

Shippers
Council of
Eastern
Africa



2012

ANNUAL REPORT



OUR VISION

An efficient logistics chain that enhances the competitiveness of cargo owners in Eastern Africa.

MISSION

To offer proficient, research based advocacy and value add services to cargo owners.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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1.0 SCEA AT A GLANCE



**Shippers
Council of
Eastern
Africa**



The Shippers Council of Eastern Africa (SCEA) was borne out of the need to expand the scope and mandate of the Kenya Shippers Council (KSC) to cover the challenges facing the transport and logistics sector in the Eastern Africa region due to the conclusion by various studies conducted in the region which have showed that 60% of the challenges experienced by shippers in the region emanate from the borders of Kenya.

The rebranding to SCEA was also precipitated by the need to strategically align the Council to engage the policy formulators and industry regulators at the regional level as there is a need for harmonization of smoother flow of goods and trade within the region, an important step as we transit to a unitary customs union. Moreover, 70% of its members have operations within the region. SCEA is a business membership organization whose mandate is:

- i. To advocate for an improved policy and trade environment
- ii. Educate shippers on their rights and obligations in import and export trade
- iii. Interpret government regulations and procedures
- iv. Provide a platform for sharing experiences through networking forums, training and awareness workshops.

Rationale for Shippers Council

Efficiency in trade logistics is a critical element of reaping the benefits of globalization. With increased globalization of economic activities coupled with rapid development of Information and Communication Technology, businesses are developing strategic and efficient distribution networks for their products. Focus is now on the transfer of goods in a predictable, timely and cost effective manner. Globally, shippers congregate under the auspices of Shippers Council to better address their issues and establish these networks.

In today's highly competitive business environment, the quality of logistics is therefore a major influence on a firm's choice of location, suppliers and consumer markets. Regrettably, high logistics costs and inefficient service provision characterize the East African region and Africa at large. Consequently, the region continues to experience a slowdown in regional trade while foreign direct investments have remained inhibited leading to slow economic growth. Delays caused by lengthy clearance procedures, port congestion, poor road and rail infrastructure among others, have rendered products from Eastern Africa uncompetitive and hence unattractive to regional and international markets.

SCEA comes at a time when the region's competitiveness is dwindling and by engaging governments from a regional perspective, the Council hopes to achieve greater heights of advocacy success.

Key Areas of Action

1. Advocacy

Lobbying, educating and influencing government and inter-governmental institutions on increasing regulatory and trade issues affecting shippers, resulting in a better trade environment.

2. Capacity building and empowerment

Through awareness and training workshops on topical issues in logistics and firm-level interventions.

3. Information collation and dissemination

Mainly through research and study consultancies disseminated through media, publications, networking forums and the website.

4. Benchmarking

Adoption of best practice in transport and logistics e.g. automation of trade processes.

2.0 CHAIRMAN'S MESSAGE



Thank you for your support since I assumed the Chairmanship. Many thanks for each of my predecessors in this role for laying the Foundation on which the current could continue to build.

Port Congestion

2012 did not start on a good footing, just when businesses were returning from the end of the 2011 year festivities, the port suffered severe port congestion. This prompted the Government through the Ministry of Transport to establish a Rapid Response Initiative (RRI) whose key mandate was to decongest the port. The Council did not only participate in the Ministry's initiative but most importantly undertook a study on the "Cause of Port Congestions". The recommendations identified the need for capacity building on the part of KPA employees, better yard management and the importance of deterring shippers from using the Port as a storage facility. Of great concern is that while the port undergoes capacity expansion and modernization, too much cargo is still transported by road. The fact that up to 96% of goods are moved by road means the accruing benefits from the expansion may not be achieved.

Partnerships

Logistics costs account for about 42% of the total value of imports and 10% – 15% of these costs are directly related to inefficiencies and bureaucratic tendencies. The Council has continued to engage the Kenya Revenue Authority (KRA), Kenya Ports Authority (KPA), Container Freight Stations (CFSs) and the Kenya Ships Agents Association (KSAA) with a view of resolving some of the challenges. Commendable improvement has been noted in areas such as transfer of containers from the Port to the CFSs, vessel waiting time and complaints about arbitral charges have reduced. Partnership with Kenya Maritime Authority and Crown agents has also seen the council undertake joint capacity building and awareness sensitization workshops for the shipping fraternity.

2010 – 2012 Strategic Plan

The year 2012 saw the end of the Council's 1st strategic plan. Among achievements made are:

Policy and Regulatory Advocacy that resulted in the following key policy developments:

- Establishment of an entity to oversee implementation of the National Electronic Single Window System (NSWS) – KENTRADE
- Lead private sector Organization that was involved in the development of the Merchant Shipping Act 2009 and the related Commercial Maritime Regulations.
- Lead private sector Organization that pushed for implementation of a harmonized EAC policy on Axle Load Regulation and Vehicle Weight Limit.

- An Enhanced profile and visibility of Kenya Shippers Council resulting from implementing an elaborate corporate communication strategy.
- Increased access to trade information through the development of a robust website and informative web based information portal.
- Diversified funding sources from key donors namely; USAID – COMPETE and TradeMark East Africa (TMEA).
- Members' endorsement of transition from KSC to Shippers Council of East Africa (SCEA).
- More than 600 shippers trained in various aspects of international trade with a goal of improving trade efficiency.
- Built a reputable organization with strong local, regional and international appeal through increasing the membership base by 263% and maintaining an annual 97% membership retention rate.

Looking Ahead

While we note some progress in a few areas, we still have concerns which continue to impede trade facilitation such as system instability, arbitral policy pronouncement, lethargy and lengthy customs procedures. Not to mention the motivation to raise revenue with little or no regard for trade facilitation amongst some service providers and government agencies.

Working together with the Board, Government Agencies, Partners and the Secretariat, I assure you of my resolve to address the above enumerated concerns. This way we will be true to our Vision Statement - 'An Efficient Logistics Chain that Enhances the Competitiveness of Cargo Owners in Eastern Africa'.



Yaw Nsarkoh

CHAIRMAN

3.0 CEO'S MESSAGE



The Council has remained vigilant on matters affecting shippers in the year under review and most importantly received recognition from government departments and other key stakeholders that operate in the logistics sub-sector. This is evident in the number of forums that the Council's participation has been demanded.

Under the guidance of the Board, the Secretariat continues to vigorously advocate for the interests of shippers. Although Kenya's ranking in the World Bank Logistics Performance Index dropped from position 99 in 2011 to No. 122 in 2012, the Council's take pride that Kenya remains the region's trade hub despite a push to divest from the Port of Mombasa by the neighboring land-linked countries.

Members continuously engaged the Council throughout the year to secure interventions when they were faced with challenges and were quite supportive of our programs. In 2012, we had a modest membership increase from 59 to 77 and the membership retention stood steadfast at 100 percent. A number of them can testify that the one on one intervention facilitated by KSC between them and the respective government agencies went a long way in addressing the issues they raised.

The above notwithstanding, the industry started the year 2012 on a challenging note with congestion at the port and introduction of the minor tariff adjustment that we fervently opposed without success. Our opposition was premised on the fact that there had been a similar minor review in the previous year. Although going to the court seemed the most viable option, discourse with Kenya Ports Authority (KPA) resulted to a rethinking of tariffs affecting heavy lift charges on imported steel coils. The KPA management indicated that it was open for more discussions and we believe that further reviews will see better involvement of the private sector.

We are grateful to TradeMark East Africa for their continued support which enabled us deliver on most of our objectives in line with the 2010 - 2012 strategic plan. In preparation for the 2013 - 2015 strategic plan, we envisage building on the existing partnership and aspire to introduce new value add services to members.

The Secretariat although lean intends to work with members, key stakeholders like the national regulatory agencies, logistics service providers, business associations, and the donor community to reduce the barriers to efficiency in logistics and private sector growth. We will proactively seek to influence transport and logistics policy that will not only result in lowering the cost of transport and logistics services in the region but also attract investments.

We count on the support of the members and look forward to your active participation.

Thank you

A handwritten signature in black ink, appearing to read 'Gilbert Langat', written in a cursive style.

Gilbert Langat

Chief Executive Officer

4.0 CURRENT BOARD MEMBERS



Chairman - Mr. Yaw Nsarkoh
 Managing Director
 Unilever East & Southern Africa



Vice Chair - Mr. Hasit Shah
 Managing Director
 Sunripe (1976) Kenya Ltd
 Representing the Fresh Produce
 Exporters Association of Kenya
 (FPEAK)



Member - Mr. Genesio Mugo
 Trading and Exports Manager
 Vivo Energy K Ltd
 Representing the Petroleum
 Sector



Member - Mr. Munir Thabit
 Group Finance Director
 Mombasa Maize Millers
 Representing the Grain Sector



Member - Mr. Meshack Kipturgo
 Managing Director,
 Siginton Group
 Representing East Africa Tea
 Traders Association (EATTA)



Member - Ms. Betty Maina
 Chief Executive Officer
 Kenya Association of
 Manufacturers (KAM)
 Representing the Manufacturing
 Sector



Member - Mr. Kassim Mohamed
 Logistics Manager
 Bamburi Cement Ltd.
 Representing East African Cement
 Producers Association (EACPA)



Member - Mr. Davis Ndonge
 Supply Chain Manager
 Mabati Rolling Mills Ltd.
 Representing the Steel Sector



Secretary to the Board - Mr. Gilbert Langat
 Chief Executive Officer
 Shippers Council of Eastern Africa
 (SCEA)

5.0 PHOTO GALLERY



Members follow the proceedings at the 2011 Annual General Meeting

Jonathan Walden (Centre), Lead Trainer at Crown Agents, a UK Training and Consultancy firm, poses with participants who attended the International Trade & Supply Chain Procedures training held in Mombasa in August 2012.



Participants at the International Trade & Supply Chain Procedures training held in Nairobi in October 2012. Some of the topics delivered were Incoterms 2010, Supply Chain Security, Valuation and Classification of goods.

PHOTO GALLERY

Secretariat staff poses with delegates who attended a Tea Seminar in Kericho in September 2012. The seminar was held to collate information about the challenges facing tea planting, processing and exportation in Kenya. The Shippers Council will continue to hold more seminars geared at specific value chains.



Representatives of various government agencies hold up copies of the 2011 East Africa Logistics Performance Survey during the launch at a Nairobi hotel in July 2012.

Delegates attending the ICT in Logistics Trade Mission to The Netherlands in September 2012 take a photo with the immediate High Commissioner to The Netherlands, H. E. Prof. Ruthie Rono. SCEA accompanied Kenyan importers, exporters and logistics service providers to The Netherlands to learn how to optimize the use of ICT to enhance logistical efficiency.



PHOTO GALLERY



SCEA CEO Gilbert Langat receives the keys to a pickup won from Cooperative Bank through a promotion dubbed "Ongeza Akiba Imarisha Maisha Promotion"

Secretariat Staff, board members and representatives from key stakeholder organizations during the SCEA Strategic Planning retreat held in Mombasa in November 2012.



6.0 NEWS

6.1 Partnership with TradeMark East Africa (TMEA)

During the 2012 financial year, the TMEA-KSC partnership named “*Increasing Efficiency in Transport and Logistics Systems in Eastern Africa through Enhanced Capacity of Kenya Shippers Council*” was focused towards lowering barriers to trade by increasing the efficiency of transport corridors and reducing administrative barriers to trade in the region. This was to be achieved by increasing the advocacy capacity of the Council to effectively tackle the challenges in the logistics sub-sector. The partnership was aimed at implementing activities that would lead to achievement of the following four key project goals:

1. Implement strategies to reduce the cost of transport on the Northern Corridor.
2. Strengthen the capacity of KSC to expand its membership base and achieve sustainability.
3. Build on the current technical support provided by TMEA (The E-Regulations Portal Project) to establish KSC as a one stop information centre for transport, logistics and trade related information.
4. Prepare KSC to transform to Shippers Council of East Africa (SCEA).

Some of the activities undertaken in 2012 under this partnership included:

1. Secretariat study tour to the Asian Shippers Council to benchmark operations and advocacy activities.
2. ICT in logistics trade mission to The Netherlands.
3. Analyze transport policy, develop and circulate policy positions/papers on emerging issues in transport and logistics in the region, out of this, two policy papers were published.
4. Advocacy meetings with regulatory authorities and service providers in the transport and logistics industry.
5. Joint advocacy meetings with regulatory authorities and transport and logistics service providers.
6. Development of the first East Africa Logistics Performance Survey.
7. Initiated the re-branding from the Kenya Shippers Council (KSC) to the Shippers Council for Eastern Africa (SCEA), development of a communication strategy and engaged the technical expertise of a Public Relations (PR) firm to develop and implement the strategy.
8. Technical expertise to analyze the implications of court injunctions on KSC advocacy results and provide a way forward for unlocking these deadlocks.
9. Air Freight Logistics Competitiveness Study for High-Value Imports and Perishable Export Products.

NEWS

10. Documented best practices in developing and implementing One Stop Border Posts (OSBPs) – Chirundu Border Post.
11. Technical expertise to develop, launch and implement a KSC members code of ethics and service charter.
12. Conduct a mapping and needs assessment for cargo owners.
13. Develop a membership recruitment and retention strategy for the Council.
14. Staff training and development.
15. Institutional support to establish and institutionalize a robust governance structure.
16. Development of a five year business plan for the Council.
17. Data collection for new value chains of the e-portal and KSC's online trade regulations database.
18. Increase hosting space for the website and e-portal.
19. Conducted e-marketing for the KSC e-portal and website, and training on how to use the e-portal.
20. Purchase of office equipment.

Some of the success stories of this his partnership were:

1. Secretariat improved the quality of its advocacy agenda by engaging stakeholders in a structured manner.
2. Increased organizational sustainability in terms of increased internally generated resources.
3. The Council expanded its membership base through provision of more value added services which were well received.
4. Increased media presence by engaging business editors through Public Relations (PR) Consultancy.
5. Importers and exporters reduced the time it takes to clear cargo from ports, while marine service providers increased their service efficiency through constant engagements.
6. Ministry of Transport gazetted the Commercial Maritime Regulations of the Merchant Shipping Act 2009 by 2012.
7. Users of the KSC e – portal decrease the time it takes to gather and complete trade documentation.
8. Users of the KSC e – portal increased compliance with trade procedures due to ease of access of information.

6.2 Launch of the 2011 East Africa Logistics Performance Survey

This was the first such Survey for the region which compared the East African Community's (EAC) performance in the trade logistics indicators of time, cost and complexity with those of the world's leading trade hubs. SCEA continues to use the dataset developed by the survey to identify key bottlenecks in EAC and help frame the needs and priorities in the trade facilitation and logistics reform.

The indicators focus on time spent clearing goods at ports, on inland transport and while crossing borders; the cost of freight across all modes of transport, terminal handling costs at ports of entry; and the number of documents, agencies, signatures, physical and electronic inspections required per trade transaction. Additionally, the Index examines the perception of shippers about freight and clearance times, and infrastructure adequacy.

6.3 AGM ratifies the change to SCEA

The 2011 Annual General Meeting unanimously ratified the change of the company's name from Kenya Shippers Council to the Shippers Council of Eastern Africa in line with the 2010-2013 strategic plan that proposed an expanded scope to strategically align itself to engage the policy formulators and regulators in the transport sector and logistics sub-sector at the regional level. The shareholders of KSC who are its individual members then gave the Secretariat the approval to initiate the process.

7.0 INDEPENDENT AUDITORS' REPORT

**KENYA SHIPPERS COUNCIL
REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF THE INDEPENDENT COUNCIL
FOR THE YEAR ENDED 31st DECEMBER 2012**

Report of the Financial Statements

We have audited the accounting financial statement of Kenya Shippers Council, set out on pages 5 to 24, which comprise the balance sheet as at 31st December 2012, and the profit and loss account, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management' responsibility for the Financial Statements

The board members are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirement of the Kenya Council Act, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by the board members, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion

In our opinion the council financial statement give a true and fair view of the state of financial affairs of the council as at 31st December 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenya Companies Act.

Report on other legal requirements

As required by the Kenyan Companies Act we report to you, based on our audit that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) In our opinion proper books of account have been kept by the council, so far as appears from our examination of those books; and
- iii) The council's balance sheet and surplus and deficit account are in agreement with the books of account.


Certified Public Accountants, Nairobi
10 06
..... 2013.

KENYA SHIPPERS COUNCIL**FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31st DECEMBER 2012****INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2012**

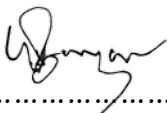
| | Note | 2012 Shs | 2011 Shs |
|--|------|-------------------|-------------------|
| RECEIPTS | | | |
| Grant income | 1 | 29,990,486 | 26,613,881 |
| Members entrance fee | 2 | 540,000 | 595,000 |
| Membership subscriptions | 3 | 2,040,500 | 1,843,333 |
| KSC Fees for services (Training Workshop) | | 2,289,350 | - |
| Sales of Advertising Space in SCEA Directory | | 1,652,199 | 1,618,837 |
| Others | | | |
| Total Receipts | | 36,512,535 | 30,671,051 |
| Expenditure | | | |
| Staff Costs | | | |
| Staff Salaries | 4 | 11,610,439 | 9,648,282 |
| Staff Benefits | 5 | 824,970 | - |
| | | 12,435,409 | 9,648,282 |
| Operational Costs | | | |
| Rent and Utilities | 6 | 1,380,599 | 708,750 |
| Insurances | | 37,194 | - |
| Bank charges | 7 | 47,383 | - |
| Legal and Professional fees | 8 | 411,600 | 2,118,244 |
| Internet Costs | 9 | 173,301 | |
| Office Operational Costs | 10 | 87,827 | 892,196 |
| Marketing, Publicity and Advertising | | 345,505 | 771,802 |
| | | 2,483,409 | 4,490,992 |
| Institutional Development | | | |
| Board expenses | | 67,850 | - |
| Annual General Meeting | | 186,800 | - |
| Purchase of ICT Equipment | | 203,883 | 324,406 |
| Subscription Fee to (KEPSA EABC) | | 184,000 | - |
| Staff Training and Development | | 81,240 | 68,799 |
| Stolen equipments | | - | 501,500 |
| | | 723,773 | 894,705 |
| Secretarial Travel | | | |
| Travel within Kenya | 11 | 1,046,216 | 1,135,954 |
| International Travel | | 1,499,671 | - |
| | | 2,545,887 | 1,135,954 |
| Program activities | 12 | 13,862,868 | 2,149,491 |
| Depreciation | 14 | 649,029 | - |
| Total Expenditure | | 32,700,375 | 18,319,424 |
| Surplus for the year | | 3,812,160 | 12,351,627 |

**KENYA SHIPPERS COUNCIL
FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2012**

BALANCE SHEET AT 31ST DECEMBER 2012

| | Note | 2012 Shs | 2011 Shs |
|---|------|-------------------|-------------------|
| EQUITY | | | |
| Fund Balance | 13 | 17,213,873 | 13,401,713 |
| Total Shareholder Fund | | 17,213,873 | 13,401,713 |
| REPRESENTED BY | | | |
| Non-current assets | | | |
| Property, Plant and Equipment | 14 | 2,043,201 | 13,098 |
| Current Assets | | | |
| Trade receivables and pre-payments | 15 | 892,725 | 1,343,634 |
| Cash and Cash equivalent | 16 | 14,702,921 | 14,599,370 |
| | | 15,595,646 | 15,943,004 |
| Current Liabilities | | | |
| Payables and accruals | 17 | 424,974 | 2,554,389 |
| | | 424,974 | 2,554,389 |
| Net-current assets (Liabilities) | | 15,170,672 | 13,388,615 |
| NET ASSETS | | 17,213,873 | 13,401,713 |

The financial on page 5 to 9 were authorized for issue by the board of directors on 29/04/2013 and were signed on its behalf by:



.....
Chief Executive Officer



.....
Director

KENYA SHIPPERS COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2012

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2012

| | Note | 2012 Shs | 2011 Shs |
|---|------|--------------------|-------------------|
| Cash flows from operating activities | | | |
| Profit of the year | | 3,812,160 | 12,351,627 |
| Adjustments for: | | | |
| Prior year | | | |
| Income tax expense | | | (1,555,382) |
| Depreciation of property, plant and equipment | 9 | 649,030 | 6,452 |
| Advance tax | | - | - |
| Finance cost | 7 | 47,383 | |
| Operating profit/(loss) before working capital changes | | 4,508,573 | 10,802,697 |
| Decrease/(increase) in: | | | |
| Inventories | | | |
| Trade and other receivables | 15 | 450,909 | (1,169,534) |
| Increase/(decrease) in: | | | |
| Trade and other payables | | | |
| | 17 | (2,129,415) | 607,023 |
| Cash generated from operations | | 2,830,067 | 10,240,186 |
| Tax paid | | | |
| Net cash generated from/(used in) operating activities | | 2,830,067 | 10,240,186 |
| Cash flow from investing activities | | | |
| Purchase of property, plant and equipment | 14 | (2,679,132) | |
| Net cash generated from/(used in) investing activities | | (2,679,132) | |
| Cash flows from financing activities | | | |
| Interest paid | 7 | (47,383) | - |
| Net cash generated from/(used in) financing activities | | (47,383) | - |
| Net (decrease)/increase in cash and cash equivalents | | 103,552 | 10,240,186 |
| Cash and cash equivalents at 1st January 2012 | | 14,599,370 | 4,359,184 |
| Cash and cash equivalent at 31st December 2012 | 16 | 14,702,922 | 14,599,370 |

8.0 KEY ACTIVITIES AND ACCOMPLISHMENTS IN 2012

8.1 Membership Development

Membership recruitment was intensified in the last year and the Secretariat ended the year with a membership of 77 members up from 45 at the beginning of the year making it a strong and authoritative voice of cargo owners in the region. The Council further maintained a 100 per cent member retention, keeping up the track record from previous years. This gave the Council the impetus to continue recruiting as work the Council does is well received. Most of the recruitments have come from participants in the value added training workshops that the Council held, focusing on international trade procedures.

In 2013, the Council will be seeking to recruit corporate members from some of the fastest growing sectors mainly the steel and cement sectors. They are some of the fastest growing sectors and movers of the biggest bulk of cargo in the region.

The Council requires to expand its membership for sustainability and develop the ability (clout) to respond to the needs of members effectively.

8.2 Member Services

Training and capacity building of members and other cargo owners.

Some of the services offered to members included training in different aspects of international trade, specifically INCOTERMS 2010, e-Commerce, Supply Chain Security, Trusted Trade Regimes, Customs Bonds, Classifications and Valuations and Letters of Credit. Cargo owners were also taken for a benchmarking trade mission to the Netherlands

where they interacted with logistics companies who have adopted the use of ICT in their operations and achieved efficiency. Out of this, two companies were able to initiate partnerships with Dutch ICT companies.

The Council's Partner organizations like TradeMark East Africa recognized the role that SCEA plays in capacity building of cargo owners and asked to partner with the Council to deliver regional capacity building programs in 2013.

The Council further established a strategy for engaging players in specific value-chains through awareness workshops in specific areas of operation. The pilot workshop was held in Kericho for the tea sector.

Empowerment of cargo owners enhances compliance with trade laws and regulations and reduces the time they spend in clearance, specifically in finding trade information and documentation. However, a lot more needs to be done with regards to training service providers, both public and private sector on their role in trade facilitation. These are issues that will be considered in the coming year.

8.3 Knowledge Management

East Africa Logistics Performance Survey Launched

The launch of the first ever East Africa Logistics Performance Survey that focused on the cost, time and complexity of moving goods from points of entry to final destination gave a clear picture to the logistics fraternity about the challenges facing trade in East Africa and how they can be tackled.

The Survey whose key target consumers were businesses and policy makers, analyzed the logistics processes and links in the East African transport systems and used the findings to propose practical solutions for improving the efficiency of the logistics environment. These findings, the Council believes, are a key input to fast tracking implementation of the EAC integration process.

8.4 ICT

ICT in Logistics Trade and investment Mission

SCEA in conjunction with Dutch Consultancy firm Teampro NL and its local office Teampro Kenya Ltd led a delegation of Kenyan logistics and IT entrepreneurs to a Trade and Investment mission to The Netherlands from 24-28 September 2012. The mission's aim was to expose Kenyan importers, exporters, transporters, and manufacturers to how The Dutch utilize ICT in enhancing efficiency in their logistics operations. It also aimed to help the Kenyan and Dutch participants to forge long-term mutually beneficial and sustainable business relationships.

The 2010 World Bank Logistics performance Index ranked Netherlands 4th in the world in terms of efficiency and effectiveness in its customs and other border procedures, the quality of its transport and IT infrastructure for logistics, the ease of use and affordability of its shipping, and in the level of professionalism in the logistics industry. The Country also had a lot to offer in terms of best practice for the Kenyan importers, exporters and logistics service providers.

Out of the mission, SCEA identified the Dutch Institute for Advanced Logistics (DINALOG) as a

key resource and partner for its ICT Conference slated for the last quarter of 2013. In addition, the Council intends to secure technical expertise from the Institute to set up a Logistics Center of Excellence focusing on developing research and training programs.

The E-Portal Enhanced

The Council developed an online trade information database for hosting information on import and export rules, regulations and import/export procedures in 2011 with an initial 14 value chains of the most imported / exported products in East Africa. This portal was developed to consolidate trade information and documentation to cut down the time spent by traders locating it.

In 2012, twenty new value chains were added to the portal bringing the total to 34. These included milk and related products, motorcycles, dry cell batteries, sugar, textiles, art antiques and curios, computers and printers, live animals among others.

In the long run, above adding more values chains, the portal is expected to be linked to the National Single Window system and Integrated Border Management platform that are currently under development by the Kenyan Government and TradeMark East Africa respectively.

8.5 Advocacy & Operational Interventions

The Council's key mandate is advocacy which is hinged on engaging policy makers on key identified as well as emerging policy and operational issues to settle on the most amicable solutions. It is noteworthy that most of the issues revolve around the port of Mombasa. Some of the issues handled in 2012 were:

- Port congestion at the Port of Mombasa and resultant surcharges. Cargo owners have no recourse when delays occasioned by the regulators and public service providers such as Customs and Port Authorities, yet they are severely penalized as if they are to blame for the delays. The delays are mostly occasioned by lengthy truck turnaround times, frequent system down times and tariff classification disputes.
- Minor tariff adjustment effected by the Kenya Ports Authority that significantly increased the cost of clearance at the port of Mombasa.
- CFS nomination- the contention here has been that shippers should be allowed to nominate their preferred container freight station informed by their efficiency and capacity handling levels.
- Handling of dangerous cargo- members have indicated that they require training on this. There are specific classes of dangerous cargo that can only be cleared from the port.
- Tariff classification disputes.
- Delays in transfer of containers from port to CFSs.
- Detention charges disputes.
- Lengthy system down times.

Most of these challenges were resolved but others were taken as lessons for the future. Despite the intricacies of the challenges presented to the Council, some noted achievements include:

- The Gazettement of the Commercial Maritime Regulations of the Merchant Shipping Act which were expected to inject efficiency by reducing overlaps in regulation by different government agencies and check the professionalism of logistics service providers thereby reducing the cost of doing business. The Council had initially contracted maritime lawyers to assist in drafting the regulation but in the year in question continuously lobbied the Ministry of Transport to ensure the regulations were gazetted.
- Gazettement of the Kenya Trade Network (KENTRADE) to manage the National Single Window System - The Council, which has been identified as the Convener of the National Stakeholders Forum of the Single Window, was instrumental in lobbying for the gazettement of this independent agency to operationalize the system which will enable the online clearance of goods and eventually online payment for the same reducing the dwell time at the port of Mombasa to three days and one day at JKIA . Delays however have characterized its implementation until the agency was gazetted.

9.0 KEY CHALLENGES

9.1 Coalition Building – A Necessary Requirement for Success in Advocacy

The success of advocacy hinges numerously on the involvement of key stakeholders. The Council faced a challenge in attracting participation of key state agencies at senior levels especially the customs department subsequently affecting the ability to build credible coalitions for the success of our advocacy strategy. Further, the Council's efforts were hampered by unilateral decisions made by state agencies that affected the industry.

9.2 Regional Representation

The East African region is served by the ports of Mombasa and Dar es Salaam with Kilindini attracting the bulk of the cargo. This means that majority of the imports /exports move through the Mombasa Port. However, the clout of shippers in the East African member states is yet to yield any significant influence on policy decisions due to the lack of fully established and strong national shippers' councils in the individual states.

Shippers Council of Eastern Africa (formerly Kenya Shippers) being the most vibrant and formidable saw the need to fill this gap by transforming itself to a regional representative with a wider scope to handle. But attempts by SCEA to expand its representation at national and regional level have been greatly hampered by subscription fatigue, a situation whereby most of the corporate entities approached for

membership have already subscribed to other private sector organizations.

9.3 Litigations Against Project Advocacy Results

A section of the project advocacy results have been targets of Court Orders and litigations by some disgruntled industry players. Such examples are the Commercial Maritime Regulations and Electronic Cargo Tracking Systems (ECTS) whose implementation has been opposed by shipping lines and transporters respectively.

9.4 Administrative Challenges

9.4.1 Delays In Setting Up Financial Infrastructure

Upon signing of the grant agreement in July 2011, it took a month to have the grant funds transferred to the account of the Council. This was occasioned not only by delays in releasing the first disbursement of funds on the part of TMEA, but also delays in setting up suitable management accounts for the funds on the part of the Council.

9.4.2 Human Resource Capacity

At project inception, SCEA lacked human resource capacity in the form of a Project Accountant, since the one available was shared with a sister organization, FEAFFA under the then USAID – COMPETE project and was not directly responsible to SCEA. This posed a challenge in terms of reporting lines and

initially put the project implementation under threat. However, this was rectified immediately when SCEA moved to recruit its own Project Accountant and since then the project progress has remained on track.

breached leading to the loss of some project equipment. Since then, KSC has put in place measures to ensure the security of its assets. Such measures include insuring all assets and also reinforcing the office with steel doors.

9.4.3 Security

At one point in the project period, the security of the premises housing the secretariat was

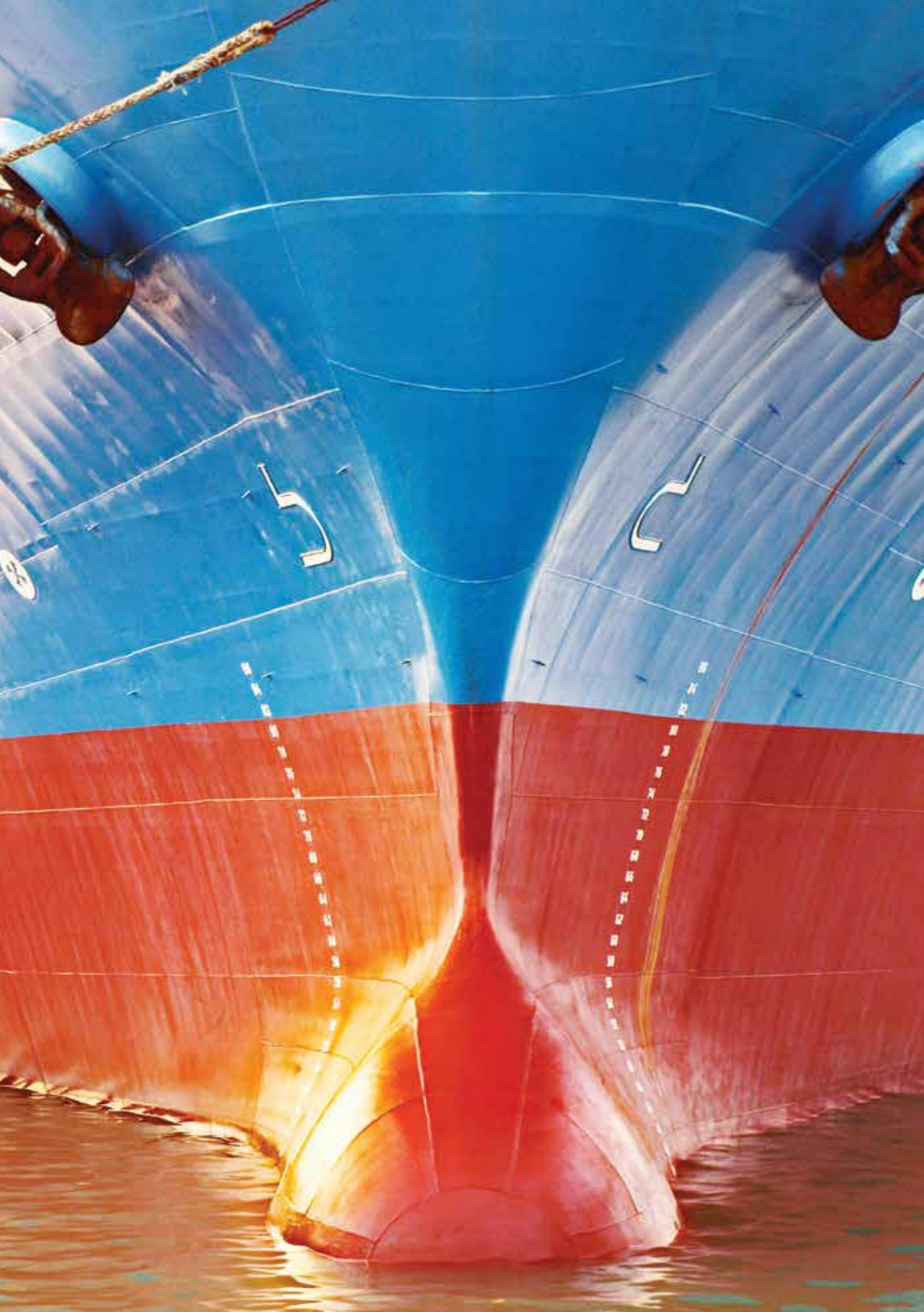
10.0 LOOKING AHEAD

SCEA drafted a 2013 – 2015 strategic plan that informs our objectives and action plan. Members are encouraged to interact with this document and keep us accountable.

Annex I

Membership List

1. Airflo Limited
2. Akili Africa
3. Allpack Industries Ltd
4. Andy Forwarders Services Ltd
5. Athi River Mining
6. Bahari Forwarders Ltd
7. Bamburi Cement Ltd
8. Bash Hauliers Ltd
9. Bidco Oil Refineries
10. Bollore Africa Logistics
11. Brookside Dairy Ltd`
12. Cadbury Kenya Ltd,
13. Cargo World Logistics Ltd.,
14. Chai Trading Co. Ltd.,
15. Cooperative Bank of Kenya
16. Corrugated Sheets Ltd
17. Cotecna Inspection SA
18. DAMCO Logistics (K) Ltd.
19. DHL Global Transporters
20. Dodhia Packaging Limited
21. East African Packaging Ltd
22. East African Sea Food
23. East African Tea Trade Association
24. Eveready E.A. Ltd
25. Foam Mattress Ltd
26. Freight Forwarders (K) Ltd
27. Freight in Time
28. Fresh Produce Exporters Association of Kenya
29. Frigoken Ltd
30. General Cargo Services Ltd.,
31. General Printers Ltd
32. GlaxoSmithKline Ltd
33. Haco Tigerbrand
34. Intertek International Ltd
35. Jumbo Foam Mattresses
36. Kapa Oil Refineries Ltd
37. Kenafric Industries Ltd.,
38. Kenya Coffee Traders Association
39. Kenya Groupage Cargo Handling
40. Kenya Ports Authority
41. Kenya Shell Limited
42. Kibos Sugar & Allied Industries Ltd.
43. Linton Park Plc
44. Louis Dreyfus
45. Mabati Rolling Mills
46. Makupa Transit Shade Ltd (CFS)
47. Master Mind Tobacco
48. Meridian Shipping (EA) Logistics Ltd.,
49. Mombasa Container Terminals
50. Mombasa Maize Millers
51. Muriithi & Ndonge Advocates
52. Nampak Kenya Ltd
53. Nation Media Group Ltd
54. Naushad Trading Company
55. New KCC
56. Orbit Chemical Industries Ltd
57. Pan Africa Logistics Ltd
58. Panal Freighters Ltd.,
59. Power Technics Ltd
60. Rai Plywoods (K) Ltd
61. Sameerafrica Ltd
62. Schenker Ltd
63. Seacon Kenya Ltd.,
64. SGS Kenya Ltd
65. Siginon Freight Ltd
66. Speedex Logistics Ltd
67. Spedag Interfreight K Ltd
68. Sunripe Ltd
69. Synresins Limited
70. Tata Chemicals Magadi Ltd
71. The Wrigley Company E.A Ltd.
72. TNT Express Worldwide (K) Ltd
73. Transnational Bank
74. Unga Limited
75. Unilever Kenya Ltd.,
76. Union Logistics Ltd
77. Wigglesworth Exporters Limited



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