Customs Reforms and Modernisation in Lesotho: A Conduit for National World Trade Organisation (WTO) Trade Facilitation Agreement (TFA)Implementation

By:

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Introduction

Since its entry into force, the World Trade Organisation (WTO) Trade Facilitation Agreement (TFA) provisions apply and are binding on those WTO members that have accepted it. The pace of its implementation efforts differs for members, however, based on whether a country is classified as developed, developing or least developed. This allowance for different implementation periods is in accordance with WTO TFA Articles 15 and 16. To date, the rate of

implementation commitments of this Agreement by developing countries is 60.6% while the rate of implementation commitments by the least developed countries is 22.8%. This slow pace of implementation is attributed to reasons such as insufficient resources, absence of inter-agency cooperation, outdated information, communications technologies (ICT) and infrastructure and others.

Noting the challenges in implementation of commitments under this Agreement by developing and least developed countries, I argue that there is potential for Customs administrations to act as conduits for WTO TFA implementation through their reform and modernisation initiatives. To demonstrate the feasibility of this approach, I highlight the achievements realised through Customs reforms and modernisation by Lesotho in the area of trade facilitation.

Background on WTO TFA

WTO defines trade facilitation as 'the simplification and harmonisation of international tradeprocedures.' Simplified and harmonised procedures for international trade expedites cross border-traderesulting in multiple positive linkages to economies. The WTO further defines trade procedures as 'activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade'. WTO TFA objectives include;

- To speed up customs procedures.
- To make trade easier, faster and cheaper.
- To provide clarity, efficiency and transparency, reduce bureaucracy and corruption.
- To use technological advances.

The WTO TFA's Section 1 has 36 measures with a total of 238 notifiable article items grouped into 12 main articles. This section consists of stipulations for expediting the movement, release and clearance of goods. The majority of the 12 main articles in this section apply to Customs. WTO TFA Articles provisions are separated into A, B and C categories in accordance with the definitions of each category. Article 14 mandates developing and least-developed countries to determine, individually, their own categorisation of provisions under Categories A, B and C. Furthermore, Articles 15 and 16 requires signatory

member states to make notification of their implementation status and plan.

WTO TFA and Lesotho.

Lesotho ratified the WTO TFA in 2016. In accordance with Article 23, Lesotho established a National Trade Facilitation Committee (NTFC) which was launched in September 2017. The main objective of the NTFC is to facilitate the coordination and implementation of the provisions of the WTO TFA in the National Trade Policy Framework. Lesotho notified it's A, B and C categorisation on May 30 2018. This notification did not include her definitive dates for implementation of categories B and C nor did it show the type of assistance and support required for capacity building for implementation of Category C measures, therefore rendering Lesotho non-compliant with WTO TFA Articles 15 and 16.

Lesotho Customs

A country's cross border trade facilitation related reform initiatives are linked to its Customs infrastructure and policies reform initiatives. The Trading Across Borders indicator under the World Bank's Doing Business Measure emphasises a country's trade facilitation related reforms. Complicated Customs procedures have potential to lead to an increase in cross border trade costs to end consumers and to act as a disincentive to potential investors. Lesotho Customs commenced on implementation of its reforms and modernisation initiatives in 2012. One of the objectives of these reforms and modernisation was to bring improvement to cross-border trade performance-based measures. These reforms and modernisation journey were anchored on policies and foundations aligned to the WTO TFA,regional and international agreements and obligations, regime relevant strategies and relevant country and organisational diagnostic reports.

The first phase of the reform and modernisation journey resulted in implementation of basic Customs procedures through a number of different initiatives and projects. At completion of this first phase Lesotho realised improvement in the Trading Across Borders measure of the World Bank's Doing Business Index, moving from position number 144 out of 189 economies in 2013 to position number 36 out of 189 economies in 2016. The latest Trading

Across Borders Index ranks Lesotho at position number 38 out of 189 countries.

The **Table** below shows Lesotho's Trading Across Borders indicators for the periods 2013 to 2019. The improvement in ranking in 2016 resulted from completion of roll out of all the identified initiatives in this phase of reforms and modernisation.



The second phase of the Customs reform journey is in progress. This second phase, meant to make further improvements on cross border trade related performance indicators, seeks to build on phase one achievements through implementation of initiatives and projects which include enhancement of the Customs automated declaration system and electronic connectivity with relevant trade related stakeholders (including Regional Customs administrations) amongst others. In addition to these initiatives, through mandate from the NTFC, Lesotho Customs leads the national initiative on implementation of Articles 8 and 10.4.

To ensure ease of implementation of new initiatives when they get launched, Lesotho Customs is also undertaking a comprehensive legal reform exercise. In line with WTO TFA Article 2, Lesotho Customs holds relevant stakeholder forums and enables online feedback mechanisms to allow for comments. For an example, the legal reform project has an online feedback form through with which stakeholders can make comments.

Conclusion

Considering that successful implementation of Customs reforms and modernisation leads to improvements on cross border trade, successful implementation of initiatives under phase two of Lesotho Customs reforms and modernisation will further facilitate and enhance cross border trade, which is the aim of WTO TFA. This way Lesotho Customs will be acting as a conduit for national implementation of WTO TFA.

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