Indicators to Monitor Regional Trade Integration in Africa

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This series of working papers is designed to share new voices and analysis on the key issues for trade and regional integration in Africa today.

Executive summary

Stronger regional integration has been a policy priority in Africa for several decades. Closer trade links with neighboring countries promise to stabilize food markets, enhance profitable exchanges in light manufactures, reduce consumer prices, and help develop regional production networks. However, the implementation of existing integration initiatives has often been lackluster, so that the economic development and poverty reduction potential from expanded intra-regional trade has remained untapped.

More effective monitoring processes for existing integration arrangements could help to raise the profile of the prevailing implementation deficits and provide policy makers and civil society with the necessary information to push for corrective action. Successful implementation of regional integration agreements requires two steps: first, the transposition of common commitments into national law, and second, the de-facto change of trading practices on the ground. In countries with notable governance challenges and under-resourced administrations, such as many African countries, the gap between the two implementation steps can be substantial, so that the de-facto implementation of trade reforms remains incomplete and ordinary traders, business people and consumers experience little, if any, benefits from regional integration.

Most existing integration monitoring systems are scorecard-based compliance assessments. These processes are useful in determining which member countries have transposed their regional-level reform commitments into national law, but are saying little about changes in trade practices on the ground. To obtain information on the impact of integration policies on ordinary traders, indicators of trade transaction costs are required. These can be indirect measures of trade volume changes or price differences, or direct estimates of the various trade cost components. The latter tend to be more specific and can more easily be related to changes in particular policy measures.

Most integration monitoring processes in Africa are based on compliance indicators. Where outcome indicators are used, these generally are of an aggregate nature, such as measuring changes in the volume of intra-regional trade, or focus on tariff liberalization, the original centerpiece of most regional trade agreements. There are some monitoring systems that go further, though. For example, COMESA, EAC and SADC have established inventories of non-tariff barriers that are regularly maintained and processed, and the EAC conducts perception surveys among traders and transport service providers on non-tariff measures and trade and transport impediments. On the other hand, monitoring efforts concerning trade in services are virtually absent.

Outside Africa, there are some regional integration initiatives that have started to systematically monitor trade outcomes through indicators that cover not only aggregate trade evolution and tariff reductions, but also non-tariff measures, trade facilitation, and services trade. Regional trade initiatives in Africa could usefully adopt similar processes and complement their monitoring systems with indirect goods and service trade volume information, as well as specific indicators on trade costs related to tariffs, non-tariff barriers, trade logistics obstacles, and services market regulation.

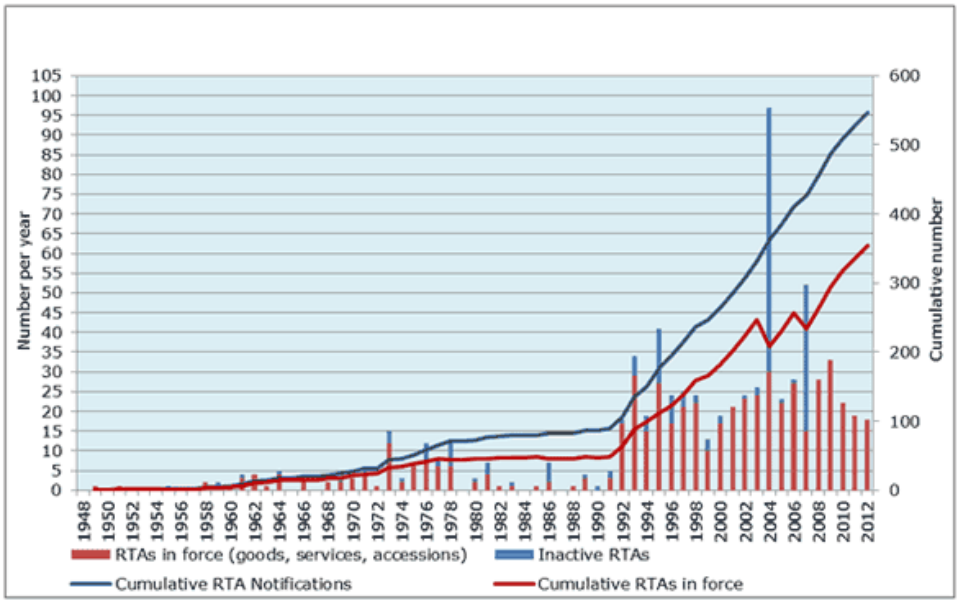
Some of the data necessary to construct more discerning trade outcome indicators are already available, while additional information that is missing might be relatively easy to generate. The scope of the indicator set and the selection of the particular range of indicators will be specific to each individual integration initiative and require some consultations and negotiation, but if policy makers and public officials are serious about addressing the implementation deficit, they need to

devote more attention and resources to establishing the extent to which regional integration efforts are being reflected in trading practices.

1. Background and motivation for the analysis

The number of regional integration initiatives has been steadily increasing. More than 350 Regional Trade Agreements (RTAs) are currently in force (Figure 1.1) and more than one-half of global trade is carried out under preferential terms. In Africa, all countries are party to at least one, and often several, RTAs. Regional agreements can make it possible to reap benefits from international integration, while tailoring the provisions of the agreements to the particular needs and adjustment capacities of the countries involved. Yet, how effective have the RTAs been in achieving their stated objectives? What have been the impacts of the regional preferences on ordinary citizens? To what extent have RTAs contributed to reduce poverty?

Figure 1.1 Regional Trade Agreements notified to the WTO



Source: WTO Secretariat.

Answering these questions crucially hinges on the availability of high-quality data and indicators. Without these basic analytical tools, it becomes virtually impossible for policy-makers to monitor the effects of existing regional integration initiatives and assess the extent to which expectations have been met and whether policy adjustments might be warranted. Also, a strong set of results-based indicators can help to illuminate the costs and benefits of policy initiatives and, thus, inform the broader public dialogue on complementary reforms.

In this context, the following discussion takes stock of the monitoring practices in Africa with respect to regional trade initiatives and evaluates the need for further indicator development. The assessment will thereby focus on the downstream outcomes of existing trade commitments and the measurement of how regional trade policies affect ordinary traders, producers, and consumers. This spotlight on impact-monitoring for the general population also helps to establish whether deci-

sion makers have the necessary tools at hand to evaluate the linkages between regional trade arrangements and poverty reduction.

The remainder of the study falls into four sections. Section 2 briefly discusses integration monitoring systems and related indicators in general. Section 3 then presents an overview of regional trade indicators that are currently used by policy-makers in sub-Saharan Africa. Section 4 surveys the respective monitoring practices in other regions of the world. Finally, Section 5 provides suggestions for indicator development in Africa based on the practices and gaps identified in the earlier parts of the report.

2. Indicators to monitor regional integration

There is broad agreement among analysts and practitioners that many RTAs in developing countries have failed to live up to expectations. This disappointing performance is at least partly due to slow and incomplete implementation of integration commitments (World Bank, 2005). The poor track record can be largely blamed on political economy factors and resource constraints. Political sensitivities, interest group pressure, and bureaucratic rigidity often contrive against policy change, while the expanding number of RTAs and their increasing policy scope put severe strains on the technical capacities of government administrations.

2.1 Monitoring regional integration

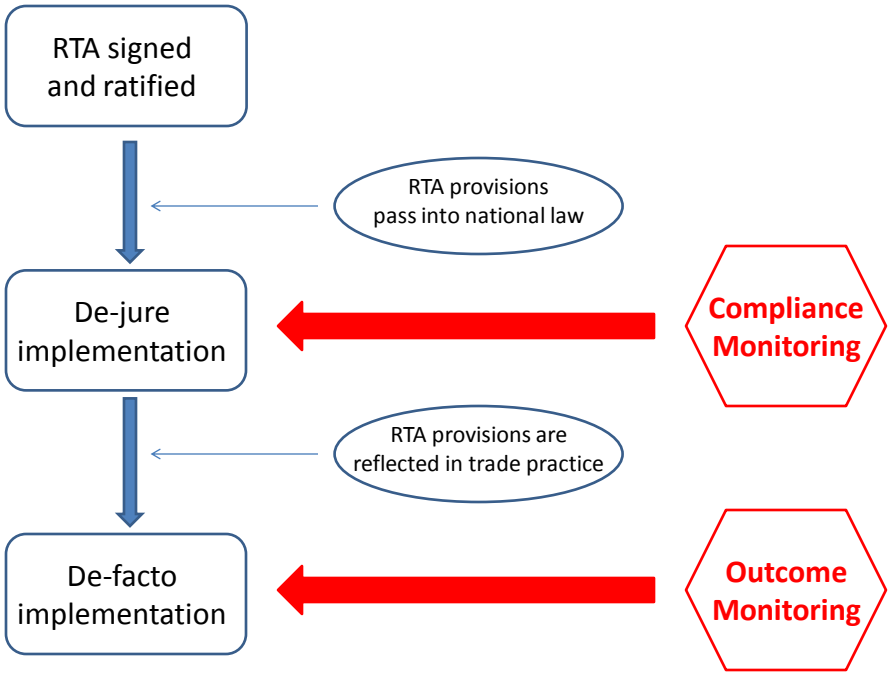
Light-weight, institutionalized monitoring process to scrutinize the progress in adopting key features of regional integration commitments can be very valuable to address implementation deficits. Monitoring provides a feedback mechanism for policy makers as well as information for the general public on the progress achieved. Moreover, it constitutes an institutionalized channel of regular information-sharing among the members of an RTA that can help to build trust, and as such enhance the willingness of partners to envisage steps towards deeper integration. In view of these benefits, several international organizations have put forward formal monitoring systems (De Lombaerde, Pietrangeli, and Weeratunge, 2008), which vary widely in terms of integration area coverage and the number of indicators they are proposing to follow. Moreover, in some cases, such as the EU-CARICOM economic partnership agreement, monitoring processes have been explicitly anchored in the RTAs themselves. The purpose of the monitoring exercises is thereby to determine the progress made towards the stated integration objectives (“reflexive monitoring”), and/or to benchmark the state of integration vis-à-vis third countries or groupings (“comparative monitoring”) (De Lombaerde and van Langenhove, 2005).

Two major stages of implementation and related monitoring can be distinguished (Figure 2.1). First, the provisions of a signed and ratified RTA have to be incorporated into national law, which might require some adjustment or amendment to the existing body of laws and regulations. This stage might be called “de-jure implementation” and the associated monitoring process checks on the extent of compliance of a country’s national legislation with the provisions of the RTA.

Second, the provisions of the RTA and national laws have to be applied to the situation on the ground. This process would involve the updating of administrative guidelines for executing agencies and ensure that the new regional trade arrangements are adhered to not only by the letter of the law, but also in its underlying spirit. For example, where an RTA implies a reduction in border tariffs, this preference should not be offset through a concurrent increase in costly technical inspec-

tions or additional demands from border officials for informal payments. This second stage might be called "de-facto implementation" and the related monitoring process would focus on integration outcomes.

Figure 2.1 RTA implementation and related monitoring



Source: Author.

Both compliance monitoring and outcome monitoring are valuable processes and their findings are complementary. In cases where the enforcement of national laws is strong and where broad political and administrative support for the regional integration process exists, the qualitative results from the two forms of monitoring will be closely aligned. However, in countries that face severe governance challenges or administrative capacity bottlenecks, compliance and outcome monitoring might paint a rather divergent picture of the progress in regional integration. For example, reform commitments from RTAs might well have been incorporated in national legislation, but might not (yet) be reflected in the practice of traders. In these situations, outcome monitoring is clearly the more discerning approach.

Compliance monitoring generally uses scorecards. These performance measurement tools show the status of country-level de-jure implementation across different integration areas and time periods. By doing so, implementation gaps can be exposed over time and offending governments pressured by their peers to act.

Outcome monitoring goes further and assesses to what extent the ultimate objective of regional integration, that is the facilitation of intra-regional exchanges for traders and business people, has been achieved. It tends to be more challenging than compliance checks, as the data requirements are more demanding. In the case of trade integration, outcome monitoring relies on indicators that make it possible to assess reductions in overall trade costs, that are all costs incurred in getting a good to a final user other than the marginal cost of producing the good itself (Anderson and Win-

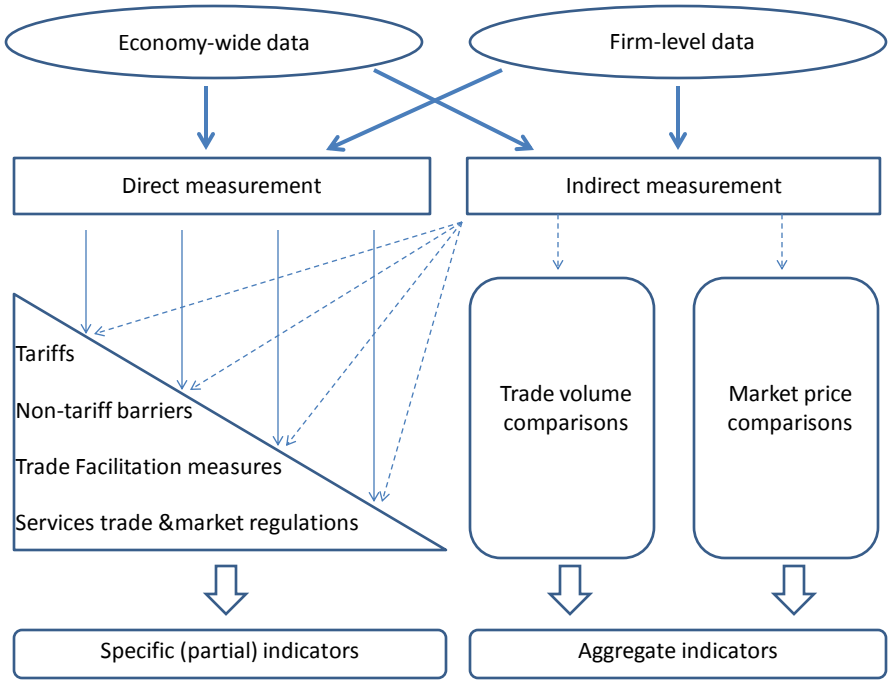
coop, 2004). They notably include costs related to border tariffs, non-tariff barriers, trade-related regulations, and transport and distribution.

2.2 Trade cost indicators

Similar to any good economic indicator, indicators of trade costs should be: (i) relatively easy to understand; (ii) based on readily available data; and (iii) illustrative of an important phenomenon. Ideally, trade costs would be measured directly across the different cost components. However, the necessary data are not always available, so that indirect indicators often have to be used. Such indirect approaches can either rely on quantity information, for example, the share of regional trade in total trade or GDP, or price information, such as cross-border differences in prices for homogenous goods. Either economy-wide statistics or firm-level data can serve as the basis for the construction of trade cost indicators (Figure 2.2).

Trade cost indicators do not necessarily need to be closely related to a particular policy instrument, but the attribution of results becomes more difficult as the number of factors that influence the indicator increases. For example, the share of regional trade in total trade might rise due to regional trade policy reforms, but the change in the ratio could also be due to a price drop for the country's exports to world markets, or a reduction of exports to third countries because of supply constraints, or a crop failure in a partner country that triggers higher regional food imports. Hence, attributing the change in the regional trade to GDP indicator to the success of regional integration policies could be misleading.

Figure 2.2 Overview of trade cost measurement



Source: Author.

There are, thus, benefits to more narrowly defined, more specific indicators. Monitoring several of these specific indicators will tend to give a more accurate picture of the state of RTA implementation and provide more clear-cut feedback on particular policies than looking at one or only a few aggregate indicators. Moreover, whenever indicators based on direct measurement are available, the information will be much easier to interpret than data for indirect indicators. The latter always require an additional step of conversion to translate the quantity or price information into estimates of the costs faced by traders.

Despite their limitations, indirect, aggregate indicators are widely used for trade integration monitoring due to the relative ease of obtaining near-term data that are comparable across countries and time periods. Table 2.1 shows a number of examples. As mentioned earlier, the interpretation of this type of indicator often poses problems. For example, an increased share of regional trade in total trade might suggest closer regional integration, but it could also mean that the country has been losing competitiveness in international markets. Moreover, in cross-country comparisons, the ratio will be heavily influenced by country size and geography. Also, it is unclear what an optimal ratio of regional to total trade should be, so that the value of the indicator for guiding trade policy is relatively low.

Table 2.1 Examples of indirect, aggregate trade cost indicators

Quantity-based	Price-based
Share of regional trade in total trade	Price of staple food items (maize, rice)
Share of regional trade in GDP	Price of a typical bag of fertilizer
Intra-regional trade intensity (i.e. ratio of regional trade share to global trade share)	Price of a liter of diesel
Number of firms exporting to global and to regional markets and to both	Price of homogenous manufactures (e.g. plastic buckets, steel tubes, Ikea catalogue items)
Number of products being exported to regional and global markets and to both	
Value of exports per firm – regional/global	
Employment in exporting firms – regional/global	
Number of new export products that were first traded regionally before being exported globally	
Number of "new" seed varieties available to farmers	

Source: Author.

Comparisons of prices for homogenous products can also be difficult to interpret when seen in isolation. Even in a perfectly integrated market, one would not expect the prices in the supply center and the demand center to be identical, as there are transport and transaction costs to link the two markets. Hence, some knowledge of the magnitude of these trade costs (and for time-series analysis their evolution) would be needed in order to make proper judgments on the degree of

market integration. In addition, there are challenges with respect to the comparability of products, the degree of competition in the markets, and currency conversion.

Among partial trade cost indicators, information on tariff barriers is most prevalent, since the liberalization of border taxes has been the early focus of most trade integration agreements. A number of different indicators can be envisioned, either using direct tariff measurement or indirect prevalence data (Table 2.2).

Table 2.2 Examples of tariff-centered trade cost indicators

Direct	Indirect
Production-weighted average regional and MFN tariff	Share of regional trade that pays MFN duty
Trade-weighted average regional and MFN tariff	Share of non-zero intra-regional and MFN tariff lines
Simple average intra-regional and MFN tariff	Share of tariff lines that are exempted from regional preferences
Highest intra-regional and MFN tariff	Prevalence of intra-regional and MFN tariff peaks

Source: Author.

Non-tariff measures (NTMs) come in many shapes and configurations. UNCTAD distinguishes a total of 16 different categories. These comprise technical measures (SPS, TBT, Pre-shipment inspection), non-technical measures (contingent trade protection, non-automatic licenses, price controls, finance-related, competition-related, investment-related, distribution-related, post-sales, subsidies, government procurement, intellectual property, rules of origin), and export-related measures (UNCTAD, 2013). Most NTMs have a domestic policy rationale, but if they are implemented in an overly restrictive manner, they can become barriers to trade. Table 2.3 lists a selection of indicators that can be used to monitor trade and integration.

Table 2.3 Examples of NTB-centered trade cost indicators

Direct	Indirect
Cost of border crossing permit/jetton	Time to cross border
Cost of obtaining import/export license/permit	Time to obtain import/export license/permit
Cost of obtaining certificate of origin	Time for obtaining certificate of origin
Cost to obtain SPS certificate	Time to obtain SPS certificate
Amount of informal payments at border	Share of tariff lines subject to export bans
Cost of standard tests for aflatoxin	

Source: Author.

Trade facilitation related barriers constitute a subset of NTBs that is related to the logistics of cross-border trade. These measures cover practices and procedures concerning transport and border clearance. Again, a large number of potential direct and indirect indicators can be envisaged, of which a sample is presented in Table 2.4.

A well performing logistics sector is particularly important for the emergence of regional production chains. Production networks spanning across several economies have been at the center of the

manufacturing export success in East Asia. While monitoring regional and global production chains is a demanding, data-intensive undertaking, several promising approaches have recently been developed: Koopman and others (2011) calculate a global or regional participation index based on foreign value-added embodied in gross exports and the domestic value-added embodied in third countries' gross exports; Fally (2011) takes the number of production stages as an indicator on the length of the global or regional value chain; and Antràs and others (2012) calculate an index of "upstreamness" based on industry-level input-output tables.Table 2.4 Examples of trade facilitation-centered trade cost indicators

Direct	Indirect
Average cost per mile to transport goods to neighboring markets	Number of road blocks on key trade routes
Average cost of delivering a container from the port to the main consumption center	Number of weigh stations on key trade routes
	Number of transport operators that traders can choose from
	Frequency of physical inspections at border
	Frequency of rejections of certificate of origin
	Share of eligible small-scale traders that benefit from simplified documentation procedures
	Share of one-stop border posts in total number of border posts

Source: Author.

Services trade is substantially different from goods trade. Services can be delivered through four different modes, notably consumption abroad, cross-border delivery, commercial presence, presence of natural persons, and are heavily affected by behind-the-border regulations. Concerning indicators for integration monitoring, indirect aggregate indicators based on quantity or price are similar in nature to those used for goods trade, while direct partial indicators are specific to the sector or sub-sector. Table 2.5 provides a number of examples.

Table 2.5 Examples of services trade-centered trade cost indicators

Partial		Aggregate	
Direct	Indirect	Quantity	Price
Average hourly fees charged by services providers	Number of professionals that obtain work permits under mutual recognition agreements	Share of regional services trade in total services trade	Fees charged by service providers for selected standardized services
Cost to obtain business visa for neighboring markets	Time to obtain a business visa for neighboring markets	Share of regional services trade in GDP	Cost of trade finance
Cost to obtain work permit for neighboring markets	Time to obtain work permit for neighboring markets		Cost of crop insurance
			Cost of local/international phone call

Source: Author.

3. Currently used indicators in Africa

Regional integration in Africa offers substantial opportunities for growth and employment creation. Official statistics show that trade with neighboring countries in food and basic manufacturing goods is very low, but burgeoning informal markets for these products in border regions attest to the existence of price differences that can be profitably exploited. Also, regional production networks are virtually non-existent in Africa, while such regional supply chains have helped countries in East Asia to boost their exports of manufactures to world markets. Recent analytical work suggests that behind-the-border barriers and anti-competitive regulations are major obstacles to mutual beneficial exchanges at the regional level in Africa and that policy reforms in areas such as non-tariff barriers, trade logistics, and services market regulations could generate substantial benefits (Brenton and Isik, 2012).

Governments in Africa are aware of the growing importance of the “new issues” in regional integration, such as non-tariff measures, trade facilitation, and services trade. Corresponding chapters or protocols have been added to most existing RTAs to supplement the original focus on tariff liberalization. Yet, the operationalization and implementation of the new issue areas lags behind, such that the good integration intentions of the agreements often exist only on paper, but not in the reality of the traders.

Furthermore, monitoring of regional trade integration in general, and of integration with respect to the removal of non-tariff barriers, trade logistics impediments, and services trade obstacles in particular, is not very well developed. The processes maintained within the different Regional Economic Communities tend to focus on compliance with integration commitments in the area of tariff integration. Other subject areas are poorly covered and de-facto implementation is rarely assessed. A laudable exception is the proposal by the COMESA Secretariat for a set of regional integration indicators, which is comprehensive and covers all the new trade integration areas (COMESA, 2002). Yet, even within this proposal, more than two-thirds of all the indicators that concern trade

are compliance indicators and trade integration outcomes are only considered in some of the categories (Table 3.1).

The compliance indicators on COMESA's list illustrate some of the challenges that analysts face when assessing the status of integration based on such tools. In particular, some of the compliance indicators are defined very broadly and leave substantial digression to the evaluator. For example, the issue whether an independent competition authority exists has, in fact, several dimensions: Has a law on the establishment of a competition authority been passed? Is the institution independent from government influence, including funding? Has the authority been provided with appropriate human and financial resources? Is there case evidence that the institution is functioning? - If a "yes" to only the first question were already to trigger a full score for integration in this category, the monitoring process would be rather weak, as obviously a fully functioning competition authority would only have been partially established. A better way to reflect the status of integration in this case would be to record the progress made towards the integration objective by reporting, for instance, completion scores in percentage terms.

Table 3.1 COMESA's Proposal for a Set of Regional Trade Integration Indicators

Category	Variables	Outcome indicator		Indicator of
		Direct	Indirect	compliance
Trade liberalization	Number of non-zero tariffs		X	
	Highest MFN tariff	X		
	Highest regional tariff	X		
	Weighted Average MFN tariff	X		
Trade facilitation	Level of conformity to the WTO TBT Agreement			X
	Capacity of member states to implement mutually recognized certification marking schemes			X
	Notification of national enquiry points			X
	Ability to regulate and monitor sanitary and phytosanitary standards			X
	Use of ASYCUDA (or similar)			X
	Use of GATT valuation system			X
	Use of COMESA customs document			X
	Use of HS1996 (or later) customs classification system			X
Trade in services	Establishment and publication of Contact and Enquiry Point			X
	Performance with regard to commitments			X
	Reductions in exemptions over time		X	
Transit facilitation	Implementation of COMESA harmonized road transit charges			X
	Use of COMESA carriers license			X
	Use of COMESA customs bond guarantee			X
	Implementation of harmonized axle load and vehicle dimension regulations			X

	Implementation of COMESA third party vehicle licensing system			X
Capital flows and foreign investment	Existence of foreign investment code providing national treatment			X
	Degree to which there are any restrictions on foreign ownership of businesses		X	
	Level of restrictions on foreign ownership of land		X	
	Level of restrictions on repatriation of earnings		X	
Regulatory environment	Existence of an independent competition authority tasked with implementing a set of legally recognized rules and regulations on competition			X
	Existence of an independent telecommunications authority tasked with implementing a set of legally recognized rules and regulations on telecommunications			X
	Existence of an independent standards authority tasked with implementing a set of legally recognized rules and regulations on standards			X
	Existence of defined regulations dealing with public procurement in member states			X
Licensing requirements	Level of licensing requirements to operate a business		X	
	Time taken to obtain appropriate licenses to start business operations	X		
	Transparency of licensing system			X

Source: COMESA (2002).

3.1 Compliance and tariff monitoring

The examination of compliance with tariff reduction and harmonization commitments in trade agreements can be described as the standard form of monitoring. The processes are normally managed by the RTA-Secretariats, who receive respective information from members. For example, the African Union Commission, in collaboration with the African Development Bank and the United Nations Economic Commission for Africa, checks regularly on progress at the continental level with respect to the implementation of the Abuja Treaty of 1991 (Table 3.2). Similar monitoring systems based on self-reporting and aggregate “achieved/not achieved” assessments are available for virtually all integration agreements within Africa.

The integration outcomes reported in Table 3.2 again highlight the drawbacks of highly aggregated compliance monitoring. For example, while COMESA has been working to remove tariff and non-tariff barriers among its members, not all member countries are participating in its Free Trade Area. Nevertheless, the scorecard records an unambiguous “achieved” for this category. Similar reservations could be made for the integration progress in ECCAS and ECOWAS.

In West Africa, WAEMU (2010) uses a detailed scorecard approach. It lists the community-level directives in different policy areas and reports whether or not a member country has transcribed

the integration measures into national law. In addition, the reporting comprises an average of compliance across all member countries, as well as an average of compliance across integration measures in each country.

Table 3.2 Abuja-Treaty scorecard of regional integration in Africa

At REC level								
	ECOWAS	COMESA	ECCAS	IGAD	CEN-SAD	EAC	SADC	Completion date in the Abuja Treaty
First stage (5 years): Strengthen RECs	Achieved	Achieved	Achieved	Achieved	Achieved	Achieved	Achieved	1999
Second stage (8 years): Coordinate and harmonize activities and progressively eliminate tariff and non-tariff barriers	Achieved	Achieved	Achieved	X	Achieved	Achieved	Achieved	2007
Third stage (10 years): free trade area and customs union in each REC	X (2015)	X (June 2009)	X (2011)	To be set	X To be set	X X	X (2011)	2017
At continental level								
Fourth stage (2 years): continental customs union	Not Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	2019
Fifth stage (4years): continental common market	Not Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	2023
Sixth stage (5 years): continental economic and monetary union	Not Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	2028

X represents the current stage of integration of each REC.

Source: UNECA, 2012.

In the East African Community, a framework for monitoring and evaluating the implementation of the EAC Common Market Protocol was established in 2012. This framework calls for the periodic preparation of reports on the de-jure implementation of Protocol provisions for submission to the Council of Ministers, which then assesses the progress made towards the original schedule.

As part of its strategic planning, COMESA has mapped out a set of quantitative targets that it and its member states hope to meet by 2014 (COMESA, 2012). A useful characteristic of the listing is that it specifies targets for particular sub-categories (e.g. adoption of harmonized standards, common tariff nomenclature, CET) instead of just focusing on a broad, overall assessment of tariff commitment implementation:

- At least 10 Member States formalize Inter-Ministerial Committees by 2014
- Full implementation of FTA by Eritrea, Ethiopia, RD Congo and Uganda
- At least 30% of NTB resolved per year per country
- At least 10 Member States implement some of the harmonized standards by 2014
- All Member States countries domesticate the Common Tariff Nomenclature by 2014
- At least 10 COMESA Member States implement CET by 2014 (excluding sensitive and excluded lists)
- At least 11 MSs have their final list of sensitive products submitted to COMESA Secretariat and gazetted at MS level by 2014
- At least 10 MS domesticate the Customs Management Regulations by 2014

- At least 10 Member States submit final schedule of commitments by 2014
- At least 10 Member States adopt the COMESA Competition Enforcement Guidelines by 2014
- At least 6 Member States sign and ratify the Protocol to the Common Investment Agreement and domesticate the investment agreements by 2014
- Member States implement Transit Transport Facilitation Instruments by 2014

The monitoring process at SADC also keeps track mainly of the "existence" of national institutions or laws (Table 3.3). In addition, the analysis matrix contains some entries that point towards aggregate outcome indicators.

Table 3.3 SADC trade integration monitoring matrix

INTERVENTION AREA	INTEGRATION OBJECTIVE	INDICATORS	STATISTICAL INFORMATION REQUIRED
CLUSTER 1: TRADE INDUSTRY FINANCE AND INVESTMENT (TIFI)			
1.1 Goods and Services Market Integration	Trade and Economic Liberalization and Development through phased establishment of: SADC Free Trade Agreement (FTA), Customs Union, Common Market, Monetary Union, and eventually Regional Currency	- Existence/ implementation of Framework for Common Trade Policies. - Existence/ implementation of Framework for Removal of Tariff and Non-Tariff Barriers. - Existence of integrated goods and services market. - Extent of Availability and Accessibility of Services. - Existence/ implementation of Regional agreement on free movement of people. - Magnitude and development of Intra- and extra-regional trade. - Degree of trade openness. - Regional Economic Integration - Economic Growth and Prosperity.	- Merchandise trade: total exports and total imports, major commodity breakdowns, Intra- and extra - SADC imports and exports of goods, export and import unit and volume indices, terms of trade indices. - Exports and imports of (transportation, travel, and other) services. - Balance of payments: imports and exports of goods and services, current account balance, reserves, overall balance, International Investment Position. - External debt and debt-service schedule. - Intra-regional migratory flow. - Tariff level of tariffs for intra- and extra-regional imports. - Imports coverage rate by exports.

Source: SADC (2012).

3.2 Non-tariff barriers

Non-tariff barriers are highly heterogeneous and quantifying their prevalence and impact is a major challenge. NTBs range from procedural and administrative issues (such as customs clearance procedures, documentation, interpretation and application of Rules of Origin) to technical and regulatory matters (such as divergent standards), as well as charges and fees related to the clearance of goods in transit.

In 2007, SADC instituted a mechanism that registers complaints from private sector operators regarding NTBs, which was subsequently extended to COMESA and EAC as part of the Tripartite arrangement. Implementation of the mechanism involves collaboration between traders, national focal points based in government trade departments and the RTA Secretariats in bringing contentious issues to the attention of policy makers and following up on complaints until their resolution. Between 2007 and 2012, 329 notifications have been made to the SADC Secretariat, of which 223 have been resolved (SADC, 2012). Table 3.4 shows an excerpt on resolved NTB issues within the EAC.

While the process of establishing an NTB registry and negotiating the resolution of complaints is a valuable undertaking, it is important to ensure that the resolution mechanism does not remain limited to the particular case, but extends to the underlying policy issue. If complaints are treated as isolated cases that can be taken off the table through administrative derogation, the overarching aim of facilitating intra-regional trade might not be achieved, as the trade impediments that triggered the complaint are not addressed. Indeed, the same type of complaints might surface again and again. In this context it could be useful for the REC-Secretariats, perhaps in cooperation with development partners, to undertake an assessment of the impact of the NTB complaints registry on trade policy in member countries.

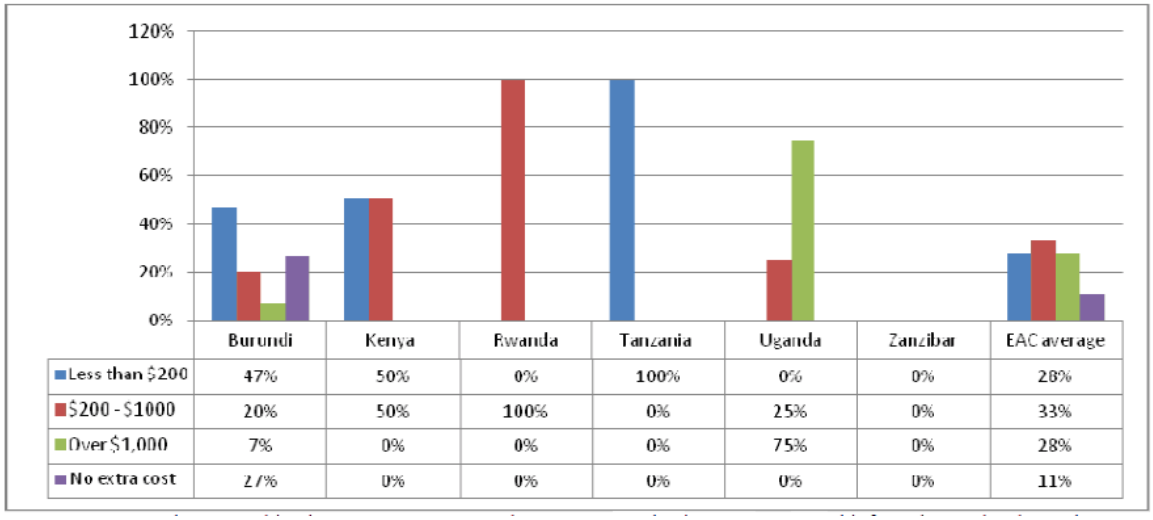
Table 3.4 NTB resolution in the EAC

	NTB summary Description	Affected countries	NTB source & Ministry/ Department/ Agency for action	Impact to Businesses	Prioritized Action	Bottlenecks or Success Factor	Status / Recommendations	Time-frame
RESOLVED NON TARIFF BARRIERS								
1.	**Tanzania requires cash bonds for transportation of sugar to Rwanda.**	Rwanda	TRA	Adds to cost of doing business	Abolition of the requirement	Resistance from TRA because of possible dumping of sugar.	**Tanzania** reported that she is now using bonds rather than normal bonds.	**Resolved**
2.	**Burundi charges entry fee for vehicles from other Partner States**	Kenya, Uganda, Tanzania & Rwanda	Burundi Customs	Adds to cost of doing business	Abolition of the charge		**Burundi** reported she had abolished the charge.	**Resolved**
3.	**Varying application of axle load specifications**	All Partner States	Kenya Ministry of transport TANROADS Uganda Ministry of transport	Unnecessary time loss at the weigh-bridges Corruption	Introduce weigh-in motion systems and harmonization of axle load limits and gross vehicle mass (GVM) in the region	Insufficient financial resources Political disagreements on whether to adopt COMESA or SADC specifications	The meeting of the session of permanent secretaries of the Sectoral council of transport, communications and metrology was held on 16th – 19th August 2011 in Nairobi to consider the matter. The session recommended that a meeting technical expert be convened by EAC Secretariat to develop supportive legal, intuitional and operative framework for approval by the Council by April 2012.	**Resolved**
4.	**Imposition Visa to Burundians entering Tanzania**	Burundi	Immigration Department of Tanzania	Restriction of entering.	Removal of visa		**Tanzania** reported that the issue was been handled by the relevant Government body (Issue has been Resolved)	**Resolved**

Source: EAC (2012).

Data on direct costs of NTBs are generally difficult to find, but surveys of traders can help to get estimates that illustrate the order of magnitude. For example, the EAC in collaboration with several development partners has regularly undertaken surveys of traders, transport service providers, and business people in order to obtain information on the severity of impediments related to technical standards, SPS measures, and business licensing. Figure 3.1 summarizes the results concerning costs incurred due to the lack of information about new standards.

Figure 3.1 Average extra costs incurred as a result of not being adequately informed about new/ changed regulations on quality



	Burundi	Kenya	Rwanda	Tanzania	Uganda	Zanzibar	EAC average
Less than $200	47%	50%	0%	100%	0%	0%	28%
$200 - $1000	20%	50%	100%	0%	25%	0%	33%
Over $1,000	7%	0%	0%	0%	75%	0%	28%
No extra cost	27%	0%	0%	0%	0%	0%	11%

Source: EAC (2011).

3.3 Trade logistics barriers

Barriers to trade logistics can be seen as a subset of non-tariff barriers. The same difficulties with respect to measurement and quantification apply and have limited the use of trade facilitation outcome indicator in Africa. Yet, some examples of trade logistics outcome indicators exist. For instance, UNECA (2010) counted and reported the number of checkpoints on highways in West Africa that slow down shipments (Table 3.5).

Table 3.5 Checkpoints on selected West African highways

Highways	Distance, Km	Number of Checkpoints	Checkpoints per 100 km
Tema - Ouagadougou	962	25	2.60
Ouagadougou – Bamako	910	19	2.09
Lome – Ouagadougou	1036	23	2.22
Cotonou – Niamey	1036	34	3.28
Abidjan – Ouagadougou	1122	37	3.30
Niamey - Ouagadougou	529	20	3.78

Source: UNECA (2010).

Moreover, the West Africa Trade Hub is monitoring the performance of transport corridors as part of its programme to strengthen the competitiveness of exports from the region. It publishes periodic assessments of the trade costs involved in transporting goods along particular corridors and also provides estimates of savings that could be realized if particular impediments were to be eliminated. For example, a recent report on the Lomé-Quagadougou corridor found that USD 80 million could be saved annually by adopting best transport practices (USAID, 2012).

Another means of obtaining qualitative and quantitative information on trade logistics and other non-tariff barriers are surveys of traders, truck drivers, and regulators. For example, the EAC survey mentioned above also queries transport service providers about their experiences when shipping goods within the Community. Table 3.6 shows a summary of the survey results for the survey area of customs treatment.

Table 3.6 Survey findings on obstacles to customs clearance in the EAC

Country	Customs Officer clearly explained why stopped my truck		Time spent at customs offices			Checks done	Treatment received			Official charges	Officer tried to solicit for a bribe		
	yes	no	less than 1hr	1hr - 12hrs	12hrs - 1 day		very good	fair	very harsh		yes	no	bribes paid
Kenya	3	0	0	2	1	Drivers license, Cargo documents, vehicle weight, driver's and passenger passport	3		0	0	0	3	0
Uganda	4	0	2	2	0		3	1	0	0	0	4	0
Rwanda	4	0	2	2	0		1	3	0	0	0	4	0
Burundi	4	0	2	1	0		2	1	0	0	0	4	0
Tanzania	3	0	3	1	0		2	2	0	0	1	3	0

Source: EAC (2011).

Other areas with potential non-tariff barriers covered in the EAC survey include:

- Port administrative requirements;
- Immigration procedures;
- Police checks at roadblocks; and
- Weighbridge station procedures;

These survey results provide valuable information on the frequency and severity of different trade logistics and other non-tariff barriers. They are specific and outcome-related, and reflect feedback from ordinary traders, transport providers, and public officials. A drawback of the EAC survey approach, though, is the relative small sample size for individual issue areas, which compromises the representativeness of the findings and the possibility to reliably compare and track outcomes over time.

3.4 Regulatory barriers to trade in services

Services trade does not (yet) have a high profile in the trade integration process in Africa and effective monitoring systems do not exist for this trade area. COMESA (2011) included several indicators on services trade in its latest medium-term strategic plan, but all of these indicators focus on

compliance issues and do not address trade outcomes. Table 3.7 contains the respective indicator matrix.

Table 3.7 Matrix of services trade monitoring indicators in COMESA

Key Actions	Key Outcomes	Performance Statement	Target Indicators
Carry out assessments and identify additional priority services sectors in the Member States	Additional Regional priority services sectors agreed	Priority services sectors agreed	
Implement the Trade in Services Regulations in accordance with the Negotiating Guidelines		Regulations on Trade in services implemented	No of member States that have transposed regulation
		Schedules of specific commitments adopted	No of sectors offered at regional level by each member state exceeds its WTO commitments
Negotiate levels of market access and national treatment to be accorded to service suppliers within the region	Market access and national treatment to Member States	Level of services liberalization provided for in the Schedules of specific commitments	Level of market access and national treatment accorded
Negotiate Mutual Recognition Agreements to facilitate movement of professionals in the region	A framework for Mutual Recognition Agreements to facilitate movement of professionals in the region developed and implemented	Implementation of Mutual Recognition Agreements	No of countries implementing Mutual Recognition Agreements
Develop methods of gathering services statistics	Service statistics methodology	Service Statistics	Methodology for services statistics agreed and adopted by Member States by 2014
Establish the COMESA Regional Association of Services Industries	COMESA Regional Association of services industry created.	Functional COMESA Regional Association	COMESA Regional Association of services industry in place by 2013
Review MFN exemptions	MFN exemptions finalized		Regional exemption list agreed by 2011

Source: COMESA (2011).

4. Currently used indicators in other regions

While some initiatives in Eastern and Southern Africa are promising, the preceding section has highlighted some significant gaps in trade integration monitoring, in particular with respect to the monitoring of trade outcomes. In this context the question arises whether RTAs in Africa can learn

from the experiences and practices in other regions of the World. The following discussion surveys a number of relevant trade monitoring arrangements in East Asia, Europe, and Latin America.

Similar to the situation in Africa, compliance monitoring is the dominant form of assessment for regional integration agreements. Yet, the scope of the evaluation is often broader and more ambitious. For example, the European Union in its Internal Market Scoreboard has set a target for each member state of implementing at least 99.5 percent of all directives. Also, ASEAN uses a scorecard approach for its members' towards the ASEAN Economic Community that gives equal attention to integration in goods, services, investment, capital, and skilled labor (Table 4.1).

Table 4.1 ASEAN Economic Community scorecard

Key Areas	Phase I (2008-2009)		Phase II (2010-2011)		Total Measures	
	Fully Implemented	Not Fully Implemented	Fully Implemented	Not Fully Implemented	Fully Implemented	Not Fully Implemented
Free Flow of Goods	9	0	23	24	32	24
Free Flow of Services	10	3	13	17	23	20
Free Flow of Investment	5	1	5	8	10	9
Freer Flow of Capital	1	0	5	0	6	0
Free Flow of Skilled Labor	-	-	1	0	1	0
Priority Integration Sectors	28	0	1	0	29	0
Food, Agriculture and Forestry	8	0	5	6	13	6
Total Number of Measures	**61**	**4**	**53**	**55**	**114**	**59**
Implementation Rate	**93.8%**		**49.1%**		**65.9%**	

Source: ASEAN.

With respect to overall trade outcomes, the Eurasian Economic Community is tracking not only aggregate intra-regional trade volumes, but similarly trade between country-pairs within the region and between every individual country and the region (Table 4.2). This can make it possible to identify asymmetries in the degree of integration, in particular if some countries trade intensively with regional partners while others do not. A region-wide average could in this case be misleading.

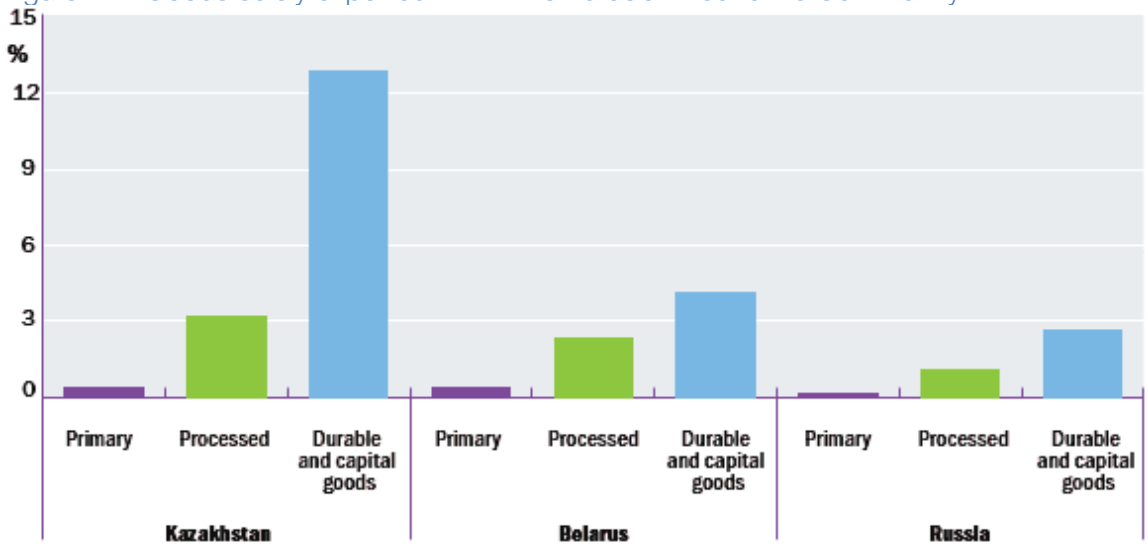
Table 4.2 Indicators of Market Integration in the Eurasian Economic Community

Indicator	Country pair	Country-to-region	Region
A. General market integration			
Mutual trade	(Country's share in the total foreign trade turnover of the country pair + country's share in the total GDP of the country pair) * 100 / 2	(Country's share in trade with the region in the total foreign trade turnover of the country + country's share in trade with the region in the country's GDP) * 100 / 2	(Share of the countries' mutual trade in their total foreign trade turnover + share of the countries' mutual trade in the region's total GDP) * 100 / 2
Migration	Share of labour migrants from each country of the pair working in the other country in the total population of the country pair	Share of labour migrants from the country working in the region in the total population of the country	Share of labour migrants from all countries of region working in other countries of the region in the total population of the region

Source: Eurasian Development Bank (2010).

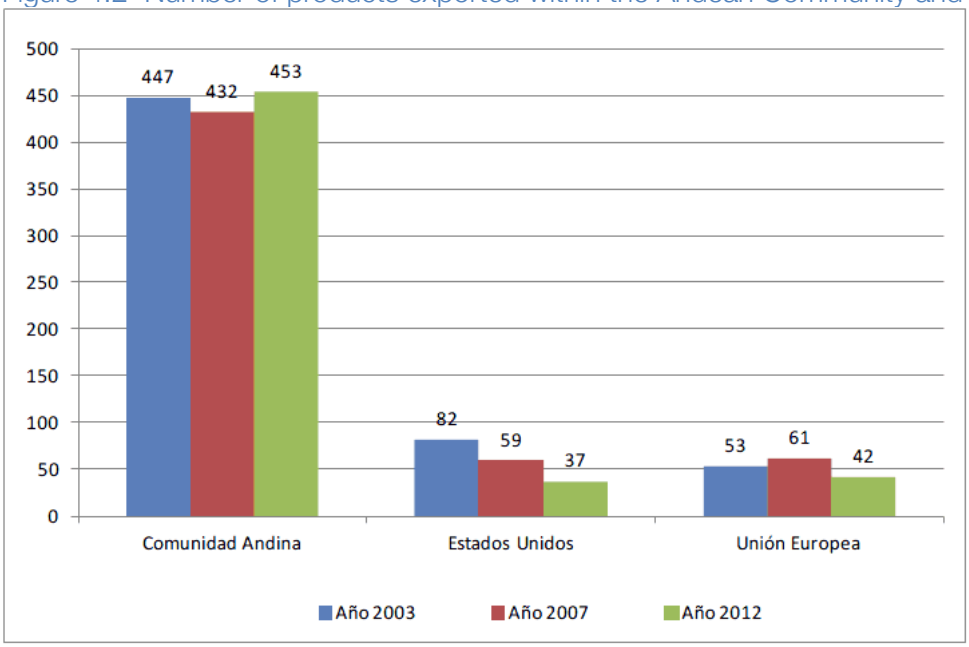
Another refinement of overall trade volume analysis is to assess the composition of trade. The latter can be analyzed, for example, by product groups (Figure 4.1) or by technological contents. The Andean Community also tracks the number of products that are being exported to regional partners and to the world market (Figure 4.2).

Figure 4.1 Goods solely exported within the Eurasian Economic Community



Source: EBRD (2012).

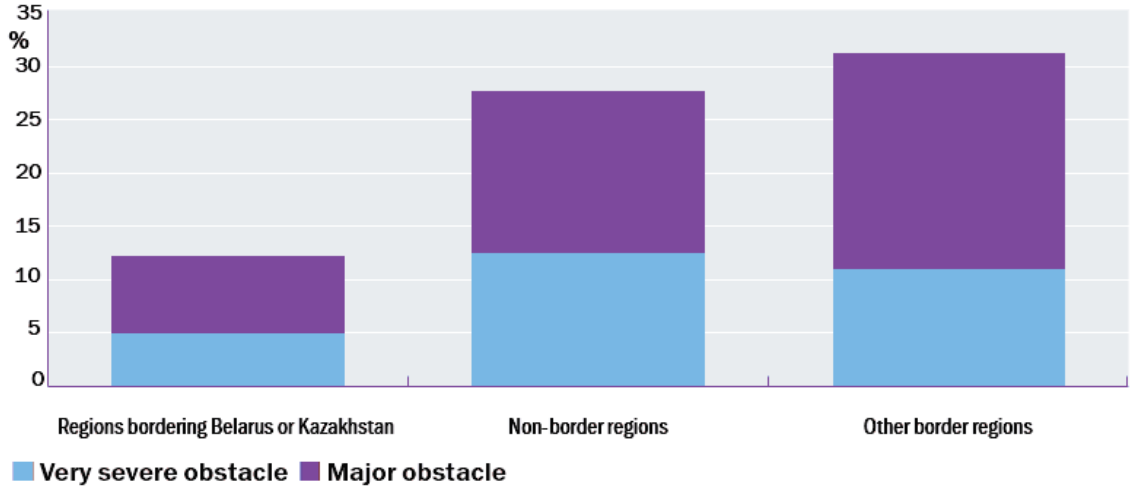
Figure 4.2 Number of products exported within the Andean Community and to external partners



Source: Andean Community (2013).

Concerning non-tariff barriers, many RTAs maintain inventories of business complaints and provide institutionalized mechanisms for complaint resolution or dispute settlement. Examples include the Central America Free Trade Area, the Andean Community, and Mercosur. Surveys are equally used to collect structured feedback on potential trade impediments. For example Russian businesses were asked to assess the extent to which border procedures within the Eurasian Community are easier to comply with than other border crossings (Figure 4.3).

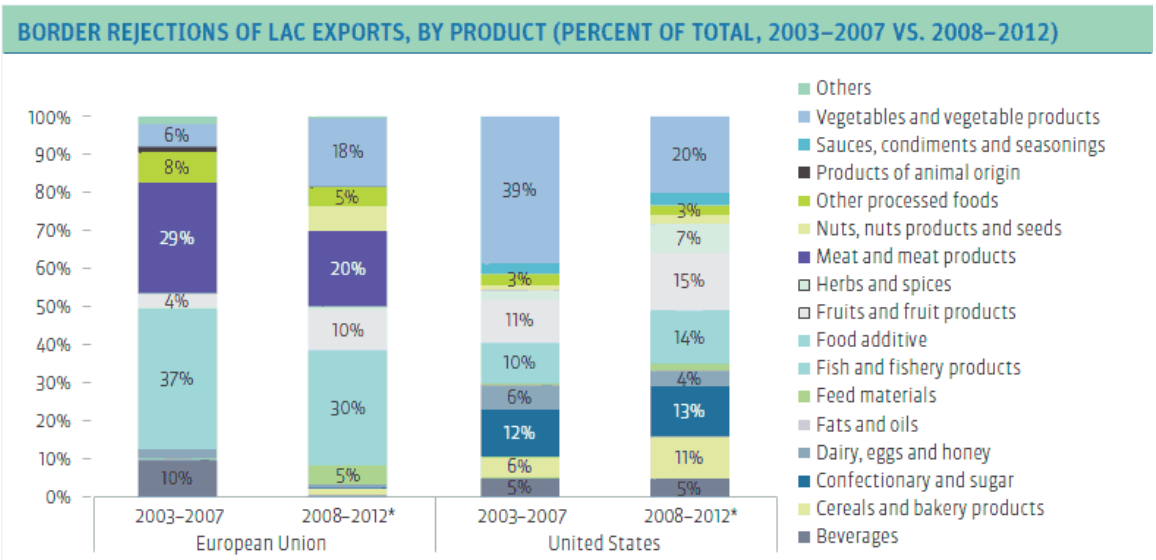
Figure 4.3 Percentage of Russian firms viewing cross-border trade regulations and customs as serious obstacles



Source: EBRD (2012).

Moreover, the Inter-American Development Bank tracks border rejections for exports from Latin America to key export markets (Figure 4.4) as a proxy for problems that exporters face with respect to compliance with international standards. While done by the IDB for the entire sub-continent, similar monitoring schemes could also be established at the level of individual RECs.

Figure 4.4 Export standards monitoring in Latin America

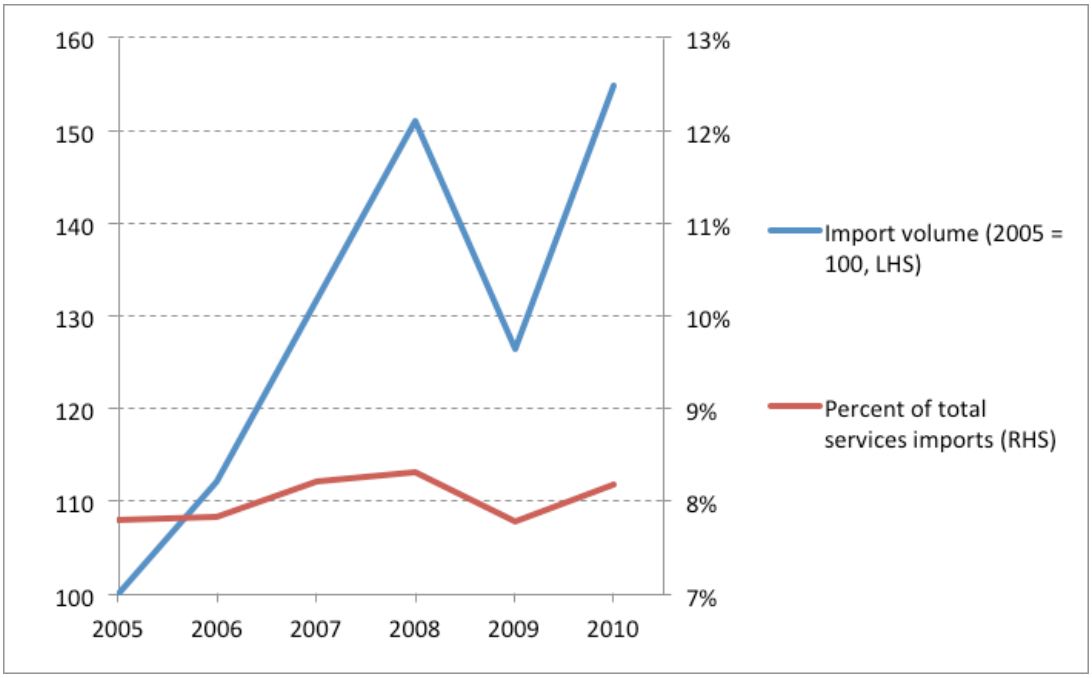


Source: IDB (2012).

Intra-regional services trade is explicitly monitored by the ASEAN Secretariat. It reports on the evolution and share of regional in total services imports (Figure 4.5). Moreover, the monitoring process also tracks regional services trade at the sub-sectoral level for member countries (e.g. Singapore) that make respective information available.

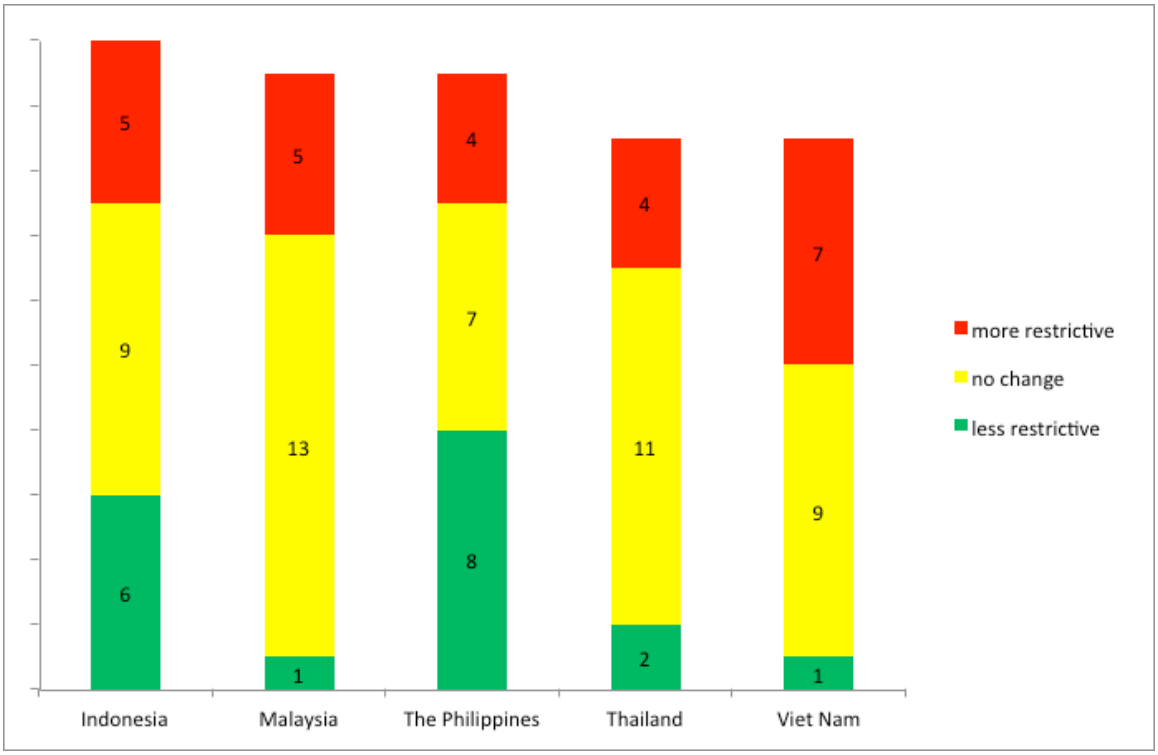
respect to policies vis-à-vis the services sector, ASEAN has been working with the World Bank on using the Services Trade Restrictiveness Index (STRI) for monitoring purposes. For example, it has been assessing changes in member countries' regulations over time using the STRI methodology (Figure 4.6). Another form of monitoring has consisted of establishing to what extent commitments under the ASEAN Framework Agreement on Services (AFAS) go beyond multilateral liberalization commitments, thus providing regional partners with preferential treatment. Figure 4.7 provides a snapshot of the findings for the case of The Philippines.

Figure 4.5 Intra-ASEAN services imports



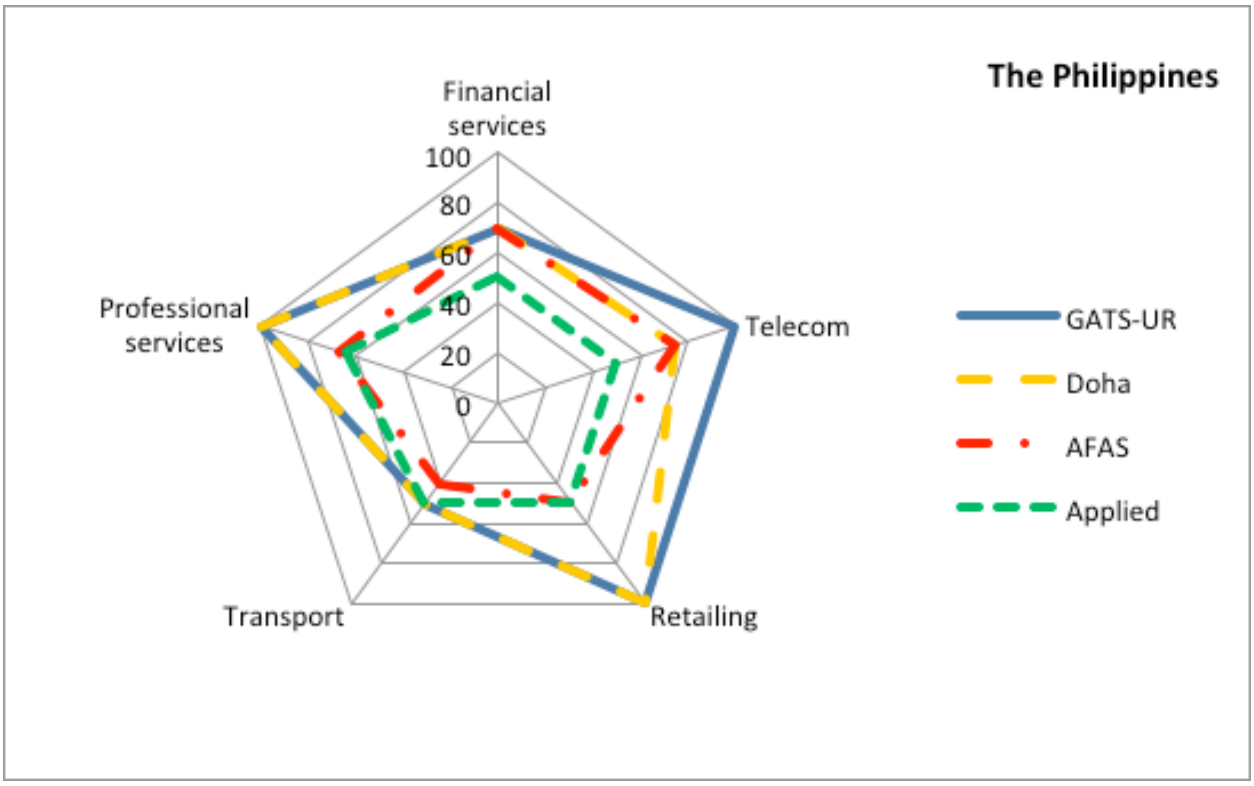
Source: ASEAN (2013).

Figure 4.6 Changes in services trade restrictiveness between 2007/08 and 2010 (number of subsector-mode combinations undergoing reform)



Source: ASEAN (2013).

Figure 4.7 Comparison of services trade commitments and policies (higher value indicates more restrictive policy measures)



Source: ASEAN (2013).

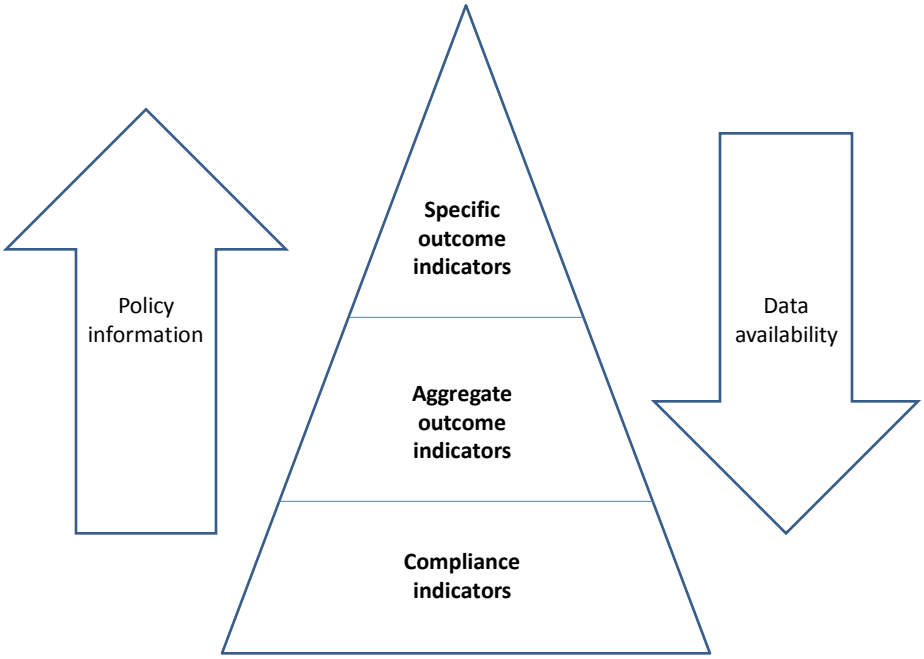
5. The way forward

The preceding discussion has established that a variety of different approaches to monitor regional trade integration exist in Africa and beyond. Unfortunately though, systematic and rigorous implementation monitoring still seems to be more of an afterthought than a well-planned practice. Also, the information systems that inform policy makers and civil society about the status of regional integration appear to be slow in adjusting to mounting evidence that the main impediments to regional trade expansion in Africa are no longer due to border taxes, but to non-tariff barriers, poor trade logistics, and excessively strict services market regulations.

The analysis distinguished between three types of indicators: those measuring compliance with integration commitments, those measuring outcomes indirectly and at an aggregate level, and those capturing specific trade cost components either directly or indirectly. These categories are roughly aligned with the usefulness of the indicators to discern trade integration outcomes and provide feedback to decision makers. Compliance, that is successful transposition of regional policies into national law, is a necessary but insufficient condition for de-facto implementation. Aggregate outcome indicators can point to the impacts of regional integration, but are subject to a large number of influences beyond regional trade policies. In contrast, specific direct and indirect information on trade cost components can often straightforwardly be linked to particular integration reforms and, as such, provides for the most powerful indicators. Yet, the usefulness of the indicator

categories tends to be negatively related to the ease of obtaining respective data and information, so that a trade-off has to be made during the indicator selection process (Figure 5.1).

Figure 5.1 The indicator triangle of integration monitoring



Source: Author.

Compliance indicators have been the mainstay of integration monitoring. The required information to generate the scorecards is relatively easy to obtain for the Secretariats of the regional integration agreements that are normally in charge of the monitoring process, and the process of putting peer-pressure on lagging members is valuable for moving the integration process forward. Compliance monitoring is widespread in Africa, but could possibly be further refined to enhance its impact. One aspect that emerges from the earlier analysis is the coverage of different trade aspects. Here, the RTA Secretariats should make sure that all the facets of trade integration, notably tariffs, non-tariff measures, trade facilitation, and services trade, are adequately represented in the scorecard matrix.

Another relatively easy way to achieve higher outcome relevance of compliance indicators would be to shift to a higher level of disaggregation of the categories that are being scrutinized. For example, instead of asking whether an agreement's provision on customs procedures has been implemented, it could be monitored whether a particular trade classification is used, whether a particular type of processing software has been adopted, and whether agreed transit procedures that are contained in the provision are being followed. Also, the specificity of the compliance indicators could often be improved by giving them a quantitative dimension. For instance, instead of establishing whether regional certificates of origin are being accepted (in principle), the scorecard entry could record whether in more than 95 percent of cases the regional certificate of origin is being honored.

Aggregate outcome indicators, notably measures that involve the volume of intra-regional trade, are relatively frequently found in African integration monitoring systems. These indicators are constructed from data that are normally readily available from national statistical offices or international organizations. As in the case of compliance indicators, room for improvement exists in Africa with respect to the coverage of different trade aspects. Also, in large and diverse RTAs, average indicator values can be misleading and could be usefully supplemented by country-level information. For example, a large share of intra-regional trade could be dominated by intensive exchanges between some large countries within the RTAs, while trade of some other countries with their RTA partners might be negligible.

An illustrative list of core aggregate outcome indicators might comprise the following:

- Intra-regional merchandise trade to GDP ratio (possibly also at country level and for country-pairs)
- Intra-regional merchandise trade intensity (possibly also at country level and for country-pairs)
- Logistics performance index (World Bank)
- Number of documents to import (World Bank Doing Business)
- Number of days to import (World Bank Doing Business)
- Costs to import (World Bank Doing Business)
- Total freight costs of US imports (US-ITC), ratio to regional comparator
- Intra-regional services trade to GDP ratio (possibly also at country level and for country-pairs)
- Intra-regional services trade intensity (possibly also at country level and for country-pairs)
- Intra-regional FDI to GDP ratio (possibly also at individual country level and for country-pairs)

Data to construct most of the above indicators is readily available in international databases or from national statistical offices. Yet, some of the listed aggregate outcome indicators, such as those relating to trade facilitation, concern trade in general and are not particularly focused on regional trade. Hence, where suitable regional or bilateral information is available, for example from transport corridor monitoring, these data could be used to construct more specific, region-centered indicators that could substitute for the general indicators listed above.

Specific outcome indicators that directly or indirectly reflect parts of the total trade transactions costs faced by traders are currently not widely used in Africa. Yet, these are the indicators that can be most closely associated with a particular policy reform measure, and thus help best to monitor the latter's impact. Some RTAs in Africa and other regions currently collect information on NTB complaints, but, although valuable, this information is subjective and might not be fully representative of the actual situation. Similarly, the available surveys of business people involved in trade transactions can provide some useful insights on existing obstacles, but generally suffer from a small sample size. Hence, a significant improvement to the available inventory and survey-based monitoring of NTBs and trade logistics impediments would consist of an increase in the number of observations, such that the robustness of the results and the ability to track developments over time would be strengthened.

Services trade is the area that is least covered by existing trade integration assessments. This lack of attention reflects partly the relative recent realization by policy makers and analysts that open and competitive services markets play a crucial role for economic growth and development. An-

other part of the monitoring deficit is certainly due to the general paucity of data on international services transactions. Nevertheless, some quantitative information is available in most countries, for example on the costs of particular services or the number of professionals that are accredited under Mutual Recognition Agreements, which would make it possible to construct related indicators.

More generally, the overall number of partial trade cost indicators that could potentially be used in trade integration monitoring is large (see section 2.2). A selection has to be made based on policy priorities and the availability of suitable data. Ideally, relevant information might be found in Customs' records or inventories of business associations. Also, regularly repeated firm or household surveys might contain exploitable data, or could be amended to feed into the monitoring process.

Trade is, of course, only one of many integration areas in regional agreements. Modern RTAs contain provisions across a large number of dimensions, including institution building, education, culture, and security, to name just a few. Many of these non-trade areas would equally benefit from sharpened monitoring processes and enhanced reliance on outcome indicators. Yet, trade costs are probably easier to capture than the transaction costs in most other integration areas, and it seems therefore justified to first deepen the monitoring effort concerning trade and in subsequent stages enlarge the purview of the monitoring process to other areas.

Policy makers and public officials need to be held accountable for any implementation deficits in the integration policies they initiate. Conversely, they need to be able to receive appropriate credit for politically difficult reforms that they pursue successfully. More systematic, outcome-oriented monitoring processes can help to deliver on both of these fronts.

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