



**Shippers  
Council of  
Eastern  
Africa**



**EAST AFRICA  
LOGISTICS  
PERFORMANCE  
SURVEY  
2014**

Costs, Time and  
Complexity Aspects  
of the East African  
Logistics Chain

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# Foreword

The East African Logistics Performance Survey 2014 indicates a marked improvement in the port and corridor logistics efficiency resulting from the focus that the leadership of the region has given to infrastructure and trade facilitation. With the swearing in of the new Jubilee Government in March 2013, a raft of directives was issued with a focus on improving efficiency in the corridor. This has been supported by EAC infrastructure summit conferences and launch of Major infrastructure investments. This includes the Standard Gauge Rail (SGR), Kenya National Electronic Single Window System (KNESWS), launch of Berth 19, Single Customs Territory (SCT) among others.

The findings of the logistics performance survey for East Africa focuses on logistics draws on a set of data collected over a period of four months beginning February to May 2014 from freight forwarding and Shippers companies in East Africa. The survey tracks specific quantitative indicators of logistics performance in terms of cost, time and complexity of executing trade transactions which EAC countries can use to target policy actions to improve logistics and monitor their progress. The findings should spur public and private agencies that have direct or indirect power over logistics performance to focus attention on reducing sources of delays so as to improve the ability of the region to effectively compete in today's global economy.

It is important to note that regulatory regime that facilitate and encourage private-public partnerships, especially for large regional infrastructure projects such as Ports, Roads and Railroads need to be improved. Well-functioning specialized logistic infrastructure is also needed to ease freight handling, streamline inspection processes, and provide value-added services in areas closer to ports, airports, and border crossings. At the same time, services delivered by the state, including customs and cross-border crossings and security provisions, need to be harmonized and substantially improved. Additionally, efforts need to be formalized to implement institutional organizations to promote high quality logistics.

In this regard a lot of ground is being covered through the development and launch of the Port of Mombasa Corridor Charter and Performance dashboard in May 2014, by H.E. the President of the Republic of Kenya Uhuru Kenyatta. The purpose of the Charter is to establish a permanent framework for collaboration that binds the port Community together to specific actions, collective obligation, key performance Indicators and timelines. The Shippers council was tasked to coordinate the charter and provide monitoring and evaluation framework, analysis and dissemination of information on the performance of the corridor. The 2015 LPS will therefore draw a lot of information from the charter report and dashboard. Your usual cooperation on the development of the LPS will be highly appreciated as it continues to be the key point of reference by Government, regional and international policy markers due its dynamic and in-depth analysis of data and recommendation



Gilbert Langat -CEO

# Acknowledgement

**T**his report is prepared by a team of researchers at the Shippers Council of Eastern Africa (SCEA). Special thanks goes to the SCEA Economist, Humphrey Kisenbe who led the research team by providing the overall technical support in the design and execution of the survey, as well as analyzing data from respondents and preparing the survey report.

The data collection exercise would not have been executed without the much valued input from the members of the research team that included Grace Mukayisa of Rwanda, Christella Munyana of Burundi, Anne Kibirige of Uganda, Daniel Mbilinyi of Tanzania and Shadrack Nyagwaswa and Brian Ondisi of Kenya. Many thanks also go to Gilbert Langat, the CEO of SCEA for his overall insights and advisory council through the course of undertaking this survey.

SCEA would like to recognize and appreciate the support provided by TradeMark East Africa (TMEA) through its funding of this survey and many other initiatives geared at improving the logistics environment in East Africa. SCEA highly values this partnership whose common goal is to promote trade and economic integration in East Africa.

Lastly, to the 80 plus business entities and freight forwarder companies from East Africa who participated in this survey, your input is highly appreciated as this survey would not have been a success without your input.

# Abbreviations

<b>AEO</b>	Authorized Economic Operator
<b>CCTV</b>	Closed Circuit Television
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>Dar port RAP</b>	Dar port Rail Action Plan
<b>DRC</b>	Democratic Republic of Congo
<b>EAC</b>	East African Community
<b>ECTS</b>	Electronic Cargo Tracking System
<b>FEU</b>	Fourty Foot Container Equivalent Unit
<b>GDP</b>	Gross Domestic Product
<b>GOT</b>	Government of Tanzania
<b>ICD</b>	Internal Container Depot
<b>ICMS</b>	Integrated Customs Management System
<b>ICT</b>	Information and Communications Technology
<b>IDB</b>	International Development Bank
<b>JKIA</b>	Jomo Kenyatta International Airport
<b>KM/Tonne</b>	Kilometers per Tonne
<b>KPA</b>	Kenya Ports Authority
<b>KRA</b>	Kenya Revenue Authority
<b>KRC</b>	Kenya Railways Corporation
<b>LAC</b>	Latin and Caribbean
<b>LPI</b>	Logistics Performance Index
<b>MIS</b>	Management Information System
<b>NCTTA</b>	Northern Corridor Transit Transportation Coordination Authority
<b>NTB</b>	Non Tariff Barriers
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>OSBP</b>	One Stop Border Post
<b>PPP</b>	Public Private Partnership
<b>SCEA</b>	Shippers Council of East Africa
<b>SME</b>	Small and Medium – sized Enterprises
<b>TAZARA</b>	Tanzania Zambia Railways Authority
<b>TEU</b>	Twenty Foot Equivalent Container Unit
<b>TMEA</b>	TradeMark East Africa
<b>TPA</b>	Tanzanian Ports Authority
<b>TRC</b>	Tanzania Railways Corporation
<b>USAID</b>	United States Agency for International Development
<b>USD</b>	United States Dollar
<b>VAT</b>	Value Added Tax

# Executive Summary

Logistics is becoming a critical element of the competitiveness and economic performance of countries within the context of increasing globalization. Most African countries are currently focusing on strategies to increase trade and enhance economic integration. For such strategies to succeed, a key component is a cost effective and efficient logistics framework that addresses the full spectrum of the value and production chain. A logistics framework includes hardware, which is the physical infrastructure needed to move goods effectively, and software, which is the associated services and processes needed to move and trade goods effectively.

The impact of logistics costs on competitiveness, productivity, trade, integration, food prices, inequality, and poverty cannot be understated. In many developing countries, logistics costs range from 18 to 35 percent of product value — and even higher for small and medium-sized enterprises (SMEs) at about 40 percent — compared to benchmarks of around 8 percent of product value in Organization for Economic Co-operation and Development (OECD) countries. While in recent years most developing countries and East Africa in particular, have realized the relevance of logistics and have taken some measures to improve this element of their markets, the region still lags behind in developing an effective logistics framework.

## Rates and Cost Indicators

Rates and cost indicators, which attempt to measure the total landed cost of importing/exporting a standard consignment by estimating freight charges and agents' fees form a very critical component of assessing the logistics performance of a region. We reported in the 2012 Logistics Performance Survey for East Africa that the substantial drop in freight rates in 2011 was attributed to the oversupply of vessels and accelerated competition. In order to restore freight rates to profitable levels, shipping lines introduced a general increase in freight rates on the East China – East Africa route that averaged 45.4%. This increase continued in 2013, albeit at a much slower rate as shipping lines imposed general rate increases of between USD 200 and USD 400 per 20 foot and 40 foot container for Dry cargo. Maritime freight rates for imports from South America average USD 2200 for a TEU and those for the Asia Pacific region averaged USD 1200 per TEU.

Compared to last year, there has been no significant change in air freight rates. Freight rates to North America, South America and Asia Pacific averaged USD 4.3 per kilogram, while those to Europe and Middle East averaged USD 1.75 per kilogram. Besides these freight rates in the air transport sector, there exist a number of surcharges that have been imposed on shippers over the past year. Such surcharges include the fuel surcharge and the insurance surcharge among others.

As for the road transport sector, evidence shows that freight rates to Kigali, Bujumbura and Goma are lower when one uses the port of Dar – es – Salaam and the Central Corridor and not the Northern Corridor route from Mombasa. Similarly, freight rates to Nairobi, Kampala and Juba are lower when one imports through the port of Mombasa and the Northern Corridor and not through the Central Corridor route.

Rail freight tariffs in East African largely remain high in comparison to other regions of the world. Transport costs per kilometer for a standard TEU are an average of USD 1.24 using the Tanzania Railway Corporation (TRC)/TAZARA network and USD 2.66 using the Kenya Railways Corporation (KRC) network. Railway transport rates average USD 0.024 (2.4 US cents) per KM/Tonne

on the TRC rail network while on the KRC network the rates average USD 0.089 (8.9 US cents) per KM/Tonne. It is therefore clear that Tanzanian shippers pay three times less freight charges for railway services than their Kenyan counterparts.

### Efficiency and Time Indicators

The lead time to import into and export out of East Africa is dependent on a number of factors such as the time taken to prepare documents, time taken to fulfill customs clearance procedures, time taken to fulfill port procedures and time taken to move cargo to inland destinations. For land locked countries such as Burundi, the highest contributing factor to the time taken to import is the inland transport time. Among the EAC Partner States, Tanzanian shippers spend the most time in preparing trade documentation, followed by Kenyan and Ugandan shippers. For Rwandan shippers, the highest contributing factor to import lead times is ports as Rwandan cargo tends to spend more time in the two East African ports of Dar-es-Salaam and Mombasa.

Export lead times have been significantly affected by heightened efforts by EAC governments and in particular Kenya to counter trade in contraband. Threats to the elephant species due to increasing trade in illegal ivory has meant that export procedures are revised and all exports are required to go through the scanner at the port. Bearing in mind that export containers are physically inspected and sealed by a customs officer before loading, the requirement to scan them within the port seems a repetitive and time consuming procedure that has clearly added a few more days onto the export lead times.

The average port dwell time is 10 days for Dar-es-Salaam port and 4 days for Mombasa port. While Mombasa has shown significant improvement in the dwell time from an average 5 days in 2013 to 4 days in 2014, Dar-es-Salaam port has stagnated at an average 10 days as was the case 2013. Nevertheless both ports do not mirror the international standards of a maximum 3 days port dwell time for cargo. Some of the factors responsible for the port dwell times recorded for the two East African ports include the following:

- a) Intermodal connectivity from seller's point of origin to the port of loading
- b) Time taken to fulfill export procedures at the port of loading
- c) Time taken to fulfill legal and regulatory requirements such as customs clearance, pre – shipment inspection and certification and obtaining licenses and permits
- d) International freight time from the port of loading to the port of discharge
- e) Time taken to clear cargo at the port of discharge

Average trucks in East Africa can only cover between 5000 – 7500 kilometers per month, signifying the friction that exists on the transport corridors, against an international best practice of 12,000 KMs/Truck/Month. A number of factors play a critical role in the efficiency levels of East African transport corridors. Such factors include the time spent at ports for cargo pickup and delivery, the number of weighbridges that exist along the transport corridor and the average time spent by trucks at weighbridges, time spent to navigate traffic through major cities along the transport corridor, time spent at police and/or customs checkpoints and border crossing times.

Air freight operations seem to be significantly efficient with few incidences of flight delay occurrences. Majority of the cargo coming in at JKIA is cleared between 2 – 3 days as reported by 43% of the respondents. 19% of the respondents indicate that they clear their cargo within 1 – 2 days of arrival while a further 16% indicate that they clear their cargo within 4 – 5 days of arrival. The major factors affecting cargo dwell time at the airport for both imports and exports are security requirements and customs procedures. Unfortunately, with increasing threats of terrorism in the world, stringent security requirements at airport cargo terminals that require the 100% screening and/or scanning are eating into the lead times for importing and exporting, thereby compromising the trade competitiveness of countries.

Rail freight operations still remain below the internationally acceptable standards. There exist significant variations in the transit times reported by shippers and railway operators. According to shippers, a number of transit days are lost due to delays in loading and unloading of cargo at rail yards, incidences of train interruptions caused by derailments and/or unscheduled events, issues of train punctuality and locomotives and wagon availability among other delays. On the part of operators, most delays are caused by ports authorities at ports and ICDs and also by customs authorities who use up most of the time in verification. Such delays account for an extra 4 – 7 days in train transit times.

### **Overall Rating of Logistics Performance**

The logistics performance of individual EAC Partner States is rated using eleven (11) key indicators and individual country scores aggregated across all respondents, resulting into a single average score for each indicator. The results are presented in table 2.4 of this report. Rwanda is ranked at position 1 with a score of 3.52, followed by Uganda at position 2 with a score of 3.07. Tanzania comes in at position 3 with an average score of 2.89 while Kenya and Burundi are ranked at position 4 and 5 with scores of 2.82 and 2.78 respectively.

This report advances some recommendations that are critical to the improvement of the logistics performance of EAC Partner States and their related ability to promote international trade and spur economic growth. Most critically, EAC governments will need to sufficiently invest in transport infrastructure and provide an enabling environment for private sector to provide more efficient transport and logistics services. Investment in regional physical infrastructure projects is also essential to reducing costs of cross border transport services. This is particularly true for landlocked Burundi, Rwanda, Uganda and DRC.

Importantly, regulations that facilitate and encourage private-public partnerships, especially for large regional infrastructure projects such as ports and railroads, need to be improved. Well-functioning specialized logistic infrastructure is also needed to ease freight handling, streamline inspection processes, and provide value-added services in areas closer to ports, airports, and border crossings. Equally important is the establishment of clear guidelines to support logistics management development for SMEs, logistic operators, and intermediaries. At the same time, services delivered by the state, including customs and cross-border crossings and security provisions, need to be substantially improved. Additionally, efforts need to be formalized to implement institutional organizations to promote high quality logistics.





# 1.0 INTRODUCTION

## 1.1 Background

Over the past two decades, global trade negotiations between countries have resulted in significant reduction in tariff rates and, to some extent, reduced non-tariff barriers to trade. Increasingly, however, trade transaction costs such as those resulting from poor transport infrastructure and rigid import/export regulations and procedures have proved to be more costly for deal with<sup>2</sup>. As a result, developing countries are shifting their trade policy agenda to take into account trade costs and the relevance of freight logistics and transport infrastructure to the trade facilitation agenda.

The incorporation of specific measures to improve the transport and trade facilitation environment has become a key policy initiative geared to enhance the trade competitiveness of countries. Focus is now on services provided by trade facilitation agencies of the state and the flow of freight both internally and externally. Clearly, developing countries have much to gain, given their high costs of undertaking trade transactions. It has been proven that trade facilitation measures focusing on customs procedures and regulatory regimes often result in improved controls, reduced administrative costs, and increased cooperation between the public and private sectors.

Improving trade logistics through deepened trade facilitation measures has become of increasing importance to EAC's regional integration agenda. Given the substantial decline in tariffs and other traditional barriers to trade, logistics performance and the institutional capacity to provide it seem fundamental to expanding productivity gains and benefiting from existing trade agreements such as the EAC Common Market Protocol and COMESA. Reforming the current institutional climate to promote much needed transformations in terms of increased human capital, private-sector development, logistic services, infrastructure quality, and increased investment in transport infrastructure may be a costly and sometimes lengthy process. The challenges of prioritizing and efficiently addressing the many problems intrinsic to the current logistics performance of EAC countries are many. Nonetheless, the future benefits of these processes are more likely to exceed their costs in most aspects of economic and political activity.

Attempts to measure the efficiency of logistics services

of a country have been made through the World Bank Logistics Performance Index (LPI), which ranks the logistics performance of countries based on a set of indicators. In the 2014 LPI report, Germany, Netherlands and Belgium are ranked as the countries with the best logistics performance at positions 1, 2 and 3 respectively. South Africa, Egypt and Malawi are the highest ranked African countries at positions 34, 62 and 73. Kenya is the highest ranked EAC country at position 74, while Rwanda, Burundi and Tanzania follow at positions 80, 107 and 138 respectively. Uganda is not ranked in the 2014 survey<sup>3</sup>.

You may recall that there is an increasingly renewed focus on trade facilitation measures on the region's trade agenda that is backed – up by increased investment in trade and transport infrastructure and reforms such as increased coordination and harmonization of customs and border procedures. All this efforts geared at promoting trade and increasing regional and/or economic integration, tend to not only enhance logistics efficiency but also improve efficiency of revenue authorities to improve revenue collection, while promoting private sector participation in productive activities.

Despite all these reform efforts, some limitations still exist that explain the weak logistics performance in EAC countries? First, the region is underserved by a weak institutional capacity that limits its ability to cope with the demands of accessible and reliable transport infrastructure and the services provided by the state are inadequate to serve a rapidly growing trade facilitation agenda. In particular, scarce human resources, weak ICT infrastructure and regulation, and monitoring and evaluation systems adversely affect the reform agenda needed to expand institutional arrangements. Consequently, the coordination capacity of EAC countries is weak and impedes the necessary development of the logistics agenda. In response to these limitations, a rethinking of the current agenda to transform trade logistics in the EAC region and promote international trade and spur economic growth requires actions at both the national and regional level.

This report presents the findings of the logistics performance survey for East Africa. It focuses on logistics friction and draws on a set of data collected over a period of four months beginning February to May 2014 from freight forwarding companies in East Africa. The survey tracks specific quantitative indicators of logistics performance

<sup>2</sup> Djankov et al (2006) found that on average each additional day of delay in shipping reduced trade by at least 1%.

<sup>3</sup> Connecting to Compete 2014, Trade Logistics in the Global Economy. The Logistics Performance Index and its Indicators. The World Bank 2014

in terms of cost, time and complexity of executing trade transactions. The findings should spur public and private agencies that have direct or indirect power over logistics performance to focus attention on reducing sources of friction so as to improve the ability of the region to effectively compete in today's global economy. Moreover, since the logistics performance indicators are directly related to operational performance, EAC countries can use these indicators to target actions to improve logistics and monitor their progress.

## 1.2 Objectives of this Survey

The overall objective of this survey is to ascertain the overall logistics performance of EAC Partner States and rank them based on eleven (11) logistics performance indicators localized to East Africa. It is hoped that the findings of this survey will enable the Shippers Council of Eastern Africa (SCEA) and its members to effectively engage in advocacy work that will result in the development of policies to improve logistics efficiency, reduce the cost of freight transport services and enhance the competitiveness of international traders in East Africa. To achieve this objective, the survey seeks to ascertain the main factors that influence the efficiency and cost of logistics services in East Africa. To achieve this overall objective, the survey is designed to address a number of specific objectives as follows (See a detailed TOR in Annex I):

- a. Quantify the maritime transport costs and timelines for imports and exports at the two East African ports of Dar – es – Salaam and Mombasa
- b. Quantify the airfreight transport costs and timelines for imports and exports at Jomo Kenyatta International Airport (JKIA)
- c. Ascertain the overall rating of logistics performance in East Africa along the following key indicators:
  - d. Efficiency of the goods clearance process
  - e. Quality of transport and ICT infrastructure
  - f. Competence and quality of logistics services
  - g. Ability to track and trace shipment
  - h. Timely delivery of shipments
  - i. Incidences of vandalism and tampering of shipment
  - j. Complexity of clearance procedures
- k. Rank EAC Partner States in terms of their logistics performance
- l. Highlight the current initiatives geared at improving logistics performance in East Africa and the implications they will have on trade and development in the region.

## 1.3 Methodology

The methodology applied in this survey involved a twin combination of data gathering from existing information sources such as reports and the administration of a standard survey questionnaire targeting freight forwarders in the East African Community (EAC) region. There have been numerous studies conducted on logistics performance and trade facilitation and how they affect the competitiveness of a country. These studies, which we made reference to, include those conducted by the Shippers Council of Eastern Africa (SCEA), the World Bank, the Northern Corridor Transit Transport Coordination Authority (NCTTCA), TradeMark East Africa (TMEA), the African Development Bank, the East African Community (EAC) and the United States Agency for International Development (USAID) among other institutions.

A standard questionnaire administered during the field research was aimed at gathering the perception and views of freight forwarders on the logistics performance of the East African region. The questionnaire, which targeted responses from freight forwarding companies operating in the five EAC partner States of Burundi, Kenya, Rwanda, Tanzania and Uganda, focused on obtaining information on the following key elements:

- a. General company information of respondents
- b. Sub – sector specific data on logistics costs, timelines and efficiency levels of cargo clearance using maritime, airfreight, road and railway transport modes
- c. The overall rating of respondents on the performance of the logistics chain in their country of operations

A sample of this questionnaire and a full list of stakeholders interviewed are attached in the annex section of this report. To supplement information from interviews and existing reports, the research team also managed to attend a stakeholder's consultative forum between freight forwarders and government trade facilitation agencies at the Jomo Kenyatta International Airport (JKIA) cargo centre on Thursday 19th June 2014.

## 2.0 Main Findings

### 2.1. Rates and Cost Indicators

Rates and cost indicators attempt to measure the total landed cost of importing/exporting a standard consignment by estimating freight charges and agents fees. The costs of freight transport services are extremely critical to the sourcing decisions of international traders. The following section presents the survey findings on rates and cost indicators for the four transport modes of maritime, air, road and railway.

#### 2.1.1 Maritime Transport

##### Maritime Freight Rates

Maritime freight rates are generally determined by the demand and the supply of maritime transport services. Political, environmental and economic factors may affect the supply and demand of maritime transport services. Cargo volumes and demand for maritime transport services are usually the first to be hit by such factors. Factors such as a slowdown in international trade, sanctions, natural disasters and weather events, regulatory measures and changes in fuel prices also have an impact on the world economy and global demand for seaborne transport.

As for the supply of maritime transport services, there is

generally a tendency of overcapacity in the market, given that there are no inherent restrictions on the number of vessels that can be built and that it takes a long time from the moment a vessel order is placed to the time it is delivered for service.

We reported in the 2012 Logistics Performance Survey for East Africa that the substantial drop in freight rates in 2011 was attributed to the oversupply of vessels and accelerated competition<sup>4</sup>. In order to restore freight rates to profitable levels, shipping lines introduced a general increase in freight rates on the East China – East Africa route that averaged 45.4%. This increase continued in 2013, albeit at a much slower rate as shipping lines imposed general rate increases of between USD 200 and USD 400 per 20 foot and 40 foot container for Dry cargo.

Based on discussions with shipping line agents, the survey computed the typical average cost (freight charges and customs brokerage fees) for exporting and importing a standard 20 foot and 40 foot container from four major regions of the world to the East African regions through the two EAC ports of Dar – es – Salaam and Mombasa. The results are presented in figure 2.1 and 2.2 below.

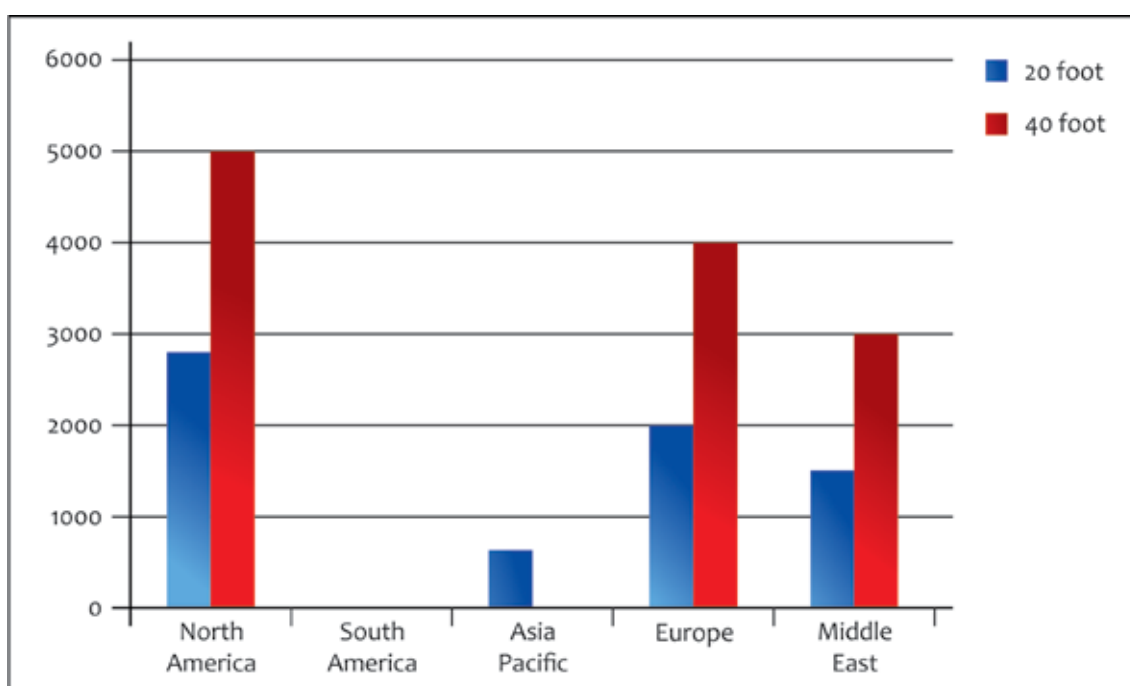


Figure 2.1. Typical Average Cost of Exporting a Standard Consignment from East Africa. Source: Survey

<sup>4</sup> In 2012, there was a general increase in freight rates as shipping lines sought to restore the freight rates to the profitable levels that existed before 2009 and 2010. This marked a 35.2% increase in freight rates from the Far East to East Africa for a 20ft container and a 55.6% increase for a 40ft container

Maritime freight rates for exports from East Africa to North America average USD 2800 for a TEU and USD 5000 for an FEU, making it the most expensive destination.

The most popular country of destination in North America for exports from East Africa is the USA which ranks at positions four for Kenya, fifteen for Uganda, eighteen for Tanzania, eight for Rwanda and Nine for Burundi. Please see annex 5 for a list of top twenty destinations for EAC exports.

the most expensive destination. Europe, with an average freight rate of USD 2000 per TEU and USD 4000 per FEU follows closely, while Asia Pacific region which averages USD 1200 per TEU and USD 2000 per FEU and the which averages USD 1000 for a TEU and 2000 for an FEU close our analysis of freight maritime rates.

**Port Charges**

Two main measures of port charges are used in this survey to compare the costs incurred by shippers as they import

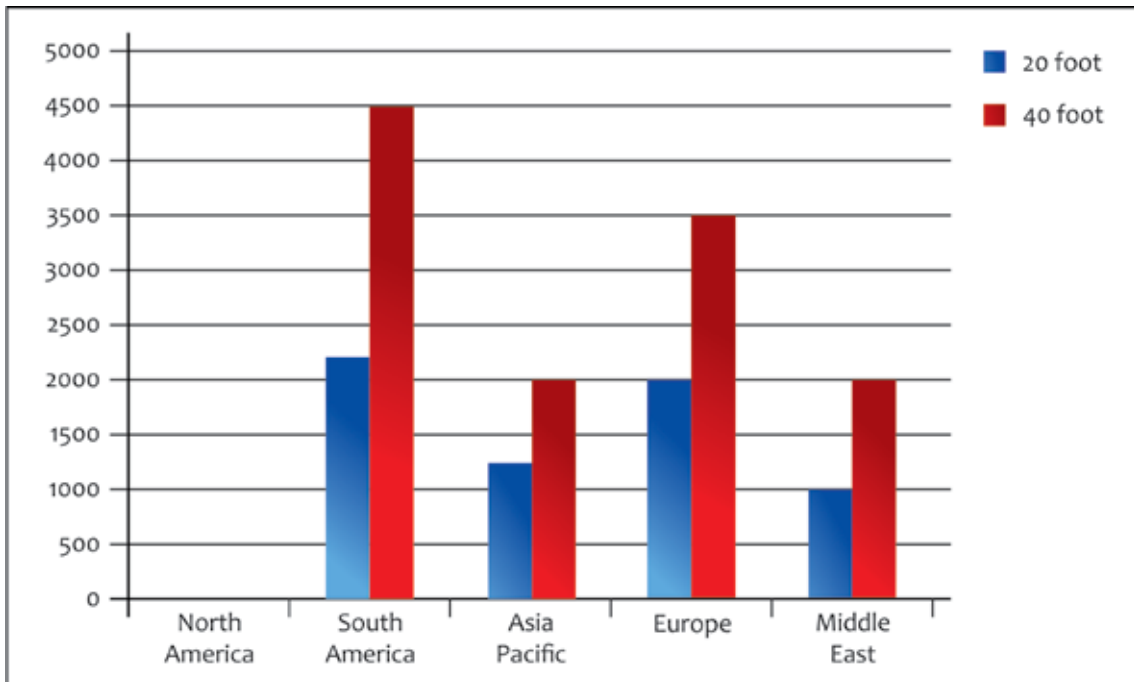


Figure 2.2. Typical Average Cost of importing a Standard Consignment from East Africa. Source: Survey

Maritime freight rates to Europe stand at USD 2,000 for a twenty foot container and USD 4,000 for a forty foot container while those to the Middle East average USD 1,500 for a 20 foot container and USD 3,000 for a 40 foot container, while rates to Asia average USD 600, making it the destination with the lowest freight rates. Data was not available for freight rates to South America.

Freight rates for imports from South America average USD 2200 for a TEU and USD 4500 for an FEU, making it the most expensive destination. Europe, with an average freight rate of USD 2000 per TEU and USD 4000 per FEU follows closely, while Asia Pacific region which averages USD 1200 per TEU and USD 2000 per FEU and the which averages USD 1000 for a TEU and 2000 for an FEU close our analysis of freight maritime rates.

Freight rates for imports from South America average USD 2200 for a TEU and USD 4500 for an FEU, making it

and export through the two East African Ports of Mombasa and Dar-es-Salaam. These measures are shore handling charges, which are levied by service providers for handling cargo at the quayside, and wharfage charges, which are raised on all cargo including empty containers passing over the quays, wharves, jetties, buoys and other installations within the harbor limits except for transshipment cargo.

The most striking differential in port charges between the ports of Dar-es-Salaam and Mombasa is the fixed wharfage charges of USD 70 for a 20 foot container and USD 105 for a 40 foot container at Mombasa, while Dar-es-Salaam levies its wharfage charges as a percentage of the value of the cargo – usually 1.6% for domestic cargo, 1.25% transit imports and 1% for domestic and transit exports. Clearly this is a disadvantage for shippers who import through Dar-es-Salaam port as high value cargo will attract higher port charges.



*Maritime Transport*



*Air Transport*

Port	Indicator	Shore Handling		Wharfage	
		20 Foot	40 Foot	20 Foot	40 Foot
Dar-es-Salaam	Imports - Domestic	90	90	1.6% Ad Valorem	
	Exports - Domestic	90	90	1.0% Ad Valorem	
	Imports - Transit	80	80	1.25% Ad Valorem	
	Exports - Transit	80	80	1.0% Ad Valorem	
Mombasa	Imports - Domestic	105	105	70	105
	Exports - Domestic	56	56	70	105
	Imports - Transit	85	85	70	105
	Exports - Transit	40	40	70	105

Table 2.1. Dar-es-Salaam and Mombasa Port Charges. Source: KPA and TPA Tariff Books

As for shore handling charges, the two ports levy different charges. While a 20 foot domestic import container will attract a shore handling charge of USD 90 in Dar-es-Salaam, the same will attract a USD 105 charge in Mombasa. The trend is similar with 40 foot domestic containers which attract a shore handling charge of USD 135 at Dar-es-Salaam compared to USD 160 at Mombasa. Domestic importers using the Mombasa port therefore pay more to the Port Authorities than their Tanzanian counterparts.

Further, Mombasa port charges are generally lower than Dar-es-Salaam for domestic and transit exports. Shippers will pay USD 40 and USD 65 for 20 foot and 40 foot export transit containers respectively at Mombasa compared to USD 80 and USD 120 for the same category of containers at Dar-es-Salaam. Table 2.1 is a detailed comparison of port charges for Dar-es-Salaam and Mombasa ports.

### 2.1.2 Air Transport

One of the most important lobby issues for shippers in the air freight industry in East Africa remains the need for fair and transparent air freight charges. While air freight charges have remained steady over the past year, a number of surcharges have been introduced by carriers, resulting in a negative impact to the cost of doing business for shippers in the EAC region. Freight forwarders from the JKIA Cargo Terminal who responded to the survey questionnaire listed a number of surcharges that have been imposed on

shippers over the past year. The most common surcharges introduced by carriers included the fuel surcharge, the insurance surcharge and the screening/security surcharges over and above the normal freight charges. The average air freight rates for imports and exports to selected destinations are presented in table 2.2 below.

#### Common Airfreight Surcharges

- Fuel Surcharge on International Routes (all countries apart from Kenya)
  - USD 0.70 per kg - applicable to General Cargo, Human Remains, Dangerous goods, all Live animals including live tropical fish, crabs and lobsters)
  - USD 0.60 per kg - Perishable Cargo (fresh vegetables, fruits, flowers and fish)
- Fuel surcharge on domestic cargo
  - USD 0.47 per kg - This includes perishable, general cargo, Human remains, and dangerous goods, all live animals including live tropical fish, crabs and lobster
- Other Surcharges applying to all countries/routes
  - Insurance surcharge - USD 0.05 per kg
  - Screening Fee - USD 0.02 per kg + 16% VAT
  - Handling Fee - USD 0.05 per kg + 16% VAT
  - Airway Bill Fee - USD 10.0 per shipment
  - Documentation - USD 20.0 per shipment + 16% VAT
  - Customs Fee - USD 10.0 per shipment + 16% VAT

All surcharges are only applicable to cargo originating from Kenya.

Region	North America	South America	Asia Pacific	Europe	Middle East
Cost (USD/KG Imports)	4.00	4.00	5.00	1.75	1.75
Cost (USD/KG Exports)	3.00	3.50	1.00	1.75	1.75

Table 2.2. Average air freight rates for exports and imports to and from selected destinations

### 2.1.3 Road Transport

The survey compared road freight charges for imports coming through the two East African ports of Dar – es – Salaam and Mombasa to several destinations in the EAC region. Given that road freight charges often vary by cargo type and destination, the survey limited itself to computing the average cost of transporting a standard 40 foot container cargo using the Northern and Central Corridor transport routes. The results are provided in figure 2.3 below.

### 2.1.4 Railway Transport

Indicative rates for transporting a standard 30 tonne twenty foot equivalent container unit using the Tanzania Zambia Railways Authority (TAZARA) and the Kenya Railways Corporation (KRC) are presented in table 2.3 below.

Transport costs per kilometer for a standard TEU are an average of USD 1.24 using the Tanzania Railway Corporation (TRC)/TAZARA network and USD 2.66 using the Kenya Railways Corporation (KRC) network. Railway transport rates average USD 0.024 (2.4 US cents) per KM/

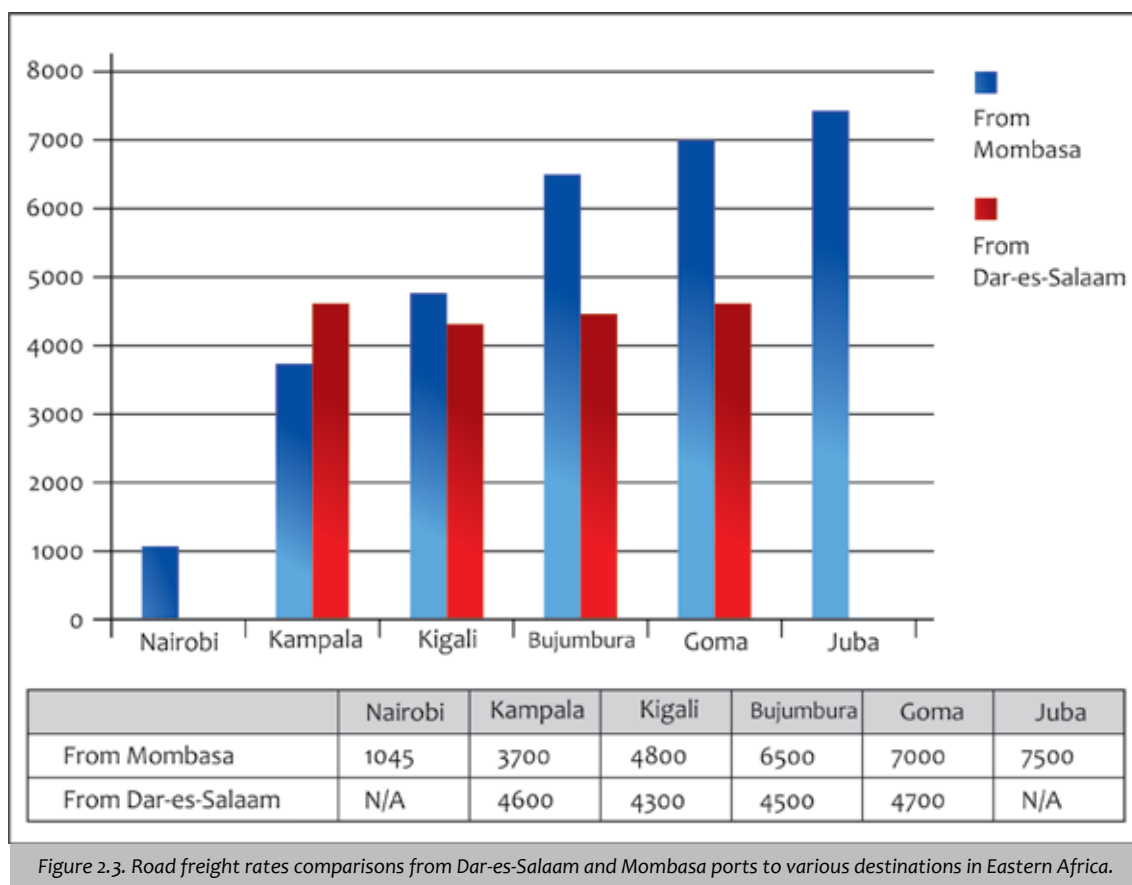


Figure 2.3. Road freight rates comparisons from Dar-es-Salaam and Mombasa ports to various destinations in Eastern Africa.

The Northern Corridor transit route connects the port of Mombasa to Nairobi, Kampala Kigali, Bujumbura and Eastern DRC. Similarly, the Central Corridor transit route connects the port of Dar-es-Salaam to Bujumbura, Kigali, Kampala and Eastern DRC. It is clear from the results of the survey that freight rates to Kigali, Bujumbura and Goma are lower when one uses the port of Dar-es-alaam and the Central Corridor.

Similarly, freight rates to Nairobi, Kampala and Juba are lower when one imports through the port of Mombasa and the Northern Corridor. These results are supported by the NCTTCA Transport Observatory Report for April 2014.

Tonne on the TRC rail network while on the KRC network the rates average USD 0.089 (8.9 US cents) per KM/Tonne. It is therefore clear that Tanzanian shippers pay three times less freight charges for railway services than their Kenyan counterparts.

Nevertheless the most important point to note is that rail freight tariffs in East African largely remain high in comparison to other regions of the world. This scenario is supported by the failing concession agreements and the inability by operators to invest to improve efficiency. Railway systems in North America have increased their average tariff since 2005 primarily due to increasing system congestion and higher fuel costs. Even so, after these increases, the USA and Canadian railways still have tariffs below 3 U.S. cents per ton/km.





Road Transport



Railway Transport

Origin	Destination	Distance in KMs	Rate per TEU (USD)	USD Per KM	USD Per Tonne	USD Per Tonne KM
Dar-es-Salaam	Kapiri Mposhi	1860	2000	1.08	66.67	0.016
	Tunduma	970	1331	1.37	44.37	0.031
Mombasa	Nairobi	530	1450	2.74	48.33	0.091
	Kampala	930	2400	2.58	80	0.086

Table 2.3. Indicative rates for transporting container using the Tanzania and Kenya rail system

## 2.2 Efficiency and Time Indicators

### 2.2.1 Time Taken to Import and Export

Part of this survey involved the review of existing literature on logistics performance. A detailed summary of the procedural requirements for exporting and importing a standard 20 foot container out of and into East Africa is presented in figure 2.2 below. The data captures the number of documents required to fulfill a standard import/export transaction as well as the time taken to complete such transactions. At 46 days, Burundi has the longest lead time to export, followed by Uganda at 33 days, Tanzania at 31 days, and Rwanda at 30 days and Kenya at 26 days.

Interviews with freight forwarders indicate that the lead time to import into and export out of East Africa is dependent on a number of factors such as time taken to prepare documents, time taken to fulfill customs clearance procedures, time taken to fulfill port procedures and time taken to move cargo using inland transport modes. The

first three factors, which also contribute to port dwell time for cargo, are discussed in detail in the next section.

The highest contributing factor to the time taken to import into Burundi is the inland transport time, as attested by 17% of Burundian respondents. This may be the case as Burundi is a land locked country. Time taken for documents preparation is the highest contributor to the import lead time in Kenya, Tanzania and Uganda as attested by 11%, 15% and 10% of the respondents respectively. In Rwanda, the highest contributing factor to import lead times is ports as attested by 10% of respondents, a reason to significantly consider by Kenyan and Tanzanian ports authorities whom their ports are gateways to cargo destined to Rwanda.

With respect to exports, Inland transport time is the greatest contributor to export lead times in Rwanda. This may be the case as Rwanda is a landlocked country. In Burundi, Kenya and Tanzania, documents preparation is

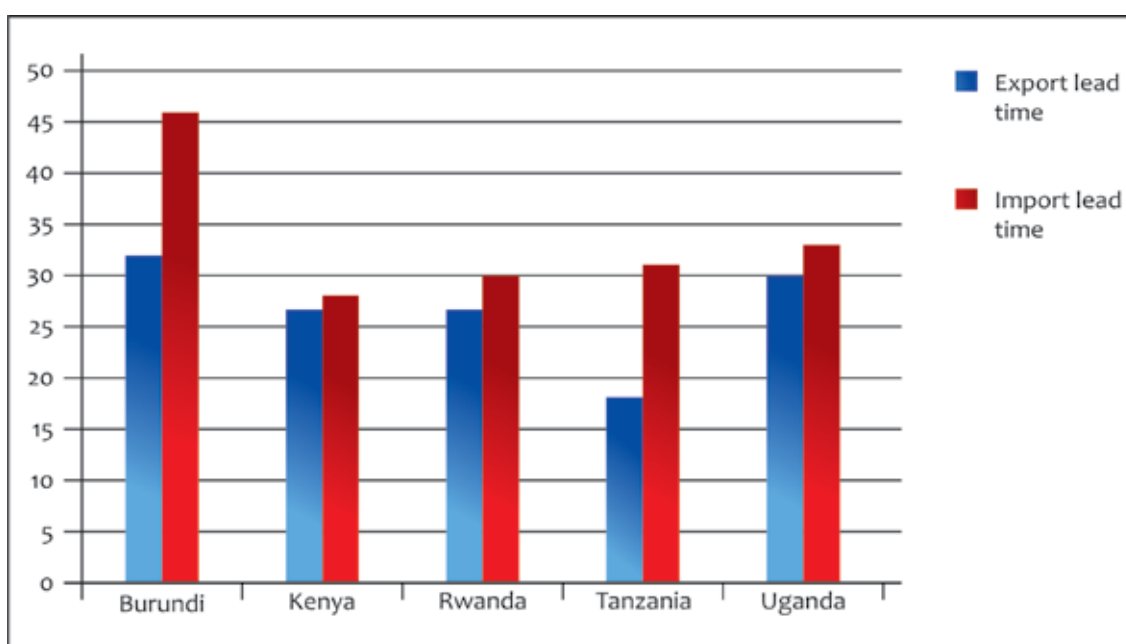


Figure 2.4. Lead times for importing and exporting into East Africa. Source: Doing Business 2014 Survey

the greatest contributor to export lead times as attested by 14%, 12% and 8% respectively. The three combined time factors of documents preparation, customs clearance and inland transport are simultaneously responsible for export lead times in Uganda as attested by 27% of the respondents.

**Port Dwell Time**

Port dwell time is a sub – section of the import lead time and is a very common indicator for measuring the efficiency of maritime ports. It refers to the average number of hours/ days for cargo to leave the port terminal from the time it is offloaded from the vessel. Discussions with shippers and port operators for the two East African ports of Dar-es- Salaam and Mombasa revealed an average port dwell time of 10 days for Dar-es-Salaam and 4 days for Mombasa. While Mombasa has shown significant improvement in the dwell time from an average 5 days in 2013 to 4 days in 2014, Dar-es-Salaam port has stagnated at an average 10 days as was the case 2013. Nevertheless both ports do not mirror the international standards of a maximum 3 days port dwell time for cargo. Investigations reveal the following factors as responsible for the port dwell times recorded for the two East African ports.

**Explaining Time Taken to Import and Export**

Import lead times are largely determined by the following factors:

- a. Intermodal connectivity from seller’s point of origin to the port of loading

- b. Time taken to fulfill export procedures at the port of loading
  - c. Time taken to fulfill legal and regulatory requirements such as customs clearance, pre – shipment inspection and certification and obtaining licenses and permits
  - d. International freight time from the port of loading to the port of discharge
  - e. Time taken to clear cargo at the port of discharge
- Export lead times have been significantly affected by heightened efforts by EAC governments and in particular Kenya to counter trade in contraband. Threats to the elephant species due to increasing trade in illegal ivory has meant that export procedures are revised and all exports are required to go through the scanner at the port. Bearing in mind that export containers are physically inspected and sealed by a customs officer before loading, the requirement to scan them within the port seems a repetitive and time consuming procedure that has clearly added a few more days onto the export lead times. Moreover, discussions with freight forwarders reveal that these lead times can significantly increase in the event of a scanner breakdown, which happens on average once a week.

**2.2.2 Efficiency of Transport Corridors**

The survey used two major indicators to measure the efficiency of road freight transport services in East Africa. The indicators used were truck turnaround time, which is a measure of the average time it takes for a truck to leave the port, deliver cargo to selected destinations in East Africa

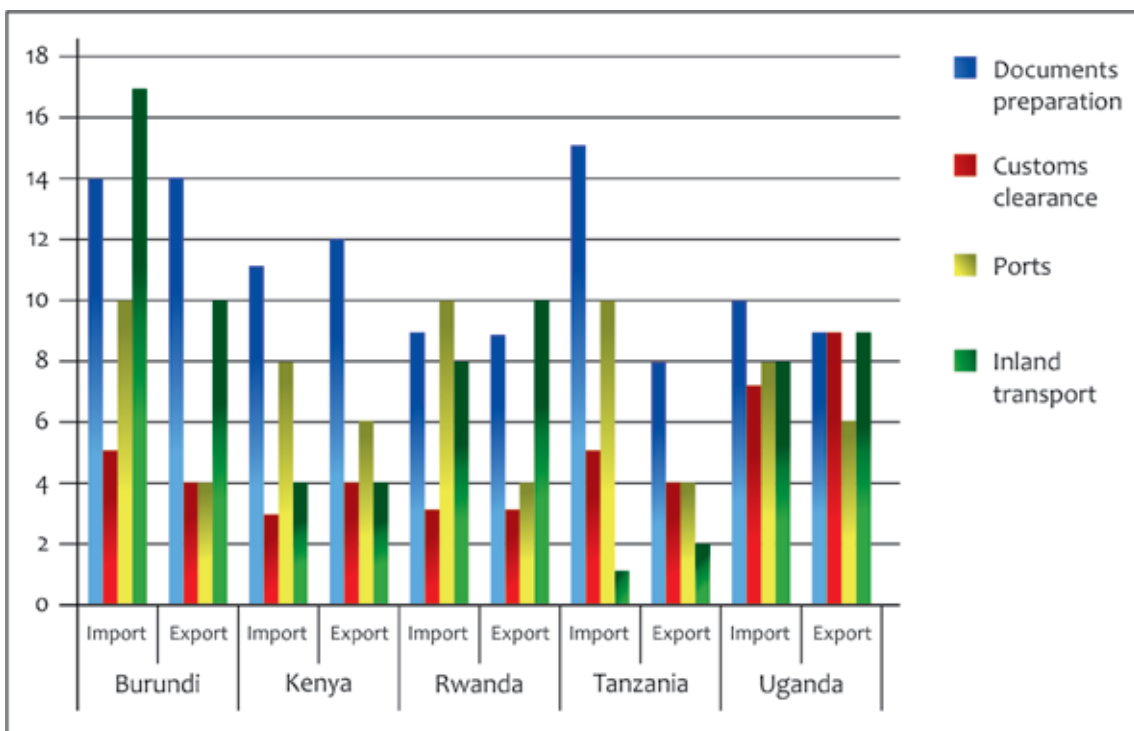


Figure 2.5. Factors responsible for the lead times to import and export in East Africa

and return to the port and average mileage per truck per month, also known as kilometers per truck per month. The survey results for truck turnaround times from the ports of Dar-es-Salaam (Using the central corridor transport route) and Mombasa (Using the Northern Corridor transport route) is presented in figure 2.6 below.

Another measure of corridor efficiency is the average mileage/KMs covered by a truck per month. For the two transport corridors in East Africa, interviews with transporters reveal that majority of truck, as represented by 41% of respondents, can only manage an average 2000 – 5000 KMs per month. Another 34% of respondents indicate their trucks cover an average 5000 – 7500 KMs per month. Figure 2.7 gives a representation of the road transport efficiency using KMs per truck per month. International best practices in countries with supporting infrastructure and standardized road sector process record an average 12,000 KMs per truck per month. It is therefore clear that the East African region is lagging behind in road freight efficiency.

#### Explaining Efficiency of Transport Corridors

A number of factors play a critical role in the efficiency levels of East African transport corridors. Such factors include the time spent at ports for cargo pickup and delivery, the number of weighbridges that exist along the transport corridor and the average time spent by trucks at weighbridges, time spent to navigate traffic through major cities along the transport corridor, time spent at police and/or customs checkpoints and border crossing times.

In the case of the Northern Corridor transport route, trucks are still spending lengthy time periods at weighbridges despite recent investments in new and improved weighbridge technology. At Mariakani and Athi River weighbridges for instance, the survey revealed that trucks spent an average 0.95 hours and 1.77 hours respectively.

There has been no significant improvement in border crossing time as witnessed at Malaba border post which recorded an average 2.6 hours border crossing time for outbound cargo – same as in the 2013 survey. This signifies little or no improvement in the efficiency of border operations despite the development and operationalization of One Stop Border Posts in a number of EAC borders. Traffic intensity within Northern and Central Corridor cities such as Mombasa, Nairobi, Eldoret, Kampala and Dar – es – Salaam is also a significant determinant of corridor efficiency. The lack of adequate infrastructure has resulted in traffic congestion within these cities and trucks incurring huge delays (loosing up to 6 hours driving time) as they navigate these cities. The survey did not investigate much on police and customs checkpoints along the transport corridor as these are issues that are currently being addressed by the EAC under the NTBs monitoring programme.

#### 2.2.3 Air Cargo Efficiency

Efficiency and time indicators for air freight transport were measured using three key indicators namely flight delays occurrence, cargo dwell time for exports and cargo dwell

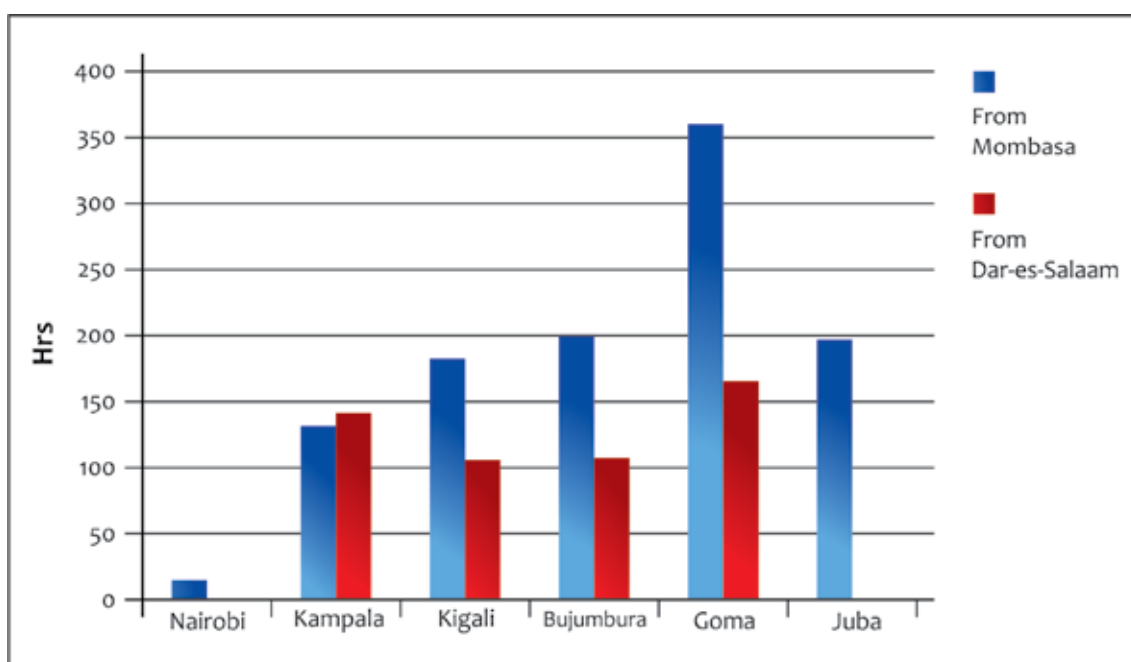


Figure 2.6. Truck turnaround time from Mombasa and Dar-es-Salaam to various destinations in East Africa

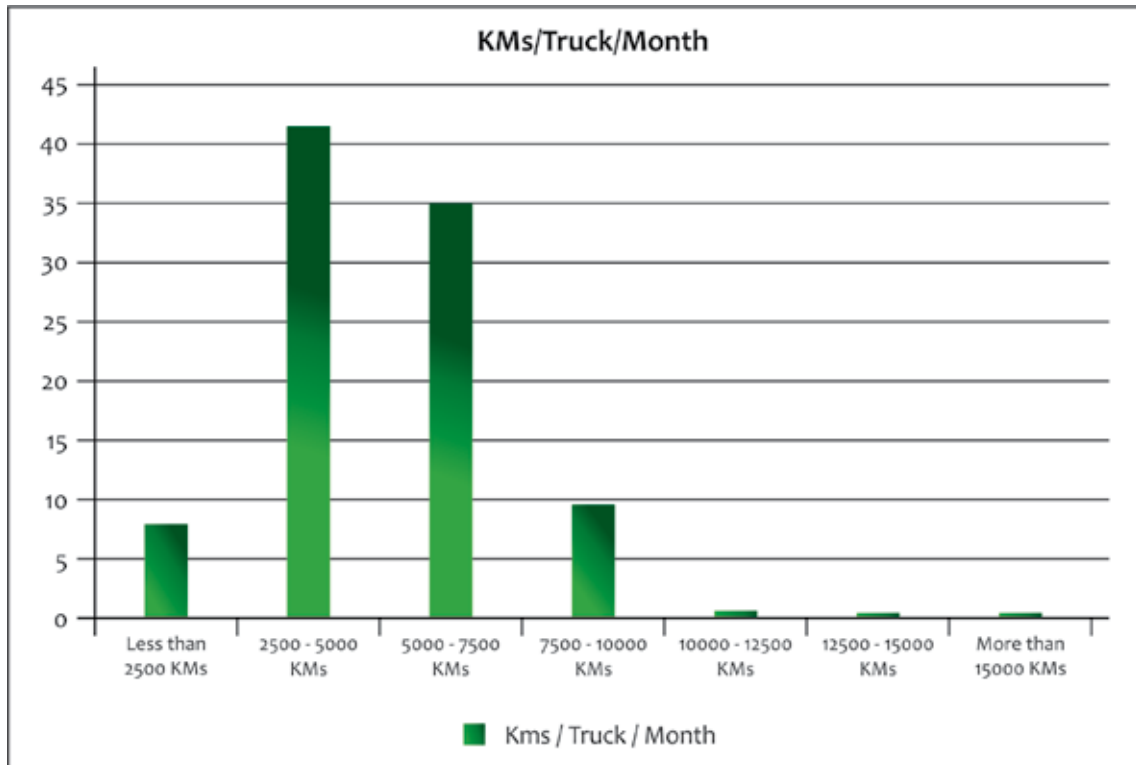


Figure 2.7. Average kilometers per truck per month for both the Northern and Central Corridor transport routes

time for imports. The results are presented in figure 2.8 and 2.9 below.

The survey reveals few incidences of flight delay occurrences as 73% of respondents indicate that they have never experienced incidences of flight delays over the past twelve (12) months. A further 19% of respondents indicate that they rarely experienced flight delays over the past year, while some 8% indicate that they sometimes experienced this over the past year. This scenario gives a good account of the efficiency of flight operations by carriers in the air freight sector. Moreover, respondents point out that there is no room for flight delays especially in the handling of perishable produce as this could result in massive losses for the industry.

Majority of the cargo coming in at JKIA is cleared between 2 – 3 days as reported by 43% of the respondents. 19% of the respondents indicate that they clear their cargo within 1 – 2 days of arrival while a further 16% indicate that they clear their cargo within 4 – 5 days of arrival. The major factors affecting cargo dwell time at the airport for both imports and exports are security requirements and customs procedures. Unfortunately, with increasing threats of terrorism in the world, stringent security requirements at airport cargo terminals that require the 100% screening and/or scanning are eating into the lead times for importing and exporting, thereby compromising the trade competitiveness of countries.

Moreover, the role of customs authorities has changed in the post 9/11 period. Until the late 1990s, the primary focus of customs was on collection of customs duties. This changed in 2010 when the focus shifted more and more to security. The AEO programme, introduced in 2008 which required shippers and logistics service providers to introduce internal security checks in their business process, was intended to lessen the security burden for shippers. However, the concept is based on mutual trust between customs and business and customs is under no obligation to provide expedited trade facilitation for compliant shippers.

**2.2.4 Railway Transport Efficiency**

The survey obtained average transit times for key origin to destination movements based on opinions of railway operators and railway freight customers. There exists significant variations in the transit times reported by shippers and railway operators. According to shippers, a number of transit days are lost due to delays in loading and unloading of cargo at rail yards, incidences of train interruptions caused by derailments and/or unscheduled events, issues of train punctuality and locomotives and wagon availability among other delays. On the part of operators, most delays are caused by ports authorities at ports and ICDs and also by customs authorities who use up most of the time in verification. Such delays account for an extra 4 – 7 days in train transit times.

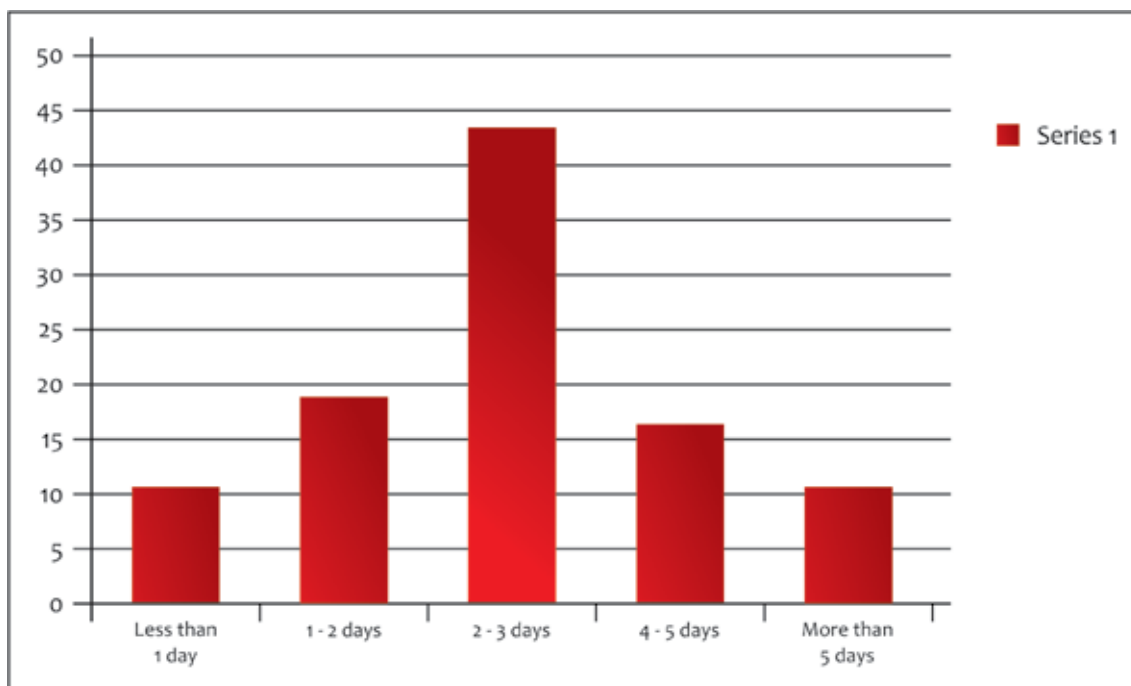


Figure 2.8. Flight Delay Occurrences

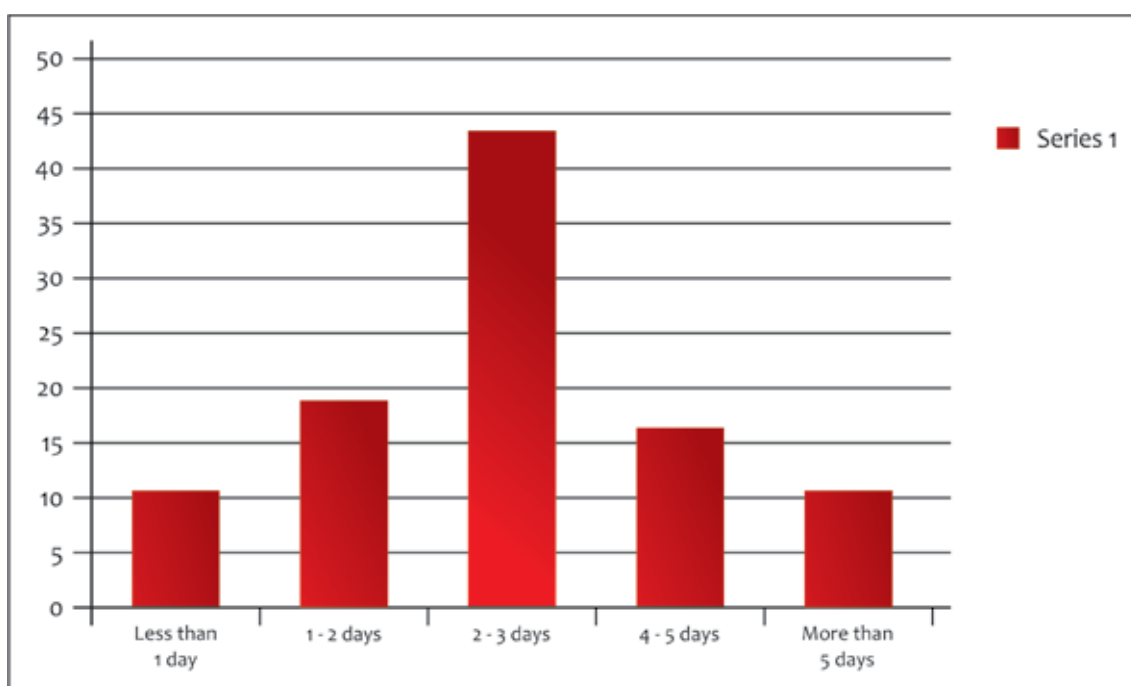


Figure 2.9. Dwell time for imports at JKIA Cargo Village

To eliminate this bias and blame game by shippers and railway operators, the survey computed actual train transit times when the cargo has been loaded onto the train. The results are presented in table 2.3 below.

### 2.3 Indicators of Complexity of Trade Transactions

The survey measured the complexity of undertaking trade

transactions by ascertaining the number of documents that importers and exporters need to fill in order to complete a standard trade transaction. Reference was made to the World Bank Ease of Doing Business Survey 2014 and the results are presented in figure 2.10 below.

Among the EAC Partner States, Tanzania leads in the number of documents required to import, with eleven (11)

while Kenyan and Rwandan exporters must complete a set of nine (9) documents to conclude a standard international trade transaction. At nine (9) documents, Burundi ranks highest in the number of documents required to export while Rwanda and Tanzania rank the least.

(Scale of 1) to very high (Scale of 5)

- Timely delivery of shipments – rated from never (Scale of 1) to always (Scale of 5)
- Security of cargo while in transit – rated as never secure (Scale of 1) to always secure (Scale of 5)

Origin	Destination	Distance in KMs	Transit Time (Days)
Mombasa	Nairobi	530	2
	Malaba		6
	Kampala	930	10

Table 2.4. Indicative train transit times from Mombasa to selected destinations in East Africa

Nevertheless EAC countries do not compare to international best practices where traders can use a single platform to lodge all their trade documentation.

### 2.4 Overall Rating of Logistics Performance

This section deals with providing information on the logistics performance of individual EAC Partner States using eleven (11) key indicators. Respondents were asked to rank the performance of their countries on the eleven (11) indicators based on the following scale:

- Efficiency of the goods clearance process – rated from very low (Scale of 1) to very high (Scale of 5)
- Quality of transport and ICT infrastructure – rated from very poor (Scale of 1) to very good (Scale of 5)
- Competence and quality of logistics services – rated from very poor (Scale of 1) to very good (Scale of 5)
- Level of preparedness of shippers to undertake international trade transactions – rated from very low

- Percentage of shipment that is physically inspected – rated as 100 (Scale of 1) to 0 to 25% (Scale of 5)
- Manner with which trade related disputes are handled – rated as very bad (Scale of 1) to very well (Scale of 5)
- Fairness and transparency in conducting customs valuations – rated as never fair (Scale of 1) to always fair (Scale of 5)
- Communicating timely & relevant information when trade regulations change – rated as never well communicated (Scale of 1) to always well communicated (Scale of 5)
- Incidences of corruption and rent seeking – rated as always (Scale of 1) to never (Scale of 5)

The individual country scores for the above key indicators were aggregated across all respondents, resulting into a single average score for each indicator. The results are presented in table 2.4 below.

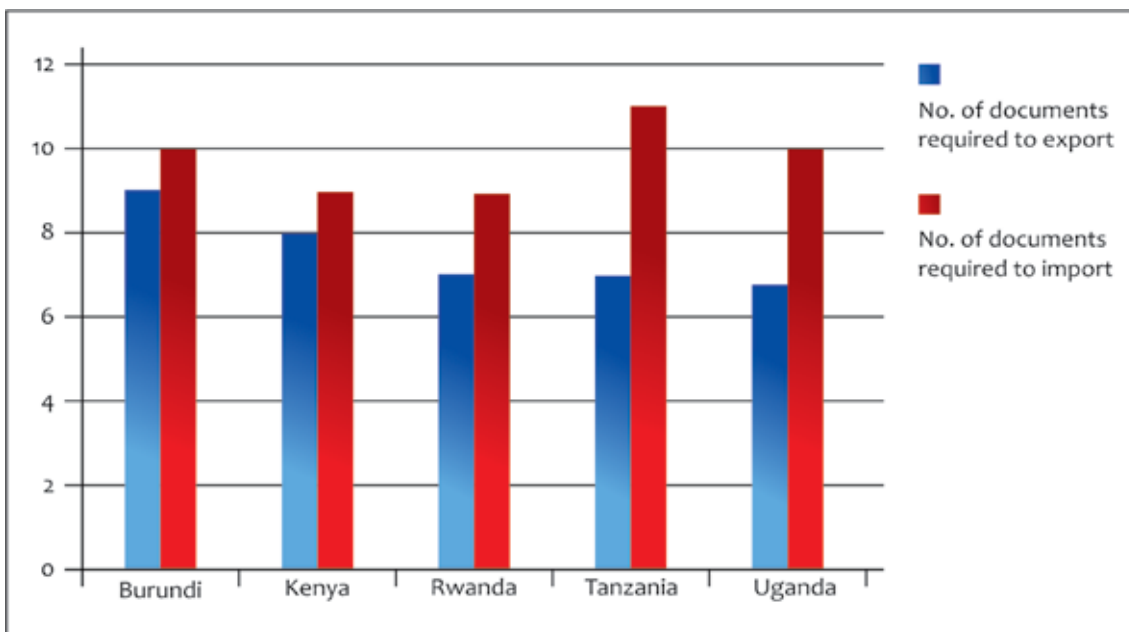


Figure 2.10. Number of documents required to import and export into East Africa. Source: Doing Business Survey 2014

## 2.5 Some Key Determinants of Logistics Performance

A number of factors and agencies are responsible for the overall rating of the efficiency of logistics performance as rated by respondents from the EAC Partner States. Such factors include the efficiency of the goods clearance processes, quality and availability of logistics infrastructure, quality of logistics services, level of preparedness of shippers to engage in international trade transactions.

### Efficiency of the goods clearance process

Uganda ranks highest in the efficiency of goods clearance process with a score of 3.13 out of a possible score of 5. In this category, 76.7% of respondents indicate average efficiency, 13.3% indicate high efficiency and a further 3.3% indicate very high efficiency. Rwanda and Kenya come second in the efficiency of their goods clearance process with a score tied at 3. In this category, 90% of Rwandan respondents rate the efficiency of the goods clearance compared to 84.7% of their Kenyan counterparts who say the same about their goods clearance process.

A further 10% of Rwandan respondents and 7.7% of Kenyan respondents indicate that the efficiency of the goods clearance process is high. Burundi and Tanzania follow at positions 4 and 5 in the efficiency of their goods clearance processes with individual country scores of 2.91 and 2.53 respectively.

The major factors affecting the efficiency of the goods clearance process include system availability and reliability, manner with which customs inspections are conducted and the manner with which valuation disputes are handled. Despite recent efforts to upgrade ICT systems for trade, there still exist glitches as these systems often experience an average downtime of seven (7) hours in a week. Except in the case of Rwanda whose score is 3.80, customs inspections still take up considerable time as more and more cargo is subjected to physical inspections and verifications. In the case of resolving disputes in valuations, Kenyan respondents rank their country as the worst performing with a score of 2.00 while Rwandan respondents rank their country the best in the EAC with a score of 4.00.

### Quality and Availability of Logistics Infrastructure

Despite recent improvements in transport and trade infrastructure, there still remain critical constraints in the availability. Satisfaction with the quality and availability of logistics infrastructure varies within the EAC countries. Rwandan respondents are the most satisfied with their country's infrastructure with a score of 3.30. This is followed closely by Ugandan and Kenyan respondents who rank their countries with a score of 2.9 and 2.85 respectively. Burundi and Tanzanian respondents are the least satisfied with their countries trade and logistics infrastructure with a tied score of 2.73.

Indicator	Individual Country Score				
	Burundi	Kenya	Rwanda	Tanzania	Uganda
Efficiency of the goods clearance process	2.91	3.00	3.00	2.53	3.13
Quality of transport and ICT infrastructure	2.73	2.85	3.30	2.73	2.90
Competence and quality of logistics services	2.86	2.54	3.00	2.93	3.20
Level of preparedness of shippers to undertake international trade transactions	2.00	3.23	3.25	3.00	3.20
Timely delivery of shipments	2.62	2.62	3.00	3.07	3.03
Security of cargo while in transit	4.01	3.15	3.90	3.00	4.23
<b>Indicators of Complexity of Trade Transactions</b>					
Percentage of shipment that is physically inspected	1.42	2.54	3.80	3.07	1.93
Manner with which trade related disputes are handled	3.00	2.00	4.00	2.90	2.83
Fairness and transparency in conducting customs valuations	4.01	2.39	3.50	3.20	3.47
Communicating information when trade regulations change	2.00	3.77	4.10	2.87	3.30
Incidences of corruption and rent seeking	3.00	2.92	3.85	2.53	2.57
<b>Average Country Score</b>	<b>2.78</b>	<b>2.82</b>	<b>3.52</b>	<b>2.89</b>	<b>3.07</b>
<b>Rank</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>2</b>

Table 2.5. Scores and rankings of individual EAC Partner States based on their logistics performance



### **Quality of Logistics Services**

The quality of logistics services plays a critical role in the logistics performance of a country. Unfortunately for this survey, a significant proportion of respondents were freight forwarders and this became difficult to handle the element of bias as most of them had a propensity to give the highest score. Nevertheless Uganda is the highest ranked EAC country in quality of logistics services with a score of 3.20. Rwanda and Tanzania follow closely with respondents giving a rank of 3.00 and 2.93 respectively. Kenya respondents rank their country the lowest with a score of 2.54.

The major issues highlighted by respondents to support their ranking related to the quality of services provided by transporters, clearing agents and government trade facilitation agencies. Customs authorities scored very poorly in the quality of services they provided while freight forwarders, transporters and clearing agents scored highly signifying the efficiency with which private sector entities conduct their operations.

### **Level of Preparedness of Shippers to Engage in International Trade Transactions**

For a long time the logistics efficiency of countries has been assessed based on the performance of supply side service providers such as freight forwarders and the services provided by government agencies. One critical factor that has often missed in these assessments is the demand side evaluation in the form of the level of preparedness of shippers to effectively fulfill their import and export

obligations such as making prompt payments and fulfilling their regulatory requirements. In this survey, Burundi shippers are the least prepared to engage in international trade transactions as attested by respondents from this country. With a score of 2.00 compared to the rest of the EAC partners whose scores are above 3.00, it is clear that there is much work to be done in preparing shippers from Burundi to effectively engage in international trade.

As for the other four partner states, the level of preparedness of shippers to undertake international trade transactions is directly related to the nature of cargo being imported and/or exported. A critical component of this category is the importation of relief and humanitarian cargo, where importers have often had the misconception that such cargo is subject to preferential treatment during the clearance process.

## 3.0 Current Initiatives to Improve Logistics Performance in East Africa

### **Single Window system**

Kenya recently launched the National Electronic Single Window System also known as Kenya Trade Net System. The system provides a single entry point for parties involved in trade and transport to lodge documents electronically for processing and approval and make payments electronically for fees, levies, duties and taxes due to the government on goods imported or exported. It is anticipated that the Single Window System will not only eliminate delays and lower costs associated with clearance of goods at ports and borders but also ensure effective collection of government revenue.

### **Electronic cargo tracking system**

In Kenya, the requirement by all truckers to install the Electronic Cargo Tracking System (ECTS) was initially met with opposition. However, the ECTS, which seeks to replace the security bond while monitoring cargo in transit and providing real time information on location, security and condition of cargo and assets, has slowly been embraced by truckers. The ECTS is currently being implemented by customs authorities in many parts of the world to mitigate against a range of risks such as significant tax loss, cargo theft, and improving regulatory compliance.

### **KPA ICT System Modernization**

Kenya Ports Authority (KPA) has completed the installation of an upgraded ICT system that now links to the National Electronic Single Window System. The system is expected to boost security at the port, enhance pick and delivery by reducing truck turnaround time within the port and enhance vessel turnaround time by making quayside operations more efficient.

### **KRA customs management system modernization**

Recent challenges that have embodied the Simba customs management system such as frequent breakdown and poor connectivity are currently being addressed through the development of a new customs management system. The comprehensive integrated Customs Management System (ICMS) is expected to enhance automation of customs and revenue collection procedures while facilitating international trade across Kenyan borders.

### **Construction of the Mombasa – Malaba Standard Gauge Railway**

The Governments of Kenya, Uganda, Rwanda and South Sudan have committed to develop a high capacity cost effective standard gauge railway network connecting

their countries from the port of Mombasa. The proposed standard gauge railway will connect Mombasa to Malaba (with a branch line to Kisumu) onward to Kampala, Kigali (with branch line to Kasese) and Juba (with a branch line to Pakwach). The Railway line will have a uniform design specification which will permit seamless operation across the borders and in turn reduce transport costs for the region. The first phase of the railway project which runs from Mombasa to Nairobi is expected to be completed on 1st July 2017 and the Kampala line by 2022.

### **Mombasa Port Expansion**

In the last two years, KPA has completed the dredging of the channel to enable larger vessels to call at the port of Mombasa. A new berth 19 has been opened up to increase the port's annual container handling capacity 250,000 TEUs. The first phase of the second container terminal with a capacity of 1.2M TEUs is expected to be complete by March 2016. Expansion of exit gates at the port and additional truck lanes is expected to improve truck turnaround time within the port from the current four hours to 30 minutes.

### **One – stop border post**

Local and regional traders will no longer spend lengthy clearance times at East African borders. This is because the construction of One Stop Border Posts (OSBPs) and the passing of the related East African Community One Stop Border Post (OSBP) bill are complete. Under the OSBP, services will be harmonized with incoming traffic jointly cleared by officers from both countries from one side of the border and vice-versa for outgoing traffic. The move is also expected to ease the movement of people.

### **Dar-es-Salaam Port Expansion**

Tanzania Ports Authority (TPA) has embarked on the implementation of a number of human resource and infrastructural development projects to improve the efficiency of port operations. Through its 2008 – 2028 Master Plan, TPA has identified a number of areas that need development and improvement to transform Tanzanian ports into world class ports. Specifically, TPA is mobilizing resources for the modernization of berths and access channels as well as dredging. In order to cope with increasing volumes of trade, TPA has purposed to invest in human resource training and modernization of ICT infrastructure. TPA also plans to construct two container berths no. 13 and 14, a one stop centre and a bulk liquid custody transfer tank. Other infrastructure initiatives include the construction of a fertilizer terminal, a Ro – Ro

berth, a truck folding area outside the port and connecting the EX – NASACO yard to the TAZARA railway line.

#### **Mombasa Port Community Charter**

Industry stakeholders from both the public and private sectors have come together with a common initiative to develop and implement the Mombasa Port Community Charter. The purpose of the charter is to eliminate constraints to trade facilitation by establishing a permanent framework of collaboration that binds the Port Community members to specific actions, collective obligations, targets and time lines. The charter also provides for the execution of a self-monitoring mechanism to ensure implementation of collective community obligations by senior managers of the participating Port Community entities.

#### **Regulatory Reform**

Kenya is in the process of overhauling laws governing its ports and maritime services, as it seeks to boost efficiency and end delays that are hurting regional trade. The move, initiated by the Kenya Ports Authority (KPA) aims at improving the existing KPA Act, drafting of new harbour regulations and laws relating to electronic documentation, Customs regime and shipping. The review is expected to result in significant changes in the management, operation, control and regulation of ports in the country whose lengthy bureaucratic processes have partly been blamed for their inefficiencies.

Laws governing railway business are also being reviewed to allow increased private sector investment participation in the railway sector. The Kenya Railways Corporation Act is being reviewed to match the new business regime that accommodates partnership as a mode of enhancing efficiency in railway operations. As the state moves to re-energize railway transport through the development of the standard gauge railway network, it has realized that the many challenges faced by the railway sector could be sorted out through partnerships with the private sector.

#### **EAC Single Customs Territory**

After successfully completing the piloting stage using the importation and exportation of petroleum products, the EAC single customs territory was officially launched by the five EAC Partner States on 1st July 2014. With this launch, East Africans cross border traders will enjoy a smooth trade flow. Under this arrangement the EAC Partner States will adopt a destination model of clearance of goods where assessment and collection of revenue is to be done at the first point of entry. The SCT allows free circulation of goods in the single market with variations to accommodate goods exported from one partner state to another. Customs administrations at destination states will retain control over assessment of taxes. Experts say this will crystallize the gains of integration through minimal internal border controls and a more efficient institutional mechanism in clearing goods.

## 4.0 Recommendations to Improve Logistics Efficiency

### *Infrastructure for Trade*

For EAC countries to effectively promote international trade and spur economic growth, their governments will need to sufficiently invest in transport infrastructure and provide an enabling environment for private sector to provide more efficient transport and logistics services. Despite recent increases in investment in infrastructure, the region's infrastructure network in general and transport infrastructure in particular have suffered from years of neglect and underinvestment. The railway, which has suffered the highest neglect over the years, should turn out to be the best solution to improving logistics performance, if well developed, as its average freight rate per kilometer tonne is much lower than for road – especially for the TAZARA line. Investment in regional physical infrastructure projects is therefore essential to reducing costs of cross border transport services. This is particularly true for landlocked Burundi, Rwanda, Uganda and DRC.

### *Access to Investment Capital for SMEs*

Restrictions of investment capital have also contributed to the underdevelopment of small- and medium-size enterprises (SMEs) as providers of logistics services. Truckers and logistics operators, have had limited expansion and remain relatively weak performers in the logistics chain, with little or no room to improve and modernize the industry. This in particular is the case with ECTS, where truckers would love to invest in the device but the restrictive pricing of the product has locked out a number of them. Another limitation on the logistics performance of SMEs is their inability to exploit economies of scale and substantial institutional roadblocks to reduce their operational costs and transfer the benefits to shippers in terms of lower transportation costs.

### *A Rethink of the Current Trade Logistics Policy Agenda*

In response to the limitations and weak performance of EAC countries as a whole, a rethinking of the current agenda to transform trade logistics requires actions at both the national and regional levels. Specifically, it requires project and program coordination in the areas of transport infrastructure and related transport services, specialized logistics infrastructure, trade policies, and in sectors where agendas converge. Improvements in trade logistics must focus on the provision of basic infrastructure, particularly in the road network, in order to expand coverage and maintain quality standards. Importantly, regulations that facilitate and encourage private-public partnerships, especially for large regional infrastructure projects such as ports and railroads, need to be improved. Well-functioning specialized logistic infrastructure is also needed to ease freight handling, streamline inspection processes, and

provide value-added services in areas closer to ports, airports, and border crossings. Equally important is the establishment of clear guidelines to support logistics management development for SMEs, logistic operators, and intermediaries.

### *Harmonization of Regional Laws Must be accompanied with Enforcement and Implementation*

To further reap the benefits of economic corporation, the agenda for integration must not only facilitate the coordination and harmonization of laws and standards across borders but also ensure appropriate enforcement and implementation. The manner with which EAC partner states are enforcing these laws has become one of the greatest determinants of transport costs. This is particularly the case with the EAC Vehicle Axle Load Control Act which partner states have applied different standards in implementation, with little or no concern on the long term impact of such decisions on the regions infrastructure.

### *A Harmonized Approach to Infrastructure Development*

While it is important that projects of greater potential impact must be given priority, development of regional infrastructure projects should be harmonized, with clear development criteria that equitably distribute the costs and benefits of integration among partner states. In order for this strategy to achieve its full objective, it must be accompanied by a significant allocation of resources. Hence, the region must develop financial mechanisms to collectively mobilize affordable financial resources for these projects, such as a common fund or earmarked resources for infrastructure integration. In this respect, the experience of the EU-27 is of particular importance, where a cohesive policy for transport infrastructure was developed to allow countries to catch up to regional standards and funds were earmarked for integration projects.

### *Service Delivery of State Agencies Involved in Trade Facilitation*

Services delivered by the state agencies involved in the goods clearance process need to be substantially improved. The amount of time spent by shippers to get their cargo inspected and cleared is way below international standards. While shippers appreciate the need for security operations and revenue collection duties of the state, they are a worried lot at the significant amount of time lost in executing clearance procedures. This is a worrying trend particularly in the wake of increased investment in logistics infrastructure to support trade. Measures therefore need to be formally put in place to promote high quality logistics services by state actors. If this is not done, there is the huge risk of being denied the benefits that are anticipated with the speedy investment in infrastructure.

# Further Readings

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Observatory of Economic Complexity; OEC Profile of Exports, Imports and Trading Partners of Countries <http://atlas.media.mit.edu/>

Simeon Djankov, Caroline Freund and Cong S. Pham (2006). Trading on Time

Tanzania Ports Authority Tariff Book

Trade Logistics and Regional Integration in Latin America and the Caribbean. No. 200 of August 2010. A Publication of the Asian Development Bank Institute

Transport Observatory Report. Northern Corridor Transit Transport Coordinating Authority (NCTTCA). April 2014

# Annexes

## Annex 1: List of Persons and Institutions that Were Interviewed

BURUNDI			
COMPANY	CONTACT PERSON	EMAIL	TELEPHONE
Benny Myles Group	Benny Mutagorama	benny.mutagorama@gmail.com	+25778503503
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Intercargo	Bizimana Mathieu	mathieu.bizimana@yahoo.com	+25778926257
Top Business	Manirakiza Benigne	benimani@yahoo.fr	+25771594000
DHL	Ndayikengurutse Josiane		+25778742056
GCFA	Ntiyankundiye Gilbert		+25777825889
King Business	Kinyarushatsi Jean Marie	kijamar44@yahoo.fr	+25778829466
Best Services	Niyongabo Jean Marie	niyongabo@yahoo.fr	+25775104140
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KENYA			
COMPANY	CONTACT PERSON	EMAIL	TELEPHONE
East African Packaging Industries	Susan Kinyanjui	Swk@eapi.o.ke	254395000
Bonafide Clearing and Forwarding			
KIFWA	D.Ombok		
Chai Trading Co.	M Mwakio		
Spearship Contrators	Vincent Opili	spearnbi@africaonline.co.ke	0721350120
Freight Manpower Centre Kenya	Bernard Kiarie	kiarie@freightmanpowercentre.com	0720764615
Swissport K Ltd	Peterson Kimeu	Peterson.kimeu@swissport.com	0202770226
Flowerport Logistics Ltd		info@flowerportlogistics.co.ke	0720774520
Tabaki Freight services international Ltd	David Joseph Njuguna	David.njuguna@tabaki.co.ke	0722755743
In Time Freighters			
Skytrain Limited	Ndegwa Mwaniki	Ndegwa.mwaniki@finlays.net	
RWANDA			
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Quick Clearing	Daniel Kwizera	kwidanny@yahoo.fr	07884202
Real Transit Agency	Hakizimana Evariste	Hakiza.evariste@yahoo.com	0722055030
Quick Clearing	Bizmana Mortin		
Torirwa	Miyonemera Joel		072803167
Spedag	Ndamage Augustus	Ndagustun002@yahoo.com	078871555
Merez	Shayaka Jean Claude		078882327
Royal Links	Tumusime Gerard		0783711259
Trinity	Geofrey Turatsinze		0728798410
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## Annex 1: List of Persons and Institutions that Were Interviewed

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Panache	Umutoni Yvonne	umyvonru@yahoo.com	0784449289
AMEKI	Benimpanda chammal	Benhammal@gmail.com	0788282805
Africa Freight service	Thomas		078889953
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Comtex	Irizabimbuto Fidelite		
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Favre Freight Forwarders ltd	Appolowary Mattem	favrefreight@yahoo.com	0754291277
June trust freight(k) Ltd	Nickson Mziray	June.trust@gmail.com	0754270233
Uprising clearing and forwarding co.Ltd	Jaheed Abdulahi	byabato@live.com	0754200450
Enterprise logistics company Ltd	Joseph Lykurwa	enterpriselogistics@yahoo.co.uk	0712008083
Global Logistics Ltd	Boniface Kaozya	vkaozya@globallogistics.co.tz	0754229808
Full Cargo support Ltd	Lillian Nelson	fullcargo@hotmail.com	0784786828
Bollore Africa Logistics (T) Ltd	Nelson	Sdv.tanz@bollore.com	+255222401016
DHL Tanzania Limited	Christine John Kironde	Christine.kironde@dhl.com	0758828160
Cargo Expedition Tanzani Ltd	Havald Makawia	cargoexp@yahoo.com	0784549634
<b>UGANDA</b>			
<b>COMPANY</b>	<b>CONTACT PERSON</b>	<b>EMAIL</b>	<b>TELEPHONE</b>
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Tropical c&f co Ltd	Eddie Kalibbala	eddiekalibbala@gmail.com	0772424194
The cleaner(Uganda)Limited	Emune Thomas	emmunethomas@gmail.com	0702993642
Circle freight International (u) Ltd	Connie Nayiga	Conniesematimba39@gmail.com	256752766837
J.Y providers Ltd	Musani Jayne F.	jyproviders@gmail.com	0754356038
Road Freighters Ltd	Mutebi Ivan	Ivanmutebi9@gmail.com	0781801952
Flintlinks International Ltd(Uganda)	Lule Francis	gefferfrancis@gmail.com	+256777145139

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Royal Trust (U) Limited	Bagada Linus		0704270194
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Seko Logistics (U) Ltd	Herbert Sempebwa	Herbert.sempebwa@sekologistics.com	0791226114
Speedlogistics(U) Ltd	Jane Aketen	janeaketen@gmail.com	0776978461
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Frontline Freighters Uganda Limited	Hussein Ibrahim	Hubrah2013@gmail.com	0782798857
Skylight international limited	Nakiboneka Claire	nakibonekaclaire@yahoo.com	0700668670
Diamond Shipping Services Ltd	Imoni Francis	imonifranis@yahoo.com	+256782746415
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Multi-Bulk forwarders Ltd	Ndagire Agnes		+256414255955
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Raymark Investments Limited	Mawanda Gerald	Mawanda.gerald@ raymarkinvestmentsltd.com	+256752263542
Inter Afrique Agencies Ltd	Musasizi Moses	Musasizimoses@gmail.com	+256781572296
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Spedag Interfreight Uganda Ltd	Diana Nambuya Mirembe		+256772928883
Spedag Interfreight	Patrick Nawinyi	Patrick.nawinyi@ spedaginterfreight.com	+256 773240810



# Annexes

## Annex 2: Top Twenty Destinations for EAC Exports

KENYA	UGANDA	TANZANIA	RWANDA	BURUNDI
Uganda	Sudan	Switzerland	Malaysia	UAE
Netherlands	Kenya	S. Africa	DR Congo	Germany
UK	Rwanda	China	Kenya	UK
USA	DR Congo	Germany	Belgium	Belgium
Tanzania	Netherlands	Japan	France	Kenya
Egypt	UAE	India	China	China
Pakistan	Germany	Kenya	Switzerland	Sweden
Germany		Burundi	USA	DRC
Russia	Luxemburg	Netherlands	Pakistan	USA
Zambia	Italy	DR Congo	Germany	Pakistan
Indi	Spain	Italy	UK	Netherlands
Rwanda	Singapore	Rwanda	Hong Kong	France
France	UK	Malawi	Uganda	Italy
Italy	Burundi	Indonesia	Burundi	Uganda
Sudan	USA	UAE	Estonia	Rwanda
Hong Kong	China	Belgium	Italy	Hong Kong
Malawi	Hong Kong	Mozambique		Austria
Afghanistan	Tanzania	USA	Australia	Poland
Belgium	Portugal	Zambia	Haiti	Switzerland
China	France	Uganda	UAE	Estonia

# 2014

EAST AFRICA LOGISTICS PERFORMANCE SURVEY

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