



REPORT

THEME:

LOGISTICS; THE ENGINE OF ECONOMIC
GROWTH AND DEVELOPMENT

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Introduction

This is the Report for the 3rd Edition of the Global Logistics Convention whose theme was; ***Logistics - the engine of economy growth and development.***

The report is in four main parts:

1.0 Executive Summary (***including key recommendations***)

2.0 Summary of opening remarks

3.0 Sessions & takeaways

4.0 Conclusion

Executive Summary

The Global Logistics Convention (GLC) is the flagship event of the Federation of East African Freight Forwarders Associations (FEAFFA) and the 2019 GLC was organised by the Rwanda Freight Forwarders Association (RWAFFA) and Rwanda Transporters Association, in collaboration with various Rwanda Government agencies and the Private Sector Federation (PSF) at Kigali Convention Centre.

It is the 3rd edition of the Convention and follows previous editions held in Tanzania (2017) and Uganda (2018) respectively.

The event was comprised of eight substantive sessions each covering an important facet of the logistics industry. On the sidelines of the Convention, different stakeholders had an opportunity to showcase their services and products in a well-orchestrated Exhibition.

Participants, who came from the African continent and beyond, sought (i) to emphasize the importance of trade facilitation initiatives to the logistics industry, (ii) to stress the need of promoting professionalism and capacity building in the sector (iii) to get up to speed with the latest global trends in the sector (iv) to compare the transport logistics environment in the region with other trade blocs (v) to assess the impact of ICT in logistics (vi) how to better position their businesses to easily access financing from financial institutions (vii) to assess the impact of transport and infrastructure on economic growth and (viii) to examine the current safety and security measures in place for the logistics industry supply chain.

The discussions in each panel were lively with contributions from a wide range of participants and below are key recommendations;

1. It's crucial for EAC member countries to engage in trade talks with other regional blocs as one bloc because of the immense benefits that come with it including scale of exportation and global free trade deals among others.
2. There's need for greater sensitization on the need to simplify cross-border trade procedures and to ensure greater inclusion of

the private sector in public-private dialogue platforms responsible for the implementation of the TFA at the national level.

3. Collaboration between the public and private sector is the antidote to being professional.

4. Excellence in service delivery is of paramount importance

5. There's need to continuously read, learn and engage in trainings to sharpen skills. Trainings also need to be hands on; as practical as possible; let's not only look at numbers but quality.

6. Create awareness on emerging trends & challenges to enable freight forwarders to adapt accordingly. It's important to adapt to the latest trends in technology and the industry as a whole

7. Players in the sector need to embrace and support multimodal logistics to reduce costs

8. Establish innovative ways of bringing on board the private sector to finance infrastructure; drop the mind-set of waiting for governments to do everything.

9. Invest heavily in innovation, infrastructure and the right technologies to curb cyber attacks because cybersecurity is the corner stone of the success of e-commerce; it needs to be embedded in the entire eco-system.

Summary of opening remarks

Seka Fred, the Chairman of FEAFFA delivered the opening remarks; highlighting the positive strides the sector has made but quickly stressing the need for players in the industry to constantly reflect on the past, present and more importantly strategize for what should be a challenging but rewarding future ahead.

Other speakers included Basil Eid from FIATA and Patricia Ithau, a Board Member of Trade Mark East Africa. Ithau believes that in order to achieve substantial improvement in quality of service and reduce the huge annual logistics costs in the region (estimated at USD15 billion), there needs to be better coordination of efforts between the government and the logistics industry, rationalisation of taxes and levies, strong regional cooperation and better representation of women in the sector stressing the fact that an equitable industry is just as important as an efficient one.

In his remarks, the Permanent Secretary in the Ministry of Trade and Industry Michel Sebera, said that the convention is a key milestone towards establishing mechanisms that continue to support ease of doing business while also strengthening the logistics industry.

He also reiterated the Government's efforts to support swift implementation of infrastructure projects that will ease transport and trade across borders and enhance regional cooperation.

The keynote address was delivered by the Minister of Infrastructure, Amb. Claver Gatete who highlighted logistics as a key pillar of the Continental Free Trade Area (CFTA).

He noted that while Rwanda has made important gains in the ease of doing business, transport costs which account for about 30 to 40 percent of the total cost of goods continue to undermine the country's competitiveness and trade.

By the end of the opening session, many sector players were optimistic that the convention can encourage countries to further enhance their rail and water transportation networks, embrace technology and curb political friction, among other challenges.

Session 1

Trade facilitation initiatives and benefits to logistics

It was highlighted that trade facilitation and the role it plays in unlocking growth of countries has never been more relevant. According to the World Trade Organization's Trade Facilitation Agreement 2015 Global Trade Report, the impact of implementing WTO TFA measures would potentially reduce the cost of trade by as much as 14%.

It was also noted that the treaty establishing the EAC provides the legal framework for Partner States to develop and adopt an East African Trade Regime, and co-operate in trade liberalization. This includes simplification and harmonisation of trade documentation and procedures – also detailed in the EAC Customs Union Protocol.

Since 2010, TradeMark East Africa has partnered with the EAC Secretariat and EAC Partner States to generate momentum and capacity to implement regional laws and ministerial decisions, thereby catalysing the move from 'decisions to actions' within the region.

Some of the interventions TMEA has been supporting include:

- Implementation of automated customs management systems.
- Improvement of infrastructure at the ports of Mombasa and Dar Es Salaam.
- Establishment of electronic single windows, One Stop Border Posts and Coordinated Border Management at 13 OSBPs.
- Support to Authorized Economic Operator (AEO) programmes in Uganda, Rwanda and Burundi.
- Support to rationalization and elimination of NTBs including establishment of mobile based national NTB monitoring mechanism in EAC.
- Support to the EAC regional standards harmonisation programme as a step towards Mutual Recognition of certificates of conformity issues in the Partner States.

- Promoting public- private sector dialogue in driving trade facilitation reforms.

And while these interventions have enabled EAC Partner States and businesses to reap huge benefits, there's still a lot to be done.

Besides key challenges constraining cross-border trade and investment such as infrastructure gaps, inefficient trade procedures and non-tariff barriers, Dennis Karera, the Vice-Chairperson of the East African Business Council, underlined how pointless obstacles especially those stemming from corruption continue to hamper the sector as well as the region's development agenda.

Key Takeaways:

The following key conclusions can be drawn so far.

(i) National Trade Facilitation Committees (NTFCs) are critical and they need political support and resourcing for sustainability.

(ii) High Impact ICT interventions reduce time as well as cost – customs systems, single window projects and electronic cargo tracking systems work well in terms of speed of delivery, flexibility and reduced bribery on our regional roads.

(iii) A properly functioning railway system would go a long way in helping the region in terms of doing business.

(iv) Finally, Trade Facilitation needs to be streamlined into the national development agenda for sustainability, and for many specific Trade Facilitation measures, a regional approach has the potential of achieving high impact-especially in landlocked countries.

Session 2

Promoting professionalism & Capacity Building in logistics industry

The Logistics industry is central to seamless trade and although infrastructure remains the biggest challenge to the sector, inadequate skills among professionals is another impediment. In fact, without proper coordination and professionalism, one cannot talk about efficiency.

It was highlighted that inefficiency in customs can have a very negative impact on international trade and cost of doing business.

In an effort to streamline activities in the industry, there was a lot of emphasis on the need for self-regulation in the industry; something RWAFFA is already trying to implement in partnership.

Takeaways from the session

1. A Strong partnership between Customs and freight forwarders brings efficiency in service delivery.
2. Regular consultations and actual training reduce skill gaps; today over 6500 freight forwarders have graduated across the East African region thanks to a joint partnership between FEAFFA and the EAC directorate of Customs.
3. Besides developing our businesses and improving the service to customers, compliance with set trade facilitation rules and regulations is fundamental.
4. While training helps to position businesses in the market, it is insufficient on its own and there's need to come up with a program for continuous professional courses to keep up with new trends.
5. Voluntary compliance eases facilitation. E.g. immediate release of goods, no need to offload containers etc
6. Technology advancement have revolutionised the industry allowing women to excel in the sector

7. In some cases, governments need to take the lead in shaping the industry; offer guidelines.

8. Exercise the 'Catch them young' slogan; engage freight forwarders at an early stage. They need to have apprenticeship

9. Professionalise and capacitate your enterprises; walk the talk.

10. While it pays to be complaint, some players in the sector wondered why they had to continuously apply for some of these exemptions.

Session 3

Global trends in logistics

With the emergence of e-commerce and rising digital literacy among the consumers, the global logistics industry has been changing significantly in the recent years.

Factors such as rising disposable incomes, dual-income households, and constant urbanization have encouraged consumers across both developed and emerging economies to follow upcoming logistics trends.

This has further resulted in the rapid development of retail channels requiring efficient inventory management and warehousing solutions to help customers make informed purchase decisions.

Today, it's not how much you know but whether your knowledge can be converted into efficiency. The future is e-forward.

Key Takeways

-Raise advocacy in governments to remove non-tariff barriers which reduce cost of doing business

-There's need for integration of regional logistics associations across the continent, information sharing in the industry and stronger collaboration; need to establish the right networks

-Need to adopt compliance-based skills and streamline processes in place to easily incorporate technology and regional integration which;

- Leads to free movement of goods and people across borders
- stimulates investments
- Leads to economic growth across the continent.

Session 4

The transport logistics environment in EAC and the other trade blocks & beyond

The transport and logistics sector presents a unique opportunity for investors not just in the EAC but on the African continent as a whole.

A number of global logistics and transportation firms realize these potentials and have expanded their operation even in the midst of significant infrastructure challenges.

Latest statistics show that the dependency on Europe has reduced, while trade with Asia, as well as intra-Africa has picked up significantly. This is proving to be extremely positive, in light of the economic pressure Europe is currently experiencing.

Sub-Saharan Africa undoubtedly provides huge opportunities in the transport and logistics sectors, but there are still significant challenges around infrastructure, labour relations and the ease of cross-border trade within the region, which need to be improved in order to facilitate the growth required on the continent.

Way forward

- Trade liberalisation has to be reinforced with cross border logistics
- Improve infrastructure; railways, roads and efficient port handling
- Taking advantage of the market size; building partnerships and collaborations beyond the EAC, SADC and COMESA

- Professionalism in the industry; making sure that the service is more customer oriented.
- Simplification and harmonisation of customs / transit procedures across borders and insurance companies
- EAC Member countries to adopt IOS compliant driving permits to easy movement across the region.
- The will to implement policies by government bodies e.g non-tariff barriers

Session 5

LEVERAGING ON TECHNOLOGY & E-COMMERCE ADVANCEMENTS TO IMPROVE FREIGHT LOGISTICS SERVICES (ICT IN LOGISTICS)

Current situation

One trillion US dollars will be spent across border purchases by 2020. This figure is testament that e-commerce is increasing and we need to get on-board.

This cannot be done in isolation; it's a joint effort from government and the private sector.

The global logistics market is expected to reach \$ 1,374 billion by the year 2023. In the past, the industry has heavily relied on human intervention for managing inventories, coordinating transport, handling materials and smooth functioning of warehouses.

However, with the rapid advancement in technology such as Artificial Intelligence, biometrics, automation and GPS, the global logistics industry has seen a smooth and streamlined way of operating.

Here are some of the technological trends that will revolutionize the logistics industry in the upcoming years.

Key takeaways

1. Incorporating emerging technologies (robotics, big data, drones, artificial intelligence, block chain and 3D printing) into the industry and our day to day activities increases efficiency in delivery, reduces cost and optimises investment.
2. DHL is currently conducting training to equip SMEs with skills and knowledge to stay competitive in the market; on-demand delivery system gives customers more flexibility.
3. Integrate customer-interfacing systems that offer a good customer experience.
4. Embrace the technology & network with millennials (they are more tech-savy); bring on-board interns from universities but make sure the recruitment is done right.
5. Working smart; have systems in place to measure productivity
6. Invest in blended learning as players in the industry to improve capacity building (Ethics and integrity is as crucial)
7. Creative thinking and problem solving are areas that are still untapped

Session 6

EASE OF ACCESS TO FINANCE BY THE LOGISTICS INDUSTRY

Situation on ground:

One of the biggest challenges facing the industry today is container deposits; \$2000 per container accumulating to 1.5 billion USD in idle money annually across the East African region.

This is further hampered by the fact that despite SMEs' crucial role in sustaining national economies, they are often beset by the constraint of financing at better conditions.

Key takeaways

1. Harmonisation of services across the region; COMESA cover; service providers working with correspondents / creating partnerships / collaborations.
2. Loss ratio that commercial banks suffer from the logistics sector is 8:9; so stakeholders need to put their house in order to lure financial institutions. They also need to have viable business plans and risk mitigation systems in place
3. There's need for Collaboration and partnerships amongst small players (SMEs) in order for them to access big loans, credit facilities, product facilities.
4. There's need to be professional and treat banks as business partners.

Session 7

The impact of transport and infrastructure in economic growth

Current situation

While there's been a reduction in the amount of time taken to dispatch and receive containers / goods at both Mombasa and Dar es Salaam ports, congestion at the ports remain a great challenge. The cost of moving goods in the region is also perceived to be 2-3 times higher than in developed economies.

The session also underscored the impact of transport and infrastructure in economic growth highlighting the introduction of One Stop Border Posts as a key intervention which has reduced 38% of the time spent by traders at the border. This has in turn reduced the trading cost and the cost of goods.

Way forward

1. Improving Industrialisation in the region thereby boosting exports; containers return to the ports with goods
2. Transport infrastructure is the backbone of economic transformation and governments need to continuously invest in rehabilitation of roads etc.
3. Deliver uninterrupted flow or movement of trucks in the region
4. There's need to explore multimodal transport options.
5. To cope with industry demands, Kenya Port Authority has initiated regular trainings of staff in the industry
6. Improve cold room facilities at airports to handle fresh produce / goods
7. Increase space at the airport (warehouses / storage facilities) to accommodate more goods.

Session 8

Supply chain safety and security

Current situation

The African supply chain & logistics market is growing tremendously. Driven by internal physical & e-commerce trade and overseas competition, the transport and logistics industry is expected to grow into a multi-billion industry.

However, supply chain disruptions, whether intentional or unintentional, have significant negative impact on both short and long-term operations and financial performance. In fact, disruptions that impact product quality can result in product recalls which create the need for costly reverse supply chain activities.

Key takeaways

1. Need to advance technological developments across our ports; e-tax, to combat security threats.
2. Raise capacity of staff working in the industry; cargo owners, shippers, warehouse owners etc; application of IT in warehouses and across the supply chain
3. Compliance with international regulatory standards; facilities need to be regularly inspected and certified.
4. There's need to regulate ambiguous charges for certain goods or commodities.

Managing risks in the logistics supply chain can make or break a business. It is therefore imperative to involve all stakeholders in the decision making process to ensure safety & security.

Conclusion

The highlight of the Convention was the signing of a 4-year US\$ 3.5 million grant between TradeMark East Africa (TMEA) and FEAFFA.

Funded by the United States Agency for International Development (USAID), through TMEA, the program dubbed 'EAC Logistics Sector Skills Enhancement Program' is expected to meet the needs of the identified large skills gap in the logistics sector (customs agents, freight forwarders and warehouse providers), which has resulted into high costs of doing business.

Stakeholders were also urged to think critically about how they want to position themselves in implementing the Continental Free Trade Area (CFTA)

FEAFFA also signed crucial MoUs with Viaservices SA, the Ethiopian Freight Forwarders and Shipping Agents Association (EAFFSAA) and the Dubai based National Association of Freight and Logistics (NAFL) aimed at providing a framework to promote business collaboration, train and professionalize stakeholders and promote

the common good of the freight logistics industry while also adopting international best practices.

In particular, the MoU between FEAFFA and SA brought a huge sigh of relief to businesses in the region because the longstanding issue of hefty container guarantees charges at the port which was impeding business is now solved thereby considerably reducing the cost of doing business.

The Convention attracted over 500 delegates from the logistics sector including freight logistics industry experts, world-class faculties in logistics and supply chain management, public sector officials, development partners, international and regional private sector industry players, shipping lines/agents, transport companies, various logistics service providers, manufacturers and dealers in transport and logistics equipment, warehouse operators, providers of information technology solutions for logistics, companies providing related, port authorities, corridors coordination authorities and representatives of regional economic blocs among others.