

**MINUTES OF THE STAKEHOLDERS' CONSULTATIVE COMMITTEE MEETING ON THE MOVEMENT OF TRANSIT TRAFFIC ALONG THE NORTHERN CORRIDOR HELD ON THURSDAY 8<sup>TH</sup> MAY 2003 AT THE WINDSOR GOLF AND COUNTRY CLUB, NAIROBI.**

**INTRODUCTION**

As agreed during its last meeting of the forum in Bujumbura, Burundi on 3<sup>rd</sup> September 2002 the Stakeholders held the 1<sup>st</sup> meeting of the year in Nairobi Kenya on 8<sup>th</sup> May 2003. The meeting was attended by representatives from both the Private and Public sector and included agencies such as, KPA, KRA, KRC, URA, URC, RRA, USAID, ECA etc. The meeting had representation from the Democratic Republic of Congo for the first time. The list of participants is attached as Appendix 1.

**1.0 OPENING OF THE MEETING**

1.1 Mr. Godfrey Onyango, the Executive Secretary of the Transit Traffic Coordination Authority welcomed the Minister and acknowledged the presence of major stakeholders represented in the meeting. He also recognized the presence of Mr. Mwanja, Regional Trade Advisor of USAID/REDSO, and Ms Regina Brown of East and Central Africa Trade Competitiveness Hub. He further acknowledged the presence of representatives from DRC who were attending the forum for the first time.

1.2 Mr. Onyango informed the participants that the forum had become an important facilitation tool and the Northern Corridor was being viewed as a model corridor in the world. He urged the stakeholders to become even more proactive in order to further improve efficiency of the corridor.

1.3 In his opening remarks the Chairman Mr. Michael Waweru thanked the Kenya Railways Corporation for hosting the meeting. He highlighted the remarkable achievements of the forum since its inception and noted that it was important for countries to co operate, in order to be able to compete in the global environment.

1.4 On behalf of the Board of Directors and the Management, the Managing Director of Kenya Railways, Mr Andrew Wanyandeh began by welcoming participants to the Forum. He expressed optimism that participants would find the environment provided by the venue a conducive one. He then went on to highlight the need to improve transport infrastructure and facilities along the Corridor, as well as quality of service.

1.5 Mr Wanyandeh observed that the potential of transport facilities and services were not fully utilized yet. He cited the example of the Mombasa port, which has an intrinsic capacity to handle over 20 million tones per year. He further stated that Kenya Railways has potential to handle up to 7 million tones per annum, but was currently only handling 35% of this capacity.

- 1.6 Turning to the economic potential of the subregion as a whole, Mr Wanyandeh observed that the economies of most of the member States were growing. He stated that the subregion faces a bright future provided that all parties put their act together. In this regard, he observed that the Northern Corridor Stakeholders Forum has the determination and a sense of purpose, to turn East and Central Africa into an economic powerhouse.
- 1.7 In conclusion, Mr Wanyandeh stated that in order to facilitate economic growth and development, there was need to provide seamless and integrated logistic services along the Corridor. He added that Kenya Railways was willing to play its role in this regard.
- 1.8 Mr. Brown Ondego the Managing Director Kenya Ports Authority took the opportunity to thank the Secretariat for bringing the stakeholders together, the customers for being patient with the Authority, and the Private Sector/Business Community for helping in the changes taking place in the port.
- 1.9 Turning to the developments at the port, Mr. Ondego informed the forum that works on Kipevu Road was completed and the Port had acquired five new Container Terminal tractors for handling empty containers. He further stated that the cargo traffic had shown an upward trend during the last three months with the transit traffic registering 19% increase, in comparison with the same period for the year 2002. At this rate it was expected that the container traffic would exceed 330,000 TEUs, per annum, by the end of 2003.
- 1.10 Honourable J. Michuki, the Minister for Transport and Communications welcomed the participants to the forum on behalf of the Government of Kenya wishing them a pleasant stay in the country. He invited the participants to visit the natural attractions available in Kenya.
- 1.11 He was pleased by the big number of participants to the forum, which was proof of the importance accorded to the activities of the Northern Corridor. In this regard he assured members of the forum of Kenya's commitment to the removal of the physical and non-physical barriers to transport and trade through the region. He stated that the Kenya Government would honour all commitments made in the Northern Corridor Transit Agreement signed in Bujumbura on 19<sup>th</sup> February 1985.
- 1.12 To demonstrate the commitment Kenya had towards reducing the costs along the Northern Corridor, he informed the forum that rehabilitation of roads which carry 80% of transit traffic has started, and a Kenya Roads Board had been established to ensure proper maintenance of the existing infrastructure. He noted that harmonization of legislation on axle load controls throughout the region was important in ensuring the maintenance of roads and reducing the enormous costs involved in road building.

- 1.13 As regards the railways, he noted that the Kenya Railways Corporation was taking steps to improve its services by rehabilitating the rail lines and increasing its rolling stock.
- 1.14 The Minister informed to members of the forum that the Kenya Government had adopted zero tolerance towards corruption as it was a vice that had increased the cost of doing business within the corridor and a general enemy of Africa's development. He noted that if 40% of resources was not wasted in corruption and misuse, the region would have had better roads and therefore lower transportation costs. He urged members of the forum to assist the Kenya Government in ending corrupt practices by refusing to succumb to bribes at the port, weighbridges and police check points.
- 1.15 In his final remarks, the Minister urged the members of the forum to deliberate on the issues of the Corridor with the view to enhancing economic integration and cooperation within the Eastern and Central African region.
- 1.16 The Permanent Secretary Ministry of Infrastructure, Rwanda, Mr. Francois Xavier Havugimana gave a vote of thanks. He thanked the Honourable Minister for gracing the occasion, the Kenya Railways Corporation for hosting the forum and the Government and people of Kenya for the hospitality accorded to delegates. Noting that member countries attached a lot of importance to the Northern Corridor, which was a way leading to socio-economic development within the region, he was pleased that progress had been made to eliminate bottlenecks. To emphasise on this point, he informed the forum that Rwanda had removed visa requirements for member countries, and urged Kenya to do the same. He pointed out that the business community from Rwanda was facing problems as they had to obtain and pay for visas for themselves and crew for each entry made into Kenya.

## 2.0 **CONFIRMATION OF MINUTES OF THE LAST MEETING.**

The minutes of the last meeting held in Bujumbura on 3<sup>rd</sup> September 2002, were confirmed as a true record of the proceedings.

## 3.0 **MATTERS ARISING.**

### 3.1 **Return of Empty Containers**

3.1.1 The Commissioner of Customs, Kenya Mr. Mumo Matemu informed the forum that the existing legislation in Kenya was adequate and that containers used for import cargo are exempted from import duty. Containers diverted to non-transportation use are liable for taxation.

3.1.2 The Commissioner of Customs, Uganda Mrs. A. Kagina reported that containers for import use in Uganda were not taxed. However when there is change of use, the containers were liable to taxation. It was noted that a

notice to the public informing them that containers diverted to non-transport uses were liable for taxation would soon be issued.

3.1.3 As regards Rwanda, the forum was informed that existing legislation was currently undergoing review and the public would be notified of on the changes accordingly.

3.1.4 It was stated that containers in the Democratic Republic of Congo (DRC) were taxed when converted to other uses. Similarly, Burundi imposes taxes on containers diverted to non-transportation use.

3.1.5 It was agreed that customs administrations of the TTCA States should issue public notices in order to enforce taxation of containers diverted to non-transportation users.

**ACTION: Customs Administrations**

**3.2. Refund of Container Deposits and Increasing Container Grace Period**

3.2.1 The Executive Officer, Kenya Ships Agents Association, Mr. Peter Kwinga informed the forum that it was not possible for shipping lines to increase container grace period. He explained that the grace period currently offered by Shipping Lines was among the highest in the world. It was pointed out that most of the containers were delayed for over 90 days and therefore it would not be ideal to abet this trend by increasing the grace period. Emphasizing this point, Mr. Kwinga stated that statistics from one shipping line, which services East Africa and the rest of Africa, indicated that whereas Africa contributed only 4% of their trade volume, the container volume involved was 25% of their total worldwide stock.

3.2.2 In regard to the delays in refund of container deposits, Mr. Kwinga stated that KSAA was willing to assist in the matter if provided with information on shipping lines which delay refunds.

**3.3 Elimination of Terminal Handling Charges levied by Shipping Lines at the Port of Mombasa.**

3.3.1 Mr. J. Msafari, Chairman of the Kenya Shippers' Council, reported that negotiation with shipping lines over this matter had not started as the registration of the Kenya Shippers Council was yet to be finalized. However, it was expected that this would be completed by end of May 2003.

**3.4 Review of the Documentation Procedures at the Port of Mombasa**

3.4.1 Mr. Mailutha of Kenya Revenue Authority (KRA) gave a brief on the progress of implementation of the stakeholders' resolutions on the documentation process. He reported that eight out of the eleven resolutions had been 90%

implemented. He highlighted the progress on the implementation of the following:

(i) ***Reduction in the Number of Release/Stop Stamps***

The resolution to have the number of release/stop stamps reduced to four was not possible to achieve, but the Taskforce managed to bring down the stamps to eleven which appear on the document as follows: KRA and KPA, four (4) stamps each, Port Police, Kenya Bureau of Standards and Clearing Agents, one (1) stamp each.

It is expected that a further reduction in the number of release/stop stamps will be possible with the introduction of Community Based Computer System.

(ii) ***Improvement of Documents Dispatch Frequency***

KRA was currently doing eight (8) dispatches per day from the initial four (4) from the Long Room to CDO whereas at KPA 15 to 18 dispatches to sections are made daily. All parties have been urged to adhere to the FIFO (First In First Out) rule.

(iii) ***Computerization System***

KPA had taken the lead and computerized its processes; however other stakeholders are yet to initiate the implementation of this resolution.

**3.5 Harmonization of Working Hours at the Port of Mombasa and Border Posts**

3.5.1 The Industrial Court Case between Dockworkers Union and KPA had been heard and the Authority was awaiting the ruling to be made. In the meantime the lunch break arrangements to ensure that work continued were still being maintained.

3.5.2 The KPA Managing Director pointed out that work was performed whenever there was demand and therefore the official working time should not be a hindrance to the clearance of cargo.

3.5.3 It was reported that KRA Customs Officials at border posts work 24 hours.

3.5.4 However, the Executive Secretary of TTCA Mr. Onyango clarified that the issue concerned payment of overtime by the client in respect of officers who provide service during the two week-end days. He therefore called upon Kenya Customs to organize for shifts for their staff so that overtime was eliminated.

3.5.5 In response, Mr. Msafari for KIFWA informed the forum that the Association had made recommendations to the Kenya Government on the rescheduling of working hours and this is expected to appear in the next budget.

3.5.6 Mrs. Kagina of Uganda Revenue Authority drew the attention of the meeting to the fact that the matter was a subject of discussion in the East African Community. She further stated that the major problem with harmonization of working hours was between Uganda and Rwanda, where very minimal progress had been made from discussions initiated two years ago because of the time difference of one hour between the two countries.

### 3.6 **Information Technology/Cargo Tracking Systems**

3.6.1 The Commissioner of Customs, URA Mrs. Kagina reported that URA had successfully tested a GPS vehicle tracking system, with security features. However it had been discovered that container doors could be opened without tampering with the seals. URA was working with the vendor to sort out this problem.

3.6.2 The KPA Corporate Services Manager Mr. Ndua reported that all functions of the Port were fully computerized and the computerization programme had been extended to the ICD in Nairobi via VSAT.

The forum was further informed that there were trial runs being done by Shipping Agents to have the manifest electronically transmitted.

With regard to the Community Based System Mr. Ndua reported the following:

- A Committee was consolidating user requirements
- KPA was awaiting the reaction from KRA on the Articles and Memorandum of Association submitted to KRA.
- Response from KRA with regard to shippers/shipping lines requirements was also being awaited.

3.6.3 In response Mr. Saina for KRA informed the forum that the legal instruments were being reviewed and would soon be finalized. He further stated that user requirement specifications were being worked on.

#### **ACTION: KRA**

3.6.4 Mrs. Kagina reported that the ASYCUDA System and BOFFIN System cannot exchange information as they run on different platforms. It was therefore necessary to create a third system interfacing the two systems.

- 3.6.5 Members of the forum sought to know whether KRA system was capable of processing information at the level of ASYCUDA++ used by URA and the other customs administrations.
- 3.6.6 In response Mr. Saina explained that KRA had decided to replace the BOFFIN system and is in an advanced stage of identifying a suitable one. He informed the meeting that ASYCUDA++ is one of the options KRA was looking at.
- 3.6.7. Mr. Onyango appealed to KRA to adopt ASYCUDA++ since it was the system in use by all the COMSEA countries. This would be important in that the region would have one system and information exchange would be easy.
- 3.6.8. The Commissioner General Mr. Waweru assured the forum that KRA would adopt a system compatible with the others.

**ACTION: KRA**

- 3.6.9. The Managing Director KRC, Mr. A. Wanyandeh informed the forum that the Corporation had approached European Union (EU) through UNCTAD to upgrade the Rail Tracker System installed by COMESA.
- 3.6.10 URC representative reported that they had not upgraded their rail tracker system to the standards of KRC or TRC but had set up a committee to look into the matter. Better use of the Rail Tracker system is expected to be achieved within the next 6 months.

**3.6.11 PMAESA/TTCA Tracking Study**

- (i) In his introduction, Mr. Onyango stated that the regional tracking system project would not duplicate enterprise systems and the planned KRA/KPA Community Based System. The objective of the feasibility study is to investigate the possibility of interfacing the various systems in order to create a seamless system for tracking of cargo and exchange of information among stakeholders.
- (ii) The Secretary General of PMEASA, Mr. O. Hartman then gave a detailed report on the project as follows:
- The project was initiated out of a need to have all the systems in the region interlinked as it was discovered that they were a number of independent tracking systems in the region.
  - A multidisciplinary team was set up to carry out a feasibility study and the draft report would be released during the 2<sup>nd</sup> week of May 2003, for comments by stakeholders.

- He outlined the major issues addressed by the study and urged stakeholders to provide feed back on the proposals contained in the draft study report, when they receive it.
  - He further informed the forum that a Stakeholders' Workshop would be convened by the ECA in June 2003, to discuss the report.
- 3.6.12 In reaction, Mr. Machio was concerned that the project might be a duplication of the cargo tracking system project of COMESA.
- 3.6.13 It was clarified that the TTCA/PMAESA Project was complementary to what COMESA is trying to do. Furthermore, COMESA is being consulted at every stage of the study and will be involved at the implementation stage.
- 3.6.14 Mr. Msafari pointed out that there was a similar project done by UNCTAD in 1991/1992 which has had no results so far, and wondered whether there were any lessons learnt from that project.
- 3.6.15 Mr. Onyango clarified that lessons were learnt from the UNCTAD project of the early 1990s and the COMESA ACIS project. This is why there is a change of approach, whereby the ports, for example, have been allowed to go ahead and purchase any systems they wish to use for personnel, equipment and financial management. The ports are however required to cooperate in providing information from such systems to the region-wide tracking system.
- 3.6.16 It was further clarified that the only component of the ACIS project that was successful was the RailTracker System. This component has been retained by COMESA while the other components have been dropped.
- 3.6.17 Government Policy on E-Commerce
- In Kenya the legislation was put in place in the year 2002 and it was now possible to collect taxes through banks using electronic transfers.
  - In Uganda proposals had been made and would be included in the next budget due in June 2003. It was stated that at the moment information could be received electronically but still required a signature. Laws allowing electronic signatures are being proposed.
  - Rwanda indicated that her laws were being reformed to permit e-commerce operations.
  - Burundi Customs was in the process of computerizing their offices and will soon be using ASYCUDA + +
  - In the DRC it was not possible to have any programmes in the last five years. However, steps towards E-Commerce were being taken.

### **3.7 Waiver of Transit Bond on Railborne Cargo**

3.7.1 Memorandum of Understanding between KRC and KRA was not signed but KRA had issued a Routine Order on how security bond on cargo by rail would be provided.

3.7.2 Mr. Wanyandeh informed the participants that discussions on the waiver of transit bond on railborne cargo between KRC and KRA will continue and a feedback will be given to the forum during the next meeting.

3.7.3 Mr. Msafari pointed out that the matter had lingered on since 1997 and it was essential to have it resolved.

#### **ACTION: KRA/KRC**

3.7.4 It was reported that in Uganda, discussions between URC and URA were still ongoing. However, Mrs. Kagina informed the forum that the laws still require the securing of bond for goods in transit and it is only when matters of control are sorted out that the waiving of bond can be looked into.

3.7.5 Though URC had been licensed as a Clearing Firm and executed Customs Bond between Tororo/Kampala it was felt that the documentation process at Malaba and Tororo was the cause of major delays and therefore the need for the waiver.

#### **ACTION: URA/URC**

### **3.8 Removal of Bond on Foreign Registered Vehicles**

3.8.1 The call for removal of bond on foreign Registered Vehicles was raised as it was observed that the current requirement was an obstacle to trade. It was felt that bonding of truck operators over and above the normal customs bonds on transit cargo was an unfair practice which should be done away with. Furthermore the trucks were still subjected to police escort.

3.8.2 In response KRA clarified that the bond was only charged on trucks that were not licensed as transit carriers by the country of origin/registration.

3.8.3 KTA and KIFWA were of the view that Kenya Transporters were not favoured by the system and felt that liability from transporters should be removed and other avenues explored for the protection of revenues.

3.8.4 The Chairman, Mr Michael Waweru assured the Forum that KRA would review the matter and report back during the next meeting.

#### **ACTION: KRA**

### **3.9 Customs Documentation and Clearance Procedures at Border Posts and Transit Check Points.**

- 3.9.1 Consultations between KRA and URA on the establishment of a one-stop border post were ongoing. It was agreed that views from Southern Africa, where the concept works, be sought.
- 3.9.2 URA proposed that a steering committee be set up to look into the modalities of a one-stop border clearance procedure.
- 3.9.3 The TTCA Executive Secretary informed the meeting that COMESA had written to indicate their intention to support the establishment of the Malaba border post as a one-stop border post, on a pilot basis

**ACTION: URA/KRA/TTCA**

- 3.9.4 On valuation of Uganda cargo passing through Kisumu via the lake, URC reported that they had addressed both the URA and the Uganda Government on the matter and was awaiting their response.
- 3.9.5 In response URA affirmed their position on this matter stating that it was purely a policy issue which should be handled by the Government.

**ACTION: URC/Ministry of Finance, Uganda**

- 3.9.6 Rwanda Revenue Authority reported that arrangements to implement the COMESA-CD, were fully in place and it was expected to be operational soon.
- 3.9.7 In the meantime the measures towards eliminating compulsory passage through MAGERWA by trucks destined to Burundi and DRC were in the final steps. RRA had identified an alternative parking yard and working on a contract to secure it. The contract was expected to be signed by end of May and therefore by June the issue would be resolved.
- 3.9.8 Burundi implemented the COMESA-CD on 2<sup>nd</sup> November 2002 and it is used by all customs services at border posts.

**3.10 Police Escorts**

- 3.10.1 Mr. Mumo Matemu informed the forum that the removal of physical Police Escorts in Kenya would be tied to the adoption of Information Technology systems for monitoring transit cargo.
- 3.10.2 Mrs. Kagina reported that URA significantly reduced physical escort of goods two years ago, and was currently escorting only high-valued goods.
- 3.10.3 It was reported that escort of trucks in Rwanda had ceased since December 2002.
- 3.10.4 In reaction to the above reports Mr. Machio of KTA in Kenya requested for the availability of police escorts throughout the week in Kenya, so that cargo could flow. He reiterated that KTA was concerned about the situation and had

- initiated discussions with the Commissioner of Police to see to it that police escorts were increased.
- 3.10.5 KRA and URA agreed to the request by members of the Forum that trucks fitted with tracking systems should not be escorted.
- 3.11 **Through Bill of Lading to Kampala**
- 3.11.1 URA informed the meeting that no Inland Container Depot had been gazetted as an Inland Port by the time of the meeting. However, URA was drafting laws and regulations to facilitate the operations of the Kampala Inland Port which was in the process of development.
- 3.11.2 Mr. Ezra Bunyenyezi briefed the forum on the development of the Kampala Inland Port:
- This was a Private /Public Partnership in Uganda
  - The Government of Uganda has undertaken to support the project and is providing 60 hectares of land and other incentives.
  - Consultants have been working on the necessary Regulatory framework
  - Prefeasibility study was done
  - Kampala Inland Port Development Company was formed and registered. Investment Licence has been issued by the Uganda Investment Authority.
  - Government of Uganda created a task force to oversee the creation of the Port and facilitate its implementation programme.
  - A draft concession agreement is in place
  - The environmental assessment was conducted and it was expected that the ground breaking would be within the next three months after geotechnical investigation is completed.
- 3.11.3 Mr. J. Ng'ang'a, the KPA representative in Kampala pointed out that only 5 out of the sixteen (16) ICDs that have been licensed by URA had the facilities to enable them carryout operations. URA conceded that they had licensed fourteen (14) ICDs in the last 2 years, due to demand.
- 3.11.4 Mr. Mumo reported that KRA was developing standards and minimum requirements for licencing ICDs. He stated that the existing ICDs already licensed would be required to meet standard requirements of minimum land size, equipment availability, etc. It was also emphasized that in future the licensing of ICDs would be related to the volume of cargo in the Port. In the meantime it was noted that KRA had not licensed any ICDs in the recent times.

- 3.11.5 The Managing Director, Kenya Ports Authority underscored the need to ascertain the integrity of ICDs. He stated that the Mombasa Container Terminal was designed to handle 250,000 TEU and was currently handling over 300,000 and it requires about Kshs. 180 billion to expand the capacity. He was of the view that the licensing of ICDs would enable the Port save the money, which could be channeled to other use.
- 3.11.6 The Forum recommended that Revenue Authorities should adopt minimum standards for licensing ICDs. In this regard the attention of the forum was drawn to the UNCTAD Guidelines for the Management and Operation of ICDs. TTCA was requested to obtain the guidelines and provide the revenue authorities with copies.

**ACTION: TTCA Secretariat**

- 3.11.7 Mr. Kwinga of KSAA informed the forum that Shipping Lines had no objections in issuing Through Bill of Lading to Kampala to facilitate the movement of cargo to designated inland ports. However he cautioned that this would require greater commitment and elimination of delays. He explained that the Railways, for example, had no capacity to carry containers; there were delays on documentation, police escorts and processes at border posts in the present system, which need consideration during implementation. He called on the concerned parties to remove existing bottlenecks, in order for the Through Bill of Lading operation to be effective. He said that without removing the bottlenecks, freight rates would go up.
- 3.11.8. Mr. Bichage of KIFWA reiterated that the Through Bill of Lading proposal was a noble idea, which should be supported by the shipping lines.
- 3.11.9 In support of the project the MD KRC invited Shipping Lines to have discussions on the project with the objective of looking for solutions to existing bottlenecks.
- 3.11.10 It was finally suggested and agreed that a sub-committee comprising of the following would study the matter and report back to the forum:
- Kenya Shippers Council to Chair the sub-committee.
  - Kenya Ports Authority
  - Kenya Railways Corporation
  - Uganda Railways Corporation
  - Kenya Ships Agents Association
  - Representative of Ugandan Shippers (either UCIFA or UMA)
  
  - Kenya Revenue Authority and Uganda Revenue Authority
- 3.11.11 The TTCA Secretariat was requested to co ordinate the work of the sub-committee.

### 3.12. **Road Conditions/Axle Load Control**

- 3.12.1 Rwanda reported that they had received funds from EU and work on two sections of roads, namely: Kigali-Kayonza and Kigali-Akanyaru, was about to commence. Rehabilitation of Kigali-Ruhengeri link to Congo was to take place in the year 2004. The Forum was further informed that Rwanda was about to award a contract for Axle Load Control project.
- 3.12.2 Kenya reported that the Ministry of Roads and Public Works had signed contracts on the rehabilitation of a section of Mombasa Road between Mito Adei and Sultan Hamud and work was expected to start soon. It was further noted that the Northern Corridor road network in Kenya comprise part of the East Africa Road Network Project and for which a Consultative Meeting with development partners had just been held in Arusha 28-29 April 2003. The main highway Mombasa/Malaba features prominently in the E A C Project.
- 3.12.3 Mr. Machio of KTA made an appeal to the Ministry of Roads, Public Works & Housing in Kenya to carry out urgent repairs on some sections of the Mombasa/Malaba road. He observed that accidents involving trucks on the Mombasa/Malaba road were not due to over speeding but were due to the dilapidated state of some sections of the road.
- 3.12.4 He further called on the same Ministry to give attention to the management of weighbridges which had become a nightmare to transporters. He explained that transporters were suffering from inaccurate weighbridges and there had been an upsurge of arrests of trucks, for overloading on the Uganda side and yet they would have passed through Kenya weigh bridges. He therefore called for the privatization of the management of weighbridges.
- 3.12.5 The member from Mukwano Industries pointed out that the weighbridges at Webuye and Malaba were the most problematic to transporters and requested the concerned authorities to investigate.

## 4.0 **AGENCY REPORTS**

### 4.1 **Kenya Ports Authority on Transit Traffic**

Mr. Ndua, the Corporate Development Manager, KPA, reported that the volume of transit cargo was on an upward trend, registering 4% growth from January to March 2003. The port handled 566,191 tonnes during the first quarter of the year compared to 547,654 tonnes during the same period in 2002.

As regards containerized traffic, 16,401 TEU were handled, with 71% of the total destined to Uganda, 16.5% to Tanzania and 6.5% to DRC and 5% destined to Rwanda. That rail carries 23% as compared to road share of 77%.

## 4.2 **Kenya Railways Corporation Report**

The Managing Director Kenya Railways Corporation, Mr. Andrew Wanyandeh reported the following:

- Privatization process of the Kenya Railways was going on and the Government had engaged International Finance Corporation as the transaction Advisor. Concessioneing has been agreed to as the mode of privatization and was expected to be achieved by July 2004.
- Shuttle trains from the Port of Mombasa to Nairobi ICD, run twice a day depending on availability of cargo.
- The Corporation continues to run the express block train from Mombasa through Eldoret to Malaba. He reported increase in the traffic destined to Uganda during the period January-April 2003, with monthly average of 65,000 tonnes.
- KR is in the process of repairing sick wagons to improve on availability of its rolling stock from 2100 to 3500 wagons, with a view to increasing traffic moved from 2.4 to 3.6 million tones per annum.
- To avoid heavy containers destroying the rail network, as they had done to the road, the loading of wagons will be done only upto the maximum carrying capacity. There was need to find a lasting solution to deal with the maximum weight of containers.
- KR was undertaking staff retrenchment with the objective of achieving the required optimal levels.
- KRC, URC and TRC met three weeks ago to find out ways of harmonizing the services within the region.

## 4.3 **Uganda Railways Corporation**

4.3.1 A detailed report by Uganda Railways Corporation was presented and highlighted the following:

- It was noted that shunting delays at Malaba had reduced from 4 hours to 1½ hours and was expected to improve further.
- URC had done a wagon utilization study which currently depicts to the following scenario:

	<b>Current</b>	<b>Desirable</b>
○ Documentation, dwelling time in Port	3 days	2 days
○ Transit time to Malaba	3	3
○ Dwell time in Malaba	3-14	1-2
○ Dwell time at Tororo	1-2	0
○ Transit to Kampala	2	1
○ Dwell time at Kampala Yard	7	1
○ Dwell time Kampala Goodshed	7	1
○ Journey Kampala-Malaba	3	1
○ Dwell time Tororo/Malaba	2	0
○ Journey Malaba/Mombasa	<u>3</u>	<u>3</u>
<b>Total</b>	<b>34-46</b>	<b>13-14</b>

- The study showed that with the available capacity, there is need for a wagon to be turned three times a month. However, the wagons were turned only once per month at the moment.
- URC called for the abolition of transit bond on rail borne cargo. That cargo destined to Embakasi moves from Mombasa without bond and hence this arrangement should be extended to Malaba.
- The report showed that a wagon takes between 34 to 46 days to turn-around between Mombasa and Kampala, with customs clearance procedures accounting for over 30 days and railway operations accounting for only 11 days.
- The report called for joint customs operations at Malaba, where wagons are retained up to 14 days. It also suggested that Kenya Railways should establish in-house capacity at Malaba to clear block trains.

4.3.2 With regard to the requirement to execute a bond at Mombasa, the forum called on Kenya Revenue Authority to emulate Tanzania Revenue Authority, which had allowed Tanzania Railways Corporation to transport transit cargo without transit bond requirement for over seven years. Noting that this would improve efficiency as transit bond requirement caused cargo to be detained at Malaba, thus occasioning delays on the route. Furthermore it did not make much sense to have cargo which is already in Malaba, delayed because of elapsed bond as it had reached its destination within the Kenyan territory.

4.3.3 The forum was informed that URC had improved the Kampala goods shed, which had been designated a customs area, therefore allowing them to offload cargo and release wagons as it awaited customs clearance.

4.3.4 To further improve on turnaround of wagons, an area had been identified for offloading steel coils before customs formalities are finalized.

#### 4.4 **Reactions to the Reports**

4.4.1 Mr. Onyango emphasized the need for a total change of attitude by customs administrations in order to facilitate trade. Explaining that Revenue Authorities were trying to protect revenue but in the process a lot was lost because trade was hindered. The business turnover was not expected to improve when cargo overstayed in transit.

4.4.2 He stated that customs bond could be waived when cargo was moved by rail, as railways should be able to provide the necessary guarantees.

4.4.3 Mr. Bichage stated that poverty reduction could not be attained at the current levels of operations. He urged customs administrations to facilitate traders to create wealth and reduce poverty. He noted that 80% of the obstacles along the corridor were non tariff barriers and only 20% was infrastructure related. He stated that KIFWA was willing to participate in improving trade and urged the Governments to support their efforts.

4.4.4 Mr. Ng'ang'a proposed that URA Staff at Tororo be moved to the new facility that URA was constructing at Malaba. Noting that delays cost the business a lot. He gave an example of Tazara Railway where an analysis of delays was said to cost US\$ 1 per ton per day.

4.4.5 The Managing Director KPA was concerned that URC did not provide enough wagons to the Port and at times changed rules without involving KRC thus causing delays.

4.4.6 In response URC explained that the construction at Malaba was basically for road and not rail transport and as for the change of rules, it was agreed that a public notice should have been given three (3) months in advance.

4.4.7 To emphasize on the need for Customs to take up the challenges and address the issue, Mr. Machio further stated that a lot of resources were under utilized because of delays and pointed out that double the optimum number of required trucks were used on the road transport due to delays.

#### **ACTION: KRA/URA**

4.4.8 Railway Corporations were requested to change their policy where goods are carried at owner's risk. The railways were also urged to train their personnel to handle dangerous goods.

4.4.9 In response the forum was informed that KRC no longer carried goods at owner's risk and were therefore able to compensate for lost cargo and damages.

4.4.10 As regards the URC flat bed wagons that had been stuck in TRC after carrying coffee from Kampala, URC stated that arrangements had been made to have them moved to Mombasa and at the time of the meeting they were in Mwanza.

#### **4.5 Responses from KRA and URA**

4.5.1 Mr. Mumo informed the forum that Customs were committed to trade facilitation but would under no circumstance facilitate fraud as they were revenue collectors. He noted that KRC had taken good steps to deal with their train drivers and now had police escorts. KRA undertook to work closely with KRC in the enforcement of minimum standards.

4.5.2 Mrs. Kagina informed the forum that URA had made a lot of progress with URC. She explained that the major area of concern was Kampala Main Yard and Sidings as URA could not operate there unless the areas are declared customs zones. She informed the Forum that arrangements were underway for URA and KRA to jointly clear goods at the Malaba railway station on the Kenya side.

### **5.0 COOPERATION BETWEEN TTCA AND DEVELOPMENT PARTNERS**

#### **5.1 TTCA-ECA TRADE HUB**

5.1.1 The Executive Secretary of TTCA underscored the importance of the activities of the forum in making the Northern Corridor become a model corridor in the world. He then introduced the East and Central Africa Global Competitiveness Hub a partner of TTCA which was represented in the meeting by Ms. Regina Brown the Hub Manager and Mr. Shemmy Simuyemba, the Regional Transport Advisor and welcomed them to explain to the Forum the objectives of the Trade Hub and the support being provided to TTCA.

5.1.2 Ms Regina Brown briefed the forum as follows:

- East Africa region had the potential to increase the economic power of its people.
- Three Hubs were established in Africa namely, Southern (Gaborone), West (Accra), and East and Central (Nairobi), within the framework of AGOA.
- A five year programme divided into two phases; Phase I October 2002 – September 2003 and Phase II October 2003 – September 2007, is being implemented.

- Hub program to comprise the following:
  - ✓ Component 1 – Build Capacity for Trade Policy Formulation and implementation
  - ✓ Component 2 – Develop private sector business support strategies through the AGOA initiatives.
  - ✓ Component 3 – Improve efficiency and reduce transportation costs related to trade.
- Key Partners in the Programme: African Regional Institutions – COMESA, Africa Governments and Key Public Institutions, Inter-governmental Bodies –TTCA, and Private Sector.
- Some of the challenges the East and Central Africa was faced with include the following among others:
  - ✓ Weak and non-existent infrastructure
  - ✓ Weak institutional capacity
  - ✓ HIV/AIDS

5.1.3 Supplementing the above information, Mr. Simuyemba added that implementation principles would dwell on raising awareness of core issues, strengthening institutional capacity, promoting dialogue and increasing utilization of local institutions and expertise.

5.1.4 He noted that although the Hub had limited funds for the transportation component it had access to Private Partners are willing to contribute to improving the efficiency in trade within the region.

5.1.5 The Hub would assist the TTCA Secretariat to establish a data base to enhance information gathering which would be used to monitor the corridor performance.

5.1.6 The Hub offered to hold discussions with the Kenya Shippers Council to assist where it could.

5.1.7 The Hub undertook to support the transformation of the Corridor from a transport to broad-based economic development corridor, which is expected to generate investment and increase government revenue.

5.1.8 On the recommendation that each member state establish a committee to deliberate on matters of the corridor at national level Mr. Ng'ang'a reported that the KPA Management had offered to host the Secretariat for the Uganda Committee. He proposed the committee membership as follows:

- Customs Department –Head of Customs to Chair
- Clearing and Forwarding Agents Association
- Transport Associations

- ICD Operators
- Uganda Railways Corporation
- Kenya Railways Corporation – Kampala Representative
- Kenya Ports Authority – Kampala Representative
- Uganda Manufacturers Association
- Ministry of Transport
- Police
- Uganda Importers & Exporters Association
  
- Ministry of Trade, Industry and Tourism

5.1.9 After deliberations on the issue it was agreed that the decision on who should be represented in the committee should be handled by the Uganda Community.

**ACTION: KPA – Kampala Office**

**5.2 Co operation with USAID/REDSO**

5.2.1 Mr. Nzuki Mwanja reaffirmed USAID’s support for the TTCA Secretariat and would continue to offer funds as they wish to see the Corridor converted into an economic development corridor.

5.2.2 That USAID would look at the terms of reference which the TTCA has prepared for the establishment of specialized committees and the national trade and transit facilitation committees, with a view to providing necessary support.

5.2.3 He called upon the forum should make specific recommendations on action to be undertaken in the other areas of concern, which include HIV/AIDS, environment, IT and E-Commerce. Suggested that a technical committee be established to look into the advancement of these areas and give recommendations.

5.2.4 He also urged the forum to be proactive and not only present problems but study situations and suggest solutions.

5.2.5 Finally, he informed the meeting that USAID had assisted the TTCA to carry out an assessment of the magnitude of malpractices along the Corridor. He suggested that the TTCA Secretariat could use the findings of the study to prepare an action plan and request funding from USAID.

5.2.6 Mr. Machio in reaction to the above comments drew the attention of the forum to the HIV/AIDS crisis in the transport industry. He explained that the rate at which experienced drivers were being replaced by young inexperienced drivers was too high, leading to safety being compromised. He appealed for help from USAID in this regard.

5.2.7 It was agreed that TTCA should make follow-up of all the issues raised by USAID.

**ACTION: TTCA.**

**5.3 United Nations Economic Commission for Africa.**

5.3.1 Mr. Gordon Anyango from the Rwanda Office of ECA noted that the forum had brought the corridor to its present position. He expressed amazement on the good work despite the fact that there were many bottlenecks. However, he was of the opinion that most of the weaknesses were in the people implementing the resolutions.

5.3.2 He indicated that ECA was working closely with TTCA and had so far funded the review of Northern Corridor agreement, the restructuring of the Secretariat, cargo tracking study going on at the moment. He pledged ECA's continued support to the TTCA.

**6.0 PRESENTATIONS FROM THE BUSINESS COMMUNITY**

**6.1 Kenya**

6.1.1 KTA alleged that cargo was held on trucks for between 4 to 21 days at Nakawa due to clearance procedures. Transporters were therefore requesting that they be allowed to put down the containers as they awaited clearance to enable them continue with other businesses with the trucks.

6.1.2 KTA wondered why it was noted that trucks that were licensed to carry transit goods were not allowed to carry local goods. This therefore made it difficult for an operator to engage in local haulage when there was no transit cargo available. The trucks were forced to lay idle otherwise the transporter cancels the license.

6.1.3 In addition, the Kenya Transport Association submitted a paper entitled, "A New Approach to the Management of Our Transport Systems". It was agreed that the TTCA Secretariat studies the document and makes follow-up with the relevant authorities.

**6.2 Burundi**

6.2.1 Mr. Salvator Bryman on behalf of the business community in his country made the following presentation:

- i. The forum was tackling problems faced by the Burundi businessmen and producing positive results for the Burundi Community
- ii. There was need to reduce police escorts

- iii. He noted that nothing had been done weighbridge charges, which were said to be too high. He called for action to waive the charges altogether to reduce the costs.
- iv. Called for the elimination of Transit bond especially for honest and bonafide businessmen.
- v. He also called for the elimination of Terminal Handling Charges at the port.

### 6.3 **Democratic Republic of Congo**

6.3.1 Mr. I. Gangu for DRC thanked the Secretariat on behalf of the Economic Players working in DRC for inviting them to the meeting. He noted that the invitation came at a time when DRC was reconstructing the country and therefore an opportune time to address the problems in trade. He then raised the following issues:

- i. The grace period given for the return of containers to Mombasa was too short and would suggest that this be raised to more than 60 days.
- ii. Container deposit at US\$ 1500 per container was considered too high and the business community suggested that a penalty be instituted instead.
- iii. The forum was urged to look into the harassment of transporters by police along the route.
- iv. DRC called for the establishment of Through Bill of Lading to be extended to the cities of Eastern Congo.
- v. There was need to designate a depot in Uganda where DRC operators can return containers.
- vi. As regards Information Technology, cargo tracking should be extended to Congo and the Police escorts should be replaced with other more flexible surveillance methods.

### 6.4 **Uganda**

6.4.1 Tony of Mukwano Industries raised the following issues:

- i. Wanted to know when the Shipping Lines were going to stop charging the Lift On Lift Off charges at the Port of Mombasa.
- ii. Explaining that Manufactures bought certain quantities of materials from suppliers, he requested the port to offer a 60 days grace period to allow for storage of cargo especially bulk liquids before it is moved out.
- iii. There was a problem of weight restrictions on containers transported by rail. Liquid carrying containers do not have partitions and therefore it

would be difficult to reduce the quantities, as the moment they are reduced the wagons lose balance.

- iv. Urged KPA to increase efficiency in cargo clearance.

## 6.5 Rwanda

- 6.5.1 The leader of the Rwanda delegation indicated that their businessmen faced the same problems as those from Burundi, DRC and Uganda.

## 7.0 **RESPONSES BY MAJOR SERVICE PROVIDERS**

### 7.1 **Kenya Revenue Authority**

- 7.1.7 Mr. Mumo while responding to the issues that had been raised impressed on KRC and URC to work on improving their efficiency and the security of cargo transported by rail. He noted that the Customs Administrations had an added responsibility of fighting banditry, drugs etc. and therefore it was not possible to make laws for one set of people.

- 7.1.2 He informed the forum that corruption on the part of drivers/staff in the road transport sector played a part in escalating costs as some of the payments made are not chargeable by the industry.

### 7.2 **Uganda Revenue Authority**

- 7.2.1 Mrs. Kagina informed the forum that the question of trucks being delayed at Nakawa for up to 21 days did not arise as the Nakawa clearance depot ceased to exist three years ago. She was concerned that the transporters were not aware of this fact and explained that containers could be offloaded at appropriate places and the trucks returned without any restrictions.

- 7.2.2 Mrs. Kagina requested the business community to inform URA in case there was export cargo to be handled during a holiday so that arrangements could be made to avail staff to clear the consignments.

- 7.2.3 It was suggested that Mr. Machio visits Nakawa to verify the complaints received to enable him form the correct opinion.

### **ACTION: KTA**

### 7.3 **Kenya Ports Authority.**

- 7.3.1 Mr. Ndua explained that the storage of bulk liquids would not be encouraged at the moment for control purposes.

- 7.3.2 With regard to the lift on – lift off charges at Mombasa port, the MD KPA stated that this had been occasioned by lack of adequate handling equipment by KPA. The MD assured the forum that this matter would be addressed

within the next two months as the port had acquired additional handling equipment.

- 7.3.3. With regard to THCs, the MD stated that KPA encouraged the formation of the Shippers Council with the specific objectives of sorting out the issue of Terminal Handling Charges at the Port of Mombasa.

#### 7.4 **Kenya Ships Agents Association**

- 7.4.1 While responding to the request for more than 60 days grace period for return of containers, Mr. Kwinga was of the view that once the Inland Dry Port in Kampala was operational then 60 days would be more than adequate.

- 7.4.2 While appreciating the fact that container deposits were high he noted that the Shipping Lines had to secure the containers in case there were not returned.

- 7.4.3 KSAA and KTA informed the forum that they had instituted measures to fight corruption and urged members to report any corrupt practices to their offices for immediate action.

#### 8.0 **ANY OTHER BUSINESS**

##### 8.1 **New Requirements of the US Customs Administration**

- 8.1.1 The forum noted that the United States Government had introduced new rules/procedures for exporting to the USA as follows: "All manifests for cargo be lodged within 24 hours prior to commencement of loading into the vessel in the case of sea cargo, 12 hours in the case of air cargo and 8 hours in the case of courier consignments". The rules in respect of air cargo are to be effected on 1<sup>st</sup> October 2003, whereas the rules regarding sea cargo have already taken effect.

- 8.1.2 Ms. Regina Brown of the trade Hub undertook to arrange for US officials or consultants to explain the new procedures to stakeholders.

##### 9.0 **DATE AND VENUE OF THE NEXT MEETING**

The next meeting will be hosted by Rwanda Revenue Authority and will to be held in Kigali in November 2003. The exact dates will be communicated by the TTCA Secretariat at a later date.

#### 10.0 **CLOSING OF THE MEETING**

- 10.1 Prior to the closing statement by the Chairman, the TTCA Executive Secretary thanked him for the able manner in which he presided over the meeting. He indicated that Mr Michael Waweru had more than fitted in the shoes of his predecessor, both as the Commissioner General of KRA and as the Chairman of the Forum.

- 10.2 Mr Onyango then paid tribute to the Managing Director of Kenya Railways for hosting the meeting, the hospitality and excellent arrangements placed at the disposal of the delegates. He also thanked other members of staff of Kenya Railways for working tirelessly in ensuring that everything went well.
- 10.3 Mr Onyango also paid tribute to all the members of the Forum and urged them to continue with their efforts to rid the Northern Corridor of all kinds of barriers to transit trade and traffic.
- 10.4 Finally, Mr Onyango expressed gratitude to the Rwanda Revenue Authority for offering to host the next meeting.
- 10.5 In his closing remarks, the Chairman of the Forum, Mr Michael Waweru thanked all the participants for the mature manner in which they had deliberated on issues concerning facilitation of trade and transport along the corridor. He urged the participants to implement the decisions of the Forum which are aimed at removing bottlenecks to transit traffic and the reduction of transport costs along the Corridor.
- 10.6 Finally, Mr. Waweru wished the participants a safe journey to their respective destinations and looked forward to meeting them at the next meeting.