



# **I**nstitutional reform at **B**order Posts: IBM

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Roundtable*

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# Presentation Outline

1. Introduction: Global developments on trade
2. Africa's Economic Landscape
3. Africa's Geographical Challenge
4. SADC member states
5. Geopolitical & Trade Issues in Africa
6. Critical Factors Influencing Global Trade
7. The Transport Governance System (TGS)
8. Pillars of the Transport Governance System
9. Transport Institutional Capabilities
10. Towards Integration of Borders
11. State of SADC Borders Today...
12. Major Border Stakeholders
13. Traditional Border Management Approaches
14. Consequences of Deficient Transport Governance Systems (TGS)
15. Integrated Border Management (IBM)...
16. ...a Solution for Efficient Borders @ SADC
17. Key Features of IBM
18. Anticipated Benefits of an IBM
19. Benefits of a Superior Transport Governance System (TGS)
20. In Conclusion

# Global Developments on Trade...

- In the developed world, trade has been growing twice as fast as global GDP since the early 1990s.
- This explosive growth of the scale, composition and spatial reach of international goods trade is a function of the *lowering of tariffs* and the *reform of a variety of institutional barriers to cross-border trade*.
- It is in this context that there has been a surge in the formation of *regional trading blocks* (such as NAFTA, EU, Mercosur, SADC, EAC, COMESA, etc).
- Each trading block represents a cluster of neighbouring countries, which *link their economies and seek to create dynamic comparative advantages* in terms of the global economy.

# Africa's Economic Landscape

## African Continent:

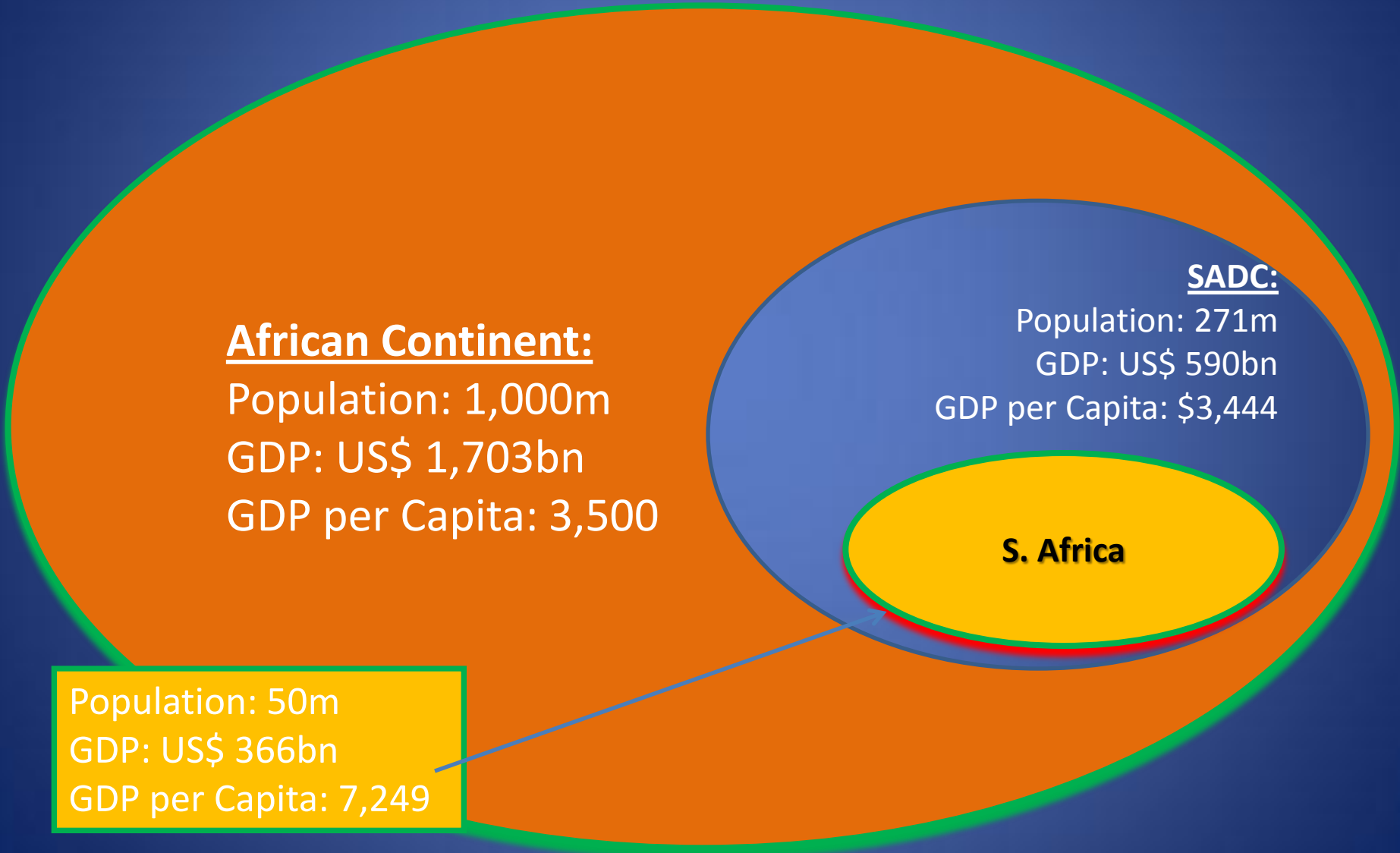
Population: 1,000m  
GDP: US\$ 1,703bn  
GDP per Capita: 3,500

## SADC:

Population: 271m  
GDP: US\$ 590bn  
GDP per Capita: \$3,444

## **S. Africa**

Population: 50m  
GDP: US\$ 366bn  
GDP per Capita: 7,249



# Africa's Geographical Challenge



Africa's account of world trade - 1%

Intra-Africa trade – 10 %

# SADC Member States



# Geopolitical & Trade Issues in Africa

- Africa is an exception – On average, African countries trade only 10% of their goods with each other!
- 43% of SADC countries are landlocked – relying on road and rail networks for linking to regional and international markets
- Africa faces one of the highest transport costs in the world – cost of transport in region constitutes up to 40% of business, compared to an average of 12% in developed World
- Implication: Unless trade /transport costs are decreased, SADC will remain uncompetitive!

# Critical Factors Influencing Global Trade

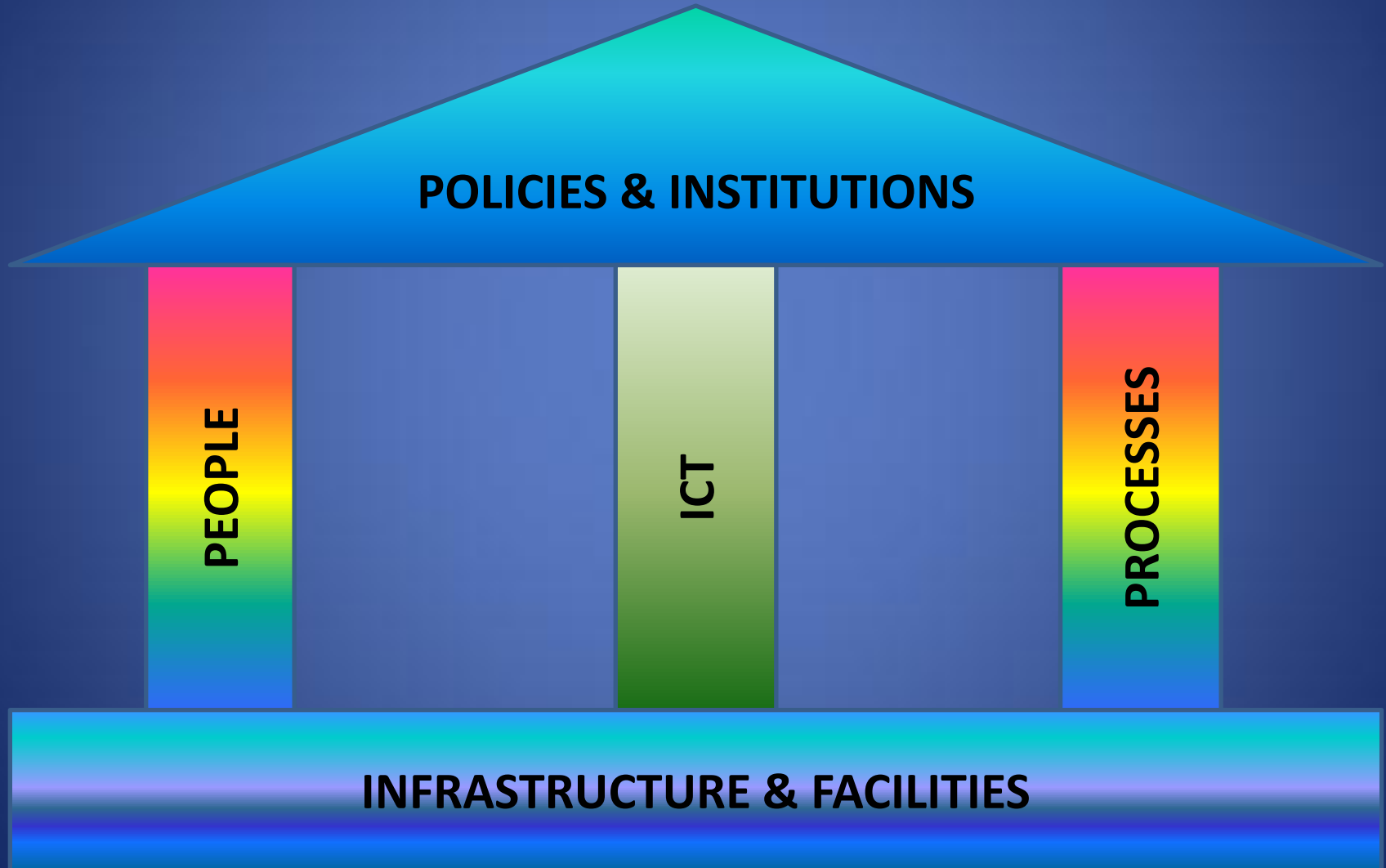
- **Trade institutions** (GATT and WTO) – lowering of trade barriers and promotion of trade
- **Technology changes** – containerisation, the interstate system, ICT, etc. have contributed in lowering the costs of international transportation, in improving the efficiency and the quality of services
- Reinvention of **transport institutions** governing trade – changing of economic incentives and thus servicing the emerging global economy by enabling the free flow of goods and services across borders



# The Transport Governance System

- The *trade and transport facilitation* system is a combination of two major cross-border goods flow facilitation components, which jointly influence the speed, ease, and costs of cross-border freight flows:
  - Reduction of prevalent barriers to cross-border transit through provision of **physical infrastructure** (incl. transport infrastructure and facilities, and ICT infrastructure that complements transport infrastructure)
  - **Transport institutions** – embody knowledge and competencies about how to transport and communicate in specific legal, economic, financial, and governance frameworks in various parts of the world, and how such frameworks may be changed under rapidly evolving technical and economic conditions to facilitate improved transport and trade facilitation

# Pillars of the Transport Governance System



# Transport Institutional Capabilities

- The requisite *institutional and organisational capabilities* applied to the cross-border goods embrace:
  - the economic institutions governing transport (economic regulation, ownership & management of transport assets, etc.);
  - Rules governing cross-border physical flows (customs and other border inspections, rules for size and weight of vehicles, etc.);
  - Mechanisms for financial coordination across economies scattered over the globe; and
  - Business logistical practices.

# Towards Integration of Borders...

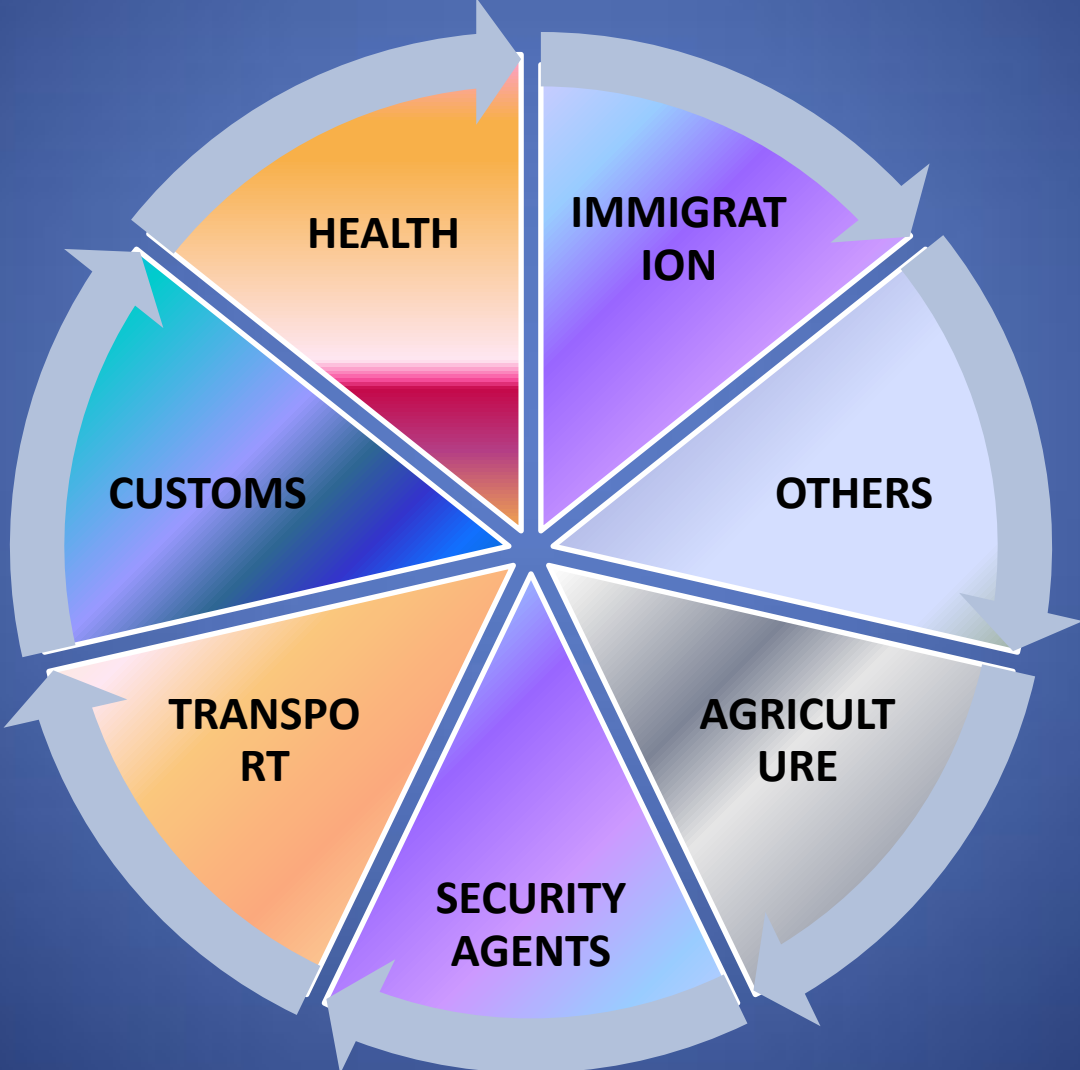
- Unpacking and identification of the various elements of the regional cross-border transport governance system (TGS) that must evolve to facilitate efficient cross-border goods flow
- Highlighting of requisite process of reform and the reinvention of transport institutions governing trade (drawing on examples from the U.S., E.U. and Japan). Illustrative examples:
  - a) in the form of *business logistics innovations* such as just-in-time and quick-response are reengineering business systems and commodity flow systems, thus squeezing out time and cost delays from the goods supply chain;
  - b) new mechanisms that improve *financial coordination*;
  - c) reinvented *economic institutions and policies* governing the transport sector; and
  - d) reformed *cross-border practices* (inspections, harmonization of vehicle and driver standards) governing the cross-border physical goods flow.

# State of SADC Borders Today...

*“Due to cross-border delays, transport costs in Africa are about four times higher than in the European Union, making Africa less globally competitive. Delays at Southern African border posts are costing the regional economy about US\$48-million a year”* Engineering News, 2005

- There is evidence that SADC border posts are deficient...
  - ❖ Inadequate resources and staff complement
  - ❖ Lack of coordination between domestic and international border authorities
  - ❖ Inadequate infrastructure (hard and soft)
  - ❖ Too many control check and payment points
  - ❖ Deep rooted corrupt activities
  - ❖ Lack of proper understanding of processes, systems and documents

# Major Border Post Stakeholders



# Traditional Border Management Approaches

- The prevalent transport and trade facilitation systems in free trade areas (FTAs) located in developing countries such as SADC, EAC and COMESA are deficient in terms of institutions necessary for the *efficiency and speed of domestic and cross-border transportation of goods*, and the *harmonization and simplification of processing the information* that accompanies the goods across a border.
- The greater the gap between the state-of-the-art TGS and the system available in a particular FTA, *the greater the penalty the specific regional trading bloc will pay* in terms of forgone trade and economic growth opportunities.
- International agencies estimate that the costs of the current antiquated types of trade administration and the failure to adopt IT-supported trade facilitation and the downstream effects of those systems *account for 7% of the value of the goods* (Schware and Kimberley, 1995).

# Consequences of Deficient Transport Governance Systems

- It follows that if existing and emerging FTAs in developing countries have substandard transport and trade facilitation systems, they cannot participate effectively in the *global production networks (global value chains)*
- According to the World Bank (2000), as early as the mid-1990s, no less than one-third of world trade occurred within such global production networks (GPNs)
- Evidence suggest that unimproved transport and transit systems can reduce trade in developing countries and thereby restrict the realisation of the benefits of globalisation, such as increasing the markets for exports, the acquisition of new technology, and the favourable effect of competition on the efficiency of domestic producers.



# Integrated Border Management...

- Integrated Border Management (IBM) – *“national and international coordination and cooperation among all relevant authorities and agencies involved in the protection of the interests of the state at the border to establish efficient and coordinated border management, in order to reach the objective of open, but well controlled and secure borders”*
- **Reality at SADC Borders:**
  - ❖ Various stakeholders involved in border operations
  - ❖ Little information sharing between border authorities
  - ❖ Limited coordination of efforts between border authorities
  - ❖ Duplication of processes & procedures
  - ❖ Long border delays
  - ❖ Silo approach among various independent border authorities

# ...a Solution for Efficient Borders @ SADC

- ❑ Aim of IBM: improving border management efficiency through reducing time and costs involved in moving goods across borders
- ❑ Pre-requisite: seamless interaction of various authorities at border posts
- ❑ Success of IBM dependent upon implementation on 2 levels:
  - ❑ Domestic integration between various government agencies within one country;
  - ❑ International integration between agencies of neighbouring countries (sharing borders)
- ❑ A phased integration approach is proposed to allow for systematic and progressive growth from domestic to international cooperation among different entities in the TGS

# Key Features of IBM

## Inter-Agency:

- Cooperation and Coordination on processes, procedures, information and facilities.
- Parallel processing of cross border consignments, vehicles and people
- All relevant border agencies are involved
- Protection of State interests
- Efficiency and border management effectiveness

# Anticipated Benefits of IBM

- **Benefits to government are:**

- ❖ Lowering overall cost of border management
- ❖ Enhanced security
- ❖ Improved intelligence and enforcement
- ❖ Boosting trader compliance
- ❖ More effective and efficient deployment of resources
- ❖ Increased integrity and transparency

- **Benefits to private sector are:**

- ❖ Lowered costs through reduced delays and informal payments
- ❖ Faster clearance and release
- ❖ Clearer rules and predictable application outcomes
- ❖ More efficient and effective deployment of resources
- ❖ Increased transparency

# Benefits of a Superior TGS

- The long-term benefits of a superior transport and trade facilitation system lie, beyond *the cost reduction and trade expansion benefits* noted above, in **the potential for cross-border integration of manufacturing and service activities** and *the potential for exploiting the economies of scope and scale* in the larger SADC market.
- These benefits will lead (in time) to self-sustaining economic expansion
- Additionally, they can set in motion a sequence of cumulative processes that lead from falling costs from output increases to incentives for the creation of **spatial agglomerations of production** (cities) on to *rising output and profits*, in turn *attracting more production to these cities*.

# In Conclusion...

*Change of Mindset  
of all border  
management  
agencies*

*Cooperation  
among all key  
stakeholders*

*Quickening  
reengineering  
of the TGS*

**i thank you...**