

Rapid Assessment of Single Customs Territory (SCT) in the East African Community (EAC)

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1.0 Background and Context

The ratification of the treaty establishing the East African Community (EAC) in the year 2000 provided optimism for the region on areas of trade and economic cooperation. With a combined GDP of US\$ 193 billion and a market of 177 million people, integration has the potential to support local and regional value chains, industrialization and ultimately job creation and improved income and living standards of residents (EAC 2019). The EAC has grown from the initial three founding states to the current six members (Kenya, Uganda, Tanzania, Rwanda, Burundi and the latest being DRC that joined in 2022). At the onset there were several infrastructural, policy and regulatory challenges that hampered trade through cumbersome and complicated customs procedures that increased time and cost of trade. For instance, time taken to transport container from Nairobi to Mombasa was 18 days, there were more than 10 processes from entry to exit points and multiple Electronic Cargo Tracking Systems (ECTS) led to delays at border crossings as tracking gears had to be disarmed/armed as the trucks cross borders instead of tracking cargo to destination using one electronic seal. Further, multiple non-tariff barriers along the trade corridors in the region including multiple weighbridges, police roadblocks and incidences of rent-seeking increased the cost of transporting goods with cost of transporting one container on the Northern corridor at USD 3500.

It is against the backdrop of the challenges faced within the trading bloc that the Single Customs Territory protocol was initiated aimed at improving the trade environment and competitiveness of the goods traded in the region through removal of internal border controls and documentation; minimisation of costly processes that delay movement of goods; and institutionalising a regional mechanism for the administration of customs operations by merging hitherto 6 customs territories of the Partner States.

2.0 The Single Customs Territory (SCT) Regime

The Single Customs Territory (SCT) is the stage for full attainment of the Customs union which is achieved by the removal of duties and other restrictive regulations and/or minimization of internal border customs controls on goods moving among Partner States with an ultimate realization of free circulation of goods. Under Single Customs Territory, all six Partner States: Tanzania, Kenya, Uganda, Burundi, Rwanda and South Sudan are regarded as one Customs Territory which means only one Customs declaration is made in the Country at which goods are consigned and thereafter goods should circulate freely. Such one declaration has replaced the old system where imports to Rwanda, Burundi or Uganda requires multiple customs declarations; first in Tanzania as Transit Goods and then in Rwanda, Burundi or Uganda as Imports that ultimately involves two or more Customs Agents to clear the consignment. The overall benefit for using this system is time and cost saving.

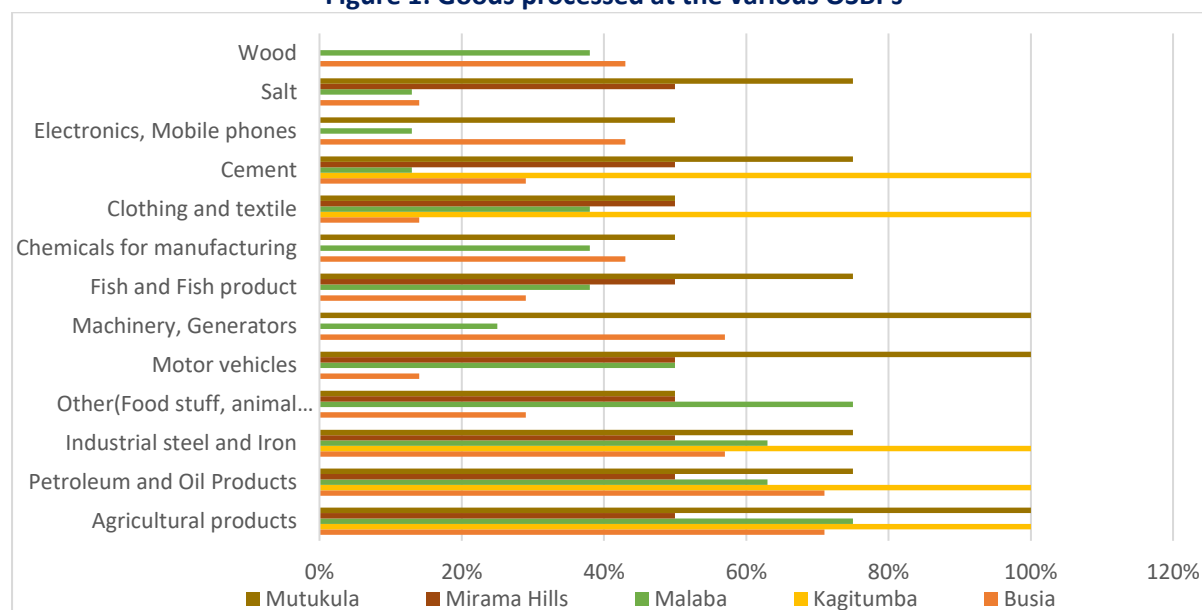
TMEA has been supporting the EAC in the implementation of the SCT regime at major ports (Mombasa and Dar es Salaam) and at various OSBPs points since 2014 to date in terms of systems, processes, and capacity building aspects to ensure efficient trade through time and cost reduction. To enable determination of the potential gains of the regime, a survey was conducted between 25 July- 13 August 2022 targeted at 1,290 transporters, 24 border officials, 41 clearing and forwarding agents and 603 households to establish the broader economic impacts of the SCTs to users of OSBPs. The specific

findings and evidence from the survey are presented and discussed in section 2 with the conclusion and policy implications outlined in section 3 and 4 respectively.

2.1 One Stop Border Posts (OSBPs)

An assessment of OSBPs-Mutukula(Uganda/Tanzania), mirama hills(Uganda/Rwanda), Malaba(Kenya/Uganda), Busia(Kenya/Uganda) revealed that the goods frequently processed at the borders as agricultural, petroleum and oil products, chemical products as illustrated in Figure 1 below.

Figure 1: Goods processed at the various OSBPs

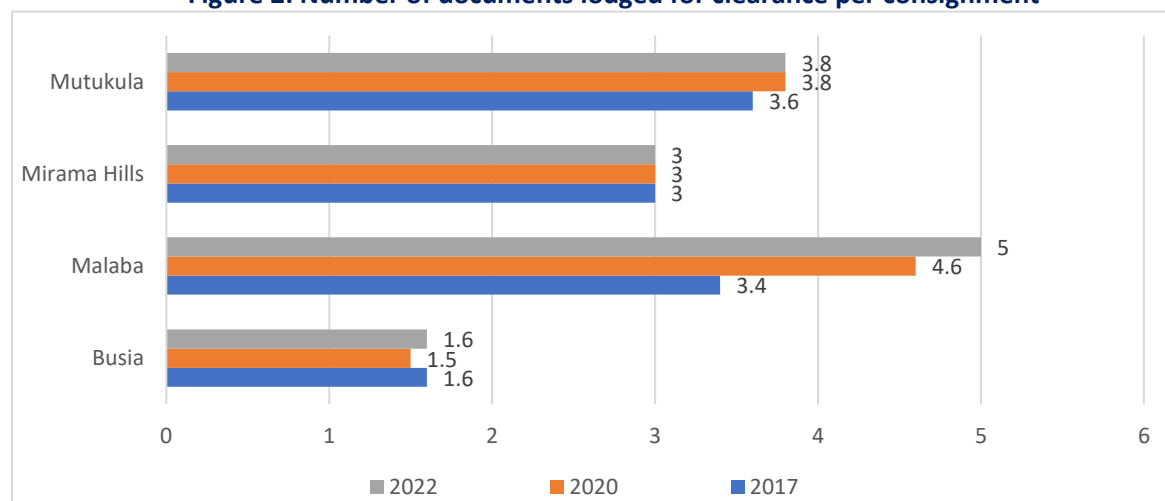


Source: Constructed using TMEA SCT Survey Data 2022

Documentation lodged for Goods clearance

The number of documentations lodged for clearance per consignment has steadily declined over the years. Figure 2 shows that the number of documentations lodged per border in 2017, 2020 and 2022. On average, the documentations for each border are: Busia (2); Malaba (5); Mirama(4) and Mutukula(3). The reduction in documentation to be lodged by traders from 10 to current average 4 at the various borders is attributed to the SCT regime that have introduced automated ICT systems and improved clearance systems through information sharing among various EAC member counties.

Figure 2: Number of documents lodged for clearance per consignment

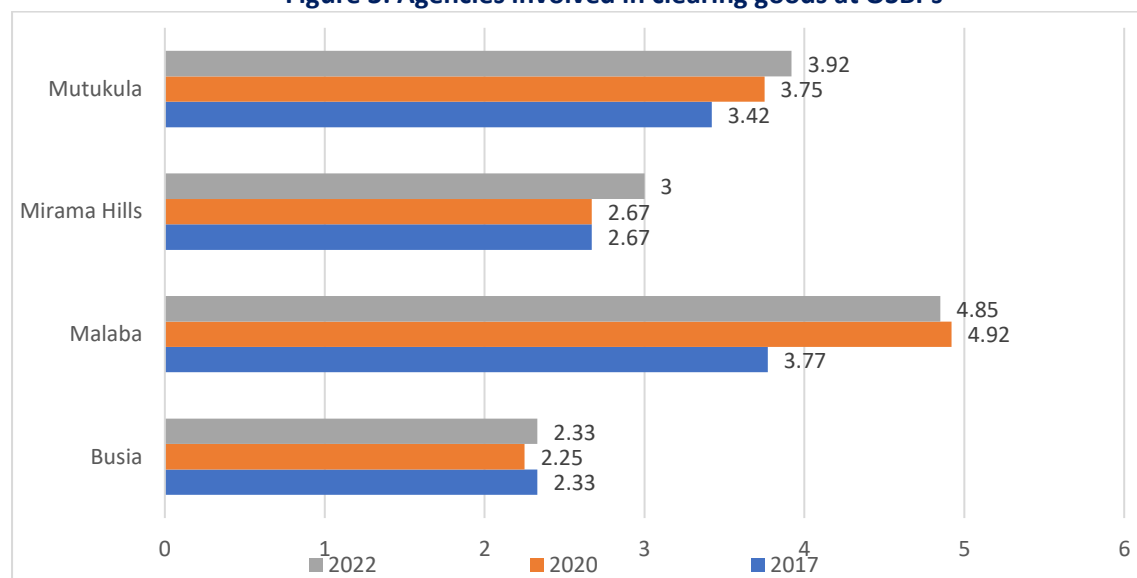


Source: Constructed using TMEA SCT Survey Data 2022

Agencies involved in clearance of goods

The number of agencies engaged in clearance of goods at the respective borders is as in figure 3. The average agencies engaged in clearance per border are: Busia (3), Malaba (4), Mirama(3), Mutukula(4). The lean number of agencies engaged in clearance is due to harmonization and streamlining of operations and automation of clearing processes.

Figure 3: Agencies involved in clearing goods at OSBPs

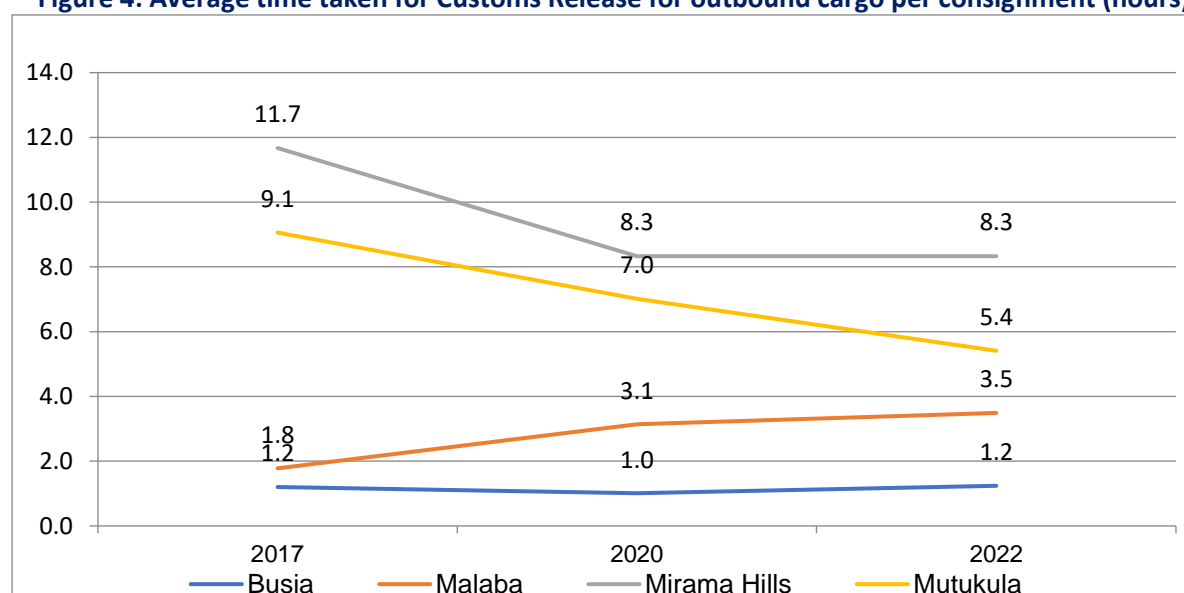


Source: Constructed using TMEA SCT Survey Data 2022

Time taken for custom release for outbound cargo consignment

The average time taken by customs to clear and release goods vary at the various border point is as depicted in figure 4. The decomposition in figure 4 shows that time taken for the borders are: Busia (1.2 hrs in 2017, 1.1 hrs in 2020 to 1.24 hrs in 2022); malaba (1.78hrs in 2017, 3.14 hrs in 2020, 3.49 hrs in 2022); mirama hills (11.67 hrs in 2017, 8.33 hrs each for 2017 and 2022 respectively) and mutukula (9.06 hrs in 2017, 7.02 hrs in 2020 and 5.41 in 2022). Mutukula and Mirama hills have higher clearance times compared to the other borders.

Figure 4: Average time taken for Customs Release for outbound cargo per consignment (hours)

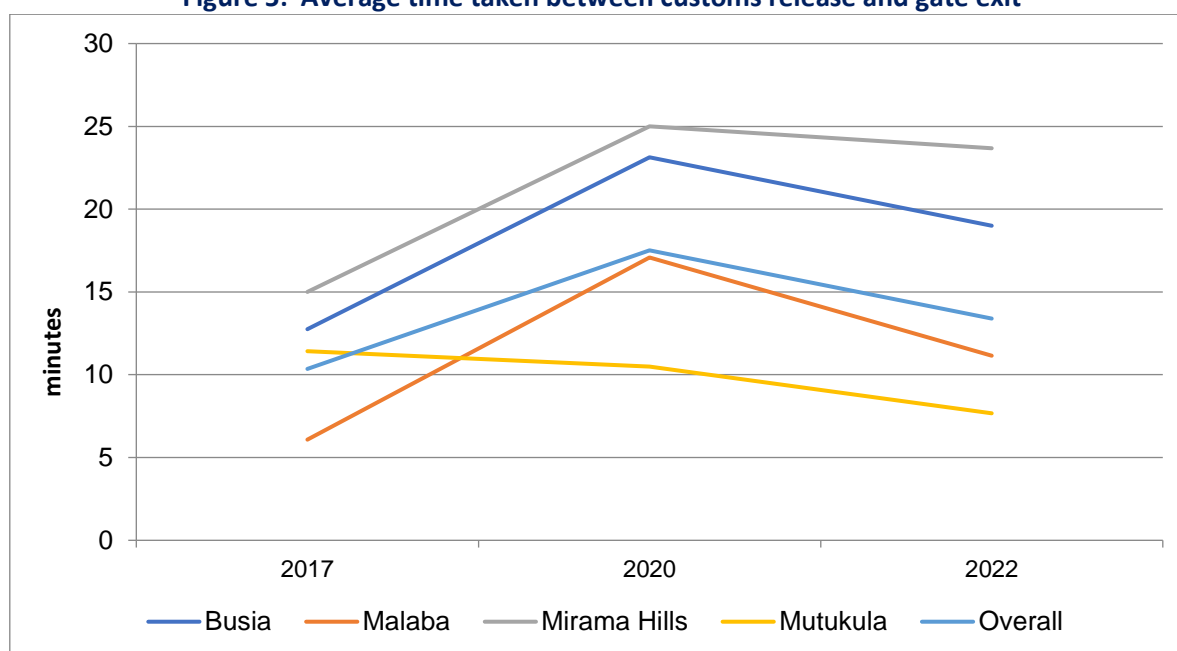


Source: Constructed using TMEA SCT Survey Data 2022

Time taken between customs release and gate exit

The average time taken from customs release to gate exit at the various OSBPs is shown in figure 5. The average times for each border are: Busia (18.29 minutes), Malaba (11.44 minutes); mirama hills (21.23 minutes) and mutukula (10.27 minutes) Overall, the times peaked in 2020 for all the borders as compared to 2017 and 2022 due to covid 19 and related measures on border closures and movement restrictions that halted or slowed transit and clearance of goods that meant longer queues and slow clearance.

Figure 5: Average time taken between customs release and gate exit



Source: Constructed using TMEA SCT Survey Data 2022

Benefits of SCT to Border Agencies

The benefits of SCT have been not only to transporters but also to the border agencies involved in day to day clearing of goods and people. Overall, the SCT with information sharing and harmonization of clearance procedures has reduced the time and costs for clearing goods and boosted regional trade. The benefit reaped by the regional government entities from the use of SCT include:

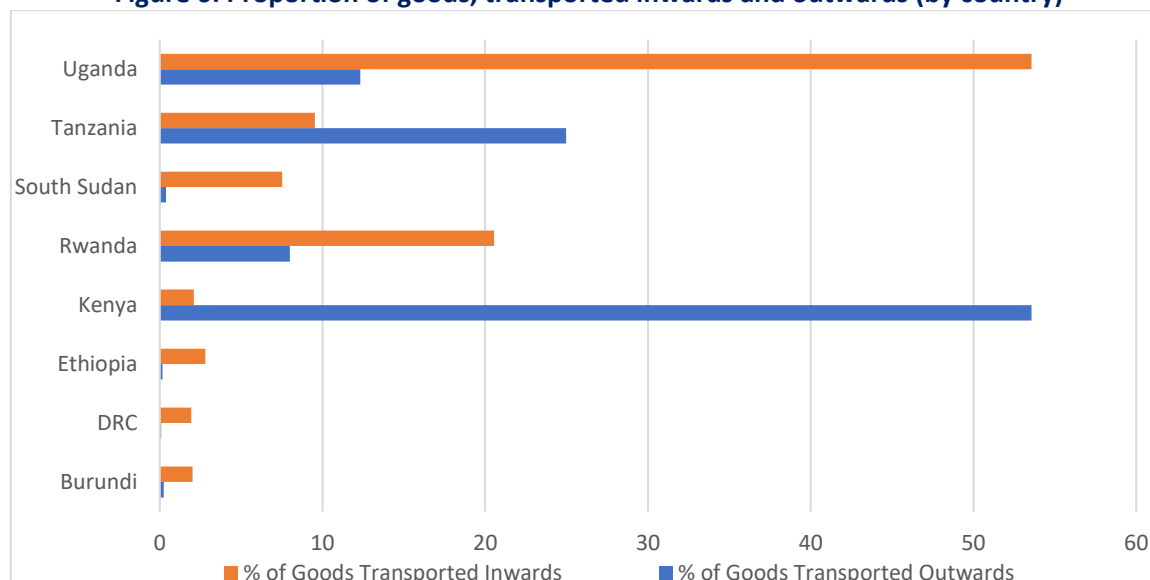
- Enhanced clearance process of goods through information sharing, harmonization of procedures and reduced documents lodges.
- Improved revenue collection due to higher clearance turnover of goods and reduction of loopholes for backdoor clearance.
- Enhanced partnerships, joint planning and financing of OSBP infrastructure among various government in the EAC and with development partner hence development of quality infrastructure that meet the needs of various countries trade needs.
- Improved relationship and better coordination between government departments in the respective countries and among other agencies in the regional countries.

2.2 Transporters Dynamics

Intra-EAC trade is dependent on road transport for movement of raw material and finished goods among and within the various countries where trucks, lorries and trailers are used. An assessment of 1,290 transporters along the Northern Corridor revealed that most trucks transporting good along the corridor originate from Kenya (53%), Tanzania (24%) and Uganda (12%) and Rwanda (7%) as shown in figure 6. A huge chunk of goods originating from Kenya to other EAC countries are transshipments

from the port of Mombasa while others are raw materials and finished products from Nairobi, Thika, Kisumu and Eldoret and these are mostly destined for Uganda and Rwanda. Tanzania follows with 24% of transported goods originating from the country mostly from the port of Dar es Salaam destined for Uganda and South Sudan.

Figure 6: Proportion of goods, transported inwards and outwards (by country)

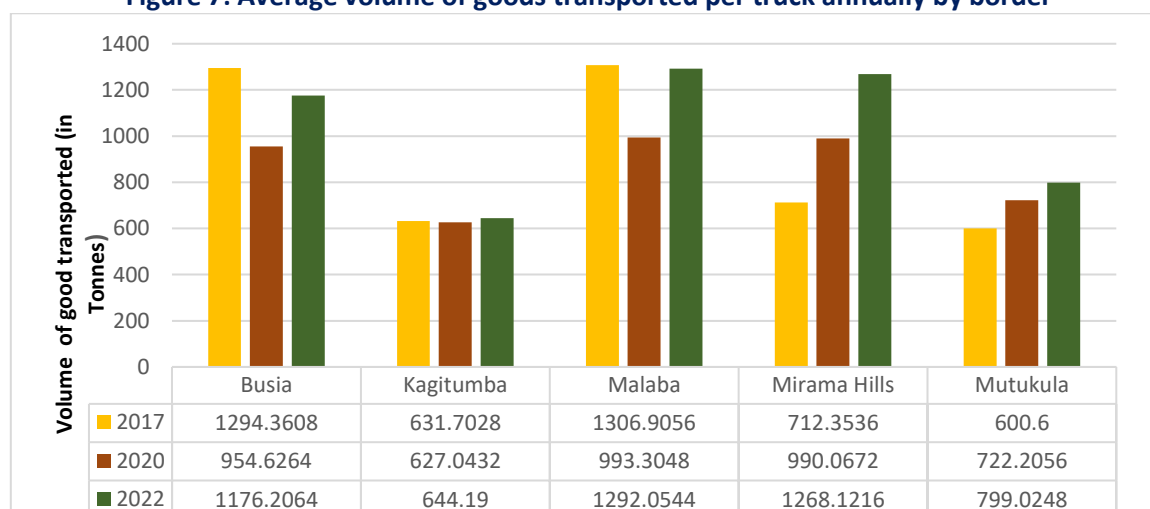


Source: Constructed using TMEA SCT Survey Data 2022

Volumes of goods transiting the borders (per truck)

Figure 7 shows the volume of goods transiting the borders. Busia and Malaba recorded the highest volume of goods per truck annually followed by Mirama/Kagitumba and then Mutukula. On average volumes ferried per truck annually is decomposed in figure 7 as follows: Busia (1,294.3608 MT in 2017, 954.6264 MT in 2020 and 1,176.206 MT in 2022); Kagitumba (631.7028 MT in 2017, 627.0432 MT in 2020 and 644.19 MT in 2022); Malaba (1,306.9056 MT in 2017, 993.3048 MT in 2020 and 1,292.0544 MT in 2022); Mirama hills (712.3536 MT in 2017, 990.0672 MT in 2020 and 1,268.1216 MT in 2022) and Mutukula (600.6 MT in 2017, 722.2056 MT in 2020 and 799.0248 MT in 2022).

Figure 7: Average volume of goods transported per truck annually by border

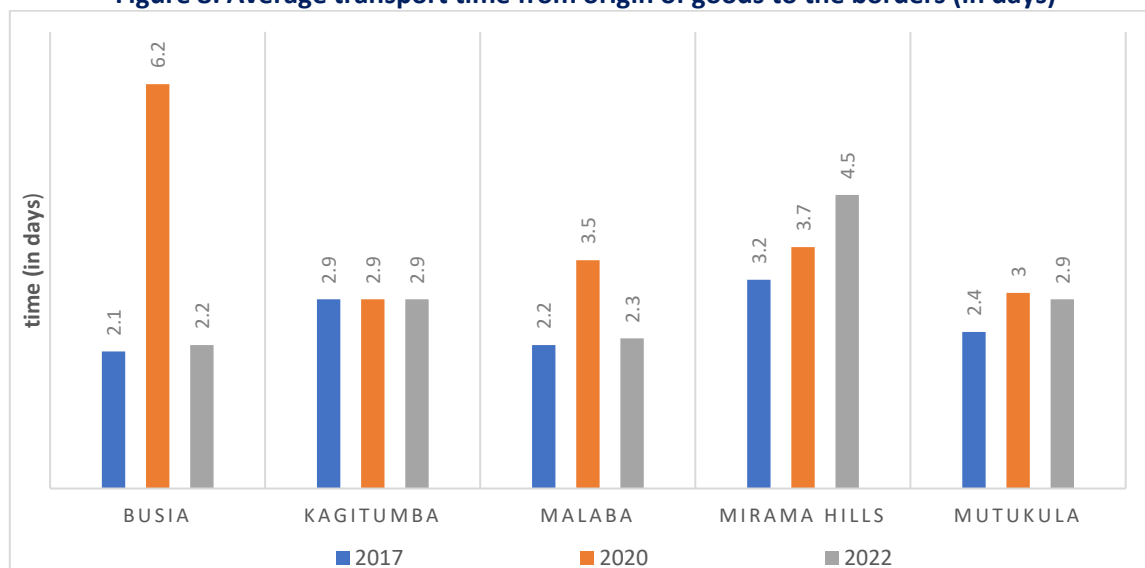


Source: Constructed using TMEA SCT Survey Data 2022

Transport time Outward Journey (Origin to Border)

The transport time for outward journey examined the time transporters take from origin, where the transporters collect their consignment to the respective borders-Busia, Kagitumba, malaba, mirama hills and mutukula. Figure 8 shows that the transport times from origin to the various borders is stable for most borders except for Busia, malaba where the times rose sharply in 2020. This is attributed to the COVID-19 related lockdowns and border closures in 2020 new health requirements in the various neighboring countries that restricted or slowed transportation and clearance of goods across those borders.

Figure 8: Average transport time from origin of goods to the borders (in days)

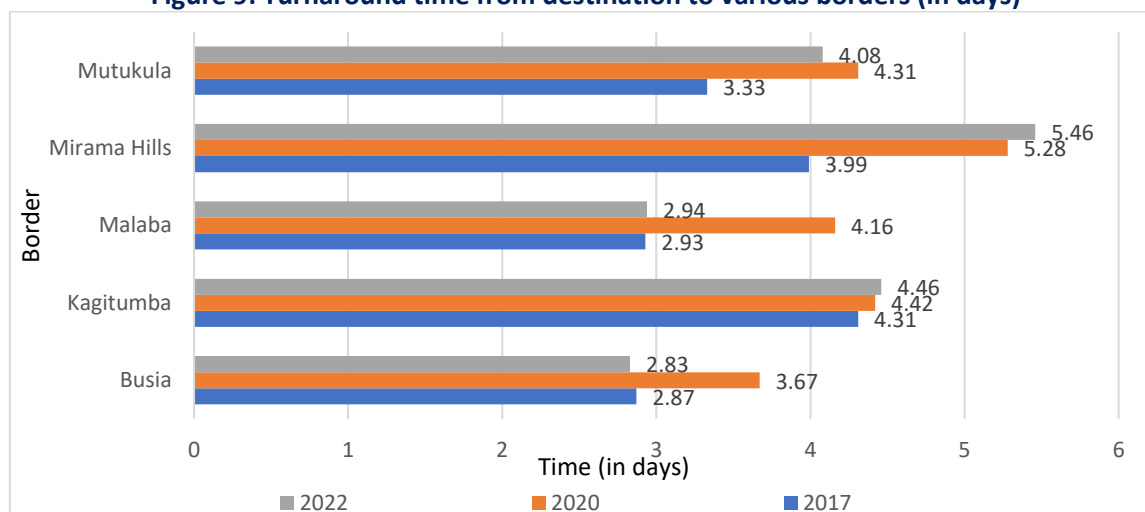


Source: Constructed using TMEA SCT Survey Data 2022

Average turnaround time (Return journey)

The average turnaround times are shown in figure 9 with times for the respective borders as: Busia (2.87 days in 2017 rising to 3.67 days in 2020 and stabilizing to 2.83 days in 2022); Kagitumba (4.31 days in 2017, 4.42 days in 2020 and 4.46 days in 2022); Malaba (2.93 days in 2017, 4.16 days in 2020 and 2.94 days in 2022); mirama hills (3.99 days in 2017, 5.28 days in 2020, 5.46 days in 2022) and Mutukula (3.33 days in 2017, 4.31 days in 2020, 4.08 days in 2022). Overall, the turnaround times are higher than outward journey due to the fact that some time is spent on offloading of goods.

Figure 9: Turnaround time from destination to various borders (in days)

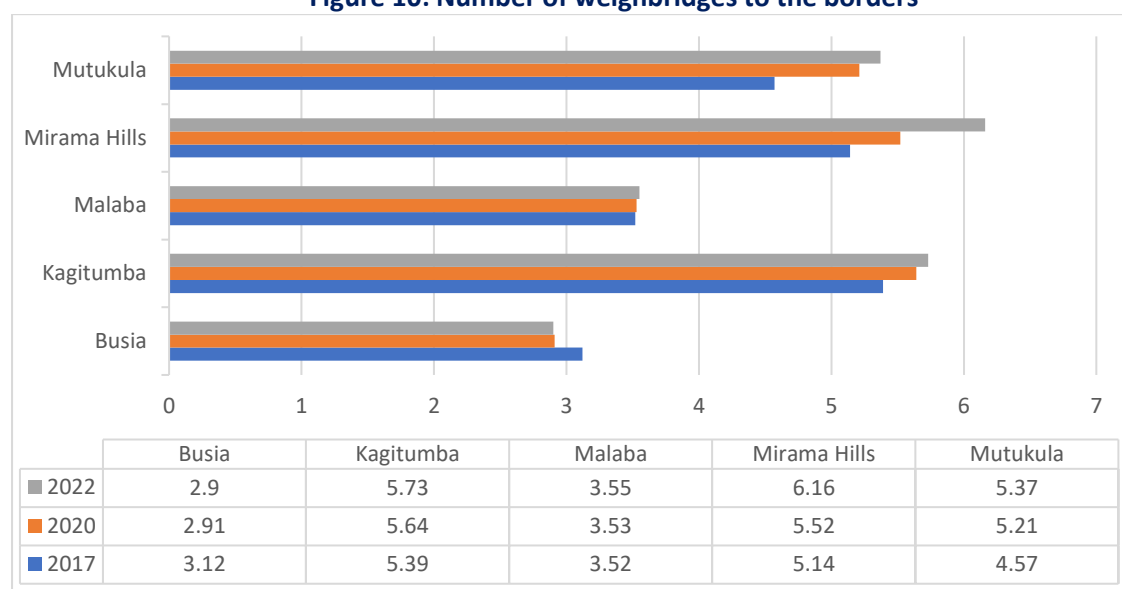


Source: Constructed using TMEA SCT Survey Data 2022

Weighbridges

The number of weighbridges has reduced substantially within the Northern corridor over the years from 10 in 2013 to about 5 in 2022. On average the number of weighbridges up to the various borders are as follows: Busia (3), Kagitumba(6), Malaba(4), Mirama hills(6) and Mutukula(5) as in figure 10. Moreover, technology at the various weighbridges has been enhanced to include modern scales with sensors and cameras that have enhanced services at weighbridges and reduced time spent. Transporters spend an average of 12.67 minutes at weighbridges. Time spent is higher on the routes to Mutukula, malaba and Busia due to high frequency of truck using those routes hence there are queues, while Kagitumba and Mirama hills had the lowest time duration of about 3 minutes.

Figure 10: Number of weighbridges to the borders

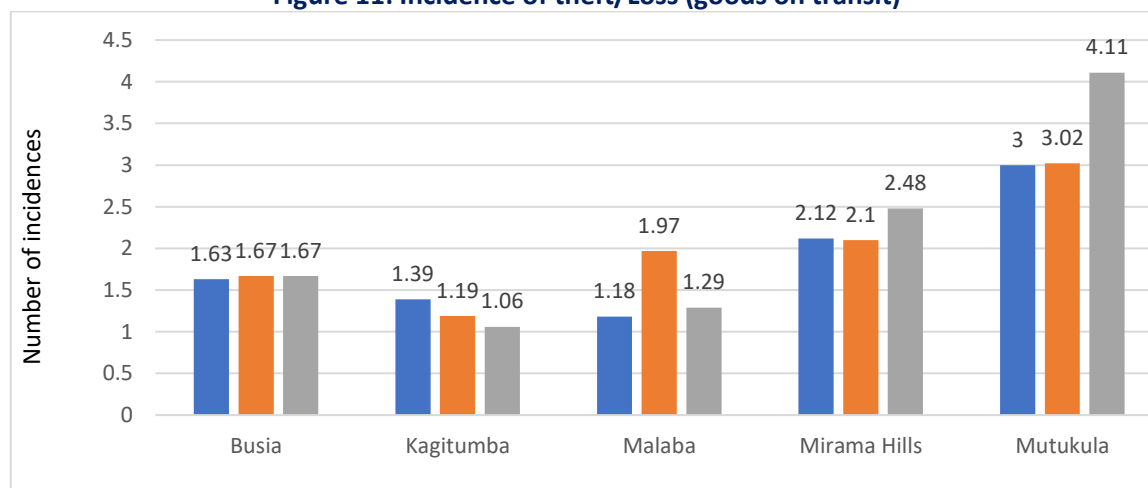


Source: Constructed using TMEA SCT Survey Data 2022

Incidences of theft of goods in transit

The reported incidences of theft of goods averaged 2 cases per month for Buisa, Malaba and Mirama while Kagitumba(1) and mutukula was the highest with 4 cases (figure 11). The low incidence of theft and loss of goods is attributed to the Regional Electronic Cargo Tracking System (RECTs) that facilitates end-to-end monitoring of transits along the Northern Corridor and improved cargo security.

Figure 11: Incidence of theft/Loss (goods on transit)



Source: Constructed using TMEA SCT Survey Data 2022

Benefits of SCT to transporters

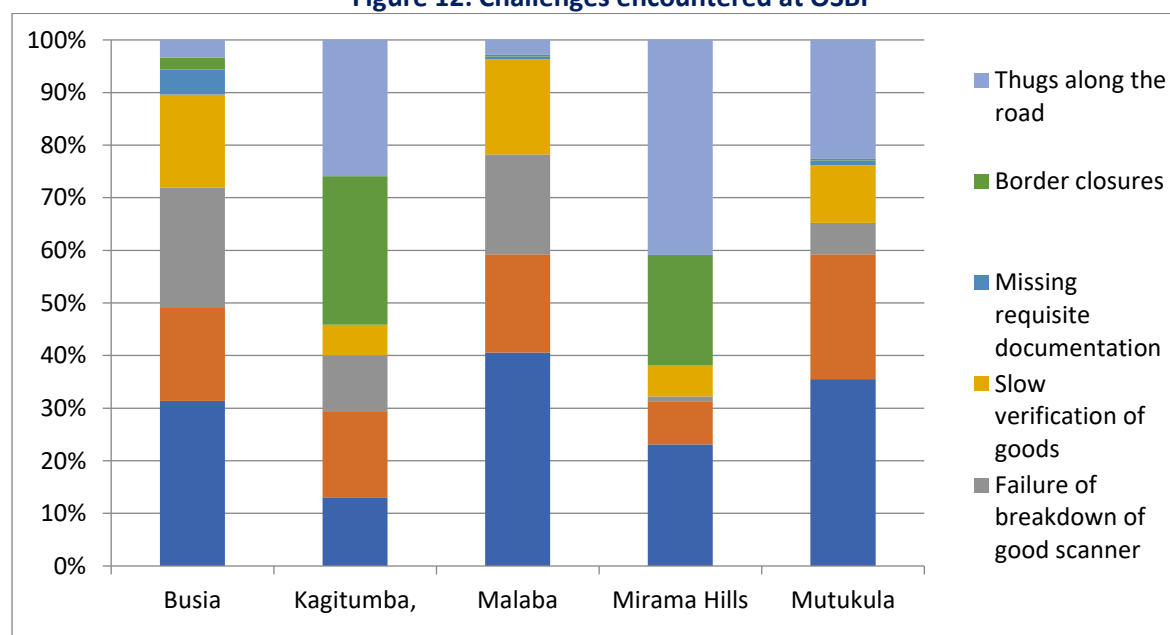
Some of the benefits of SCT to transporters are:

- Enhanced movement of goods and people along the corridors due to harmonization of customs and immigration procedures that has resulted in time savings from about 18 days in 2013 to now under 4 days in 2022.
- Seamless movement of goods due to reduction in number of weighbridges to 5 and elimination of roadblocks along the corridors.
- Development and improvement of infrastructure along the corridors e.g., road network has improved and expanded, enhanced and upgraded communication networks that support regional trade.
- Emergence of businesses and support services-e.g., hotels, accommodation, parking bays that service transporters and travelers thereby boosting local economies of small towns and shopping centers along the corridors.
- Reduction in operating costs for transporters due to improved infrastructure and efficiencies in clearance of good at the various borders.

Challenges faced by transporters on SCT

The SCT platform with associated ICT systems and harmonized information sharing platforms has brought about efficiency in clearance of goods and services across the various borders within the region and benefited traders and transporters. However, some challenges still persist mostly at the OSBPs which include: Long queues, system downtime, failure and breakdown of goods scanners and slow verification of goods that from time to time slow clearance of goods as shown in figure 12.

Figure 12: Challenges encountered at OSBP



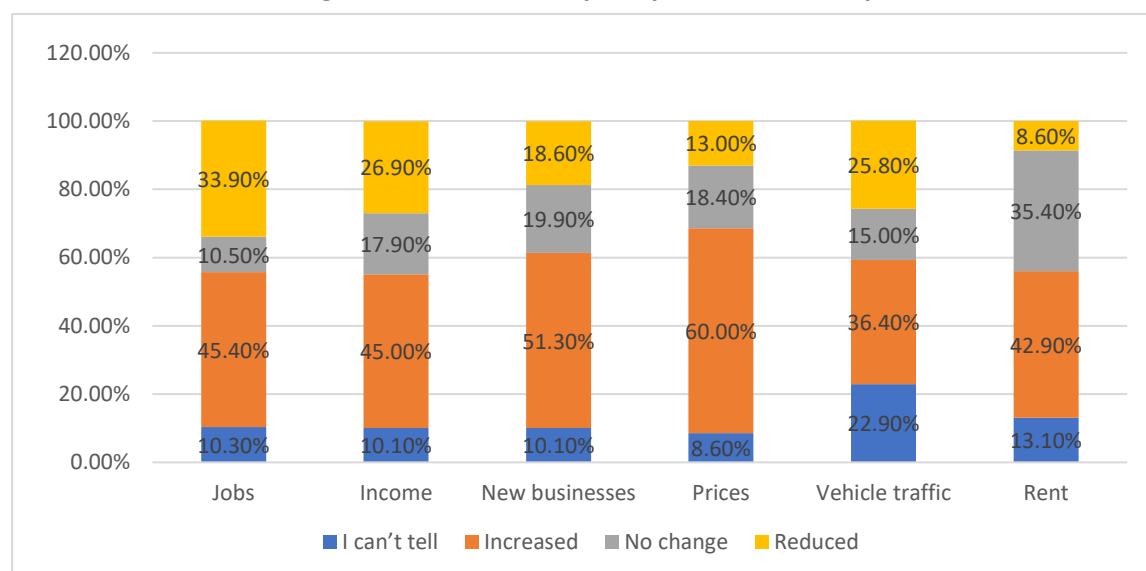
Source: Constructed using TMEA SCT Survey Data 2022

2.3 One Stop Border Posts (OSBPs) and Households Welfare

To determine the broader impact of the OSBPs on the households with regards to jobs, incomes, prices and rent, a total of 602 respondents were sampled at the household level in Busia (122), Malaba (249) Mirama hills (103) Mutukula(128). About 92.7% of the households surveyed are aware of the OSBPs and have used them for movement between the neighboring countries either for trade and generally enter and exit neighboring countries.

Overall, figure 13 shows that the households at the vicinity of the OSBPs reported positive impacts as follows: increase in incomes (45% of households), increase in jobs (45.4%) and establishment of new businesses (60%). On the other hand, rent, vehicle traffic and prices have increased as observed by 42.9%, 36.40% 60% of households respectively.

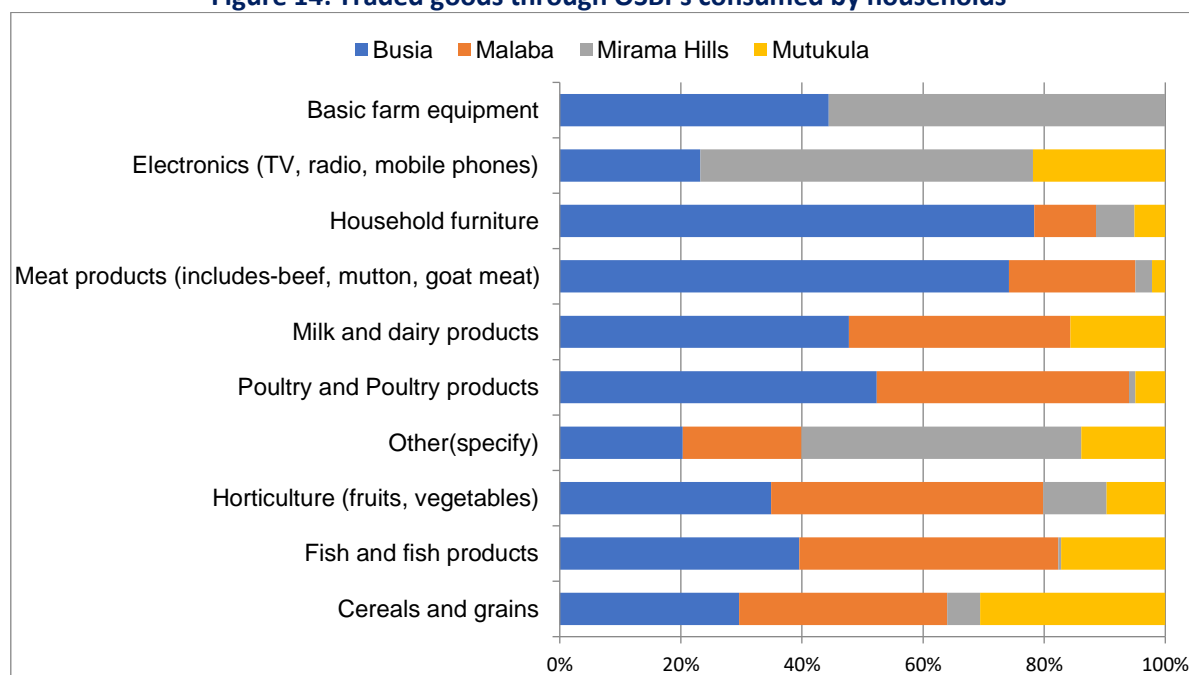
Figure 13: Households' perception on OSBP impacts



Source: Constructed using TMEA SCT Survey Data 2022

On household consumption goods, households reported that some of the goods and products they consume that passed through the borders are cereals and grains, fish and fish products, horticulture (including fruits and vegetables), poultry and poultry products, and milk and dairy products as presented in figure 14 below.

Figure 14: Traded goods through OSBPs consumed by households



Source: Constructed using TMEA SCT Survey Data 2022

The reasons attributed to reliance on goods from other countries were price affordability (77% of households); good quality (47%), availability near vicinity (33%), stable supply (31%), good quantity (14%).

Benefits of OSBP to households

Some of the broader benefits of OSBPs to households are:

- Enhanced movement of people and goods across the border due to harmonization of customs and immigration requirements.
- Agglomeration of new businesses along and around the OSBPs thereby promoting commerce and trade that provides a variety of goods and services.
- Creation of job opportunities in the established businesses, as clearing and forwarding agents etc.,
- Boost income levels of households through employment or participation in enterprise.
- Development of infrastructure e.g., establishment and enhanced operation of OSBPs has come with numerous associated infrastructure i.e) improved roads, electricity, telecommunications networks, enhanced financial systems that has also benefited households within the vicinity of the OSBPs
- Improved living standards of the locals through jobs and availability of variety of goods and services
- Improved security and peaceful co-existence among communities in the neighboring counties around the OSBP

3.0 Conclusions

The SCT regime has improved efficiency and enhanced clearance of goods and movement of people among the various EAC countries. The information sharing platform and the associated ICT systems have facilitated seamless flow of data among the port agencies, customs and immigration thereby reducing number of physical documentations lodged, reduced clearance times and costs at the various ports and OSBPs. Some key gains are: documentation lodged for goods clearance has reduced to under 4 in 2022 from over 10 in 2013; agencies involved in clearance of goods has reduced to 3 in 2022 from over 10 in 2013; time taken for customs to release outbound cargo consignment has reduced to less than 3 hrs; time taken between customs release and gate exit has declined to less than 15 min; transport time outward journey (Origin to Border) has reduced to less than 4 days from a high of 18 in 2013; the number of weighbridges has reduced to 5 in 2022 from 10 in 2013 and incidences of theft of goods in transit has reduced to less 2 in 2022.

As much as the SCT system has benefited transporters, government agencies involved in clearance of goods as well as households, some challenges still exist. The major ones which are:

- i) System downtime that causes delays and long queues hence increasing clearance times and costs for transporters and traders.
- ii) Breakdown of scanner that slows verification of goods and hampers efficiency of clearance process.
- iii) Some border officials have limited knowledge of the broader working of SCT system and cannot provide detailed information to users when needed.
- iv) Some countries (Burundi and DRC) are yet to adopt the SCT system and hence transporters and traders with goods destined to these countries still have to resort to manual/paper documentation at key entry point to the countries hence resulting in complicated clearance procedure with lengthy time and at substantial costs.

- v) Infrastructure development at various OSBPs and ports in the region is not at par as some countries are advanced while other are lagging behind e.g., with dilapidated road network and equipment thereby affecting the efficient coordination of the SCT.

4.0 Policy Implications

With the adverse shocks of the COVID-19 pandemic and the associated disruptions of global supply chains, transportation and trade hubs, there has been increased calls for more regional integration among developing countries especially in Africa to facilitate development of regional and local value chains and boost inter-regional trade. The efforts by the EAC particularly in the setting up of the SCT regime is a key component towards regional integration aimed championing efficient trade through harmonisation of systems and processes of clearing goods and people crossing borders within the region. Some key aspects to ponder about as we continue towards full implementation of SCT and regional integration are:

- i) There is need to improve network connectivity serving the SCT regime and have a backup system to reduce system downtime and ensure no disruptions on clearance of goods and traveller at the various ports and OSBPs.
- ii) Ensure regular maintenance of scanner to reduce breakdowns. Also having a backup scanner to be used when the other is on servicing will go a long way to mitigate the challenges cause by scanner breakdown.
- iii) There is need for regular training and refresher sessions with border officials on the SCT regime and its interconnectedness with the various processes and agencies in clearing of goods and travellers at the borders to ensure those officials involved are knowledgeable on the working of the broader SCT framework.
- iv) The EAC to lobby and engage the counties yet to adopt the SCT regime to initiate the processes of joining the platform to ensure traders and transporters also benefit from efficiencies of cost and time reduction in clearance of goods.
- v) Governments and development partners to prioritize development and maintenance of critical infrastructure essential for operations of SCT (e.g., roads, ports, communications) to ensure efficient operations more so for countries that are still lagging.

References

1. East African Community Facts and Figures - 2019

Data sources

1. The data used in this paper was collected by TMEA through a survey conducted between 25th July-13 August at various borders (Malaba, Busia, Mutukula, Kagitumba and Mirama hills) in the EAC Region.