International Tropical Timber Organization

de la part du Peuple japonais

PD 700/13 Rev.1 (I) : DEVELOPMENT OF INTRA-AFRICAN TRADE AND FURTHER PROCESSING IN TROPICAL TIMBER AND TIMBER PRODUCTS – PHASE I [STAGE 1]

INTRA-AFRICAN TRADE IN TROPICAL TIMBER AND TIMBER PRODUCTS AND OPTIONS FOR TRADE FACILITATION

TECHNICAL REPORT N°1

de la part du
Peuple japonais

INTERNATIONAL TROPICAL TIMBER ORGANIZATION
ITTO

PD 700/13 Rev.2 (I) DEVELOPMENT OF INTRA-AFRICAN TRADE AND FURTHER PROCESSING IN TROPICAL TIMBER AND TIMBER PRODUCTS – PHASE I [STAGE 1]

Output 1. Process to facilitate trade is in place and facilitated arrangements in operation for TTP exports in the region

INTRA-AFRICAN TRADE IN TROPICAL TIMBER AND TIMBER PRODUCTS AND OPTIONS FOR TRADE FACILITATION

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June 2016

EXECUTIVE SUMMARY

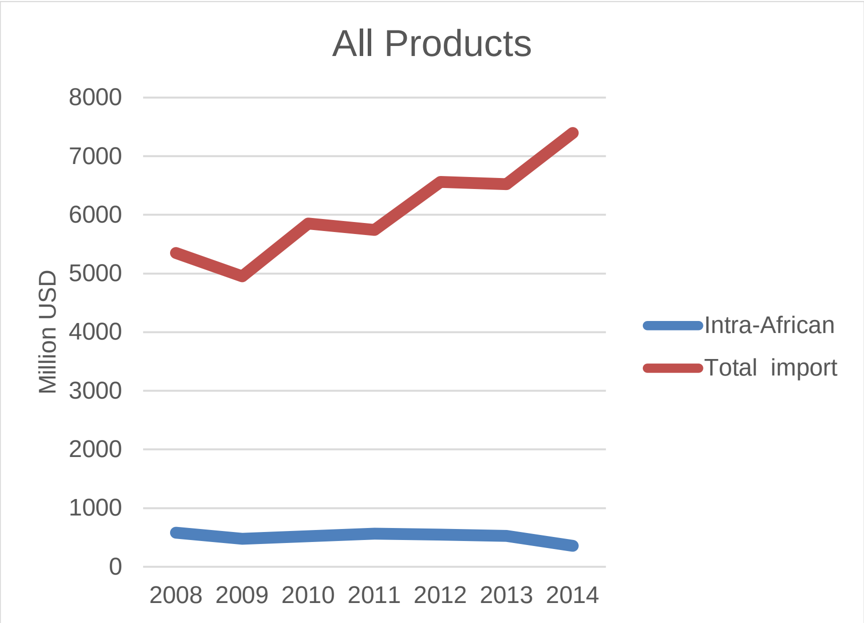
The main purpose of the study is to update information on the intra-African trade and barriers to trade in tropical timber and timber products (TTPs) in view of developing exports to the region by the African ITTO member countries. The study is a partial contribution to the implementation of the ITTO projects PD 700/13(I) Rev. 2. Development of Intra-African Trade and Further Processing in Tropical Timber and Timber Products - Phase I [Stage 1] aimed at promoting socio-economic development and sustainable management of African forests through value creation by expanded further processing of tropical timber and intra-African trade.

TRADE ANALYSIS

Trade trends

In 2013 Africa imported TTPs worth USD 6.5 billion with an average annual growth rate of 3.7% since 2008. The preliminary data for 2014 is USD 7.6 billion suggesting accelerating growth. The intra-regional imports in 2013 were only USD 526 million or 8 % of the total. No growth trend can be identified which is disappointing due to weak competitiveness of African producers against Asian and other outside suppliers.

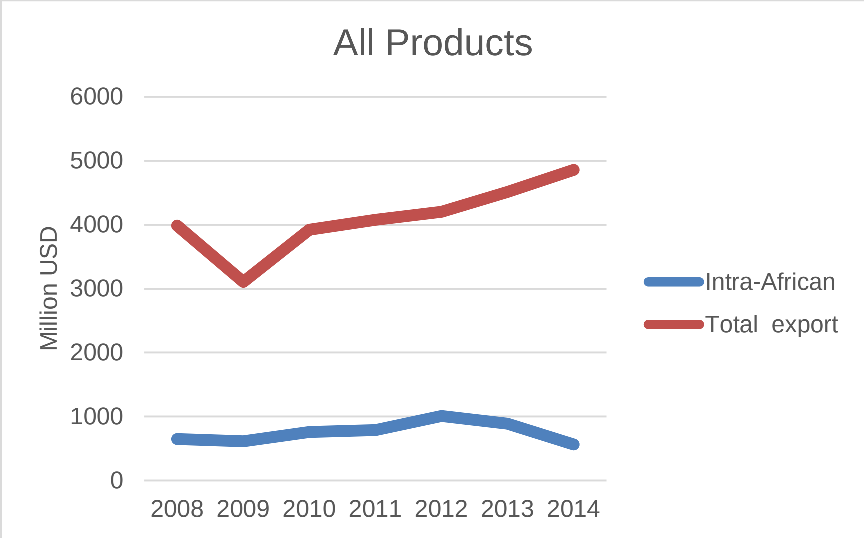
The imports of the African ITTO member countries were valued at USD 424 million in 2013 showing that their own markets are significant offering substantial business opportunities, including for cross-border trade.



Imports of timber and timber products in Africa, 2008-2014

Africa's exports in TTPs have been growing slowly (only 2.4%/year) amounting to almost USD 5 billion in 2014. About 20% of the total regional exports found their markets in other African countries and these intra-regional trade flows have been growing fast (6.2%/year).

The African ITTO producing countries generated 58% of the total regional exports (USD 2.6 billion) but they have not been able to fully tap the significant export potential offered by the intra-regional markets where their market share has dropped from 44% in 2008 to 33% in 2013 valued at USD 290 million.



Exports of timber and timber products in Africa, 2008-2014

Net trade

The net trade in TTPs in Africa has been persistently negative. In 2013 the region's imports were USD 1.9 billion higher than its exports. The negative trade balance has widened by almost USD 100 million a year in spite of the fact that the region could become a net exporter.

Product composition – imports

In 2013 the primary products accounted for 56% of the total African imports valued at USD 3.7 billion and SPWPs for 44% valued at USD 2.9 million. Log imports amounted to USD 445 million in 2013 with a slow negative trend. Sawnwood has been the most important import item, growing gradually and reaching USD 2 billion. However, the trend in intra-regional trade (USD 138 million) has been declining. Likely main reasons are increased penetration of softwood lumber in the African markets and growing imports from Asia.

Veneer imports peaked in 2011 reaching about USD 180 million but dropped to the pre-crisis levels of about USD 150 million in 2013, one quarter being intra-regional. Plywood import markets have been very strong in Africa with a growth rate of more than 10 reaching about USD 580 million in 2013. Unfortunately, the African suppliers have not been able to benefit from the growth as their imports has remained in the range of USD 41 million.

The total imports of Secondary Processed Wood Products (SPWPs) in Africa have been growing at 5.4% per year amounting to USD 2.9 billion. However, African exporters accounted for only 6.2% in 2013 or about USD 180 million. Wooden furniture and parts has been the largest import item followed by builders' woodwork, mouldings and other products.

Product composition - exports

In 2013 TTPs three quarters of Africa's TTP exports were primary products and one quarter SPWPs. The former group has demonstrated only a marginal growth of 0.9% per year, but in SPWPs exports have been growing at an average annual rate of 6.9%. These trends are largely explained by supply constraints in logs and primary processed products in major exporting countries and some qualified success of national policies to promote further processing of tropical timber and thereby improved competitiveness of African industries in the region as a whole.

Logs and sawnwood still occupy more than a half of the regional exports. The exports of logs have remained in the range of USD 1 billion and those of sawnwood amounted to about USD 1.4 billion in 2013 with a slow growth trend. Only 8.3% of the total or USD 92 million was directed to the intra-regional markets.

The African veneer exports reached almost USD 550 million in 2013 as a result of an annual growth of 3.3%. The intra-regional trade has recently expanded rapidly reaching USD 157 million in 2013 (28% of the total trade). Although the international plywood markets were dynamic during the study period, Africa's exports did not record any significant growth, reaching in 2013 about USD 260 million, which suggests that most of production was targeted at domestic markets. The intra-regional exports have oscillated around USD 100 million per year.

Wooden furniture exports have increased rapidly (9.9% per year) reaching USD 760 million in 2013, mainly thanks to Egypt. About 30% of this was directed to the regional markets that grew faster than the total exports. The same vigor was identified in the intra-regional trade for builders' woodwork, mouldings and other SPWPs. Unfortunately, the absolute values are still relatively limited totaling for all these products combined about USD 150 million.

Potential target markets for ITTO producers

The largest import markets for logs in the region are in North Africa but their needs are satisfied from outside the region. Namibia, Ghana, Nigeria, Mozambique and Zambia are emerging log markets. The other major importers include Tanzania, Mauritania, Rwanda and South Africa. In view of the tightening export supply of logs in the region, primary processing industries in the major importing countries are likely to be obliged to search for alternative supplies from outside the region in the short run and from their own plantations in the long-term future.

The largest importer of sawnwood is Egypt, but only USD 2 million is coming from other African countries. Morocco with its USD 325 million imports, together with Tunisia and Libya, are the other North African large sawnwood markets taking significant volumes from other African countries. The largest intra-African importer of sawnwood is South Africa (USD 45 million) followed by Senegal (USD 31 million), Namibia (USD 11 million), Niger (USD 7 million), Mozambique (USD 5.9 million), and Mauritius (USD 5.7 million). Ethiopia and Sudan are large sawnwood importers as well but, due to logistical constraints, they have taken their requirements mostly from outside the region.

The veneer trade is confined to a small number of importing countries. The largest intra-regional import market has been Morocco (USD 22 million) followed by South Africa and Tunisia.

Egypt is by far the largest import market for plywood (USD 233 million) but practically everything has come from outside the region (like in sawnwood and veneer). The other significant importers are South Africa, Angola, Morocco, Ethiopia, Libya, Nigeria, Algeria Senegal, Niger, Mauritius and Tanzania. Apart from Morocco, all the other North African countries take their imports from outside the region. The total ECOWAS plywood imports were USD 84 million suggesting a significant opportunity for trade development through facilitation measures.

Intra-African trade plays practically no role in wooden furniture trade in Western and Central Africa. The main sub-regional importers are Ghana, Senegal, Côte d'Ivoire, and Burkina Faso in Western Africa. No data is reported on Nigeria that can also be assumed to be a significant market for imported furniture even if not all trade is recorded. In Central Africa the biggest importers of wooden furniture are reported to be Equatorial Guinea, DRC, Congo, Gabon, and Cameroon. Other potential markets for ITTO producers would be Angola, South Africa, Zambia, Namibia, Mozambique and Botswana.

In Western and Central Africa the main importers of builders' woodwork are Nigeria, Equatorial Guinea, Ghana, and Gabon. Intra-African imports are marginal in these countries except in Ghana and Senegal. Other potential markets for ITTO producers include Angola, Morocco, South Africa and Namibia.

Total market potential for African ITTO producing countries

For ITTO African member countries there is a huge market potential for TTPs in the region which in the short term is estimated to be in the range of USD 700-800 million or 2.5 times the current level. The potential is projected to reach about USD 1 billion in 2020. The industry and investors have largely overlooked this opportunity. Blunt measures are needed by regional organizations and governments to create enabling conditions for future investments and intra-regional trade.

Undocumented and illegal trade

There is large-scale unreported trade in sawnwood and the official trade statistics are grossly unreliable on overland trade of TTPs in Western and Central Africa. As an example, due to lack of effective governance in eastern DRC, there is a significant unreported export of logs and sawnwood to Uganda, Rwanda and Burundi which is instigated by the political conflict and influenced by the Chinese demand. Illegal trade from the south-eastern DRC through Zambia and Mozambique is also driven by the Chinese market. Other significant illegal and undocumented cross-border trade flows have also been detected from Cameroon to Nigeria and Chad, from Ghana to Burkina Faso and Mali, and from Côte d'Ivoire to Mali and Senegal. However, these are only some examples.

Since most of illegal timber is chainsawn, this trade has been a major driver of illicit operations since decades. Such "free trade" rewards illegal logging and chainsawn lumber promoting corruption among border control and other enforcement staff. Waste is huge in these operations when carried out in the forest, resulting in loss of economic benefits and environmental degradation

TTP products are bulky, have long and complex supply chains and products are made of different tree species, which are often difficult to identify without specific technical training and equipment. This makes it challenging for customs staff to control the trade. ITTO's work related to CITES capacity development in African range countries has been important but should be continued and expanded.

Most of forest degradation and follow-up deforestation appears take place in community forests and other non-reserved forests. It is caused by illegal/informal logging for the domestic market and cross-border trade, including exports to China through East African countries, not exports to the EU, Japan or North America. The volumes are much larger than suggested in earlier studies and exploding in order to respond the rapid demand growth in timber products in Africa. The informal sector supplying probably most of the illegal timber needs to be formalized but has to be accompanied rather than by enforcing.

Trade barriers

Overall in Africa the tariff levels for TTPs are high and often prohibitive; in logs up to 10%; sawnwood and wood-based panels up to 40%, and secondary processed wood products up to 50%. There is no economic reason to apply high tariffs for logs, sawnwood and panels as it limits the development of local further wood processing and other industries within the region.

ECCAS countries have decided to apply zero internal tariffs but they are not yet enforced at least in TTPs. However, this can be expected to boost production and trade within the sub-region. In spite of a political decision on Common External Tariff (CET), ECOWAS is lagging behind in its implementation. In both free trade areas, member countries are applying different tariffs for TTPs both for intra-Community imports and trade flows from outside. Even more important could be to reduce tariffs between the two Communities and work towards the implementation of the recent African Common Free Trade Area (CFTA) initiative.

The current tariff barriers do not promote competitiveness that could benefit from deeper economic integration building on forest resource potential, labor mobility, and economies of scale stemming from larger business volumes. The slow development in establishing effective free trade under ECOWAS and ECCAS is apparently a particular cause of concern.

In general, the Value Added Tax (VAT) rates are high, i.e., in the range of 15 to 20%, or often higher than the respective import tariff. If the importing company can avoid payment of import tariff, it also avoids the payment of the VAT on the imported product and often also part of VAT to be paid for its sales. In such a situation, the non-complying company can have a significant price advantage compared to legally operating competitors.

Non-tariff measures (NTM) represent an increasing proportion of transaction costs of TTPs traded internationally. The recently introduced legality and sustainability requirements for TTP trade have not yet directly impacted intra-African trade. However, for instance, in the case of the Voluntary Partnership Agreements of the EU FLEGT Action Plan, the participating tropical timber producing countries are committed to achieve legality in all export and domestic trade of TTPs. In Africa various NTMs are pervasive and often impose unnecessary costs on producers that limit trade, unduly raise consumer prices, undermine the predictability of the trade regime, and increase investment risks.

The heavy bureaucratic burden imposed on all regional trade flows also ties up regulatory and customs resources, limiting their attention to serve the needs of trade actors and to provide effective border management to ensure security. Globally, the cost of trading across borders is highest in the Sub-Saharan Africa region, over twice the level in East Asia and the OECD countries.

When a considerable part of trade takes place illegally or informally, there is little other choice than to strengthen the regulatory framework and enforcement as some countries have already made. This may temporarily slow down the business and cause adjustment to commercial transactions, but eventual problems are less serious compared to continuation of fraudulent practices that have an impact on the whole society.

Transaction costs

The transaction costs of TTP trade depend on (i) efficiency of border control authorities, including customs; (ii) infrastructure, (iii) international shipments, (iv) logistic quality; (v) tracking and tracing; and (vi) timeliness. In general, the ITTO producers in Africa rank very poorly in the global scale of logistics services. Another constraint is the limited liner shipping connectivity between countries in the region, including within Western and Central Africa. As a result, a considerable part of trade occurs overland between neighboring countries but it has proved to be particularly prone to illegal practices.

In general, most African countries demonstrate perceived high corruption rates that influence the transaction costs and flow of trade, particularly in TTPs. Several reports on the forest sector in the region contain references to corruptive practices but solid systematic facts are scarce. The relation between low corruption and high economic development is, however, clear. The problem in the forest sector and associated trade are particularly complex and need integrated systemic solutions.

The trade distorting impact of unnecessary transaction costs can amount up to 20 to 50% of TTP sales prices, depending on the product group and the countries involved. However, due to sensitivities involved, individual companies are often reluctant to counteract the problem in fear of risk for increased bureaucratic problems. This has opened up a thriving industry for intermediaries who take care of oiling government procedures.

TRADE FACILITATION

Tariffs and non-tariff barriers seriously hamper the exploitation of the potential for increased intra-African trade in TTPs. Customs and other governmental rules and regulations are complicated, overlapping and uncoordinated. Information exchange among authorities and between the public and private sectors is inadequate and still, to a large extent, paper based.

Informal and illegal trade in TTPs, driven by strong market incentives, results in heavy losses in state revenues and undermines economic development as a whole. In the current situation the competitiveness of legitimate suppliers is seriously undermined. In some cases unwillingness to participate in corruption acts as an effective barrier to market access for the legitimate companies. Clearly, this cannot continue as it is a major limitation for growth and exports of the TTP industry.

The prevailing outdated and complicated government procedures have to be improved. In order to achieve legal compliance and sustainable forest management, there is no other option than to formalize the intra-regional and domestic trade, remove unnecessary barriers, strengthen enforcement, and start rewarding legal operators through trade facilitation incentives to improve their competitiveness.

As an integrated strategy, a combination of stick-and-carrot measures should be put in place through strengthened enforcement and reduced transaction costs through trade facilitation measures. Offering efficient logistics and low transaction costs encourages legitimate companies to enter into operator-based arrangements that are increasingly common in international trade. In addition, the establishment of efficient and corruption-free public sector requires that the income level of employees is satisfactory and internal control is effective. In all this work, real-time online electronic exchange of information is needed.

A whole menu of tools is required including (i) reduction of tariff and non-tariff barriers, (ii) public-private partnerships, (iii) risk analysis, (iv) introducing the Authorized Economic Operator (AEO) concept, (v) streamlined customs procedures, (vi) single window for trade participants, (vii) strengthening of enforcement, and (viii) coordinated border management.

Trade facilitation and strengthened enforcement combined can be powerful responses to the problems of illegal trade and corruption. Measures to be taken should result in smooth logistics and increased level of compliance at the same time. Actions need to be integrated into public policies aimed at the facilitation of legal trade and effective law enforcement. In order to have a sufficient impact to change actor behavior, these policies should be applied both nationally and regionally.

RECOMMENDATIONS

National level

(1) Implement the Authorized Economic Operator procedure for TTP trade

The forestry sector is particularly suitable for pioneering the AEO concept because the business is subject to an increasing number of control requirements both nationally and internationally. The AEO mechanism can be implemented nationally resulting in benefits to the country's importers and exporters in customs clearance.

AEO companies gain a direct cost savings as their cargo is given a priority in customs clearance and they would not need intermediaries in their business transactions. Furthermore, they would no more be vulnerable for corruptive practices. Public administrations in turn benefit from AEO procedures through reduced costs of enforcement. The associated risk analysis of operators removes a major part of trade flows from primary enforcement targets and allows focusing efforts on fraudulent companies. The AEO procedure would also serve as an incentive for increased level of law compliance for those who cannot have access to it due to weak management systems or other reasons.

In order to fully benefit from the AEO mechanism, the procedures should in due course be gradually applied internationally, in a free trade area or bilaterally, through mutual recognition of the AEO criteria and their auditing between trading partners.

(2) Promote Public-Private Partnerships for trade facilitation

Sometimes the relations between private and public sectors are tense, often due to poor understanding on the importance of a well-functioning market economy in both sides. The private sector should be made conscious about the fact that a solid accountable institutional framework is a necessary precondition for the long-term success of its own business. Public sector organizations should in return be more focusing on their role as service organizations, which represent a new management paradigm for many forestry, customs and other agencies in the region.

An effective dialogue between the authorities and the private sector is necessary for law compliance and trade development. The private sector often regards customs and other authorities as obstacles for business transactions. Government organizations in turn are often seeing their role only as controllers and tax collectors, not trade facilitators or promoters. There is a lot of scope for improvement on both sides in attitudes as well as in daily operations. Narrowing this gap requires continuous dialogue that can take place within the framework of Public-Private Partnership through a formal platform for mutual consultation.

Public-Private Partnership cannot function without a representative credible partner on the private sector side. Industry associations are a necessary counterpart for governments when designing and implementing national trade and fiscal policies. They should also represent the small and medium sized enterprises that are common in the TTP sector.

Governments should support industry associations and their members by offering training and advisory service concerning regulation and law compliance, promoting transfer of technology, providing foreign trade information, and facilitating access to finance.

(3) Strengthen operational cooperation between forestry, customs and other trade-related authorities

For ensuring efficient and compliant supply chains in TTPs, forestry, customs and other concerned authorities should establish agreements on sharing of tasks and mechanisms of mutual cooperation, particularly with regard to border crossing.

This applies equally to trade facilitation and enforcement activities. There is a strong need for mutual dialogue leading to agreeing on shared objectives for both purposes. Ideally the authorities should become connected electronically so that commercial transactions and enforcement do not suffer from undue delays in communication.

Efficient inter-agency exchange of information in advance and real time is important, particularly for enforcement. This is also called for by emerging new regulations and market requirements of international trade in TTPs related to legality and sustainability. Continuation of the development of advanced ICT systems with interfaces with concerned government agencies and private sector operators is necessary and should be given a priority.

The objective should be the creation of the Single Window mechanism, which would improve the communication between relevant authorities as well as between the private sector and government agencies.

Simplification of procedures requires that all the parties have relevant information available in advance physical border crossing of cargos. This would allow sufficient time for eventual risk analysis and preparation of respective enforcement action without negative impact on logistics.

<u>Regional level</u>

(4) Remove tariffs and other trade obstacles from intra-community trade

The very basis of Economic Unions such as Customs Unions and Free Trade Areas is to liberalize trade inside their regions. Within ECOWAS and ECCAS this process is not yet completed. Internal obstacles at the borders of their member countries, which are not needed, should be removed or at least reduced. Effective intra-community liberalized trade needs specific regulations for TTPs, which can serve as a powerful means to promote economic development. Governments can implement it in the short run without major costs and often with significant savings in administration costs.

(5) Effectively harmonize external tariffs and reduce tariff escalation

ECOWAS and ECCAS have decided to harmonize external tariffs, but it is not yet implemented. Common external tariff (CET) is the core of a Customs Union. Only when it has been fully implemented, competition inside the Union can take place on equal basis.

Harmonization of external tariffs is a difficult process and some vulnerable industries may need transitory protection. This is unlikely in the case of TTPs that are relatively low value goods, often used as raw or construction materials by other industries.

Reducing external tariffs means deeper integration with the world markets. It leads to a tougher competition, but also opens up new business opportunities. In TTPs domestic and internal markets of Customs Unions are often too small or logistically difficult for creating internationally strong companies.

Alleviation of tariff escalation is needed, as it is relatively steep in TTPs hampering intra-African trade, particularly in secondary processed wood products. If one country or Customs Union applies tariff escalation, then its trading partners normally do the same undermining their mutual business potential.

(6) Strengthen cooperation between Customs Unions and bilaterally

Effective cooperation among the several Customs Unions is vitally important for expanding intra-African trade in TTPs. This is particularly relevant now, when global and regional negotiations on trade facilitation are progressing slowly resulting in an increasing number of regional trade agreements worldwide. The African Common Free Trade Area initiative could eliminate the need to establish bilateral arrangements with SADC and other African Customs Unions to have facilitated access to their markets, particularly in the main potential markets for TTPs (e.g. Angola, Namibia, South Africa).

From the perspective of the TTP sector in the ITTO African member countries, a deeper cooperation between ECOWAS and ECCAS is a priority because of logistics and largely complementary resource endowments in the TTP sector. Joint efforts are needed in implementation of tariff rate and escalation reductions as well as mutual recognition of trade facilitation measures such as the Authorized Economic Operator concept.

In case cooperation at the Customs Union level remains slow, a number of trade facilitation measures can be effectively taken through bilateral arrangements between countries that are significant trading partners. These measures can be logistical solutions created for opening bottlenecks in ports, airports and other transport hubs, which have successfully facilitated TTP trade elsewhere in the world.

(7) Strengthen international operational cooperation in law enforcement

ITTO member and other involved countries in Africa should establish operational cooperation through bilateral or sub-regional agreements to address threats from organized crime and illegal trade in TTPs as much of it occurs across borders. Operators draw on varying approaches ranging from fiscal fraud to environmental crime, all of which require a sophisticated approach and close international and cross-border cooperation between national customs and other authorities.

Corruptive and other illegal practices prevent the commercial and economic development in the forestry sector. These problems need strong governmental and international intervention that should be effectively supported by main importing countries and the international community at large (including INTERPOL, UNDOC, etc.). In addition to coordinated operations, joint efforts in the area of intelligence should be further developed.

(8) Gradually implement the regional Authorized Economic Operator concept

AEO or similar arrangements are necessary preconditions for improved logistics and competitiveness in individual countries and economic regions. Such arrangements would be particularly important for the timber sector, as the initial experience has already demonstrated. The most efficient approach would be to implement the AEO concept inside a Customs Union, as ultimately it would be its task of Customs Union to enter negotiations on with the other parties on mutual recognition of AEO procedures.

<u>Recommendations for ITTO</u>

(9) Provide a platform for and support to policy dialogue between the public and private sectors in the TTP industry in the African region

In Africa there is an unsatisfactory level of sharing of experience and good practices in industrial and trade development in tropical timber and timber products from sustainable and legal sources of supply. The countries also perceive a need for harmonizing policies, regulations and trade facilitation instruments, including species and product nomenclatures, and grading rules. ITTO has a competitive advantage in its convening power among governments, the private sector and other stakeholders to provide such a regional platform through its various instruments.

ITTO could also help those member countries where the TTP industry is not a priority in national development strategies to facilitate the public sector's awareness on the opportunities and needs of the private sector to create income, employment and export revenue while contributing to the sustainable management of forest ecosystems. The Organization has several useful tools for this purpose, including policy guidelines, diagnostic missions in new member countries, regional and sub-regional seminars and workshops, and other capacity building activities.

A regional high-level conference on trade facilitation and strengthening of enforcement in the tropical timber sector should be organized (i) to raise awareness of decision-makers on the need for trade and governance reforms in the region, (ii) to develop proposals for decisions by regional and sub-regional organizations and national governments to remove barriers to trade, to reduce transaction cost of legal trade, and to strengthen enforcement cooperation, as well as (iii) to identify strategies for financing of African timber and timber product industries based on sustainably managed forests.

(10) Provide support to piloting of trade facilitation measures

In view of the innovative nature of the Authorized Economic Operator concept, it is recommended that a pilot project be identified to support national procedures. Such a piloting effort would gain replicable lessons learned to other countries. It could be started in one country and the pilot could link with an importing country with the AEO mechanism already in operation outside Africa. A twinning arrangement between the customs authorities could also be considered.

(11) Improve availability of information on intra-African markets for the TTP industry and its business environment, and support export promotion

Seeking for business opportunities is the task of individual companies while, it is the duty of the government, ITTO and other international organizations to provide adequate statistical information on trade flows and consequences of government actions, which allow for companies to analyze their business environment. Adequate communication measures should be taken to ensure that the relevant market information reaches potential users, including SMEs.

The recent initiative to publish the bilingual African Market Information Service has been well received by the private sector and should be continued.

ITTO and governments should work together to support the private sector in the member countries in their export promotion efforts in the regional markets for TTPs.

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LIST OF ABBREVIATIONS AND ACRONYMS

AEO	Authorized Economic Operator
CDI	cash delivery invoice
CEMAC	Communauté Économique et Monétaire de l'Afrique Centrale
CEPS	Customs Excise and Preventive Service
CET	Common External Tariff
CDI	Cash Delivery Invoice
CFA	African Financial Community
CFTA	Continental Free Trade Area (Africa)
CIF	Cost Insurance Freight
COMIFAC	Central African Forestry Commission (Commission des Forêts d'Afrique Centrale)
CPI	Corruption Perceptions Index
C-T PAT	Customs and Trade Partnership Agreement
DIS	Destination Inspection Scheme
DO	Delivery Order
DRC	Democratic Republic of Congo
DTI	Direct Trader Input
EDI	Electronic Data Interchange
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of Western African States
EU	European Union
FCVR	Final Classification and Valuation Report
FMP	Forest Management Plans
FOB	Free on Board
GATT	General Agreement on Tariffs and Trade
GCMS	Ghana Customs Management System
GCNet	Ghana Community Network
GPHA	Ghana Ports and Harbors Authority
GSBV	Ghana Standards Board and Bureau Veritas
GSL	Gateway Services Limited
GWL	Gateway Lock
HS	Harmonized System
ICCWC	International Consortium on Combatting Wildlife Crime
IDF	Import Declaration form
IRS	Internal Revenue Service
ITC	International Trade Center
ITTO	International Tropical Timber Organization
LPI	Logistics Performance Index
MDF	Medium Density Fibreboard
nes	Not elsewhere specified
NTB	Non-Tariff Barrier
NTM	Non-Tariff Measure
OECD	Organization for Economic Co-operation and Development
SAD	Single Administrative Document
SADC	Southern African Development Community
SAFE	Framework of Standards to Secure and Facilitate Global Trade
SID	Supplementary Information Document
SME	Small and Medium-sized Enterprises
SPS	Sanitary and Phytosanitary
SPWP	Secondary processed wood product
SW	Single Window
TIN	Tax Identification Number
TOF	Trees Outside Forests
TTP	Timber and Timber Product
UNODC	United Nations Office on Drugs and Crime
VAT	Value Added Tax

WCO	World Customs Organization
WTO	World Trade Organization

1. BACKGROUND

1.1 Project context

The general objective of the project PD 700/13(I) Rev. 2. DEVELOPMENT OF INTRA-AFRICAN TRADE AND FURTHER PROCESSING IN TROPICAL TIMBER AND TIMBER PRODUCTS–PHASE I is *to promote socio-economic development and sustainable management of African forests through value creation by expanded further processing and intra-African trade in tropical timber and timber products.*

The Project is a follow-up of the ITTO international conference, held in Accra, Ghana in 2009, which adopted the ITTO Accra Action Plan for the Development of Intra-African Trade in Tropical Timber and Timber Products, including actions for the private sector, governments, ITTO and other international and regional organizations.

The core problem to be addressed is weak competitiveness of the producers in the ITTO producing Member countries. Causes for this situation vary between countries and enterprises but based on the various studies,[1] consultations, and the stakeholder surveys carried out, a number of common direct and underlying causes have been identified which include, among others, (i) significant tariff and non-tariff barriers to trade in timber and timber products (TTPs) and (ii) inadequate market transparency.

In order to address these issues, the ITTO Accra Action Plan specifically called governments to

- Reduce import tariffs of TTPs to the agreed levels and eliminate them in the long run to promote free movement of these products in Africa;
- Strengthen monitoring of the cross-border trade between neighboring countries to improve legal compliance and to remove inappropriate practices such as double documentation for exportation and importation of timber and timber products; and
- Review the existing regulations and procedures as well as the taxes, fees and charges to reduce the transaction costs of trade in timber and timber products; and improve the incentives for further processed production to improve the competitiveness of export industries.

The *tariff rates* in TTPs in Africa are significant. There is also an element of tariff escalation that represents an additional burden for trade in value added products. Intra-regional economic integration is not advanced to the desired extent in spite of several political declarations made under the auspices of the Organization of African Union. The limited performance of the intra-continental trade represents a loss of sustainable development opportunities, which could be tapped by reducing barriers to trade and increasing the degree of integration of the economies of African countries. Most national markets are too small to develop formal trade and the number of the existing sub-regional fourteen blocks is too large and too complex to develop effective markets for domestic supplies.[2]

Some positive developments are taking place. For instance, the Economic Community of Western African States (ECOWAS) has recently reached an agreement on a common external tariff of 30 per cent from January 1, 2015 onwards. Already in 2008 Southern African Development Community (SADC) launched a free-trade zone between its 15 countries. However, in spite of the decisions to remove all trade restrictions in the sub-region, some members have not eliminated their import tariffs. More recently in Central Africa, the

[1] Rupert O. R., Donkor, B. (2010), op cit.; ITTO (2010).
[2] Cf. Tafirenyika (2014)

countries of the Economic Community of Central African States (ECCAS) eliminated internal tariffs, including for wood products.

On a sub-regional level some of the rules of ECOWAS and ECCAS on the liberty of movement of persons and goods are not respected in practice resulting in parallel fiscal costs. Another issue is constraints in market access by the ITTO African exporters to the other economic cooperation sub-regions (SADC, East African Community, Arab Maghreb Union) which are not economically justified, as there are strong complementarities in production structures in the timber sector. Deeper integration would result in important economic benefits for governments, participating companies and their employees alike. The largest potential is where the markets are complementary and the logistical infrastructure is developed. A particularly promising area meeting these criteria is the Western African region where national resource endowments and production structures are largely complementary. In addition, Central African countries would be well placed to complement efficient trade in Western Africa. High tariffs increase the cost of TTPs to consumers, particularly in countries largely depending on imports in meeting their domestic demand in Northern Africa, the Sahel and the SADC sub-region. This makes African TTPs less competitive on the regional markets and forces importers in Africa to satisfy their timber needs from outside of the continent.

Even more important may be various *non-tariff barriers* preventing the use of the potential offered by the forestry sector for sustainable development. These include export procedures in producing countries, import procedures in importing countries, unnecessary government charges, inefficient border control resulting in significant loss of time and thereby higher logistic costs, as well as associated corruption. Coupled with high costs of trade financing in the region, the transaction costs of the TTP trade in Africa are very high and penalize regional producers more than exporters from outside the region. Stakeholders perceive that this area needs urgent action by governments through simplification of procedures, reduction of administrative charges, and improvement of government agency services. Innovative modern customs procedures have also great potential to improve the situation. However, the process of change is not easy due to vested interests of those parties who are benefiting from the current status quo.

The existing *information on the African markets* for TTPs is patchy and mostly unreliable. A report was prepared in 2009 to improve the situation concerning possibilities for intra-African trade development in TTPs.[3] It is now out of date and needs to be updated. The study also included information on import duties in the region, which was derived from international sources. Also this information is now outdated and needs to be revised to correspond to the actual situation. In addition, there is a need to make this information available in real time for potential exporters and importers.

1.2 Objectives

The specific objective of the project PD 700 is *to initiate consolidated efforts with the establishment of key elements in capacity to strengthen competitiveness of ITTO African producers in TTPs and markets.* The project outputs include a process to facilitate trade for exports in the region through the following activities:

- A1.1.1 Study on the costs and benefits of tariff and non-tariff barriers in selected countries is produced and disseminated; and
- A1.1.2 Establishment of a web-based data base on tariff barriers for timber and timber products (TTP) for easy access by private sector enterprise.

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[3] See Favada (2010).

The specific objectives of these activities are to improve readily accessible information on:

(i) Trade flows of tropical TTPs in the African region,
(ii) Tariffs and non-tariff barriers for these products,
(iii) Costs and benefits of trade barriers and trade facilitation mechanisms, and
(iv) Recommendations targeted at policy makers and the private sector operators to facilitate and promote trade in TTPs.

During Stage 1 these activities are aimed at initiating the process to promote and facilitate trade in TTPs among the African countries, with particular reference to the ITTO producing member countries in the region. Towards the end of Stage 1, a regional workshop will be organized to discuss the findings and to validate the recommendations upon the completion of the above activities. Annex 1.1 contains the Terms-of-Reference of these tasks.

1.3 Approach and methodology

1.3.1 Study on the costs and benefits of tariff and non-tariff barriers

1.3.1.1 Analytical framework

The theory of change on the impacts of trade facilitation in tropical TTPs in Africa is given in Figure 1.1. In exporting countries trade facilitation interventions lead to reduced costs of trade and enforcement, thereby improving competitiveness of the private sector and their export performance. This creates employment and income opportunities leading to economic growth and increased fiscal revenue also resulting in a contribution to poverty reduction. In importing countries trade facilitation reduces enforcement costs and thereby savings for governments, the supply of products is expanded reducing market prices as a result of stronger competition which expands demand and leads to consumer benefits through access to competitively priced products.

To make this happen a set of important assumptions have to be put in place including political will to implement reforms and eliminate barriers to trade, orienting trade related fiscal policies from collecting revenue to using trade as development agent, and regional and sub-regional effective cooperation between trading partners.

The commercial processes of selected products between exporting and importing countries were first identified for an analytical framework. Figure 1.2 illustrates typical in producing countries.

Domestic supplies come from (i) concession forests managed by the private sector, (ii) community forests, (iii) privately owned and managed forests (including plantations), and (iv) trees outside forests (TOF) including agro-forests, homesteads, roadsides, etc. There are typically country-specific regulations for each type of source with legal provisions for tenure and requirements for how forests are managed and utilized. Harvesting permits are usually needed within the framework of the approved forest management plans (FMP). Informal harvesting may take place for subsistence consumption of wood (including fuelwood and charcoal production). Illegal harvesting is usually targeted at sales of logs or chain-sawn lumber from the forest to local industry or intermediaries. In practice, it is often difficult to separate informal and illegal harvesting and they do not even have agreed definitions (except in countries which have negotiated or are in process a Voluntary Partnership Agreement of the EU Forest Law Enforcement, Governance and Trade Action Plan). Transportation permits is also often required for bringing logs to industrial plants or export ports or other border posts. Industrial processing in sawmills, veneer and plymills also need permits, including further processing plants.

Figure 1.3 summarizes the export flow of TTPs. Logs, primary processed products (sawnwood, veneer and plywood) and further processed products (builder's woodwork, wooden furniture, etc.) are marketed directly to the buyer or through export agent or trader. In intra-African cross-border trade it is common that the buyer may send her/his trucks to export countries to collect the products and the sales price is on ex-mill FOB basis. More typical is however selling through sea shipment on a FOB basis in export port. There are a lot of stakeholders involved in each transaction, which include agents, traders, transporters, forwarders and informal agents who facilitate formal procedures.

In intra-African trade transit deliveries are common to get the products from coastal ports in Côte d'Ivoire and Ghana to land-locked Sahel countries, or Eastern African countries and Central African Republic to exports through Cameroon, or in supplying Nigeria from ITTO producing countries (Côte d'Ivoire, Ghana or the Congo Basin). These transit deliveries have their specific procedures in crossing national borders.

External trade is a major source of fiscal revenue and therefore well regulated. A whole range of documentation is required in export transactions.

Figure 1.1 Theory of change of trade facilitation in tropical timber and timber products in Africa

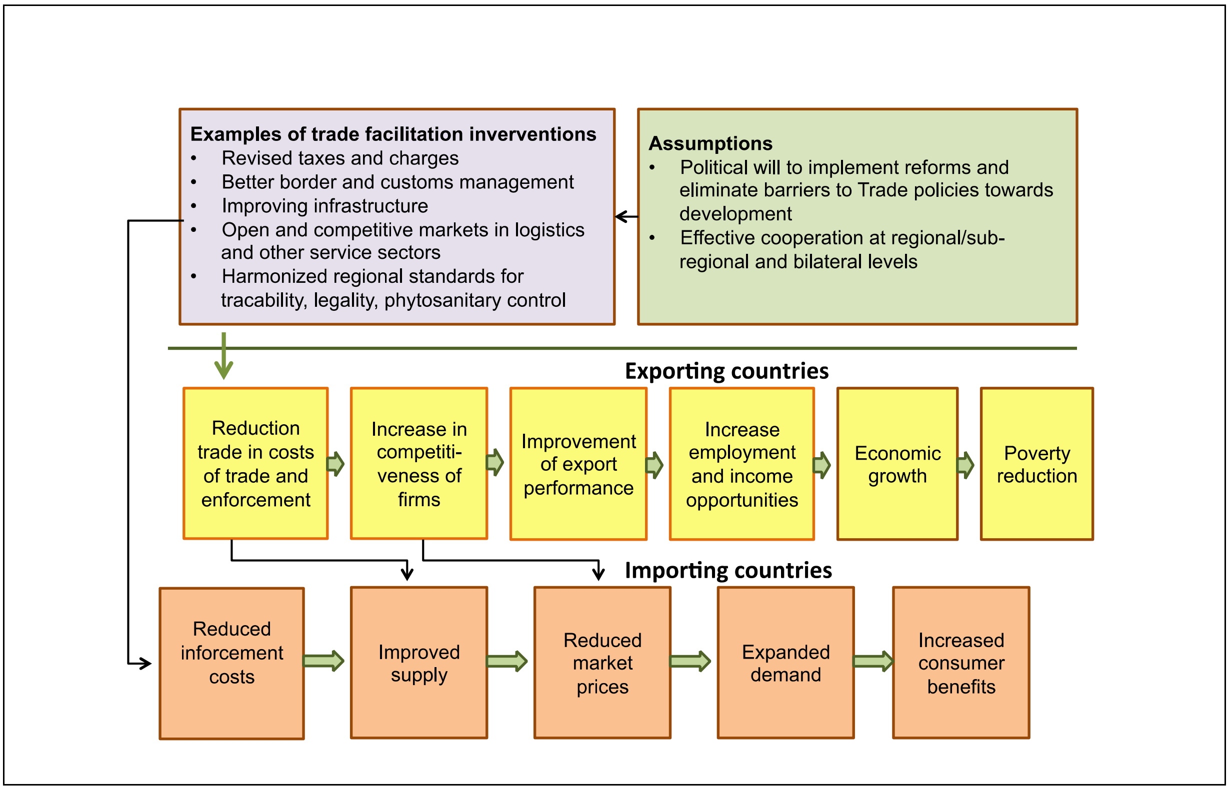


Figure 1.2 Tropical timber trade flows in producing countries

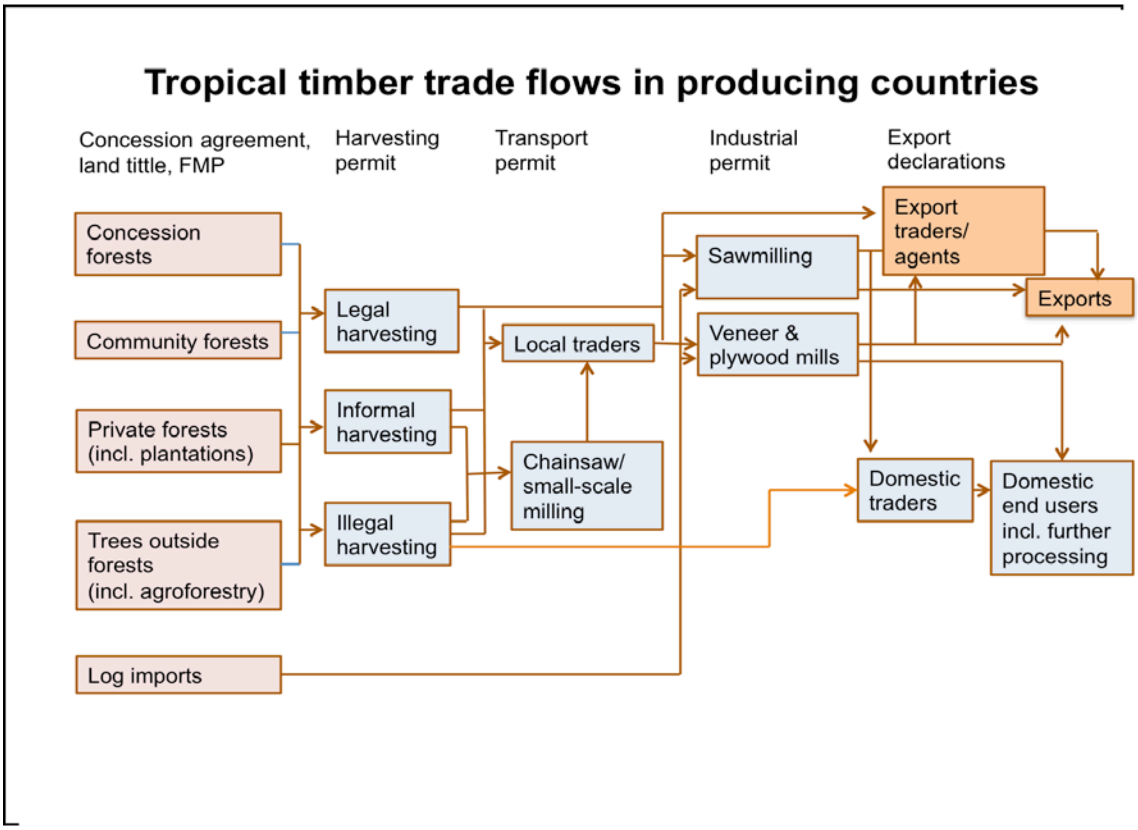
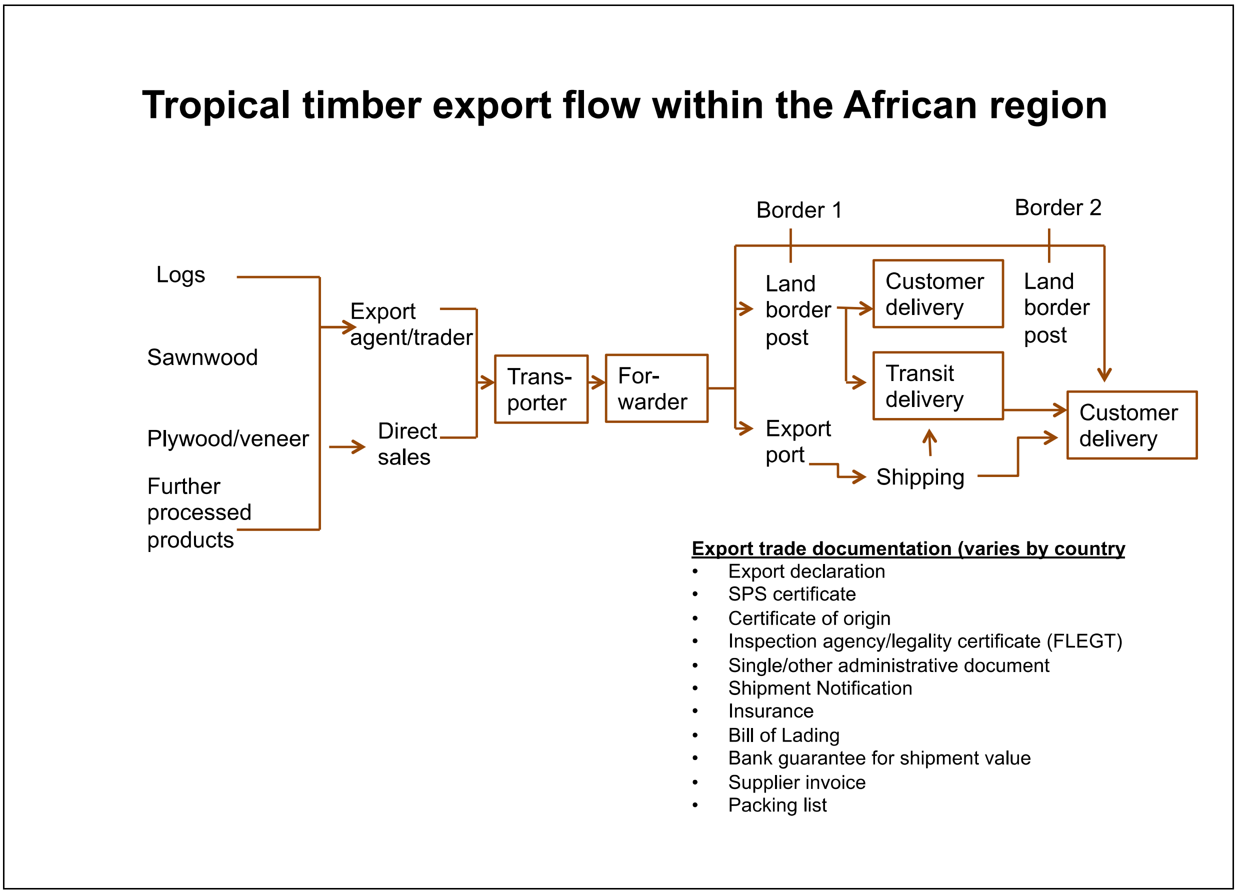


Figure 1.3 Tropical timber export flow within the African region



1.3.1.2 Trade flows

Trade flows data covers logs, sawnwood, veneer, plywood, particle board, fibreboard, and secondary processed wood products (SPWPs), including wooden furniture and parts, builders' woodwork, other SPWPs, mouldings, and cane, rattan, an bamboo furniture. Data was collected from national trade statistics in three pilot countries and from the International Trade Center (ITC) Trademap database (www.trademap.org). Product codes and product grouping by detailed Harmonized System codes are given in Annex 1.2.

The approach was selected to establish full comparability between this study and the earlier ITTO study on the intra-African trade in TTPs[4]. The annual data covers a six-year period (2008-2013) on total trade values by product group to reveal trends and cyclical changes.

The regional trade flow data covers total exports and imports in terms of values. A distinction was made between internal trade within the region and exports/imports to/from outside markets. Africa was divided into five sub-regions and in addition, the ITTO producer countries were dealt with as a separate group. Inter-country trade flows in terms of values were established within the African region and data errors were corrected as far as possible.

The original trade data is reported by national customs or statistics authorities who compile the foreign trade statistics. Information is derived from the process of customs clearance and the statistical information is public. However, the level of detail in customs clearance varies from country to country. That is why an effort was made to complement the data from other sources.

The study covers the entire African region focusing on ITTO producers and especially three pilot countries (Côte d'Ivoire, Cameroon and Nigeria). Of the PD 700/13 project's five pilot countries, Cameroon and Côte d'Ivoire were visited to collect trade and customs data and interview authorities and other stakeholders.[5] Nigeria was also included in the fieldwork because of its importance as a key import market for suppliers in Western and Central Africa. The data on these countries was collected from the national authorities' records during the field visit.

In addition, in the analysis of the trade flows, attention was given to detection of fraud and other criminal offences as they contain a considerable cost element for the whole society. Possible sources of fraud include misreporting in customs declaration on volume, unit price and value of the delivery and misclassification in the HS code. However, measuring fraud proved to be impossible in the study, but assessment was tried by comparing bilateral trade flows at both ends and unit price analysis on a selected product basis.

1.3.1.3 Tariffs and non-tariff barriers to trade

Information about tariff and non-tariff barriers (NTB) to trade and incentives for trade was collected from the Customs Authorities in three countries visited during the fieldwork. On the other countries in the region, the data was drawn from the ITC Market Access database.

In addition to tariffs and non-tariff barriers, information on other factors that may slow down the trade, such as problems in border crossing and customs procedures was acquired through interviews with customs officers and the private sector. In addition, the replies to the survey among the private sector carried out by the project PD 700(I) in Gabon were also drawn on.

[4] Favada (2010)

[5] The other three pilot countries are the Democratic Republic of Congo and the Republic of Congo which are included in the parallel study on domestic and cross-border trade carried out by CIFOR.

As regards customs law and tariff information, it should be publicly available for all economic operators. However, often information on the rules, regulations and procedures is not readily accessible and they are so complicated that the customs authorities have to give advice to their clients on how to interpret the guidelines. The importance of this issue was discussed in the interviews with stakeholders (Annex 1.2 contains a list of contacts made during the work).

1.3.1.4 Trade facilitation options and cost-benefit analysis

Trade is often facilitated through international agreements, either multilaterally or bilaterally. In this case the agreements can be done on the ECOWAS or ECCAS level, or eventually bilaterally between countries that are interested in facilitating selected trade flows. Facilitation can be unilateral, but this is not often the case as in trade policy the reciprocity is the normal basis for any arrangements.

When negotiating trade policy agreements the rules, regulations and recommendations of particularly WTO and WCO should be taken into account and they have been reviewed. Inside a Customs Union the members may have the right to apply trade facilitation measures as they see opportune. But normally all members have equal rights to have access to any facilitation recommendations or agreements. The present rules of ECOWAS and ECCAS on tariffs and trade were reviewed.

In practice, the Governments can apply a number of trade facilitation measures. Customs and other procedures can be considerably simplified and speeded up by the Authorities themselves. Due to national variation, a sample country (Ghana) was selected to describe the current state-of-the-art in the West/Central African sub-region.

More advanced countries in trade facilitation apply the concepts of risk analysis and "Authorized Economic Operator" (AEO) to allow a smooth crossing of borders for legitimate low-risk traders while contributing to removal of illegal transactions from imports and exports. These novel instruments are described and their applicability is analyzed in the sub-regional context.

Streamlining operations of Customs and other Authorities at border crossing, transit and in the loading site and the destination of cargo (unloading site) is another area in which facilitation can be achieved. Often this requires electronic transmission of data between authorities in exporting and importing country. Elimination of corruptive practices and training of customs personnel are also important sources for less costly and faster logistics. These options are included in the analysis as well.

Developed Customs Administrations tend to apply a particular customer strategy to cooperate with the private sector. It can go deep in terms of businesses concerned. E.g., if development of the TTP sector is considered as priority area for trade and economic development, special arrangements can be designed in cooperation with the companies and Customs Administrations. Various arrangements in the private sector are identified in the context of the intra-African trade including special consideration on small and medium-sized enterprises (SME).

The identified options for trade facilitation are described and assessed in view of applicability in ITTO producing countries considering their strengths, weaknesses, opportunities, and risks for governments and the private sector, with a particular emphasis on institutional and operational feasibility as well as anticipated economic impacts.

Cross-border transaction cost data was tried to be collected from the interviews with customs officers and the private sector representatives. However, the interviewees were unable to provide necessary information referring to field level data collection, including border customs offices. This was not considered necessary as the parallel study by CIFOR on cross-border trade was planned to provide the information. It was not, however, available at the writing of this draft report.

A comprehensive detailed study on cross-border transaction costs was not possible during the Phase I Stage 1 of the project, as it would require full support from the Border Authorities. The CIFOR studies on cross-border trade (Côte d'Ivoire, Cameroon, DRC and Congo) under the same project are expected to provide some information on this issue as data collection has been requested to include also time spent by lorries in border crossings.

1.3.2 Web database on tariff barriers for TTPs

The Activity 1.1.2 sought to improve available information on tariffs in TTP trade, building on the experience on the database produced by the ITTO Project TMT-SPD 012/12 Rev. 1 (M) entitled "Improving Intra-African Trade and Market Transparency in Timber and Timber Products". A new database was elaborated using tariff data from www.macmap.org of the International Trade Centre (ITC). The database covers 13 exporting countries, and all countries in Africa and countries in all the other regions of the world as importers. The data covers 38 products ranging from logs to prefabricated houses, derived or made from tropical species. The products are reported at 6-digit level based on the Harmonized System (Annex 1.2). A separate excel file has been prepared containing the tariff information with a guide on the use of the database by potential users among African TTP exporters.

2. TRADE ANALYSIS

In this chapter the value of trade in TTPs in the African region is first reported in terms of total imports and exports in 2008-2013. Imports are valued at CIF terms and exports at FOB terms. The share of intra-African trade in the total trade is then identified, followed by identification of the contribution of the African ITTO member countries as a whole (Section 2.1).

Section 2.2 focuses on developments of imports and exports by product group. Net trade by product is reported in section 2.3 and in section 2.4 sub-regional trade flows are analyzed.

In section 2.5 the main individual importing countries are identified by product group and trends in their imports are discussed. Section 2.6 contains region-wide short and medium-term scenarios on export potential by product group and sub-region. This information is presented to help companies in ITTO producing countries plan their marketing efforts.

As part of exports to, or imports from, other African countries may go underreported or not reported at all (particularly in cross-border trade) in, a mirror data analysis was carried out on product/product group level between selected exporters and importers (section 2.7.1). Other illicit practices may also distort the reported trade data (e.g. double invoicing, incorrect transfer pricing), or there may be recording errors in the source data of trade statistics. The estimates on the volume of illegal trade are discussed section 2.7.2.

2.1 Total African trade in TTPs in Africa

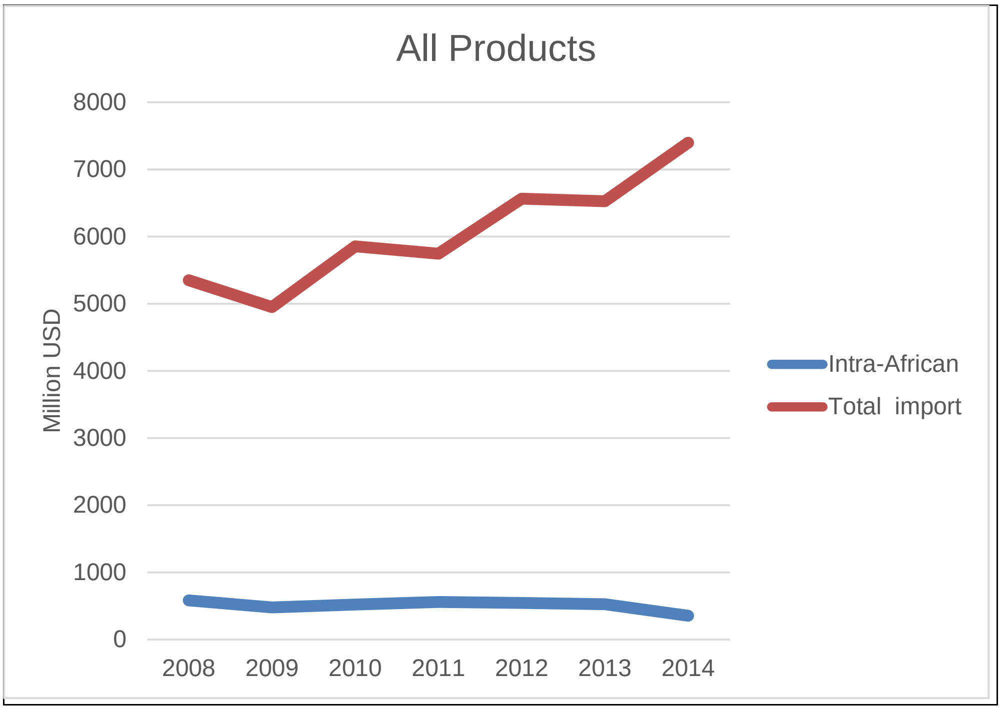
2.1.1 Imports

In 2013 Africa imported TTPs worth USD 6.6 billion with an average annual growth rate of 3.7% since 2008. The import volume was affected by the global financial crisis in 2009 but recovered in 2010 fast in 2011 and 2012, suggesting a much better market performance than in Europe and North America. However, in 2012 and 2013 the trade was practically at the same level but preliminary data in Figure 2.1 suggests growth is continuing.

The African ITTO member countries largely followed this trend but with somewhat faster growth and wider annual variation. Their total imports of TTPs were USD 424 million in 2013 which was however well below the peak year 2010 when the respective figure was almost USD 600 million. Their share of the total regional imports was then 10% but dropped back to 6.5% or the level in 2008 partly due to political and economic difficulties in some countries. However, the total value of imports in the ITTO countries is significant and would offer substantial development opportunities for cross-border trade particularly within the free trade zones (cf. sections 3.1 and 5.1).

The intra-regional imports in Africa were only USD 526 million in 2013 or 8 % of the total imports (Figure 2.1). No growth trend can be identified as the value of imports has oscillated between USD 477 million and USD 581 million. The current situation is disappointing as in 2008 the intra-African share of the total imports was 10.8%. The reducing market share of African producers in their own continent indicates their weak competitiveness against Asian and other outside suppliers.

Figure 2.1 TTP imports, 2008-2013



Source: Annex 2

In the African ITTO countries, the imports of TTP from other countries in the region have remained fairly stable ranging between USD 45 million and USD 60 million, indicating that several factors are seriously limiting the development of cross-border trade. In 2013 out of the total imports of USD 525 million in, only USD 59 million originated from the African region and USD 465 million came from outside the region (Table 2.1).

Table 2.1 Total and intra-regional trade in TTPs in Africa, 2008-2013

Indicator	2008	2009	2010	2011	2012	2013	Change, 2008-2013 (%/year)
IMPORTS	**USD million**						
Africa total	**5362.3**	**4965.9**	**5898.5**	**5776.6**	**6591.3**	**6566.7**	**3.7**
Of which African ITTO producers	338.8	282.0	592.8	371.6	438.0	424.5	4.2
African ITTO producers' share of Africa total %	6.3	5.7	10.0	6.4	6.6	6.5	
Intra-African imports total	**581.1**	**477.2**	**520.9**	**557.8**	**544.4**	**525.8**	**-1.6**
Of which African ITTO producers	57.9	45.5	49.8	50.0	52.2	59.3	0.4
African ITTO producers' share of intra-Africa total %	10.0	9.5	9.6	9.0	9.6	11.3	
EXPORTS	**USD million**						
Africa total	**4076.5**	**3115.8**	**3973.8**	**4216.4**	**4350.2**	**4674.3**	**2.4**
Of which African ITTO producers	2662.4	1862.4	2141.5	2218.7	2130.3	2592.4	-0.4
African ITTO producers' share of Africa total %	65.3	59.8	53.9	52.6	49.0	55.5	
Intra-African exports total	**646.7**	**612.4**	**757.3**	**790.2**	**1010.9**	**888.8**	**6.2**
Of which African ITTO producers	284.5	237.2	159.3	180.4	306.3	289.8	0.3
African ITTO producers' share of intra-Africa total	44.0	38.7	21.0	22.8	30.3	32.6	

Sources: Elaborated based on Annex 2, Tables 2-6 – 2-9

2.1.2 Exports

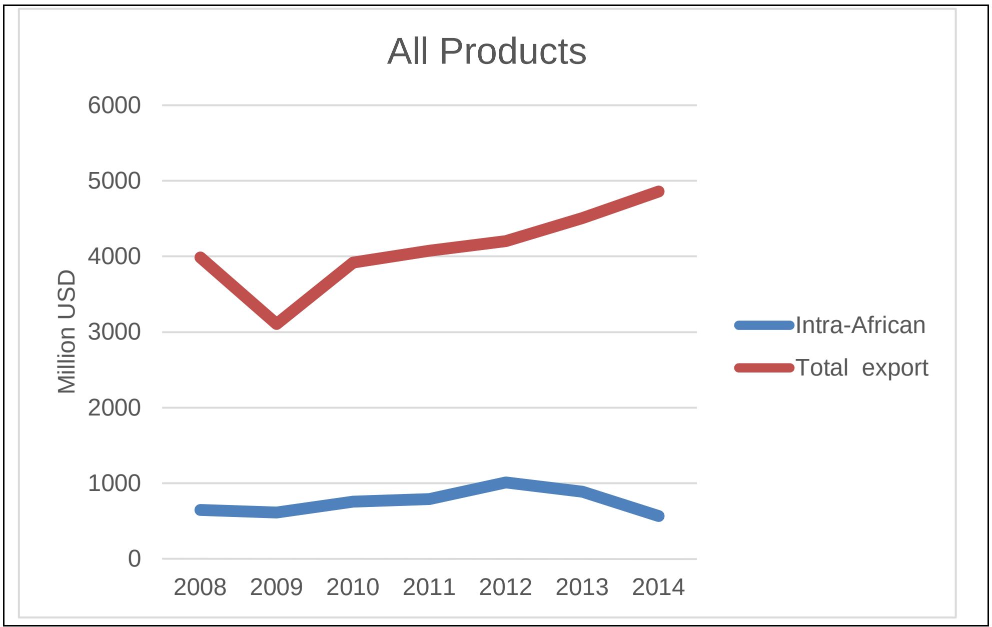
Africa's exports in TTPs has been growing annually more slowly than imports (only 2.4%) amounting to about USD 4.7 billion in 2013 (Table 2.2, Figure 2.2). The exports suffered from the global financial crisis seriously in 2009 when their total value dropped by almost 25% and several companies had to close down permanently or temporarily. However, trade recovered rapidly in 2010 and has continued to grow since then steadily.

The African ITTO producing countries have played a dominating role in the regional exports. Their share of the total in 2008 was 56% amounting to USD 2.6 billion. However, they suffered more seriously from the recession in 2009 than their competitors, and only in 2013 their exports almost re-reached the 2008 level. This slow recovery was not only due to the situation in the major export markets but also trade policy changes in some producing countries had a slowing influence on export growth.

Almost 20% of the total regional exports found their markets in other African countries and indeed these intra-regional trade flows have grown fast (6.2% p.a.) during the study period. However, in 2013 there was a 10% drop in the value of trade to about USD 890 million from about USD 1 billion in 2012.

It is somewhat disappointing that the ITTO countries have not been able to fully tap the significant potential offered by in the intra-regional markets. Their share which was 44% in 2008 has dropped to 33% in 2013 when their exports to other African countries were valued at USD 290 million or almost the same level than six years earlier.

Figure 2.2 TTP exports, 2008-2013



2.2 Product composition

2.2.1 Imports

In 2013 the primary products accounted for 56% of the total African imports valued at USD 3.7 billion and SPWPs for 44% valued at USD 2.9 million. Sawnwood was the main import item, accounting for 31% of the total. Since the drop in imports in 2008, the trade has been growing gradually and reached the pre-crisis level in 2013 and the preliminary data suggests another 15% increase demonstrating the solidity of the African import market. (Table 2.2).

The situation in intra-regional trade is contrary as the trends have been slowly but steadily declining during the study period. The value in 2013 was USD 138 million, or about USD 50 million less. Two likely reasons are behind this trend: (i) increased penetration of softwood lumber in the African markets, and (ii) ever increasing volume of imports from Asia, particularly Malaysia (Figure 2.3).

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The log imports in the region have also a low negative trend with wide annual variation. The total imports were valued at USD 445 million. The intra-regional share was only about 17% as most of imports were from outside the region (Figure 2.3).

Veneer imports peaked in 2011 reaching about USD 180 million but have since then dropped to the pre-crisis levels of about USD 120 million. The share of intra-regional imports was only about a quarter of the total amounting to USD 39 million or roughly at the same level as in 2008 (Figure 2.3).

Plywood markets have been very strong Africa enjoying an average annual growth rate of more than 10%. The total imports amounted to about USD 580 million in 2013. The available data for 2015 suggest another 15% increase in imports amounting to about USD 685 million. Unfortunately, the African suppliers have not been able to benefit from this as their share of total imports has been relatively stable during the whole study period, being in the range of USD 41 million or merely 7% of the total (Figure 2.3).

Table 2.2 Imports of TTPs by product, 2008-2013

Product	Total imports			Intra-African imports		
	2008	2013	Annual change, 2008-2013 (%)	2008	2013	Annual change, 2008-2013 (%)
	USD million					
Logs	501.9	445.7	-1.9	103.8	74.9	-4.6
Sawnwood	1937.5	2020.8	0.7	185.8	137.8	-4.3
Veneer	134.3	149.3	1.9	36.9	39.7	1.2
Plywood	356.6	578.6	10.4	40.6	41.2	0.3
Particleboard	84.1	144.3	11.9	14.3	35.0	24.1
Fibreboard	187.8	349.4	14.3	9.6	17.8	14.1
Total primary products	**3202.2**	**3688.0**	**2.5**	**391.0**	**346.3**	**-1.9**
Wooden furniture and parts	1237.6	1630.0	5.3	134.4	105.4	-3.6
Builders' woodwork	210.9	286.4	6.0	23.8	23.1	-0.5
Other SPWP	525.0	877.4	11.2	22.8	32.6	7.2
Mouldings	165.3	76.0	-9.0	6.4	18.3	30.8
Cane, rattan and bamboo furniture	21.4	8.9	-9.8	2.7	0.1	-16.0
Total SPWPs	**2160.1**	**2878.7**	**5.5**	**190.1**	**179.5**	**-0.9**
All products	**5362.3**	**6566.7**	**3.7**	**581.1**	**525.8**	**-1.6**

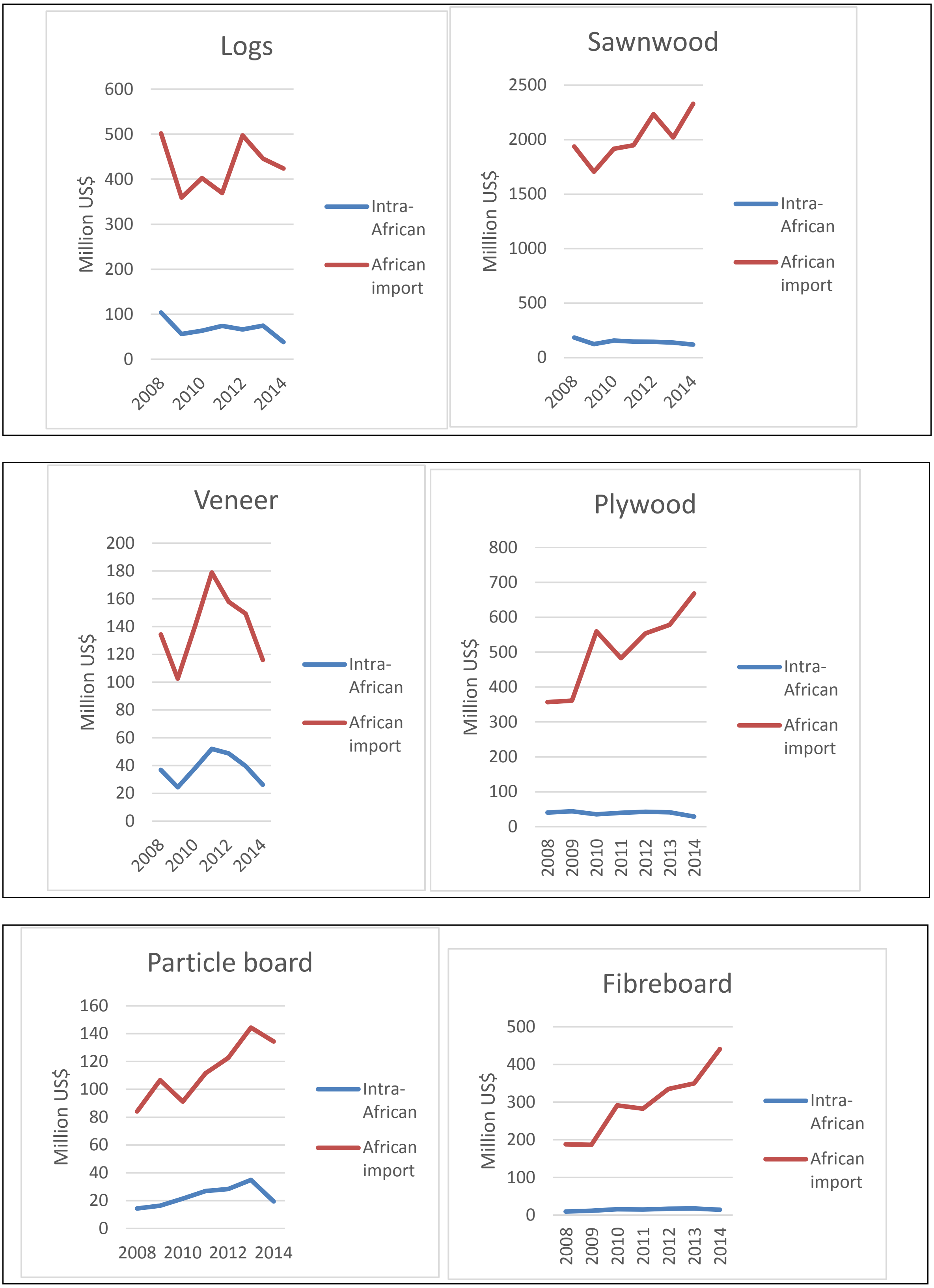
Source: Annex 2, Table 2-1 and 2-2

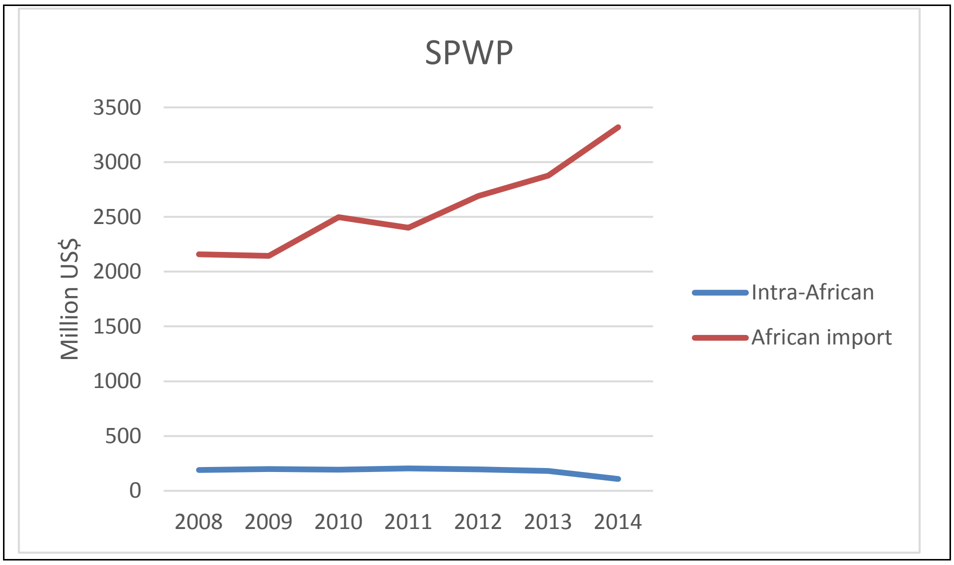
The other wood-based panels have also enjoyed strong growth in the African markets: particle board at 12%/year and fibreboard at 14%/year. On the former case imports peaked in 2013 at about USD 144 million and products of African origin accounted for USD 35 million or about quarter (Figure 2.3). These two products are not produced by ITTO countries and therefore the intra-regional trade is mainly in the hands of Northern Africa and South Africa. There is obviously a need to build more capacity in the region to account for growing demand for building construction and furniture industries. The situation in fibreboard is particularly unfortunate as only five percent of the total imports originate from the region itself and the market size is about USD 450 million.

The total imports of SPWPs in Africa is presently valued at about USD 3 billion having been growing at 5.5% per year during the study period. African producers have not been able to benefit from this trade, as their share was only 6.2% in 2013 or about US 180 million (Table 2.2, Figure 2.3)

Wooden furniture and parts has been the largest import item, accounting for 58% of total SPWP imports, followed by builders' woodwork, mouldings and other products. In furniture the intra-regional has declined and amounted to US 105 million in 2013, or no more than 6.5% of the total African imports. Only the group of other SPWPs has demonstrated growing intra-regional imports, while in the other products the values have been declining.

Figure 2.3 Imports of TTPs by products group, 2008-2013





Source: Annex 2

2.2.2 Exports

In 2013 Africa exported of TTPs worth about USD 4.7 billion[6], of which three quarters was primary products and one quarter SPWPs (Table 2.3). The former group has demonstrated only marginal growth of 1.2%/year during the study period, but in SPWPs exports have been growing at an average annual rate of 7.2%. These trends are largely explained by supply constraints in logs and primary processed products in exporting countries and some qualified success of national policies to promote further processing of tropical timber and thereby improved competitiveness.

Nevertheless, logs and sawnwood still occupy more than a half of the regional exports. Log exports have remained in the range of USD 1 billion per year along with the gradually declining long-term trend. Out of this total only about 9% was directed to intra-regional trade and those countries which have log supply problems but well developed further processing industries have been suffering from the lack of raw material, particularly Côte d'Ivoire and Ghana.

In sawnwood the total exports amounted to about USD 1.4 billion in 2013 with a low growth trend but wide short-term variation in deliveries ranging from USD 800 upwards during the study period. Only 8.3% of the total exports was directed to the intra-regional markets, valued at USD 91 million in 2013 or a radical drop of 43% compared to 2008.

The African veneer exports were reported to reach almost USD 550 million in 2013 as a result of an annual growth of 3.3% during the study period. However, in 2009 the value of trade dropped almost by half but has since then enjoyed a brisk steady growth. The intra-regional trade in veneer expanded rapidly in 2012 and 2013 when it reached USD 157 million (28% of the total trade).

Although the international plywood markets were dynamic during the study period, the Africa's exports did not demonstrate any significant growth and the value in 2013 was about USD 260 million suggesting that most of production was targeted at domestic markets. The intra-regional exports oscillated around USD 100 million per year with significant annual

6 It should be noted that the value of exports is understated because a large share (if not most) of cross-border exports is not recorded in the official statistics (cf section 2.7).

variation, probably more due to supply constraints than demand factors which were persistently positive.

Table 2.3 Exports of TTPs by product, 2008-2013

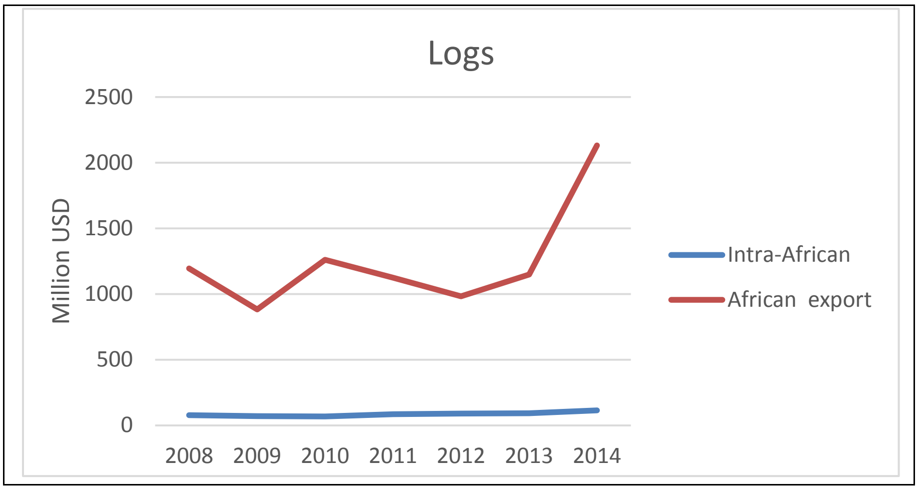
Product	Total exports			Intra-African exports		
	2008	2013	Annual change 2008-2013 (%)	2008	2013	Annual change, 2008-2013 (%)
	USD million					
Logs	1196.0	1149.4	-0.7	78.0	91.7	2.9
Sawnwood	1258.4	1374.4	1.5	198.8	114.2	-7.1
Veneer	458.7	548.5	3.3	38.7	157.3	51.0
Plywood	257.1	261.5	0.3	102.3	99.4	-0.5
Particleboard	42.7	81.1	14.9	16.9	34.3	17.1
Fibreboard	29.5	67.6	21.6	8.1	25.2	35.4
Total primary products	**3242.5**	**3482.4**	**1.2**	**442.8**	**522.0**	**3.0**
Wooden furniture and parts	477.4	760.7	9.9	116.2	228.3	16.1
Builders' woodwork	101.1	144.9	7.2	33.9	62.2	13.9
Other SPWP	125.5	188.5	8.4	32.2	52.9	10.7
Mouldings	98.2	87.2	-1.9	10.8	19.2	12.9
Cane, rattan and bamboo furniture	31.8	10.5	-11.1	10.8	4.2	-10.3
Total SPWPs	**834.0**	**1191.9**	**7.2**	**203.9**	**366.8**	**13.3**
All products	**4076.5**	**4674.3**	**2.4**	**646.7**	**888.8**	**6.2**

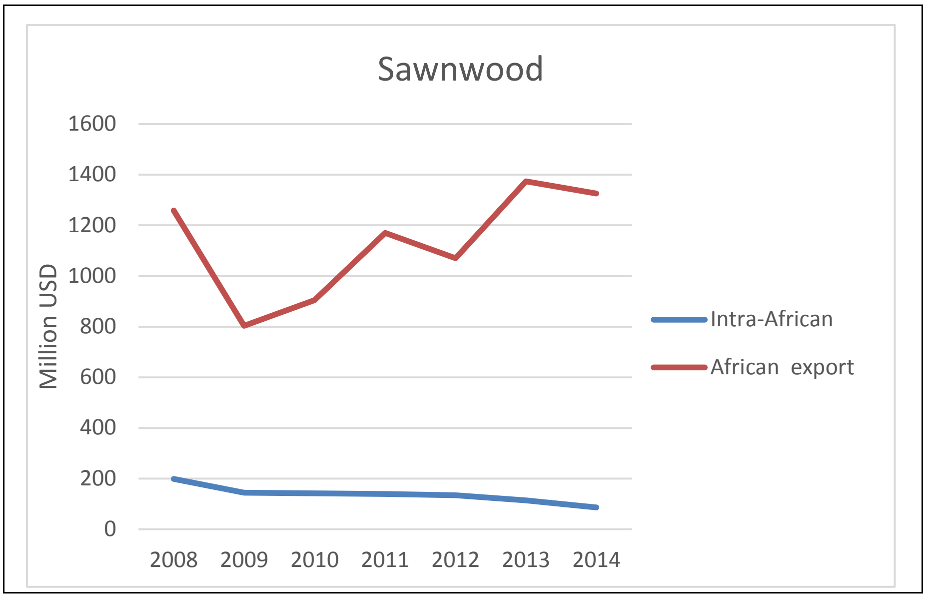
Source: Annex 2 Table 2-3 and Table 2-4

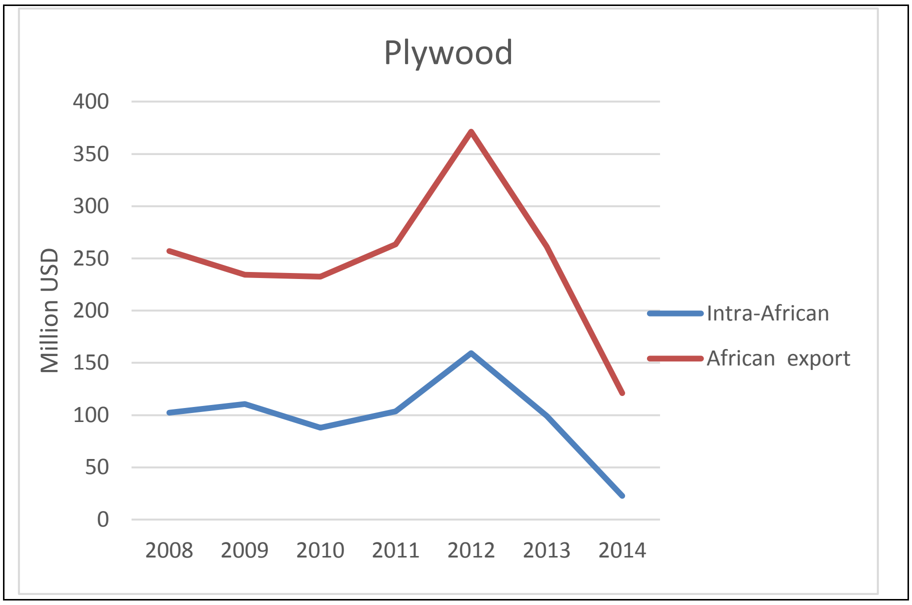
Modest growth was recorded in the African exports of particleboard and fibreboard and a relatively large share (about 40% of the total) was delivered to the region's consuming markets as these products are bulky and have relatively low value which tend to reduce competitiveness when transport distances increase.

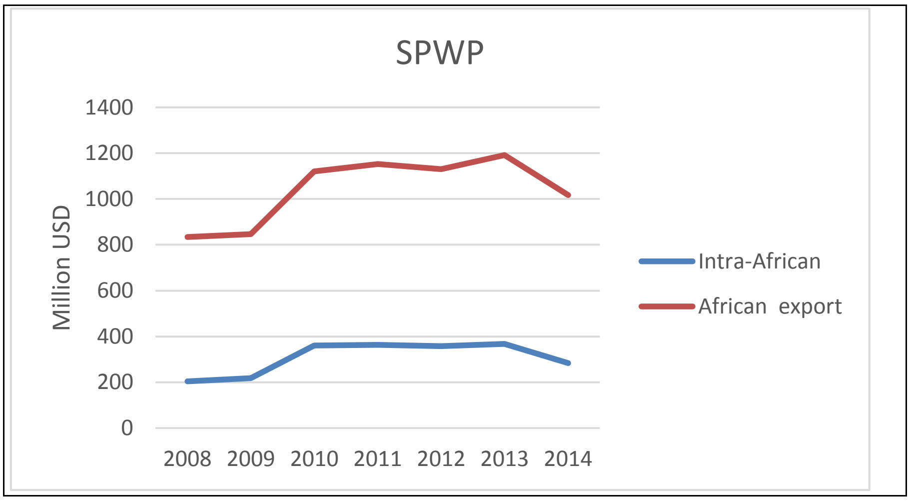
Wooden furniture exports increased relatively steadily during the study period (9.9% per year) reaching their peak value of USD 760 million in 2013. About 30% of this was directed to the regional markets which grew faster than the total exports. The same vigor was identified in the intra-regional trade for builders' woodwork, mouldings and other SPWPs in which the average annual growth was in the range of 10 to 14%. Unfortunately, the absolute values are still relatively limited (totaling for all these products combined about USD 150 million).

Figure 2.4 Exports of TTPs products by groups. 2008-2013









2.3 Net trade in TTPs in Africa

2.3.1 African total trade

The net trade in TTPs in Africa has been persistently negative. In 2013 the region imported these products worth USD 1.9 billion more than it exported. The negative trade balance has become larger as in 2008 it was USD 1.4 billion in spite of the fact that the region could become a net exporter. Apart from logs, the trade balance is negative in all the other timber products (Table 2.4).

2.3.2 Intra-regional trade

In primary products, the intra-regional net trade balance is positive for logs, veneer and plywood, which cannot logically be explained, as the balance should be negative due to exports in FOB value and imports in CIF value (Table 2.5). The only assumption that can be made at this stage is that part of the exports to another African country is not declared as imports in its territory. In relative terms the difference is smallest in logs that have no or very small (in the range of 5%) import duties. But due to tariff escalation there is more interest in avoiding formal procedures in veneer and plywood. On the other hand, in sawnwood trade, the negative balance is logical as the CIF value of imports should a priori be higher than FOB value of exports. It accounts for 20% of the total export value, which corresponds to similar information on other regions of the world.

In all SWPs the intra-regional net trade balance is positive and in relative terms the figures are highly significant. Due to tariff escalation, an incentive to avoid paying import duties is higher for importers but it is difficult to understand how more than half of furniture and builders’ woodwork go underreported in importing countries. The issue needs further analysis in the next stage of the study.

Table 2.4 African net trade in TTPs by product, 2007-2013

Products	Import (CIF)	Share	Export (FOB)	Share	Net trade	Import (CIF)	Share	Export (FOB)	Share	Net trade
	USD million	%	USD million	%	USD million	USD million	%	USD million	%	USD million
	2007					2013				
Logs	275.7	6.3	1659.8	43.9	1384.1	445.7	6.8	1149.4	24.6	703.7
Sawnwood	2238.2	51.1	1058.4	28.0	-1179.7	2020.8	30.8	1374.4	29.4	-646.4
Veneer	108.3	2.5	412.0	10.9	303.7	149.3	2.3	548.5	11.7	399.2
Plywood	272.7	6.2	209.9	5.6	-62.8	578.6	8.8	261.5	5.6	-317.1
Particle board	28.8	0.7	10.1	0.3	-18.7	144.3	2.2	81.1	1.7	-63.3
Fibreboard	54.2	1.2	9.6	0.3	-44.6	349.4	5.3	67.6	1.4	-281.8
Total Primary Products	**2977.9**	**68.1**	**3359.8**	**88.9**	**382.0**	**3688.0**	**56.2**	**3482.4**	**74.5**	**-205.6**
Wooden furniture and parts	1038.2	23.7	247.0	6.5	-791.2	1630.0	24.8	760.7	16.3	-869.3
Builders' woodwork	165.6	3.8	65.2	1.7	-100.4	286.4	4.4	144.9	3.1	-141.5
Other SPWP	147.8	3.4	79.3	2.1	-68.5	877.4	13.4	188.5	4.0	-688.9
Mouldings	18.2	0.4	23.4	0.6	5.2	76.0	1.2	87.2	1.9	11.2
Cane, rattan and bamboo furniture	28.2	0.6	5.6	0.1	-22.6	8.9	0.1	10.5	0.2	1.7
Total SPWPs	**1398.0**	**31.9**	**420.4**	**11.1**	**-977.5**	**2878.7**	**43.8**	**1191.9**	**25.5**	**-1686.9**
All products	**4375.8**	**100**	**3780.3**	**100**	**-595.6**	**6566.7**	**100**	**4674.3**	**100**	**-1892.5**

Source Annex 2, Tables 2-1 and 2-3

Table 2.5 Intra-African net trade in TTPs by product, 2007-2013

Products	Import (CIF)	Share	Export (FOB)	Share	Net trade	Import (CIF)	Share	Export (FOB)	Share	Net trade
	USD million	%	USD million	%	USD million	USD million	%	USD million	%	USD million
	2007					2013				
Logs	90.5	23.0	53.8	17.4	-36.7	74.9	14.2	91.7	10.3	16.8
Sawnwood	155.2	39.4	81.4	26.4	-73.8	137.8	26.2	114.2	12.8	-23.6
Veneer	22.1	5.6	28.6	9.3	6.5	39.7	7.5	157.3	17.7	117.6
Plywood	28.4	7.2	72.5	23.5	44.1	41.2	7.8	99.4	11.2	58.2
Particle board	4.9	1.2	4.5	1.5	-0.4	35.0	6.6	34.3	3.9	-0.7
Fibreboard	3.8	1.0	66.9	21.7	63.1	17.8	3.4	25.2	2.8	7.4
Total Primary Products	**304.8**	**77.4**	**242.0**	**78.4**	**-62.9**	**346.3**	**65.9**	**522.0**	**58.7**	**175.7**
Wooden furniture and parts	56.7	14.4	39.8	12.9	-16.9	105.4	20.0	228.3	25.7	122.9
Builders' woodwork	15.0	3.8	11.5	3.7	-3.5	23.1	4.4	62.2	7.0	39.1
Other SPWP	9.8	2.5	13.3	4.3	3.5	32.6	6.2	52.9	5.9	20.3
Mouldings	4.6	1.2	0.9	0.3	-3.7	18.3	3.5	19.2	2.2	0.9
Cane, rattan and bamboo furniture	3.0	0.7	1.1	0.4	-1.8	0.1	0.0	4.2	0.5	4.1
Total SPWPs	**89.2**	**22.6**	**66.8**	**21.6**	**-22.3**	**179.5**	**34.1**	**366.8**	**41.3**	**187.3**
All products	**394.0**	**100**	**308.8**	**100.0**	**-85.2**	**525.8**	**100.0**	**888.8**	**100.0**	**363.0**

Source: Annex 2 Tables 2-2 and 2.4

2.4 Trade analysis by sub-region

2.4.1 Imports

The most important market for imported TTPs is found in Northern Africa accounting for more than a half of the total followed by Southern Africa with almost a quarter (Table 2.6, Figure 2.5). These two markets have been growing relatively slowly but steadily (3.6-3.7% per year). Western Africa, accounting for only 7% of the total regional trade, has grown only marginally with a wide annual variation due to political and economic situation and more recently due to ebola. In fact, the peak imports in the sub-region were already recorded in 2010. Eastern Africa has enjoyed a steady growth of 5.6% but the absolute figures are still small. Central Africa is the smallest import market but its growth rate is highest, not least thanks to oil and mineral exports of most of the countries.

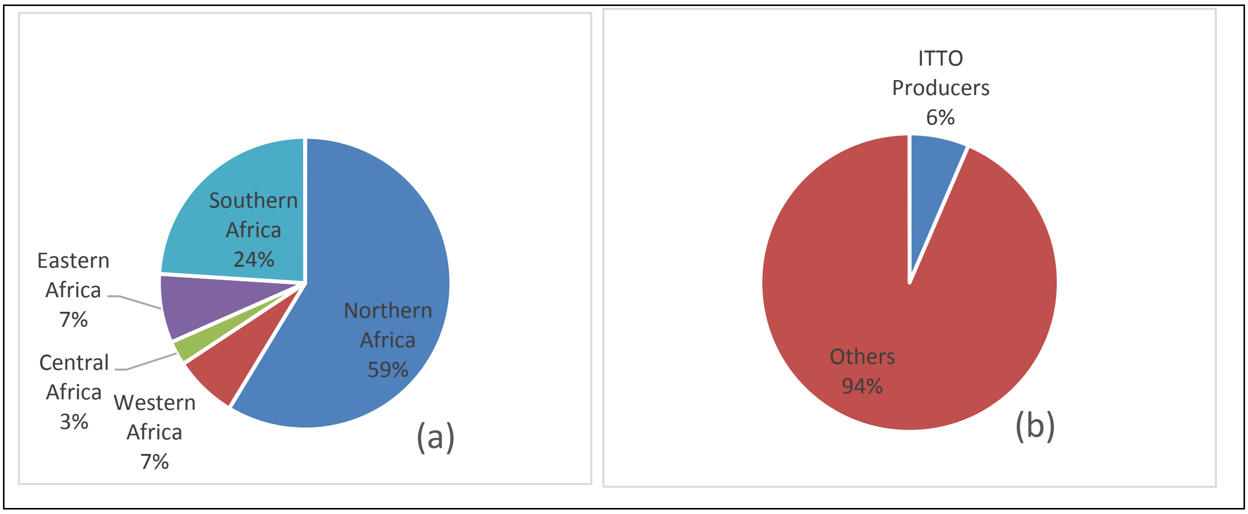
The African ITTO countries constitute a significant and relatively rapidly growing import market for TTP valued at USD 424 million suggesting a direct opportunity for increased intra-regional trade.

Table 2.6 African TTP imports by sub-region, 2008-2013

Sub-region	2008	2013	Annual change (%)	Share in 2013 (%)
	USD million			
Northern Africa	3169.5	3853.4	3.6	58.7
Western Africa	426.2	460.9	1.4	7.0
Central Africa	106.9	176.4	10.8	2.7
Eastern Africa	375.8	501.4	5.6	7.6
Southern Africa	1284.0	1574.6	3.8	24.0
Africa total	**5362.3**	**6566.7**	**3.7**	**100**
African ITTO producers	**338.8**	**424.5**	**4.2**	
African ITTO producers' share of Africa total	**6.3**	**6.5**		

Source: Annex 2 Table 2-6

Figure 2.5 Sub-regional and ITTO producers' shares of African TTP imports, 2013



Source: Table 2.6

Intra-African imports of TTPs increased over the period 2008-13 in Central Africa and Southern Africa about 5%, each. In the other regions, declining trends were recorded (Table 2.7).

In 2013 the intra-African import share of total African imports was highest in Southern Africa (20%), followed by Western Africa (18%), Eastern Africa (9%), Central Africa (6%), and Northern Africa (2%) (Figure 2.6) The largest sub-regional market relies almost entirely in its TTP imports on suppliers outside the region, particularly Asia.

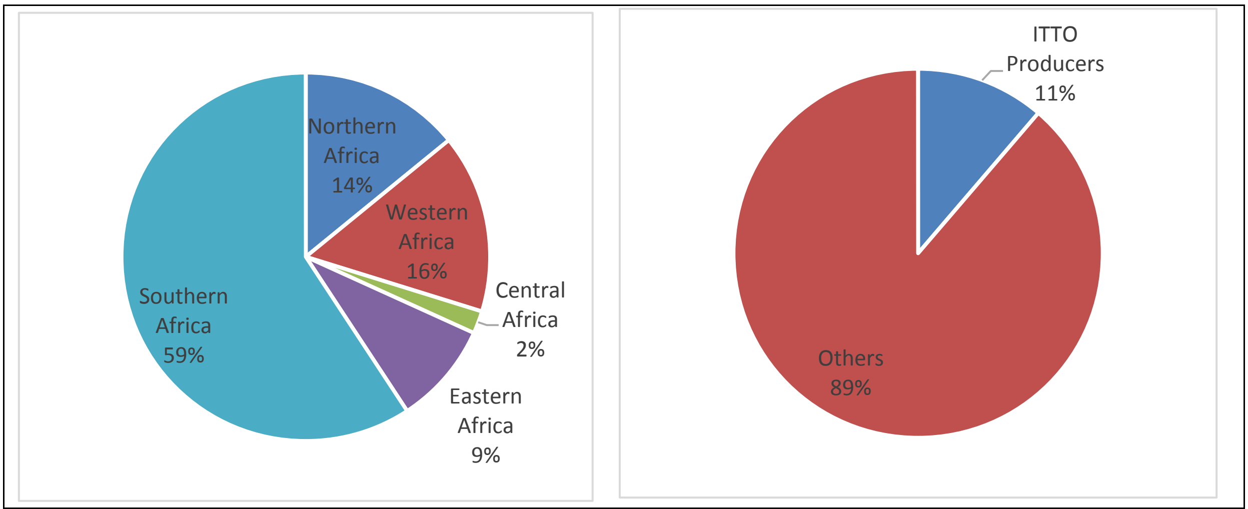
Table 2.7 Intra-African TTP imports by sub-region, 2008-2013

Sub-region	2008	2013	Annual change (%)	Share in 2013 (%)	Share of African imports, 2013 (%)
	USD million				
Northern Africa	169.0	74.2	-9.4	14.1	1.9
Western Africa	99.0	82.5	-2.8	15.7	17.9
Central Africa	8.2	10.5	4.6	2.0	5.9
Eastern Africa	62.2	47.2	-4.0	9.0	9.4
Southern Africa	242.7	311.5	4.7	59.2	19.8
Africa total	**581.1**	**525.8**	**-1.6**	**100.0**	**8.0**
African ITTO producers	**57.9**	**59.3**	**0.4**		**14.0**
African ITTO producers' share of Africa total	**10.0**	**11.3**			

Source: Annex 2 Table 2-7

In 2013 Southern Africa accounted for 59% of intra-African imports, followed by Western Africa (16%) and Northern Africa 14%). Central and Eastern Africa accounted for a combined share of 11%. (Figure 2.6)

Figure 2.6 Sub-region and ITTO producers' share of Intra-African imports, 2013



Source: Table 2.7

2.4.2 Exports

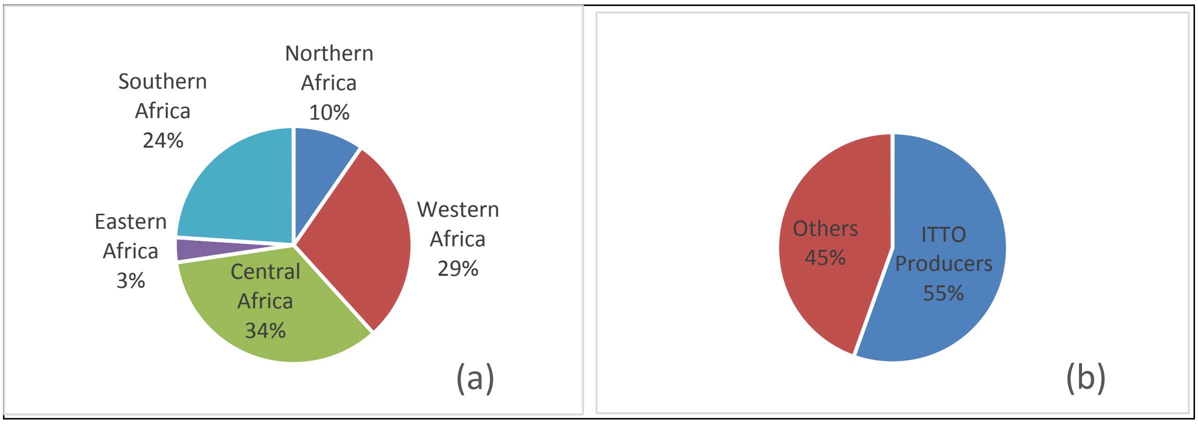
African exports of TTPs increased over the period 2008-13 in Northern Africa (1.2% per year), Western Africa (6%), Eastern Africa (3.9%) and Southern Africa (13.2%), but decreased in Central Africa (-2.7%) (Table 2.8). The aggregate annual change rates for Africa as a whole was positive (2.4%) but for African ITTO producers negative (-0.4%). However, Central Africa accounted for 34% of total African exports in 2013, followed by Western Africa (29%) and Southern Africa (24%) (Figure 2.7). African ITTO producers accounted for 55% of total African exports. Export growth rates declined in Northern Africa and Central Africa, but increased in Eastern Africa, Western Africa and Southern Africa.

Table 2.8 African TTP exports by sub-region, 2008-2013

Sub-region	2008	2013	Annual change	Share in 2013
	USD million		%	
Northern Africa	421.4	451.7	1.2	9.7
Western Africa	985.4	1338.8	6.0	28.6
Central Africa	1915.8	1605.4	-2.7	34.3
Eastern Africa	128.4	158.8	3.9	3.4
Southern Africa	625.5	1119.7	13.2	24.0
Africa total	**4076.5**	**4674.3**	**2.4**	**100**
African ITTO producers	**2662.4**	**2592.4**	**-0.4**	
African ITTO producers' share of Africa total	**65.3**	**55.5**		

Source: Annex 2 Table 2-8

Figure 2.7 Sub-regional and ITTO Producers' share of total TTP exports, 2013



Source: Table 2.8

Intra-African exports of TTPs increased over the period 2008-13 in Western Africa and Southern Africa each (15%), and Eastern Africa (6%) (Table 2.9). Central Africa and Northern Africa experienced a decline (-16% and -2% per year, respectively). The aggregate annual growth rate for Africa as a whole was rapid (6%) but for African ITTO producers marginal (0.3%) due to drop in exports in Central Africa.

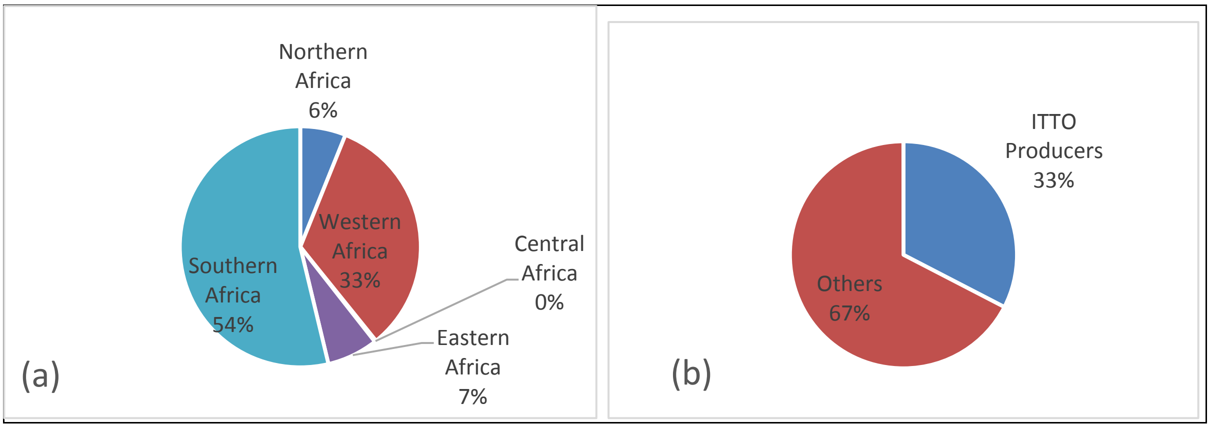
Table 2.9 Intra-African exports by sub-region, 2008-2013

Sub-region	2008	2013	Annual change (%)	Share in 2013 (%)
	USD million			
Northern Africa	62.1	54.3	-2.1	6.1
Western Africa	154.0	294.0	15.1	33.1
Central Africa	134.2	1.8	-16.4	0.2
Eastern Africa	45.4	60.9	5.7	6.8
Southern Africa	251.0	477.7	15.1	53.8
Africa total	**646.7**	**888.8**	**6.2**	**100.0**
African ITTO producers	**284.5**	**289.8**	**0.3**	
African ITTO producers' share of Africa total	**44.0**	**32.6**		

Source: Annex 2 Table 2-9

Of the intra-African exports in 2013, Southern Africa accounted for 54%, Western Africa (33%), Eastern Africa (7%), Northern Africa (6%) and Central Africa (0.2%). African ITTO producers' share of total intra-African exports in 2013 was 33% (Figure 2.8).

Figure 2.8 Sub-regional and ITTO Producers' share of Intra-African TTP exports, 2013



Source: Table 2.9

2.4.3 Net trade

Western Africa has maintained a trade surplus both in total TTP trade and trade with the other sub-regions. The trends are positive in the two indicators and in total trade the surplus amounted to USD 878 million and in the intra-regional trade to USD 212 million (Table 2.10).

Thanks to its exports in logs and primary processed products, Central Africa has maintained a significant surplus in its total trade but with a declining trend. Its positive net trade was USD 1.4 billion in 2013 against 1.8 billion in 2008. However, with its African trading partners the sub-region has become a small net importer as its reliance on imported processed TTPs has increased and the recorded exports to other African countries had dropped from USD 134 million in 2008 to practically nil in 2013 (cf. section 2.4.2).

Northern Africa relies heavily on imports and its total trade balance has grown from USD 2.7 billion to USD 3.4 billion in 2008-2013. This has benefited suppliers outside the region, as in the net trade with the other African sub-regions. On the other hand, Northern Africa has recorded decreasing trade deficits in intra-African trade from USD 107 million to USD 20 million during the study period.

Table 2.10 Net trade in TTPs by sub-region, 2008 and 2013

Sub-region	Total trade		Intra-African trade	
	USD million			
	2008	2013	2008	2013
Northern Africa	-2 748.1	-3 401.7	-106.9	-19.8
Western Africa	559.2	877.9	55.0	211.5
Central Africa	1808.9	1429.0	126.0	-8.6
Eastern Africa	-247.4	-342.7	-16.8	13.7
Southern Africa	-658.4	-454.9	8.4	166.3
Africa total	**-1 285.8**	**-1 892.5**	**65.6**	**363.0**
African ITTO producers	**2 323.6**	**2 168.0**	**226.6**	**230.5**

Source: Favada (2010) and Annex 2 Tables 2-6 to 2-9.

Southern Africa is a net importer in TTPs as a whole but its deficit has been declining from USD 660 million in 2007 to USD 455 million in 2013. However, with its African trading partners the sub-region has become a significant net exporter with a surplus of USD 166 million in 2013 which is remarkable. Thanks to its export growth in processed products, Southern Africa it is now approaching the level of Western Africa, the biggest net exporting sub-region in intra-regional trade.

Eastern Africa has had an increasing negative trade balance in TTPs amounting to about USD 340 million in 2013. In the regional trade, the sub-region was in the past a net importer but has now become a net exporter, benefiting from demand growth in Southern and Northern Africa.

The group of the African ITTO producers is a net exporter although some of the members are net importers.[7] The total trade surplus has, however, diminished from USD 2.3 billion to USD 2.2 billion during the six-year period. With their African trading partners the group has maintained its trade surplus of about 230 million.

The above review provides only a partial, partly misleading explication of the true situation. The total intra-African balance of net trade should a priori be about 10 to 35% positive due to the difference in the statistical data (CIF for imports and FOB for exports), while the net trade in volume terms within the region should be in principle nil. This is not, however, so in all cases for a number of reasons. There is significant unrecorded trade flows between Western and Central Africa (notably cross-border trade from/through Cameroon and Gabon to Nigeria) and between Central and Eastern Africa (cross-border trade from DRC to/through the Lake States). Part of the trade flows may have been reported only by one partner (cf. section 2.6.1). Transit deliveries may remain in the transit country and reported as its imports instead of by the final destination.

2.5 Potential target markets

This section reports on country-level opportunities by product group for ITTO producing countries within the African region. The data (Annex 2-10) refers to import values in in 2013

7 Benin, Mali and Togo (TBC),

and trends based on a comparison with 2007. The analysis is on product group level and could be elaborated further on the 6-digit level of HS codes later on.

2.5.1 Logs

The largest import log markets in the region are in North Africa. The biggest importers are Algeria, Egypt, Libya and Morocco but they satisfy their needs from outside the region. Only Morocco and Algeria have some small volumes imported from other African countries (Table 2.11; Figure 2.9). Morocco was previously the largest market but its imports have declined while Algeria has emerged from a marginal importer as the biggest national market valued at about USD 109 million. Growth has also been significant in Egypt.

Table 2.11 Major importers of logs in Africa, 2013

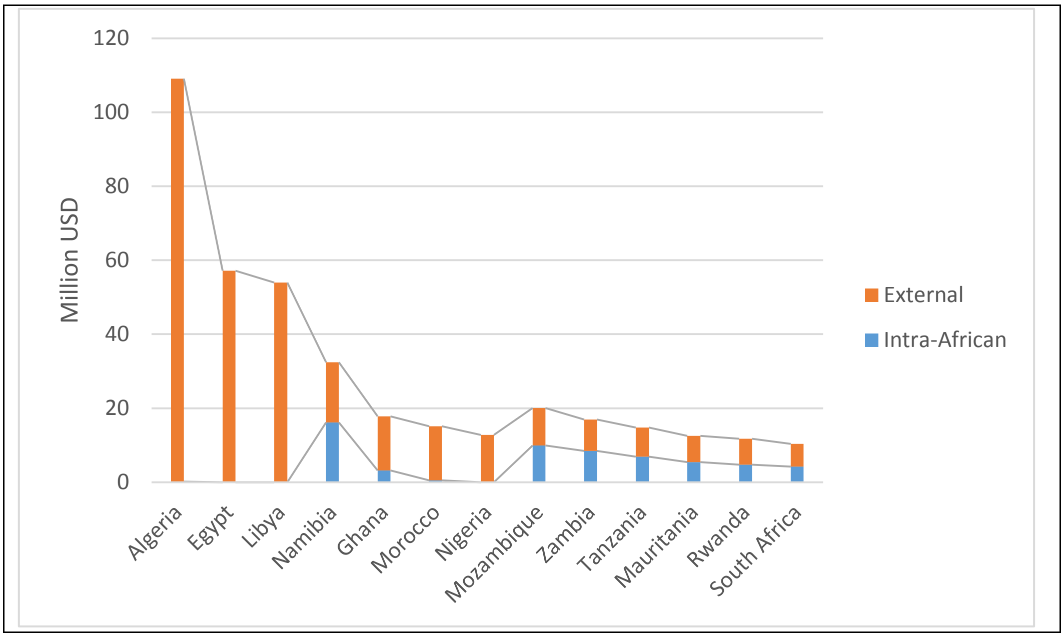
Country	External	Intra-African	Total
	USD 1000		
Algeria	108 936	133	109 069
Egypt	57 188	0	57 188
Libya	53 938	0	53 938
Namibia	16 240	16 209	32 449
Ghana	14 653	3 184	17 837
Morocco	14 640	488	15 128
Nigeria	12 824	0	12 824
Mozambique	10 076	9 942	20 018
Zambia	8 499	8 488	16 987
Tanzania	7 821	6 926	14 747
Mauritania	7 111	5 403	12 514
Rwanda	6 981	4 778	11 759
South Africa	6 156	4 235	10 391

Source: Annex 2, Table 2-10

Namibia, Ghana, Nigeria, Mozambique and Zambia are emerging log markets that have satisfied part of their emerging needs from other African countries.[8] The other major importers include Tanzania, Mauritania, Rwanda and South Africa. In view of the tightening export supply of logs in the region, primary processing industries in the major importing countries are likely to be obliged to search for alternative supplies from outside the region in the future.

[8] With the exception Nigeria which does not report any imports from other African countries.

Figure 2.9 Major African log importers, 2013



2.5.2 Sawnwood

The leading importer of sawnwood is Egypt with a value of USD 1 billion but only USD 2 million is coming from other African countries (Table 2.12). Most the trade is in sawn softwood, which partly explains the low share of intra-regional imports. Morocco with its USD 325 million imports, together with Tunisia and Libya are the other North African large sawnwood markets, with a large share of softwoods from the northern hemisphere. However, Morocco and Tunisia also import a significant volume of sawnwood from other African countries (Figure 2.10).

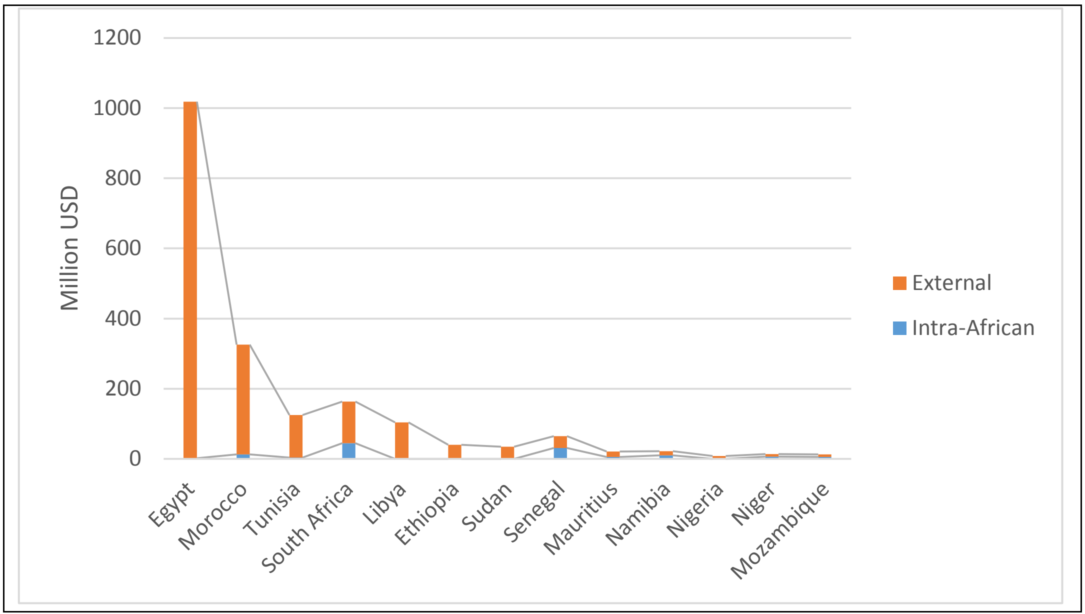
Table 2.12 Major importers of sawnwood in Africa, 2013

Country	External	Intra-African	Total
	USD 1000		
Egypt	1 015 584	2 164	1 017 748
Morocco	312 263	13 224	325 487
Tunisia	121 736	3 655	125 391
South Africa	118 306	45 290	163 596
Libya	103 928	0	103 928
Ethiopia	39 928	26	39 954
Sudan	34 725	0	34 725
Senegal	33 786	31 280	65 066
Mauritius	15 467	5 707	21 174
Namibia	11 489	10 628	22 117
Nigeria	8 161	32	8 193
Niger	7 168	7 024	14 192
Mozambique	6 691	5 912	12 603

Source: Annex 2, Table 2-10

The largest intra-African importer of sawnwood is South Africa (USD 45 million) that represents less than 30% of the total national imports. However, the trend is downwards as the total imports in the country have dropped by 14% in 2007-2013.

Figure 2.10 Major African sawnwood importers, 2013



The next largest importer of African sawnwood is Senegal (USD 31 million) representing almost a half of the total volume in the country. However, the Senegalese market for African sawnwood has also been declining since 2007.

As in the case of logs, Namibia is also a strong emerging market for African sawnwood as the value of trade has tripled since 2007, amounting to USD 11 million in 2013. In Eastern Africa Ethiopia and Mauritius are significant sawnwood importers but due to logistical barriers unlikely to be short-term priorities for ITTO members apart from Mozambique and Mauritius.

It is noteworthy that, according to the official trade statistics, Nigeria is practically not at all importing sawnwood from other African countries while from outside its trade value was USD 8 million in 2013. This anomaly is discussed 2.7.

The intra-African sawnwood imports by ECOWAS members amounted to USD 98 million in 2013 which was mainly trade within the free trade area (cf. section 2.2.1). After Senegal, Niger was the largest importer (USD 14 million) followed by Burkina Faso (USD 4.5 million), Guinea-Bissau (USD 2.2 million) and Benin (USD 1.2 million). These were also the fastest growing markets during the last six-year period.

The potential for intra-sub-regional trade development within ECCAS is much more limited. The largest importer has been Rwanda whose economy is growing fast. Its recorded imports in 2013 were USD 3.1 million (against practically nil in 2007). DRC is also a significant importer (USD 2.6 million in 2013), even if the country is net exporter of sawnwood to outside Africa.

2.5.3 Veneer

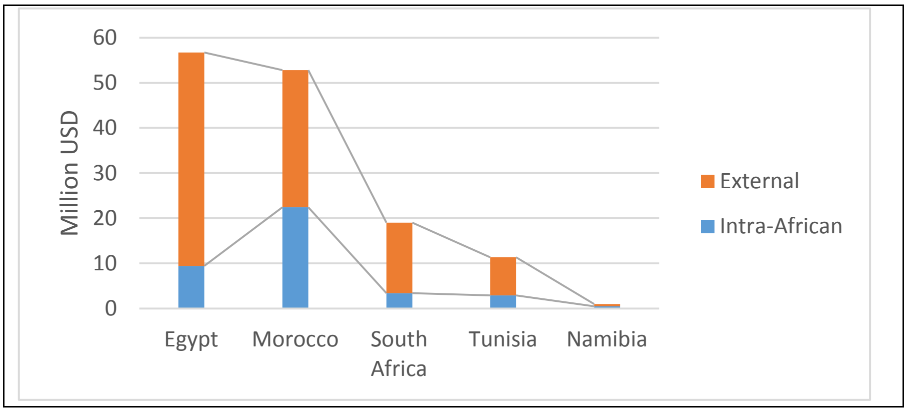
The intra-African veneer trade is confined to a small number of importing countries. The largest market is Egypt valued at USD 57 million of which only a sixth originated from other countries of the region. The largest intra-regional import market has been Morocco with USD 22 million representing three quarters of the country's total imports. Other significant markets are South Africa and Tunisia but the bulk of their requirements have come from outside the region (Table 2.13 and Figure 2.11)

Table 2.13 Major importers of veneer in Africa, 2013

Country	External	Intra-African	Total
	USD 1000		
Egypt	47 288	9 458	56 746
Morocco	30 329	22 446	52 775
South Africa	15 572	3 417	18 989
Tunisia	8 421	2 912	11 333
Namibia	502	502	1 004

Source: Annex 2, Table 2-10

Figure 2.11 Major African veneer importers, 2013



2.5.4 Plywood

Egypt is by far the largest import market for plywood in Africa (USD 233 million) but practically everything has come from outside the region. The other significant importers are South Africa, Angola, Morocco, Ethiopia, Libya, Nigeria, Algeria Senegal, Niger, Mauritius and Tanzania (Table 2.14; Figure 2.12). Apart from Morocco all the other North African countries take their imports from outside the region.

Within ECOWAS the largest plywood markets are Senegal (USD 22 million), Nigeria (USD 29 million) and Niger (USD 11 million). The total ECOWAS level plywood imports were USD 84 million suggesting a significant opportunity for trade development through facilitation measures.

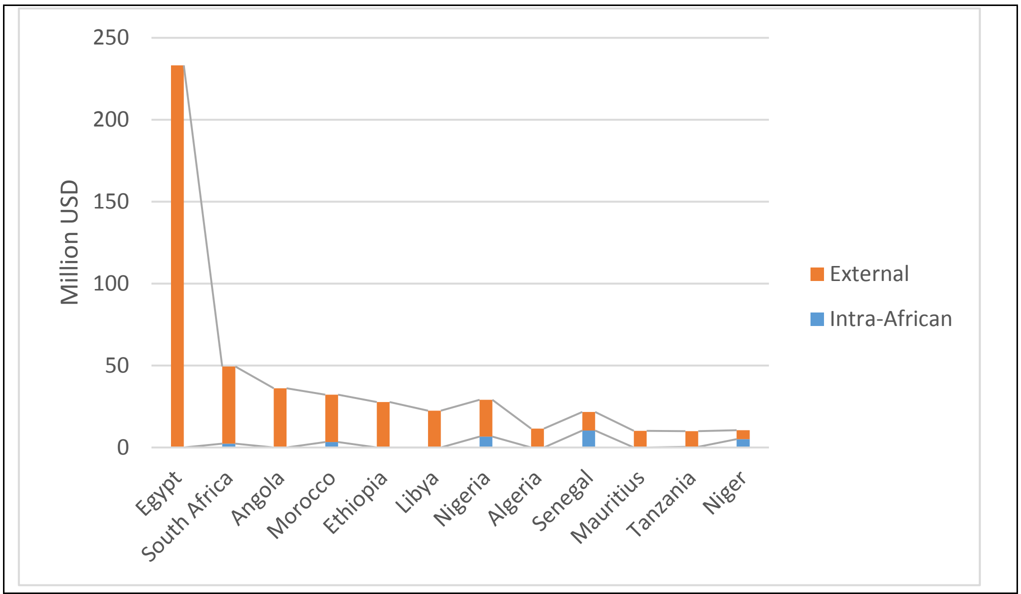
In addition to Senegal and Niger, the market growth has been significant in Côte d'Ivoire, Togo, Guinea-Bissau, Sierra Leone and Capo Verde-Sao Tomé even though their volumes have been small. On the other hand, plywood imports have declined in Benin, Burkina Faso and Nigeria. In view of Nigeria's economic development and the construction sector in particular, the reported data on plywood imports appears contradictory and raises the issue of undocumented trade (cf. section 2.7).

Table 2.14 Major importers of plywood in Africa, 2013

Country	External	Intra-African	Total
	USD 1000		
Egypt	233 106	39	233 145
South Africa	46 966	2 497	49 463
Angola	36 260	0	36 260
Morocco	28 884	3 450	32 334
Ethiopia	27 882	4	27 886
Libya	22 597	0	22 597
Nigeria	22 513	6 737	29 250
Algeria	11 607	0	11 607
Senegal	11 213	10 445	21 658
Mauritius	10 284	28	10 312
Tanzania	9 459	487	9 946
Niger	5 544	5 130	10 674

Source: Annex 2, Table 2-10

Figure 2.12 Major African plywood importers, 2013



2.5.5 Secondary Processed Wood Products (SPWP)

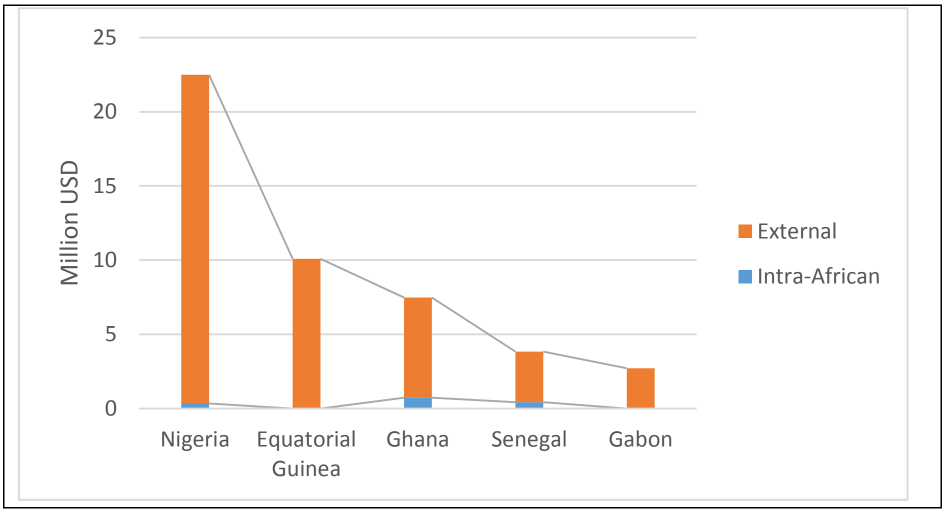
As illustrated in section 2.1, the African further processing industry has been unable to respond to the rapidly growing demand of secondary processed wood products. They are efficiently transported by sea in containers and they mainly come from Asia. The potential for increased intra-regional trade in SPWPs is, however, highly significant; the total imports were valued at USD 2.9 billion in 2013 of which only USD 180 million originated from the region (cf. section 2.1.1).

Figure 2.12 - Figure 2.19 provide details on the size of the main import markets and the current level of intra-African imports for principal product groups of SPWPs. The situation is also reviewed within ECOWAS and ECCAS to identify the immediate potential for possible impact of trade facilitation measures.

2.5.5.1 *Builders' woodwork*

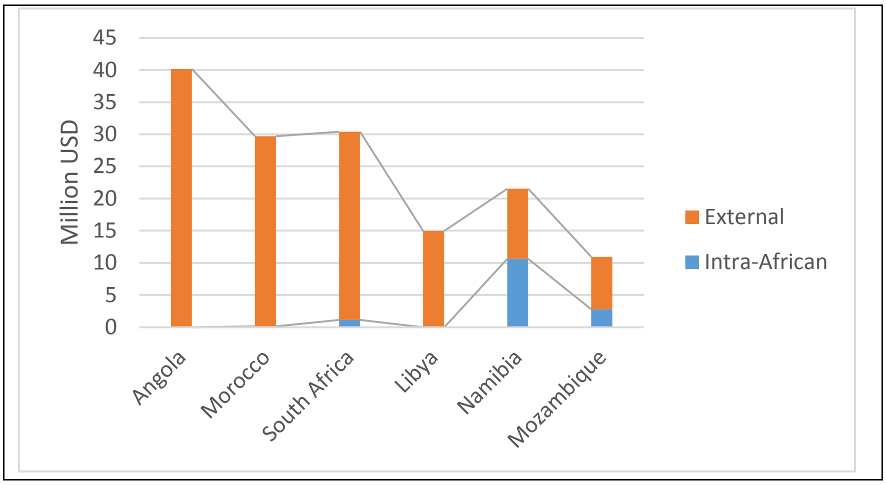
In Western and Central Africa the main importers of builders' woodwork are Nigeria (USD 22 million), Equatorial Guinea (USD 10 million), Ghana (USD 7.4 million), Senegal (USD 3.7 million), and Gabon (USD 2.7 million). Intra-African imports are marginal in these countries except in Ghana and Senegal (Figure 2.13).

Figure 2.13 Major West and Central African importers of builders' woodwork, 2013



Large importers of builders' woodwork in Northern and Southern Africa include Angola (USD 40 million), Morocco (USD 30 million), South Africa (USD 29 million), Namibia (USD 21 million), Libya (USD 15 million), and Mozambique (USD 8.1 million) (Figure 2.14). In the last two countries there is also some intra-African imports in these products, mainly from South Africa.

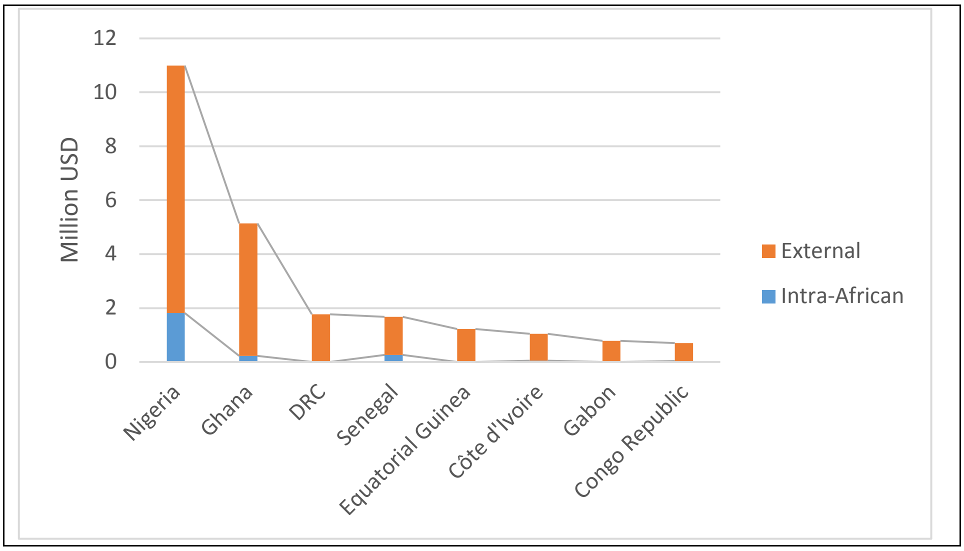
Figure 2.14 Selected importers of builders' woodwork in Northern and Southern Africa, 2013



2.5.5.2 *Other SPWPs*

In Western and Central Africa Nigeria is the leading importer of other SPWPs (USD 22 million) followed by Ghana (USD 5.1 million). In the other key importing countries (DRC, Senegal, Equatorial Guinea, Côte d'Ivoire, Gabon and Congo) the value of imports is in the range of USD 0.7 to 1.8 million (Figure 2.15).

Figure 2.15 Major West and Central African importers of other SPWPs, 2013

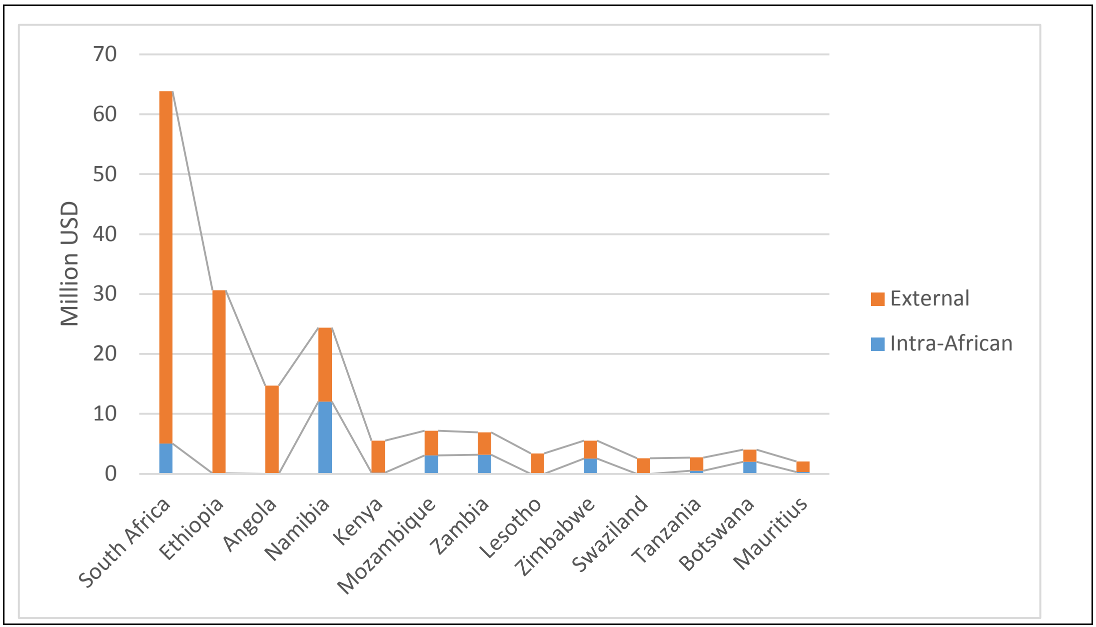


In other SPWPs the largest African market is found in Algeria (USD 625 million) while the other Northern African countries import only in the range of USD 6 to 17 million each. There is no intra-African trade in these products in this sub-region.

In Southern Africa the leading importer in other SPWPs is the Republic of South Africa with a trade value of USD 63 million of which USD 5 million has originated from the region (Figure 2.16). The second largest sub-regional market is Namibia (USD 24 million) followed by Angola (USD 15 million). In the other countries of the sub-region the import value is in the range of USD 2 to 4 million. Apart from Namibia and South Africa, the intra-regional imports are negligible.

In Eastern Africa Ethiopia has emerged as the largest importer in this product group (USD 31 million) followed by Kenya (USD 5.5 million) and Tanzania (USD 2.7 million). There are no significant intra-African imports of other SPWPs in the sub-region.

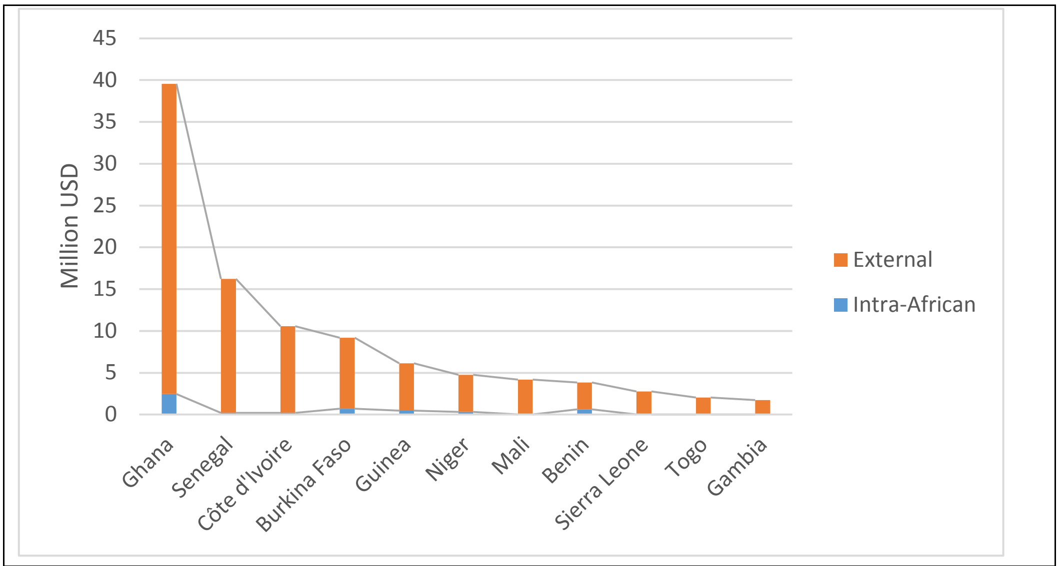
Figure 2.16 Major Southern and Eastern African importers of other SPWPs, 2013



2.5.5.3 Wooden furniture and parts

In West Africa the imports of furniture and parts are at the level of USD 40 million in Ghana, followed by Senegal (USD 16 million), Côte d'Ivoire (USD 11 million), and Burkina Faso (USD 9.2 million). In the other main importing countries (Guinea, Niger, Mali, Benin, Sierra Leone, Togo and the Gambia) the trade volume is in the range of USD 2 to 6 million each (Figure 2.17). No data is reported on Nigeria that can, however, also be assumed to be one of the main importers.

Figure 2.17 Major West African importers of wooden furniture, 2013

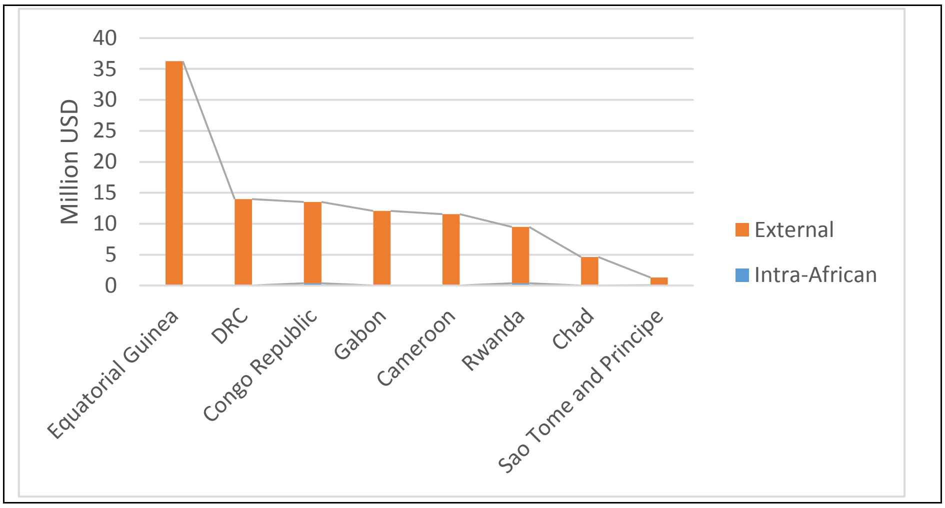


In Central Africa the biggest importer of wooden furniture is reported to be Equatorial Guinea (USD 36 million)[9], followed by DRC (USD 14 million), Congo (USD 13 million), as well as

9 Equatorial Guinea may be a statistical outlier due to its small population but this could not be confirmed during the study. Re-exports could explain part of the large import value.

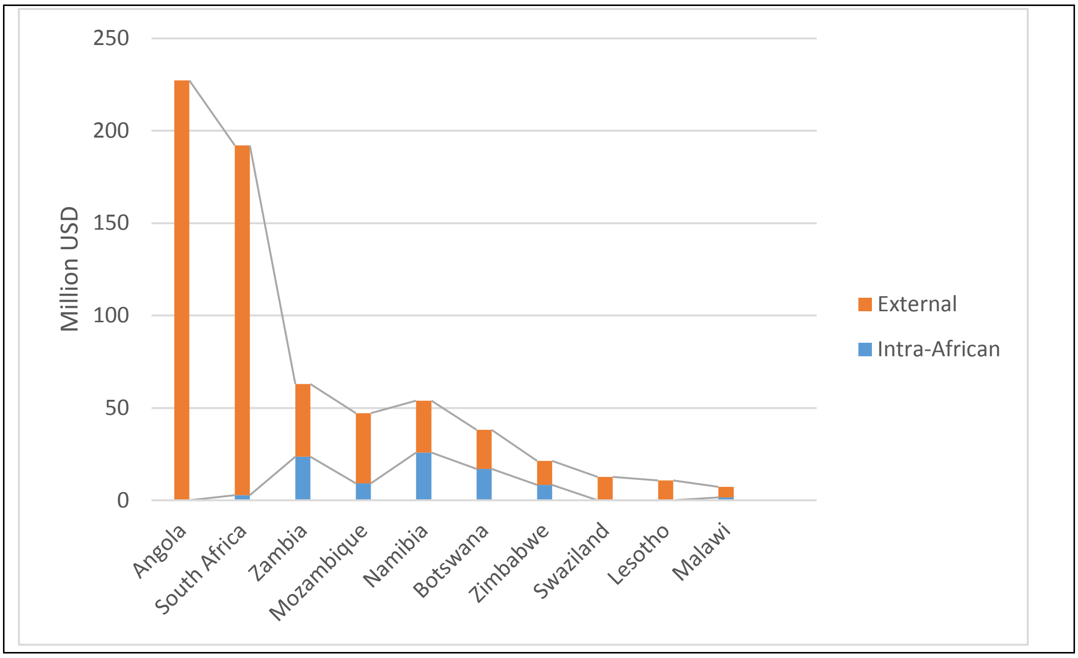
Gabon and Cameroon (USD 12 million each). Also Rwanda and Chad are significant furniture importers (Figure 2.18). Intra-African trade plays no role in furniture trade in West and Central Africa, apart from small imports in Ghana but possibly also Nigeria is importing furniture from neighboring countries.

Figure 2.18 Major Central African importers of wooden furniture, 2013



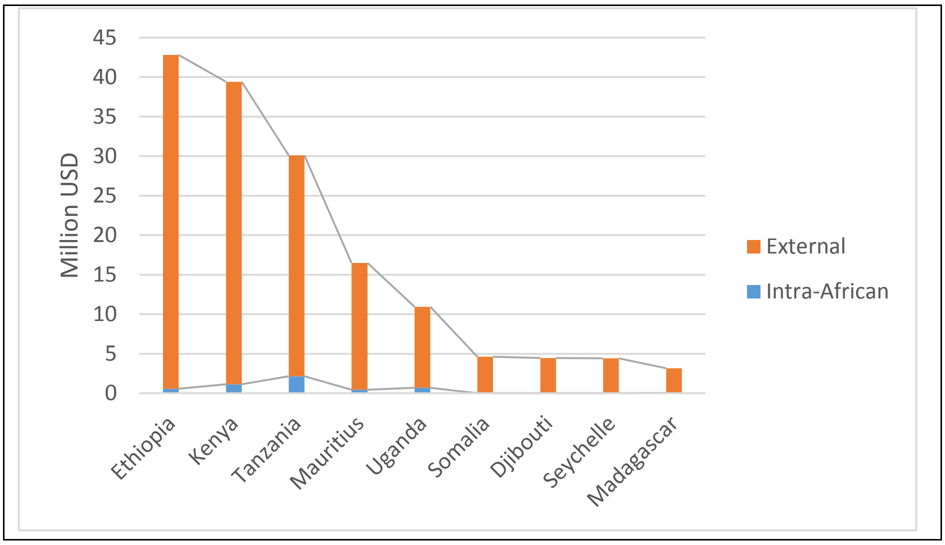
Furniture importation is a major business in Southern Africa. Angola is reported to be the largest importer (USD 227 million) induced by strong economic growth and the oil sector. It is followed by South Africa (USD 192 million) (Figure 2.19). In Zambia the imports amounted to USD 63 million, Namibia to USD 54 million, Mozambique to USD 47 million and Botswana to USD 38 million. Also Zimbabwe, Swaziland, Lesotho and Malawi are significant importers of wooden furniture. Intra-African trade has an important role in some countries accounting for about 40 to 45% in Zambia, Namibia, Botswana and Zimbabwe.

Figure 2.19 Major Southern African importers of wooden furniture, 2013



The East African furniture imports come almost totally from outside the region. Ethiopia has emerged as the largest importer with a trade value of USD 43 million, followed by Kenya with USD 39 million. (Figure 2.20). In Tanzania the level is about USD 30 million, in Mauritius USD 16 million and Uganda USD 11 million. In the other countries (Mauritius, Somalia, Djibouti, Seychelles and Madagascar), the value of imports is in the range of USD 3 to 5 million.

Figure 2.20 Major Eastern African importers of wooden furniture, 2013



2.6 Total market potential scenario for ITTO producing countries in Africa

A scenario was prepared to illustrate the size of the market potential for ITTO producing countries in Africa in the short and medium term. Based on the current market shares, product quality differences, and logistic constraints, short-term target market shares were first estimated by product group and sub-region. These were then applied to the import values in 2013 (cf. sections 2.1.1 and 2.2.1) to arrive at short-term potential that could be compared to the current situation.

In order to obtain a rough estimate of the medium-term market potential, a growth scenario for the total TTP imports was prepared for each sub-region. The growth rates were adapted based on the information contained in the African Economic Outlook Report 2015 (AfDB 2015) based on the past performance and projections. These were then directly applied to the total TTP imports in the Africa by sub-region up to 2020. It is recognized that the approach is highly simplified as it implies that the TTP total imports will grow at the same rate as national economies. In view of current supply constraints in many African countries, the assumption is here considered acceptable. On the other hand, the future scenario may not be overly unrealistic as the targeted market share is assumed constant over the medium term.

The targeted market shares were set higher in Western and Central Africa where most ITTO producing countries are located. In view of strong competition with Asian exporters and poor logistic connections at present the market share in Eastern Africa was set very modest. A somewhat higher degree of penetration is assumed in Northern Africa particularly for primary processed products as ITTO producers have established trade relations there. Relatively ambitious levels of targeted market shares were used for Southern Africa because of its proximity and already established emerging trade flows that can be expanded.

In terms of product groups, relatively high market shares were assumed for primary processed products (apart from particle board and fibreboard due to limited of capacity). Also in mouldings a high market share was assumed possible due to the competitiveness of African species in this product. More challenging would be reaching the targeted penetration levels in builders' woodwork and furniture. On the other hand, the region's market size is huge and necessary investments can be smaller enabling fast growth if preconditions exist. Another underlying assumption here is that exporting companies can timely deliver products that meet the international quality standards as demonstrated by Asian exporting countries.

The resulting market potential estimates are given in Table 2.15. In spite of the weaknesses of the estimation approach it can be concluded that there is a huge market potential in the African TTP markets which can be in the range of USD 700-800 million reaching about USD 1 billion in 2020 (on CIF basis). As a way of comparison, the ITTO producing countries exported to other African countries worth USD 290 million (FOB basis) in 2013 (Table 2.1) or 38% of the short-term potential scenario.

This opportunity has been overlooked by the industry and investors in spite of being highlighted in ITTO (2009) and recognized in the Accra Action Plan agreed upon by the member countries. Blunt measures are needed by member governments to create enabling conditions for future investments and to facilitate intra-regional trade.

Table 2.15 Short and medium-term market potential for ITTO producing countries in Africa by product groups and sub-region

Product group	Targeted market share	Short-term market potential	Share of the total	Medium-term market potential
	%	USD million	%	USD million
Logs	13.4	59.8	7.81	
Sawnwood	10.8	217.4	28.41	
Veneer	38.2	57.0	7.45	
Plywood	16.1	92.8	12.12	
Particleboard	2.8	4.1	0.53	
Fibreboard	4.2	14.7	1.92	
Builders' woodwork	16.0	44.5	5.81	
Mouldings	28.3	21.4	2.80	
Other SPWP	8.5	74.6	9.75	
Wooden furniture and parts	11.2	178.9	23.38	
Cane, rattan and bamboo furniture	1.7	0.2	0.02	
Total all products	**11.7**	**765.3**	**100.00**	
Sub-region				
Northern Africa	6.10	235.0	30.71	309.3
Western Africa	34.59	144.8	18.93	210.7
Central Africa	25.62	45.2	5.91	63.6
Eastern Africa	4.37	21.9	2.87	33.0
Southern Africa	20.21	318.3	41.59	405.0
Total region	**11.73**	**765.3**	**100.00**	**1021.5**

Source: Consultants' elaboration based on Annex 2

2.7 Mirror data analysis and illegal trade

2.7.1 Mirror data

For a mirror data analysis data was collected on the trade flows from selected key countries in Western and Central Africa in 2013. The following products were included in the analysis: logs, sawnwood, veneer and plywood, which are of direct interest to ITTO. In each group a sample of trade flows were pre-identified. Data was collected on export value for the exporter and the import value of the importer.

In logs the following trade flows were covered by the statistical analysis:

- From Cameroon to Ghana and Nigeria
- From Liberia to Côte d'Ivoire and Ghana

No trade flows in logs were reported in the trade statistics of these five countries.

In sawnwood the following trade flows were reviewed:

- From Côte d'Ivoire to Mali and Nigeria
- From Ghana to Burkina Faso, Côte d'Ivoire and Nigeria
- From Cameroon to Nigeria

The results are given in Table 2.16 indicating that three flows have been recorded: (i) from Côte d'Ivoire to Nigeria (reported as USD 26 000 only by importer), (ii) from Côte d'Ivoire to Mali (reported as USD 1 307 000 only by exporter), and from Ghana to Burkina Faso (reported as USD 42 000 by the exporter, and as USD 1 642 000 by the importer). The second case may be due to misclassification in Mali statistics as the economic incentive to avoid payment of tariffs is low in Mali (tariff is 3.33%). The third case is possibly due Burkina Faso reporting Ghanaian sawnwood imports from other countries coming as from Ghana (which could have been a transit country for deliveries originating from elsewhere.

In plywood and veneer, the following trade flows were reviewed:

- From Côte d'Ivoire to Mali and Nigeria
- From Ghana to Burkina Faso, Côte d'Ivoire and Nigeria
- From Cameroon to Nigeria

In 2013, Ghana was the only country to record on veneer exports. The main export flow was to Nigeria reported as USD 3.5 million, which is not at all reflected in the Nigerian import statistics.

In the case of plywood, Ghana's exports were USD 15.5 million but Nigeria reported its respective imports only at USD 6.4 million. There was a similar situation with Ghana's exports of USD 3.5 million to Burkina Faso reported in its import statistics as USD 0.4 million. The exports of Côte d'Ivoire of USD 2.8 million to Mali were not reported at all in the other end. The opposite situation occurred in Nigerian imports from Cameroon (USD 0.4 million) that did not appear at all in the Cameroonian exports statistics.

There are several reasons for differences between export and import data, including lack of recording of transactions by any one of the trading partners, and misclassifaction of the product in export/import declaration by a partner. The difference (sometimes up to 35% of the value) is partly due to the fact the export value is based on FOB/ex-mill prices and import value based on CIF/delivered prices depending on whether sea or land transport is involved.

In addition, transit deliveries may not be correctly recorded. For instance, a delivery in transit may remain in the country and not reported as its imports.

Table 2.16 Mirror data comparison in sub-regional trade in logs and primary processed timber products

Trade Flow	Export data	Import data	Difference	Comments
LOGS	**USD 1000**			
Cameroon to Ghana	N/A	N/A		Not available
Cameroon to Nigeria	N/A	N/A		Not available
Liberia to Côte d'Ivoire	N/A	N/A		Not available
Liberia to Ghana	N/A	N/A		Not available
SAWNWOOD				
Cameroon to Nigeria	**N/A**	N/A		Not available
Côte d'Ivoire to Nigeria	**N/A**	26		No export data
Côte d'Ivoire to Mali	**1 307**	N/A		No import data
Ghana to Burkina Faso	**42**	1 642	1 600	Export data underreported
Ghana to Côte d'Ivoire	**N/A**	N/A		Not available
Ghana to Nigeria	**N/A**	N/A		Not available
VENEER				
Cameroon to Nigeria	N/A	N/A		Not available
Côte d'Ivoire to Nigeria	N/A	N/A		Not available
Ghana to Côte d'Ivoire	10	5	5	Underreporting probably by CI
Ghana to Nigeria	3 481	N/A		No import data
PLYWOOD				
Cameroon to Nigeria	N/A	371		No export data
Côte d'Ivoire to Nigeria	48	N/A		No import data
Côte d'Ivoire to Mali	2 816	N/A		No import data
Ghana to Burkina Faso	3 488	412	3 076	Underreporting probably by Burkina Faso
Ghana to Côte d'Ivoire	7	2	5	Underreporting probably by CI
Ghana to Nigeria	15 511	6 364	9 147	Underreporting probably by Nigeria

Source: Official trade statistics

The main motive for lack of trade declaration or false declaration is economic: avoidance of tariffs, taxes and charges in either end of the trade flow. The higher these are the stronger incentive there is to avoid law compliance, both in importing and exporting countries. If border procedures are time-consuming, this can act as an additional motive.

Based on the above analysis and the prevailing tariff rates, the loss of fiscal revenue of unreported imports in sawnwood, veneer and plywood from the neighboring countries can be estimated as follows:

Nigeria	USD	2.80 million per year
Burkina Faso	USD	0.31 “
Mali	USD	0.13 “

It is noted that smuggled TTPs, not declared by any one of the countries involved, cannot be traced through mirror data analysis. Earlier studies have suggested that such undocumented cross-border trade flows are important, sometimes the only ones, in parts of Africa. In spite of these deficiencies, a mirror data analysis can provide some partial indication on the economic cost to governments of illegal trade.

2.7.2 Informal cross-border trade and smuggling

The above analysis paints only a partial picture of the true situation in cross-border trade of TTPs which is negatively impacting efforts to promote SFM and legal trade in several ITTO producer countries. As an example, due to lack of effective governance in eastern DRC, there is a significant unreported export of logs and sawnwood to Uganda, Rwanda and Burundi which is instigated by the political conflict (Nellemann et al. 2014).

In the ECOWAS region, the unreported trade in sawnwood and plywood was estimated already in 2008 at 260.000 m^3 (Blackett & Gardette (2008). The recent study by the Forest Research Institute of Ghana confirmed that the unreported trade has probably remained at the same level, coming mainly from Ghana and partly Côte d'Ivoire, and that this can be considered a conservative estimate (Marfo et al. 2014). At least 130.000 m^3 of timber stocked in local markets in Ghana are exported overland to other ECOWAS countries, potentially reducing the volume of timber available to local consumers in Ghana. Since almost all of the timber traded is chainsawn lumber, the overland export trade has been a major driver of illegal chainsaw operations already since decades. Marfo et al. (2014) conclude that Ghana's official trade statistics are grossly unreliable on overland trade of timber to neighboring countries, probably capturing less than 10% of the actual overland trade of lumber. At the border, the necessary official documentations for timber export inspected include CEPS memorandum, Forestry Commission-TIDD lumber inspection certificate, and overland export permit. Goods in transit are covered by phyto-sanitary certificate, certificate of origin, contract with buyer, customs memorandum and overland export permit.

The Ghanaian government has, therefore, failed to collect significant amounts of taxes and charges from overland exports which are directed to, or pass through, Burkina Faso to Mali and Niger. Based on the data of Marfo et al. (2014) and the field data, the loss of government revenue in Ghana has been about USD 1.4 million per year.

In the case of Burkina Faso the government appears to collect import duties and other charges from the trade only for 25% to 50% of national imports and the losses of government revenue due to unreported trade in sawnwood is estimated at USD 4 to 6 million per year, which however includes in-transit deliveries to Mali and Niger. The available information suggests that unrecorded overland exports also take place from Côte d'Ivoire to Burkina Faso and Mali but there is no estimate of its present volume. It is, however, likely to be less significant than the unrecorded overland exports from Ghana to its northern neighbors.

Two main reasons appear to explain the situation: (i) the illegal/undocumented nature of most timber exported (chainsaw lumber), and (ii) weak institutional capacity and monitoring mechanisms due to corruptive practices.

It may be concluded that intra-Community TTP trade flows demonstrate that there is "free trade" within ECOWAS, which rewards illegal chainsaw logging and corruption among border control and other enforcement staff. The current barriers to trade are powerful incentives for maintenance of the status quo and undermine efforts in exporting countries to achieve legal compliance and sustainable forest management. There is no other option than to formalize the intra-Community trade, remove unnecessary barriers, strengthen enforcement and start rewarding legal operators through trade facilitation to improve their competitiveness.

There is also a clear need to continue baseline research on cross-border trade in Western and Central Africa as has been carried out by CIFOR in the past and as part of the ITTO project PD 700(I). Their on-going research reveals new information on the situation that should be monitored in a systematic way in the future. The cross-border informal trade in sawnwood and other TTPs between Cameroon and Chad appears to be significant. There is also such trade between Cameroon and Nigeria, which is difficult to detect as it is partly transported by river. There appears to be also large-scale unrecorded exports between DRC and Zambia which is largely driven by transit deliveries to China through Mozambique.[10]

TTP products are bulky, have long and complex supply chains and products are made of different tree species which are often difficult to identify without specific technical training and equipment. This makes it challenging for customs staff to control the trade. ITTO's work related to CITES capacity development in African range countries has been important but should be continued and expanded.

Border control by the customs in overland deliveries is difficult, as cargos are usually covered by high sideboards or tarpaulins. Effective control of what is actually transported would usually mean unloading the whole cargo for inspection. This is not practical logistically leading to long queues on the border post creating a lot of discontent among operators.

Most of forest degradation and follow-up deforestation appears take place in community forests and other non-reserved forests. It is caused by illegal/informal logging for the domestic market and cross-border trade, including exports to China through East African countries, not exports to the EU, Japan or North America. In some countries domestic trade is probably more important driver than cross border trade (Cerutti & Lescuyer 2011). Such wood is coming from outside concessions, i.e. village forests, off-reserve lands, etc. (Marfo et al. 2014). The volumes are much larger than suggested in earlier studies and exploding in order to respond the rapid demand growth in timber products in Africa. The informal sector supplying probably most of the illegal timber needs to be formalized but has to be by accompanied rather than enforcing (Lescuyer 2011). Waste is huge in these operations when carried out in the forest, resulting in loss of economic benefits and environmental degradation.

3. TARIFFS AND NON-TARIFF BARRIERS

3.1 Tariffs and taxes

3.1.1 Tariff rates and escalation

For the purpose of assessing the market access of TTPs an analysis on tariffs and their escalation in terms of the value added has been done based on the latest available information. Country level external tariffs by TTP product groups are presented in Annex 3.1 using Ghana as an example of ITTO producing country exporters. Table 3.1 provides a summary of the prevailing tariff rates by sub-region and product group. Detailed information import tariffs in Africa is made available for exporters in all the ITTO member countries in Africa through the project website at the 6-digit level. However, in practice exporters and importers would need information by tariff lines which can be found in the ITC MacMap.

The data demonstrates that overall in Africa the tariff levels are high and often prohibitive. <u>Logs</u> are an exception, as a number of countries apply a zero tariff. But in most cases there is a tariff of 5 to 10%, which is high for a raw material. There is no economic reason to apply such high tariffs for logs as it limits the development of local processing industries. This is also partly valid for tropical <u>sawnwood</u> as it is used by other sectors as raw material and its production is closely associated with availability of domestic logs.

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[10] Eba'a Atyi, Richard, CIFOR, pers. comm.

Table 3.1 Variation of TTP import tariffs in Africa by sub-region and product group, 2015

Sub-region	Logs	Sawnwood	Veneer	Plywood	Particle board	Fibreboard	Wooden furniture	Builders' woodwork	Other SPWPs	Mouldings	NTFP furniture
Northern Africa[a]	0 - 25%	0 - 40%	2.5 -40%	6.7 - 40%	3 - 40%	3 - 40%	3 - 40%	3 - 40%	3 - 40%	1 - 40%	3 - 40%
Western Africa	0 - 20%	5 -20%	10 - 20%	10 - 20%	10 - 20%	10 - 20%	20 - 50%	20 -40%	0 - 40%	10 - 20%	20 - 50%
Central Africa	0 -30%	10 - 30%	10 - 30%	13.33-30	10 - 30%	10 - 30%	20 - 30%	20 - 30%	10 - 30%	10 - 30%	15 - 30%
Eastern Africa	0 - 26%	0 -13%	0 - 25%	0 - 25%	0 - 26%	0 - 25%	0 - 35%	0 - 30%	0 - 35%	0 - 25%	0 - 30%
Southern Africa	0 - 30%	0 -30%	5 - 30%	7.5 - 30%	7.5 - 30%	7.5 - 40%	10 - 40%	0 - 50%	0 - 50%	5 - 30%	10 - 40%

Source: ANNEX 3.1 (ITC MacMap Data Base)

Notes: Northern Africa excludes Libya
Wooden furniture includes also furniture parts.
NTFP furniture are made of cane, rattan and bamboo

In veneer and plywood the tariffs are typically 10% or 20% but also higher tariffs (30%) are applied in Central African countries to protect local peeling and slicing industry. However, DRC and Congo are exceptions showing that strong veneer producers do not need tariff protection. In Eastern Africa the tariffs are usually low as there is practically no industry to protect. However, Kenya, Tanzania and Uganda apply a prohibitive tariff of 25%, which are likely to be counterproductive for the development of domestic plywood industry.

There is very little particle board and fibreboard production in ITTO producing countries (in most cases none), but they tend to apply high tariffs usually in the range of 10 to 20%. In Central Africa the rate is 30% apart from Congo (10%) and DRC (20%). This is again in conflict with the countries' national policies to promote value added timber processing, as these products are important inputs to furniture and SPWP producers.

In builders' woodwork and wooden furniture, the tariffs are typically 20% in Western Africa and 30% in Central Africa demonstrating a strong will to protect these sectors due to their local income and employment impacts. However, such high tariffs have not lead to the emergence of internationally competitive further processing industries, with few company exceptions in Côte d'Ivoire and Ghana.

Southern African countries like Botswana, Namibia, South Africa, and Swaziland illustrate a different tariff policy that has resulted in the development of local processing to satisfy national and sub-regional markets. The tariff for logs and sawnwood is zero, for veneer 5%, and for plywood 7.5-7.86% South Africa is a strong particle board and fibreboard produce and the rates for these products are 10 to 15%. In further processed products the rate for builders' woodwork is 0-15% depending on the item and 20% for wooden furniture. There is an element of tariff escalation like elsewhere in Africa but to a much lesser extent that in Western and Central Africa.

Mozambique is an exception as it applies a flat tariff rate of 7.5% for all timber products apart from furniture and some SPWPs (20%). Angola as rapidly emerging market for TTPs is another exception as their typical flat rate for primary processed timber products is 30% and in further processed products sometimes up to 50%. Such rates are practically prohibitive and have not led to development of the local timber industries in the country.

3.1.2 Tariffs in free trade areas

Figure 3.1 and Figure 3.2 illustrate the current situation on the tariff rates within and between ECOWAS and ECCAS sub-regions using selected countries as examples. The arrows indicate the direction of the trade flow and numbers the respective tariffs in importing countries. The data has been compiled for sawnwood and plywood as products of the main interest for ITTO producers but the analysis can be expanded for other products as well. The information is based on the data contained in the ITC MacMap data base and refers to year 2015.[11]

The following observations can be made on the current situation:

1. ECCAS countries should be already applying zero internal tariffs for timber products.[12] However, this appears not to be always the case, as e.g. in trade between Cameroon and Chad duties are being charged on the border crossing. If internal tariffs are effectively removed, this will boost production and trade within the sub-region. The national markets are in many products too small to justify investment in industrial production and therefore there are now improved prospects for using the national markets as drivers of development. However, ECCAS has no Common External Tariff (CET).

[11] The information on DRC is for 2014.
[12] DRC appears as an exception but as its data refers to 2014, it is possible that the situation has been updated.

2. ECOWAS is lagging behind and countries are applying different tariffs for TTPs both for intra-Community imports and trade flows from outside the sub-region. E.g. Nigeria has a rate of 35% for wooden furniture, whereas the common level in ECOWAS countries is 20%. In spite of agreeing upon a Common External Tariff (CET), in practice the harmonization of tariffs has not yet taken place. This is a major impediment for using mutual TTP trade as an engine for economic growth.

3. There are several anomalies and particularities in the tariff rates which call for attention in deciding about the future trade policies among ITTO producer countries in the region:
   - In sawnwood and plywood Cameroon and Nigeria apply the same import tariff for products coming from ECOWAS and ECCAS countries (10% and 20%, respectively).
   - In bilateral trade Ghana applies zero tariff to sawnwood imports from Côte d'Ivoire but 20% tariff for plywood. On the other hand, Côte d'Ivoire applies 10% tariff for both products for Ghana in the same way as for any other country.
   - Cameroon applies 30% tariff for sawnwood and plywood imports from Côte d'Ivoire and Ghana but its producers enjoy considerably lower tariffs in their exports to these countries (10% and 20%, respectively).
   - The Nigerian and Ghanaian import tariffs for plywood are similar but differ significantly in sawnwood.
   - The Ivorian tariffs in sawnwood are higher than those in Ghana and Nigeria but lower in plywood.

The review of the situation suggests that countries would benefit from reduction and harmonization of internal tariffs within the ECOWAS as ECCAS has done. Probably even more important would be to reduce tariffs between the two Communities along the lines being planned in the Eastern part of Africa. Some tariff levels are prohibitive for expansion of regional trade. The current tariff barriers do not appear to promote competitiveness that could benefit from deeper division of forest resources, labor, and economies of scale stemming from larger business volumes. The slow development in establishing effective free trade and CETs both under ECOWAS and ECCAS is a particular cause of concern (cf. also section 5.1).

Figure 3.1 Examples of intra-regional tariffs for sawnwood in ECOWAS and ECCAS, 2015

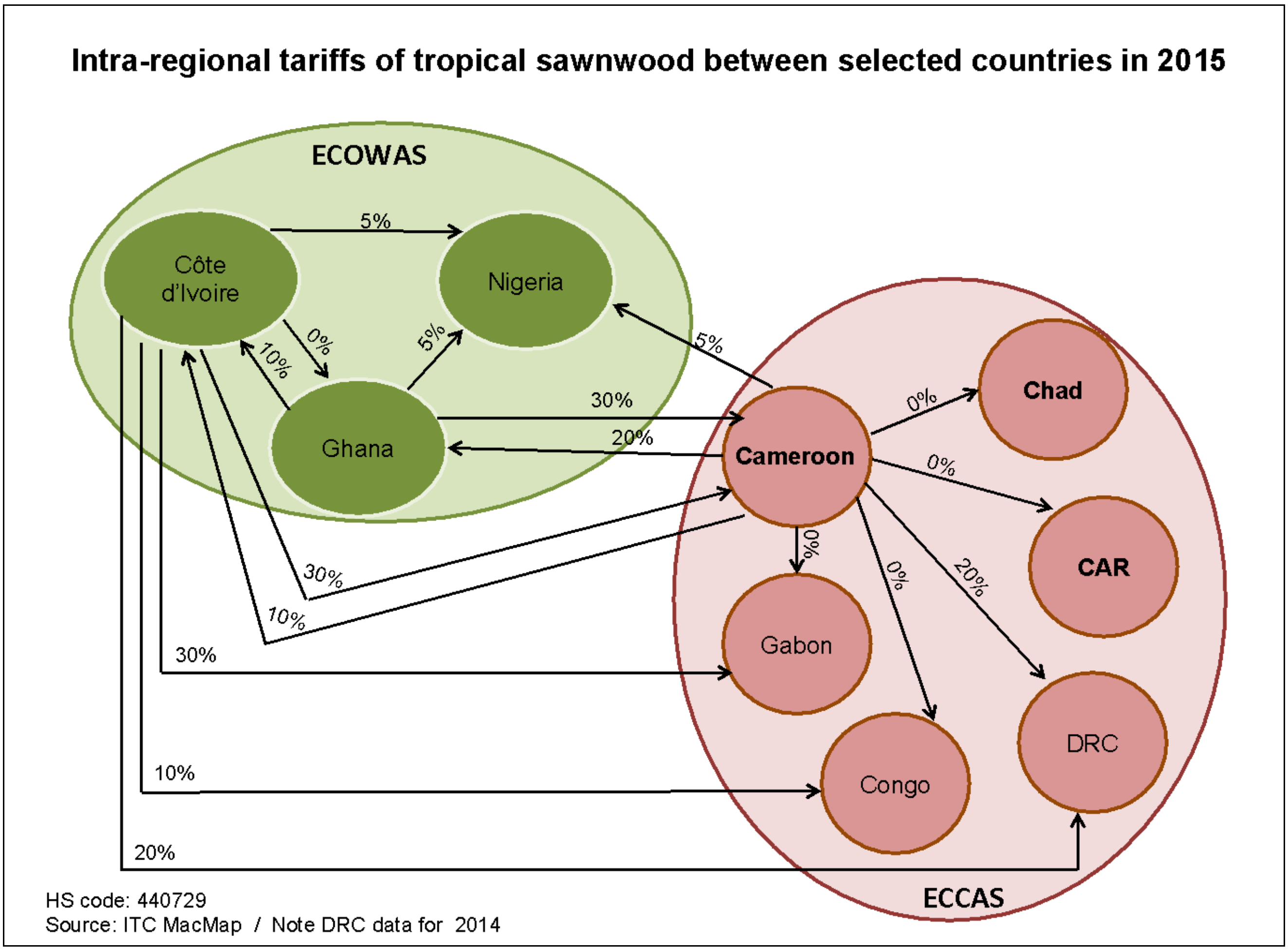
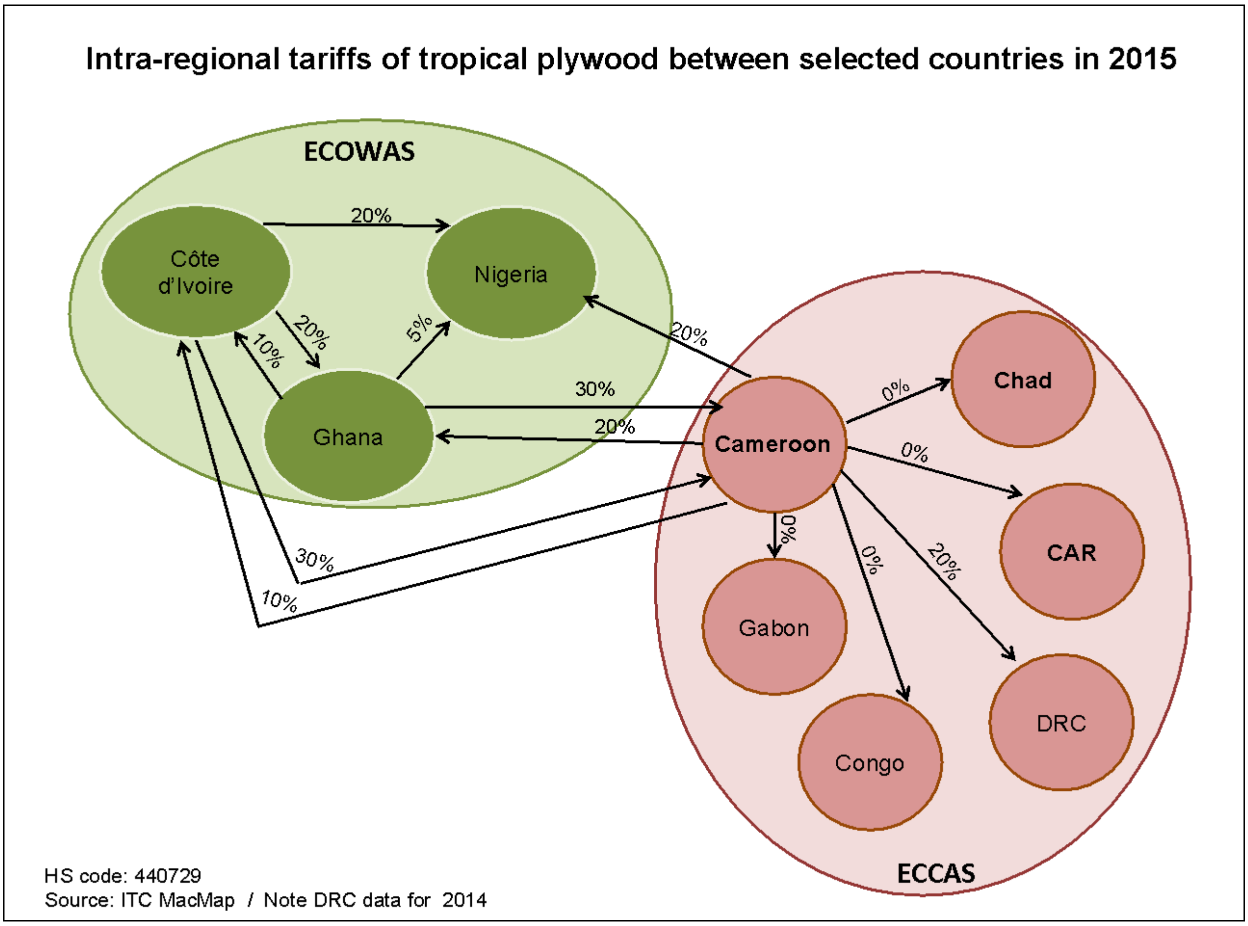


Figure 3.2 Examples of intra-regional tariffs for plywood in ECOWAS and ECCAS, 2015



3.1.3 Taxes

The most important tax related to international trade is Value Added Tax (VAT) collected on imported goods at the same time as import tariffs. The importing enterprise has to pay the tax or provide a respective guarantee to the national customs. When the product has been processed and sold, VAT is invoiced by the enterprise and thereby the VAT at the importation can be refunded. In an ideal situation this works well and the impact on the importing company is neutral. However, in practice long delays may occur in refunding by the government, as happened in the case of the Gabonese timber industry jeopardizing the financial viability of several enterprises (cf. Box 4.1).

The applicable VAT rates for the ITTO African member countries are given in Table 3.2. In general, the rates are high generally in the range of 15 to 20%, or often higher than the respective import tariff. The lowest VAT rates are found in Nigeria (5%), Liberia (7%) and Egypt (10%). If the importing company can avoid payment of import tariff, it also avoids the payment of VAT on the imported product. There is a potential incentive for the company to avoid VAT, particularly in case part of its sales is also transacted without VAT. In such a situation, the non-complaint company can has a significant price advantage (often up to 20 to 50%) compared to legally operating competitors.

Table 3.2 Value Added Tax in selected African countries, 2015

Country	VAT %	Comments
Algeria	17	
Benin	18	
Burkina Faso	18	
Cameroon	19.25	
Cap Verde – Sao Tomé	15	
Central African Republic	19	
DRC	16	Sales Tax
Chad	18	
Congo	18	Standard Rate
Egypt	10	General Sales Tax
Equatorial Guinea	15	Sales Tax
Gabon	18	
Gambia	15	
Ghana	15	17.5, with National Health Insurance levy; 3% reduced VAT rate or small entrepreneurs
Guinea	18	
Liberia	7	Goods & Services Tax (GST)
Mali	18	
Morocco	20	
Mozambique	17	
Namibia	15	
Niger	19	
Nigeria	5	Plan to raise VAT to 10 %
Rwanda	18	
Senegal	18	
Sierra Leone	15	GST
South Africa	14	
Togo	18	
Tunisia	18	
Uganda	18	

Source: http://www.vatlive.com/vat-rates/international-vat-and-gst-rates/

There are also other charges and levies issued for imports or exports depending on the country. Their importance is usually less significant than in the case of VAT. The example of

Côte d'Ivoire on prevailing taxes and charges imposed on TTP import is illustrative: Statistical tax 1%, Community Solidarity tax 1%, and ECOWAS Community tax 0.5% increasing the cost of all imports by 2.5%, in addition to tariffs. The Value Added Tax (VAT) in the country is 18 %.

Also exports can be burdened by domestic taxes:

- Côte d'Ivoire: the following export duties are applied: up to 10% for logs, up to 35% for sawnwood and 1-5% for veneer depending on species. Plywood export duty is 1%. Exporting companies should have a permit for it from special government committee. In 2014 only 75 companies had received this authorization.
- Ghana: The situation in export and import procedures in the country is elaborated in detail in Annex 5.1.There is a registration process for companies in TTP business and timber trade procedures that they have to comply with. Regardless of the existing legislation there are a number of challenges in order to expedite the trade and ensure its legality. Customs has recently taken over the normal import and export controls from the independent inspection companies, which indicates increasing confidence in enforcement.
- Cameroon: Non-timber exit fee is generally 2% for timber products, but for logs of some species it goes up to 17.5% and for sawnwood it is 5.65%. Also mouldings and some other SPWPs carry an exit fee of 5.65%. The logic of these rates does not appear to promote development of domestic further processing.

3.2 Non-tariff barriers

Non-tariff barriers (NTBs) represent an increasing proportion of transaction costs in international trade as the import duties and taxes have diminished gradually as a result of trade facilitation measures adopted globally under auspices of WTO, but also regionally. NTBs cover a wide range of measures other than tariffs and taxes, i.e. mostly non-financial elements that complicate and slow down international commercial transactions. Traditional NTBs consist of quantitative restrictions to trade that may be applied to imports and exports (e.g. log export bans and quotas). Another example is the rules of origin that may favor trade between selected countries.

The term NTB has recently been replaced with NTM (Non-Tariff Measures), which is perceived more neutral. These have been classified as follows (World Bank 2003):[13]

(1) Government participation in trade (Government aids, including subsidies and tax benefits, countervailing duties, government procurement, restrictive practices tolerated by governments, state trading, government monopoly practices, etc.

(2) Customs and administrative entry procedures (anti-dumping duties, customs valuation, customs classification, consular formalities and documentation, samples, rules of origin, customs formalities, import licensing, pre-shipment inspection)

(3) Technical barriers to trade (TBT) (Technical regulations and standards, testing and certification arrangements)

(4) Sanitary and phytosanitary (SPS) measures (SPS measures including chemical residue limits, disease freedom, specified product treatment, etc., testing, certification and other conformity assessment)

[13] UNCTAD (2012) has its own classification for the same purpose, which is much more detailed. OECD (2005) has included in NTMs measures related to investments, antidumping and countervailing duties.

(5) Specific limitations and quantitative restrictions (quantitative restrictions, embargoes and other restrictions of similar effect, screen-time quotas and other mixing regulations, exchange controls, discrimination resulting from bilateral agreements, discriminatory sourcing, export restraints, measures to regulate domestic prices, tariff quotas, export taxes, requirements concerning marking, labeling and packaging). Box 3.1 gives examples of these NTMs in the forestry sector of selected ITTO member countries.

(6) Import charges and levies (prior import deposits, surcharges, port taxes, statistical taxes, etc., discriminatory film taxes, use taxes, etc., discriminatory credit restrictions, border tax adjustment

(7) Intellectual property rights, safeguard measures, emergency actions, distribution constraints, business practices or restrictions in the market and others

NTMs have a variety of policy objectives ranging from promoting economic development to purposes such as environmental protection or health and safety. However, the problem is that these regulations are applied in a complicated and slow manner leading to unnecessary costs to trading partners. Furthermore, they may also offer opportunities for corruptive practices in the implementation of NTM rules and regulations. Some procedures have become obsolete as their abolishment has proved to be sticky.

There are several estimates about the cost impacts of NTMs suggesting that they are often more costly than tariffs but the situation varies between countries and product groups. The common measure for that purpose is ad valorem equivalent (AVE). In general, the impact of NTMs represent on average easily 5 – 10% of the value of goods with very substantial peaks (Kee et al. 2009). The cost issue is discussed in detail in chapter 4.

The legality and sustainability requirements of TTPs are a relatively new type of NTMs but they are not yet directly impacting intra-African trade. However, for instance, in the case of the Voluntary Partnership Agreements of the EU FLEGT Action Plan the tropical timber producing countries are committed to achieve legality in all trade of TTPs. Meeting the legality and sustainability requirements, including verification and certification services, has proved to be costly (e.g., ITTO 2012).

Box 3.1 Examples of NTM measures in the forestry sector of selected African ITTO member countries

Country	Measure
Gabon	Log export ban
Congo	Log export quota limited to 15% of total production with 85% processed locally
Ghana	Log export ban with the exception of plantation logs
Cameroon	Log export quota

Sources: ITTO (2015); ITTO Market Information Service reports

Through harmonization and mutual agreements between trading partners, governments could considerably promote trade, especially for small and medium-sized companies, which have difficulties in meeting complicated regulations.

In spite of the free trade agreements in West and Central Africa, there are significant non-tariff barriers between the ECOWAS and CEMAC member countries. They are due to the nature and quality of national regulation impacting trade and institutional arrangements, which should promote integrated markets and ensure minimal disruption to trade. However, this is not, the case and NTMs are pervasive throughout all African regional groupings. They impose unnecessary costs on producers that limit trade and raise prices for consumers, undermine the predictability of the trade regime and reduce investment. The heavy bureaucratic burden imposed on all regional trade flows ties up regulatory and customs resources, limiting their attention to service actors and provide effective border management to ensure security. The cost of trading across borders is highest in the Sub-Saharan Africa region, over twice as high compared to East Asia and the OECD countries (World Bank 2013).

To illustrate the situation the World Bank Doing Business 2015 provides comparative information on the current situation (Table 3.3). The African ITTO member countries perform weakly when measured based on indicators for trading across borders. The higher the score in Table 3.3, the less there are obstacles to trade. However, the geographic location has also an influence as land-locked countries (Mali, Central African Republic), or where ports are far from the main production and consumption centers of TTPs (e.g., Congo Rep, DRC) producers and users are suffering from high cost required to export and import goods.

The number of documents needed to export (bank documents, customs clearance documents, port and terminal handling documents and transport documents) varies in Africa from 4 (in Mauritius and Morocco) to 11 (in Central African Republic and Congo Rep.). In Gabon, Ghana, Mali and Togo it is 6 and in Benin, DRC and Mozambique 7.

In general, the number of documents needed to import is even higher ranging up to 17 (in Central African Republic) which makes importing of machinery and equipment, spare parts, glues and other consumable items in logging and wood processing costly. Among the targeted regional export markets, documentary requirements for imports are usually high. E.g. in Nigeria 13 documents are needed for importation but there are also exceptions like South Africa where only 6 documents are necessary.

In spite of the still currently weak situation in trading across borders, there has been progress in lowering or removing non-tariff trade barriers as the following examples demonstrate (World Bank 2014):

- Benin has reduced the number of documents needed for imports, improved port management systems and introduced an electronic single-window system in Cotonou. Also an electronic data interchange system has been implemented.
- Côte d'Ivoire has simplified the processes for producing the inspection report and by reducing port and terminal handling charges at the port of Abidjan.
- Liberia has implemented online submission of customs forms, enhanced risk-based inspections, and created a one-stop shop bringing together government ministries and agencies.
- Mali has implemented an electronic data interchange system, streamlined documentation requirements and eliminated redundant inspections of imported goods.
- The Republic of Congo has implemented pre-arrival processing of ship manifests and improvements in customs administration.
- Cameroon has improved the single-window system at Douala and implemented a GPS tracking system and scanners for cargo.

As a whole, Togo, Benin and Ghana appear to have made more progress than the other countries.

While these measures, together with infrastructural improvements, have facilitated trade, there have also been a few examples of negative developments which have added to the cost and time requirements of border crossing (CAR, Ghana, and Togo).

Table 3.3 Trading across borders indicators in selected African countries

Country	Trading across borders		Documents to export	Time to export days	Cost to export USD	Documents to import	Time to import days	Cost to import USD
	Country rank	Score						
Benin	121	66.45	7	25	1 052	7	25	1 487
Cameroon	160	44.83	11	23	1 379	12	25	2 267
CAR	186	6.48	9	46	5 490	17	68	6 335
DRC	175	29.09	7	44	3 365	10	63	4 290
Congo Rep.	181	15.4	11	50	3 795	10	54	7 590
Côte d’Ivoire	158	50.54	9	25	1 390	13	32	1 960
Gabon	135	63.26	6	20	2 145	8	22	2 275
Ghana	120	67.1	6	19	875	7	41	1 360
Liberia	149	56.4	10	15	1 320	12	29	1 320
Mali	163	46.33	6	26	2 440	11	34	4 540
Mozambique	129	64.76	7	21	1 100	9	25	1 600
Nigeria	159	50.12	9	22.9	1 564	13	33,9	1 960
South Africa	100	71.05	5	16	1 830	6	21	2 080
Togo	112	68.58	6	24	1 015	7	29	1 190

Source: World Bank (2014b)

When a considerable part of trade takes place illegally or informally, there is little other choice than to strengthen the regulatory framework and enforcement as e.g. Côte d'Ivoire and Ghana have made. One may argue that this constitutes a NTM. It may slow down the business and cause some adjustment of procedures to commercial transactions, but eventual problems are less serious compared to continuation of fraudulent practices that have an impact on the whole society. For this reason, several ITTO member countries (Cameroon, CAR, Congo, Côte d'Ivoire, DRC, Gabon, Ghana and Liberia) have signed or are negotiating FLEGT Voluntary Partnership Agreement (VPA) with the European Union.

Bilateral agreements can be highly useful in this context. For instance, Ghana and Togo are in the process to tighten their cooperation between the forestry authorities to share strategic information on imports and exports of timber and timber products. This is a very welcome initiative as fraudulent practices can be removed from international trade most effectively by international cooperation. Furthermore, if they pool resources of the customs as the overall guardian of the lawful trade on both sides, trade of legal products could be greatly facilitated and the efficiency of enforcement would be improved.

4. TRANSACTION COST ANALYSIS

4.1 Logistics

The World Bank has conducted periodic worldwide studies on country-level logistics systems of supply chains in their entirety. The Bank has recognized that the systematic information collected from the private sector is vital for efforts to improve logistics and thereby facilitate trade. The survey results are expressed as a Logistics Performance Index (LPI) based on the opinions of nearly 1000 logistics professionals among international freight forwarders and express carriers.

The approach is comprehensive consisting of six areas describing different dimensions of national logistics performance. The main criteria are (i) efficiency of border control authorities, including customs; (ii) infrastructure, (iii) international shipments, (iv) logistics quality; (v) tracking and tracing; and (vi) timeless.

Infrastructure is broken down into efficiency and availability of ports, railroads, roads, and information technology. International shipments refer to the availability of competitively priced shipments. Logistics quality refers to services of transport operators and customs brokers. Tracking and tracing is increasingly important as for many deliveries it is necessary to know when the shipment arrives. Timeliness, i.e., keeping the delivery times, is crucial as production often takes place in networks linking globally organized supply chains.

Countries are ranked according to their score of logistics services based on the six dimensions using a scale from 1 to 5. Country score is the weighted average of individual scores given to all dimensions.

Table 4.1 summarizes the results LP1 for ITTO producing countries and Annex 4.1 contains the details for all the African countries on which data is available. A number of observations can be made based on this information:

Table 4.1 World Bank Logistics Performance Index for African ITTO producing countries, 2014

Country	Total rank	Total score	Customs	Infrastructure	International shipments	Logistics quality	Tracking & tracing	Timeliness
			Score					
Côte d'Ivoire	79	2.76	2.33	2.41	2.87	2.62	2.97	3.31
Ghana	100	2.63	2.22	2.67	2.73	2.37	2.90	2.86
Liberia	102	2.62	2.57	2.57	2.57	2.86	2.57	2.57
Mali	119	2.50	2.08	2.20	2.80	2.20	2.70	2.90
Central African Rep.	134	2.36	2.47	2.50	2.16	2.31	2.31	2.47
Togo	139	2.32	2.09	2.07	2.47	2.14	2.49	2.60
Cameroon	142	2.30	1.86	1.85	2.20	2.52	2.52	2.80
Gabon	150	2.20	2.00	2.08	2.58	2.25	1.92	2.31
Congo Rep.	157	2.08	1.50	1.83	2.17	2.15	2.17	2.58
DRC	159	1.88	1.78	1.83	1.70	1.84	2.10	2.04

Note : Nigeria and Mozambique are not reported
Total rank refers to ranking among all the participating 160 countries
Score values range from 0 to 5

Source: World Bank (2014a)

- The ITTO producers in Africa rank very poorly in the global scale on logistics services, which is clearly a key constraint for the competitiveness of the industry in international and regional markets. The constraint is particularly important for further processing of tropical timber into value added products.
- The best performer among the producers is Côte d'Ivoire followed by Ghana which are among the 100 countries in the world as regards logistics services.
- In general the Central African countries fall far below Western African countries, which may partly explain their high reliance on exports of logs and primary processed products. Gabon, Congo Rep. and DRC have the least developed systems, well behind Cameroon.
- The relatively satisfactory performance in Côte d'Ivoire is thanks to international shipments, tracking and tracing and timeliness, which are largely related to port operations. Areas of improvement are particularly customs procedures infrastructure and logistics quality.
- Ghana's fairly good ranking is explained by all the other logistical aspects apart from customs procedures which fall below several other countries in the region.
- Other counties with a poor score in customs operations are Cameroon, Mali, Togo, Gabon, the Republic of Congo, and DRC. These countries have major needs in improving logistics services in all the other aspects reviewed.
- In customs procedures Senegal, Benin and Liberia appear to be the most efficient countries.
- Ghana and Liberia appear to have the best infrastructure at present.
- In international shipments Senegal, Côte d'Ivoire and Ghana perform better than the others.
- In logistics quality, Liberia and Côte d'Ivoire offer the best service among the countries compared.
- Tracking and tracing is fairly well organized in Côte d'Ivoire, Ghana, Mali and Senegal, even in an international comparison.
- Côte d'Ivoire also performs well in timeliness followed by Burkina Faso.

There is also a need to review the liner shipping connectivity with the external world and between African trading partners. Table 4.2 shows that there are significant differences in sea transport connectivity among ECOWAS and ECCAS countries. Nigeria and Côte d'Ivoire are best served by shipping services with a substantial difference compared to Ghana and Congo. The third group of countries includes Cameroon, Mozambique, Gabon and DRC where the situation is weakest.

From the perspective of intra-African trade, bilateral connectivity between trading partners is a major factor influencing trade development. By and large, Nigeria is best serviced by its key suppliers, i.e. Ghana, Côte d'Ivoire and Cameroon while with the other countries in the West and Central Africa the situation is significantly weaker. More or less adequate shipping connections also exist between Ghana and Côte d'Ivoire. The situation in West Africa is also aided by the fact much of the trade is transported overland. The upgrading of the Abidjan-Lagos road transportation corridor and the improved road connection between Cameroon and Nigeria are critical positive developments allowing new opportunities to facilitated trade in TTPs.

Nevertheless, in general, the existing intra-African shipping services represent a major bottleneck for trade development. This has been the reason why the Ghanaian private sector has recently started to actively consider possibilities to establish their own shipping services to boost intra-regional trade (ITTO MIS November 2015).

4.2 Stakeholders in the supply chain

There are several kinds of stakeholders in the private sector, such as traders consisting of e.g. exporters and importers, distributors and retailers, small and medium size enterprises, large and multinational companies etc.[14] (Figure 1.2). For transport and related services there are specialized companies such as shipping lines, airlines, trucking and haulage companies, railway companies, customs brokers, freight forwarders etc. Often also infrastructure facilities such as seaports, container terminals, etc. are privately owned or operate like private companies as is the case in Liberia, Côte d'Ivoire, Mozambique, Togo, Nigeria, Cameroon, Ghana, Gabon, and Congo Rep. [15] Important elements in business infrastructure are e.g. warehouse operators, cargo handlers and handling agents.

Table 4.2 UNCTAD Liner Shipping Connectivity Index in ITTO producing countries in Africa, 2015

Country	Liner shipping connectivity
Cameroon	10.96
Côte d'Ivoire	31.35
Congo	19.55
Gabon	8.49
Ghana	21.85
DRC	4.33
Mozambique	10.91
Nigeria	32.68

Bilateral liner shipping connectivity index							
Country	Cameroon	Congo	Côte d'Ivoire	DRC	Gabon	Ghana	Nigeria
Cameroon		.351	.367	.256	.299	.357	.382
Congo			.343	.259	.316	.332	.225
Côte d'Ivoire				.195	.250	.427	.422
DRC					.249	.191	.258
Gabon						.304	.309
Ghana							.423

Sources: http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx
http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96618

All these private sector stakeholders have different viewpoints in terms of problems in logistics. The list of private sector concerns is long. There is a lot of criticism vis-à-vis the authorities' behavior as well as the complexity and lack of clarity of the rules and regulations. Nor there is enough advice and information on how to follow the rules and regulations.

Sometimes also corruptive practices are referred to. They may vary from small payments to officers to get the goods moving to full-fledged organized crime. It is widely understood in the private sector that if customs fees and taxes can be avoided through criminal operation, legitimate traders are losing their competitiveness. This in turn will seriously harm economic development both in the private sector and on national economic level, including loss of fiscal revenue.

In addition to customs, there are also a number of other public sector stakeholders. In the case of trade in TTPs, the most important one is Forestry Authority that is involved in several stages of the supply chain and its commercial transactions. The other relevant bodies are

[14] Grainger (2011)
[15] Gelin (2013)

ministries responsible for finance (customs being often under it), environment, frontier guard, phytosanitary authority, etc.

Given the complexity and high number of stakeholders, it is understandable that efficient coordination between relevant parties is a difficult task in which utilization of modern ICT technology is necessary. While well recognized by all the parties, even the most advanced countries are struggling in developing patterns for seamless logistics.

Box 4.1 describes the situation prevailing on transit deliveries in Côte d'Ivoire in 2012 which also provides details on transit deliveries from Abidjan to Ouagadougou.

4.3 Trading costs across borders

Table 3.3 included information on two trading cost factors: (i) time requirements of the trade process, and (ii) respective costs. The time required to export and import covers days needed during obtaining, filling and submitting all the documents, inland transport and handling, customs clearance and inspections, as well port and terminal handling. The number of days required for export is shortest in Gabon (20 days) followed by Mozambique (21), Cameroon (23), Togo (24), Benin (25) and Côte d'Ivoire (25). In Congo Rep., the Central African Republic and DRC the duration varies between 40 to 50 days, partly due to long inland transport distance from export ports to supply areas. Every single day in the trade process costs money for the trading partners and thereby consumers in importing countries. In spite of recent improvements in some countries, the situation calls for further action by ITTO member countries. The example of Mauritius and Morocco where only 10 days is needed for export serves as a useful reference for setting targets for improvements (Table 3.3).

The cost to export and import in the Sub-Saharan Africa is among the highest in the world when measured as US Dollar for a container, covering all documentation, inland transport and handling, customs clearance and inspections, port and terminal handling. In exports the average among ITTO producing members in Africa is about USD 2,100 per container. The lowest costs are found in Ghana (USD 875), Togo (USD 1,015), Benin (USD 1,052), Mozambique (USD 1,100) and Liberia (USD 1,320). But there is still potential for further improvement even in these countries, which is demonstrated by the fact that in Morocco the respective cost is USD 595 and in Mauritius USD 675.

The situation is largely similar in the import costs which are, however, on average 36% higher than the export costs. Liberia is the only county where the cost of export and import is similar. In Congo it costs twice as much to import than export followed by Mali (86% more), Cameroon (64%), Mozambique (45%) and Benin (41%)

The information on export and import cost is based on trade going through ports and in containers. There is, however, a significant trade crossing land borders, among West and Central African countries. Adequate information on the costs of such trade is not available but it can be assumed that the transaction costs are much lower due to high cost of containerized imports. For instance, buyers in importing countries often send their own or locally contracted trucks to supplying mills to transport logs, sawnwood or other timber products (ref. fieldwork interviews in Côte d'Ivoire to Nigeria; Marfo et al. 2014). Documentary requirements are then simpler in the absence of port and terminal handling documents and even transportation costs are often lower thanks to shorter distances. Box 4.1 information on factors impacting TTP trade transaction costs in selected African countries.

Box 4.1 Transaction costs of transit deliveries in Côte d'Ivoire

Côte d'Ivoire has established probably the best overall transportation system in West Africa, although this system has been neglected over the last 10 years. The port of Abidjan is the largest after that of Lagos, with a container terminal managed by private interests and is considered one of the most effective in Sub-Saharan Africa.

The railway provides the alternative to Ouagadougou, Burkina Faso at the lowest cost for the overland transit. The transportation cost is, however, high. Sending a 20-foot container from Singapore to Abidjan costs between 700 and 1000 euros, while the cost of unloading and delivery of this container, still in Abidjan, costing 500-800 euros extra . Transit trade to Ouagadougou can cost at least 1500 euros extra.

While unloading of containers is more effective than Lomé (or other West African port), the total costs in Abidjan port for transit trade is 38% higher than in Lomé. Abidjan port can discharge an average of 23 containers per hour, but it takes no less than six to 12 days to complete customs clearance, against one to three days in Dakar. According to estimates, the total cost of transit trade from Abidjan to Burkina Faso is 16% higher than from Lomé and 40% higher in respect of goods imported by Tema (Ghana).

The lack of competition between freight forwarders seems to explain the high cost of output port goods. There are 11 major forwarders, called "multinational" which are members of the very closed Shipping Federation of Côte d'Ivoire (FEDERMAR) which sets high and fixed prices that are officially sanctioned by decree. There are many smaller forwarders, but they have great difficulty in obtaining markets.

Greater barriers exist at customs. Customs are ubiquitous in warehouses, during scanning, even on boats, slowing the clearance process to obtain overtime and other unofficial payments. The share of import declarations accepted in the green channel has declined steadily (if the situation has not improved recently). For the rest, the audit begins only after delivery of a printed copy of the reporting forms and accompanying documents. The automated clearance system of goods (SYDAM World) has been adopted, but it is underutilized and parallel manual systems persist. Scanning fee is paid for all imported containers, even if only 17% of containers are actually scanned.

The number of required documents is also excessive. The "advance import declaration" duplicates the "information sheet on imports". The "cargo tracking slip", created by the Ivorian Office of Chargers (OIC), seems particularly useless. It is justified by the need to gather statistics, prepare the clearance process prior to arrival and to prevent fraud. However, statistics published by the OIC are outdated and can already be obtained from the form "advance import declaration" that serves for the customs clearance process. The fight against fraud rests with the customs services.

One of the largest companies has a credit on customs duty payable 14 billion FCFA, while small businesses are generally limited

This analysis leads to the following recommendations:
- delete the forms "import information sheet" and "cargo tracking slip";
- SYDAM fully exploit the system and create an electronic process prédéclaration;
- recognize the legal validity of electronic reporting;
- Improve controls selectivity criteria and integrate them into SYDAM;
- reassign agents so that they focus on the ex post control of customs clearance, and strengthen cooperation with the tax administration;
- establish a true one stop shop for all the services involved in port; and
- re commission competitiveness of Ivorian ports to 25 million FCFA.

Roadblocks and bribes have been another cost element. Between Abidjan and the border with Burkina Faso and Mali, there were 38 checkpoints in 2008, one in every 18 km. The total costs of accompanying transit deliveries were estimated at 150 000 and 200 000 FCFA per truckload but can reach 1 million FCFA. By comparison, there are only eight checkpoints in Togo, with a cost of 40,000 FCFA. Many organizations are involved in checkpoints (police, gendarmerie, security, customs, forestry service, health, and local municipalities). The cost of this "is estimated at 10% of all transport costs in a report, or a total of 150 to 300 billion FCFA by the Chamber of Commerce. These fees are charged ostensibly to provide security against racketeering, but in fact they have simply become another tax

Furthermore, the regulations governing the Inter-State Road Transport (SORT), promoted by ECOWAS, are not applied. The guarantee issued by the Chamber of Commerce is not recognized and instead shippers must provide guarantee corresponding to the total value of the shipment. This measure has effectively discouraged transporters, except larger companies. The purpose is to ensure by ICO certifying that the goods have actually left the country.

Source: Banque Mondiale (2012)

Box 4.2 Factors impacting TTP trade transaction costs in selected African ITTO member countries

Country	Measure
Gabon	• In 2013 the Forest Authority tightened up on monitoring compliance with forest regulations and control over concession holders, producer mills and exporters. Inspections have been stepped up in forests, mills and in the port where containers are regularly inspected. • Long delays in Value Added Tax refund payments to exporting companies led to serious liquidity problems of the industry and traders. In 2014 there were unconfirmed reports that around CFA 240 billion in TVA refunds are due to the exporters. • Delays with shipments were encountered because of continued industrial action by Customs staff who are member of the SNAD trade union which ahs orchestrated strike action. • In 2014 the industry faced increased costs due to a new surcharge over and above the existing requirement for businesses to purchase a certificate to trade. • Congested rail and port operations reduced competitiveness
Congo	• The government is providing investment incentives and relatively generous log export allowance for companies investing in processing capacity and to improve the availability of logs for exports. • In 2014 companies using the Brazzaville - Yaoundé were suffering from payment of an unauthorized 'tax' demanded by groups on both the Congolese and Cameroonian sides of the border. In order to address this the Economic Community of Central African States (CEEAC planned to launch an initiative to facilitate unrestricted transportation between the Congo and Cameroon, in particular to improve transport along the Ketta Road in Congo to Djoum, Cameroon which is still under construction. According to Uni-congo, an organization of Congolese business leaders illegal taxes significantly increase transportation costs adding up to 30% to the export transaction costs. On completion of the processing plants companies are expected to be subject to log export quotas. • Infrastructure developments have focused on improving roads and ports in order to facilitate exports of timber and other products. There is particular emphasis on opening access to the more remote northern areas. • In 2015 the Government declared that they are strictly enforcing their log export quotas.
Ghana	• In 2013 Timber Industry Development Division worked with the Customs Division to regularize small but growing imports of logs to enable the industry import larger volumes. • After several years of operation the Rapid Response Unit of the Ghana Forestry Commission (GFC) has succeeded in arresting, impounding and confiscating illegally harvested or manufactured timber mainly from illegal chainsaw operations. Almost 400 ha of illegal farmland in forest reserves has been secured and more than 133 vehicles used for various illegal activities have been seized. • The Ghana Forestry Commission Ghana has advanced with preparations to implement a wood tracking system that will ensure only legally acquired timber is exported. The system, when fully functioning, will enable Ghana issue the Forest Law Enforcement Governance and Trade (FLEGT) licenses under the Voluntary Partnership Agreement reached with the European Union.
Cameroon	• In 2013-2014 change of port operator in Doula and insufficient loading facilities caused major stockpiling of logs for export with high costs for exporters, including due to quality deterioration and mixing of log quality parcels. In mid-June 2014 there was still 400,000 m^3 of logs stockpiled in the port but in January 2015 the level was reduced to 150,000-200,000 m^3. Long delays were also reported for shipment of containerized sawnwood. • In 2015 the Government announced that log export quotas will be fully and stringently applied which has been welcomed by millers in the country which suffer from an inadequate supply of the major species. • Road to Nigeria through the Bamenda-Memfe-Ekok-Abakaliki-Enugu corridor is being improved
Liberia	• Due to ebola virus outbreak led to border closures with neighboring countries • Delays and disruptions by shipping companies are reported.
Regional	• In 2014 the Ghana Chamber of Commerce and Industry (GCCI), jointly with other Chambers in the region, plans to establish a shipping line to ease challenges faced by those dealing with the regional trade which would boost intra-regional trade in TTPs. Funds for the project are to be raised in the capital market, from private investors and interested institutional investors. • Port and landside congestion is set to become the big issue facing the West African container trade. The improved trade volumes will attract larger container vessels than at present. Such mega container vessels will have implications for both port handling capacity and for the land-side infrastructure which is inadequate to handle the growing volume of trade being almost entirely dependent on road transport. Transport and logistic costs in West Africa are among the highest in the world, which can only be overcome through massive investment in port and land-side infrastructure. • The road from Abidjan to Lagos is being improved.

Source: ITTO Market Information Service reports

4.4 Illegal operations vs. legal operations

Several reports contain references to corruptive practices but solid systematic facts are few (Nellemeann et al. 2014; UNODC, ICCWC, 2012, Marfo et al. 2014; Interpol 2015). These practices may vary from small payments to officers to get the goods moving to large structured payments by groups of full-fledged organized crime. Informal taxes collected on the transportation routes are often well organized, better than the government's control. Cross-border passing time is often a critical cost factor for transporters. With informal payments the crossing time is typically up to 1 to 1.5 hours, while the formal procedures take from 0.5 to several days depending on the case.

It is widely understood in the private sector that, if customs fees and taxes can be avoided through criminal operation, legitimate traders are losing their competitiveness. This in turn will seriously harm economic development both in the private sector and on national economic level, including loss of fiscal revenue. The data in this study indicates that the trade distorting impact can up to 20 to 50% of the sales prices depending on the product group and the countries involved. However, due to sensitivities involved the industry is often reluctant to counteract the problem in fear of risk for increased bureaucratic problems with their own transactions. This has opened up a thriving industry of intermediaries who take care of oiling the government procedures.

Transparency International publishes Corruption Perceptions Index (CPI) regularly. Corruption is defined as "the misuse of public power for private benefit". The relation between low corruption and high economic development is clear. In general, most African countries demonstrate perceived high corruption rates, which influence the cost and flow of trade, including in TTPs (Annex 4.2). However, it is noted that in six countries, the rate has been declining over the last three years and only in three countries the situation has worsened. This can be interpreted as a sign of positive development.

The mirror data analysis (Section 2.8.1) reported some partial estimates of loss of government revenue due to undocumented trade in selected countries. The field level studies demonstrate that the actual situation is much worse and in some countries the informal fees (e.g. informal road tolls by armed criminal groups) and various corruption payments may add up to several millions of dollars (cf. section 2.8.2).

5. TRADE FACILITATION

Trade facilitation is a means to capitalize the economic potential that exists between different national markets. It has been a standing item in the international trade negotiations. The reason is obvious as, if implemented, all the parties involved would benefit from it in terms of growth and development.

It is up to governments to create favorable circumstances for expanded trade trough international arrangements either bilaterally or multilaterally. The primary beneficiaries are individual companies whose business is enhanced through increased sales to new markets. At the same time governments may be collecting more customs fees and taxes. Secondary beneficiaries are consumers as the positive impact of trade facilitation is spreading into economies through several channels.

Various requirements should be fulfilled for the achievement of the full potential of trade facilitation. Firstly, there must be a balance between trade facilitation and controlling activities. Trade facilitation cannot take place at the expense of state revenues. In addition, the benefits stemming from increased trade should be distributed to the parties involved. Secondly, trade must follow rules and regulations that are accepted both nationally and internationally. This is an important precondition for achieving balanced and equitable positive impacts of increased trade.

Trade facilitation should be seen as a policy that applies to the whole supply chain and logistics of goods and services. It is not only about removing or reducing tariffs. Of critical importance is the effective functioning of the border operations in their entirety. Particularly in Africa borders are “thick”, i.e., difficult and costly for cross-border trade, which seriously hampers regional integration.[16]

5.1 International and regional mechanisms

On the global level there are two major bodies that have an impact on international trade: (i) The World Trade Organization (WTO) establishes binding rules and regulations for international trade. Practically all Independent States are its members, including all the ITTO producing member countries in Africa. (ii) The World Customs Organization (WCO) is the global body for operational cooperation, particularly for goods trade. It can also give recommendations that must be implemented on a national level or they may become binding through the decision-making mechanisms of WTO.

As the development of the global trade rules has proved to be cumbersome, a large number of trade policy arrangements have emerged on regional and bilateral levels. In Africa there are a number of regional and sub-regional arrangements with various functions ranging from free trade area to economic and monetary union.

Regional and sub-regional organizations cooperate often with each other. They may apply preferential procedures aiming at facilitated access to each other’s markets, or at reduced or eliminated customs fees of mutual trade in specified product categories. As long as regional agreements are not incompatible with the global principles, they tend to favor economic development in general in participating countries.

5.1.1 World Trade Organization

Trade facilitation has been a subject of several WTO negotiation rounds. The general framework for efficient logistics of goods and customs procedures is provided by the Articles V, VIII and X of the General Agreement on Tariffs and Trade (GATT).

The current WTO Doha Round, launched in 2001 reached, after long lasting negotiations an agreement on trade facilitation in 2013. The following topics have a direct bearing on the development of intra-African trade in TTPs:

- Norms of the publication of laws, regulations and procedures
- Provision for advance rulings
- Disciplines on fees and charges, and penalties
- Pre-arrival processing of goods
- Use of electronic payment
- Guarantees to allow rapid release of goods
- Use of ”authorized operators” schemes
- Procedures for expedite shipments
- Reduced documents and formalities with common customs standards
- Promotion of the use of a Single Window
- Uniformity in border procedures
- Provisions for customs cooperation and coordination

[16] Brenton & Isik (2012)

Negotiations also aimed at enhancing technical assistance and support for capacity building. In practice, a lot of this work is channeled through WCO, the World Bank, the European Union and other multilateral, regional or national development organizations. Most of the above facilitation procedures have already been in use in advanced customs administrations and their experience can be drawn on when improving and developing more efficient foreign trade logistics for TTPs in Africa.

5.1.2 World Customs Organization

WCO as an intergovernmental organization is an important global partner in trade facilitation both internationally and nationally. Its members include practically all the customs administrations of the world. WCO does not issue binding rules and regulations for international trade. However, most of the recommendations are implemented by WCO member administrations in accordance with their national legislation and relevant rules by competent international and regional/sub-regional organizations such as Economic Community of West African States (ECOWAS), *Communauté économique des États de l'Afrique Centrale* (CEEAC or Economic Community of Central African States - ECCAS), and Southern African Development Community (SADC) in Africa under their decision-making procedures.

A key WCO instrument is the Harmonized System (HS) of tariff nomenclature that provides standardized terms of names and code numbers for all traded products, often at a detailed level, including TTPs. In addition, WCO has a series of instruments for trade facilitation.

5.2 Regional arrangements

The number of regional trade policy arrangements has increased rapidly over the past 10 years. The level of integration may vary from bilateral agreements between customs organizations to full economic and monetary union. In the simplest form, the customs of two countries extend preferential market access to each other for specified products. This approach is still in extensive use in the world.

The most common regional arrangement is <u>free trade agreement</u> whereby two or more customs territories provide free market access without customs fees to each other for all goods and possibly services as well.

<u>Customs union</u> is an arrangement where members apply common external tariff on trade with third parties. Examples of African customs unions are ECOWAS, ECCAS and SADC. <u>Common market</u> is an arrangement in which, in addition to goods and services, also labor and capital move freely inside the defined area.

<u>Economic and monetary union</u> is a common market with common currency and macroeconomic policies. In Africa, examples of such arrangements are *Communauté économique et monétaire de l'Afrique Centrale* (Economic and Monetary Community of Central Africa-CEMAC) and *Communauté Financière Africaine* (African Financial Community (CFA)).

Due to their importance for the scope of this study ECOWAS and ECCAS are discussed in detail in view of their opportunities and possible restrictions for enhancement the trade in TTPs within and between the respective sub-regions.

5.2.1 ECOWAS

ECOWAS was founded in 1975 and consists of fifteen member countries in Western Africa. Its mission is to promote economic integration across the sub-region. The objective is to achieve “collective self-sufficiency” for its members. Economic cooperation and integration are considered necessary preconditions for faster and more balanced economic development of the members. They represent different levels of economic development and natural resource endowment and most of them belong to the group of Least Developed Countries. This heterogeneity has been one of the obstacles of development resulting in varying national interests in market and trade integration.

As an economic and customs union, ECOWAS has developed operative structures to fulfill its objectives. An important achievement in this regard has been the formulation of ECOWAS Vision 2020 in 2007. The Vision Statement underlines the need to create a borderless, peaceful, prosperous and cohesive region, building on good governance.

ECOWAS has already reached a status of free trade area and is heading towards a full customs union. A decision on common external tariff was made in 2014, which was expected to become effective from 1st of January 2015. However, its implementation is still continuing. There are still obstacles at internal borders and even customs fees are being collected. This is of course in controversy with the Mission Statement.

It is necessary to have an effective central organization for a customs union like ECOWAS with sufficient powers to implement the adopted policies. The problem in implementation has been that removing internal trade barriers and giving up customs and tax revenues have major financial consequences for member governments. But their elimination is necessary for faster integration, which in turn will over time compensate the eventual short-term losses through economic development.

Harmonization of external tariffs may be painful exercise. In many cases a high level of protection is applied to the most vulnerable sectors of the economy, which should be reduced. This tends to lead to strong resistance by enterprises in those businesses. That is why transitory periods are often needed for full harmonization.

5.2.2 ECCAS

The Customs and Economic Union of Central Africa was established in 1964 and it was transformed into Economic Community of Central African States (ECCAS) or *Communauté économique des États de l'Afrique Centrale* (CEEAC) in 1981 with 10 members.[17] It has not yet reached the level of customs union. Member governments are levying customs fees and taxes on trade. Consequently, there are still border controls at the internal borders.

ECCAS`s objectives are the promotion of trade and the establishment of a genuine common market. The organization has succeeded to create a common external tariff on imports from non-ECCAS countries thereby making progress towards a full customs union. However, the available information (cf. section 3.1) suggests that it is not yet being implemented at least in the case of TTPs. On the other hand, the internal tariff barriers have been removed. There is also cooperation between customs authorities between members. In principle, an institutional framework for trade facilitation exists but implementation is falling short of the private sector’s expectations.

[17] Central African Republic, Chad, Congo Rep., DRC, Burundi, Angola, Cameroon, Equatorial Guinea, Gabon and Sao Tomé and Principe.

The Central African Forestry Commission (*Commission des Forêts d'Afrique Centrale* – COMIFAC) is one of ECCAS' specialized organizations working to harmonize forest-related policies in the sub-region.

5.2.3 Cooperation between ECOWAS AND ECCAS

Western and Central African countries are interlinked economically. Therefore, commercial arrangements should cover broader areas as has happened in the eastern side of Africa where SADC, the East African Economic Community and other states are working under the Organization of African Union to develop a common market extending from the Republic of South Africa to Egypt. A reasonable first step would be to cooperate between sub-regional organizations and thereby create a larger free trade area, which would benefit the trade also in terms of TTPs. This would be particularly important between ECOWAS and ECCAS as together they form a large market for TTPs, where economic benefits of complementarities could be tapped (cf. section 2.7). However, for the time being, the priority has been given to internal development of the organizations rather than their cooperation.

5.2.4 African Continental Free Trade Area

In the January 2012 African Union Summit focused on the Programme of Boosting Intra-Africa Trade and decided to establish a Continental Free Trade Area (CFTA). It will bring together 54 African countries with a combined population of more than 1.2 billion people and a combined gross domestic product of more than USD 3.4 trillion (Box 5.1)

As the first concrete step towards CFTA, in February 2016 a landmark tripartite agreement between COMESA (Common Market for Eastern and Southern Africa, 19 countries); SADC 15 countries) and the EAC (5 countries) was signed creating the biggest trading block in Africa, with 26 out of the 54 African Union member countries, and a market of close to 620 million consumers, equivalent to 50 per cent of Africa's population.

Unfortunately, among ITTO member countries, only Mozambique belongs to this Cairo-Cape Town corridor while ECOWAS and ECCAS have not been able to join this important initiative.

5.3 Private sector and partnership with the government

The private sector has become increasingly aware of the importance of efficient logistics for their competitiveness. It has approached authorities in order to cooperate in removing obstacles to trade, which has resulted in various forms of joint activities. However, there is a lot of room for improvement. The field survey of this study revealed that there were considerable delays in various parts of the supply chain of TTPs. In addition to shortcomings in infrastructure, government processes, particularly those of customs, were severely criticized.

The main requirements for trade facilitation from the private sector's view are the following:

- simple rules and regulations
- avoidance of duplication
- alignment of procedures and adherence to international conventions
- trade consultation
- transparent and operable rules and procedures
- mechanisms for corrective action and appeals procedures
- fair and consistent enforcement
- timely release measures

- risk management and trader authorization

There are a number of options to improve the conditions for intra-African trade in TTPs. These hinge on the government's willingness to genuinely promote trade with measures aiming at faster deliveries. On the other hand, the private sector stakeholders should also be prepared and capable to comply with rules and regulations. These two factors should be tied together into an effective cooperation resulting in mutual benefits.

Box 5.1 Continental Free Trade Area in Africa

The Programme is mainly based on the following key pillars:

1. Trade is widely accepted as an important engine of economic growth and development. In Africa, however, trade has not served as a potent instrument for the achievement of rapid and sustainable economic growth and development due mainly to three interrelated basic features: size, structure, and direction. At around 3 per cent the share of Africa in global trade is insignificant.
2. Africa's trade is its high external orientation and relatively low level of intra-regional trade. Intra-African trade stands at around 13 per cent compared to approximately 60 per cent, 40 per cent, 30 per cent, intra-regional trade in Europe, North America, and the Association of South East Asian Nations (ASEAN, 10 countries), respectively. Even if allowance is made for Africa's unrecorded informal cross-border trade, the total level of intra-African trade is not likely to be more than 20 per cent
3. The African countries have been unable in their trade to fully harness the synergies and complementarities of their economies and take full advantage of the economies of scale and other benefits (such as income and employment generation) that greater market integration would have provided
4. The bulk of Africa's exports are heavily concentrated on primary commodities, making the region particularly vulnerable to external macroeconomic shocks and protectionist trade policies. A major lesson to be drawn from the systemic shocks in the global economy is the need for Africa to promote intra-regional trade.
5. Boosting intra-African trade and deepening regional market integration constitute a necessary response to the challenges facing Africa in the multilateral trading system and the global economy.
6. The Action Plan for Boosting Intra-Africa Trade specifically aims at deepening Africans market integration and significantly increasing the intra-regional trade. The plan is divided into seven clusters namely, Trade Facilitation, Trade Policy, Productive Capacities, Trade related Infrastructure, Trade Finance, Trade Information and Factor Market Integration.

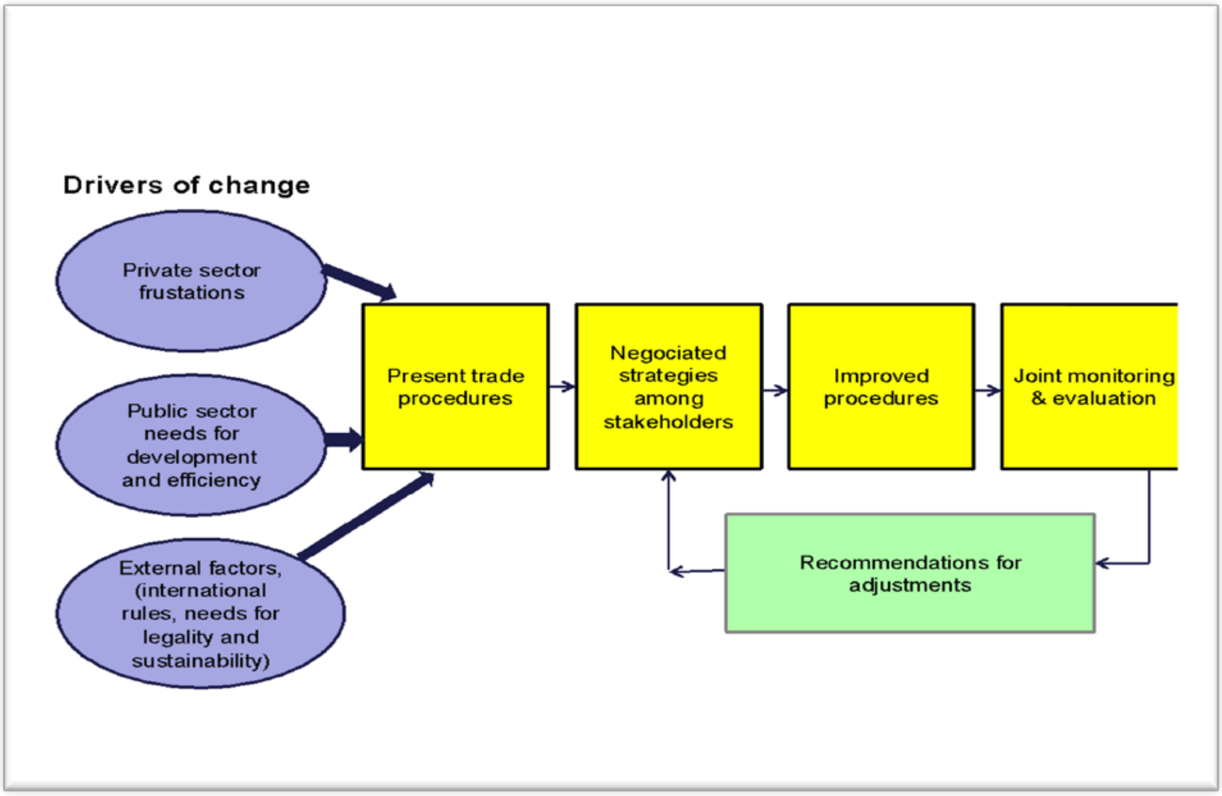
Source: http://www.ipsnews.net/2016/02/africa-launches-largest-trading-block-with-620-million-consumers/

Partnership between customs, other authorities and private sector is common in countries with well functioning market economies. It needs to be based on understanding by the private sector on the importance of the rule of law in society. Economic development is significantly retarded and its benefits are unbalanced if there is a lot of fraud hidden in domestic business or international trade.

By allowing the private sector have an influence on government policies, the incentive for illegal operations diminishes. In addition, consultations enable private sector stakeholders, such as buyers, sellers, and various intermediaries and service providers to communicate on their frustrations on rules and procedures within a partnership arrangement. Cooperation would preferably lead to a trade procedure reform cycle.

Change drivers are growing in importance. Particularly external factors such as new and demanding rules and regulations related to sustainability and environmental requirements in all products traded internationally have to be taken into account in all TTP businesses in the world, including in Africa. Another "mega-trend" related to public financing is the continuous need to improve productivity in government agencies. Respective reforms can only be successful if there is effective cooperation and dialogue between all the stakeholders (Figure 5.1).

Figure 5.1 TTP trade procedure reform cycle



Partnership arrangement between the private and public sectors is applicable when enterprises are organized into associations promoting their members' interests vis-à-vis government policies. Consultation is usually carried out through organized dialogue which helps the authorities identify operational issues, reduce obstacles, and agree on remedial action to be implemented by government organizations or through legislative processes. However, consultation should not concern law enforcement, in which governments have to keep their activities confidential, particularly information on targets and methods.

Established private sector organizations in the timber sector exist in Cameroon, Côte d'Ivoire, Gabon, Ghana, Congo, DRC and Nigeria. They should strengthen their advocacy on trade facilitation procedures. However, they may need to clarify their objectives and governance to have facilitated access to external technical support.

5.4 ICT systems – the key pillar in trade facilitation and collaborative border management

Trade facilitation takes place within the framework of customs cooperation between the participating countries or free trade areas, and the private sector. Existence of effective electronic communication connections for swift exchange of information between all the parties, including private sector actors is necessary for effective cooperation.

WCO has developed a general approach to guide customs operations in setting up cooperative arrangements called SAFE (Framework of Standards to Secure and Facilitate Global Trade). It consists of two pillars: (i) customs-to-customs and (ii) customs-to-trade.

Customs-to-customs connection is important for enforcement and associated risk analysis (cf. section 5.5) whereas customs-to-trade is vital for rapid exchange of information on commercial transactions. Effective trade facilitation is conditional for good functioning of both pillars. An ICT architecture needed to support the SAFE approach is complex as, due to different national information systems, problems often appear in digitized communication between customs administrations, particularly over the borderlines of customs unions (Figure 5.2).

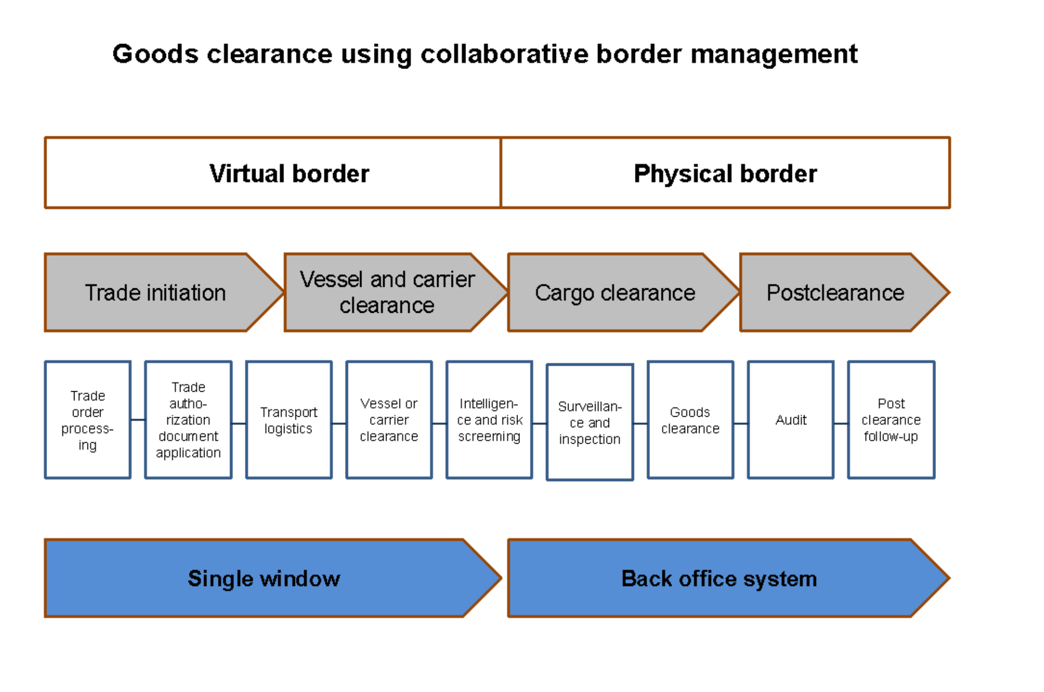
There are also major problems in digitized communication between private companies and customs, especially with small and medium-sized enterprises (SME) that are common the TTP sector. Large import and export companies are often electronically connected with customs and thereby enjoy a competitive advantage.

Other information channels are also needed. In TTP trade, digitized communication with forestry and environmental authorities is necessary. Furthermore, various other parties involved in logistics such as transport companies, forwarding service providers, port and airport operators, etc. also need to be linked digitally.

Ghana is a good example on how the strategy for SAFE implementation can be implemented in Africa (Annex 5.1). Already in 2001 the Ghana TradeNet was established to provide a fully integrated customs management software connected over a network to various operators who interact with Ghana Customs in the processing of import and export transactions to and from the country. TradeNet is made up of two main components:

1. The Ghana Customs Management System (GCMS) provides the Customs Division with a fully integrated computerized system for the processing and management of Customs Declarations and related activities
2. Ghana Community Network (GCNet) is a platform enabling GCMS to share data and other relevant information with all the parties involved in the processing of trade documents and customs clearances. The GCNet operates a seamless electronic system that links all trade operators, revenue agencies, and regulatory bodies through a Single Window (SW) system (cf. section 5.7).

Figure 5.2 Goods clearance using collaborative border management



Source: World Bank (2013)

Ghana has resorted to technologies and applications that may be suitable for other countries as well. However, the selection of technologies always needs to consider compatibility with the existing structures if these are not reformed simultaneously. In the case of customs unions, it would be economically and operationally justified to use the same standards as much as possible which requires full commitment by national customs administrations and strong coordination by the central bodies of customs or economic unions.

In the case of Côte d'Ivoire the logistics inside the country and to neighboring markets has weakened in recent years. Partly this is due to the insufficient maintenance of physical infrastructure, roads and harbors. But a major part of it is stemming from complicated, overlapping and uncoordinated procedures of the governmental agencies (cf. Box 4.1). It appears that there is ample scope for more effective risk analysis, which would allow fewer physical examinations. Also the use of electronic exchange of information is limited and there is not an appropriate mechanism for advance information deliveries, which would essentially speed up customs clearance and support enforcement operations.

Customs and other clearance functions are not only slow but also costly compared to many other port operations like Lomé and Dakar. Particularly, the fees for X-ray operations are high and they are collected even if the scanning does not take place.

Transit deliveries need to be cost effective if the promotion of intra-regional trade is targeted. If transit procedures can be speeded up, the competitiveness of the respective ports would improve. A simple means to facilitate transit deliveries is to limit the use of convoys in the transit and other traffic to the most risky consignments. At the very least, the convoy fees could be lowered. Côte d'Ivoire could suit well for a pilot country for a comprehensive logistics project, in which the functions of authorities as well as the relations between the private and public sectors would be analyzed. The objective would be to improve logistics thereby increasing the competitiveness of the economy as a whole through trade facilitation and compliance measures.

Efficient and streamlined logistics are particularly important for the TTP industry, as its products are bulky and it is heavily dependent on transport facilities and efficient clearance procedures. This is becoming increasingly crucial as the sector is faced with emerging trade-related national and international rules and regulations such as FLEGT.

Good logistics and effective border management require a comprehensive approach (Figure 5.2). The virtual border is the phase where companies are acquiring all the necessary information for border crossing and transmitting it to authorities through Single Window (cf. section 5.7). The information consists of trade transaction itself and vessel and carrier clearance.

At the physical border, the actual clearance takes place by the relevant authorities. Usually transactions are handled at back office based on information received increasingly electronically. Physical control is done only if the risk analysis gives a reason for doubt. Post clearance is possible if the accounting systems are advanced enough.

There are a number of stakeholders in collaborative border management. They are the same as in the original WCO SAFE system, which can be complemented with the most recent development of the "third pillar". It consists of cooperation of and seamless exchange of information between all the authorities with mandates related to border crossing. In timber products effective exchange of information between customs and forestry authorities is important to ensure both efficient logistics and lawful commercial operation.

Collaborative border management in its full form requires sophisticated ICT systems that are not yet in general use. However, it represents a framework for development work.

In practice, even within customs unions, there are often physical examinations at internal borders, information on problematic consignments is not exchanged between authorities, contacts on operational level are few, etc. If customs union level arrangements cannot be established for facilitated trade, bilateral agreements could be made, particularly if certain measures are not relevant to all member countries (cf. section 5.1.3.3).

Obviously facilitated procedures would also be needed for border crossing between separate economic zones. In TTPs cooperation between ECOWAS and ECCAS would be highly relevant as there is trade in logs and primary processed products from Central African countries to Ghana/Côte d'Ivoire/Nigeria. This trade could expand and shift to further processed products as indicated by the analysis of the market potential (cf. section 2.6). Unfortunately, it appears that there is little, if any, operational cooperation between the two sub-regional organizations.

Overland trade flows between Côte d'Ivoire/Ghana and Nigeria and Côte d'Ivoire and Senegal, which are significant in sawnwood and plywood, involve a transit procedure for truck deliveries, often preferred in order to avoid congested maritime transport. In the transit process, there are more stakeholders involved than in cross-border trade and the risk for illicit operations increase. As a rule, transit procedures are closed with the information coming from the customs of the country of final destination of the cargo. If this notice of completed final clearance is not coming, it is an indication that the consignment has remained in the transit country with customs fees and taxes (including VAT) unpaid (cf. section 2.7). This has been taken into account in customs cooperation at least inside the economic unions but the control may not be adequate.

SAFE provides only a general framework on how the relations between national customs administrations and with the private sector companies can be organized. There is a need to elaborate SAFE's third pillar towards operational recommendations that can be applied in the TTP sector, particularly among key trading partner countries in Africa.

5.5 Risk analysis

Intelligent risk analysis is a key precondition for efficient logistics of international trade. Physical cargo examinations are costly and time consuming in the absence of advanced technologies. In case the control intensity is high and results poor, the outcome is unsatisfactory both for the private sector and the government. When physical examinations are few but well targeted, the benefits are tangible for all those stakeholders who are complying with the legislation.

Risk analysis is the duty of the relevant authorities. The control criteria should remain known only by law enforcement authorities. However, there is a need for adequate communication and cooperation between relevant administrations (cf. sections 5.4 and 5.10). Internationally, effective information exchange is necessary between customs administrations in countries of import and export.

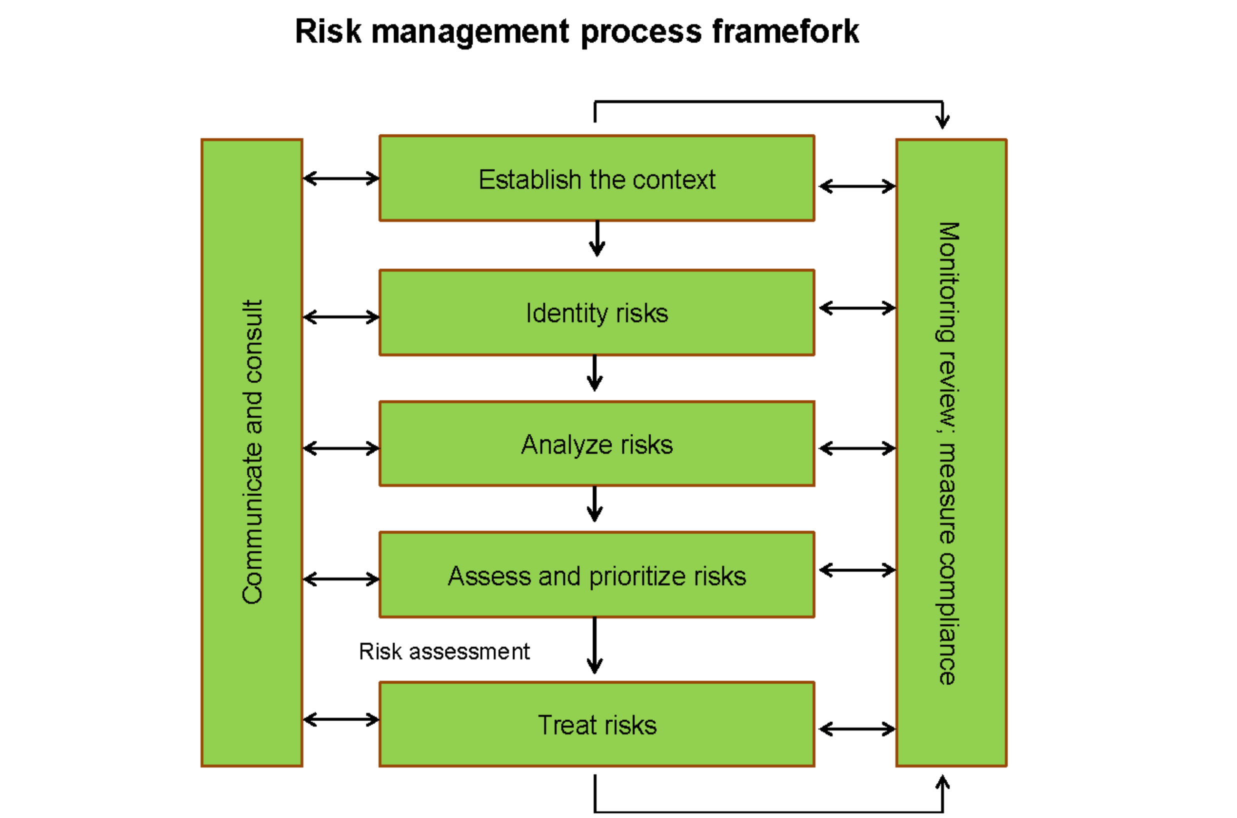
The risk management process is illustrated in Figure 5.3. The starting point for the risk analysis process is an analysis of the operational environment, including identification of possible threats for unlawful practices. All the related administrations (police, frontier guard and forest service) should identify risks in their own operational environment. This information complements the customs' own analysis. Based on all this intelligence, national and international enforcement operations can be properly planned and executed including targeted strategies for enforcement and client relations (cf. section 5.3).

Risk analysis can benefit from advanced information coming from the customs organization of the neighboring country, which, however, is not often possible. This is due to the fact that the ITC systems are not interconnected and there lack of formal agreements on information exchange between the customs involved.

Risk analysis is a key support tool in typical customs strategies to both customer service and law enforcement of control and customer service (Figure 5.4). For formulation of customer strategy good cooperation with the private sector is necessary. It provides an opportunity for companies to present their worries on logistics to authorities to find common solutions to problems.

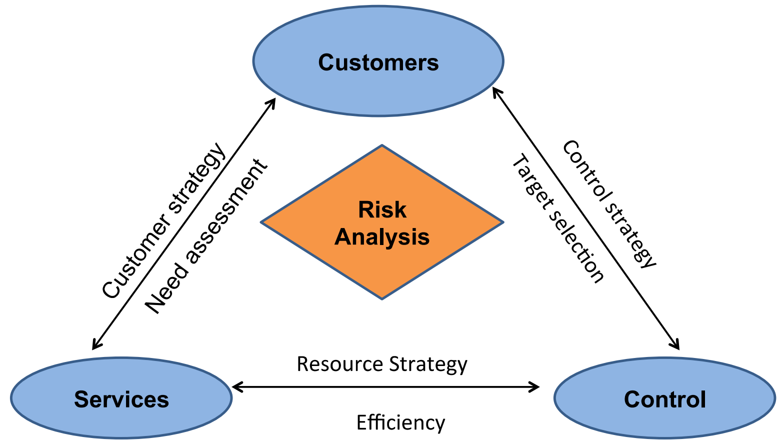
Control is the duty of law enforcement authorities, which can plan their operations based on selected common targets of related agencies. Interventions against illegal business are then carried out by the relevant authority. In the case of TTPs, it often is the forestry administration.

Figure 5.3 Risk management process framework



Source: Adapted from the WCO's guidelines to its revises Kyoto Convention (International Conventio n of the Simplification and Hamonization of Customs Procedures,, as amended, general annex, chapter 6; avauilable http://www.

Figure 5.4 Risk analysis and customs strategies



Source: Erling (2015)

A fundamental element of risk analysis is customer segmentation into high/medium/low risk groups and into groups by the level of their service needs (Figure 5.5). Risk analysis should be both "inclusive" and "exclusive", i.e., to separate low and high-risk operators and transactions. The more customs and other authorities are able to identify low or no risk transactions, the more effective is enforcement by concentrating on problematic cases.

Low risk operators can be identified by analyzing their earlier behavior and through auditing of their processes and knowledge on existing rules and regulations. These operators can be given a special status that would give their consignments a facilitated logistics procedure (cf. section 5.3.3).

The basic idea of risk management is to remove illegal operators from the business and push more and more companies into the low risk group with less enforcement needs. More traders would fall under the "laissez-faire" category, which would benefit all legitimate stakeholders. However, this kind of customs strategy is realistic only in circumstances in which there is no widespread illegal trade

Risks related to TTPs are complicated and spread over the entire supply chain. Those companies that have voluntarily committed to proving the legality of their operations can be considered low risk operators with corresponding benefits. With the prevalence of structural corruption in many timber exporting and importing countries in Africa, a phased approach may be necessary for applying risk analysis for TTP trade. Corruption can take various forms starting from small payments to individual officials to organized international crime where also high-level representatives of government agencies are involved. Therefore, the methods to combat illegal activities vary from case to case.

Figure 5.5 Customer segmentation of the customs

CUSTOMER SEGMENTATION OF THE CUSTOMS

Risk	**Service needs**		
High	Monitoring targets	Targets for advisory service	Problem customers
Medium	Control targets	Potential key customers	Potential partners
Low	Self-assisted customers	Key customers	Partners
	Low	Medium	High

Source: Erling (2011)

A good basis for comprehensive risk analysis is the processes and parties identified in Figure 1.2, Figure 1.3 and Figure 5.2**.** The whole supply chain should be analyzed in all its parts. This work would also be a good starting point for a closer cooperation between authorities, which could lead into formation of Single Window (cf. section 5.7).

Some African TTP exporting countries have not sufficiently organized enforcement agencies with adequate ICT systems to make full use of risk analysis but its adoption can be made by stages. Problems in international cooperation arise because ICT systems are not mutually compatible. Furthermore, in some cases national customs administrations may not be well connected on an operational level, including in border posts, as the official contacts take place between the top managements.

In many cases the internal cooperation between the border posts and the customs headquarters may not be sufficient. If there is no exchange of information concerning individual transactions, there cannot be clear instructions on risk priorities from the customs headquarters. In such situations control is ineffective and genuine risk management is not feasible.

5.6 Authorized Economic Operator (AEO)

The Authorized Economic Operator (AEO) concept is a new method to traditional customs approach, where companies trusted by authorities are given an official status with special benefits. The concept is being applied in the EU and elsewhere, usually based on specific legislation.[18] WCO has prepared a handbook on how to establish an AEO system in the

[18] In the United States a corresponding system is called Customs and Trade Partnership Agreement (C-T PAT).

member countries[19]. Some East African countries have AEO programmes under way and they are rapidly becoming an important element in customs modernization all over the world[20].

In principle, the AEO approach can be taken into use by any country or customs union. The case of the Cameroonian customs developing a national AEO-type system is illustrative for potential benefits and obstacles to be overcome in the African conditions (Box 5.2).

Full benefits from AEO can be reaped if all trading partners apply it. This is possible if there is a mutual recognition of each other`s facilitating methods and all the applicant companies are audited in a similar manner and equally strictly.

The approach would allow companies to have access to AEO benefits in the territory of both contracting parties based on audits and associated recognition by only one of the customs administrations. This considerably simplifies the process but requires a high degree of mutual trust.

As illustrated by the Cameroonian example, performance contracts or similar measures can serve as a bridge to a full AEO system involving all the trading partners. It would be logical that mutual agreements are made between countries in the same free trade or customs areas. However, this has proved to be difficult in ECCAS and ECOWAS as in several member countries the customs procedures are not yet sufficiently developed and operational cooperation between national customs administrations needs strengthening. To start using the AEO unilaterally in a country provides a basis for engaging in mutual regional or bilateral recognition of the concept with trading partners.

Box 5.2 Towards AEO implementation in the port of Douala, Cameroon

Since 2010, the Cameroonian customs is implementing an AEO-type program. The objective is to facilitate logistics of compliant importing companies at the port of Douala. More and more companies have signed Performance Contracts with the customs to have access to a facilitated process. The process is similar to AEO as companies must apply for the special status and the customs experts audit the applicants. Participating companies have extensive business with a lot of declarations to be submitted to customs. The companies must have a clean record in following the rules and regulations, or at least a firm commitment to do so in the future. Of course, the preferential status can be removed in case irregularities are found out.

Obstacles to improved logistics may come from other authorities or stakeholders. In the port of Douala not all stakeholders are ready to support facilitation efforts. In general, complicated traditional processes with a lot of paperwork are highly vulnerable to corruptive practices. Hence, modernization with improved transparency and facilitation is not in the interest of those who are taking illegal benefits from the trade.

The effectiveness of trade facilitation is demonstrated in the Douala Port, where the average clearance period is 20 days. But for companies with a Performance Contract the clearance takes only 11 days that is still relatively long time for customs and other procedures. This underlines the importance for better cooperation by all stakeholders, not only the customs

Source: Libom Li Likeng (2014)

For trade facilitation in TTPs, the AEO approach can be highly useful as shown by the experience of timber trade e.g., in the EU. The system can allow faster and less expensive deliveries for companies with a preferred AEO status with significant economic benefits for them through access to trade facilitation. A precondition is that the customs are prepared to develop such a system and companies are ready to submit their own processes for necessary audits before the preferential status can be given.

[19] WCO (2010)
[20] Aniszewski, pers.comm.

5.7 Single Window

Single Window (SW) is a mechanism through which companies digitally provide regulatory information needed for border crossing on a consignment to a designated government entity. All the relevant government agencies and other stakeholders who are entitled to have and need that information can get it from this entity (SW). Such a system has proved to be complicated and requires advanced ICT systems. Only in few countries like in Singapore, a sophisticated comprehensive Single Window is in use.

More limited applications are common. An initial option can be to establish information links through ICT between the key authorities that are responsible for clearing of cross-border commercial transactions. The approach starts with customs and can include government licensing, inspection, and approval agencies, such as ministries of forestry, finance, trade, industry, environment, agriculture, health, defense, etc. in due course.

Often the number of organizations taking part in inspection and issuance of permits related to foreign trade are close to 20. Arranging on-line information connections between them is a complex and expensive enterprise. That is why only a few key agencies could be included in the first step of Single Window. In the TTP sector such key organizations would be customs and forestry authorities.

The second step could be inclusion of those organizations that are responsible for the physical movements of goods. These include maritime ports, container terminals, road and rail terminals and alike. They are run by a number of different kinds of companies, like customs brokers, freight forwarders and shipping agents. The ICT architecture should include an interface for access to SW information that is necessary for their operation.

Each country has its own specific circumstances related to the volumes and structures of foreign trade and their institutional setting. Complexity often derives from the fact that the whole foreign trade system has grown piece by piece into a myriad entity, in which some elements are no longer necessary thanks to technological development.

In setting up Single Window, a detailed analysis of the existing regulations and processes is needed first and only after that an analysis of options for simplified and swift commercial transactions can be done. Based on a comprehensive understanding of an effective foreign trade process and its components, an improved comprehensive ICT system can be duly specified and its phased implementation planned. In some cases the level of ambition in terms of SW coverage has been too high and therefore the links between subsystems have not always functioned. Therefore, a phased approach in building a SW system is recommended.

SW systems need clearly defined governance arrangements, including all legal provisions and contractual agreements between different stakeholders. This typically requires a long process of consultation and decision-making as established management practices must be changed. A typical problem is weak communication between authorities resulting in disagreement on their revised mandates. If coordinated border management and public–private partnerships are already in place, embarking on SW development becomes easier.

Major improvements to foreign trade regimes can be achieved through SW for

- increasing efficiency in logistics
- providing infrastructure for handling increasing trade flows
- supporting and facilitating supply chain management
- reducing direct and indirect costs involved in international trade.

5.8 Simplification of customs procedures

Simplification of customs procedures is usually called for by the private sector. It is best understood as a means to improve the flow of information through advanced ICT applications. But it can also be an independent continuous process. It is clearly a means to achieve organizations objectives, be they about collection of fiscal revenue, reduction of the transaction costs of foreign trade, or improvement of legal compliance and logistics.

Simplification always starts with a process analysis. In border crossing and foreign trade logistics the first stage is to define which component is in the most urgent need for improvement,. It may be e.g., communication between different authorities, transit procedure, warehousing activities, and import and export transactions.

In TTP trade a high priority is likely to be given to information channels between forestry and customs authorities. Also export, import and transit mechanisms may be useful targets for simplification, for which cooperation with the private sector is needed. Introducing advanced ICT systems can also be an effective tool against corruptive practices as paper trail based individual stamps and decisions can be eliminated.

When selecting the necessary ICT system, a set of common criteria should be observed such as (i) appropriate standards and frameworks, (ii) interoperability among public services operating as a network, and (iii) safeguards for privacy and data protection.

5.9 Effective enforcement

Foreign trade practices should comply with all the relevant rules and regulations. If deviations occur, they are often due to deficient knowledge on complex details. Unfortunately there is also more or less organized crime hidden in the commercial activities, in addition to the traditional smuggling and corruption.

Effective risk analysis is a useful means to identify suspicious cases (cf. section 5.5). Always when there is a reason to believe in outright criminal offence, enforcement measures are taken. The risk compliance pyramid in Figure 5.6 illustrates the menu of options for corrective action and enforcement.

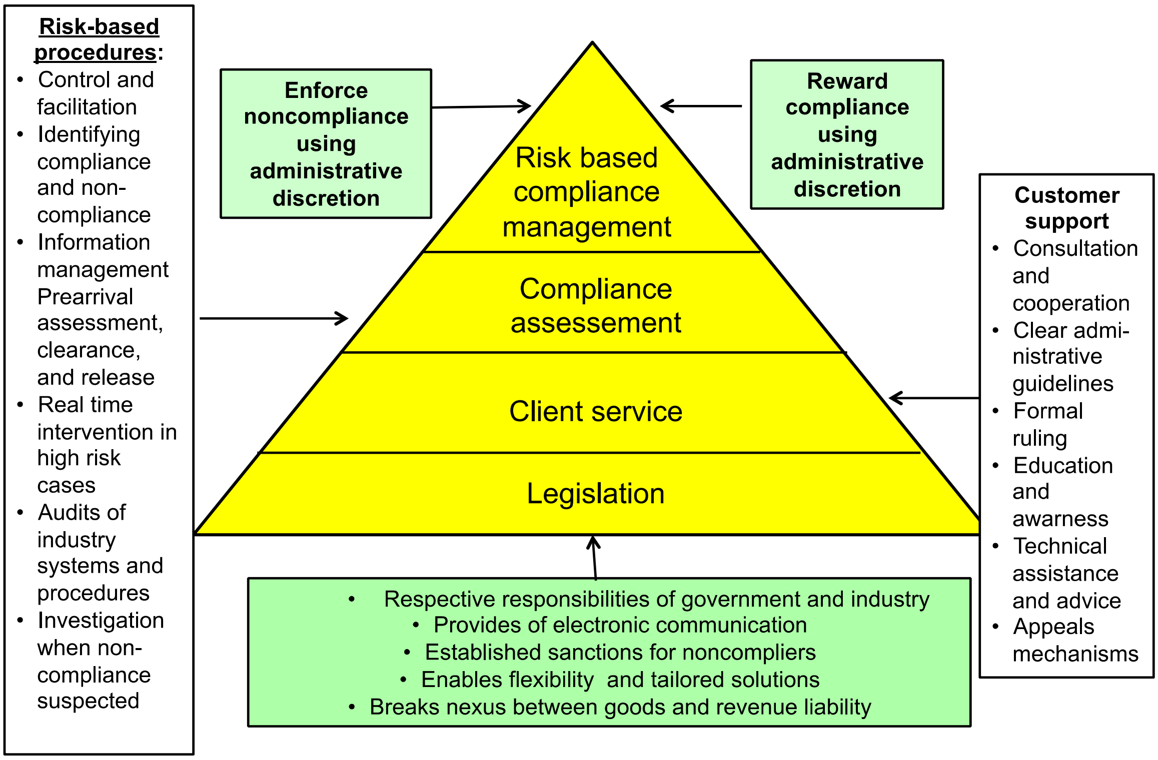
Customs and other enforcement organizations have usually developed a special strategy with the following steps:

(i) Intelligence-function is responsible for managing risk analysis and collecting information on the operative environment that serves the identification of criminal organizations. Once these have been discovered, authorities can define a target that will be put under surveillance.

(ii) Only after collecting enough information on the target's activities, the authorities may launch their own enforcement operation, investigate the case and submit the culprits to the prosecutor. Often customs, police and border guards are cooperating, in particular during target setting, operative phase and investigation.

Enforcement is a vital element to eliminate illicit actions in foreign trade. However it must be used with caution. That is why compliance management approaches have been tailored to specific country conditions. As illustrated by Figure 5.6**,** enforcement is only the final step after client service, compliance assessment and recognition. Enforcement itself is divided between persuasion, formal warning and penalty.

Figure 5.6 Risk-based compliance management pyramid



An alarming fact is that crimes hidden in trade is more and more often internationally organized and operate in a number of businesses, including tropical timber, often as part of a broader menu of organized crime (Interpol 2015). Forestry crime like illegal logging can be combined with false declarations to customs in terms of values and quantities of cargo. Furthermore, there is increasing evidence that in particular in Latin America and South East Asia drug trafficking is connected to forestry business.

Always when the enforcement is weak, organized crime gets stronger. This is a serious threat, which may undermine economic development and supports corruptive practices. That is why an effective and well-organized multifunctional enforcement is a necessary precondition also for healthy growth of trade in TTPs. Box 5.3 describes an example of successful cooperation between related countries in Western Africa.

The linkages between trade facilitation and enforcement are summarized in the risk-based compliance management pyramid (Widdowson 2013). It can be used as a road map when strengthening administrative capacities and developing policies aimed at good governance in international trade.

In TTP business of the ITTO African countries the informal sector plays a significant role, including in cross-border trade (cf. section 2.7). While the informal sector generates significant income and employment locally (Cerutti & Lescuyer 2011), others are losing development opportunities. In addition, the fiscal revenue of the government from the forest-based activities falls short the potential reducing options for investment in national priorities like health, safety and education. Development of a healthy timber sector, however requires, that the informal operations should be rectified/formalized over time through a phased approach. All business practices that are not following the rules and regulations are distorting the functioning of the legally operating commercial system generating higher wages, improved working conditions and often less forest degradation.

Box 5.3 Operation Log – International cooperation in fighting illegal logging and trade

Operation Log took place in nine West African countries – Benin, Burkina Faso, Côte d'Ivoire, Gambia, Ghana, Mali, Mauritania, Senegal and Togo – between July and September 2015, with investigations into the criminal networks involved in illegal logging in the region continuing.

Preliminary results from Operation Log saw the seizure of more than USD 216 million in illegally harvested rosewood (*Pterocarpus erinaceus*) and other timber species, with 44 individuals arrested. Rosewood is highly sought after worldwide for its pink- or red-colored wood, and therefore commands extremely high prices on the international market.

Law enforcement in the participating countries identified major trade routes used by criminal networks to traffic timber within and out of the region, with Asia highlighted as the main destination for illegally harvested rosewood.

"International police cooperation is necessary to combat the criminal networks involved in the illegal trade in rosewood. Burkina Faso is determined to bring an end to the activities of these networks," said Lazare Tarpaga, Director General of the Burkina Faso National Police.

Links between the illicit timber trade and other serious crimes were also uncovered during Operation Log, including corruption through the issuance of fraudulent permits, firearms trafficking and wildlife crime

Source: http://www.interpol.int/News-and-media/News/2015/N2015-206

Lacking efficient intervention by the government to contain illegal business, compliant companies are squeezed out of the market with serious consequences to the economy and society as a whole. In such conditions, it is impossible to promote responsible investment in sustainable forest management and TTP trade based on it.

5.10 Coordinated border management

Effective border management is vital for trade facilitation. Yet, it is not properly organized even in most developed countries. Disputes over mandates and roles in the border crossings are still common everywhere. Methods and levels of appropriate coordination depend on the complexity and volumes of trade as well as whether the border is internal or external in an economic union. Coordinated border management is an important element in all efforts to improve logistics. It is often complemented with ICT-based Single Window.

The link between forestry authorities and customs is important in border management as both have a responsibility for providing effective logistics for their client companies and ensuring compliance of national regulations. Based on the field interviews this link generally appears weak even in cases in which timber business is a significant element of the national foreign trade.

Border management involves cooperation between different organizations having impact on border crossings in a country. It can also include an international arrangement. Local circumstances can be challenging but it is possible to establish effective cooperation between customs on an operational level particularly if timber and timber products are traded across the border in significant volumes. Operational cooperation requires, inter alia, (i) regular bilateral meetings to discuss common problems, (ii) agreed mechanisms for information exchange, and (iii) established formal agreements between customs administrations.

For facilitating TTP trade, a close linkage between forestry authorities and customs should be created. Forestry sector is under an effective regulation in ITTO member countries. Imports of TTPs are also controlled. However, it still is common that different agencies operate in silos, which means multiple controls for different purposes and thereby poor logistics.

Unilateral developments in major markets related to legality and sustainability of TTPs (EU, USA, Japan, Australia, etc.) are increasingly influencing trade, including in Africa. Of particular importance are Voluntary Partnership Agreements (VPA) in order to comply with the EU Timber Regulation. VPAs require that domestic trade and all exports (independent form destination) also impacting intra-African trade. For African countries it would be beneficial to apply similar rules in all the main markets (e.g., through a multilateral approach) or regionally, as the trade flows are not limited to neighboring countries.

In trade facilitation, the legality and sustainability aspects of TTPs should be included in the criteria of granting AEO status. This would lead into genuine trade facilitation in the timber sector once the preparatory phase is over.

5.11 Opportunities and risks of the identified trade facilitation options

A general assessment of the identified options for trade facilitation is given in

Table 5.**1**. It can help governments and other stakeholders when planning practical approaches to trade facilitation and improved law enforcement. There is a logical order in which the individual measures can be preferably implemented but, as they are interdependent, several options could be simultaneously pursued.

There are two lines of action that are complementary to each other: trade facilitation and enforcement. Elements of their implementation are presented as risk-based compliance pyramid, (Figure 5.5). The two-tier approach needs strong support from the government and constructive dialogue with stakeholders in order to clarify the benefits and investments needed for more balanced and competitive economic development to gain broad-based support to reforms (cf. Figure 5.1).

A natural starting point for trade facilitation is strengthening of public–private partnership. There should be sufficiently strong mutual trust and common understanding between the government and private sector companies about the fact that successful long-term business can be conducted only on a legal basis without corruptive practices. Market economy functions properly only if companies can compete on equal basis. Hence all the efforts to gain market advantage by resorting to fraud or other crimes must be eliminated by law enforcement operations. This should be the recognized interest of the whole business community.

On this basis it is possible to facilitate trade in TTPs in practice. An effective way would be to establish granting of AEO status to compliant companies, whose import and/or export volumes are significant. Alternatively, similar preferred procedures can be provided through performance contracts (as in Cameroon) or similar agreements between companies and the customs/other authorities depending on the national circumstances. In international trade the customs is obviously the natural counterpart.

The formal AEO procedure should follow the WCO guidelines, which are relatively demanding, including due diligence of the participating companies` operations. In the case of TTPs, the main requirement is that law compliance in the whole supply chain can be ensured. However, the design of detailed measures can be adjusted in accordance to the national and regional circumstances.

Table 5.1 Assessment of trade facilitation options in the TPP sector

Option	Strengths and opportunities	Weaknesses and risks	Preconditions and implementation requirements
Risk analysis	- Identification of potential violators - Diminished crime through precise control - Increased government revenues - Possible to provide improved logistics for legitimate traders - Increased administrative productivity through efficient allocation of resources	- A new administrative arrangement to be established - Improvement in ICT systems needed - Increased training needs - Insufficient data on trade flows and economic operators to allow proper analysis	- Sufficient level of ICT infrastructure and expertise - Electronic exchange of data between administration and economic operators as well as inside governmental administrations - Contractual and ICT arrangements for in advance information exchange - Efficient intelligence function in operation in Customs - Appropriate criteria need to be developed for classifying operators into high/medium/low risk categories - Expertise on risk analysis and risk profiling among customs and forestry authorities - Adequate internal training of relevant staff - Sufficient statistical information on economic activities of private sector operators
Authorized Economic Operator (AEO)	- Increased competiti-veness for legitimate traders with track record on compliance - Reduced costs of logistics for AEOs - Faster deliveries of export and import trade between AEO companies and foreign buyers - Operational public-private partnership between AEO companies and customs - Incentive for non-AEO companies to improve compliance	- Improvement in ICT systems needed - Extensive security auditing - Detailed knowledge of governmental procedures to be created among AEOs - Extensive training needed both in the private and public sectors	- Established trust between private sector (AEOs) and authorities - Willingness to comply with rules and regulations by AEOs - Willingness to disclose confidential information to authorities - Commitment of authorities to honor business secrets - Registers of economic operators to be established and maintained
Public-private partnerships	- Increased confidence between government and exporting/importing companies - Increased competiti-veness of companies - Effective functioning of the economy - Support to stream-lining administrative processes in compa-	- Confused roles of private and public operators if rules of the game not clearly understood - Risk for corruptive practices - Beneficiary compa-nies may enjoy undue benefits and non-par-ticipating companies are left behind	- Willingness to cooperate by the government and the private sector - Advanced legal basis for economic activities - Adequate mutual thrust between government and private sector - Properly functioning credible industry and trade associations in the timber sector.

Option	Strengths and opportunities	Weaknesses and risks	Preconditions and implementation requirements
	nies and public administration - Strengthened position of industrial associations in trade facilitation	- Insufficient transpa-rency - Risk for limited access by SMEs and community forestry enterprises - National dialogues get easily blocked due to lack of will to understand the other party's problems	
Coordinated border management	- Improved logistics - Cost effective border crossing - Cost effective for government agencies - Potential for interna-tionally coordinated border management - Improved security in the border area - Diminished crime - Potential for reduced corruption - Reduced illegal trade in TTPs - Operable indepen-dently from macro-level political changes - Potential for expan-sion within free trade areas	-"Silo management": lack of true commitment for inter-agency cooperation - Power struggles inside countries between agencies and personalities - Sensitive to policy changes and bilateral political relationships between participating countries	- Willingness to cooperate nationally among government agencies - Willingness to cooperate internationally by participating governments - Clear legal and contractual basis for cooperation nationally and internationally - Effective exchange of information between authorities nationally and internationally - Mutual respect among authorities is maintained - Well functioning risk analysis nationally - National preparedness for international enforcement operations
Single Window	- Improved logistics - Increased competi-tiveness through reduced transaction costs - Improved productivity among authorities and reduced administrative costs in the medium/ long run -Reduced risk for corruption	- Expensive and sophisticated ICT systems need to be established - Extensive training needs - Does not ensure separation of suppliers of legal and illegal TTPs	- Good cooperative culture among relevant public agencies such as customs, environment, health, safety and forestry authorities - Effective ICT-infrastructure in place to generate timely information and processing of declarations and payments - Well functioning risk analysis of operators
Simplification of customs procedures	- Improved logistics -Increased competitiveness of legal operators - Increased productivity and reduced transaction costs - Prevention of corrupt-tive practices	- ICT costs - Training costs - Reduction of labor - Reluctance of personnel - Risk for new loopho-les to avoid payment of taxes and charges	- Good ICT infrastructure - Sufficient funding - Personnel training - Availability of expertize - Commitment of top management
Effective enforcement	-Increased fiscal reve-nues - Diminished crime - Improved functioning of market economy - Reduced corruption - Improved competiti-	- Weakening logistics - Excessive control - Risk for deterioration of relations with private sector - Risk for increased transaction costs of	- Intelligent risk analysis is the key - Good cooperation among Authorities - Effective ICT infrastructure - Non corruptive personnel, adequate enforcement staff salaries and incentives for

Option	Strengths and opportunities	Weaknesses and risks	Preconditions and implementation requirements
	veness of legal operators - Reduced competition from unlawful products	legal operators	enforcement effectiveness

The establishment of AEO mechanism can take place in several steps. It may be started in one country only, when it facilitates foreign trade of an AEO company. This is already a good start if there are major problems in exports or imports.

When there are several neighboring countries that apply AEO measures nationally, the logical next step would be to harmonize the systems and recognize them mutually. This would mean that a company having AEO status in one country has the same benefits in another.

Initially, the system may be based on bilateral agreements, but over time it can be expanded into a network between several countries e.g., within an economic/customs unions such as ECCAS or ECOWAS. This is also a global trend and therefore, if the same approach is not applied in Africa, the competitiveness of their exporters is weakened both in internal and international markets.

Special attention needs to be given to providing access to facilitated procedures for SMEs that are typical in the African timber sector. To ensure their competitiveness, targeted support/special treatment should be provided to them in cooperation with industry associations by the customs and forest authorities.

Simplification of customs and other administrative procedures is a general measure that can be best advanced through developing electronic services. They lead to a new kind of modus operandi for exporters also contributing to enforcement. Electronic interface needs ultimately to be created between several stakeholders and particularly between customs and its clients and forest authorities. This is an expensive and long process, but it is necessary for efficient public administration and a competitive private sector. The electronic services make adoption of Single Window feasible simplifying the interface between all stakeholders involved in the electronic exchange of data.

Development of electronic services can be divided into several phases to facilitate implementation. Nevertheless, significant investments are needed in training people in their new tasks as well as ICT software and equipment.

Effective enforcement based on proper risk analysis is the necessary element for revenue collection but also for trade facilitation. Control activities require good cooperation at the borders and elsewhere between law enforcement agencies.

Intensity of control depends on the extent of illegal and corruptive business practices. If the problems are widespread, control must be sufficiently strong but if illegally operating companies are identified, control can be directed towards serious offences. Eliminating criminal operators would gradually lead to more complying business practices in general.

6. COSTS AND BENEFITS OF TRADE FACILITATION

6.1 Qualitative assessment

Table 6.1 contains a qualitative assessment of costs and benefits of trade facilitation as perceived and expected by each stakeholder group. The underlying assumption is elimination of illegal operators and establishment of a level playing field for legitimate operators of TTPs from legal and sustainable sources. The assessment provides a strong qualitative justification for using trade facilitation as a complementary instrument for transforming the TTP to a regulated activity.

Table 6.1 Stakeholder analysis of costs and benefits of trade facilitation in the intra-regional trade of TTPs

Stakeholder group	Costs	Benefits	Comments
Log exporters	- No significant additional operational costs - Requires some investment in ICT	- Faster deliveries, - More effective and less costly procedures with authorities - Cost reduction due to ab-sence of informal payments - Less working capital tied in export port logyards	- Unit costs of long distance transport high - Market access of logs in importing countries in Africa not normally a problem - Low or zero tariffs - Electronic interface with authorities should be created
Timber industry	- No significant additional costs - Requires some investment in ICT systems to interface with the government agencies - Training needs for new practices of export traders - SMEs likely to suffer from additional relative costs of regulated trade -Risk of loss of employment in the informal sector	- Improved logistics - Less working capital tied in the logistic process - Less costly procedures with authorities - Increased competitiveness - Improved business administration in exporting companies - Access to new markets facilitated as legal compliance can be demonstrated - Experience of AEOs will spread to other compa-nies leading to reduced violation of rules and reduced supply of illegal TTPs	-Transparent business practices need to be implemented among AEOs - Market information need to be improved - Industrial associations to be established/ strengthened to act as counterpart for dialogue with the government - Relations with authorities to be developed - Special measures needed to assist SMEs
Timber traders	- Investment in ICT - Establishment of electronic comer-cial network with the supplying clients	- Improved interface with clients -Increased business volumes - Cost reduction due to absence of informal payments - Improved profitability - Improved market access to SMEs	- Traders are necessary element for more effective functioning of markets - SMEs need traders more than bigger companies - Most of the business is done directly between producer companies and large-scale buyers
Transport companies	- Investment in ICT systems - New logistics services to ensure just-in-time deliveries to be developed	- Faster border crossing improves utilization rate of transport capacity and reduces costs - Improved interface with clients - New services increase logistics business volumes - Bigger business volumes due to larger import and export deliveries of TTPs	- Transport often major obstacle for increased trade due to high costs which are elevated by government taxes, charges and informal payments - Reduction of transport unit costs can be achieved through increased volumes

Stakeholder group	Costs	Benefits	Comments
Port/transport service companies	- Investment in ICT systems - Development of traceability and just-in-time services	- Increased business volumes - Improved profitability of operators - Potential for reduced costs of services	- Availability of services and satisfactory infrastructure is a necessary precondition for trade facilitation but often the level is poor and the availability of cost-efficient services is limited which are major problems in the region.
Custom authorities (in both exporting and importing countries)	- Major ICT invest-ments needed - Training costs of personnel - New administrat-ive processes such as risk analysis to be created which takes time and the learning curve has indirect costs	- Improved administrative productivity - Increased fiscal revenues - Compliant business environment - Reduced fraud and other crime	- Willingness to modernize and streamline operations is the key factor. - Corruptive practices must be eliminated - Effective risk analysis needs to be put in place - Cooperation nationally and internationally is a key precondition for effective operation - Cooperation with neighboring countries with cross-border trade needs to be intensified requiring political will among participating governments.
Forest authorities (in exportig countries)	- ICT investments are needed - Training costs of supervisory staff	- Reduced enforcement costs and staff resources - Trade facilitation helps control of the supply chain from the forest to export ports/border crossings	- Effective information exchange needs to be put in place with other agencies
Ministries of finance (in both exporting and importing countries)	- Investment into administrative capacity of relevant agencies - Staff expertise and ICT to be developed - Financing of the necessary physical infrastructure (ports, airports, roads and railways)	- Increased revenues -Improved business environment - Decreased fraud - More productive administration - Improved governance between ministries and agencies	- Ministries of finance have overall responsibility on good governance of the whole administration - Efficient administration supports the overall development of the economy - Funding of key development projects is the task of the ministries of finance
Border guards (in both exporting and importing countries)	- Investment in ICT and new controll-ing equipment - Training of per-sonnel in electro-nic controlling	- Mobility of people becomes easier - Control of illegal border crossing improves	- Border guard is an essential element in effective overall border management - Cooperation with customs vitally important
Consumers and buyers in importing countries	No additional costs	- Reduced imported TTP prices - Faster delivery times - Increased supply of legal TTPs	- Consumers and buyers are the key beneficiaries of trade facilitation

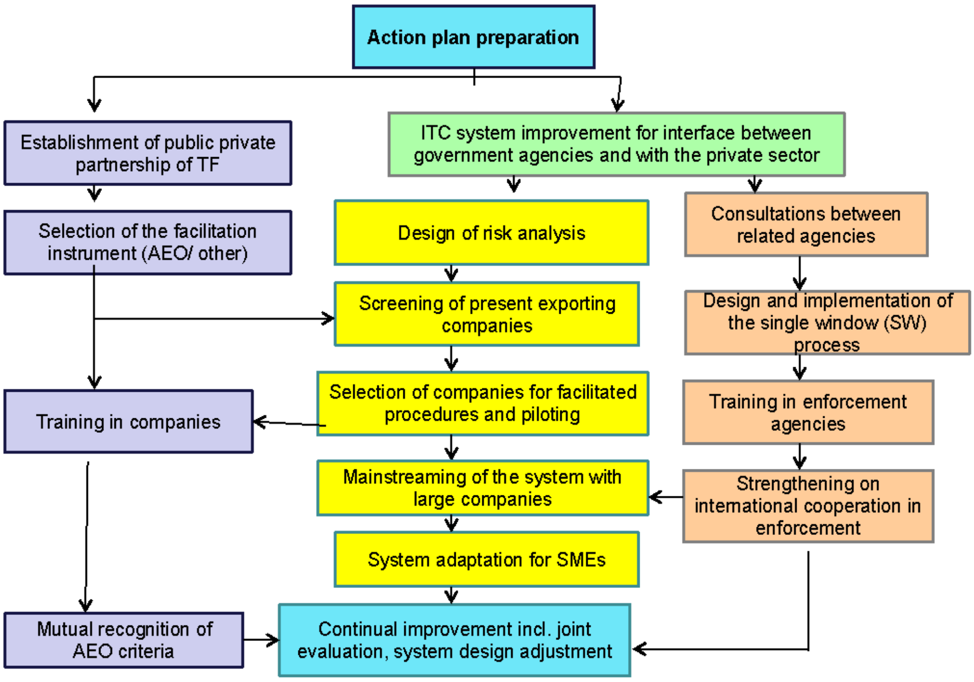
6.2 Quantitative assessment

Due to diversity of country situations and data limitations it is impossible to prepare a meaningful quantitative assessment of cost and benefits of implementing trade facilitation options on the regional or national level. There only some examples can be taken to illustrate possible impacts for stakeholders. These represent a partial approach to assess trade facilitation as a policy option and therefore care should be exercised in drawing generalized conclusions. [21]

6.3 Roadmap for change

Each country has to design it own work plan to implement trade facilitation and to strengthen enforcement in the TTP trade taking into account the existing national regulatory and institutional framework. In any case three lines of action need to be included in such an action plan. Figure 6.1 provides a generic roadmap that could be applied for this purpose.

Figure 6.1 General roadmap for trade facilitation and improved enforcement on national level



7. CONCLUSIONS AND RECOMMENDATIONS

7.1 Main conclusions

The trade analysis clearly demonstrates that there is a major potential for intra-African trade of TTPs in general and in the Western and Central African countries in particular. The ITTO producing member countries could develop a regional exports of about USD 700 to 800 million in all TTPs in the short term or about 2.5 times of the current volume. However, exploitation of this potential is seriously hampered by tariffs and non-tariff barriers, which are partly general and partly sector-specific. In addition, there are other constraints in intra-

[21] To be completed after the results of the CIFOR studies are available

regional trade development, including high transaction costs and inadequate quality of further processed products that is not acceptable to the African middle-class consumer.

There is a strong need for major streamlining of the policies processes of international trade in TTPs as the general trade regulation is not sufficient for these products. The governments' role is important to accelerate and consolidate trade. Most governments pretend to have TTP trade under control which is not the case.

Customs and other governmental rules and regulations are complicated, overlapping and uncoordinated. Information exchange among authorities and between the public and private sectors should take place electronically. Furthermore, at least critical information should be delivered in advance to allow efficient logistics for legitimate trade, but also for risk analysis and enforcement operations.

Also governments are suffering from the situation as a considerable part of trade takes place informally or illegally. This results in heavy losses in state revenues. Illegal trade both in the form of outright smuggling, but also based on false declarations to customs, is possible partly because there is corruption in various stages of the supply chains.

But the main reason probably is that the profit incentives of illegal operation for many actors of TTP trade are strong. Hence in the current situation the competitiveness of legitimate suppliers is seriously undermined. Criminal organizations and individual illegal operators may save up to 50 % (customs fees, VAT and other taxes and charges together) of the price of the TTPs, if they manage to get their goods into the market by circumventing customs or with falsified documents. In some cases lack of participation in corruption by legitimate operators acts as a barrier to market access.

The private sector's role is critical to push governments for reform but they do not have leverage; ITTO should help. Often the discussions between private and public sector get immediately blocked and they stop there.

The problem is not limited to the TTP sector that is inherently vulnerable for corruptive practices as its supply chains are long and involve a lot of stakeholders. Special efforts are necessary to ensure that lawful practices are gaining ground. At the same time the compliant private sector should be encouraged through incentives. In all this work, electronic exchange of information is needed. A combination of stick and carrot measures should be put in place.

Incentives for companies to operate legally should be sufficient. E.g., were efficient logistics can be ensured for legitimate business, it would encourage companies to enter into AEO or other trade facilitation arrangements. Similarly, the establishment of efficient and corruption-free public sector requires that the income level of employees is satisfactory and internal control is effective.

Consequently, if the risk of illegal operation for both public and private sectors is high and the judiciary system strong, the preconditions for establishing a well-functioning commercial and fiscal regime are in place resulting in benefits for all stakeholders.

Trade facilitation and strengthened enforcement are powerful responses to these problems. Measures to be taken should support smooth logistics and increased level of compliance at the same time through strengthened enforcement. Hence actions should be integrated into policies aimed at the facilitation of legal trade and elimination of illegal practices.

In order to have a sufficient impact to change actor behavior at large, these policies should be applied both nationally and regionally. Supporting strategies, guidelines and programmes have been developed by international organizations such as WCO, Interpol and the World Bank.

7.2 Recommendations

7.2.1 National level

(1) Implement the Authorized Economic Operator procedure for TTP trade

The forestry sector is particularly suitable for pioneering the AEO concept because the business is subject to an increasing number of control requirements both nationally and internationally. The AEO mechanism can be implemented nationally resulting in benefits to the country's importers and exporters in customs clearance.

AEO companies gain a direct cost savings as their cargo is given a priority in customs clearance and they would not need intermediaries in their business transactions. Furthermore, they would no more be vulnerable for corruptive practices. Public administrations in turn benefit from AEO procedures through reduced costs of enforcement. The associated risk analysis of operators removes a major part of trade flows from primary enforcement targets and allows focusing efforts on fraudulent companies. The AEO procedure would also serve as an incentive for increased level of law compliance for those who cannot have access to it due to weak management systems or other reasons.

In order to fully benefit from the AEO mechanism, the procedures should in due course be gradually applied internationally, in a free trade area or bilaterally, through mutual recognition of the AEO criteria and their auditing between trading partners.

(2) Promote Public-Private Partnerships for trade facilitation

Sometimes the relations between private and public sectors are tense, often due to poor understanding on the importance of a well-functioning market economy in both sides. The private sector should be made conscious about the fact that a solid accountable institutional framework is a necessary precondition for the long-term success of its own business. Public sector organizations should in return be more focusing on their role as service organizations, which represents a new management paradigm for many forestry, customs and other agencies in the region.

An effective dialogue between the authorities and the private sector is necessary for law compliance and trade development. The private sector often regards customs and other authorities as obstacles for business transactions. Government organizations in turn are often seeing their role only as controllers and tax collectors, not trade facilitators or promoters. There is a lot of scope for improvement on both sides in attitudes as well as in daily operations. Narrowing this gap requires continuous dialogue that can take place within the framework of Public-Private Partnership through a formal platform for mutual consultation.

Public-Private Partnership cannot function without a representative credible partner on the private sector side. Industry associations are a necessary counterpart for governments when designing and implementing national trade and fiscal policies. They should also represent the small and medium sized enterprises that are common in the TTP sector.

Governments should support industry associations and their members by offering training and advisory service concerning regulation and law compliance, promoting transfer of technology, providing foreign trade information, and facilitating access to finance.

(3) Strengthen operational cooperation between forestry, customs and other trade-related authorities

For ensuring efficient and compliant supply chains in TTPs, forestry, customs and other concerned authorities should establish agreements on sharing of tasks and mechanisms of mutual cooperation, particularly with regard to border crossing.

This applies equally to trade facilitation and enforcement activities. There is a strong need for mutual dialogue leading to agreeing on shared objectives for both purposes. Ideally the authorities should become connected electronically so that commercial transactions and enforcement do not suffer from undue delays in communication.

Efficient inter-agency exchange of information in advance and real time is important, particularly for enforcement. This is also called for by emerging new regulations and market requirements of international trade in TTPs related to legality and sustainability. Continuation of the development of advanced ICT systems with interfaces with concerned government agencies and private sector operators is necessary and should be given a priority.

The objective should be the creation of the Single Window mechanism, which would improve the communication between relevant authorities as well as between the private sector and government agencies.

Simplification of procedures requires that all the parties have relevant information available in advance physical border crossing of cargos. This would allow sufficient time for eventual risk analysis and preparation of respective enforcement action without negative impact on logistics.

7.2.2 Regional level

(4) Remove tariffs and other trade obstacles from intra-community trade

The very basis of Economic Unions such as Customs Unions and Free Trade Areas is to liberalize trade inside their regions. Within ECOWAS and ECCAS this process is not yet completed. Internal obstacles at the borders of their member countries, which are not needed, should be removed or at least reduced. Effective intra-community liberalized trade needs specific regulations for TTPs, which can serve as a powerful means to promote economic development. Governments can implement it in the short run without major costs and often with significant savings in administration costs.

(5) Effectively harmonize external tariffs and reduce tariff escalation

ECOWAS and ECCAS have decided to harmonize external tariffs, but it is not yet implemented. Common external tariff (CET) is the core of a Customs Union. Only when it has been fully implemented, competition inside the Union can take place on equal basis.

Harmonization of external tariffs is a difficult process and some vulnerable industries may need transitory protection. This is unlikely in the case of TTPs that are relatively low value goods, often used as raw or construction materials by other industries.

Reducing external tariffs means deeper integration with the world markets. It leads to a tougher competition, but also opens up new business opportunities. In TTPs domestic and internal markets of Customs Unions are often too small or logistically difficult for creating internationally strong companies.

Alleviation of tariff escalation is needed, as it is relatively steep in TTPs hampering intra-African trade, particularly in secondary processed wood products. If one country or Customs

Union applies tariff escalation, then its trading partners normally do the same undermining their mutual business potential.

(6) Strengthen cooperation between Customs Unions and bilaterally

Effective cooperation among the several Customs Unions is vitally important for expanding intra-African trade in TTPs. This is particularly relevant now, when global and regional negotiations on trade facilitation are progressing slowly resulting in an increasing number of regional trade agreements worldwide. The African Common Free Trade Area initiative could eliminate the need to establish bilateral arrangements with SADC and other African Customs Unions to have facilitated access to their markets, particularly in the main potential markets for TTPs (e.g. Angola, Namibia, South Africa).

From the perspective of the TTP sector in the ITTO African member countries, a deeper cooperation between ECOWAS and ECCAS is a priority because of logistics and largely complementary resource endowments in the TTP sector. Joint efforts are needed in implementation of tariff rate and escalation reductions as well as mutual recognition of trade facilitation measures such as the Authorized Economic Operator concept.

In case cooperation at the Customs Union level remains slow, a number of trade facilitation measures can be effectively taken through bilateral arrangements between countries that are significant trading partners. These measures can be logistical solutions created for opening bottlenecks in ports, airports and other transport hubs, which have successfully facilitated TTP trade elsewhere in the world.

(7) Strengthen international operational cooperation in law enforcement

ITTO member and other involved countries in Africa should establish operational cooperation through bilateral or sub-regional agreements to address threats from organized crime and illegal trade in TTPs as much of it occurs across borders. Operators draw on varying approaches ranging from fiscal fraud to environmental crime, all of which require a sophisticated approach and close international and cross-border cooperation between national customs and other authorities.

Corruptive and other illegal practices prevent the commercial and economic development in the forestry sector. These problems need strong governmental and international intervention that should be effectively supported by main importing countries and the international community at large (including INTERPOL, UNDOC, etc.). In addition to coordinated operations, joint efforts in the area of intelligence should be further developed.

(8) Gradually implement the regional Authorized Economic Operator concept

AEO or similar arrangements are necessary preconditions for improved logistics and competitiveness in individual countries and economic regions. Such arrangements would be particularly important for the timber sector, as the initial experience has already demonstrated. The most efficient approach would be to implement the AEO concept inside a Customs Union, as ultimately it would be its task of Customs Union to enter negotiations on with the other parties on mutual recognition of AEO procedures.

7.2.3 Recommendations for ITTO

(9) Provide a platform for and support to policy dialogue between the public and private sectors in the TTP industry in the African region

In Africa there is an unsatisfactory level of sharing of experience and good practices in industrial and trade development in tropical timber and timber products from sustainable and legal sources of supply. The countries also perceive a need for harmonizing policies, regulations and trade facilitation instruments, including species and product nomenclatures, and grading rules. ITTO has a competitive advantage in its convening power among governments, the private sector and other stakeholders to provide such a regional platform through its various instruments.

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ITTO could also help those member countries where the TTP industry is not a priority in national development strategies to facilitate the public sector's awareness on the opportunities and needs of the private sector to create income, employment and export revenue while contributing to the sustainable management of forest ecosystems. The Organization has several useful tools for this purpose, including policy guidelines, diagnostic missions in new member countries, regional and sub-regional seminars and workshops, and other capacity building activities.

A regional high-level conference on trade facilitation and strengthening of enforcement in the tropical timber sector should be organized (i) to raise awareness of decision-makers on the need for trade and governance reforms in the region, (ii) to develop proposals for decisions by regional and sub-regional organizations and national governments to remove barriers to trade, to reduce transaction cost of legal trade, and to strengthen enforcement cooperation, as well as (iii) to identify strategies for financing of African timber and timber product industries based on sustainably managed forests.

(10) Provide support to piloting of trade facilitation measures

In view of the innovative nature of the Authorized Economic Operator concept, it is recommended that a pilot project be identified to support national procedures. Such a piloting effort would gain replicable lessons learned to other countries. It could be started in one country and the pilot could link with an importing country with the AEO mechanism already in operation outside Africa. A twinning arrangement between the customs authorities could also be considered.

(11) Improve availability of information on intra-African markets for the TTP industry and its business environment, and support export promotion

Seeking for business opportunities is the task of individual companies while, it is the duty of the government, ITTO and other international organizations to provide adequate statistical information on trade flows and consequences of government actions, which allow for companies to analyze their business environment. Adequate communication measures should be taken to ensure that the relevant market information reaches potential users, including SMEs.

The recent initiative to publish the bilingual African Market Information Service has been well received by the private sector and should be continued.

ITTO and governments should work together to <u>support the private sector in the member countries in their export promotion efforts in the regional markets for TTPs</u>.

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ANNEX 1.1

TERMS OF REFERENCE FOR OUTPUT 1 OF THE PROJECT

1. OBJECTIVE

The objective of the output is to improve readily accessible information on (i) trade flows of tropical timber and timber products in the African region, (ii) tariffs and non-tariff barriers as well as (iii) the costs and benefits of trade barriers and trade facilitation mechanisms with recommendations targeted at policy makers.

2. ACTIVITIES TO BE CARRIED OUT

Activity 1.1.1. Study on the costs and benefits of tariff and non-tariff barriers in selected countries.

The study will cover the African region focusing on three sample countries (Côte d'Ivoire, Cameroon and Nigeria) of which the first two are pilot countries of the Project's Stage 1. Nigeria is included as it is a major import market for timber and timber products for ITTO producers in West and Central Africa.

The following activities will be carried out by the consultants:

a. Development of the methodology for the exploratory cost-benefit study;
b. Data collection of the trade flows of tropical timber and timber products from ITTO, ITC and COMTRADE databases to be completed, verified and completed based on fieldwork data;
c. Data collection on tariffs and non-tariff barriers and the logistic aspects of cross-border trade in the focus countries from customs authorities, trade and industry representatives;
d. Development of time-series data on trade flows in 2008-2013 and establishment of trends;
e. Compilation of comparative data on tariffs and non-tariff barriers related to timber and timber products;
f. Analysis of current costs for exporters and consumers in importing countries, and estimated fiscal revenue for trading partners in the current situation ;
g. Development of scenarios for economic impacts (costs and benefits) of reduction of tariffs and non-tariff-barriers for trading partners;
h. Identification of options for trade facilitation of timber and timber products between the focus countries of the study;
i. Elaboration of a draft reports for comments by ITTO;
j. Presentation of the draft report and policy recommendations in the regional workshop (to be organized separately); and
k. Finalization of the study based on the results of the workshop.

Activity 1.1.2. Establishment a web-based database on tariff barriers for TTPs for easy access by private sector enterprises.

A preliminary version of the web-based database on tariffs of tropical timber and timber products was developed under the project TMT-SPD 012/12 Rev. 1 (M) with the purpose to provide exporting companies an easily accessible rapid tool to obtain information on import tariffs. The input data could not be verified and therefore its reliability is subject to confirmation. In addition, there is a need to improve some characteristics of the webpage. The following activities will be carried out:

a. Redesign of the website for improved user friendliness and comprehensive coverage;
b. Input the updated information on tariff barriers to the database including data collected from the focus study countries;
c. Present the operational website for potential users in the regional workshop to be organized separately by the project; and
d. Carry out other communication activities to promote the use of the website by the private sector in Africa.

TIMBER PRODUCTS COVERED IN THE STUDY

Code	Description
440334	Logs, Okoumé, Obeche, Sapelli, Sipo, Acajou d'Afrique, etc.
440349	Tropical wood specified in the Subheading Note 1 to this chapter in the rough, whether or not stripped of bark or sapwood, or roughly squared (excl. dark red meranti, light red meranti, meranti bakau; rough-cut wood for walking sticks, umbrellas, tool shafts and the like; wood cut into boards or beams, etc.; wood treated with paint, stains, creosote or other preservatives)
440690	Ties, railway/tramway, wood nes
440729	Lumber, tropical hardwood nes, sawn lengthwise >6mm
440820	Veneer, tropical woods, less than 6 mm thick
440839	Veneer sheets and sheets for plywood, whether or not spliced, and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness of <= 6 mm, of tropical wood specified in Subheading Note 1 to this chapter (excl. dark red meranti, light red meranti and meranti bakau)
440920	Wood (lumber) continuously shaped non-coniferous (hardwood)
440929	Wood, incl. strips and friezes for parquet flooring, not assembled, continuously shaped tongued, grooved, rebated, chamfered, V-jointed beaded, moulded, rounded or the like" along any of its edges, ends or faces, whether or not planed, sanded or end-jointed (excl. coniferous wood and bamboo)"
441010	Particle board of wood
441112	Medium density fibreboard MDF" of wood, of a thickness <= 5 mm"
441113	Medium density fibreboard MDF" of wood, of a thickness > 5 mm but <= 9 mm"
441114	Medium density fibreboard MDF" of wood, of a thickness > 9 mm"
441211	Plywood, at least 1 outer ply of tropical woods (ply's <6 mm)
441213	Plywood consisting solely of sheets of wood <= 6 mm thick, with at least one outer ply of tropical wood specified in Subheading Note 1 to this chapter (excl. sheets of compressed wood, hollow-core composite panels, inlaid wood and sheets identifiable as furniture components)
441400	Wooden frames for paintings, photographs, mirrors or similar objects
441510	Cases, boxes, crates, drums and similar packings, of wood; cable-drums of wood
441520	Pallets, box pallets and other load boards, wooden
441600	Casks, barrels, vats, tubs and other coopers' products parts thereof, of wood, incl. staves
441700	Tools,tool bodies&handles,brooms or brush bodies&handles of wood etc
441810	Windows, French-windows and their frames, of wood
441820	Doors and their frames and thresholds, of wood
441830	Parquet panels, including tiles of wood
441860	Posts and beams, of wood
441871	Flooring panels for mosaic floors, assembled, of wood
441890	Builders' joinery and carpentry, of wood, incl. cellular wood panels (excl. windows, frenchwindows and their frames, doors and their frames and thresholds, parquet panels, blocks, strips and friezes, wooden shuttering for concrete constructional work, shingles, shakes and prefabricated buildings)

Code	Description
441900	Tableware and kitchenware, of wood (excl. interior fittings, ornaments, cooperage products, tableware and kitchenware components of wood, brushes, brooms and hand sieves)
442010	Statuettes and other ornaments, of wood (excl. wood marquetry and inlaid wood)
442090	Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery, and similar articles, of wood; wooden articles of furniture (excl. statuettes and other ornaments; furniture, lighting fixtures and parts thereof)
442190	Wood articles nes
940161	Upholstered seats, with wooden frames (excl. convertible into beds)
940169	Seats, with wooden frames (excl. upholstered)
940190	Parts of seats, n.e.s.
940330	Wooden furniture for offices (excl. seats)
940340	Wooden furniture for kitchens (excl. seats)
940350	Wooden furniture for bedrooms (excl. seats)
940360	Wooden furniture (excl. for offices, kitchens and bedrooms, and seats)
940600	Prefabricated buildings, whether or not complete or already assembled

Product groups

HS Code	Product group
440334 440339	Logs
440690 440729	Sawnwood
440820 440839 441211 441213	Veneer and plywood
441010 441012 441013 441014	Other wood-based panels
441400 441500 441600 441700 441800 441900 442010 442090 442190	Secondary processed wood products
940100 940300 940600	Wooden furniture

ANNEX 1.3

LIST OF PEOPLE CONSULTED

Côte d'Ivoire	
Lt/Col. Augou Tchidjé Antoine	Ministry of Environment, Water and Forests
Hon. Soro Dople Claude	Director of Cabinet/Ministry of Water and Forests
Cdt. Koben K. Simplice	Ministry of Environment, Water and Forests
Col. Yamani Soro	Ministry of Environment, Water and Forests
Ms. Heya Adingra	Ministry of Environment, Water and Forests, ITTO Focal Point
Ms. Ahoussi Delphine	MALEBI Association
Mr. Akrè Abo	Ministry of Artisanal Trade and Promotion of SMEs
Felix Kanga K.	Statistical Department and Economic Studies/General Customs
Col. Seniadja Tondo	Ministry of Environment, Water and Forests
Cdt Konate Bassimori	Ministry of Environment, Water and Forests
Mr. Fabien Larché	INPROBOIS
Boubacar Ben Salah	Syndicat des Producteurs Industriels du Bois de Côte d'Ivoire
K. Charles Yao	Ministry of Artisanal Trade and Promotion of SMEs
Lt-Col. Ake Aboa	Bureau of General Customs
Cameroon	
Mrs. Megnala Yvette Francoise	Ministry of Finances/General Customs
Mrs. Blandine l'or Ouguua	Groupement de la Filière Bois au Cameroun
Mr. Tanjoh Jerry Naah	Bureau of general customs
Mr. Kpoumie Chouaibou	Ministry of Forest and Wild Life
Nigeria	
Mr. Philip O. Bankole	Federal Ministry of Environment (ex-ITTO focal Point)
Mrs. Elizabeth Ehi-Ebewele	Federal Ministry of Environment
Ibrahim Adebayo	Federal Ministry of Environment
Other	
Adams, Michael	ITTO Consultant
Attah, Alhassan	FLEGT Facilitator, Guyana; ex- Director of Ghana Timber Trade Development Bureau
Aniszewski, Stefan	WCO, Senior Expert, Customs Procedures
Buttoud, Gérard	ITTO Consultant
Eba'a Atyi, Richard	CIFOR, Regional Coordinator for Central Africa.
Kotsovou, Maria	INTERPOL, Principal Forest Crime Agent
Lassen, Helen	ITC, Manager, Capacity Building Programmes
Lounasvuori, Jussi	Consultant in FLEGT
Nziengui, Marcellin	ITTO, Regional Representative for Africa
Pepke, Ed	EFI, Consultant
Ridder, Ralph	Director, ATIBT
Stewart, Davyth	INTERPOL, Coordinator, Natural Resources, Environmental Security Sub-Directorate
Tissari, Jukka	FAO Forestry Industry and Market Specialist
Viitanen, Jussi	EFI FELGT Facility
Saksa, Jarkko	Deputy Director General, Finnish Customs
Stewart, Davyth	Interpol, Coordinator, Natural Resources, Environmental Security Sub-Directorate

ANNEX 2

STATISTICAL TABLES OF TRADE ANALYSIS

Table 2-1 African imports of TTPS by product, 2008-2013

Product	Total imports (USD million)						Export structure 2013 (%)	Annual change, 2008-2013 (%)
	2008	2009	2010	2011	2012	2013		
Logs	502.1	359.2	402.5	374.4	505.2	445.7	6.8	-1.9
Sawnwood	1937.5	1704.2	1916.3	1949.0	2233.8	2020.6	31.0	0.7
Veneer	133.9	102.3	140.0	178.7	157.8	149.4	2.3	1.9
Plywood	354.9	359.0	555.0	477.6	551.7	575.5	8.8	10.4
Particleboard	84.1	106.7	91.2	111.5	122.3	144.4	2.2	12.0
Fibreboard	187.9	186.7	291.5	283.1	335.2	349.9	5.4	14.4
Total primary products	**3200.3**	**2818.2**	**3396.5**	**3374.5**	**3906.2**	**3685.6**	**56.5**	**2.5**
Wooden furniture and parts	1227.6	1232.2	1357.4	1284.9	1504.4	1599.8	24.5	5.1
Builders' woodwork	208.3	233.9	313.0	248.8	261.7	278.1	4.3	5.6
Other SPWP	524.8	535.8	682.5	714.7	779.8	876.4	13.4	11.2
Mouldings	165.2	109.2	90.8	100.0	90.6	75.8	1.2	-9.0
Cane, rattan and bamboo furniture	21.5	20.1	14.2	19.8	19.9	8.9	0.1	-9.8
Total SPWPs	**2147.4**	**2131.0**	**2457.9**	**2368.2**	**2656.4**	**2839.1**	**43.5**	**5.4**
All products	**5347.7**	**4949.3**	**5854.4**	**5742.6**	**6562.6**	**6524.6**	**100.0**	**3.7**

Table 2-2 Intra-African imports of TTPs by product, 2008-2013

Product	Total imports (USD million)						Export structure 2013 (%)	Annual change, 2008-2013 (%)
	2008	2009	2010	2011	2012	2013		
Logs	103.8	56.1	63.5	76.5	66.4	74.9	14.2	-4.6
Sawnwood	185.8	125.5	155.8	147.8	145.3	137.8	26.2	-4.3
Veneer	36.9	24.4	38.0	52.0	48.7	39.7	7.5	1.2
Plywood	40.6	44.3	35.6	39.9	42.8	41.3	7.8	0.3
Particleboard	14.3	16.4	21.4	26.8	28.3	35.0	6.6	24.1
Fibreboard	9.6	11.5	15.5	14.7	17.0	17.8	3.4	14.1
Total primary products	**391.0**	**278.0**	**329.8**	**357.8**	**348.6**	**346.3**	**65.8**	**-1.9**
Wooden furniture and parts	134.6	138.0	125.8	125.8	109.4	105.9	20.1	-3.6
Builders' woodwork	23.8	29.6	26.0	32.4	29.7	23.1	4.4	-0.5
Other SPWP	22.8	25.7	28.3	30.0	36.6	32.6	6.2	7.1
Mouldings	6.4	4.7	9.7	12.8	19.0	18.3	3.5	30.8
Cane, rattan and bamboo furniture	2.7	1.4	1.5	2.7	3.6	0.1	0.0	-16.0
Total SPWPs	**190.3**	**199.3**	**191.3**	**203.6**	**198.3**	**180.0**	**34.2**	**-0.9**
All products	**581.4**	**477.3**	**521.1**	**561.4**	**546.9**	**526.3**	**100.0**	**-1.6**

Table 2-3 African exports of TTPs by product, 2008-2013

Product	Total exports (USD million)						Export structure 2013 (%)	Annual change, 2008-2013 (%)
	2008	2009	2010	2011	2012	2013		
Logs	1107.4	874.2	1174.8	994.4	849.0	998.7	21.4	-1.6
Sawnwood	1272.4	802.4	920.6	1170.0	1070.6	1373.6	29.4	1.3
Veneer	433.5	268.2	315.8	339.6	474.1	534.5	11.4	3.9
Plywood	257.1	234.6	232.6	263.4	371.2	261.3	5.6	0.3
Particleboard	42.7	42.0	73.4	80.6	237.9	81.1	1.7	14.9
Fibreboard	29.5	32.8	56.4	74.8	69.5	67.6	1.4	21.6
Total primary products	**3142.7**	**2254.1**	**2773.5**	**2922.9**	**3072.4**	**3316.8**	**71.0**	**0.9**
Wooden furniture and parts	477.5	553.5	689.4	702.9	680.6	760.8	16.3	9.9
Builders' woodwork	101.1	107.8	150.8	168.9	161.0	144.8	3.1	7.2
Other SPWP	126.3	97.9	161.2	164.3	175.1	188.5	4.0	8.2
Mouldings	107.0	83.0	136.7	107.9	103.2	87.2	1.9	-3.1
Cane, rattan and bamboo furniture	31.8	8.9	8.3	8.2	10.4	10.5	0.2	-11.1
Total SPWPs	**843.6**	**851.1**	**1146.4**	**1152.2**	**1130.3**	**1191.8**	**25.5**	**6.9**
All products	**3986.3**	**3105.2**	**3920.0**	**4075.1**	**4202.7**	**4508.6**	**100.0**	**2.2**

Table 2-4 Intra-African exports of TTPs by product, 2008-2013

Product	Intra-African exports (USD million)						Export structure 2013 (%)	Annual change, 2008-2013 (%)
	2008	2009	2010	2011	2012	2013		
Logs	78.3	69.4	66.5	83.9	88.8	91.7	10.3	2.9
Sawnwood	198.9	144.3	141.6	139.6	134.2	114.2	12.8	-7.1
Veneer	38.7	41.3	45.7	41.1	136.0	157.3	17.7	51.0
Plywood	102.3	110.5	87.9	103.4	159.2	99.4	11.2	-0.5
Particleboard	16.9	17.3	33.5	35.0	109.8	34.3	3.9	17.1
Fibreboard	8.1	11.2	22.1	24.5	24.8	25.2	2.8	35.4
Total primary products	**443.2**	**394.0**	**397.2**	**427.5**	**652.9**	**522.0**	**58.7**	**3.0**
Wooden furniture and parts	116.2	141.6	228.0	215.1	198.8	228.4	25.7	16.1
Builders' woodwork	33.9	37.5	61.2	69.1	71.1	62.2	7.0	14.0
Other SPWP	32.3	26.2	51.5	55.6	61.2	52.9	5.9	10.6
Mouldings	10.9	10.1	16.7	20.0	22.3	19.2	2.2	12.8
Cane, rattan and bamboo furniture	10.8	3.3	3.1	3.0	4.6	4.2	0.5	-10.3
Total SPWPs	**204.0**	**218.8**	**360.4**	**362.8**	**358.1**	**366.8**	**41.3**	**13.3**
All products	**647.2**	**612.7**	**757.6**	**790.3**	**1010.9**	**888.8**	**100.0**	**6.2**

Table 2-5 Share of intra-African trade of TTPs of the total African trade, 2007 and 2013

Product	Imports (% of total value)		Exports (% of total value)	
	2007	2013	2007	2013
Logs	32.8	16.8	9	9.2
Sawnwood	6.9	6.8	6	8.3
Veneer	20.4	26.5	4.9	29.4
Plywood	10.4	7.2	33.9	38.0
Particleboard	17	24.2	41.7	42.3
Fibreboard	7	5.1	11.5	37.3
Total Primary Products	**10.2**	**9.4**	**5.2**	**15.7**
Wooden furniture and parts	5.5	6.6	16.1	30.0
Builders' woodwork	9.1	8.3	17.7	43.0
Other SPWP	6.7	3.7	16.8	28.1
Mouldings	25.4	24.1	4	22.0
Cane, rattan and bamboo furniture	10.5	1.1	20.5	39.6
Total SPWPs	**6.4**	**6.3**	**15.9**	**30.8**
All products	**9**	**8.1**	**6.4**	**19.7**

Table 2-6 African imports by sub-region, 2008-2013

Sub-region	African imports (USD million)						Annual change, 2008-2013 (%)	Share in 2013 (%)
	2008	2009	2010	2011	2012	2013		
Northern Africa	3169.5	3036.2	3454.9	3289.8	4031.0	3853.4	3.6	58.7
Western Africa	411.6	332.5	631.9	393.9	475.3	418.8	0.3	6.4
Central Africa	106.9	102.4	137.6	166.7	171.2	176.4	10.8	2.7
Eastern Africa	375.8	290.3	312.1	346.9	296.6	501.4	5.6	7.6
Southern Africa	1284.0	1187.8	1317.8	1545.3	1588.4	1574.6	3.8	24.0
Africa total	**5347.7**	**4949.3**	**5854.4**	**5742.6**	**6562.6**	**6524.6**	**3.7**	**99.4**
African ITTO producers	**338.8**	**282.0**	**592.8**	**371.6**	**438.0**	**424.5**	**4.2**	
African ITTO producers' share of Africa total	**6.3**	**5.7**	**10.1**	**6.5**	**6.7**	**6.5**		

Table 2-7 Intra-African TTP imports by sub-region, 2008-2013

Sub-region	Intra-African imports (USD million)						Annual change, 2008-2013 (%)	Share in 2013 (%)	Share of total imports, 2013 (%)
	2008	2009	2010	2011	2012	2013			
Northern Africa	169.0	100.4	113.6	98.2	79.0	74.2	-9.4	14.1	1.9
Western Africa	99.3	77.4	79.7	84.7	92.5	83.0	-2.7	15.8	19.8
Central Africa	8.2	9.2	7.8	9.5	10.5	10.5	4.6	2.0	5.9
Eastern Africa	62.2	38.4	35.7	46.6	33.9	47.2	-4.0	9.0	9.4
Southern Africa	242.7	251.9	284.4	322.5	331.0	311.5	4.7	59.2	19.8
Africa total	**581.4**	**477.3**	**521.1**	**561.4**	**546.9**	**526.3**	**-1.6**	**100.1**	**8.1**
African ITTO producers	**57.9**	**45.5**	**49.8**	**50.0**	**52.2**	**59.3**	**0.4**		**14.0**
African ITTO producers' share of Africa total	**10.0**	**9.5**	**9.6**	**8.9**	**9.5**	**11.3**			

Table 2-8 African exports by sub-region, 2008-2013

Sub-region	Total Exports (USD million)						Annual change, 2008-2013 (%)	Share in 2013 (%)
	2008	2009	2010	2011	2012	2013		
Northern Africa	421.4	417.9	360.5	401.4	448.9	451.7	1.2	9.7
Western Africa	895.2	658.4	822.5	951.3	1002.3	1173.1	5.2	25.1
Central Africa	1915.8	1232.4	1453.5	1319.6	1229.5	1605.4	-2.7	34.3
Eastern Africa	128.4	137.7	123.9	104.8	84.0	158.8	3.9	3.4
Southern Africa	625.5	658.8	1159.6	1298.0	1438.1	1119.7	13.2	24.0
Africa total	**3986.3**	**3105.2**	**3920.0**	**4075.1**	**4202.7**	**4508.6**	**2.2**	**100.0**
African ITTO producers	**2662.4**	**1862.4**	**2141.5**	**2218.7**	**2130.3**	**2592.4**	**-0.4**	
African ITTO producers' share of Africa total	**66.8**	**60.0**	**54.6**	**54.4**	**50.7**	**57.5**		

Table 2-9 Intra-African exports by sub-region, 2008-2013

Sub-region	Intra-African Exports (USD million)						Annual change, 2008-2013 (%)	Share in 2013 (%)
	2008	2009	2010	2011	2012	2013		
Northern Africa	62.1	69.1	53.7	49.9	65.1	54.3	-2.1	6.1
Western Africa	154.5	161.8	137.3	151.9	291.1	294.1	15.0	33.1
Central Africa	134.2	76.4	26.2	33.5	23.7	1.8	-16.4	0.2
Eastern Africa	45.4	38.4	36.4	37.5	28.1	60.9	5.7	6.8
Southern Africa	251.0	267.1	503.9	517.7	602.9	477.7	15.1	53.8
Africa total	**647.2**	**612.7**	**757.6**	**790.3**	**1010.9**	**888.8**	**6.2**	**100.0**
African ITTO producers	**284.5**	**237.2**	**159.3**	**180.4**	**306.3**	**289.8**	**0.3**	
African ITTO producers' share of Africa total	**44.0**	**38.7**	**21.0**	**22.8**	**30.3**	**32.6**		

f TTPs by product group and country, 2013

Note: The first line under each country is imports from other African countries and the second line is total imports. The unit is USD 1000

Country	Logs	Sawnwood	Veneer	Plywood	Particule board	Fibreboard	Furniture	Builder's work	Other SPWP	Mouldings
Morocco	488	13224	22446	3450	533	100	1580	110	161	12
	15128	325487	52775	32334	19147	31748	98878	29682	14003	1916
Mauritania	5403	316	394	48	0	0	116	177	126	0
	12514	1218	1004	158	83	0	1953	1728	422	0
Egypt	0	2164	9458	39	0	0	136	0	15	31
	57188	1017748	56746	233145	5726	64315	74364	5659	16580	1449
Algeria	133	946	5	0	65	495	3724	367	185	75
	109069	8688	5	11607	4060	29733	3724	5307	624697	4579
Sudan	0	0	0	0	0	0	0	0	0	0
	1200	34725	6	6093	124	15416	28420	3395	1157	261
Tunisia	772	3655	2912	2	11	0	218	0	50	24
	4416	125391	11333	1394	4659	43927	10186	7392	6477	1923
Libya	0	0	0	0	0	0	0	0	0	0
	53938	103928	67	22597	3325	15375	340183	14944	8551	1245
Mali	0	0	0	0	0	0	0	0	0	0
	34	1356	147	2834	13	0	4162	1028	479	4
Cape Verde	0	0	0	0	0	0	8	0	1	0
	0	0	0	0	0	0	20	0	2	0
Benin	426	603	41	1243	8	44	632	118	9	1
	953	1209	251	3165	16	397	3832	794	283	3
Gambia	5	12	0	77	0	0	19	1	0	4
	13	42	73	262	14	3	1743	416	51	8
Côte d'Ivoire	21	0	5	9	11	47	202	104	52	0
	226	45	98	571	282	165	10585	1823	1049	51
Togo	479	446	63	346	101	21	21	20	16	68
	1001	892	273	1080	255	54	2030	354	119	136

Country	Logs	Sawnwood	Veneer	Plywood	Particule board	Fibreboard	Furniture	Builder's work	Other SPWP	Mouldings
Niger	6 541	7024 14192	20 41	5130 10674	0 20	0 0	330 4753	55 955	3 202	51 112
Sierra Leone	0 132	0 7	0 1	0 1008	0 20	0 1503	0 2768	0 523	0 86	0 3
Guinea	13 38	0 40	0 157	43 1365	10 165	0 647	462 6123	10 1775	10 211	0 38
Guinea Bissau	0 0	0 2173	0 6	0 294	0 0	0 20	0 1534	0 221	0 18	0 56
Nigeria	0 12824	32 8193	0 581	6737 29250	388 8847	763 15105	96 615	341 22497	1815 10984	0 338
Burkina Faso	162 323	2223 4461	1 15	1849 3798	20 211	5 58	681 9183	64 331	12 209	0 0
Senegal	16 3169	31280 65066	6 39	10445 21658	15 229	0 387	200 16212	434 3848	257 1677	0 259
Liberia	0 142	0 18	0 12	0 2988	0 55	0 2160	0 1907	0 161	0 119	0 8
Ghana	3184 17837	1 500	0 104	93 1552	43 375	2 870	2449 39571	734 7473	233 5139	0 263
Chad	0 12	0 72	0 69	0 312	0 13	0 32	0 4619	0 994	0 83	0 39
Burundi	0 4	1 12	0 6	346 1424	4 41	483 1147	439 1889	1 142	13 733	0 4
Eq. Guinea	0 75	0 171	0 6	0 4425	0 21	0 155	0 36285	0 10088	0 1223	0 221
Gabon	0 18	0 740	0 498	0 262	0 50	0 139	0 12057	0 2709	0 785	0 188
CAR	0 0	0 2	0 0	57 54	0 0	0 62	55 180	0 0	0 1	0 0

Country	Logs	Sawnwood	Veneer	Plywood	Particule board	Fibreboard	Furniture	Builder's work	Other SPWP	Mouldings
Cameroon	0 404	0 179	0 0	0 441	0 188	0 31	0 11569	0 1136	0 399	0 279
Congo	437 984	0 16	0 0	1 34	0 74	0 176	394 13504	55 1277	39 703	0 79
DRC	0 1471	0 2578	0 157	0 3432	0 390	0 418	0 14003	0 2041	0 1773	0 132
Rwanda	4778 11759	1341 3055	1 24	612 3804	23 187	484 1531	375 9460	232 2792	132 682	6 17
Sao Tome	0 6	0 19	0 36	1 66	0 2	0 2	52 1312	0 95	0 64	0 9
Mauritius	2691 7600	5707 21174	6 59	28 10312	62 866	36 4485	476 16470	186 4263	308 2067	194 1982
Djibouti	0 47	0 5807	0 0	0 5830	0 277	0 6748	0 4451	0 412	0 927	0 112
Eritrea	0 954	0 77	0 0	0 303	0 1	0 144	0 548	0 356	0 79	0 18
Comoros	0 57	0 917	0 0	0 406	0 0	0 61	0 1127	0 224	0 15	0 87
Uganda	0 11	778 1573	10 35	104 1178	102 411	1489 3981	696 10957	43 522	202 801	19 72
Seychelle	0 157	0 4506	0 5	0 2046	0 78	0 140	0 4440	0 1938	0 611	0 453
Somalia	0 3	0 2289	0 2	0 393	0 0	0 3116	0 4643	0 1717	0 162	0 943
Kenya	9568 20611	1772 3737	6 532	276 8206	4234 9895	382 7703	1157 39411	132 3301	219 5525	105 1082
Tanzania	6926 14747	2659 5354	6 359	487 9946	354 1103	1807 6385	2157 30105	350 1777	494 2730	26 61
Madagascar	14 29	0 61	0 77	1 980	0 234	13 544	58 3182	0 723	38 378	0 230

Country	Logs	Sawnwood	Veneer	Plywood	Particule board	Fibreboard	Furniture	Builder's work	Other SPWP	Mouldings
Ethiopia	0	26	0	4	120	0	570	0	91	16
	9264	39954	1434	27886	7417	9297	42801	7079	30626	213
Malawi	39	15	15	562	770	262	1620	503	244	103
	314	36	45	1531	2795	766	7312	1146	643	212
Botswana	211	40	1	2	15	0	17082	118	1989	4
	422	82	2	4	38	0	38242	238	4055	8
Saint Helena	0	0	0	0	0	0	0	0	0	0
	242	19	0	43	21	2	398	91	226	16
Swaziland	0	0	0	0	0	0	0	0	0	0
	607	702	546	922	2174	162	12619	2924	2572	1528
Mozambique	9942	5912	30	1708	1536	1480	9209	2760	3051	458
	20018	12603	353	6277	4535	4318	47218	10909	7184	1387
South Africa	4235	45290	3417	2497	7783	4319	2747	1103	5075	15608
	10391	163596	18989	49463	19991	56599	191987	30394	63863	46165
Angola	0	0	0	0	0	0	0	0	0	0
	1952	3368	337	36260	3618	8182	227230	40166	14720	2648
Zambia	8488	986	17	1282	3122	1191	23673	2217	3159	237
	16987	2037	249	3072	8891	2484	63041	5389	6900	483
Zimbabwe	275	677	288	1346	6961	3805	8347	2219	2562	138
	559	1610	652	3050	14034	7631	21381	4575	5554	473
Lesotho	0	0	0	0	0	0	0	0	0	0
	2814	6778	227	275	1984	364	10763	6885	3407	1604
Namibia	16209	10628	502	2447	8670	549	25896	10632	12070	1130
	32449	22117	1004	5045	17494	1214	53894	21522	24382	2429

ANNEX 3.2

TRADING ACROSS BORDERS INDICATORS IN SELECTED AFRICAN COUNTRIES, 2014

Country	Trading across borders country rank score		Documents to export	Time to export days	Cost to export USD	Documents to imports	Time to import days	Cost to import USD
Benin	121	66.45	7	25	1 025	7	25	1 487
Cameroon	160	44.83	11	23	1 379	12	25	2 267
CAR	186	6.48	9	46	5 490	17	68	6 335
DRC	175	29.09	7	44	3 365	10	63	4 290
Congo Rep.	181	15.4	11	50	3 795	10	54	7 590
Côté d'Ivoire	158	50,54	9	25	1 390	13	32	1 960
Gabon	135	63.26	6	20	2 145	8	22	2 275
Ghana	120	67.1	6	19	875	7	41	1 360
Liberia	149	56.4	10	15	1 320	12	29	1 320
Mali	163	46.33	6	26	2 440	11	34	4 540
Mozambique	129	64.76	7	21	1 100	9	25	1 600
Nigeria	159	50.12	9	22.9	1 564	13	33.9	1 960
South Africa	100	71.05	5	16	1 830	6	21	2 080
Togo	112	68.58	6	24	1 015	7	29	1 190

Explanatory notes:

- Trading accross borders: the score is the weighted average of the individual factors.
- Rank is based on comparison with all the other countries of the world.
- Number of documents required to exports and import includes bank documents,
- customs clearance documents, port and terminal handling documents and transport documents
- Costs required to export and import is USD/container covering: all documentation, inland transport and handling, customs
- clearance and inspections, port and terminal handling; Only official costs are included, no bribes.

Source: World Bank (2015)

LOGISITCS PERFORMANCE INDEX IN WEST AND CENTRAL AFRICA

Country	Total rank	% highest	Score	Customs		Infrastructure		Internal shipm.		Logistics quality		Tracking and tracing		Timeless	
				Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Côte d'Ivoire	79	56,4	2,76	120	2,33	101	2,41	75	2,87	95	2,62	67	2,97	64	3,31
São Tome Principe	84	55,5	2,73	103	2,42	78	2,59	66	2,95	109	2,50	56	3,13	125	2,77
Burkina Faso	98	52,5	2,64	88	2,50	111	2,35	105	2,63	94	2,63	115	2,49	71	3,21
Ghana	100	52,1	2,63	130	2,22	70	2,67	93	2,73	121	2,37	73	2,90	113	2,86
Senegal	101	52,0	2,62	76	2,61	116	2,36	59	3,03	103	2,53	98	2,65	146	2,53
Liberia	102	51,9	2,62	83	2,57	80	2,57	114	2,57	71	2,86	105	2,57	144	2,57
Benin	109	50,0	2,56	73	2,64	109	2,35	99	2,69	123	2,35	123	2,35	115	2,85
Mali	119	47,9	2,50	141	2,08	129	2,20	82	2,80	142	2,20	91	2,70	106	2,90
Guinea	122	46,9	2,46	119	2,34	141	2,10	125	2,47	124	2,35	126	2,41	86	3,10
Niger	130	44,6	2,39	93	2,49	143	2,08	130	2,38	132	2,28	129	2,36	127	2,76
Cent. Africa Rep.	134	43,6	2,36	95	2,47	93	2,50	149	2,16	130	2,31	137	2,31	150	2,47
Eq. Guinea	136	42,4	2,34	118	2,35	139	2,11	153	2,11	143	2,20	110	2,53	112	2,86
Togo	139	42,2	2,32	139	2,09	145	2,07	124	2,47	150	2,14	116	2,49	140	2,60
Cameroon	142	41,5	2,30	156	1,86	154	1,85	147	2,20	104	2,52	111	2,52	120	2,80
Gambia	146	40,0	2,25	143	2,06	149	2,00	101	2,67	138	2,22	154	2,00	151	2,46
Gabon	150	38,5	2,20	148	2,00	142	2,08	112	2,58	135	2,25	157	1,92	157	2,31
Congo Rep.	157	34,5	2,08	160	1,50	157	1,83	148	2,17	146	2,15	147	2,17	142	2,58
DRC	159	28,2	1,88	158	1,78	156	1,83	160	1,70	158	1,84	151	2,10	159	2,04

Note : Nigeria and Mozambique are not reported
Total rank refers to ranking among all the participating 160 countries
Score values range from 0 to 1.
Source: World Bank (2014)

PERCEIVED CORRUPTION INDEX IN SELECTED AFRICAN COUNTRIES

Rank	Country	2014	2013	2012
61	Ghana	48	46	45
80	Benin	39	36	36
94	Gabon	37	34	35
94	Liberia	37	38	41
115	Côte d'Ivoire	32	27	29
115	Mali	32	28	34
119	Mozambique	31	30	31
126	Togo	29	29	30
136	Cameroon	27	25	26
150	Central African Rep.	24	25	26
152	Congo Rep.	23	22	26
154	DRC	22	22	21

Source: Transparency International (2014)

https://issuu.com/transparencyinternational/docs/2014_cpibrochure_en/1?e=2496456/10375453

GOODS IMPORT PROCEDURES – EXAMPLE OF GHANA

A. Ghana TradeNet

The Customs Division of the Ghana Revenue Authority is the institution responsible for the collection of import duty. In 2001 the Ghana TradeNet was established to provide a fully integrated customs management software connected over a network to various operators who interact with Customs in the processing of import and export transactions to and from Ghana. Some of these operators include the banks, shipping companies, certification and licensing agencies as well as users of trade information.

The Ghana TradeNet is made up of two main components:

1. **The Ghana Customs Management System (GCMS)** provides the Customs Division with a fully integrated computerized system for the processing and management of Customs Declarations and related activities. This system is designed to work in an Electronic Data Interchange (EDI) environment, where Manifests and Single Administrative Documents (SAD) are electronically received and automatically processed. In 2003 Ghana adopted and modified a Direct Trader Input system (DTI) that provides for online submission of custom documents and duty payments.

2. Ghana Community Network (GCNet) is a platform enabling GCMS to share data and other relevant information with all the parties involved in the processing of trade documents and customs clearances. The GCNet operates a seamless electronic system that links all trade operators, revenue agencies, and regulatory bodies through a "Single Window" system. The current set up contrasts sharply with the previous situation, when trade operators had to shuttle from one agency to the other, to process their trade and Customs transactions causing delays.

Utilizing GCNet/GCSM, consignments are being cleared within a week as opposed to an average of 2-3 weeks clearance time in the past.

B. Port Concessions and Destination Inspection Scheme

In 2002, Ghana adopted a port concession by transferring port operations to private sector operators with the aim to significantly increase Ghana's cargo reception, storage, bonded warehousing and clearance capabilities, as well as providing consumers with a broader commercial choice. As such Ghana has become a cargo hub and transit route to land-locked Africa, attracting more external business through Ghanaian ports and borders.

Ghana abolished Pre-shipment Inspection effective, April 1, 2000, and replaced it with the Destination Inspection Scheme (DIS) backed by computerized risk management, X-ray scanning and physical inspection. Now all exports to Ghana are subject to Destination Inspection unless specifically exempted by the Ministry of Trade and Industry. There are no threshold exemptions hence all imports are subject to inspection, regardless of their value. Inspection charges are currently pegged at 1% CIF value. Two companies have been appointed to provide destination inspection: Gateway Services Limited (GSL) for sea freight and Ghana Standards Board and Bureau Veritas (GSBV) for shipments arriving by air and land.

The destination inspection companies offer an informed opinion on the classification and value of the consignment to Customs by issuing a Final Classification and Valuation Report (FCVR). The report is only an opinion and Customs being the final authority may accept, reject or modify it as appropriate.

In addition, depending on the imported goods, clearances may require the approval of Ghana Standards Board, and other agencies at the ports of Ghana.

C. General import requirements

The following import requirements are for general guidance.

- Obtain original Bill of Lading/Airway Bill from the supplier;
- Obtain attested proforma invoice from the supplier;
- Obtain a Parking List;
- Final Classification and Valuation Report (FCVR) from the Gateway Services (GSL) or Ghana Standards Board and Bureau Veritas (GSBV);
- Obtain an Import Declaration Form (IDF) from the Ministry of Trade and Industry;
- Tax Clearance Certificate from the Domestic Tax Revenue Division issued in the name of the importer or 1% CIF fee;
- Tax Identification Number (TIN) from the Ghana Revenue Authority;
- Permit or License from the appropriate Ministry/Agency Department as applicable for restricted goods;
- Appropriate letter of Exemption from payment of Duty and /or taxes as applicable.

The destination inspection procedure is as follows:

- Submission of Import Declaration form (IDF), Bill of Lading, Invoices and Packing List Supplementary Information Document (SID) and Tax Identification Number (TIN) Certificate to the appropriate Destination Inspection Company, (GSL or GSBV) for the issuance of a Final Classification and Valuation Report (FCVR) 21 days before the arrival of goods;
- Obtain a Tax Identification Number [TIN] form from the Internal Revenue Service

D. Documentations and Customs Clearing

Procedural Steps: There are various stages in the customs clearance processes of cargo from the ports of Ghana. The process starts with the valuation of the cargo, declaration of cargo data on to the GCNet, payment of duty and other relevant charges, verification at the Compliance Section of CEPS, release by the Shipping Agent, delivery by Ghana Ports and Harbors Authority (GPHA) and CEPS physical examination or scanning of cargo before cargo is allowed to exit the port.

Importers must appoint a licensed Customs House Agent/clearing agent (Legislative Instrument 1178 1978) with a credible reputation for the clearance of cargo at any freight station in Ghana. The Clearing agent will do the following on the importer's behalf:

Valuation Stage: Submit the final invoice, Import Declaration Form (IDF) from the Ministry of Trade & Industry, a copy of the Bill of Lading and Packing list (itemizing the value of the packages) two weeks before arrival of vessel to the designated Destination Inspection Company [DIC] for preparation of the Final Classification and Valuation Report (FCVR). The FCVR contains an assessment of The Dutiable Value, Import duty and VAT of the consignment;

Pick up the Final Classification and Valuation Report [FCVR] from the DIC. Containerized cargo selected for scanning through the Risk Management System procedure of the Destination Inspection Companies is also indicated in the FCVR.

Tax Identification Number (TIN): 0btain a TIN form from the Internal Revenue Service [IRS], in the case of a first time importer. All importers require TIN which has to be quoted in the entry that the importer or his representative would send the GCNet copy.

Entry of Cargo Data onto GCNet: Submit a declaration on the cargo electronically to through the GCNet to the Ghana Customs Management System (GCMS). The declaration includes

(1) Declaration regime (commercial or for domestic use);
(2) Consignee Name of vessel;
(3) Date of arrival of vessel;
(4) Number of packages Delivery terms (e,g. CIF, FOB, EX WORKS);
(5) Total Invoice Value (TIV) as determined by Customs or Destination Inspection Company (Breakdown of the TIV into FOB, freight and Insurance);
(6) Break-down of Items per consignment Commodity code of the items (10 digits);
(7) Customs Procedure Code (CPC) of commodity (this indicates whether Consignment is dutiable, free Exempt etc.);

When customs validates the entry, the GCMS generates and sends a response, commonly referred to as a Declaration, to the front end declarant. The Declaration indicates all the duties and taxes that have to be paid on the consignment and the name of the Customs Officer to verify the declaration.

Payment of Duty: Submit a signed Customs Declaration (hard copy) from GCMS, and attach all supporting documents such as the Bill of Lading, the Attested Invoice, the IDF, the FCVR, the Packing List, an IRS Certificate as well as other relevant permits and documents, at either of the GCNet participating banks and make payment. Special Bank Receipts are given to importers or their representatives to acknowledge payment.

Verification: The IDF, the FCVR, the Packing List, an IRS Certificate as well as other relevant permits and documents are submitted to the designated Officer at Customs Compliance Section for Verification of the documents and receipts;When no discrepancy is found, the cargo is ruled for First Release [i.e. 'prior to physical examination] or Final Release [i.e. without physical examination];

Get release from Shipping line by submitting the Customs Declaration (hard copy), the Bank receipt, and Bill of Lading, the Attested Invoice, the IDF, the FCVR, the Packing List, and all other relevant permits and documents and /or Delivery Order (DO) (earlier purchased from the Shipping Agent, with relevant information typed on it by Clearing Agent) to the Shipping Agents. Pay administrative charges and demurrage (where applicable). This is to facilitate preparation of the cargo for physical examination pending release or immediate release as recommended by the Customs Compliance Office;

The Delivery Order, (DO) which is in triplicate (green, pink and white or yellow) copies, must contain information such as the name of the consignee, name of vessel, date of arrival, port of loading and the particulars of cargo as indicated in the bill of lading. Other information that must be provided on the delivery order include the Customs House Agent handling the cargo, the bill of lading number; the container number; the seal number and the rotation number of the vessel. The Shipping Agent, on receipt of the documents, then prepares the bill for the consignment.

Submit the released Delivery Order (DO) (stamped and endorsed) and Customs Declaration (Hard copy) to the Receipt Delivery Service Provider/port/SCL and pay handling charges, rent, un stuffing and reshuffling charges (where applicable) for cash delivery invoice (CDI) to be issued;

Customs Officer will release the cargo on the Declaration (Hard copy) and electronically send via the GCnet to the GCMS that the cargo is released;

Effect payment of the relevant Ghana Ports and Harbors Authority (GPHA) charges at the port;

Delivery Tally sheet or Waybill would be issued by the Port to enable the cargo to be loaded onto a truck and exit the port.

Present Declaration and accompanying documents and copies of the way bill to the Customs at the port exit gate to confirm clearance on the GCMS. GPHA security and Police detailed at the gate also check the waybill covering the goods before the goods leave the port.

Scan Option: If the container is to be scanned, then deposit the declaration, Delivery Order (DO) and the Interchange [evidence of dropping container on the truck] at the Customs office at the Scanning Area;

- Pick up your Scan number [appointment sheet] from the Scan operations office;
- Present the Appointment sheet to the Check-In Agent at the entrance of the scanner;
- Confirm final clearance of container after the scan at the Customs office at the scanning.

E. Documentation

The documentation process for all imports is as follows:

- Import Declaration Form (IDF) covering the goods should be completed and signed by the importer and submitted before importation of goods;
- Single Administrative Document (SAD), a customs form designed for all customs transactions including imports and exports, must be completed and submitted to Customs;
- Shipment Notification Forms: the importer needs to complete Ghana Shippers Council Shipment Forms for sea shipment;
- Insurance: Insurance coverage should be obtained in Ghana but it is not a pre-condition for importation. However the importer has to produce evidence of an insurance policy before banks will agree to open a letter of credit.

Other Documents supporting customs entry forms are:

- Suppliers Invoice: this must be in duplicate and attested;
- Packing list;
- Bill of Lading / Airway Bill/Parcel Post delivery;
- The inspection agency shall, pursuant to the inspection, issue one of the following reports
    - Final Customs Valuation Report (FCVR) if the inspection yields a satisfactory result;
    - A Gateway Lock (GWL) if the inspection reveals discrepancies which cannot be rectified by the importer

The importer must present his original copy of the FCVR to the Customs Division at the time of clearing the goods. At the same time, the importer shall pay to Customs the total duties and taxes of CIF value of the goods.

Source: USDA Foreign Agricultural Service. 2012. Ghana Food and Agricultural Import Regulations and Standards – Narrative. Global Agricultural Information Network 9/9/2014.