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Clearing and forwarding of exports and imports in Uganda : a situation analysis for a landlocked country

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CLEARING AND FORWARDING OF EXPORTS AND IMPORTS IN UGANDA

(A situation analysis for a land locked country)

By

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DECLARATION

I certify that all the material in this technical paper that is not my own work has been identified, and it's contents reflect my own personal views, not necessary endorsed by the University.

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DEDICATION

To my parents and my family, for believing in me.

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ABSTRACT

Uganda is a land locked country in East Africa, and shipping activities have been always the key transport mode for the international trade. Uganda has to rely heavily on shipping activities which, contributes significantly to the promotion of trade and to boost Uganda's imports and exports on the international market. Agriculture is overwhelmingly the most important sector of the economy. Nearly two- thirds of the government revenue is provided by the agriculture sector, mainly through export and import duties on coffee, the country's principal export. Therefore, the development of the whole economy is heavily influenced by the sector's performance. However, many problems are associated with the transportation of goods that result into high transit cost. These problems undoubtedly, make Uganda's imports and exports less competitive on the international market. It is on this background that the analysis focuses on, more especially on the problems associated in the development of maritime transport and transit activities. The study will try to examine various problems associated with the transit of goods, including customs procedures and documentation particularly relevant to the transport industry, with a view to elimination these problems and make Uganda imports and exports more competitive on the international markets.

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GLOSSARY OF TERMS AND ABBREVIATIONS

ADB	**African Development Bank**
B/L	**Bill of Lading**
BIF	**Bond In Force**
CFAs	**Clearing & Forwarding Agents**
CIF	**Cost Insurance & Freight**
COMESA	**Common Market for East and Southern Africa**
CRF	**Clean Report of Findings**
EAA	**East African Community**
EAR&Hco	**East African Railway & Harbour Company**
FOB	**Free On Board**
GDP	**Gross Domestic Product**
IMF	**International Monetary Fund**
KRC	**Kenya Railways Corporation**
LLCs	**Land Locked Countries**
MT	**Multimodal Transport**
MTO	**Multimodal Transport Operators**
NASACO	**National Shipping Agencies Company**
PERD	**Public Enterprises Reform &Divesting**
PMU	**Public Monitoring Unit**
POL	**Petroleum Oil and Liquids**
PTA	**Preferential Trading Areas**

RCTD	**Road Custom Transit Declaration**
SGS	**Society General du Surveillance**
TEU	**Twenty Equivalent Units**
UNCLOS	**United Nations Law Of the Sea**

METHODOLGY

The study aims to examine problems associated with the transit of goods, with a view to make Uganda's products more competitive on the international market. In addition, the study will also explore the problems associated within the process of clearing and forwarding of goods in a land locked country. To achieve the above objectives, the author, have reviewed the literature on various aspects within the country, and visited several institutions and organisations including interviews with shippers, freight forwarders, government shipping organisations, customers agents and port authorities.

The results are quoted whenever their relevance arises. The data and information collected concentrates on problems associated in the transport industry and the trade polices in Uganda. It is the author ´s view that, the study will contribute significantly to the modern logistic services and this will undoubtedly make Uganda's imports and exports more competitive on the international market. Consequently a number of methods has been used in collecting this information. This includes journals, books and other facts as the research was in progress.

DISPOSITION

The Study is organised on Three Chapters

CHAPTER ONE

This will start with the introduction and the economic recovery program (ERP) including the problems associated within the development of maritime transport and transit activities. This will also give a background of the transport infrastructure and facilities.

CHAPTER TWO

This will describe the export and import system in Uganda, including the trade laws and standards. This chapter will also give a back ground on the transport industry.

CHAPTER THREE

This will outline the conclusions and recommendations based on arguments and solutions from the study.

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CHAPTER ONE

UGANDA´S CURRENT ECONOMIC SITUATION

1. INTRODUCTION

The Republic of Uganda is a land locked country, which is strategically located on the Eastern African plateau, at least 800 km in land from the Indian Ocean. Uganda as a total of 241,139sqkm of which (5%) is under cultivation and the remaining is under forest and national parks. Uganda become independent in October 1962, whose post-independent history has been characterised by civil strife and political instability. However, with the coming into power of the National Resistance Movement, the rule of Law Peace and Stability have been restored. About 90% of the 17 million people in Uganda live in rural areas where they depend directly on agriculture and related activities for live hood. At the moment, the country relies heavily on coffee and a few primary commodities for exports. However, in order to widen and expand the export base, the government of Uganda embarked on an ambitious export diversification program to promote non-traditional crops in Uganda.

1.1 THE ECONOMIC RECOVERY PROGRAM (ERP)

Since May 1987, the government of Uganda has been pursuing bold macro-economic polices and implementing an Economic Recovery Program aimed at achieving economic stabilisation in the short-term and sustained growth in the medium to long term. Because of these measures, Uganda's economy registered an average annual growth of 5.7% for the last six years. Over this period, per capital incomes rose by 2.8 per cent per annum, although average per capital remained very low at US$220.

The economic recovery programme has three major objectives.

i. Restoring economic stability by reducing inflation through fiscal management and monetary performance.
ii. Accelerating growth in production of exports through price liberasation, deregulating of economic activities and encouraging savings and investments.

iii. Expanding social and economic infrastructure to increase productivity, reduce provety and improve standards of living of populace.

Uganda's economy was devastated by political and civil conflict extending over two decades between 1966-1985. When the NRM came to power in 1986, it embarked upon structural adjustment programs aimed at reviving the economy as quickly as possible. Due to government's determination in pursuing sound macro economic policies and the implementation of structural reforms, inflation was brought under control; there have been improvements in the budgetary deficit and a substantial rise in private transfers to the economy. Uganda has made good progress in economic recovery as government moves from rehabilitation to development. The government has made great efforts to provide an attractive appropriate environment for foreign direct investment through realistic policies. The government has expeditiously handled over 2500 foreign expropriated properties, issue of the Asian community who were expelled by the former president **Idi Amin** by returning the properties to the bona fide claimants. The move rekindled business enthusiasm and restored confidence and security to the aspiring investors. Efforts have also been made to broaden the country's tax based without discouraging savings and investment. In order to streamline and enhance tax collection, a tax collection body known as the **Uganda Revenue Authority (URA)** was established in 1991 and since it's inception, it has made remarkable success. Priority objectives in the trade sector have focused on a plan to regain Uganda's previous peak export levels and setting the stage for enhancing exports volumes and earnings with a view to achieve a self sustaining export sector. To this effect, measures that have been adopted include the rehabilitation of the traditional export sector and the promotion, development and expansion of non-traditional products, promotion of sustainable industrialisation, promotion and facilitation of the efficient marketing of agricultural produce, adoption of market- determining exchange rate system, trade and marketing liberalisation including removal of licensing and price controls. Other measures are tariff and tax reforms and the rehabilitation of essential infrastructures. Although the above measures have led to some improvement in the performance of the export sector, Uganda still has a narrow export base. However, the government continues to mount a vigorous export and investment promotion to drive so as to expand the export base through product diversification and penetrating into new markets. It is for this reason that Uganda fulfilled all the necessary conditions to become an original member of WTO. In April 1998 the International Monetary Fund (IMF) described Uganda's economy as one of the strongest performing in Africa. This was not a small accomplishment for a country whose real gross domestic product (GDP) per kaput had declined by a full 40% between 1971 and 1986, the year by which the government of Yoweri Museveni come to power.

(a) Agriculture

Agriculture is overwhelmingly the most important sector, and the backbone of Uganda's economy. It is dominated by small holders each cultivating an average of 2.2 hectares. It accounts for some 90% of export earnings, and contributing about 54% of the country's GDP, employing esteeming about 83% of Uganda's labour force. Nearly two-thirds of the government revenue is provided by the agriculture sector, mainly through export duties on coffee, the country's principle export. Indeed Uganda's comparative advantage in the international markets relies on agro based exports. It is therefore, the government's strategy to facilitate production through the provision of essential infrastructures, and polices to gear towards the following broad objectives:

- To improve, expand and diversify agricultural production in order to ensure food self- sufficient as well as strengthening the foreign exchange earning capability.
- To increase incentives to farmers and thus improve the quality of life, environment, and creates employment opportunities.

(b) Industry

The industry accounts about 12 percent of the GDP of which 5 % is manufacturing,
the government's goal on the industrial policy is to establish a strong, viable, sustainable and internationally competitive industrial sector. The objectives of Uganda's industrial policy are to strengthen functional linkages between agriculture

and industry, and to increase the development and exploitation of natural resources with a view to achieve efficiency, competitiveness, higher productivity and self sustaining growth. It is the government's policy to promote export-oriented industries in order to widen the export base. However, the government is aiming at establishing of small and regional scale industries in various parts of the country, in order to achieve a balanced regional development.

(c) Tourism

Uganda's fast growing industry up 1970, was tourism and it was the third largest foreign exchange earner. Like any other sector, tourism was adversely affected by the political turmoil that characterised the country in the 1970s and early 1980s. It is the government's policy to conserve Uganda's Wild life heritage as well as the environment for posterity. However, the government aims at restoring the former tourism glory of Uganda so as to maximise foreign exchange earning from the sector. Donors support has continued to be significant in the Wildlife conservation sector where the wildlife population has considerably increased. Once more, the Uganda Tourist Board has been created to spearhead the development of the tourism industry in the Country.

1.2 UGANDA´S PRIVATIZATION PROGRAM

The present trend of global economy liberalisation dictates that the market mechanisms play the leading role in the development process. It is now evident that government, be it in the developed World or else where are ill- suited to engage in business and their role is increasingly being whittled to that of maintain law and order, to proving basic infrastrures and creating enabling environment through policy frame works for the development and expansion of the private sector. The government of Uganda is cognisant of this economic reality to a great degree. Hence, Uganda has embarked on a bold economic strategy of divesting of its public firms. In addition, the government has reduced its employment by half, reduce the

number of ministries by a third, and the armed force by 30%. This indicates the government's commitment to engage in open market economic polices.
The government admitted that it is incapable of running business ventures and almost all the parastatols proved to be such a financial drain on the government's resources which had to constantly inject capital and subsidies to bail them out of financial embarrassment. Already 85 out of the 155 state enterprises have been diversified.

According to the Privatisation Monitoring Unit (PMU), the government is transferring the existed Public Enterprises to the Private sector, following a Public Enterprises Reform and Divesting (PERD) statute enacted in 1993. In the divesting programme, the government adopts two basic policy objectives in relation to public enterprises as evidenced below: -

- To reduce the direct role of government in the economy, and to promote the private sector.
- To improve the efficiency and performance of the public enterprises that will remain under the ownership and control of the government.

The move from central control economies to a free market is always a relief to the tax payers and can only reap benefits for the economy (except for some few cases, where issues of security or strategic country positions are concerned). However, the government has shown a reluctance in the privatisation of Lake Victoria services, has it deems them to be a strategic resource.

1.3 TRADE AND DEMAND FOR INLAND WATERWAY TRANSPORT.

Uganda has been exporting mainly four major commodities, this includes, coffee, tea, and copper. Hides and skins can also be included in the main composition of trade. With an increased agricultural integration, more trade has been developed for export, through Mombasa seaport. However, there is a growing demand of inland transport, for the transportation of domestic products from deferent parts of the Country. Hence, the government of Uganda is weighing proposals for the revival of its inland waterways as well as the construction of new landing sites. This follows a recent study which indicated that a number of the country's rivers and lakes are navigable and could substantially reduce the cost of moving goods to domestic market and for International export. The proposal, being examined at policy level, is based on a feasibility study of lakes; rivers and major steams completed last October. The Africa Development Bank (ADB) supported the work. According to the senior officials in the Ministry of Works, Housing and Communications, this is part of a government effort to reduce the cost of transportation. The Ministry will evaluate polices and regulations guiding the current inland water services and draw up investment strategies for procurement of watercraft in the next 20 years. Proposals for the rehabilitation of the waterways have been studied, and some inland waterways have potential, "said the Director of Ministry of Transport. The landing sites and piers, which used to be under the East Africa Railways and Harbours, were destroyed over the last years. In addition, some of the landing sites were easily submerged in the rain season, and in other places, water users landed with their canoes at sites that were not technically safe. Approximately 18 percent of Uganda's total area is under water, and according to the Ministry of Finance, Planning and Economic Development, the inland water services are inadequate, greatly deteriorated and unreliable due to lack of funding. The only port that is still operating is Port Bell. The pier at Jinja was closed some five years ago as exporters turned to road, rail and air transport. This led to Uganda early this year to suspended the transportation of export coffee a cross Lake Victoria to Kisumu citing high cost, because vessels frequently turned to Port Bell with out cargo. However, steps have been taken include the reviewing of the current inland water transport policy and regulations as well as to determine the inland water transport demand in the next 10-20 years. Also being assessed was the suitability of the Uganda Railway Corporation (URC) ferries to carry both vehicles and passengers. The total cost of the study conducted by the senior government engineer and consultants was initially put at US $ 1.58 million dollars, but sources said the figures will be revised upward over the time. However, the government of Uganda replaced MV Bukoba, which had grounded a couple of years ago with MV Victoria, which has better safety equipment's including life rafts on board. The ferry made its inaugural trip in Feb this year, arriving at Port Bell Uganda after an over night journey from Tanzania with more than 200 passengers on board. The resumption of passenger services was welcomed by both, Ugandan businessmen and Ugandan Railways Corporation officials, who said it will boost business at both the Port. In addition, Ugandan and Tanzanian marine officials said the resumption of the passenger ferry services between Port Bell and Mwanza will ease communication and increase trade between both countries. The MV Victoria, currently the largest passenger vessel operating on Lake Victoria, will ply between Mwanza, Bukoba and Port Bell once a week. However, the frequency is expected to increase when passenger and cargo volumes pick up.

1.4 PROBLEMS ASSOCIATED IN THE DEVELOPMENT OF MARITIME TRANSPORT AND TRANSIT ACTIVITIES.

Maritime transport and transit activities in Uganda are greatly influenced by its, political relation ship with its neighbouring coastal states. Thinking about the transport problems of land- locked countries, particularly land-locked developing countries, has tended to be deprived in terms of access to the nearest deep-water port. Standing between the centres of economic activities in the land-locked country and in another country with a sea port, there are barriers in the shape of oppressive customs procedures, highway and railway robbers, various taxes to pay, bribes and time wasting inspections to suffer including other harassment. Many International instruments exist as far as maritime transport and transit problems are concerned, for the land-locked countries. The United Nations Convention on Transit Trade of Land Locked States 1965,and the United Nations Law of the Sea (UNCLOS) can be cited as examples. The author recognises and appreciates these actions and efforts of the international support, in particularly the United Nations. However, the universality and the inelasticity of these instruments may not always respond to the countries, which are faced with financial, and infrastructure problems. These international conventions have very little influence on our states´actions where coastal states remain some times the monopoly of the decisions. However, they're always necessary as guidelines and to reinforce an effective co-operation between member states.

In 1948 the Uganda Railways, Tanzania Railways and the Kenyan Railways including Harbours and Ports services. They all amalgamated under the aegis of the East Africa Railways and Harbour Company (EAR & H Co). The latter was responsible for the Administration of Services and facilities relating to Rail, Road and Inland waterways. It was bound by law to conduct its business according to commercial principles and to enjoy extensive rights and unfettered privileges, in the territories falling within its Jurisdiction. When the three East African States gained Independence in the early 60´s, they maintained this status quo. In the 1977, the East African Community broke up and the EAR&HCo was disbanded. Each state then formed its owned parastatols to manage both rail and lake services. Kenya which, had the major part of the workshops, training institutions and to a greater degree of trained personnel, got the Lion share. Vested the acquired property in the Kenya Railways Corporation. Uganda had to start from scratch to organise its management structures and to establish auxiliary services. In addition, Uganda Railways corporation was greatly incapacitated, not only inherited just a small portion of the EAR&HCo property, but being a land locked Country it had paid scant attention in the training of its national in the marine related affairs. To compound on such a bad situation Uganda was gripped in the dictator ship regime of **Idi Amin Dada**. All the maritime services, like most of the government bodies suffered from mismanagement, inadequate funding and a massive brain drain leading to scarcity of skilled man power and supervisory planing capacity. The main issue for a land locked-country is to get easy access to a seaport, which entails an efficient inland transport infrastructure. However, even if Uganda had a great advantage to be surrounded by four coastal states the question remain the practicability of these different routes to reduce costs. The following are the major problems affecting the growth of maritime transport in Uganda.

1.4.1 Administrative constraints

Maritime administration is an integral part of the overall public administration. For the development of maritime transport in a developing country, the government should take the lead in the affairs, which concerns rules, regulations, and maritime transport standards. For instance, in the case of Uganda rails operations, and maritime transport operations are not separated, and failure to separate the two has lead to lack of distinction between the revenues and cost for each sector. The management structures, renders decision making to be highly centralised. In addition, there are no regulations for standards of training and certification of marine officials, for example, the training of the deck officers and marine engineers is greatly carried out from the maritime school in Kisumu. This is based on the examinations conducted by the Kenyan officials while; the training of the lower cadres is done based on "Job training".

1.4.2 Political changes and corruption

The Ministry of Transport in general, and the department of maritime transport in particular, have been subjected to many political changes. These political changes have affected the effectiveness of the Ministry and its departments due to changes of Ministers and heads of maritime administration. The latest scandals of corruption opened up in the month of **Transparency International** publishing a report saying that Uganda was the 13 most corrupt country in the all world (News Africa March 1999). The World Bank also presented the government with 12 cases of embezzlement of public funds in the privatisation exercise. So far, 155 firms (85%) of the public enterprises have been privatised, and Uganda Ministers and political cronies have bought most of the shares.

1.4.3 On National levels

Shippers and clearing agents, as well as freight forwarders are left to them selves as far as the organisation of their operation is concern within the maritime sector.

National authorities are not very much involved, compared to road transport sector which benefits from the authorities allot of support. The consequence of this is lack of managerial skill, poor administration and corruption. The lack of interest from the national authorities as regards to maritime transports policy, whether national or international always has a negative impact on the maritime sector.

1.4.4 Problems of implementation

The international conventions and agreements, they are not well co-ordinated with each other and they also suffer from regular evaluation and adjustments about emerging changes in the world-wide economy. Uganda like many land-locked developing states had difficulties to adopt proper international instruments suitable for its conditions. Even these, which have been adopted, suffer from ineffective implementation. For instance,

- The incompatibility with national priority. The maritime sector in Uganda is not that a priority. Authorities always deal with social matters first.
- Each coastal state always wants to keep its sovereignty by establishing its own national regulations, instead of implementing the common rule of integrating the international conventions in their national laws.

1.4.5 Incompetence of regional organisations to solve common problems

Uganda is a member of Preferential Trade Areas (PTA), the Common Markets for the East and Southern Africa (COMESA) and the African-Wide Abuja Agreement. **Like international conventions**, these regional organisations or agreements cannot be expected to solve all the details of the day-to-day problems that our states face. The financial problems that developing land-locked countries face and the lack of organisation, prevent the regional organisations from supporting certain minimum actions to promote and develop maritime transport activities. For example, regional organisations are incapable of providing adequate transport infrastructures to link even their member state.

1.4.6 Insufficient and unqualified staff in this field

This is an important factor, which has a direct impact on the efficiency of maritime transport and transit activities. **One** major important aspect, which has to be pointed out, is the “administration in change of policy”. The personnel in change of policy and the lack of skilled and qualified staff are always a handicap in ensuring proper standards, as regards to the development of the maritime sector. First of all, the adoption and implementation of all legal instruments, whether national or international. The basic problem is that the personnel themselves are sufficiently not a ware of the basic problems about the instruments.

Secondly, as regards to the planing, co-ordination and supervision of the overall activities. The administrators are not enough involved in the evolution of maritime standards and the consequential problems of having to deal with them.

1.4.7 Police and Customs

This aspect concerns the police, the controllers and the customs agents involved in the regulation, clearance and control as far as the road transport is concerned. These civil servants often use their powers to practice irregular control for the intention of corruption during the voyage of the goods in transit, causing a lot of delay.

1.4.8 Disgusting and annoying procedures

The traders suffer a lot of bureaucracy leading to corruption. For example, goods in transit are subjected to face three stages involving a lot of paper work.

- Customs procedures in Mombasa seaport. It is noticed that most of the goods even these in transit where subjected to customs procedures in the East African ports causing a lot of delay.
- The road formalities (trucks) face so many roadblocks and unnecessary customs controls during their voyages.
- High cost caused by inefficiency and insufficiency of transport and handling equipment's, due to inadequacy of inland transport infrastructures.

1.4.9 The lack of control of freight market by shippers

Generally Ugandan shippers buy on a CIF basis and sell on FOB term. Even if this practice limits their responsibility, visa a visa the carriage of goods. The fact is that they lose their freedom of having the choice of shipping lines by considering the reliability and the cost factors of competing. Consequently, they do not have control over their movement of goods as regards to the shipment as well as, the port formalities and the inland transport.

1.4.10 Inland transport equipments are unsuitable and not competitive

Inland transport equipment (trucks, wagons) are not suitable for the carriage of certain types of commodities, which require special conditions of handling and carriage. Therefore, many shippers are obliged to turn to air transport with out considering the cost effectiveness of their export purposes. As an illustration, Uganda produces many fruits but the volume exported is very low due to problems faced by the shippers, as regards to the perishable characters of products. Considering the low value of the products and the weight factors (**because fresh fruits are very heavy by nature**) there isn't any advantages for shippers to choose air transport compared to ocean carriage, which is cheaper and more suitable for the carriage.

1.4.11 Problems relative to national carriers

The existence of a national shipping company would be beneficial to the country for the fact that it could avoid the massive exit of money. It would also allow the creation of employment opportunities and boost the country's foreign trade. Unfortunately, as mentioned before the maritime sector in general and the shipping field in particular, is not at all a priority for the national authorities. Therefore, individual operators who are interested in this sector have to find their own way for success. Regarding the low volume of foreign exchange, the imbalance of imports and exports and huge amounts of investments for the shipping business. The individuality of national shippers is unfavourable to improvement on their efficiency and effectiveness in their operations and to compete with foreign lines.

1.4.12 The inefficiency of equipment

The low standard of handling equipment and their inadequacy of obsolescent, is also a determining factor for the efficiency and the effectiveness of the transport services. Their use definitely increases the working time of loading and discharging of cargo causing a lot of delay.

1.4.13 The lack of education

Uganda is a very poor country with a very low percentage of education, only 25% of the population are estimated to be educated. The transport sector in Uganda is mostly operated by **non-educated rich** people who manage their services in a traditional way without any efficiency in their organisation such as: -

- Modern management with accounting system.
- Training of personnel to improve the quality of transport system concerning emerging technology and change in trade patterns.
- Maintenance policy to increase the life spans of their equipment.
- Logistic arrangements about packing, ware housing, inventory choice of transport modes, cost and documentation procedures.
- Sale and transport terms arrangements with regards to the use of **INCOTERM** and **bill of lading**.

The consequences of low level education to our traders obviously affects their overall activities, and thereby their efficiency and effectiveness of their operations.

CHAPTER TWO

A DESCRIPTION OF THE EXPORT AND IMPORT SYTEM IN UGANDA

Uganda being a land-locked country, imports and exports are primarily through Mombasa and Dar-es-Salaam seaports, where as high value cargo is transported by air transport through Entebbe Airport. All freight forwarders, shippers, clearing and forwarding agents are under the Ministry of Transport and Telecommunication.

In line with the government trade liberalisation policy, import control measures have been dismantled and we now exercise both automatic and non-automatic licensing system. With the abolition of import licensing in 1991, importers are only required to fill an import registration form, and the importer is issued with an import certificate. The certificate has no quantity, value or source limit, it is valid for six month and it can be renewed. A few products are on a negative list for reasons of security, public morality, health, plant life and the protection of domestic infant industries. All imports valued at US$ 2,000 and above are subjected to pre-shipment inspection. Export procedures are similar to the import system outlined above with the export licenses being replaced by the export certificates. Exportation of a few items is restricted and required prior authorisation due to reason of environment and wildlife protection.

2. LAW AND REGULATIONS

Domestic regulations governing the application of trade polices, is the principal law and regulations in the external trade act of 1964.

2.1.1 The laws and regulations governing trade polices

- The Finance Statute, 1993
- Customs and Excise Management Act, 1970
- East African Customs Regulation
- Customs Tariff Act, 1970
- Finance Statute, 1994

2.1.2 The trade related legislation in Uganda

1) The Investment Code 1991
2) The patents Statute, 1991
3) The Trade Marks Act, 1953
4) The Copyright Act 1964
5) The Uganda National Bureau of Standards Act, 1983
6) The Food and Drug Act, 1964
7) The Public Health Act.
8) The Uganda Export Promotion Council Act 1983

Many of these laws and regulations date as far back as the colonial days and are therefore obsolete, not reflecting the situation today. However, a capacity building project funded by the World Bank, jointly with the government of Austria, under the supervision of the Ministry of Justice. This commercial law component working with the Uganda Law Reform commission are to undertake a comprehensive review of all trade related laws and make them compatible with the provision of WTO agreements. The trade policy formulation and review in Uganda is under the responsibility of the executive arm of the government. The responsible Ministry initiates the policy and the responsible Minister presents the proposed policy measures to the Cabinet. If Cabinet approves the proposal, a draft bill is prepared by the Attorney General's Chambers, approved by the Cabinet, Published in the official Gazette and tabled before Parliament by the Minister responsible. The Statute becomes Law when it has been assented to the President. Uganda's external trade policies are designed to create an enabling environment for international economic integration in order to ensure a sufficient large market for Uganda's commodities as well as to development its industries. In pursuit of these objectives, Uganda has entered into **bilateral, Multilateral, Regional and Preferential Trade arrangements as listed below:**

- Common Market for Eastern and Southern Africa (COMESA)
- East African Co-operation

- EU- ACP Lome Convention
- GATT/WTO
- UNCTAD
-

Uganda has operative bilateral trading agreements with many countries. Under these agreements, Uganda and its partners accord each other m.f.n treatment in all matters with respect to their mutual trade relations.

2.1.3 Trade regulations and Standards.

Uganda adopted the Harmonised system (HS) of categorising goods in place of the Customs Council Cupertino Nomenclature (CCCN). The HS is the international Classification of goods and is geared to easing Trans-border movement of goods.

A comprehensive Bill of Entry was instituted to incorporate the various customs declaration documents (e.g. import entry, warehousing entry, re-export documents) etc.

2.1.4 Tariffs and Import Taxes

Import duties were greatly reduced in 1993. For FY 1993/94, the highest import duty was reduced from 80% to 30% while the lowest duty payable was reduced from 50% to 10%.

2.1.5 Customs Valuation

All import goods are subjected to societe General du Survveillance (SGS) pre-shipment inspection in the country of origin, except:

- goods with a CIF value below US Dollars 2500 (or equivalent)
- diplomatic consignments
- personal effects
- particular donor-funded projects

The SGS inspection produces a '**Clean Report of Findings"** and the SGS pre-shipment inspection covers:

- Verification of the quality and quantity of imported goods to ensure conformity with contractual specifications.

- Price comparison to ensure that the price of imported goods corresponds to the prevailing export market price of comparable goods.
- Verification of the customs classification code and evaluation of the dutiable value of imported goods according to Uganda Customs Regulations.

2.1.6 Import Licenses

Import certificates, which are non-goods-specific, with a validity of 6 months, are required. The certificates take the place of import licenses. As of August 1,1993, to facilitate the quick processing of imports, **Form E** (Declaration of imports), which was processed by the Bank of Uganda, can now be processed by commercial banks and foreign exchange bureau. All importers are required to complete **Form E** and all goods with the values above US Dollars 2500 are subjected to pre-shipment inspection. The negative list of restricted imports has been reduced to include only firearms and ammunitions, beer, cigarettes and pornographic materials.

2.1.7 Export Controls

The list of items, which will not be exported without prior authorisation by the Ministry of Trade and Industry, includes:

- Waste and scrap of ferrous cast iron
- Wood charcoal
- Timber from any wood trees grown in Uganda whether sawn, unsawn, hewn or machined but not any other articles manufactured from such wood
- Coffee husks
- Fresh unprocessed fish
- Game trophies

2.1.8 Import Documentation

The Uganda Revenue Authority at the point of entry may require the following supplementary documents whenever the following goods are imported:

- Human and animal drug medicaments: No specific documents except verified pro-forma invoices from the Pharmacy a broad.
- Firearms: Firearms Certificate.
- Explosives: Approval Authority.
- Live animals (domestic and wild): Health Certificate.
- Wild endangered species: Approval Authority
- Second, hand clothing Fumigation Certificate.
- Seeds and plants: Phytosanitary Certificate.

The following goods can be imported without import certificates or letters of clearance from the Ministry.

- ✓ Articles forming part of the normal stores and equipment of bona fide tourist safari.
- ✓ Articles in any cargo, which within Uganda is transhipped on through bills of lading, or entered for, transit under the provisions of the Uganda Customs Management Act.
- ✓ Articles, being used as personal or house hold effects which accompany the owner to his destination or are imported by him or his behalf to that destination within a period not exceeding one year from the date of his departure from out side.
- ✓ Articles imported as trade samples
- ✓ Articles being food stuffs which from part of the baggage of a bona fide traveller
- ✓ Imports less than Us $ 1000.

2.1.9 Export Documents

The following supplementary documents will be required at the customs exit whenever the following goods are exported:

- Fish: Health Certificate and Trading license for fish.
- Minerals: Permit to export minerals and mineral dealer's license.
- Fresh/dry fruit, vegetables and produce: Phytosanitary Health Certificate.

- Game Trophies: Permit to export game trophies.
- Hides and Skins Export Buyers license, Export Certificate for Hides and Skins, Veterinary Health Certificate. For entry, its not required

2.1.10 Prohibited Imports

The following are items that can not be imported to Uganda:

- Uganda Posts & Telecommunications Corporations equipment
- Uganda Electricity Board Specialised equipment
- Pornographic materials.

2.2 THE TRANSPORT INDUSTRY

The transport industry in the East Africa is centred at the ports of Mombassa and Dar-es-salaam. Mombasa handled more than Dar-es-salaam by 1992 Mombasa handled some 470,000 tonnes of transit cargo compared to 111,000 tonnes through Dar-es-salaam. The Uganda market is by far the most important, estimating about (417,000 tonnes in Jan-June 1994). While the rail, and road net work in the northern corridor was responsible for much of the Uganda traffic. Kenya transports provide most of the transit capacity from Mombasa to Rwanda, Burundi and Eastern Zaire. The railway between Dar-es-salaam and Kigoma on Lake Tanganyika is the principle route in the central corridor.

2.2.1 The Current Routes to Uganda

The study identifies four major transport routes, which are currently used for transit traffic to Uganda (**three from Mombasa and one from Dar-es-salaam**). The railway net works travels only through Kenya, Uganda and Tanzania, all of which are transit countries to Rwanda, Burundi and Eastern Zaire.

The following table summarises both, the quoted and the calculated distance and transit time to Uganda (Kampala).

CURRENT ROUTES TO UGANDA (KAMPALA)	DISTANCE IN (KM)	TRANSIT TIME (Days)
1 Mombasa all Railway	**1331 Km**	**8 - 10**
II Mombasa all Road	**1170 Km**	**8**
III Mombasa Rail /Lake	**1242 Km**	**10 -15**
IV Dar-es-Salaam /Rail /Lake	**1669 Km**	**20**

I Mombasa- all railway

The current principle route to Uganda, is the railway route from Mombasa to Kampala (1331 km). Both, KRC and URC serve this route mainly through block trains. It is estimated that, the train takes about 8-10 days from the port of Mombassa to Kampala

II Mombasa-all road

The Mombasa – Malaba – Kampala road route covers (1170 km) with transit time of about 10 days. This route is generally preferred because of its good net work, more especially from Nairobi on wards with its availability of social amenities en route.

III Mombasa-rail/lake

The Mombasa -Kisumu - Kampala rail- lake route is (1242 km). This is a branch route that leaves the main railway line at Nakuru and extends to Kisumu on Lake Victoria. Its usage is increasingly diminishing due to the availability of quicker block trains via Malaba to Kampala, which makes this route with an estimated transit time of 10-15 days which is unattractive.

However, there is excess capacity among the wagon ferries operating on Lake Victoria and more cargo could be carried if only the railways can increase their haulage.

IV Dar-es-Salaam rail/lake

The Dar-es-Salaam- Mwanza- Port Bell (Kampala) rail/lake route is (1669 km). It started operating in 1986/87 using URC wagon ferries. At Port bell, the wagons are railed to Kampala a long a 9 km rail line connection commissioned in 1992. This is the only Uganda's link to Dar-e-Salaam with a transit time of 20 days.

2.2.2 Uganda Railways Corporation (URC)

Uganda Railways is generally in poor condition, due to entire lines, which requires to be re-ballasted. However, twice-weekly express train speeds up the movement of Uganda cargo from Mombasa port to Kampala. The rehabilitation of the Kampala-Jinja- Malaba section is a top priority since imports and exports are routed Via Malaba by block trains service, which as a transit time to Kampala of 48 hours.

2.2.3 Maritime Transport Services

Lake Services continue to play an increasingly important role in the movement of transit cargo on Lake Victoria, both on the central and northern corridors. Tourist wishing to experience a Lake Victoria crossing and the increasing number of businessmen between the East African Countries boosts the services. However, its sensible to understand, that the Lake services operate without the internationally accepted standards necessary to ensure safety of life at sea, navigation and pollution prevention. In addition, there have been many cases of accidents arising from improper handling of ferries by unqualified personnel and lack of legislation to govern the safety of maritime activities particularly on L. Victoria.

2.2.4 The Road Transport Industry

The road transport industry in Uganda has declined in quality of its services, compared to rail transport system. Vehicle fleet has grown in numbers but not in technical standards. This poor management of trucks and the varied vehicle fleet modes in the regions has increased the problem of spare parts acquisition. The public sector participating in Uganda road freight industry is minimal, though there are two government owned freight trucking and clearing companies. The **Trans-Ocean Uganda Limited** and the **Uganda Co-operative Union Limited (UCTU)** are the only trucking services in practice in Uganda.

2.3 LOGISTIC AND CARGO FLOWS

As the expression is used in the general transport matters, logistics means the optimisation process of the location, movement and storage of resources, from the point of origin, through various economic activities, to the final consumer. The movement of cargo first through the ports and secondly a long various inland routes, to the consignee in a land locked country. These procedures translate into direct cost of cargo movements, while others are embedded into quoted freight rates for transportation, especially when cargo is moved by road. The major players are the customs Authorities, police, transporters and CFA.

2.3 1 The Transportation of Cargo

The transporters always change CFA quoted based on the CIF value of the consignment, but some are levied based on weight/or volume. These are agency fees, customs bond in force (BIF) fee, documentation, handling, port and customs changes, and in some cases transport changes. For containerised cargo, CFAs arrange or provide a guarantee by way of deposit to shipping agents to secure containers in transit to /from the LLCs. Although shipping agents now days give (30-40 days) for the return of containers, in practise they are seldom returned within the prescribed days. The deposit ranges between Us $1400 and 2000 at the port of Mombasa and Dar-es-Salaam. The means by which Ugandan cargo is transported depends primarily on the type of cargo itself. For instance, Bulk cargo is usually transported by rail often on government directives. Much of Ugandan cargo is transported by road, and high-value, light items and perishables are always transported by air transport.

2.3.2 The Notification of Cargo on Arrival

Concurrently with the evolution of the exchange and payment regime towards a market based system, was the abolition of the import and export licensing system. In September 1990 an import certification system was introduced. The holder of the certificate is allowed to export any goods except these specified in the negative list. However, the import cargo C&F procedures are more intricate and complex than export procedures. In practise once cargo is loaded on board a ship in the country of origin, relevant documents are sent to the importer or his appointed CFA or his Bank. These are the **Bill of lading (B/L), Commercial Invoice** and **Packing List**. This latter is only for Mombasa. The estimates for a typical vessel to reach Mombasa or Dar-es-Salaam from the major ports of the World are about 21 days. Therefore, the documents should be forwarded before the vessel arrives at either port. At Mombasa port there is CFAs levy as a penalty to the importers called the **Late receipt of documents**, if the documents are not lodged five days before the ships arrival. Each vessel arriving has a **shipping agent**, being the intermediary between the **shipowners** and the **cargo owners.** The appointed CFA presents the documents received to the ship's agents so that the original B/L can be released, actioned through the signature of the approved person and stamped, simply indicating that all sea freight and incidental changes have been paid. All cargo falls into these categories. For example, general cargo described in **Harbour tonnes (HT)** or **Cubic meters, Container described in (TEU) either 20ft (one TEU) or 40ft long**, and **Oil products often designated (POL), measured in tonnes.**

2.4 TRANSIT PROCEDURES

Uganda has transit through Kenya and Tanzania, while other countries like Rwanda, Burundi and part of Congo, transit through Uganda. Transit goods are not subjected to taxation in the transit countries, but are subjected to light dues such as road tolls and port usage changes. The following tables summarise the transit traffic to Uganda from the port of Mombasa and Dar-es Salaam port.

The Kenya Port Authority transit traffic to Uganda handled in (dwt)

YEAR	1994	1995	1996	1997
UGANDA				
Imports	148,651	152,383	152,872	336,309
Exports	147,119	147,888	149,328	139,659
Total	**295,770**	**300,271**	**303,200**	**475,968**

Tanzania transit traffic handled at Dar-es-Salaam Port in (dwt)

YEAR	1994	1995	1996	1997
UGANDA				
Imports	20511	12763	11810	12716
Exports	29731	4666	31545	31561
Total	**50242**	**54429**	**43374**	**44277**

2.4.1 The Customs Clearance Procedures

a) Mombasa Port.

The customs regulations of Kenya require import cargo to be entered within 21days local or 15 days transit. In case of transit cargo on commencement or discharged from the imported vessel, the cargo should be transported to its point of destination or else it will be removed from the customs warehouses and many be auctioned.

The CFA starts by making an entry of import cargo in form of **C34,** into 10 copies and completes a **Mombasa Port Release Order (MPRO)** into 6 copies. The completion of C34 includes the landed value of cargo (CIF) and an assessment of the exercise duty, and VAT payable. The port revenue office in Mombasa calculates the weight, volume port changes and date of arrival. For transit cargo, the combined values of the exercise duty and VAT assessed constitutes the **Bond in Force (BIF)** which the CFA covers through a security bond before the cargo is released by the customs. The CFAs brings all the documents of C34, MPRO, B/L, Commercial invoices and packing list to the receiving officer who verifies the signatures of the agents. The accepted documents are forwarded to the manifest section where details of C34 are checked against the manifest, B/L and ship arrival, including the port changes paid by the CFA. The procedures can take one or two days.

b) Dar-es-Salaam Port

The CFA gets the **B/L** released by **NASACO** for transit cargo, and then he completes the **Combined Customs Bill of Entry** and **Declaration Disposal Order** into 6 copies and lodges these documents at the Port Revenue Office. The office checks the details of the B/L against the ship's manifest and calculates the port charges. An importer of the domestic cargo obtains a **TAN** from the pre- shipment inspection companies, by presenting the **CRF** to enable payment of duty and sales tax. Domestic cargo is verified after the port changes have been collected.

2.4.2 Clean Report of Findings (CRF)

The pre-shipment inspection is globally provided by **Societ Generalle du Surveillance (SGS).** The inspection ensures that a correct value is endorsed for import daily assessment on arrival of certain cargo. For Kenya, this is subjected to imports with a minimum value of Us dollars $500 where as, for Tanzania the minimum value is Us $1000 at Dar-es- Salaam, once the importer gets the documents and he submits them to SGS, a copy of CRF has to be issued with a tax assessment notice (TAN) which is lodged at the customs instead of the import entry. (See appendix 4)

2.4.3 Customs Bond in Force Fee.

The B/F fee is the compensation to the CFA for facilitating a security bond in the transit, and a recovery of the insurance premium or Bank interest which his paid by CFA for the required guarantee. Many CFAs levy transit bond as a percentage of BIF value of excise duty and sales are changed. This normally ranges between 1.2% and 3% and is changed on a standard fee of US$ 100 per consignment.

2.4 4 The Road Customs Transit Declaration (RCTD).

This document was introduced in 1986 by **NCTA** as a sole document to cover the movement of goods. The document is valid in all **TTCA** member states. The CFA completes a set of RCTD (C34), and lodges the forms to the **Custom Long Room,** the documents are checked in the customs office of departure, and the numbers of RCTD, are registered, signed and stamped including the bond a mount and bond number. The CFA before departure, he has to go to the police with copies of MPRO, C34, RCTD, and a Completed Transit Goods movement, in order to check for p27, photo copies of his imports, passport, certificate of incorporation, and a copy of import licences, in order to get agate pass. (See Appendix7&8)

2.4.5 Transit through Uganda.

Uganda Transit Vehicle Log Sheet is similar to that of Kenya P27 and Tanzania. The sheet is completed and given to the driver indicating all the reporting stations the driver has to pass through, and its surrendered at the point of exit. All transit vehicles through Uganda must be capable of being sealed before they are issued transit licenses. Secured vehicles with valid permits are flagged off. All documents are placed in a sealed envelope, with a copy on top addressed to the point of exit. If such a procedure were adopted by the coastal states, a lot of time and agony would be saved.

CHAPTER THREE

CONCLUSION AND RECOMMENDATIONS

3 CONCLUSION

In the previous two chapters, the author endeavoured to present issues whilst expressing observations and opinions on how, imports and exports are cleared in Uganda and how some problems may be addressed or encountered. From this study, it is obvious that drastic actions must be taken to boost Uganda's imports and exports on the international markets. In so doing, the author hopes that the reader will in conjunction with the conclusions and the recommendations made, in this final chapter refer to the observation and opinions made in the previous chapters, in order to eliminate the risk of making redundant conclusions.

3.1 Introduction to the Conclusion

Looking at the long-term problems effecting Uganda's imports and exports. It is worth nothing, as long as the coastal states do not come up with a system to allow the smooth flow of cargo and to eradicate the following.

- Issuing of national regulations that interfere with the Northern Corridors Transit Agreement (NCTA)
- Customs fraud and diversion of transit goods
- Cumbersome transit procedures and poor facilities at border posts

For the success of Uganda's imports and exports, it's important for the coastal states to follow the Northern Corridor Transit Agreement, as an expression of good will and commitment to a regional approach in facilitating the smooth and cost effective movements of transit cargo along the Northern Corridor. The NCTA consist of nine protocols with provisions laying down principles relating to the following: -

- The right of member state to transit through territories of other member states
- The use of maritime ports facilities
- Customs controls
- Documentation and procedures

- Transit operations by road and rail
- The handling of dangerous goods
- Assistance to foreign transit agencies
- Third party motor vehicle insurance

The Northern Corridor Transit Agreement has since its inception in 1985 served a use full purpose as an instrument for speeding up transit operations. However, as mentioned in the previous chapters, Uganda still incurs high freight changes, which result into uncompetitive pricing of import and exports. For these reasons, the author suggests that the establishment of a multimodal transport and its optimum use of infrastructure could reduce the high pricing of exports and imports in Uganda.

Multimodal transport needs an integrated national policy approach to ensure optimum use of capital invested and a conclusive policy of environment to give the best results. There should be rationality of investment decisions based on a systematic application of cost benefits analyses. The level and structure of tariffs should be flexible to be accommodated by the public as far as the mode of transport is concerned. As regards global basis, policy solutions should aim at solving the issue of infrastructure, financing, facilitating and the use of existing infrastructures.

Facilitation primarily concerns the implementation of existing customs and transit conventions. MT container transport could remove customs controls to inland points, thereby allowing the optimum use of the existing infrastructures to reduce the need for new facilities. To avoid disruption in the process of adaptation of MT at both national and regional levels, there should be a flexible adoption of policy to the changing requirements at all levels. For the complementary roles of road and other inland modes of transport. They should be a cost and quality, compromising of the shippers and the consignees within the national. The combination of rail, rake, air and road transport adds quality to the total transport chain, through modal comparative advantages. This promotes a modal spilt to the extent that capacity reserves are available on railway line and inland waterways.

3.2 RECOMMENDATIONS

3.2.1 International Level

International organisations are to broad to solve in depth the particular problems of developing land locked countries. It is sensible, to understand that the international conventions and agreements, what so, ever there level are not well co-ordinated with each other and they suffer from regular evaluation and adjustment from the increasingly intense of emerging changes in the world wide economy and technology. However, they are always necessary as general guidelines and to reinforce an effective co-operation between member states. In addition, international organisations, agreements and negotiations are very important as far as, developing countries are concerned to a greater degree of access to international markets for their exports, shared skills, and new technologies. There fore, the author suggest that developing land locked countries should be granted more flexibility to use a variety of policies and instruments needed for as extra ordinarily complex, since there is nothing more difficult as a process for development. "No one should under estimate the daunting challenges faced by the poorest land locked countries as far as, development is concerned". These countries need more, not less, assistance to succeed.

How to achieve these goals

The author suggests that organisations as the World Trade Organisation (WTO) and UNCTAD must help developing land locked countries, became more active Protagonists in future negotiations. This requires a pro active positive agenda for developing countries trade negotiations, a constructive and affirmative strategy in all issues under negotiation that should arise from the vigorous initiative and unity of purpose of developing countries them selves. It is no longer tolerable to continue the hypocrisy of stressing trade as the central ingredient for development. The founder of UCTAD the late **Raul Prebisch,** used to say that "*it is not only an imperative of justice or charity but a matter of self interest to give the poor the necessary* *conditions to prosper, export and thus increase in a progressive and sustainable way of capacity not only to import, but also to pay for their imports".*

3.2 2 National Level

The author recommends that policy should originate more frequently from the region level. This must then be implemented at the national level to facilitate enforcement. This would ensure that there is coherence within the region in the handling of multi-disciplinary issues affecting Lake Victoria and the transit activities along the boarders. The crucial factor would be to enunciate and establish a mechanism to ensure that both legal and administrative steps are taken on national level to incorporate regional agreements into local legislation so as to render them enforceable. Another approach would be to organise a seminar involving all the members the East African states with particular emphasis on transit matters, in order to discuss their respective problems and to come up with appropriate and practicable solutions. This should include the following objectives.

A. Review all the conventions in order to update them according to the changes in trade patterns and the emerging technology.
B. Harmonise and standardise rules and regulations in the sub-region, concerning customs regulations, administration procedures and inland transport legislation in order to avoid the effect of irregular practices of corruption by the police and customs agents.
C. Take practical measures to facilitate and to simplify all the transit procedures and seaport documentation (customs and other formalities) and also during the land transport (police and customs control), which cause delays and high cost to goods in transit.
D. Undertake practical action for an effective implementation of all the rules and regulations agreed for the common interest of all the member state. For this reason, all the legal decisions taken should be compulsory and automatically applied to all the member state.

It would also be advisable to form a "**Regional Advisory Board"**. This Board could act as the Shipping Pool. If the ideal of a shipping pool is unacceptable to the Three East African states, then the Board could be established to carry out *inter alia*, the following functions.

i. Co-ordinating and harmonising operational norms, standards and practices of all the activities carried out on Lake Victoria especially shipping activities.
ii. Scrutinising any development carried out on shores of the Lake
iii. Assisting in the formulation and co-ordination of polices guidelines, rules and strategies to promote all development aspects in Basin.
iv. Developing polices that create an enabling environment of commercially viable and effecting operational enterprises in the Basin.
v. Providing vessel movement data, furnishing statistical and technical information, conducting economic impact assessment studies concerning the lake, investigating competitive rates structures, providing market information to ports and exploring potential sources of new cargo development.
vi. Advising on protocols or agreements related to the various concerned sectors, and assessing periodically the efficiency and effectiveness of the operational performances of the various activities, especially on water transport on Lake Victoria. Looking at the scope of the proposed duties of the board, it would be most advisable that it operates as an arm of the Secretariat under the Ministry of Transport and Telecommunication.

3.2.3 Commitment of National Authorities

Maritime transport is a strategic sector for the development of the county's foreign trade. Therefore, the author suggests that, national authorities should be more concerned and give effective support to the shipping industry. Uganda seriously needs to have a good relation ship with the coastal states. The more the government's involvement with the coastal states, the more things get better for the shippers, agent and freight forwarder as regards, transit conditions, port pricing and the use of their port and it's related activities.

3.2.4 Road Transport infrastructures

In the context of developing land locked countries, roads should be a common international interest of the state. Considering the high amount of investments required as far as, construction and maintenance is concern. It should remain a public service under the Ministry of Works and Urban Development. However, the problem of overloading on imported vehicles causing deterioration on the roads. There should be strict traffic standards, road safety measures and a regional harmonised policy on duty on imported vehicles, their capacity, fuel consumption patterns and taxes, to alleviate road transport costs and infrastructures damage. Therefore, road quality constructions and maintenance can be improved by setting strict standards and specifications, up dating road inventory and promoting road safety measures.

3.2.5 Customs procedures at Mombasa and Dar-es-Salaam

Customs procedures at both ports are very slow. The author, suggests that the introduction of **ASYCUDA** (Automated System for Customs Data). This system with its advantage of the latest technology would guarantee an open system of full flexibility and inter-connectivity. Once more, this could help the customs with shorter delays at border crossing, faster clearance of goods, and increased customs revenue. In addition, there should be also harmonised procedures and requirements such as the **Transit Pass** or **PTA** bond guarantee that would also help a lot. However, there is also a growing need of infrastructure development and modification especially at high traffic post of Malaba, Busia and Isebania. Adequate telecommunication network within the customs department would enable to speed up communication network between field officers and their central administrators.

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