





A WORLD BANK STUDY

# Quantitative Analysis of Road Transport Agreements (QuARTA)

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## Contents





**A**

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## A... A...

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## A . . . .

ADR	International Carriage of Dangerous Goods by Road
AETR	Agreement Concerning the Work of Crews of Vehicles engaged in International Road Transport
ALADI	Latin American Integration Association
ASAs	Air services agreements
ATP	Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be used for such Carriage
BSEC	Black Sea Economic Cooperation
CBTA	Cross-Border Transport Agreement
CIS	Commonwealth of Independent States
CMR	Convention on the Contract for the International Carriage of Goods by Road
CPs	Contracting parties
ECMT	European Conference of Ministers of Transport
EU	European Union
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
ITF	International Transport Forum
JC	Joint committee
MFN	Most favored nation
MoU	Memorandum of Understanding
NT	National treatment
OECD	Organization for Economic Co-operation and Development
QUASAR	Quantitative Air Services Agreement Review

ROLA	Truck-on-train, road-rail-road (combined road-rail transport technology)
RORO	Roll-on/roll-off (ships designed to carry wheeled cargo)
SACU	Southern African Customs Union
SADC	Southern African Development Community
SATCC	Southern African Transport and Communications Commission
SECI	South-East European Cooperation Initiative
TIR	International Road Transport Convention
UNECE	United Nations Economic Commission for Europe
VAT	Value-added tax
WCO	World Customs Organization
WEF	World Economic Forum
WTO	World Trade Organization

Road freight transport is indispensable to international economic cooperation and foreign trade. Across all continents, it is commonly used for short and medium distances and in long-distance haulage when minimizing time is important. In all instances governments play a critical role in ensuring the competitive advantage of private sector operators. Countries often have many opportunities to minimize the physical or administrative barriers that increase costs, take measures to enhance the attractiveness and competitiveness of road transport, or generally nurture the integral role of international road freight transport in the global trade logistics industry.

In the absence of full liberalization of road transport services, bilateral arrangements between countries are preferred. While full liberalization of markets would be ideal, in practical terms, bilateral agreements between countries are the key instrument used to govern and regulate international road transport services. In particular, bilateral agreements play a major regulatory role in cases where no efficient multilateral agreement or system is in place. These agreements vary in scope and depth, but the details they include often reflect the market openness

political, economic, or other factors that are unique to the two countries involved. Even agreements concluded between one country and any other two countries can vary dramatically. Freight transport companies often have to adapt to multiple requirements along a single transportation route. This diversity makes it difficult for trucking service providers to comply and may compromise their ability to optimize their operations and minimize costs.

- One of the reasons for the variation in quality among bilateral agreements is the absence of a widely applicable international template. Bilateral agreements often reflect specific, parochial needs—for example, a desire to improve the political climate between countries—and do not always have a primary focus on improving transport efficiency. Unfortunately, the reasons for negotiating the agreements are not always explicit, especially when they lie outside the transport arena. A major risk is that the content and scope of these locally specific agreements could distract from efforts at regional integration.
- Regional model agreements have been used in an attempt to lay the groundwork for eventual convergence and integration in regional road freight transport markets, but in general existing models work better between partners with similar conditions. In addition, the limitations of the models are often replicated in the bilateral agreements based on them. In order to be useful and progressive, model agreements should serve as a minimum framework that pairs of countries would be expected to exceed in their bilateral negotiations.
- Although bilateral agreements should be “public goods” and published widely, governments often do not make them available. This inhibits freight transport companies and other service providers from understanding and complying with the rules they must follow.
- An agreement between any two parties is only as good as the extent to which it is put in practice. Concluding a bilateral agreement is a positive step, but effective implementation and enforcement are crucial for trade and transport facilitation.

## Specific Recommendations

When embarking on bilateral agreements, countries’ national and international interests would be best served by taking the following actions:

- Start negotiation of bilateral agreements only when all stakeholders have agreed on the broad objectives and limitations of the agreements. Normally, when negotiating bilateral (and multilateral) agreements, each party’s objectives will be to promote and facilitate trade with the other country





may concern vehicle technical standards, documentation and inspection, particular and unreasonable requirements for driver competences and licenses, or the obligation to provide special certificates (in relation to the cargo or other aspects of operations). Governments are thus advised to refrain from imposing new barriers to trade in the form of technical, inspection-related, and other documentary requirements for international haulage. They should draw on existing international best practices covering the technical requirements for the vehicle, the driver, and the cargo, and simplify technical documentation requirements.

- **Set harmonized and transparent rules for cross-cutting issues** International transport operations are greatly affected by general policies pursued by governments in areas like visa issuance; security rules; or insurance regulation concerning the driver, the transport operator, the vehicle, the cargo, and specific transport operations. Therefore, countries should follow international standards and set transparent rules for all these elements of the transport process. In doing so, they should take into account benefits and tools provided by existing international legal instruments and best practices to which they are or should become contracting parties (CPs).
- **Nurture effective institutional and implementation arrangements** The implementation of bilateral (and multilateral) agreements depends to a large extent on efficient institutional support. This is particularly important to the decision-making processes of forging international instruments, including the effectiveness of Joint Committees (JCs) (for bilateral) or of Working Parties (for multilateral). Attention should be paid to institution building and training of officials engaged in the negotiation and administration of bilateral agreements on road transport. Better training and institutions will enable them to draft and properly implement efficient international agreements and apply the best practices existing on the international scene in this respect.
- **Conform with major international obligations** Most countries are CPs to a multitude of international agreements, whether bilateral or multilateral. They should therefore consider thoroughly the rights and obligations stemming from all their international treaties when preparing, negotiating and implementing new bilateral road transport agreements. Furthermore, countries should take

## Conclusion

Road transport services are an extremely important part of international commerce. However, they are currently regulated by a complex mix of national, bilateral, and multi-lateral instruments. This promotes inefficiency and increases costs of compliance by cross-border trucking service providers. It is important to be able to assess individual agreements and identify where they may depart from international best practice or from provisions that encourage greater efficiency in the provision and integration of services.

In the interest of helping policy-makers navigate both the existing climate and establish best practices, the present study puts forth a systematic methodology for analyzing bilateral agreements. The methodology enables policy makers to determine what elements relevant to international operations are addressed in an agreement and where gaps in the regulatory framework may remain. Such analysis of T/T.8 (Slw 10 0 0 10 54 0)dfodo5AreemlC /Spand integration of services.



## CHAPTER 1



Road freight transport is critical to domestic and international trade. It is the dominant mode of transport for overland movement of trade traffic, carrying more than 80 percent of traffic in most regions. Generally, nearly all trade traffic is carried by road at some point. Therefore, the cost and quality of road transport services is of critical importance to trade competitiveness of countries and regions within countries. In fact, road transport is fundamental to modern international division of labor and supply-chain management.

As infrastructure has improved across most of the developing world, regulatory and procedural constraints faced in logistics services have become more pronounced. Research in Africa and South Asia suggests that regional trade and transport corridors with limited competition in road transport services face higher prices than corridors with more competition (Chemonics International 2011; Teravaninthorn and Raballand 2009). It has therefore become important for the World Bank and other agencies to invest in regulatory reform in the logistics services sector (including trucking, warehousing, and freight forwarding) if trade costs are to be reduced. Clearly, investing only in infrastructure or trade-facilitation initiatives will not lead to significant reductions in trade costs unless they are accompanied by meaningful services reform, especially in road transport services (Borchert, Gootiiz, and Mattoo 2010; World Bank 2011).

Research on international road transport services suggests that quantity restrictions are one of the major constraints to reducing transport costs. A common recommendation from research on road transport is to establish the actual effect of the regulatory barriers between countries and the effects permit and quota systems have on the supply and costs of transport services between countries. For example, Teravaninthorn and Raballand (2009) recommended a review of bilateral agreements, among other issues, as a means of reducing transport costs in Africa. In Southern Africa freight forwarders have long argued that bilateral agreements, although seemingly sound, have inadequate management procedures that render them unsuited to the provision of efficient transport services (Nick Poree Associates 2010).

This study applies a rigorous approach to international trade-related operations and regulatory provisions that have an impact on regional and global road transport markets. While there is growing attention being paid to the

political economy of road transport services, it has always been difficult to separate constraints that are founded in interstate agreements from those that are imposed through other means.

The provision of international road transport services, especially for freight, is typically regulated and supposedly facilitated by bilateral road transportation agreements. However, recent analytical work suggests that certain types of agreements have a negative effect on trade and are a major source of trade cost. Anecdotal evidence even suggests that these agreements eventually supersede more open agreements enacted at the regional level.

Although bilateral agreements have long been the traditional way of







not reflected in the preambles to the different agreements. Were the reasons to be clearly articulated, this would be useful for better categorizing the agreements and evaluating their impact on market openness and trade. However, from the experience of the authors, there are generally two types of reasons for negotiating and concluding agreements on road transport:

- *Political* :
  - The agreement is used as a starting point to develop or improve the relations between the two countries. In other words, such an agreement would represent an economic (partial) solution to a political problem.
- *Economic* :
  - To carry trade exchanges in an equitable manner (if transport capacity is unbalanced between the two parties and needs to be regulated to avoid social problems)
  - To send a signal to markets and develop demand
  - In case of large investments performed in infrastructure, to promote its use, including the development of ancillary activities
  - To detail the implementation of broader commitments assumed by the two negotiating parties in international multilateral legal instruments. For example, there are free trade agreements under which countries do not implement evenly their road transport commitments, but rather prefer to set road transport issues at the bilateral level.

All the means used for improving cooperation between countries are good. However, from an economic efficiency perspective, the main reason for concluding bilateral road transport agreements should be to promote and facilitate trade with the other country (or countries) concerned, and to satisfy the real demand from those in need of transport and transit rights – for example, traders, manufacturers, and tour and transport operators. Negotiations should only start after thorough analysis of the benefits, implications, and major interest for the national economy. Last but not least, the capacity of all parties for implementation and enforcement should be carefully and responsibly assessed in order to avoid malfunctions or nonperformance of the agreement.

The overarching goal of any negotiation carried out in good faith should be to reach “the fair compromise.” The big (understandable) dilemma even of those negotiating a bilateral road transport agreement in good faith remains how to be honest while protecting national interest. It is not uncommon for one party to try to give minimum access to its national market in exchange of getting maxi



## Challenges and Issues

The regulation of road transport has its roots in the 1930s, when governments sought to protect the railways from competition by introducing systems of licenses, quotas, and tariffs for road transport (WTO 2010). These practices prevailed until two waves of deregulation that occurred in the 1960s and the 1980s, especially the latter. In the 1980s there was evidence that despite the controls rail transport was experiencing an ongoing erosion of traffic volumes to road transport. In the early 1980s the United States, the United Kingdom, and Europe in general introduced deregulation of transport services across the various modes (especially road and air). In Europe this eventually included definition of qualitative criteria for entry into the road transport profession and to the market, harmonization of driving and rest times, and vehicle weights and dimensions. These criteria resulted in fair competition, price deregulation, abolition of intra-Community quotas, progressive liberalization of cabotage, and other reforms. Nearly all regions of the world subsequently followed suit, at least with respect to their domestic quantitative regulatory and mandatory

distances from his home base to the place of distribution of permits. This process can also be straightforward; this is mostly the case in environments that are enabling business—for example, where procedures are computerized and transport operators are admitted to the profession and to the market based on qualitative criteria.

Transport companies may try to circumvent difficult permit and quota systems through cooperation between them, investment in foreign transport companies, or by setting up depots in different countries. Such companies combine GATS Modes of Supply 1 and 3 with respect to the supply of road transport services.<sup>2</sup>

While bilateral agreements are widely used, their design and implementation present a number of problems that have not been systematically assessed:

- A survey carried out by the European Conference of Ministers of Transport (ECMT)<sup>3</sup> in 2002 found around 1,400 bilateral agreements in force, concluded between 43 European countries (WTO 2010). Sixty percent of the agreements were with third countries in Europe while the rest were with other partners. Bilateral road transport agreements account for more than 95 percent of road transport operations between EU states and third countries. For operators, keeping track of all the agreements can be a significant regulatory burden, especially given that any service between more than two countries would involve at least two agreements but likely more than two.
- Except in a couple of regions identified below, there is no international pattern or set of agreed policy guidelines on bilateral agreements. It is not unusual for a country and any two parties to have agreements that are very different from each other. It is therefore quite common for traffic rights exercised over more than two countries to involve a chain of bilateral agreements, adding to the regulatory burden.
- Bilateral agreements are guided by principles of reciprocity and territoriality. The former refers to how CPs mirror each other's commitments and facilities and the latter to how operators have to respect the rules and conditions in force in the other contracting party.
- Such agreements may lack, for example, modern provisions on protection of the environment, road safety, security, or access to the profession of road transport operator, thereby perpetuating unsustainable practices.
- For example, until late in the mid-2000s, Austria had bilateral road transport agreements with its Central

and Eastern European neighbors that promoted more environmentally friendly modes of transport. Such modes were promoted by sanctioning trucks travelling on their own-wheels (therefore polluting) and rewarding transport operators that used multimodal possibilities such as the ROLA (“truck-on-train”). However, the strict environmental standards in these bilateral agreements resulted in a very limited number of transit permits being issued across Austria. Traders and transport operators had to take dramatic steps to counter the highly restrictive conditions—for example, choosing deviating routes at significant higher costs.

• Where bilateral agreements are based on a quota system, the common practice is to fix the number of permits at the same level for both parties. However, if one party has bigger trade volumes or more efficient operators, then it may exhaust its quota faster than the other party.<sup>4</sup> Unless the quota is increased, the party with higher volume must pay for additional permits and access to infrastructure. This in turn increases the cost of transport and implicitly raises trade costs between the countries.

The various issues mentioned above manifest in operational constraints that affect the level of integration of road transport markets. Lack of bilateral agreements translates into obstacles to trade, including successive unloading and loading operations at each border crossing. On the other hand, restrictive agreements do not significantly improve the situation. Restrictions on operators of one country in foreign territories can make it impossible to load and unload cargo; fragment supply chains; and increase costs, transit times, and uncertainty in cargo flows. Operators also find it difficult to comply with varying requirements in different markets, and a company’s efficient operations in one country may not create positive spillover effects in another country. Fragmented requirements may also encourage and sustain other tendencies that make integration difficult, such as low levels of standardization of equipment and operational practices.

## Notes

1. [http://untreaty.un.org/ilc/texts/instruments/english/conventions/1\\_1\\_1969.pdf](http://untreaty.un.org/ilc/texts/instruments/english/conventions/1_1_1969.pdf).
2. The GATS defines trade in services by their modes of supply: (1) cross-border supply, (2) consumption abroad, (3) commercial presence, and (4) movement of natural persons.
3. The ECMT is now the International Transport Forum (ITF).
4. This was the case in the agreement between Thailand and the Lao People’s Democratic Republic in the mid-2000s, when Thai operators ended up dominating the bilateral trade traffic. This has been for many years (and continues to be) the case between Romania and Turkey, where imbalance in the number of permits exchanged by the parties penalizes the road transport industry.









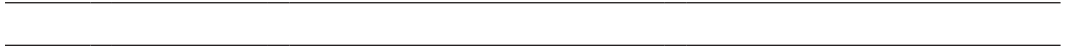
Based on the core features identified above, the following main sections of the final Typology Questionnaire (appendix A) were defined:

1. contracting parties (CPs), dates of signature and entry into force, relationship with other legal instruments, and so forth
2. geographic and functional scope of the agreement, possible limitations of scope, and so forth
3. traffic types subject/exempt to/from permits/quotas, types of prohibited transport, mechanism of permit delivery, quota fixing arrangements, types of permits issued, and so forth
4. transit permits/quotas, and so forth
5. (third-country traffic quotas): restrictions on triangular operations, and so forth
6. limitation of route selection by operators to routes prescribed by authorities of the CPs, route specification, transit route facilities, and so forth
7. tax exemptions, tolls and duties, and so forth
8. vehicle technical requirements, vehicle certification, driving licenses, driving/rest time, driver certification, and so forth
9. insurance, liability, and so forth
10. nondiscrimination, protection of the environment, traffic safety, transport security, and so forth
11. Joint committee (JC), infringements, and so forth
12. UN registration of agreement, dispute settlement, entry into force, duration, amendment, authentic language, and so forth
13. list of benchmark features and their weights, boxes for attributed partial scores by features, and total score for the agreement
- 14.











## Selection of Agreements for Review

The basis of the empirical analysis of bilateral road transport agreements is an extensive dataset of such agreements from across the world, compiled by the World Bank and the World Trade Organization. The dataset includes more than 140 such agreements, although there are obviously many more agreements worldwide than this. The selection of agreements was hampered by difficulties in obtaining certified copies of all bilateral agreements, the lack of reliable information about their actual legal status, and lack of data about the extent of their practical implementation. As a result, the study gives only parts of the overall picture. As such, this analysis must be seen as an “indicative study,” which aims to explain the impact of one or another legal provision on the level of market and territory openness. In other words, the study tries to explain the extent to which road transport operations and implicitly trade are performed seamlessly between the countries concerned.

A representative sample of the agreements was then used to explore in detail different aspects of their openness. In total, 77 agreements were selected for analysis and the ranking/benchmarking exercise from the agreement database. As part of the project, it was planned that this database should, if possible, be extended to achieve a balanced geographic distribution of agreements (table 3.2).

However, the distribution of the available agreements by regions was not balanced. “Europe and Central Asia” was overrepresented (almost three-quarters of the available agreements), followed by “Africa” with 10 percent, including agreements signed between North African and European states; “Middle East” with roughly 10 percent; and “South Asia,” “East Asia,” and “South America” with 5 percent of the total. Therefore, the “geographic relations” pattern was used for grouping agreements (see tables 3.2 and 3.3) as it reflects better bilateral agreement reality, including the fact that many agreements are between countries on different continents and in different regions. That is to say, these legal instruments have interregional geo-coverage. In addition, this presentation reflects a truly more balanced geographic distribution of agreements. (See table 3.4 for

**Table 3.2 Distribution of Bilateral Agreements in the Present Agreement Bank by Geographic Relation**

<i>Geographic relation<sup>a</sup></i>	<i>Number of available agreements</i>	<i>% of total</i>
Europe-Europe	70	50
Asia <sup>b</sup> -Europe	41	29
Africa-Europe	13	9
Asia-Asia	9	6
Africa-Africa	7	5
South America	1	1
Total	141	100

*Source:* World Bank data.

*a.* Agreement signed between countries located on continents mentioned.

*b.* Including Caucasian countries.

**Table 3.3 Number of Bilateral Agreements Analyzed by Geographic Relation**

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the undesirable imbalances that occur if the “regional pattern” is applied for selected agreements.)

Whichever presentation scheme is used, some of the regions would be underrepresented, including Asia (except for Central Asia), Africa (except for South Africa), and South America. This would still be true even if all available agreements for these areas were selected for review (as they indeed have been). Efforts by the World Bank to obtain the text of more bilateral agreements for various regions of Africa and South America have produced only a few additional documents (those signed between two pairs of Central African countries).

For future purposes, it is recommended to obtain additional agreements and add them to the agreement databank. China, for example, has signed almost a dozen bilateral agreements with its neighboring countries and is party to a few regional schemes (IRU 2009). African and South American countries have also signed a number of relevant agreements.<sup>4</sup>

In order to mitigate the geographic imbalance of the selection as compared to the available agreements database, first preference was given to non-European relations and land-locked countries; other relations were added to complete the required sample. Many agreements in Europe had to be discarded because of the loss of relevance subsequent to EU enlargement or special legal arrangements between the EU and non-EU states. Because of constraints of the original





**Table 3.5 Multilateral Transport Agreements and Other Legal Instruments by Areas as Selected for Benchmarking**

<i>Geographic region</i>	<i>Agreement and model title</i>	<i>Number of countries</i>
<b>Europe (including Caucasus)</b>	Recommended Model Bilateral Agreement on Road Transport between European Conference of Ministers of Transport (ECMT) member countries	45 <sup>a</sup>
	South-East European Cooperation Initiative (SECI) Memorandum of Understanding on the F	oo/ y

Several multilateral agreements and models were considered of relevance to this review, some of which cover relatively wide geographic areas (table 3.5). Some of the multilateral and model agreements were selected and scrutinized to understand better the legal context of any bilateral “derived documents” based on them.

## Notes

1. In aviation, transit can be free and open ended. This is known as aviation’s “fifth freedom” and facilitation is not a real problem except over the Russian Federation, where the “fifth freedom” of the air is very marginal.
2. National experts who provided feedback on the test weights of agreement features were from the Czech Republic, the Islamic Republic of Iran, Kazakhstan, Poland, and Romania.
3. Wherever GATT is referred to, reference is also made to the Consolidated Resolution of the UNECE on the facilitation of road transport (R.E. 4), 30 April 2004 (TRANS/SC.1/2002/4/Rev.4), which has taken over all major principles of Article 5 of GATT.

4. **Namibia-South Africa:** Agreement on the Carriage of Goods by Road; signed 16 May 1994; entered into force 16 May 1994 [www.dfa.gov.za/foreign/bilateral0415.rtf](http://www.dfa.gov.za/foreign/bilateral0415.rtf)  
**Botswana-Zimbabwe:** bilateral road transport agreement; signed 7 August 2001; <http://www.panapress.com/Botswana,-Zimbabwe-sign-road-transport-agreement--13-498786-17-lang2-index.html>  
**East African Community:** [http://www.eac.int/infrastructure/index.php?option=com\\_docman&task=doc\\_details&gid=13&Itemid=70](http://www.eac.int/infrastructure/index.php?option=com_docman&task=doc_details&gid=13&Itemid=70).  
**West Africa:** [http://www.unctad.org/en/docs/ldc20032\\_en.pdf](http://www.unctad.org/en/docs/ldc20032_en.pdf)  
**Andean Community:** Decision No. 399 of 17 January 1997 codifies previous decisions that liberalize bilateral road transport between Andean Community members (Bolivia, Colombia, Ecuador, and Peru); World Trade Organisation, S/C/W/324, October 2010; <http://www.oecd.org/dataoecd/60/61/46348780.pdf>



## CHAPTER 4

... B ... A ...

concluding the agreement under the umbrella of a wider framework, existence of provisions related to relationship with other treaties, and prevalent law.

- These include the obligation to register the agreement with the Secretary General of the United Nations (according to the Charter of the United Nations, Chapter XVI, Miscellaneous Provisions, Article 102), transparency and availability of pieces of national legislation and regulations, right of appeal against decisions of competent authorities, dispute settlement arrangements, procedures of amendment of the agreement including its Annexes and/or Protocols, and obligation or recommendation to consult the other party when reviewing national regulations relating to the agreement.

### **Basic Data of Agreements**

The identification of the precise content of each agreement is an easy task, as all the selected agreements contain this element.<sup>1</sup> The information on the content of the agreements is available for all agreements but one. The content of the agreement is not available for 27 agreements (or 35 percent) out of 77. This is certainly a high level of data nonavailability. Further research is necessary to reduce this level, which would help creating more visibility of the agreements' legal status.

Eight agreements (or 10.4 percent) have been signed under the umbrella of a previous one and just five (or 6.6 percent) have been signed under the umbrella of a group of international agreements.

A great majority (73 agreements or 94.8 percent) contains reference to the CPs' legal status, stemming from various international bi- and multilateral agreements and conventions they are parties to, which can be transport-specific or general cooperation instruments. For example, in respect of multilateral transport conventions, specific references have been found to the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention)<sup>2</sup> on customs transit or the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR),<sup>3</sup> on road traffic, the Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be used for such Carriage (ATP) Convention<sup>4</sup>, the Agreement Concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR) Convention<sup>5</sup> on driving and rest time rules and the application of the related on-board checking equipment (tachograph), various pieces of European Union (EU) legislation, and so forth.

Almost one-fifth of the agreements (15 or 19.5 percent) do not contain any reference to the CPs' legal status and most of the agreements define only a very limited number of terms such as "carrier," "company," "competent authorities," various types of "documents," and "vehicle." Some of them include further details like the definition of types of transport operations that can be conducted under the cover of bilateral road transport agreements.

The . . . in which each agreement was concluded is indicated in 74 agreements (or 96 percent). The majority of agreements (64 out of 74 for which this information is available or 86.5 percent) have been concluded in languages of the CPs while 64.9 percent have been worded also in an “international language,” the language of reference that normally prevails in case of a divergent interpretation of the text of agreement between the CPs. Indeed, a great majority (70 out of 76 for which this information is available or 92.1 percent) contains an explicit listing of authentic languages of the agreement.

### ***Agreement Final Provisions***

Notwithstanding their importance for the clear understanding of the agreement and for its practical implementation, the final provisions are often overlooked in

have been registered with the UN, following the unilateral initiative of one of the CPs. In such cases no penalty points have been applied in the ranking process.

This study would have been more comprehensive if bilateral agreements were registered as foreseen in international law, making access to the agreement databank easier. Moreover including the obligation for CPs to register their joint document with the Secretariat of the United Nations and observing it would significantly contribute to improving transparency in this field of international regulation.

Only nine agreements (or 11.7 percent) contain an explicit requirement for



course of an international journey could expect to be presented with numerous forms to fill in, often asking for exactly the same information, but in a slightly





Compared to the rigidity of the cabotage regulation, there is much more flexibility regarding *freedom of access* requirements. A great majority of agreements (55 out of 70 for which this information is available or

... (reciprocal) agreements of the permit and quota systems between CPs are almost generalized for all agreements (that is, there is symmetry). This , a8( )7e,This

There are no specific requirements in any of the agreements for permit issuance, such as certification of value-added tax (VAT) status, vehicle road worthiness, operator licensing, or vehicle ownership. The use of “freight queuing” (tour de file), a market-sharing formula at company level, has not been traced in any of the agreements.

**Provisions on Transit**

An overwhelming majority of agreements (70 out of 71 for which this information is available or 98.6 percent) explicitly cover transit traffic through the territory of one CP by vehicles registered in the territory of the other CP.

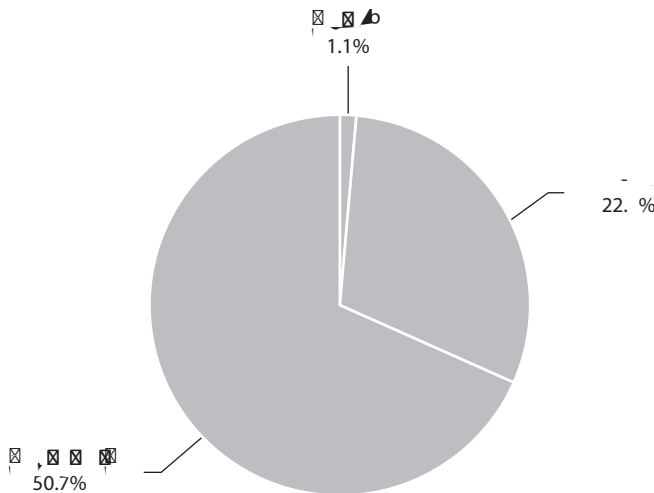
Transit is forbidden in one single agreement. At the other end of the scale, it is allowed in an open-ended manner only in 22 agreements (30 percent) and is permitted with limiting transit quotas in 50 cases (69 percent). It is remarkable that the majority of the CPs wish to restrict transit transport operations, thereby restricting transport and trade relations of the other CP with third countries, thus violating General Agreement on Tariffs and Trade (GATT) Article 5 on the freedom of transit (figure 4.5).

Only one agreement allows additional transit quotas for vehicles meeting the most recent safety and emissions standards and/or for using ROLA, RORO, combined transport modes, or other alternative routes. This is similar to the lack of such incentives in respect of quotas for bilateral transport.

**Triangular Quotas**

As mentioned above, triangular or third-country transports can increase transport efficiency and drive down costs significantly, notably by reducing the empty backhauls. As shown above, almost half of the agreements require a

Figure 4.5 Transit Regulation in Agreements



Source: World Bank data.







of cases, fiscal conditions have been fixed in published or unpublished protocols to the agreement, or it is stated that the fiscal treatment of transports is left with the JC. Some agreements explicitly exclude any taxation on the issuance of transport permits, but no clear reference has been identified to agreements concluded between the same CPs on fiscal matters, such as the prevention of double taxation.

An important issue for operational purposes is whether fuel contained in tanks of vehicles built-in by the manufacturer, lubricants, and spare parts imported under temporary customs regime for operation and repair purposes are exempted from customs duties. This is clearly the case in 48 agreements out of 74 for which this information is available (64.9 percent), while such duty exemption does not apply for more than one-third of the agreements. None of the agreements contains any fiscal preference or incentive regarding the initial and terminal legs of combined transport operations.

### ***Vehicles, Drivers, Transport Operators***

The Typology Questionnaire contains a number of questions concerning agreement provisions on vehicles, drivers, and transport operators. A few agreements only (8 out of 76 for which this information is available or 10.5 percent) contain general provisions for vehicles registered in the territory of one CP in order to be admitted in the territory of the other CP. However, most agreements (60 out of 75 for which this information is available or 80 percent) have additional specifications for transporting goods in vehicles whose weights and dimensions surpass the agreement's maximum permissible standards.

None of the agreements contains any reference to the multilateral UN International Convention on the Harmonization of Frontier Controls of Goods, 21 October 1982<sup>7</sup> ("Harmonization" Convention), particularly its Annex 8. One feature of the Harmonization Convention is the facilitation of border crossing by the mutual recognition of the international certificates on the . . . . . and the . . . . . of vehicles. However, in a few agreements in Southern Africa CPs have agreed on the bilateral recognition of national certificates issued for these two purposes. The Commonwealth of Independent States (CIS) shares a joint international weight certificate, but it is not referenced in any bilateral agreement reviewed for the CIS.

Only a minority of agreements (24 out of 70 for which this information is available or 34.3 percent) allows the use of . . . . . made up of vehicle units (tractor and trailer/semi-trailer) registered in different countries. This situation is detrimental from the point of view of flexibility of operations and the requirements for modern road transport logistics. Although there are cases when such combinations might facilitate road transport of goods, in general the authorities avoid authorizing them because they fear abuses by operators regarding the use of bilateral permits.

*D*. . . . . rules for drivers have been a major item for regulation over the last 50 years, and are present in one form or another in the majority of



... considerations, while transport security as such is not included in any of the agreements.

A clear minority of agreements (22 out of 76 or 28.9 percent) deal with various specific road transport issues, such as unimpeded passage through frontiers, priority border checks and passage for live animals, goods for humanitarian aid, perishable and dangerous cargo; as well as accelerated visa procedures and issuance of multi-entry visa for an extended period.

A clear majority of agreements (80 percent) do not require the presence of specific documents on board other than permits that should be presented on request to checking authorities. CPs requesting additional documents ask for consignment notes, international cargo manifest, license vignette and “safe conduct” (the two latter mainly in Southern Africa), vehicle fitness and weight



## Typology of Bilateral Agreements



## CHAPTER 5



As explained above, an assessment was made of the features that help to quantify the degree of openness of bilateral road transport agreements. The scoring scheme presented in table 5.1 has proven effective in establishing the degree of openness of the agreements reviewed. Scoring was not possible for just one transit-only agreement, which was not comparable with the other documents.

In accordance with a decision reached by the Project Team, even if subtractive “penalty points” resulted in negative subtotals, these were retained, and the final total score of each agreement was calculated accordingly.

As detailed quantification results show, final total scores accumulate mainly in the middle ranks of the scale (according to the Gauss or bell curve). This is because, on the one hand, even the least open agreements contain sufficient positive elements not be scored too low or zero; and on the other hand, not even the most open agreements meet all highly demanding openness requirements of the 11 core features – for example, under the items facilitation and transparency. By allowing negative values, the weight of these two features grew compared to the original maximum of marks/weights (10 for Facilitation Measures and 7 for Transparency). These “soft” openness features and their forward-looking character allow precise expression of the lack of one or another useful openness component in the agreements.

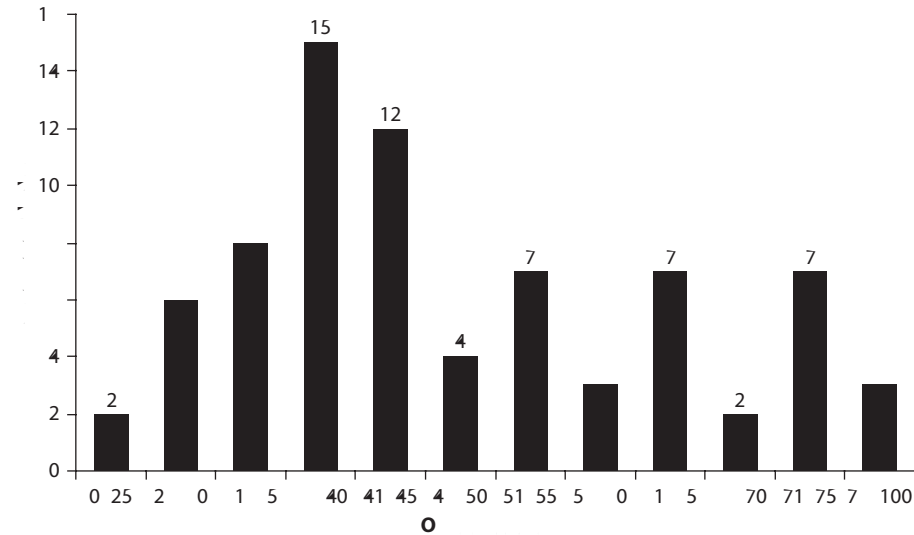
The 77 agreements, ordered by degree of openness, are presented in figure 5.1. According to these results, the agreement between Tanzania and Zambia is the least open (20 points out of 100), whereas the agreement between Belarus and the Netherlands is the most open (83 points out of 100).

Standard deviation from the average of the whole population (47.59) is 15.35, while the distribution of analyzed agreements seems to be balanced towards the lower end, with the lowest and highest 25-point ranges containing only two and three agreements respectively. The majority of results (45–59.21 percent) fall between scores of 26 and 50. Within this category, most agreements (15) have an openness ranking between 36 and 40 points (figure 5.2). The median value for the 76 scores is 43.5.

**Figure 5.1**



**Figure 5.2 Distribution of Agreement Scores by Score Categories**



Source: World Bank data.

These results confirm that none of the agreements above the average openness score (30 agreements with an average score of 64.04 representing 39.47 percent of the 76 agreements) are close to the “ideal” 100 score that is, the upper level benchmark requirements set in the Typology Questionnaire. On the lower end (46 agreements below average with an average score of 36.86 representing 60.52 percent of the 76 agreements), even the worst scores are well above zero.

In general, the 11 core features of the *Openness Typology* (see table 5.1) are illustrated in table 5.1). Their average score is 78.

The 11 main features of the *Openness Typology* (see table 5.2) are presented in table 5.2. Their average score is 25.

This report studied the relationship between the degree of openness and the date of conclusion of agreements, looking in particular for signs that deregulation in the transport industry since the 1980s has had an impact on international agreements. It may be stated (agreements without a date of conclusion omitted) with some caution that after a decline period of 1971–80, the degree of openness of bilateral road transport agreements increased (figure 5.3).

This report also considered whether the degree of openness depended on the geographic relationship of agreements. For the agreements selected, it is evident that bilateral agreements signed between Asian countries have a higher level of openness than those concluded in other geographic relations. This high score (58 in average for 9 agreements) is due to the relatively open agreements signed between Kazakhstan and most of its neighbors. Agreements signed in Southern Africa seem to feature the lowest scores (29 in average for 7 agreements) due

**Table 5.1 Eleven Core Features of Most Open Agreements**

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**Table 5.1 Eleven Core Features of Most Open Agreements** (*continued*)

<i>Agreement between</i>		<i>Score</i>
<b><i>Kazakhstan-Tajikistan</i></b>		<b>79</b>
1. Limitations of scope (max 5)	One type of traffic prohibited	4
2. Transport permit requirements, permit management (max 15)	No permit, no quota	15
3. Traffic exempted from permits (max 10)	No permit, no quota	10
4. Traffic exempted from quotas (max 8)	No permit, no quota	8
5. Cabotage traffic limitations (max 5)	Prohibited	3
6. Transit quota limitations (max 15)	No permit, no quota	15
7. Triangular/third-country traffic limitations (max 9)	No permit, no quota	9
8. Prescribed routes and border crossing points (max 8)	None	8
9. Taxation related limitations (max 8)	No fiscal preference for combined transport	6
10. Facilitation measures (max 10)	No international vehicle weight certificate; no international vehicle inspection certificate; no clause on office establishment; no clause on nondiscrimination	0
11. Transparency (max 7)	JC decisions not public; no appeal clause; no clause of registration of agreement with UN Secretary General	1
<b><i>Agreement between</i></b>		<b><i>Score</i></b>
<b><i>Kazakhstan-Kyrgyz Republic</i></b>		<b>79</b>
1.		

<i>Agreement between</i>		<i>Score</i>
3. Traffic exempted from permits (max 10)	Sufficient exemptions	10
4. Traffic exempted from quotas (max 8)	No quotas	8
5. Cabotage traffic limitations (max 5)	Allowed with special permit	4
6. Transit quota limitations (max 15)	No quotas	15
7. Triangular/third-country traffic limitations (max 9)	No quotas	9
8. Prescribed routes and border crossing points (max 8)	None	8
9. Taxation related limitations (max 8)	No fiscal preference for combined transport	6
10. Facilitation measures (max 10)	No International vehicle weight certi	3

## Findings on Bilateral Agreements

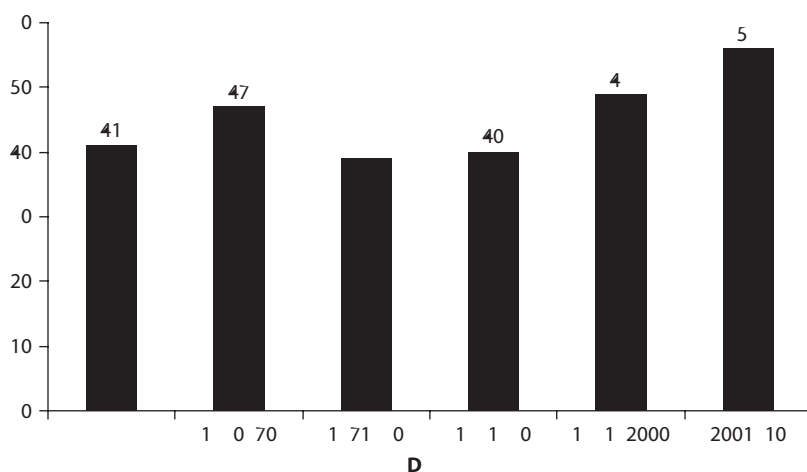
<i>Agreement between</i>		<i>Score</i>
10. Facilitation measures (max 10)	No clause on tractor and trailer registered in diff. countries; no clause on drivers license; no clause on office establishment;	2
11. Transparency (max 7)	JC decisions not public; no appeal clause; no clause on registration with UN Secretary General; no clause on access to national legislation	0
<i>Agreement between</i>		<i>Score</i>
<i>Zimbabwe-South Africa</i>		<b>27</b>
1. Limitations of scope (max 5)	Two types of traffic prohibited; permit validity less than six months; exclusivity applied	1
2. Transport permit requirements, permit management (max 15)	Bilateral quota; quota approval time not fixed; no additional quota for modern vehicle/combined transport; double approval	4
3. Traffic exempted from permits (max 10)	Less than 50% exemptions	6
4. Traffic exempted from quotas (max 8)	Less than 50% exemptions	5
5. Cabotage traffic limitations (max 5)	Prohibited	3
6. Transit quota limitations (max 15)	Transit quota; no additional quota for modern vehicle/combined transport	6
7. Triangular/third-country traffic limitations (max 9)	Forbidden	2
8. Prescribed routes and border crossing points (max 8)	Route restrictions; no roadside support services	0
9. Taxation related limitations (max 8)	No tax clause; no duty exemption for fuel in tanks; no fiscal preference for combined transport	-2
10. Facilitation measures (max 10)	No clause on tractor and trailer registered in different countries; no clause on drivers license; no clause on office establishment	2
11. Transparency (max 7)	JC decisions not public; no appeal clause; no	

**Table 5.2 Eleven Main Features of Least Open Agreements** (continued)

		Score
8. Prescribed routes and border crossing points (max 8)	Route restriction; no roadside support services	0
9. Taxation related limitations (max 8)	No tax clause; no duty exemption for fuel in tanks; no fiscal preference for combined transport	-2
10. Facilitation measures (max 10)	No clause on tractor and trailer registered in different countries; no clause on drivers license; no clause on office establishment	2
11. Transparency (max 7)	JC decisions not public; no appeal clause; no clause on registration with UN Secretary General; no clause on access to national legislation	0

Source: World Bank data.

Note: JC = Joint committee.

**Figure 5.3 Average Degree of Openness by Date of Conclusion of Agreements**

Source: World Bank data.

Note: Labels above bars show average scoring and the number of agreements concluded in the given period.

n.a. = Not applicable.

to “heavily sanctioned” restrictive provisions. They include several types of traffic prohibited, double approval procedure applied for permits and quotas, exclusivity applied to carriers and vehicles of the two CPs only, less than 50 percent of items on the standard cargo list exempted from permits and quotas, route restrictions (and no roadside support services), no tax clause, no duty exemption for fuel in tanks, and so forth. Drafting bilateral agreements in this region has certainly been influenced by the model bilateral agreement signed on a multi-lateral basis by countries of the Southern Africa region.

Agreements concluded between Northern Africa and European states seem also to be relatively restrictive (38 in average for 13 agreements) (figure 5.4).

Another striking feature is that the agreements signed by one country with different partners all tend to be different. For instance, Kazakhstan had 18 agreements in the sample but its scores ranged from 35 with Pakistan to a high of 79 with the Kyrgyz Republic. Figure 5.5 shows the scores of Kazakhstan's agreements with different parties.



## CHAPTER 6



Bilateral agreements are certainly influenced by multilateral ones to which most bilateral contracting parties (CPs) in a region concerned are simultaneously signatories. We characterized the features of this interrelationship in table 6.1, where eight intraregional, multilateral agreements are listed. These agreements were reviewed and ranked using the same ranking methodology as that used for reviewing bilateral documents.

At a later stage, consideration may be given to developing a special typology for benchmarking the openness of intraregional multilateral agreements, which are far from being homogeneous.

**Table 6.1 Scoring of Intraregional, Multilateral Agreements and Models**

<i>Geographic region</i>	<i>Agreement/MoU/model title</i>	<i>Scores</i>
<b>Europe</b>	Recommended Model Bilateral Agreement on Road Transport between ECMT Member Countries	57
	South-East European Cooperation Initiative (SECI) Memorandum of Understanding on the Facilitation of International Road Transport of Goods	59
<b>Black Sea Region</b>	Memorandum of Understanding on Facilitation of Road Transport of Goods in the BSEC Region and (together with) Black Sea Economic Cooperation (BSEC) Agreement on Multilateral Transit Permits	40
<b>Asia (South-East Asia)</b>	Agreement between and among the Governments of the Lao People's Democratic Republic, the Kingdom of Thailand, and the Socialist Republic of Vietnam for Facilitation of Cross-Border Transport of Goods and People (Cross-Border Transport Agreement [CBTA])	75
<b>Africa</b>	Memorandum of Understanding on Road Transportation in the Common Customs Area pursuant to the Customs Union Agreement between the Governments of Botswana, Lesotho, South Africa, and Swaziland (SACU MoU)	46
	SATCC Model Bilateral Agreement on the Regulation of Cross-Border Freight Road Transport	25
<b>South America</b>	Tripartite Agreement on Road Transport Uganda-Kenya-Tanzania	40
	Agreement on International Land Transport (Latin American Integration Association [ALADI])	56

*Source:* World Bank data.

... types of documents include the Memorandum of Understanding (MoU), examples of which are taken from the South-East European Cooperation Initiative (SECI) and the Black Sea Economic Cooperation (BSEC). MoUs are rather loose compendia of goodwill declarations that in principle should be given a step-by-step follow-up among signatories in further specific multilateral or bilateral agreements. The BSEC MoU has already been complemented by a specific BSEC Agreement on Multilateral Transit Permits, and this document has indeed been considered together with the region's MoU for benchmarking purposes.

Exception to the mainly general character of MoUs is the MoU on road transportation in the South African Customs Union (SACU), which is rather detailed and practical. For example, the MoU defines a phasing-in process of quota development whereby market shares of operators registered in territories of different pairs of CPs move from imbalanced toward balanced. In practice, issues covered by this multilateral agreement are tackled in a series of bilateral agreements.

... are compilations of legal solutions to intraregional multilateral issues that have been or are likely to be implemented in countries of the region concerned. Examples are the model bilateral agreements of the Southern African Transport and Communication Commission (SATCC) or the European Conference of Ministers of Transport (ECMT). These template agreements are not necessarily the most "progressive" solutions, but rather are harmonization-minded groupings of provisions that can be accepted by most countries. ECMT has enacted an interesting system, whereby the recommended bilateral model is indirectly supported by a highly progressive and efficient multilateral permit and quota system (a real alternative to bilaterally reciprocal rigidities). The system allows free access to bilateral, transit, and third-country transport market segments for transport companies and their vehicles registered in the territory of an ECMT member state. For decades, the flexible ECMT regime has functioned successfully and supported economic development in Europe. Recently, however, the system has suffered a serious setback due to the introduction of various unilateral or jointly agreed restrictions on previously guaranteed freedoms. These new restrictions are a response to developments such as the enlargement of the European Union (EU) and the protracted global economic-financial crisis (box 6.1).

The situation is explained by the International Transport Forum (ITF) as follows: "The fundamental aim of the ECMT System is to gradually liberalize international markets at a high level of quality. However the ability of the current System to achieve that aim has been reduced due to a range of geopolitical and economic factors. In recent years, there has been very little political support for liberalization measures and some Countries have become more protectionist, an attitude undoubtedly reinforced by the recent economic crisis" (ITF 2011).

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**Box 6.1**

**ECMT Multilateral Quota System**

The text below uses extracts from ITF documents to describe the ECMT Multilateral Quota System.



The third category of intraregional, multilateral documents is represented by specific agreements on international road transport. Examples of the category include the following:

- Agreement between and among the governments of the Lao People's Democratic Republic, the Kingdom of Thailand, and the Socialist Republic of Vietnam for Facilitation of Cross-Border Transport of Goods and People (Cross-Border Transport Agreement [CBTA])
- Tripartite Agreement on Road Transport Uganda-Kenya-Tanzania
- Agreement on International Land Transport (Latin American Integration Association [ALADI]).

Without judging their success and efficiency in practice, these agreements contain the most pragmatic legal provisions for a limited number of signatory states. They are applicable without the need to be transformed into further international (for example, bilateral) agreements or reiterated by national legislation.

Table 6.1 illustrates the results of the intraregional, multilateral scoring exercise.

The low score obtained by the SATCC Model Bilateral Agreement is the consequence of significant restrictions contained therein: permits for bilateral and transit operations, permit quotas, double approval of permits/quotas, limited number of exemptions from permits/quotas, prohibition of cabotage and third-country transports, route restrictions, no tax and customs duty exemptions, and lack of sufficient facilitation and transparency provisions.

At the other extremity of the scale, the high score of the trilateral CBTA is mainly due to the "no-permit regime." This regime automatically prohibits quotas for any type of operation with the exception of cabotage, no route restrictions, at least partial tax exemption, and a number of agreed facilitation and transparency measures.

By comparing the scores of the multilateral and the bilateral agreements for the same geographic relations/regions, an interrelationship between their scores can be discerned. The openness of bilateral and multilateral schemes are relatively close in the same region, as shown in table 6.2 and figure 6.1.<sup>1</sup>

Of course, the sample analyzed may not be sufficient for a valid conclusion. It opens a door, however, for further qualitative deliberations and comparisons between the two schemes, which could help deepen the existing knowledge in this respect.

Before leaving the question of multilateral agreements, one should remember the importance of a multitude of multilateral regulations that influence the functioning of either bilateral or intraregional regulatory arrangements of international road transport. Emphasis is put in this study on legal frameworks that overarch national and/or regional frontiers, such as UN or other international agreements and conventions. Many of these have been referenced in a number

**Table 6.2 Ranking Comparison of Multilateral and Bilateral Agreements**

<i>Intraregional multilateral agreement</i>	<i>Multilateral score</i>	<i>Average bilateral score</i>
SATCC Model Bilateral Agreement on the Regulation of Cross-Border Freight Road Transport	25	29 <sup>a</sup>
Memorandum of Understanding on Facilitation of Road Transport of Goods in the BSEC Region and (together with) Black Sea Economic Cooperation (BSEC) Agreement on Multilateral Transit Permits	40	50 <sup>b</sup>
Tripartite Agreement on Road Transport Uganda-Kenya-Tanzania		

of bilateral agreements as mentioned earlier, like the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention) or the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR), the Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage (ATP), the Agreement Concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR) agreement on driving and rest time rules and the application of the related on-board checking equipment (tachograph). Also important are pieces of EU legislation that have mandatory application to “visiting” transport operators registered in third-countries and operating in EU territory on the basis of bilateral agreements in geo-relations like Asia-Europe or Africa-Europe. Further multilateral transport instruments of high relevance include the Convention on the Contract for the International

Carriage of Goods by Road (CMR), conventions on road infrastructure development, road traffic safety, vehicle technical requirements, facilitation of border crossing, dangerous and perishable goods transport, the General Agreement on Tariffs and Trade (GATT) and General Agreement on Trade in Services (GATS), and so forth.

### Note

1. This initial observation is completely different from experience of the air transport agreements (see Quantitative Air Services Agreement Review [QUASAR] of World Trade Organization [WTO]), where the openness level of multilateral agreements (though not fully applied) is twice as high as bilateral agreements in the same geographic relation (e.g., Air Transport Agreement between the EU and SwitzerS

## CHAPTER 7



Transport as a derived demand is generally reflective of the economic or social interactions between regions and countries. The analysis was therefore extended to assess whether there is a relationship between the degree of openness of agreements and the economic ties between the two parties. The work was based on identifying the macroeconomic importance of bilateral road transport agreements for example answering the question whether road freight transport reflects an underlying demand for the movement of trade traffic.

A profound statistical analysis to determine the economic importance of agreements on the basis of bilateral road transport data would go beyond the scope of the present study. alone, if available, would have been sufficient and best suited for such an analysis as stated above. Ideally, this exercise should be based on origin-destination data. In the absence of such data the assessment relied on proxies. Three such proxies were used: (1) adjacency and proximity of the countries that are party to an agreement, (2) the size of the trucking fleets in the countries, and (3) the volume of international trade between the countries. The relationship between the degree of openness of the agreements and each of these factors was assessed first followed by a composite assessment. This analysis is only exploratory and the results are tentative and would require a more robust analytical approach.

### **Spatial Proximity of Contracting Parties**

Compared with maritime shipping, road and rail are currently transporting relatively small quantities of internationally traded freight, particularly between different continents. Less than one quarter of global trade (measured in value) takes place between countries sharing a land border, where surface modes are assumed to be dominant (OECD 2010; WTO 2010). However, as land-based transport has a relative advantage in terms of cost per transit-time compared to water and air transport, its share in international shipping is expected to increase. Therefore, neighboring countries are likely to regulate their access to each other's market through bilateral agreements. However, based on the

**Table 7.1 Distribution of Analyzed Agreements by Real Distance Categories**

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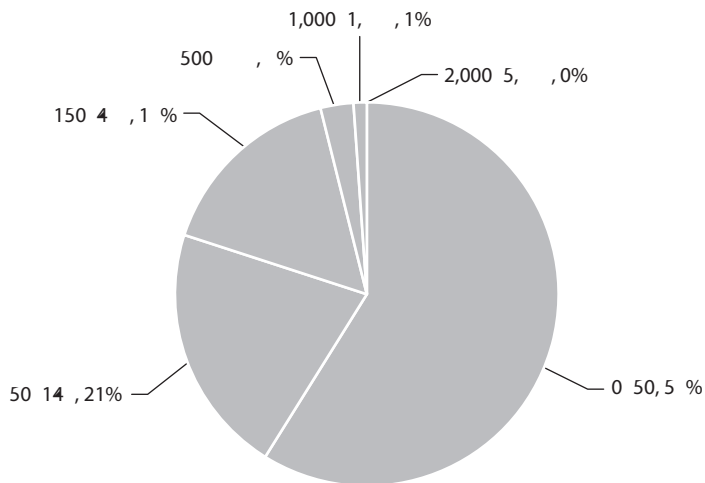
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sample analyzed, no relation could be identified between the proximity of countries and the degree of openness of the agreements (table 7.1).

Spatial proximity has always been central to trade flow modeling, especially the quality and cost of moving between any two places. In this respect, the present study assessed the adjacency of countries that are party to an agreement measured in terms of the distance between capital cities. We corrected for topographic effects such as natural barriers like water bodies or high mountains, as well as the number of transit countries to travel through to reach the other country.

For the reviewed bilateral agreements, distances are understandably shortest in Europe-Europe geographic relations, while those in Asia-Europe are the longest. Generally, however it would appear that the longer the distance, the less important is the bilateral transport agreement from an economic point of view. This finding is consistent with observed average road freight transport distances in the European Union (EU) (figure 7.1). In the EU, 96 percent of all tonnages transported by road are moved on a distance shorter than 500 kilometers (domestic and international movements included).

**Figure 7.1 Average Transport Distance, Total Road Transport, EU, 2008**



Source: <http://appsso.eurostat.ec.europa.eu>.



An additional hypothesis was also tested, namely that the longer the distance the more open the bilateral agreement of the pair of countries concerned. The idea is that contracting parties (CPs) of two distant countries sign bilateral road transport agreements for reinforcing their general economic, political, and diplomatic ties, rather than supporting and facilitating international freight movement by road, which is anyhow quantitatively insignificant due to distance. Competition between their haulers is certainly limited by the lack of geographic separation; therefore CPs may be more tolerant and less restrictive when drafting provisions of their agreement.

It was determined that about 50 percent of the agreements reviewed (those covering distances less than 2,000 kilometers) are more or less of sufficient distance where international road freight transport may play a meaningful role in carrying foreign trade goods to their destination. It is general experience that above distances of 2,000 kilometers (or even less), the longer the distance to cover, the more the trucking industry should specialize for niche markets (U.S. Chamber of Commerce 2006), like moving high-value or time-sensitive cargo.

### **Openness and Size of Bilateral Trade Flows**

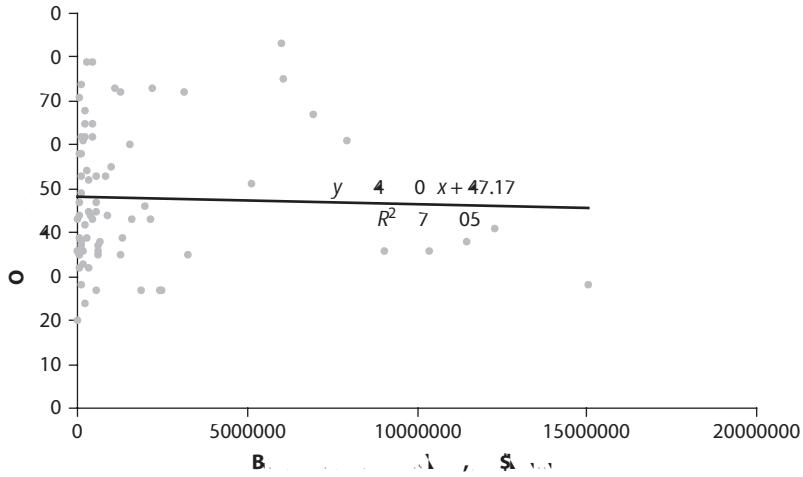
The study explored a possible link between the size of the bilateral trade flows between countries having road freight transport agreements and the degree of openness of such agreements. The assumption that was made was that the bigger the volume of demand between any pair of countries, the less concern about protecting access to the road freight market.

Not all trade traffic moves by road; in fact, the bulk of it, especially between coastal countries, moves by sea. The results suggest that there is no clear relationship between bilateral trade volume and openness. In fact, the trend based on the limited sample analyzed is slightly downwards (figure 7.2). Countries with large volumes of bilateral trade seem to have less open agreements than those that have lesser volumes. This can be explained by the earlier pattern identified above: less than 25 percent of global trade takes place between neighboring countries, where road transport would be expected to play a big role. In addition, there are pairs of countries that have agreements although the trade between them is very limited. Such countries would likely have concluded agreements for reasons other than economic ones, as described in chapter 2. If such is the case, then it is likely that any high transport costs between countries having bilateral road transport agreements and low trade volumes are not due to market access restrictions but to other factors, including, for instance, operational practices of incumbents.

### **Openness and Fleet Size**

An attempt was made also to understand the extent to which the openness of agreements is related to the size of the trucking fleets in the partner countries (appendix C). An underlying assumption was that the larger the national

Figure 7.2 Volume of Bilateral Trade and Openness of Agreements



Source: World Bank data.

trucking fleet in each country, the more important would be the road freight agreements. It was assumed also that when the domestic market has a large fleet, it will likely be very competitive, in which case the impact of foreign players accessing the same market would be limited.

Based on the sample, there are few leading pairs of countries that have large fleets especially in the EU: they include countries like France, Spain, the United Kingdom, and Germany. The country pair Turkey-France takes the top position because of the large size of the Turkish truck fleet. National fleet sizes are more balanced in the middle range. Further refinement of these absolute figures was not attempted but deserves consideration through the application of specific data. For example, the number of trucks could be divided by the size of population, the surface of the country of vehicle registration, the size of the gross domestic product (GDP) of the home country, and/or the size of international and domestic fleets. A distinction between hire-and-reward and own-account fleets would also be beneficial.

Similar to the findings of the assessment of openness based on trade volume, the size of the fleet also has a slightly downward sloping relationship with openness (figure 7.3). Even controlling for whether or not one of the parties to an agreement is landlocked, this did not alter the general trend. There are two possible explanations for this tendency. First, in countries with large fleets, the trucking industry tends to be better organized and therefore able to lobby the governments and influence the content of agreements. It is common practice for road transport industry representatives to form part of the country delegations to negotiations of bilateral agreements, and they are notably present in the joint committee (JC) meetings, where the number of permits are decided. Second, in some countries the regulations can restrict the number of transport operators

## Economic Importance of Agreements



## CHAPTER 8

Road freight transport plays an indispensable role among transport modes in ensuring mobility of people and the conduct of international economic cooperation and foreign trade. On a number of continents and land masses, its share is predominant, particularly for short and medium distances. Road transport also has proved to be vital on long-distance niche markets of international freight transport. Therefore, efforts should be made to minimize any physical or administrative barriers hampering smooth international road transport, notably for freight as an integral part of the trade logistics industry.

This study was motivated primarily by a realization that bilateral agreements are the main instrument used to govern and regulate international road transport services. Yet at the same time there is a general sense that the nature and content of such agreements is not always well known. Nor are the agreements readily accessible, especially among the community of service providers who are supposed to be the primary beneficiaries. As a result, it is not unusual for road transport service providers not to be fully aware of the provisions of the agreements or to take full advantage of their provisions. The study has confirmed some initial assumptions and has identified a few other patterns that are important to how countries and the development agencies that support them should approach regional road transport market integration and reforms. Ultimately, of course, bilateral agreements can either be building blocks to broader regional cooperation or they can become a major impediment. Some of the salient findings of the study are summarized below, starting with the general findings followed by some specific recommendations.

### General Findings and Recommendations

! The study confirmed two very important details. First, there are obviously numerous bilateral agreements between countries, but in most regions the majority of their texts are not readily available. This is a great disservice to the

agreements are not well known. Second, agreements between one country and any other two parties are not always the same. Depending on the political, economic, or other objectives of concluding the agreements, the scope and openness of any two agreements can be different. Countries will seek to balance their interests in any bilateral relationship, but this has consequences for service providers. Where requirements for entry into the international road transport sector or for compliance are different, this compromises the ability of service providers to optimize their operations and to minimize costs.

An agreement between any two parties is only as good as the extent of its implementation and enforcement. Ratifying an international legal instrument and concluding a bilateral agreement are very positive and relatively simple steps, but effective implementation is paramount to trade and transport facilitation. Becoming party to international legal instruments is a serious matter that





across frontiers; and the application of most favored nation (MFN) as well as national treatment (NT) standards to the benefit of carriers engaged in international operations, and therefore, indirectly, trade operators.

Furthermore, multilateral agreements that substantially apply the freedom principles have proven to be the best means of harmonizing international regulations, particularly when compared to the intrinsically discriminating, highly heterogeneous, and segmented bilateral legal instruments. Countries should consider introducing the freedom principles into their existing or future bilateral agreements, and preferably into existing and future multilateral regulatory schemes of international road freight transport.

Advantages of the most flexible market access conditions can be wiped away by overregulated technical conditions of transport operations. Overregulation may involve vehicle technical standards, documentation and inspection, particular and unreasonable requirements for driver competences and licenses, and the obligation to provide special certificates for the cargo carried or other aspects of operations. Governments are advised to draw on existing technical requirements for the vehicle, driver, and cargo and to simplify technical documentation requirements. They should apply self-restraint by not inventing new technical, inspection-related, and other documentary requirements for international haulage.

International freight transport operations are greatly affected by general policies pursued by governments in areas like visa issuance; security rules; and insurance regulation concerning the driver, the transport operator, the vehicle, the cargo, and specific transport operations. Furthermore, exemptions (or lack of) from visa obligations for professional drivers affects international transport efficiency and organization.

International transport security requirements should encompass existing legal instruments. These instruments include customs regulations like TIR Convention and other transit regimes, particularly the criteria for access to ensure that only trustworthy operators benefit from the system, the criteria for access to the profession of transport operator, security requirements for road infrastructure management; and so on. This way, replication or reinvention of technical and administrative rules can be prevented and unnecessary expenses avoided.

Countries should set transparent insurance rules for all elements of the transport process that follow international standards. Countries should also introduce DC BT/T12 1 Tf-01 c -01



instruments. It is clear that current practice is inefficient and likely increases costs of compliance. A well-considered model, offering options and expected outcomes, could greatly help to mould future bilateral agreements. Such a model could also help show where there are departures from international best practice. Obviously this was beyond the scope of the current study, but clearly it would be important to develop such a model. Future work in this area will be directed at identifying options and paths to road freight transport integration.

Specifically, further work will include the following actions:





Language(s) of the contracting parties:

Also in one international language:

Which language copy is available for analysis?

10. Is the competent authority clearly nominated with full contact details?  
Yes \_\_\_ No \_\_\_

## B. Coverage

11. Are there limitations in the geographical scope of the agreement?  
(For example, the CBTA agreement of the Greater Mekong Subregion or CAREC documents, where only one or two provinces of China are parties.)

Yes \_\_\_ No \_\_\_

*I , .*

12. Does the agreement provide for transport services between the parties to be exclusively performed by means of transport registered in one of the contracting parties?

Yes \_\_\_ No \_\_\_

*I , .*

13. Does the agreement provide for transport services between the parties to be exclusively performed by transport operators duly authorized/licensed in one of the contracting parties?

Yes \_\_\_ No \_\_\_

*I , .*

14. Are there types of transport that are totally prohibited?

Yes \_\_\_ No \_\_\_

If yes, specify. Are the reasons included in the agreement?

15. List types of permits/authorizations applicable under the agreement for various operations allowed.

Yes or No:

\_\_\_\_\_ bilateral transport

\_\_\_\_\_ transit transport

\_\_\_\_\_ triangular (third-country) transport

\_\_\_\_\_ transport in border region (territory adjacent to national border between neighboring contracting parties)

\_\_\_\_\_ Other categories of permits, please explain:

16. Are there time limitations of less than one year for the use of issued transport permits?

Yes \_\_\_ No \_\_\_

I , . . . .

17. Are there types of transport prohibited except with special authorization?

Yes \_\_\_ No \_\_\_

I , . . . . (A . . . . . 7.6 , . . . . ! . . . . . 4)

**C.**

- Transport of spare parts and provisions for oceangoing ships and aircraft
-



24. Methodology of sharing the permits

Yes or No

- Is there a bilateral quota? This question is aimed at covering cases of bilaterals having completely liberalized traffic for example, some UK ones and Swiss ones. "Open-ended" is meant to cover cases where the quota is maintained formally but without quantitative limits.

If yes, is the quota shared? (Yes/No/Not applicable)?

- If contained in the agreement, is there a sharing formula? Explain this formula below As a general rule, the formula is 50/50, but that is not the case, for instance, for many landlocked countries, where one can often see a 2/3, 1/3, or 60/40 split with the coastal state; hence the distinction below. One can also see instances where the trade-off is not between simple figures but involves more complex exchanges of the types described in the "IRU /UNECE questionnaire."
- Are there additional quotas for vehicles meeting the most modern safety and emissions standards? (Benchmark: ECMT/MA, article 11.3.2)

If yes, are there additional quotas for ROLA, RORO or alternative routes?

- Are there additional quotas rewarding the use of ROLA, RORO or the use of alternative routes?

If yes, specify quota sharing methods

Specify quota sharing methods; quotas for modern vehicles and for intermodal transport

25.

27. Is there a requirement for double approval for quotas by the two contracting parties?

Yes \_\_\_ No \_\_\_

33. Are there additional transit quotas for vehicles meeting the most modern safety and emissions standards? (Benchmark: ECMT/MA, article 11.3.2)

Yes \_\_\_ No \_\_\_

*I* , . . . .

34. Are there additional transit quotas rewarding the use of ROLA, RORO, or the use of alternative routes?

Yes \_\_\_ No \_\_\_

*I* , . . . .

**E. Triangular Quotas**

35. Are triangular quotas present in the agreement? (If present with limitations please specify as indicated in the following questions.)

Open-ended; present with limitations; absent

36. Limitations of triangular operations:

Yes or No

- Special authorization required
- Existence of “self-transit obligation” (Benchmark: ECMT/MA, article 6.1.b)
- For the carriers of A from or to the territory B to or from the territory of a third party to the agreement “AB”: number of round trips or monthly or annual quotas or other elements exchanged (for example, of the types described in the IRU/UNECE typology)
- For the carriers of B from or to the territory A to or from the territory of a third party to the agreement “AB”: number of round trips or monthly or annual quotas or other elements exchanged (for example, of the types described in the IRU/UNECE typology)

37. Are there additional triangular quotas for vehicles meeting the most modern safety and emissions standards? (Benchmark: ECMT/MA, article 11.3.2)

Yes \_\_\_ No \_\_\_

*I* , . . . .

38. Are there additional triangular quotas rewarding the use of ROLA, RORO, or the use of alternative routes?

Yes \_\_\_ No \_\_\_

*I* , . . . .



44. Are prescribed exit/entry points for transit or any other international operations specified in the agreement? (As for instance in article 4.1.d of the Tanzania-Zambia agreement)

Yes \_\_\_ No \_\_\_

## G. Fiscal Measures

45. Are vehicles from the other contracting party exempted from taxes relating to ownership, registration, running of the vehicle, and special taxes on transport services?

(Benchmark: ECMT/MA article 9.1)

Yes \_\_\_ No \_\_\_ Partially \_\_\_

*If partially, specify:*

46. Specify if the agreement contains a definition of “taxes related to the running of the vehicle” and/or of “special taxes on transport services.”

47. Are fuel contained in built-in tankers, lubricants, and spare parts exempted of all import duties? (Benchmark: ECMT/MA article 9.2)

Yes \_\_\_ No \_\_\_

*If no, specify:*

48. Are the initial and terminal legs of combined transport exempted from tolls and duties? (Benchmark: ECMT/MA article 9.3)

Yes \_\_\_ No \_\_\_

49. Are other types of traffic totally or partially exempted from tolls and duties?

Yes \_\_\_ No \_\_\_

*If partially, specify:*

## H. Vehicles and Drivers

50. Does the agreement contain technical requirements for vehicles?

Yes \_\_\_ No \_\_\_

51. Are there specific provisions on weight and dimensions included in the bilateral agreement?

Yes \_\_\_ No \_\_\_

52. Are there provisions related to the mutual recognition of weighing certificates of vehicles? (See United Nations International Convention on the Harmonization of Frontier Controls of Goods [“Harmonization

60. Does the agreement give the carrier the right to establish offices and/or appoint representatives and/or agencies in the territory of the other contracting party?

Yes \_\_\_ No \_\_\_

*I* , . . . .

**J. Specific Facilitation and Other Matters**

61. Is nondiscriminatory treatment (of goods, vehicle, and driver) clearly stated as an obligation in the agreement?

Yes \_\_\_ No \_\_\_ Partially \_\_\_

*I* . . . . , . . . .

62. Are there provisions explicitly related to environment protection?

Yes \_\_\_ No \_\_\_

*I* , . . . .

63. Are there provisions explicitly related to safety (traffic and/or transport operation)?

Yes \_\_\_ No \_\_\_

*I* , . . . .

64. Are there provisions explicitly related to security (traffic and/or transport operation)?

Yes \_\_\_ No \_\_\_

*I* , . . . .

65. Are there provisions on preferential facilitation measures for the driver (simplified immigration formalities such as passport/visa, driving licenses, and so forth), vehicles (registration, road worthiness, weights and dimensions, insurance), and goods (customs, quality, phytosanitary, veterinary checks), special expeditious treatment in case of transports of special cargoes (dangerous goods, livestock and perishable goods, temporary admission of certain goods and means of transport)?

## K. Implementation Arrangements

67. Joint Committee:

Yes \_\_\_ No \_\_\_

- Are the provisions regarding the JC different or more specific than those contained in article 14 of the ECMT/MA? (For example, composition, meeting periodicity, automatic allocation of quotas if no meeting within a certain duration, and so forth)
- Are decisions of the JC to be made public?

Specify JC institutional mechanism and the way of publishing JC decisions.

68. Are there procedures in case of infringement of agreement provisions?

Most bilateral agreements allow the authorities of host countries to take action on infringement of rules in their territories with notice to the competent authorities of home countries. Some agreements also provide for details of the sanctions for infringement, such as warning, temporary suspension or cancellation of the permit. Having the procedures included in the agreement avoids disputes between the contracting parties and lengthy debates in the meetings of the JC.

Yes \_\_\_ No \_\_\_

*I , . . . .*

69. Is exchange of information an obligation under the agreement?

Yes \_\_\_ No \_\_\_

*I , . . . . ? ( . . . . , . . . . , . . . . , . . . . )*

## L. Agreement Final Provisions

70. Are there provisions related to:

Yes \_\_\_ No \_\_\_

- Registration of the agreement with the Secretary General of the United Nations (according to the Charter of the United Nations, Chapter XVI, Miscellaneous Provisions, Article 102)
- Transparency and availability of pieces of national legislation and regulations
- Right of appeal against decisions of competent authorities



- Dispute settlement arrangements
- Procedures of amendment of the agreement including its Annexes and/or Protocols
- Is there a provision to consult the other party when reviewing regulations relating to the agreement?
- Entry into force and duration (clause of automatic extension?)
- Authentic text (one, two or more languages)



## APPENDIX B



		<i>Contracting parties</i>	<i>Language version</i>
1.	<b>Europe-Europe</b>	Belarus-Belgium	English
2.		Belarus-Denmark	English
3.		Belarus-Netherlands	English
4.		Belarus-Switzerland	German
5.		Bosnia and Herzegovina-Switzerland	German
6.		Czech Republic-Turkey	English
7.		Finland-Albania	English
8.		Macedonia, FYR-Spain	English
9.		Macedonia, FYR-Switzerland	German
10.		Macedonia, FYR-United Kingdom	English
11.		Serbia-Luxembourg	French
12.		Serbia-Spain	English
13.		Serbia-Switzerland	German
14.		Serbia-United Kingdom	English
15.		Bulgaria-Turkey	English
16.		Turkey-France	English
17.		Ukraine-France	English
18.		Switzerland-Albania	German
1.	<b>Asia-Europe</b>	Afghanistan-France	English
2.		Austria-Iran, Islamic Rep.	English
3.		Iran, Islamic Rep.-Belgium	English
4.		Iran, Islamic Rep.-Finland	English
5.		Iran, Islamic Rep.-Germany	German
6.		Iran, Islamic Rep.-Spain	Spanish
7.		Iran, Islamic Rep.-Turkey	English
8.		Israel-Belgium	English
9.		Israel-France	English
10.		Jordan-Switzerland	German
11.		Jordan-United Kingdom	English
12.		Kazakhstan-Hungary	Russian
13.		Kazakhstan-Lithuania	Russian
14.		Kazakhstan-Moldova	Russian

(table continues on next page)



## APPENDIX C



<i>Agreement</i>	<i>Fleet size 2008</i>	<i>Trade volume</i>	<i>Score</i>
Algeria-Spain	5,680,585	12,285,105	41
Algeria-Switzerland	601,232	588,798	36
Austria-Iran, Islamic Rep.	681,338	547,433	45
Bosnia and Herzegovina-Switzerland	383,453	199,141	65
Bulgaria-Turkey	3,109,385	3,159,134	72
Finland-Albania	466,733	12,335	36
Iran, Islamic Rep.-Belgium	962,780	198,921	42
Iran, Islamic Rep.-Finland	678,475	202,690	68
Iran, Islamic Rep.-Germany	4,546,299	6,084,030	75
Iran, Islamic Rep.-Spain	5,705,585	541,841	47
Iran, Islamic Rep.-Turkey	3,110,224	1,282,600	35
Israel-Belgium	1,021,453	7,931,420	61
Israel-France	6,638,673	3,251,514	35
Kazakhstan-Hungary	842,066	526,871	53
Kazakhstan-Lithuania	564,440	330,528	52
Kazakhstan-Moldova	530,299	260,352	54
Kazakhstan-Netherlands	1,485,764	5,137,125	51
Kazakhstan-Poland	3,124,029	900,528	44
Kazakhstan-Romania	1,059,672	1,092,728	73
Kazakhstan-Slovak Republic	661,225	835,142	53
Kazakhstan-Spain	5,819,917	990,642	55
Kazakhstan-Sweden	922,997	678,504	38
Kazakhstan-Switzerland	740,564	11,448,790	38
Kazakhstan-Turkmenistan	518,582	222,898	62
Kazakhstan-United Kingdom	4,169,032	2,196,936	73
Macedonia, FYR-Spain	5,434,465	113,799	62
Macedonia, FYR-Switzerland	355,112	78,508	32
Macedonia, FYR-United Kingdom	3,783,580	108,783	74
Morocco-Finland	448,303	315,707	32
Morocco-Luxembourg	104,247	22,793	36
Morocco-Spain	5,475,413	9,039,019	36
Morocco-Switzerland	396,060	623,508	37
Morocco-United Kingdom	3,824,528	1,589,401	43

*(table continues on next page)*



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