REPORT OF THE COMMITTEE ON COMMUNICATION, TRADE AND INVESTMENT ON THE EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT (AMENDMENT) BILL, 2019

CLERK’S CHAMBERS
EAC HEADQUARTERS
EALA WING, 3RD FLOOR
ARUSH–TANZANIA

February 2020
1.0 INTRODUCTION

Rt. Hon. Speaker,

In accordance with the provisions of Article 59 of the Treaty for the Establishment of the East African Community, Rules 61, 64, 65 and 66 of the Rules of Procedure of the Assembly, the Hon. Abdikadir Omar Aden introduced in the House and read for the first time, The East African Community Customs Management (Amendment) Bill, 2019 during the First Meeting of the Third Session of the Fourth Assembly held in Arusha, United Republic of Tanzania on the 3rd of October, 2019. Pursuant to Rule 66(4) of the same Rules of Procedure, the Rt. Hon. Speaker referred the Bill to the Committee on Communication, Trade and Investment for consideration.

2.0 OBJECT OF THE BILL

The object of the Bill is to amend section 34 (5) of the East African Community Customs Management Act, 2004 to extend the time for removal of bulk non-containerized goods from a port of discharge beyond the twenty-one days prescribed by subsection (1).

3.0 METHODOLOGY

During the consideration of the Bill, the Committee:

a) reviewed literature regarding the subject matter of the Bill.
b) interacted with the Chairperson, Council of Ministers and his technical team.
c) carried out a Public Hearing and interfaced with Participants from:
   i) Ministry of East African Community and Regional Development – Republic of Kenya;
   ii) Ministry of Foreign Affairs and East African Cooperation – United Republic of Tanzania;
   iii) Ministry of Finance and Planning – United Republic of Tanzania;
   iv) Ministry of Works, Transport and Communication – United Republic of Tanzania;
   v) Kenya Revenue Authority;
   vi) Office of the Attorney General – United Republic of Tanzania;
   vii) Ministry of Finance and Planning – Zanzibar;
   viii) Tanzania Revenue Authority;
   ix) Grain Bulk handlers;
   x) Ministry of Finance and Planning – Zanzibar;
   xi) Master Grain Milling (U) Ltd;
   xii) Mackenzie Maritime (EA);
xiii) Customs Agent – Kenya;
xiv) National Cement Co. Ltd;
xv) East African Business Council;
xvi) Grain Industries Ltd;
xvii) East African Grain Council; and
xviii) Directorate of Trade and Customs, EAC Secretariat.

d) communicated to and requested for the views of Partner States on the Bill.
e) received and considered Memoranda on the Bill from:
   i) The Republic of Burundi;
   ii) The Republic of Kenya;
   iii) The Republic of Rwanda;
   iv) The United Republic of Tanzania; and
   v) Directorate of Customs and Trade, EAC Secretariat.

4.0 FINDINGS AND OBSERVATIONS

The Committee made the following findings and observations:

1. Section 34(5) of the East African Community Customs Management (Amendment) Act, 2019 provides thus, "Where entered goods are not removed from the port of discharge after the expiry of twenty-one days prescribed under subsection (1), the goods shall be deemed to be in a customs warehouse".

2. In light of the above, after the expiry of twenty one days, such goods shall be liable to rent. According to the mover of the Bill, the twenty one days period is not adequate for the removal of bulk non-containerized goods.

3. During the public hearing, the Eastern Africa Grain Council informed the Committee that Section 34(5) is not aligned to current realities since it was introduced when port and storage facilities belonged to Customs authorities, and was meant to de-congest the ports by encouraging quick clearance of goods from bonded warehouses by importers. However, today, private sector operators own and operate bonded facilities outside ports; so, the application of customs warehouse rent to avoid port congestion does not apply because this can lead to double payment of rent.

4. The Committee was further informed that the current provision of Section 34(5) of the Customs Management Act undermines the competitiveness of the wheat industry in the EAC, and that the amendment of the same would, among others, lead to:
i. improved efficiency and competitiveness because processors will incur less costs of handling, which will make them compete favourably with outsiders, and defend their market share.
ii. improved competitiveness will reduce illicit trade through porous borders.
iii. increased investment in grain handling and processing in land-locked EAC Partner States.
iv. lower food prices for consumers.

5. Section 48(4)(i) of the EAC Customs Management Act gives the Commissioner of Customs discretionary authority to extend the time for bulk cargo or goods for a longer period not exceeding forty five days over and above the twenty one days provided under Section 34(5). Whereas no evidence was adduced that there had ever been any attempt by importers to seek an extension, the Committee contends that such discretionary power is often abused. In fact, this is potentially, a Non-Tax Barrier (NTB).

6. Whereas in his email dated 5th December 2019, the Chair Council informed the Chairperson of this Committee that the Council of Ministers no objection to the Bill (Annex I), the Committee received varied responses from the Partner States and the EAC Secretariat on the proposed amendment of Section 34(5) of the EAC Customs Management Act as indicated below:

i. In his Memo dated 29th November 2019, Mr. Kenneth Bagamuhunda, Director General, Customs and Trade, EAC Secretariat informed the Clerk that the proposed amendment would be considered in February 2020 during the meeting of the Sectoral Council of Trade, Investment and Finance (Annex II).

ii. In his letter dated 4th December 2019, Hon. Jean Claude Kanene, Assistant Minister, Office of the President Responsible for EAC Affairs, Republic of Burundi informed the Clerk that the Republic of Burundi was comfortable with the proposed amendment (Annex III).

iii. In his letter to the Clerk dated 4th December 2019, Dr. Faraji K.Mnyepe, the Permanent Secretary, Ministry of Foreign Affairs and East African Cooperation, United Republic of Tanzania recommended to the Committee on CTI to defer the proposed amendment pending the finalization of the comprehensive review of the said Act(Annex IV).
iv. In her letter dated 4th December 2019, Ms. Urujeni Bakuramutsa, the Permanent Secretary, Ministry of Foreign Affairs and International Cooperation, Republic of Rwanda informed the Clerk that Rwanda supported the said amendment (Annex V).

v. In her letter dated 16th January 2020, Ms. Margaret W. Mwakima, Principal Secretary, Ministry of East African Community and Regional Development forwarded to the Secretary General the position of the Republic of Kenya which was a further amendment to the proposed amendment in the Bill (Annex VI).

vi. At the time of finalizing this report, the Committee had not received any response from the Republics of Uganda and South Sudan despite the reminder sent to them by the Clerk (Annex VII).

7. The East African Community Customs Management Act was enacted in 2004, and came into force in 2005. It is imperative to note that since 2005 to this day, the socio-economic landscape has significantly changed but no deliberate efforts have been made to amend this law to accommodate/address the current needs of the Community.

8. Since its enactment in 2004, the East African Customs Management Act has been amended about ten times by the Assembly. Suffice to note that all these amendments were selectively initiated by the Council of Ministers.

9. Despite the numerous petitions presented to the Assembly by the EAC citizens calling for the amendment of this Act, and the resultant directives of the Assembly to Council to expedite a comprehensive review of this law, no review has been done to-date.

10. It was also noted that cognizant of the need to facilitate trade and reduce the cost of doing business in the region, the double rent that is charged to should be removed. This will make the region competitive and also lowering the prices of commodities.

11. According to Article 7(1)(a) of the Treaty, one of the guiding principles of the EAC integration is that, it shall be people-centred and market driven. The Treaty further provides that our integration agenda shall be private sector led. The Partner States, under the Treaty, committed themselves to create a favourable environment to facilitate trade and investment, among others. As the Legislative Organ of the Community, the Assembly is enjoined by the same Treaty to pass the relevant laws to facilitate the effective implementation of the four pillars of integration.
12. Whereas the Committee was informed that the 34th Council had directed the EAC Secretariat to initiate a comprehensive review of the EAC Customs Management Act, and that this matter would be considered during the meeting of the Sectoral Council of Trade, Investment and Finance in February 2020, at the time of finalizing this report (26th February, 2020), there was no indication the meeting would take place. It would therefore be speculative and a failure on our part as a Legislative Organ of the Community to put on hold the consideration and passage of this Bill on the basis of such a promise.

13. The Committee expresses its displeasure at the failure by the Council of Ministers to prioritize and expedite a comprehensive review of the EAC Customs Management Act, 2004. The significance of a favourable customs and trade regime in the furtherance of the EAC integration agenda cannot be over-emphasised.

5.0 RECOMMENDATIONS

The Committee recommends that the Assembly:

1. Adopts the report of the Committee together with the schedule of amendments;
2. Pass the East African Community Customs Management (Amendment) Bill, 2019; and
REPORT OF THE COMMITTEE ON COMMUNICATION, TRADE AND INVESTMENT ON THE EAC CUSTOMS MANAGEMENT (AMENDMENT) BILL, 2019.

1. Hon. Gai William Deng Nhail
2. Hon. Thoar Gatpan Gideon
3. Hon. Burikukiye Marie Claire
4. Hon. Rurakamvye Pierre Claver
5. Hon. Nsavyimana Sophie
6. Hon. Fred Mbidde Mukasa
7. Hon. Aburi Mpuru Lawrence
8. Hon. Sergus Jematiah Florence
9. Hon. Mbuga Nganga Simon
10. Hon. Rutazana Francine
11. Hon. Bahati Alex
12. Hon. Barimuabyo Jean Claude
14. Hon. Lugiko Happiness Elias
15. Hon. Eng. Mnyaa Mohammed Habib
16. Hon. Kasamba Mathias
17. Hon. Musamali Mwasa Paul
18. Hon. Dr. Woda Odok Jeremiah
SCHEDULE

AMENDMENTS PROPOSED TO THE EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT (AMENDMENT) BILL, 2019 BY THE COMMITTEE ON COMMUNICATION, TRADE AND INVESTMENT

1. Clause 1, pg. 3.

DELETE 2019 and INSERT 2020

Justification

To make reference to the present year in which the Bill is considered.

2. Clause 2. Pg. 4

INSERT the word “entered” immediately after the word “Where”

JUSTIFICATION

To provide clarity. The goods provided for by subsection (5) are entered goods as opposed to the unentered goods which are separately provided for by section 34(4).
FW: Council position on the EAC Customs Management (Amendment) Bill, 2019

Gai Deng <gaidengn@yahoo.com>

Mon 24/02/2020 09:05
To: Peter Asiimwe <pasimwe@eachq.org>
FYI

ANNEX I

Gai Deng

----- Forwarded message -----
From: Gai Deng <gaidengn@yahoo.com>
To: Olivier Nduhungirehe <onduhungirehe@minaffet.gov.rw>
Cc: martingoga2020@gmail.com <martingoga2020@gmail.com>; abdikadir25@gmail.com <abdikadir25@gmail.com>; ckadonga@eacq.org <ckadonga@eacq.org>
Sent: Thursday, 5 December 2019, 7:24:00 pm AEDT
Subject: Re: Council position on the EAC Customs Management (Amendment) Bill, 2019

Hon. Chair of Council

Thank you for your confirmation and the go ahead to process the Amendment of the Customs Management Bill.

Gai Deng MP - EALA
Chair - Committee on Trade, Communication and Investment

On Thursday, 5 December 2019, 7:04:51 pm AEDT, Olivier Nduhungirehe <onduhungirehe@minaffet.gov.rw> wrote:

Honourable Chairperson of the EALA Committee on Communication, Trade and Investment (CTI),

Following the meeting of the CTI with the Council of Ministers on the subject, held on Wednesday 4th December 2019 in Arusha, Tanzania, and the informal consultations of the Council of Ministers on the same, we noted the importance of this bill and the general goodwill expressed by EAC Partner States.

It is therefore my pleasure to inform you that the Council of Ministers has no objection to the processing of this bill to its final conclusion.

Respectfully,
Amb Olivier J.P. NDUHUNGIREHE
Chairperson of the EAC Council of Ministers

Sent from my Huawei phone
REFERENCE IS MADE TO THE EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT AMENDMENT BILL 2019 AMENDING SECTION 34(5) TO EXTEND TIME FOR REMOVAL OF BULK NON-CONTAINERISED GOODS FROM THE PORT OF DISCHARGE BEYOND TWENTY-ONE DAYS.

We would like to recall the 34th Council directed the Secretariat to undertake a comprehensive review of the EAC Customs Management Act 2004. The review has been ongoing and the proposed amendment under section 34(5) would be considered together with other amendments that are yet to be adopted by SCTIFI during their next sitting in February 2019.
ANNEX III

MINISTERE A LA PRESIDENCE
CHARGE DES AFFAIRES DE LA
COMMUNAUTE EST AFRICAINE
CABINET DU MINISTRE
Réf : 1701/2739 /CM/2019

Charles N. Kadonya
The Clerk
East African Legislative Assembly Community
P.O. Box 1096
ARUSHA, TANZANIA

RE: Submission of the Republic of Burundi written Comments on the East African Community Customs Management (Amendment) Bill, 2019

Dear Clerk,

I have the honour to acknowledge receipt of your letter of reference EALA/COMM 1(f) dated 22nd October, 2019, related to the Public hearing on the East African Community Customs Management (amendment) Bill, 2019 to which the Republic of Burundi was unable to participate and submit herewith the written comments on the above mentioned subject.

Please accept, Dear Clerk, the assurances of my highest consideration.

THE MINISTER TO THE OFFICE OF THE PRESIDENT
RESPONSIBLE FOR EAST AFRICAN
COMMUNITY AFFAIRS

P.O. BOX 6056

E-mail : minintegra@yahoo.fr
Comments of the Republic of Burundi for the East African Community Customs Management (Amendment) Bill, 2019

The Republic of Burundi considered the East African Community Customs Management (Amendment) Bill, 2019 and made the following observations:

<table>
<thead>
<tr>
<th>Provisions</th>
<th>Comments</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 34 (5) of the East African Community Customs Management (Amendment) Bill, 2019</td>
<td>The Republic of Burundi is comfortable with the proposed amendment of section 34 (5) of the East African Community Customs Management (Amendment) Bill, 2019</td>
<td>The section 34 can be amended for the following reasons:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. According to the memorandum of the bill under section 34 which provides for the facilitation of trade by extending the time for removal of bulk non-containerized goods from a port of discharge beyond the twenty-one days prescribed by section (1).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Sometimes and somehow, bulk non-containerized goods take more time while handling procedures because of technical issues and risks. They need enough time without penalties.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. It's also a good practice to diversify opportunities and facilities for customs Commissioner to avoid the liable rent. The non liability to rent for such goods beyond this period is facilitation to owners.</td>
</tr>
</tbody>
</table>

Done at Bujumbura, on 4th December, 2019.
The Clerk,
East African Legislative Assembly,
P.O. Box 1096,
ARUSHA – TANZANIA.

RE: THE UNITED REPUBLIC OF TANZANIA COMMENTS ON THE EAST AFRICAN COMMUNITY CUSTOM MANAGEMENT (AMENDMENT) BILL, 2019

Reference is made on the above subject matter.

As you may recall, the East African Legislative Assembly Committee on Communication, Trade and Investment undertook a Public Hearing on 2nd December, 2019 at the EAC Headquarters in Arusha to among others, collect views of the EAC Partner States on amendment of Section 34 (5) of the East African Community Custom Management Act, 2005.

It should be noted that the EAC Council of Ministers has directed the Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI) to make a comprehensive review of the Customs Management Act in question for the purpose of making amendments to accommodate current needs of the Community. The United Republic of Tanzania therefore is of the view that, the proposed amendments of the Bill should be submitted to the SCTIFI which is a technical arm of the Council, for consideration together with the ongoing Comprehensive Review of the East African Community Customs Management Act. 2005. This will provide a platform for the Sectoral Council to determine the implications of the proposed amendments.

In that regard, the United Republic of Tanzania recommends to the EALA Committee on Communication, Trade and Investment to defer the proposed amendment of the Act pending the finalization of the Comprehensive Review of the EAC Custom Management Act. 2005.

We thank you for your continued cooperation.

Dr. Faraji K. Mnyepe
PERMANENT SECRETARY
ANNEX V

REPUBLIC OF RWANDA
MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

Kigali, 4 DEC 2019
No. 09.01/EAC/19

Clerk
East African Legislative Assembly
Arusha – Tanzania

Dear Clerk,

RE: Rwanda’s comments on the East African Community Customs Management (Amendment) Bill, 2019

Reference is made to your letter Ref. No. EALA/COMM1(f) dated 22nd November 2019 regarding the public hearing on the East African Community Customs (amendment) Bill, 2019.

The main objective of this activity is to provide avenue for stakeholders to participate in the legislative process of the EAC Customs Management (Amendment) Bill, 2019 with a view to gather comments.

Considering that the proposal to amend section 34(5) aims at extending the time for removal of bulk non-containerized goods from a port of discharge without payment of warehouse rent;

Cognizant of the need to facilitate trade and reduce the cost of doing business in the region, I have the honour to inform you that Rwanda supports the amendment of the said section.

Please accept, Clerk, the assurances of my highest consideration.

[Signature]
Urujenyi BAKURAMUTSA
Permanent Secretary

CC:
- Honorable Minister of State in charge of the East African Community
  Kigali, Rwanda
- High Commissioner of Rwanda
  Dar Es Salaam, Tanzania

PO Box 179 KIGALI | Email: info@minaffet.gov.rw | Web: www.minaffet.gov.rw
EAC.4/CONF/3/2/Vol V (20)

Amb. (Dr.) Libérat Mfumukeko
Secretary General
East African Community
EAC Close, Afrika Mashariki Road
P.O Box 1096
ARUSHA, TANZANIA

Dear Sg,

EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT (AMENDMENT) BILL, 2019

Reference is made to your letter dated 10th January, 2020 on the above subject matter.

The purpose of this letter therefore, is to present the views of Kenya on amendment of section 34(5) of the East African Community Customs Management Act, 2004.

Kindly find Kenya proposal on the last paragraph of the attachment.

Yours Sincerely,

Margaret W. Mwakima, PhD, CBS
PRINCIPAL SECRETARY

Attach.
Copy to:  K.L. Safari  
Commissioner, Customs and Border Control  
Kenya Revenue Authority  
NAIROBI
KRA BRIEF ON THE BILL TO AMEND SECTION 34(5) OF THE EACCMA, 2004

Proposed Amendment in the Bill

“(5) where goods are not removed from the port of discharge within the twenty-one days prescribed by Subsection (1), the goods shall be deemed to be in a customs warehouse and shall be liable to rent: Provided that bulk non-containerized goods discharged at a place designated by the Commissioner shall not be liable to rent.”

Observation

1. Section 34(4) addresses unentered goods and subsection 5 is intended to deal with entered goods, hence the need for the inclusion of the word “entered” before “goods” in the first sentence.

2. While the amendment is meant to address non-payment of rent for the bulk goods, we believe it should also address the time period for the removal of the same bulk goods. While practice has shown that the 21 days is not achievable due to logistics issues and nature of goods, it cannot be left open ended as this will lead to serious congestion of the ports and assigned areas moreso now that the goods shall not be liable to rent. This amendment provides a chance to consider extension of the period.

**KRA propose a period of forty days and further extension at the discretion of the Commissioner. Stay beyond the granted period should attract rent.**

3. It is noted that entry of goods in subsection (1) includes for home consumption, warehousing, transit and transshipment or Export Promotion Zones.

This means that the amendment in this subsection would impact on all entry regimes, therefore a lot of volumes involved leading to port congestion.

Kenya proposed Amendment

(5) Where entered goods are not removed from the port of discharge after the expiry of the twenty-one days prescribed under subsection (1), the goods shall be deemed to be in a customs warehouse and shall be liable to rent: Provided that bulk non-containerized goods discharged at a place designated by the Commissioner and removed within forty five days or such further period as may be approved by the Commissioner shall not be liable to rent.
EAST AFRICAN COMMUNITY

EAST AFRICAN LEGISLATIVE ASSEMBLY

OFFICES OF THE ASSEMBLY

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www.eac.org

P.O. Box 1096
ARUSHA, TANZANIA

Ref: EALA/COMM 1 (F)

10th January, 2020

Mrs. Edith Mwanje,
Permanent Secretary,
Ministry of East African Community Affairs,
P.O. Box 7343,
Kampala, UGANDA
Email: ensajja@yahoo.com

Margaret W. Mwikima, PhD, CBS
Permanent Secretary,
Ministry of East African Community and Regional Development,
P.O. Box 8846 – 00200
Nairobi, KENYA
Email: ps@meac.go.ke

Hon. Mou Mou Athian Koul,
Under Secretary,
South Sudan EAC Secretariat,
 Ministry of Trade, Industry and East African Affairs,
Juba, SOUTH SUDAN
Email: rsseacjuba@gmail.com

Dear Permanent Secretary /Principal Secretary /Under Secretary

EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT (AMENDMENT) BILL, 2019

The East African Legislative Assembly (EALA) is processing the above-named legislation. The object of the Bill is to amend section 34(5) of the East African Community Customs Management Act, 2004 to extend the time for removal of bulk non-containerized goods from a port of discharge beyond the twenty-one days prescribed by subsection (1) and without being liable to warehouse rent. The Bill was introduced in the House on 3rd October, 2019, and was referred to the Committee on Communication, Trade and Investment for scrutiny.
In the exercise of its legislative mandate, on 2nd December 2019, the Committee held a Public Hearing at the EAC Headquarters in Arusha, Tanzania with various stakeholders to seek their views on the Bill. As you may recall, the Assembly had also invited the Revenue Authorities of all the EAC Partner States to the said meeting. However, the said government agencies from your Partner States did neither attend the meeting nor the Assembly receive the position of your governments on the matter.

The purpose of this letter therefore, is to seek the views of your respective governments on the Bill before the Committee presents its report to the House. We will appreciate if your response reaches the Office of the Clerk by Friday 31st January 2020, to enable the Committee to accommodate your inputs in its report.

Accept Permanent Secretary/Principal Secretary/Under Secretary the assurances of our highest consideration.

Charles N. Kadonya
Ag. CLERK OF THE ASSEMBLY

Encs.