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 21 days 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 many; 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 changes 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:

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

<table>
<thead>
<tr>
<th>Customs Authority</th>
<th>Duty and Tax Amount</th>
<th>Charge for Transit Bond by Clearing Agents</th>
<th>Amount Payable by Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Kenya, KRA</td>
<td>(25%+16%), $41,000</td>
<td>1</td>
<td>410</td>
</tr>
<tr>
<td>2 Uganda, URA</td>
<td>(25%+18%), $43,000</td>
<td>1</td>
<td>430</td>
</tr>
<tr>
<td>3 Rwanda, RRA</td>
<td>(25%+18%), $43,000</td>
<td>1</td>
<td>430</td>
</tr>
<tr>
<td>4 Burundi OBR</td>
<td>(25%+18%), $43,000</td>
<td>1</td>
<td>430</td>
</tr>
</tbody>
</table>
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-CRCTG SCHEME-REGIME RGTG**

The COMESA CARNET is a guarantee document issued by the Regional Authority on the basis of the COMESA Transport Protocol (CETP), which guarantees to pay any damages or changes due to the goods, which might arise from irregularities during transit or otherwise in accordance with national Customs Act of the country.

The COMESA CARNET is a document of guarantee de transit, délivré par le garant signataire sur base du règlement régional de guichet de transit, garantissant le paiement des dommages et intérêts encourus par le marchand débiteur au cours du transit du bien ou des marchandises, qui pourraient résulter d’irrégularités pendant le transit ou d’autres assignations conformément à la législation douanière nationale du pays.

**1. VEHICLE MAKE/MARQUE DU VÉHICULE**
   1. REG NO/No. D’IMMATRICULATION
   2. TRAILER/REMORQUE 1
   3. TRAILER/REMORQUE 2
   4. GOODS DESCRIPTION/DESCRIPTION DES MARCHANDISES
   5. IDENTIFICATION MARKS/MARQUAGES D’IDENTIFICATION
   6. AMOUNT OF GUARANTEE/VALEUR DE LA GARANTIE
   7. LOCAL CURRENCY/MONNAIE LOCALE
   8. DATE OF ISSUE/DATE DE DÉLIVRANCE
   9. DATE OF DELIVERY/DATE DE DELIVRANCE

**SIGNATURE OF CARNET HOLDER/SIGNATURE DU TITULAIRE DU CARNET**

**Country of Commencement/Pays de Départ**

1. WAS INSPECTION DONE?/INSPECTION A-T-ELLE ÉTÉ FAITE?
2. ALTERATIONS/MODIFICATIONS
3. APPROVED BY/APPORTEUR PAR
CUSTOMS OFFICER’S ID / AGENT DES DOUANES

**STAMP/CACHET**

**AT DEPARTURE/ AU DÉPART**

**Exit/Sortie**

1. WAS INSPECTION DONE?/INSPECTION A-T-ELLE ÉTÉ FAITE?
2. ALTERATIONS/MODIFICATIONS
3. APPROVED BY/APPORTEUR PAR
CUSTOMS OFFICER’S ID / AGENT DES DOUANES

**STAMP/CACHET**

**AT EXIT/À LA SORTIE**

**Country of Transit/Pays de Transit**

1. WAS INSPECTION DONE?/INSPECTION A-T-ELLE ÉTÉ FAITE?
2. ALTERATIONS/MODIFICATIONS
3. APPROVED BY/APPORTEUR PAR
CUSTOMS OFFICER’S ID / AGENT DES DOUANES

**STAMP/CACHET**

**AT DEPARTURE/ AU DÉPART**

**Country of Destination/Pays de Destination**

1. WAS INSPECTION DONE?/INSPECTION A-T-ELLE ÉTÉ FAITE?
2. ALTERATIONS/MODIFICATIONS
3. APPROVED BY/APPORTEUR PAR
CUSTOMS OFFICER’S ID / AGENT DES DOUANES

**STAMP/CACHET**

**AT DEPARTURE/ AU DÉPART**

**Exit/Sortie**

1. WAS INSPECTION DONE?/INSPECTION A-T-ELLE ÉTÉ FAITE?
2. ALTERATIONS/MODIFICATIONS
3. APPROVED BY/APPORTEUR PAR
CUSTOMS OFFICER’S ID / AGENT DES DOUANES

**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 vise versa.
The Transit operation

Highlights of operational mechanism
Transit Process of CARNET

- Principal/Agents
- Primary Bank/Ins
- Customs Officer of
- Reinsurance Pool
- National Surety of Kenya
- National Surety of Uganda
- National Surety of Rwanda
- National Surety of DR Congo
- Carrier
- Customs Territory Kenya
- Uganda
- Rwanda
- DR Congo
Claim payment process
Benefits

1. Reduce cost of bond/guarantee andcollaterals 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:

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

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 1401100000) Worth US$100,000, through Mombasa to Kigali, the importer has to post three bonds as shown in the following example:

<table>
<thead>
<tr>
<th>Customs Authority</th>
<th>Duty and tax Amount</th>
<th>Bond charge by Agents</th>
<th>Amount payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya-KRA:</td>
<td>Duty + VAT (25% +16%) : $41,000.</td>
<td>about 1%</td>
<td>410</td>
</tr>
<tr>
<td>Uganda-URA:</td>
<td>Duty + VAT (25% + 18%) : 43,000</td>
<td>1%</td>
<td>430</td>
</tr>
<tr>
<td>Rwanda-RRA:</td>
<td>Duty + VAT “(25% + 18%): 48,000</td>
<td>1%</td>
<td>480</td>
</tr>
</tbody>
</table>

Total cost of Bond Charge for single transit would be $1320

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 makes the management of bond simplify. The Regional IT and National IT system are interfaced (e.g., 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

<table>
<thead>
<tr>
<th></th>
<th>20” Container</th>
<th>40” Container</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mombasa - Kampala</td>
<td>US$ 2300-$3000</td>
<td>$4500- $5000</td>
</tr>
<tr>
<td>Mombasa - Kigali</td>
<td>$4000-$5000</td>
<td>$6000- $6500</td>
</tr>
<tr>
<td>Mombasa – Bujumbura</td>
<td>$5500- 6000</td>
<td>$7000- 8000</td>
</tr>
</tbody>
</table>

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