Shippers Council of Eastern Africa

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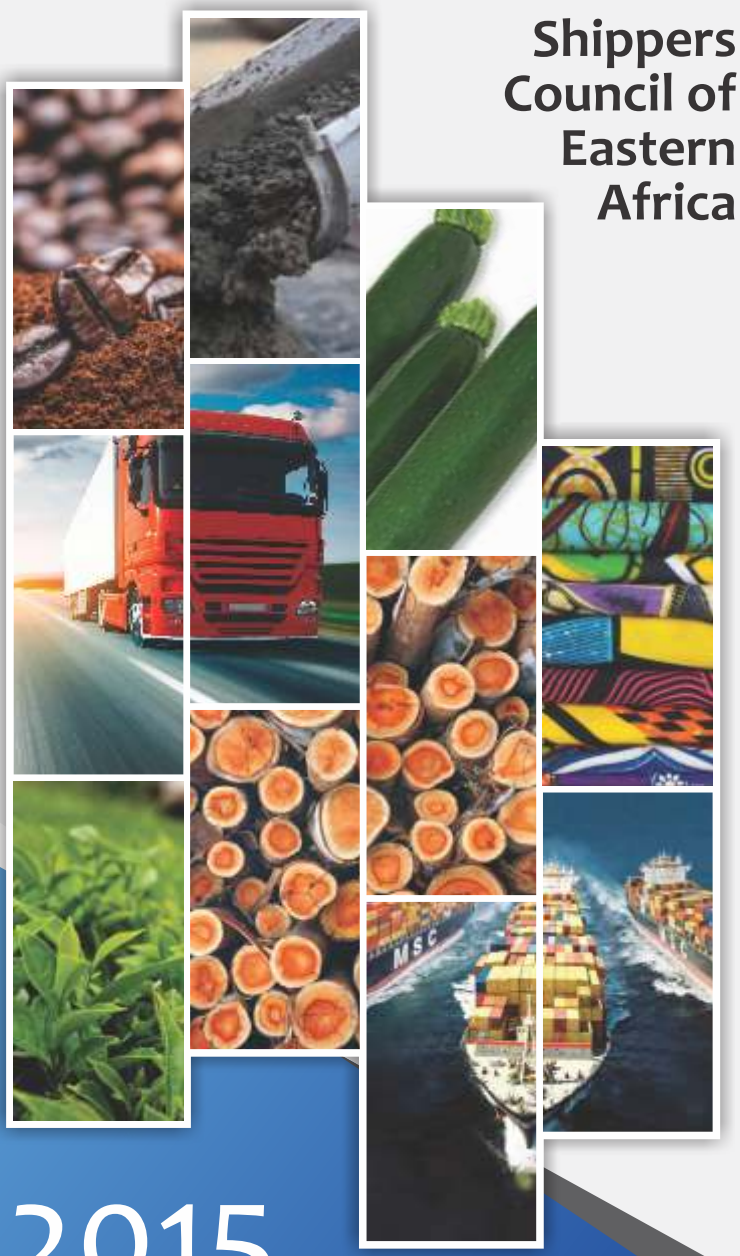

2015

EAST AFRICA LOGISTICS PERFORMANCE SURVEY

Costs, Time and Complexity of the East African Logistics Chain

Foreword

Globalization, tariff reduction and automation may not bring the envisaged trade benefits which have been touted to further economic growth, leading to employment creation and poverty reduction in the East African Community (EAC). All this must be complemented by improved transport infrastructure, trade and transport facilitation, and private sector capacity to produce goods and services competitively. Improved government service and reduction in risk and transaction costs for trade are also key to improving trade facilitation in the region.

It is due to this realization that the Shippers Council of Eastern Africa has undertaken the East Africa Logistics Performance Survey (LPS) since 2011 to identify the challenges shippers face in the EAC region and evaluate the progress made. The LPS compares the EAC performance using the indicators of time, cost and complexity (CTC) and is used for lobbying and advocacy, identification of policy gaps and the report on the general outlook of the business environment.

The 2015 LPS which has covered the maritime and airfreight sub sectors provides interesting performance based indicators. The study has also undertaken a perception analysis on railway and the services of government agencies. In addition, the 2015 survey draws a lot from the Port Charter that was signed by key agencies involved in trade facilitation in the presence of H.E. President Uhuru Kenyatta, on 30th May 2014.

Based on the CTC indicators, the 2015 LPS indicates a general improvement in the overall logistics performance compared to 2014 save for Tanzania and Burundi that indicate a slip in the average scores of 2.77 and 2.25 respectively against 2.89 and 2.78 respectively in 2014. Rwanda has maintained first position with an average score of 3.66, followed by Uganda and Kenya with an average score of 3.09 and 3.07 respectively.

The Survey conclusively shows a general decline in transport costs on the Northern Corridor while the Central Corridor registers a steady but marginal increase. For instance, the average transport cost from Mombasa to Kampala came down from USD 3400 in 2011 to USD 2500 in 2015, while the rates from Dar-es-Salaam to Kampala have increased from USD 2,507 in 2011 to USD 4,500 in 2015. The analysis includes compliance at the weighbridges, time taken at the data processing centre and cargo dwell time.

Though a national initiative, the Port Charter has the potential to revolutionalize logistics performance on the Northern corridor. Excerpts of some of the port charter indicators are presented in the report. This notwithstanding, more needs to be done to actualize the valid aspirations of the Charter.

The impact of the National Single Windows which are at different levels of implementation amongst some EAC member states has not been analyzed in this survey. This was intentional

given that the systems are not yet 100 per cent operational with a few modules yet to be completed, as is the case in Kenya. The impact of this will feature in the 2016 survey. Other areas that we will focus on in the next LPS is the implementation of the WTO Trade Facilitation agreement, the outcome of the WTO Ministerial meeting to be held in Kenya, and the implementation of the amendments of the International Maritime Organization's (IMO) International Convention for the Safety of Life at Seas' (SOLAS), which will require shippers to verify gross container weight prior to shipping. It will come into effect from July 1, 2016.

The impact of devolution will also be analyzed in 2016 due to introduction of charges by some county governments in their Finance Bills. This is not only a duplication, but will lead to increased transport and logistics costs which are at an average high of between 35 to 42 per cent of the production costs in the region.

The Council intends to engage the respective stakeholders and government agencies involved in trade facilitation with the findings to ensure that they take appropriate remedial measures aimed at enhancing the competitiveness of the shippers and improving East Africa's logistics performance.

I wish to thank the respective survey respondents, the Consultants, the SCEA Secretariat and the Partners who all have made the development of the survey a great success.

CHIEF EXECUTIVE

Acknowledgements

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Appreciation also goes out to the data collection teams in Burundi, Kenya, Rwanda, Tanzania and Uganda. Without your efforts, the completion of this project would have been indeed an arduous task.

A special acknowledgement goes to TradeMark East Africa (TMEA) for supporting SCEA to undertake this study towards improvement of logistics environment in the region.

Lastly, to all individuals and entities that took time to participate in the survey. Your inputs have made invaluable contributions towards the survey's success.

List of Abbreviations

AfDB	African Development Bank
CCTFA	Central Corridor Trade Facilitation Agency
CFS	Containerized Freight Station
COMESA	Common Market for Eastern and Southern Africa
DPC	Document Processing Centre
EAC	East African Community
EACFFPC	East Africa Customs and Freight Forwarding Practicing Certificate
EARA	East Africa Revenue Authorities
ECTS	Electronic Cargo Tracking System
EU	European Union
FCL	Full Container Load
FDI	Foreign Direct Investment
FEAFFA	Federation of East African Freight Forwarders Associations
GDP	Gross Domestics Product
IATA	International Air Transport Association
ICD	Inland Container Depot
JBC	Joint Border Committee
KAA	Kenya Airports Authority
KPA	Kenya Ports Authority
KPC	Kenya Pipeline Corporation
KRA	Kenya Revenue Authority
KRC	Kenya Railways Corporation
LCL	Less Container Load
LPI	Logistics Performance Index
NCTTCA	Northern Corridor Transit and Transport Co-ordination Authority
NTB	Non-Tariff Barrier
OECD	Organization for Economic Co-operation and Development
OSBP	One-Stop-Border Post
PMP	Ports Master Plan
SAD	Single Administrative Document
SCEA	Shippers Council of Eastern Africa
TACT	The Air Cargo Tariff and Rules
TAZARA	Tanzania-Zambia Railway Authority
TEU	Twenty-Foot Equivalent Unit
TMEA	TradeMark East Africa
TPA	Tanzania Ports Authority
TRC	Tanzania Railway Corporation
ULD	Unit Load Device
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

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Executive Summary

Advocacy for the improvement of the logistics environment and enhancement of trade competitiveness through development of appropriate policies is the mainstay of the Shippers Council of Eastern Africa (SCEA). The key objective of this survey is to ascertain the overall logistics performance of the EAC partner States and rank them based on specific performance indicators localized to the East African region.

The survey tracked specific quantitative and qualitative indicators of logistics performance in terms of cost, time and complexity of executing trade transactions. Freight forwarding companies, shippers and transporters formed 90per cent of the sample population during the survey, whilst 10per cent consisted of various logistics stakeholders involved in the movement of goods and services around the East African region.

There was general improvement in the overall logistics performance in 2015 compared to 2014 save for Tanzania and Burundi that indicated a slip in their average scores of 2.77 and 2.25 respectively in 2015 against to 2.89 and 2.78 in 2014.

It was established that there has been no significant change in airfreight rates in 2015 compared to 2014. A drop in the import rates from Asia Pacific from an average of USD 5/kg to USD 4/kg seems to be the most significant. Rail transport has not substantially been exploited due to very slow and previously non-existent infrastructural development. However, several infrastructural developments are underway in the rail transport sector within the East African region. The current development of the standard gauge railways in both the Northern (ongoing) and Central (proposed) corridors are major highlights in the infrastructural landscape in East Africa.

Compliance levels by shippers and transporters have not shown great improvement thereby inviting thorough and stringent checks at weighbridges and police check-points. Lengthy delays are experienced and significant amounts of money are wasted as a result.

Dwell times observed at the Jomo Kenyatta International Airport are mainly attributed to security checks, the levels of preparedness by shippers, and the quality of logistics services. On the other hand, train punctuality and the time taken to load a wagon are the greatest contributors to delays in rail transportation. Loading and unloading of wagons at rail yards plus unprecedented cancellation of schedules were also caused longer transit times in rail transportation in East Africa.

Overall, Rwanda performed better than other economies and ranked at position 1 in 2015 with a score of 3.66 compared to 3.52 in 2014. Burundi is 5th with a score of 2.25 in 2015 against 2.78 in 2014 with the political situation there contributing to the dismal perception of its performance. Kenya stands at position 3 with a score of 3.07 in 2015 against 2.82 in 2014. Tanzania slipped from position 3 in 2014 to position 4 in 2015 with scores of 2.77 and 2.89 respectively. Poor delivery times (timeliness) are a

challenge. Predictability and reliability of East African supply chains still impede the region from fitting into fast-paced global supply-chains that are managed by just-in-time principles. Incidences of corruption are also still rampant, yet the same do not augur well with the desired environment for competitive trade logistics practices.

The survey proposes recommendations that could enhance the competitiveness of trade and logistics performance within the EAC partner states. Public-private partnerships are highly endorsed in advancing not only infrastructural agenda, but also the quality of logistics services.

1.0 Introduction

1.1 BACKGROUND

The Shippers Council of Eastern Africa (SCEA) is a business membership organization that advocates for the interests of cargo owners (importers and exporters) in Eastern Africa. SCEA's key mandate is to advocate for appropriate freight transport legislation and policies that will spur an efficient and cost effective transport and logistics system. This is done through evidence-based advocacy and representation primarily informed by the East Africa Logistics Performance Survey, an annual publication of the Council that examines the costs, times and complexity aspects of the East African logistics chain. This year's survey marks the fourth edition.

Quality logistics services play an important role in facilitating the transportation of domestic, regional and international goods. Inefficiencies impede trade by imposing extra costs in terms of time and money while efficient logistics increase the competitiveness of a country's exports by reducing the cost involved in transporting goods – especially for countries that are disadvantaged by distance from major markets. As developed nations shift from traditional manufacturing and agriculture and become increasingly involved in international vertical specialization, the need for efficient logistics services becomes more important.

The LPS provides the most comprehensive regional comparison tool to measure trade and transport facilitation friendliness of the EAC countries. Understanding the components of trade and logistics performance can help EAC states identify their areas of weakness and strength in comparison to competitors thereby formulating strategies for increasing transport efficiency. Four major cost components have been identified as part of the overall costs of transportation from the ports of Mombasa and Dar-es-Salaam to the landlocked countries. These are port charges, clearing and forwarding charges, freight costs, and costs due to inefficiency and delays in transit.

The survey tracks specific quantitative and qualitative indicators of logistics performance in terms of the cost, time and complexity of executing trade transactions. The LPS ranking will soon start showing up in the strategic plans of the EAC economies as has happened in Indonesia, where, its government officials launched a wide-reaching public-private dialogue on transport and logistics issues in the country shortly after publication of the 2007 World Bank Logistics Performance Index (LPI) report. This process led to the preparation of an action plan focusing on trade costs in its major ports, and the particular challenges faced by a country made up of over 10,000 islands. Although a number of

them are yet to be resolved, these initial reforms helped to improve the country's LPI rank from 75th in 2010 to 59th in 2012 and eventually to 53rd in 2014. It is important to mention that the LPS also relies on the perceptions of shippers and freight forwarders, shippers regarding performance along the aforementioned dimensions.

1.2 OBJECTIVES OF THE SURVEY

These are summarized in three core indicators of time, cost and complexity of moving goods across the region. The objectives are:

- Quantification of the maritime transport costs and timelines for imports and exports at Mombasa and Dar-es-Salaam ports.
- Quantification of airfreight transport costs and timelines for imports and exports.
- Quantification of rail freight transportation costs and timelines within the Central and Northern Corridors on selected high-density routes.
- Establish a rating of logistics performance in East Africa based on relevant complexity and perception indicators vis-à-vis:
    - *i. Timely delivery of shipments*
    - *ii. Visibility of shipments and transactions via track and trace capabilities*
    - *iii. Quality of transport and ICT infrastructure*
    - *iv. Threats of terrorism and piracy and their effect on insurance and freight costs*
    - *v. Complexity of clearance procedures*
- Rank the EAC partner States in terms of their logistics performance based on the selected indicators.
- Identify ongoing initiatives aimed at improving logistics performance in East Africa and their overall impact on trade and economic development in the region.
- Identify emerging performance indicators that are aligned to time, cost and complexity of trade transactions.

1.2.1 Indicators

I) Time

a) Maritime Transport

- Time taken to import
- Port dwell time
- Ship waiting time
- CFS transfer time
- Time for customs procedure
- Port exit procedures
- Duration of quayside operations

b) Surface Transport

- Total time taken in inland transportation by road and rail to various destinations in East Africa.
- Stale points along the corridors where a lot of time is spent e.g. weighbridges, police-checks, and parking/resting areas.

c) Border Crossings

- Border crossing times / transit times for imports and exports at major border posts along the transport corridors of East Africa, while focusing on factors that enhance delays in the clearance and movement of goods at these border-posts

d) Air Transport

- Cargo dwell times at major East African airports

- Other emerging and contributing factors to delays at airports

II) Cost

a) Maritime transport

- Freight costs
- Port and terminal related costs

b) Surface transport (road and rail)

- Freight costs from Dar-es-Salaam to various destinations in East Africa
- Freight costs from Mombasa to various destinations in East Africa

c) Air Transport

- Airfreight cost to various destinations

III) Complexity

- Number of documents required per trade transaction
- Number of signatures per trade transaction
- Number of agencies that have the authority to inspect goods
- Percentage of sea-freight containers that are electronically scanned
- Percentage of sea-freight containers that are physically inspected
- Number of times a consignment is typically inspected

1.3 Methodology

Logistics has many facets and as such, measuring and summarizing performance across the East African region commands in-depth and wider study. There is no uniform definition yet for logistics costs and as such, international logistics cost comparisons tend not to be precise. In addition to the difficulties common to any survey carried out across countries it still remains unclear about the composition of the components and how to measure them. For this reason, much care is necessary when concluding that one country has higher or lower logistics costs than another based on international comparisons that use different methodologies and heterogeneous databases. Information about costs and time is, to a large extent already available, yet this cannot be easily aggregated into a single and consistent cross-country dataset because of structural disparities in countries' supply chains.

Different methodologies were used to collect, collate and analyse data. These include a desk-review to collect secondary data from the 2011-2014 SCEA LPS publications, World Bank LPI publications, Northern Corridor Observatory reports for 2015 among others *(see the full list of reports and documents reviewed at the back of the report).*

Primary data collection was done through administration of questionnaires. The questionnaire collected data on demographic characteristics of shipping lines or ship agents, CFS operators, airlines/carriers, transit shed operators, customs brokers, freight forwarders, transporters, importers and exporters. The questionnaire also collected data on logistics costs, timelines and efficiency indicators from the four modes of transportation i.e. maritime, air, road and railway.

Other type of data collected included overall rating of logistics performance such as points on the logistics chain that corruption incidences and rent-seeking activities are most experienced, non-compliance with permitted axle-load weights by truckers, complexity of trade transactions and overall rating of logistics performance.

The third method of data collection was using the key informant, where expert opinion on wide ranging issues in the logistics industry in East African region were discussed. The table below summarises the response rates in data collection.

The LPS reflects the perspective of the regional private sector on how countries are globally connected through their main trade gateways. Therefore, it might not fully capture changes at the country level. For example, just like in the World Bank LPI, a low LPS score might reflect access problems outside the country for landlocked countries, which might not necessarily be the case. A sample questionnaire and a full list of industry stakeholders that were interviewed are annexed in this report.

No.	Detail	Target	Achieved	Percentage
1	Questionnaire - Burundi	10	8	80%
2	Questionnaire - Kenya	10	12	120%
3	Questionnaire - Rwanda	10	11	110%
4	Questionnaire - Tanzania	10	11	110%
5	Questionnaire - Uganda	10	17	170%
6	Key Interviews	5	6	120%
7	Document Review	15	26	173%

Table 1: *Survey Tool and Response Rate*
Source: *2015 LPS Survey*

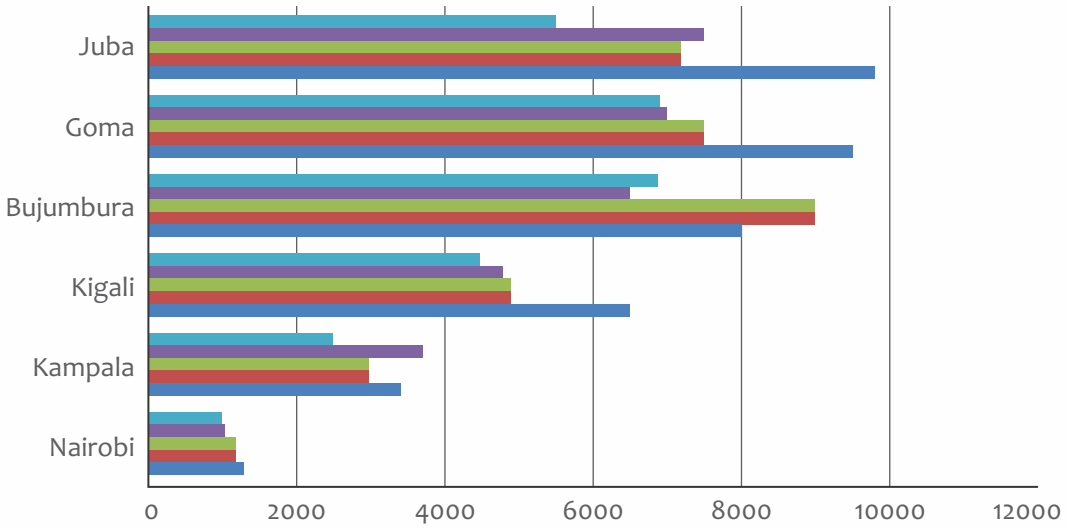
2.0 Key findings

2.1 RATES AND COST INDICATORS

The survey takes a look at the road and rail, air and maritime transportation modes. The findings are crucial to decision-making by shippers and traders alike. For example, to enter certain markets or not, to source from one region instead of another, the choice of a particular transport mode, among others. It is thus imperative that such freight/cost data are accurate and available to aid proper decision-making.

2.1.1 Road Transport

There are two main transit transport corridors that facilitate export and import activities within the EAC region. The 1,700 kilometre long Northern Corridor that serves Kenya, Uganda,

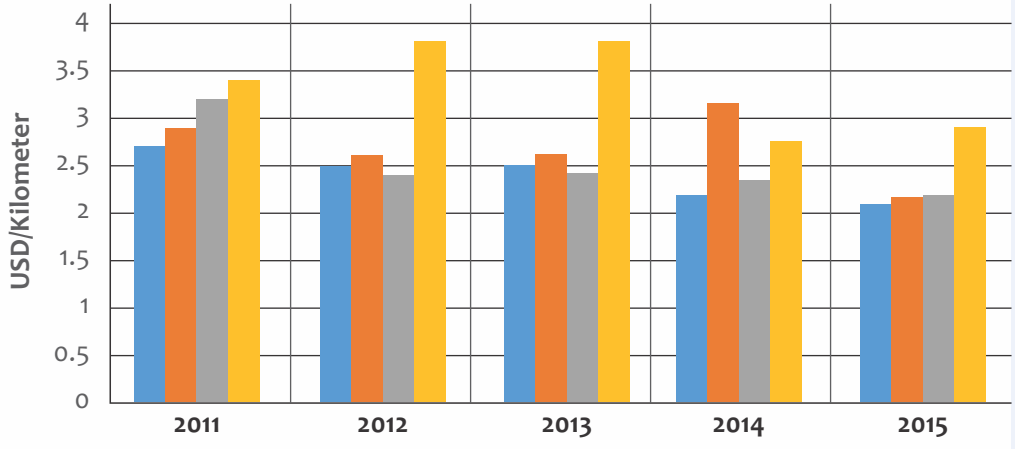


Year	Nairobi	Kampala	Kigali	Bujumbura	Goma	Juba
2015	1000	2500	4500	6900	6900	5500
2014	1045	3700	4800	6500	7000	7500
2013	1200	3000	4900	9000	7500	7200
2012	1200	3000	4900	9000	7500	7200
2011	1300	3400	6500	8000	9500	9800

Figure 1: *Northern Corridor transport costs in USD from 2011-2015 (June /July) from Mombasa*
Source: *Collated from LPS Surveys*

Rwanda, Burundi and Eastern D.R. Congo, with an exit and entry point at the port of Mombasa, and the 1,300 kilometre long Central Corridor (1300) that serves Tanzania, Rwanda, Burundi, Uganda and Eastern D.R. Congo, with an exit and entry point at the port of Dar-es-Salaam. It has a combination of rail, road and lake transportation in Lake Tanganyika.

The two corridors represent a salient factor in regional trade and economic integration, and additionally connects the land lined countries of Burundi, Rwanda and Uganda D.R. Congo and S. Sudan provide access to the ports of Mombasa and Dar-es-Salaam to the land linked countries of Burundi, Rwanda and Uganda D.R. Congo and S Sudan. The Central corridor connects the port of Dar-es-salaam with Burundi, Rwanda, Uganda and D.R. Congo. It has a combination of rail, road and lake transportation in Lake Tanganyika. The average transport rates between Mombasa and other major towns of East Africa has been on the decline from 2011 to 2015 as shown in Figure 1 and Table 1 above. For example, the average cost of transporting a forty foot container from Mombasa to Nairobi gradually reduced from a high of USD 1,300 per forty foot container to USD 1,000. The trend is replicated on the Juba route which registered a drop from a high of USD 9,800 to a low of USD 5,500.The general drop in price can be attributed to a drop



	2011	2012	2013	2014	2015
NBO	2.7	2.5	2.5	2.17	2.08
KLA	2.9	2.6	2.6	3.16	2.14
KGL	3.2	2.4	2.4	2.33	2.18
BJM	3.4	3.8	3.8	2.73	2.9

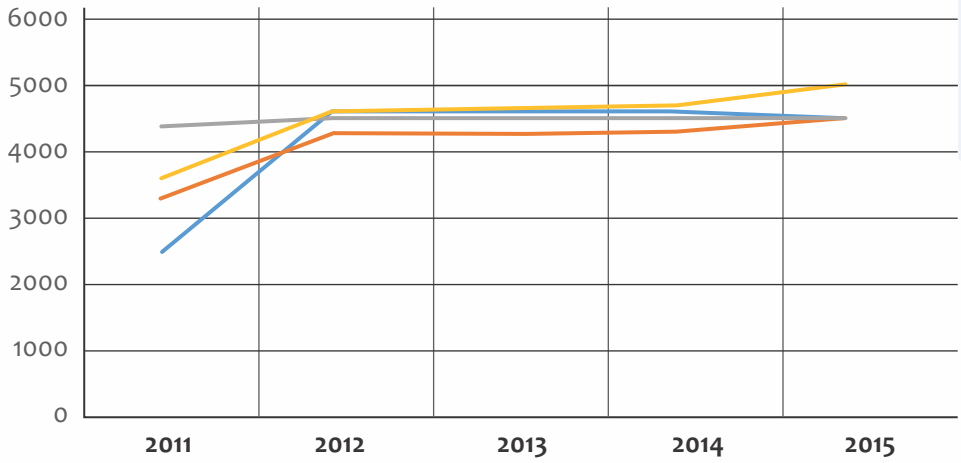
Figure 2: *Northern corridor average transport costs/kilometre from 2011-2015 (June / July) from Mombasa*
Source: *Collated from LPS Surveys*

in fuel prices and also an increase in the supply of trucks which lead to cut throat competition among the truckers.

The average transport costs per kilometre from 2011 to 2015 in Figure 2 above show that save for Burundi, in 2012 and 2013 and Uganda in 2014, the general trend has been a decline from an average of between USD 2.7 and 3.4, to below USD 2.08 and 2.9. This represents a decline of between 15per cent and 23 per cent.

The Central Corridor rates went up in 2012 from 27 per cent in 2011 to a high of 83 per cent, save for Bujumbura which went up by 3 per cent. The transport rates have remained relatively stable with insignificant increases. This can be partly explained by the declining fuel prices and other non-competitive attributes of the routes.

From Table 2, only Bujumbura shows stability in the transport costs per kilometre along the Corridor. The rest of the routes show relative stability with marginal increases. This is attributed to the relative stability of the fuel prices. It is noticeable that the Northern Corridor is currently cheaper than the Central Corridor to various destinations in the East and Central African region. Over the 5 year period, transport costs on the Northern Corridor declined by 28 per



	2011	2012	2013	2014	2015
Kampala	2507	4600	4600	4600	4500
Kigali	3314	4250	4250	4300	4500
Bujumbura	4369	4500	4500	4500	4500
Goma	3618	4600	4600	4700	5000

Figure 3: *Central Corridor transport costs in USD from 2011-2015 (June / July) from Dar-es-Salaam*
Source: *Collated from LPS Surveys*

From Dar to	2011	2012	2013	2014	2015
Kampala	1.51	2.78	2.78	2.78	2.71
Kigali	2.27	2.91	2.91	2.94	3.08
Bujumbura	3.76	3.87	3.87	3.87	3.87
Goma	2.25	2.86	2.86	2.86	3.11

Table 2: *Central Corridor average transport costs per kilometre from 2011-2015 (June / July) from Dar-es-salaam*
Source: *Collated from LPS Surveys*

cent. The route with the highest rate of decline was Juba at 44 per cent while the least gainer was Bujumbura with a 14per cent increase. This is quite the opposite of the Central Corridor where on average the transport rate increased by 39 per cent over the same period. Kampala rates increased by 79 per cent while Bujumbura remained relatively stable at 3 per cent. This is shown in figure 4 below.

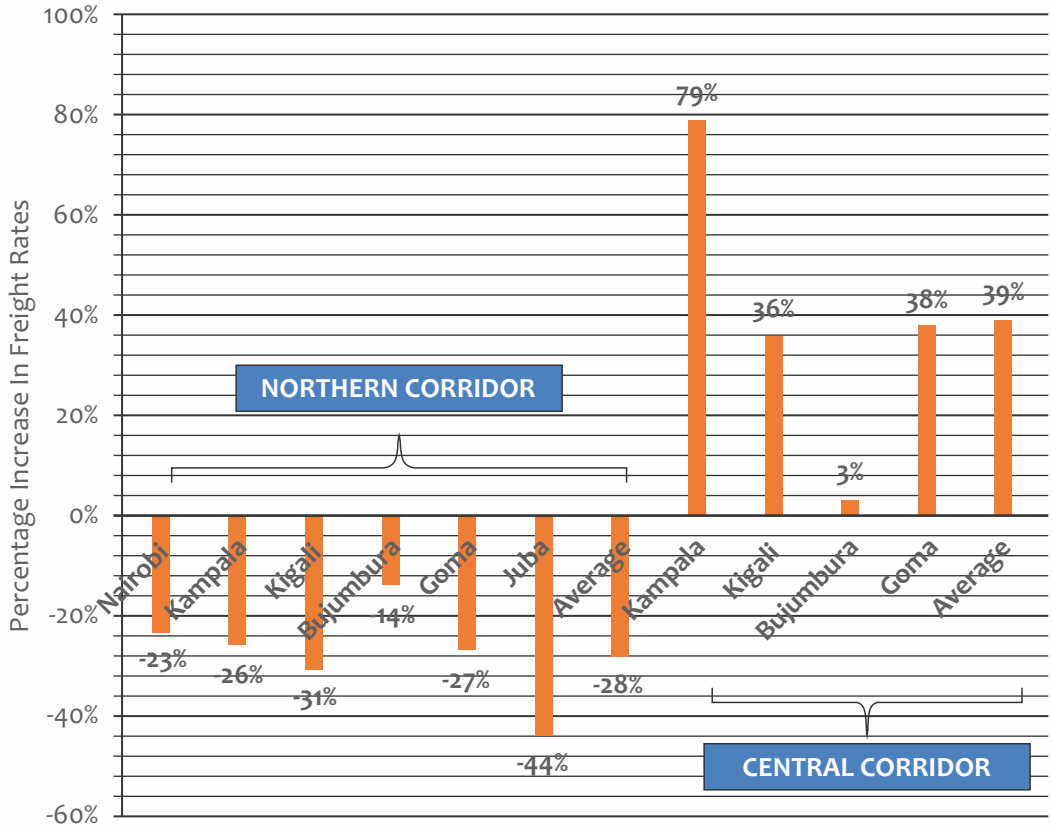


Figure 4: *Northern and Central Corridor increase in transport cost between 2011 and 2015*
Source: *Collated from LPS Surveys*

2.1.2 Railway Transport

In the EAC, only Kenya, Uganda and Tanzania have an operating railway. The Kenya-Uganda line is 2,352 kilometres long while Tanzania has a total track length of 3,676 kilometres. According to the 2013 LPS, it is estimated that railway accounts for 4-6 per cent of cargo evacuated from the port of Mombasa while in Dar-es-salaam it is estimated to be only 5 per cent.

Railways are useful for the transportation of bulky products over long distances. The EAC partner states have been using the meter gauge measuring 1000 mm - 1067 mm or 3 feet 6 inches, while more advanced economies employ the standard gauge of 1435 mm or 4 feet 8 1/2 inches. This means that the partner states are limited to the amount of freight they can move via rail due to the limitation in the size of wagons which determine the maximum gross weight that can be loaded). This has led to low evacuation rates from both the ports of Dar-es-Salaam and Mombasa, further worsened by lack of adequate wagons and dilapidated rail infrastructures.

The Northern Corridor railway route is operated by Rift Valley Railways which charges USD 500 per twenty foot container and 1,000 for a forty foot container from the port of Mombasa to the Nairobi Inland Container Depot (ICDE) yard in Embakasi - Nairobi. For the Kampala route the rates are USD 1,250 and USD 2,200 respectively.

The return route has lower rates since most of the containers are empty. For Kampala the rate is USD 600 and USD 700 for a twenty foot and forty foot container respectively. Similar rates from Nairobi to Mombasa are USD 200 and USD 400 dollars.

		From Mombasa		To Mombasa	
		Nairobi	Kampala	Nairobi	Kampala
1	**20 ft**	USD 500	USD 1250	USD 200	USD 600
2	**40 ft**	USD 1000	USD 2200	USD 400	USD 700

Table 3: *Rail freight rates between Mombasa, Nairobi & Kampala*
Source: *KRC Tariffs*

2.1.3 Air Transport

The pricing of air cargo is contentious as scheduled passenger flights often base their rates on the marginal cost of fuel whereas the all-cargo services base the price on the average unit operating cost of the aircraft. Load factor is important in determining average unit cost not only because there is a significant portion of fixed costs but more importantly because fuel consumption varies with the total weight of the aircraft. Since charter flights have higher load factors than scheduled air cargo services, they tend to have lower average unit costs for a similar number of operating hours.

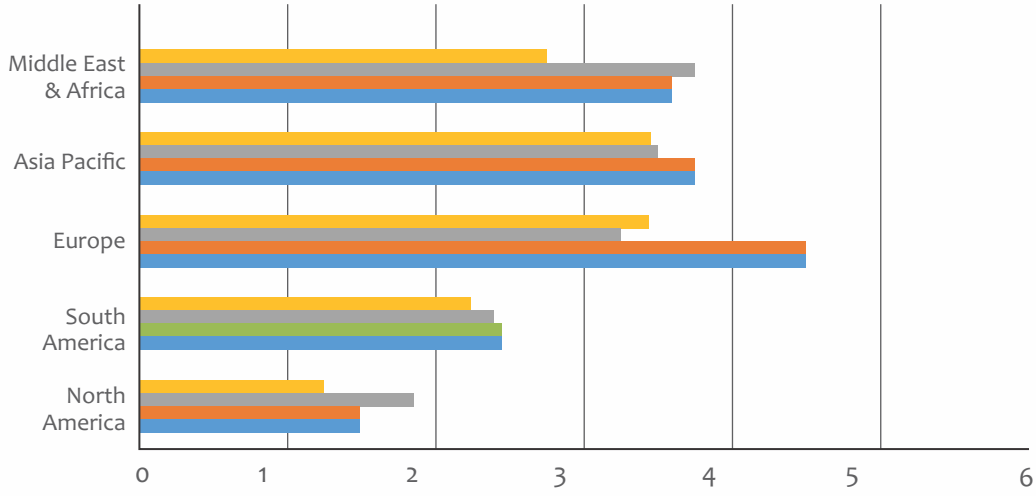
This survey computed average freight rates for both imports and exports to various regions around the globe, as shown in the tables below.

Region	North America (USA, Canada, Mexico)	South America (Brazil, Chile, Argentina)	Europe (Britain, Holland, EU)	Asia Pacific (China, Japan, Korea, Singapore)	Middle East & Africa
Average Costs (in USD/Kg)	3.2	3.2	3.2	2.5	2.5

Table 4: *Average airfreight export rates in October 2015*
Source: *2015 LPS Survey*

Region	North America (USA, Canada, Mexico)	South America (Brazil, Chile, Argentina)	Asia Pacific (China, Japan, Korea, Singapore)	Europe (Britain, Holland, EU)	Middle East & Africa
Average Costs (in USD/Kg)	4.0	4.0	4.0	3.0	3.0

Table 5: *Average airfreight imports rates in October 2015*
Source: *2015 LPS Survey*



	North America	South America	Europe	Asia Pacific	Middle East & Africa
Exports 2014	3	3.5	1.75	1	1.75
Imports 2014	4	4	1.75	5	1.75
Exports 2015	3.2	3.2	3.2	2.5	2.5
Imports 2015	4	4	3	4	3

Figure 5: *Average airfreight rates (USD /Kg) for exports and imports to and from selected destinations*
Source: *Collated from LPS 2014/15 Surveys*

The average airfreight rates for North and South America remained the same for both import and export for the year 2014 and 2015. The general increase in rates on the European route was 77 per cent while the Asia pacific route had an increase of 25 per cent in exports and a drop of 20per cent in imports. In Middle East and Africa the exports increased by 43 per cent from USD 1.75 to 2.5, while the imports increased by 71 per cent from USD 2.5 to 3.

2.1.4 Maritime Transport

The two major ports in East Africa, Dar-es-Salaam (Tanzania) and Mombasa (Kenya) are run by Tanzania Ports Authority (TPA) and Kenya Ports Authority (KPA) respectively. Freight rates in this sub sector have increased substantially since the global economic downturn. 2013 saw freight rates in dry-bulk and tanker markets reaching a 10 year low, with similarly low levels in the container-line market. The low performance of maritime freight rates is due to slow global economic development, weak (hesitant) demand and persistent overcapacity from the supply-side in the global shipping market. The trend has been on a decline since 2012.

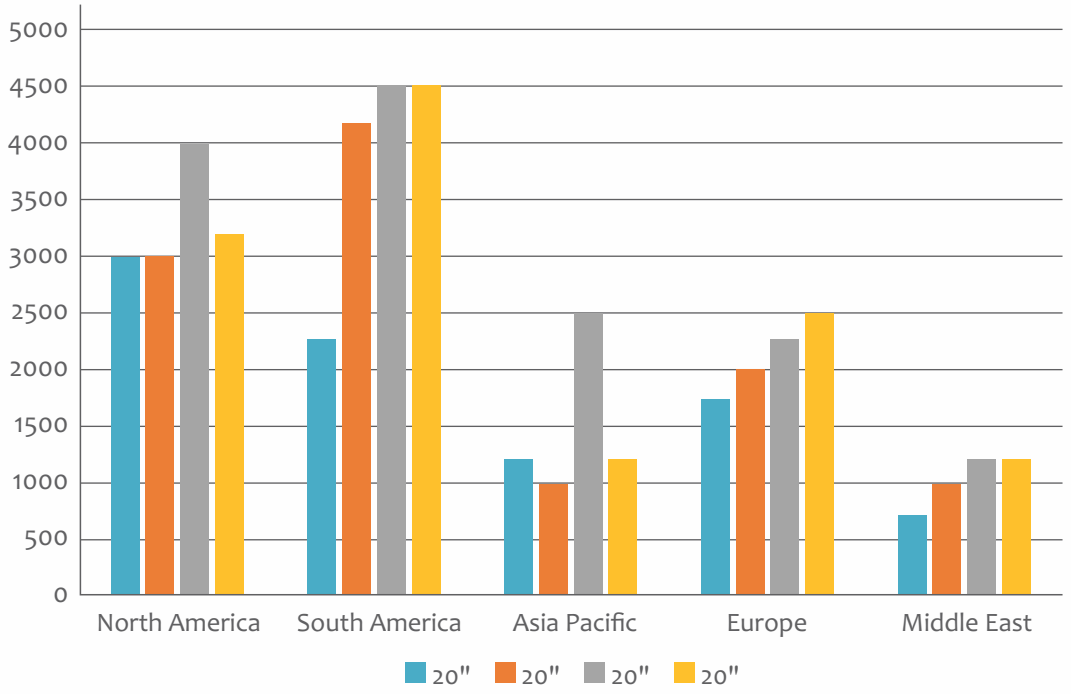
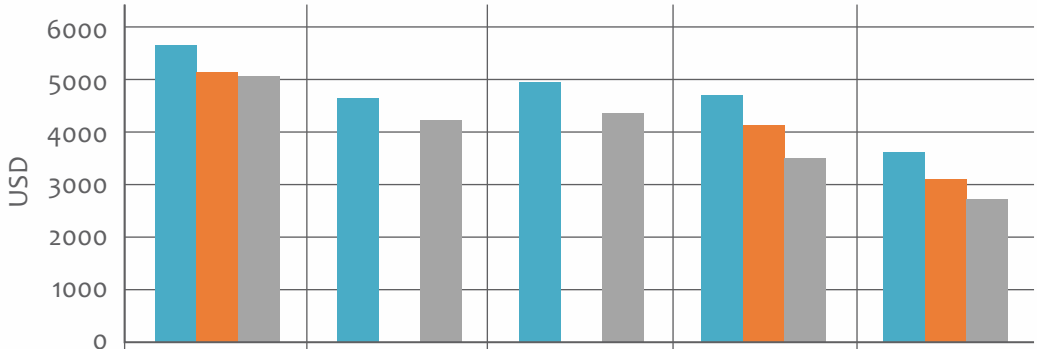


Figure 6: *Imports freight rates to Dar es Salaam Port 2015 (July)*
Source: *Collated from LPS 2014/2015 Survey*

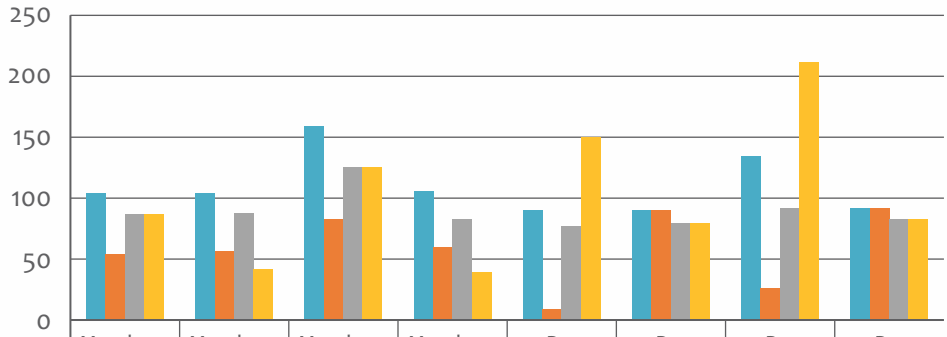
Figure 6 shows that it is cheaper to import from the Middle East and Asia Pacific than North America and South America into Tanzania. This is mainly due to the spatial distance and shorter routing, hence a lower impact of fuel costs.



	North America	South America	Asia Pacific	Europe	Middle East
2015	5500	4500	4800	4500	3500
2014	5000	0	0	4000	3000
2012	4900	4100	4200	3400	2600

Figure 7: *Average maritime export freight rates, Mombasa Port 2012-2015 (June/July)*
Source: *Collated from 2014/2015 Surveys*

Figure 7 shows the average maritime rates for export from the port of Mombasa to other regions of the world. The North American route experienced increased rates from USD 4,900 in 2012 to USD 5,500 in 2015, an increase of 12 per cent. Rates to Europe increased 32 per cent from an average of USD 3,400 to 5,400. The Middle East saw an increase of 35 per cent from USD 2,600 to 3,500.



	Mombasa 20ft - 2015	Mombasa 20ft - 2014	Mombasa 40ft - 2015	Mombasa 40ft - 2014	Dar 20ft - 2015	Dar 20ft - 2014	Dar 40ft - 2015	Dar 40ft - 2014
Import	105	105	160	105	90	90	135	90
Export	53	56	80	56	10	90	20	90
Transit Imp	85	85	125	85	70	80	95	80
Transit Exp	85	40	125	40	150	80	210	80

Figure 8: *Shore handling charges at the ports of Dar-es-Salaam and Mombasa 2014/2015*
Source: *KPA & TPA Tariff Books*

Dar-es-salaam has higher shore handling charges than Mombasa for transit exports of TEUs. However, Mombasa has higher rates for transit imports. Overall, there has been an increase in port charges between 2014 and 2015.

2.2 EFFICIENCY AND TIME INDICATORS

2.2.1 Maritime transport

Various reforms are currently underway in both the ports of Dar-es-Salaam and Mombasa, including expansion and construction of additional terminals, improvements in documentation and clearance processes, and automation of container handling processes, cargo verification and scanning. All these are efforts geared towards improving not only port efficiency, but to facilitate trade and reduce overall logistics costs. The survey examined the time taken to import and export goods from Mombasa and Dar-es-Salaam from various destinations around the world.
Port dwell time can be defined as the total time elapsed from when the cargo arrives at the port to when it leaves, that is, after all permits have been obtained and fees paid. This relies mainly on vessel waiting time, length of quayside operations, CFS transfer time, time taken for customs clearance and the exit-procedures period.

A comparison of port dwell times is shown below, with East African ports performing poorly against South Africa and well below the global best practice target of 3 days.

There has been a 36.25 per cent increase from 76.3 hours in June 2014 to 119.7 hours in June 2015 as shown in figure 9. This essentially implies a drop from 3 days to 5 days of port dwell time. The target dwell time of 3 days, which is the global best-practice standard, can still be achieved, with more focus and cooperation amongst the Mombasa port charter community stakeholders.

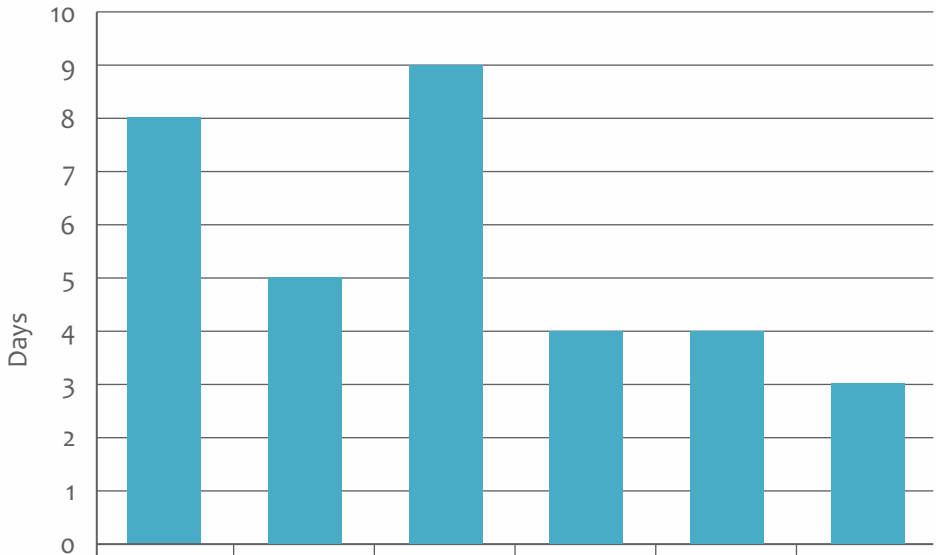


Figure 9: *Comparative performance of ports along the East Coast of Africa*
Source: *2013 LPS*

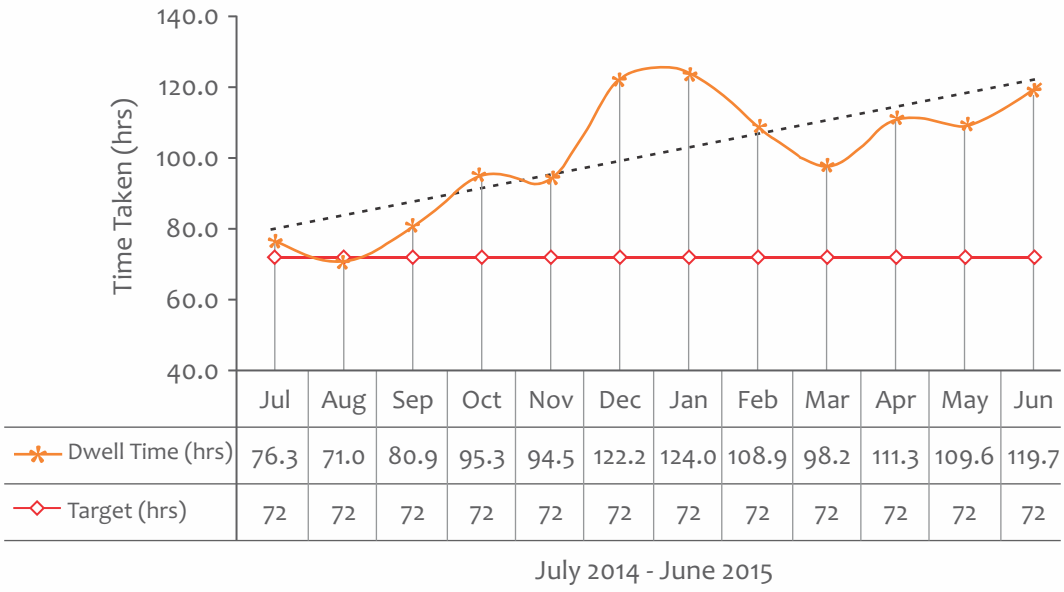


Figure 10: *Cargo dwell time at the port of Mombasa.*
Source: *2014/2015 Annual Port Community Charter Report*

There has been a 36.25 per cent increase from 76.3 hours in June 2014 to 119.7 hours in June 2015 as shown in figure 9. This essentially implies a drop from 3 days to 5 days of port dwell time. The target dwell time of 3 days, which is the global best-practice standard, can still be achieved, with more focus and cooperation amongst the Mombasa port charter community stakeholders.

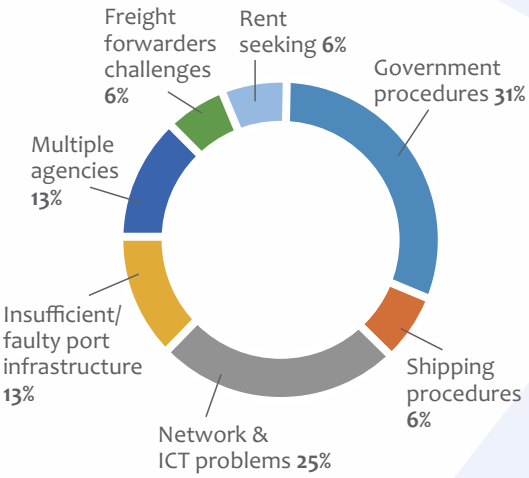


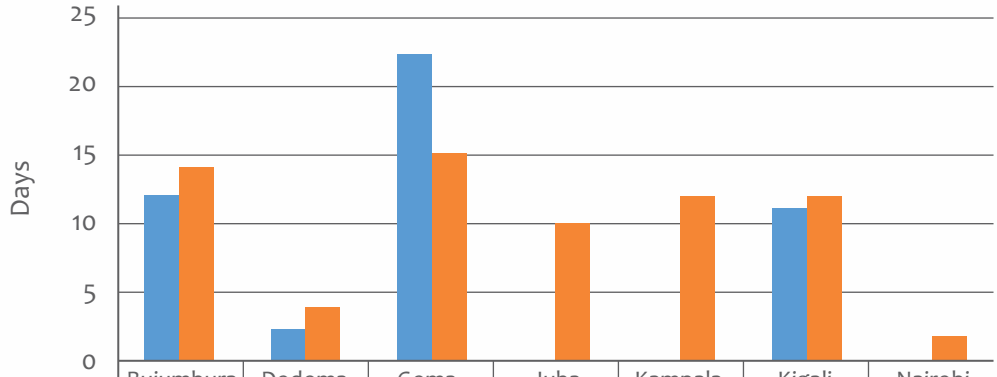
Figure 11: *Factors contributing to port dwell times*
Source: *2015 LPS Survey*

Survey Question: *Which factors in your opinion are the greatest contributors to port dwell times?*

31 per cent of the survey respondents feel that government procedures are the biggest contributors to prolonged dwell times at the ports with 25 per cent attributing it to network and ICT problems coming second. 13 per cent of respondents perceived the presence of too many government agencies and insufficient or faulty port infrastructure as the biggest contributor to dwell time.

2.2.2 *Efficiency of transport corridors*

The survey attempted to measure the efficiency of road freight transport services in the region. Turnaround times (the average time it takes for truck to leave the port, deliver cargo to designated destinations within the EAC and return to the port), road conditions, weighbridges, checkpoints, traffic congestion within port cities are also major contributors to slow turnaround times. For example, in Mombasa, heavy traffic between the port exit gates and Mariakani causes a delay of up to 6 hours sometimes, a stretch that would ordinarily take 30 minutes to go through.



	Bujumbura	Dodoma	Goma	Juba	Kampala	Kigali	Nairobi
Ex Dar	12	2.3	22			11	
Ex Mombasa	14	4	15	10	12	12	1.2

Figure 12: *Average truck turnaround times to various destinations in East Africa*

Survey Question: What measures can you propose to improve truck turnaround times for major maritime ports in your country of operation?

As indicated in figure 11, the area of improvement that would greatly enhance faster truck turnaround times is clearance processes and procedures. This is according to 54 per cent of the respondents. 23 per cent noted infrastructural development was a key area that will enhance the turnaround times.

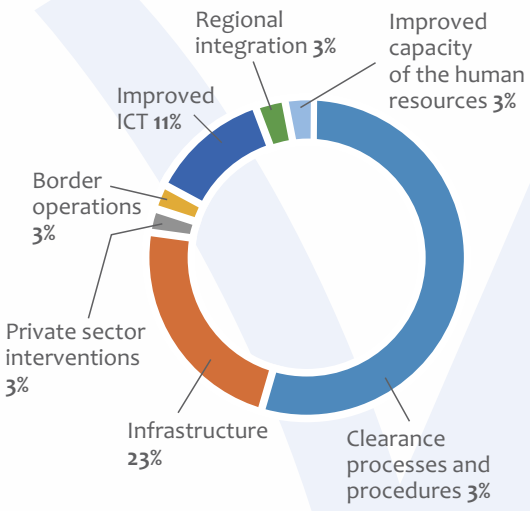


Figure 13: *Proposed measure to improve truck turnaround times*
Source: *LPS 2015 Survey*

Survey Question: What is the average distance covered by your truck per month?

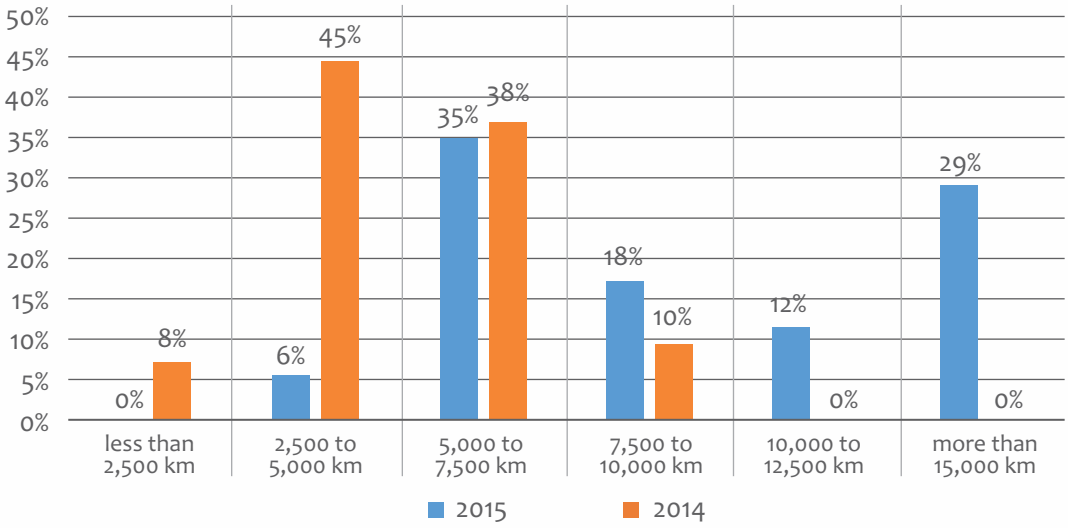


Figure 14: *Average distance covered by truck per month*
Source: *LPS 2015 Survey*

Survey Question: In your opinion, what needs to be changed in your business or in the road transport sector, in order to realize the desired kilometres per truck per month?

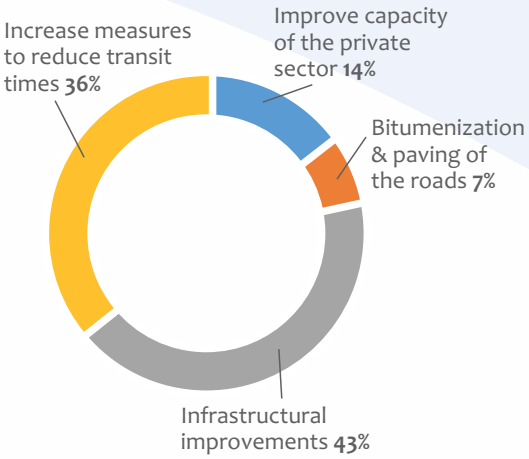


Figure 15: *Proposed remedies to improve kilometres / truck per month*
Source: *2015 LPS*

From the above figure, it is clear that 79 per cent of the respondents during the survey feel that transit times and infrastructure are the most desired improvements to enhance their competitiveness in distances covered per month.

Quick turnaround times are a necessity in improving delivery times and therefore shortened lead-times. Reliability and predictability of supply chains are key requirements for many organizations to fit (and bid for business) into both regional and global supply chains. Therefore, the velocity of freight flows is directly related to average distances covered per truck per month.

Survey Question: At what points on the logistics chain are corrupt incidences and rent-seeking most experienced ?

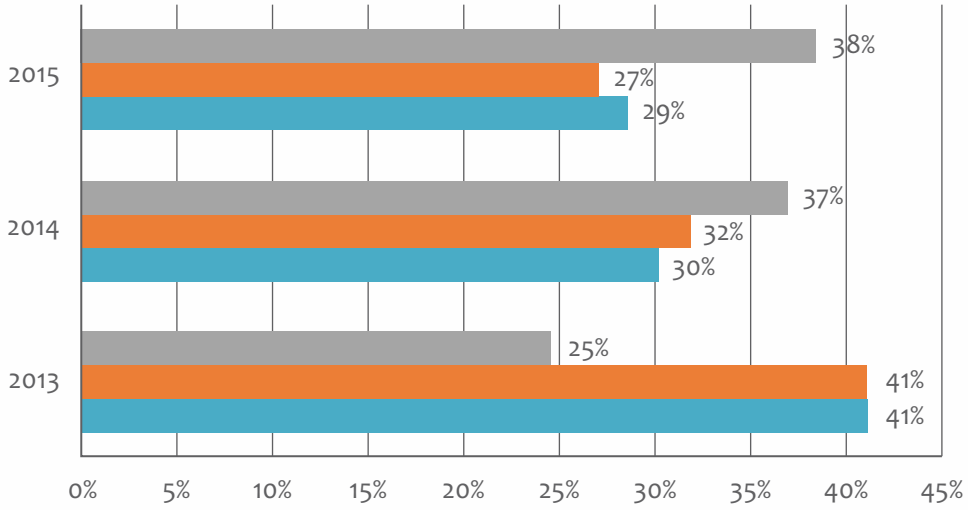
	Sea-Port	Airport	Highways	Border crossing points	Inland container depot	CFS
Burundi	●	●				
Kenya	●	●	●	●	●	●
Rwanda			●			
Tanzania					●	●
Uganda	●	●	●	●	●	●

Table 6: *Most suspected points for corrupt practices along East African transport & logistics chains*
Source: *2015 LPS*

Rent-seeking behaviour and corrupt activities are more rampant in Kenya and Uganda. Although the quantification of the monetary values exchanged as bribes at points highlighted in the logistics chain is not given, it should also be noted that transporters and shippers alike play a major role in the escalation of the vice. Non-compliance with set regulations for example, is a key reason for engaging in such activities.

Rwanda exudes higher business ethics, with highways singled out as the only point of rent-seeking and corrupt practices, whilst respondents in Burundi point at ports and airports as the areas prone to such incidences.

Tanzanians find inland container depots and container freight stations as the areas prone to incidences of corruptions and rent-seeking malpractices.



	2013	2014	2015
Athi River	25%	37%	38%
Gilgil	41%	32%	27%
Mariakani	41%	30%	29%

Figure 16: *Number of drivers charged for non-compliance at Gilgil and Athi River weighbridges*
Source: *SCEA*

Figure 16 above depicts the level of compliance by owners of trucks and drivers at the Mariakani weighbridge on the Northern Corridor. Clearly, the amounts paid as fines represent a substantial amount that reflects directly on the cost of doing business, yet this is self-inflicted due to non-compliance with regulatory requirements.

The number of drivers being charged at the Athi River weighbridge is on the rise, with 2015 showing the highest number of culprits yet the year has not ended.

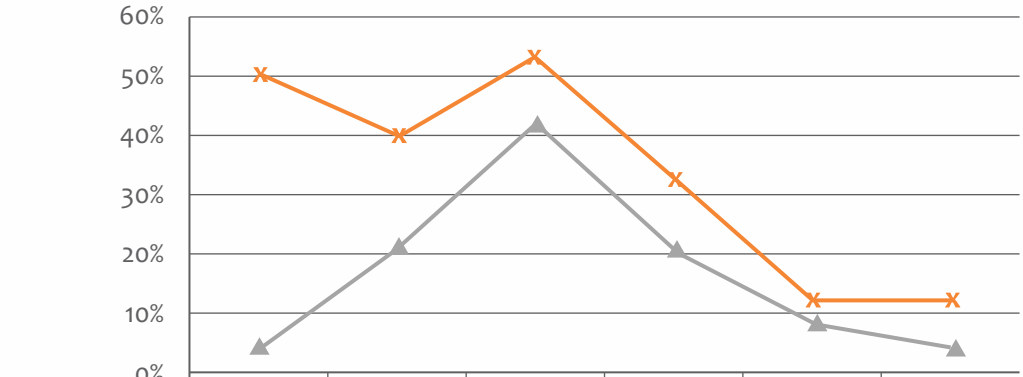
Both Gilgil and Athi River show an improving trend but with very marginal changes.

2.2.3 Air cargo efficiency

Performance measurement in airfreight was based on information from respondents about flight delay occurrences and cargo dwell times for both imports and exports.

As shown in the figure above, most importers at Jomo Kenyatta International Airport (JKIA) are able to clear their goods within two to three days. A major factor contributing to this scenario is the automation of customs procedures that allow for faster document processing and pre-clearance. Inspection and security screening still account for major delays at the airport. Increased competition from cargo handling facilities for airline customers has also contributed to faster ramp and ground operations leading to faster document processing and cargo handling in all transit sheds at JKIA. The cargo dwell times for exports has the same trend since most of the cargo air freighted from JKIA is perishable.

A lot of prior planning is done for this type of freight due to its sensitivity, and most of the shippers contract cargo capacity to major EU destinations. JKIA plays a role of being a transit-hub for most cargoes destined to the EAC region and beyond. Most of the exports that face over five days dwell-times fall in this category. A factor responsible for this is also failure of freight forwarders to track and trace inbound-transit shipments and that most dry-cargo is booked on free-sale capacity-basis by majority airlines.



	< 1 Day	1-2 Days	2-3 Days	3-4 Days	4-5 Days	>5 Days
Exports	46%	19%	12%	12%	4%	8%
Imports	4%	21%	42%	21%	8%	4%

Figure 17: *Cargo dwell times at Jomo Kenyatta International Airport, Nairobi*
Source: *2015 LPS*

Figure 18 gives the perception of respondents on the measures that would enhance the velocity of shipments in and out of the airports in the EAC region.

Clearance processes and procedures still seem to be the biggest impediment, with 40 per cent of the respondents intimating that it is their major stale point. Transit-

Survey Question: What measures can you propose to improve cargo dwell time for imports and exports at the airport in your country?

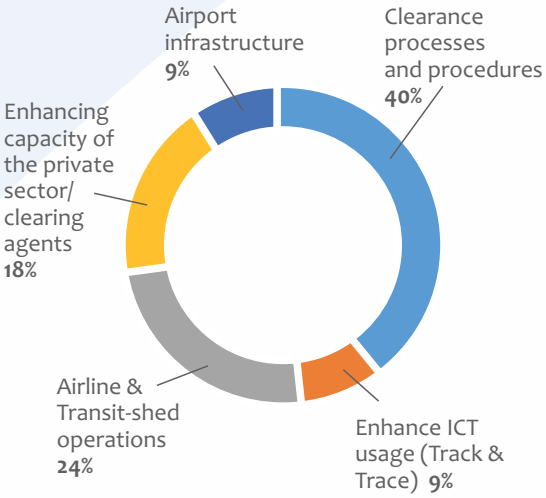


Figure 18: *Proposed measures to improve cargo dwell times at airports in East Africa*
Source: *LPS 2015*

Survey Question: What measures can you propose to improve the efficiency of rail freight operations in your country of operations?

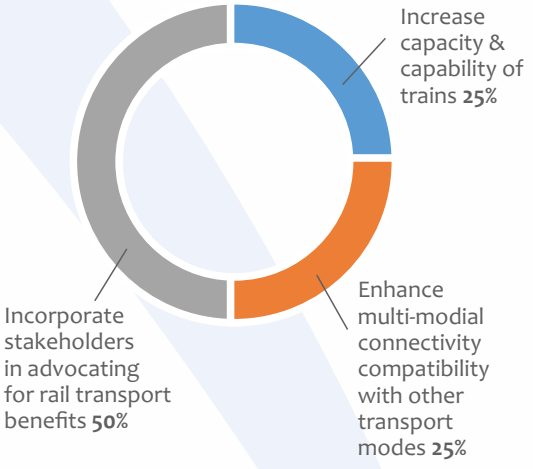


Figure 19: *Proposed measures to improve efficiency in railway operations in the EAC states*
Source: *Collated from 2015 LPS*

shed operations where the goods are warehoused and handled for either importation or exportation is the second area where more time is consumed at the airports. Although only 9 per cent of the respondents point at ICT as the main area that requires improvement, better automation of the internal business processes at the transit-sheds would alleviate the issue of dwell times at airports. 18% of the respondents are of the opinion that there is need for capacity-building of the clearing agents in terms of preparedness to deal with complex declarations and dealing with international trade issues e.g. incoterms, insurance and liability matters.

2.2.4 *Railway transport efficiency*

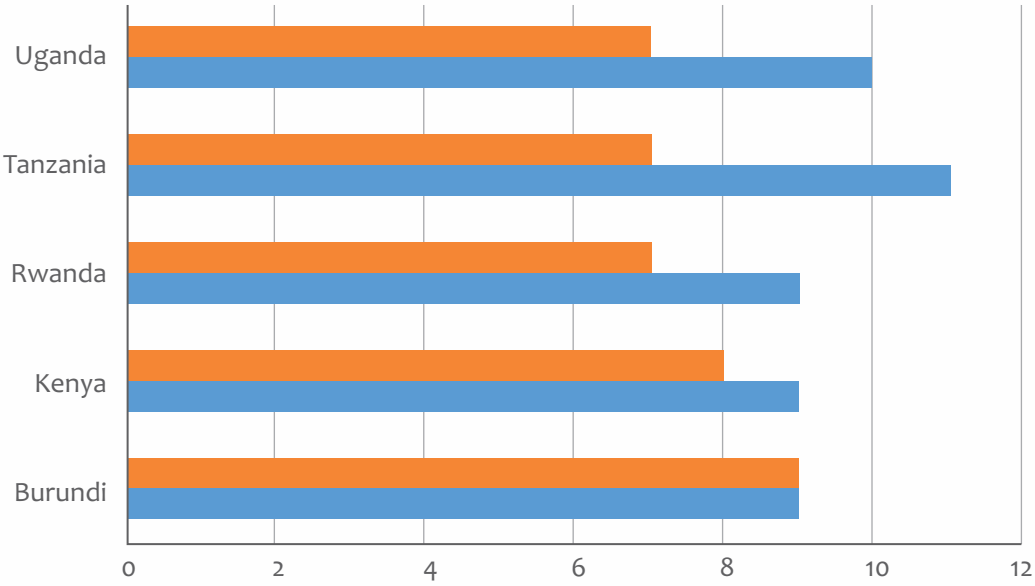
The survey sought to obtain average transit time data from the ports of Mombasa and Dar-es-Salaam to key destinations around the region using rail transportation. Service levels to customers in so far as lead times between requesting for a wagon and its actual delivery time was also of interest to the survey since it contributes to the total shipping time.

2.3 COMPLEXITY OF TRADE TRANSACTIONS

The degree of how complex it is to complete a regular trade transaction was also investigated in the 2015 survey. The number of documents required by exporters and importers to complete a transaction was taken as the key indicator in this case. Further reference to the 2015 survey by the World Bank on the Ease of Doing Business was also made to ascertain the documentation requirements within the EAC partner states (see figure below). The importance of this indicator is that it shows what directly impacts on the

efficiency of goods clearance procedures at entry/exit points in East Africa. Respondents indicate that up to 8 sets of documents are required to process a standard import transaction and a minimum of three document sets for an export transaction, all submitted in triplicate and in some cases in quadruplicate. The existence of over twenty government agencies at entry points is indicative of the foregoing complexity, in the Kenyan case. The use of a harmonized Single Administrative Document (SAD) should be re-emphasized, to avert unnecessary delays, especially at border crossings.

Physical inspections are still rampant in East Africa, although automated inspections are on the rise. Respondents also decried the delays caused by counter-inspections although there have been positive results on the fight against terror across the EAC points of entry.



	Burundi	Kenya	Rwanda	Tanzania	Uganda
Exports	9	8	7	7	7
Imports	9	9	9	11	10

Figure 20: *Number of documents required for a standard import and export transaction in the EAC*
Source: *World Bank Doing Business Survey 2015 & 2014 LPS*

2.4 MOMBASA PORT COMMUNITY CHARTER AND PERFORMANCE DASHBOARD

The launch of the Mombasa Port Community Charter and Performance Dashboard by the President of Kenya, H.E. Uhuru Kenyatta, in May 2014 saw the birth of a permanent framework for collaboration that binds together the port community. Port productivity and efficiency are requisites for an improved logistics environment and augurs well with trade facilitation and competitiveness initiatives. The Charter thus has specific actions, collective

obligations and performance measurement strategies to ensure that goals and objectives are steered towards achieving best practices in trade and transactions. These are meant to lower costs of doing business and reduce cycle time of trading within the region using the port of Mombasa. Key performance indicators that provide the monitoring and evaluation framework, which is coordinated by SCEA, are analyzed below.

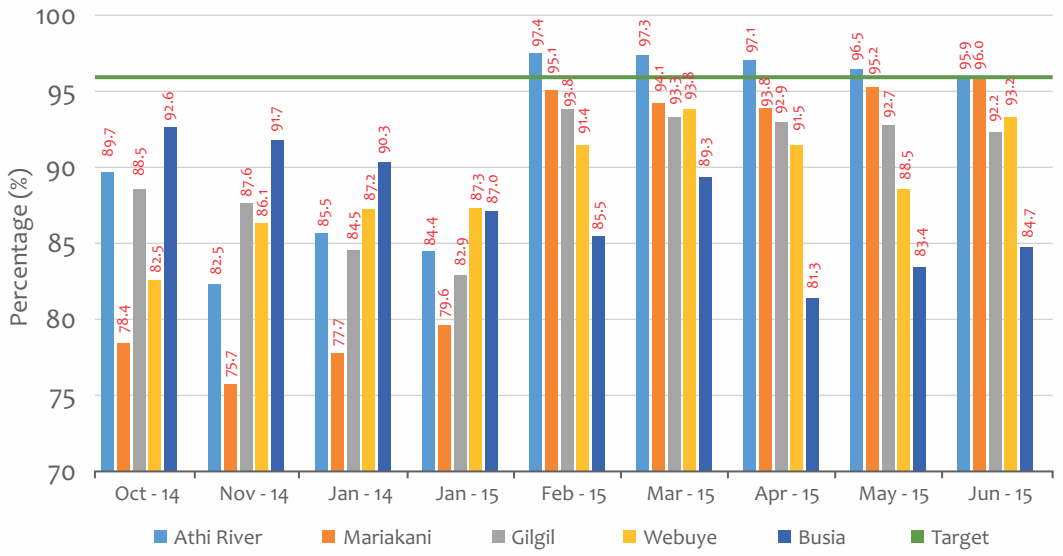


Figure 21: *Weighbridge compliance level at various weighbridges*
Source: *Mombasa Port Charter Annual Report 2014/2015*

2.4.1 Weighbridge Compliance level

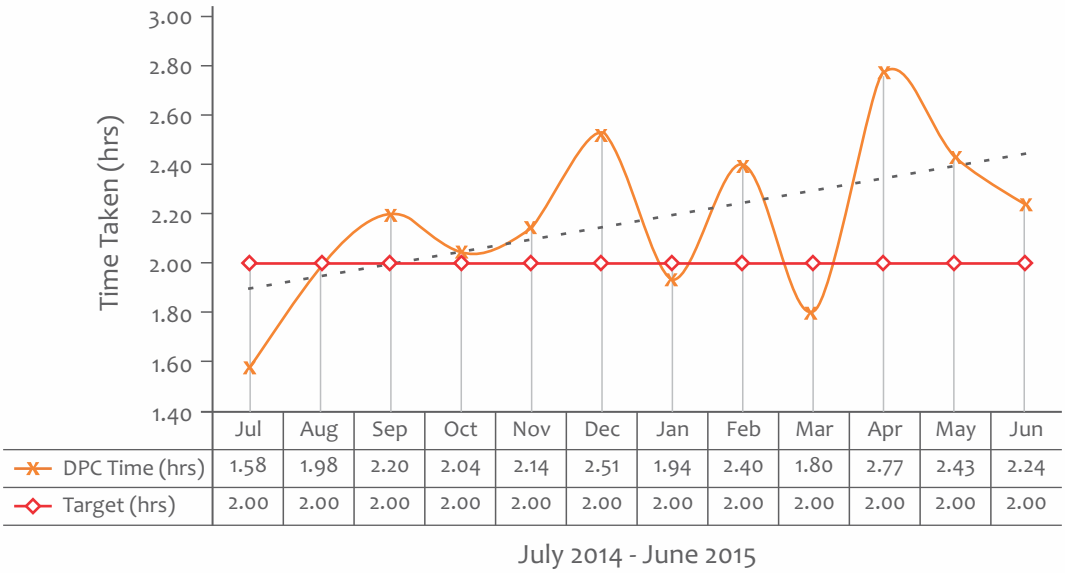
The figure above indicates that except Busia, all the other weighbridges observed a compliance level above 90 per cent since February 2015. It is noteworthy that only Busia still operates fully under static weighing.

In addition, all the weighbridges have showed mixed results in their compliance level since the Charter was signed. It is expected that all the trucks should achieve 100 per cent compliance with few exceptional cases.

2.4.2 Time taken at the document processing centre (DPC)

This is the time it takes a clearing agent to lodge an entry and have it passed by customs. The measure considers only transit cargo monitored on a weekly basis. DPC time has been fluctuating month-by-month since the Charter was signed.

The results indicate that customs authorities have achieved their target of two hours in July and August 2014, and January and March 2015. However, the trend indicates an overall increase in clearance time and there is need to fully implement all the interventions to help reduce the DPC time in the future. These are shown in the figure below.



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
DPC Time (hrs)	1.58	1.98	2.20	2.04	2.14	2.51	1.94	2.40	1.80	2.77	2.43	2.24
Target (hrs)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00

Figure 22: *Customs clearance at document processing centre*
Source: *Mombasa Port Charter Annual Report 2014/2015*

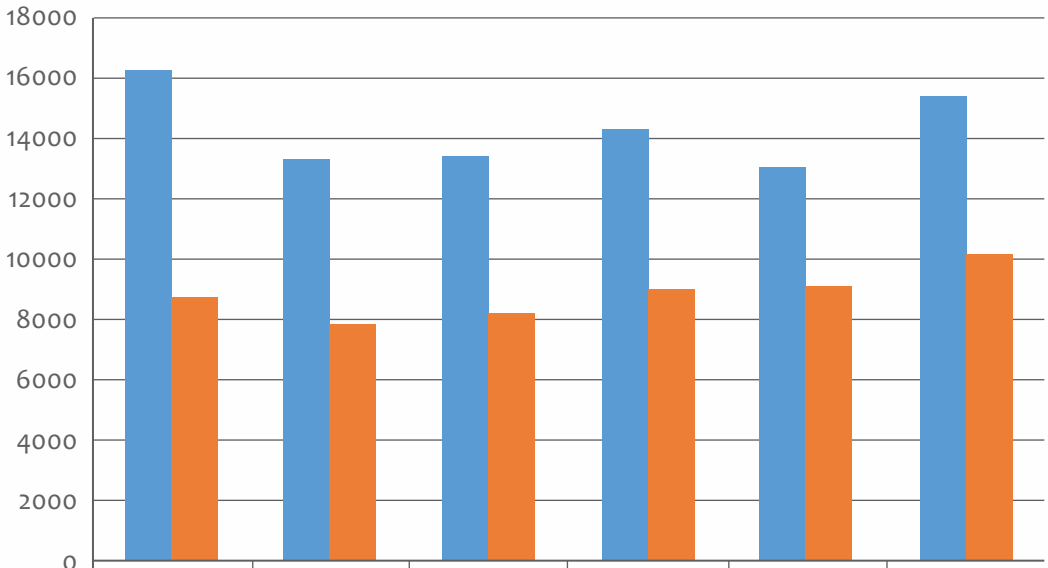
2.4.3 Container uptake at Mombasa Port

Figure 23 below shows that most of the containers offloaded at the port are the 20' containers. Container uptake at the port has been increasing since January with June recording 35,615 TEUs.

However, nominations have been fluctuating monthly based on clients' interests. It is noteworthy that shippers behaviour and attitudes have a major influence on port productivity and corridor performance especially on cargo up take and removal from CFSs.

2.4.4 Monthly average daily traffic volume

The figure below provides a summary of weighbridge traffic at Mariakani, Athi River, Gilgil, Webuye and Busia Weighbridges.



	Jan	Feb	Mar	April	May	Jun
20 Ft	16200	13231	13339	14258	12962	15349
40 Ft	8737	7893	8191	8951	9084	10133

Figure 23: *Container uptake at the Port of Mombasa*
Source: *Mombasa Port Charter Annual Report 2014/2015*

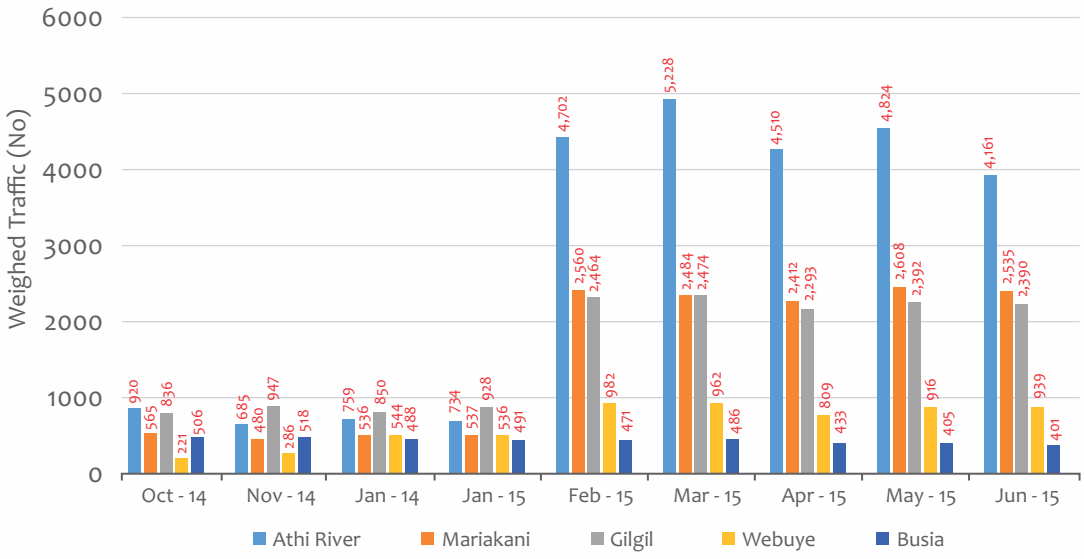


Figure 24: *Monthly average daily traffic volume*
Source: *Mombasa Port Charter Annual Report 2014/2015*

Figure 24 above shows that Athi River registers the highest average number of traffic weighed followed by Mariakani and Gilgil. In addition, all the above weighbridges showed fluctuations in traffic volumes weighed across the entire period. Among the five, only Busia Weighbridge is not installed with the High Speed Weigh in Motion (HSWIM) and all trucks are weighed on the static scale. The high traffic weighed at Athi River might be due to cargo originating from Nairobi and its environs.

2.5 OVERALL RATING OF LOGISTICS PERFORMANCE

The logistics performance of the various EAC partner states was based on the select indicators aforementioned. Respondents were asked to rank the performance of their respective countries based on their perceptions on those indicators. The scales used during the survey are explained below, according to each indicator, as done in the 2014 LPS):

- **Efficiency of the processes in goods clearance:** Rated from a score of Very Low (1) to Very High (5), and weighted accordingly.
- **Quality of transport and ICT infrastructure:** Rated from on a scale from Very Poor (1) to Very Good (5), and weighted accordingly.
- **Competence and quality of logistics services:** Rated on a scale of Very Poor (1) to Very Good (5).
- **Level of preparedness of shippers to undertake international trade transactions:** Rated from a scale of Very Low (1) to Very High (5).
- **Timely delivery of shipments:** Rated from a scale of Never(1) to Always (5).
- **Incidences of Vandalism/ Security of Cargo while on Transit:** Rated on a scale of Never Secure (1) to Always Secure (5).
- **Percentage of shipments that are physically inspected:** Rated on a scale of 100per cent (1) to 0-25per cent (5).
- **Handling of complaints and disputes:** Rated from a scale of Very Bad (1) to Very Well (5).
- **Fairness and transparency in conducting customs valuations:** Rated on a scale between Never Fair (1) to Always Fair (5).
- **Timely communication of relevant changes in trade regulations:** Rated on a scale of Never Well Communicated(1) to Always Well Communicated(5)
- **Incidences of corruption and rent-seeking:** Rated on a scale between Always(1) and Never(5)

The scores for the above indicators were aggregated across all the respondents and were standardized into a singular average score, per indicator. The results are tabulated below.

Ranking	Country	2015 LPS Index	2014 LPS Index	% Change in Ranking	Improvement
1	Rwanda	3.66	3.52	3.97%	↑
2	Uganda	3.09	3.07	0.65%	
3	Kenya	3.07	2.82	8.86%	
4	Tanzania	2.77	2.89	-4.15%	↓
5	Burundi	2.25	2.78	-8.27%	

Table 7: *2015- versus 2014-LPS Ranking*
Source: *Collated from LPS 2014/15 Surveys*

The comparison shows improvement in the overall logistics performance in 2015 compared to 2014 save for Tanzania and Burundi that indicated a slip in their average scores of 2.77 and 2.25 respectively in 2015 against 2.89 and 2.78 in 2014. Incidences of vandalism and security of cargo while in transit seem to have been the main undoing for both Tanzania and Burundi with worsened scores of 3.00 and 4.01 in 2014 against 2.88 and 2.45 in 2015 (5 is the best score in this case).

Kenya showed no improvement in the timely delivery of shipments, whilst handling of complaints and trade disputes registered the greatest improvement. Customs transparency in valuation of goods and incidences of corruption are perceived to still be prevalent with significant dips in both indicators compared to 2014. Inspection of goods has improved and this can be attributed to heightened security alerts in all entry points into the country for both passengers and goods to avert incidence

			2015					2014		
Indicator	**Br**	**Ke**	**Rw**	**Tz**	**Ug**	**Br**	**Ke**	**Rw**	**Tz**	**Ug**
Efficiency of Goods Clearance	3.00	3.25	4.00	3.00	3.22	2.91	3.00	3.00	2.53	3.13
Quality of Transport and ICT Infrastructure	2.53	3.3	4.00	3.00	3.44	2.73	2.85	3.30	2.73	2.90
Competence and Quality Of Logistics Services	3.00	3.50	3.00	3.50	3.22	2.86	2.54	3.00	2.93	3.20
Level of Preparedness of Shippers to undertake International Trade Transactions	1.89	3.40	3.60	3.00	3.20	2.00	3.23	3.25	3.00	3.20
Timely Delivery of Shipments	2.00	2.62	2.89	3.00	3.00	2.62	2.62	3.00	3.07	3.03
Incidences Of Vandalism/ Security of Cargo while on Transit	2.45	3.43	3.00	2.88	2.83	4.01	3.15	3.90	3.00	4.23
Percentage of Shipments that are Physically Inspected	3.00	1.00	1.00	1.00	1.00	1.42	2.54	3.80	3.07	1.93
Handlings of Complaints	2.83	5.00	5.00	2.00	5.00	3.00	2.00	4.00	2.90	2.83
Fairness and Transparency In Customs Valuations	4.00	2.00	3.00	2.00	3.00	4.01	2.39	3.50	3.20	3.47
Communicating Information When Trade Regulations Change	3.20	3.60	5.00	3.00	3.10	2.00	3.77	4.10	2.87	3.30
Incidences Of Corruption And Rent Seeking Activities	2.50	2.56	5.00	4.10	3.00	3.00	2.92	3.85	2.53	2.57
Index	2.25	3.06	3.59	2.77	3.09	2.78	2.82	3.52	2.89	3.07
Rank	5	3	1	4	2	5	4	1	3	2

Table 8: *Scores and ranking of individual EAC states based on select logistics performance indicators*
Source: *Collated from LPS 2014/15 Surveys*

of terrorism. Quality of transport and ICT infrastructure has improved in Uganda whilst incidences of corruption and rent seeking activities seem to also be slowing down. In Rwanda, timely delivery of shipments is perceived to have slowed down, while communication of trade related information has tremendously improved.

Infrastructural upgrades in ICT and transport, together with communication in trade related regulations are perceived to have contributed immensely to the overall improvement in the ranking of logistics performance of the EAC economies in 2015. The individual average score are tabulated in table 8.

2.6 KEY DETERMINANTS OF LOGISTICS PERFORMANCE

The rating of logistics performance by the respondents of the 2015 LPS indicates various factors are responsible as highlighted below.

- **Efficiency of goods clearance:** Rwanda ranks the highest with a score of 4.00, a 28per cent improvement from the 2014 survey, although this is not directly reflected with the timely delivery of shipments, which has dropped to 2.89 in 2015. Kenya comes second with an improved score of 3.25 in 2015 against 3.00 in 2014. Burundi, Uganda and Tanzania have also improved in this area.

  The biggest impediment seems to be timely delivery of goods, where no country has shown any marked improvement. This is majorly attributed to dwell times at the ports and airports, coupled by unpredictable transit times. The level of preparedness of shippers to undertake international trade transactions has not shown any commendable improvement from 2014. This in itself impedes speedy clearance due to lack of requisite information and/or knowledge, after shipments have already arrived. As a result, most shipments incur demurrage costs due to avoidable inefficiencies.

- **Fairness and transparency in customs valuations:** Unlike the 2014 LPS where respondents exuded optimism about the region's revenue authorities, the 2015 LPS reflects a different perception.

  There was a general decline in confidence about the fairness and openness with which customs valuations are conducted across the board. Burundi, which scored the highest at 4.01 in 2014 continued to show sustained confidence with a score of 4.00 in 2015. Tanzania showed the highest loss of confidence with a decline in scores of 3.20 in 2014 to 2.00 in 2015. Kenya also showed a decline with a drop from 2.39 to 2.00 in 2014 and 2015 respectively, whilst Uganda declined from 3.47 to 3.00.

- **Quality of Transport and ICT Infrastructure:** The Rwandese have in the 2015 LPS reaffirmed their confidence with the ICT infrastructure and the quality of transport infrastructure. With a score of 4.00 in 2015, they are followed closely by Kenya with a score of 3.30.

  The confidence and improved perception by the Kenyans, 2.85 in 2014 to 3.30 in 2015, seems to emanate from the ongoing construction and expansion of major roads that link both industrial and agricultural hinterlands to the Northern Corridor. Although the standard gauge railway is still under construction, the commencement of the project has spurred positive aspirations not only in Kenya, but as far as Kigali and Bujumbura.

3.0 Ongoing strategies to improve logistics performance in East Africa

The governments of the East African Community have been working on various trade facilitation projects across the region to enhance competitiveness in trade logistics. Although not entirely exhaustive, below are some of the initiatives.

- **One-stop border posts (OSBPs)**
  An OSBP is defined as a border facility that combines two stops for national border control processing into one and consolidates border control functions in a shared space for exiting one country and entering another.

  OSBPs have been constructed along major borders in the EAC region and have boosted trade facilitation across borders due to increased harmonization of border control regulations and procedures and enabling expeditious and more effective border control mechanisms.

- **Electronic cargo tracking system (ECTS)**
  The East African Community Customs Management Act (2004) mandated the installation of the ECTS by stakeholders to ensure faster and efficient flow of trade.

  This has been embraced by CFSs, transporters, shippers, among other stakeholders. The main role of the ECTS is to enhance visibility and monitor transit cargo by providing real-time information.

  Although previously seen as an additional cost of doing business, most stakeholders now embrace the fact that tracking cargo and vehicles allows for advanced processing of information by border and intelligence agencies and assists in defeating the vulnerabilities associated with both transit security and inland drayage, the most vulnerable aspects of the supply-chain.

- **Infrastructural expansion and development**
  Tanzania Ports Authority (TPA) is focused on implementing its 2008-2028 Ports Master Plan (PMP). Plans are underway for the construction of two container berths 13 and 14, a one-stop-centre and a bulk liquid custody transfer tank in addition to deepening and strengthening berths one to seven, and dredging of the entrance channel and turning basin. The Authority is also encouraging the use of Inland Container Depots (ICDs) where currently 10 ICDs have been licensed to work with the port, in addition to automation of cargo clearance processes and acquisition of additional cargo handling equipment and marine crafts.

  Kenya Ports Authority (KPA) on the other hand has been dredging the port of Mombasa to allow larger vessels to call there. A new berth, 19, was opened in August 2013, thereby raising the port's container handling capacity by 33 per cent, which is nearly 200,000 TEUs per year. A second terminal is anticipated to start operations by early 2016, with a capacity of approximately 1.2 million TEUs. The modernization and expansion of access channels to and from the two ports will see the shortening of truck turnaround times. The Kenya Airports Authority (KAA) is currently constructing a second runway at JKIA, Nairobi. According to the Kenya Civil Aviation Authority (KCAA), this will increase take-off and landing slots for the airlines consequently shortening aircraft turnaround times.

- **Standard gauge railways construction**
  The governments of Kenya, Uganda, Rwanda and South Sudan have shown their commitment to complete the construction of a high-capacity and cost

effective railway along the Northern Corridor. Kenya had aimed to complete 40 per cent of civil works ranging from laying track to fixing bridges by the end of 2015 but is on track to complete half the works by year end. The railway construction is projected to reach Nairobi by mid 2016 and Kampala by 2022. The railway will complement the existing railway and roads, which will continue providing vital transport services for freight destinations and the "last mile" links in the region. Each freight train will have a capacity of 216 TEUs and will travel at an average speed of 80 kilometres per hour.

Tanzania, Rwanda and Burundi have also entered into a deal that will see the construction of a standard gauge railway that will directly connect the Central Corridor to the Port of Dar-es-Salaam. The railway will pass via Isaka (Tanzania), and proceed to Kigali (Rwanda) with a branch line from Keza to Musongati in Burundi.

- **ICT systems modernization**

  The Kenya Ports Authority (KPA) has completed the installation of an integrated ICT system that has a link to the national single window system popularly known as the Kenya Trade Net System that was launched on 2nd May 2014. The launch of the Kenya Trade Net System was aimed at eliminating delays and lower costs associated with clearance of goods at entry and exit points. It is a single point of electronically lodging documents for processing approvals and making payments (fees, taxes, levies) to the government. The system is expected to not only boost security at the port but also enhance speedy pick-up and deliveries. Truck turnaround times will shorten thus enhancing the efficiency of quayside operations.

  Kenya Revenue Authority (KRA) is upgrading its customs management system. There are high expectations that this will enhance connectivity and reduce system outages. The automation of revenue collections will further facilitate trade transactions and enhance ease of doing business.

- **Regional integration**

  The Regional Integration Agreements (RIA) by EAC partner States for a Single Customs Territory is geared to boost the ease of doing business within the region by minimizing internal border controls and therefore enhancing the velocity of the freight flows and reducing costs and time taken in trade transactions. The agreement entails the use of a destination model of goods clearance where assessment of goods and revenue collection is done at the first point of entry, thereby facilitating the free flow of goods in the common market.

  Mombasa Port Community Charter (MPCC) The MPCC is another invaluable initiative by both public and private stakeholders to eliminate constraints of doing business. Through collaborative frameworks, self-monitoring mechanisms and collective obligations, the Charter is poised to facilitate trade through achievement of set targets and key performance indicators for improved time-lines.

  KPA is considering the new harbour regulations and laws relating to electronic documentation, customs and shipping as it reviews the current KPA Act. The move is aimed at improving efficiency and curbing delays that are injurious to regional trade.

  Likewise the Kenya Railway Corporation Act is also under review with a view to accommodate partnerships with the private sector as a way of enhancing efficiency in rail transportation. SCEA is tasked with coordinating the MPCC monitoring and evaluation framework, and analysing and disseminating information on the performance of the corridor.

4.0 Recommendations of improving logistics efficiency in East Africa

- **Functional regionalism**
  Port regionalization accentuates the rise of new relations between port terminals and their hinterlands through creation of inland ports and distribution services. It is through such maritime and land interfaces that functional regionalism is shaped through the growth of terminal infrastructures. A case in point is the improvement of the inland port of Kisumu and others along Lake Victoria namely Mwanza, Bukoba, Musoma, Jinja, Entebbe, among others. The major impact of such a development would be to decongest the borders of Malaba and Busia (both Kenya /Uganda) and Serare (Kenya/Tanzania) by increasing freight flows into Kenya, Uganda, Rwanda, the Democratic Republic of Congo and Burundi, via waterways in Lake Victoria.

  Terminal structures at the port of Kisumu would also improve turn-around times for delivery trucks and thus improve transit waiting times and subsequently, lead times. The strategic location of the port of Kisumu with its close proximity to the Kisumu International Airport will thus allow for intermodalism, which generally promotes higher levels of integration between different systems of circulation and creates new global production networks. The same applies to Entebbe in Uganda and Mwanza in Tanzania.

- **Appropriate infrastructural investment**
  There are eight transit rail, lake, and road routes operational in the EAC region. Five originate from Mombasa while three originate from Dar-es-Salaam. There is only one all railway route from Mombasa via Malaba to Kampala and Kasese. Investing in infrastructure will rejuvenate the efficiency of the current inland transport system, where poor roads and long distances are dominant. The current ongoing overhaul of the railway line from the port of Mombasa to the port of Kisumu will bring about immense improvement in freight flows into the entire EAC hinterland by promoting multi modal transport through integration of railway systems with other transport modes.

- **Regulatory framework and governance**
  There is an unfolding convergence in the EAC countries in terms of regulatory frameworks, but significant reduction of entry barriers in intermodal and modal activities, transfer of more ownership structures to the private sector, and increased liberalization needs to be enhanced. Although policy development has been incremental, member states have naturally tended to champion for their respective interests, leading to delays in enactment. This is further aggravated by constitutional clashes.

  The concept of co-evolution in governance issues of ownership needs to take centre stage in all the EAC economies. This will see the private sector forging ahead in the development of logistics structures, processes and functions. In the EU for example, UK, Germany and Holland have privatized their rail systems. Deregulation in the rail sector allows for a process where several actors are able to set their own inland terminal facilities along the same rail corridors.

- **Value chains and labour**
  In the EAC economies, there is an urgent need for multi-country distribution structures. This will see trans-loading activities and load centres sprouting along nodes. The additional trans-loading costs will be compensated through

consolidation of inland loads, with the effect of anchoring an added value function at the gateways. Ultimately, a lot of time will be saved with improved delivery speeds and overall reduced costs. The EAC governments need to facilitate the mobility and flexibility of labour across the region without red tape. The transport industry, for example, is characterized by lack of expertise in critical areas and is staffed by semi-skilled drivers, and clearing and forwarding agents. Easy relocation and migration of labour within the region would mitigate such conditions. The EAC states have the advantage of not having extreme trans-regional language barriers since the Swahili language is spoken in all member states.

- **Logistics financing**

  There is urgent need for regional financial institutions to provide comprehensive financing solutions to investors, developers and logistics companies. This includes unique structuring capabilities for financing solutions on a standalone, portfolio, and cross-border basis.

  Banks and other financial institutions within the EAC need to develop tailor-made products for the logistics industry, for example, inventory-in-transit financing, inventory-in-storage financing, supply chain financing, import/export financing, purchase order financing, inventory and receivables financing, among others. Lack of capitalization within many small and middle-sized enterprises is a major impediment in their logistics performance in so far as expansion and upgrading their portfolios is concerned. With increased capitalization, most transporters or trucking companies would absorb certain costs due to increased economies of scale and thereby transfer the same benefit to the shippers.

- **Marine services and waterways**

  Lake services are playing an increasingly important role in the movement of transit cargo with Lake Victoria serving both the Central and Northern Corridors. In addition, Lake Tanganyika serves the Central Corridor. The challenge is that there has not been coordinated lake services in the sub-region and investment and rehabilitation of lake facilities has been minimal. This has led to deterioration of these facilities and lack of some basic equipment needed for safety in marine operations, for example, oil barges in Lake Victoria needed by the Kenya Pipeline Corporation (KPC). It is important to note that Uganda has very little freight transportation by water via Lake Victoria yet the lake accounts for around 18.2 per cent of its total surface area.

- **Harmonization of regional transportation laws**

  The EAC needs to promote the convergence of national laws that affect international trade transactions. The mandate for harmonization of vehicle load control comes from the Treaty for Establishment of the EAC. Regional harmonization and application of appropriate standards with long term impacts must be inspired.

  Furthermore, lake services are run without internationally accepted standards necessary to ensure safety of life, navigation and prevention of pollution. Vessels trade on the lake without rules or regulations, life saving equipment, navigational aids, trained manpower and pollution controls. Although there is an inland waterway transport agreement, under the EAC Development Strategy 2006-2010, providing minimum internationally accepted standards for the conduct of safe maritime activity that should form the basis of harmonised national legislation, it is yet to be fully enforced.

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