Public Disclosure Authorized

Public Disclosure Authorized

72848

Africa Trade Policy Notes

John Keyser

Counting the Costs of Compliance with Trade Requirements from a Value Chain Perspective: Evidence from Southern Africa

HIGHLIGHTS

COSTLY TRADE PROCEDURES FOR FOOD STAPLES...
have a leveraged impact on farmers' incomes and trade competitiveness

RAISING REVENUE AS MUCH AS THE DESIRE TO PROTECT PUBLIC HEALTH...
is often behind fees and procedures, which add to the build-up of costs along the value-chain and limit the amount that can be distributed to farmers

THERE IS CONSIDERABLE SCOPE TO STREAMLINE TRADE PROCEDURES...
countries and regional groups would benefit from reviewing current trade requirements and removing areas of overlap and unnecessary costs

WORLD BANK

This note uses a value chain perspective to show how the cost of complying with regional trade requirements affects agriculture competitiveness and rural incomes. On the one hand, phytosanitary rules, product standards, and certification procedures are important to protect human, animal, and plant health. These requirements also help to improve buyer and seller confidence in international markets and can be useful for trade facilitation. Equally, however, it is also clear that every inspection and certification procedure adds to the total cost of trade to the point where trade requirements can become a trade barrier if the policies are not well designed or are poorly implemented. The recent proliferation of mandatory standards for food staples in East Africa is a good example of this where regulators have introduced various product specifications that have little or no bearing on public health and mainly relate to milling outturn and private financial returns.

Following a brief introduction to value chain concepts, the note uses data from Malawi to illustrate how efforts to streamline trade procedures for fertilizer could have a leveraged impact on farmers' incomes and trade competitiveness. The rest of the discussion then provides an overview of the main trade requirements for staple foods and crops inputs in East and Southern Africa. Each of these transaction cost takes away from the total profits available to flow upstream to farmers and other domestic value chain participants. Efforts to streamline regional trade procedures could therefore have a direct impact on trade competitiveness and poverty reduction.

Value Chain Concepts

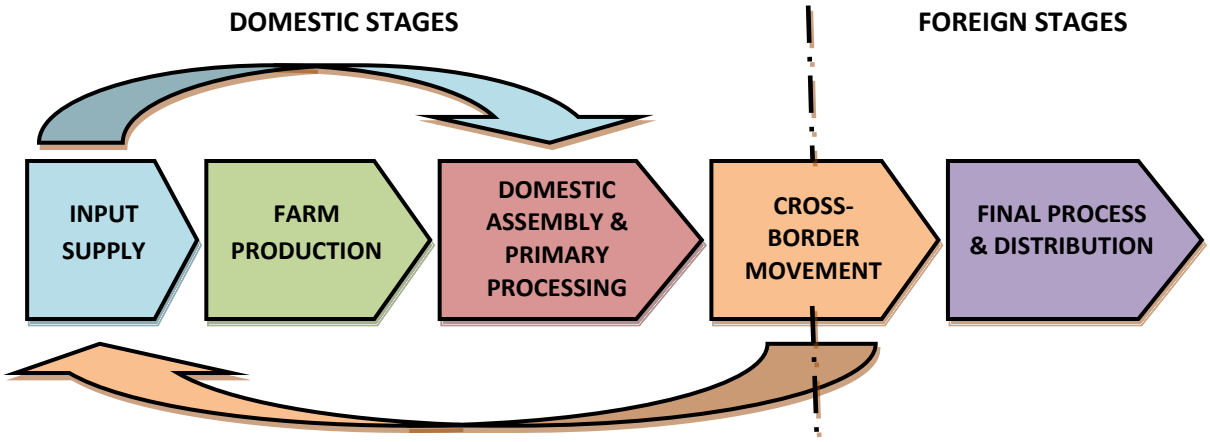
Value chains essentially represent enterprises in which different producers and marketing companies work within their respective businesses to pursue one or more end markets. Value chain participants sometimes cooperate to improve the overall competitiveness of the product, but may

also be completely unaware of the linkages between their operation and other upstream or downstream participants. Value chains therefore encompass all factors of production (land, labor, capital, technology, and inputs) as well as all economic activities (input supply, production, transformation, handling, transport, and marketing) needed to create, sell, and deliver a good to its terminal market.

From this perspective, trade competitiveness can be measured by comparing the build-up of total costs along the value chain with the amount customers are willing to pay for the final product. In an open economy, this price is determined competitively and value flows upstream from the consumer to each producer and marketing company in the chain.

The key stages of a value chain for internationally traded staple foods are illustrated below. In this diagram, an arrow connects cross-border movement with input supply to show that trade procedures directly affect the prices of imported fertilizer, seed, agrichemicals, farm machinery, and all other imported inputs used during the production, assembly, and domestic processing stages of the value chain. A second arrow likewise connects input supply with other domestic production stages to show this is a crosscutting function that impacts on all stages, not just farm production.

Figure 1: Value Chain Stages for Internationally Traded Staple Foods



Trade Costs and Rural Incomes in Malawi

To demonstrate how seemingly minor changes in trade costs for fertilizer can have a leveraged effect on agriculture competitiveness and rural incomes, an example using indicative data from the 2007/08 agricultural season in Malawi is given below.[1] The point of this quick example is not to recommend specific policy alternatives for Malawi, but to illustrate how efforts aimed at reducing trade costs could have an amplified impact on trade competitiveness and poverty reduction.

First, Table 1 shows the estimated price build-up of fertilizer under two price scenarios. The base scenario reflects the actual conditions that prevailed in Malawi in 2007/08 in which the economic (unsubsidized) price of imported fertilizer was estimated to be USD 50.25 per 50kg bag. The reduced cost scenario, on the other hand,

[1] Analysis based on Tchale and Keyser, 2010 Quantitative Value Chain Analysis: An Application to Malawi, World Bank Policy Research Working Paper, WPS 5242.

reflects the type of savings that might result from efforts to introduce bulk procurement of fertilizer and streamline import requirements and certification procedures. Malawi does not charge import duty or VAT on fertilizer, yet this example shows how 10% to 30% savings on selected trade costs could result in a 7.7% overall reduction in the economic value of fertilizer at the farmgate.

Table 1: Farmgate Build-up of 2007/08 Fertilizer Prices in Malawi (USD/ton)

	Base Case	Hypothetical Reduction	Indicative Change
Price at origin	650	585	-10% (bulk procurement, change in licensing and permits)
Transport to frontier	163	163	
Clearing and inspection	41	28	-30% (savings on clearing and certification, fewer border delays).
Domestic transport	43	43	
Distribution costs and profit	90	90	
Transport to farm	20	20	
Total (USD per ton)	**1,005**	**928**	
USD/50kg bag	50.25	46.39	7.7% savings overall

Next, Table 2 summarizes a set of key value chain indicators for medium- and high-input hybrid maize using the base 2007/08 price of fertilizer and hypothetical 7.7% reduction modeled above. In the analysis, total accumulated costs at the into mill or depot location exclude profits that are distributed to farmers and domestic assemblers. This approach allows total costs to be subtracted from the import or export parity price to show how much total profit is available to flow upstream to farmers and other value chain participants. Unless indicated, all values are expressed in USD per ton of tradable grain.

Table 2: Value Chain Indicators for Malawi Hybrid Maize (USD/ton tradable grain, 2007/08 prices)

	Medium input	**High input**
Fertilizer use (bags basal x top dress per ha):	2x2	4x4
Base conditions (2007/08 season)		
Farmer yield (tons/ha)	**1.40**	**2.60**
Farm costs	227.90	216.84
Assembly costs	61.54	61.54
Total value chain costs into mill or depot	**289.43**	**278.38**
Total available profits per ton @ import parity	90.57	101.62
Total available profits per ton @ export parity	(19.43)	(8.38)
Scenario 1 - Streamlined trade procedures (7.7% savings on fertilizer)		
Farmer yield (tons/ha)	**1.40**	**2.60**
Farm costs	216.87	204.97
Assembly costs	61.54	61.54
Total value chain costs into mill or depot	**278.41**	**266.50**
Total available profits per ton @ import parity	101.59	113.50
Total available profits per ton @ export parity	(8.41)	3.50
Scenario 2 - 7.7% savings on fertilizer, 10% more use, 15% more yeild		
Farmer yield (tons/ha)	**1.61**	**2.99**
Farm costs	196.21	186.30
Assembly costs	61.54	61.54
Total value chain costs into mill or depot	**257.75**	**247.84**
Total available profits per ton @ import parity	122.25	132.16
Total available profits per ton @ export parity	12.25	22.16

Import parity = USD 380/ton; export parity = USD 270/ton.

The analysis shows that Malawi could derive significant benefit from streamlining trade procedures for fertilizer. Although there is no guarantee that incremental profits will flow all the way up the chain to farmers, Scenario 1 shows how a 7.7% reduction in fertilizer costs would result in 12.2% and 11.7% more total profit per ton of

tradable grain at the medium- and high-input levels respectively when sold as an import substitute. In Scenario 2, it is assumed that the lower price of fertilizer results in 10% more use per hectare and 15% higher yields. Under these conditions, the total available profits from one ton of import substitute maize would be 35% to 30% higher at the medium- and high-input levels respectively compared with base conditions. In all cases, the analysis shows that export maize is a marginal activity for Malawi and even returned a net loss under 2007/08 base conditions.

Table 3: Total Available Profits per Hectare from Malawi Hybrid Maize, 2007/08 base conditions and two alternative trade scenarios (USD/ha)

	Medium input	High input
Fertilizer use (bags basal x top dress per ha):	2x2	4x4
Base conditions (2007/08 season)		
Total available profits per ha @ import parity	126.79	264.22
Total available profits per ha @ export parity	(27.21)	(21.78)
Scenario 1 - Streamlined trade procedures (7.7% savings on fertilizer)		
Total available profits per ha @ import parity	142.23	295.09
Total available profits per ha @ export parity	(11.77)	9.09
Scenario 2 - 7.7% savings on fertilizer, 10% more use, 15% more yeild		
Total available profits per ha @ import parity	196.83	395.16
Total available profits per ha @ export parity	19.73	66.26

Finally, Table 3 looks at total available profits in per hectare terms, which is the most relevant measure for farmers. In Scenario 2, where yield increases as a result of more intensive fertilizer use, each hectare of maize would provide 55% to 50% more total profit at the medium and high input levels respectively. According to these estimates, export maize remains a marginal activity even with the improved yield, but is still more than USD 88 more profitable per hectare compared with base conditions.

Formal Sector Trade Requirements

With the link between trade costs and opportunities for increased rural incomes in mind, the next part of this note describes the typical trade requirements for cross-border movement of food staples and crop inputs in East and Southern Africa.

In considering the costs of trade, it is important to keep in mind that trade requirements often vary from one country to another and can even be subject to sudden change with little if any advance notice. These factors add to the cost of cross-border movement since traders have to stay aware of current policies and may even have their business plans undone by last-minute changes in trade rules, such as a sudden ban on exports. It is also clear that the requirements for formal sector trade can be a particular disadvantage to small traders who often lack the necessary economies of scale, financial resources, skills, and information needed to comply with each requirement. As a result, considerable volumes of agricultural produce cross Africa's borders through informal channels that can be even more expensive to navigate on a per ton basis and risk exposing consumers to danger if the goods are diseased or faulty.

The typical requirements for formal sector trade of food staples and crop inputs in East and Southern Africa are summarized in Table 4 below. The trade requirements for crop inputs primarily differ from food staples with respect to the need for product registration and institutions involved with issuing the required certificates.

Table 4: Typical Trade Requirements for Food Staples and Crop Inputs

Food Staples	Crop Inputs
Trade permit (import/export license) Phytosanitary certificate Non-GMO certificate Quality assessment Certificate of origin Filling of customs documents	Product registration Trade permit (import/export license) Phytosanitary certificate (seed) Non-GMO certificate (seed) Quality assessment Certificate of origin Filling of customs documents

Trade Permits and Licenses

Despite numerous commitments made by African governments to regional free trade, trade permits and other types of import and/or export licenses continue to be used in many countries and can be significant trade barrier. In the first place, governments very often enact temporary import and/or export bans on food staples. These bans are unpredictable but are often placed on imports during good harvest years to ensure domestic production is consumed first and on exports during bad harvest years to protect self-sufficiency. Moreover, because small traders are not always able to meet the minimum volume and other licensing requirements needed to obtain a trade permit, these individuals can be prevented from participating in the formal market.

In Tanzania, for example, imports and exports of strategic grains including maize, rice, and wheat are subject to licensing by the Ministry of Agriculture and Food Security. While there is no fee to get the license, the importer/exporter must have a valid trading license and be registered with the Tanzania Revenue Authority. For the controlled commodities, traders are issued a time bound permit, normally valid for one-month only, stipulating the quantity allowed for import or export. Under this system, the Strategic Grain Reserve advises government whether or not any of the strategic grains need to be imported and what if any surpluses are available for export. To control excessive depletion of food reserves, trade permits are issued on a consignment basis only.

The importation of all foods to Tanzania including bulk grains also requires traders to obtain a separate Food Import Permit from the Tanzania Food and Drugs Authority (TFDA) in Dar es Salaam. To get the Food Import Permit, importers must register annually with TFDA. The Food Import Permit itself is usually valid for one month and requires the applicant to provide information detailing the source of import, quality and quantity to be imported, entry point, and expected date of delivery. On top of these procedures, importers must send a pre-shipment sample to the TFDA for quality analysis. The shipment is then subjected to physical inspection at the point of entry by a TFDA officer who may direct additional laboratory analysis if there is reason to believe the consignment does not conform to the specifications on the Import Permit. The costs of all inspections are paid by the importer.

In Malawi, maize is not on the list of restricted products requiring an import license, but is subject to regulation. In this case, the government imports maize through a tendering process in which the private sector is sub-contracted to import maize. Once the maize is in the country, the government makes it available in all areas at a subsidized price through the state-owned enterprise, ADMARC. It is therefore very difficult for private traders to import large quantities of maize in a private arrangement and find a market at commercial prices. Exporting maize from Malawi, on the other hand, is restricted and is subject to intermittent bans and export licensing. Even when export bans are temporarily lifted in times of a good harvest, traders complain that government officials are slow to issue export licenses thereby blocking trade until a new ban is put in place.

In Zambia, import and export permits for maize and mealie meal cost ZMK 745,000 (USD 150) per 510 tons (USD 0.29 per ton) and are valid for 30 days. To be issued a permit, traders must be registered with the Zambia Revenue Authority and have a valid taxpayer identification number. If the full 510-ton allotment is not used within the 30-day period, the balance does not carry forward and traders must pay for a new permit. Compounding the problem, Zambia-based grain traders report that decisions to introduce or remove food trade restrictions are poorly communicated in many countries. Sometimes, small groups of key officials decide on bans via unpublished decisions or internal documentation. This can lead to the introduction of bans by border officials each year merely as a seasonal norm, or to bans extending beyond their legal life because customs officials are unaware of their expiration.

Similar to the requirements for staple foods, most countries require trade permits for seed, fertilizer, and agrichemicals. In Zambia, importers and exporters of crop inputs must apply through the Ministry of Agriculture and Livestock for a trade permit specifying specific quantities and types of product to be traded. Each truck must carry an original copy of the permit at a cost of ZMK 35,000 (USD 7.00) per certificate or USD 0.23 per ton based on a full 30-ton load. For trucks carrying small quantities or mixed consignments, the cost of the permit can obviously be much higher on a per ton basis.

Product Registration

Even before seed, fertilizer, and agrichemicals can be traded, these inputs must normally be tested and registered by the Ministry of Agriculture and/or other statutory agency in the importing country. Product registration is customarily done to ensure the product is safe and effective to use given the importing country's own agri-climatic conditions with suitability trials typically requiring from two to six crop cycles before a new product can be approved. Requirements vary from country to country and can have an important bearing on trade competitiveness (see the example in the Box). Once a product is approved, annual fees may also apply for re-registration.

Box : Costs of Pesticide Registration in Tanzania and Kenya

The table below compares the cost of pesticide registration in Tanzania and Kenya, and shows that Tanzania charges significantly more than its main regional competitor. Tanzania generally does not recognize the testing and registration of chemicals done in other countries and requires a minimum of three full seasons for domestic field trials. Consequently, because of the high cost and time taken to comply with Tanzania's registration requirements, there are many newer, more effective, and safer chemicals available on the world market that Tanzanian farmers cannot access. Moreover, because the market for pesticides in Tanzania is much smaller than in Kenya, the difference in cost as a share of potential future sales is even higher than the data indicate.

	Tanzania	Kenya
Application	50	0
Field trial (typical)	4,500	1,500
Registration (full)	600	435
Total USD	**5,150**	**1,935**

Source: TAHA, 2007

Pesticides are not normally used for maize growing, but are beneficial to other staple foods including wheat, rice, and cassava and are widely used for fumigation to prevent post-harvest losses.

Phytosanitary Certificate

In both domestic and international markets, sanitary and phytosanitary (SPS) measures are fundamentally concerned with the protection of human, animal, and plant health. Importing countries typically require guarantees that exports are derived from areas that are free from specified pest and disease risks. Proof may also be required that grains have been fumigated to eliminate pests and are free of other potentially dangerous substances. Table 5 summarizes phytosanitary declaration conditions for seven African countries.

Table 5: Phytosanitary Declaration Conditions in Selected Countries

	KE	UG	TZ	MAL	ZAM	ZIM	ETH
Sclerospora graminicola schoret and *sclerospora sacchard miy* are not known to occur in the country of origin	X						
Xanthomonas stewatii is not known to occur in the place of production	X						
The maize was fumigated before dispatch (details to be stated in the SPS Certificate)	X	X		X			
The material is not genetically modified	X	X	X	X	X	X	?
Free from Erwinial Stewartii (bacterial wilt)			X				
Free from Large Grain Borer				X	X		X
Open pollinated variety of seed avoided						X	

Source: RATES, 2003 (updated with current information where possible)

Phytosanitary certificates are normally issued by a designated National Plant Protection Office (NPPO) in each country. In Kenya, for example, phytosanitary certificates are issued by the Kenya Plant Health Inspectorate Service (KEPHIS) and cost KES 1,000 (equal to around USD 11.75 or USD 0.39 per ton for a standard 30-ton truck). In Tanzania, phytosanitary certificates are issued by the Department of Plant Health Services (PHS) and cost USD 15.00 per consignment at the point of exit. In addition, the Tanzania PHS charges USD 2.00 for fumigation inspection and USD 100 minimum for treatment supervision (i.e. USD 117 in total, or USD 3.90 per ton for a typical 30-ton load). In Zambia, phytosanitary certificates are issued by the Zambia Agriculture Research Institute (ZARI) and cost ZMK 310,000 (USD 62.00) for a book of 20 certificates. One certificate is required per truck and this works out to USD 0.10 per ton for a 30-ton load.

On the input side, phytosanitary certificates are also required for seed, which is a plant product and naturally subject to SPS control. In Zambia, however, traders complain that officials at the Kasumbalesa border with the DRC also require phytosanitary certificates for fertilizer, which is not a vector for human, animal, or plant disease. Often there are delays issuing these certificates and exporters say the process can sometimes take two weeks or more. In practice, the SPS certificate must be obtained first before the trader can apply for a fertilizer export permit.

Non-GMO Certificate

As shown in Table 5 many countries also require maize and other crops to be certified as non-genetically modified. As with the SPS certificate, Non-GMO certificates are issued by a specialized department in the exporting country's ministry of agriculture. Non-GMO testing may also be required by the importing country. In Zambia, non-GMO certificates are issued by ZARI and cost ZMK 150,000 (USD 30) each. One certificate is required per truck meaning the cost works out to USD 1.00 per ton for a typical 30-ton load. On top of the certificate itself, however, various levels of testing are required to determine the shipment's non-GMO status. Zimbabwe, for example, requires a full GMO test whereas other countries may only require a lateral flow test or so-called "quick test." In Zambia, a GMO "quick test" costs around USD 150 per sample and may be performed by the exporter's superintendent as part of the pre-shipment inspection. One quick test can cover up to 2,000 tons of grain if stored in the same warehouse giving a minimum cost of USD 0.08 per ton. For deals involving smaller quantities or when grain has to be sourced from multiple warehouses, however, the cost can be much higher. Even though Zambia does not allow any type of GMO seed to enter, non-GMO certification is still mandatory to obtain an export permit regardless of the destination country's own GMO policy.

Certificate of Origin

Certificates of Origin are used to prove where a commodity was produced for the purpose of obtaining duty free status under regional free trade agreements. The procedures for issuing Certificates of Origin vary from country to country and can have a high cost on cross-border trade if the exporter has problems obtaining the certificate and/or if it is not accepted by the importing country. In Tanzania, the Chamber of Commerce in Dar es Salaam is the sole issuing agency and charges a fee of TZS 20,000 per certificate (i.e. USD 13.33 each or USD 0.44 per ton based on a full 30-ton load). To get the certificate, exporters must have a valid phytosanitary certificate and sales agreement/contract for the commodity already in hand. Because the certificate can only be obtained in Dar es Salaam, traders in far-off border regions say it is both time consuming and expensive to try and engage in duty free trade and often do not bother.

In Uganda, on the other hand, agricultural traders report that the process works very well. After registering with the Uganda Export Promotion Council in Kampala, exporters are able to buy a book of blank certificates of origin for around USD 25 and are only required to return the receipt stubs when the book is finished.

Quality Analysis

In addition to traditional SPS certificates and non-GMO certificates, many countries have adopted a host of minimum quality standards and testing requirements for food staples promulgated by their national bureau of standards. Kenya, Uganda, Tanzania, Malawi, Zimbabwe, and Ethiopia, for example, each require food imports to be accompanied by a test certificate issued by the exporting country's national bureau of standards. On top of the exporting country's certificate, many countries also require importers to obtain a local quality certificate and/or subject the consignment to further detailed inspection before the goods are allowed in. The Tanzania Bureau of Standards (TBS) for example requires maize importers to apply for Batch Certification at least one week prior to arrival at a cost of TZS 10,000 (USD 6.65) for the application and 0.2% of the cif value for actual certification. The TBS analysis is additional to the TFDA's own pre-shipment inspection and both agencies routinely carry out further inspections and analysis at the border.

Also in Tanzania, all food commodities are subject to mandatory radiation testing by the Tanzania Atomic Energy Commission (TAEC) based in Arusha. TAEC charges 0.2% and 0.4% of the fob value of exports and imports respectively for this service. The testing policy does not distinguish between foods that come from areas without risk of radiation exposure and all consignments are subject to inspection without allowing for free passage of goods that previously passed the test. In practice, however, TAEC reports that it only tests 10-15 samples per day meaning that there is a large gap between its stated policy of testing every shipment and actual procedure. Moreover, there has not been a single interception of tainted food leading traders to speculate that the testing requirements are as much about collecting fees for TAEC as they are with protecting public health or preserving Tanzania's reputation in the global market. Kenya requires all grain imports to be tested for radiation but does not require testing of exports.

The multiplicity of standards as well as differences in standards between countries has been identified by the EAC and COMESA as significant impediment to regional free trade and led to calls for trade standards to be harmonized across Member Countries. As discussed in more detail in Africa Trade Policy Note 33, the EAC has developed mandatory standards covering at least 42 staple foods that provide detailed specifications for mycotoxin contamination together with various other quality attributes including moisture content, foreign matter contamination, and maximum allowable share of broken, shriveled, or discolored grains. The standards also include detailed hygiene, packing, and labeling requirements together with instructions for sampling and

conformity analysis. Efforts are currently underway to extend the harmonized standards to SADC and COMESA countries as part of efforts to establish a tripartite free trade area between the three regional blocks.

In most large transactions, the buyer specifies the quality attributes they require and it is then up to the seller to prove they are able to supply the type of product required. These assurances are normally provided through an impartial superintendent who is hired to inspect the shipment, carry out all necessary quality tests, and oversee the loading and unloading. Depending on the terms of the contract, ownership may change on collection or delivery. When grain is sold on delivery, a further inspection is usually required as part of the offloading to be sure it was not tampered with during transit.

The price for a superintendent's oversight will vary depending on the company used, range of tests to be carried out, and place of loading. One superintendent in Zambia, for example, said the price for pre-shipment inspection in Lusaka for a 500 to 1,000 ton load works out to around USD 0.50 to 1.50 per ton excluding the cost of non-GMO testing. For supervision outside the capital city, the cost of pre-shipment inspection was said to be 50-100% higher.

Superintendent companies are sometimes also used to source grain stocks that match a buyer's requirements. The cost of this service was said to be USD 1.00 to 1.50 per ton for each place inspected. In Zambia, large exporters including the World Food Programme report that superintendents often have to inspect four or more depots to find grain that conforms to the EAC's harmonized standards for discolored and shriveled grains. Virtually all marketed maize in Zambia is grown by smallholder farmers so is sundried and therefore sun bleached. Undersize pips are also a common problem that can result from not using fertilizer or other inputs at the right time or in the right quantities.

Filling of Customs Documents

Table 6: Customs Clearance Requirements for Maize (2003, updated where possible)

	KE	UG	TZ	MAL	ZAM	ZIM	ETH
Export permit (Ministry of Agriculture)			X	X	X	X	X
Import permit (Ministry of Agriculture)			X	X	X	X	X
Pre-shipment inspection (clean report of findings)	X		X				
Certificate of origin (EAC/COMESA)	X	X	X	X	X	X	X
Phytosanitary Certificate	X	X	X	X	X	X	X
Quality Standards Certificate (by Standards Bureau)	X	X	X	X		X	X
Safety Standards Certificate (by Health Authorities)	X	X	X				
Contract with importer, irrevocable letter of credit							X
Import Declaration Form, Single Entry Document	X	X	X	X	X	X	?
Original invoice	X	X	X	X	X	X	X

Table 6 provides a summary of the customs clearance requirements for maize in seven African countries. While SPS and other trade requirements do serve a legitimate purpose, it is also clear that institutional overlaps exist whereby traders can be required to obtain certificates for the same or similar things from different agencies with duplicate procedures and inspections often required by the exporting and importing country. Whereas large traders usually have a staff of people whose job it is to follow the trade procedures and may even send people to

the border to oversee physical clearance, small and medium-size firms without this kind of capacity can be severely disadvantaged.

To streamline customs clearance procedures, EAC, SADC, and COMESA countries have adopted the Single Entry Document (SED). To clear staple foods and crop inputs using the SED the trader is required to provide various original documents including all trade permits and/or licenses, SPS Certificate, Certificate of Origin, Certificate(s) of Standards Compliance, and original invoice. Depending on the country, traders may also be required to complete an Import Declaration Form (IDF) which is a document used to record details of the transaction including particulars of the importer and exporter, type of product being traded, the product's value, and expiry date. Often there is no extra charge for the IDF, but in Kenya importers pay an IDF fee equal to 2.75% on the cif value of the consignment to cover the cost of border documents and quality and SPS inspection by KEBS and KEPHIS respectively. In Zambia, importers must pay 6% of the cif value of all consignments as advance income tax and USD 10 per entry for use of the automated custom data system (ASYCUDA fee). Moreover, to process all trade documents with Customs, traders are required to use a licensed clearing agent in the importing and exporting country. The fees for this service vary but typically range from USD 50 to 150 per commercial invoice handled.

Conclusions

From a value chain perspective, every cost that occurs during the production and marketing of an agriculture commodity takes away from the total profit available to be shared between farmers and all others involved with the production and delivery of the commodity to its terminal market. With food staples, the link between trade costs and total available profit is a direct one whereby any savings in the costs of trade are immediately available to be shared between value chain participants. With agricultural inputs, a savings in trade costs not only has the potential to benefit farmers through lower input prices, but can also have leveraged impact on agricultural competitiveness through increased yields.

Although the costs of formal sector trade vary depending on the requirements of each country involved, trade permits and certification fees can easily add USD 25.00 or more to the per ton shipment value of food staples when traded in full 30-ton truckloads. At Kasumbalesa, for example, the cost of moving a full 30-ton truck of maize or mealie meal from Zambia to the DRC was estimated to be USD 36.38 per ton or around 6% of the landed value of mealie meal in Lubumbashi. For traders dealing in smaller consignments, the costs of crossing the Kasumbalesa border are estimated to be even higher at least USD 97.63 per ton or roughly 17% of the Lubumbashi mealie meal price including fees paid to bicycle porters and unofficial charges (bribes) collected by Zambian and DRC officials for letting the goods past.

While many trade requirements do serve legitimate purposes, it is clear that there is considerable scope to streamline the procedures and eliminate duplicate requirements. At the international level, traders are faced the problem of having to obtain multiple permits, test results, and quality certificates from both the importing and exporting country. Similarly, at the domestic level, various departments and institutions have overlapping responsibilities and each charge fees that seem to be driven as much by the need to raise revenue as they are by the desire to protect public health. Rather than look in isolation at specific issues like standards harmonization or SPS management, therefore, a good next step for individual countries and regional trade blocks alike would be to carry out their own detailed assessments of current trade requirements to identify areas of overlap and opportunities to streamline trade procedures.

About the Author

John Keyser is an independent consultant based in Lusaka, Zambia. This work is funded by the Multi-Donor Trust Fund for Trade and Development supported by the governments of the United Kingdom, Finland, Sweden and Norway. The views expressed in this paper reflect solely those of the authors and not necessarily the views of the funders, the World Bank Group or its Executive Directors.

References

East Africa Community (2005). A Guide for Maize Traders on Regulatory Requirements for Imports and Exports of Maize in East African Community, The East African Community (EAC) Secretariat, Arusha.

Kagira, Bernard (2009). The Use of Trade and Associated Policies in the Eastern and Southern Africa Grain Sector; The Case of Maize, AAACP Paper Series No. 9 for Consultative Expert Meeting convened by Eastern Africa Grain Council (EACG) and Food and Agriculture Organization (FAO) in Dar es Salaam 2-3 June 2009, All ACP Agricultural Commodities Programme (AAACP), Brussels.

Keyser, JC (2011). Tanzania Policy Note: Addressing Standards Management Challenges from a Strategic Perspective, report submitted to The World Bank, Poverty Reduction and Economic Management (PREM), Dar es Salaam.

RATES (2003). COMESA and EAC Regional Maize Trade Policy Paper, USAID Center for Regional Agricultural Trade Expansion Support (RATES), Chemonics Inc., Nairobi.

Tanzania Horticulture Association (2007). Advocating for a Market Oriented Strategy for Pesticides Regulation and Control in Tanzania, report prepared by The Chemical Risks Foundation of Tanzania (CREFT), Tanzania Horticulture Association (TAHA), Arusha.

Tchale, H and Keyser, JC (2010). Quantitative Value Chain Analysis: An Application to Malawi, World Bank Policy Research Working Paper, WPS 5242.