Tadjourah" published in Capital Ethiopia, July 26, 2020.

[41] Roll-on/roll-off (RO-RO) ships are vessels designed to carry wheeled cargo, such as cars, trucks, semi-trailer trucks, trailers, and railroad cars, that are driven on and off the **ship** on their own wheels or using a platform vehicle, such as a self-propelled modular transporter.

[42] Ronald Kato, "Global gateway: Somaliland upgrades its window to the world", published in EuroNews, 19/09/2019.

[43] Able to handle up to 13,000 containers per month

[44] Traditional sailing vessels used in the Red Sea and Indian Ocean region.

[45] Warsame M. Ahmed and Finn Stepputat, "Berbera Port, Geopolitics and State-making in Somaliland", Rift Valley Institute briefing paper, August 2019. At present, a new Customs Act (No. 73/2016) is however pending for approval by the Somaliland State that will introduce detailed rules for the transit procedure. The draft Customs Act is available here: http://slmof.org/wp-content/uploads/2019/03/Somaliland-Customs-Act-2016-English.pdf

[46] TEU is an acronym of Twenty-foot Equivalent Unit, corresponding to a 20-foot standard container. TEUs are used in the ocean freight industry as a measurement unit for determining cargo and merchandise capacity on shipping vessels and for calculating port activity.

[47] "Somaliland and DP World open new terminal at Berbera Port », HornDiplomat.com, 24 June 2021

[48] Warsame M. Ahmed and Finn Stepputat. Op. cit.

[49] https://www.mtbs.nl/projects/diagnostic-study-for-the-berbera-corridor

integration and trade, in particular by prioritizing those trade corridors and highways connecting Somalia to its neighbouring countries, such as Kenya, Ethiopia and Djibouti[50].

The Somalia Transport Sector Needs Assessment and Investment Programme Report (2016), published by the AfDB[51], provides further details on costs of operations at the Berbera port and on inland connectivity. The report also highlights how the Berbera Corridor is the only road in Somalia that ensures a stable connection to the rest of Africa through Ethiopia, which is the same reason why this corridor has been selected as an AU priority under the Programme for Infrastructure Development in Africa (PIDA) adopted by Heads of State in 2012 and by the IGAD Regional Infrastructure Master Plan (IRIMP), approved in June 2020, that considers such route as one of those having the highest potential to integrate the region.

The Government of Ethiopia also signed in March 2016, an MoU with Somaliland agreeing to work for the development of a Customs and Transit Agreement with the aim of directing up to 30 per cent of Ethiopia's future trade through Berbera. Somaliland also received advisory support in early 2018 from the UK Department for International Development (DFID) within the framework of the TAF2+ program[52], to the ongoing trade and transit negotiations with Ethiopia. This support, which is currently in the process of being completed, is aimed at enhancing the technical, analytical and negotiating competencies of key government agencies and negotiators in the Somaliland State to negotiate and conclude the transit agreement with Ethiopia. Lastly, on 1st March 2018, an investment agreement with DP World and the Somaliland Port Authority was signed in Dubai (although rejected by the Federal Government of Somalia)[53], where Ethiopia announced its intention to buy through the state-owned Ethiopian Shipping and Logistics Services Enterprise (ESLSE) a 19% stake of the Port, with DP World and the Somaliland Ports Authority holding, respectively, a 51% and 30% stake. As a part of the agreement, Ethiopia also committed to contribute to the construction work of the Berbera corridor in the Somaliland territory [54].

3.1.1.1. Informal trade

A consequence of the limited use of roads in the HoA by formal businesses and transport operators, is that at land borders informal trade is prevalent. Main products informally exchanged at the HoA borders are livestock, agricultural and food commodities. Informally-traded goods move across borders mainly by use of donkeys through the porous routes (source: Food Agricultural Organisation). Informal trade is also a way to get around complex documentation requirements, formalities and cross-border procedures that are currently implemented at the HoA's internal borders. As a recent study from the Journal of African Economies points out, cumbersome formalities and higher taxes to be paid at the border, push traders to become informal[55]. This is particularly true for agricultural and livestock products (two of the main products traded informally at HoA borders), where the process for obtaining the export documentation is particularly complex. For agricultural goods, trading them formally also means that exporters have to invest to meet food-safety standard and to increase their financial resources, in order to ensure compliance of such products to the technical standards and safety regulations in the market where they are sold, with additional costs. Exchanging such goods informally allows traders to avoid lengthy inspections (with the possibility of non-compliance issues), by the technical standard, veterinary and phytosanitary authorities in the countries of destination and to sell them at a more competitive price. Another reason why traders prefer to exchange informally their products at the borders is to avoid costly and complex Pre-Shipment Inspection (PSI) Programs or Pre-export Verification of Conformity (PVoC) schemes, like the ones adopted by Ethiopia and Kenya[56] (see paragraph 3.1.3.).

3.1.2. Security constraints, political tensions and instability

The HoA is classified[57] as one of the most conflict-affected and unstable areas in Africa. The rise of extremist political violence in recent years has led to a heightened sense of insecurity in the Region because of the

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[50] The Somalia National Development Plan also indicates the development of industrial hubs, and the promotion of manufacturing value chains (especially in the meat and fish processing sectors or other labour-intensive industries such as garment manufacturing) along the Berbera and other trade corridors, as main priorities for the Somali government.

[51] https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Somalia_Transport_Sector_Needs_Assessment_and_Investment_Programme.pdf

[52] http://taf2plus.com/advisory-support-to-somaliland-in-the-ongoing-trade-and-transit-negotiations-with-ethiopia/

[53] https://www.africanews.com/2018/03/04/somalia-rejects-somaliland-port-deal-with-ethiopia-and-uae-company//.

[54] "Ethiopia acquires 19% stake in DP World Berbera Port", published on Addis Standard, March 1, 2018.

[55] Sami Bensassi, Joachim Jarreau, Cristina Mitaritonna, "Regional Integration and Informal Trade in Africa: Evidence from Benin's Borders", *Journal of African Economies*, Volume 28, Issue 1, 1 January 2019, Pages 89–118,

[56] Phone interview with Wilson Maina, Secretary of the Nairobi Informal Sector Confederation (NISCOF).

[57] http://visionofhumanity.org/app/uploads/2018/06/Global-Peace-Index-2018-2.pdf

frequent internal and cross-border conflicts, territorial disputes and diplomatic crisis[58]. Some border crossing points in the region are closed, some are difficult to cross, and more generally the region lacks a coherent system for facilitating the movement of vehicles, people and livestock. Politically, tensions of different magnitude still exist particularly between Ethiopia and Eritrea, Eritrea and Djibouti, and Kenya and Somalia, which disrupt trade in the region.

Eritrea and Ethiopia, for instance, have witnessed repeated political tensions in recent years, leading to frequent border closures, particularly at the Serha-Zalambessa[59] and Omhajer-Humera[60] border crossings, also a few months after the signature of the 9 July 2018 Peace Agreement[61]. Eritrea was also involved in 2008 in a conflict with Djibouti on a territorial dispute at their common border and, since then, relations between the two countries have remained cold. Recently, Djibouti addressed a request to the President of the UN Security Council to have the border dispute with Eritrea resolved through a binding international arbitration[62].

Kenya, on the other hand, has on several occasions closed its border to commercial traffic with Somalia following attacks by the Al Shabaab militias or to counter smuggling of contraband goods. The Lamu section of the Kenya-Somalia border, including the Kyunga cross-border point, remains closed since June 2019, in an attempt to curb smuggling, terrorism and human trafficking[63], despite Kenya government on June 20, 2020 revealed plans to reopen it. A similar situation regards Mandera, as currently there is no trade that is routed via this border post, mainly because of the bad conditions of the road, which is notorious, especially in the Mandera-Wajir section, for the frequent terrorist and bandit attacks. Moreover, the Kenyan customs office in Mandera is closed since 2012. Apart from Mandera, interviewed logistics operators reported that there are no roads suitable for transport from Kenya to Somalia, with the consequence that almost all trade between the two countries is moved via air and maritime transport, while at land borders most of trade is informal[64].

Figure 3 : Mandera triangle and Mandera border control post

Kenya and Somalia have also a long-standing dispute pending before the International Court of Justice (ICJ), on the determination of the maritime boundary between the two countries in the Indian Ocean. On 28 August 2014, Somalia filed an application instituting proceeding against Kenya where asked the intervention of the Court to resolve the disagreement on the maritime border, as diplomatic negotiations failed. Somalia wants the maritime border to run diagonally as an extension of its land boundary, while Kenya wants it to run parallel

[58] The HoA is frequently affected by droughts, as well as floods during the rainy seasons. More recently, the Region has been hit by an invasion of locusts that has decimated crops throughout Ethiopia, Kenya, Somalia, Eritrea and Djibouti, the first 3 countries being the more hardly hit. The latest FAO locust situation update published on 21 July 2020 reveals that locust swarms have now declined in the northwest Kenya, but continue to be present in the north-east area, in the Turkana County, while in Ethiopia, locusts are present in the south, as well as in the northern highlands of Amhara and Tigray. Somalia declared in February 2020 the locust invasion a national emergency and a major threat to the Somalia's fragile food security situation. Here, the major affected areas are between Hargeisa and Garowe.

[59] Ethiopia-Eritrea relations hampered by closed borders, stalled trade deals, published on 24/07/2019 in Africanews.

[60] Eritrea Closes Omhajer-Humera Border Crossings, published on April 19, 2019 on Ezega.com.

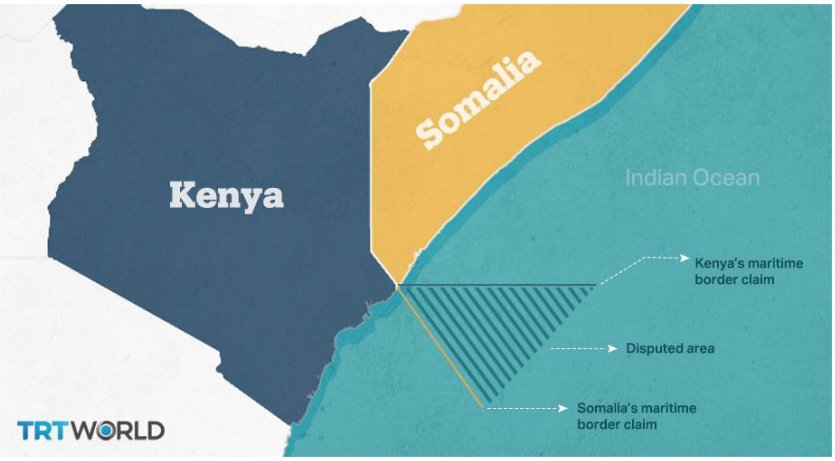
[61] UN Security Council, press statement SC/13516 of 20 September 2018.

[62] UN Security Council, letter dated 18 February 2019 from the Secretary-General addressed to the President of the Security Council (S/2019/154).

[63] Ministry of Foreign Affairs of Ethiopia, A Week in the Horn, 26.06.2020.

[64] Phone interview with Charles Maina, Commercial Manager Bollorè Logistics, Kenya, 18 August 2020.

to the latitude, eastwards the border town of Kyunga[65] (see next figure). The oral proceedings in the case, scheduled to open on Monday 8 June 2020, were postponed to March 2021[66] but Kenya with a press statement of the Ministry of Foreign Affairs announced that the country renounced to participate at the Maritime Delimitation Case complaining procedural unfairness by the Court and to the presence in its composition of a judge who was a Somali citizen[67].



Source: TRTWorld (https://www.trtworld.com)

The persistence of inter-ethnic conflicts and political tensions in many HoA areas has a consequence that a significant amount of freight moves in the region **predominantly by air or sea**. With regard to railway transport, the only line that interconnects HoA countries and is suitable for transporting cargo, is the Ethio-Djibouti railway, while the Kenya Standard Gauge Railway at the moment only connects Kenya to Uganda. Somalia instead has no railway system, a situation that has given impetus for a considerable growth of the road trucking industry, leading to an excess of its internal capacity and to an expansion of their services to other neighbouring countries, hence a widespread presence of Somalia transporters in the HoA region in most cases operating old fleets with most vehicles older than 20 years, in poor condition, and with high running costs[68]. A similar situation occurs in Eritrea[69] and Ethiopia[70], where the majority of transport companies operate small vehicle fleets with trucks older than 10 years, with low carrying capacity and utilization rates; Kenya and Djibouti have newer vehicle fleets. Policymakers in those HoA nations, where fleets are particularly old, should establish national Committees responsible for conducting surveys to determine both the types of trucks circulating in their respective territories and their average age. Subsequently, a **vehicle replacing plan** should be prepared, to be transposed into a specific regulation, setting minimum standards for trucks to be used to haul cargo in their territory and obliging transport companies with vehicles that are not compatible to such standards to replace them within a defined time limit. Such Committees should include representatives from Ministries of Finance and Customs, so that specific incentives (e.g. reductions of customs duties on imports) or tax-breaks can be designed to encourage transport companies to replace non-conforming trucks with new ones, prohibiting the import of vehicles that do not comply with them.

3.1.3. Tariff and Non-Tariff Barriers in the region

NTBs are defined as any barrier to trade other than import and export duties. This includes import bans, government monopolies, cumbersome documentation requirements and restrictions resulting from prohibitions, conditions or specific market requirements that make the importation or exportation of products difficult and/or costly.

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[65] United Nations, Report of the International Court of Justice 1 August 2018-31 July 2019, General Assembly Official Records Seventy-fourth Session Supplement No. 4.
[66] ICJ, press release No. 2020/13 22 May 2020.
[67] https://www.mfa.go.ke/?p=3759
[68] Source: WFP Logistics Capacity Assessment (LCA)
[69] Thomas C. Mountain, "Eritrea Needs Training for its Drivers, Operators and Technicians", published in Tesfanews,net on 19 January 2019.
[70] United Nations Development Programme Ethiopia, Summary of commissioned study Ethiopia, National Logistics Strategy, 2017. AfDB, Consulting Services for the Trade and Transport Facilitation Service between Kenya and Ethiopia, Op Cit.

In the HoA, the existence of many administrative hurdles, lengthy border crossing processes, restrictions to the movement of vehicles and persons and the overreliance on manual processing of paper forms at borders are a consequence of: 1) the **lack of harmonization between the policies and regulatory frameworks of HoA countries in the areas of customs, trade and transport**, as well as of 2) the **lack of collaborative mechanisms for identification, monitoring and resolution of such barriers**.

An efficient and harmonized institutional framework in the HoA, with effective dialogue mechanisms between bodies responsible for NTBs identification at national level, could therefore ease the displaced regulations that currently exist with respect to trade and logistics, reducing transaction costs for traders.

The misalignment and lack of coordination between national trade policies and regulatory frameworks, is mainly caused by the overlapping participation of HoA nations to several Regional Economic Communities (RECs)[71], resulting in different tariff treatments to products exchanged between them, as well as in the presence of different trade facilitation policies, strategies and roadmaps that are not aligned with each other. Kenya for instance is member of the EAC, the Intergovernmental Authority on Development (IGAD), COMESA and the Community of Sahel-Saharan States (CEN-SAD), while Ethiopia is member of IGAD and COMESA, although it is not yet participating in the COMESA Free Trade Area (FTA), with the consequence that imports from other COMESA countries (except Djibouti, with which it has a bilateral trade agreement), are subject to import duties, making such products less price-competitive when exchanged on their respective markets. Djibouti and Eritrea, on the other hand, are members of IGAD, CEN-SAD and COMESA, with Eritrea not yet participating to the COMESA FTA, while Somalia is a member of IGAD, COMESA and CEN-SAD.

As a consequence of this overlapping membership to different RECs, each HoA nation applies **different tariff treatments** to goods imported in their territories, that vary considerably according to the country from where the imported products are originating. Kenya, Somalia and Djibouti for instance - being members of the COMESA FTA - trade with each other on a full duty-free and quota-free basis. However, each of them applies a different tariff regime in its exchanges with other COMESA countries that are not members of the COMESA FTA (in the case of HoA, Ethiopia and Eritrea).

More specifically, each COMESA FTA member applies mutual tariff concessions on commercial exchanges with other COMESA countries that are non-FTA members. These tariff concessions - that are negotiated at bilateral level - in some cases are not easy to determine or to locate, being implemented at national level by periodically revised legislations or regulation that are not always accessible online. Kenya for instance, applies a generalised reduction of 10% on the customs duties payable for all imports from Ethiopia (and the same percentage applies to Kenyan imports in Ethiopia), while the tariff reduction applied to Eritrean imports is 80%. Some specific items are however excluded from such concessions, such as wheat flour (tariff No. 1100.00.10) and the meslin flour (tariff No. 1101.00.20), while with regard to other products, the reduction applies within the limit of a specific import quota that, once exhausted, determines the applicability of a 100% import duty. This is the case, for instance, of sugar, that according to the Kenya, Legal notice n° 156 published in the Kenyan Gazette Supplement N° 74 of 12 September 2003[72], is subject to a 10% reduction of applicable import duties, but only in respect of a maximum of 111,000 metric tonnes for white refined sugar and of 89,000 metric tonnes for other types of sugar.

Concerning the lack of harmonisation between the trade, customs and transport policies and regulatory frameworks of HoA countries, an example is the different axle load, vehicle dimension, and gross vehicle mass (weight) limits applied by each nation in the region. **A harmonization of such limits would be a significant step towards the facilitation of trade between HoA nations and in view of the attainment of an integrated and efficient road transport industry in the region**[73]. Policymakers should initiate a process for the harmonisation of their national vehicle load and mass limits, that should ideally be the same in the region. Kenya, for instance, as a Partner State of the EAC has aligned its limits to the EAC Vehicle Control Act, lastly revised in 2018 that, in turn, are not fully harmonized with the COMESA limits, adopted by many HoA countries. A particular case of different axle load limits is exemplified by Ethiopia, which has implemented its own axle load limits that are not fully harmonized with COMESA, as shown in the following table[74]. Another example is

[71] Kenya, Ethiopia, Djibouti, Somalia and Eritrea are all members of the Intergovernmental Authority on Development (IGAD), while Kenya, Ethiopia, Djibouti and Eritrea are members of COMESA, with Ethiopia and Eritrea not yet participating to the COMESA FTA.

[72] http://kenyalaw.org/kl/fileadmin/pdfdownloads/LegalNotices/2003/156-CustomsandExciseAct_MutualTariffConcessions-CommonMarketforEasternandSouthernAfrica_COMESA__2003.pdf

[73] Michael Ian Pinard, "Overload Control Practices in Eastern and Southern Africa, Main Lessons Learned", Sub-Saharan Africa Transport Policy Program (SSATPP), Working Paper No. 91.

[74] in July 2008, a *Regional Workshop on Harmonization of Key Elements and Implementation of Best Practice in Overload Control* was held in Nairobi with a view to harmonizing overload control among the member states of EAC, COMESA, and SADC. The three RECs agreed to adopt a Memorandum of Understanding (MoU) on vehicle load management (http://www.works.go.ug/wp-

the Somaliland State in Somalia, where maximum allowable load is up to 30 tonnes, much less than the maximum permissible weight allowed in COMESA[75].

Table 4: Comparison of Ethiopia and COMESA Vehicle Axle Load Limits

Vehicle Configuration	Vehicle Axle Load Limits (Tons)	
	Ethiopia	COMESA
Single steering axle	8 Tons	8 Tons
Single load or drive axle	10 Tons	10 Tons
Tandem	17 Tons	16 Tons
Tridem (Triple Axle Group)	Up to 10 tons each (30 Tons)	24 Tons
Maximum permissible Gross Vehicle Weight	58 Tons	56 Tons

An example of distortions due to the adoption of different axle load limits in the Region is offered by Kenya and Ethiopia. As shown in the above Table 4, Ethiopian road authorities apply higher limits for 3-axle vehicles, which allows transport companies to easily accommodate a full 40'' container or two 20'' containers on a single truck. However, once this truck arrives at the Kenyan border, it cannot continue the trip because the load limits in the Kenyan territory for this kind of vehicles are lower. The consequence is that Ethiopian truckers have to offload cargo in proximity of the border so that the shipment can be split in two or more consignments that are thereafter picked up and delivered (usually by Kenyan trucks) to the destination points in Kenya, with transhipment cost further escalating transport costs for importers, as these operations are manually conducted. Kenya and Ethiopia also concluded on 7 November 2011 a Road Transport Service Agreement (RTSA), in order to strengthen and expand transport links between their respective countries. According to the RTSA (Art. 2), each country can grant access to or through its respective territory to any commercial and passenger vehicle from the other country upon fulfilment of specific requirements, namely the holding of a valid truck registration certificate, a road transport license, and a COMESA Yellow card as third party motor vehicle insurance document. The RTSA however does not foresee any facilitation regarding axle load (e.g. the possibility for vehicles found overloaded on one axle or axle group to redistribute cargo for axle), only stating (art. 6) that the size and weight of a commercial vehicle to be used shall be in accordance with domestic legislations of the country where the vehicle travels, with the possibility - if a vehicle does not meet the limits - to obtain a special permit from the authorities of the other country.

Another consequence of the different axle load limits implemented by HoA countries is that the results of weighbridge tests carried out by the respective traffic authorities in one country are not accepted in the territory of the others. Because of that, multiple weight measurements are required before a truck arrives at destination, adding further delays to shipments. The difference in axle load limits and gross vehicle weights also makes impossible the electronic interconnection between weighbridges in the region (so that they can share information with each other) and acts as a deterrent for transport companies to deliver cargo in the territory of other countries, as vehicle load space of their trucks cannot be fully utilized; the latter further increases their overall transport costs.

An additional problem in the region that represents a considerable obstacle to trade, is that national regulatory information is often available in only one or two languages, and not easy to access by traders and transport and customs service providers, especially in those nations that have not yet implemented information or knowledge portals with a description of laws and regulatory requirements on customs, trade and transport with the relevant procedures applicable to cross-border transactions. This is the case of Ethiopia, for instance, where – among others - road authorities require foreign transporters (except those registered in Djibouti), to obtain a special road cross-border permit to be issued by the Ethiopian Federal Transport Authority (FTA) in order to deliver cargo in its territory. This permit, which needs on average 1 to 7 days to be issued, has to be annexed to the customs declaration and shown to Ethiopia Customs office of entry once the foreign truck arrives at the border. Apart from the difficulty to access the rules and procedures for the issuance of such permit (that are not publicly available), another major constraint is the fact that it can be requested only by a Ethiopian licensed importer or its agent (e.g. a customs clearing agent or a freight forwarder), at the central headquarters of the TFA in Addis Ababa, subject to the payment of a fee of 100 birr (3 US$) for each truck that

content/uploads/2017/06/VLM-MOU-sadc-eac-comesa-Final-Feb2017.pdf), to harmonise their axle load limits. So far, however, little progress has been made in harmonizing such regulations.

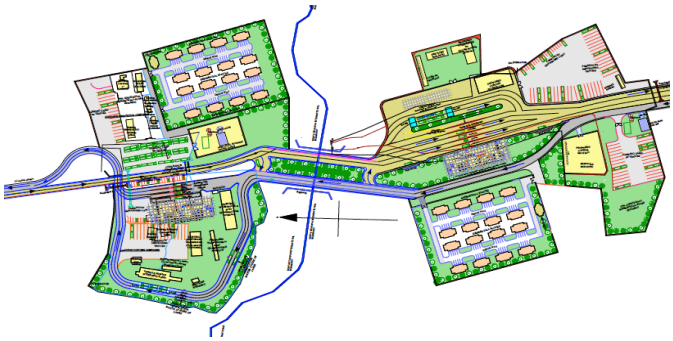
[75] https://dlca.logcluster.org/display/public/DLCA/3.2+Somalia+Transporters?preview=/4227661/4194367/Additional%20Somalia%20Transporters%20Information.doc

plans to enter Ethiopia for delivering cargo[76]. This means that **foreign drivers cannot apply directly for the permit**, and that they must necessarily use an importer or another agent in Ethiopia in order to submit the relevant application to the FTA[77] and collect it manually once released. This makes the entire application process extremely burdensome. A possible solution to such a restriction would be the negotiation of a specific bilateral agreement, allowing truckers from each country to obtain the cross-border road permit required for entrance in Ethiopia **from the authorities of the country of origin of the shipment** (e.g. the Ministry of Transport of Kenya), and not in the country of destination, as is currently happening.

Lastly, interviewed traders and transport operators reported that the **lack of regulatory information and of information on import and export procedures** is another major cause of cost increases in some HoA countries, due to the need to hire experts in such countries to collect documentation and verify mandatory compliance requirements for clearance of cargo and circulation in their territory that are not transparent.

Additional problems indicated by interviewees are as follows:

1) **particularly cumbersome and uncoordinated border procedures at the main border-crossing points**: most border points in the HoA suffer from a lack of modern trade infrastructure (hard and soft infrastructure), and an absence of adequate security. Even in case of Moyale, the only OSBP established at internal borders between the HoA countries, border agencies from Ethiopia and Kenya still operate under the two-stop arrangement, with duplicated controls carried out both in the country of exit and in the country of entry, although in April 2014, a Bilateral Agreement on the Border Post Procedures, Facilities and Management at the Moyale OSBP was concluded between Kenya and Ethiopia (which however has been ratified so far only by Ethiopia[78] and not yet by the Kenyan National Assembly[79]), and a joint operational manual for coordinated operations among the border agencies of Kenya and Ethiopia was adopted and validated in July 2019, which is not yet implemented[80].



Moyale OSBP and layout of the facility

2) **Mandatory testing and verification requirements for the products to be imported by most of HoA countries.** Ethiopia, for instance, applies a Pre-Shipment Inspection (PSI) programme based on mandatory technical and quality standards that are required for importing 124 categories of goods, including food products, chemical products, textile, leather, plastic and rubber, construction materials, electrical & electronics, among others. This requirement obliges exporters of other HoA nations to obtain a Certificate of Conformity (CoC) from an agency or laboratory in their country (and accredited by Ethiopian authorities), that has to be transmitted to the Ethiopian importer for clearance purposes. This is a procedure that further increases the cost of importation of such goods. Kenya – through the Kenya Bureau of Standards (KEBS) - implements a similar scheme, called Pre-export Verification of Conformity (PVoC) to Standards Program for imports into and exports out of Kenya. The program is aimed at ensuring the safety and quality of selected goods moving across the country's borders. Also, in this case, importers of agricultural products in Kenya are required to accompany their consignments with a CoC issued by a third-party service provider in the country of origin of the shipment,

[76] If the permit expires when the foreign driver is still in Ethiopia, it can be renewed by paying an additional fee of 100 Birr.

[77] In order to do that, the Ethiopia importer or agent must receive copies of the truck registration, of the passport and driving license of the foreign driver and the COMESA Yellow card to be annexed to the application.

[78] Proclamation n° 1057/2017, published in the Federal Negarit Gazeta N°7 of 12 December 2017.

[79] According to Art. 3, of the Treaty Making and Ratification Act, No. 45 of 2012, all international Treaties (included bilateral agreements) dealing, among others, with the security of Kenya, its sovereignty, independence, unity or territorial integrity, as well as with the rights and duties of citizens of Kenya (this is therefore also the case of the Moyale OSBP BA), must be ratified by the Cabinet of Ministers and approved by the National Assembly.

[80] Phone interview on 31 July 2020 with Joel Ndege, Station Manager Kenya Customs, Moyale OSBP.

that implies the undertaking of a conformity assessment test in such country. Similar PSI programs are implemented by Djibouti, Somalia and Eritrea. **A mutual recognition agreement or equivalence agreement** concluded by the HoA countries would allow the products that have been tested in the exporting country to be accepted by the importing country with minimal testing or certification.

Procedures related to the compliance verification of plant material with Sanitary and Phytosanitary (SPS)[81], such as seeds, fresh fruits, flowers, plantlets and agricultural produce, are particularly complex, as they require a phytosanitary certificate issued by a duly authorized plant quarantine officer in the country of origin and an inspection conducted at the border post by the phytosanitary authorities or the importing country, that can decide to take samples for testing in order to further verify compliance with SPS standards and measures[82]. When this happens, in most cases they are obliged to send the samples to laboratories located far from the border, with the possibility that results will be returned to the border after many days or weeks. Among the HoA countries, Kenya is the only one that has acceded to the **ePhyto Hub**[83] for the exchange of phytosanitary certificates. Commonly known as "plant passports", phytosanitary certificates[84] are documents issued by National Plant Protection Organization (NPPO) authorities attesting that a certain consignment meets relevant phytosanitary import requirements of the country of import/transit (e.g. freedom from quarantine pests). The advantage of such a system is that it increases efficiency, by enabling the phytosanitary authorities of both exporting and importing country to exchange electronically the information currently provided in paper phytosanitary certificates, that typically, have to physically accompany the consignment in the point of entry in the transit or destination country. In turn, the ePhyto system reduces time and cost for preparing and shipping paper certificates to be transmitted to the NPPO authority of the importing country, avoiding the risk of receiving fraudulent certificates.

Another problem that is common to most of HoA countries is that quarantine pest lists (national lists specifying the plants and plant products subject to control with the aim of avoiding the introduction of exotic plant pests and diseases) are not easily accessible by traders and are not harmonized between them. **The adoption of an agreed pest list between HoA nations** (by virtue of a regional quarantine agreement) would significantly reduce such barriers, by simplifying compliance verification procedures for at least the most commonly traded products at their borders, to be specified in an agreed list. Attempts in this direction were already made since July 2012 by Ethiopia and Kenya, that together with representatives of other countries[85], met in Nairobi to compare and harmonize their pest lists with regards to maize, beans and rice, without achieving substantial results.

3) **Limited availability of banking services at the HoA borders**, which obliges transporters and traders to pay customs duties and other levies (included border agencies fees and other charges) by travelling with large amounts of cash. In some cases, also where banking services are available at the border, banks refuse to convert one currency into another. This is the case for instance of Kenyan banks, that do not accept or convert Ethiopian birr in Kenyan shilling or US dollar because the currency is considered too unstable in its value. As there are no forex bureaus in most border points, currency conversions are mainly handled through an informal system of money changers at the border, which increases the size of the black market currency in the HoA countries and transaction cost, due to a higher buy-sell differential.

4) the **imbalance of trade flows between HoA nations**. When a trucker from country “A” delivers cargo to country “B”, he has to find a return cargo from B to A in order to avoid charging also the cost of travelling back empty. As in the HoA trade flows are signficantly imbalanced, in most cases transporters are not able to find such a back load easily. This is the case for instance of Djibouti and Ethiopia, as traffic in the direction of Ethiopia is much higher than from Ethiopia to Djibouti. Consequently, almost all Ethiopian trucks have to run empty to the Port of Djibouti for picking up cargo to deliver in their motherland. The same happens between Kenya and Ethiopia. Indeed, a practice that frequently occurs at the Moyale border, is that (as traffic from Kenya to Ethiopia is much larger than from Ethiopia to Kenya), the majority of Kenyan truckers use to offload goods in Moyale, where it is easier to secure a return cargo due to the many commercial activities spread at

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[81] SPS measures refer to those regulatory measures put in place by States or customs territories for the protection against health risks contained in food and agricultural products, in order to protect human, animal or plant life or health. Under the WTO SPS Agreement (art. 2). SPS measures must be applied only to the extent necessary to protect human, animal or plant life or health; they must be based on scientific principles and must not maintained without sufficient scientific evidence and must not arbitrarily or unjustifiably discriminate between Members where identical or similar conditions prevail, including between their own territory and that of other Members. Finally, SPS measures must not be applied in a manner that would constitute a disguised restriction on international trade.

[82] East Africa Trade Investment Hub, “Study of the Kenya–Ethiopia trade corridor. A pathway to agricultural development, regional economic integration and food security”, final report, December 2018.

[83] https://www.ephytoexchange.org/landing/index.html

[84] Products requiring a phytosanitary certificates are plants, plant products or other regulated articles, which can be part of a the same consignment covered by a single phytosanitary certificate.

[85] Namely, Tanzania, Zambia, Burundi, Rwanda and Uganda.

the border (e.g. agricultural commodities or livestock). This practice however, ends up further increasing the cost of transport for the importer, as the process of transhipment is costly and time-consuming, being manually conducted in warehouses located on both sides of the border. Ethiopian transporters, on the other hand, use a similar pattern, in most cases offloading cargo in warehouses located at a short distance from the border, in the Kenyan territory.

A solution that is being increasingly used by Kenyan transport companies for solving the problem of finding return cargo is the use of web-based on-demand transport services platforms. In 2019, TAI+[86], an Estonian IT company, piloted in Kenya an e-marketplace website accessible via a mobile app, where pre-verified truck operators can directly access - without any brokers or intermediaries - to a list of available loads created by the cargo owners/shippers registered to the system. The app, whose use is being promoted in other African countries as well, also shows for each cargo the pickup location and drop-off location, as well as the nature of cargo (category, product type, weight). By accepting the load - which is done via the mobile app - truck drivers are bound to the price calculated by the system. Moreover, TAI+ allows cargo owners to track and monitor the status of the shipment at every mile via a real-time GPS tracking module. As such solutions can increase savings in time and decrease transport costs for transport operators (that, as indicated above, are considerably high in the HoA), their use should be promoted, possibly by developing or encouraging the development of a regional digital platform and a mobile app that can be used at regional level for facilitating matchmaking between supply and demand of transport services.

3.2. Lack of coordination between trade facilitation tools

The lack of harmony and coordination between trade facilitation tools adopted at national level by HoA countries reduces effectiveness of these tools, contributing to many of the NTBs in the region to persist and remain unresolved. Consequently, there is an immediate opportunity for HoA nations to develop common norms, criteria and approach to implementation of the trade facilitation instruments adopted so far at national levels, in order to connect their respective programs. Typical examples are the “trusted trader” schemes, like the Authorised Economic Operator (AEO): interviewed traders suggest that customs administrations in the HoA should adopt an approach where a company which is an AEO in country ‘A’ does not have to become an AEO in country ‘B’, since the former country already recognises the AEO as a secure partner. Similar problems are related to the adoption of Time Release Studies (TRSs), Single Window systems (SWs) and Electronic Cargo Tracking Systems (ECTSs), that are not combined or interoperable with each other, as explained in the next Chapter in more detail.

A still pertinent study on the Kenyan trade with other East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA) countries over the period 2001 to 2005[87], emphasised the importance of harmonising institutional and regulatory frameworks on trade facilitation among the respective member countries. The study also stresses the need for Ministries and other government agencies with trade-related responsibilities and business associations to collaborate with each other in the identification, reporting, monitoring, and elimination of NTBs, by creating specific NTBs National Monitoring Committees (NMCs), as focal points for conducting such exercise and by establishing effective coordination procedures among them. In the EAC, for instance, NMCs have been created in each Partner State in order to identify, monitor and facilitate the elimination of NTBs. This is done by using both web and SMS platforms where economic operators can report such barriers. Such Committees also have regular joint consultations in order to address NTBs affecting two or more countries, as explained below.

Platforms for the identification, monitoring and resolution of NTBs are adopted today in many African Regional contexts. All these experiences can be leveraged in order to develop a similar mechanism in the HoA region, based on coordination of national policies on NTBs identification, monitoring and solution, as well as periodic regional consultations to facilitate effective dialogue between HoA countries on removal of regulatory barriers and protectionist measures that interfere with trade.

In the Tripartite Region, for instance, COMESA, EAC and the Southern African Development Community (SADC) jointly developed an on-line **NTBs reporting and monitoring platform**, which incorporates concrete timelines for their removal[88]. The platform shows a series of still active complaints mainly concerning Kenya and Ethiopia and primarily referred to existing restrictions to the cross-border movement of vehicles and cargo. For Somalia and Djibouti there are no reported complaints, while for Eritrea the only complaint (indicated as

[86] https://www.tai-plus.com

[87] Simon Ihiga, “A survey of Non-Tariff Barriers that affect Kenyan imports and exports within EAC and COMESA countries », Trade and Investment Consortium, Final report, 7 August 2007.

[88] https://www.tradebarriers.org

solved), is referred to the rejection of the COMESA Certificate of origin on processed meat exports from Kenya. A similar mechanism for lodging complaints on NTBs has been developed at continental level by the African Union in collaboration with UNCTAD, and has been operational since 13 January 2020. On this platform however, there are no registered complaints, either active or solved, pertaining to the HoA countries[89].

[89] https://tradebarriers.africa/home

4. Success factors for trade reforms and their status in the HoA

In general, there are a number of determinants to a country's capacity to trade efficiently, the main ones being:

i. The quality of trade-related infrastructure (ports, roads, rail networks and ICT penetration);
ii. Trade-related border procedures;
iii. The quality of private-sector services responsible for movement of goods (logistics services).

Ideally, improving trade facilitation involves addressing all three factors. However, over the last two decades the reform narrative has focused mainly on the first two, namely: border controls and infrastructure needs. Even though these factors are important and must be pursued within trade facilitation reforms, additional progress is also needed in the logistics sector in a complementary manner. The competitive and coherent overhaul of the logistics supply chain in fact expands the current scope of trade facilitation reforms, thereby aiming to ease cross-border trade from a more holistic perspective[90].

A **strong political will at the highest levels** and commitment to the process, along with **the cooperation and the continuous dialogue with the business community** directly involved in international trade transactions are commonly considered the most important success factors of trade facilitation reforms[91], as powerful interests may exist impeding their effective implementation. A recent evaluation made by the WB Independent Evaluation Group (IEG)[92] examined the World Bank Group's work on trade facilitation over a 12-year period from 2006 to 2018, with a series of recommendations for improving the trade competitiveness of countries by reducing trade costs to their businesses. One of the key findings of the evaluation is that success in implementing and sustaining trade facilitation reforms requires **sustained and coordinated engagement over time, as well as careful attention to political economy challenges**.

Revenue and Customs administrations[93] for instance, usually believe that less rigid controls at borders (as a consequence of the implementation of trade facilitation measures), equals to less public revenues collected. There is an emerging consensus[94] that the implementation of trade facilitation measures does not imply a direct loss of revenues, and that without trade facilitation, trade expansion and thus increased revenue base cannot materialize. However, in most African countries (and this is not an exception for the HoA), Customs strive to control more strictly private sector operators through systematic inspections, scanning and checkpoints *en route*, on the assumption that these activities will lead to increased public revenues. In other cases, some private sector operators (e.g. providers of clearance, transport, and logistics services) see these reforms as a risk of reducing their profitability and work opportunities.[95]

Accordingly, trade facilitation demands effective coordination and cooperation among the various private and public stakeholders, so that the diverging and sometimes conflicting interests that they may have can be reconciled. Traders for instance, need reduced market restrictions and a transparent, predictable and facilitative regulatory environment with simple compliance requirements and reduced bureaucracy, so that cross-border circulation of goods will incur in minimal disruption or delays. Providers of logistics and clearance services, require simplified licensing requirements (e.g. for cross-border transport), as well as clear and predictable regulations and border procedures.

Disjointed regulations and procedures at borders that are the consequence of unharmonized trade policies also deter the development of industry standards across various services. Poor coordination among different agencies and levels of public authority also deters the private sector from providing competitive and efficient services, and hinders the integration of the logistics supply chain at lower costs. If not addressed, such barriers can push traders to channel their imports or exports through other countries offering less market entry and operational restrictions for cross-border movement of goods.

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[90] International Trade Centre, "*Reforming logistics services for effective trade facilitation*", ITC, Geneva (2017)

[91] Portugal-Perez, Alberto; Wilson, John S., "Why Trade Facilitation Matters to Africa", Policy Research Working Paper; No. 4719. Washington, DC: World Bank. 2008.

[92] World Bank IEG, « Grow with the Flow: An Evaluation of World Bank Group Support to Facilitating Trade 2006–17", 2019.

[93] Customs are usually one of the key revenue collection agencies in Africa, with at least 1/3 of total budget revenues collected by such authorities. In some HoA countries like Somalia, the amount of revenue collected by Customs is more than 50 percent of the total tax revenues collected, a percentage that with the inclusion of excise duties and the import tax on khat reaches about 80% of revenues. Source: Federal Ministry of Finance of Somalia, Revenue Explorer (https://mof.gov.so/fiscal/REVexplorer.html)

[94] Gael Raballand, Jean-François Marteau, Edmond Mjekiqi, Thomas Cantens, "Is there any trade-off between revenue collection and trade facilitation in Africa?", January 2009.

[95] Mc Linden, Gerard; Fanta, Enrique; Widdowson, David; Doyle, Tom, "Border Management Modernization", World Bank, 2011.

In the HoA, a transparent, consistent and predictable environment for border transactions based on simple and harmonised customs procedures and practices, documentation requirements, cargo and transit operations, is necessary to facilitate trade and promote integration of HoA economies into regional and global value chains[96]. Moreover, design and implementation of trade facilitation measures requires a strong participation of private actors, especially for those reforms that are more complex to develop (like Single-Window systems, Port Community Systems or AEO schemes), as a lack of involvement of the private sector may jeopardize their smooth implementation[97]. For example, the continued reliance by private stakeholders on paper documents for customs, trade and shipping operations can totally nullify the efforts of public authorities to simplify trade (e.g., by dematerialising customs and transport documents or by introducing new IT-based trade facilitation solutions), when they are not involved in such processes.

Policy makers and government agencies in the HoA need therefore to consider all these factors and to approach trade facilitation reforms in a manner that encourages the private sector, keeping in mind that traders' concerns can be efficiently addressed through effective coordination between government actors and private stakeholders and by supporting permanent public-private dialogue platforms. Under the HoAI, harmonizing regulatory and procedural frameworks between states through greater cooperation, is an essential step towards an open trade environment and in order to promote the development of a more consistent and efficient logistics sector, free to provide its services without restrictions. Because of this, policy reform agendas in HoA should be approached comprehensively by policymakers within a "whole of supply chain" context based on increased cooperation, so that barriers in one country do not hamper businesses in the other countries.

4.1. Committees on NTBs, trade facilitation and border coordination

Within the HoA, Kenya has the more advanced trade facilitation framework. Many initiatives have been undertaken by the government, and a number of national Committees have been established with the purpose of identifying, monitoring and fast-tracking the removal of NTBs and other obstacles to trade. Kenya also ratified in October 2016 the EAC Elimination of Non-Tariff Barriers (NTBs) Act, a regulation adopted by EAC in 2015 and most recently revised in 2017. The Act provides a harmonised legal framework for identification, addressing and monitoring the removal of NTBs in the EAC Region, setting the stage for more concerted efforts boosting intra-regional trade. Djibouti, Ethiopia, Somalia and Eritrea have less developed trade facilitation frameworks, as described in more detail in the following paragraphs.

Somalia is making significant effort to improve its trade facilitation environment. In 2018, the Customs Reform and Trade Enhancement Somalia (CRATES) project was launched as a joint initiative funded by the DFID, USAID and the European Union. The project, which runs from 2018 to 2022, is aimed at modernising Customs by reducing the costs of doing business and conducting international trade, improving at the same time the safety of citizens. Within this project, a team of local and international experts is supporting Somali Customs in the accession to and implementation by Somalia of the Harmonised System (HS) Convention, focusing on the establishment of essential elements of a well-functioning tariff classification work model and related infrastructure, as well as in the revision of processes and procedures at key border points and the Port of Mogadishu. Another project called "Somali Investment Climate Reform Program" (SICRP), primarily funded by the International Finance Corporation (IFC) and the Denmark Development Cooperation (DANIDA) with support from USAID and the Somali Multipartner Fund[98], is aimed at implementing critical investment climate reforms and to build a robust policy dialogue in order to contribute to increased investments and economic growth in Somalia. Launched in 2017 and set to be concluded in 2020, SICRP supports the establishment of a structured dialogue platform around the business environment and the priority areas identified by investors. The project also aims at increasing the Somalia economic resilience by expanding and strengthening the private sector through targeted legal and regulatory improvements in the business environment and trade. The final objective is to create a conducive investment climate regime in Somalia by improving the public-private dialogue and offering specific trade facilitation support and training to Customs and other government agencies with inspection responsibilities. Lastly, as indicated further-on, Somalia has also recently established a National Trade Facilitation Committee (NTFC), while on 14 August 2020 the country ratified the African Continental Free Trade Area (AfCFTA).

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[96] UNCTAD, Trade Facilitation Handbook, 2006

[97] UNCTAD, National Trade Facilitation Bodies in the World, UNCTAD/DTL/TLB/2014/1, 2014.

[98] The Somalia Multi-Partner Fund is one of the 3 funding windows established under the Somalia Development and reconstruction Facility (SDRF) within the context of the Somali New Deal Compact endorsed in Brussels in September 2013. Administered by the World Bank, the fund provides a platform for coordinated financing for suitable reconstruction and development in Somalia with a focus on core state functions and socio-economic recovery.

Regarding Kenya, there are currently 3 main Committees at national level responsible for identification of NTBs, trade facilitation promotion and ensuring effective coordination between border agencies. These Committees are:

1) the **National Monitoring Committee (NMC) on Non-Tariff Barriers to Trade**, whose aim is to identify, monitor and eliminate those NTBs that undermine trade development and the smooth flow of goods across the Kenyan borders. The NTBs identification and monitoring process begins with companies that identify and report their experiences of trading in the EAC to their business associations, both through online or SMS-based tools. The business associations then forward the reports to the Kenyan NMC that meets to discuss reported cases. If the complaint is found to concern a valid NTB, the NMC can pursue its elimination through one of the following three channels: a) mutual agreement: the NMCs of the countries affected by the NTB meet for a discussion aimed at developing a joint strategy to eliminate the reported barrier. This strategy typically includes an assessment of the measure and the establishment of a timeline for its elimination; b) the EAC Time-Bound Programme for the Elimination of Identified/Reported NTBs: upon a written notification from the reporting country, the NMC of the country where the NTB occurred investigates the impact of the barrier, and identifies the required timeframe and potential challenges to its elimination; c) referral to the EAC Council of Ministers: if NMCs fail to reach an agreement, the case can be referred to the EAC Council of Ministers, that will issue a directive, decision or recommendation with regard to the elimination of the NTB in question, or refer the matter to the EAC Committee on Trade Remedies that can address the issue with a decision of the Committee on Trade Remedies which is binding for concerned States. The Kenyan NMC also participates in regional fora with NMCs established in the other EAC partner States, where they share experiences and strategies on NTBs identification and monitoring processes, with the actions taken for their elimination. The results of such exercise are lastly reported to the EAC Secretariat that publishes periodic reports on the status of NTB elimination in the region[99].
2) the **Border Control Operational Coordination Committee (BCOCC)**. The BCOCC is made up of Heads of key Kenyan Border Agencies and operates under the authority of the National Security Advisory Council (NSAC) and is chaired by the Principal Secretary of the Ministry of Interior. Its tasks include: a) the formulation of policies and programmes for the management and control designated points of entry (airports, seaports and land borders); b) the coordination of the exchange of information between agencies responsible for the security and management of the borders at points of entry to ensure compliance with standards by the respective agencies and c) ensure effective and efficient management of operations at points of entry. The BCOCC also exercises oversight authority over operations of border agencies in view of enhancing border efficiency and inter-agency coordination in border management;
3) the **Kenya National Trade Facilitation Committee (NTFC)**. This Committee was established in 2016 (legal notice No. 110 of 16th September, 2016 published in the Kenya Gazette Vol. CXVIII), with the aim of promoting trade facilitation in the country, in particular, by ensuring expedited movement, release and clearance of goods, including goods in transit in the country. According to its Terms of Reference, the Committee meets quarterly and on ad hoc basis and its tasks include the establishment of a Monitoring and Evaluation System on trade Implementation in Kenya, the identification of policy gaps, and the provision of guidance and support to the Government on the way forward on trade facilitation. Moreover, the NTFC seeks the co-operation of trade facilitating bodies on any measure that affect trade and provide technical advice on trade facilitation negotiations at the national, regional, interregional and multilateral levels.

The above initiatives should be replicated also in the other HoA countries and coordinated with each other as they can significantly improve the trade performance of the region as a whole. With regard to Djibouti, it has also established a NTFC and a NMC, while a specific high-level Committee responsible for the coordination of the operations of border agencies is missing in the country, as well as in all the other HoA nations (except Kenya, as indicated above). In particular, the establishment of a structure at national level responsible for developing a cohesive national integrated border management strategy, setting out the overarching high-level strategic direction for effective border management and ensuring effective inter-agency cooperation (similar to the BCOCC, in Kenya) would be an important step for Djibouti and the other HoA nations in order to ensure effective coordination between Ministries/Government Agencies involved in cross-border trade at the different border posts, where border agencies suffer of a low level of autonomy in their decision-making processes

[99] The latest report is available on the EAC website at the following address: http://eabc-online.com/images/Embed/Baseline_Survey_Report_on_the_Status_of_Non-Tariff_Barriers_in_the_EAC.pdf

because of an highly bureaucratic structure of the public sector and, consequently, of the need for border agencies officials to seek the consent/approval of their supervisors before taking any decision. In Djibouti, the role of NMC is played by the National Trade Negotiations Committee (CNNC). Such a Committee, which brings together representatives of various government ministries and of the Djibouti Chamber of Commerce and the Central Bank, was established in 2009 under the Ministry responsible for trade with the objectives of: (a) analysing the implications of trade negotiations conducted at the bilateral, regional and multilateral levels; (b) defining a negotiating position which is coherent and consistent with development policy aspirations, and ensure the implementation of existing regional and international commitments; and (c) assisting the Government with the design, formulation and implementation of trade policy. The Committee, which meets four times a year and has among its responsibilities the facilitation of trade procedures, is further articulated in a Commission for coordinating and monitoring the COMESA regional integration agenda (created in 2013)[100], and in a technical sub-committee responsible to monitor NTBs-removal mechanisms[101].

In Ethiopia, the only Committee with some kind of responsibility in the monitoring of NTBs is the Ethiopian National Logistics Coordination Council (ENALCO), a body responsible for the coordination of the logistics system of the country and for the formulation of recommendations aimed at its improvement, which has been recently operationalised. With regard to the establishment of a NTFC, it must be noted that the WTO Trade Facilitation Agreement (TFA) obligates (Article 23.1) all Member States to set up or maintain such bodies or committees, although the TFA is silent on their legal structure or the composition, leaving Member States to decide this for themselves. As a consequence, some countries have created a national committee on trade facilitation composed solely of relevant government ministries, while others have included the private sectors[102]. Being not yet a member of the WTO, Ethiopia has not yet created this body, but should be encouraged to do so under HoAI.

With regard to Somalia and Eritrea, Somalia established a NTFC in March 2020, although the process of accession to the WTO - started on 7 November 2016 - is still at an early stage, while Eritrea has not taken any initiative in this regard. The Committee, which is presided over by the Prime Minister, is a national forum charged with the task of overseeing reforms aimed at facilitating trade, streamlining controls and procedures related to the import, export and transit of goods. The NTFC responsibilities also include the proposal of draft trade-related regulations for government approval, the formulation of policy recommendations on future trade-related investments, the support of trade facilitation negotiation at bilateral, regional and international level and the acceleration of the accession to the World Trade Organization (WTO). Members of the Committee are high-ranking officials from the Office of the Presidency (Ministers of States for Presidential Affairs), the Ministry of Foreign Affairs and International Cooperation, the Ministry of Commerce and Industry, the Ministry of Finance, the Ministry of Ports and Marine Transport, the Ministry of Transport and Civil Aviation, the Ministry of Agriculture and Irrigation, the Ministry of Fisheries and Marine Resources, the Ministry of Telecommunication and Technology, the Ministry of Livestock and Forestry, and the Somali Chamber of Commerce and Industry (SCCI). So far, the Somali NTFC has not yet conducted any assessment of NTBs and other obstacles to trade in Somalia and has not identified any sectors as a priority for improving the trade environment in Somalia[103].

4.2. Single windows and trade information portals

According to the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), a Single Window (SW) is a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single-entry point to fulfil all import, export and transit-related regulatory requirements. SWs aim at simplifying regulatory formalities and reduce operating costs for traders, by eliminating the need to submit redundant information and data to all the actors, both public and private, involved in cross-border operations (e.g. Customs, and other government authorities or inspection agencies, Chambers of Commerce, banks, insurances, forwarding agents, customs brokers, independent inspection companies, etc.). Essentially, instead of multiple documentary transmissions to different regulatory agencies and other private entities, traders lodge a single package of data to an electronic platform containing all the information regarding their customs transactions. This data is subsequently distributed by the platform to all recipients, both for regulatory

[100] The Commission for coordinating and monitoring the COMESA regional integration agenda has the responsibility of monitoring and coordinating the implementation of the COMESA regional integration measures and the decisions taken by COMESA Councils and Summits of Heads of State.

[101] WTO, "Djibouti Trade Policy Review", Report by the Secretariat, WT/TPR/S/305, September 2014.

[102] International Trade Centre, "National Trade Facilitation Committees, moving towards implementation", (Technical paper), 2015.

[103] Phone interview with Mahad Mohamed Abukar, member of the Somali NTFC, Ministry of Foreign Affairs and International Cooperation, Deputy Director General for Europe and America.

purposes and for statistical, commercial, logistics or financial reasons. Currently, in the HoA, only Kenya and Ethiopia have developed SWs, which however are not interfaced with one-another. In particular, the creation of electronic linkages between the national SWs of adjacent countries would allow traders to submit electronically one set of documentation that could be used as **both entry and exit documentation**, so as to facilitate exchange of agreed data elements.

The Government of Kenya, through Kentrade (a state-agency under the National Treasury that is mandated to facilitate cross border trade), implemented in 2014 the "**Kenya TradeNet System**". The system is web-based and in use at the main entry/exit points in the Kenya, with plans that are currently underway to roll-out the system also in Moyale. KenTrade also implemented a **trade information portal** (www.infotradekenya.go.ke) with details on import, export and transit procedures in Kenya in line with article 1.1 of the World Trade Organization (WTO) Trade Facilitation Agreement (TFA)[104]. In particular, Infotradekenya indicates a step-by-step procedure and documents needed for clearance, in particular at key points of entry and exit in the country, including the charges to be paid to each border agency and the applicable regulation. Kenya also launched in October 2017 the **Kenya Trade Portal**[105], with general information on market access requirements in Kenya (i.e. requirements for importing or exporting goods or services, with applicable taxes), as well as on the demand size in foreign markets for products that Kenya has export market potential.

In Ethiopia, a single window system was implemented in January 2020, developed by WebbFontaine. The "**E-Trade**" single window system (https://esw.et/esw-trd/) aims at enhancing efficiency in trade logistics landscape of the country by speeding the customs process for importers and exporters. The project was launched in 2017 on a WB financing, with the objective to connect about 40 public and private entities involved in the logistic value chain, as the Ethiopian Revenues & Customs Authority (ERCA), the Ministry of Finance & Economic Cooperation, the Ministry of Trade, the Ministry of Industry, the Federal Transport Authority, the Ministry of Agriculture & Natural Resource, and several national banks/insurance companies. A national committee chaired by the Prime Minister was established to oversee the project and a project office was created to guide its implementation, drawing on the experience of the "Uni-Pass" system developed by the South Korea Customs Service (KCS), which signed on 3 March 2017 a Memorandum of Understanding with Ethiopian Customs for assisting Ethiopia in the development and implementation of such a system. A few years before, with the Customs Proclamation No. 859/2014 (which repealed the previous Customs Proclamation No. 622/2009), the Ethiopian government introduced the legal basis of such a system, by setting out some provisions, allowing traders to finalize customs procedures using minimum available documentation and electronically-transmitted documents. Differently from Kenya, in Ethiopia there is no information portal gathering information on procedures and documents for clearance of goods at the main points of entry and exit to/from the country.

In Djibouti, a project for the development of a single window system (Guichet Unique du Commerce Extérieur) was launched in 2019, followed by the establishment of a Steering Committee responsible for conducting studies and coordinating and monitoring works for the development of the system. The Steering Committee, which started its works on March 2020[106], is also in charge of drafting the strategic guidelines and directives that will guide the Operational Committee, which is the technical execution body responsible for the concrete implementation of the project[107]. The system is currently still under development and not yet operational. The country however, developed in July 2018 a **Port Community System** (PCS) to simplify, connect and streamline all ports and trade processes at the Djibouti port. A PCS is an electronic platform that connects the IT systems operated by a variety of entities and organisations operating at the port, enabling intelligent and secure exchange of data so that unnecessary paperwork is eliminated[108]. Similarly to SWs, PCSs are essentially an information-collecting mechanism, but their distinctive characteristic is that they collect the information flows generated exclusively within a seaport or another kind of transport infrastructure (e.g. a dry

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[104] Article 1.1. of the TFA establishes that each WTO Member shall promptly publish the following information in a non-discriminatory and easily accessible manner in order to enable governments, traders, and other interested parties to become acquainted with them.

[105] https://kenyatradeportal.go.ke

[106] http://www.ministerebudget.gouv.dj/2020/03/03/le-ministre-du-budget-lance-les-travaux-du-comite-de-pilotage-du-guce/

[107] Décret N° 2020-008/PR/MAPCI portant mise en place du Comité de Pilotage du Projet de Guichet Unique du Commerce Extérieur (G.U.C.E).

[108] A PCS is defined (Keceli et al., 2008) in these terms: *"Traditionally, port users deliver cargo related documents and forms for port service requests through paper-based methods, such as sending a fax or handing in the documents directly. Sending the documents via e-mail also became a common practice due to the diffusion of the internet. The delivered information must be typed again in the port's information systems. Such typing works consume time and are vulnerable to typing errors. PCSs allow the users to make service requests and input their information directly into the port's information system. Such a system drastically decreases paperwork, improves data quality, enables data integrity among different stakeholders, and supports the port management for operations".*

port or a border post), while SWs – more generically - collect all data and documents that operators must submit to the entities intervening in an international trade transaction, both for regulatory purposes (e.g. Customs, and other government authorities or control bodies, Chambers of Commerce, etc.) and for commercial, logistics or financial reasons (e.g. banks, insurances, forwarding agents, customs brokers, independent inspection companies, etc.). PCSs in general provide a huge range of services, including information exchange, re-use and centralisation, transmission and receipt of customs declarations, electronic handling of all information regarding import and export of containerised, general and bulk cargo, status information and control, tracking and tracing through the whole logistics chain, processing of dangerous goods, processing of maritime and other statistics. The Djibouti PCS could play a major role in the future, as the country will move towards the establishing the Single Window environment. Indeed, the incorporation of the PCS into the national SW system and the interconnection of the Djibouti and Ethiopia SWs will enable the border agencies of the two countries to share information on clearance and logistics processes, as well as to monitor movement of trucks across borders. It has also to be noted that the Djibouti Port Community System (DPCS) recently developed a cargo tracking system, integrated into its PCS, that allows traders to identify when cargo is unloaded at the port, the position of the container within the yard. The system, which also allows the tracking of the documentation process, is based on the distribution to truck drivers arriving at the port od special badges incorporating a QR Code that are scanned at 3 check points located along the Djibouti corridor, so that arrival time can be monitored up to the border to Ethiopia.

Concerning Somalia and Eritrea, these two countries have not developed so far any SWs or trade information portal. Such initiatives should therefore be fast-tracked by the governments of these two countries, as they can simplify and bring more predictability to cross-border trade transactions.

4.3 Fast-track procedures for trusted operators and pre-identified small-scale traders

Many countries in various parts of Africa have currently adopted fast-track arrangements - such as the Authorised Economic Operator (AEO) programme - for certain categories of operators considered particularly reliable in the context of their tax and customs-related operations. Operators granted with an AEO status benefit from simplified and faster border clearing procedures, as well as less invasive controls.

In the HoA, Djibouti, Ethiopia and Kenya have implemented AEO programmes that, however, are not coordinated with each other, because, so far, no Mutual Recognition Agreement (MRA) has been adopted between these countries for the recognition of their respective AEO programmes. Moreover, the criteria for accessing each programme, as well as the benefits accruing to the AEO, differ from country to country[109]. In order to align such programmes with each other, COMESA developed draft Regional AEO Programme implementation guidelines (June 2018) with the aim of harmonising procedures and criteria for granting the status of AEO in the COMESA region. The implementation of these guidelines by each HoA nation would be a significant step towards the alignment of their respective AEO programs, and it is therefore recommended. Moreover, specific MRAs should be signed between those HoA nations that have already adopted an AEO programme, in particular, between Kenya and Ethiopia and Djibouti and Ethiopia. This would extend the benefits granted by their national programmes to operators of other HoA states entering their border that have obtained the same status from the customs authorities of the countries where they are established. Additionally, dedicated fast-track lanes should be created at their borders so that such operators will benefit from faster border clearing procedures and less controls, because of their “trusted” status.

Likewise, and considered the size of informal trade in the HoA, an AEO-similar approach should be adopted in view of further simplifying formalities and requirements pre-approved and pre-identified small-scale traders, so that their movement through the HoA borders can be facilitated.

4.4 Time Release Studies (TRSs)

Time Release Studies (TRSs) are one of the measures recommended by the World Customs Organization (WCO) in order to assess the performance of Customs and other border agencies at the main entry/exit points of a country, so that the relevant authorities can identify possible bottlenecks in the clearing process and take corrective measures. TRSs measure the average time taken between the arrival of the goods and their release, as well as other relevant aspects of the effectiveness of operational procedures that are carried out by Customs

[109] WTO, 9-11 October 2018 meeting of the Committee on Trade Facilitation, Customs Accredited Clients Programme (CACP) for Zambia Statement.

and other regulatory actors in the standard processing of imports, exports and in transit movements. As TRS are crucial for identifying bottlenecks in border-related procedures, they should be jointly conducted at the main entry/exit points in the territory of HoA nations, in order to better identify inefficiencies at their common borders. At the moment, TRSs are implemented only by Kenya (where they cover only a limited number of border crossing points**)** and in Djibouti. COMESA conducted in 2015 a TRS regional project, supported by the African Development Bank, which identified a list of sites where COMESA countries were supposed to develop joint TRS. The study covered, among others, the Galafi border post, between Ethiopia and Djibouti, and the Moyale border post between Ethiopia and Kenya, but no TRS has been jointly developed so far at these sites. Customs administrations in the HoA nations are therefore encouraged to undertake such studies at bilateral level (at their common borders) or regionally, by developing an action plan for implementing ensuing recommendations.

4.5 Electronic Cargo Tracking Systems

Electronic Cargo Tracking Systems (ECTSs) for monitoring the movement of cargo along transit corridors are currently implemented by Kenya, Ethiopia and Djibouti by using GPS devices and/or RFID technology, while there are currently no plans for Somalia and Eritrea. Such systems however, are not interconnected or coordinated with each other and, consequently, do not allow the monitoring of transit cargo along the main inter-State roads in the HoA from origin to destination. Kenya, for instance, has implemented an ECTS system in partnership with the revenue administrations of the partner States of Uganda and Rwanda along the Northern Corridor, which has significantly contributed to ease trade flows, leading to a complete elimination of physical escorts, improvement of the security of goods in transit, as well as to the avoidance of delays and reduction of transit time and risks of diversion of goods in not authorized places. Since the commissioning of the system, Kenya has experienced a significant improvement in transit time from 11 days to 4 days and a drastic reduction in cases of diversion of goods which result in major loses in duty and tax (Source: Kenya Revenue Authority, KRA). The main benefits for traders are the significant cost savings because of the increased security in transport of cargo due to the deployment of rapid response units from Customs and other authorities strategically placed along the transit routes, which intervene in the event of attempted highway thefts or accidents. Kenya has more recently extended this system also to the Nairobi-Addis Ababa road, but electronic seals are removed to the Moyale border by Kenyan Customs before truck carrying transit goods enter Ethiopia, because no ECTS is implemented along the section Moyale-Addis Ababa. As such, goods in transit through Kenya and destined to Ethiopia cannot be monitored up to the final destination point in the Ethiopian territory, which makes it possible for drivers to divert cargo (or part of it) to other unauthorized places in Ethiopia. Ethiopia and Djibouti have also implemented since 2012 an ECTS, although not mandatory, for goods moving in transit along the Djibouti-Addis Ababa corridor in order to combat the pilfering of goods, a practice which is widespread on the corridor[110]. The system however is currently slightly used by transporters, as they consider it very expensive. Moreover, it is not applied on railway transport. This technology would play a very important role in promoting multimodal transport. We are tracking the cargo to identify when it has been unloaded at the port, position of the container within the yard, gate-in/gate-out and at the same time tracking the documentation process – including e-do, port fees invoice, clearance, booking collection of the cargo, etc.

HoA countries should interconnect their respective ECTS along the main transit routes in the Region, so that their nationally-registered trucks can move without the need to be escorted or to stop at customs checkpoints for controls. ECTS technology should be leveraged in order to allow efficient tracking of cargo from departure to destination in all transit corridors in the HoA, without the need to remove the electronic seals at border points, like in the case of Moyale, for instance. This would significantly reduce both the risks for drivers to divert cargo (or part of it) to other unauthorized places, cutting the transportation and logistics costs for vehicles moving goods in transit.

4.6 Road Management Information System (RMIS)

As explained in the previous Chapter, Intra HoA transport connectivity is limited and most roads are not suitable for trade, as they are **poorly maintained** and **insecure**. **Maintenance** of trade corridors, in particular, is crucial for the economic development of trade in the HoA, although this is an expensive undertaking for governments, that is usually funded by the imposition of tolls for their use[111].

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[110] Mahlet Mesfin, "Ethiopia: Customs Authority Embraces Electronic Cargo Tracking", published on Addis Fortune on 26 February 2012.
[111] In Ethiopia for instance, an Ethiopian Roads Fund (ERF) provides the financing for maintaining roads and enacting safety measures, so allowing the Ethiopian Roads Authority to timely undertake maintenance work on the main roads of the country. Kenya also adopted

A particularly useful tool for monitoring the status of the main trade corridors in the region and to allow roads and traffic authorities to rapidly intervene in case of maintenance, incidents, breakdowns or other needs is a **Road Management Information System (RMIS).**

A RMIS is a GIS-based[112] technology able to provide real-time information on traffic and on the status of roads, with traffic alerts to both road/traffic authorities and corridor users, so reducing congestion and **increasing safety** along roads. The main RMIS functionalities include: automated vehicle identification, CCTV, incident detection and reporting, incident management, and dynamic message signs (among other subcomponents). Further improvements to a RMIS can be done by integrating it to in-country systems for motor vehicle registration and driver registration. Incident reports and traffic infraction reports can also be linked to motor vehicle and driver license renewal systems for enforcement purposes. Moreover, geospatial data can provide real-time information to the national road authorities in the HoA for planning, engineering, asset management, and operations associated with the use of their roads. In such a way, roads and traffic authorities can immediately intervene to solve any problems related to the use of corridors (maintenance, accidents, roadblocks, robberies, etc.), considerably improving their usability. Information on traffic and the status of the different sections of corridors can also be made available to corridor users, so to reduce congestion. Indeed, especially trade corridors often cause additional time and cost on their users, on top of increased safety risks. The adoption of a RMIS in the HoA allowing the sharing of data on traffic between the national road authorities in the region would be a solution that can significantly contribute to a better management and to an improved usability of corridors in the Region, improving their security.

4.7 Simplified trade regimes for informal traders

As indicated above, informal trade is widespread in the HoA, because of the complexity of procedures at borders and of cumbersome requirements for imports in the destination markets. Measures recently imposed by HoA nations to contain COVID-19 have increased such restrictions. A typical example is the khat trade[113], that has been hit by an import ban in Somalia (the largest importer in the region, with Kenya and Ethiopia as main sourcing markets), in March 2020 that, in spite of official attempts to restrict khat imports, has pushed the sector to find ways around these measures by developing land-based entry routes and informal methods of distribution[114]. Another example is the import ban of second-hand clothes and shoes that the Kenyan government imposed from 31st March 2020 to 14th August 2020 as a precautionary measure to curb the spread of the Coronavirus[115], that has resulted in a significant increase of the informal commerce of such items[116].

Because of this situation, and considered that informal trade is the driving force of most economies in the HoA, public authorities in HoA countries should consider the adoption of a strategy aimed at further simplifying formalities and requirements for low-value transactions, in particular for small scale traders, so to encourage them to declare their import/export transactions, possibly by exonerating them from payment of customs duties for goods whose value is below a certain threshold. As a part of such strategy, a mechanism should be adopted for monitoring informal trade activities and the volume of goods which are informally traded at their borders, as it would help the customs authorities to better quantify the dimension of this sub-sector and its incidence with respect to the economies of their respective countries.

Many studies and experiences from other countries show that a simplification and streamlining of documentation requirements, as well as import and export formalities for informal and small-scale traders, can significantly reduce transaction costs associated with trade, boosting import/export volumes. A lesson, in particular, comes from COMESA, EAC and SADC, that have developed Simplified Trade Regimes (STRs) to facilitate small-scale traders in their import or export operations within their respective territories. In this regard, it is noted that the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures (Transitional Standard 4.13) allows Customs to exonerate from payment of customs duties and taxes for transactions under a minimum value and/or when the amount of duties and taxes is under a minimum threshold

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in 1985 a Public Road Toll Act, last revised in 2012, which establishes that a road toll is applied on the following public roads: 1) Busia - B1; 2) Amagoro (Malaba) - A104; Isebania - A1; Namanga - A104; Lunga Lunga - A14; Taveta - A23; Lokichockio - A1.

[112] Geographic Information System.

[113] In all the HoA countries, khat is a commodity like any other, being its trade legal.

[114] Sahra Ahmed Koshin, “Khat and COVID-19. Somalia’s cross-border economy in the time of coronavirus”, Rift Valley Institute, Briefing Paper, May 2020.

[115] The ban was lifted on 14 August 2020, when a specific Protocol was adopted by the Ministry of Industry, Trade & Enterprise Development; the Ministry of Health, and KEBS that lifted the ban, guiding their safe importation and sale https://www.kebs.org/images/notices/2020/Press-Release---MITUMBA-TRADERS-AND-USERS-RECEIVE-REPRIEVE.pdf

[116] Kenya News Agency, "Employee Drive Migori Traders Out Of Business", 14 August 2020.

to be specified by the national legislation, while the WCO Guidelines to the Revised Kyoto Convention state that the collection and payment of duties and taxes should not be required for negligible amounts of revenue that incur costly paperwork, both for Customs and the importer/exporter.

The COMESA STR, in particular, recognizes informal cross border traders as important players in cross-border trade, allowing them to trade by using a simplified form for the declaration of goods. The STR scheme allows them to trade mainly on duty-free basis within the current threshold value of US$ 2,000 per consignment[117]. However, for COMESA Member States to implement the STR, they must participate to the COMESA FTA. **Although Ethiopia and Eritrea are not yet part of such an FTA, there is the possibility also for them to apply STR equivalents by developing specific bilateral preferential arrangements with the other HoA countries**, as it already happens in some COMESA member states, like in the Democratic Republic of Congo. Basically, such bilateral agreements establish an agreed Common List approved by both the exporting and importing country to which the simplified scheme is applied. Traders exchanging goods in the list are required to fill out a simplified customs declaration form at the border post, which is stamped and certified by the customs office of the import country. For goods that are on the Common List, a Certificate of Origin is not required. In case the goods require specific import or export permits, these ones must be submitted to Customs or the other competent authorities directly at the border.

As the COMESA STR initiative responds to a key challenge of lengthy customs procedures and documentation requirements that often turn informal trade away from compliance, particularly small-scale trade, all HoA countries should consider the **introduction of such simplified trade regime**. Indeed, the countries that have implemented such initiative - such as Uganda - have been able to convert part of informal trade to the formal trade, due to the exemption from customs duties on the goods most commonly traded at their borders.

4.8 Mobile money for payment of border agencies fees and other charges

Mobile money is vital to HoA post-COVID development, allowing urban and rural communities to flourish, empowering the most vulnerable and widening financial inclusion. Such mode of payment is increasingly used, especially by informal traders, also for payment of border agencies fees, customs duties and other charges for import, export, or transit in the HoA countries as an alternative to cash, that still represents the main form of payment of such levies by transporters and traders in the Region[118]. In Kenya, many traders use mobile money transfers through the Safaricom “M-Pesa” platform for the payment of such fees at almost all border points, while in Ethiopia traders do not use such a system yet, although a mobile money service provider in Ethiopia called “M-Birr” is available, with its own agents at the major border posts, like in Moyale, at the border with Kenya [119]. Ethiopia opened the telecommunication industry to both domestic and foreign investors in June 2019, with the Communication Service Proclamation No 1148/2019, published on the Federal Gazette of August 12, 2019, which specifies (art. 19) that telecommunication services are open without limitation to foreign and domestic private investors. This was followed by a decision of the Ministry of Finance that decided the transfer of 40% of the state-owned Ethio-telecom to private owners and by the launch, by the Ethiopian Communications Authority, of a request for Expressions of Interest (EOI) in May 2020 to issue two new telecommunications licenses to telecom operators interested to access the Ethiopian telecommunication market. In Djibouti, a new Digital Mobile Money service called “D-Money” was recently launched by Djibouti Telecom to allow users to carry out digital money transfers and payments directly from mobile phones, while in Somalia, 3 Mobile Money platforms are available: Sahal (developed by Golis Telecom and covering the Puntland), Zaad (developed by Telesom in Somaliland), and EVC plus, developed by Hormuud Telecoms, that covers the South Central Regions of the country[120]. Telecommunication services in Somalia have grown substantially over the past 10 years. The country has considerably increased its digital infrastructure, making it easily accessible and affordable to the most vulnerable members in its communities. With over 11 different

[117] The first threshold level at the launch of the STR in 2010 was USD 500. However, as small-scale traders complained that this amount was too little and did not allow them an opportunity to grow their businesses and incomes, the COMESA Council decided to raise the threshold to USD 1000 in 2011. The threshold was further raised to USD 2000 by a Council of Ministers Decision in the year 2014. On April 2020, COMESA launched an analytical review of the current threshold of the STR study to review the suitability of the current threshold of USD 2,000 so that findings of this study can inform decision making by the policy organs on whether the threshold should be maintained or reviewed upwards or downwards and to which level.

[118] East Africa Trade Investment Hub, “Study of the Kenya–Ethiopia trade corridor. A pathway to agricultural development, regional economic integration and food security”, final report, December 2018.

[119] The M-Birr agent in Moyale is Oromia Credit & Saving S.C. Moyale Branch. Further information on the M-Birr platform is available on http://www.mbirr.com.

[120] World Bank, Altai Consulting, “Mobile Money in Somalia, Household Survey and Market Analysis”, April 2017.

providers currently present in the market, the average cost of internet bundles has fallen to the lowest levels compared with any other nation in Africa or the Middle East. According to Cable.co.uk, Somalia features in the top ten Sub-Saharan African countries where the cost of mobile data is lower, with 1GB of data costing just 0.50 USD, compared to 1.05 USD in Kenya, 1.12 in Djibouti, 2.44 USD in Ethiopia, while for Eritrea there are no available data. A World Bank report published in 2018 reveals that mobile money became in Somalia the main transaction instrument used by both individuals and businesses, currently adopted by almost three-quarters of the population aged more than 16. The report also states that the country has one of the most active mobile money markets in the world, outpacing most other countries in Africa[121]. The value of mobile money transactions in Somalia is estimated at USD 2.7 billion a month. Mobile money penetration is higher in Somali urban centres, where it stands at 83%, while in rural areas the penetration rate is 55%.
It is therefore recommended that HoA countries encourage the use of digital payments over cash for cross-border transactions[122], by virtue of specific agreements with mobile operators, allowing the use of national mobile money platforms also for making payments to border agencies in other HoA countries.

[121] IMF, “Rapid Growth in Mobile Money: Stability or Vulnerability?”, Somalia Economic Outlook August 2018, Edition No. 3

[122] Jake Bright, "Kenya turns to M-Pesa mobile-money to stem the spread of COVID-19", published on Telecrunch.com, March 16, 2020. An example of agreements with mobile operators comes from Kenya, that during the Covid-19 pandemic adopted a Presidential directive, followed by consultations between the Central Bank and Safaricom, that raised daily transaction limits from Ksh 70,000 (about 650 USD) to Ksh 150,000 (1,400 USD), with an exemption of fees applied on transactions under 1000 KSH (9,30 USD) and reductions for transactions exceeding that threshold.

5. Policy recommendations matrix

Critical issues	Recommendations	Main Benefits	HoA countries affected
• Lack of collaborative mechanisms for identification, monitoring and resolution of NTBs in the HoA. • Reduced participation of the private sector in the design and implementation of trade facilitation reforms and weak dialogue between public stakeholders and the business community. • Lack of coordination between trade facilitation tools adopted at national level by HoA countries	• Establishment (in those HoA countries where they do not exist yet), of National Monitoring Committees (NMCs), and National Trade Facilitation Committees (NTFCs) with the participation of the private sector • Development of a platform for the identification, monitoring and resolution of NTBs in the HoA and design of periodical collaborative mechanisms (e.g. regional consultations among NMCs and NTFCs of the HoA countries to facilitate effective removal of regulatory barriers and protectionist measures that interfere with trade). • Adoption of joint Time Release Studies by Customs of adjoining HoA countries (or at regional level) for the coordinated identification and assessment of the performance of Customs and other border agencies at borders, and development of an action plan for implementing ensuing recommendations.	• National policies on NTBs identification, monitoring and solution are better coordinated. • Efficient identification of NTBs in the HoA and implementation of coordinated solving mechanisms for reported NTBs • Public authorities in each HoA country can leverage the private sector experience in identifying NTBs in the Region. • Effective involvement of the private sector in the smooth implementation of trade facilitation reforms.	ALL
Imbalance of trade flows between HoA nations and difficulty to find return cargo.	Development of a regional digital platform and a mobile app for facilitating matchmaking between supply and demand of transport services.	Savings in time and decrease of transport costs for transport operators.	ALL
Cumbersome procedures for obtaining cross-border road transport permits allowing transportation of cargo in other neighbouring countries.	Development of a regional agreement or bilateral agreements between HoA nations allowing truckers to move in other countries in the region on the basis of a permit issued from the authorities of the country of origin of the shipment (e.g. Ministry of Transports).	• Facilitation of circulation of commercial vehicles in the HoA region. • Less cumbersome procedures for obtaining the cross-border road transport permits.	ALL
Lack of harmonization between the policies and regulatory frameworks of HoA countries in the areas of customs, trade and transport.	Harmonisation of axle load, vehicle dimension, and gross vehicle mass (weight) between the HoA nations.	• Attainment of a more integrated and efficient road transport industry in the region. • Avoidance of multiple weight measurements along inter-State roads. • Possibility to electronically interconnect weighbridges in the region (so that they can share information with each other) • Possibility for transport companies to optimise and fully utilize load space of their trucks.	ALL
Uncompetitive trucking industry, operating old vehicle fleet, inadequate by modern standards and expensive to run.	• Creation of national Committees responsible for conducting surveys to determine both the types of trucks and their average age circulating in each HoA country. • In those countries where vehicle flees are particularly old, such Committees should prepare vehicle replacing plans to be transposed in a specific regulation, obliging transport	• Increased productivity of the logistics sector as a result of lower operating costs, increased loading capacity (hence less trips) and lower fuel consumption of the new vehicles.	Somalia, Ethiopia and Eritrea

	companies to replace within a defined time limit those trucks that do not conform to the specified standards, prohibiting the import of non-conforming trucks. • Members from Ministries of Finance and Customs should be included in such Committees to ensure that specific incentives (e.g. reductions of customs duties on imports) or tax-breaks are designed, to encourage transport companies to replace the trucks that are not conforming to the adopted standards.		
Pre-Shipment Inspection (PSI) programmes and mandatory testing and verification requirements for products to be imported in most of HoA countries.	Adoption of a regional mutual recognition agreement or equivalence agreements by the HoA countries, allowing the products that have been tested in the exporting HoA country to be accepted by the importing HoA country, with minimal testing or certification.	Elimination of the need to obtain a Certificate of Conformity (CoC) from an agency or laboratory in the HoA country of the origin of the shipment for their import in the HoA country of destination.	ALL
Lack of harmonisation among the pest lists adopted by each HoA country at national level.	Adoption of a regional quarantine agreement between HoA nations with an agreed pest list covering the main products traded at their borders.	Simplification of compliance verification procedures for at least the most commonly traded products at the HoA internal borders.	ALL
Lack of regulatory information and of information on import and export procedures for trading in the Region, with such information often available in only one language, and not easy to access by traders and transport and customs service providers.	Development (in those HoA countries where they still do not exist) of information or knowledge portals with descriptions of laws and regulatory requirements on customs, trade and transport procedures applicable to cross-border transactions, possibly by interconnecting such portals so that information can be shared with each other.	• Improved access to laws, regulatory requirements and cross-border procedures. • Increased market accessibility	Ethiopia, Djibouti, Somalia, Eritrea,
Insufficient coordination between the different categories of border agencies at border points (e.g. Customs, Immigration, Police, veterinary, sanitary and phytosanitary authorities, Bureaus of Standards, etc.).	Establishment of National Border Coordination Committees, made up of Heads of key Border Agencies in each HoA country (on the example of BCOCC in Kenya).	Enhanced border efficiency and improved inter-agency coordination in border management.	Ethiopia, Djibouti, Somalia, Eritrea,
Need for traders to carry out multiple documentary transmissions to different regulatory agencies and other private entities, for their cross-border transactions.	• Development of Single Window systems in those HoA where such systems still do not exist (Somalia and Eritrea). • Creation of electronic linkages between the national SWs of HoA countries so to allow traders to submit electronically one set of documentation that could be used as both entry and exit documentation in the importing and exporting country.		Djibouti, Somalia, Eritrea* *The creation of electronic linkages between the national SWs is a measure recommended for all HoA countries
AEO programs adopted by HoA countries are not coordinated with each other.	• Introduction of the Authorised Economic Operator (AEO) programme. • Alignment of national AEO schemes to the COMESA Regional AEO Programme implementation guidelines.	• Implementation of selectivity criteria for control at borders: AEOs traders are subject to less invasive controls, so that Customs can focus inspection resources on more high-risk operators. • Harmonised procedures and criteria for granting the status of AEO in the HoA countries	Somalia and Eritrea* *MRAs should be concluded between Kenya, Ethiopia and Djibouti, as these are the only HoA countries that to date have AEO programs in place.

	• Development of simplified and faster border clearing procedures, with less invasive controls for AEOs, with dedicated fast-track lanes at HoA borders for such operators. • Conclusion of Mutual Recognition Agreements between those HoA nations that have already adopted an AEO program.	• Faster border clearing procedures at borders for "trusted" operators.	The need to align national AEO programs to the COMESA Regional AEO Program implementation guidelines concerns all the HoA countries.
Prevalence of informal trade over formal trade at HoA borders	• Development of an AEO-similar approach for pre-approved and pre-identified small-scale traders. • Implementation of the COMESA Simplified Trade Regime (STR) at borders between Kenya, Somalia and Djibouti. Implementation of STR equivalents in Ethiopia and Eritrea (as they are not part of the COMESA FTA,), by virtue of specific bilateral preferential arrangements concluded with the other HoA countries.	• Simplification of formalities and procedures for cross-border trade. • Implementation of selectivity criteria for control at borders: small-scale traders are subject to less invasive controls, so that Customs can focus inspection resources on more high-risk operators. • Informal traders are encouraged to declare their import/export transactions because of simplified procedures and exoneration from payment of customs duties for goods whose value is below a certain threshold.	ALL
High transit time and cost for moving goods in transit.	Interconnection of ECTS adopted by HoA nations along the main transit routes in the Region.	• More efficient tracking of cargo from departure to destination in all transit corridors in the HoA. • Complete elimination of Customs and Police escorts in the transit countries • Improvement of the security of goods in transit. • Reduction of transit time, delays and of risks of diversion of goods in not authorized places before transit goods arrive at destination.	Kenya, Ethiopia and Djibouti
High transport cost due to not well-maintained and insecure roads.	Implementation of a Road Management Information System (RMIS) for monitoring the status of trade corridors in the region allowing roads and traffic authorities to rapidly intervene in case of incidents, breakdowns or others needs and to road users to receive real-time information on traffic and on the status of roads.	• Improvement of usability of trade corridors in the HoA • Reduced congestion and increased safety along HoA trade corridors (as road users receive real-time information on traffic and on the status of roads). • Efficient monitoring the status of trade corridors in the region. • Geospatial data can provide real-time information to the national road authorities in the HoA for planning, engineering, asset management and operations associated with the use of their roads.	ALL
Lack of convertibility among HoA countries' currencies makes costly for traders to engage in trading activities at borders and to pay duties or other fees in the importing country. Limited availability of banking services at the HoA borders, which	Adoption of specific agreements with mobile operators to encourage the use of digital payments over cash for payment of border agencies fees, customs duties and other charges for import, export, or transit.	• Simplified payment of border agencies fees, customs duties and other charges for import, export, or transit. • No need for transporters to travel with large amount of cash and to convert currency for paying duties or other fees in the importing country after crossing the border.	ALL

obliges transporters and traders to travel with large amounts of cash, in order to pay customs duties and other levies (included border agencies fees and other charges) Problems of conversion among HoA currencies at borders.			

Annexes

Annex 1: List of interviewed persons

Name	Institution/company and position	Contact details	Website	Date
Ana Maria PENA SEGURA	EU Delegation to Ethiopia, Programme Manager, Trade and Investment, Regional Programmes	Ana-Maria.PENA-SEGURA@eeas.europa.eu	https://eeas.europa.eu/delegations/ethiopia_en	24 July 2020
Stephan FOX	EU Delegation the African Union, Programme Manager, Infrastructure	Stephan.FOX@eeas.europa.eu	https://eeas.europa.eu/delegations/ethiopia_en	30 July 2020
Felix ANGWENYI	CEO Feliclearcon Logistics Ltd, Nairobi, Kenya	Tel. =254.727.524.308, felixangwenyi@yahoo.com	http://www.feliclearcon.com	30 July 2020 4 August 2020, 7 August 2020
Joel NDEGE	Station Manager Kenya Customs, Moyale OSBP	Tel. +254.722.458.539 Joel.Ndege@kra.go.ke	https://www.kra.go.ke	31 July 2020
Paul NYAGA	Station Manager Kenya Customs, Malaba OSBP (Kenya/Uganda)	Tel. +254.722.923.782 Paul.nyaga@kra.go.ke	https://www.kra.go.ke	31 July 2020
Janet AL-UTAIBI	IGAD Representative, Brussels	Tel. +32 489 39 20 41 janet.alutaibi@igad.int	www.igad.int	3 August 2020
Abdiasis HUSSEIN	Somali Investment Climate Reform Program (SICRP), Project Manager	Tel. +254.798.310169 abdiasis@maybacke.com		3 August 2020
Tommaso Iser Menini	Agar, Agency for Arid and Semi-Arid Resources, Director	Tel. +254 (728) 528 266, E-mail: director@agargumandresins.com	www. agargumandresins.com	4 August 2020
Charles MAINA	Bollorè Logistics, Commercial Manager, Kenya	Tel: +254 720 60 19 61 charles.maina@bollore.com	www.bollore-logistics.com/	6 August 2020, 18 August 2020
Mahad Mohamed ABUKAR	Member of the Somalia NTFC, Ministry of Foreign Affairs and International Cooperation, Deputy Director General for Europe and America	Tel. +252617050722 mahadshooli@gmail.com mabukar@mfa.gov.so	http://www.mfa.gov.so	18 August 2020
Wilson MAINA	Nairobi Informal Sector Confederation (NISCOF), Secretary	Tel. 0721703107 Wmaina13@gmail.com		21 August 2020

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