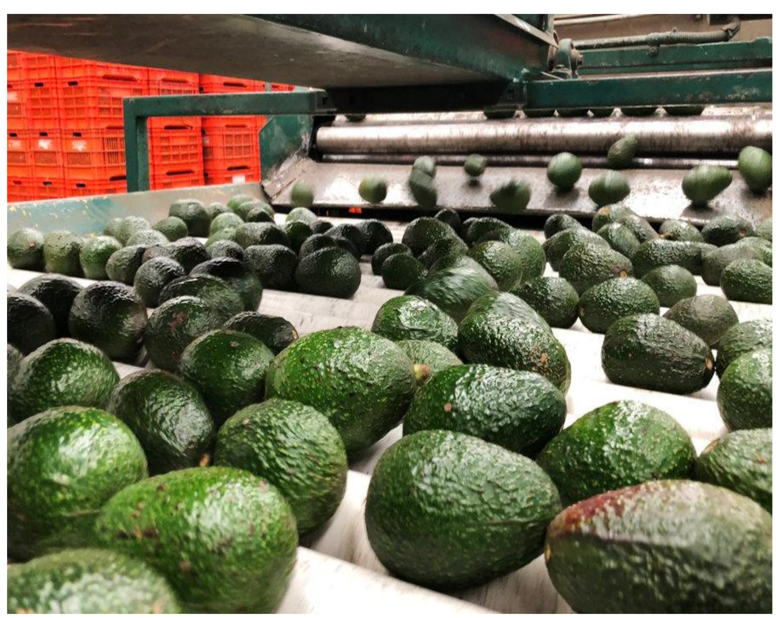
Shippers Council of Eastern Africa

LOADS OFF YOUR MIND

LOGISTICS BUZZ

September 2020



1. COMESA PREFERENTIAL TARIFF TREATMENT

On September 7th, 2020 the Shipping industry in Kenya was shocked to be asked to pay duty for imports originating from COMESA and which had previously enjoyed Preferential Tariff Treatment. The unwelcome message from DPC, KRA was "cancel the entry or pay duty"

This was as a result of the expiry of the provisions of EAC protocol Section 112 of the East African Customs Management Act of 2014 and which granted preferential tariff treatment to imports from COMESA and SADC members to Kenya and the EAC

The provisions which expired in December 31, 2019 were made known to the EAC Commissioners of Revenue Authorities by the Director of Customs and Trade, EAC through a letter dated February 20, 2020. As a result of the expiry, The Kenya Revenue Authority without notice changed full External Common Tariff to goods originating from COMESA and SADC from the September 7th, 2020.

Opinion are still divided on how this matter should have been resolved. With some alluding to the fact that the Kenya was obliged to honor the COMESA Free Trade Commitment that allows duty free and quota free market access amongst the COMESA FTA membership.

While KRA may be justified to impose the full duty due lack of legal provision to support the preferential treatment, the results of this is disastrous and will affect not only our imports from the COMESA and SADC member states but also our 37% exports to COMESA and SADC especially should this other countries reciprocate/retaliate. For example; our tea exports to Egypt and Imports of sugar for industrial use are some of the areas that would suffer.

COMESA is a major export market for Kenya taking up to 24.4%, the EAC taking about 24.5% other destinations are EU 24% and Africa 37% and such decision portends serious ramification should the other COMESA Member States reciprocate.

To safeguard both our export and import market we and a number of stakeholders petitioned government Ministries to intervene and have decisions made to re-instate the preferential treatment even as the EAC organs engaged breathing back life to the protocols.

Towards resolving the challenge, an extraordinary Sectoral Council on Trade, Industry, Finance and Investment of the EAC, met on September 11th, 2020 and agreed that the expired protocol allowing preferential tariff treatment for goods imported from COMESA and SADC be extended from January 2020 to June 30th 2021.

The Ministry of East African Community and Regional Development (KENYA) on September 14th wrote to the Commissioner General (KRA) on the same and also advised that the EAC Secretariat will issue a Gazette notice in line with Directive EAC/ExSCTIFI/37/Decision 15 of SCTIFI.

The Revenue authority is yet to apply the COMESA rates since the Gazette notice has not been issued yet. We expect that it shall be issued before end of the week.

As soon as the Gazette notice is issued we shall update accordingly.

While we acknowledge that some shippers placed bonds/bank guarantees to secure their urgent cargo from the port, we are aware that a number did not and will have to deal with storage and demurrage charges. We shall liaise with Kenya Ports Authority and the Shipping lines to see how best we could mitigate the resultant charges.

Through a Gazette notice dated September 15th, 2020 the EAC has extended the preferential treatment as follows;

a) Granted Republics of Burundi, Rwanda, Uganda and Kenya a stay of application of the EAC CET on originating goods imported from COMESA from 1st January, 2020 up to 30th June, 2021;

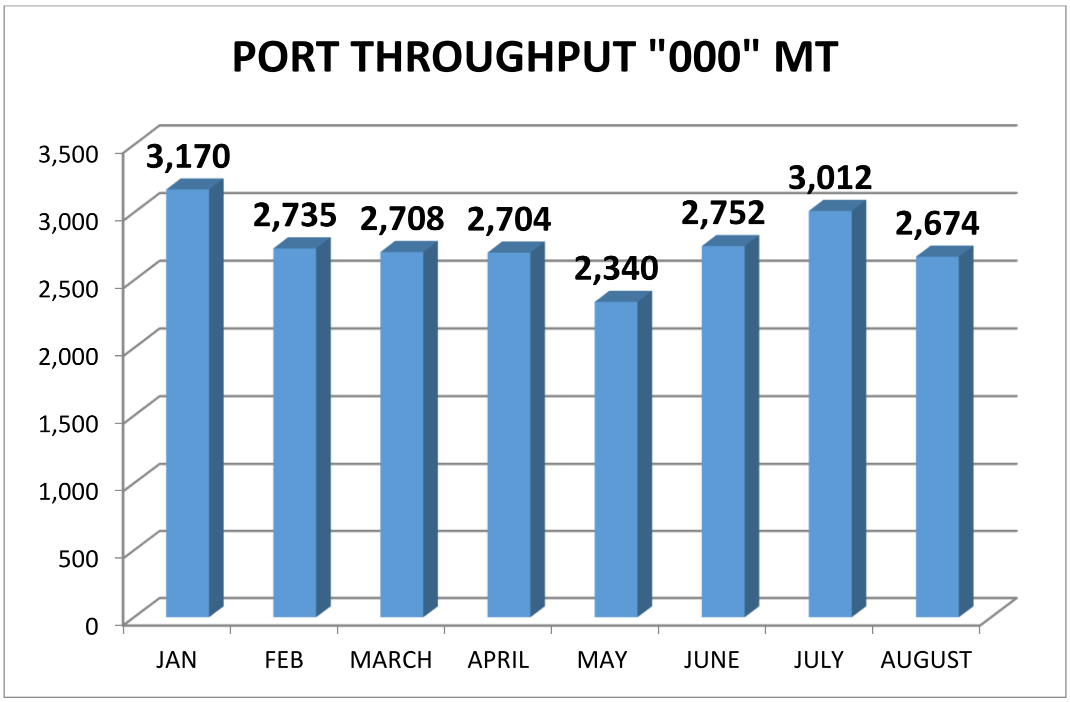
(b) Granted the United Republic of Tanzania a stay of application of the EAC CET on originating goods imported from SADC from 1st January, 2020 up to 30th June, 2021;

We applaud the Council for the extension and which will go a long way to promote intra-Africa trade. Kindly lets have your feedback and also challenges so that together we may attend to the issues arising from this.

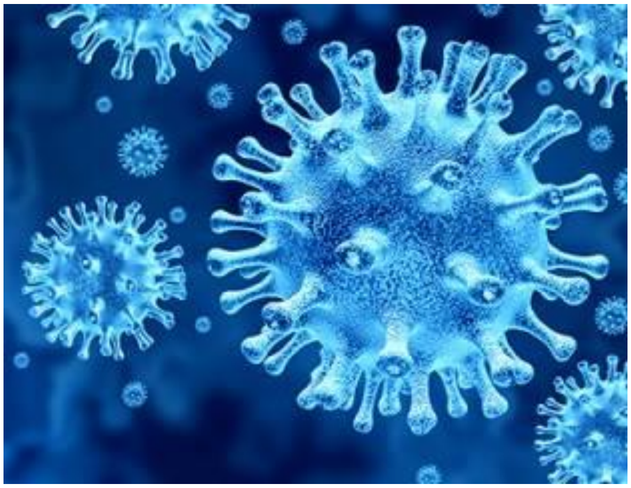
2. PORT PERFORMANCE DURING COVID-19

Despite the Covid- 19 impact on the logistics and transport industry, Mombasa port registered a 4% increase comparing between June to August compared to the period with March-May which is considered to be the hardest hit period of the year since the onset of the pandemic. This is positive and hopefully signals re-bound in our economic activities.

a) Port throughput



3. LESSONS FROM CORONA VIRUS (C19):



The transport and logistics sector is a major victim of Covid-19. The industry, which is driven by facilitating cargo movement to and from different geographical locations, supports key economic sectors such as manufacturing, agriculture, aid and relief, construction, education amongst others. However, the interventions to stop the spread of the Covid-19 has caused challenges in the movement of people, goods from one point to another, from one country to another thus affecting trade between regions.

The full extent of the damage of the C-19 to Trade and Transport though ginormous remains unknown. What is known however is that we need to learn to live with the virus, obey the protocols in place and prepare for any future calamities.

Luckily for Kenya, in the recent past few days the numbers of infections seems to be going down, the airspace has been opened since August 2020 and number of restrictions removed or eased.

Our preliminary observations indicate that the pandemic has also exposed the underlying challenges in the transport and logistics sector and has amplified some of the gaps such as:

I. Absence of sufficient ICT infrastructure
II. Lack of Health protocols to manage the pandemic amongst the border countries.
III. It has also exposed underlying challenges within our customs processes and health infrastructure.
IV. It has amplified the political differences within the EA states. For example between Kenya and Tanzania.
V. There are gaps yet to be addressed and this included getting a harmonized covid-19 testing approach for all the EAC member states recognition of certificates etc.
VI. Lack of financial reservoir to address such pandemics
VII. Limited capacities at the Institutions
VIII. Absence of frameworks /information and coordination

mechanism amongst Government Agencies, Countries and Private Sector Associations.

Lessons Learnt:

i. We are not prepared for disasters as a region and we also take too long to react. We need vibrant business continuity plans (both government and private Sector).

ii. Most agents are yet to appreciate non - contact process, they are not automated in terms of connecting to ICT platforms of government agencies thus the need to sensitize them for capacity building.

iii. The Pandemic has exposed the need for automation and safe and secure cargo handling process and information sharing with all stakeholders thus the need to capacity build the IT sector in the logistics industry.

4. CALL TO ACTION

a) SCEA AGM:

Albeit belatedly due to the C19 pandemic and which has had profound impact on our economic and social lives, The Shippers Council of Eastern Africa Annual meeting is scheduled to be held on September 30th, 2020 at 9.30a.m.

The virtual meeting will be presided by the SCEA Chair Mr. Genesio Mugo and members will be appraised on the financial position and the logistics environments vide the Chairs Report. A full 2020 Annual report will be provided before the AGM for your ease of reference.

The AGM is the top most decision making organ of the Council hence your attendance shall be appreciated. Kindly confirm your attendance to the undersigned via return email as soon as possible but not later than close of Business, 24th September 2020.We are grateful for the support and look forward to your attendance.

b) PANELATIES AND RELATED CHARGES:

We are aware that Kenya has been taunted as an expensive export destination ostensibly as a result of many market entry regulations and requirement, approval processes and permits and licenses one need to fulfill.

During our consultative meeting with Mrs. Pamela Ahago, the Ag. Commissioner of Customs and who expressed their commitments to Facilitate Legitimate Trade, we registered our concern over some of the penalties and which are derived from the East Africa Customs Management Act.

Appreciating that the penalties must be reflective of the magnitude of the offence, the Commissioner invited us to submit details of some of the offences and penalties that we consider higher and unwarranted.

Your immediate response by way of submitting such penalties and fees shall be highly appreciated.

5. WINS

a) Delayed Railage:

Following relentless engagement with Kenya Ports Authority and the Kenya Railways Corporation, there has been noted improvement in the railing of containers from Mombasa to Nairobi. The expected Key Performance indicator dictates at that all Nairobi bound cargo are railed within 48hours. Unfortunately this had not been the case for some time.

We continue to monitor and encourage all of us to corporate and ensure that you bring to our attention when you face such delays.

b) Waiver Committee:

We applaud the waiver Committee for expediting waiver requests from our members. Members are encouraged to engage the committee when delays for clearance is due to external exigencies and which are not occasioned by the Shipper/them.

6. PLANNED ACTIVTIES:

a) **Development of Position Paper on Naivasha ICDN.** The operationalization of the Naivasha ICDN and which herald possible opportunities has been shrouded with implementation challenges. This notwithstanding a few shippers are enjoying some accruing benefits from the facility both KPA and KRC have presented various incentives to promote the facility. SCEA and whose positions are informed by research jointly with KEPSA shall be developing a position Paper on the facility

b) **Cessation on Bonded Warehousing for Selected Items.** Further to our meeting with the Commissioner of Customs on July 13th and the extension of the deadline by 60 days and which is expected to lapse Mid October, we shall engage with our affected membership and the Commissioner's office to have the decision for cessation rescinded.

c) **Virtual Meeting with the Managing Director, Kenya Ports Authority:** Desirous to have urgent resolutions to issues affecting cargo clearance and resultant costs, we are planning a virtual meeting with the Managing Director KPA. One such issue and which has remained on the table for long is the need for extending the Cargo free period at the ICDN from current 4 days to may be 10days and the poor truck turnaround time at the ICDN. Receipt of your priority areas of concern shall be appreciated.

The Naivasha ICD

END

For any Comment and suggestions kindly email:

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