

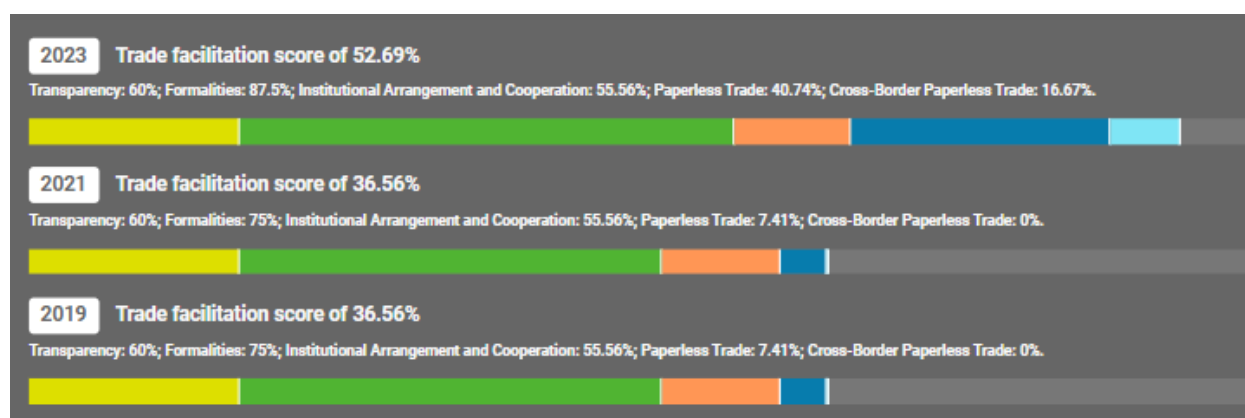
8. Trade, Transport and Transit Facilitation Measures

Although Ethiopia is not a member of the WTO, it is in accession to the WTO and so subscribes to the implementation of the Trade Facilitation Agreement (TFA)²². For this reason, the TFA categorisation of trade facilitation measures and instruments are used.

According to the UN Global Survey on Digital and Sustainable Trade Facilitation²³, Ethiopia has made significant progress in implementing trade facilitation measures. Ethiopia's trade facilitation score in 2023 is 52.69 per cent. The score is based on several factors, including transparency, formalities, institutional arrangement and cooperation, paperless trade, and cross-border paperless trade.

The survey indicates that Ethiopia has improved its trade facilitation score compared to previous years. In 2021, the score was 36.56 per cent with progress being made in areas such as transparency, formalities, and institutional arrangement and cooperation, as shown in **Figure 8.1**.

Figure 8.1: Ethiopia's Trade Facilitation Scores in 2019, 2021 and 2023



Source: <https://www.untfsurvey.org/economy?id=ETH>

The African Continental Free Trade Agreement (AfCFTA), which Ethiopia is a signatory to, addresses Customs Cooperation, Trade Facilitation and Transit in Annexes 3, 4 and 8 of the AfCFTA Protocol on Trade in Goods respectively.

Annex 3 of the AfCFTA Protocol on Trade in Goods addresses Customs Cooperation between State Parties, the objectives and scope being to:

- Ensure cooperation in all areas of Customs administration aimed at improving the regulation of trade flows and the enforcement of applicable laws within the State Parties, by:
 - o providing for common measures for which State Parties are encouraged to comply with in the formulation of their Customs Law and procedures; and
 - o establishing appropriate institutional arrangements at continental, regional and national levels.
- Ensure Mutual Administrative Assistance through ensuring appropriate Customs Laws are observed; preventing, investigating and combating customs offences; making documents necessary for the application of Customs Law available; facilitating the simplification and

²² Ethiopia has ratified the AfCFTA, and the provisions of the Trade Facilitation Agreement are also reflected in the AfCFTA.

²³ [Trade Facilitation and Paperless Trade in Ethiopia | UN Global Survey on Digital and Sustainable Trade Facilitation \(untfsurvey.org\)](https://www.untfsurvey.org)

harmonisation of customs procedures; and ensuring the smooth flow of trade and the integrity of the international supply chain.

Annex 3 also commits State Parties to:

- Undertake to establish, use and continually upgrade modern data processing systems to facilitate effective and efficient Customs operations and transmission of trade data amongst themselves.
- Use internationally accepted standards, especially those adopted by the World Customs Organisation (WCO)²⁴;
- Develop or adopt interconnectivity of computerised Customs clearance and information systems in collaboration with stakeholders;
- Facilitate the exchange of data with stakeholders; and
- Exchange information electronically and in advance of the arrival of persons, goods and means of transport.

Annex 4 of the AfCFTA Protocol on Trade in Goods addresses Trade Facilitation and is similar to the WTO TFA²⁵ in its coverage. Annex 4 promotes the fundamental principles of trade facilitation through transparency, simplification, harmonisation, and standardisation and addresses Enquiry Points; Advance Rulings; Pre-arrival Processing; Electronic Payments; Separation of Release from Final Determination of Customs Duties, Taxes, Fees and Charges; Risk Management; Post-clearance Audit; Establishment and Publication of Average Release Times; Trade Facilitation Measures for Authorised Operators; Expedited Shipments; Perishable Goods; Use of International Standards; Use of Information Technology; Single Window; Freedom of Transit; Documentation; Review and Appeal; use of Customs Brokers; Pre-shipment Inspection; Border Agency Cooperation; and Other Measures to Facilitate Trade.

Annex 4 also stipulates that each State Party shall establish and/or maintain a National Committee on Trade Facilitation.

Annex 8 of the AfCFTA Protocol on Trade in Goods, which is in line with Article 11 of the WTO TFA, provides for the means of transport used in transit trade to be licensed by the appropriate licensing authorities of the State Parties in accordance with their national laws and regulations and for all

²⁴ Ethiopia is a member of the WCO and a signatory to the Revised Kyoto Convention (RKC) which is the main WCO trade facilitation instrument and harmonises and simplifies Customs procedures and practices by providing standards and recommended practices for modern Customs procedures and techniques. Contracting parties to the RKC accept the Body and the General Annex to the RKC, which are binding. The General Annex of the RKC commits contracting parties to the following key principles:

- transparency and predictability of Customs actions;
- standardisation and simplification of the goods declaration and supporting documents;
- simplified procedures for authorized persons;
- maximum use of information technology;
- minimum necessary Customs control to ensure compliance with regulations;
- use of risk management and audit-based controls;
- coordinated interventions with other border agencies; and
- partnership with the trade.

²⁵ The WTO Trade Facilitation Agreement was the first Agreement concluded at the WTO by all of its Members and, as a Member in accession, Ethiopia should be in compliance. The Agreement entered into force on 22 February 2017 when the WTO obtained the two-thirds acceptance of the Agreement from its 164 Members. Section I of the TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It clarifies and improves the relevant articles (V, VIII and X) of the General Agreement on Tariffs and Trade (GATT) 1994. It also sets out provisions for customs cooperation.

transit traffic operations to be covered by Customs bond and sureties' arrangements and use AfCFTA transit documents. Annex 8 addresses the following:

- State Parties granting all transit traffic freedom to traverse their respective territories by any means of transport suitable for that purpose;
- Not to levy any import or export duties on the transit traffic, but may levy administrative or service charges equivalent to services rendered;
- Makes no discrimination in the treatment of persons, goods and means of transport coming from, or bound to State Parties, and
- Rates and tariffs for the use of their facilities by other State Parties shall not be less favourable than those accorded to their own traffic.

In terms of securing supply and value chains the following provisions of Annexes 3, 4 and 8 are probably the most important:

- Customs Cooperation and Mutual Administrative Assistance: To secure an African supply chain which is, for example, along a transport/trade/transit Corridor (referred to henceforth as a Corridor) which crosses one or more borders, it is essential for national Customs agencies to cooperate fully with each other both to ensure law enforcement and to ensure sharing of information and data. Presently, although there are Customs cooperation and mutual administrative assistance agreements in place, Customs may not share data which is essential for pre-clearance and common risk management to take place. For example, if goods are moving along a Corridor, it is not uncommon for Customs of the country the goods are arriving at to not have information on the goods (such as the bill of lading) before the goods physically arrive at the border. In this situation Customs and other border agencies cannot pre-clear, cannot provide expedited services to Authorised Operators, cannot carry out risk assessments prior to the arrival of the goods at the border and, in the case of road transport, cannot adequately manage the queue of traffic.
- Trade Facilitation²⁶:
 - o Advance Rulings: Advance Rulings are written decisions made by Customs authorities at the request of an importer that are legally binding on both parties. They provide certainty on the HS classification and what tariff will be applied to the import. If an importer has an Advance Ruling from the Customs agency of the country of final import this should simplify the process of final clearance.
 - o Pre-arrival Processing: Pre-arrival processing involves the, usually electronic, submission of a goods declaration to Customs prior to the arrival of the goods at the border. This simplifies the import process as goods can be cleared before they arrive at the border and so do not need to be stopped for a documentary check, or a scan or a physical inspection.
 - o Electronic Payments: There are many advantages to electronic payments for cross-border services including lower levels of corruption, quicker transactions and pre-payment before goods arrive at the border, allowing pre-clearance to take place.
 - o Separation of Release from Final Determination of Customs Duties, Taxes, Fees and Charges: This allows goods to be released by Customs prior to the payment of duties, taxes, fees and charges where the final classification of the goods, assessment of

²⁶ Note that Freedom of Transit is considered important in the context of securing cross-border supply chains, but this is addressed under Annex 8 rather than under Trade Facilitation.

value or other transactions are pending. This allows goods to leave the border area quickly.

- Risk Management: A Risk Management system which is common to Customs and other border agencies on both sides of the border would have significant benefits, including common channelling of goods into low, medium and high-risk lanes so avoiding situations where one Customs or other border agency assesses the risk differently to another agency. In an optimal situation, low risk cargo should not be stopped at the border; medium risk cargo could undergo a scan and/or a document check and high-risk cargo could be physically inspected and/or scanned. Therefore, even in situations where there are joint inspections taking place, if risk assessment is not common to Customs and other border agencies on both sides of the border, there is a strong possibility that goods will be unnecessarily delayed at the border.
 - Post-clearance Audit: A post-clearance audit is a structured examination of a trader's relevant commercial systems and processes, financial and non-financial records, physical stock and other assets, as a means to measure and improve compliance. It is conducted after the release of the goods from Customs control. It allows goods to be released to the importer immediately and for the audit to be done at a later date.
 - Trade Facilitation Measures for Authorised Operators: Authorised Operators are trusted traders that have undertaken to fully comply with Customs and other border agency procedures and regulations in return for preferential and expedited treatment, such as fast tracking through the border. Authorised Operator, or trusted trader schemes often do not work in the African context because the Authorised Operator or trusted trader does not receive the envisaged benefits unless Customs can risk assess, pre-clear and assign goods to a fast-track lane before the goods arrive at the border.
 - Use of Information Technology: There have been significant improvements in use of information technology (IT) by Customs and border agencies. However, there is usually a requirement for Customs and other border agencies²⁷ to make more use of IT and, through the improved use of IT, further improve trade facilitation.
 - Single Window: Trade Single Windows are designed to simplify traders' interactions with the border and to do this by allowing traders and transporters and other stakeholders to lodge standardised information and documents once (a single entry) to fulfil all import, export, and transit related regulatory requirements. The efficacy of national Trade Single Windows is varied but Single Windows are an essential component in trade facilitation.
 - Border Agency Cooperation: Border agency cooperation refers to cooperation between border agencies on the same side of a border. This type of cooperation is essential for the smooth implementation of all the above trade facilitation measures important in securing efficient cross border supply chains in Africa.
- Transit Facilitation: Free movement of goods (and vehicles and drivers) in transit is a vital component of the security of the supply and value chain and it is essential that all State Parties grant all transit traffic freedom to traverse their respective territories; do not impose any import or export duties on the transit traffic; and do not discriminate in the treatment of persons, goods and means of transport coming from, or bound to State Parties.

²⁷ Other border agencies are usually less advanced in their use of information technology than Customs is.

Operational NTFCs are important to ensure implementation of trade facilitation measures that will secure regional and continental supply and value chains but the way that the Ethiopian NTFC is structured and operate needs to be re-examined.

The role of an NTFC is to facilitate and coordinate but what is needed is a body to champion trade facilitation in Ethiopia. Implementation of trade facilitation measures requires combined actions by, usually, multiple agencies and private sector organisations and an implementation budget, which should come from government rather than International Cooperating Partner grants. For example, a common risk assessment instrument needs not only cooperation between border agencies but also agency agreements, possibly changes in legislation and regulations, and a budget to make it happen. This may require a directive from a higher authority.