



AN ASSESSMENT OF THE “DOING BUSINESS
REPORT” ON COSTS OF CROSSBORDER TRADE

Prepared for: **South African Institute of International
Affairs (SAIIA) and;**

Business Unity South Africa (BUSA)



The South African Institute of International Affairs
Educate. **Inform.** Facilitate.



BUSA
BUSINESS UNITY SOUTH AFRICA

DPC & ASSOCIATES

No.7 Queenswood, Calderwood Road, Lonehill, Johannesburg, South Africa
Tel:+27114679922
Fax: +27866197401

Table of Contents

1. INTRODUCTION2

2. IDENTIFICATION OF KEY FACTORS2

3. PRIORITISATION OF FACTORS4

4. ANALYSIS OF FINDINGS ON SOUTH AFRICA5

5. COMPARISON OVER TIME8

6. COMPARISON WITH NEIGHBOURING COUNTRIES.....9

7. COMPARISON WITH OTHER EMERGING MARKETS11

8. CONCLUSIONS AND RECOMMENDATIONS.....13

1. INTRODUCTION

The South African Institute of International Affairs (SAIIA) and Business Unity South Africa (BUSA) launched this scoping study on the cost of cross border trade with the aim of identifying factors that contribute to high costs of trading across borders for South Africa. In the 2008 Doing Business Report (which measured performance in 2007) prepared by the World Bank, South Africa performed poorly in trading across borders. South Africa was rated at 134 out of 178 economies. This was a drop in rating by four places compared to the 2007 report and was by far the most negative factor in the analysis of South Africa. To understand the factors behind the rating a study was conducted with the following objectives:

- To analyse the World Bank findings on the cost of trade across borders in South Africa.
- To identify the key factors assessed in the Doing Business research by the World Bank.
- To prioritise the factors on the basis of cost to the South African economy.
- To compare over time the key factors in South Africa.
- To compare with South Africa's neighbouring countries as well as other emerging markets.
- To come up with recommendations for the South African private sector on addressing the factors identified.

To achieve the objectives, the study utilised the following methodology:

- Desk review of the Doing Business project and reports on the topic Trading Across Borders.
- Analysis and compilation of the scoping study report.

2. IDENTIFICATION OF THE KEY FACTORS

In ranking countries, the costs and procedures involved in importing and exporting a standardized shipment of goods are used, and the following six criteria apply:

- Number of documents for export
- Time taken to export in days
- Cost to export (US\$ per container)
- Number of documents for import
- Time taken to import in days
- Cost to import (US\$ per container)

The Doing Business project compiled procedural requirements for exporting and importing a standardized cargo of goods by ocean transport. Every official procedure for exporting and importing the goods is recorded from the contractual agreement between the two parties to the delivery of goods along with the time and cost

necessary for completion. All documents required for clearance of the goods across the border are also recorded. Four procedures were identified by the World Bank report, which are; preparation of documents, customs clearance and technical control, ports and terminal handling and inland transportation and handling covering time, number of documents and costs for both import and export respectively.

Local freight forwarders, shipping lines, customs brokers, and port officials provide information on required documents and cost as well as the time to complete each procedure. To make the data comparable across countries, the following assumptions are made:

- i. **Assumptions about the business:** Has 100 or more employees; Is located in the country's most populous city; Is a private, limited liability company; It does not operate within an export processing zone or an industrial estate with special export or import privileges; Is domestically owned with no foreign ownership; Exports more than 10% of its sales.
- ii. **Assumptions about the traded goods:** The traded product travels in a dry-cargo, 20-foot, full container load.
- iii. **The product:** Is not hazardous nor does it include military items; does not require refrigeration or any other special environment; does not require any special environmental safety standards other than accepted international standards.
- iv. **Documents:** All documents required to export and import the goods are recorded. It is assumed that the contract has already been agreed upon and signed by both parties. Documents include bank documents, customs declaration and clearance documents, port filing documents, import licenses and other official documents exchanged between the concerned parties. Documents filed simultaneously are considered different documents but with the same time frame for completion.
- v. **Time:** Time is recorded in calendar days. The time calculation for a procedure starts from the moment it is initiated and runs until it is completed. If a procedure can be accelerated for an additional cost, the fastest legal procedure is chosen. It is assumed that neither the exporter nor the importer wastes time and that each commits to completing each remaining procedure without delay. Procedures that can be completed in parallel are measured as simultaneous. The waiting time between procedures—for example, during unloading of the cargo—is included in the measure.
- vi. **Cost:** Cost measures the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included. These include costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes. Only official costs are recorded.

3. PRIORITISATION OF FACTORS

The World Bank report on trading across borders focused on factors such as number of documents, cost and time of import and export, however no prioritisation of factors is used, hence the factors carry no weightings in the calculations done by the World Bank. For South Africa, the duration for import and export has the biggest effect on trade as evidenced by the differences in the comparison with South Africa's neighbours and Emerging markets that follow below. The effects of time are clearly emphasised in the Trading on Time study (Simeon Djankov, Caroline Freund and Cong Pham, 2007)¹. In this research Simeon et al. used a new dataset on the time it takes to move containerized products from the factory gate to the ship in 126 countries. A difference gravity equation is estimated, by regressing relative exports of similar countries. The gravity equation is based on location endowment, countries facing the same trade barriers abroad on relative time delays, and other standard variables such as costs and document preparation. The results imply that on average each additional day of delay reduces trade by at least one percent or distancing itself by 70km from its trading partners. The size of the effect suggests that a one-day reduction in delays before a cargo sails to its export destination is equivalent to reducing the distance to trading partners by about 70 km.

In the World Bank report, importing and exporting procedures for all countries assessed, were divided into four stages: pre-shipment activities such as inspections and technical clearance; inland carriage and handling; terminal (port) handling, including storage if a certain storage period is required; and finally customs and technical control. At each stage, a description of what documents are required, where do they submit these documents and whose signature is necessary, what are the related fees and what is an average and a maximum time for completing each procedure.

4. ANALYSIS OF FINDINGS ON SOUTH AFRICA

Table 1 below shows the summary of costs, duration and number of documents required for export and import in South Africa. Based on these statistics it has been observed that there are 8 documents for export and 9 for import procedures. On average it takes 30 days to handle exports including documentation while it takes 35 days to process import. In the case of exports, half of the time is taken up in document preparation and a further 30% of the time is allocated to ports and terminal handling. While on the other hand 40% of the time involves preparation of import documents and a similar time is allocated to ports and terminal handling. It is therefore clear that document preparation and ports and terminal handling are the two activities that are taking up most of the time in the processing of exports and imports and therefore this is where change can be effected in order to improve on South Africa's competitiveness. An analysis of the costs shows a different picture in that preparation of export documents accounts for 5% of the total cost with inland

¹ Simeon Djankov, Caroline Freund and Cong Pham. (August 2007). Trading on Time. Doing Business

transportation and handling contributing 70% of the costs. The same pattern is also repeated on the import procedures. Ports and terminal handling accounts for 18% of the total costs for both export as well as import procedures. Therefore it means that any efforts to reduce costs of exports and imports should focus on inland transportation and handling. The number of documents for exports is 8 with 9 for imports.

Table 1-Duration, Costs and Number of Documents for export and import SA.

| SOUTH AFRICA | Duration (Days) | Cost (USD) | Number of Documents |
|---|------------------------|-------------------|----------------------------|
| Nature of Export Procedures | | | |
| Documents preparation | 15 | 50 | 8 |
| Customs clearance and technical control | 4 | 75 | |
| Ports and terminal handling | 9 | 198 | |
| Inland transportation and handling | 2 | 764 | |
| Total: | 30 | 1087 | 8 |
| Nature of Import Procedures | | | |
| Documents preparation | 14 | 50 | 9 |
| Customs clearance and technical control | 4 | 75 | |
| Ports and terminal handling | 14 | 220 | |
| Inland transportation and handling | 3 | 850 | |
| Total: | 35 | 1195 | 9 |

Source: Doing Business Report

In order to achieve competitiveness in global trade, a number of aspects have to be addressed. One of the most important factors is the number of documents required for both import and export in South Africa. The documents required are bill of lading, certificate of origin, commercial invoice, customs export declaration, form SAD500 (customs declaration), inspection report, packing list and terminal handling receipts. Some of the documents can be combined to reduce the duration which has a huge bearing on the overall costs. The fewer the documents the less time it takes to prepare them hence improving efficiency in both imports and exports.

In comparison to Singapore, which was ranked 1st in the Doing Business report it takes one day to process documents at a higher cost of USD105 as shown in Table 2 below. Only four documents are required namely: bill of lading, commercial invoice, customs export declaration and packing list. South Africa may explore the feasibility of combining documents for example, combining customs declaration with form SAD500 (SARS) after considering issues such as security and terrorism; or of more significance is that South Africa should explore ways of reducing the duration without necessarily reducing the number of documents by simplification of existing documents, like Swaziland as shown in the comparison with South Africa's neighbors that follows below.

Table 2-Duration, Costs and Number of Documents for export and import Singapore

| SINGAPORE | Duration (Days) | Cost (USD) | Number of Documents |
|---|-----------------|------------|---------------------|
| Nature of Export Procedures | | | |
| Documents preparation | 1 | 105 | 4 |
| Customs clearance and technical control | 1 | 31 | |
| Ports and terminal handling | 1 | 180 | |
| Inland transportation and handling | 2 | 100 | |
| Total: | 5 | 416 | 4 |
| Nature of Import Procedures | | | |
| Documents preparation | 1 | 56 | 4 |
| Customs clearance and technical control | 1 | 31 | |
| Ports and terminal handling | 1 | 180 | |
| Inland transportation and handling | 0 | 100 | |
| Total: | 3 | 367 | 4 |

Source: Doing Business Report

Customs clearance and technical control takes 4 days costing USD75 for both import and export for South Africa. Again the study compares with Singapore to establish a benchmark for South Africa, where Singapore takes 1 day at a cost of USD31 to clear imports and exports

For cargo to get through ports and terminal handling in South Africa it takes 9 days at a cost of USD198 for export and 14 days at a cost of USD220 for imports. The cost of terminal handling is not of much concern as it is not too far from the top ranking Singapore. Of great concern, however, is the duration it takes to go through the process, 14 days, therefore increasing time-bound costs which will ultimately affect the cargo landing costs. In comparison to Singapore the same process takes only one day.

Inland transportation and handling is the most costly yet it takes the least time. The average duration for developed economies is 2 days for inland transportation. South Africa competes favourably with Singapore in terms of time; however there is a huge price differential as SA inland transportation costs on average USD800 as compared to USD100 for Singapore. This differential may be attributed to the distances covered based on the sizes of the two countries. South Africa's efficiency in terms of time can be attributed to the world class transport and road network and infrastructure.

It has been observed that time spent to complete one import/export transaction would be around 35 days. Cost being the main concern, it has also been established that the more the number of days required the greater the costs of import and export. It is therefore recommended that the South Africa revisits its import/export procedures with the aim of improving efficiency thereby reducing costs of trading across borders. A reduction in these costs would be favourable for potential cross-border traders

thereby creating a conducive trading environment, which will in turn promote economic growth.

The key factors assessed can be put in perspective by analysing the effect that a change on each key factor would have on South Africa's ranking, which would be a reflection of changes in cost. Below are the possible scenarios:

1. A single document change in the documents for import and export, ceteris paribus, causes an average change in the ranking of South Africa by (+/-) 11.4 ranks.
2. A day's change in the number of days for export and import, ceteris paribus, causes an average change in the ranking of South Africa by (+/-) 1.5 ranks.
3. A USD250 change in the cost to export and USD300 change in the cost to import, ceteris paribus, causes an average change in the ranking of South Africa by (+/-) 7.33 ranks.

It was noted that changes in the number of documents has the highest influence (sensitivity) on the rankings for South Africa, followed by costs to import and export, with the least sensitive being time to export and import.

Trade facilitation is not only about the physical infrastructure for trade. Indeed, only about a quarter of the delays in the sample is due to poor road or port infrastructure – in part because the exporter is located in the largest business city. Seventy-five percent is due to administrative hurdles - numerous customs procedures, tax procedures, clearances and cargo inspections - often before the containers reach the port. The problems are magnified for landlocked African countries, whose exporters need to comply with different requirements at each border.

5. COMPARISON OVER TIME

South Africa has not intervened or influenced change on any of the key factors as indicated by the figures in Table 3 below. However, South Africa dropped in rankings from 130 to 134 in 2007. The drop has not been attributed to a change in any of the key factors but other countries have performed better than South Africa over time. Only data for 2006 and 2007 has been assessed by the World Bank Research as shown in Table 3.

Table 3-Comparison of South Africa's Performance 2006 and 2007

| Year | Economy | Rank | Document for export (number) | Time for export (days) | Cost to export (US\$ per container) | Document for import (number) | Time for import (days) | Cost to import (US\$ per container) |
|------|--------------|------|------------------------------|------------------------|-------------------------------------|------------------------------|------------------------|-------------------------------------|
| 2006 | South Africa | 130 | 8 | 30 | 1,087 | 9 | 35 | 1,195 |
| 2007 | South Africa | 134 | 8 | 30 | 1,087 | 9 | 35 | 1,195 |

Source: Doing Business Report

The countries that either over took South Africa (Chart 1) or dropped in rankings past South Africa (Chart 2) is shown in the charts below. The net effect was that South Africa dropped 4 ranks in the 2007 assessment.

Chart 1-Countries that Improved on Rankings compared to South Africa

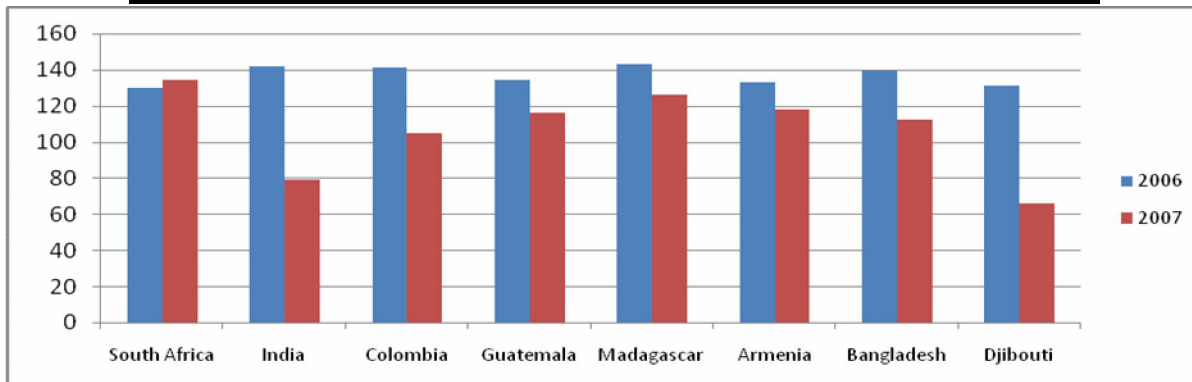
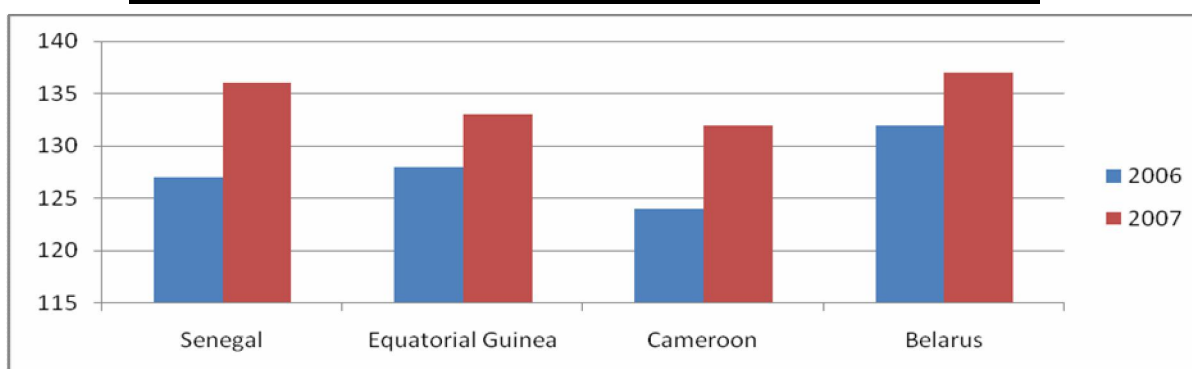


Chart 2-Countries that Dropped Rankings compared to South Africa



Source: Doing Business Report

6. COMPARISON WITH NEIGHBOURING COUNTRIES

The study compared the ranking of South Africa with other countries in the SADC region namely: Botswana, Namibia, Lesotho, Swaziland, Mozambique, Zambia and Zimbabwe as shown in Chart 3 and Chart 4 below. Table 4 shows rankings for all the key factors which were calculated for the neighbouring countries and the overall rank as determined by the Doing Business Project. On preparation of documents for exports, South Africa ranks third, after Botswana and Swaziland. Swaziland takes 7 days which is about half the duration of South Africa and Botswana takes 14 days and has 9 documents. On import document preparation, South Africa tops alongside with Namibia and Swaziland at 14 days. This finding indicates that it may not be the number of documents that have a bearing in document preparation but the actual processes and procedures of preparation which have to improve to attain higher efficiency.

Duration for customs clearance on both imports and exports is the same at 4 days for South Africa's neighbours with the exception of Mozambique which takes 2 days on exports and 3 days on imports while Botswana takes 5 days on imports. This is

because countries within a preferential trade agreement group such as SADC are similar in terms of tariff and procedural barriers to trade. This indicates the region faces the same challenges with regards to efficiency and effectiveness of the clearance process by Customs and other border control agencies. Combined efforts such as initiatives under Single-Stop Customs Practices in Cross-Border clearance, would improve the region's time taken for customs clearance.

Ports and handling services duration is the same for exports at 4 days with the exception of Namibia taking 3 days and South Africa taking 9 days, which is a huge outlier. The reason may be because South Africa is handling goods for most of its neighbours at its ports, especially landlocked countries like Swaziland, Lesotho, Zambia and Zimbabwe, which depend on South Africa, which could increase congestion and lessen the efficiency of trade infrastructure leading to high trading costs. Large trade volumes have contributed to the development of sophisticated port facilities in Singapore and other East Asian countries and South Africa should also develop its ports to be more sophisticated not only to catch up and handle the large volumes but to anticipate future growth. As an example, when trade volumes surged in China in 2003, the waiting time at Shanghai's port increased by 2 days on average.

Table 4- Duration for exports and imports

| Duration (Days) | SA | Bots | Zim | Moz | Zam | Swaz | Les | Nam | Sub Sahara |
|---|----|------|-----|-----|-----|------|-----|-----|------------|
| Nature of Export Procedures | | | | | | | | | |
| Documents preparation | 15 | 14 | 30 | 17 | 36 | 7 | 28 | 16 | |
| Customs clearance and technical control | 4 | 4 | 4 | 2 | 4 | 4 | 4 | 6 | |
| Ports and terminal handling | 9 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | |
| Inland transportation and handling | 2 | 11 | 14 | 4 | 9 | 6 | 8 | 4 | |
| Totals: | 30 | 33 | 52 | 27 | 53 | 21 | 44 | 29 | 35 |
| Nature of Import Procedures | | | | | | | | | |
| Documents preparation | 14 | 17 | 42 | 26 | 33 | 14 | 28 | 14 | |
| Customs clearance and technical control | 4 | 5 | 4 | 3 | 4 | 4 | 4 | 4 | |
| Ports and terminal handling | 14 | 9 | 9 | 5 | 9 | 9 | 9 | 3 | |
| Inland transportation and handling | 3 | 12 | 12 | 4 | 18 | 7 | 8 | 3 | |
| Totals: | 35 | 43 | 67 | 38 | 64 | 34 | 49 | 24 | 43.7 |

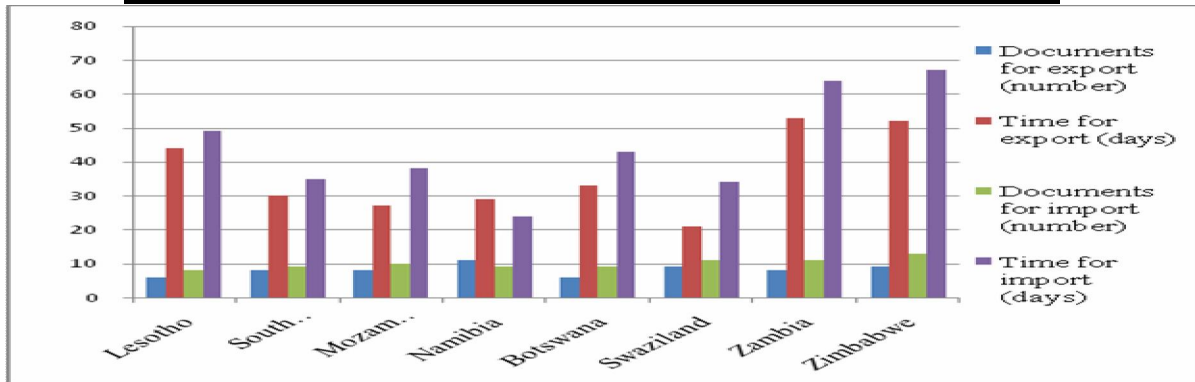
Source: Doing Business Report

Table 5- Documents for Import and Export

| Number of Documents needed | SA | Bots | Zim | Moz | Zam | Swaz | Les | Nam |
|----------------------------|----|------|-----|-----|-----|------|-----|-----|
| Import | 9 | 9 | 13 | 8 | 11 | 11 | 8 | 9 |
| Export | 8 | 6 | 9 | 10 | 8 | 9 | 6 | 11 |

Source: Doing Business Report

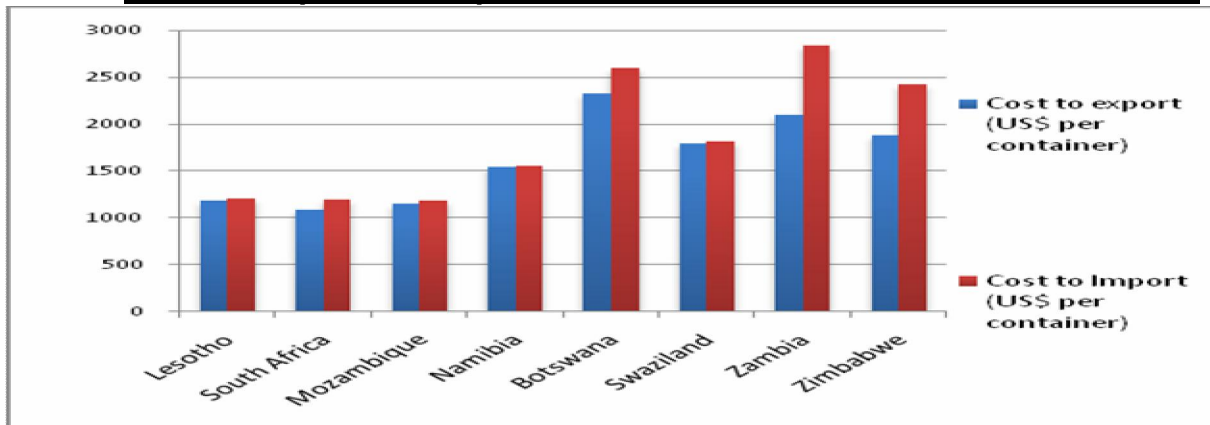
Chart 3- Documents and Time for Import and Export of SA neighbours



Source: Doing Business Report

Chart 4 below compares the total cost to export and import with South Africa’s neighbours. On costs to export South Africa has the lowest costs while on cost to import Mozambique led the pack followed by South Africa. South Africa is very competitive on costs to import and export on a comparative basis with its neighbours. Overall, South Africa ranks behind Lesotho, which has less documents for both imports and exports, although South Africa has lower costs for imports and exports.

Chart 4-Costs to Import and Export for South Africa and other SADC Countries



Source: Doing Business Report

In conclusion SADC countries all have low ranks, which is an indication of common problems being faced by all 7 of South Africa's neighbors. The most common challenge is dealing with the infrastructural development concerns which include the poor road and railway network, lack of warehousing facilities, customs inefficiencies, backward IT infrastructure, ease of arranging shipments and affordability and constraints in accessing market information. However, most African countries depend on trade taxes, and revenue from trade taxes is at least 10 percent of total government revenue. In addition, past experience suggests that African countries have had very limited success in replacing lost trade taxes with revenue from other sources. This should lead governments to take swift action in addressing findings such as those of the World Bank, to improve efficiency and ultimately the revenue from trade taxes .

7. COMPARISON WITH OTHER EMERGING MARKETS

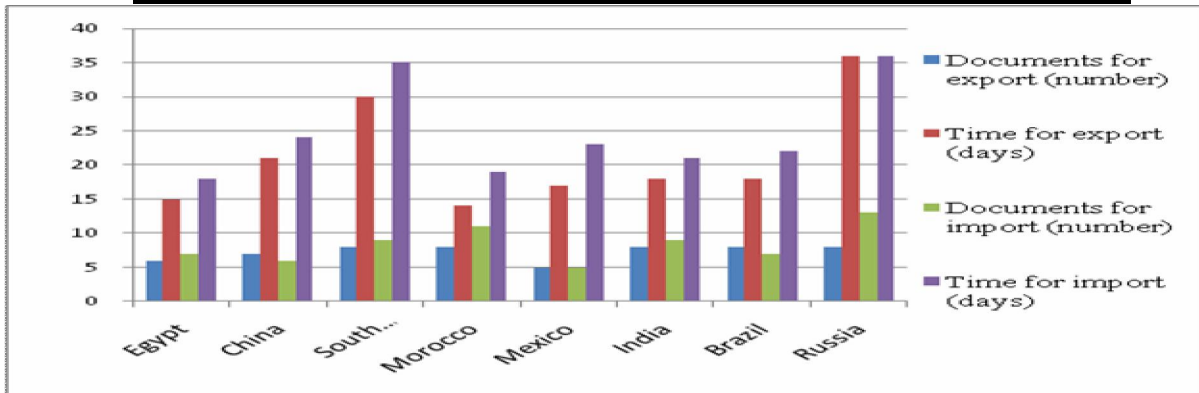
For comparison with other emerging markets the study used the Goldman Sachs term: "BRIMC", which refers to the combination of Brazil, Russia, India, Mexico and China. Egypt and Morocco were also added to the list of countries considered as emerging markets in Africa. It takes 15 days to prepare export documents in South Africa and the duration is second highest to Russia; and 14 days to import compared to 8 days in India. South Africa fares well on inland transportation and handling on both import and export procedures, comparing with the other emerging markets clearance and technical control on import procedures Of concern is the duration of ports and terminal handling for both exports and imports at 9 days for exports and 14 days for imports compared to the average 3 days respectively. On the data analysed Russia was ranked lowest at 155 compared to South Africa's 134, where it takes longer, to prepare documents and inland transportation and handling, in Russia than in South Africa.

Table 6 Durationfor export and import BRICM

| | SA | Chin | Braz | Rus | Ind | Mex | Egy | Mor |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Nature of Export Procedures | | | | | | | | |
| Documents preparation | 15 | 14 | 12 | 25 | 9 | 10 | 10 | 6 |
| Customs clearance and technical control | 4 | 2 | 2 | 3 | 2 | 2 | 1 | 2 |
| Ports and terminal handling | 9 | 2 | 3 | 3 | 3 | 2 | 2 | 2 |
| Inland transportation and handling | 2 | 3 | 1 | 5 | 4 | 3 | 2 | 4 |
| Total: | 30 | 21 | 18 | 36 | 18 | 17 | 15 | 14 |
| Nature of Import Procedures | | | | | | | | |
| Documents preparation | 14 | 15 | 13 | 25 | 8 | 14 | 12 | 11 |
| Customs clearance and technical control | 4 | 4 | 2 | 4 | 5 | 3 | 2 | 3 |
| Ports and terminal handling | 14 | 2 | 5 | 2 | 5 | 3 | 2 | 2 |
| Inland transportation and handling | 3 | 3 | 2 | 5 | 3 | 3 | 2 | 3 |
| Total: | 35 | 24 | 22 | 36 | 21 | 23 | 18 | 19 |

Source: Doing Business Report

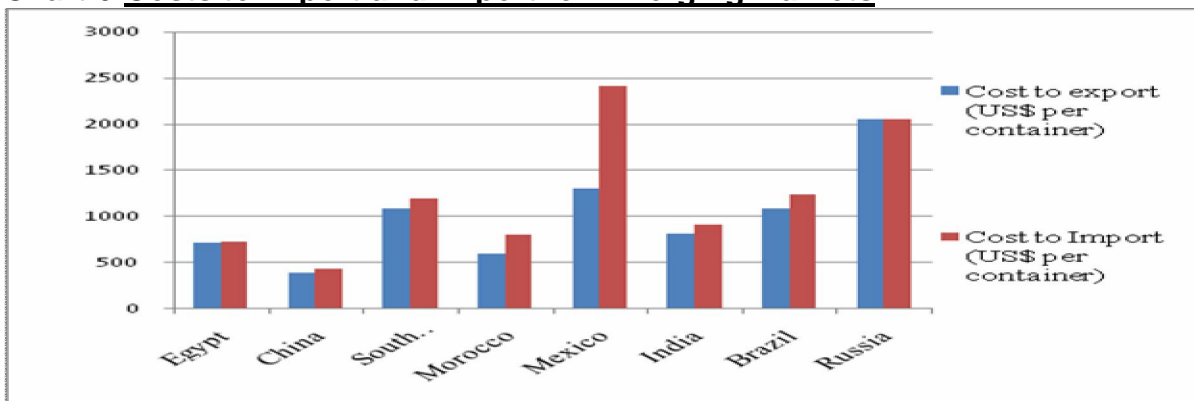
Chart 5 -Documents and Time for Import and Export for Emerging Markets



Source: Doing Business Report

As shown in **Chart 6** Mexico has the highest cost to import at USD2,411 and China has the lowest costs to import at USD430. South Africa's costs for both import and export are lower than Russia and Mexico. Russia has very high costs for both costs to import and export, both at USD2,050.

Chart 6-Costs to Import and Export for Emerging Markets



Source: Doing Business Report

8.

8. RECOMMENDATIONS AND CONCLUSIONS

The study has highlighted the key factors impacting on the rankings of costs of cross border trade. South Africa's performance has not improved between 2006 and 2007, if anything South Africa has been outclassed by other countries whose performance has improved. To judge from the latest Doing Business report both the government and the private sector have not paid attention to the World Bank report in the past as there is no evidence to suggest some remedial action being undertaken to reduce the time taken to conduct trade and avoid costly delays. It is important to address the underlying processes to the four procedures that have been identified by the World Bank study. For example the bottlenecks that arise from level of detail needed on documents for both import and export. SARS has made significant in roads and focussed a lot of effort in educating the relevant public on simplified procedures for import and export.

A comparison of some SADC countries that are close trading partners of South Africa shows that in overall terms, Lesotho performed better than South Africa as she was ranked 129 compared to South Africa's 134th position. Lesotho performed better than South Africa in the area of documents for import and exports. South Africa's performance when compared to other emerging markets shows a huge disparity and highlights the areas for improvement. To improve its ranking and reduce the cost of cross border trade, South Africa should attend to the following key recommendations:

- i. **Number of Documents:** Critically examine the number of documents for export and import and attempt to reduce them to the most critical. A benchmark with other economies is to be undertaken to learn from their experiences. Egypt is a useful example to compare with as the country has achieved a very good overall rating and outperformed South Africa in all the key factors. Benchmarking has the benefit of identifying the areas where South Africa can improve in trading across its borders which will promote trade and economic development and growth and ultimately improve in rankings.

- ii. **Electronic filing of cargo documents:** With the increased pressure arising from an increased volume of goods that are being moved internationally, there is need to take advantage of new technologies that reduce trade costs. Electronic filing of cargo documents has reduced delays in many ports internationally and South Africa's receiver of revenue (SARS) has made significant inroads in this regard though a combined effort of all parties involved is needed. Ghana is utilising new technology that link the customs department with several commercial banks so that customs officers can confirm the payment of duties without the need for additional paperwork, allowing traders to file cargo declarations before shipments arrive and to pay tariff and port fees electronically. This was also implemented in Pakistan and resulted in the reduction in the days it took to import a consignment—from conclusion of sale to arrival of goods at the warehouse—from 39 days in 2004 to 19 days currently. Clearances have sped up by 12 days in Tanzania, 3 days in Kenya, 2 days in Colombia and one day in Syria.
- iii. **Regional trade agreements:** have brought with them simpler customs and transit procedures as well harmonisation across several countries. Between January 2005 and April 2006 the time needed to comply with export-related requirements fell by nearly 1.5 days worldwide. The largest drop, by 3 days on average, came from Eastern Europe and Central Asia. This is despite the increase in inspections and additional paperwork required by new security regulations. Trading across Europe is becoming seamless. Many of the top ten economies on the ease of trading are European. Trade could be made a lot easier in SA if trade agreements in the Southern African Development Community (SADC) are fully implemented. Although agreements for one stop customs clearance were entered into by Southern Africa Customs Union, it is vital for South Africa to expedite implementation and infrastructure to standardise customs procedures and documents within the Southern Africa region.
- iv. **Risk management techniques and after clearance audits:** These allow countries to target customs inspections for higher risk cargo. In Tanzania more than 90% of cargo is now risk assessed before it arrives at the port of Dar es

Salaam. After-clearance audits introduced in Egypt, Jordan and Romania have allowed customs to quickly release cargo to importers with the container contents being verified after they reach the warehouse. SARS should take the lead role in risk management and audit function.

- v. **Reduction of port congestion.** Current infrastructure development in South Africa includes the deepening and widening of the entrance channel at the Port of Durban, in KwaZulu-Natal, to accommodate larger vessels; the R4,1-billion design and construction of the Port of Ngqura, in the Eastern Cape; and the R1,9-billion upgrade for the container terminal at the Cape Town port, in the Western Cape. These investments are seen as vital, merely to keep pace with demand, given that container traffic in Durban alone has grown exponentially since 1994. High volumes at the ports have increased the need for more sophisticated and modern equipment. Kenya installed new cranes; Nigeria introduced competition at its container terminals. Brazil, China and Colombia made large investments in port infrastructure, which drastically reduced congestion at ports as it increases costs as well as delays. The reduction of port congestion will drastically reduce the duration for ports and terminal handling, assessed by the World Bank.
- vi. **Co-operation between economies in simplifying and then unifying border agreements:** In 2005 Honduras and Nicaragua reduced the waiting time at their common border by half. In the past, traders had to go through inspections on both sides of the border; now the mutual recognition of inspections ensures that a single inspection suffices. A harmonized document for trade between mainland China and Hong Kong reduced paperwork by 60%. Similar arrangements with SA's neighbours could achieve comparable results. A case in point is the Beitbridge border which must be ranked as the one of the worst borders in terms of congestion yet it links South Africa with the countries to the north such as Zimbabwe, Zambia, Malawi and Democratic Republic of Congo. Single-stop border post initiatives promote efficiency and involve: project inspection through joint Customs control, single-window inspection coordination of hours of operation; advance exchange of information for clearance; reduction of routine inspection practice; reduction of number of

documents and elimination of superfluous procedures; alignment of trade documents to the UN layout and introduction of Customs inland clearance practice. Lesotho is now implementing a pilot SACU 1 stop border post project and it is therefore important for the private sector to be involved in this project to monitor the impact of such an intervention and use the experience gained elsewhere. Baseline must be set against which any future improvements can be measured.

- vii. **Reduction of tariff bands.** In 1996 Estonia removed all tariffs and is 1 out of 3 countries in the world to abolish all tariffs (the others are Singapore and Hong Kong). Estonia ranks in the top ten on the speed of trading across borders. Reducing the number of tariff bands is one of the best ways to reduce corruption in customs. With fewer bands it also takes less time for customs officials to complete inspections and paperwork.
- viii. **Establish a set of performance indicators** for how rapidly goods are processed at the border. The Tanzanian tax authority started an annual exercise of random checks across border points. Measuring the time it takes for customs to clear goods is not enough. Other agencies should be involved in inspecting goods or approving documents as cargo crosses borders. Such checks would identify bottlenecks on the South African system and help address them. They can also be used as a basis for payment of bonus.
- ix. **Improvement of Road network:** A recent study estimates that trade among West African countries could expand by up to 400% on average if the road network was upgraded. Similar investment could increase trade in Southern Africa by up to 300%. The South African government has allocated +R300bn to infrastructure development which will aid in improving physical infrastructure such as roads and rail network. The harmonization of cross-border transport procedures and the propagation of multimodal transport would alongside the infrastructure development increase efficiency.

In conclusion further work needs to be done to identify the current efforts and private sector lobbying underway to counter the findings the World Bank. It is critical for

South African business to approach the World Bank and participate effectively in future studies.

Conscious decisions and actions should be implemented for South Africa to improve on costs of cross border trade with a realistic target being Egypt, a fellow African country with ports, which ranked 26th overall and can be used as a case study and/or a benchmark.