COMPETITIVENESS AND TRADE EXPANSION PROGRAM

Internal COMPETE Assessment:

Identifying interventions to increase efficiency along the transit corridors that are most important to the selected value chains supported by COMPETE

COMPETE Deliverable IV.B.1.2.7

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EXECUTIVE SUMMARY

Currently Africa contributes only 3 percent of the value of goods traded globally. The high cost of transport is one of the key barriers to trade on the African continent. COMPETE aims to increase trade and competitiveness in regional and global markets by reducing barriers to trade, improving market access, and furthering regional integration. Transport in East Africa is plagued by a number of delays that slow down performance. As a result, logistical advances such as, "Just-In-Time" trading environment that is a norm in other economic environments have continued to elude East Africa. Inefficiencies along trade and transit transport corridors impact negatively on the trade and overall economic competitiveness of the ECA (East and Central Africa) countries. For these countries to be effective players in regional trade and in the global market place infrastructure costs must be brought down, market policies must be coordinated, standards and operating practices harmonized and rationalized and effective tracking and reporting system put in place to support informed policy formulation, planning and decision-making.

High transport costs along the major East African Corridors particularly the Northern Corridor are caused by, but not limited to, poor condition of physical transport infrastructure (ports, roads, railways, border posts); poor transit facilitation; limited use of technology; limited use of through transport logistics solutions; and limited political will to rise above national interests in favor of broader regional solutions. Specific constraints include:

- Complex, cumbersome and duplicative border procedures
- Complex customs documentation and procedures
- Cumbersome port processes and procedures and high shipping, maritime and port charges
- Poor transport infrastructure especially for rail transport
- Driver occasioned delays
- Limited conformity to international best practices (conventions, standards, compliance)
- Failure to uniformly adopt trade and transit facilitation instruments
- Lack of harmony in technical standards, traffic regulations, transit charges
- Use of national documents
- Poor port/surface transport interface
- Limited use of ICT in logistics
- Road blocks (police checks), unauthorized payments
- Absence of a level playing field in road transport across the region
- Multiplicity of weighbridges in Kenya

This Transit Corridor Assessment for East Africa has been undertaken in response to the contract direction given by USAID East Africa. It is intended to provide the basis to inform

COMPETE interventions under **COMPETE's Component 1 – Reduced Barriers to Trade and Investment and in particular, Key Result Area (KRA) 1: - Transit and Trade Efficiencies on Select Transport Corridors Improved** leading to:

- A 30% decrease in transit clearance times at a minimum of four borders in the COMESA/EAC region
- A 10% reduction in the paperwork requirements for trading goods in the COMESA/EAC region

Key findings of the Transit Corridor Assessment are:

Transit Facilitation Study

Corridors important to value chains: COMPETE focus value chains are, Staple Foods (SF), Cotton Textiles and Apparel (CTA), Specialty Coffee (SF) and Horticulture. Corridors important to these value chains in East Africa are the Northern Corridor from the port of Mombasa in Kenya and the Central Corridor from the port of Dar-es-Salaam in Tanzania. The Northern Corridor serves principally the landlocked countries of Uganda, Rwanda, Burundi and Eastern Democratic Republic of Congo (DRC). The Northern Corridor also has spurs to Southern Sudan through Uganda and Northern Tanzania through Namanga border.

The Central Corridor serves principally Rwanda and Burundi and also parts of DRC as well as Uganda. Uganda is the largest landlocked economy and over 80% of Uganda's trade is through the Northern Corridor. A combination of inefficiencies at the port of Dar-es-Salaam, poor road conditions have all contributed to limited use of the corridor by hinterland countries. There is concerted effort by the Government of Tanzania to promote the Central Corridor as an alternative route to the Northern Corridor. Given the political events in Kenya in 2007 in the form of post-election violence which led to the disruption of traffic, there is strong merit on the land-locked countries having a viable alternative trade route.

Both the Northern and Central Corridors are anchored in inter-governmental agreements which define modalities for cooperation to improve corridor coordination, utilization and efficiency improvements. The Northern Corridor Transit Agreement was signed on February 19, 1985 in Bujumbura and ratified in 1985 and by the original signatories: Kenya, Uganda, Rwanda and Burundi with DRC acceding on May 8, 1987 in Kigali. The Central Corridor Transit Transport Facilitation Agreement (TTFA-CC) was signed in August 2006 by the contracting parties: Burundi, DRC, Rwanda, Uganda and Tanzania. The depository of both instruments is the United Nations Economic Commission for Africa (UNECA) based in Addis Ababa, Ethiopia.

East Africa has three major corridors serving East African trade, Northern, Central and Ethio-Djibouti. In addition, there are other corridors and spurs which serve East Africa and these are, LAMUSEC; Dar-es-Salaam; Mtwara; Tanga; and Mpulungu-Bujumbura. A brief description of the corridors is below:

Northern Corridor: The Northern Corridor is the transport corridor linking the great lakes countries of Burundi, D. R. Congo, Rwanda and Uganda to the Kenyan sea port of Mombasa. The corridor also serves Northern Tanzania, Southern Sudan and Ethiopia.

Central Corridor: The Central Corridor comprises the Dar es Salaam - Kigoma railway network (1254 km), connecting Bujumbura by boats on Lake Tanganyika, and to Rwanda by road. The road route is from Dar es Salaam via Dodoma, Singida, Nzega to Lusahunga into Rwanda and Burundi and also serves Uganda via Lake Victoria linking the inland ports of Mwanza in Tanzania and Port Bel in Uganda.

Ethio-Djibouti Corridor: the Ethio-Djibouti Corridor that links Ethiopia to the port of Djibouti. Djibouti Port is under-going major upgrading into Djibouti Ports and Free Zones Authority (APZFD). Djibouti is strategically located at the cross-roads of the Indian Ocean and the Red Sea and in the path of the world's busiest shipping lines. It is the terminus for the Ethio-Djibouti Railway and therefore the natural gateway for Ethiopia. Major investments in port are being undertaken by DP World (Dubai Ports). A key investment has been the construction of the Doraleh Container Terminal at a cost of $300 million. The first phase which started in 2006 was completed in 2009 with a capacity of 1.7 mill TEUs and the second phase will upgrade the terminal to 3 mill TEUs. DP World has been operating Djibouti Port since 2000 and Djibouti Airport since 2002.

LAMUSEC Corridor: The advent of discoveries of oil in Southern Sudan and Uganda has resulted in demand for additional infrastructure. The proposed LAMUSEC (Lamu-Southern Sudan-Ethiopia) Corridor from the port of Mombasa in Kenya to link with Southern Sudan and Ethiopia is one such corridor whose construction is currently underway and which is bound to have a major impact on the transport logistics dynamics of East Africa.

Dar es Salaam/TAZARA Corridor: Dar es Salaam/TAZARA Corridor is linked to Mtwara Development Corridor through the Southern Regions of Tanzania and connects Tanzania with Malawi, Zambia and Mozambique. It is a road and railway corridor with the main railway being TAZARA railway line which is 1860 km long and extends between Dar es Salaam port in Tanzania to New Kapiri Mposhi in Zambia. It connects with Zambia railways; 970 km of line is in Tanzania and 890 km in Zambia. The gauge is 1.067m (3ft 6 in) compatible with railways of Southern African countries. There is an interface of the two railway system of Southern and East Africa at Kidatu where goods from Southern Africa are transshipped on the East African railway (narrow gauge) system.

Mtwara corridor: This corridor extends from Mtwara port in the southern part of Tanzania and joins the Dar es Salaam Corridor at Tunduma in Mbeya region.

Tanga Corridor: This corridor extends from Tanga port in the Northern part of Tanzania to Uganda through Lake Victoria. It joins Kilimanjaro, Arusha and Mara regions. At some points, it joins Kenya by roads and rail.

Mpulungu/Bujumbura Corridor: This corridor handles traffic from the south (Zambia, Malawi, Zimbabwe, South Africa) to Mplulungu Port on Lake Tanganyika which is Zambia's only inland port linking Mpulungu to Bujumbura and onward to Rwanda. It handles largely sugar and cement exports from Malawi and Zambia to the Great Lakes Country. Mpulungu is a road only spur from the main North-South Corridor. Plans have been on the drawing board for a long time to build a rail spur from the main TAZARA railway line to the port of Mpulungu.

East African Corridors have linkages to other transport corridors in the COMESA region. The port of Dar-es-Salaam is the focal point for three corridors, the Central Corridor to Burundi, DRC, Rwanda and Uganda; the Dar Corridor (part of the North-South Corridor)

via Zambia, Zimbabwe, Botswana and South Africa and what is also known as the "Malawi Northern Corridor" from the port of Dar to Northern Malawi. From Lilongwe in Malawi this Corridor links to the Nacala Corridor to the port of Nacala in Mozambique; and back to the North-South Corridor through the Mchinji (Zambia/Malawi Border) via the Great East Road in Zambia all the way to Lusaka in Zambia to link with the North-South Corridor.

The Corridors in the EAC and COMESA regions are therefore closely inter-linked. This is why the corridors have to be viewed in a holistic manner not just for East Africa, but the rest of COMESA. Traffic moves from South Africa to East Africa and vice-versa, confirming the principle that "Business is Borderless".

For this reason, it makes sense that common trade and transit facilitation instruments are adopted across the three major RECs – EAC, COMESA and SADC so as to evolve standards and logistical operational practices that are harmonized across the three Regional Economic Groupings (RECs). The establishment of the Tripartite Framework involving the three RECs as well as the coming into place of the proposed 26 member Tripartite Free Trade Area (T-FTA) will have a major impact on the development of infrastructure and operation of transport and logistics systems in East Africa.

There are also other major new investments planned, such as: a second container terminal at the port of Mombasa; a standard gauge railway between Kenya and Uganda; a high-speed railway between Tanzania and Rwanda; and a new large pipeline between Uganda and Kenya. The growth of Southern Sudan in particular will have a major impact on East African Transport Corridors especially those via Kenya.

Corridors where COMPETE can add the most value: The focus of COMPETE should be on the Northern and Central Corridors. The Central Corridor has the largest trade flows and carries the bulk of the volumes of trade across the various value chains. In the short to medium-term, efficiency improvements on the Northern Corridor are likely to have the greatest impact on improving the competitiveness of value chains because the bulk of this traffic uses this corridor. In addition, interventions on roads and road transport are likely to have the greatest impact in the short to medium term because the current modal split at 96% is highly skewed in favor of roads.

COMPETE should however, in parallel, also undertake interventions on the Central Corridor and rail. Because it is relatively new in operating as an in integrated corridor, as a result of the Central Corridor TTFA, there is higher scope of success in introducing new models and testing TTFIs on the Central than Northern Corridors. In addition, the efficiency of the Northern Corridor is likely to be enhanced if there is increased competition from the Central Corridor. In the long-run, the policy objective should be to shift more traffic from road to rail.

There is a structural problem in the flow of traffic for both the Northern and Central Corridors. For the port of Mombasa for 2008, imports comprised 81% of the total traffic with only 16% being imports with 3% being transshipments. Apart from transit inefficiencies, this structural imbalance is one of the major causes of high transport costs on East African Corridors because it translates into import containers returning empty and trucks moving import traffic into the hinterland coming back empty.

There are also major structural issues in terms of usage. In 2008, Uganda accounted for 76% of the total transit traffic, 4,874,278 tons, on the Northern Corridor. The remaining percentage of transit traffic is as follows: Sudan (5%), Tanzania (5%), Rwanda (6%), and

Burundi (1%). The viability of the Northern Corridor and planned investments depends on the growth of transit traffic, particularly Uganda traffic.

Thus, the solutions to reducing the high cost of transport do not just lie in harmonizing systems and processes and improving logistics, but also on addressing the huge structural imbalances in terms of the import and export traffic as well as share of traffic for individual countries. While the "Oil Effect" will have a major impact, there is need to grow and diversify the economies of East Africa.

In terms of trade flows, the major export commodities are agricultural, and are, tea; coffee; tinned fruit vegetables and juices; tobacco and cigarettes; oil seeds; fish and crustacean; hides and skins; maize; beans, peas and pulses; cashew nuts; cotton; sisal; and rice in order of magnitude. This is not surprising because of the eight major RECs in Africa, AMU, CEN-SAD, COMESA, EAC, ECCAS, ECOWAS, IGAD and SADC, the EAC has the highest share of agriculture in GDP at 34.6% compared to the average for Africa of 24.6% and ECOWAS 31.6%, COMESA at 25.6% and SADC at 18.7%.

Our findings also point out the fact that bulk agricultural products which are the major exports on East African Corridors have a higher freight/value ratio than value added products. Thus, notwithstanding the inefficiencies which contribute to the high transport cost, the nature of the commodities transported (high volume, low value bulk agricultural products) also account for the high transport costs. This is why it makes sense to adopt a value chain approach aimed at among other ends, adding value to the export products. High value products will reduce the freight/value ratio and therefore, make transport costs lower.

High transport costs and logistics inefficiencies are a major determinant of the profitability of individual firms and viability of industry clusters or value chains. Analysis by the World Bank *(Enhancing Efficiency of Transit Corridors in East Africa, March 2009),* has shown that "Days to Import" has a correlation with "Days of Inventory". Madagascar for example, has on average, 49 days to import translating into 58 days of inventory holding. For east Africa, Tanzania is 30 against 39, and Kenya 37 days to import with 43 days inventory holding. This compares with 10 and 24 for South Korea and 7 and 24 for Germany. Thus, the higher the import lead time, the higher the number of days of inventory required.

This has a "Cascade Effect" on business. Higher inventory holdings mean tying up resources which could be used as working capital. It also signals a higher risk business environment due to uncertainty of deliveries. This in turn is two edged. High lead times in importation of inputs means production uncertainties, while high export lead times has an impact on ability to honor and sustain contracts. This translates into a higher risk profile and therefore, higher interest rates, higher cost of finance and overall, high cost of doing business. Improving efficiency on transport corridors for both imports and exports would result in reduced cost of doing business, higher profitability levels for individual firms and consequently, viable industry clusters or value chains.

Inefficient transit also has an impact on market access. Over the years, African countries have been clamoring for increased market access and reduced barriers to market entry in developed country markets including lower tariffs. Under AGOA (African Growth and Opportunities Act), the preferential trade arrangement between the U.S. and Sub-Saharan Africa for example, some tariff lines which were as high as 25% have been reduced to zero. However, these sorts of market gains are quickly eroded if as is the case for Rwanda

transport costs are over 40% of the value of exports. Thus, gains in tariff reductions must be matched with efficiency improvements in transport and logistics and trade facilitation generally if African countries are to benefit from favorable market access terms.

Interesting key findings from the analysis:

- Customs checks are most common in Uganda (13), followed by Rwanda (10). Goods experiencing least delays in Rwanda are building materials, cosmetics, and grains; while goods experiencing longest delays are tobacco leaf, iron and steel, tires and tubes.
- Goods experiencing least delays in Kenya are, fruits, petroleum products, iron and steel; while goods experiencing longest delays are cooking oil, tobacco leaf, and machinery. The average time for customs checks away from border posts was 3 hours in Kenya, 3 hours in Uganda, 14 hours in Rwanda, and an hour in the DRC.
- The causes of the longest delays in Kenya were port procedures, border post procedures and insecurity. The causes of the longest delays in Uganda were border post procedures, inland terminal procedures, and insecurity. Transit time in Kenya, excluding the port of Mombasa is approximately 7 days, while it is 3-4 days in Uganda. The causes of the longest delays in Kenya were port procedures, border post procedures and vehicle breakdowns indicting a problem with the infrastructure or maintenance practices.
- The average time for customs checks away from border posts was 3 hours in Kenya, 3 hours in Uganda, 14 hours in Rwanda, and hour in the DRC,. Customs checks were most common in Uganda (13), followed by Rwanda (10). Goods experiencing least delays in Kenya are fruits, petroleum products, iron and steel; while goods experiencing longest delays are cooking oil, tobacco leaf, and machinery.
- While high transport costs are cited as contributing to the poor competitiveness of all value chains, there are specific peculiarities for some value chains. For coffee exports for example, insecurity and high rates of theft are a major problem with coffee exporters having to arrange their own special security escorts for coffee shipments.

Other donor interventions: Donors active in East African Corridors are, USAID; JICA; DFID; AFDB; World Bank; and European Union. JICA, AFDB, the EU and World Bank support both the hard and soft side of infrastructure. AfDB is financing the construction of a number of roads in East Africa while JICA is constructing the second container terminal in the port of Mombasa and the World Bank has co-financed a number of road projects. On the other hand, DIFID and USAID focus on the soft aspects – capacity building, policy reforms and training. Of the transport logistics chain covering ports, railways, roads, border posts, JICA and the World Bank are particularly active in the areas of ports, OSBP, road and rail, while AfDB is largely involved in roads and more recently infrastructure for border posts.

USAID's major strength through programs like COMPETE, is in working with private sector players which other donors do not do as they tend to work with public sector institutions and quasi-government institutions such as port authorities, customs administrations, etc. Another advantage that USAID has over other donors is its flexible funding mechanisms which can be activated fairly rapidly whereas other donors tend to have more rigid financing rules and therefore are not as responsive to responding rapidly to a dynamic environment. Because of its ability to work with both the public and private sector, USAID has the ability to rally together public and private sector players and can

therefore play a lead role in promoting effective trade facilitation and getting TTFIs adopted.

Key efficiency gaps: Key efficiency gaps are essentially Corridors functioning on a national rather than on an integrated regional basis. As long as systems operate as discrete national segments, through transport logistics operations will not be achieved. A major gap therefore is to harmonize standards, rules and regulations as well as policies and practices for documentation, axle weights and payloads, border posts, etc. along entire corridors from origin to destination so that corridors function as through regional logistics chains and not segments of national systems each with its own set of rules. A holistic integrated approach is therefore required on each major corridor and this is a gap that needs to be filled.

Additionally, logistics reforms have been public sector driven excluding private sector constituencies who have a stake. Although the private sector can potentially play a very important role in advocating for positive reforms to improve efficiency, the private sector itself has not been sufficiently organized to play a visible and pro-active role in shaping regional policies. While there are institutions like FESARTA (Federation of Eastern and Southern African Road Transport Associations) which brings together truckers from Eastern and Southern Africa; FEAFFA (Federation of East African Freight Forwarders Associations), a trade association for clearing and forwarding agents in East Africa; and the EABC (East Africa Business Council), KTA (Kenya Transporters Association), KSC (Kenya Shipper's Council), these associations are nascent and require institutional capacity strengthening to position them to be effective partners with the public sector in working together to reduce the cost of doing business.

The emergence of specialized Regional Industry and Trade Associations (RITAs) provides an opportunity to address transit facilitation and logistics issues on a cluster basis working with these associations. This is also a logical progression with COMPETE building on the work of a previous project as these associations were initiated under RATES. The associations and respective value chains are: ACTIF (African Cotton and Textiles Industries Federation); EAFCA (Eastern African Fine Coffees Association); EAGC (Eastern Africa Grain Council); and ESADA (Eastern and Southern African Dairy Association). In addition, COMPETE will also work with the horticultural industry as another value chain. High logistics costs are the number one hindrance to the competitiveness of the economies of the region. A recent World Bank study for example, found that for maize which is the most important staple food in East Africa and also the mostly widely traded agricultural commodity transport charges averaged 76% of total marketing costs *(Eastern Africa: A Study of the Regional Maize Market and Marketing Costs, World Bank, October 2009).* For coffee, which is largely an export crop, apart from the high transport costs, loss of consignments through thefts and diversion is a major issue and coffee exporters have to embark of additional security measures to secure their consignments, thus, further adding to the cost.

Paper bound trade and transit procedures and processes are prone to abuse, fraud and corruption and are inherently cumbersome particularly where there is a multiplicity of institutions involved in corridors as is the case in East Africa. A major gap has been limited use of ICT solutions for transit logistics. Customs processes, transit bonds, payment of various fees and charges can all be done electronically eliminating all the adverse effects of paper bound transactions. Even where ICT systems have been introduced, their usage and coverage has been limited. For example, although most customs administrations in East Africa use ASYCUDA (with the exception of Kenya which

uses a system called SIMBA), these systems are not integrated limiting their functionality and therefore, usefulness. Even USAID supported systems such as RADDex, though critical in linking customs systems in adjacent countries has been implemented on a piece-meal and incremental basis. The gap that needs to be filled is a turnkey approach to IT system development and roll-out so that connectivity is achieved on an integrated basis. No donor has embarked on such an integrated turnkey approach.

Transit and logistics solutions proposed by RECs and governments have been public reform related and not business oriented. For example, unless it is understood that market imperfections benefit some market players who cream off the market due to their monopolistic positions, solutions proposed will be superficial. An example is the clearing and forwarding industry which is driven by a few large multinational companies such as SDVTransami, Kuenel Nagel and others who together are largely a cartel whose market niche and selling point is to navigate the cumbersome processes and gross inefficiencies that exist on corridors. Unless such large players are brought in to buy into the proposed remedial measures, the impact of the proposed solutions is likely to be limited.

Another key gap is limited private sector involvement in infrastructure finance. Over the years, infrastructure improvements have largely been funded by the public sector, governments, multi-lateral funding institutions (World Bank, AfDB) and bilateral donors with limited direct private sector participation. The exceptions are air transport and airlines and also Inland Container Terminals (ICDs) as well as power where over the years there has been private sector participation. The major reason for this is that the major transport assets, ports, roads, railways, border posts are or have been owned by governments and this has crowded out the private sector. Some transit solutions can be investment driven. For example, a concessionaire putting up a toll road will in all likelihood seek government assurance that there would be no unnecessary weighbridges, police and other checks on such a road. Additionally, there is unlikely to be scope for multiple stops and checks on a modern dual carriageway.

Equally, an investor putting up an OSBP would seek guarantees from customs and other border agencies as part of the investment deal. It is therefore important that trade facilitation measures go hand-in-hand with private sector driven investments.

In addition, infrastructure projects tend to be complex requiring high up- front investment in project preparation. Most governments lack capacity in the form of effective institutional structures, (normally referred to as PPP Units – Public-Private Partnership Units) and requisite legal framework to support effective private sector involvement and investment in infrastructure. Additionally, recent rail concessions in Kenya, Zambia, Malawi and Tanzania have had mixed if not poor results, raising public sector fears about the efficacy of privatization and concessions. The problem has not been with the concessions but the manner in which the concessions were structured, financed and managed. There is dire need for capacity to create effective PPP Units to manage infrastructure concessions and finance. A start is being made with structures like AfDB's Infrastructure Consortium for Africa (ICA), the World Bank's Public-Private Infrastructure Advisory Facility (PPIAF) and NEPAD's Infrastructure Project Preparatory Facility (IPPF) in place to support governments in Africa to package infrastructure projects for financing.

This capacity is important to ensure that potential infrastructure projects for financing are packaged and presented in a format amenable to stimulating private sector interest. This is a complex, expensive and time-consuming process which governments are ill equipped to undertake. Infrastructure projects because of their large size and scope require proper

preparation, packaging and sequencing. This may also entail the negotiation of "Off-take Agreements", to assure a potential financier/investor that the project has adequate revenue streams to make the investment worthwhile. These are areas requiring specialized skills and institutional capacity.

There has been an emergence of a number of infrastructure funds, some private sector driven and financed by multi-lateral donors. These include, the South Africa Infrastructure Fund (SAIF) managed by Macquire, the Pan African Infrastructure Development Fund (PAID) managed by Harith, the Infrastructure Recovery and Assets Platform (INFRA) managed by the World Bank, the Infrastructure Crisis Facility (ICF) also managed by the World Bank, the Emerging Africa Infrastructure Fund (EAIF) by DFID, the EU-Africa Infrastructure Trust Fund (AITF), and USAID's Africa Infrastructure Program (AIP) among others. There are also agencies such as USTDA who directly finance infrastructure projects. Countries like Kenya have also successfully issued infrastructure bonds, one for general infrastructure development and the other for power issued by KenGen, Kenya's power company.

There is thus, a growing recognition that provided the policies are right, structures in place and incentives attractive, there is likely to be increased interest and involvement in infrastructure financing by the private sector.

A critical area that has been neglected is skills training for players along the logistics chain both public and private. USAID through the ECA Trade Hub did provide some training for clearing and forwarding agents in collaboration with EAFCA. JICA is currently providing training for Kenya Revenue Authorities and this is being extended to other Revenue Authorities in East Africa. What is needed is to identify training needs along the entire transit logistics chain.

More importantly, as the region moves towards a single customs union what is critical is to develop standardized training curricula, manuals and move towards establishing "Centers of Excellence" trade facilitation and logistics. This training should not only be about industry skills, but also ensuring that players along the Transit Logistics Chain from shipbrokers and agents to drivers, customs officers and clearing and forwarding agents among others, understand the TTFIs, new instruments such as the EAC Customs Management Act (CMA) and others.

Additionally, East Africa is part of the global trading community so players must understand and be compliant with least developments in transit logistics globally such as INCOTERMS as defined by the International Chamber of Commerce (ICC), and other instruments within the framework of international initiatives like the United Nations Trade Facilitation Network's Global Facilitation Partnership for Transport and Trade (GFP); The Almaty Program of Action which is a mechanism for addressing the special needs of landlocked developing countries within a new global framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries; and generally, adopting international best practice. The training should also for shippers (importers and exporters) because another major cause of delays of shipments is ignorance by shippers resulting in use of incorrect documents, inadequately completed documents and general lack of understanding of trade terms. For example, some shippers may not know the difference between C&F and CIF; Free Carrier (FCA) and Free on Board (FOB), though seemingly simple, these shipping/trading terms are important to understand because they have an impact on the final cost of goods delivered.

Another gap is compliance by East African countries to relevant international conventions and agreements since most of the countries are signatories to the World Trade Organization (WTO) and World Customs Organization (WCO). These include, The International Convention on the Harmonized Commodity Description and Coding System (HS Convention); The International Convention on the Simplification and Harmonization of Customs procedures (revised Kyoto Convention or RKC); ATA Convention and the Convention on Temporary Admission (Istanbul Convention); The Arusha Declaration on Customs Integrity; The SAFE Framework of Standards to Secure and Facilitate Global Trade; United Nations Convention on International Multimodal Transport of Goods (Geneva, 24 May 1980); and The Customs Convention on the International Transport of Goods under Cover of TIR Carnets.

International compliance also entails benchmarking performance to other similar regions of the world. For example, East Africa has similar value chains and export products to other developing regions like Latin America and Southeast Asia like tea, coffee, cotton, Textiles and Sugar among others. Since the price of these commodities on international markets are more or less a given, the difference is in the competitiveness of the production-market delivery process. For this reason, East Africa needs to have information system that track competitiveness and benchmark the region with other parts of the world.

Recommendations: COMPETE's comparative advantage which is the basis for value addition lies in the following, ability to work with the private sector, focus on soft rather than hard infrastructure issues(except for RADDex which may entail procurement of hardware) and a flexible and responsive mechanism. On this basis, potential areas for COMPETE interventions include, but are not limited to 12 key areas:

i. Legal and institutional frameworks to support infrastructure finance including cross-border infrastructure finance;
ii. Policy measures and incentives to promote PPPs in infrastructure financing, development, operations and management;
iii. Corridor specific value chain focus in addressing transit constraints and efficiency improvements targeting, Staple Foods; Specialty Coffee; Cotton, Textiles and Apparel; and Horticulture to reduce the cost of doing business (reduce inventory holdings, reduce working capital needs, reduce risk profile and therefore interest on funds and enhance profitability of firms within value chains;
iv. A holistic, integrated approach to corridor interventions looking at the entire transport logistics chain from origin to destination including harmonization of customs, trucking, technical and operational standards;
v. Interventions on both the Northern and Central Corridors and in the process, promoting healthy competition and linkages with Corridor Spurs and providing shipper choice;
vi. Capacity building of select private sector institutions to position them to drive the implementation of specific TTFIs on a Corridor basis;
vii. Strengthening the advocacy role of private sector for policy change through specialized associations and value Chain Clusters;
viii. Enhanced use of ICT solutions such as RADDex and similar logistics technology solutions
ix. Needs identification and skills training along transit logistics chain and development of harmonized training curricula, standards and common certification as well as development of codes of conduct;

x. Promoting compliance to relevant international conventions and agreements under WTO, WCO and UNCTAD;
xi. Performance monitoring and reporting systems that are benchmarked to other regions of the world; and
xii. Targeted policy interventions to address structural deficiencies in terms of, imbalance of import and export cargo; concentration of cargo from a few countries such as Uganda; low value addition and therefore high ratio of freight costs to value and limited intra-regional trade.

One Stop Border Posts

Actions required to make Malaba a fully functional OSBP- Border delays contribute to the high cost of doing business and are caused by duplication of processes and procedures across borders and also multiple inspections of cargos by various agencies. The solution lies in joint border inspections across borders. In addition, there is need to move towards the WTO recommended Single Window System or Integrated Border Management (IBM) whereby inspections and cargo verification are done by a single agency acting, normally customs acting on behalf of other agencies such as Bureaus of Standards; Plant and Animal Health; and others. The first functional OSBP has been launched at Chirundu (Zambia/Zimbabwe Border). Malaba operates elements of an OSBP with joint inspections between Uganda Revenue Authority (URA) and Kenya Revenue Authority (KRA), initially, involving rail and now extended to road traffic. However, Malaba is not yet a fully functional OSBP as the necessary legal and institutional framework has not been put in place. The Japan International Cooperation Agency (JICA) alongside the World Bank and African Development Bank (AfDB) are the lead donors in supporting the region to implement the OSBP concept. Between the years of 2004 and 2007, USAID, through the ECA Trade Hub, provided considerable technical support for the Malaba OSBP. It was then estimated to cost $6,938,000 to construct.

COMPETE's value addition is to introduce IBM at key borders along the Northern and Central Corridors starting with the ports of Mombasa in Kenya and Dar-es-Salaam in Tanzania respectively. COMPETE's assessment has revealed that ports should technically be considered borders because there are two "border related interfaces". The first is the "Ship-to-Port" interface and the other is the "Port-to-Surface Transport (road/rail)" interface both of which have been documented as sources of major delays in ports. Potential borders for introduction of OSBP on the Northern Corridor include Malaba (Uganda/Kenya), Gatuna (Rwanda/Uganda), Gisenyi (Rwanda/DRC) and Namanga (Tanzania/Kenya) because these handle the bulk of traffic flows on this corridor.

Recommendations to improve Malaba OSBP: The World Bank and JICA are involved in the construction of the physical infrastructure to support the OSBP. Both the World Bank and JICA are also carrying out border audits. JICA was instrumental in getting the Chirundu OSBP operational and is carrying out similar work in East Africa to define the legal and operational framework. However, both JICA and World Bank are not structured to work with private sector Groups. This is the comparative advantage that COMPETE has, to bring private sector input and perspectives into the various initiatives underway on OSBP. The specific interventions that COMPETE can undertake at Malaba and other border posts, subject to COTR direction, are to introduce IBM. COMPETE will also be involved in Port Facilitation to promote improved port processes and procedures and work to reduce shipping, maritime and ports charges. This is an area which no other donor is currently addressing.

COMESA/EAC Regional Transit Facilitation Instruments

Identify existing trade facilitation instruments: At the global level, trade facilitation is often viewed at two levels; economic development and trade logistics and facilitation. Additionally, as part of the United Nations Trade Facilitation Network, the Global Facilitation Partnership for Transportation and Trade (GFP) has been an effective collaborative tool for practitioners and policy makers involved in trade and transport facilitation. As an integral part of the global economy and market, trade facilitation in East Africa cannot therefore, not be viewed in isolation from global developments, standards and best practice.

Regional Transit Facilitation Instruments or Trade and Transit Facilitation Instruments (TTFIs) must be viewed in the context of movement of goods on international trade/transport Corridors in East Africa - Central and Northern Corridors. It is also logical that interventions should start with the Northern Corridor which is East Africa's busiest corridor. The bulk of traffic on both the Northern and Central Corridors moves by road. Rift Valley Railways (RVR) has reported that the volume of traffic handled by rail has decreased from 8% (at the time of concession of the Kenya Railways Corporation and the Uganda Railways Corporation into one unified RVR) to 4% currently which means that 96% or the bulk of traffic on the Northern Corridor moves by road. While rail operations may improve with the current restructuring of the rail concession which is underway, rail is unlikely to command a higher share of traffic in the in the short to medium term.

There are thirteen main TTFIs that have been adopted regionally within COMESA/EAC. They are, Harmonized Axle Load Limits and Maximum Vehicle Dimensions; Overload Control and Weighbridge Management; Transit Plates; Harmonized Road Transit Charges; Common Carriers License; ASYCUDA (Customs automation); One-Stop Border Posts (OSBP); Transit Bonds (such as RCTG); COMESA Customs Declaration Document (COMESA-CD) or Single Administrative Document (SAD); Common Tariff Nomenclature (CTN) or Harmonized System of Tariff Coding (HS); Yellow Card (Third Party Motor Vehicle Insurance Scheme); Cargo Tracking Systems; Common Statistical Rules and Regulations (CSR).

While these instruments have been adopted, the record of their implementation has poor. This has been due to capacity constraints at the level of EAC and COMESA and in the member countries, but more importantly, lack of effective frameworks and road maps to support implementation within defined timeframes.

In addition, some of the proposed solutions have been simplistic and half-measures. For example, the issue of axle load limits has been tackled from an engineering rather than business perspective. While COMESA has agreed on a maximum weight payload of 56 tons for example, there has been no attempt to align this to the minimum threshold payload that has been defined which would ensure that truckers at least break even and remain in business.

The high incidence of overloading on the Northern Corridor could be a function of absence of a business dimension to the whole question of overload control. Overloading could be a mechanism for truckers to compensate for absence of return loads due to the traffic imbalance between imports and exports. These are the sort of analytical the gaps that COMPETE seeks to fill so that decision making is based on evidence. Equally, COMPETE's value addition is to develop models and leverage public and private sector interests to achieve a common goal. Thus, COMPETE is best placed to play this catalytic and

facilitative role because COMPETE is viewed as an honest broker with no partisan interests.

Successful implementation of TTFIs requires a number of measures among them, involvement of business players and the business community who ultimately, are the affected parties; development of uniform models and guidelines (such as draft legal instruments, regulations, etc) which member countries can adapt to the specific national requirements; setting up of public-private technical committees to drive the implementation process (these can be national, regional, corridor specific or a combination).

Part of the problem is that COMESA which is driving the process of implementation of the TTFIs has adopted a wholesale approach whereby the instruments are meant to be adopted by all countries at once. In practice, this has not worked. Better success will be achieved by implementing instruments on specific corridors as this is likely to result in local ownership of the process from affected parties on the ground.

TTFIs that have been successfully implemented thus far include, the COMESA CD (SAD); Yellow Card; and CSR. The success factors have been: the COMESA-CD was driven by customs administrations that had a need for it; the Yellow Card was driven by insurance companies that saw it as an opportunity to make money; while the Common Statistical Rules and Regulations had ownership from both the national statistical bureaus and customs administrations.

The lesson is that the TTFI must have a constituency and ownership for it to be successfully implemented and cannot solely be driven by the public sector, i.e. RECs and governments. There is need for strong public-private sector partnership with the private sector taking the lead in some instances. Had the RCTG for example, followed the Yellow Card model of being driven by the private sector, it would have stood a better chance of being successfully implemented.

Recommendations on increased utilization of instruments made: Since the bulk of traffic (both imports and exports) continues to move by road, COMPETE interventions will focus on those instruments that are likely to have the greatest impact on bulk of traffic moved and therefore on reducing costs. In addition, analysis has shown that port processes and procedures contribute significantly to the high cost of transport along the transit chain, up to 40%. Despite this fact, there has been very little effort to address port facilitation issues including port/surface transport interchange. Of the thirteen instruments, COMPETE has identified six instruments for priority intervention. In addition, port facilitation is another area that will be accorded priority. The instruments are:

- *Harmonized Axle Load Limits and Maximum Vehicle Dimensions* to protect roads from damage and also ensure a level playing field as this impacts on the carrying capacity of vehicles and therefore, axle loads and has an impact on viability of trucking operations.
- *Vehicle Overload Control and Weighbridge Management* including possible involvement of the private sector.
- *Common Carriers License* intended to open up the trucking industry in East Africa and foster competition.
- *Cargo Tracking and Reporting Systems* to facilitate monitoring of cargo flows along major corridors.

- *Common Statistical Rules and Regulations* to facilitate common and uniform reporting.
- *RADDex* (Revenue Authorities Digital Data Exchange) as a platform to foster IT connectivity of existing customs systems.
- *Port Facilitation* to reduce port charges and promote efficient port/surface transport inter-change.

The value addition and comparative advantage of COMPETE in supporting the region to implement priority TTFIs is in the following:

- Analytical work to facilitate informed decision-making on the implications/benefits of adopting certain instruments from a public policy and economic/business points of view, something which has not been done before.
- Development of standardized models and instruments to assist governments and other stakeholders to have a harmonized blue-print as well as timeframes for implementation.
- Providing technical support to help navigate the maze of changing various laws, policies, rules and regulations within and across countries to ensure fast-tracking of adoption.
- Fostering public-private partnerships in the implementation of the TTFIs and where feasible, developing models for private sector ownership and management for instruments like the RCTG.
- Supporting high-level advocacy through trade and other industry associations to change unfavorable government policies and practices and to adopt harmonized and simplified market policies and rules.
- Obtaining high-level buy-in from governments through Implementation Commitment Letters (ICL).
- Where possible, providing embedded support (short-term technical assistance) in key ministries/departments/institutions to assist in the drafting of the necessary policy instruments, statutory instruments, ministerial briefs, legal instruments for parliamentary approval and other documentation required to effect national changes so as to domesticate the TTFIs.
- Training and capacity building including sensitization
- Instituting monitoring and reporting systems to define benchmarks and assess impact.

Conclusion

Amidst this gloomy picture of African logistics and competitiveness or lack of it, there is some good news. The good news is that the logistics and transit facilitation issues that make Africa uncompetitive are precisely the issues and areas where African countries and governments have the greatest influence over.

A lot of the solutions lie in targeted investments along the major corridors and political will to address the hindrances to efficiency. Issues like police road blocks, multiple weighbridge stops, border delays, rent seeking behavior, lack of ICT connectivity among customs administrations and related constraints can be addressed without major investments in terms of funding.

The investment that is required is political goodwill. Even infrastructure constraints like poor condition of roads can be addressed via smart public-private partnerships (PPP) and by ensuring that the right institutional and legal frameworks are put in place to attract

private sector participation. Thus, to a large extent, the answer to Africa's competitiveness lies in Africa's own hands.

This is where USAID and other donors, through programs COMPETE, can make a major difference by acting as "catalysts" and providing targeted support.

INTRODUCTION

METHODOLOGY

This report was compiled through a combination of desk research, using available reports on trade, transit and transport; interviews with key transit players; outputs from various forums and meetings; and review of various data sources including those of the ports, revenue authorities, importers and exporters and the private sector generally.

COMPETE consulted a number of studies on infrastructure, financing, trade and transit facilitation interventions in East Africa. Sources included are:

- *The Northern Corridor Infrastructure Master Plan Study* (Louis Berger Group/TTCA-NC)
- *Analytical Comparative Transport Cost Study along Northern Corridor Region* (CPCS Transcom Limited/TTCA-NC)
- *Corridor Diagnostic Study CDS) of the Northern and Central Corridors* (Nathan Associates Inc/USAID, DFID, JICA on behalf of TCG)
- *Legal Framework and Procedures Necessary for the Introduction of One Stop Border Posts (OSBP) in East Africa* (JICA)
- *Consultancy Services for Detailed Border Audits in East Africa to Assess their Effects on the Performance of the East African Transport Corridors* (World Bank)
- *Detailed Design Study for One Stop Border Post (OSBP) at Namanga* (EAC/JICA)
- *Preparation of a Transport Facilitation Strategy for the East African Community* (EAC/AfDB)
- *Scoping Study on Identification of the Missing Links and Bottlenecks Affecting the Performance of the East African Community Central Corridor* (EAC/JICA)

BACKGROUND AND CONTEXT

COMPETE is the Competitiveness and Trade Expansion Program. COMPETE is a regional program that is working to improve trade in East and Central Africa by harmonizing regional trade and transit policies and procedures, developing financial markets, supporting private sector trade associations, developing value chains in staple foods, cotton/textiles, and coffee and building capacity of regional businesses to take advantage of preferential trade opportunities. COMPETE is funded by the US Agency for International Development under the East Africa region. COMPETE pursues an African, private-sector led reform agenda. COMPETE works with regional trade associations and regional economic communities, USAID bi-lateral missions and other donor initiatives and private sector partners both regional and international.

COMPETE is designed to enhance economic growth and food security in Eastern and Central Africa by stimulating increased trade and competitiveness in both regional and global markets. It builds on the success of two earlier USAID programs, the Regional Agriculture and Trade Expansion (RATES) program and the East and Central African Trade Hub (ECA Hub). COMPETE works in over 15 countries in East and Central Africa, addressing the constraints and promoting the opportunities available to African companies to increase their competitiveness and trade with the United States and global markets. The target countries are Burundi, Central Africa Republic (CAR), Comoros, Democratic Republic of Congo (DRC), Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, and Zambia.

The strength of COMPETE is in its approach with its emphasis on increasing transit and trade efficiency combined with increasing competitiveness through more efficient supply chains leading to an integrated trade policy, transit and value chain approach. COMPETE also fosters collaboration and partnerships with regional economic communities (EAC and COMESA); other regional programs and donors; the public sector including Governments; and USAID bilateral missions and programs.

RATIONALE FOR TRANSIT CORRIDOR ASSESSMENT AND OUTPUTS

The high cost of transport is one of the key barriers to trade on the African continent. In fact, a recent World Bank study found that a 10% reduction in the cost of transport on the continent would lead to a 25% increase in trade. While transport prices in East Africa are lower than in West or Central Africa, it still twice as expensive as it is in the United States, even with the low cost of labor.

Transport in East Africa is plagued by a number of delays that slow down performance in a "just-in-time" trading environment. Inefficiencies along trade and transit transport corridors impact negatively on the trade and overall economic competitiveness of the countries of Eastern and Central Africa (ECA). It is a challenge for these countries to be effective players in regional trade and in the global market place.

Delays are caused by among others, poor condition of physical transport infrastructure (ports, roads, railways, border posts); poor transit facilitation; limited use of technology; limited use of through transport logistics solutions; and limited political will to rise above national interests in favor of broader regional solutions.

This Transit Corridor Assessment for East Africa has been undertaken in response to the Contract direction given by USAID East Africa. It is intended to provide the basis to inform COMPETE interventions under **COMPETE's Component 1 – Reduced Barriers to Trade and Investment and in particular, Key Result Area (KRA) 1: - Transit and Trade Efficiencies on Select Transport Corridors Improved.**

COMPETE interventions over the five-year life of the program, 2009-2013, are intended to achieve the following targets:

- A 30% decrease in transit clearance times at a minimum of four borders in the COMESA/EAC region
- A 10% reduction in the paperwork requirements for trading goods in the COMESA/EAC region

- Market stakeholders (business owners, transporters, and customs brokers) have increased access to information, improved skills in identifying and advocating for changes in customs and transport procedures as well as for key investments in seaport, roadway, and other infrastructure improvements.
- Regional and national counterparts in at least four countries are implementing at least four new technologies and improved procedures that align with the World Trade Organization (WTO) standards and substantively improve reliability and reduce time and cost of trade.

To achieve this, COMPETE must select interventions that will have the greatest impacting in contributing to the attainment of these targets. This Transit Corridor Assessment is intended to inform these interventions in response to the USAID directive.

The study responds to the following directive by USAID:

> *IV. B.1.2.7 Transit Facilitation Study*
>
> *The Contractor will conduct a Transit Facilitation Study that will identify interventions to increase the efficiency along the transit corridors that are most important to the selected value chains supported under COMPETE. Said study will:*
> - *Use existing data resources to map the transit routes that directly impact the competitiveness of the value chains*
> - *Identify the Corridor where COMPETE can add the most value, based on information about (1) which routes are most important to the targeted value chains, (2) what other donors are doing along those routes, and (3) key efficiency gaps where COMPETE could have an impact;*
> - *Make recommendations to USAID on interventions that will improve transit efficiencies at targeted locations along selected corridors*

In addition, because of the linkages across issues, the study has been broadened to include the following related aspects for which USAID East Africa also directed that assessments should be done to inform interventions:

> *IV. B.1.2.4 One Stop Border Posts*
>
> *The One Stop Border Post at Malaba has achieved a reduction in clearance times for goods travelling by train between Kenya and Uganda from 3 days to 3 hours. However, there is more work to do to establish it as a fully functional one-stop border post. The World Bank is paying for the construction of the infrastructure needed to complete the one-stop border. However, other interventions might be may necessary to ensure that the intervention results in a fully functioning one-stop border. The Contractor will conduct a needs assessment to determine what remains to be done to make Malaba a fully functional one-stop border post. Based upon the technical direction of the COTR, the Contractor will work with Kenya and Uganda Revenue Authorities to complete the needed improvements at Malaba.*
>
> *Deliverable 1: Assessment with recommended improvements for Malaba one-stop border completed and submitted to USAID.*
> *Deliverable 2: Technical assistance provided to complete selected improvements at Malaba, if so directed by the COTR*

IV. B.1.2.5 COMESA/EAC Regional Regional Transit Facilitation Instruments

The ECA Trade Hub has been assisting COMESA in increasing utilization of regional transit facilitation instruments such as, RTCG, regional axle load limits, the Yellow card regional insurance scheme, and the regional carrier's license. Such instruments will lead to the harmonization and simplification of requirements for transporting goods in the region. The Contractor will identify existing transit facilitation instruments and make recommendations as to interventions that will increase utilization. Based on technical direction from the COTR, the Contractor will implement activities to increase utilization of at least one transit facilitation instrument by 20%.

The five main outputs of this assessment are:

Output 1: Transit Corridors Mapped

Transit routes mapped and key issues, challenges and developments with respect to the major transit corridors in East Africa that directly impact the competitiveness of the value chains in East Africa defined.

Output 2: Corridor Interventions Defined

Corridor interventions and resultant activities that COMPETE can undertake taking into account what other donors are doing, which would have the greatest impact on enhancing the competitiveness of select value chains and the East African region generally, identified.

Output 3: Transit Facilitation Instruments (TFIs) Identified and Measures for their Increased Utilization Defined

Priority Transit Facilitation Instruments (TFIs) identified and interventions that would lead to their accelerated implementation to achieve increased utilization of select instruments by 20% defined.

Output 4: Measures to Make One-Stop-Border Posts (OSBP) Functional Defined

Specific measures required to make one-stop-border posts (OSBP) in the region fully functional, with particular emphasis on potential interventions on the Malaba (Kenya/Uganda) border defined and potential interventions identified

Output 5: Technology Based Solutions to Improve Trade Efficiency Defined

Measures to enhance use of technology and ICT based solutions such as RADDex or other improved versions intended to improve customs operations across the region and enhance trade efficiency defined.

DEVELOPMENT CONTEXT OF EAST AFRICAN CORRIDORS

The Development of East Africa in general and East African Corridors in particular must be viewed within the broader regional and even global dimension. In the context of this Study, East Africa must be looked at to include, the five countries making up the East African Community – Kenya, Uganda, Tanzania, Rwanda and Burundi but also other countries that depend on the East African corridors for their international trade, notably, the Democratic Republic of Congo (DRC), Southern Sudan, Malawi and Zambia. Recently, and with the proposed development of the LAMUSEC Corridor, (Lamu-Southern Sudan and Ethiopia Corridor), Ethiopia will also be linked to Kenya and the transport corridors and systems of East Africa. Although in Southern Africa, Malawi and Zambia use the port of Dar-es-Salaam in Tanzania.

REGIONAL AND GLOBAL DIMENSION

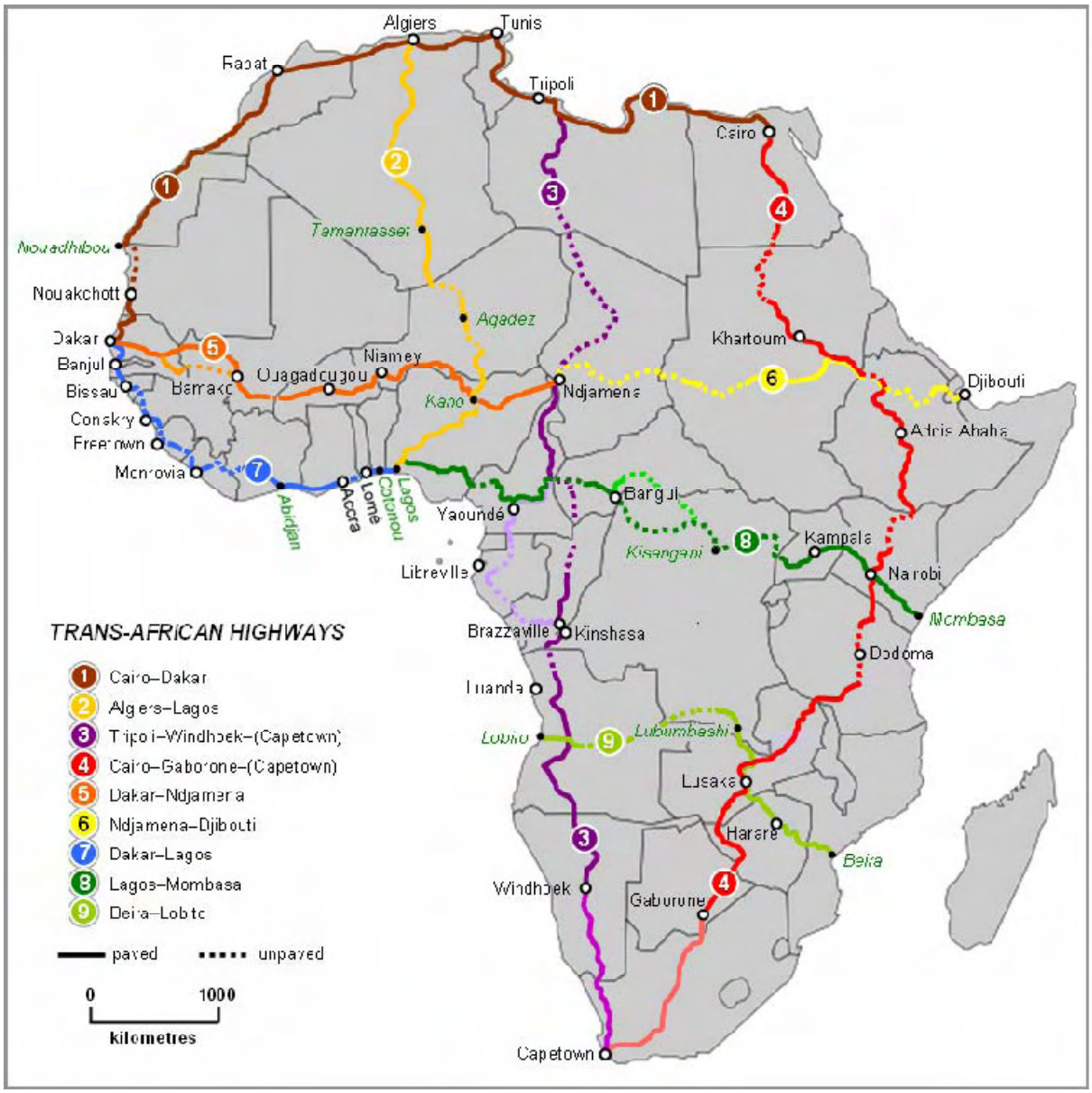
The East African Corridors are inter-linked and impacted by developments in user countries and also what happens in other Regional Economic Groupings such as SADC (Southern African Development Community), COMESA (Common Market for Eastern and Southern Africa), and IGAD (Intergovernmental Authority on Development) as well as internal policies and developments within the East African Community (EAC). There is overlapping membership not just of the EAC countries, but also other countries across these RECs a phenomenon which has sometimes been termed the "Spaghetti Bowl Effect". The real effect of this is to further complicate the whole process of aligning trade and transport policies, regulations and practices making it more protracted, time-consuming, and resource-inefficient.

In the broader African context, the EAC as are COMESA, SADC and ECOWAS are building blocks for the broader African Economic Community (AEC) first defined as part of the LAGOS Plan of Action by African Heads of State in 1981. In turn, the AEC is informed by Africa's newest and perhaps most ambitious mechanism for continental economic collaboration, the New Partnership for Africa's Development (NEPAD) driven under the auspices of the African Union (AU). Thus, the East African Corridors must be viewed as an integral part of the Trans-African Highway Network, a network of nine major highways linking Africa from East to West and from North to South. In this context, the Northern Corridor in which starts form the port of Mombasa in Kenya is part of the larger, Mombasa-Lagos Trans Africa Highway Network while the Central Corridor System from the port of Dar-es-Salaam in Tanzania is part of the Cape-to-Cairo Trans Africa Highway Network (see below Trans-African Highways map).

Finally, given the dependence of countries of East Africa on international trade, and their membership to global bodies such as the World Trade Organization (WTO), World Customs Organization (WCO) and the United Nations (UN) System, developments in the region must comply with the relevant international conventions and practices. The events of September 11, 2001 and the subsequent tightening of controls at major maritime ports and airports, means that East Africa, like the rest of the world, must continuously seek to comply with international best practices.

Closer to home, there are specific developments that will have a major and profound impact on the structure, operation and performance of East African Corridors and these are:

- The coming into force of the East African Community on January 1, 2010
- The further integration of East Africa into a Common Market on July 1, 2010
- The establishment of the proposed twenty-six member country Tripartite Free Trade Area (T-FTA) encompassing, SADC, COMESA and EAC.



Source: Trans-African Highway network. (2010, January 20). In Wikipedia, The Free Encyclopedia. Retrieved from: http://en.wikipedia.org/w/index.php?title=TransAfrican_Highway_network&oldid=338998187

WHY A REGIONAL APPROACH MAKES SENSE

Regional integration has long been viewed as the answer to creating more viable, competitive and sustainable economies particularly in Africa. Regional integration provides the framework to address the many challenges facing individual African countries with the possibility of turning threats to opportunities. Transportation challenges facing Africa include, but are not limited to:

- Limited economies of scale due to the small market size of individual countries
- Infrastructure and logistics inefficiencies which transcend individual countries
- Food insecurity as a result of restrictions to open agricultural trade
- Fragmented supply chains and limited industry linkages across borders
- Limited access to finance across and within value chains

- However, despite the potential benefits of regional integration, challenges remain. One of which is the overlapping membership by countries across the various RECs. For example, East African countries have a complicated maze of membership to at least four groupings, EAC, IGAD, COMESA and SADC whose cooperation frameworks, policies and practices may not always be harmonized.
- Thus the key challenges to regional integration currently include:
  - Overlapping membership across various RECs (Regional Economic Cooperation) groupings making harmonization of trade, transit, infrastructure, finance and other instruments to support open regional markets, trade and investment problematic.
  - Trade policies, rules and regulations that remain national in character and are not harmonized across the region despite the move towards deeper integration as well as a multiplicity of institutions involved leading to "Regulatory Crowding"
  - Duplication and overlap by key players including donor and development agencies; national governments and regional bodies; and projects and programs resulting in sub-optimal utilization of available resources to address on an integrated and coordinated basis, barriers to doing business and trade so as to reduce costs and enhance the overall competitiveness of the region.

LINKAGES BETWEEN NATIONAL AND REGIONAL

COMPETE is a regional program with a regional focus. As a consequence, the framework, approach and activities of COMPETE are regional in nature. A regional approach does not however, eliminate national interventions for a number of reasons:

- Regional programs and instruments whether these are to do with trade, customs or transport must be domesticated and implemented at national level, thus, regional approaches must be integrated into national processes.
- A regional program cannot have the presence and resources to effect change in all areas across all countries but must partner with and work with players on the ground – Governments, in the case of USG, USAID Bilateral Missions, other donors and agencies as well as private sector bodies and non-governmental organizations (NGOs) to effect the necessary changes and improvements.
- Impact of various policies and interventions is best measured at national level - at the country or firm level.
- COMPETE's regional approach is a logical response to and is in line with developments within the region by African Governments themselves.
- Both the EAC and COMESA, COMPETE's primary inter-governmental implementing partners have made political decisions to move to customs unions, with that of the EAC's expected to come into place by January 2010. Additionally, a decision has also been made at the highest political level across the three major RECs – COMESA, EAC and SADC to move to a single Free Trade Area (FTA) encompassing 26 countries from South Africa to Egypt (Cape to Cairo).

As the region moves into deeper economic integration, the constraints and challenges facing businesses will become less national and more cross-border or regional in character. An exporter of coffee in Rwanda is more concerned with rules, regulations and procedures in Uganda and Kenya which they have to traverse to reach the port of Mombasa in Kenya than they are about internal transit issues within Rwanda.

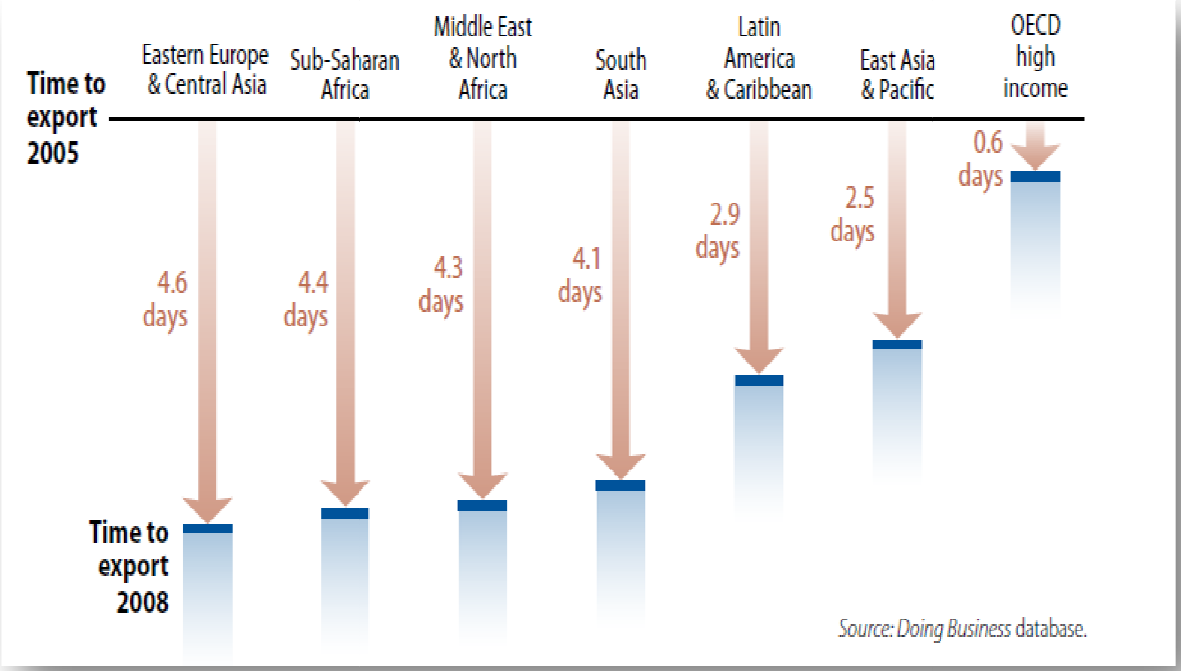
Equally, a farmer in Southern Sudan wishing to export pineapples to Rwanda or Kenya will be impacted more by transport logistics and cross-border processes in Uganda which they have to transit to reach markets in Rwanda and Kenya. Thus, it is not enough to seek to address these issues at national level. Regional perspectives and approaches as well as solutions are required to evolve efficient and sustainable transit and trade facilitation regimes that respond to national needs within broader regional frameworks and agreements.

However, despite this focus on regional economic integration and creating integrated markets, actual policies, institutions, systems, regulations and practices have remained national in character and in functionality. The challenge is not only to transform mindsets, but the way both national Governments and the private sector do business and to re-position institutions, policies, legislation, rules and regulations as well as practices on the ground to respond to this new environment.

Instead of focusing on national regulations and procedures, governments must work towards evolving regionally harmonized policies, rules and regulations which support the creation of integrated and coordinated market systems. The private sector too needs to move away from a protectionist mentality to one that seeks partnerships and opportunities and fosters a more open and transparent environment for expanding market opportunities; integrating supply chain; transferring technology and skills; and consequently, generating business growth increased intra and extra regional trade and investment.

The ECA region is potentially food secure because at any one time, there are always situations of food surpluses and deficits which provide the potential for increased intra-regional trade in staple food crops such as maize, matoke/bananas; rice; beans and pulses; sorghum; tuber and other crops. There is also an increase in trade in horticultural products such as greens, onions, tomatoes, potatoes and others.

The challenge has been unstructured markets and poor infrastructure from areas of production to markets and also expensive cross-border transportation due to the need for constant transshipment. This leads to high cost and time for both in-country and cross-border trade in agricultural products resulting in reduced earnings by small holder farmers and others in the staple food value chain. What are needed are well integrated transportation-logistics-warehousing-distribution systems that respond to the needs of and support the competitiveness of specific value chains.



i i e n ast an C t l a i i a b r o x :nal factors: the extrao dinary ti e nd cos ıf transporting goods; l y en r ıment; the high cos of energy; d oo l eveloped financial markets.

s f r ic ba e e se p t t ıpetitiveness of Afric n onomi s i c u i g those of East Africa. Below is an illustrat ve analysis of the r s ten al s t on . h i inc e n ted :

- Limited intra-regi nal tr ıde
- P r nf as uctur c acities
- A weak an fragmen private sector
- Limi fi ance an investment
- Overall, poor global co ɔetitiveness of African countries

Country	Rate of physical inspection (percent)	Customs Clearance (days)	Lead time export medium case (days)	Lead time to import best case (days)	Lead Time import medium case (days)	Number of border agencies exports	Number of border agencies import	Possibility of a review procedure (percent)	Typical charge for a 40' export container of a semi trailer US$	Typical charge for a 40" import container or a semi trailer US$
South Africa	2.0	1.9	2.2	1.9	4.0	4.5	3.2	60	619	515
Malaysia	6.0	1.7	3.4	1.7	3.3	2.5	3.3	75	783	658
China	7.0	1.4	2.6	2.4	3.8	4.0	3.9	36	380	388
Thailand	9.0	1.9	3.4	1.4	2.3	4.3	4.3	0	422	422
India	25.0	2.4	4.0	4.0	4.7	2.9	2.4	39	601	619
Indonesia	12.0	1.6	2.5	1.9	3.9	2.7	2.7	28	266	244
Vietnam	14.0	1.4	2.8	2.6	4.0	4.5	4.0	57	194	294
Brazil	13.0	5.8	3.4	3.1	7.0	5.7	6.0	0	909	1,145
Kenya	28.0	4.0	5.8	4.7	10.0	3.3	3.7	33	707	1,000
Uganda	61.0	4.5	14.0	10.0	14.0	2.0	2.0	100	3,000	3,000
Bangladesh	31.0	4.1	2.3	3.0	4.5	2.0	2.3	33	211	397
Egypt	51.0	2.5	4.0	3.4	5.8	4.5	4.3	71	237	445
Russia	20.0	1.4	2.8	2.0	3.0	4.0	4.5	0	1,565	1,732
Mauritius	18.0	0.7	3.0	2.0	2.4	2.0	5.0	100	194	250
Tanzania	22.0	7.8	11.2	11.2	21.2	2.3	3.5	0	354	612

Source: United Nations Conference on Trade and Develpment

LIMITED INTRA-REGIONAL TRADE

Intra-African trade is less than 10% of total African trade. This means the bulk of African trade is with countries outside Africa. Further, most African exports comprise unprocessed agricultural products and raw materials. Correspondingly and not surprising, African transportation systems in terms of the major road rail network are outward looking (to serve international imports and exports) rather than inward looking (to serve intra-African trade). The result is poor infrastructure and transportation linkages across Africa. Additionally, because basic commodities which form the bulk of African exports are in raw form, they do not feed directly into a production process as they have to be processed further. This means these products may not be as sensitive in terms of speed and time of delivery as say, vehicle components which must feed directly into a vehicle assembly plant, a concept known as JIT (Just in Time) delivery. Thus, African transport systems can only be better linked internally and be more efficient and responsive, if there is corresponding demand for movement of high-value goods across Africa feeding into well integrated supply chains.

Intra Regional imports and exports as a proportion of Trade 2004-2006 averages (percent)		
	IMPORTS	**EXPORTS**
Africa	9.6	8.7
Developing America	20.9	18.5
Developing Asia	48.1	45.5
Developed America	23.3	39.8
Developed Europe	68.1	71.4

Source: UNCTAD 2008

POOR INFRASTRUCTURE

Transit and trade facilitation regimes and resulting operational regulations and practices that are national rather than regional in nature and which are not harmonized and integrated despite the fact that trade and transport corridors are cross-border and regional in character. Fragmented transport-logistics-warehousing-distribution systems negatively impact on the competitiveness of value chains particularly agriculture frustrating increased agricultural trade and food security. In addition, there is limited automation of trade and transport systems and processes resulting in multiplicity of paper based processes, limited use of ICT solutions and lack of transparency and accountability.

Export And Import Procedures, Time And Cost For Selected Regions, 2009						
	Number of documents needed for export	Time for export in (days)	Cost of export in ($ per container)	Documents for import (number)	Time for import (days)	Cost to import ($ per container)
Organization For Economic Cooperation And Development	4.5	10.7	1069.1	5.1	11.4	1132.7
East Asia And Pacific	6.7	23.3	902.3	7.1	24.5	948.5
Latin America An Caribbean	6.9	19.7	1229.8	7.4	22.3	1384.3
Eastern Europe And Central Asia	7.1	29.7	1649.1	8.3	31.7	1822.2
Middle East And Central Asia	6.5	23.3	1024.4	7.6	26.7	1204.8
Sub Sahara Africa	7.8	34.7	1878.8	8.8	41.1	2278.7

Source: World Bank, 2009

In explaining the low level of intra-African trade in comparison to trade within other regions, the report finds that transport costs are arguably the most important impediment to intra-African trade. Econometric estimates find that transport costs in Africa are 136% higher than in other regions and that poor infrastructure only accounts for half of these costs. Landlocked countries in Africa were recently found to have freight costs equivalent to between 10% and 25% of the total value of their imports while the global average is of 5.4%.

The report also highlights the inefficiency of border procedures such as breakdowns of the electronic system for document lodging, poor coordination in the inspection of goods between different actors, overly zealous inspection of goods, insufficient opening times at the point of entry, and delays in duty refunds, among others, as imposing a heavy cost on intra- African trade mostly through the delays they cause. It is estimated that crossing a transit territory implies an additional 4% increase in trade costs irrespective of the distance covered.

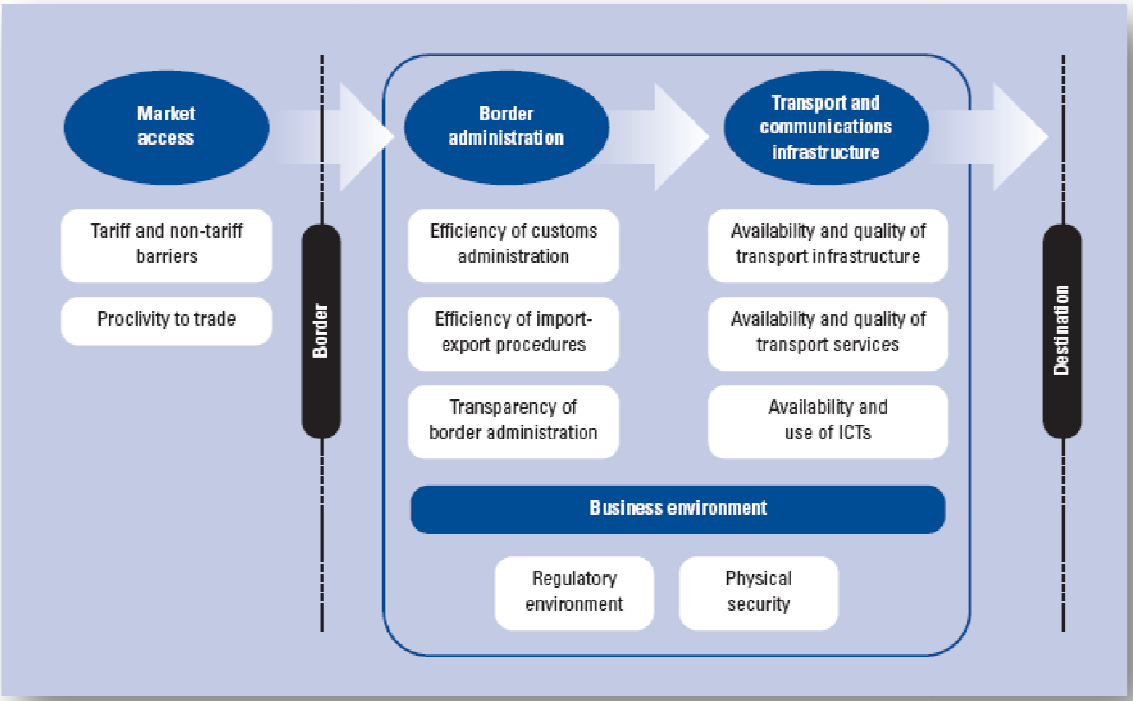
The report notes that improving physical infrastructure can have an important effect on raising the levels of intra-African trade. Halving transport costs in a typical landlocked country, for example, can increase the country's trade fivefold.

A WEAK PRIVATE SECTOR

At country level, private sector associations of manufacturers, traders, shippers (importer and exporters), customs clearing agents and others are nascent with limited capacity, visibility and ability to influence trade and investment policies and processes. Additionally, their focus tends to be inward looking and protective--caught in a vicious cycle of lack of innovation, limited markets, limited access to finance and technology and limited capacity to engage in effective policy advocacy. The overall result is absent of evidence based decision-making. Policies are being made in a vacuum without private sector advocacy that could provide clear analytical input with benchmarks and targets. This results in adversity between the public and private sector instead of a “Partnership for Positive Change”.

The emergence in East Africa, of regionally linked networks of private sector industry associations in coffee (EAFCA), cotton and textiles (ACTIF) and cereals (EAGC) among others, has demonstrated that a stronger, better linked and more pro-active private sector is a possibility. However, as experience has shown in the case of these associations, this requires an external catalyst that can see the big picture and rise beyond narrow national interests; a role that was played by the USAID supported RATES Program.

Policies, whether national or regional, impact businesses directly and it is therefore critical that businesses are positioned to influence policies and be pro-active rather than re-active. In East Africa, in the area of trade and transit facilitation, there is a nucleus of private sector associations that can be strengthened to play a more visible and pro-active advocacy role. These include: KSC (Kenya Shipper’s Council), Kenya Transporters Association (KTA), Federation of East African Freight Forwarders Associations (FEAFFA) and others which traverse both east and southern Africa such as the Federation of East and Southern African Road Transport Associations (FESARTA).



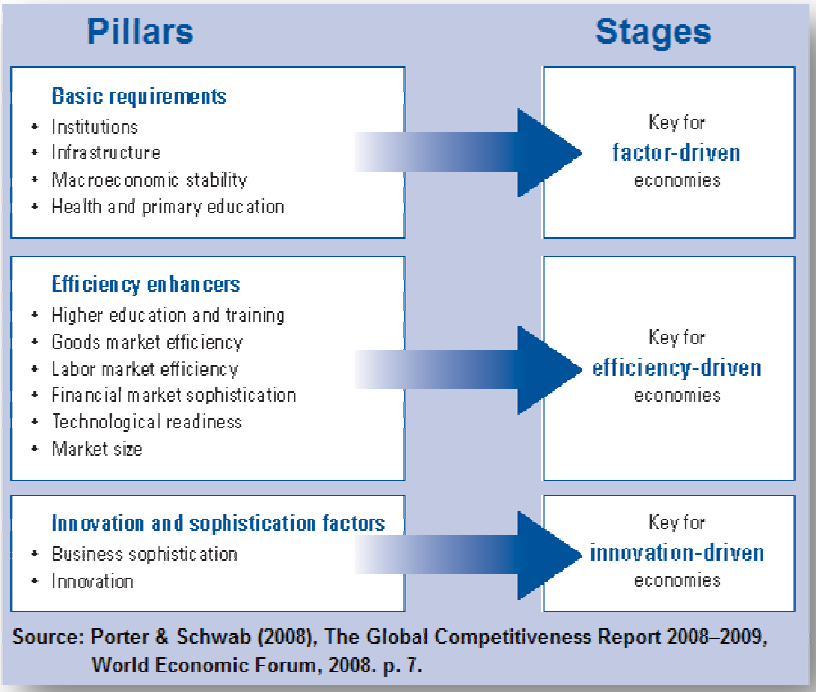
LIMITED ACCESS TO TRA E AND INVESTMENT FINANCE

s n n ovati o e s at e integrated across countries and effectively egu n of u nes es and supporting u c a s s g t l im s c r fi ance and weak public- a shi s P o b e n tr ments such as infrastructu e nd . his i m ac f o s rs and finance t t n l age xte h e i i c l , large gap for u r f c o gr g d d i t o t ai ay, road, airport, pipeline, power, communicati s t e an i ti as well as new constru tion s as new i tr -Africa infrastructure links.

Over- n e n l in s e i e A ri c un ies' inability to mob li e iza l n n al r ources to invest an cou t i u til very recently. In the period 2002– 0 , intra-African FDI was estimated at only i ion annually on average, h ch r re ented bout 13 per cent of total DI (N TAD, 2006b). In comparison, intraregi nal FDI in countries f s iati n f outheast Asian Nations (ASE i sti t at 30 o 0 i Africa, the flow of intra-African investment mo l ra t e um d stock to $73 billion (UNCTAD, 2008g). T e low of i tr r al FD n A i c e attributed to several ct r . mo e th la o eq transport and communication infr tr c r , skilled labor e k e on i n and contacts among investo s ithin t e region. Moreover, e s st ng correlation between gn an mes c a or g i ves the behavior of t s as i or n n io s a l w l d stic investment in fr ca is ther ore tly sponsible for the limited intraregional i ves ment. Indeed, it has been fou d tha rivate domestic investment drives o nt (Ndikumana and Verick, 2008).

POOR GLOBAL COMPETITIVENESS

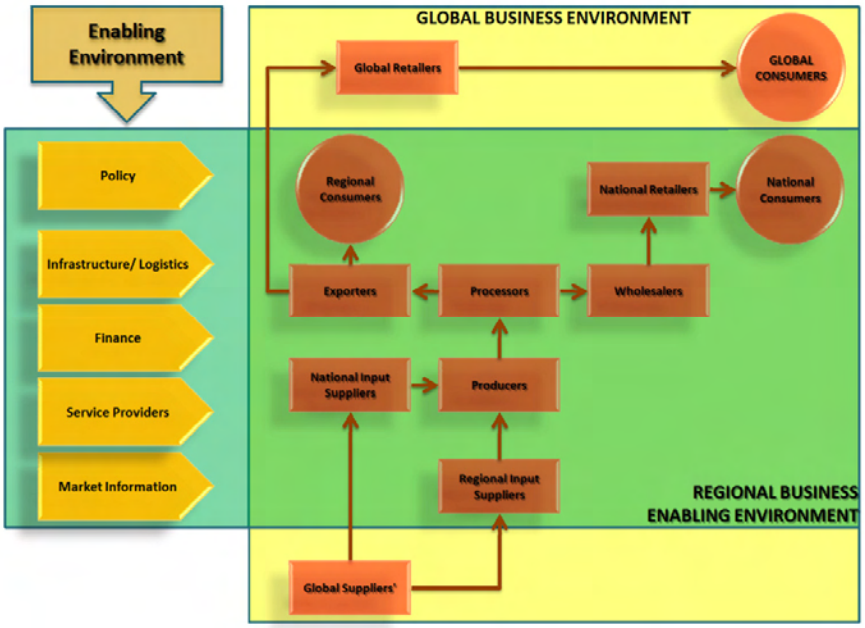
ven s f th E on d e e y fe b e h costs of doing c b l ip e i ar s S b e Vorld Economic); orl B k (B); ca D vel e Ban) United Nations o T ad Dev m U C) r n ti ti n such as the East c ss o nc I) U ' B C R n Cl ate, Legal and Insti ti nal eform ; an OMPETE's own assessments and inte w vith key players a o at e A egi a ad r e o e regi ns of the world ve en n o a a n tment as ell as ensuring l d ec r ty e o i h i d a t oi g b iness generally. i n co i e ar p o s n i mes t competitiveness as s ow in e Global Co itiveness Index below.



Source: Porter & Schwab (2008), The Global Competitiveness Report 2008–2009, World Economic Forum, 2008. p. 7.

VALUE CHAINS

There are va ious defi i i of a value c i r a mo t c mmon is Potter's definiti which n alue ch s f r th er relationships established etw ac r in i a d i ec a ct ve activity and em n c ter at a mpe ti adv t ultimate goal is to m miz va c eati hile minimizing costs.



5.1 Staple Foods

Interventions by COMPETE in staple foods are intended to achieve among other objectives, increased access by small holder farmers to commercial markets both national and regional markets. The rationale being that open agricultural trade is one of the main drivers of food security as it would enable staple food crops to move from surplus to deficit areas based on market demand. In practice, there are many barriers to open agricultural markets, among them:

- Poor conditions of rural feeder roads in agricultural producing areas.
- Limited availability of transport services and high transport costs.
- Absence of storage facilities and warehouses and therefore, inability to consolidate cargo to make it easier for pick-up.
- Presence of unregulated informal markets for staple foods spurred by informal cross-border trade (ICBT) because of undue restrictions by Governments on open trade.
- Policy inconsistencies in terms of period export bans by Governments making it difficult for structured agricultural markets to function.

There are two forms of agricultural markets for staple foods, formal and informal. Institutions like the Eastern Africa Grain Council (EAGC) are spearheading the formation of structured markets through market instruments like Structured Trading Systems (STS), while there is also an emergence of Commodity Exchanges at the national level. These interventions are intended to bring order to the formal staple foods market.

ICBT is an important part of regional trade accounting for between 25 to 40 percent of formal intra-regional trade flows although because of its nature, this trade goes largely unrecorded *(The Informal Cross-Border Trade Survey Report June 2006 ,Uganda Bureau of Statistics – UBOS and Bank of Uganda – BOU, 2006*). For example, the agricultural trade

between Northern Uganda and Southern Sudan is informal and therefore difficult to track and monitor except through surveys.

The result is that the levels of intra-regional trade are understated and the importance of ICBT to national and regional economies underplayed because accurate information is not readily available. ICBT needs to be captured and recorded so that it informs planning and decision-making. Although attempts have been made to capture this trade, existing systems are either incomplete in terms of scope and coverage or are also grossly underfunded.

This leads to a policy gap in terms of formulating national and regional trade and agricultural policies because an important part of regional trade is left out of the equation. Thus far, there are two systems that monitor and report on ICBT, The Famine Early Warning Systems Network (FEWSNET) funded by USAID and WFP which covers eleven countries in east and southern Africa, 7 in east Africa (Djibouti, Ethiopia, Somalia, Sudan, Kenya, Tanzania and Uganda)and 4 in Southern Africa (Malawi, Mozambique, Zambia and Zimbabwe). In addition, there is the RATIN (Regional Agricultural Trade Intelligence Network) under EAGC.

Both formal and informal trade impacts on the pattern of trade flows and consequently the nature, availability and cost of corresponding transport systems. The main staple food crops which account for the bulk of the trade are maize, beans, bananas, cassava, wheat, barley, rice, sorghum and millet.

COMESA - Staple foods trade, 2007, figures in US$

HS Code	Description	Exports			Imports		
		Intra	Extra	Total	Intra	Extra	Total
071331	Beans	3,490,750	63,777,683	67,268,433	4,408,767	12,590,698	16,999,466
080300	Bananas	736,524	3,563,635	4,300,159	1,284,023	2,961,243	4,245,266
071410	Cassava	999,413	19,626	1,019,038	649,618	111,473	761,091
100110	Wheat	40,081	2,290,651	2,330,731	682,713	2,789,994	3,472,707
100300	Barley	543,837	193,213	737,050	292,584	59,389	351,972
100590	Maize	129,908,731	21,184,870	151,093,601	122,148,742	1,023,606,687	1,145,755,429
100600	Rice	3,839,148	811,494	4,650,642	13,908,948	7,575,077	21,484,026
100700	Grain Sorghum	1,424,435	26,252,184	27,676,618	666,031	40,417,002	41,083,032
100820	Millet	223,263	627,655	850,918	6,346,535	987,454	7,333,989

Source: COMESA Data Base

Source: COMPETE Trade Policy Analysis, 2009

COMESA Region Market Size for Staple Foods in 2007

HS Code	Description				The region's share in the regional market	Rest of the world share in the regional market
		Intra Exports	Extra Imports	Total Market Size		
071331	Beans	3,490,750	12,590,698	16,081,448	22%	78%
080300	Bananas	736,524	2,961,243	3,697,767	20%	80%
071410	Cassava	999,413	111,473	1,110,886	90%	10%
100110	Wheat	40,081	2,789,994	2,830,074	1%	99%
100300	Barley	543,837	59,389	603,225	90%	10%
100590	Maize	129,908,731	1,023,606,687	1,153,515,418	11%	89%
100600	Rice	3,839,148	7,575,077	11,414,226	34%	66%
100700	Grain Sorghum	1,424,435	40,417,002	41,841,436	3%	97%
100820	Millet	223,263	987,454	1,210,717	18%	82%

Source: COMPETE Trade Policy Analysis, 2009

Transport and Logistics Considerations

According to a recent World Bank Study (Eastern Africa: A Study of the Regional Maize Market and Marketing Costs, October 2009), maize is the most important staple food in the east African region and the most traded. According to the study, east Africa's market demand for staple foods will grow dramatically in coming decades from US$6.9 bill in 1997/99, to US$11.2 bill in 2015 and to US$16.7 bill in 2030 as populations and urban markets grow. This will have a major impact on the logistics-warehousing–distribution chain.

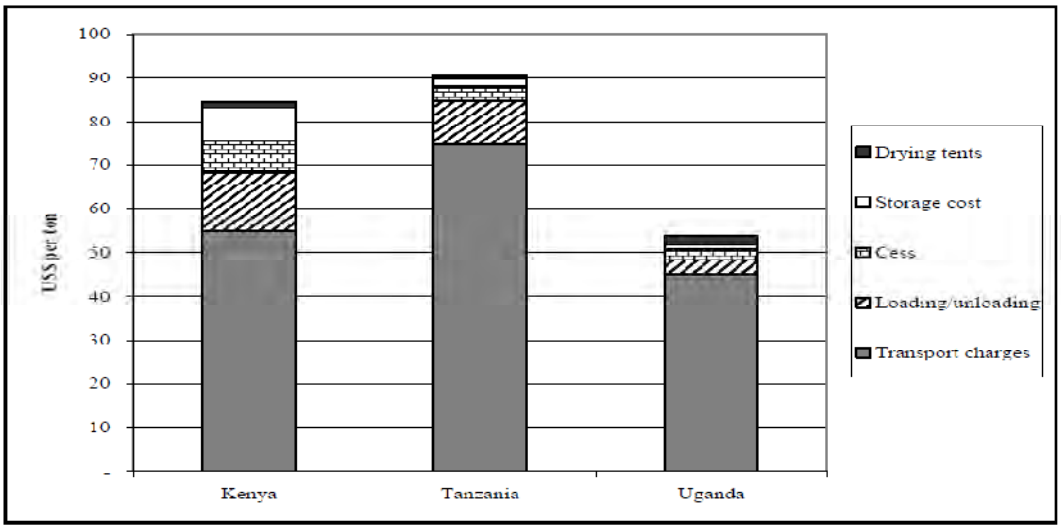
The study suggests that because of poor conditions of roads from areas of production to areas of consumption, transport costs can account for up to 76% of the value of the product for countries like Tanzania for some areas, while for Kenya, it is above 50% and for Uganda just below 50%.

Other key logistics challenges are:

- Inadequate mapping of warehouse facilities and storage sheds.
- In some areas, particularly, small holder producing areas, lack of warehouses and storage facilities.
- Unreliable transport services because this is linked to availability of adequate loads to attract transporters particularly in remote areas with bad roads.

- High transport charges because of high fuel costs, high tire costs and generally high ware and tear for vehicles operating in poor rural road conditions.

Structure of total marketing costs between farm-gate and urban wholesale markets by country (USD per ton)



Source: Authors' estimates based on the World Bank Survey, November-December 2008.

There are also interesting dynamics in terms of transport characteristics for informal cross border trade. For localized border trade, the predominant mode of transport is bicycles (46%), followed by vehicles (36.1%) and other modes such as head/hand.

Key industry players in the Staple Foods Value Chain at the regional level are, EAGC and ACTESA. EAGC is a private sector member organization while ACTESA, the Alliance for Commodity Trade in Eastern and Southern Africa, is a public-private partnership body under the auspices of COMESA. COMPETE will seek to foster partnerships with these institutions in seeking to find solutions to the logistics challenges facing movement of staple foods.

The Comprehensive African Agricultural Development Program (CAADP, the African Union's (AUs) flagship framework for Africa's development has called on African Governments to commit 10% of their budgets annually to supporting agricultural. Report after report and analysis after analysis in all African countries including east Africa, has identified poor rural roads infrastructure as one of the biggest constraints to small holder agricultural competitiveness. Poor infrastructure impacts farmers at two levels, through high cost of inputs such a seeds and fertilizers and through poor farm-gate prices because buyers have to factor in the high cost of transport.

Thus far, in most African countries, rural roads have been managed by local authorities in specific localities and issues of inadequate funding, poor quality of work when the funds do become available to repair the roads and corruption have been the norm rather than the exception. The way forward lies in replicating Kenya's model whereby road construction, repair, maintenance and management has been split into three authorities nation-wide.

- The Kenya National Highway Authority for the major trunk (inter-city) roads and transport corridors
- The Kenya Urban Roads Authority for urban roads and

- The Kenya Rural Roads Authority for rural roads

The expectation is that by having an authority dedicated to rural roads, adequate resources, planning, quality control maintenance and repair will have a holistic approach to dealing with rural roads infrastructure as opposed to the current approach where the management of rural roads is fragmented.

Modes of Transport: Value and Percentage Shareof Exports and Imports

Mode	Product	Exports (000') US$	% share	Imports (000') US$	% share
Head/Hand	**All products**	**5,789.7**	**10.30**	**9,790.5**	**52.3**
	Agricultural products	1,645.8	2.94	529.5	2.8
	Inductrial Products	4,124.7	7.36	9,239.4	49.3
	Other products	19.6	0.03	21.6	0.1
Bicycles	**All products**	**25,787.7**	**46.00**	**3,255.5**	**17.4**
	Agricultural products	21,345.1	38.09	1,244.4	6.6
	Inductrial Products	4,392.8	7.84	1,983.5	10.6
	Other products	49.8	0.09	27.6	0.1
Push Carts	**All products**	**3,540.6**	**6.30**	**261.6**	**1.4**
	Agricultural products	3,126.5	5.58	144.4	0.8
	Inductrial Products	403.3	0.72	116.2	0.6
	Other products	10.7	0.02	1.0	0.0
Vehicles	**All products**	**20,253.7**	**36.10**	**4,024.7**	**21.5**
	Agricultural products	7,233.0	12.91	2,739.2	14.6
	Inductrial Products	12,939.9	23.09	1,239.2	6.6
	Other products	80.9	0.14	46.3	0.2
Wheel Chairs	**All products**	**326.8**	**0.60**	**1,240.2**	**6.6**
	Agricultural products	60.1	0.11	28.0	0.1
	Inductrial Products	266.6	0.48	1,212.2	6.5
	Other products	0.1	0.00	0.1	0.0
Others	**All products**	**341.0**	**0.60**	**161.9**	**0.9**
	Agricultural products	65.4	0.12	108.8	0.6
	Inductrial Products	244.2	0.44	52.6	0.3
	Other products	31.5	0.06	0.5	0.0
Total		**56,039.6**	**100.00**	**18,734.5**	**100.0**

- Means percentage shares are close to zero and hence negligible.

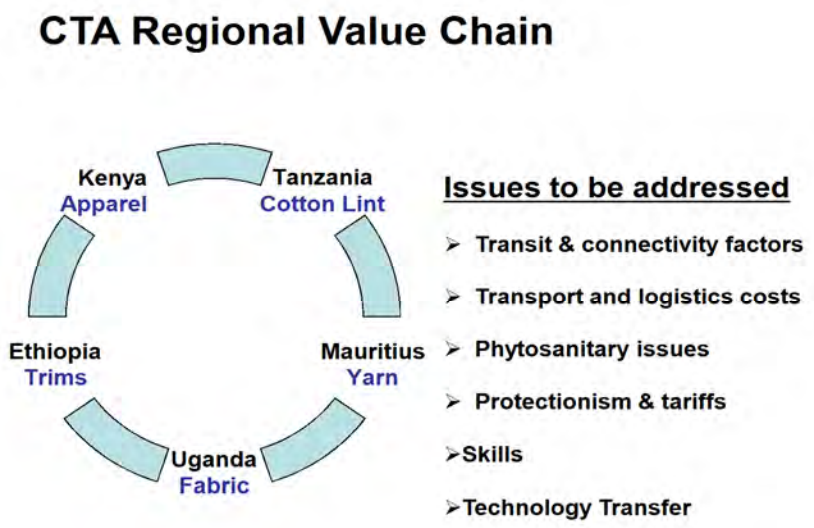
Source: Uganda Bureau of Statistics, The Informal Cross Border Trade Survey Report – August 2004 to December 2005, June 2006

5.2 Cotton, Textiles and Apparel

Cotton, textiles and apparel are really three value chains within a value chain. In East Africa, cotton is a small holder crop and like maize, is produced in rural areas. It therefore, has to be moved to storage centers for onward consolidation for export or to Ginning Mills. The major difference between maize and cotton is that most cotton farmers are out-growers to major cotton companies like Dunavant, Clark Cotton and others. On the other hand, textiles and apparel are intermediate and finished products respectively and therefore, with different characteristics and requirements in terms of transport logistics.

As export commodities, they suffer from the same constraints and inefficiencies prevalent along the major international transport corridors.

Through the industry body ACTIF, the region is moving towards building vertically integrated regional value chains. This is essentially a move from a national to regional production process through linkages in supply/value chains. This approach is in line with the opening up and consolidation of regional markets through various regional integration measures, notably, the creation of Free Trade Areas (FTAs) which all the RECs in the region, COMESA, EAC and SADC have embraced. However, for this model to succeed there must be improved infrastructure connectivity, accessibility and efficiency, particularly transport and ICT. Thus, industry competitive strategies cannot be viewed outside the prism of infrastructure efficiency both at national and regional level.



Source: COMPETE

For the CTA value chain to be competitive, the region's transport and logistics systems must be modernized to support JIT production. This is because apparel is time sensitive and is often made to order. Clothes ordered for winter use cannot be delivered in summer. Additionally, apparel may be ordered for particular events such as to coincide with school calendars. This means for the regional value chain to work, the logistics must be responsive and efficient to tie into the various production cycles of the various players in the particular linkage. This is why the COMPETE approach of a targeted value chain approach to dealing with transit logistics issues has a lot of merit because the logistics issues facing a maize farmer are not the same as those facing an apparel exporter.

5.3 Specialty Coffee

It has been documented that eat Africa produces the world's finest coffee. The issue is not the quality at source, but the quality of the coffee at destination. Arabica or fine coffees produced in east Africa unlike the Robusta, fetches a premium price on the international market. However, this depends on delivery times.

The key transit constraints by the coffee export industry as represented by EAFCA are:

High cost of transit inefficiencies – EAFA estimates that up to US$100 million is lost by the coffee industry annually through transport logistics inefficiencies

Time to markets - east African coffees compete with those of other producers in regions like Latin America. A recent study shows that it takes 40 days for coffee shipments from Latin America to U.S. markets with the seal leg being 15 days and the land leg 25 days. The sea leg is a given. For East Africa on the other hand, it takes 100 days of which 45 is the sea leg and 55 the land leg. The issue here is the land leg where Latin America has 30 days advantage over East Africa.

Price degradation over time – coffee quality deteriorates the longer it stays from harvest to consumption. A study (see Annex) shows that if delivered within 30 days, Tanzania coffee would fetch a premium price on the New York market of 50 cents per pound. However, if the delivery time is 60 days, the price falls to 40 cents and right down to 10 cents if delivery takes 10 days. This shows that to gain from the advantage of premium coffees, East African coffees must reach markets in good time and in good condition and transit logistics efficiency is the key.

Security of shipments – a major worry of the coffee industry in East Africa is diversion of consignments and loss through theft. To curb this, coffee exporters have had to resort to special escorts of consignments, at their own cost, to mitigate against diversion and theft.

With the aggressive marketing and branding of east Africa fine coffees through market outreach events by EAFCA, east African coffees are gaining world recognition.

5.4 Horticulture

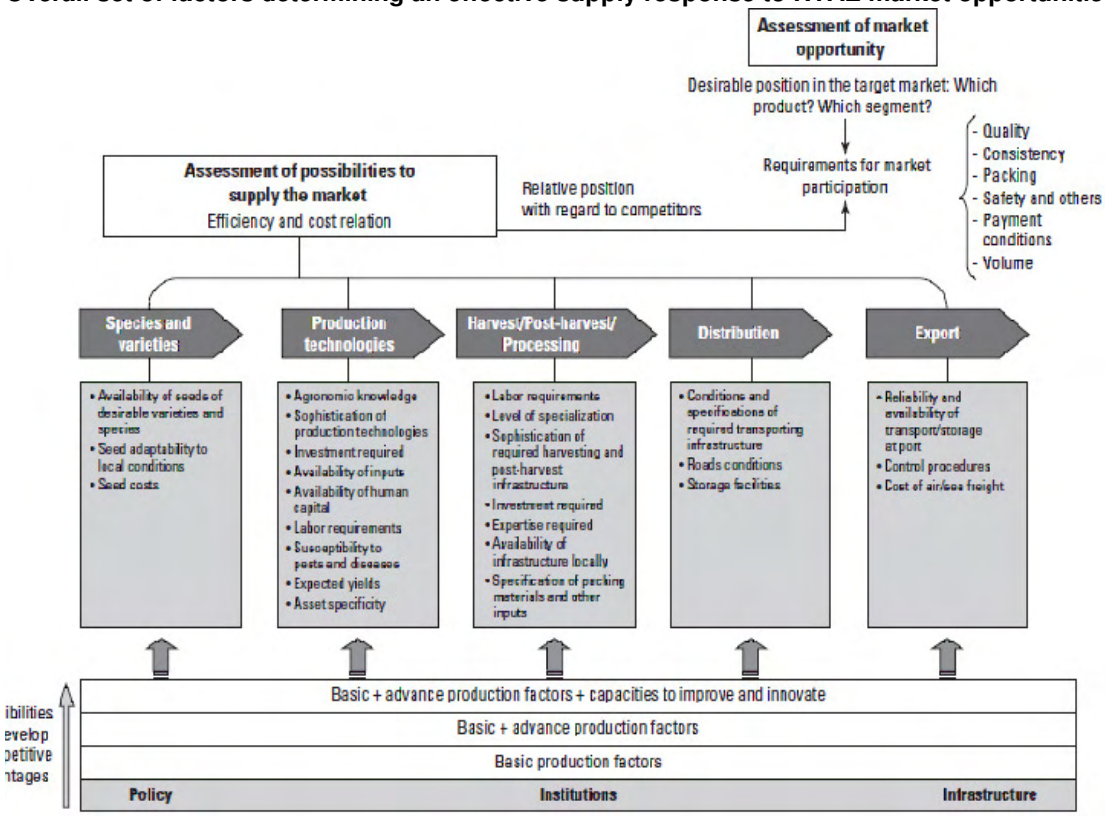
As is the case with staple foods, horticultural trade is at two levels, exports outside the region to external markets for products like cut flowers, and other high value products

like baby corn, baby marrow, peas, carrots, asparagus and others. There is, however, also intra-regional trade in fresh fruit and vegetables which is both formal and informal. On a daily basis, fresh vegetables like cabbages, tomatoes, rape, spinach, onions are sold at cross-border markets. However, not as many studies have been conducted on both the formal and informal horticultural market as for staples and this is a gap that needs to be filled.

A recent study conducted on Uganda's Non-traditional Agricultural Exports (NTAE) market *(Not Yet up to Standard: The Legacy of Two Decades of Private Sector, Government and Donor Efforts to Promote Uganda's Horticultural Exports, The World Bank, July 2009)* found that post-harvest losses and competitiveness are impacted by the quality and efficiency of infrastructure and logistics at the local level and along transit corridors to export markets. Transport efficiency logistics considerations become even more important for the horticultural industry because of the perishable nature of its products.

Further analytical work is required to understand the dynamics of the horticultural industry in the region and the specific challenges as well as optimal transport logistics requirements of this industry which includes airfreight. Towards this end, COMPETE will seek to partner with established institutions like the Fresh Producers Association of Kenya and the Tanzania Horticultural Associations (TAHA) among others to undertake the necessary studies and devise approaches and strategies that respond to the needs of this value chain.

Overall set of factors determining an effective supply response to NTAE market opportunities

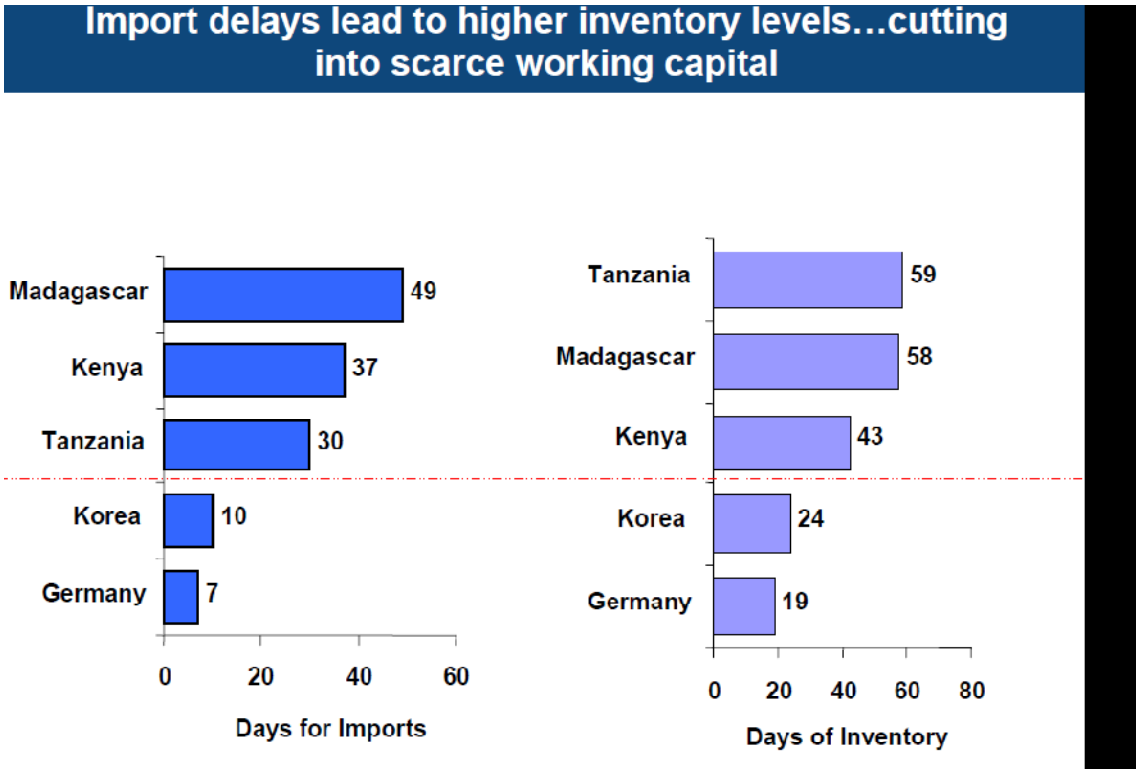


Source: Not Yet up to Standard: The Legacy of Two Decades of Private Sector, Government and Donor Efforts to Promote Uganda's Horticultural Exports, The World Bank, July 2009

5.5 Impact of Logistics Inefficiencies on Cost of Finance

Finance, or the lack of it, is a common constraint for all value chains. Constraints attributed to finance often relate to accessibility, high interest rates, conditions in terms of collateral and exclusion of a major segment of the population such as small farmers and others who have been termed the "unbanked". Logistics inefficiencies exacerbate the high cost of finance especially for established or emerging firms that are involved in export.

High transport costs and logistics inefficiencies are a major determinant of the profitability of individual firms and viability of industry clusters or value chains. Analysis by the World Bank *(Enhancing Efficiency of Transit Corridors in East Africa, March 2009),* has shown that "Days to Import" has a direct correlation with "Days of Inventory". Madagascar for example, has on average, 49 days to import translating into 58 days of inventory holding. For east Africa, Tanzania is 30 against 59 days of inventory, and Kenya 37 days to import with 43 days inventory holding. This compares with 10 and 24 for South Korea and 7 and 19 for Germany. Thus, the higher the import lead time and uncertainties, the higher the number of days of inventory required.



Source: Uma Subramanian, World Bank -*Enhancing Efficiency of Transit Corridors in East Africa, March 2009*

This has a "Cascade Effect" on business. Higher inventory holdings mean tying up resources which could otherwise be used as working capital. It also signals a higher risk business environment due to uncertainty of deliveries. This in turn is two edged. High lead times in importation of inputs means production uncertainties, while high export lead times has an impact on ability to honor and sustain contracts. This translates into a higher risk profile and therefore, higher interest rates, higher cost of finance and overall, high cost of doing business. Improving efficiency on transport corridors for both imports and exports would result in reduced cost of doing business, higher profitability levels for individual firms and consequently, viable industry clusters or value chains.

Inefficient transit also has an impact on market access. Over the years, African countries have been clamoring for increased market access and reduced barriers to market entry in developed country markets including lower tariffs. Under AGOA (African Growth and Opportunities Act), the preferential trade arrangement between the U.S. and Sub-Saharan Africa for example, some tariff lines which were as high as 25% have been reduced to zero. However, these sorts of market gains are quickly eroded if as is the case for Rwanda transport costs are over 40% of the value of exports. Thus, gains in tariff reductions must be matched with efficiency improvements in transport and logistics and trade facilitation generally if African countries are to benefit from favorable market access terms.

5.6 Strategies to Enhance Competitiveness of Value Chains

Speaking at the 4th East African Business Summit in Kampala, Uganda in July 2008, Professor Michael Porter of the Harvard School of Business outlined the following:

Enhancing competitiveness is not a sprint but a marathon. It is a long-term process, which affects many aspects. It requires consistent execution of a plan and a constant evaluation of benchmark achievements. The following factors enhance the process of achieving regional collaboration and competitiveness:

- Defined strategic role for the region in the continent and the world economy;
- Opened internal trade and investment;
- Achieved synergies in enhancing the business environment;
- Unimpeded cross-border cluster development; and
- Enhanced company capabilities and non-traditional exports

If these factors are properly executed, then the result is an increase in the region's attractiveness to foreign investment. It can win greater support from the international community and it can expedite economic policy at the regional level.

Professor Porter also observed that to be effective, a regional economic strategy should focus on collaboration in areas that boost productivity and benefit all the players. Areas of collaboration include the following:

- Improvements in regional infrastructure, e.g., transportation, the energy grid, telecommunications, financial markets, higher education institutions, and harmonized regulatory requirements for business;
- Elimination of regional trade and investment barriers, which involves simplifying and harmonizing cross-border regulations and paperwork, e.g., availability of 24-hour customs desks and the tackling of corruption at border points;
- Coordinated development of cross-border clusters (e.g., educational institutions, industry groups along the value chain, government agencies, agriculture, hospitality and tourism industry) that require cooperation between institutions;
- Creation of regional and institutional governance to enhance the development of a regional market strategy and the coordination of program to improve public safety and macroeconomic policies;
- Harmonizing of environmental standards and product safety standards, which involves the establishment of reciprocal consumer protection laws and the opening of government procurement within the region

The COMPETE strategy, in seeking to enhance the competitiveness of value chains, will be anchored on these principles working with industry clusters and industry leaders as well

as relevant institutions in the public sector to promote effective public-private partnerships.

TRANSIT FACILITATION

At the global level, trade facilitation is often viewed at two levels; economic development and trade facilitation and trade logistics and facilitation. Bodies like UNCTAD, WCO, and WTO, among others, have done a lot of work and developed a number of models with respect to trade and transit facilitation. There is therefore no shortage of best practices which the East African region can learn from. Additionally, as part of the United Nations Trade Facilitation Network, the Global Facilitation Partnership for Transportation and Trade (GFP) has been an effective collaborative tool for practitioners and policy makers involved in trade and transport facilitation.

Economic Development and Trade Facilitation: Trade facilitation, in its broadest sense, can be defined as any measure, or set of measures, that aims to increase the cost-effectiveness of international trade transactions. In this context, there are strands of trade facilitation. The first is what are known as First Generation Reforms, while the second are known as Second Generation Reforms. First generation reforms involve both tariff and the removal of other physical and licensing restrictions on trade, associated with the move towards membership of WTO. Second generation reforms focus on improving the actual processes associated with the movement of the consignment, and which involve, *inter alia,* the harmonization of procedures, greater integration and the strengthening, in terms of skills and knowledge, of the different agencies involved in trade.

Trade Logistics and Facilitation: This is defined as the management of international flows of goods, and related documentation and payments, with a focus on reducing the direct and indirect logistical costs through the simplification/harmonization of procedures and documentation. The availability of high quality and price competitive trade logistics services (transport, warehousing, distribution, information management) is strongly correlated with country (or regional) competitiveness. Poor or limited availability of such services lead to reduced trade and in turn to even more limited logistics services. Economies of scale in trade logistics can be substantial. The facilitation of trade and transport by government agencies directly impacts on the availability and quality of such services.

The involvement of COMPETE in the implementation of Trade and Transit facilitation Instruments (TTFIs) must be seen in the context of ownership of these instruments by stakeholders in the region principally, national governments and Regional Economic Communities (RECs). Over the years, the key RECs in eastern and Southern Africa, COMESA, EAC and SADC have developed a number of TTFI. A lot of resources and time has been spent in designing these instruments and reaching regional consensus.

However, the record of actual implementation on the ground has been poor. This has in part, been due to lack of capacity at national level on the ground to undertake the necessary reforms to enable the TTFIs to become functional. Part of the reason may also be the fact that the change of required policies, legislation and processes requires a multi-sectoral, multi-institutional and multi-disciplinary approach which any one Government Ministry/Agency may not be able to provide. Additionally, entrenched institutional interests may also mean that concerned institutions may not have the incentive to undertake the necessary reforms/changes or to cede control. This is why it is critical to

have a catalyst perceived as neutral and impartial such as COMPETE to drive the process both within and across countries.

COMPETE's role is to add value to this process by supporting the region to accelerate implementation of the various TTFIs through innovative approaches starting with those instruments that are likely to have the greatest impact on reducing costs and enhancing competitiveness. Effective implementation of TTFIs should result in, enhanced regional transport and ICT connectivity; smooth flow of cross-border and transit traffic in the region; smooth flow of cargo transiting especially from land-locked countries to maritime ports; reduction in transaction costs for regional and international business; and increased intra and extra COMESA trade as well as overall competitiveness. COMPETE interventions will be informed by international best practice.

Regional Transit Facilitation Instruments or Trade and Transit Facilitation Instruments (TTFIs) must be viewed in the context of movement of goods on international trade/transport Corridors in East Africa - Central and Northern Corridors. It is also logical that interventions should start with the Northern Corridor which is East Africa's busiest Corridor. The bulk of traffic on both the Northern and Central Corridors moves by road. Rift Valley Railways (RVR) has reported that the volume of traffic handled by rail has decreased from 8% (at the time of concession of the Kenya Railways Corporation and the Uganda Railways Corporation into one unified RVR) to 4% currently which means that 96% or the bulk of traffic on the Northern Corridor moves by road. While rail operations may improve with the current restructuring of the rail concession which is underway, rail is unlikely to command a higher share of traffic in the in the short to medium term.

There are thirteen main TTFIs that have been adopted regionally within COMESA/EAC. They are: Harmonized Axle Load Limits and Maximum Vehicle Dimensions; Overload Control and Weighbridge Management; Transit Plates; Harmonized Road Transit Charges; Common Carriers License; ASYCUDA (Customs automation); One-Stop Border Posts (OSBP); Transit Bonds (such as RCTG); COMESA Customs Declaration Document (COMESA-CD) or Single Administrative Document (SAD); Common Tariff Nomenclature (CTN) or Harmonized System of Tariff Coding (HS); Yellow Card (Third Party Motor Vehicle Insurance Scheme); Cargo Tracking Systems; Common Statistical Rules and Regulations (CSR).

While these instruments have been adopted, the record of their implementation has poor. This has been due to capacity constraints at the level of EAC and COMESA and in the member countries, but more importantly, lack of effective frameworks and road maps to support implementation within defined timeframes.

In addition, some of the proposed solutions have been simplistic and half-measures. For example, the issue of axle load limits has been tackled from an engineering rather than business perspective. While COMESA has agreed on a maximum weight payload of 56 tons for example, there has been no attempt to align this to the minimum threshold payload that has been defined which would ensure that truckers at least break even and remain in business.

The high incidence of overloading on the Northern Corridor could be a function of absence of a business dimension to the whole question of overload control. Overloading could be a mechanism for truckers to compensate for absence of return loads due to the traffic imbalance between imports and exports. These are the sort of analytical the gaps that COMPETE seeks to fill so that decision making is based on evidence. Equally, COMPETE's

value addition is to develop models and leverage public and private sector interests to achieve a common goal. Thus, COMPETE is best placed to play this catalytic and facilitative role because COMPETE is viewed as an honest broker with no partisan interests.

Successful implementation of TTFIs requires a number of measures among them, involvement of business players and the business community who ultimately, are the affected parties; development of uniform models and guidelines (such as draft legal instruments, regulations, etc) which member countries can adapt to the specific national requirements; setting up of public-private technical committees to drive the implementation process (these can be national, regional, corridor specific or a combination).

Part of the problem is that COMESA which is driving the process of implementation of the TTFIs has adopted a wholesale approach whereby the instruments are meant to be adopted by all countries at once. In practice, this has not worked. Better success will be achieved by implementing instruments on specific corridors as this is likely to result in local ownership of the process from affected parties on the ground.

TTFIs that have been successfully implemented thus far include, the COMESA CD (SAD); Yellow Card; and CSR. The success factors have been: the COMESA-CD was driven by customs administrations that had a need for it; the Yellow Card was driven by insurance companies who saw it as an opportunity to make money; and the Common Statistical Rules and Regulations had ownership from both the National Statistical Bureaus and Customs Administrations.

The lesson is that the TTFI must have a constituency and ownership for it to be successfully implemented and cannot solely be driven by the public sector, i.e. RECs and governments. There is need for strong public-private sector partnership with the private sector taking the lead in some instances. Had the RCTG for example, followed the Yellow Card model of being driven by the private sector, it would have stood a better chance of being successfully implemented.

Recommendations on increased utilization of instruments made: Since the bulk of traffic (both imports and exports) continues to move by road, COMPETE interventions will focus on those instruments that are likely to have the greatest impact on bulk of traffic moved and therefore on reducing costs. In addition, analysis has shown that port processes and procedures contribute significantly to the high cost of transport along the transit chain, up to 40%. Despite this fact, there has been very little effort to address port facilitation issues including port/surface transport interchange. Of the thirteen instruments, COMPETE has identified six instruments for priority intervention. In addition, port facilitation is another area that will be accorded priority. The Instruments are:

- *Harmonized Axle Load Limits and Maximum Vehicle Dimensions* to protect roads from damage and also ensure a level playing field as this impacts on the carrying capacity of vehicles and therefore, axle loads and has an impact on viability of trucking operations.
- *Vehicle Overload Control and Weighbridge Management* including possible involvement of the private sector.
- *Common Carriers License* intended to open up the trucking industry in East Africa and foster competition.

- *Cargo Tracking and Reporting Systems* to facilitate monitoring of cargo flows along major Corridors.
- *Common Statistical Rules and Regulations* to facilitate common and uniform reporting.
- *RADDex* (Revenue Authorities Digital Data Exchange) as a platform to foster IT connectivity of existing customs systems.
- *Port Facilitation* to reduce port charges and promote efficient port/surface transport inter-change.

The value addition and comparative advantage of COMPETE in supporting the region to implement priority TTFIs is in the following:

- Analytical work to facilitate informed decision-making on the implications/benefits of adopting certain Instruments from a public policy and economic/business points of view, something which has not been done before.
- Development of standardized models and instruments to assist Governments and other stakeholders to have a harmonized blue-print as well as timeframes for implementation.
- Providing technical support to help navigate the maze of changing various laws, policies, rules and regulations within and across countries to ensure fast-tracking of adoption.
- Fostering public-private partnerships in the implementation of the TTFIs and where feasible, developing models for private sector ownership and management for instruments like the RCTG.
- Supporting high-level advocacy through trade and other industry associations to change unfavorable Government policies and practices and to adopt harmonized and simplified market policies and rules.
- Obtaining high-level buy-in from governments through Implementation Commitment Letters (ICL).
- Where possible, providing embedded support (short-term technical assistance) in key ministries/departments/institutions to assist in the drafting of the necessary policy instruments, statutory instruments, ministerial briefs, legal instruments for parliamentary approval and other documentation required to effect national changes so as to domesticate the TTFIs.
- Training and capacity building including sensitization.
- Instituting monitoring and reporting systems to define benchmarks and assess impact.

COMESA/EAC TRADE AND TRANSIT FACILITATION INSTRUMENTS

The COMESA/EAC Trade and Transit Facilitation Instruments (Agreed and adopted but yet to be fully implemented within countries and across borders)

- Third Party Motor Insurance (Yellow Card)
- The COMESA Customs Declaration (COMESA CD)
- Protocol on Movement of Persons
- Inter- Railway Working agreements

COMPETE'S FOCUS

Regional Customs Transit Guarantee (RCTG)

One Stop Border Posts (OSBP) including Integrated Border Management (IBM)

Harmonized Road Transit Charges

Harmonized Axle Load Limits, Overload Control and Vehicle Dimensions

Corridor Manageme t Sy tems

COMESA Carrier License

Au oma ed System of Cus oms D ta M n g ment (ASYCUDA) a d in erfa e wi h RADDe

SUPPORTING ACCELERATED IMPLEMENTATION OF TFIS *STEPS TO BE TAKEN*

Capacity limitations within RECs and across countries have constrained their ability to implement agreed TTFIs even though the potential benefits are evident. In interviews, stakeholders have indicated that unless there is external support, it is unlikely that these instruments though desirable, will ever be implemented uniformly across any Corridor.

COMPETE's own analysis has shown that what is required is a multifaceted approach involving relevant institutions and key players on the ground. COMPETE therefore proposes an 8 Step Approach in accelerating the implementation of TTFIs.

Step 1: Implementation Road Maps (IRPs):

Using STTA, develop Implementation Road Maps (IRPs) clearing indicating for each instrument/country specific (by Institution, Name, Title, Act, Number, etc) legislation, policies, documentation, processes and procedures that need to altered across Ministries/Institutions to enable the target Country conform to the agreed TTFI.

Step 2: Implementation Forums:

Convene targeted high-level Implementation Forums at Permanent Secretary/Head of Institution level in each target country in respect of each instrument to review the IRPs so as to obtain written commitment and to designate institutions/individuals to take particular actions within a clear timeframe. Convene regional forums depending on the extent of cross-border buy-in.

Step 3: Implementation Commitment Letters (ICL):

Convene high-level, high-visibility forums at ministerial level to obtain government commitment by publicly signing Implementation Commitment Letters (ICL). If adequate buy-in is obtained from target Countries, this could be extended to include the signing of a Regional ICL at a regional forum of ministers.

Step 4: Embedded Support:

Embedded STTA experts into individual ministries/institutions to work side by side with national counterparts to draft the necessary statutory instruments, ministerial or parliamentary policy briefs or other documentation necessary to align the requisite national laws, regulations, and practices agreed to by TTFIs. This support will only be provided to those countries which will have signed the ICLs.

Step 5: Official Notification:

Issue official notifications for new TTFIs through the gazette, media or other appropriate means.

Step 6: Training and Capacity Building:

Develop manuals, modules and other training aids and undertake training and capacity building of implementers/users on the new TTFIs.

Step 7: Facilities and Systems:

Identify needs, procure and install equipment/develop software as appropriate to upgrade facilities and systems for specific TTFIs.

Step 8: Monitoring and Reporting Systems:

Design and institute tracking, monitoring and reporting systems to generate benchmarks and targets for new systems.

DONOR COORDINATION AND INTERVENTIONS

Donors active in East African Corridors are, USAID; JICA; DFID; AfDB; World Bank; and European Union. JICA, AfDB, the EU and World Bank support both the hard and soft side of infrastructure. AfDB is financing the construction of a number of roads in East Africa while JICA is constructing the second container terminal in the port of Mombasa and the World Bank has co-financed a number of road projects. On the other hand, DIFID and USAID focus on the soft aspects – capacity building, policy reforms and training. Of the transport logistics chain covering ports, railways, roads, border posts, JICA and the World Bank are particularly active in the areas of ports, OSBP, road and rail, while AfDB is largely involved in roads and more recently infrastructure for border posts.

USAID's major strength through programs like COMPETE, is in working with private sector players which other donors do not do as they tend to work with public sector institutions and quasi-Government institution such as port authorities, customs administrations, etc. Another advantage that USAID has over other donors is its flexible funding mechanisms which can be activated fairly rapidly whereas other donors tend to have more rigid financing rules and therefore are not as responsive to responding rapidly to a dynamic environment. Because of its ability to work with both the public and private sector, USAID has the ability to rally together public and private sector players and can therefore play a lead role in promoting effective trade facilitation and getting TTFIs adopted.

The first donor coordination meeting was convened by USAID/EA in October 2009 in Nairobi. The meeting brought together funding and coordinating agencies and implementers of a range of diagnostic and infrastructure studies along the Northern and Central Corridors in East Africa. The objective was to come up with a common set of goals, approaches and shared work plan for implementation to reduce the possibility of duplication and ensure the best possible use of resources to optimize returns and impact. A secondary objective was to define the framework for follow-on meetings including the inception planning meeting to launch the Transit Coordination Group (TCG) agreed upon at the first Transit Donor Coordination meeting held at Intercontinental Hotel in Nairobi in March 2009.

The meeting was attended by representatives from the EAC Secretariat; USAID/EA; DFID; JICA; AfDB; TTCA-NC; Nathan Associates Inc; Louis Berger Inc; USAID/COMPETE; and virtual attendance by the World Bank/FIAS via a Videoconference link. The full List of Participants is attached. Consensus emerged on the following:

- Collaboration efforts need to be viewed in the broader context of the COMESA and EAC Summit decisions as well as the Tripartite Framework (COMESA, EAC and SADC) and that there was need to always bear in mind the "big picture".

- The TCG mechanism should be retained as agreed in March 2009 in Nairobi with the EAC as Chair. The 1st formal meeting of the TCG should be held as soon as possible preferably in early December 2009 hosted by the EAC Secretariat.

- The TCG process and coordination of the various studies that are on-going/planned should proceed as this mechanism is coordinated by the EAC and this will ensure that outcomes are fed into the Tripartite process.

- Priority should be given to establishing the TSU at the EAC Secretariat and appointing a Coordinator as the Focal Point for coordinating the work of the TCG as a matter of urgency.

- Further consultations are required on the scope, structure and content of the proposed East African Corridors Investment Conference whose timing should be the last half of 2010 in order to accord adequate time for preparations and guidance in this regard is required from the Tripartite and AfDB.

DONOR INVOLVEMENT IN TRANSIT CORRIDORS AND TRANSPORT

SUB-SECTOR/MODE	USAID	DFID	EU	JICA	AfDB	World Bank
Shipping, Maritime and Ports						
Maritime and Shipping Services	M	L	H	H	H	L
Port Infrastructure and Equipment	L	L	H	H	H	M
Railways						
Railway Infrastructure and Equipment	L	M	H	M	H	H
Railway Reforms	L	M	M	M	M	H
Roads						
Road Infrastructure and Equipment	L	M	H	H	H	H
Road Infrastructure Reforms	M	M	M	M	M	H
Road Transport						
Road Transport Equipment and Facilities	L	L	H	H	H	L
Road Transport Reforms and Facilitation	H	H	M	M	M	H
Multimodal Transport						
Inland Container Depots (ICDs) and Facilities	L	L	L	M	M	L
Multi-modal Transport Facilitation	M	L	L	M	M	L
Border Posts						
Border Posts Infrastructure	L	L	L	H	M	H
Border Posts Facilitation (OSBP)	H	H	L	H	M	H
Customs						
Customs Automation	H	H	H	H	M	M
Customs Equipment and Connectivity	M	H	H	H	M	M
Customs Training and Capacity Building	L	H	H	H	M	M
Customs Reforms and Procedures	M	H	H	H	M	M
Private Sector						
Private Sector Capacity Building	H	L	L	L	M	L
Private Sector Training	H	L	L	L	M	L
Governance						
Corruption and Governance	M	H	M	L	L	H

Source: Compete
Notes: Involvement
H = High; M = Moderate; L = Low

Donor In olve en in On Stop Border Posts

Ac ons equ r d to make Mal ba a fully functional OSBP:

r ays c n te o s s aused by duplication r s a p oc u cr r al l p ti ns of cargos by s ag . T e olution n joi ord sp c s ac o b ders. In addition, s o ve a e d Si gle W ow System or g d rd Manageme e e n d a verification are done by a sing e Ag c acti g, normally cu t n a f er agencies such f a ards P an a e t T e ir functional OSBP a e c ed a i u du (m m a o er a ab p tes elements of an i t p ti tw g a R u t or (RA) and Kenya th i (RA , n t a n g l a x e to road traffic. r a ab t a l a e s y al nd institutional or a n ut n r n o t on Agency (JICA) i th r d Ban d i men an ( ) r e lead donors in supp rting th r io i ement the OSBP concept. B tw 20 4 and 2007, USAID, th ough e C T ade Hu provided considerable technical support for the Malaba OSBP. At the time, it was es mated to cost $6,938,000 to construct.

E E ad o i n r u I at b e e Northern and d rs n w e of b i n n ar-es-Salaam in Tanzania respe vel E a a e hat o sh ould technically o r r ec e e e n e ces . The first is the "Ship-to-Port" n fa d the other is the "Port-to- fac T an ort (road/rail)" inter ce b h f h be ocu t d s es of or elays in ports. a s i tr u O B o h r r i or include Malaba K ya) atun (n / n i (Rw d C and Namanga (Tanzania/Kenya) becaus e h fi w i rridor.

R comm n tio s p ov Malaba OSBP: h d Ba a I r involved in the e phy i al in r to t t o h h World Bank and

JICA are also carrying out Border Audits. JICA was instrumental in getting the Chirundu OSBP operational and is carrying out similar work in East Africa to define the legal and operational framework. However, both JICA and World Bank are not structured to work with private sector Groups. This is the comparative advantage that COMPETE has -- to bring private sector input and perspectives into the various initiatives underway on OSBP. The specific intervention that COMPETE can undertake at Malaba, and other border posts, subject to COTR direction, is to introduce IBM. COMPETE will also be involved in port facilitation to promote improved port processes and procedures and work to reduce shipping, maritime and ports charges. This is an area which no other donor is currently addressing.

On-going and Planned Donor Studies

- The Northern Corridor Infrastructure Master Plan Study (TTCA-NC).
- Analytical Comparative Transport Cost Study along Northern Corridor Region (TTCA-NC).
- Corridor Diagnostic Study CDS) of the Northern and Central Corridors (USAID, DFID, JICA on behalf of TCG).
- Legal Framework and Procedures Necessary for the Introduction of One Stop Border Posts (OSBP) in East Africa (JICA).
- Consultancy Services for Detailed Border Audits in East Africa to Assess their Effects on the Performance of the East African Transport Corridors (JICA, DFID, USAID).
- Detailed Design Study for One Stop Border Post (OSBP) at Namanga (EAC/JICA).
- Preparation of a Transport Facilitation Strategy for the East African Community (EAC/AfDB).
- Scoping Study on Identification of the Missing Links and Bottlenecks Affecting the Performance of the East African Community Central Corridor (EAC/JICA).
- Technical Working Group (TWG) on Axle Load Harmonization in the Region (EAC).

Donor and Private Infrastructure Funds for Africa and Fund Managers

SAIF – South African Infrastructure Fund – Macquarie – www.macquarie.com

AIF – Africa Infrastructure Fund – Standard Chartered Bank – www.macquarie.com

PAID – Pan African Infrastructure Development Fund - Harith – www.harith.co.za

IFC – Sub-Saharan Africa Infrastructure Fund – IFC – www.ifc.org

INFRA – Infrastructure Recovery and Assets Platform – World Bank/IFC – www.worldbank.org

ICF – Infrastructure Crisis Facility – World Bank/IFC – www.worldbank.org

EAIF – Emerging Africa Infrastructure Fund – DFID – www.dfid.gov.uk; www.emergingafricafund.org

AITF – EU-Africa Infrastructure Trust Fund – EIB – www.eib.org

AAIF – AIG Africa Infrastructure Fund –AIG – www.aig.co.za

AIP – USAID Africa Infrastructure Program – USAID – www.usaid.gov

US-TDA – US Trade and Development Agency – US-TDA – www.ustda.gov

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AICD – Africa Infrastructure Country Diagnostic – AfDB – www.infrastructureafrica.org

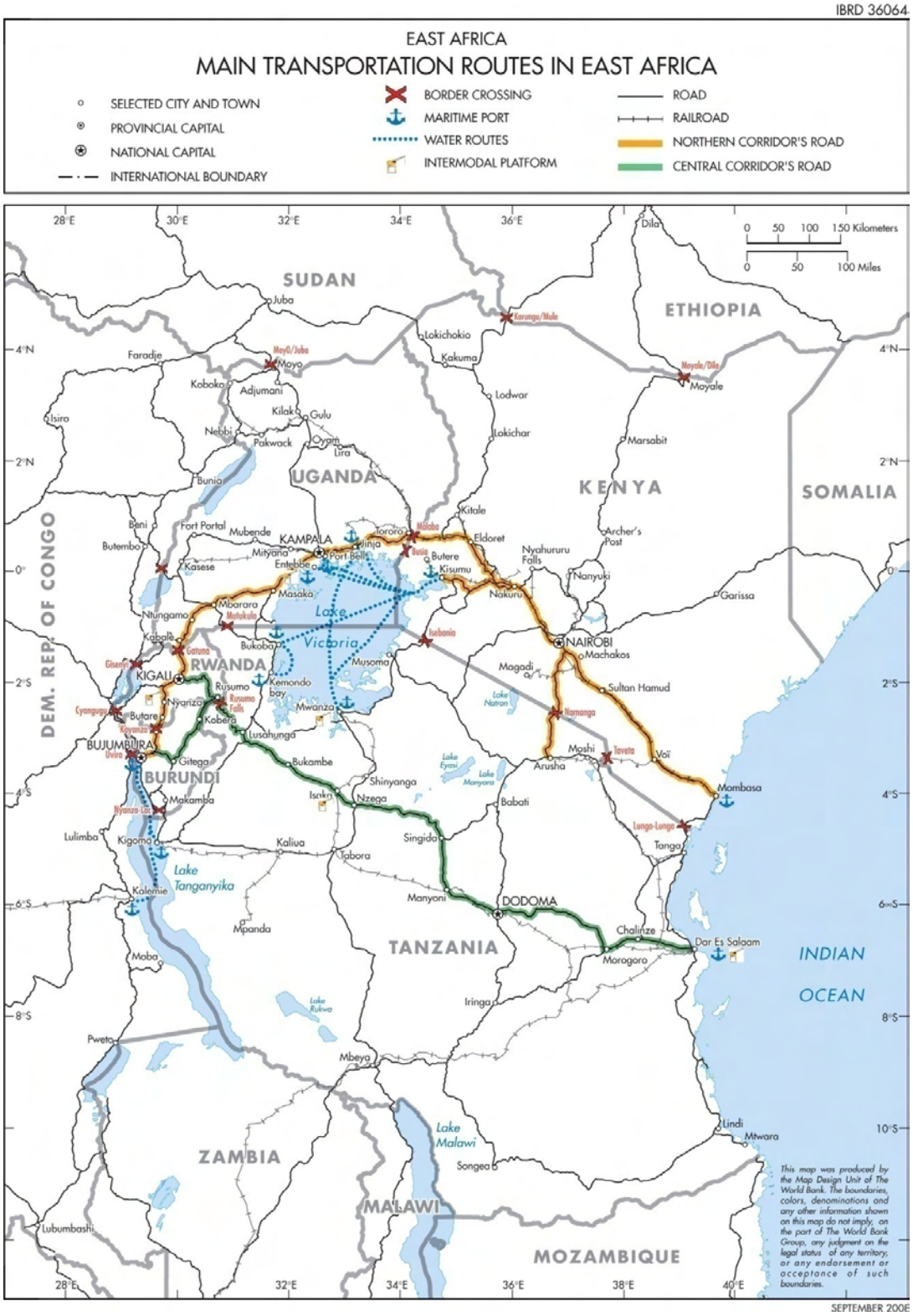
ICA – Infrastructure Consortium for Africa – www.icafrica.org

CRISIL – Infrastructure Advisors (Subsidiary of Standard Poor's) – www.crisil.com

PPIAF – Public-Private Infrastructure Advisory Facility – PPIAF **–** www.ppiaf.org

IPPF – NEPAD Infrastructure Project Preparatory Facility **–** AfDB-NEPAD **–** www.afdb.org

AFI – Alliance for Financial Inclusion aimed at tapping the nearly 50 million unbanked populations



The five countries comprising the East African Community (EAC), Kenya, Uganda, Rwanda, Burundi and Tanzania have a surface area of 1.82 million square kilometers, a population of 126 million, a Gross Domestic Product (GDP) of $60 billion, average GDP per capita of $424 and average GDP growth of 6.8%.

An Economic Profile of the EAC, 2000 – 2006 average

Economy and Trade	Kenya	Tanzania	Uganda	Rwanda	Burundi	Total/Avg.
GDP ($ current millions)	15,998	10,754	6,954	1,913	708	**36,327**
GDP growth (%)	3.5	6.2	5.6	5.5	2.2	**4.6**
GNI per capita ($)	460	306	256	223	97	**268**
Composition of GDP (%)						
Agriculture	29	45	33	41	39	**38**
Industry	18	16	20	21	19	**19**
Services	53	38	46	38	42	**43**
Domestic savings/GDP (%)	11	11	7	1	-12	**4**
Gross fixed capital formation/GDP (%)	17	18	20	19	10	**17**
Revenue/GDP (exc. grants, %)	19	11	12	13	20	**15**
Expenditure/GDP (%)	19	18	20	24	34	**23**
Fiscal balance/GDP (%)	1	-7	-8	-11	-14	**-8**
Exports GNFS/GDP (%)	25	20	13	9	9	**15**
Imports GNFS/GDP (%)	32	27	26	27	31	**29**
Current account balance/GDP (%)	-1	-4	-5	-5	-5	**-4**
Population (million)	33	37	27	9	7	**114**
Population growth (%)	2.6	2.6	3.2	3.1	3.2	**2.8**
Land size (000 sq km)	569	886	197	25	26	**1,702**

Source: *World Development Indicators* database.

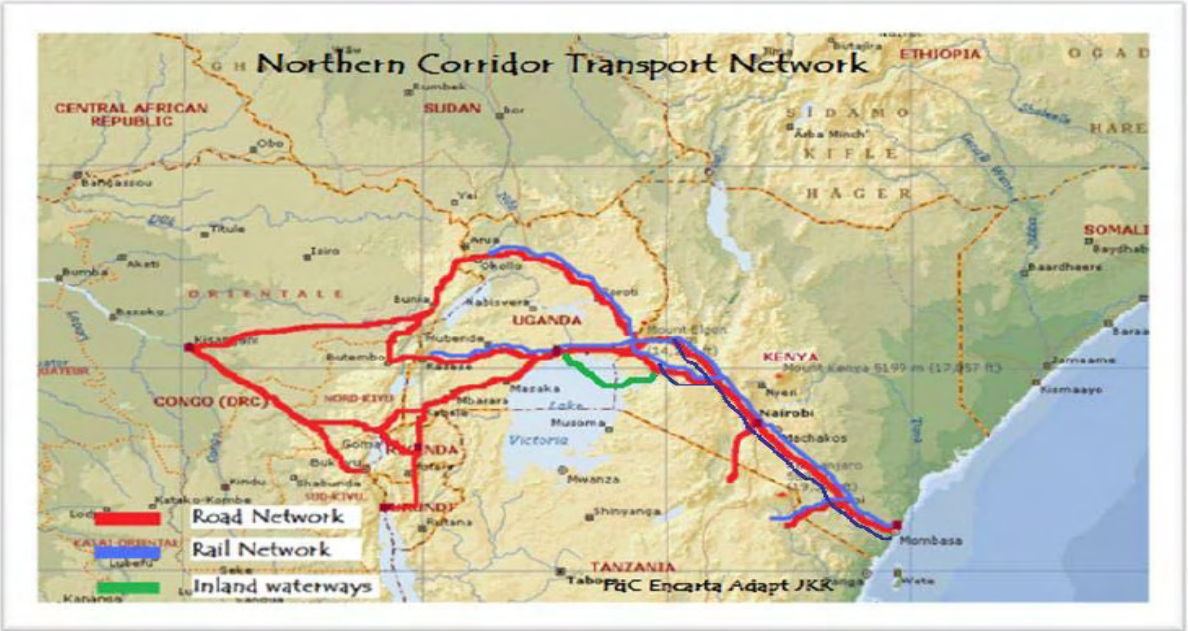
Note: GNFS-goods and nonfactor services;
Uganda has recently revised its National Accounts to adopt a changed structure of the economy and new base of 2002/03 – not reflected here.

Exports to EAC by Member Countries by SITC 1 Categories (percent of total)

	2007					2000				
	Burundi[a]	Kenya	Rwanda[a]	Tanzania[a]	Uganda	Burundi	Kenya	Rwanda[b]	Tanzania	Uganda
Food and live animals	46.8	9.3	83.0	27.0	33.1	94.6	8.0	88.2	51.6	59.9
Beverages and tobacco	11.6	5.0	0.1	2.7	10.3	1.2	2.0	0.0	1.7	2.1
Crude materials, inedible, except fuels	37.7	4.3	11.8	14.5	2.6	1.0	3.2	9.5	11.9	1.9
Mineral fuels, lubricants and related materials	0.0	9.1	0.0	1.5	3.9	0.0	26.0	0.0	1.3	27.2
Animal and vegetable oils and fats	0.0	3.1	0.0	4.3	15.3	0.1	2.2	0.0	1.0	0.2
Chemicals	1.0	18.4	0.8	24.2	7.3	0.0	14.3	0.4	1.4	1.8
Manufactured goods classified chiefly by materials	1.7	29.6	1.4	19.1	22.1	1.1	29.4	1.8	13.6	4.7
Machinery and transport equipment	1.0	8.9	2.6	2.1	2.7	1.9	1.8	0.0	11.4	0.3
Miscellaneous manufactured articles	0.3	12.2	0.2	4.6	2.8	0.0	13.1	0.1	6.1	2.0
Commodities and transactions not classified according to kind	0.0	0.2	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0

Source: COMTRADE database.
SITC-Standard International Trade Classification
a. Rwanda, Burundi, Tanzania, 2006.

THE NORTHERN CORRIDOR



Source: Northern Corridor Transit Transport Coordinating Authority

The Northern Corridor connects the Eastern Africa states of Kenya, Uganda, Rwanda, Burundi and Democratic Republic of Congo.

It is the busiest corridor in East and Central Africa handling in the region of 12 million tons of import/export cargo of the countries mentioned above. The corridor also handles a substantial volume of intra-regional trade.

The Northern Corridor is a multi-modal transport corridor, combining surface modes of transportation, which include road, rail, waterways, and pipeline. The corridor route network extends from Mombasa and links major urban centers, including: Kampala, Kigali, Bujumbura, Goma, Bukavu, Beni, Bunia and Kisangani.

TRANSIT ROUTES

The Northern Corridor transport network is interconnected through several entry and exit points between the Port of Mombasa in Kenya and the landlocked countries of the Great Lakes Region.

The Northern Corridor Transit Agreement has designated specific entry and exit, customs offices which establish competent customs offices at common border posts to facilitate smooth flow of transit cargo. These transit offices are specified in Protocol 3 (Article 7) of the NCTA and are shown below in the chart "Transit Customs Offices".

In addition to these transit offices, some countries have introduced transit points for checking trucks.

TRANSIT CONTROLS

Customs regulations within the corridor usually require the observation of the following rules:

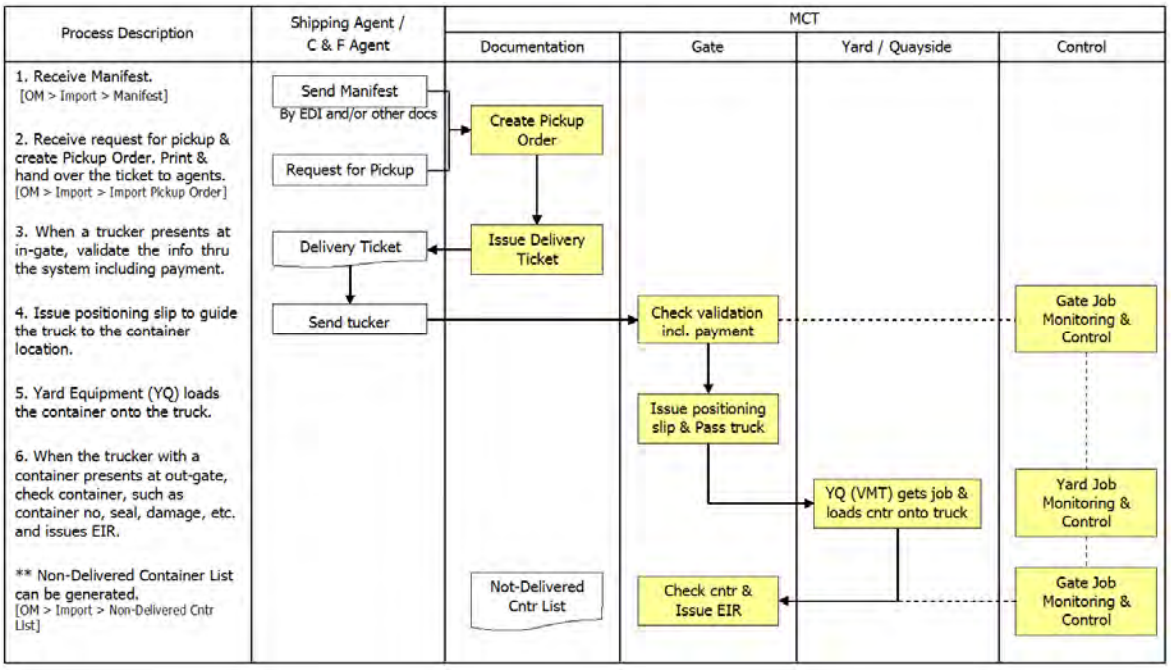
1.1.1 CUSTOMS CLEARANCE

Customs clearance usually affects the volume of trade and the speed with which cargo is handled from the port of entry to the final destination. However, it is crucial that minimum time is spent during customs clearance at loading points, off-loading points and borders.

1.1.2 PORT CLEARANCE

Goods destined to countries of the Northern Corridor primarily transit through the Port of Mombasa in Kenya. To expedite the process of clearing cargo from the Port of Mombasa, the Kenya Ports Authority has implemented the Kilindini Waterfront Operating System (KWATOS) on 1st July 2008. The system has been interfaced with Kenya Revenue Authority's Simba System and port users have begun to enjoy its benefits. The MPRO was for the primary KPA doc that C&F agents used to have charges raised for services rendered and to enable delivery from the port. The MPRO and its cumbersome steps and numerous stamps were consigned to annals of history on 1st July, 2008 to be replaced by the "Pick-Up Order" – POU which is electronically lodged via a WEB IP interface.

Below is a process diagram, which shows how the different players interact on POU process to enable the clearance of goods thru the port system.



Source Kenya Ports Authority - Logistics Manager

1.1.3 SIMPLIFICATION OF PORT CLEARANCE PROCEDURES

As a result of a special review of documentation and clearance procedures at the Port of Mombasa, the following measures have been realized:

As a result of these measures, it is now possible for landed cargo to be released from the port within two days, as opposed to the previous average of seven days.

However, transit cargo with irregular documentation are subjected to thorough processing, with the additional requirement of a bank guarantee, physical verification and/or escorts of the goods to the Kenya border post of exit

1.1.4 OPERATING HOURS FOR PORT AND CUSTOMS OFFICES

During the year, the port introduced delivery of cargo on a 24/7 basis. This has improved cargo deliveries, reduced congestion, enhanced ship turnaround, and overall port performance.

1.1.5 PHYSICAL VERIFICATION OF GOODS

Port of Mombasa Physical verification of transit goods at the Port of Mombasa and in other customs border posts is only carried out in cases where the original seals have been broken. However the importer or his agent is not be required to pay verification charges, except where a fraud has been established.

Transit Good s Entering Uganda Physical verification of transit goods entering Uganda has been reduced to a bare minimum. In Uganda, customs authorities require trucks carrying transit goods to report at Nakawa in Kampala before proceeding to the exit border point. The introduction of a computerized customs control system has brought about major improvements in customs controls at Nakawa: customs formalities now take less than 10 minutes.

1.1.6 BORDER CLEARANCE

However, transit formalities are still cumbersome, especially at border posts with high traffic. In order to streamline border post procedures and ease the flow of traffic, plans are underway to establish joint controls (one-stop border posts) at border posts which handle high traffic volumes.

1.1.7 TRANSIT DOCUMENTS

Transit goods have to be covered by appropriate clearing documents like any other consignments loaded or off-loaded at the port, or passing through border points.

The following commercial and maritime documents are required for the clearance of transit cargo at the Port of Mombasa:

- The invoice issued by the supplier which indicates the CIF value or the FOB value of the cargo from the port of loading
- The original Bill of Lading endorsed at the back by the importer or consignee
- The packing list
- Phytosanitary Certificate for food commodities or grains
- Fumigation certificate for second-hand clothes
- P27 Form from the police
- A copy of the import license or the certificate of incorporation
- The certificate of destination from OGEFREM for goods destined to the DR Congo

Since customs authorities at the port accept to clear documents prior to docking of the ship, users of the Northern Corridor are urged to forward their documents to their clearing agents at least seven days prior to the arrival of the ship. The documents are passed when the shipping line issues the manifest.

1.1.8 ROAD TRANSIT CUSTOMS DECLARATION

The introduction of the Road Customs Transit Declaration and its rail equivalent in 1987 resulted in the elimination of several national documents. In some cases as many as 13 different documents were replaced by the RCTD.

Originally designed for the Northern Corridor, the RCTD was later adopted by the entire COMESA region. However, the RCTD was essentially a transit declaration that had to be accompanied by either an import or export entry document.

1.1.9 COMESA CUSTOMS DOCUMENT (CD-COM)

The COMESA Customs Document (CD-COM) is a single goods declaration document that has incorporated the RCTD. As a harmonized customs entry record, CD-COM replaced the different documents used in the COMESA region. Northern Corridor countries agreed to apply the COMESA Customs Document (CD-COM) in 1999, as it was developed jointly by the TTCA and COMESA.

Burundi, Kenya, Rwanda and Uganda are now using the CD-COM along the corridor. However, some countries are yet to fully withdraw national documents that are used alongside the CD-COM. DR Congo is making arrangements to commence application of CD-COM.

1.1.10 TRANSIT BOND

TRANSIT BOND REQUIREMENTS

Customs duties are not imposed on goods-in-transit. Nevertheless, shippers are required to execute Customs Transit Bonds in the transit country. In Kenya, the current procedure requires importers of transit goods to secure a customs bond issued by an insurance company, whilst 'sensitive' cargo such as clothes, wines and spirits, tires and tubes, shoes, electronic goods, second-hand clothes, food commodities (sugar and rice) require a bank guarantee or cash guarantee.

The customs bond in Uganda is issued by an insurance company and is cancelled upon presentation of a copy CD-COM duly stamped by customs officers of the post of exit. Rwanda also requires a bond in cash.

However, the value of customs bonds varies from country to country because of different duty rates and valuation of goods. The adoption of common external tariffs and the introduction of a regional bond guarantee scheme should solve this problem.

1.1.11 CANCELLATION OF THE CUSTOMS BOND

The bonds are in force until the office of exit receives and endorsed copy of the RCTD from the office of entry in the following country. The office of exit returns this copy to the office of departure (or the previous office of entry). The bond in force is cancelled at the office of departure/entry on the day when either the returned copy or the one presented by the declarant has been received and verified by this office, provided that it is endorsed.

1.1.12 SPECIAL BOND FOR TRANSIT TRUCKS IN KENYA

A special bond for trucks had been introduced for trucks involved in transit traffic in Kenya. The Ksh1,000,000 cost of the bond was prohibitive to most transporters and has been abolished by the Kenyan authorities with effect from 1 July 2003.

1.1.13 COMMON EXTERNAL TARIFF (CET)

Both COMESA and the EAC are planning to implement a common external tariff by December 2004. When implemented, the common external tariff will enhance the implementation of the CD-COM and the Regional Customs Bond Guarantee Scheme. The introduction of CET is expected to minimize customs fraud and diversion.

1.1.14 TOWARDS A REGIONAL CUSTOMS BOND GUARANTEE SCHEME

Faced with a fragmented system of national bond requirements that tie up colossal sums of money, the TTCA is urging member states to adopt the COMESA Regional Customs Bond Guarantee Scheme, which will eliminate the necessity to execute separate customs bond guarantees for each country transited.

1.1.15 ICT SOLUTIONS

The Kenya Ports Authority (KPA) has implemented an Enterprise Resource Planning System that effectively addresses human resource management, financial planning, material management, plant maintenance, sales and distribution, as well as projects management. KPA is also collaborating with the Kenya Revenue Authority to establish a community-based computerized system to link the port community to facilitate exchange of information and online clearance of cargo documentation.

A modern tracking system for transit goods will enable easier and faster bond cancellation for transit cargo, since it will be possible to confirm exportation on the computer system.

1.1.16 LICENSING

Northern Corridor countries are supposed to recognize truck operator licenses issued to transit carriers by the licensing authority of the country of origin. The Transit Goods License, still required by Kenya and Uganda for foreign registered vehicles, will have to be harmonized in line with this requirement and the COMESA Carrier License Regulations.

The COMESA Carrier License makes the movement of vehicles across borders easier by eliminating a cumbersome practice, which required haulers to obtain road service permits.

1.1.17 VISA REQUIREMENTS

Smooth facilitation of goods within the corridor requires easy movement of the business community and their agents across the member countries.

Besides universal recognition of driving permits in the region, there is need for member states to issue work permits and multiple entry visa to transit operators.

Rwanda has removed visa requirements for nationals of the other member states.

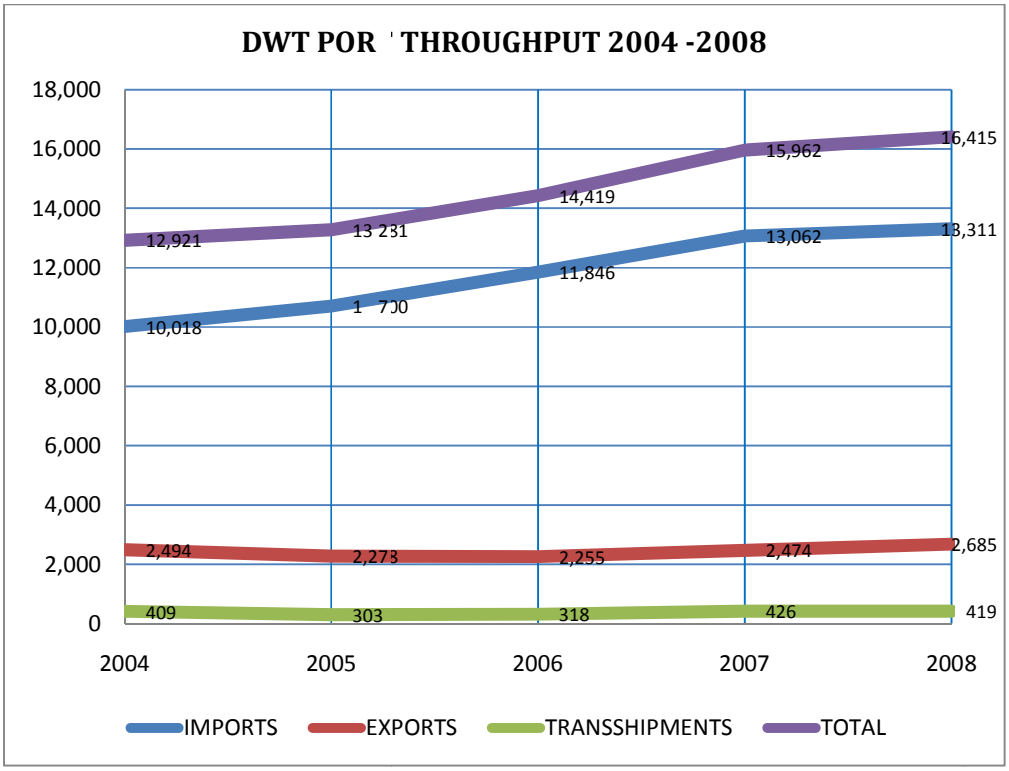
TRANSIT CUSTOMS OFFICES			
COUNTRY	**ORIGIN OFFICES**	**ENROUTE OFFICES**	**DESTINATION OFFICES**
Kenya	Mombasa,	Nairobi, Kisumu, Nairobi, Eldoret	Busia, Malaba
Uganda	Malaba, Busia	Kampala, Jinja, Masaka, Kabale, Tororo	Katuna, Ishasha River, Mpondwe, Goli, Arua, Kagitumba
Rwanda	Kagitumba, Gatuna, Cyangungu, Cyanika	Kigali, Butare, Rwenzori	Upper Akanyaru, Cyangungu, Gisenyi
Burundi	Upper Akanyaru, Gasenyi, Luhwa	Kanyanza, Buju-mbura, Kirundo, Ngozi, Rugomba	Gatumba, Bujumbura, Upper Akanyaru
DR Congo	Aru, Bukavu Mahagi, Killiba Kasindi, Kavimvira Ishasha, Kamayola Goma Ville,	Bunia, Beni, Kiridu, Uvira, Bukavu	Bunia, Bukavu Kisangani, Killiba Isiro, Kindu Beni, Baraka Goma Ville, Butembo Uvira, Goma Kalundu

Source Constructed by compete from NC-TTCS data

PORT OF MOMBASA

Mombasa's Port, which has 16 deep-water berths, a container terminal, two bulk terminals (cereals and cement), and two oil terminals, is connected with the hinterland by road, rail and pipeline and is capable of accommodating a wide range of ships.

The Mombasa Port is the biggest port in East and Central, with an intrinsic throughput capacity of over 20 million tons. The volume of cargo handled by the port and passing through the corridor has been growing at an average rate of 7% per annum, over the past five years, rising from 8.56 million tons in 1988 to 11.93 million tons in 2003. Transit traffic has meanwhile doubled during the past five years, rising from 1.126 million tons in 1998 to 2.452 million tons in 2008, representing at an average annual rate of 17.6%, during the same period.



Source: Created by COMPETE with K nya Ports Authority data

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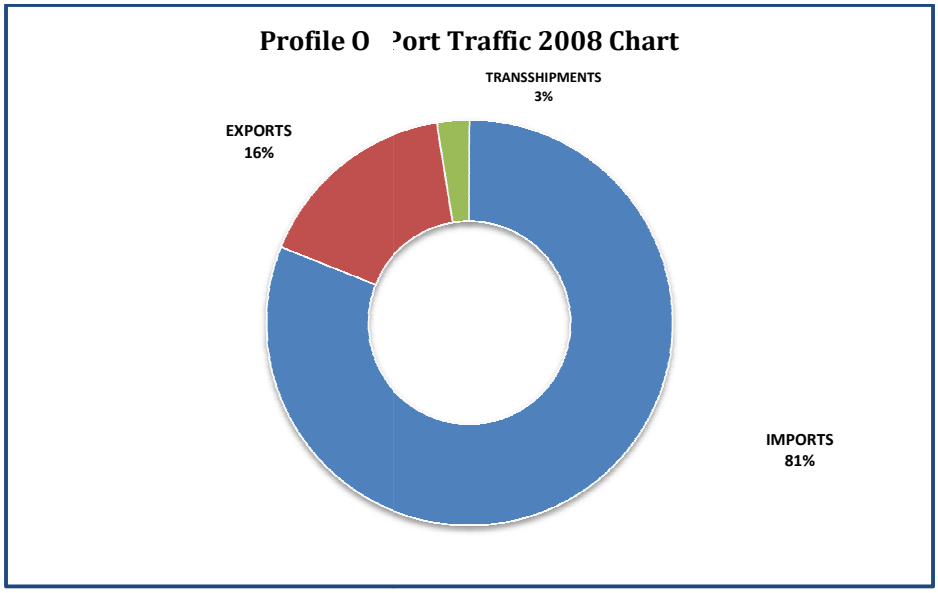

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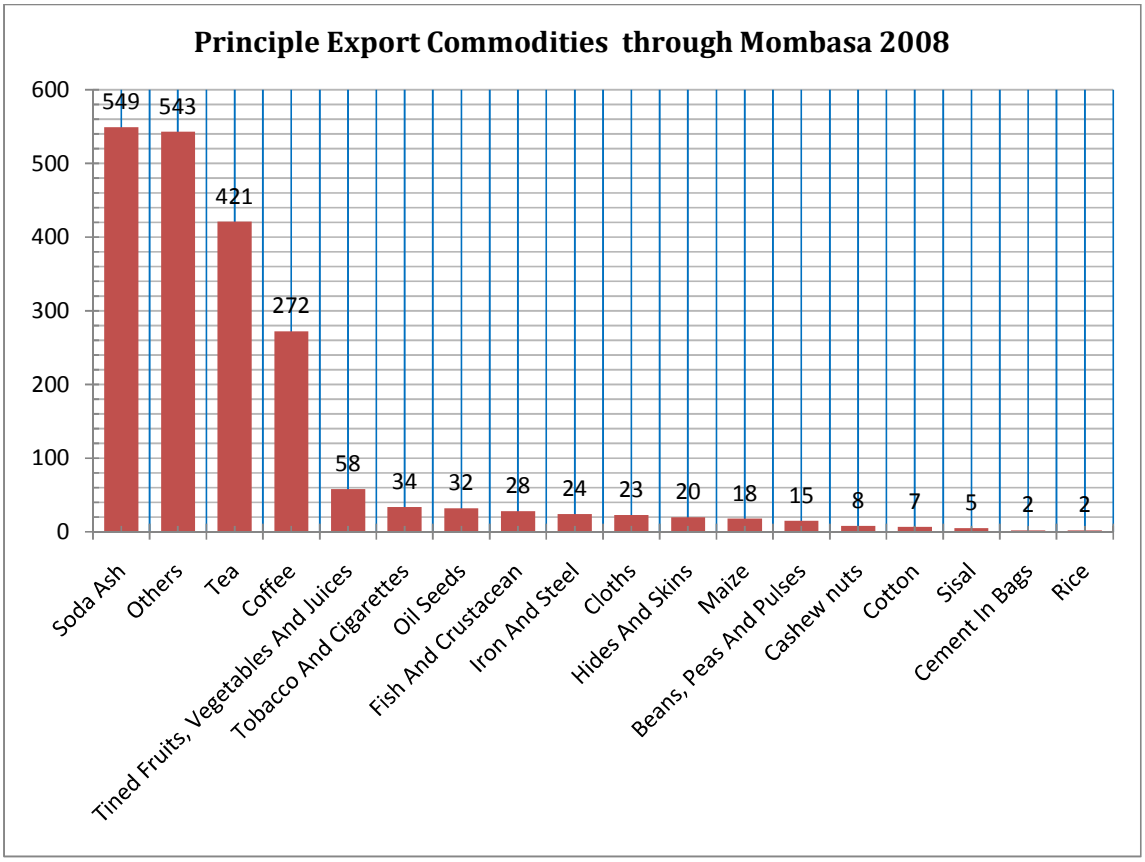
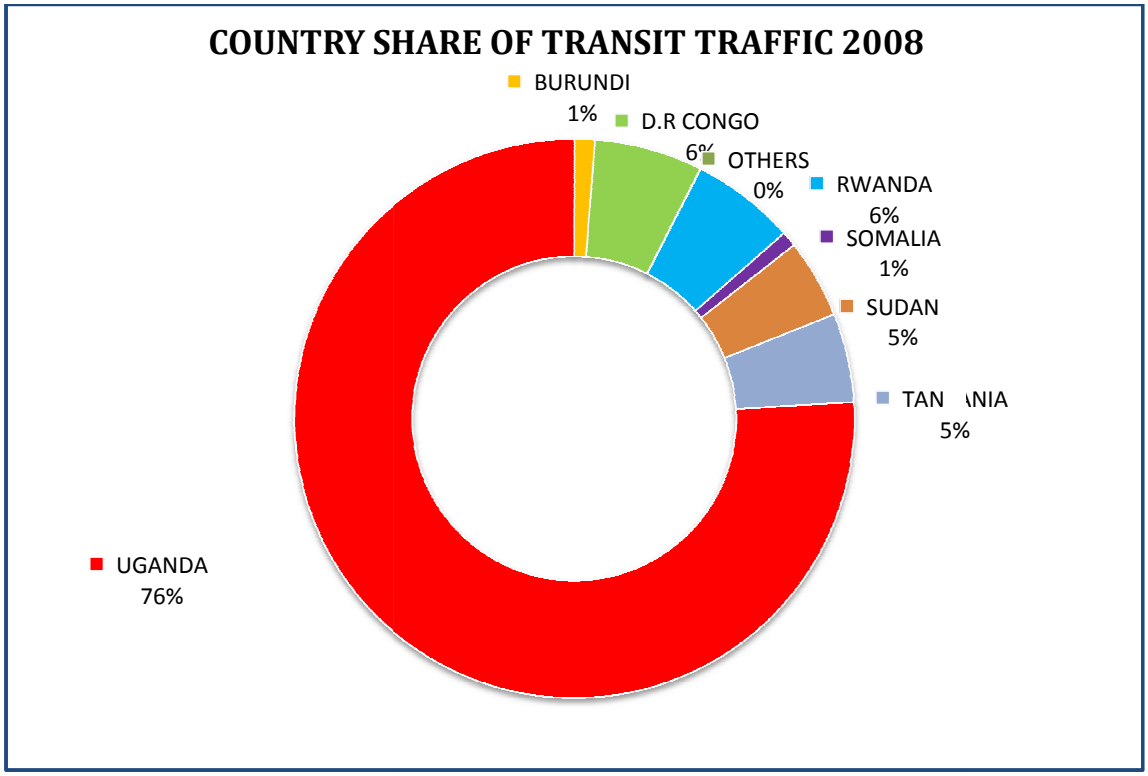


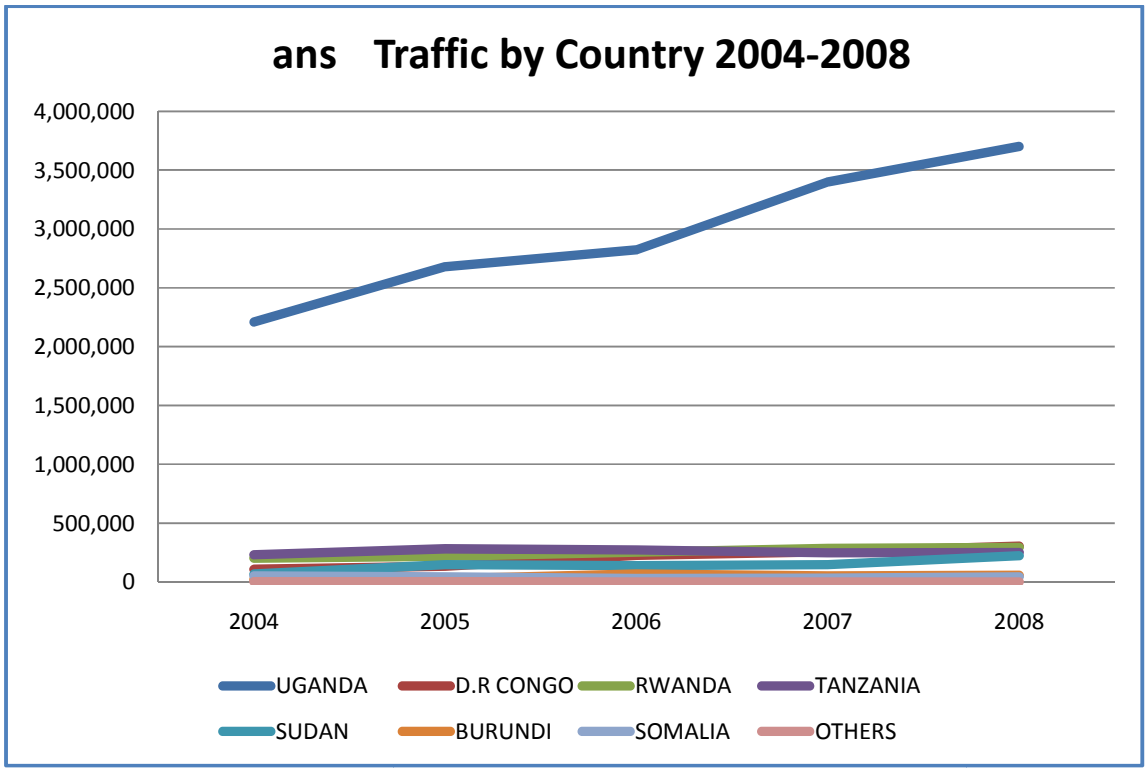
Source: COMPETE, using data from the Kenya Ports Authority and Kenya Revenue Authority

For this reason, the national trade strategies of these countries all focus on improving traditional exports while diversifying exports to new products with high growth potential.

To decrease their vulnerability to demand and price shifts in the international market, countries on this corridor are all are seeking to improve performance of traditional exports, while diversifying export commodities, markets and sectors within markets. A major constraint to production for all these countries in achieving their aims is the existing transport and logistics systems – the cost of acquiring inputs and of exporting goods.



S urce: O PETE u d a rom t e Kenya Ports Authority and Kenya Revenue Authority



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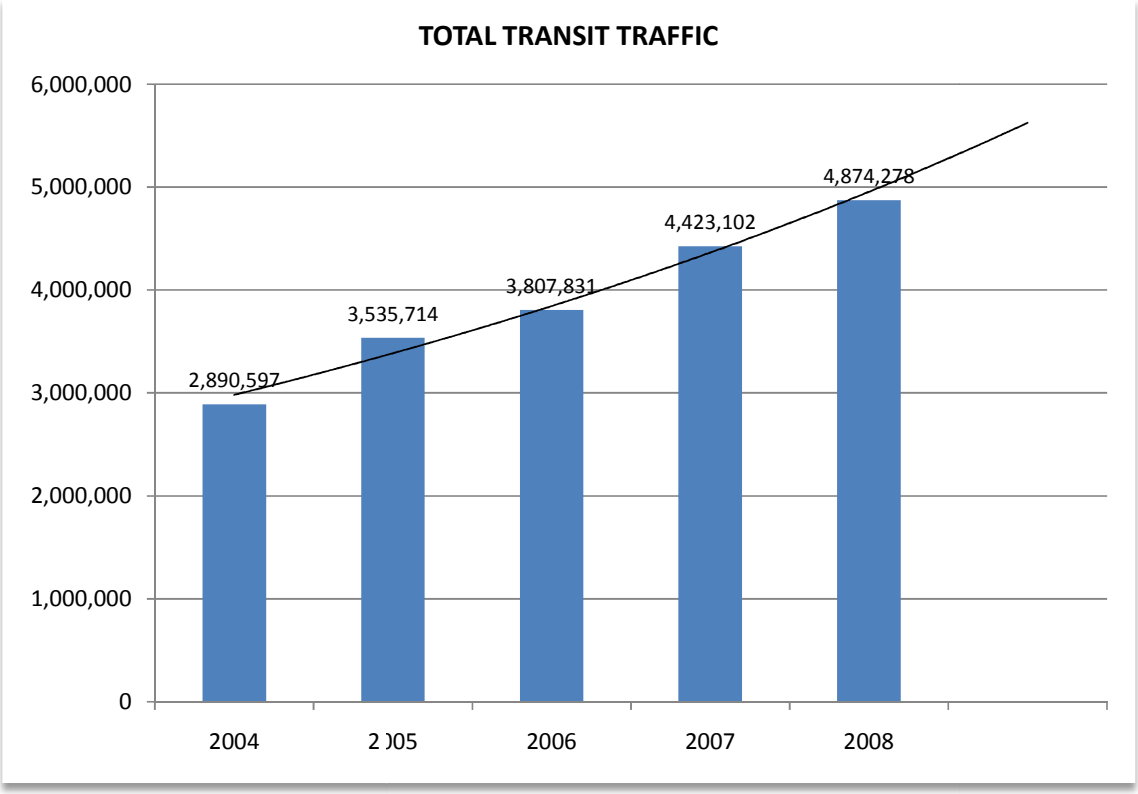

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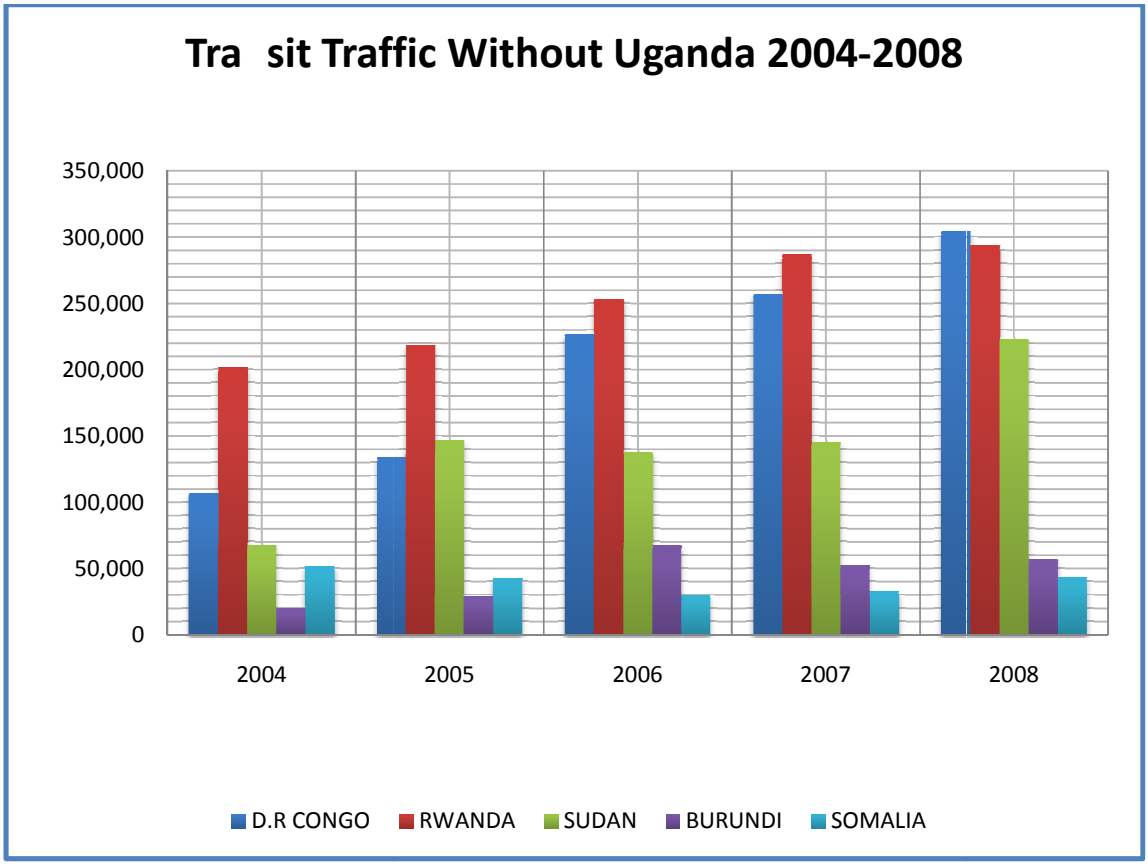


S urce: O PETE u d a rom t e Kenya Ports Authority and Kenya Revenue Authority

ROAD TRANSPORT

The EAC has identified five main corridors within the community (a total length of about 12,000 km), which constitute a strategic priority and require rehabilitation and upgrading to complete the road network in the community.

The Northern Corridor from Mombasa to Bujumbura is part of the Transport African Highway (Mombasa – Lagos) while the Tunduma – Moyale road is part of the Cape to Cairo Highway. The development of the regional network has mainly been hampered by insufficient financial resources. The EAC in collaboration with member countries has initiated a development partner-coordinated assistance in order to mobilize funds for the development of the corridors.

Under the High Level Standing Committee on the East African Road Network, the EAC has facilitated sector reforms which include the formation of roads boards/agencies, participation of private sector, harmonization of regional policies and axle loads control in the road sub-sector. All the partner states have road fund boards and road agencies.

There are two transit corridors that facilitate import/export activities in the region.

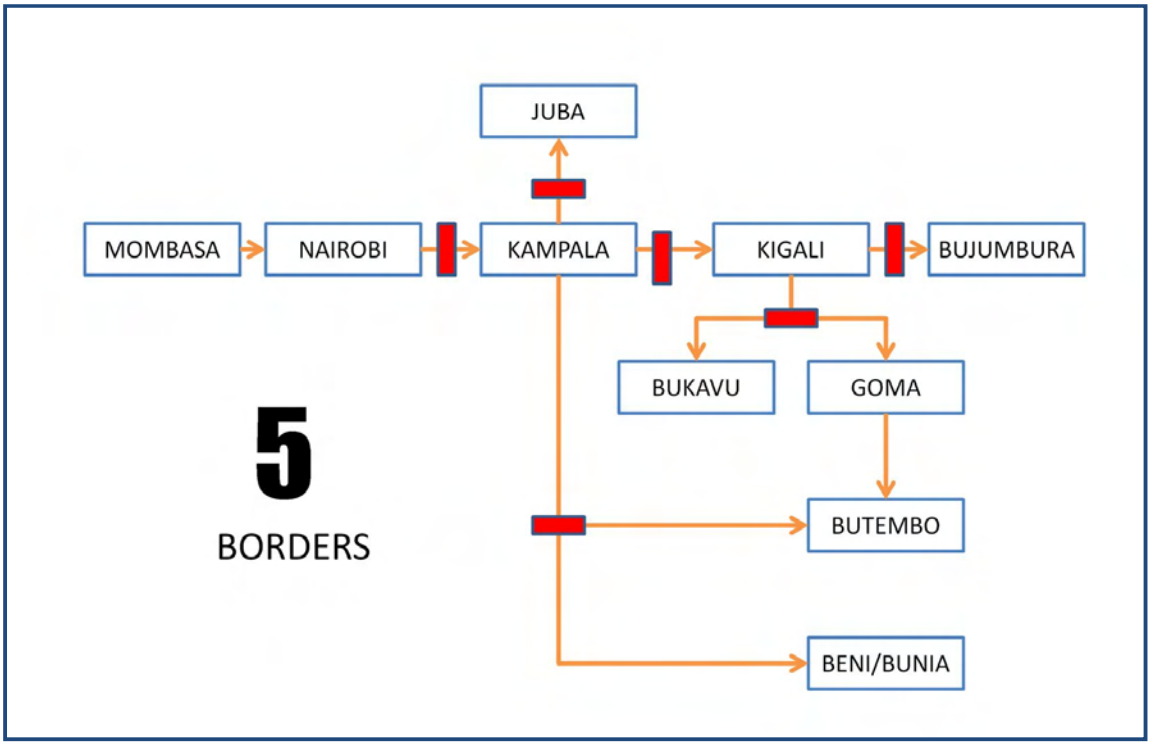
- The Northern Corridor (1,700 km long) commencing from the port of Mombasa serves Kenya, Uganda, Rwanda, Burundi and Eastern DRC.
- The Central Corridor (1,300 km long) begins at the port of Dar es Salaam and serves Tanzania, Zambia, Rwanda, Burundi and Eastern DRC.
- The five major transport corridors are:
- Mombasa – Malaba – Kigali – Bujumbura
- Dar es Salaam – Rusumo with branches to Kigali, Bujumbura and Masaka
- Biharamulo – Sirari – Lodwar – Lokichogio
- Nyakanazi – Kasulu – Tunduma with a branch to Bujumbura
- Tunduma – Dodoma – Namanga – Isiolo – Moyale

Note:

1. *This Map is not to scale. It should therefore not be used for any other purpose other than purposes of reflecting the general alignment of the East African Road Network Corridors.*
2. *The additional road links are in dotted lines in colours similar to the Corridors of their alignment.*

1. Mombasa-Malaba-Katuna Corridor
2. Dar-es-Salaam-Dodoma-Isaka-Mutukula-Masaka Corridor
3. Biharamulo-Mwanza-Musoma-Sirari-Lodwar-Lokichogio Corridor
4. Nyakanazi-Kasulu-Sumbawanga-Tunduma Corridor
5. Tunduma-Iringa-Dodoma-Arusha-Namanga-Moyale Corridor
6. Sections/Links connecting with East Africa neighbours; those of interregional connectivity

Source: North Corridor Transit Transport Coordinating Authority



Distance from Mombasa

MOMBASA	NAIROBI	MALABA	KAMPALA	KIGALI	BUJUMBURA
0	485	941	1170	1800	2042

Source: COMPETE from KPA data

Location of border crossings

The following are the northern corridors key transit points:

- Malaba Kenya
- Malaba Uganda
- Akanyaru Rwanda
- Ruzizi Rwanda
- Kagituba Rwanda
- Akanyaru Burundi
- Goma DRC
- Bukavu DRC
- Kaya Transit point Southern Sudan

The following are government agencies involved at these border posts:

- Kenya Revenue Authority,
- The Kenya Bureau of Standards
- KEPHIS Headquarters,
- Uganda Revenue Authority (URA):
- Uganda Quarantine Inspection Services (UQIS):
- Uganda National Bureau of Standards (UNBS)
- Rwanda Revenue Authority
- Rwanda Bureau of Standards
- Kenya Ports Authority
- Ogefrem
- l'Autorite de Coordination du Transport de Transit (ACTT)

RAIL NETWORK

Less than 4% of the cargo transported along the Northern Corridor is by rail transport.

The Northern Corridor railway network comprises of the Kenya/Uganda sections, which runs from Mombasa through Nairobi, Nakuru, Eldoret, Malaba, Jinja, and Kampala to Kasese in western Uganda (a distance of approximately 1660 km). A branch line runs from Nakuru to Kisumu on Lake Victoria (217 km), from where there is a wagon ferry link with Jinja and Port Bell in Kampala.

STATUS OF RAILWAY CONCESSION

The Ugandan and Kenyan governments concessioned the railway for 25 years to Rift Valley Railways (RVR) to run the operations of the Uganda Railway Corporation and the Kenya Railway Corporation. RVR is embroiled in myriad court cases, its shareholding has changed twice, and operations of the Mombasa-Kampala rail line have gone from bad to worse.

After issuing a string of ultimatums, Uganda and Kenya want out but RVR has them tied the two governments in legal battles. If RVR operations do not improve or grind to a total halt Ugandan and Kenya's economies will continue to suffer.

There are plans to construct a new line under different management from RVR. This standard gauge rail line can only be ready by 2017. The new line is estimated to cost $ 3.5 billion (U Shs 6.8 trillion). This is against $ 500 million (U Shs 970 billion) that would be required to rehabilitate the old line over a period of five years.

The old line has capacity to carry 5 million tones of cargo annually while Mombasa port is currently handling 16 million tones annually which is projected to increase to 30 million tones by 2030.

In 2006/07, RVR was to invest $US 29 million in financing project to improve infrastructure, some of which has begun. This is five times more than the investment outlay stipulated in the concession agreement which requires $5 million to be put in place annually over the next five years. RVR has invested $US 11.5 million since it took control in November 2006 and plans to add a further $US17.5 million by June 2008. The amount $US 11.5 million is less than half of its investment projection. RVR promised to invest $25 million in capital expenditures within the first year of concession.

It has been reported in the media that Kenya and Uganda Governments will sign a bilateral agreement in the next three months to construct a new high capacity and speed standard gauge railway from Mombasa to Kampala with a branch line to Kisumu at a cost of Sh3.5 billion. The new line will operate concurrently with the existing metre gauge being operated by RVR.

The decision to build a new line means the two governments confidence in RVR to improve the railway network is at rock bottom. And although they have toyed with the idea of cancelling the concession, it means building another line is a more viable option than restoring the existing dilapidated network at a cost of Sh37.5 billion over a period of five years.

RVR, which entered the scene in late 2006, has come under repeated criticism for running down the railway network and causing a cargo pile-up at the Mombasa Port.

Though the existing railway has a capacity of five million tons of goods a year, the hauling capacity has continued to decline accounting for less than six percent of freight movement in the Northern Corridor by 2007. This performance is extremely poor considering the Mombasa Port is currently handling in excess of 16 million tonnes of cargo per year.

With traffic growth at the port expected to reach 30 million tonnes by 2030, the need to build an efficient and reliable inland transport system that ensure goods leave the port as soon as they are cleared has become paramount.

THREATS FACING THE EXISTING RAIL INFRASTRUCTURE

The Railway faces a number of serious threats. These include:

- Reconstruction of damaged railway sections and construction of new railway by-pass (KShs.1 billion).
- Safeguarding of railway assets in 76 stations during the concession period (KShs.120 million).
- By end of 2007, average dwell time was 23 days. Average dwell time could be reduced if there were more wagons and a more efficient off-take in service to Uganda.
- RVR relies on the 174 old locomotives taken over from KRC, of which only 55 are in running order.
- Rail transport is moving only 4% of the cargo throughout against an intern standard of 90%, leaving road to carry 96%.

- RVR is behind on several agreed performance benchmarks, including length of track under temporary speed restrictions. RVR has imposed speed restrictions on Mombasa-Malaba route, an indication that the tracks are not being maintained properly.

- RVR has not started purchasing new locomotives. The only new additions to RVR fleet are old locomotives recently retuned by Magadi Soda on the expiration of a lease agreement.

- According to records from the regulator, RVR has been resisting providing it with data it needs to be able to monitor the operations of the concessionaire.

- There have been disagreements over access by Kenya Railway to the rail tracker that is used to monitor the use and condition of the track.

RAIL INFRASTRUCTURE UPGRADE NEEDS

Rail transport is still regarded as the most convenient and cost effective mode for the haulage of cargo, over long distances and as such, the improvement of rail transport infrastructure and services should be given priority. The bulding of the standard gauge rail is still a pipe dream and there for the upgrading of the existing rail infrastructure and the construction of missing links is an important isse to save the roads and ease conjestion at the port and reduce the cost of transport logistics. The following sections need upgrading:

- **Mombasa-Nairobi (530km)** This section, which is laid with 95lb rail, requires spot improvements and replacement of rails and sleepers.

- **Nairobi-Malaba (550km)** This section requires upgrading to 110lb rails, replacement of sleepers and reconstruction of culverts.
- **Nakuru-Kisumu (217km)** Upgrading of the section, Nakuru to Mau Summit, a distance of about 60 km from 60lb to 80lb rail has been undertaken in the past two years. The remaining sections (approximately 160km) are still to be upgraded from 60lb to 80lb rails.
- **Malaba-Kampala (250km)** Repairs of bad spots, culverts and bridges required. In addition the improvement of the signaling and telecommunications system needs to be undertaken
- **Kampala-Kasese (330km)** This line requires major rehabilitation, which entails strengthening of the basement, realignment, reconstruction of culverts and bridges and replacing rails and sleepers.
- **Tororo-Mbale-Soroti-Gulu-Pakwach** Line insecurity in Northern Uganda had caused the closure of this line, which needs to be re-opened, for freight services, up to Mbale. These efforts should continue to re-open the line, at least up to Soroti. Subsequently, the entire line up to Pakwach on the Nile should be opened with a view of restoring rail transport links with southern Sudan.

Source: ttp: /www.l b tex s.edu maps/africa/tanzani

TRANSIT ROUTES COVER CARGO AND PASSENGER TRANSPORT UTILIZING:

All Tanzanian roads connecting to Burundi, Democratic Republic of Congo, Rwanda, and Uganda together with all roads and railway systems in these landlocked countries connecting to the Central Corridor;

- The port of Dar es Salaam;
- The railway system operated by Tanzania Railways Corporation;
- The Isaka Dry Port;
- The marine services provided by Uganda Railways Corporation and Marine Services Company Limited and other private companies on Lake Victoria;
- The port of Mwanza, Kemondo Bay, Port Bell and Jinja Port;
- The marine services provided by Marine Services Company Limited and other public and private companies on Lake Tanganyika;
- The port of Kigoma, Bujumbura; Moba, Baraka, Kasanga; Kalundu and Kalemie;
- Deep sea and coastal shipping services calling at Dar es Salaam Port;
- Kidatu inland transhipment terminal; and
- Other transit routes and facilities as determined from time to time.

DAR ES SALAAM PORT

Dar es Salaam port is the Tanzania principal port with a rated capacity of 4.1 million (dwt) dry cargo and 6.0 million (dwt) bulk liquid cargo. The port has a total quay length of about 2,000 metres with eleven deep-water berths. Dar es Salaam Port handles about 95% of the Tanzania international trade. The port serves the landlocked countries of Malawi, Zambia, Democratic Republic of Congo, Burundi, Rwanda and Uganda. The port is strategically placed to serve as a convenient freight linkage not only to and from East and Central Africa countries but also to middle and Far East, Europe, Australia and America.

The port infrastructure and facilities are mentioned above on the right margin. The port of Dar es Salaam has the following marine crafts:

- Six (6) Berthing Tugs
- Sixteen (16) Lighter Towing Tugs
- Four (4) Lighters
- Two (2) Labour Launches
- Two (2) Pilot Boats
- Two (2) Patrol Boats
- Thirteen (13) Mooring Boats

The intrinsic capacity of the Port of Dar es Salaam is:-

- General: Cargo 3.1 million tonnes
- Container: 1.0 million tonnes
- Liquid Bulk: 6.0 million tonnes

GENERAL CARGO TERMINAL

The repaved general cargo terminal has eight deep water berths to cater for dry breakbulk cargo. It has eight sheds with a total floor area of 81,040 square meters in the port. The terminal has an annual capacity of 2.5 million tons. It is equipped with 28 portal cranes (5-7 ton capacity), 27 yard cranes (3-5 ton capacity), 119 forklift trucks (2.5 – 3.5 ton capacity), 44 tractors and 86 trailers.

EXPORT PROFILE DESTINATION

- Coffee and Tea Europe, Japan, USA
- Cotton Lint Europe/South East Asia
- Cashewnuts India/Japan
- Sisal Fibre & twine & rope Europe/India/Pakistan
- Seed beans Europe
- Tobacco Europe/USA
- Sugar Europe
- Oil Seeds, Peas India
- Hides & Skins Europe
- Copper Europe, Japan, USA & South East Asia

Major import commodities include machinery, chemicals, food grains, fertiliser, sugar, motor vehicles, spare-parts, paper crude oil, petroleum products, plastic materials and textile products.

	2001/2002	2002/03	2003/04	2004/05	2005/06*
DAR ES SALAAM					
Imports	3,431,432	4,247,337	4,508,685	4,837,935	5,810,843
Exports	715,092	762,262	907,991	1,380,573	1,281,331
Transshipment					550,651
Sub - Total	**4,146,524**	**5,009,599**	**5,416,676**	**6,218,508**	**7,642,825**
TANGA					
Imports	97,742	114,869	137,154	138,473	276,186
Exports	152,335	187,089	220,227	205,537	184,440
Sub - Total	**250,077**	**301,958**	**357,381**	**344,010**	**460,626**
MTWARA					
Imports	65,555	77,898	73,301	60,168	70,858
Exports	72,264	91,667	78,808	83,457	78,911
Sub - Total	**137,819**	**169,565**	**152,109**	**143,625**	**149,769**
All Ports					
Imports	**3,594,729**	**4,440,104**	**4,719,140**	**5,036,576**	**6,157,887**
Exports	**939,691**	**1,041,018**	**1,207,026**	**1,669,567**	**1,544,682**
Transshipment					**550,651**
GRAND TOTAL	**4,534,420**	**5,481,122**	**5,926,166**	**6,706,143**	**8,253,220**

Source: Tanzania Ports Authority

AVERAGE TRANSIT TIMES

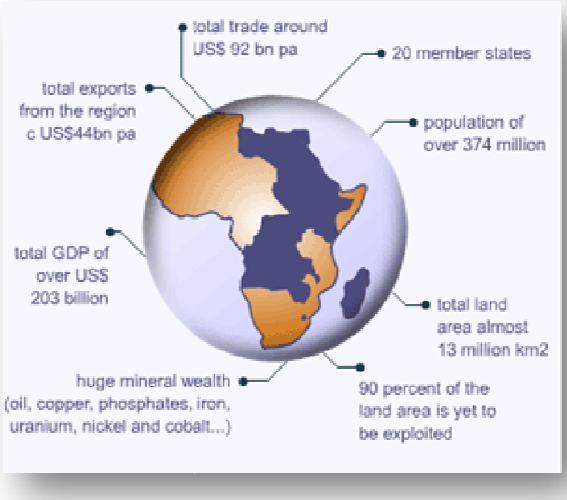
- Dar es Salaam – Isaka 2 days
- Isaka – Kigali (Tarmac Road) 2 days
- Dar es Salaam – Mwanza 3 days
- Mwanza – Kampala 1 day
- Dar es Salaam – Kigoma 3 days
- Kigoma – Bujumbura (barge) 1 day

MAIN LINES

- Dar es Salaam – Isaka 982 kms
- Isaka – Kigali (Tarmac road) 500 kms
- Dar es Salaam – Mwanza 1,229 kms
- Mwanza – Kampala 351 kms
- Dar es Salaam – Kigoma 1254 kms
- Kigoma – Bujumbura (Barge) 120 kms

HINTERLAND LINKS

Dar es aam port s nk l to its w r w yst s, the Tanzania Rai wa Co pora i T C nd Tanzania Zambia railways Authori ZARA). The two railway l h if t e t o o n l h f s meeting point is at aam r and the second is at Kidatu, me 30 k l e rs from Dar es Salaam.



Source: COMESA

T e 5 l met l s p t th r Lak nganyika linking l ot y r n s w B kavu in Zaire and d e i e ran h s at M a za on L c or a to link the port a t n i g a aka RC has built a modern depot to facilitate s n K i nda some 500 kil me e s from Is k ail wagon ferries across Lake Victoria e p rated by both Tanzania R i a Corp ation an l C porati n C). The ferries n w nz i or B a. u o 60 ki es from Dar es Sala m the l n br c e to Tanga where it stret r e and Arusha in Tanza i and aveta in where it connects to the Kenyan railways s tem.

GOVERNMENTS ROLE IN RANSIT

COMESA TRADE FACILITATION

The common m ket o E tern and Southern Africa is a r r ti l rading area with nineteen me er tates tretching from Libya to Zimbabwe C SA formed in 1 94 e i g a r e t a rad i exi s n e 1981. Nine of the member states formed a free trade area 0 (j ou i E y a, Madagascar, Mal wi, Maur us, Su an, Z nbia and Zimbabwe), with Rwanda and B r ndi joining the FTA in 2004 and the Comoros and Libya in 2006.

COMESA i o e of pil r of the African Economic Community.

In 2008, COMESA agreed to an expanded free-trade zone including members of two other African trade blocs, the East African Community (EAC) and the Southern Africa Development Community (SADC).

The implementation of a number of trade facilitation measures in the areas of customs and the elimination of technical barriers to trade are making the conduct of trade amongst COMESA member States much easier. These represent concrete, practical, and business friendly initiatives designed to lower the cost of doing business in the region.

In order to reduce the cumbersome, time-consuming, and costly procedures that the business community faces in the conduct of international trade, COMESA has adopted and is implementing a number of measures on the simplification and harmonization of trade documents and customs procedures. In this regard, COMESA has adopted the International Convention on the Simplification and Harmonization of Customs Procedures, as a basis for customs systems and procedures. The key trade facilitation mechanisms in use include the following:

THE HARMONIZED COMMODITY DESCRIPTION CODING SYSTEM

Member states have adopted the Harmonized Commodity Description and Coding System (HS). Apart from providing a practical approach to integrating customs tariffs and trade statistics nomenclatures - so as to avoid re-coding in compiling statistics - adoption of the HS also provided the basis for the development and eventual establishment of a Common External Tariff and Common Tariff Nomenclature.

COMMON VALUATION SYSTEM

Member states have undertaken to adopt a standardized system of valuation of goods based on the principles of equity, uniformity, and simplicity of application, in accordance with internationally accepted standards and guidelines. "Currently, member States apply different valuation systems. In order to achieve a uniform system of valuation for customs purposes, the member states have acceded to the General Agreement on Tariffs and Trade Valuation Agreement.

COMESA CUSTOMS DECLARATION DOCUMENT (COMESA-CD)

The COMESA-CD is an integral part of the COMESA Trade and Transit Transport Facilitation Program. The document was adopted in 1997 to replace the Road Customs Transit Declaration Document (RCTD), which had been used under the PTA from 1985. The RCTD had replaced a multiplicity of customs bills of entry and related documentation that had led to delays in the clearing of goods through customs.

The implementation of the COMESA-CD is part of customs modernization and automation. In some member States, the single goods declaration document (the COMESA-CD) has replaced as many as 32 documents. The document caters for imports, exports, transit, and warehousing. Hence, it is no longer necessary for freight forwarders, importers, exporters and other users to complete different documents for specific customs transactions. The benefits of the COMESA-CD include, inter-alia, the following:

- Elimination of multiple customs documentation under different customs regimes.
- Reduced costs to economic operators as a result of streamlined procedures and the use of a single document.
- Enhanced capacity of customs authorities to exchange information on import, export, and transit transactions through linking customs databases.
- COMESA Customs Bond Guarantee Scheme.

The Regional Customs Bond Guarantee (RCBG) Scheme was introduced in conformity with Articles 70 and 85 of the COMESA Treaty. These articles require, amongst other things, that member states initiate and adopt trade and transport facilitation program with a view to simplifying, harmonizing, and standardizing regulations, procedures, and documentation. The goal is to improve existing links and establish new ones so as to enhance integration.

Increasing trade amongst COMESA member states has resulted in an increase in transit traffic since most states have common land borders. Extra-COMESA trade involves considerable cargo transit, especially from land-locked countries, whose overseas trade is shipped through ports in coastal states. In order to facilitate the smooth flow of transit traffic among member states, COMESA has designed and implemented various transit facilitation instruments.

The COMESA Protocol on Transit Trade and Transit Facilities, Annex I of the COMESA Treaty, is one of the various instruments, which was adopted and implemented by member States. The RCBG Scheme is a complimentary instrument of the Trade and Transit Protocol.

The heads of states and governments in November 1990, in Mbabane, Swaziland, signed the agreement establishing the Customs Bond Guarantee. However, the implementation of the scheme was deferred in order to develop the modalities of implementation, define the institutional and operational mechanism, and establish ownership and commitments of the participant parties. This has now been worked out, finalized and widely accepted by the stakeholders, who have repeatedly requested the immediate implementation of the scheme.

To date, Zimbabwe, Malawi, Kenya, Uganda, Rwanda, Ethiopia, and Sudan have ratified the agreement. Preparation for the implementation of the RCBG Scheme has reached advanced stage and we expect its launch to take place during 2005.

The operation of the RCBG scheme will be similar to existing national practices but with an extraterritorial component. In general, customs bonds arise when a person provides a guarantee to another (generally a transporter of goods across national boundaries) to back the obligation of duties and taxes that may be levied by customs in the event that transit goods go into home consumption or have not been accounted for to the satisfaction of the customs authorities.

The RCBG scheme facilitates efficient movement of goods under secured seals and vehicles, standardized declaration documents and a reliable guarantee system. Primary securities lodge guarantees on behalf of holders of Customs Transit Guarantees (issued by customs; national securities are associations of primary securities and administer national-level RCBG operations; and a council of national securties supervises overall RCBG operations.

Stakeholders and the general public will derive significant benefits from the implementation of the scheme. These benefits include the following:

- Quicker clearance of vehicles.
- Reductions in transit and vehicle turnaround times, resulting in increased ton/kilometers, with a positive impact on freight rates.
- Reductions in administrative barriers and speeding of carriage of goods and lowering of transit costs.
- Reductions in the costs of raw materials and inputs for industry and in prices paid by consumers.
- Release of funds currently paid to clearing and forwarding agents, which are tied up as guarantees and/or collaterals in commercial banks and insurance companies for other investments.
- Reliable security and improved collection of duties and taxes.
- A simple and economical administrative system for carriers/transporters.
- A simple and economical mechanism for securities (financial institutions) to issue and manage customs bonds and opportunities to extend their cooperation.

HARMONIZED ROAD TRANSIT CHARGES

The Road Transit Charges System was introduced in 1991. Under this scheme, heavy goods trucks with more than three axles pay a road charge of US$10 per 100 km; trucks with up to three axles pay a charge of US$6 per 100 km and buses with a capacity of more than 25 passengers pay US$5 per 100 km.

COMESA CARRIER'S LICENSE

The COMESA Carrier's License was also introduced in 1991. It allows commercial goods vehicles to operate in all member states with a single license valid throughout the region. This means that vehicles can pick up back-loads in other countries, making for more efficient use of the region's transport fleet, thereby reducing the cost of trade.

HARMONIZED AXLE LOADING AND MAXIMUM VEHICLE DIMENSIONS

In order to safeguard the region's road infrastructure against overloading, COMESA has set axle load limits for heavy goods vehicles. These limits include the following:

- Single steering axle = 8 tons
- Single load or drive axle = 10 tons
- Tandem axle group = 16 tons
- Triple axel group = 24 tons

The COMESA maximum vehicle dimensions are as follows:

- 12.5m for a rigid chassis single vehicle or trailer;
- 17m for articulated trucks;
- 22m for truck and draw-bar trailer;
- 2.65 maximum width; and
- 4.60 maximum height

COMESA YELLOW CARD SCHEME

The COMESA Yellow Card, which was introduced on 1st July 1987, is a motor vehicle insurance scheme covering third-party liability and medical expenses. A Yellow Card issued in one COMESA member state is valid in all other countries participating in the scheme.

At present, over 130 insurance companies are involved in the operation of the scheme. Annually, over 41,000 Yellow Cards are issued; a premium income of US$2.2 million is collected and about 60 claims lodged. In 1998, a Yellow Card re-insurance pool was established, with plans underway to expand the scheme to such non-COMESA member states in the region as Botswana, Lesotho, Mozambique, and South Africa.

Cover varies, with some countries providing for third party bodily injury only and others providing for both third party bodily injury and property damage. One of the notable developments regarding the operation of the scheme is the 2003 decision of the Council of Bureaux - the scheme's governing body - to standardize the cover provided by the scheme.

ADVANCE CARGO INFORMATION SYSTEM (ACIS)

ACIS, which the UN Conference on Trade and Development (UNCTAD) developed, is an integrated transport logistics management tool for tracking transport equipment and cargo on railways (Rail Tracker), through ports (Port Tracker), on roads (Road Tracker) and on lakes (Lake Tracker). The fifth component, the Backbone Information System (BIS), links the modal tracking systems to form a regional tracking system.

Implementation of ACIS helps the business community and transport operators to track movements of transport equipment and cargo throughout the COMESA region and enables COMESA to generate statistics on the movement of freight on a regional basis. These statistics are of use to planners and policy makers, at the institutional, national, and regional levels.

AUTOMATED SYSTEM OF CUSTOMS DATA AND MANAGEMENT (ASYCUDA)

COMESA has also introduced ASYCUDA for computerization of customs and international trade statistics with the assistance of the European Union.

ASYCUDA, which UNCTAD also developed, is an integral part of institutional and policy reform of the administration of customs procedures. The rapid developments taking place in communication and information technology in the 1990s fundamentally altered the role of customs vis-à-vis the business community. That role is changing from exclusively bureaucratic control to facilitation. The implementation of ASYCUDA has enabled customs administrations to facilitate trade within and outside COMESA without compromising the objective of maximizing revenues. ASYCUDA enhances the capacity of customs, inter-alia, to: compute and to collect the correct amount of revenue from every transaction; to perform risk analysis for specific commodities (including profiles of importers), to control and to monitor the movement of transit goods and to reduce the time required to clear goods.

The introduction of ASYCUDA in the member states and at the COMESA Headquarters has allowed the faster clearing of goods from customs areas; made available up-to-date and accurate statistics on international trade; allowed the determination of the effect of tariff reduction on the revenues of the member states; and increased the revenue of the member states as a result of improved assessment and collection of import duties and other taxes on imports. In Mauritius, for example, the introduction of ASYCUDA has dramatically reduced the time required to process a declaration at the airport from 24 to 48 hours previously to 30 minutes at present.

COMMON STATISTICAL RULES AND REGULATIONS (CSR)

Standardization of codes, rules, definitions, and methods of compilation is essential for the production of comparable foreign trade statistics at the national and regional levels. Accordingly, COMESA member states adopted in 1997 Common Statistical Rules and Regulations (CSR). Information from the COMESA-CD is used to process foreign trade statistics using the CSR. The following are the benefits that member states derive from implementing the CSR:

Foreign trade statistics facilitate the formulation of appropriate national and regional COMESA economic, fiscal and trade policies.

Accurate and reliable statistics facilitate the computation of the COMESA budget so as to take into account intra-COMESA imports and exports amongst others.

The administration of the Common External Tariff (CET), and ultimately the customs union, will be facilitated.

Compilation of accurate, reliable statistics that are mutually comparable will facilitate the exchange of statistical information in the region.

EX-TRADE (EXTERNAL TRADE STATISTICS)

The management of foreign trade statistics within COMESA is done through a computerized system known as Ex-Trade, previously known as Eurotrace. This is a useful tool that saves time in the aggregation of data and production of statistical tables. It also facilitates time series analysis, and comparisons by groups and products. In addition, the system validates data, thus ensuring the production of reliable statistics.

COMMON TARIFF NOMENCLATURE

COMESA has now compiled a Common Tariff Nomenclature (CTN) based on the HS 2002 for COMESA countries. The CTN is a prerequisite for the implementation of the Common External Tariff under the Customs Union. The CTN has been harmonized to the 8-digit level.

FACILITATION OF TRADE IN GOODS AND SERVICES

The twelfth meeting of the Council of Ministers on 30 November, 2001 in Lusaka, Zambia, decided that "the Secretariat should expedite the preparation of a framework strategy paper on trade in services and that trade in services be an item for consideration by the Trade and Customs Committee" (Paragraph 167 of Document COM/CM/XII/2).

The Council of Ministers took this decision in accordance with the objective of the COMESA Treaty to create a fully integrated region where goods, services, capital, labor, and persons move freely. The council was also inspired by the important role that services trade plays in the global economy and the major technical and regulatory changes driving this transformation.

COMESA has undertaken a number of programs intended to facilitate trade in goods and services. These include:

- Air transport liberalization;
- COMESA Carriers license;
- Harmonized Axle Loading and Maximum Vehicle Dimension;
- COMESA Bond Guarantee Scheme;
- Harmonized Road Transit Charges;
- COMESA Yellow Card Scheme;
- Relaxation of Visa Requirement;
- Protocol on Free Movement;

- PTA-Reinsurance Company (ZEP-RE);
- Trade and project financing by PTA Bank; and
- African Trade Insurance Agency.

However, these trade facilitation instruments do not in themselves constitute trade in services. Trade, in both goods and services, is defined as a transaction in which one transactor provides an economic value to another transactor and receives a quid pro quo. Trade facilitation measures, however, do not have such a characteristic. For example, in the case of the Yellow Card scheme, a Zambian who wants to travel to Zimbabwe obtains his Yellow Card in Zambia from the Zambia State Insurance Corporation. If he is involved in a traffic accident in Zimbabwe, the Zambian's Yellow Card is recognized there, and the handling bureau in Zimbabwe will settle the claims. The handling bureau in Zimbabwe will later make claims against the Zambia State Insurance Agency. It is clear from this example that in this instance there is no change in ownership between residents of two countries, and no trade that involves a quid-pro-quo.

EAST AFRICAN COMMUNITY

The East African Community (EAC) and its partner states are engaged in the implementation of the East African Trade and Transport Facilitation Project (EATTF) to improve trade competitiveness and enhance transport and logistics services efficiency along the key corridors in the region.

Major interventions of the project include:

- Developing road sector transport strategy,
- Promoting trade facilitation measures and
- Upgrading key road sections along the regional corridors.

The partner states are implementing the national components while the regional components are being implemented by the EAC and the Northern Corridor Transit Transport Coordinating Authority (NCTTCA). The project objectives are twofold:

- Improve the trade environment through the effective implementation of the EAC Customs Union Protocol; and
- Enhance transport and logistics services efficiency along the key corridors by reducing non tariff barriers and uncertainty of transit time.

The EAC is implementing the project through the Directorates of Planning and Infrastructure, Customs and Trade. The EAC components, estimated at USD 9.3 million comprise:

EAC Road Sector Development Strategy will be a study to identify regional strategic priorities and resources for sector development and operational needs for the medium term in line with the EAC objectives. The strategy will be the EAC key planning document guiding the regional policies and investments in the road sector for 2008 - 2018.

Transport facilitation will involve consultancy services to review the EAC Tripartite Agreement on Road Transport and the road traffic acts of the partner states to determine the issues that have the most impact on transport facilitation within the EAC. The objectives are to develop a strategy for harmonizing/streamlining these systems including design standards, traffic control, safety and environmental standards, driver and vehicle licensing, etc.

The project is currently at the procurement stage. The publication of the invitation for expressions of interest for the Road Sector Strategy Study is awaiting a "No Objection" from ADB.

In addition to the above, JICA has indicated that it could be interested to fund projects along the two main corridors and to this end, EAC intends to seek approval of the partner states to formally request JICA to consider funding studies to upgrade to dual-carriageway standards the Miritini - Mazeras - Mariakani Road (40 km) in Kenya. The upgrading of this section of the northern corridor would be part of the stage improvements of the heavily congested corridors as a measure to reduce transit times. This section carries in excess of 5,000 vehicles per day, the maximum threshold for a single-carriageway road.

THE NORTHERN CORRIDOR AND THE TRANSIT TRANSPORT COORDINATION AUTHORITY (TTCA)

In 1985, four countries, namely Kenya, Uganda, Rwanda, and Burundi, which rely primarily on the Northern Corridor route and the port of Mombasa, signed the Northern Corridor Transit Agreement (NCTA). Later in 1987, the Democratic Republic of Congo acceded to the agreement thereby becoming the fifth contracting state.

The NCTA provides the basic framework for cooperation among the contracting states in the facilitation of trade and traffic between their respective territories and to and from the sea through the port of Mombasa. The NCTA also provides for cooperation in joint development and maintenance of transport infrastructure and facilities. It also provides for cooperation in customs control, documentation and procedures, as well as regulation of all surface transport modes.

In line with the provisions of the NCTA, the Transit Transport Coordination Authority (TTCA) of the Northern Corridor was established in 1986, following the ratification of the agreement. The TTCA has three basic organs, namely the Authority, the Executive Board, and the Secretariat, which is headquartered in Mombasa, Kenya. The Authority constituting a council of ministers responsible for transport matters is the highest political organ, which is responsible for overseeing the implementation of the Agreement and adoption of new policies. Its decisions are binding on all the contracting states. Next to the Authority are the Executive Board, which a committee of high-ranking government officials at the level of Permanent Secretaries and their advisors. The Executive Board plays an advisory role to the Authority. The above two organs are assisted by the Permanent Secretariat, which is based in Mombasa, Kenya and is headed by an executive secretary.

Recently, two specialized committees have been established, namely: the Infrastructure Development and Management Committee and the Committee on Customs, Trade, and Transport Facilitation. In addition, the Northern Corridor Stakeholders Consultative Form, which brings together private and public sector operators, has been in existence since 1999.

THE CENTRAL CORRIDOR AND THE TRANSIT TRANSPORT FACILITATION AGENCY (TTFA)

Agreement, August 2006. Contracting parties are Burundi, DRC, Rwanda, Uganda and Tanzania.

- The contracting parties agree that the Central Corridor as defined in this AGREEMENT provides a most efficient and effective route for the transportation of goods by Surface and Lake transport between their respective countries and the sea and that the purpose of this AGREEMENT is to promote its use.

- The contracting parties agree to grant each other the right of transit in order to facilitate movement of goods through their respective territories and to provide all possible facilities for traffic in transit between them, in accordance with the provisions of this AGREEMENT as shall be amended from time to time.
- The contracting parties shall take all necessary measures for the expeditious movement of traffic and for the avoidance of unnecessary delays in the movement of goods in transit through their territories.

- Strategically positioning the Central Corridor as the most efficient in the East and Central African region with a view to contribute positively to poverty alleviation program in the member-states.

Structures of the TTFA are:

- Interstate Council of Ministers
- Interstate Executive Board
- Stakeholder Consultative Committee (STACON)
- Stakeholder Representative Group (STAREP)
- Permanent Secretariat

THE SPECIFIC OBJECTIVES OF THE TTFA:

(a) To ensure that the Central Corridor is available to importers and exporters from landlocked states of Burundi, DRC, Rwanda, and Uganda as an efficient and economic addition to other trade routes, probably the most cost-effective;
(b) To actively market the corridor with a view to encourage its increased utilization in order to improve international and domestic traffic levels;
(c) To support planning and operations of the Corridor by Member-States through proactive collection, processing and dissemination of traffic data, analysis of competitive corridors and business information;
(d) To promote the sustained maintenance of infrastructure and encourage development of the Central Corridor and to ensure that such development, in infrastructure and other supporting services meet the current and anticipated requirements of the users;
(e) To ensure that an open and competitive environment is maintained among corridors;
(f) To facilitate mutually-beneficial business partnerships between member states;
(g) To create a strategic, high level partnership between senior government officials and business leaders;
(h) To encourage the upgrading and development of port, rail, lake, road and border post infrastructure;
(i) To encourage cost reduction associated with moving freight along the corridor;
(j) To encourage the implementation of the on-going bilateral projects;
(k) To encourage the implementation of road traffic standards and the implementation of national legal and regulatory harmonization;

(l) To harmonize the existing bilateral transport agreements concluded between the corridor states;
(m) To encourage the implementation of improved customs transit procedures and the implementation of joint customs controls and juxtaposed customs offices at land borders and seaports;
(n) To improve services and facilities along the corridor to encourage commercial and tourist activity as well as increased transport efficiency and traffic; and
(o) To cooperate, where appropriate, with other regional bodies that share similar objectives.

SURFACE AND MARITIME TRANSPORT AUTHORITY REGULATORY AGENCY (SUMATRA)

The Surface and marine Transport Regulatory Authority (SUMATRA) is a multi-sector regulatory agency established by an Act of Parliament (No. 9) of 2001 (174 KB). The act came into force on 20th August 2004. The authority secretarial scope covers:

- Rail transport
- Port and shipping services
- Maritime safety and security
- Road transport

ROLE AND FUNCTIONS

The role, functions and scope of SUMATRA are set out in the act and sector legislation. The SUMATRA Act 2001 sets out the following as role of the authority:

- Promoting effective competition and economic efficiency
- Protecting the interests of consumers
- Protecting the financial viability of efficient suppliers
- Promoting the availability of regulated services to all consumers including low income, rural and disadvantaged consumers.
- Enhancing public knowledge in awareness and understanding of the regulated sectors including as to the rights and obligations of consumers and regulated suppliers;
  the ways in which complaints and disputes may be initiated and resolved; and the duties, functions and activities of the authority.
  - Taking into account the need to protect and preserve the environment
  - Taking into account the need to regulate safety and security in the transport sector.

THE KENYA MARITIME AUTHORITY (KMA)

Kenya Maritime Authority was established with the mandate to regulate, coordinate and oversee activities in the maritime industry for maximum socio-economic benefits in line with national standards and international conventions. The authority has developed a strategic plan to guide its operations from the years 2006 to 2011. The plan takes cognizance of the responsibilities of maintaining safe and secure environment for all players in the maritime industry and promoting local participation.

In pursuit of its agenda in maritime transport and to further strengthen its maritime administration, the Government of Kenya established Kenya Maritime Authority (KMA) in 2004, for the purpose of transferring areas of responsibility over shipping concerns from the Merchant Shipping Department of Kenya Ports Authority to an independent governmental authority (parastatal). Thus KMA under the Incorporation Order is responsible for port and flag state implementation of various international instruments relating to maritime transport. The authority aims to broaden and modernize the institutional and legal framework for the implementation of maritime safety, security and the preservation of the marine environment.

National maritime legislation remains one of the primary tools for attaining international standards in safety and security and the preservation of the marine environment. Only through such regulations can the government enforce international maritime conventions, especially those emanating from the International Maritime Organization (IMO). Such rules and regulations are also relevant for the implementation of national maritime safety, security and marine environment conventions/programs.

A relevant development to KMA's mandate and activities is the Kenya Government's decision on private sectors' involvement in the operations of Mombasa Port. In this context there shall be a need to update and revise national commercial maritime legislation to complement the activities of KMA by taking on board recent developments in the international maritime field. Commercial legislation will also enhance the development especially of an international vibrant shipping industry and help the government not only achieve its objectives under the current Poverty Reduction Strategy but also the United Nations Millennium Development Goals (MDG).

The statutes that guide the operations of Kenya Maritime Authority are the KMA Act 2006 and the Merchant Shipping Act, 1967 (Cap 389) as amended. Establishment of KMA therefore marked a major milestone in Kenya's maritime industry.

PRIVATE SECTOR

A bulk of corridor delays happens as a result of negative private sector practices and a shortfall in capacity. The private sector also fails to establish strong trade associations to influence the direction of private sector common practices. Shippers do not understand INCOTERMS, and over load containers at point of origin. Freight forwarders are not vetted, which leads to incompetent persons handling the complex customs and freight clearance processes. Transporters also contribute to the problem by overloading trucks which in turn leads regulators to increase the number of weighbridges to protect recent investments in the roads. There is no structured or formal training for drivers of articulated trucks, which leads to high accident rates and poor driving practices. The result is increased costs of maintenance and higher fuel consumption.

The theft of fuel by the drivers is also another factor leading to increased cost.

Transit to Rwanda and Uganda is dominated by large Kenya freight forwarding groups with large truck fleets.

Fact Sheet on the freight forwarding industry in EAC Region

- Over 2000 firms. About 80% in Kenya and Tanzania. A few are in landlocked countries.

- Few multinational companies; well established national companies. The bulk of them are indigenous and small companies.
- Indigenous firms lack resources.
- Ten of thousands of people employed.
- Low levels of professional competence especially among small firms.

Freight Forwarding Associations (FFA)

- ABADT – Burundi -less than fifty members
- ADR – Rwanda - less than 100 members
- KIFWA – Kenya - About 1200 members
- TAFFA – Tanzania - about 450 members
- UFFA – Uganda-less than 100 members, total FFA population over 300. Members – clearing agents, forwarders, transporters, warehouse keepers, consolidators i.e. freight logistics service providers.

Federation of East African Freight Forwarders Association (FEAFFA)

- Formation - 2005
- Registered as a regional association in Tanzania – headquarters in Arusha.
- Owned by the five National Associations (FFA)- KIFWA, TAFFA, UFFA, ABADT and ADR
- Governed on the basis of the constitution
- Goals-professionalism, ethic/integrity, trade facilitation, lobby, information, etc.
- Entrance fee USD 1000, Annual subscription USD 1000.00.
- Aims to be self-sustaining – To generate funds through training, other projects and donor support.
- Secretariat currently hosted by KIFWA.
- In the process of developing a strategic plan
- Strong partnership between all stakeholders along the Northern Corridor
- Permanent consultative forum of all stakeholders – revenue authorities of three countries, railways, port authorities, FFA, police, TTCA etc. Held Quarterly.
- Breakfast meeting at the port every Friday morning.
- Regular consultative meetings with customs and other stakeholders.
- EAC, FEAFFA and Revenue Authorities consultative meetings.

Kenya Transport Association

- Kenya African Road Transport Association (KARTA) was formed in 1969. KARTA was renamed to KTA in 1982. The Kenya Transport Association (KTA) is an association of road transporters in Kenya comprising of a membership of over 70 transport companies.
- The objective of this organization is to give transporters a forum within which they can air their grievances to various ministries within the Kenya Government.
- In 1983, the local branch of KTA was opened in Mombasa, as most transporters are based at the coast.
- KTA is represented in the Port Advisory Committee at the Kenya Ports Authority (KPA).

- In September 2004, The Kenya Shippers' Council was registered as a society by the Kenya International Freight and Warehouse Association (KIFWA) an association of clearing and forwarding companies
- In November 2004, a meeting of interested parties was convened under the chairmanship of the Ministry of Trade and Industry and sponsorship of the Kenya Association of Manufacturers (KAM) to initiate the transfer of control of the Council from KIFWA to the cargo owners. This was in line with the stated goals of the KSC to represent the interests of the cargo owners.
- KSC was officially relaunched as a representative organization on the 25th of October, 2006 by the Minister of Transport Hon. Amb. Chirau Ali Mwakwere and mandated by its members to assume its responsibilities and commence operations.
- The Shippers' Council provides a platform to articulate shippers' concerns and demands to these service providers and government institutions. It provides a cross-sector liaison forum for discussions with a wide variety of logistics and service providers. Shippers have individually found themselves unable to negotiate effectively with organized transport service providers such as shipping line conferences, airlines, road haulers, and railways resulting in cost recovery being passed to shippers.
- Kenyan shippers' are also affected by multiplicity of government enforcement agencies at ports of entry and exit that include customs, KEBS, KEPHIS, and Port Health, police and security agencies that lengthen the process of documentation, clearance, release and delivery of cargo. There is need to develop a best practice system by working with the transport and logistics providers to encourage them to benchmark their services and agree on key performance indicators and how to implement them.

CHALLENGES FACING THE NORTHERN CORRIDOR

For many years this corridor has been hampered with:

- Sabotage
- Complex Border Crossing
- Complex customs documentation and procedures
- Convoy Escorts
- Cumbersome Port Process
- Dilapidated transport infrastructure
- Driver Occasioned Delays
- Failure to uniformly adopt COMESA Transit Trade Facilitation instruments
- Unregulated Inland Terminal & Yards
- Insecurity
- Lack of harmony in technical standards, traffic regulations, transit charges
- National Documents
- Police Roadblocks

- Port Procedures
- Rush Of Trucks Into The Port
- Unnecessary charges imposed on transit traffic and cargo
- Weigh Bridges

CUMBERSOME KRA PORT PROCESS

Procedures documentation and procedures at the Customs Long Room in Mombasa presently take up to 3 days on the average. Five (5) hours are deemed to be sufficient.

Rush of Trucks into the Port

Trucks rush into the port on Saturdays and Sundays and at 11.00 o'clock during working days, causing congestion and bottlenecks.

Port Procedures

There are delays associated with the port from the time the driver gets the Port Release Order to when all the charges have been paid. These are procedural and documentation duplication delays.

CONVOY ESCORTS

- Mombasa Port to Mariakani Weigh Bridge (32 km from Mombasa)
- From Mariakani to Athi River (24 km from Nairobi)
- Athi River to Malaba
- Kigali to Burundi Border

WEIGH BRIDGES

Long queues of trucks to the weighbridge, as they arrive at the border escorted in convoy. A truck can be in the queue for the entire morning and afternoon. Queuing for customs check after weighing is also a problem.

- Mariakani, Kenya
- Athi River, Kenya
- 5 weighbridges in Kenya
- Malaba border, Uganda
- Iganga, Uganda (mobile but permanent)

POLICE ROADBLOCKS

Kenya

There are about 13 checkpoints in Kenya manned by security agencies mainly Kenya police and administration police. The checkpoints are located at Mombasa (town exit), Miritini, Mazeras, Voi, Konza, Athi River (before weighbridge), Mai- Mai, Mau escarpment, Mai-Mahiu, Gilgil, Salga, Timborwa and Kandui.

Uganda

There are 7 checkpoints in Uganda located at Malaba (Special Protection Revenue Unit (SPRU) checkpoint), Busitema (Uganda Revenue Authority (URA) checkpoint), Kitende (police), Lukaya (URA/SPRU), Kyazanga (police), Mbarara (URA) and Kabale (police). There are also URA designated parking yards in Busia, Malaba, Luwero, Masaka, Ntungamo and Ishaka. There is no movement beyond these places between 10.00pm and 8.00am when Customs staff are not on duty.

Rwanda

There are 5 check points in Rwanda at Rwefandi (police), Kabuye (customs), Kasiyata (Inland Cargo Depot (ICD)), Kigali (customs) and Ruhengeri (police).

Insecurity

Drivers may be attacked, trucks broken into and cargo grabbed at rough and / or high gradient sections of the road, especially at Kamu, Kimariu, Salama, Molo Hill and Mukutano, in Kenya. Toward these points drivers tend to wait for their colleagues so that they move in convoy, thus incurring delays.

In Burundi due to insecurity there is effectively a curfew from 4.00pm to 10.00am Monday to Friday, and the whole of Saturday and Sunday.

BORDER CROSSING

The main transit station is Malaba on the Kenya / Uganda border. The optimum capacity at Malaba is 120 units of 40 Mt per day but can be increased to 300 units a day. Delays occur at transit points due to:

- Insufficient locomotives attached to the transit point station.
- Incomplete or not properly issued Customs documents, not timely presentation of Customs documentation and no simplified tariff between Kenya and Uganda.
- Expired transit bonds by the time the cargo reaches the transit point.
- The limited number of Customs officers who serve both the rail and road transport.
- The diversion of wagons at Nakuru to Malaba, instead of Kisumu, due to the operating of 87-Class locomotives and the related additional Customs charges of $0.66 per wagon.
- Border crossing procedures and working hours cause lengthy delays on each side of the border, especially Malaba.
- Too many trucks arriving at the same time cause congestion and delays at border crossings.
- On the average, it takes a minimum of 24 hours to clear on each side of the Kenya/Uganda border.

NATIONAL DOCUMENTS

Several national documents have been imposed on transit cargo despite the use of the COMESA Customs Deceleration agreed on in the Northern Corridor. These include police form P27, Customs Manifest, Certificate of Destination, Log Sheet and PAC.

INLAND TERMINAL & YA ɔS

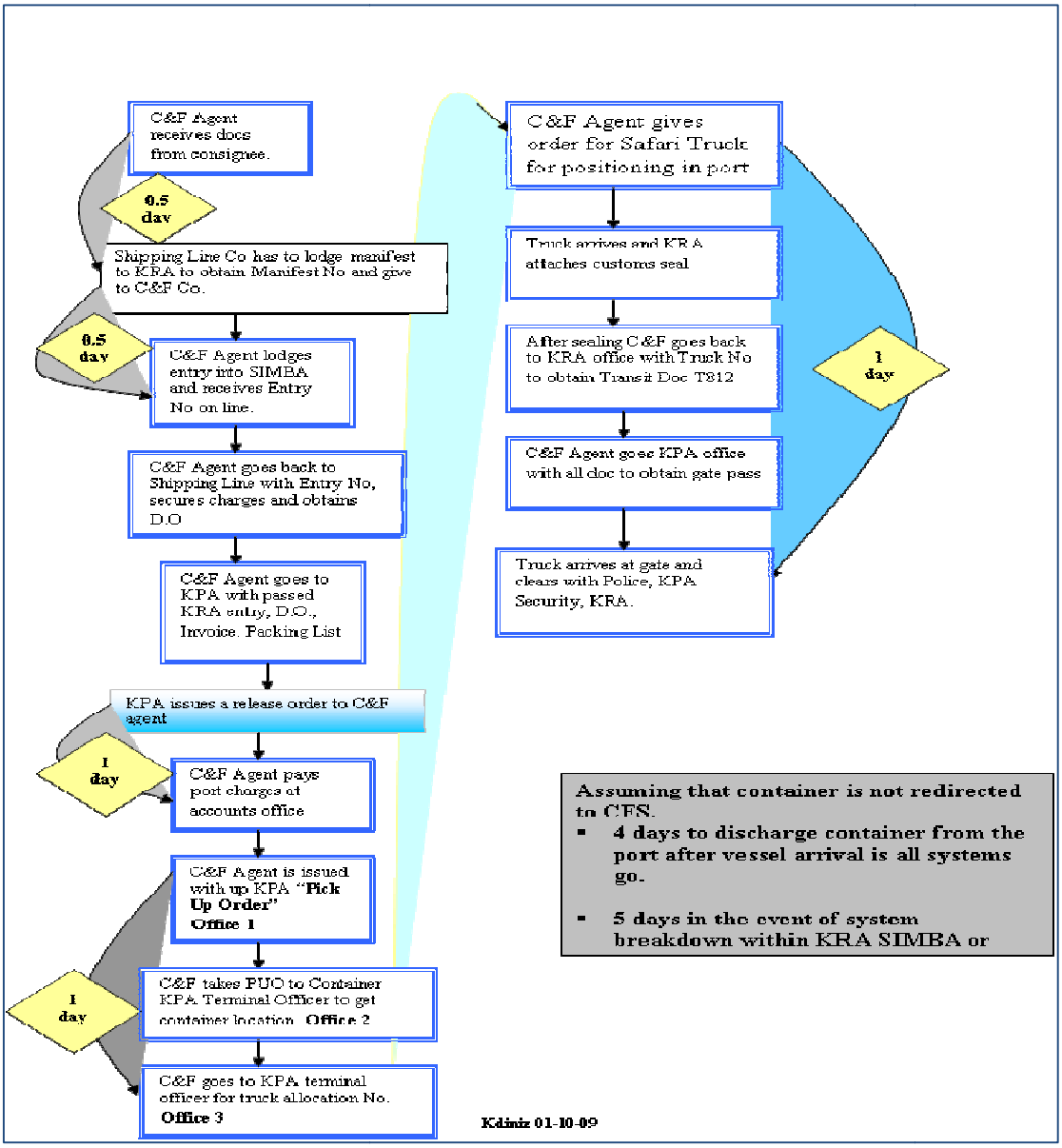
are d l d lay: b ur n l i (r ıck of them) at r i s s t Par g a u i e y go u to a week and in Rwanda up to 5 days.

DRIVER OCCASIONED DEL \YS

ra ator and / o s/ n i l h m/h lf. For instance drivers tend to get stuc for hou d s t o o /ec o c interest.

CORRIDOR TIME PERFORMANCE DATA

PORT TIME RELEASE FL / CHART



JOURNEY TRASIT TIMES

Due to the much lower traffic destined to and from Burundi and DRC this subsection report focuses on Kenya, Uganda and Rwanda.

Transit times in hours per border post are shown below:

Border	Hours to cross	Border	Hours to cross
Malaba (K)	17	Malaba (U)	30
Katuna (U)	18	Gatuna (R)	12
Mirama (U)	8	Kagitumba (R)	13
Akanyaru (R)	4	Akanyaru (B)	16
Gisenyi (R)	1	Goma (C)	16
Ruzizi (R)	15	Bukavu (C)	32
Ruzizi II (R)	8		

Source: COMPETE, Transit Data Collection

Apart from Katuna/Gatuna, the outward border post procedures are shorter than the inward border post procedures. In many cases, the time reported for border post procedures includes an overnight stay at the 'border post'.

KEY DELAY NODES

- Customs checks are most common in Uganda (13), followed by Rwanda (10). This is out of a total of 27 reported. Out of the 21 reported Police/Security checks, 13 were in Kenya, and 6 were in Uganda. Out of 10 weighbridges reported, 8 were in Kenya and only 2 in Uganda.
- Goods experiencing least delays in Rwanda are building materials, cosmetics, grains; while goods experiencing longest delays are tobacco leaf, iron and steel, tires and tubes.
- Goods experiencing least delays in Uganda are tobacco leaf, cooking oil, grains; while goods experiencing longest delays are personal & household items, fabrics and garments, machinery.
- Goods experiencing least delays in Kenya are fruits, petroleum products, iron and steel; while goods experiencing longest delays are cooking oil, tobacco leaf, and machinery.
- In Rwanda the longest delays are in Gikongoro (73 hours), Rwamagana (26 hours) and Kigali (22 hours).
- In Uganda, the longest delays were at Malaba (30 hours), Katuna (18 hours), and Kinoni (13 hours);
- The average duration of the delay per stoppage is 9hours in Kenya, 11 hours in Uganda, and 13 hours in Rwanda.
- The average time for customs checks away from border posts was 3 hours in Kenya, 3 hours in Uganda, 14 hours in Rwanda, and an hour in the DRC.
- The average total delay in Kenya is 89 hours; while in Uganda it ranges from 65 hours on the Mirama Hills bound traffic to 72 hours on the Katuna bound traffic. In Rwanda, the longest delays are on the Gatuna- Ruzizi route (103 hours), while the shortest delays are on the Gatuna-Gisenyi route (37 hours).

- The causes of the longest delays in Kenya were port procedures, border Post procedures and insecurity.
- The causes of the longest delays in Rwanda were unstated reasons, weighbridges, and personal reasons.
- The causes of the longest delays in Uganda were border post procedures, inland terminal procedures, and insecurity.
- The longest delay on this corridor is the port of Mombasa with 65 hours
- The longest delays in Kenya after the port is at Makutano 28 hours and Mau Summit 25 hours
- The rate of containerization of traffic is 47%.

TIME DELAY BY CAUSE AND LOCATION

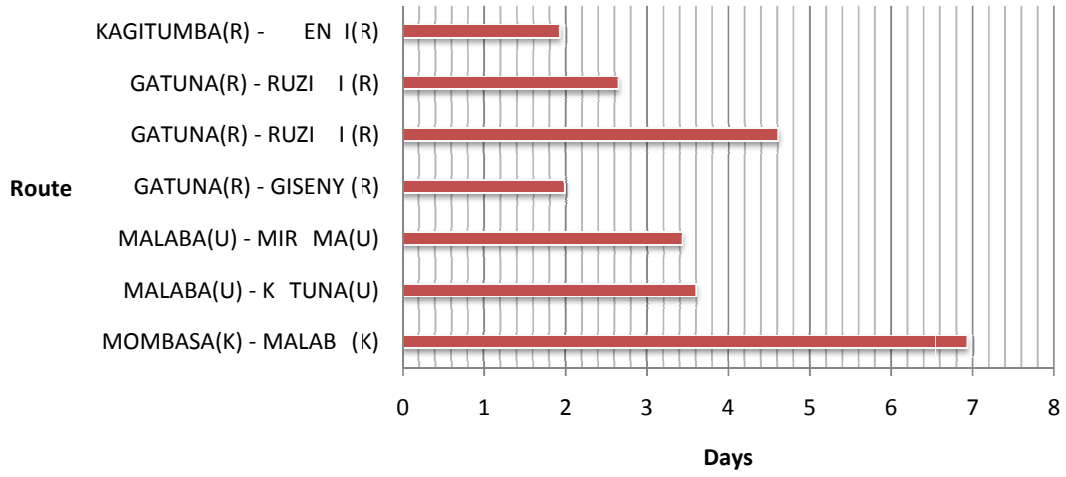
	KENYA								UGANDA							RWANDA			
	Mombasa	Mariakani	Machakosi	Athi River	MaiMai	Gilgil	Busia	Total	Busia	Busitema	Iganga	Mbarara	Nungamo	Katuna	Total	Katuna	Nyaconga	Total	TOTAL
Documentation & procedures	9						5 58	14 6	0 125					4 33	4 455	0 33		0 33	**19.365**
Weighbridge		0 5	0 08	1 33	0 08	0 67	1	3 66	0 125		0 42				0 545				**4.205**
Customs Check point		1 25		0 75				2 0		0 5		0 13	0 16		0 79				**2.790**
Police Check points																			
Other Security																			
TOTAL	**9**	**1.75**	**0.08**	**2.08**	**0.08**	**0.67**	**6.58**	**20.24**	**0.25**	**0.5**	**0.42**	**0.13**	**0.16**	**4.33**	**5.79**			**0.33**	**26.36**

Source: COMPETE, Transit Data Collection

CORRIDOR TRANSIT TIME

The average transit time within the port of Mombasa is 64 hours and 49 minutes, of which 55 hours and 15 minutes is between loading and departure

Transit time in Kenya, excluding the port of Mombasa is approximately 7 days, while it is 3-4 days in Uganda. In Rwanda the transit time is approximately 5 days for Bukavu bound traffic, but only two days for Goma bound traffic.

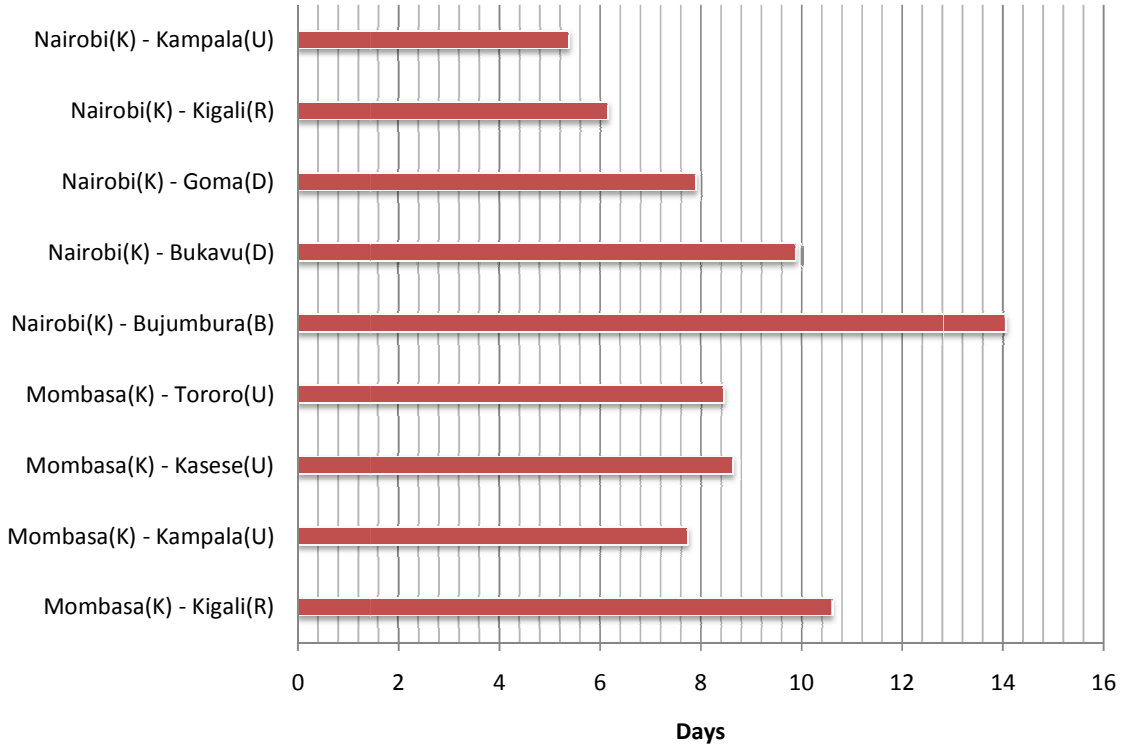


Source: COMPETE, Transit Dat o l ction

JOURNEY TIMES

Jou ney mes on ave age a ge from 129 hours for Nairobi to Kampala, 337 hours from Nairobi to Bujumbura.

JOURNEY TIMES



S urce: O PETE T nsit Dat o l ction

IMPORTS VS EXPORT BO DER PROCEDURES

Apart from Katuna/Ga na, t u w d b d r p p r s ıorter than the ord pr r s i r s n e l w hart:

COMP RISON OF OU BO AND INBOUND PROCESSING TIMES

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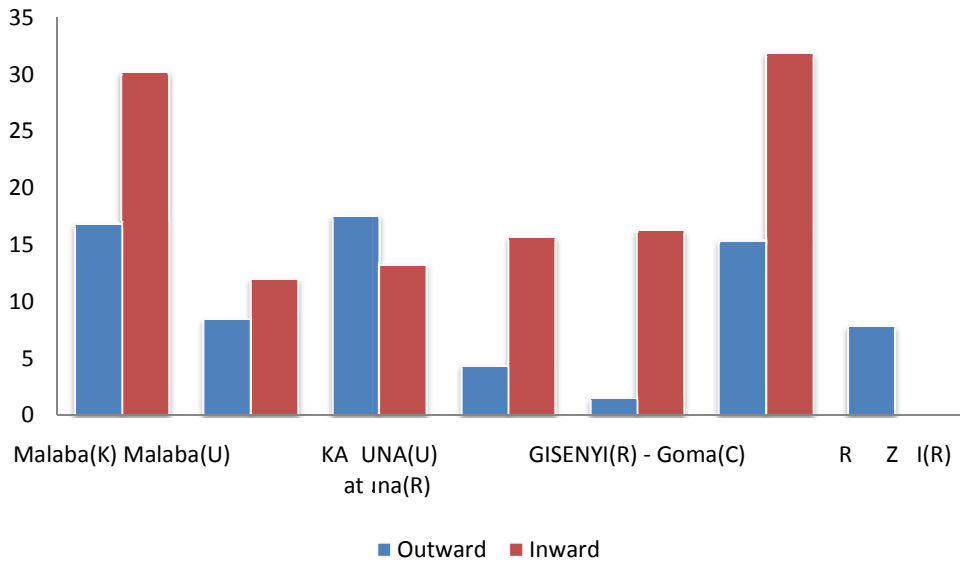


Source: OMPETE nsit Dat o lection

Causes of Transit Delays

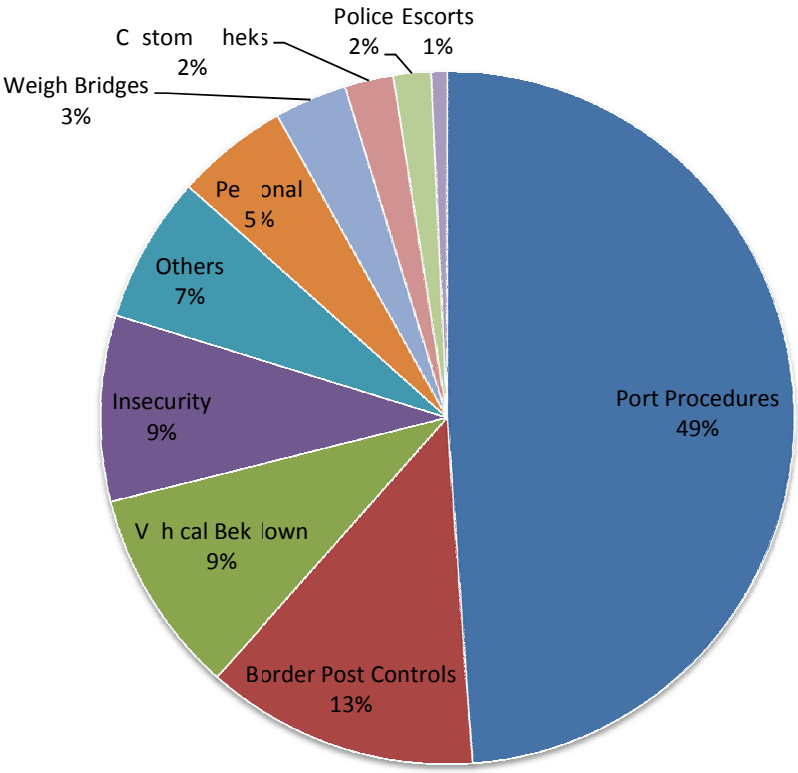
ca s time or o der p r r s cl d vernight stay at the 'border post'.

er mb t 64 ho s i h la n e ere at Makutano (28 h urs) and Su t !4 hours 30 minutes.

U th l n es e 0 r m n t ıa (17 hours 32 i i (13 h ı i u w n h e Gikongoro (72 ho rs 3 minu) R amagana (26 h ou n t .

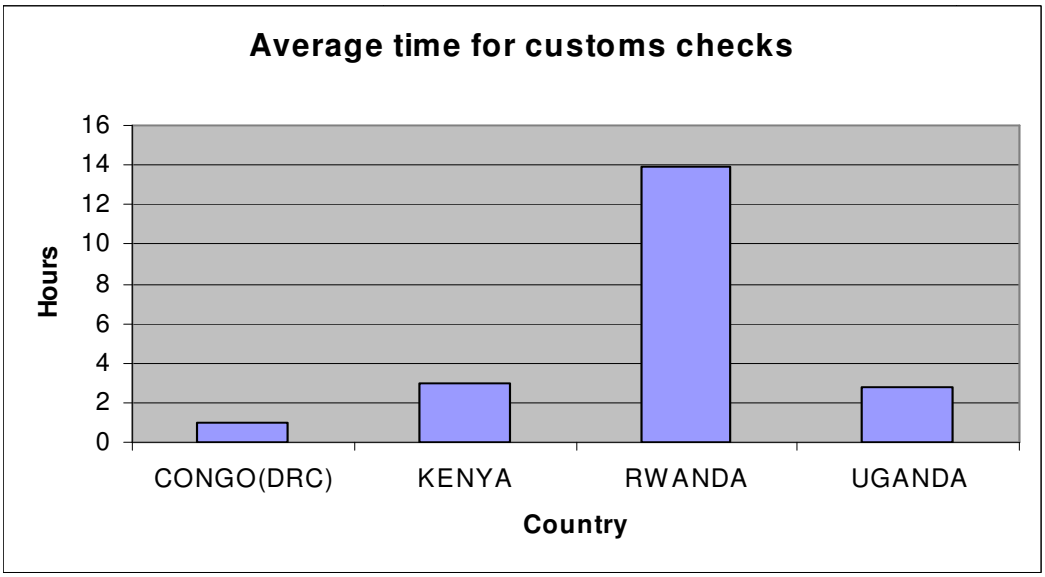
The cau es th lon es e ys in Kenya were port procedures, border ıost procedures and vehicle b e down i d i g he rast t e or maintenance practices.

CAUSE OF TRANSIT DELAYS



Source: OMPETE nsit Dat o lection

LENGTH OF CUSTOMS CH CKS



S urce: O ETE T sit Dat o l ction

e me f r us oms h m b o s as ours in Kenya, 3 hours in Ug n a, h r in Rwanda, and one hour in the DRC. large figure for ucks t 7 o i go nd hours in Kigali respectively.

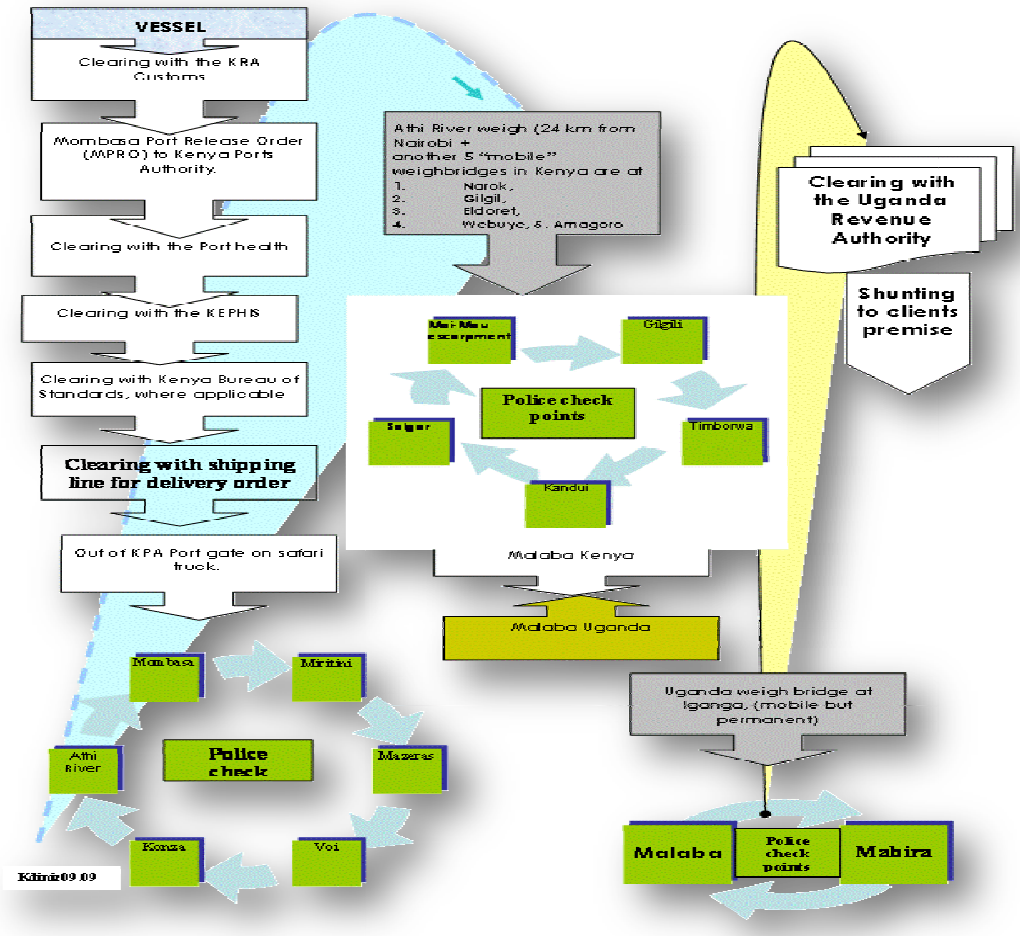
ap s t p o Ke th a ge delay due to vehic e reakd w of urs compared to 45 minutes in d 15 minutes in Rwanda

o che e ost n g n a (3 ow w d (10). This is out f 2 ep ted Ho ev ou of r r li e/Se ity checks, 13 were in Ken and s x wer n Ug da. And out of 10 8 were in Kenya.

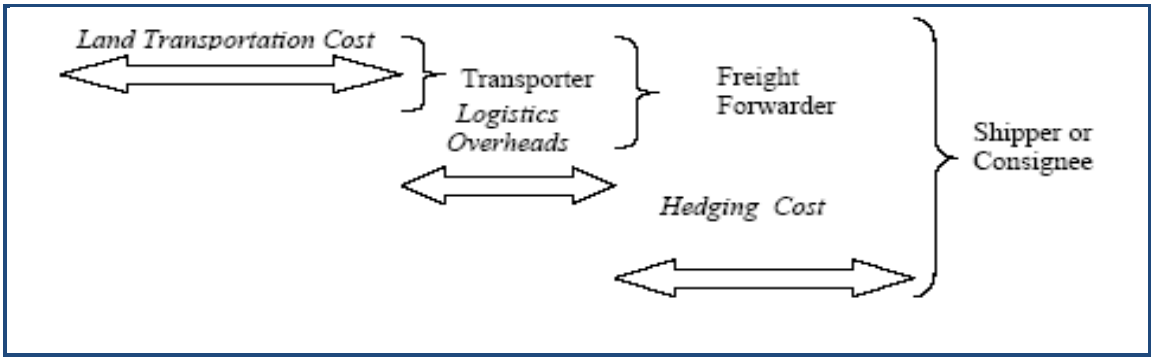
Semi-trailers seem to e ience longer delays than truck- a r Rwanda, and especially DR Con b t n i Kenya and Uganda.

CORRIDOR COST ANALYSIS DATA

THE DIAGRAM E OW ESENTS THE PROCESSES INVOLVED IN T ANSIT



STRUCTURE OF TRANSIT COSTS



Transportation Costs: *Fees paid for actual transit transportation service to truckers-facilitation, induced costs to hedge high financing, inventory and storage costs*

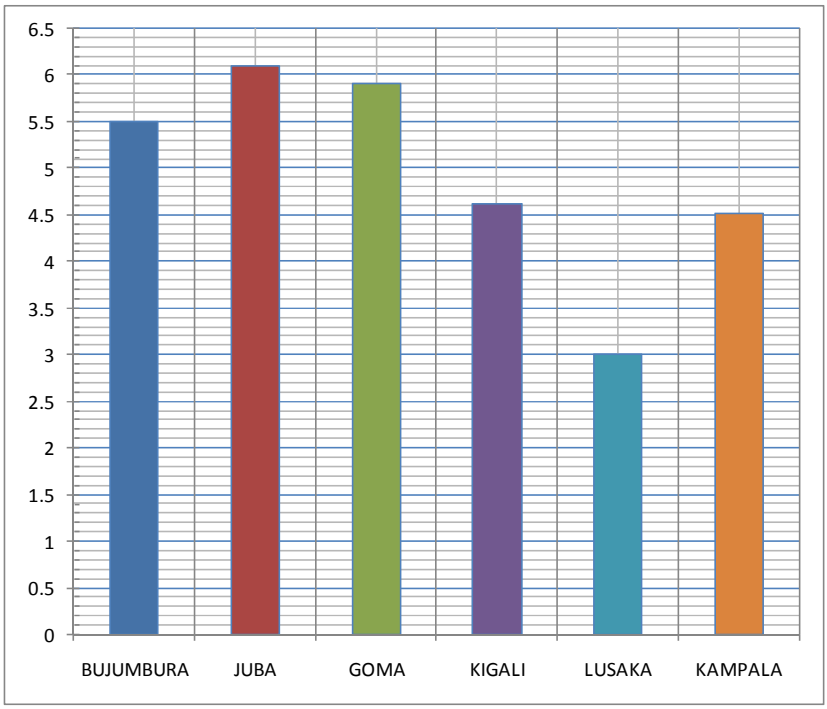
BREAKDOWN OF TRANSIT COSTS

DESTINATION	DISTANCE FROM MOMBASA	Shore Handling	Warfage	NC Levy	Destination THC	Container Drop-off	container Cleaning	isps	Equipment Management Fees	container handling	Road Haulage Fes	empty container return	Agency Fees	Uganda/Kenya Clearing Fess fees	Uganda/Rwanda Clearing Fees	Rwanda /Burundi Clearing Fees	Total	Cost per kilometer
BUJUMBURA	2,042	72	560	3	90	30	50	6	50	50	7,500	150	250	100	150	150	11,253	6
JUBA	1,700	72	560	3	90	30	50	6	50	50	7,200	150	300	100			10,361	6
GOMA	1,700	72	560	3	90	30	50	6	50	50	6,800	150	250	100	150		10,061	6
KIGALI	1,800	72	560	3	90	30	50	6	50	50	5,000	150	200	100	150		8,311	5
KAMPALA	1,170	72	560	3	90	30	50	6	50	50	2,800	150	150	100			5,181	5

Source: COMPETE, Transit Data Collection (Cost is for 20ft container)

COMPARISON WITH OTHER DESTINATIONS

Destination	DISTANCE IN KM	COST PER KILOMETER
Lusaka	2,450	3
Mombasa	485	4



Source: COMPETE, Transit Data Collection

FACTORS CONTRIBUTING TO HAULAGE COSTS

DESCRIPTION OF COST	COST IN $	% of COST
Fuel	900	33 34
Tyres/trip	364	13 48
Transporters Margin	*278*	10 29
Deprecation allowed @ 25%/trip	*260*	9 63
Finance per/trip trip based on 48 months repayment	250	9 26
Maintenance	168	6 22
Safari allowance/return trip ksh 10K	141	5 22
Salary driver/month Ksh 20K	94	3 48
3rd party insurance on truck	*90*	3 33
Driver and turn man bonus for 10 day round trip	70	2 61
Salary turn man/month Ksh 10K	47	1 74
Facilitation payment at road blocks	28	1 04
Transit licence fee Ug @ 350K/yr assume 3 trips/mth	5	0 18
Transit licence fee Ke @ 10K/yr assume 3 trips/mth	4	0 14
KPA Port pass/year Ke 3K	1	0 04
TOTAL	2,700	100.00

Source: Charts developed by COMPETE using data from SDV Transami

- Fuel is the highest contributing factor at 33.34 %
- Tires/trip is also high indication poor road condition, overloading and high initial value of tires and accounts for 13.5 %
- The transporters margin gar not high at 13.5 % which makes overloading an irresistible temptation. However in comparison to southern Africa these margins are high as south African truck drivers margins are in the range of 8 %
- Vehicle depreciation is also a high costs and may be linked to the industries business models
- The cost of bribes is insignificant at less than 1% and thus transporters readily part with their money

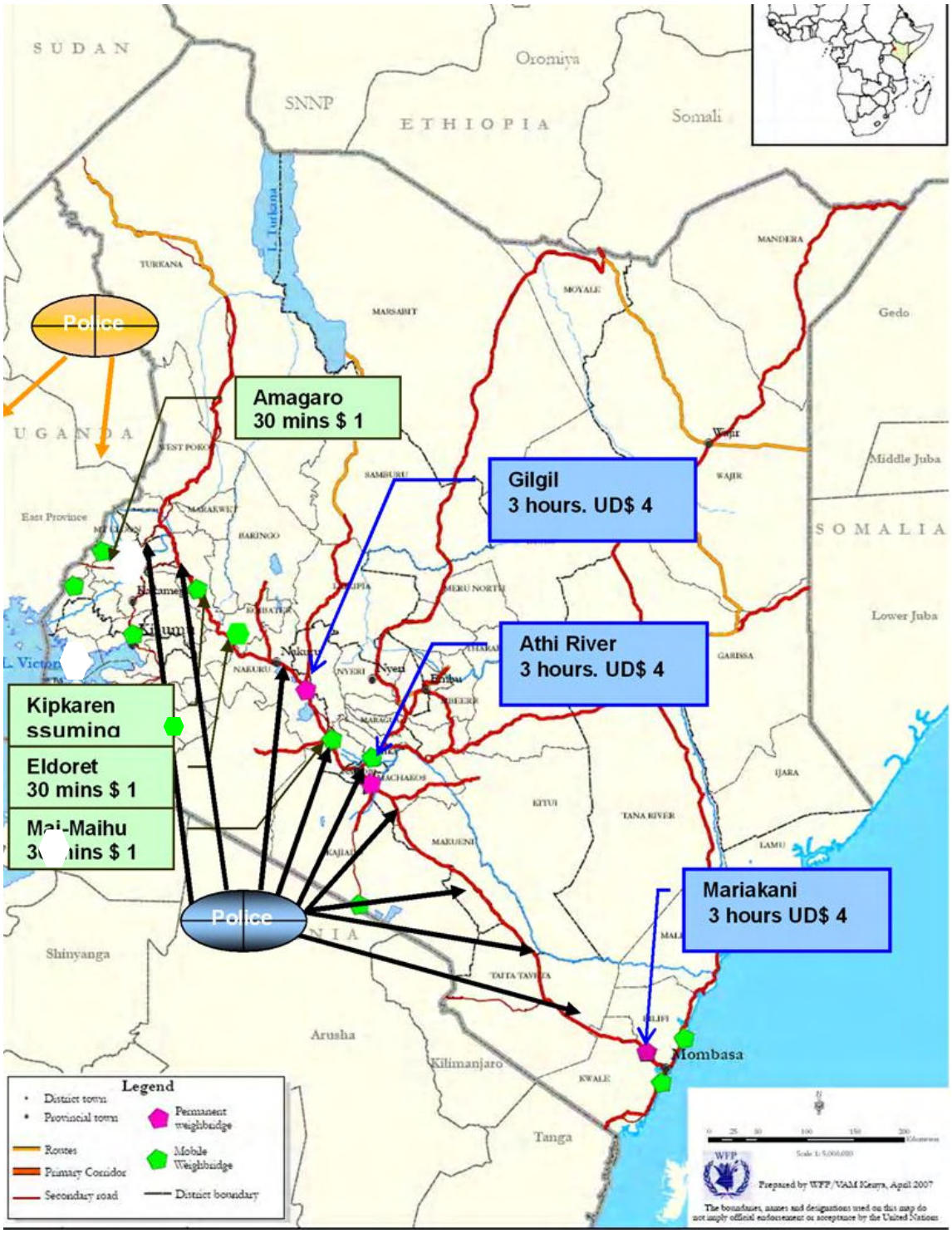
COST ACCUMULATION DUE TO WEIGH BRIDGES

Taking Kenya as a case study the cost of stopping at weighbridges can be calculated as Total time lost at all weighbridges = 12 hours @ USD 1.25/hour which approximates to U$ 15/TEU.

POLICE COST IN LOST TIME

There are approximately 12 police checks between Mombasa and Malaba plus highway police have organized approximately16 police stops along the corridor. Each police stop takes about 15 minutes x 16 stop checks = 240 minutes or 4 hours. Allowing to start up and gain speed, round up to 5 hours, amounting to USD 6/TEU.

CHART SHOWING VALUE OF TIME MEASUREMENT FOR WEIGHBRIDGES AND POLICE CHECKS EN ROUTE FROM MOMBASA TO KAMPALA FOR 1 X 20'.



RECENT DEVELOPMENTS IN THE PORT

Despite the global recession coupled with other challenges that prevailed in 2008 and adversely affected shipping, economic performance in the country and the region's competitiveness, the Port of Mombasa recorded improved operational performance and an increase in port throughput.

The port throughput grew by 2.8 percent from 15.96 million tons on 2007 to 16.41 million tons in 2008. This was largely attributed to efficiency gains arising from the modernization of equipment and business process re-engineering.

Container traffic grew by 5.2 percent from 585,367 Twenty-Foot Equivalent Units (TEUs) in 2007 to 615,733 TEUs in 2008. This growth rate is however lower than the 22.1 per cent growth witnessed in 2007. The slowdown in growth of container traffic was a result of a sluggish economic performance occasioned by the post-elections skirmishes experienced early in the year and the current global economic downturn.

Transit traffic registered remarkable growth of 10.2%, from 4.4 million tons in 2007 to 4.87 million tons in 2008. Individual transit countries have also increased their usage of the port of Mombasa. Uganda maintained her lead with a 75.9% of the transit market share with the port handling 3.7 million tons of Ugandan cargo in 2008 up from 3.4 million tons handled in 2007, representing a growth of 8.9 percent.

The D.R. Congo was in the second position registering an impressive 18.4% growth from 257,000 tons in 2007 to 304,400 tons in 2008. The rest of the countries also registered marginal increase in their usage of the port.

To address forecast growth in container traffic, a contract on project design and supervision consultancy for the second container terminal was awarded to Japan Port Consultants during the year. The new terminal will handle 1.2 m TEUs. The project is funded jointly by the Japan Bank for International Cooperation and the Government of Kenya.

The design work to dredge the channel up to 15 meters draft and to widen the turning basins has been completed and is at tendering level. This, upon completion, will accommodate the new generation of bigger vessels and increase the port's competitiveness, in light of the dynamic global shipping trends.

The implementation of the Kilindini Waterfront Operating System (KWATOS) on 1st July 2008 is one of the key goals toward achieving ambitions to be among the best efficient ports in the world. The system has been interfaced with Kenya Revenue Authority's Simba System and port users have begun to enjoy its benefits.

During the year, the port introduced delivery of cargo on a 24/7 basis. This has improved cargo deliveries, reduced congestion, enhanced ship turnaround, and overall port performance.

KPA has also involved the private sector in the handling of cargo to improve on efficiency by appointing some Container Freight Stations (CFSs) who now receive cargo directly from the ship. This has reduced cargo dwell time in the port, checked congestion and has enhanced yard planning.

PROGRAM RECOMMENDATIONS

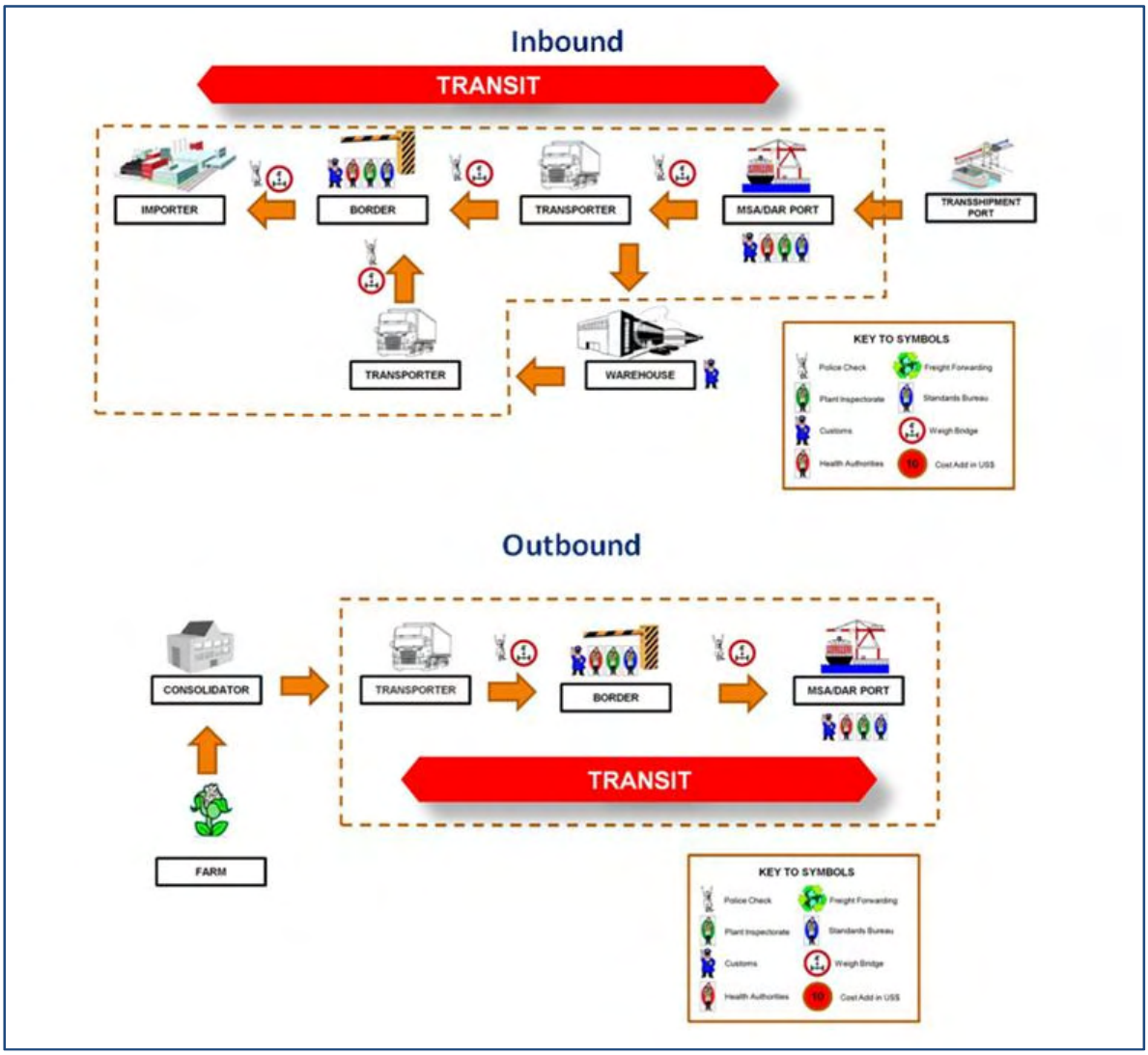
The COMPETE program should undertake the following matters in order to facilitate the reduction of transit times and costs:

CHALLENGE	RECOMMENDED PROGRAM ACTIVITES	PARTNER INSTITUTION
Carbotage/ Insecurity	1. Facilitate the freedom of trackers to do business in the region	Kenya Revenue Authority
National Documents	2. Integration of the CD-COM and application as a regional document. 3. Facilitate development and adoption of a standard road transport contract document (consignment note).	All revenue authorities
Police Road blocks	4. Facilitate the removal of unnecessary road blocks 5. Facilitate the establishment of legal instruments to prevent proliferation of road blocks	
Unnecessary charges imposed on transit traffic and cargo	6. Facilitate removal of necessary charges	All Road Ministers
Weigh Bridges	7. Promote privet sector self regulation	Kenya Transport Association
Complex Border Crossing	8. Facilitate establishment of one-stop border posts, complete with necessary facilities. 9. Facilitate the coordination of traffic to the border 10. Facilitate agreement on harmonized working hours at border posts	All revenue authorities
FAILURE to uniformly adopt COMESA Transit Trade Facilitation instruments	11. Facilitate adoption of the following COMESA TFI……..	Road Transport Ministers
Complex customs documentation and procedures AT THE PORT	12. Facilitate implementation of WCO guidelines on customs surveillance systems in order to secure the international logistics chain. 13. Facilitate interfacing of communication and information technology for exchange of information between customs authorities	FEAFFA
Unregulated Inland Terminal & Yards	14. Facilitate development of Regulatory framework for MANE GENT of ICDS	Kenya Maritime Authority

CHALLENGE	RECOMMENDED PROGRAM ACTIVITES	PARTNER INSTITUTION
Port Procedures	15. Facilitate the improvement and coordination of operations at the port 16. Facilitate training of private sector on INCOTERMS 2000 17. Facilitate information sharing between port users	Kenya Pots Authority
Rush Of Trucks Into The Port	18. Facilitate process for improvement of traffic management	Kenya Transport Association
Convoy Escorts	19. Facilitate establishment of regional customs guarantee scheme. 20. Facilitate adoption of standardized customs seals. 21. Facilitate the Establishment of a regional cargo tracking system	Kenya Revenue Authority
Dilapidated transport infrastructure		
Driver Occasioned Delays	22. Facilitate adoption of a code of conduct and ethics for persons involved in the provision and management of transit and transport operations. 23. Facilitate Driver Training	Kenya Transport Association
Lack of harmony in technical standards, traffic regulations, transit charges	24. Facilitate development of uniform traffic standards and regulations	Road Transport Ministers

TRANSIT

Transit (in the WTO context)- Goods are defined to be in transit when the crossing of the territory of another WTO Member constitutes only part of the journey between departure and final destination country, whether or not transshipment, warehousing, breaking of bulk or change in transport mode are involved. The below diagram illustrates the transit process.

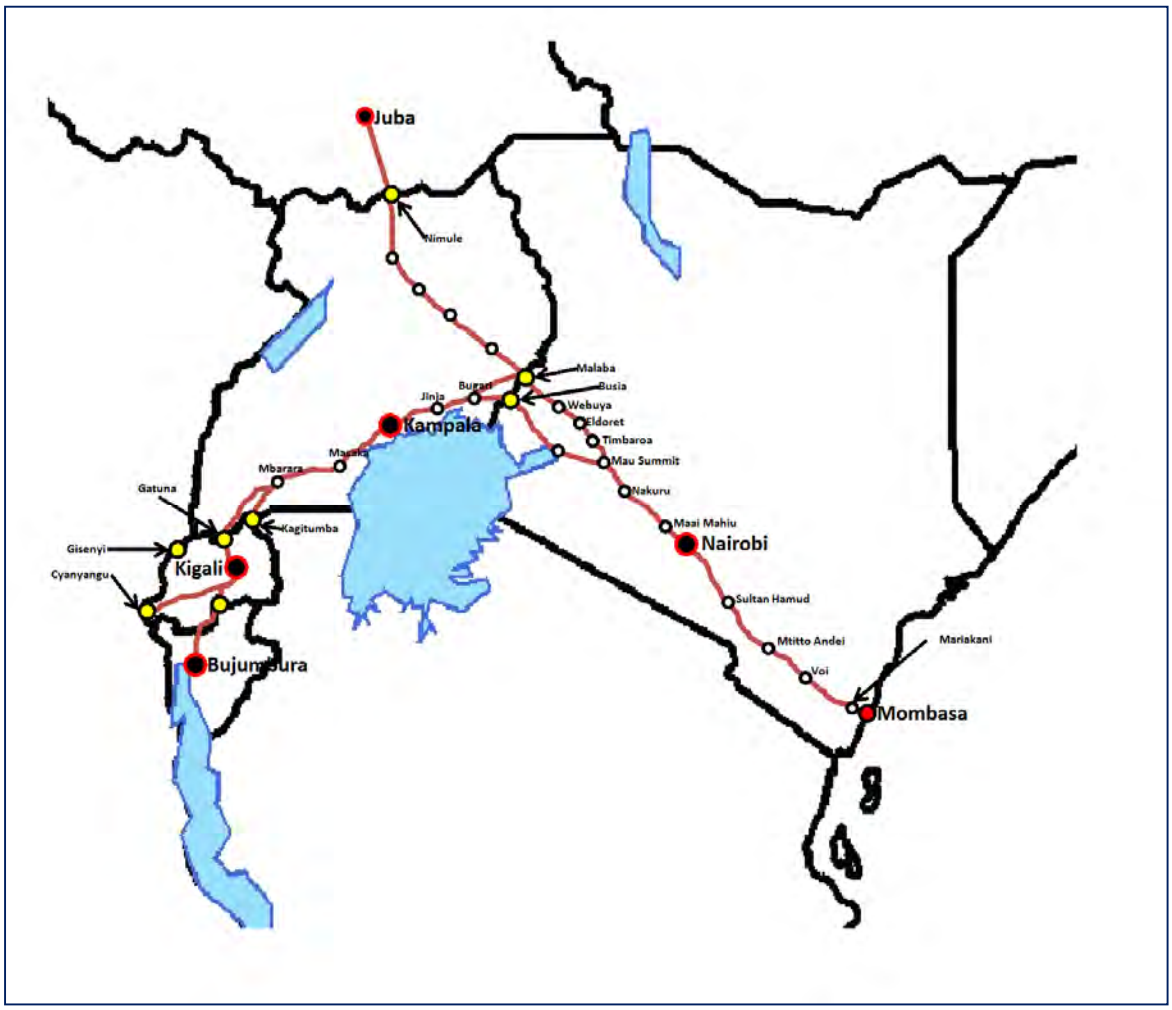


TRANSPORT CORRIDOR

A transport corridor is a (generally linear) tract of land in which at least one main line for transport, be it road, rail or canal, has been built and links major urban or commercial centers. However some corridors do branch out into spurs leading to major urban and commercial centers.

This definition excludes all feeder roads to and from the defined corridors. Therefore transport to and from the farms is not transport on the corridors.

The diagram below illustrates this report's selected transport corridor:



Source: COMPETE, Transit Data Collection

TRANSIT COSTS (FREIGHT COST)

Total-cost incurred in moving goods, including: documentation, loading/unloading charges, transport (carriage) costs, and marine insurance costs.

FREE CARRIER (FCA)

The delivery of goods on truck, rail car or container at the specified point (depot) of departure, which is usually the seller's premises, or a named railroad station or a named cargo terminal or into the custody of the carrier, at seller's expense. The point (depot) at origin may or may not be a customs clearance center. Buyer is responsible for the main carriage/freight, cargo insurance and other costs and risks. It includes other commonly used terms FOT (Free on Truck) and FOR (Free on Rail).

DELIVERED EX QUAY (DEQ)

The delivery of goods to the quay (the port) at destination is the seller's expense. Seller is responsible for the import customs clearance and payment of customs duties and taxes at the buyer's end. Buyer assumes the cargo insurance and other costs and risks.

FREE ON BOARD (FOB)

The delivery of goods on board the vessel at the named port of origin (loading) is the seller's expense. Buyer is responsible for the main carriage/freight, cargo insurance and other costs and risks.

DEADWEIGHT TONNAGE

Also known as deadweight, abbreviated to DWT, D.W.T., d.w.t., or dwt) is a measure of how much weight a ship is carrying or can safely carry. It is the sum of the weights of cargo, fuel, fresh water, ballast water, provisions, passengers, and crew. The term is often used to specify a ship's maximum permissible deadweight, the DWT when the ship is fully loaded.

INTEGRATED BORDER MANAGEMENT (IBM)

Is the organization and supervision of the activities of border agencies to meet the common challenge of facilitating the movement of goods and people across borders while maintaining secure borders and the desired controls in line with national or regional needs as defined by various statutes such as national or regional customs acts and other legislation facilitating the movement of goods and people. The IBM is part of the United Nations Trade Facilitation Network Program under the Global Facilitation Partnership for Transportation and Trade (GFP).

ABBREVIATIONS USED

ABBREVIATION	MEANING
ACIS	Advanced Cargo Information System
ACV	Agreement on Customs Valuation
ADF	African Development Fund
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
ASYCUDA	Automated System for Customs Data
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
CRM	Customs Reforms and Modernization
CU	Customs Union
DRC	Democratic Republic of Congo
DWT	Dead Weight Tonnage
EAC	East African Community
EACCMA	East African Community Customs Management Act (2004)
EATTFP	East Africa Trade and Transport Facilitation Project
EAU	East African Union
EDI	Electronic Data Interchange
EIU	Economic Intelligence Unit
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNI	Gross National Income
GOB	Government of Burundi
GOK	Government of Kenya
GOU	Government of Uganda
HS	Harmonized Commodity Description and Coding System
ICD	Inland Container Depot
ICRC	International Committee of the Red Cross
IDA	International Development Association
IFC	International Finance Corporation

ABBREVIATION	MEANING
ISPS	International Ship and Port Facility Security Code
KEPHIS	Kenya Plant Health Inspectorate Service
KIFWA	Kenya International Freight and Warehousing Association
KPA	Kenya Ports Authority
KRA	Kenya Revenue Authority
KRC	Kenya Railways Corporation
KTA	Kenya Transport Association
MAGERWA	Magasins Generaux du Rwanda (General Wholesale Markets of Rwanda)
MID	Ministry of Infrastructure Development
MoRPW	Ministry of Roads and Public Works
MPRO	Mombasa Port Release Order
MTC	Ministry of Transport and Communication
NCTA	Northern Corridor Transit Agreement
NC-TTCA	Northern Corridor Transit Transport Coordinating Authority
NEPAD	New Partnership for Africa's Development
OSBP	One Stop Border Post
PCR	Project Completion Report
PRG	Partial Risk Guarantee
PTA	Preferential Trade Area
RCBG	Regional Customs Bond Guarantee
REC	Regional Economic Community
RRA	Rwanda Revenue Authority
RVRC	Rift Valley Railway Consortium
SPRU	Special Protection Revenue Unit
TEU	Twenty Foot Equivalent Unit
TLB	Transport Licensing Board
TOR	Terms of Reference
TTCA	Transit Transport Coordination Authority of the Northern Corridor.
UCTA	Uganda Commercial Truckers Association
URA	Uganda Revenue Authority
URC	Uganda Railway Corporation

TRANSPORT CHAIN FOR OTTON OUT GROWER AND APPAREL MANUFACTURER IN GANDA.

by truck.
les @ 225 kg/bale.
hs 10,000/bale. (US$5/bale)
load. i.e. UD$ 22/ton.

. factory by truck.
les @ 225 kg/bale.
hs 7,000 bale. (US$5/bale)
oad. i.e. UD$ 15.5/ton.

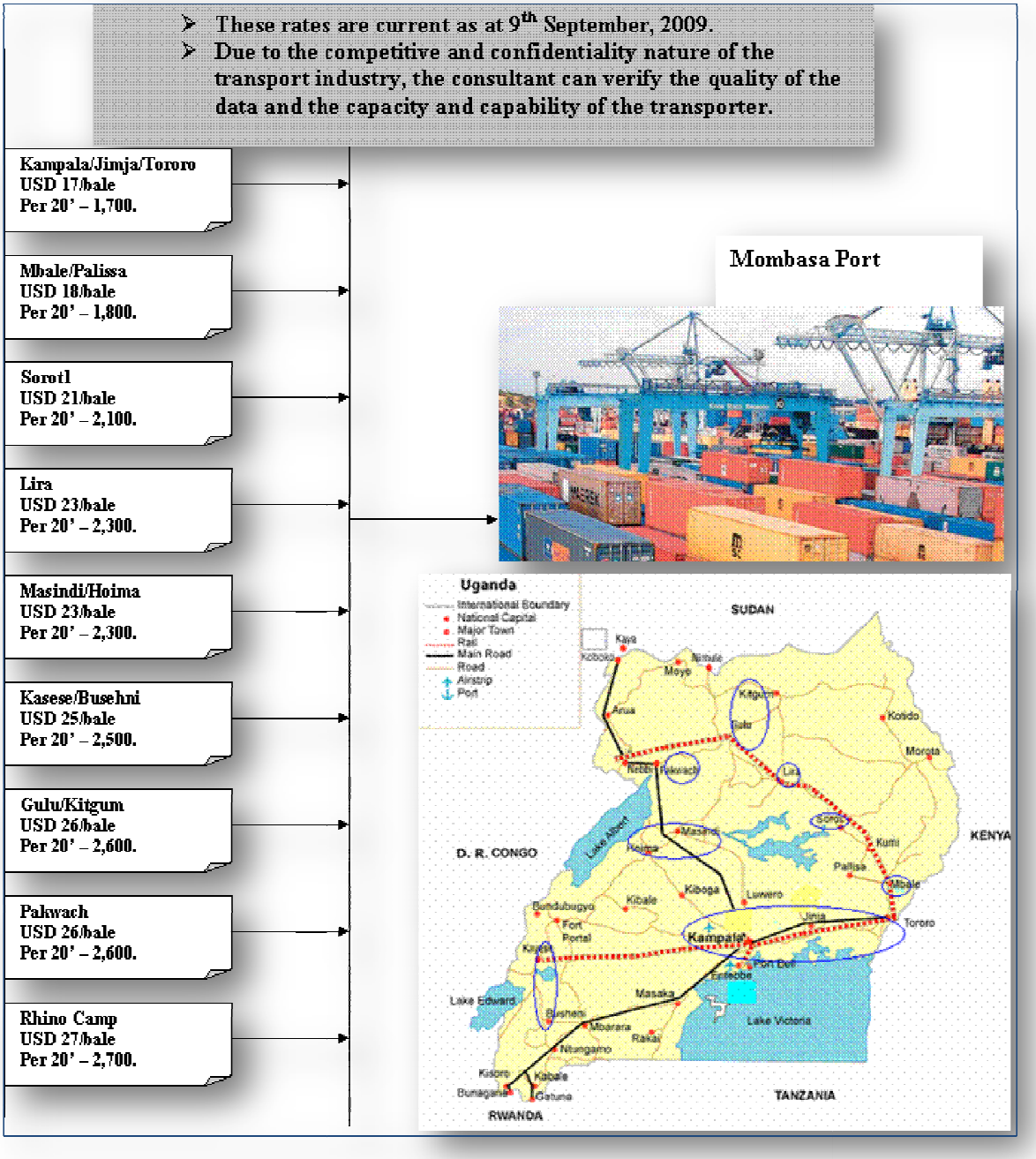
to FOB Mombasa
ons gross weight

Macro Analysis for the company

Macro simulation	Current forwarder	Alternative 1 single load	Alternative 3 paired load
Total selling price to client to FOB Mombasa	**$ 2,285**	**$ 1,526**	**$ 1,226**
Kla C&F Agency fee	$ 80	$ 80	$ 80
Kla C&F handling	$ 80	$ 80	$ 80
Kla Shunting ICD to warehouse	$ 100	$ 100	$ 100
Transit bond fees	$ 160	$ 160	$ 160
Border crossing admin fees	$ 21	$ 21	$ 21
Mombasa customs doc	$ 100	$ 100	$ 100
Mombasa THC	$ 90	$ 90	$ 90
KPA Shorehandling	$ 35	$ 35	$ 35
KPA Wharfage	$ 60	$ 60	$ 60
HGV Transporter	$ 1,000	$ 800	$ 500
	$ 1,726	**$ 1,526**	**$ 1,226**

Transport c ain for co o u ro r & exporter in Uganda or i c t n t grower & exporter in Uganda.

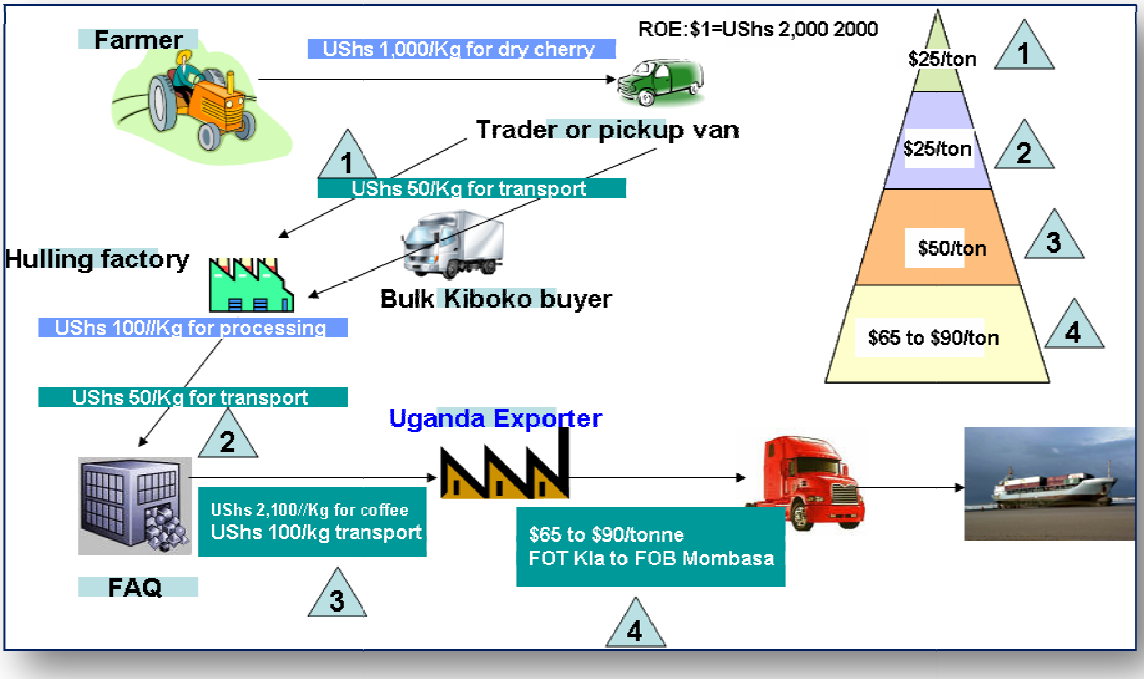
- Assump o , 0 al 185 kg / 20'
- Total gro s w gh f c ntainer 18.5 tons
- Al ates e FOT G n to FOB Mombasa, KPA Port.



S urce: O PETE T nsit Dat o l ction

UGANDA

Mac o n ysi mulati fo 1 x 20' FOT Kampala to FOB Mombasa. os saving USD 400,000/year!



a s nulation	Current forwarder	A e:native single load
Total selling price to client FOT t FOB M mbasa	**$ 1,785**	**$ 1,460**
Kla C&F Agency fee	$ 80	$ 100
Kla C&F handling	$ 80	$ 50
Kla Shunting ICD to warehouse	$ 100	$ 125
Transit bond fees	$ 160	$ 50
Border crossing admin fees	$ 21	$ 35
Mombasa customs doc	$ 100	$ 100
Mombasa THC	$ 90	$ 100
KPA Shore handling	$ 35	$ 40
KPA Wharfage	$ 60	$ 60
HGV Transporter	$ 1,000	$ 800
	$ 1,726	**$ 1,460**

Saving/TEU	***$266***
Saving/ton	$13
Saving/year	$400,000

S urce: O PETE T nsit Dat o l ction

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