

# Trade Policy to Catalyze Export Diversification What Should Landlocked Fragile Countries Do?

The Cases of Mali, Chad, and Niger

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## Abstract

The landlocked and fragile countries Mali, Niger, and Chad have suffered, to varying degrees, from Dutch Disease, with high export concentration in natural resource commodities and in a few foreign markets, and little development of their non-resource economies. The three countries' ability to create a sustainable path to economic growth and poverty reduction is inextricably linked to their connectivity with external markets, in the region and beyond. Thus, Mali, Niger, and Chad are first challenged by their geography—their landlocked nature creates a barrier to market access beyond their immediate neighbors, while their vast and thinly populated lands serve to isolate the most vulnerable communities from external and internal markets. Adding to these geographic disadvantages, the

incentive environment—defined by high and variable customs common external tariff regimes resulting from multiple overlapping regional trade arrangements—places a wedge between domestic and international prices that provides a disincentive to exports in favor of non-tradable and domestic-oriented sectors. By bringing greater coherence and convergence between the many common external tariff regimes in operation and the rationalization of their structures, and improving connectivity within and between markets, Mali, Niger, and Chad can better promote the reallocation of resources toward tradable goods and services, putting the countries on a path toward greater economic inclusion and sustainable growth.

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# Trade Policy to Catalyze Export Diversification: What Should Landlocked Fragile Countries Do? The Cases of Mali, Chad, and Niger

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## Abbreviations and Acronyms

AGOA	Africa Growth and Opportunity Act
ASYCUDA	Automated System for Customs Data
CAR	Central African Republic
CFTA	Continental Free Trade Area
CEMAC	Economic and Monetary Community of Central Africa
CET	Common External tariff
CGE	Computable General Equilibrium
DB	Doing Business
DTIS	Diagnostic Trade Integration Study
ECOWAS	Economic Community of West African States
FCFA	Franc Communauté Financière Africaine
GDP	Gross Domestic Product
GVC	Global Value Chain
ICT	Information and Communication Technology
NTBs	Non-Tariff Barriers
RCA	Revealed Comparative Advantage
REC	Regional Economic Communities
ROW	Rest of the World
SME	Small and Medium Enterprises
TFA	Trade Facilitation Agreement
WAEMU	Economic and Monetary Union for West Africa
WBG	World Bank Group
WTO	World Trade Organization

## Background and Overview

After several unsuccessful attempts at diversifying exports since the 1990s, Mali, Chad, Niger and Guinea—so called MCNG countries—have deepened their dependence on natural resource commodities, mostly minerals: bauxite in Guinea, uranium in Niger, gold in Mali and oil in Chad. However, the experience of other countries, in Africa and other parts of the world, shows that while large-scale production of natural resources offers great opportunities, it also comes with major shortcomings. These include the tendency to grow beyond potential in cycles of booming international prices; high GDP growth volatility that translates into a fragile fiscal stance; a resource curse (Dutch disease) that favors production of non-tradable goods; and a growth pattern biased toward rent-seeking activities, all of which prevent the expansion of competitive products and inclusive job-creating activities. Not surprisingly, all recent National Development Plans—Mali’s Vision 2025, Chad’s Vision 2030, Niger’s Vision 2035 and Guinea’s Vision 2040—acknowledge that the countries have little choice but to create a ‘competitive and diversified economy. Export diversification is a way out of this curse in their path of economic diversification and structural change.

Major structural challenges have contributed to the failure of past diversification efforts in the MCNG countries: Key among them is the high frequency of political instability and violent conflicts that have prevented private investment, destroyed infrastructure and disrupted trade. The 2016 fragility index combines political and socio-economic indicators such as the presence of fractionalized elites, group grievance, refugees and internally displaced populations (IDP), uneven development, demographic pressure and poverty among others.

Other serious structural challenges have also prevented a rapid pace to diversify exports from new productive activities. Mali, Niger, and Chad face adverse geography to develop exports, as only Guinea is not landlocked. Poor internal connectivity and low access to power conditions, given multiple infrastructure and logistics gaps, have made exporting costs high and access to markets quite difficult even with neighboring regional markets. Security threats have kept private and foreign investors away from some areas of the country and disrupted labor flows. Low human capital accompanied by rapid population growth and low quality of education have translated into a majority of low-skilled population. High export product concentration and limited foreign market diversification have led to low insertion into global value chains and FDI inflows mostly concentrated in extractive industries and, only recently for some countries, in specific backbone services. So far, the countries have received neither FDI in greenfield (startup) agriculture nor in efficiency-seeking projects commonly associated to export diversification.

*“Indeed, there are several compelling reasons for MCNG countries to urgently diversify their exports as their present growth model based on natural resources has reached its limits.”*

These reasons point to the importance of inclusive growth. The growth model based on natural resource dependence has several shortcomings. Mining activities are capital intensive, and this prevents most poor people living in the rural sector from benefiting from their growth acceleration spillovers, and limited job creation and skill-enhancing effects. Mining extraction is highly dependent on international prices and its booms and busts translate into similar cycles in the non-tradable economy, which affects high growth sustainability. Countries also need to create jobs in the agricultural sector, which has high population and poverty rates, untapped job creation potential in agribusiness and possibilities of expanded insertion in global markets. In addition, natural resource-dependence also does not foster development of human capital/skills that are the hallmark of every modern economy. Finally, MCNG’s domestic markets are too

small and fragmented to attract specialized foreign investment in the quantities needed for stimulating the development of an incipient private sector. FDI oriented to reach global markets is also badly needed to catch up on technology change and productivity enhancements.

*“And perhaps the most important reason is that export diversification would give them a chance to reach the expected high, sustained and inclusive growth aimed in their Visions.”*

Theory also supports the existence of a positive correlation, at the cross-country and national levels, between export diversification and higher growth. And while correlation per se does not imply that diversification causes growth, literature supporting this positive relationship is abundant. There is indeed strong evidence on how export diversification makes the economy less vulnerable to terms of trade shocks and reduces the volatility of growth (which, in turn, could in the long run foster growth) (see Imbs and Wacziarg, 2003; de Ferranti et al. 2002; and Lederman and Maloney, 2012, among others). A more comprehensive treatment of the topic is found in Newfarmer et. Al (2009) and Al Marhubi (2000), and its overall conclusion is that countries with more concentrated production and export structures typically have lower income levels compared to countries that are more diversified. More recently, McIntire et al. (2018) find that among small states, those countries with more diversified exports reach lower output volatility and higher average growth rates than the others less diversified. For their part, Calderon and Cantu (2018) investigate the effects of trade openness, diversification, and the role of natural resources on growth in CEMAC countries, also including Chad. Two important findings emerge from the analysis: First, trade openness has a positive, significant and causal relationship with growth. Conversely, export product concentration (and share of natural resource exports in total exports) has a negative and significant relationship with growth.

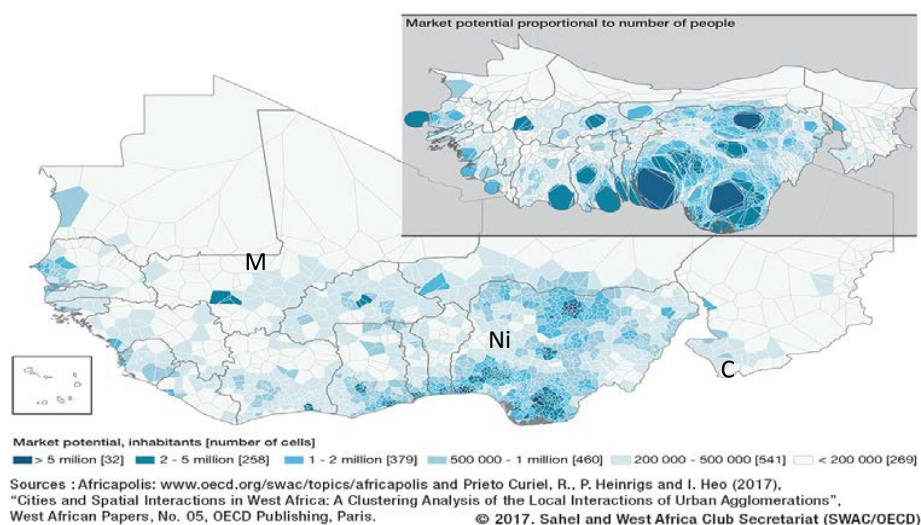
High Customs tariffs resulting from regional trade arrangements and non-tariff barriers (NTBs) keep MCNG's economies highly protected. All countries but Guinea have little independent control over the two traditional instruments of trade policy--the exchange rate and tariffs. Since 1960, Mali, Niger and Chad have a common currency, the CFA franc whose parity is linked to the euro. And as member countries of WAEMU, CEMAC or ECOWAS, member states have agreed to adopt a common external tariff (CET) which has been in effect since the end of the 1990s. While the recent depreciation of the CFA has favored Niger's export competitiveness, high tariffs, numerous exceptions and high tariff escalation make diversification harder. And despite ongoing nominal tariff reductions agreed under the regional arrangements, Mali, Niger and Chad's applied tariffs remain not only higher than those of most regions, but their projected level of protection under the CET will not decrease significantly at the end of the transition period. To make matters worse, tariffs are subject to considerable distortions arising from either a multiplicity of *ad hoc* border taxes and fees or non-tariff barriers (NTBs) such as misapplication of rules of origin and of health and sanitary standards; which encourages informal trade and corruption. Renegotiating the CET in regional fora, eliminating inefficient exemptions, and removing parafiscal taxes and fees and NTBs are obvious policy priorities.

The trade facilitation agenda would also need to include significant streamlining of Customs procedures so as to reduce opportunities for corruption arising from opaque and antiquated administrative procedures, and lack of modern systems. Underway reforms are moving only slowly. After many years, the full adoption of ASYCUDA World is expected to be completed and operational in most Customs offices by end-2019. Work on a National Single Window at Customs, which will expedite the harmonization of import and export documents is at early stages. There is also need to introduce regulations enabling customs automation, as this also reduces opportunities for corruption, and revise the Customs Code to integrate e-payments. Other desirable initiatives include a harmonized application of the WTO Trade Facilitation Agreement (TFA).

## Export Diversification in Mali, Niger, Chad, and Guinea

Exploring the potential of export diversification of the economies of Central and West Africa referring to Mali, Niger, Chad and Guinea (MCNG), countries should initially consider their geospatial configuration, which presents a unique mix of adverse features for emerging products. First, three of the countries—Niger, Mali and Chad—are all landlocked, contributing to their isolation from external markets. Second, the low population density poses further challenges to market opportunities (Figure 1). The CEMAC region, for example, represents a market of 42.5 million people, spread over more than 3 million km<sup>2</sup>, while the total population of the WAEMU region, numbering 119 million in 2017, is spread over a slightly larger region of 3.5 million km<sup>2</sup>. Niger and Chad have domestic territories that span twice the size of France with smaller populations (one-third to one-fourth)—thinly spread across the vast landscape into local clusters. The low population densities and isolation reduce the market potential given the lack of market interactions and higher per capita costs of service delivery, including key market infrastructure and facilities. In the Sahel region, except for Nigeria (Lagos, Abuja cluster) and Mali's border with Guinea, just the capital cities in Chad, Niger, and Mali display very small agglomerations. Third, small population clusters (less than 2,000,000) are located close to border regions which explains in part the predominance of the informal trade between neighboring countries. These small, isolated economies display a number of common characteristics—thin markets, subsistence agriculture, low purchasing power—which have contributed to poor integration while enabling informal trade, both smuggling and local cross-border trade.

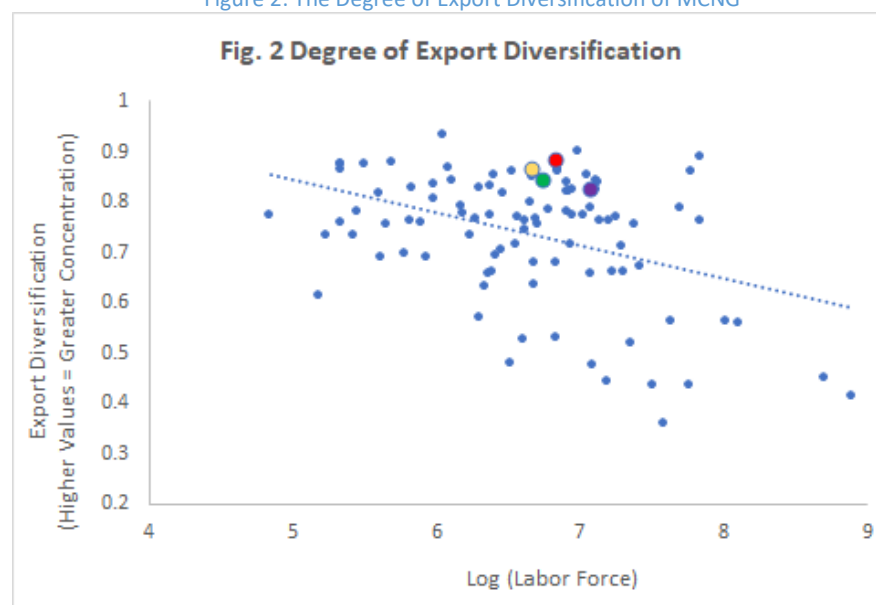
Figure 1: Market Potential of West Africa Agglomerates



Geography also introduces other adverse challenges to export diversification, particularly the unfavorable transit environment that exporters encounter, which accentuates their transaction costs and impacts on regional and global trade prospects. Given that Niger, Chad and Mali are landlocked, they are completely dependent on their transit neighbors' infrastructure and administrative procedures to transport goods by sea, the most expedient channel for international commerce. Approximately 92 percent of the trade in 2014 uses land routes, 8 percent uses rail transport, while barely 0.22 percent uses air transport.<sup>4</sup> Niger primarily relies on Cotonou port in Benin, and via dry ports in Burkina Faso. The N'Djamena to Douala port route is currently the primary coastal access for Chad. Dakar is widely used by Mali. Conakry in Guinea is not only fed by a long, incomplete, and poorly maintained trucking route, but its port is badly managed and often seen as a feeder exit door for Malian trade. Sahel's connectivity to markets therefore needs to be

understood from a broader perspective. While some policies and measures to support export diversification and regional integration are within their domestic spheres, others, such as regional trade policies and the development of efficient logistics and transit corridors, require these countries to strongly coordinate with their neighbors, and to a lesser extent their respective regional economic corridors (REC)s.

Figure 2: The Degree of Export Diversification of MCNG



Source: Authors' using UNCTAD and World Bank WDI data

Notes: Dots, Mali in red, Guinea in yellow, Chad in green and Niger in purple.

Table 1: Export diversification--2017

Country	Exp. div. index	Main export products		Top 3 export destinations	
		Product	% total	Country	% of total
Chad	0.84	Oil	94	USA	61
		Vegetables	2.5	India	17
		Textiles	1.6	Japan	12
Guinea	0.86	Bauxite	66	India	26
		Precious metal (gold)	20	Ghana	14
		Foodstuffs	3	Spain	6.4
		Vegetables	3	Neighbors	
Mali	0.88	Gold	59	Switzerland	50
		Raw cotton	20	India	16
		Oil seeds	7.2	China	9
Niger	0.82	Oil/Chemical product.	46	France	44
		Uranium	31	China	11
		Vegetables	6.8	USA	11

Source: UNCTAD and Observatory Economic Complexity. Note: The export diversification index ranges between 0 and 1. A value closer to 1 indicates greater concentration.

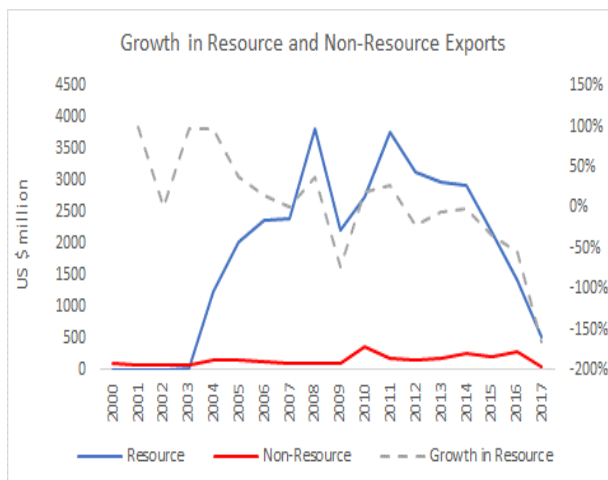
Furthermore, all four MCNG economies are non-diversified, i.e. reliant on a very high share of their natural resources in GDP or exports. All MCNG countries rank among economies with low export diversification, as compared to the rest of Africa and worldwide. Figure 2 shows that, with respect to the size of its labor force (proxy for country size), MCNG economies rank among the least diversified economies (higher values, above trend line, indicate lower levels of export diversification) given their size.



Export concentration is also accompanied by high market concentration. This is oil in the case of Chad, gold and cotton in the case of Mali, uranium in the case of Niger, and bauxite in the case of Guinea (Table 1). Chad's export concentration in one product is by far the highest, as 94 percent of its exports is composed of oil. And besides the very few export products these countries rely on, export market ratios are heavily concentrated on few countries located in about three regions. However, new products and less traditional markets are emerging, as all countries have already identified a dozen potential agribusinesses; while emerging markets are concentrated in China, India and Middle East countries.

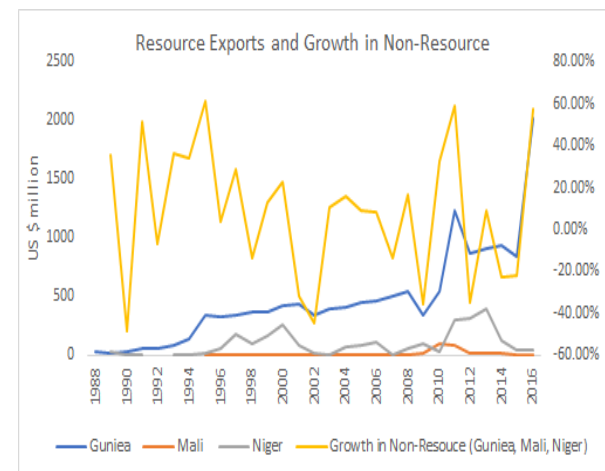
Reliance on natural resources also perpetuates a dearth of non-resource exports, thus entailing large spillovers on the non-tradable economy. The pervasive effect of reliance on a single commodity can be further illustrated by MCNG's export performance (Figure 3). Chad has benefited over the last 15 years from substantial investments in the oil sector and most revenues from oil exports. Over the same period, ensuing Dutch disease due to its booms and busts, associated to its low competitiveness in other than extractives has hindered the development of alternative sectors—particularly agriculture, which has remained stagnant. Only in Guinea (Figure 4), and to a lower extent in Niger, their resource activity has not deterred a mild but steady growth in non-resource exports.

Figure 3: Growth in Oil vs Non-Oil Exports in Chad



Source: Authors'

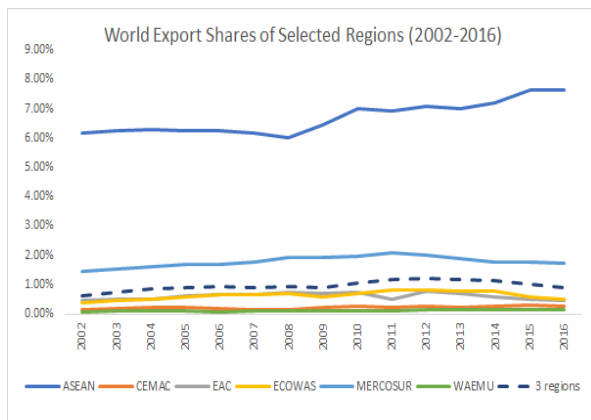
Figure 4: Non-Resource Export Growth in Guinea, Niger and Mali



Source: Authors'

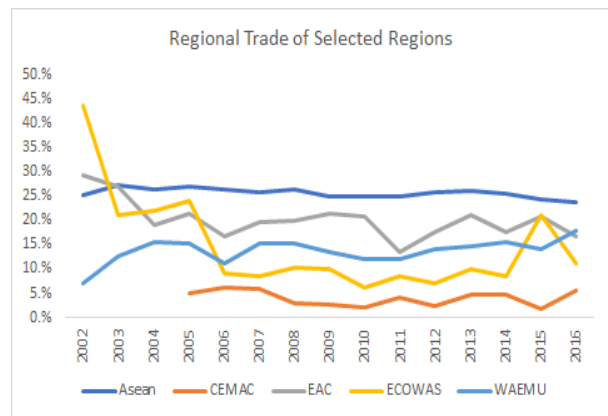
And overall, the three regions related to MCNG countries--CEMAC, WAEMU and ECOWAS--have also performed poorly in regional and global export shares. The three regions are among least integrated worldwide. Neither of the 3 regions, CEMAC, WAEMU and ECOWAS, exports have reached 1 percent of world trade (Figure 5). Their cumulative share only exceeded 1 percent in 2010 and reached a peak of 1.2 percent in 2012; but declined to 0.9 percent in 2016, largely following the collapse in world commodity prices including oil. As far as regional integration is concerned, ECOWAS has experienced a remarkable increase in intra-regional exports in recent years but remains short of its historic highs in the early 2000s (Figure 6). Similarly, WAEMU and, especially CEMAC intra-regional exports are low when compared to other Customs unions around the world. In 2010, for example, intra-Community exports in CEMAC accounted for 5.1 percent of the countries' total.

Figure 5: World Exports



Source: Authors'

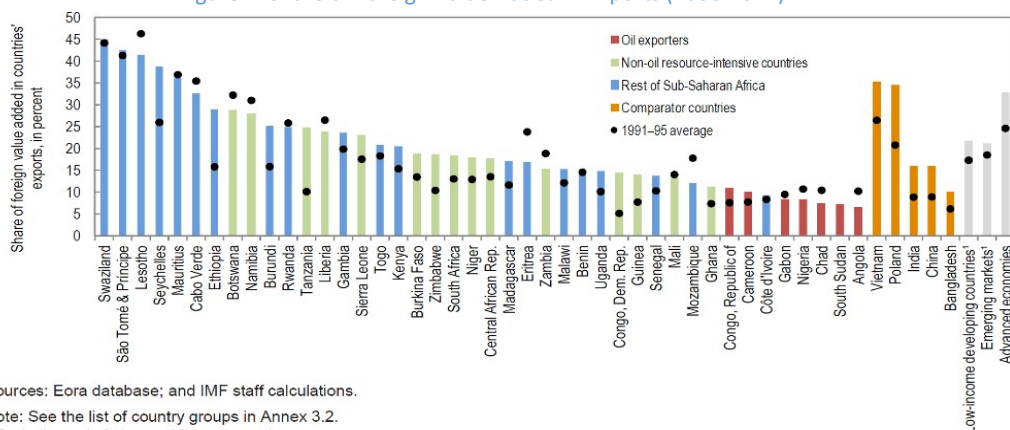
Figure 6: Regional Exports



Source: Authors'

Beyond their lagging export diversification and regional trade growth, MCNG countries are also poorly integrated into GVCs, which prevents them from a critical channel for access to technology and productivity growth, and markets. When comparing their average 2008-12 with 1991-95, oil exporters in the Sahel are the least integrated into global value chains in terms of the foreign value-added content of their exports (Figure 7). And while diversification away from natural resources has reversed or stagnated for Chad and Mali, it has slightly improved in Niger and Guinea along the lines of the rest of the SSA region: indeed, a majority of countries (24 of 35) have made progress even if from a low starting point (Figure 8). The improvement is most widespread among non-oil exporters: in countries such as Burkina Faso, the Central African Republic, the Democratic Republic of Congo, Ghana, Guinea, Niger, Sierra Leone, and Zimbabwe. This suggests that integration into value chains can happen even in countries where non-natural resource commodities play a role. For countries with a limited manufacturing or service export base and a large pool of labor, such as many in SSA, this development can provide an opportunity for structural transformation.

Figure 7: Share of Foreign Value Added in Exports (2008-2012)

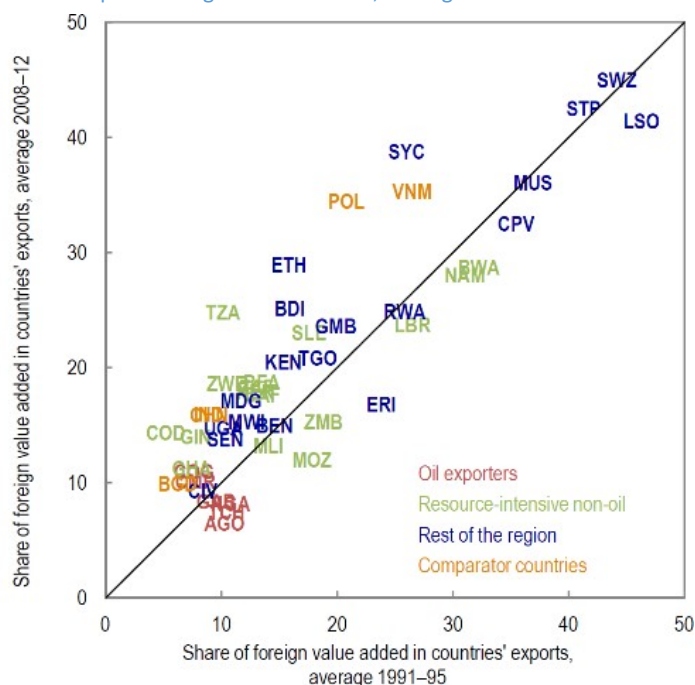


Sources: Eora database; and IMF staff calculations.

Note: See the list of country groups in Annex 3.2.

<sup>1</sup> Excluding sub-Saharan African countries.

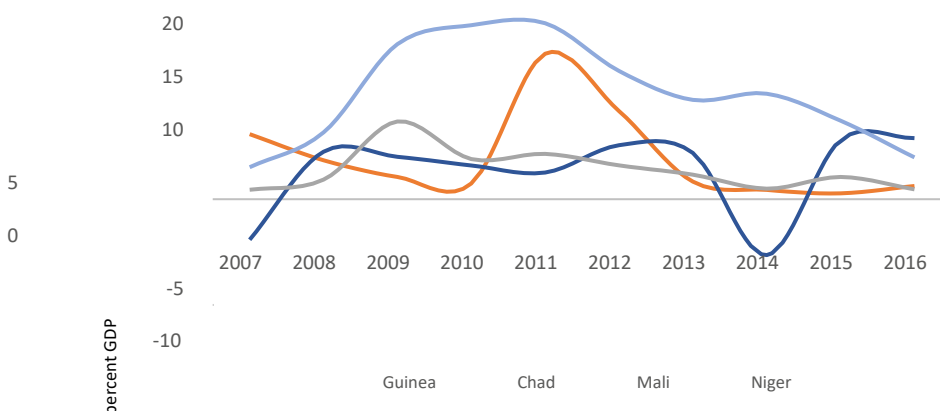
Figure 8: Sub-Saharan Africa: Depth of Integration into GVCs, Average 1991–95 versus 2008–12



Sources: Eora database; and IMF staff calculations.

Low global value chain integration should come as no surprise as over the last decade, 2007–16, three out of the four MCNG countries experienced a decreasing trend in their FDI inflows. World Investment Report (2018) shows that Niger experienced the highest inward flows (as a share of GDP) towards 2014 to US\$821 million but sharply declined to US\$331 million by 2017. Of the remaining AFWC3 countries, Chad exhibited the second highest inflows and is the only MCNG country to feature a rising trend in its FDI inflows (as a share of GDP) in recent years. Guinea and Mali have both seen relatively stable inflows of FDI since 2013 (Figure 9). And per the FDI performance index, (i) Chad and Mali have been attracting roughly the FDI that is expected of economies of their size; (ii) Niger appears to have attracted greater shares of global FDI inflows than its share of global GDP would predict; and (iii) Guinea's FDI performance spiked in 2012 and has fallen below parity since 2014.

Figure 9 Inward FDI Flows Over Time for the MCNG Countries (2007–2016)



Source: UNCTAD. Note: FDI Flows are on a net basis (capital transactions' credits less debits between direct investors and their foreign affiliates).

## Revisiting Trade Policy and Logistics

Evaluating options for export diversification of the MCNG economies first needs to acknowledge the high levels of informal trade that dominate intra-regional trade in agricultural-based products (Box 1). In developing GVCs, the MCNG countries should build progress to promote export diversification and intra-regional/global trade with a policy framework that not only reduces their reliance on natural resources and fosters structural change but facilitates the integration of informal trade into formal markets with a proper incentive framework defined by tariff and other trade barriers that determine the allocation of resources. This chapter summarizes the key trade-related policy issues, challenges on export diversification, and policy recommendations that can best promote sustainable non-resource export growth in the region.

Exploring the right mix of trade policy prescriptions for formal export diversification of the MCNG economies should consider their regional integration. The four countries belong to 3 different and overlapping trade regimes, defined by their respective Regional Economic Communities (RECs). Niger and Mali belong to the West African Economic and Monetary Union (also known by its French acronym, UEMOA), together with Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Senegal, and Togo. Most of the WAEMU countries, including Niger and Mali, are members of the Economic Community of West African States ECOWAS, as is Guinea. Chad's trade is formally linked with the Economic and Monetary Community of Central Africa (CEMAC), along with Cameroon, the Central African Republic (CAR), the Democratic Republic of Congo, Equatorial Guinea, and Gabon, but not Nigeria, which is an ECOWAS member and perhaps the largest trading partner, at least for Niger and Chad. CEMAC countries, including Chad also belong to the Economic Community of Central African States (ECCAS), which has been established since 1983 but virtually defunct as it is yet to be ratified. Each of the three regions is at various stages of integration, but all include their own CETs.<sup>24</sup>

Yet, despite the poor trade performance, there remains much unrealized potential. Despite their high market concentration (see Chapter 1), a gravity model controlling for key economic factors shows unexploited trade potential. This is the case, for instance, of Chad and Niger with regional trading partners, the wider SSA region and other major economies (Figures 10 and 11). Using available data for the two economies, Niger appears under-exporting with ECOWAS members like Benin, Burkina Faso and Nigeria, as well as with larger markets like France and China. In contrast, Niger's exports to Togo, Senegal and Belgium are above what is expected from geographical and other factors, probably explained by proximity and trade complementarities as well as by its role as a re-export base for third countries. Similarly, despite that the United States and India are major trading partners for Chad, it is under-exporting with them, as well as with

### Box 1: High Informality in Regional Trade in West Africa

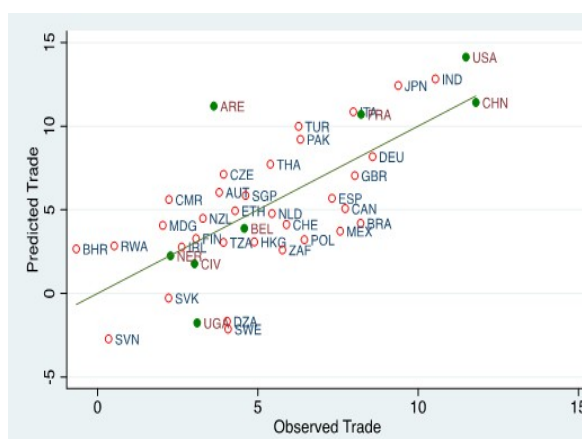
Intra-regional trade (mainly of agricultural products) in West Africa is largely comprised of three sets of trade flows of which much remains informal:

- *Cross-border trade*, mostly by informal traders, around natural market sheds based on excess local supply and demand conditions (local horticulture and other products) and enabled by porous borders;
- *Arbitrage trade*, much of it smuggling or trade deflection from third countries (e.g. rice and poultry) to circumvent trade bans or highly restrictive tariff barriers and taking advantage of porous borders; and
- *Trade based on complementarities*, largely in staple foods where complementarities exist between production and demand (livestock, cereal grains and legumes, cassava) (World Bank, 2015)

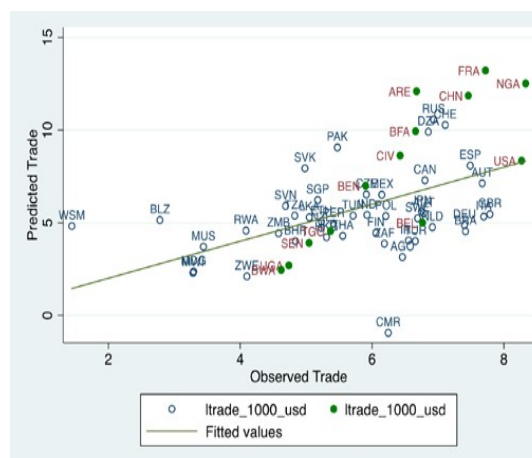
A recent study estimates about 84 percent of Chad's agriculture trade as informal (DTIS, 2015). Niger is largely an agrarian economy and much of its related trade--namely agricultural products and livestock--is informal and unrecorded (Raballand, et. al., 2017). Furthermore, Hoffmann and others (2015), describing the economic activity of border markets between Niger and Nigeria, estimate that the volumes of commodities traded informally between Nigeria, Niger and the rest of the Sahara-Sahelian region dwarf those of formal trade.

other countries such as Japan and France. Chad also under-exports to countries in East Asia such as Thailand and Singapore. For Niger and Chad, trade is missing (or under reported vis-à-vis Nigeria) with neighbors as they predominantly trade informally. On the other hand, the presence of Rwanda and Ethiopia, though they do not share borders with Chad, suggests unexplored market potential within the SSA region.

Figure 10: Chad's Trading Partners Predicted vs Actual Exports Figure 11: Niger's Trading Partners vs Actual Exports



Source: World Bank WDI.



Source: World Bank WDI.

The recent announcement by African countries to proceed with the Continental Free Trade Area (CFTA), which aims to liberalize goods and services trade and facilitate investment across the Africa continent, is likely to introduce an overarching policy and regulatory framework. The modalities for the CFTA tariff negotiations would need to effectively address specific trade and trade policy conditions prevalent in the African context. Different degrees of market integration across RECs and individual countries' intra-African trade patterns will affect the ease with which the parties will be able to engage in market opening under the CFTA. It would appear important to set credible liberalization objectives and find an optimal way to reconcile the parallel integration processes at REC, inter-REC and CFTA levels, including by ensuring continued monitoring, review and follow-up processes.

## Pitfalls in the Trade Policy Framework of AFW3 Countries

Despite the adoption of a CET by WAEMU, ECOWAS and CEMAC, its implementation is fraught with many inconsistencies and exceptions. For instance, the CEMAC CET is comprised of five bands: certain cultural products and products related to aviation (zero rated), essential items (5 percent), raw materials and capital goods (10 percent), intermediate goods and miscellaneous (20 percent) and consumer goods (30 percent) (Table 2). In this regard, the tariff applied by Chad in 2012 contains exceptions to the CEMAC CET on 45 tariff lines. The exceptions do not introduce new rates, and products are rather reclassified to another tariff category. ECOWAS member states have adopted a CET which came into effect in 2015, which has four positive nominal rates (5, 10, 20, and 35). The most recent WTO Trade Policy Review (TPR) noted the presence of considerable exemptions to CET at the country level. For example, Mining and other companies approved under Mali's Investment Code are exempt from customs duties. In Niger, imported raw materials and packaging are exempted if no domestic production exists. In 2015, its Customs exemption totaled around US\$114 million (WTO, TPR 2017). Recent estimates indicate that fiscal (and tariff) revenues would increase significantly for Niger when eliminating all tax exemptions, either just on Custom tariffs (7.3

percent) or other taxes (2.4 percent) (World Bank. 2017).

Furthermore, the additional tariff band of 35 percent implemented under ECOWAS (e.g., by Guinea) exceeds the WTO bindings; yet, estimates indicate that eliminating it would have a negligible impact on revenues. Since 2015, the members of ECOWAS adopted the CET—for 90 percent of tariff lines, the ECOWAS CET was based on the WAEMU CET, which pre-dated it since it was implemented in 2004, but the remaining 130 tariff lines are subject to a higher 35 percent tariff rate, which has had only a negligible impact on tax revenues (IMF, 2015). More important, the ECOWAS CET exceeds bindings at the WTO for all member States except for Guinea-Bissau and Togo. Moreover, numerous other duties and levies imposed by member States are in fact bound at zero, posing a contradiction with bindings. An observation of the latest available applied MFN tariff for 2017 at the 6-digit level, shows Niger and Mali applied tariff lines with deviations from the CET, amounting to 100+ discrete tariff rates spread across the entire tariff schedule (if not bands), some with minor deviations from the 5 band (0, 5, 10, 20, 35) structure, while other deviations are significant.

Table 2: Average Tariff Rates in Niger

Tariff Line	Average Tariff Rate
1. Simple average applied MFN rate	18.1
Agricultural products (WTO definition)	22.4
Non-agricultural products (WTO definition)	17.4
Agriculture, hunting, forestry and fishing (ISIC 1)	23.6
Extractive (ISIC 2)	11.2
Manufacturing (ISIC 3)	17.8
2. Effective Applied Tariffs*	18.6
3. Tariff lines duty free (% of all tariff lines)	0.6
4. Simple average rate (lines dutiable)	18.2
5. Non-ad valorem tariffs (% of all tariff lines)	0.0
6. Tariff quotas (% of all tariff lines)	0.0
7. National tariff peaks (% of all tariff lines) a	0.0
8. International tariff peaks (% of all tariff lines) b	48.1
9. Overall standard deviation of applied rates	9.6
10. Applied rates "nuisance" (% of all tariff lines) c	0.0

Source: Pitigala et al. (2017, 2018 a, b).

Some simulations on the adjusted CET rates in WAEMU find significant trade and welfare costs. The revision of the CET with the additional 35 percent band has potentially important consequences, as it may increase the cost of living for households from 7 to 10 percent and therefore decrease their welfare from 2 to 5 percent (Gourdon and Maur, 2014). In the case of Guinea, due to differing consumption patterns of households and the nature of the tariff structure, tariffs are regressive across the income distribution both for the 4-band UEMOA tariff and the ECOWAS CET. For the former, average tariffs range from roughly 12 percent for the poorest to 9 percent for the richest, and for the CET from 13 to 10 percent. The impact on households is also regressive in the case of the ECOWAS CET: poor households are disproportionately affected—the consumption-weighted average welfare cost amounts to 5 percent for the lowest 5th percentile compared to 3 percent for the 95th percentile.

In addition, the applied CEMAC, WAEMU and ECOWAS CET rates display an escalating (differential resulting from higher import duties on semi-processed products than on raw materials, and higher still on finished products) structure, distorting away from tradable toward non- tradable, and are misaligned with peer regions. CEMAC duties on intermediates and capital goods necessary for any industrial activity are above other regions and significantly above EAC and other regions such as ASEAN, the latter of which is now among the most diversified and prolific exporters of industrial products and deeply integrated into global value chains (Table 3). Providing increasing neutrality in incentives and aligning closely with world prices have been foundations of ASEAN structural transformation. In contrast, the CET of the 3 MCNG regional blocs shows much higher tariffs on final products than on primary and intermediate inputs, a structure that is designed to promote outdated import substitution by providing tariff protection to the industrial production of final goods. High CET tariffs on consumer goods, with an aim of creating incentives for regional substitution, may encourage greater regional production, but at a high cost to consumers and at the expense of export diversification, both within the regional market and into global value chains. And while escalation is common across most African countries, variation is less pronounced in the Sahel than in other SSA countries and regions, including EAC (Figure 12).

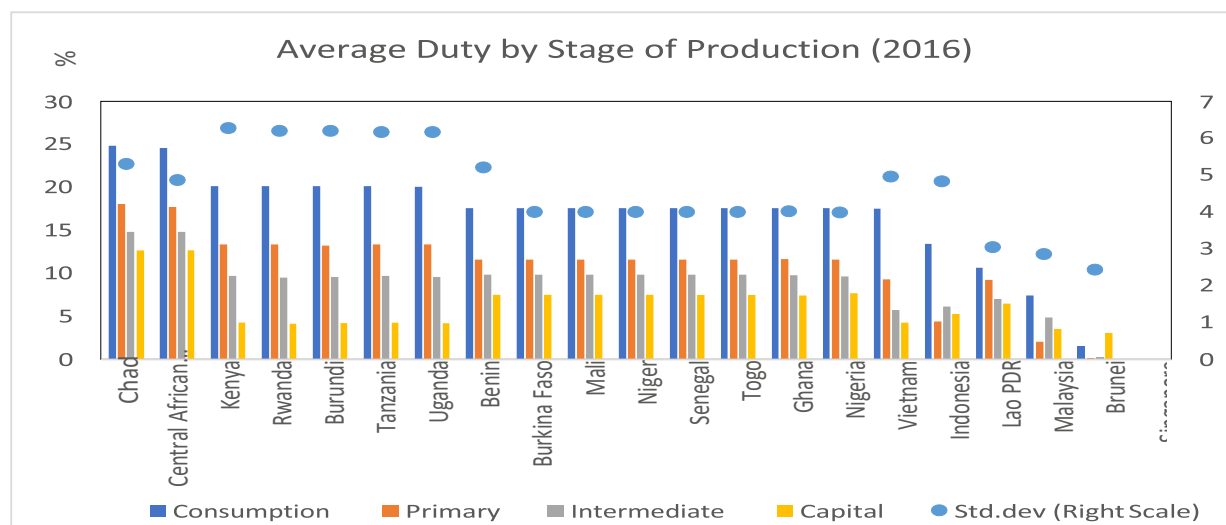
**Table 3: Comparative Simple and Weighted Tariffs in Regional Groupings (2016)**

Region	Type of Goods	Simple Average	Weighted Average
EAC	Primary	9.64	3.58
EAC	Intermediate	8.75	5.35
EAC	Consumer	17.07	7.72
EAC	Capital	4.97	4.48
ECOWAS	Primary	13.42	19.11
ECOWAS	Intermediate	9.96	9.37
ECOWAS	Consumer	18.36	13.78
ECOWAS	Capital	7.69	7.79
CEMAC	Primary	18.09	10.04
CEMAC	Intermediate	14.87	12.2
CEMAC	Consumer	24.84	19.99
CEMAC	Capital	12.68	12.82
SADC	Primary	4.37	0.65
SADC	Intermediate	4.49	2.26
SADC	Consumer	11.96	8.71
SADC	Capital	2.82	2.16
WAEMU	Primary	17.76	25.38
WAEMU	Intermediate	10.70	11.50
WAEMU	Consumer	17.51	14.47
WAEMU	Capital	7.94	7.76
ASEAN	Primary	5.33	2.72
ASEAN	Intermediate	4.49	4.08
ASEAN	Consumer	9.39	6.16
ASEAN	Capital	4.89	1.96
EU	Primary	5.64	n.a
EU	Intermediate	0.03	n.a
EU	Consumer	2.34	n.a
EU	Capital	0.00	n.a

Source: Pitigala et al. (2017, 2018a,b).



Figure 12: Tariffs by Stage of Production



Source: Pitigala et al. (2017, 2018).

The presence of a myriad of complex para-tariffs in MCNG countries results in increasing unpredictability and reduced transparency, while exacerbating the protective effect of tariffs. For example, Chad applies a range of other duties and levies such as Community Integration Tax (CIT), Community Integration Contribution (CIC), Organization for the Harmonization of Business Law in Africa (OHADA) levy, Statistical Fee levied on all imports, regardless of origin—all adding between 5 percent to 8 percent ad valorem. In Niger, various border taxes apply: (a) a statistical import charge (RSI): 1 percent; (b) a value-added tax set at 19 percent in WAEMU directives; (c) a WAEMU community solidarity levy (PCS): 1 percent; (d) an ECOWAS community solidarity levy (PC): 1 percent<sup>25</sup>; (e) a special import tax (TCI) on some agricultural products: 10 percent of floor price; (f) an excise tax: between 15 and 45 percent depending on the product (for example, cigarettes and alcoholic drinks); (g) an import verification tax (TV1): 1 percent of the value of the goods, to finance fees paid to COTECNA; (h) a pre-shipment inspection service; (i) an advance on the tax on industrial and commercial profits (BIC): 5 percent of the value of the goods for operators who have no tax identification number (N.I.F.); and (j) a 3 percent tax for operators with a N.I.F. (DTIS, 2015). Similarly, a community solidarity levy of 1 percent, imposed by WAEMU member States on imports from countries outside ECOWAS, the ECOWAS community levy of 0.5 percent; and the statistical tax of 1 percent are also imposed by Niger. The absence of a domestic equivalent for these added duties and levies increases the protective effect of tariffs and exacerbates the escalated tariff structure, resulting in even higher rates of effective protection than suggested by the escalated tariff structure.

The currently applied tariff structures in MCNG economies worsens poverty and disincentivizes agriculture exports. This is so because high tariffs, amplified by para-tariffs imposed on basic agricultural goods, adds a substantial cost to consumers, especially the poor households that spend disproportionately on food. This may protect these West African farmers against imports from outside the customs territory but gives little protection for countries where the imports are largely non-competing within respective regional arrangements. Thus, Chad, Mali, Niger and Guinea have considerable opportunities to increase and diversify their agro-exports products and, in some cases, to export processed products of high quality. A necessary condition to promote higher value-added processing is for inputs to production, including tools and equipment, be allowed to enter at very low tariff rates, which also minimizes inter-sectoral distortion. And if the export is in highly competitive markets, which could be the case for meat and hides and skins,



zero or low tariffs on imports of inputs can generate sufficient competitiveness to their exports.<sup>3</sup> Similarly, the high tariffs on manufactures and on intermediate goods provide little by way of protecting producers in the Sahel, because the contribution of domestic manufacturing of tradable goods is quite small, as is their capacity for efficient import substitution. Those perceived as infant industries, e.g. fruit juice, textiles, or cement adding up as the supply capacity of the CEMAC region is not even sufficient to meet demand in Chad; leading to extra-regional imports entailing a substantial welfare loss from the high CET rates to consumers in Chad. Hence, the justification of maintaining the high degree of escalation should be reviewed and linked to the performance of the industry in terms of competitiveness, otherwise it should be phased out over time.

In addition to tariffs and other ad-hoc tariffs, a number of non-tariff barriers impact trade: barriers at the border through bans or quotas that are occasionally applied to sectors with domestic competing products. These largely apply to food products and can be imposed seasonally to protect local producers and industries. Some ECOWAS members have, on occasion, imposed export restrictions, usually on grains, and largely short term to help cope with temporary food security problems. Perhaps the most significant non-tariff barriers are the complex, duplicative, and often unnecessary Customs procedures (based on outdated manual systems). This complexity provokes and facilitates collusion and favors corruption among traders, officials, and intermediaries. It also provides incentives for extensive smuggling and informal trade. Customs officials also extract payments for goods in transit, as well as force lengthy procedures for clearance at border crossings, holding up shipments for days or even weeks. Even though ECOWAS made regional commitments to eliminate the need for certificates of origin for food products, some members continue to require them. And despite ECOWAS countries signed technical agreements for mutual recognition of sanitary and phytosanitary certificates, border officials still require traders to obtain duplicate certificates. This may in part be due to lack of information but may also be in the interest of creating an opportunity to collect fees or bribes. Finally, efforts at regional harmonization, such as for seeds and other agriculture inputs, have not been fully implemented requiring duplicative certifications, while the lack of harmonized grades and standards on grains and legumes impedes the movement of staple foods from surplus to deficit regions and hurts the potential for agri-based global value chains.

## **Landlocked Countries with Distance to World Markets: What Does Nigeria Offer?**

Countries close to large world markets should strive to benefit from proximity to high economic density and become an extension of the large markets. Mexico, the Caribbean, the European Union (EU) accession countries, and the Republic of Korea are linked, respectively, with the U.S., EU, and Japanese markets.<sup>4</sup> Closer integration with Nigeria, mainly by Niger and Chad, could contribute to MCNG trade growth in goods and services. The West Africa market is dominated by Nigeria, followed by Ghana, Côte d'Ivoire and Senegal—together these countries account for 80 percent of regional GDP and 75 to 80 percent of agriculture imports and exports. Nigeria is the largest economy in Africa that is set to double in size by 2030. The size of the Nigerian economy, diversity, demographics, and projected growth trajectory are likely to offer the greatest market potential in agriculture trade for MCNG Sahelian countries. Anecdotal evidence points to much two-way informal exports, but staple foods and livestock exports dominate the flows from Sahel countries to Nigeria and exports of millet and sorghum from Nigeria to its neighbors. The scale of informal trade provides de facto evidence of strong complementarities that exist between Nigeria and the prospects for market synergies, positive externalities and scales that improve efficiencies and better

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<sup>3</sup> This is more critical for agriculture-based products as recent estimates of real exchange rates based on agriculture prices, among SSA countries, found that the level of real appreciation is highest for Mali, Niger and Chad (Zafar, 2018).

<sup>4</sup> WDR (2009).

allocation of resources. And while free trade should take place in ECOWAS, countries do not apply it, meaning that ECOWAS exporters have to pay duties and taxes when exporting within the region. Hence, rather than concentrating on tariffs, multilateral free trade arrangements should mainly correct burdensome and expensive NTBs and transit arrangements, which unearth the true potential for multilateral trade between Nigeria and its neighbors, especially Chad and Niger. With such agreements, if they span areas of services, including air connectivity, commercial collaboration, and financial services, some of the deeper integration facets will likely benefit both countries.

Although Nigeria has potentially large markets, growth has not yet been sustained long enough and Nigeria's own domestic distortions remain. Integration with them runs a risk of exposing a neighbor to volatility and of importing inefficiency from the large neighbors' domestic structures. But because their market potential is attractive to enterprises in Europe and Asia as large emerging economies like Nigeria add considerably to the market access potential of their immediate landlocked neighbors. For countries in these neighborhoods, division is compounded by distance. Appropriate instruments include institutional and infrastructure development, including regionally shared utilities, transport corridors and hubs, and a range of other regional public goods.

In parallel, there is an opportunity to streamline cross-border trade flows through border bazaars, which have been implemented along parts of the India-Bangladesh and China-Kazakhstan borders (Box 2). These bazaars, also known as haats main objective is a simplified regime for trade transactions (with near absence of formal processes and duty- and tax-free transactions). Facilities also provide needed services, expand the reach of local markets, and create a direct stimulus for income generation and employment. Successfully adopted haats have allowed the transition from subsistence level farming to small-scale commercial farming and related trade activities, including the eventual integration into more formal supply chains for export, especially for cross-border communities along the vast borders between Niger, Chad and Nigeria such as Maradi/Zinder/Diffa/Birnin Konni/Tahoua.

#### **Box 2. Role of Border Haats (Bazaars)**

Bazaars (or haats) have played a vital and historical role along the India-Bangladesh border. In 2011, the Governments of Bangladesh and India revived the border bazaar concept and opened a pilot haat near the Kurigram-Meghalaya border. The haats are makeshift bazaars held once a week, allowing border residents to trade eligible products free of customs duties as long as consignments do not exceed an agreed-upon threshold. Eligible products include local agricultural and horticultural products, spices, minor forest products (excluding timber), fresh and dry fish, dairy and poultry products, cottage industry items, wooden furniture, and handloom and handicraft items. Such products are also exempt from local taxes. Since the pilot, a total of four border haats are operational along the India-Bangladesh border in Meghalaya and Tripura. India has now proposed 27 new border haats across the 443 kilometer-long border.

The border bazaar model has been replicated in other regions, as well. The Korgas bazaar, on the Kazakhstan- China border, is an exemplary case study. It is one of the region's largest cross-border bazaars, servicing some 1,300 traders per day. The bilateral regime allows visa-free entry for traders entering for the day and limited duty- free privileges (on up to US\$1,000 of cargo, with a flat rate applied thereafter). On the Kazakhstan side of the border, cross-border trading has become the most important source of employment in Jarkent, the largest border city in the district. Conservative estimates indicate that 10 percent of the local population works directly in cross- border trade activities. Estimates suggest that each trader generates employment for an additional one to two persons engaged in warehousing, local transport, or sales within the bazaar. The existence of the bazaar has generated spillover effects, creating new retail and other commercial opportunities (Kaminiski and Mitra 2010). *Source: Bangladesh DTIS, World Bank, 2013.*

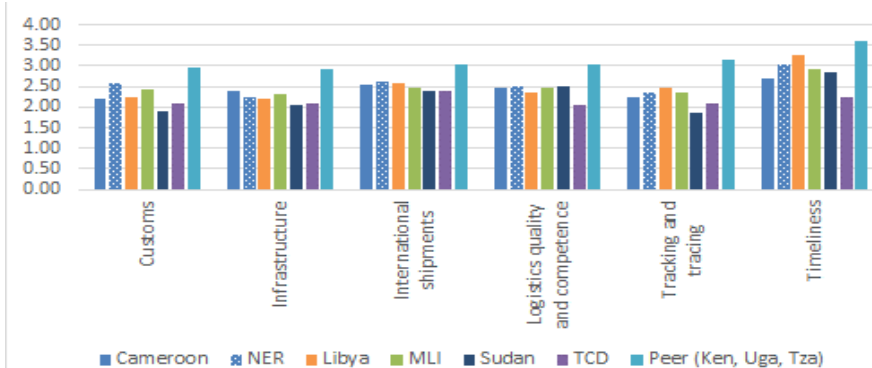
## **Efficacy of Trade Logistics Linking Markets**

Geography adds dramatically to the export diversification challenges of landlocked countries like those of

the MCNG subregion (excepting Guinea), as the degree to which the trade and transit environment accentuates transaction costs may determine the countries' potential for formal and informal trade. This is even more critical for exporters in FCV contexts, whose comparative advantage may be further eroded by conflict in certain production areas, resulting in additional distance between production and markets. These countries are completely dependent on their transit neighbors' infrastructure and administrative procedures to transport their goods to sea-ports, the most expedient channel for international commerce. Niger primarily relies on Cotonou port in Benin, and via dry ports in Burkina Faso that would link by rail to the seaports of Tema and Takoradi in Ghana. Chad mainly relies on Douala's port in Cameroon. And Mali ships its goods mainly through Dakar port in Senegal and Abidjan port in Côte d'Ivoire. Countries also utilize other existing, but far less functional trade corridors linking to the major port cities. Overall, three types of parameters are relevant: (i) the quality of trade and transport logistics; (ii) the trade and transport costs; and (iii) the availability of efficient transit corridors in order to connect to other countries. It is also important to notice that while natural resource exports are mainly transported via land to neighboring ports, other perishable goods may find added obstacles. This is often the case of agri-based products coming from dispersed and disconnected rural areas to larger urban markets.

The poor logistics competitiveness of Chad and, to a lesser extent Niger and Mali, and its transit partners, further exacerbate their already weak trade environment. On key elements of the World Bank's Logistics Performance such as the efficiency of customs and border management clearance, the quality of trade and transport infrastructure, the competitiveness and quality of logistics services (trucking, forwarding, and customs brokerage), and the ability to track and trace consignments, Chad performs relatively poorly, and all three countries perform well below regional benchmark peers (Kenya, Uganda and Tanzania). Further compounding Chad's problems, Cameroon does not much better in its LPI score (Figure 13).

Figure 13: Mali, Niger and Chad's logistics performance



Source: World Bank's Logistics Performance Index 2017. Note: Highest score means best performers. Note: TCD=Chad; NER=Niger; MLI=Mali.

While Mali and Chad show a mixed performance in terms of trading costs, Chad poorly performs trading across borders compared with peers and faces exorbitant transactions costs in its transit partners (Cameroon, Nigeria) (Table 4). The cost of being landlocked may be reflected by marked price differences in coastal and landlocked countries. Products in Ndjamenia may be 30 percent more expensive than in neighboring Cameroonian cities. The World Bank Aggregate Trade Cost indicator also shows Chad with the highest costs among landlocked countries; while Mali and Niger show a trend decline in trade costs between 2004 and 2014.<sup>28</sup> However, the cost to export (measured in US\$ per container) is higher in Mali than the average in WAEMU and SSA countries, implying that the cost of domestic freight transport in Mali is also higher in light

of the country's low performance in terms of documentary and border compliance costs. Compared to other landlocked and Sahelian countries in the West African region, Mali's cost performance is below that of Burkina Faso but superior to that of Niger.

Table 4: Trading across border indicators

	Time to export: border	Cost to export: border	Time to export: documentary	Cost to export: documentary	Time to import: border	Cost to import: border	Time to import: documentary	Cost to import: documentary
Cameroon	202	983	66	306	271	1407	163	849
Chad	106	319	87	188	242	669	172	500
Central African Republic	141	280	48	60	98	209	120	500
Guinea	36	310	48	105	72	405	32	37
Côte d'Ivoire	239	423	84	136	125	456	89	267
Libya	72	575	72	50	79	637	96	60
Mali	48	242	48	33	98	545	77	90
Niger	48	543	41	39	78	462	156	457
Nigeria	135	786	131	250	284	1077	173	564
Senegal	61	547	26	96	53	702	72	545
Sudan	162	950	190	428	144	1093	132	420
Peers (Botswana, Kenya, Uganda)	33	249	36	157	113	473	75	159

Source: World Bank's Trading Across Border—time and cost--Index in Doing Business Indicators 2019.

Despite the multiplicity of ineffective bilateral and regional agreements,<sup>29</sup> several major issues prevent the availability of efficient transit corridors in order to connect to other countries. These are summarized below.

- Road Infrastructure is poor. In Niger, the transport infrastructure depends strongly on partly paved roads that suffer from lack of maintenance. The entire network is approximately 19,000 kilometers, of which less than 4,000 are paved. The Cotonou-Niamey corridor, almost entirely paved, is by far the most utilized, accounting for more than 65 percent of goods traffic but also very long. At 1,050 kilometers, the corridor is shorter than Lomé-Niamey. The Chadian road network is 42,000 km, out of which 6,200 km are primary roads and only 996 km are asphalted roads, which seem to be in poor condition, especially in the north and east of the country. Unpaved roads are often inaccessible during the wet season, especially in the southern half of the country. The N'Djamena to Douala port route (1,800 Km.) is currently the main way to open-up Chad. Nearly 90 percent of the total volume of international freight uses N'Djamena- Douala corridor.
- In relation to road infrastructure development in West Africa, is the PraiaDakar-Abidjan-Lagos Corridor, which is 1,080 km in length, which is part of the Trans African Highways No. 7, and seeks to connect to Mombasa through Yaounde, Bangui, Kisangani, Kampala and Nairobi in East Africa through Central Africa. Part

of this corridor is also referred to as the Trans-Sahelian Highway stretching over 4,400 kilometers, of which 50% of the network has been paved. Paving of the missing link between Salo (in CAR) and Quesso in the Democratic Republic of Congo would benefit Chad in terms of access to the coast and other transit countries. However, delays to attention on the missing links have been attributed to the relevant states not according the corridor the same level of priority.<sup>5</sup>

- Landlocked countries' internal and external access depends to the degree which its neighbors improved the quality of their transport logistics and customs procedures: it is estimated that a one standard deviation improvement in a landlocked country's logistics together with one standard deviation improvement in its neighbors' logistics would raise the landlocked country's exports by 74 percent.<sup>6</sup> Beyond-the-border institutional reforms facilitating trade and transport in a neighborhood can greatly increase the efficiency and reliability of logistics chains. Exploring corridor approaches that have worked well elsewhere, as in Southeastern Europe would be an avenue through which landlocked countries in the Sahel can mitigate their geographic disadvantage.
- Roads harassment by a multiplicity of control points that collect significant illegal payments is generalized. The Improved Road Transport Governance (IRTG) initiative's report shows that, in the West Africa region, these hindrances – in terms of number of checkpoints, bribes, and delays during the shipments of goods from gateway to the place of delivery – are more important in Mali, even though their magnitude has significantly decreased over the recent period (Table 5). Individual payments (bribes) at each check point, though small, add up sufficiently to deter traders with small volumes, especially the poor and women traders, which results in many such traders engaged in informal trade.

Table 5: Road harassment in selected West African countries

	Number of Road Controls per 100 km		Bribes per 100 km		Delays per 100 km Trip	
	2005	2013	2005	2013	2005	2013
Burkina Faso	5.5	1.6	4,410	2,140	22	17
Côte d'Ivoire	-	1.9	-	2,675	-	8
Ghana	2	1.8	1,960	679	21	18
Mali	4.6	2.6	12,250	3,775	38	26
Senegal	-	1.3	-	1,614	-	14
Togo	1.5	0.9	1,470	597	16	7

Source: World Bank, 2018 calculations using IRTG Initiative data

- Cross-border trade is expensive and inefficient due to the difficulty of obtaining import and export licenses. It takes an inordinate amount of time to file for licenses, and bribes or informal payments may be expected.
- Unorganized and Fragmented Domestic Transportation Market: The transport sector in these three countries is dominated by a large number of individual or

<sup>5</sup> UN-OHLRSS (2019).

<sup>6</sup> Behar and Manners (2008).

family-type transporters, with generally aged and in poor maintenance fleet. Freight companies are estimated to only account for less than 20 percent of transporters in Mali. The international freight-sharing quotas schemes signed with the coastal transit countries, coupled with the queuing system and cartels practices, constitute strong obstacles to increased market access and undermine transport service quality. The codes of conduct and rules of drivers are at a nascent level. This engenders a lack of reliability and predictability that are essential factors in the logistics supply chain. The result is a vicious circle of further informality.

The recently ratified WTO Trade Facilitation Agreement (TFA) provides its members, like Mali, Niger, Chad, Guinea, and its neighbors a robust, time-sensitive opportunity to address issues on regional and international trade. It does so by expediting the movement, release, and clearance of goods including transit issues across the region. All of them, WAEMU, CEMAC and ECOWAS have been actively involved, as trading blocs, in the TFA. All three institutions received mandates from their respective Member States to negotiate and have played a key role in the preparatory stages and the negotiation of the TFA. However, key trade partners, like Nigeria and Cameroon still need to ratify the TFA.

## Policy Options

The key to export diversification and facilitating a competitive tradable sector is to refine the incentive structure defined by trade, tariffs and non-tariff barriers. Such policies would help MCNG countries better identify and exploit economic diversification opportunities, while also creating sustainable employment opportunities and promoting an active role for the private sector in both domestic and international markets. Therefore, an active trade policy should be an integral part of the strategy. As the current trade regimes are excessively protected, an adequate sequencing should be done, in parallel with actions oriented to simplify the tariff structure, eliminate cumbersome NTBs, improve Customs procedures, while introducing other reforms and regulations that deal with perceived constraints to the business environment. The following paragraphs summarize the key policy options.

- Explore means of refining CEMAC and WAEMU CET closer to peers as means of reducing distortions and stimulating trade diversification. Restoring the WAEMU CET to four bands (e.g., 0, 5, 10, and a luxury goods rate of 20 percent) is recommended as a means of reducing welfare costs as well as reducing anti-export bias as a step towards bringing them closer to more competitive incentive structures in peer regions. A recent DTIS (2015) also recommended CEMAC CET adopt the four-band regime as proposed above.
- Phase out exemptions. Recent estimates on Niger suggests that Customs collects one-third of what it should, due to tax exonerations and smuggling. Phasing out exemptions while improving revenue significantly reduces incentives for rent-seeking and improves transparency.
- Eliminate para-tariffs. Eliminate all para-tariffs with a phase-out period of 2-3 years or integrate levies such as statistical fees into existing tariff bands to reduce costs and improve transparency. Anything less than 2 percent is considered nuisance tariff as their implementation cost generally tends to exceed the benefit and should be eliminated in the short run.
- Eliminate import and export restrictions. Import restrictions have affected crops such as maize, wheat flour, cassava, sugar, vegetable oil, rice, frozen and chilled fish, beef and poultry. Export restrictions are mostly applied to cereals, particularly maize, millet and rice. Important reasons for governments to impose them are short-term food security concerns, in periods of (expected) food shortage. Indeed, a large number of countries in the region banned exports during the 2007/2008 food crisis. However, while it allows food to stay in the country in the short run, it can negatively affect investment decisions of value chain actors and thus have an adverse effect in the long run.
- Promote implementation of regional standards. Traders in agricultural products would profit from a clean implementation of WAEMU/ECOWAS rules on agricultural products, allowing tax-free transit for local products and regional recognition of product standards.
- Promote a bilateral free trade agreement with Nigeria. When countries like Chad and Niger (small, landlocked, undiversified economies) share borders with Nigeria (a more diversified coastal country) to an extent the incentive regimes deviate i.e. higher consumer goods tariffs create sufficient rents for informal arbitrage both for bilateral and third country trade as seen from recent diagnostics where large

informal imports from Nigeria to Chad in consumer goods. Moreover, the presence of large informal trade with Nigeria due to both trade and other transactions costs suggests unexplored mutually beneficial trade. It is therefore in the interest of Niger and Chad to consider mitigating/eliminating trade and transactions costs by negotiating a comprehensive free trade arrangement with a robust transit framework.

- Create border bazaars to promote cross border trade, especially for poor traders and women. Given the geography or spatial markets in between Nigeria and Chad and Niger, a regime to ease the movement of goods and people engaged in subsistence levels of trade needs to be encouraged using a border bazaar model. Border bazaars enable cross-border transactions with minimum formalities (limited to security protocols) to encourage retail trade between border communities and can encourage the development of post-harvest infrastructure that would reduce harvest waste and increase returns to local communities. Participation in bazaars should be made easier—for example, through visa-free entry, exemptions of border taxes, reductions in documentation requirements, and adoption of good practices in agencies dealing with them to ease movements between bazaars. Successfully implemented in India-Bangladesh border regions, such an initiative could be piloted at Maradi/Zinder/Diffa/Birnin Konni/Tahoua based on density of communities along the border. A joint security arrangement in the piloted border regions will likely protect cross-border trade and maintain access to the productive territory around Lake Chad likely to ease the burden of cross-border trade, while reducing rent seeking that impacts border communities, particularly female traders, who are often more susceptible to security risks and harassment.
- Under the second *rung on the ladder* of diversification, all countries would benefit from making a concerted and comprehensive effort to deepen their regional and bilateral trade, and especially with Nigeria. Nigeria, as the largest market in the ECOWAS region, can be just on itself, an engine of MCNG countries, and more in particular Mali, Niger and Chad's export growth. Whereas there is room for a comprehensive free trade agreement, its focus should be at reducing transaction costs, complement investments in regional transport and energy infrastructure, and improve logistic services. To unlock such strategic move, a first unavoidable step would be to assess the mutual benefits to both parts from mutually lowering tariffs and NTBs on key staple varieties; and in this way, remove their barriers to trade in agricultural and livestock products. These measures should be discussed under both the ECOWAS forum and CEMAC channels. Greater joint efforts in security, bringing increased protection for people, land and livestock along the lengthy border with Nigeria are also needed to expand access to productive territory. Finally, these efforts could include guaranteed access to the Lake Chad shores to promote the fishing sector.
- Explore new emerging markets. Develop institutions to facilitate commercial information of targeted Africa and Asian countries through overseas missions as well as capabilities of respective export development agencies to explore value chain opportunities on the upstream side to export cotton to Bangladesh, India, Korea and Indonesia. In Europe, Germany, Switzerland, Austria, and Portugal are worth exploring in depth. This includes development of an Action Plan to promote



agriculture products from Sahel to targeted destinations highlighted above, especially in livestock, cotton, as well as shea butter and peanuts. There is also a need to explore the feasibility and competencies to transition towards the next tier of industrial ascendance for countries like Niger and Chad such as in chemicals and plastics products derived from petroleum. Experience suggests rather than attempt to promote overall exports, export promotion campaigns that have a sector orientation in its campaigns tend to pay-off. The promotion efforts should be supported by export promotion agencies and private sector organizations with identification of exhibitions and trade fairs, as well as support for inward trade missions. In terms of resources, empirical evidence suggests that effort should be focused on large firms that are new or not yet exporters, rather than on small firms and established exporters. For agricultural products, the successes of Global Shea Alliance and African Cashew Alliance in integrating into international markets through export promotion, value-addition, and improved standards provide examples of regional models that could be replicated.

- Improve trade logistics so as to facilitate their entry into global value chains. Improving trade and transport logistics, business environment (esp. rule of law), infrastructure, (telecommunication, roads, ports) and wage competitiveness are key determinants to enter into GVCs. The service sector plays a crucial role in the competitiveness of manufacturing firms, represents a key source of value added that could help to diversify Sahel and affects the chances of countries adding value and climbing GVCs. Conditions to leverage existing/nascent comparative advantages in manufacturing and services need to be supported by technology and knowledge transfers from other countries—most often in the form of FDI. Sectoral initiatives to promote integration with GVCs, includes developing product quality and standards to connect with global players, establishing regional production networks, reducing NTBs, and increasing tariff liberalization.
- Niger needs a two-pronged strategy to address the illegal payments and associated road harassment in transit routes. First, in coordination through WAEMU and ECOWAS, countries like Niger and Chad should negotiate a set of ‘principles’ and ‘guidelines’ on transit traffic specifying applicable service fees for transit traffic. Second, in conjunction with WAEMU and ECOWAS develop and launch an awareness campaign to inform transporters/traders the set guidelines a non-cumbersome mechanism for reporting illegal fees. Southern Africa’s NTB reporting mechanism provides a best-practice robust guide to reporting NTBs, including transit related harassments.
- The recently ratified WTO Trade Facilitation Agreement (TFA) provides the region a robust, time-sensitive opportunity to address issues on regional and international trade. It does so by expediting the movement, release, and clearance of goods including transit issues across the region. Both UEMOA and ECOWAS have been actively involved, as trading blocs, in the TFA. The two institutions received mandates from their respective Member States to negotiate and have played a key role in the preparatory stages and the negotiation of the TFA. In addition, the two institutions regularly organize national and regional seminars to build awareness of the provisions and to harmonize the application of the common rules. Implementation of the TFA by Togo and Nigeria, both original signatories, will likely

boost prospects of both bilateral and transit trade for Niger. Once Benin and Burkina Faso become its members, it will create a seamless transactions environment along the existing trade corridors and open new mutually beneficial market opportunities for all countries in the region.

- Major interventions in Customs modernization and simplification of procedures, personnel training, and increased automation are needed. Together, these can significantly reduce rent-seeking and reduce time and cost of trade. Customs officials would benefit from increased trade flows arising from the support of automation, communication, improved personnel management, and better data on actual trade transactions. Selected interventions that would support TFA implementation and facilitate regional trade include: Computerization of existing systems, including infrastructure to allow the transmission of data between Customs agencies to facilitate transit trade; implementation of a new code of ethics, such as that drafted by Chadian customs; training of Customs officials; and provision of IT infrastructure at key Customs points and other main transit points.

Table 6.further summarizes key interventions in major areas.

Table 6: Matrix of Policy Interventions

Objectives	Recommendations/ Actions	Lead Institutions	Results Indicators
<i>Consistent CET structure across Sahel</i>	Introduce CET 0, 5, 10, 20 across WAEMU/ECOWAS, and include CEMAC as an interim step towards further rationalization and consistency.	Ministries of trade and Regional bodies	Improved trade environment, reduced smuggling
<i>Improve governance/ efficiency of incentives</i>	Give authority to one inter-ministerial committee to approve tariff exemptions. Phase out inefficient tariff exemptions	Ministries of Finance, Customs and Trade	Increased revenue/Improved efficiency
<i>Eliminate para-tariffs</i>	Incorporate all para-tariffs into the existing CET	Ministries of Finance & Trade	Reduced transactions costs/Improved transparency
<i>Stable commodity prices</i>	Eliminate import/export restrictions on agriculture trade.	Ministries of Agriculture & Trade	Increased investment in agriculture value chain
<i>Develop ECOWAS/Nigeria trade/export development program</i>	Undertake cost benefit assessment of reducing tariffs bands to four as well as tariff exemptions, NTBs and parafiscal levies under ETLS. especially with Nigeria. Present findings to the negotiation committees at both inter-ministerial ECOWAS committees, Heads of Commerce meetings and other forums.	Ministries of Trade & Commerce; and export promotion agencies.	Expanded regional trade in agriculture esp. staple foods.
<i>Increase regional and extra-regional markets in agricultural products</i>	Define a strategy for a marketing program appropriate for each strategic sector for different regional and international markets.	Ministries of Trade, Agriculture, Foreign Affairs, export agencies	Increase export values, volumes and share of agri-exports to countries
<i>Promote diversification of exports to Asian markets</i>	Develop Capabilities of Chambers of Commerce, Industry and Crafts to gather commercial information. Develop capabilities of commercial counsellors in respective overseas missions	Ministries of Trade and Commerce and export promotion agencies.	Expanded exports to East Asian markets
<i>Establish leadership, implement WTO TFA</i>	Establish the mandate of the NTFC and its lead role to steer TFA action plans, with mechanism for interagency coordination, and public-private dialogue.	MF/MC/PSP/CCIAN/SGG	New AFE standards promulgated, implemented
<i>Take steps to operationalize the National Single Window</i>	Expedite the harmonization of import and export documents among all relevant agencies and initiate business process re-engineering of all trade- related processes and procedures.	Prime Minister Office, Minis..Justice, Commerce, Economy, Finance, and Urban Development	Initial steps in establishment of the Single Window
<i>Simplify border control procedures</i>	Streamline data entry by eliminating the repetitive records. Delete the systematic scanning and the books by adopting risk management principles.	Customs	Reduced time of passage in borders

Objectives	Recommendations/ Actions	Lead Institutions	Results Indicators
<i>Streamline Customs regulations, proceeds and set automation</i>	Introduce legislation necessary for: a) rationalization of documents and declarations and the development of tele-transmissions Allow the electronic transmission of early the transit declarations.	Ministries of commerce and justice	Decrease in the number of transactions based on paper documents
<i>Include transit trade into computerization of Customs proceeds</i>	Develop infrastructure for Informatics and strengthen the centralized connectivity of all Custom offices (imports/exports and transits). Ensure the migration to Asycuda World of UNCTAD.	Ministries of Finance and Customs	Activation of centralized connections of customs offices for deployment of ASYCUDA World
<i>Eliminate illegal fees and levies on trade corridors</i>	Launch an awareness among traders of the ECOWAS/UEOMA protocols with regard to transit traffic Establish a reporting mechanism for traders encountering road harassment.	Prime Minister Off., Minist. Trade, Justice, Agriculture, regional bodies	Enhanced trade especially exports by SME and Women traders
<i>Promote a competitive and efficient transport sector</i>	Implement harmonized regional rules of access to and the exercise of professions based on competence, training and companies' solvency. Apply sufficient transitions time to gradually integrate the informal sector.	Ministries of Transport	Improved transport performance & reduced logistics costs

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