



THE COMESA/RCTG CARNET

**WTO –Trade Facilitation Workshop
Supporting Implementation of the Trade Facilitation Agreement
in the Post-Bali Context
10th June 2014
Geneva**

Background

- The cost of transport and transit in Sub-Saharan Africa , particularly in Eastern and Southern Africa is very high. For Example ,according to ECA study, in Malawi the cost can go **as high as 40 per cent of the total cost of the goods.**
- The transit time from port to final destination and vice versa can take two/three weeks for example the transit time from the port of Mombasa in Kenya to Kigali, Rwanda used to take **21days or more.** Though this has now been reduced with introduction of Single Customs territory of the EAC.
- The border crossing requirements for transit good and vehicle and persons are very man ;they can be as many as **19 requirements.**
- To reduce cost of transport and transit and enhance competitiveness and expand intra and extra trade, **COMESA has introduced several trade facilitation instruments .** One of them is the **Regional Customs Transit Guarantee scheme , popularly Known as: RCTG CARNET or COMESA CARNET.**
- **RCTG Carnet is second of its kind after the TIR carnet ,** which its headquarter is here in Geneva .

Customs security/Guarantee for Transit Goods

It is a normal (legal) requirement of Customs Administration (in almost in all countries in the world) that

- Any person who wishes to import goods must **deposit a security** in form of cash, insurance bond or bank guarantee;
- **to cover for payment of custom duties taxes or other charges** due on the goods in every transit country;
- In case the goods in transit are short landed or diverted for consumption in the country of transit;

The issues

But the issue of depositing cash or lodging Insurance bond or Bank guarantee at each and every country of Transit is **serious Trade Facilitation challenge**, for the following reasons :

- a. **Costly** : The (current) system of depositing cash or bank guarantee or Insurance bond at every country of transit is very costly .Entails high premium rates , bank charges and bond fees .
- b. **Tied-up huge sums of money** : colossal sums of money and financial assets belonging to importers, Clearing and Forwarding Agents are tied-up as collateral requirement, as demanded by Bank and Insurance.
- c. **Delays** at border crossing points-looking for bonds.
- d. Longer vehicle turn-around/transit time.
- e. **Delays in acquittal/cancellation** of bonds; and
- f. Frequent inspection of transit goods.

Figure 1: Location Map of the Northern Corridor



Legend:



Road Network



Railways Networks



Pipelines



Inland Waterways

The Issues

For example Bollore Africa has four or more general bonds to carry out transit of goods in the northern corridor countries as follows

Principal (Clear Agent)	General Bond Lodged with Customs Admin	Collaterals deposited Insurance/Bank	Insurance Premium and Bank Charges
Bollore -Kenya	KNS 5BN (\$58,823,530)	Collateral in Kenya	0.75%- 1% (\$588,235)
Bollore-Uganda	UGS 1BN (\$400,000)	Collateral in Uganda	1%- 3.5% (\$4,000)
Bollore-Rwanda	RWF 350m (\$560,000)	Collateral in Rwanda	0.75%- 1% (\$5600)
Bollore -Burundi	BIF 700 M (\$454,000)	Collateral in Burundi	.75%- 1% (\$4540)
Total premium/Charges and collaterals for the four countries			US\$602,375

The Issues

High cost of General bond/guarantee and collaterals

If a XY firm from Rwanda imports tyres from Japan (tyres for lorries HS 14011100000) worth US\$100,000, through Mombasa to Kigali. Hence, the importer or his Principal has to deposit three bonds as:

	Customs Authority	Duty and Tax Amount	Charge for Transit Bond by Clearing Agents	Amount Payable by Principal
1	Kenya, KRA	(25%+16%), \$41,000	1	410
2	Uganda, URA	(25%+18%), \$43,000	1	430
3	Rwanda, RRA	(25%+18%), \$43,000	1	430
4	Burundi OBR	(25%+18%).\$43,00	1	430

The RCTG CARNET

Institutional and Administrative Features

To address the pointed out trade facilitation challenges COMESA Introduced the RCTG Scheme

1. The RCTG Scheme was established by an agreement signed by Head of States and Governments
2. It took ten year to designed , develop , build consensus, pilot test and rollout.
3. The scheme is administer by Council of RCTG and Management Committee composed of Customs Administration , Clearing and Forwarding Agents and Sureties;
4. The system has :
 - An IT system to manage the regional operations , which is also inter-faced with the Customs National IT systems (ASYCUDA World) etc.
 - A Reinsurance Pool with a clearing house facility;
 - A private firm appointed as Manager to handle the day to day operations, and
 - Expected to be self financed in the next two/ three years.



**COMESA CARNET
CARNET DU COMESA-RCTG SCHEME-REGIME RGTD**



The COMESA Carnet is a guarantee document of undertaking issued by the undersigned Surety on the basis of Regional Customs Transit Guarantee/Bond approved by Customs Administration to provide guarantee to pay equivalent to the amount of duties or charges due on the goods, which might arise from irregularities during transit or otherwise in accordance with national Customs Act of the country.

Le Carnet du COMESA est un document de garantie de cautionnement douanier délivré par le garant signataire sur base du Régime régional de garantie de transit sous douane approuvé par l'administration des douanes et servant de garantie de paiement de l'équivalent du montant des droits de douane ou des taxes dus sur les marchandises qui pourraient résulter d'irrégularités pendant le transit ou d'autres circonstances conformément à la législation douanière nationale du pays.

COMESA CARNET NO/NO DU CARNET COMESA

1. VEHICLE MAKE/ MARQUE DU VEHICULE
2. REG. NO/ No. D'IMMATICULATION
- TRAILER /REMORQUE 1
- TRAILER /REMORQUE 2
3. GOODS DESCRIPTION / DESCRIPTION DES MARCHANDISES
4. IDENTIFICATION MARKS/MARQUES D'IDENTIFICATION
5. AMOUNT OF GUARANTEE/ MONTANT DE LA GARANTIE
- LOCAL CURRENCY/ MONNAIE LOCALE
- US\$ EQUIVALENT / EQUIVALENT EN USD
- DATE OF ISSUANCE (DD/MM/YYYY)
- DATE DE DELIVRANCE (JJ/MM/AAAA)
- SIGNATURE OF CARNET HOLDER/SIGNATURE DU TITULAIRE DU CARNET

CTG No/NO DU CARNET DE GARANTIE DE TRANSIT SOUS DOUANE

6. ISSUING SURETY/GARANT EMETTEUR
7. PRINCIPAL/ GARANT PRINCIPAL
8. COUNTRY OF COMMENCEMENT/ PAYS DE DEPART
9. COUNTRY OF TRANSIT/PAYS DE TRANSIT
10. COUNTRY OF DESTINATION/PAYS DE DESTINATION
11. CUSTOMS DECLARATION NO/ DECLARATION EN DOUANES NO.



Country of Commencement/ Pays de Départ

- Departure/ Départ**
1. WAS INSPECTION DONE?/L'INSPECTION A-T-ELLE ETE FAITE?
 - CUSTOMS OFFICER/PAR UN AGENT DOUANES?
 2. ALTERATIONS/MODIFICATIONS
 3. APPROVED BY/APPROUVÉ PAR
 - CUSTOMS OFFICER'S ID / AGENT DES DOUANES

STAMP/CACHET
AT DEPARTURE
AU DÉPART

- Exit/Sortie**
1. WAS INSPECTION DONE?/L'INSPECTION A-T-ELLE ETE FAITE?
 - CUSTOMS OFFICER/PAR UN AGENT DOUANES?
 2. ALTERATIONS/MODIFICATIONS
 3. APPROVED BY/APPROUVÉ PAR
 - CUSTOMS OFFICER'S ID / AGENT DES DOUANES

STAMP/CACHET
AT EXIT
À LA SORTIE

**Country of Transit
Pays de Transit
(Where applicable)**

- Departure/ Départ**
1. WAS INSPECTION DONE?/L'INSPECTION A-T-ELLE ETE FAITE?
 - CUSTOMS OFFICER/PAR UN AGENT DOUANES?
 2. ALTERATIONS/MODIFICATIONS
 3. APPROVED BY/APPROUVÉ PAR
 - CUSTOMS OFFICER'S ID / AGENT DES DOUANES

STAMP/CACHET
AT DEPARTURE
AU DÉPART

- Exit/Sortie**
1. WAS INSPECTION DONE?/L'INSPECTION A-T-ELLE ETE FAITE?
 - CUSTOMS OFFICER/PAR UN AGENT DOUANES?
 2. ALTERATIONS/MODIFICATIONS
 3. APPROVED BY/APPROUVÉ PAR
 - CUSTOMS OFFICER'S ID / AGENT DES DOUANES

STAMP/CACHET
AT EXIT
À LA SORTIE

**Country of Destination
Pays de Destination**

- Departure/ Départ**
1. WAS INSPECTION DONE?/L'INSPECTION A-T-ELLE ETE FAITE?
 - CUSTOMS OFFICER/PAR UN AGENT DOUANES?
 2. ALTERATIONS/MODIFICATIONS
 3. APPROVED BY/APPROUVÉ PAR
 - CUSTOMS OFFICER'S ID / AGENT DES DOUANES

STAMP/CACHET
AT DEPARTURE
AU DÉPART

- Exit/Sortie**
1. WAS INSPECTION DONE?/L'INSPECTION A-T-ELLE ETE FAITE?
 - CUSTOMS OFFICER/PAR UN AGENT DOUANES?
 2. ALTERATIONS/MODIFICATIONS
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STAMP/CACHET
AT EXIT
À LA SORTIE

Status of Implementation

- Ten countries have ratified the Agreement ;
- Became operational in Northern Corridor countries (**Kenya ,Uganda and Rwanda**) in December 2011,
- Preparations are being finalized in Central Corridor to start operations in **Burundi and Tanzania** by end of July 2014;
- Preparations are at advanced stage to commence the rollout in **Djibouti –Ethiopia- Sudan** (Horn Route); and
- some work is required to rollout of the system in **Congo, Malawi, Zambia and Zimbabwe** (North-South Corridor).

Status of Operations

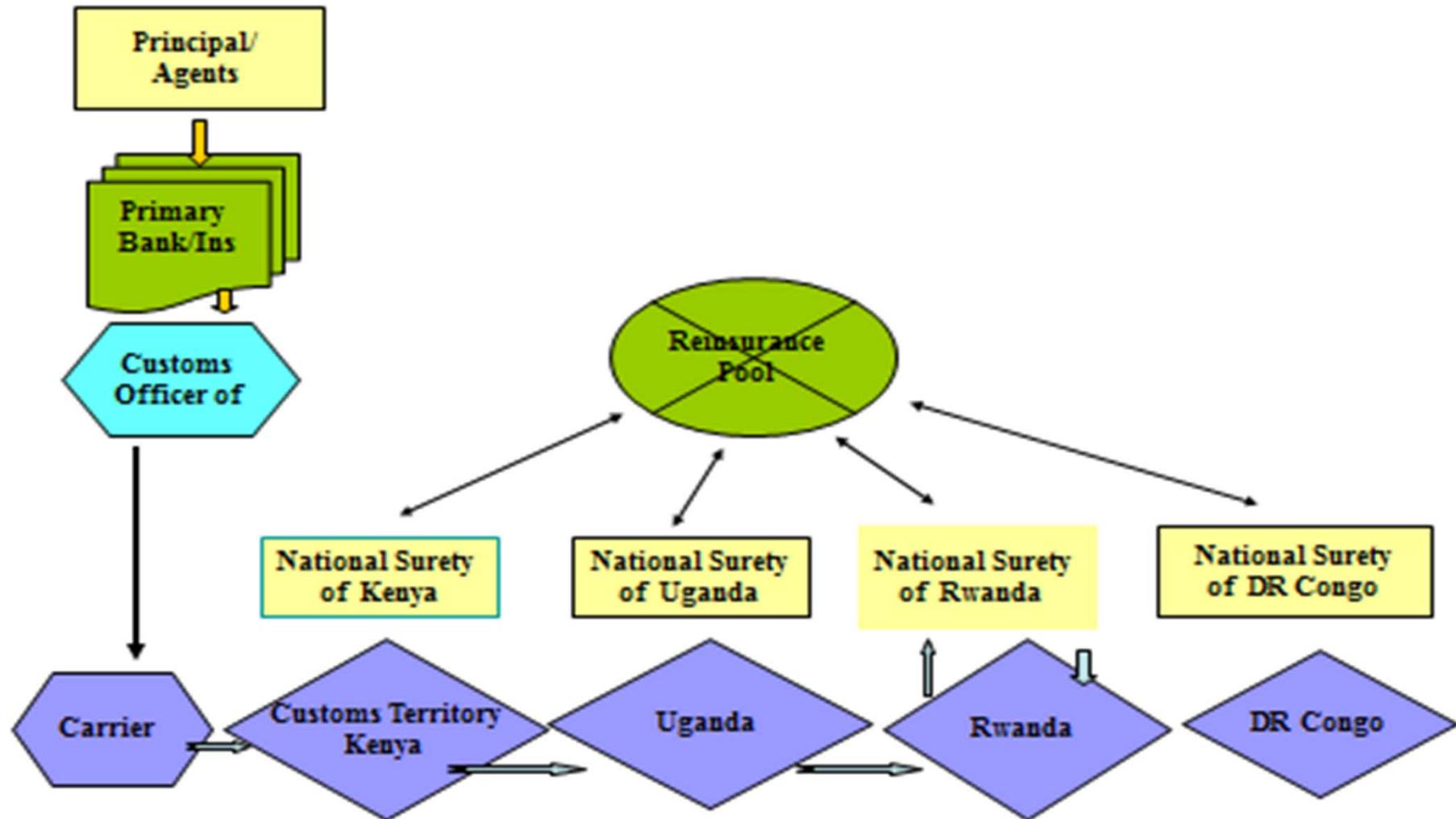
The status of operations of the RCTG Carnet in the northern corridor is as follows”

- 194 companies (Clearing and Forwarding Agents) in Kenya , Uganda and Rwanda are involved in the RCTG operations;
- A total of 194 Region Bonds (RCTG Bonds) have been executed/issued
- The total amount of the RCTG Bonds is worth US Dollars 89,134,213.59,
- So far 13 guarantors are participating in the issuance of Regional Bonds ; and
- Over 1725 Carnets have been issued for transit goods from **Kenya to Uganda & Rwanda and vice versa**

The Transit operation

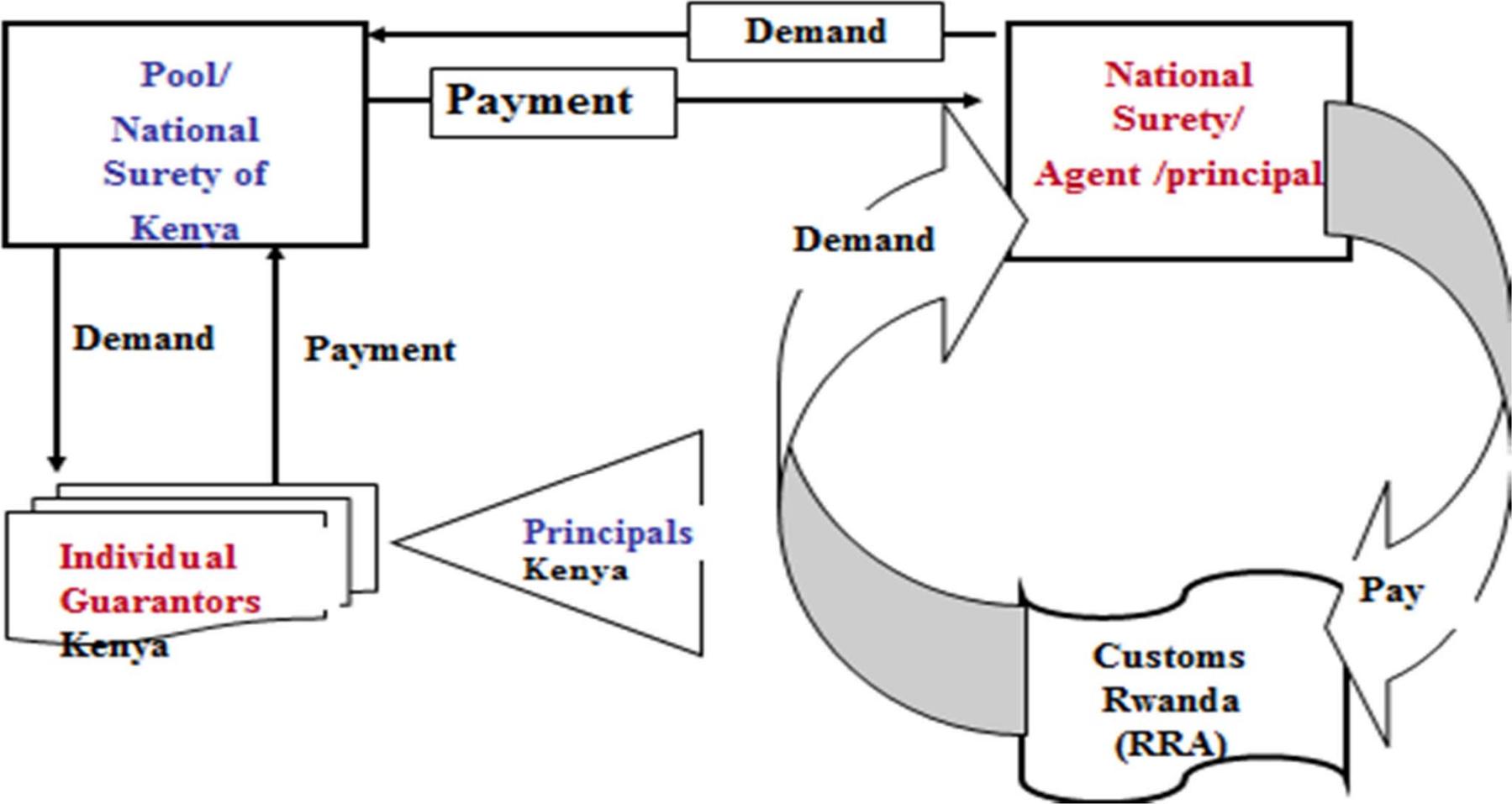
Highlights of operational mechanism

Transit Process of CARNET



Claim payment process

Claims Demand & Payment Process



Benefits

1. Reduce cost of bond/guarantee and collaterals charged by Sureties

The current system

For example , currently Bollore Africa Logistics has four or more general bonds to carry out transit operations in the Northern Corridor countries as follows:

Principal (Agent))	General Bond Amount	Collateral	Bank/Insurance Charges	
Bollore Kenya	KES 5Bn with KRA	Cash or title deed	Bank 0.25%-1%	Ins. 0.75%-1%
Bollore Uganda	UGX 1Bn with URA	Cash or title deed	NA	Ins 1%- 3.5%
Bollore Rwanda	RWF 350M with RRA	Cash or title deed	Bank 0.6%-3.5%	Ins. 0.75%-1%
Bollore Burundi	BIF 700M BIF With OBRs	Cash or title deed	NA	Ins 0.75%-1%

Under RCTG Bond, Bollore now is able to carry out transit operations in the Northern and other Corridors with only one Regional bond and one collateral.

- This will significantly cut the cost of bonds/guarantees from US\$602,375
to US\$441,176

Benefits

2. Reduce bond charged by Agents

The current system

If a XY firm from Rwanda imports tyres from Japan (tyres for Lorries HS 14011100000) Worth US\$100,000, through Mombasa to Kigali, the importer has to post three bonds as shown in the following example:

Customs Authority	Duty and tax Amount	Bond charge by Agents	Amount payable
Kenya-KRA:	Duty + VAT (25% +16%) : \$41,000.	about 1%	410
Uganda-URA:	Duty + VAT (25% + 18%) : 43,000	1%	430
Rwanda-RRA :	Duty + VAT “(25% + 18%): 48,000	1%	<u>480</u>
Total cost of Bond Charge for single transit would be			<u>\$1320</u>

Under the RCTG Bond, the Bond charge will only be \$48,000 (1.5%) \$720

Benefits

3. **Reduce transit Time:** Lodging bonds at border posts is one of the reasons for the delays, because many Clearing Agents have limited capacity and/or insufficient bonds
4. **Simplify the clearing process :** Because the bond provide security/guarantee from commencement to final destination: this make the management of bond simplify
The Regional IT and National It system are interfaced (eg. RCTG-MIS and ASYCUDA World)
5. **Reduce documentation**
6. **Reduce and gradually remove the acquittal process of bonds**
7. **Provide Business opportunity**
8. **Minimize Revenue leakage**

Cost of Transport and transit cost in Northern Corridor

	20" Container	40" Container
Mombasa - Kampala	US\$ 2300-\$3000	\$4500- \$5000
Mombasa - Kigali	\$4000-\$5000	\$6000- \$6500
Mombasa – Bujumbura	\$5500- 6000	\$7000- 8000

The implementation of the RCTG CARNET reduces, the cost of transit trade and transport between 10% to 15% and enhance competitiveness through the expansion of regional and global trade

Challenges

- Infrastructure – power and connectivity;
- Lack of capacity for Small and Medium Clearing Agent to carry out regional operations/business;
- Corruption and rent seeking attitude ;
- Duplication of efforts and resources by regional grouping and cooperating partners, and
- capacity limitation at the Secretariat.

Thank you for your attention