



Economics of Trade Facilitation



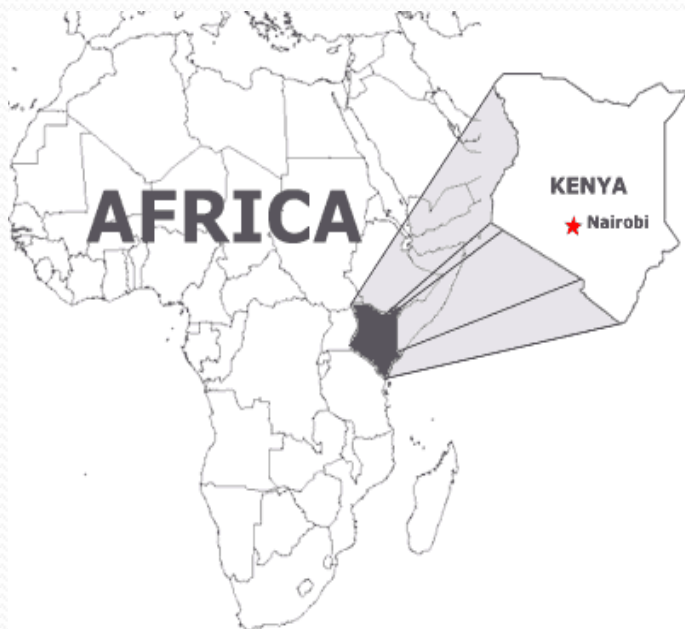
Kenya Revenue Authority

Presentation by
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Outline

- Introduction & Background
- Reforms in Trade Facilitation in Kenya
- PCBS Background, Role and Project Status
- Challenges in design & implementation
- Benefits of Electronic Trade facilitation initiatives
- Lesson's Learnt
- Conclusion

Introduction



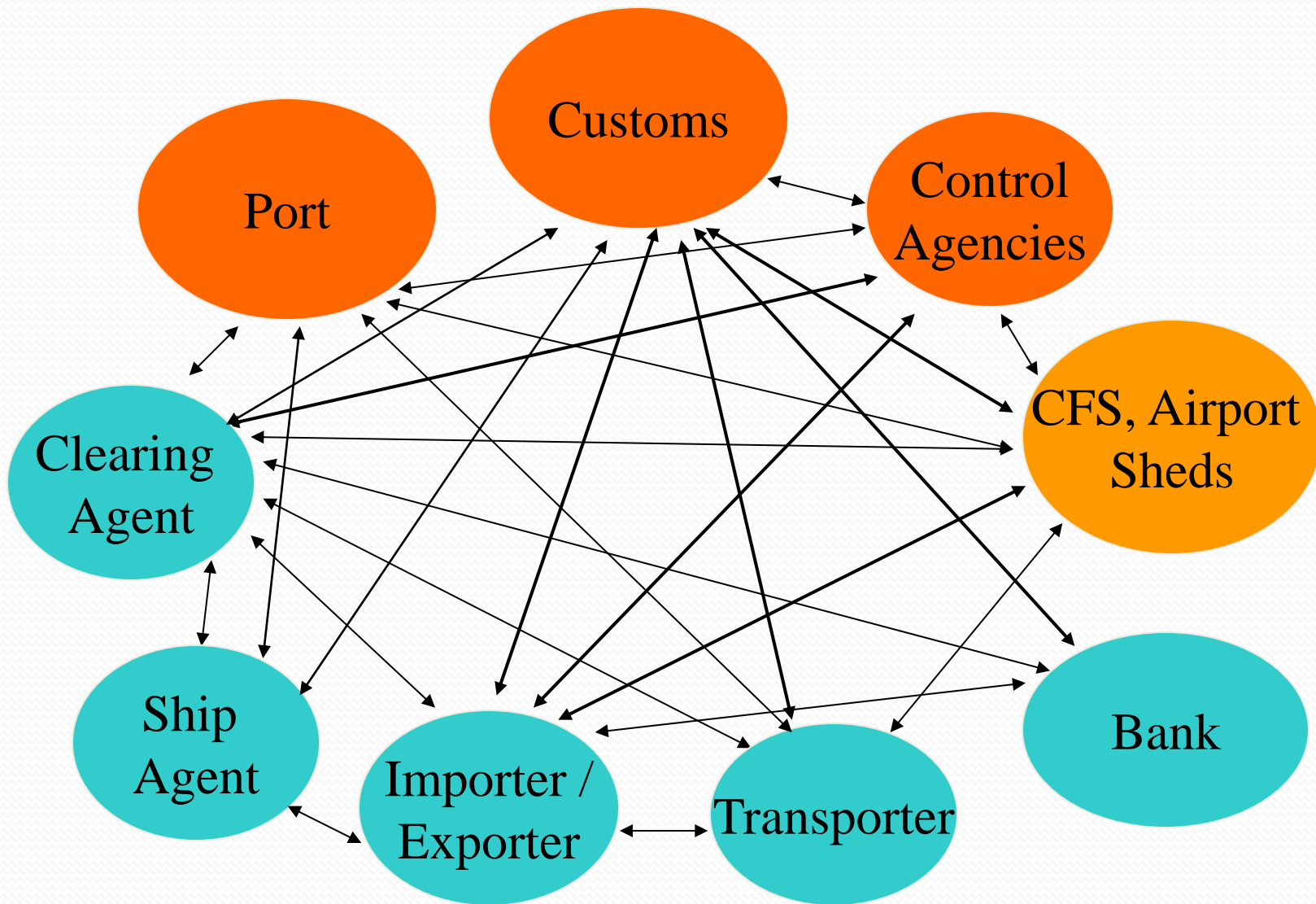
- **Area** : **582,650 sq. km**
- **Population** : **33 million**
- **GDP** : **US\$ 90 billion**
- **GDP per capita** : **US\$ 2,000**
- **GDP growth** : **7 percent**
- **Fertility rate** : **4.82 children per woman**

Background

- Trade procedures in Kenya recognized for some time as inefficient and costly.
- Negative impact on traders, manufacturers and exporters → high cost of trade transactions.
- Major concern for both government and private sector stakeholders.

Key Characteristics

- Paper Based
 - Time Consuming
 - Error Prone and exposed to fraud
 - Duplication of data capture
 - Bilateral Transactions amongst agencies
 - Average cargo clearance time in 11 days at Mombasa Port.
- ➔ *Resource Intensive and Lengthy*



Reforms in Trade Facilitation

- Customs Electronic Cargo Clearance System – SIMBA 2005.
- Kilindini Waterfront Project – Mombasa Container Terminal cargo Clearance System - Port Authority- Going live in July 2008.
- Port Community Based System (PCBS) – Design Phase completed

PCBS Initiation

- Study funded by Commonwealth Secretariat 2005
 - Project Steering Committee made up of Public Sector and Private Sector .
 - Pragmatic Proposals on way forward by Private Sector
 - Recommendations submitted Nov 2005

PCBS Background

- One component of East African Trade and Transport Facilitation Project funded by World Bank. WB Providing 3.2 Million USD.
- Key Component of Government's trade facilitation strategy
- Objective:
 - Shorter clearance time for cargo across Kenyan borders
 - 3 days average clearance time at Mombasa Port.
 - 1.5 days – JKIA
- Port Authority and Revenue Authority lead stakeholders

What is the role of PCBS?

- Single electronic window **to facilitate** processing of trade related documentation
- Enables exchange and automated processing of documents
- Collect and share Logistics information in order to optimise processes
- Users: entire trade community
 - Ship agents, freight forwarders, transporters (Road, rail, air), cargo handlers (port & air), controlling agencies (Customs, Bureau of Standards, Phytosanitary Authority, Port Health, Maritime Authority & Government Ministries)
- **NOT** Replacing individual agency role or responsibility

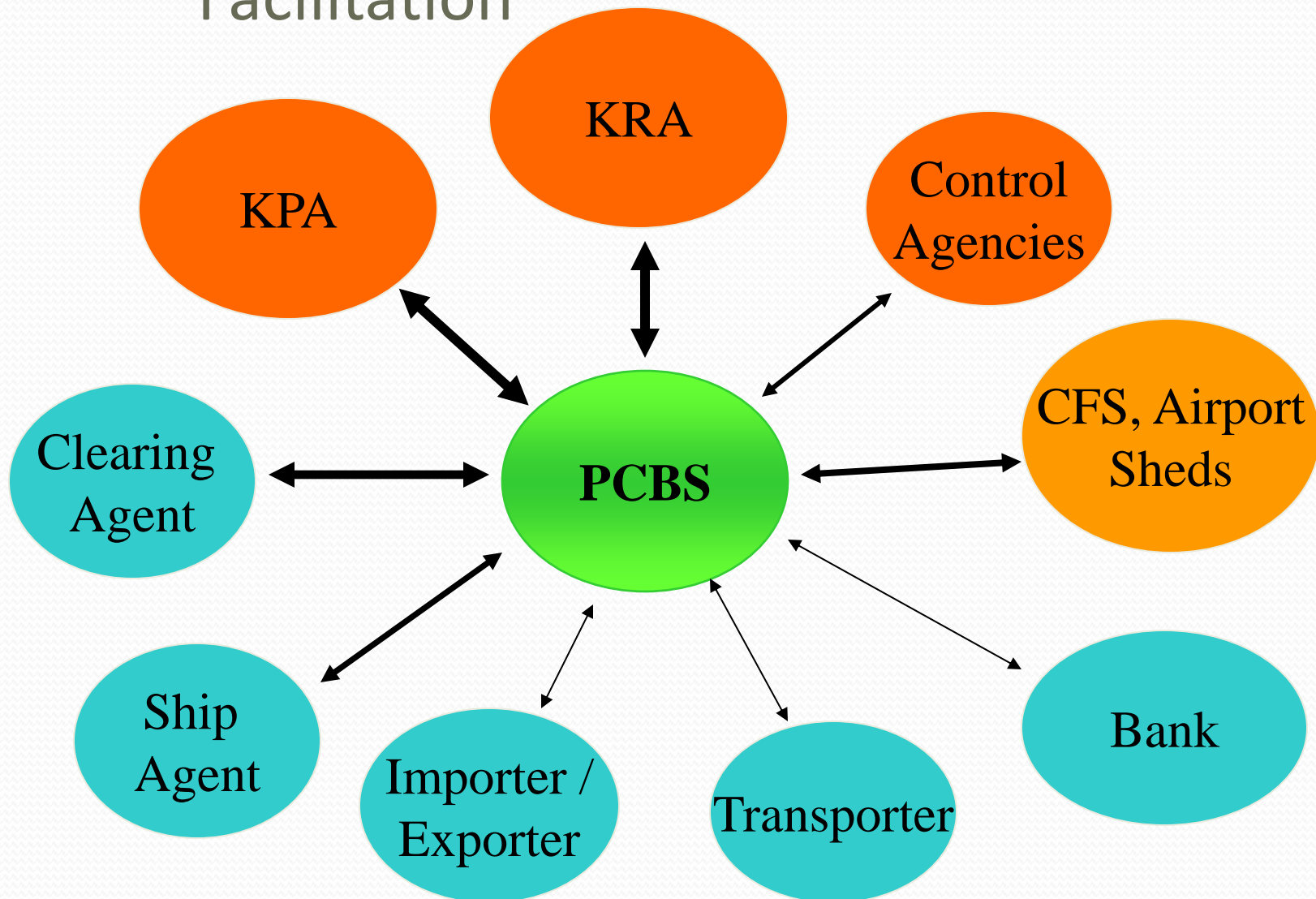
Trade Flow Focus

- A. Manifest data submission and amendment
- B. Customs declarations processing
- C. Status for release by government controlling agencies
- D. Payment of duties and taxes
- E. Data on transit goods – in and out
- F. Access to information on cargo status
- G. E – Permits for Pre – Clearance Requirements

Project Status

- Project Design phase completed; Key milestones:
 - Project Charter
 - BPR report (Streamlined procedures)
 - Implementation Master Plan
 - System Specifications report (user requirements)
 - PCBS Operator Business Plan
- System Implementation to commence in phases in October 2008.
 - Phased implementation (2 phases) expected to be completed within 2 years.
 - Roll out of 1st Module - May 2009.

Single Window for Trade Facilitation



Challenges in Design & Implementation

- Procedures and processes undocumented.
- Large number of statutory stakeholders
- E- Readiness Capacity amongst stakeholders.
- Lack of Legal Framework for recognition of electronic transactions.

Benefits of Reforms – to date

- Quick Wins Facilitation Measures implemented / in progress
 - Integrated control processes (manual) at Mombasa port as interim measure
 - Streamlined gate exit procedures through sharing of information from KPA to KRA
 - Change of legislation for advance submission of manifest (72 hrs prior to vessel arrival)

Benefits of PCBS

- **Shorter Clearance time – 3 days at Mombasa Port and 1.5 days at Nairobi Airport.**
- **Improved competitiveness of Mombasa Port, Kenya and Hinterland Countries.**
- **Eliminates / Minimizes physical displacement (fuel conservation ... !)**
- **Standardization and increased transparency in the Clearance process.**
- **Tracking capability**
 - **Enhanced Client satisfaction**
 - **Easier to take corrective measures (identify recurrent bottlenecks, defective steps, ...)**
 - **Factual data as a Management tool**
- **Statistics Readily available**
 - **Actual v/s target**
 - **Productivity measures**

Estimated Economic Benefits

- **Simplified Estimate**

- US\$20 savings per container per day
- 300,000 import / transit containers per year
- 7 days of reduced dwell time: US\$42M savings per year to economy of Kenya & bordering states
- PCBS Operator proposed user charges of USD 4.2 per declaration for imports and exports USD 2.2.

- **Alternate Estimate**

- Value of Trade 2005: KSh 675B (Source: Kenya CBS)
- TTC: 7% - KSh 47B (TTC range from 2 – 30%)
- Savings from Trade Facilitation: 6 – 11 % of TTC
- Savings for Kenyan economy: KSh 2,820M – 5,170M
- US\$ \$42M - 77M

Lessons Learned

- Structured process essential in order to secure confidence of stakeholders
- Collaboration of public and private sector essential for process simplification
- Commitment at highest levels required in order to push through administrative challenges.
- Opportunities for Regional Integration through exchange of information.

Conclusion

- Compelling Business case for trade facilitation and competitiveness.
- Complexity and breadth of processes requires focus and scope control.
- Critical tool for enhancing Governance in Trade facilitation- independent operator.
- Win / win initiative for national economy - public and private sector

Contacts

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Questions / Comments