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Report of On-Spot Assessment on the EAC Single Customs
Territory (EAC SCT)

By

The Committee on Communication, Trade and Investments

*28th September to 2nd October 2014
Dar-es-Salaam and Tanga in TANZANIA*

Clerk's Chambers
3rd Floor, EAC Headquarters
EALA, Wing
Arusha, TANZANIA

October 2014

1.0 BACKGROUND

Members of the business community are engaged in cross-border trade within the East African Community countries although businesses are severely hampered by inefficient trade facilitation systems. In bid to implement the EAC Customs Union Protocol, EAC Partner States have embarked on fast tracking the Single Customs Territory (SCT) whose framework was adopted by the EAC Summit of Heads of States in November 2013. The Summit directed that the SCT commences on 1st January 2014 and that all operational requirements be finalized by June 2014.

Under the SCT arrangement, the EAC member states have adopted a destination model of clearance of imports whereby the assessment and collection of tax revenues on such consignments are done at the first point of entry. This allows free circulation of goods within the single EAC market, with variations to accommodate exports from one Partner State to another. In this regard, Customs administrations in destination states retain control over the assessment of taxes. This crystallizes the gains of regional integration characterized by minimal internal border controls and more efficient institutional mechanisms for clearing goods out of Customs control.

Pursuant to Article 49 (2) (e), "the Assembly may for purposes of carrying out its functions, establish any Committee or committees for such purposes as it may deem necessary to exercise both legislative and oversight functions on all matters within the scope of the EAC through meetings, studies, workshops; tours, on spot assessment activities, to mention but a few"

In order to exercise its oversight mandate the EALA Committee on Communications, Trade and Investment has found it imperative to undertake on spot assessment on the Tanzania Ports Authority (TPA) and Tanzania Revenue Authority (TRA) to engage Ports and Customs Authorities, and Tanzania Freight Forwarders Association on the implementation of EAC SCT, since these stakeholders play a significant role in the operationalisation of the Single Custom Territory to improve business environment in the EAC region.

1.1 Objectives of the On-Spot Assessment

The objectives of the on spot assessment were to;-

- (a) Understand the state of play for the operationalisation of the Single Custom Territory;
- (b) Find out the operations and processes that will be involved in the implementation of the EAC Single Customs Territory;
- (c) Identify the expectations, fears/challenges that are involved and recommendations to address them;
- (d) Visit Ports and Customs Authorities site installations and facilities to acquaint themselves with cargo handling and clearance procedures.

1.2 Methodology

The Members of the Committee on Communications, Trade and Investment held meetings from September 29th to 2nd October 2014 with various stakeholders. Amongst them were Tanzania Revenue Authority (Customs), Tanzania Freight Forwarders Association, EAC Secretariat, Tanzania Ports Authority (Tanga Port). The Committee also carried out a guided tour on site installations and facilities in place including cargo handling and clearance processes and procedures. From these visits and meetings, the committee took stock of the observations and recommendations.

2.0 FINDINGS

2.1 The status of Implementation of the EAC Single Customs on the Central Corridor

The Committee was informed that, in January 2014, Tanzania Revenue Authority started its involvement in preparations for SCT implementation and TRA has set aside an additional budget of TZS 1,668 billion to support SCT implementation. This is an initiative that cuts across different Government and private sector stakeholders. At regional level, coordination has been done by EAC Secretariat and at National level, there is a Steering Committee under the Ministry of Finance.

The Committee was made to understand that the Standard operating procedures covering most of the key Customs procedures and control mechanisms have been developed and tested and the meeting of the EAC Commissioners of Customs took place in Dar Es Salaam on 28th – 29th August 2014 to consider and adopt the standard operating procedures. The Amendments to East African Community Customs Management Act,

2004 for smooth SCT implementation have been drafted and submitted to EAC Secretariat for processing.

2.1.1 Customs Systems Interconnectivity

In terms of Customs Systems Interconnectivity, Tanzania's ASYCUDA++ was interfaced with ASYCUDA World of Rwanda, Uganda and Burundi and Simba of Kenya to allow piloting of SCT that commenced in June 2014. Through this interface, manifests and declarations with subsequent release order information is exchanged electronically and the Information Technology experts are currently working out to fine tune to enable electronic transmission of Exit Notes, declaration and risk selectivity lane, and this is done through emails.

Below is the status of customs systems interconnectivity between Tanzania and other Partner States.

s/n	Revenue Authority	Customs System	Asy++ Interface Status
1	Uganda	Asycuda World	Done
2	Burundi	Asycuda World	Done
3	Rwanda	Asycuda World	Done
4	Kenya	Simba	End of Sept 2014

2.1.2 Interface with Tanzania Customs Integrated System (TANCIS)

TANCIS is a robust system that was introduced to replace Asycuda++ currently working with SCT server. The Committee inspected the Control room where TANCIS is operated and members were informed that Automation started since 1997 in Tanzania by introduction of ASYCUDA 2.7 and later migrated to ASYCUDA++ system in 2005. When users' needs and technological developments evolved over time, several weaknesses

were identified in the system. In 2012 TANCIS was developed and implemented in 2 Phases. Phase I - for main customs clearance business and Phase II - other customs functions/modules.

TANCIS was developed to resolve ASYCUDA++ weaknesses, automate Manual Clearance Processes, and to re-align operations and processes to conform with laws, regulations and best practices.

Tanzania Revenue Authority engaged a Consultant in August 2014 to develop a new interface between other Partner States Revenue Authorities Customs Management Systems with TANCIS. Major Benefits of TANCIS include the following;-

1. Simplified and transparent cargo clearance procedures;
2. Reduction of cargo clearance time;
3. Trade facilitation with a view of reducing cost of doing business;
4. Improved/strengthened controls where necessary;
5. More effective / efficient use of resources including staff;
6. Overall improved quality of services;

2.1.3 Review of Legal Framework

Draft Amendments to the East African Community Customs Management Act, 2004 to provide for the legal backing of the SCT initiatives have been developed and submitted to EAC Secretariat for initiating the approval process. The main areas covered include Refunds of duty, Transfer of goods, and security bonds among others.

2.1.4 Capacity Building and Change Management

Workshops and seminars at national levels were conducted by TRA in April, May and June, 2014 to provide awareness and understanding of the procedures to various stakeholders such as Customs Staff, Clearing and Forwarding Agents (CFA). Customs and Excise Department has been availed with additional staff and 50 recruits completed Customs basic training in August 2014.

In addition, sensitization to selected groups of trading communities was done in the regions and border stations of Kagera, Mwanza, Mara, Arusha, Kilimanjaro, Tanga and Dar Es Salaam.

In addition to seminars and workshops, other sensitization programs were also conducted by Tanzania Revenue Authority and EAC secretariat in April, June and July 2014 for major stakeholders including the Clearing and Forwarding Agents in Dar Es Salaam, Kabanga/Kobelo and Rusumo.

Training programs are on-going exercises and therefore more training programs are yet to be conducted. In this regard, 82 Tanzanian Clearing & Forwarding (C&F) agents trained by Rwanda Revenue Authority (RRA) on the use of RRA ASYCUDA World, while 37 Tanzanian Clearing and Forwarding agents and 29 TRA staff trained by Kenya Revenue Authority (KRA) on the use of Simba, and 45 Kenya Revenue Authority staff and 141 Kenyan Clearing & Forwarding agents trained by Tanzania Revenue Authority on the use of Tanzania Customs Integrated System (TANCIS).

2.1.5 Enforcement and Compliance Procedures

Groundwork on a regional framework for interfacing national electronic cargo tracking systems and one for operating a regional Customs bond has been done. Customs and Excise Department (CED) is working with COMESA Secretariat and insurance companies on adopting the Regional Customs Transit Guarantee Scheme (RCTGS).

2.1.6 Inter-Agency Coordination

1. Tanzania Ports Authority and Tanzania International Container Terminal Services (TICTS) have established direct links with Rwanda Revenue Authority (RRA), Burundi Revenue Authority (OBR) and Uganda Revenue Authority (URA) in clearing cargo destined to these countries;
2. RRA and OBR have stationed their officers at the Port of Dar es Salaam;
3. TANCIS will be interfaced with Kenya Ports Authority system;
4. TRA deployed its officers in Nairobi and Kenya Ports Authority in Mombasa in September 2014;

5. Kenya Ports Authority is expected in Dar es Salaam for the interface task in October 2014.
6. National SCT Steering Committee incorporating all key stakeholders is functional since July 2014.

2.1.7 Piloting the SCT

1. SCT Piloting with Rwanda

The SCT piloting with Rwanda Commenced in June 2014 under Wheat grains and Petroleum Products as shown below; -

S/N	PRODUCT	QUANTITY	NUMBER OF TRUCKS
1	Wheat grains	1650 Mt.	54
2	Petroleum Products	38,958,752 Lts	1,064

More products which have been agreed upon to be included in the pilot products include duty paid Maritime trade such as rice, sugar, motor vehicles while products for Intra-Regional trade include cement, sugar and salt.

2. SCT Piloting with Uganda

Products were selected from Ugandan manufacturers such as Mukwano Industries, BIDCO, and MOVIT and also Wet cargo (Petroleum products) are discharged at Dar es Salaam Port cleared under SCT since 1st August 2014.

S/N	Product	Quantity	Conveyance
1	Petroleum Products	770,515 lts	20 tankers
2	Rice	438,000 kgs	3 Vessels
3	Cotton-seed Cakes	896,000 Kgs	3 Vessels
4	Fertilizer	85,000 Kgs	1 Vessel
5	Spices/cinnamon	1,770 Kgs	1 Vessel

3. SCT Piloting with Burundi

Below is the table showing the products that are being piloted under SCT arrangement for Burundi; -

S/N	Product	Quantity	No. of Trucks
1	Wheat	5,368 Mt	181
2	Beer Malt	1,530 Mt	51
3	Phosphorous Acid	17 Mt	1
4	Silicon Dioxide	17 Mt	1
5	Cement	459 Mt	14

4. SCT Piloting with Kenya

The table below indicates the products that are being piloted under the SCT arrangement between Tanzania Ports Authority and Kenya;-

S/N	Product	Quantity	Transactions
1	Laundry Soap	5,600 Cartons	4
2	Cooking Oil	3,959 Kgs	2
3	Galvanized Steel Pipes	1,331 Pcs	1

In addition, it was mentioned that arrangements are underway to extend SCT implementation to Tanzania-destined cargo arriving at Mombasa Port and the deployment of Tanzania Revenue Authority staff has been done.

5. SCT Coordination at National Level

The Committee was further informed that the National SCT Steering Committee was inaugurated on 9th July 2014 and it comprises all key Government Ministries and Agencies involved in cargo clearance chaired by the Permanent Secretariat Ministry of Finance.

SCT implementation schedule and roadmap for Tanzania has been developed and recommendations have been made to the Ministry of Works on limiting to three, the frequency of weighing trucks transporting SCT-cleared cargo.

A Task Force has been established to come up with mechanism to identify trucks transporting SCT-cleared cargo (Police, Immigration, TANROADS & TRA) and recommendations have been made to the Police and other security organs to carry out any necessary inspections of trucks transporting SCT-cleared cargo only at the designated weigh bridges.

TANROADS has been requested to expedite the process of harmonizing axle load legislation and the Attorney General Chambers to lead agencies involved in cargo clearance in reviewing their respective legislations in line with the agreed SCT framework.

2.1.8 Tanzania Ports Authority (Tanga Port)

The Committee visited Tanga port and the following observations were identified; -

1. Tanga port is one of the six major ports operated by Tanzania Port Authority (TPA) in Tanzania along other major ports, which are Dar es Salaam and Mtwara (along the Indian Ocean), and Mwanza, Kigoma and Kyela on Lakes Victoria, Tanganyika and Nyasa respectively.
2. It is a Government owned parastatal established by the Ports Act of 2004 and operates under the Ministry of Transport of the United Republic of Tanzania
3. The port is located between two deep sea ports of Dar es salaam (Tanzania) and Mombasa (Kenya)
4. Tanga port is the oldest port in the coast of East Africa as it was constructed in 1891. It is currently provided with two shallow water berths with a total length of 380m.
5. It is a lighterage port due to its draft limitation, which range between 3.5 meters and 4.5 meters at low and high tides respectively. Vessels of 1200 GRT capacity can be

handled along the quay. Its draft limitation demands for specialized logistics operation at stream that involves process of cargo discharge from vessels anchored offshore, transport it to shore or a pier using tugs, discharge it and stack it for hinterland logistics and vice versa.

6. The Port is connected with ICT applications such as 24 hour accessible website and Internet banking.
7. TRA is also in the process of linking the port with Asycuda++ to facilitate cargo clearance.
8. There is also a Disaster Recovery site project located in Bandari house.

Tanga Port is faced with the following challenges:-

1. Operation of deep sea vessels at stream which Leads to double handling of cargo and affects productivity in terms of speed of loading/offloading and vessel stability.
2. Ineffective inland transport system as there is no Railway transport therefore all cargo cleared are transported by road.
3. Increase physical capacity through constructing the new port at Mwambani to be linked with a new railway line from Arusha to Musoma (Lake Victoria) and by lake to Uganda is costly.
4. Shipping technological changes whereby ships growing bigger in size with no gears and the Port requires dredging and procure equipment to handle bigger ships.

Despite the challenges, Tanga Port has got future prospects which include;-

1. Implementation of TPA Port Master Plan (2009 – 2028) which includes among others the development of the new port at Mwambani;
2. Prospects for mining activities within the region including Red Nickel, Sulphur, Magnesia, Bauxite, Soda Ash, and the new cement factory in Tanga;
3. Growth of Agricultural activities in the Region ,especially coffee, forestry products which may contribute to growth in cargo;
4. Completion of road Upgrading Minjingu/Babati/Singida road as an alternative to railway connection to Lake Zone may attract more cargo through Tanga port;

5. Road construction plan for Tanga /Pangani /Bagamoyo, Mkata /Handeni /Mvomero (Morogoro);
6. Declaration of land for development of Economic Processing Zone in Tanga;
7. Government declaration of the Northern region as conducive for Foreign Direct Investments.

3.0 CHALLENGES AFFECTING THE SCT IMPLEMENTATION

1. Information Technology interconnectivity: there are still transmission challenges in terms of information and data sharing in all the Revenue and Port Authorities;
2. Non-compatibility and difficulties in data sharing under different Electronic Cargo Tracking Systems by Partner States;
3. Compatibility of Revenue Authorities IT systems with Port Authorities;
4. Fears and concerns by Clearing and Forwarding agents in Tanzania and Kenya of losing business and employment;
5. Absence of the EAC Regional Removable Bond to facilitate clearance of goods to warehouse and exempted goods;
6. Difficult processes by Revenue Authorities to grant access and rights to Clearing and Forwarding agents and Customs Officers;
7. Non-implementation of the EAC Common Market Protocol. For example unharmonized work permits' requirements in the EAC still hindering the business people to operate in any country of their choice;

4.0 RECOMMENDATIONS

1. Capacity building and sensitization programs undertaken to various stakeholders such as Clearing and Forwarding Association, Revenue Authority staff and Other Government Departments on the operations and processes involved in the SCT should be continuous and given timeframes;
2. Fast tracking the finalization of the Draft Amendments to the EAC Customs Management Act, 2004 to ease the SCT Operationalisation;
3. Efforts should be made to fully implement the East African Common Market Protocol to enable free movement of people, goods, capital and services to enable the full operationalisation of the SCT;

4. EALA to come up with pieces of legislations that support the implementation of SCT such as those that provide for the health and education insurances, immigrations, and vehicle registration for staff working in different Partner States;
5. Roll out of more products both intra-regional and maritime goods should be undertaken under Single Customs Territory arrangement;
6. Revenue Authorities need to streamline the process of granting access/views rights to C&F agents and Customs Officers;
7. Fast tracking the finalization of the utilization of the Single Regional Customs Bond by EAC Secretariat;
8. Effective and effecient Systems interface networks should be put in place to address the interconnectivity and data/information challenges.


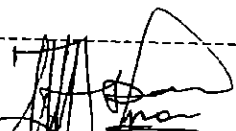
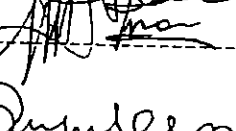
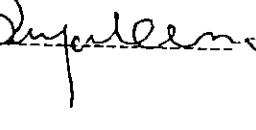
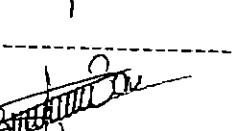

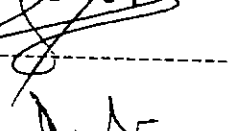
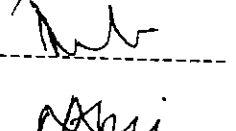
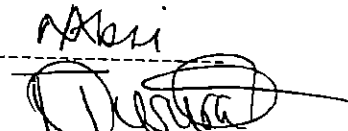
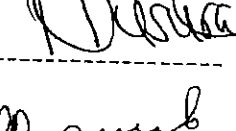
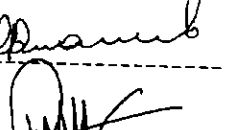
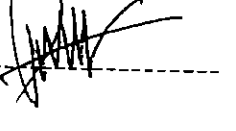
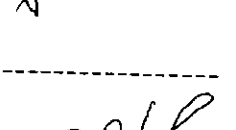
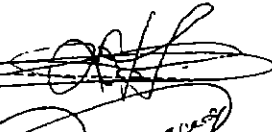
5.0 ACKNOWLEDGEMENTS

1. The Committee wishes to express its utmost appreciation for efforts and commitment made by EAC Partner States in process of fast tracking the EAC Single Customs Territory.
2. The Committee is also indebted to all stakeholders who spared their precious time to participate in this activity and also for their support and cooperation throughout the activity period.
3. Special thanks go to EALA Management for the tireless efforts in mobilizing resources and all logistical arrangements to make this activity a reality.

MEMBERS OF THE COMMITTEE ON COMMUNICATIONS, TRADE AND INVESTMENT

(Report of On-Spot Assessment on the EAC Single Customs Territory)

28th September - 2nd October 2014, Dar-es-Salaam, Tanga - TANZANIA

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