Non-Tariff Trade Barriers in East Africa: A profile

Ayoki, Milton

Institute of Policy Research and Analysis

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Abstract

This paper examines the current non-tariff barriers (NTBs) to trade in goods in the East African Community (EAC). It identifies inefficiencies and delays at port and customs, as well as transport delays, multiple transit fees, customs documentation, restricted axle load limits and too many weigh bridges and police road blocks, import and export inspection and certification procedures, arbitrary use of rules of origin and interpretation of standards and SPS requirements, and infrastructure constraints as major obstacles to integration of the East African community. They elevate the cost of trading across borders, and severely impair export competitiveness of the trading partners especially the landlocked EAC members. The other key non-tariff barriers highlighted in the paper are congestion of trucks at the port, bribery and corruption, business registration and licensing procedures, import and export bans various national documents and inland terminal or transit parking yards procedures and facilities, and poor flow or dissemination of policy information.

JEL Classification: D78, F10, F13, F14, F15.

Key words: Non tariff barriers, Trade Policies, intra-EAC trade, EAC trade corridors, East Africa Community.

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1 Introduction

The need to facilitate free movement of goods, services, and capital and to support the better integration of developing and least-developed countries (LDCs) into the global economy has been one of the main forces driving multilateral trade negotiations and policies over the last two decades. Traders from both developed and developing countries have long pointed to the vast amount of "red tape" that still exists in moving goods and capital across borders (WTO, 2008). Documentation requirements often lack transparency and are vastly duplicated in many places, involving multiple agencies in some cases, a problem often compounded by a lack of infrastructure. Despite advances in information technology, automatic data submission is still not commonplace. This working paper documents the existing non-tariff barriers on goods trade in East Africa.

The EAC is a regional bloc, made up of six partner states: Burundi, Kenya, Rwanda, Tanzania, Uganda and South Sudan. Article 5(2) of the Treaty for the Establishment of the East African Community sets out a vision for the eventual unification of the partner states–beginning with the establishment of a customs union; followed by a common market, a monetary union, and eventually, a political federation (EAC, 2002). The first step in this process is underway, with the Protocol for the Establishment of the East African Community (EAC) Customs Union, signed in March 2004, coming into effect on 1 January 2005 for the three founding Partner States (Kenya, Tanzania and Uganda), establishing a common external tariff (CET) and set to remove all intra-EAC tariffs over a five-year transition period. The two new Partner States, Burundi and Rwanda, adopted the protocol in July 2007. Thus far, internal tariffs between the EAC countries have largely been eliminated. [1]

[1] With exception of category B goods: exports from Kenya to Uganda for 443 items, and for exports from Kenya to Tanzania for 880 items, which are to be phased out by 2010. The asymmetry in liberalizing intra-regional trade is intended to give Uganda and Tanzania, which have less developed industrial sectors and large trade deficits with Kenya, additional time for structural adjustments. The 443 products on Uganda's list are subject to import tariffs of 10 per cent that will be reduced to zero in five annual steps (starting with 10 percent in 2005; to 8 percent in 2006; 6 percent in 2007; 4 percent in 2008; 2 percent in 2009; and finally 0 percent in 2010). Trade between Tanzania and Uganda, as well as exports from Tanzania and Uganda to Kenya; have been duty free since 1 January 2005. Exports from Kenya to Tanzania and Uganda are divided into Category A and Category B goods. The Category "A" goods have

The integration of EAC will create a large market of a population of approximately 120 million people (Table A2) and a combined GDP of US$300 billion. However, the existence of large non-tariff barriers may make this hope elusive. Indeed, one of the factors cited for inhibiting trade in the EAC has been the non-tariff barriers (NTBs) maintained by partner states after signing of EAC Treaty and the Customs Protocol. Many commentators argue that the success of EAC integration can be fully realized if trading partners can eliminate existing non-tariff barriers to trade in goods, and control for trade costs.

For developing-country economies (such as the EAC), inefficiencies in areas such as customs, port and transport, import and export inspection and certification procedures, arbitrary use of rules of origin, arbitrary interpretation of standards and SPS requirements, and infrastructure constraints can be roadblocks to their integration into the global economy and may severely impair export competitiveness or inflow of foreign direct investment. The United Nations Conference on Trade and Development (UNCTAD) estimates that the average customs transaction involves 20–30 different parties, 40 documents, 200 data elements, 30 of which are repeated at least 30 times, and the re-keying of 60 to70 per cent of all data at least once.

With the lowering of tariffs across the globe, the cost of complying with customs formalities and other non-tariff barriers has been reported to exceed in many instances the cost of duties to be paid. In the changing global business environment, traders need fast and predictable release and movement of goods.

WTO provisions

As members of the WTO, the EAC agreements are expected to be in conformity to WTO rules. The WTO rules include a variety of provisions that aim to enhance transparency and set minimum procedural standards. Among them are Article 5 (which deals with Freedom of Transit of transit for goods), Article 8 (Fees and Formalities connected with Importation and Exportation) and Article 10 (on Publication and Administration of Trade Regulations) of the General Agreement on Tariffs and Trade (GATT 1994), aimed at expediting the

been treated duty free. Internal tariffs on the Category "B" goods (880 tariff lines at six-digit level in the case of Tanzania, and 443 lines in the case of Uganda) are to be phased out in five years, as mentioned.

movement, release and clearance of goods, including goods in transit. The WTO agreement on customs valuation aims for a fair, uniform and neutral system for the valuation of goods for customs purposes—as opposed to the use of arbitrary or fictitious customs values. Customs administrations have the right to request further information in cases where they have reason to doubt the accuracy of the declared value of imported goods.

The obligations placed on governments which use pre-shipment inspections include non-discrimination, transparency, protection of confidential business information, avoiding unreasonable delay, the use of specific guidelines for conducting price verification and avoiding conflicts of interest by the inspection agencies.

The Rules of Origin Agreement requires WTO members to ensure that their rules of origin are transparent; that they do not have restricting, distorting or disruptive effects on international trade; that they are administered in a consistent, uniform, impartial and reasonable manner; and that they are based on a positive standard (in other words, they should state what *does confer origin rather than what does not*).

The WTO Agreement on Import Licensing Procedures requires import licensing to be simple, transparent and predictable. For example, the agreement requires governments to publish sufficient information for traders to know how and why the licences are granted. It also describes how countries should notify the WTO when they introduce new import licensing procedures or change existing procedures. The agreement offers guidance on how governments should assess applications for licences.

In Paragraph 27 of the 2001 Doha Ministerial Declaration, WTO Members "recognize the case for further expediting the movement, release and clearance of goods, including goods in transit, and the need for enhanced technical assistance and capacity building in this area…" However, the WTO legal framework lacks specific provisions in some areas, particularly on customs procedures and documentation, and on transparency. The spectacular increase in the amount of goods traded worldwide in the last few years and the advances in technology and the computerization of business transactions have added a sense of urgency to the need to make the rules more uniform, user-friendly and efficient.

The primary goal of WTO Trade Facilitation negotiations launched in August 2004 is to reduce the transaction cost and complexity of international trade for business and improve the trading environment in a country, while at the same time optimising efficient and effective levels of government controls. It includes, the reform and standardization of physical infrastructure and transport facilities (such as ports, customs points and various agencies involved in facilitating trade), improving transparency and efficiency (in the clearance and release of goods), especially at the border, and the application of international standards in order to simplify and harmonize customs procedures, documents and formalities.

Annex D of the 1 August 2004 decision ('the July Framework') contains the framework for work on trade facilitation. Annex D provides, for negotiations which aim to "clarify and improve relevant aspects of Articles V (on transit), VIII (on fees and formalities) and X (on publication and appeal) of the GATT 1994 with a view to further expediting the movement, release and clearance of goods, including goods in transit".

To reiterate the subject matter of the 3 GATT Articles: Article V provides general principles permitting freedom of transit through another Member's territory (without unnecessary delays and exempt from customs duties). Article VIII contains 3 provisions that are relevant for the negotiations: (i) fees and charges in connection with import and export (for example, additional customs fees beyond a tariff duty) must be commensurate with the cost of providing the service; (ii) the number and complexity of import and export formalities must be minimized; and (iii) import and export documentation requirements should be simplified and kept at a minimum. Although Article VIII does not provide any mandatory requirements in this area, some Members have suggested that international standards should be applied in order to make border-related documentation and procedures more straightforward.

There are two relevant provisions in Article X requiring that: (i) laws, regulations and other information (including on cross-border procedures and customs administration) that affect or relate to importing and exporting must be published promptly in such a manner as to enable governments and traders to familiarize themselves with them; and (ii) laws relating to trade must be administered in a uniform, impartial and reasonable manner, with provision made for judicial or quasi-judicial review of administrative decisions.

EAC provisions on NTB

Article 13 of Protocol on the Establishment of the EAC Customs Union states that "except as may be provided for or permitted by this Protocol, each of the Partner States agrees to remove, with immediate effect, all the existing non-tariff barriers to the importation into their respective territories of goods originating in the other Partner States and, thereafter, not to impose any new non-tariff barriers. The Partner States shall formulate a mechanism for identifying and monitoring the removal of non-tariff barriers" (EAC, 1999).

Using various sources (including face to face interviews with private sector organisations), traders, production associations and the government bodies, and Government officials and key stakeholders in the transport sector; and available documents), the paper:

(i) Documents a list of non-tariff barriers (NTBs) to trade in goods – export, import, and re-import;
(ii) suggests which of these NTBs are the critical and constrain intra-EAC trade;
(iii) for each of the critical NTBs, it presents and analyzes the political economy of its existence – the way it functions, the institutional support or acceptance, the impact on private sector in terms of higher cost and/or transit time of goods, and the solutions the private sector has found to cope; and
(iv) suggests way(s) in which the NTBs could be eliminated.

For the purpose of the study we use a broad definition of non-tariff barriers that is in line with the interpretation provided in the Protocol on the Establishment of the East African Community Customs Union, and includes "laws, regulations, administrative and technical requirements other than tariffs imposed by a Partner State whose effect is to impede trade".

The rest of the paper is organized as follows: the second section provides a brief profile of Uganda's trade. The third section delves on the major transit routes and the constraints along these routes. Section four gives an account of other non-tariff barriers to trade, followed by discussion of efforts and challenges to eliminate them (NTBs) in section five, and section six concludes.

2 Trade patterns inside the EAC

2.1 EAC in world trade

Since 1990, absolute improvements have been noted in overall trade performance for EAC countries, stimulated by increased openness of their economies.[2] EAC exports grew by 4.4 percent against 4.5 percent growth in imports, between 1990 and 2004 (Table 1). However, its share in world trade (exports and imports) has declined between 1990-92 and 2002-2004 (Table 1). Uganda's share in world exports increased from 0.006 percent to 0.007 percent, between 1990-92 and 2002-2004. Uganda's share in world exports lags behind Kenya's (0.035 percent) and Tanzania's (0.014 percent). Uganda also increased its share in world imports from 0.012 percent in 1990-92 to 0.016 percent in 2002-2004.

Table 1. Comparative trade performance among EAC countries

	Growth rates (1990-2004), %			Share in world exports (%)		Share in world imports (%)	
	Exports	Imports	GDP	1990-92	2002-2004	1990-92	2002-04
EAC	4.4	4.5	3.5	0.066	0.059	0.110	0.109
Kenya	2.8	5.5	1.7	0.04	0.035	0.054	0.056
Tanzania	5.9	2.3	4.0	0.013	0.014	0.023	0.030
Uganda	10.9	6.5	6.5	0.006	0.007	0.012	0.016
Burundi	11.7	6.9	-0.4	0.003	0.001	0.005	0.002
Rwanda	-0.1	5.4	1.6	0.004	0.003	0.006	0.005
COMESA	4.4	2.8	3.4	0.549	0.472	0.699	0.634
Developing countries	8.4	7.0	3.9	18.45	31.05	18.68	28.28

Source: UN COMTRADE (adopted from World Bank, 2007)

2.2 Participation in EAC trade

Overall, the EAC members have a similar trade pattern, with commodity exports focused on extra-EAC markets, especially the EU. An average of 3 to 10 percent of the exports of the EAC members have gone to African markets outside the EAC, and 31 to 82 percent to

[2] However, measured in relation to country's GDP, all the countries experienced decline in the export-to-GDP ratio - which shows the volume of exports has not expanded in proportion with economic growth in the EAC countries. The low export-to-GDP ratios for all the EAC countries are associated with inward-oriented strategies still applied by these countries, among other factors.

markets outside Africa. An average of 9 to 14 percent of the imports of members has been received from Africa outside EAC, while imports from the rest of the world ranged from 50 to 80 percent.

Detailed results of intra – and extra – EAC trade are presented in Tables 2 and 3. Table 2 shows overall improvements in intra-EAC exports performance since the 2005, most likely attributable to increased openness of the EAC economies. Over the 2000–2004 period, Uganda accounted for 5 percent of intra-EAC exports, and a huge 57.5 percent of intra-EAC imports. In 2005–2008, Uganda's share of intra-EAC export rose substantially to 15.3 percent, while its share of intra-EAC imports declined to 44.4 percent. This means that Uganda's trade performance improved since the launch of the EAC Customs Union in 2005. The same applies to Tanzania and Burundi.

For the case of Tanzania, its share of total intra-EAC exports rose from 8.56 percent in 2004–2004 (i.e. before the Customs Union) to 14 percent in 2005–2008 (after the Customs Union). Its share of total intra-EAC imports declined from 19.25 percent before the Customs Union to 14.8 percent after the Customs Union.

Table 2. Intra-EAC trade flows (percent)

IMPORTING COUNTRIES	EXPORTING COUNTRIES					TOTAL
	Burundi	Kenya	Rwanda	Tanzania	Uganda	
	Trade flows 2000 - 2004 averages					
Burundi		2.70	0.12	2.71	0.71	6.25
Kenya	0.01		0.02	2.49	1.58	4.10
Rwanda	0.12	9.25		1.67	1.86	12.91
Tanzania	0.02	18.17	0.04		1.02	19.25
Uganda	0.01	55.69	0.12	1.68		59.49
Total	**0.15**	**85.81**	**0.31**	**8.56**	**5.18**	**100.00**
	Trade flows 2005 - 2008 averages					
Burundi		2.67	0.16	0.97	2.17	5.97
Kenya	0.18		0.13	6.67	4.24	11.23
Rwanda	0.46	11.40		3.35	8.33	23.53
Tanzania	0.01	14.29	0.01		0.53	14.83
Uganda	0.04	41.18	0.12	3.10		44.44
Total	**0.69**	**69.54**	**0.42**	**14.09**	**15.26**	**100.00**

Source: COMTRADE

Burundi saw a slight decline in its share of intra-EAC imports from 6.3 percent in 2000–2004 to 5.97 percent in 2005 – 2008 and a rise in its share of total intra-EAC exports from 0.15 percent in 2000–2004 to 0.7 percent in 2005–2008. Rwanda and Kenya's export-import status worsened in 2005–2008. However, Kenya dominates intra-EAC trade, with exports and imports share of 86 percent and 4 percent, respectively in 2000–2004 and intra-EAC exports and imports share of 70 percent and 11 percent, respectively in 2005–2008. Kenya's dominance in intra-EAC trade is reflected in its huge trade surplus with all the EAC countries. When trade volumes are compared, Uganda accounts for the largest volume of imports from EAC and COMESA, while Kenya's and Tanzania's volume of imports from SADC countries ranks first to those from EAC or COMESA countries.

Moreover, total imports from EAC, SADC and rest of COMESA to the EAC Partner States, collectively accounted for only 18 percent of total imports in the Partner States in 2005 – 2008, a slight fall from 21 percent in 2000 – 2004 (Table 3).

Table 3. Imports from EAC, rest of COMESA and SADC as a share of total imports

	Percentage of total imports from				Percentage of total Imports from			
	EAC	Rest of COMESA	SADC	TOTAL	EAC	Rest of COMESA	SADC	TOTAL
	(2000 – 2004 average)				*(2005 - 2008 average)*			
Burundi	25.8	6.3	8.6	40.7	19.3	4.3	5.4	29.1
Kenya	1.0	3.3	10.3	14.4	1.5	3.1	7.9	12.5
Rwanda	29.4	2.2	5.9	37.5	38.7	3.4	6.6	48.7
Tanzania	5.5	1.8	12.9	20.2	3.8	1.8	12.8	18.4
Uganda	27.0	1.6	8.8	37.4	16.3	1.9	7.5	25.6
Total	**8.0**	**2.6**	**10.6**	**21.2**	**6.6**	**2.6**	**9.0**	**18.2**

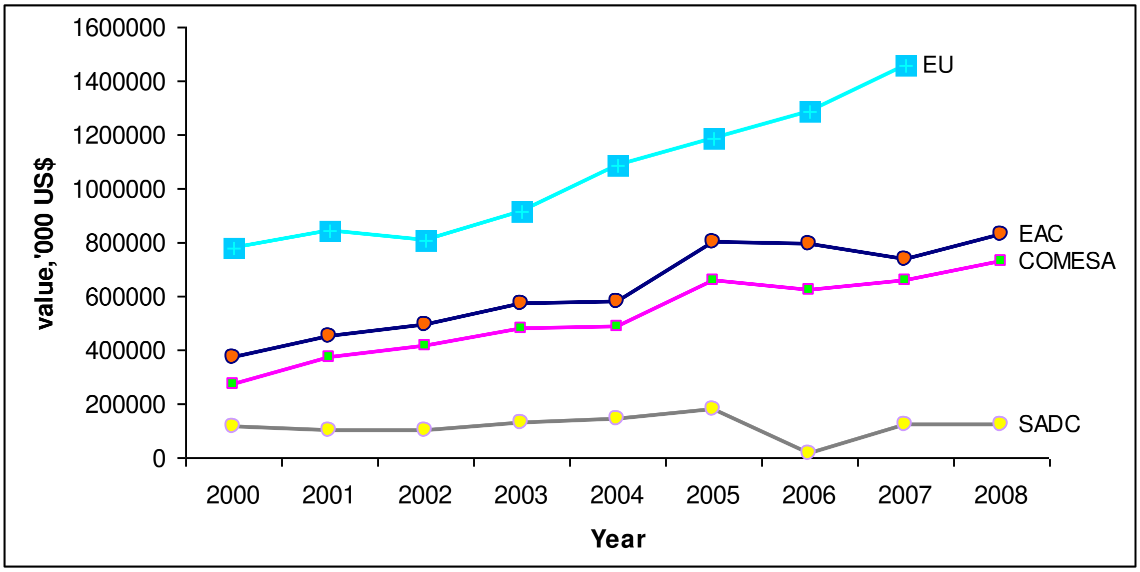
Source: COMTRADE
Note: *Rest of COMESA* excludes COMESA Member States that belong to EAC (i.e. Burundi, Kenya, Rwanda and Uganda). SADC excludes imports from Tanzania

2.2.1 Kenya's trade with the EAC

As we saw in Table 1, Kenya dominates intra-EAC trade, with its exports accounting for as high as 86 percent of the total intra–EAC exports. Yet, its imports from EAC countries accounts for only 4 percent of the total intra-EAC imports. As a result, Kenya runs a huge trade surplus with all the EAC countries. Kenya has a stronger manufacturing base than any of its EAC partners, resulting in a higher capacity to export to the region.

Figure 1 shows that the European Union is Kenya's leading destination market and that Kenya's exports to the EAC and COMESA have been increasing but at a relatively slower pace than its exports to the EU especially after 2005. Kenya's exports to EAC as a percent of its total exports declined from 23.4 percent in 2005 to 16.6 percent in 2008. Kenyan exports to COMESA followed similar trends. The share of Kenyan exports to the EU increased slightly from 34.7 percent in 2005 to 35.6 in 2008 (it was 43.6 percent in 1998, and 57.7 percent in 2004).

Figure 1. Kenya's exports to selected regional destinations



Source: Based on COMTRADE database

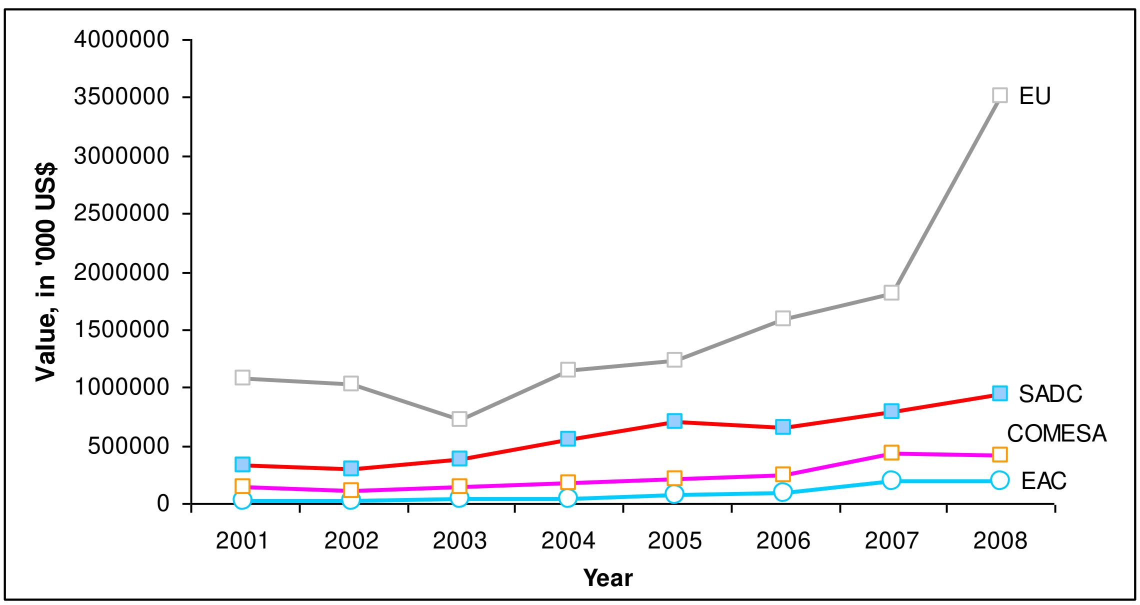
In the EAC, Kenya's merchandise exports are primarily oriented towards Uganda (followed by Tanzania, Rwanda and Burundi). Its major extra-EAC destinations are the United Kingdom, the United States, and the Netherlands. Petroleum products dominate Kenya's exports to the EAC, constituting an average of 39 percent of total exports to Uganda between 1998 and 2007, 18 percent of total exports to Tanzania, 52 percent to Rwanda, and 46 percent to Burundi during the same period. Other major Kenyan exports to the region include construction materials, particularly, cement and lime, as well as plastics articles, paper and paperboard, iron and steel products, medicaments, soap, cleansing and polishing products, vegetable fats and oils, footwear, and textile materials.

Trends in Kenya's merchandise imports from 2001 to 2008, presented in Figure 2 put European Union on top of all the regions that import into Kenya. One year after signing of the EPA Interim Agreement, imports from the EU increased dramatically. Under this agreement, Kenya with its EAC partners has agreed to gradually liberalise 80 percent of its trade for imports from EU covering mainly capital goods, raw material and intermediate / industrial goods over a period of 15 years (attaining full liberalization over a period of 25 years). Large proportion of Kenya's imports comprise capital goods and intermediate/industrial goods, and manufactured products such as machinery, transportation equipment, motor vehicles, and petroleum products.

Besides EU, a large bulk of imports comes from the United Arab Emirates, India, China, and Saudi Arabia. In the neighbourhood, clearly, the EAC region is not a significant source of Kenya's imports (Figure 2). Imports from EAC accounted for 1.4 percent of the total imports in 2008.

From an insignificant share of 0.35 percent of total imports in 1998 and 2001, imports from EAC countries have grown to 1.4 percent in 2008. In value terms, Kenya's imports from EAC partners grew from US$ 13.874 million in 2001 to US$ 182.4 million in 2008. Imports from COMESA countries increased from 1.28 percent of total imports in 1998 to 3.5 percent in 2001, and 3.2 percent in 2008. Most of the imports originating from EAC actually come from Tanzania, followed by Uganda, with minute amounts from Rwanda and Burundi (accounting for only about 0.03 to 0.04 percent of total Kenyan imports respectively).

Figure 2. Trends in Kenya imports from selected regions



Source: Based on COMTRADE database

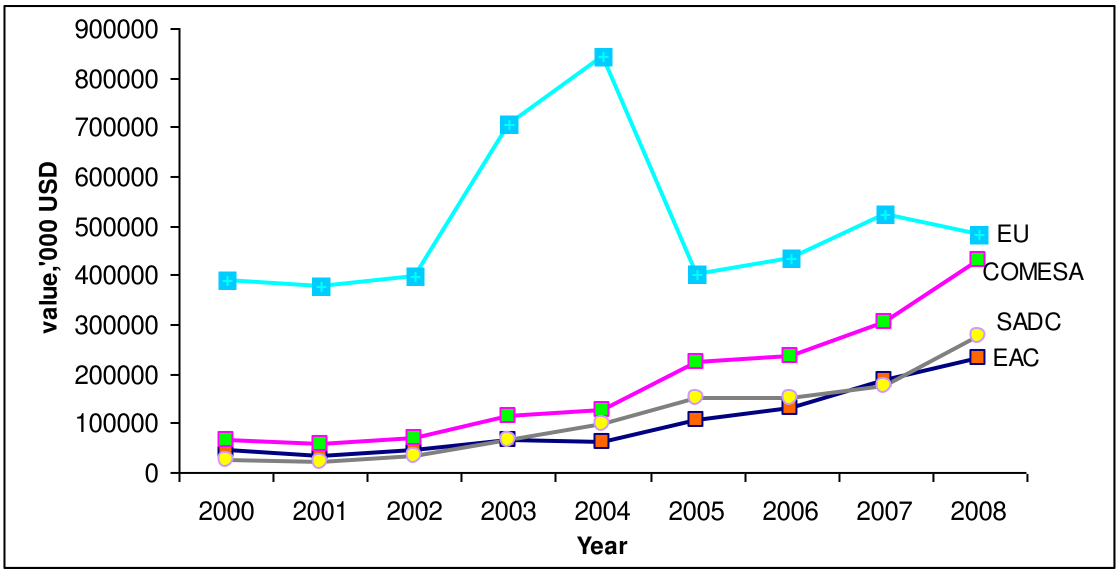
Kenya's major imports from the EAC partners include textile materials, wood, maize, paper and paperboard, cotton, cereals, medicines, vegetables, and unprocessed hides and skins. The imports from Tanzania and Uganda are mainly unprocessed agricultural products.

2.2.2 Tanzania's trade with the EAC

Tanzania is a member of several regional initiatives, including the Southern Africa Development Community (SADC), East African Community (EAC), Indian Ocean Rims-Association for Regional Cooperation (IOR-ARC), and Economic Partnership Agreement with the EU.[3] In parallel, Tanzania has signed 11 bilateral trade agreements. None of these serves Tanzania's exports interest better than the agreemnent with the EU.

The EU is Tanzania's main destination market (Figure 3). In recent years, exports to EU have dropped to the levels of 2000–2002, partly due to fall in fish exports, but EU still remains the most important destination for goods from Tanzania.[4] Since the Lomé Convention/Cotonou (now EPA era), most of Tanzanian exports to the EU are exempt from import duties. In addition, Tanzania's goods enjoy non-reciprocal preferential access to the EU markets under Everything-But-Arm (EBA) initiative extended to LDCs in the ACP. Tanzania's other main trading partners are United Arab Emirate, Switzerland, Japan, India, Kenya, South Africa and Malawi.

Figure 3. Tanzania's exports trends in selected regional markets



Source: Based on COMTRADE database

Tanzania exports primarily agricultural products — mainly cotton, coffee, tobacco, tea, cashew nuts, and cloves. South Africa is Tanzania's largest trading partner in SADC, and the two countries have signed a memorandum of understanding on trade and industry programmes and a general agreement on economic, scientific, technical and cultural cooperation. In 2008, Tanzania's exports to South Africa amounted to US$73.1 million, from

[3] On November 23, 2007, Tanzania, along with other EAC Partners States, initiated an interim Economic Partnership Agreement (EPA) with the European Union; and is currently negotiating a full EPA.

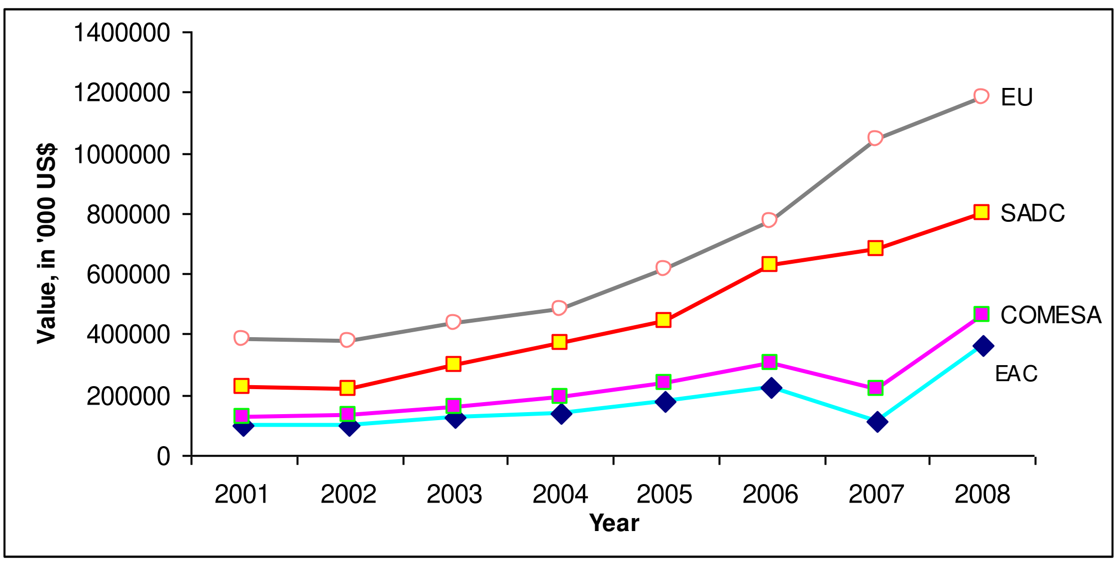
[4] Tanzania has a long history of exporting fish to the EU market. In 2005, fish export to the EU dropped by about a third the value of the previous years (COMTRADE) and since then hasn't picked up well. Some have attributed this to stiffening competition from Vietnam that also exports fish to EU market and declining number of fish (Nile perch) catch in Lake Victoria.

US$3.5 million in 2000. About a third (26.5 percent) of Tanzania's exports in 2008 went to South Africa, and about 10 percent of Tanzania's imports came from South Africa in the same year.

Though it stopped being a member of COMESA, Tanzania still exports more to COMESA than it does to SADC, where it currently belongs. In Figure 3, we see that Tanzania's exports to COMESA have grown faster than its exports to EAC or SADC in recent years — hence strong economic links with COMESA countries. While exports to SADC as a share of total exports increase by 0.6 percentage point between 2005 and 2008 (i.e. from 9% in 2005 to 9.6% in 2008), the shares of exports to COMESA increased by about 2 percentage point during the same period (from 13.3% to 15%). Exports to EAC as share of total exports increase from 6.3 percent in 2005 to 8 percent in 2008, which could have been attributed to reduction/elimination of intra-EAC tariffs upon introduction of the EAC Customs Union.

On the imports front, the EU is the largest importer into Tanzania (Figure 4). EU imports into Tanzania amounted to US$1.04 billion in 2007 (accounting for 17.6 percent of Tanzania's total imports that year). Other major sources of Tanzania's imports are South Africa (SADC), and United Arab Emirates.

Figure 4. Tanzania's import trends from selected regions, 2001–2008



Source: Based on COMTRADE database

The EAC region is not a very significant source of Tanzania's imports, accounting for about 2 percent of the total imports in 2007.

2.2.3 Uganda’s trade with the EAC

As shown in Table 4, Uganda accounts for only 6 percent of intra-EAC exports, but a huge 50 percent of intra-EAC imports. Tanzania accounts for 9 percent of intra-EAC exports against 26 percent of intra-EAC imports. Kenya’s share of intra-EAC exports (amounting to 86 percent) is the largest in the region, and her share of intra-EAC imports of 4 percent is the lowest in the region. Kenya, therefore, runs a huge trade surplus with all the EAC countries. Uganda’s trade deficits with Kenya amount to over US$ 473 million and slightly over US$ 5million with Tanzania. Uganda’s runs a trade surplus with Rwanda and Burundi.

Table 4. Intra-EAC trade flows and trade balances (million US$), average 2003 – 2005

	Exporting countries					
	Burundi	Rwanda	Kenya	Tanzania	Uganda	Total
Importing countries						
Burundi		0.93	36.99	23.37	0.059	73.04
Rwanda	2.99		90.45	6.85	0.035	129.38
Kenya	0.04	0.17		24.13	0.014	38.01
Tanzania	0.03	0.68	486.84	13.72	0.007	501.27
Uganda	0.04	0.07	248.26		0.001	256.53
Total	3.10	1.85	862.55	68.07	0.003	998.24

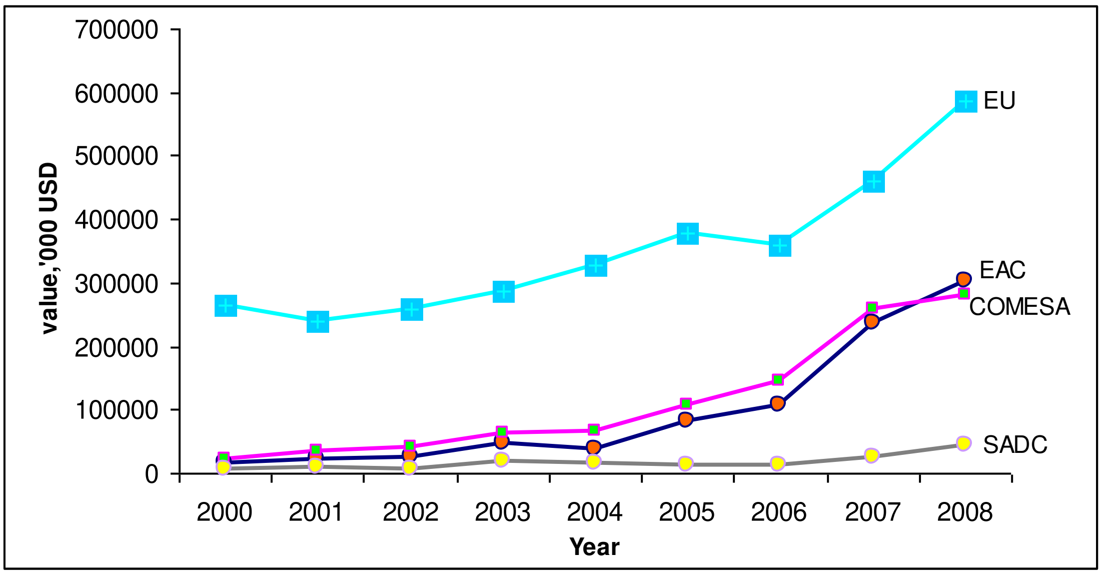
	Exporting countries					
	Burundi	Rwanda	Kenya	Tanzania	Uganda	Total
Importing countries						
Burundi		-2.06	36.95	23.33	11.72	69.94
Rwanda	2.06		90.28	6.78	28.41	127.53
Kenya	-36.95	-90.28		-224.13	-473.17	-824.54
Tanzania	-11.72	-28.41	473.17	5.56		438.60
Uganda	-23.33	-6.78	224.13		-5.56	188.46
Total	-69.94	-127.53	824.54	-188.46	-438.60	

Source: UN COMTRADE (adopted from World Bank, 2007)

Kenya and Tanzania have improved their trade balance in relation to GDP between 2004 and 2006, except Uganda. Intra-EAC trade rose by 21.2 percent between 2004 and 2005 and comprised 11 percent of total EAC trade. Increases in shares of bilateral trade (in total trade) between 2004 and 2006 are further indications of improved intra-trade flows in the EAC member states.

As Figure 5 shows, the EU is Uganda's largest destination market, accounting for over 40 percent of Uganda's merchandise exports. Although between 2005 and 2008, Uganda's exports to EU experienced a 10 percentage point decline in total merchandise exports (i.e. from 37 percent of total exports in 2005 to 26.9 percent in 2008), in value terms, Uganda's exports to the EU rose by 55 percent during the same period.

Figure 5. Selected destinations of Uganda's exports



Source: Based on COMTRADE database

At the regional level, the EAC and COMESA countries are Uganda's most important trading partners. Exports to the EAC market rose dramatically between 2006 and 2008. This can be attributed to the launching of the EAC Customs Union. The EAC now accounts for 20 percent Uganda's merchandise exports.

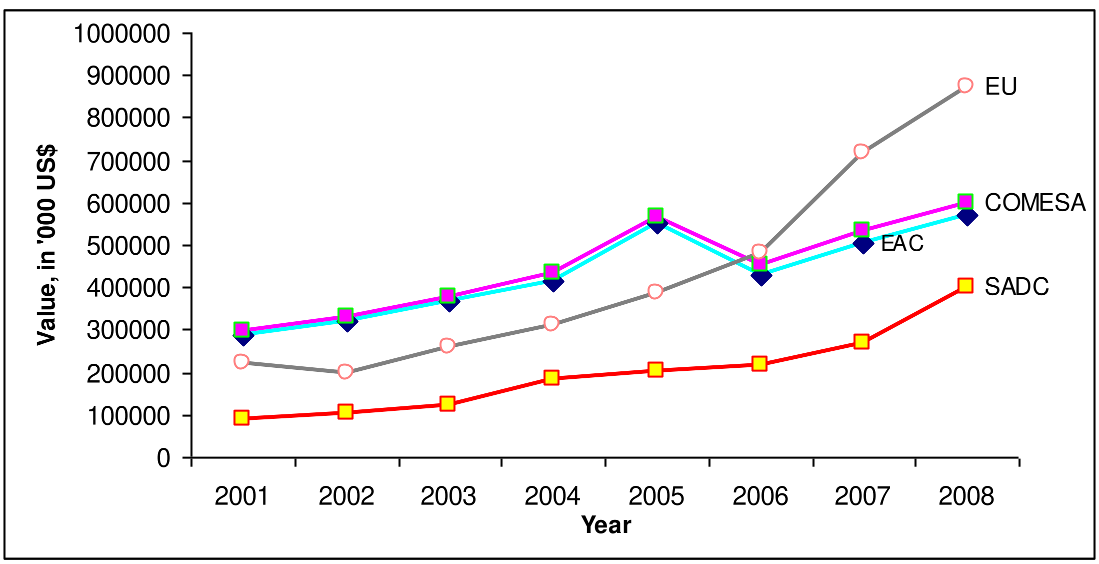
Outside EAC and COMESA, SADC countries are not very significant importers of Uganda's goods. COMESA (excluding EAC countries) accounts for about 6 percent of Uganda's merchandise exports in 2008, while exports to SADC-only countries, that is, countries in the region that are neither members of COMESA nor EAC, such as South Africa and Democratic Republic of Congo, amounted to 2.6 percent of total exports in 2008.

From trade flows, while Uganda's trade link with COMESA is strong, Uganda's major trading partners in COMESA, outside EAC borders (i.e. countries in COMESA, but not members of EAC) are very few in numbers. The only noticeable one is Sudan, which accounted for about 1 percent of Uganda's total exports in 2008. However, there is evidence of large volume of trade especially, agricultural food communities from Uganda to Sudan that go unrecorded. If such trade is taken into account, Sudan could account for over 2 percent of Uganda's exports in 2008, and perhaps much higher in 2009 (Uganda Bureau of Statistics and Bank of Uganda, 2008).[5]

Export to COMESA and SADC as share of total exports increased by 2.2 percentage points (from 10.6% to 12.8%) and 0.7 percentage point (from 1.3% to 2%) respectively, leaving room for further expansion in exports to EAC. Uganda's exports to EAC as a share of total imports rose from 8 percent in 2005 to 13.8 percent in 2008 (5.8 percentage point rise). This rise was also met my fall in share of exports to Asia from 7.5 percent in 2005 to slightly below 6 percent in 2008. This means that with the coming of the EAC Customs Union, Uganda is increasingly exporting more and more merchandise to the EAC than to any single regional market in Africa. Agricultural products constitute more than half of Uganda's merchandise exports (especially coffee, tobacco, cotton, and cut flowers).

Since 2006, the EU has dominated Uganda's imports, overtaking imports from EAC and COMESA (Figure 6). Imports from EU as a share of total imports increased from 18.8 percent in 2005 to 19.3 percent in 2008.

Figure 6. Trends in Ugandan imports from selected regions



Source: Based on COMTRADE database

[5] Uganda Bureau of Statistics and Bank of Uganda conducted informal cross-border trade survey in 2007 which established that Uganda's informal agricultural exports to Sudan amounted to US$ 57.1 million that year, equivalent to about 3 percent Uganda's total exports the same year.

Uganda's imports from EAC as share of total imports declined substantially from 26.8 percent in 2005 to 12.6 percent in 2008, also reflected in a drop in share of imports originating from COMESA (from 27 percent to 13 percent). Share of imports from SADC dropped slightly by 1 percentage point (i.e. 9.8 percent in 2005 to 8.8 percent in 2008). In recent years, SADC imports into Uganda have grown faster than Uganda's imports from EAC or COMESA. South Africa is Uganda's main trading partner in SADC. The two countries signed a bilateral trade agreement in 2002 (as we saw in previous chapter, Table 6).

Structure of Uganda's exports

Table 5 provides the trends in the volume of exports for major traded commodities for the period 2002 to 2007.

Table 5. Exports by value ('000 US $), 2002 – 2005

Commodity	2002	2003	2004	2005
Traditional Exports				
Coffee	96,626	100,233	124,237	172,942
Cotton	9,519	17,755	42,758	28,821
Tea	31,293	38,314	37,258	34,274
Tobacco	45,262	43,042	40,702	31,486
Non-Traditional Exports				
Maize	10,609	13,724	17,896	21,261
Beans and other Legumes	3,284	5,235	8,968	8,693
Fish and Fish products	87,945	88,113	103,309	142,691
Cattle hides	9,810	4,925	5,409	7,064
Sesame seeds	510	2,183	2,788	4,779
Soya beans	74	87	118	126
Soap	3,434	5,553	7,708	7,194
Electric Current	15,645	13,778	12,075	4,465
Cocoa beans	2,023	7,001	6,801	9,638
Cobalt	7,032	0	11,548	14,320
Hoes and hand tools	385	580	348	1,159
Pepper	111	176	368	594
Vanilla	6,898	13,546	6,120	6,135
Live animals	80	61	130	29
Fruits	670	436	917	1,158
Groundnuts	75	7	1	23
Bananas	225	110	850	806
Roses and Cut flowers	17,828	22,080	26,424	24,128
Ginger	462	15		78
Gold and gold compounds	60,342	38,446	61,233	73,072
Other Precious Compounds	0	13,612	4,713	6
Other products	46,714	77,193	114,507	183,935
Petroleum products	10,749	27,901	27,904	32,015
Traditional export	182,700	199,344	244,955	267,522
Non-traditional exports	284,905	334,762	420,134	545,335
Total	**467,605**	**534,106**	**665,090**	**812,857**

Source: Uganda Bureau of Statistics

The export sector in Uganda comprises the traditional and non-traditional traded commodities. The traditional export commodities include coffee, cotton, tea and tobacco. The major non–traditional exports include fish, maize, beans, sim sim, flowers, hides and skins, leather products, textile, yarns and fibres. Past statistics indicate a steady increase in volume of exports (and real earnings) over the last twenty years. Exports grew from US$ 196 million in 1991 to US$ 478.75 million in 1999 (at an average rate of 25 percent per annum), and from US$ 665.090 million in 2004 to US$ 1,336.7 million in 2007, representing an increase of 10.98 percent.

Coffee has maintained the lead as the main exchange earner although with declining share to the total export earnings. The share of coffee in total exports declined from 20.7 percent in 2002 to 18.7 percent in 2003, and only increased slightly to 21.3 in 2005, following improvements in the international coffee prices in 2005. Coffee export receipts increased from US $ 96.6 million in 2002 to US $ 124.2 million in 2004 and US $ 172.9 million in 2005 – representing and increase of 79 percent between 2002 and 2005. This is due to an increase in the realised average unit of world market price of coffee from US$1.0 per kg in 2004 to US$1.4 in 2005 although the export volume of coffee decreased from 2.5 million bags (of 60kg) in 2004 to 2.1 million bags in 2005.

Fish and fish products is one commodity which has picked tremendously from the non-traditional export sector, especially since the lifting of the ban of Uganda fish in the European market which led to a revenue loss of 70 percent in fish sub-sector, between 1999 and 2000. For over six years, now, fish is ranked second (to coffee) as a foreign exchange earner for Uganda. It increased from US $ 88.1 million in 2003 which increased to US $ 142.7 million in 2005 on account of an increase in export volumes. Average unit price of fish, however, remained unchanged at US$3.8 per kg in 2006.

During the last four years tea has emerged as the third main export for Uganda taking the place of Tobacco which now ranks fourth in the contribution to foreign exchange. Export proceeds from tea and tobacco have been declining in recent years. Tea export receipts declined by 10.4 percent to US$34.3 million in 2005, from US$38.3 in 2003 due a fall in world market prices.

The major outlet (market) for Ugandan tea is Mombasa Auction – which accounts for 80 percent of tea export receipts. Tex Box 1 highlights some of the non-tariff barriers affecting the sector.

Box 1. Barriers faced by Uganda tea sector

Phyto-sanitary requirement

International requirement is that every tea dealer should have a phyto-sanitary certificate, which traces the tea right back to the plantation and all subsequent handling. The normal international practice is for phyto-sanitary certificates to be issued by a competent authority in the country of origin (in this case, Uganda), not country of destination or transit. On the contrary, Kenyan authority require Uganda exporter to produce an original phyto-sanitary certificate, or otherwise a fine of of Kshs 1,000 (equivalent to Ushs 25,000) in lieu must be paid and an extra Kshs 500 (i.e. Ushs 12,500 at an exchange rate of 25 for the import permit).

Border delays

Sources in Kampala cited a number of cases where Kenyan authorities intentionally delayed track carrying Uganda tea from proceeding to Mombasa. A system of "convoy" was introduced – whereby transporters are compelled to wait at he border post for other trucks, before they can be allowed to depart or proceed to Mombasa.

As trucks have to wait for convoys to move, consignment arrives late in Mombasa. This makes it difficult for Uganda's tea to compete favourable at the auction. Some alleged that this is unfair trade practice or a deliberate mechanism by Kenyan authority to delay Ugandan tea to allow Kenya tea to sell.

The plant Inspection Permit

The Plant Inspection Permit (PIP) is the latest requirement that has been introduced by the Kenya Plant Health Inspectorate Service (KEPHIP). It requires tea exporters to pay Kshs500 (Ushs 13,398 at an exchange rate of 26.796) for every loaded truck, and each truck is supposed to have its own certificate. The new levy introduced in September 2007 is expensive and involves a lengthy bureaucratic inspection process that hinders Ugandan exporters from reaching the auction market in time. As a result, Uganda traders are reduced to a less competitive position compared to their Kenyan counterparts. Many of them have been frustrated by losses incurred from missing out on premium prices.

The exporters have been using the Common Market for Eastern and Southern Africa (COMESA) certificate of origin which allowed them to travel to all the member states. The Plant Inspection Permit requirement is an extra cost to tea dealers. Each truck transporting tea must have its own Plant Inspection Permit, no matter how many trucks belong to the same company. In case of delays, an exporter incurs additional costs in demurrage – amounting to $200 (Ushs 340,000) per truck per day.

The volume of tobacco exports reached a peak level of 10,600 million tonnes in 1998/99 at the unit price of US$ 2.16/kg in the world market (the highest price in the last decade). It is generally believed that the world-wide campaign against the tobacco industry contributed to decreased demand for tobacco products.

Transit challenges – as observed by BAT - Uganda

British American Tobacco Uganda is a tobacco company which trades globally. Its major export route is Mombasa port and only uses air to send samples. It also exports mainly to Kenya within the East African community.

Bonded warehouses are very expensive, and since Uganda has got limited bonded warehouses the only option they have is to keep their product in the bonded ware houses in Mombasa. This is so expensive that some traders end up under declaring the value of their products to avoid high expenses at the ware houses.

The railway transport is very unreliable and it’s not an option for BAT. It is slow and its operations are not up to standard. When used, it delays the goods. This, therefore, leaves BAT with only one means of transport to Mombasa – i.e. the road. Following the recent event in Kenya businesses were paralysed – as the port was completely inaccessible.

In the fifth and sixth place in Uganda’s export ranking is cotton and flowers, respectively. Though these commodities were ranked in the first ten main exports for Uganda, their share to the export revenue have continued to decline in recent years. The share for cotton to total export earning declined from 6.5 percent in 2004 to 3.5 percent in 2005, with corresponding drop in export revenues from US $ 42.7 million to US $ 28.8 million. That of flowers declined form 4.0 percent in 2004 to 3.0 percent in 2005, and a corresponding fall in export earnings from US$ 26.4 million to US$24.1 million.

Table 6 shows Uganda’s major export destinations. About 31 percent of Uganda’s merchandise exports are destined to the EU, followed EAC countries (20 percent). Other COMESA countries (excluding EAC) account for about 6 percent of total exports. Asia accounts for about 9 percent of total exports. Exports to EU grew from 25 percent of total exports in 2000 to 41.2 percent in 2005. Export to Asia as share of total exports declined from 9.8 percent in 2000 to 7.5 percent in 2005.

Table 6. Volume of Uganda's exports (in '000 US$) by regional destination, 2000 – 2007

Region/Country	2000	2001	2002	2003	2004	2005	2006	2007
COMESA	93,733	122,040	107,493	147,793	177,995	249,336	283,747	506,509
o/w Kenya	62,947	59,063	61,504	78,432	76,903	72,437	88,002	118,191
Tanzania	5,487	6,689	5,774	5,832	12,155	15,445	13,749	30,599
Other Africa	32,160	33,465	55,141	45,963	37,823	38,931	37,763	87,745
o/w South Africa	28,893	24,076	42,997	29,632	9,250	9,796	10,852	10,730
European Union	100,021	128,237	156,386	140,529	195,849	335,174	263,752	324,395
o/w United Kingdom	38,690	28,806	30,015	33,883	29,438	26,831	29,959	53,284
Other Europe	102,576	75,662	73,206	79,033	110,770	82,466	49,074	91,361
North America	9,264	8,348	10,549	14,635	18,653	18,340	16,442	23,777
Middle East	5,971	9,898	9,138	18,489	37,421	88,111	14,211	19,593
Asia	39,225	52,953	42,255	49,797	53,488	61,180	198,544	190,847
South America	332	1,138	1,286	342	379	1,005	75,194	71,937
Rest of the World	18,348	20,023	1,505	2,334	5,029	566	899	2,472
Unknown	0	0	10,646	35,191	27,683	20,214	297	159
Other	3,267	9,389	12,145	16,332	16,817	0	36,483	37,465
United States	8,545	6,743	9,190	12,693	15,182	15,892	-	-
Total	**401,645**	**451,764**	**467,605**	**534,106**	**665,090**	**812,857**	**962,194**	**1,336,668**

Source: Uganda Bureau of Statistics

Table 7. Uganda's exports to different regions as share of total exports (%)

	2000	2001	2002	2003	2004	2005	2006	2007
EAC	19.69	19.29	18.48	21.56	19.82	--	--	--
o/w Rwanda	2.24	3.68	2.75	3.89	3.71	--	--	--
Kenya	15.67	13.07	13.15	14.68	11.56	8.91	9.15	8.84
Burundi	0.41	1.06	1.34	1.89	2.72	--	--	--
Tanzania	1.37	1.48	1.23	1.09	1.83	1.90	1.43	2.29
COMESA (incl. EAC)	23.34	27.01	22.99	27.67	26.76	30.67	29.49	37.89
COMESA (excl. EAC)	3.65	7.72	4.51	6.11	6.94	19.86	18.91	26.76
European Union	76.66	72.99	77.01	72.33	73.24	41.23	27.41	24.27
Asia	9.77	11.72	9.04	9.32	8.04	7.53	20.63	14.28
TOTAL 1/	100.00	100.00	100.00	100.00	100.00	99.30	96.45	103.20

Source: Uganda Revenue Authority and Uganda Bureau of Statistics
Notes: 1/ Total for 2005 and 2006 are below 100% caused by under reporting and total for 2007 above 100% is due to double reporting for COMESA.

Trends in imports

Table 8 shows the trends in imports from 2003–2007. Available trade statistics show that total imports grew from US$ 522.7 million in 1991 to US$ 671.1 million in 1999 and from US$ 1,726.1 million in 2004 to US$ 3,495.4 million in 2007. About 25 percent of total imports originate from EAC, less than 1 percent from other COMESA countries (excluding EAC), and over 70 percent from rest of the world (mostly EU).

Petroleum (petroleum products) accounts for the largest share of import bill, annually. Petroleum import bill increased from US$ 161.9 million in 2001 to US$ 343.2 million in 2005, representing an increase of 50 percent.

Table 8. Imports by SITC and value (000 US$), 2003-2007

SITC	Description	2003	2004	2005	2006	2007
33	Petroleum, petroleum products & related materials	187,255	217,762	343,159	526,581	645,587
78	Road vehicles (including air-cushion vehicles)	115,096	144,695	192,198	216,357	294,310
04	Cereals and cereal preparations	106,698	134,431	141,194	156,768	158,779
67	Iron and steel	77,755	96,020	118,823	141,632	173,423
76	Telecommunications, sound recording apparatus,	48,936	82,764	100,410	137,029	349,160
54	Medical and pharmaceutical products	74,920	80,137	85,721	123,065	175,778
66	Non-metallic mineral manufactures	51,862	57,269	68,576	77,815	117,535
89	Miscellaneous manufactured articles	52,358	62,078	81,723	68,211	72,442
57	Plastics in primary forms	28,332	43,886	62,606	70,588	96,071
72	Machinery specialized for particular industries	40,070	59,104	60,491	66,781	101,525
77	Electrical machinery, apparatus and appliances	52,178	61,971	56,843	76,873	112,604
75	Office machines, automatic data-processing mach	37,678	36,779	50,233	48,352	70,707
64	Paper, paperboard, articles of paper pulp	37,660	48,513	50,098	62,131	69,127
42	Fixed vegetable fats & oils, crude, refined, etc	39,248	45,175	46,928	68,410	103,325
65	Textile yarn, fabrics, made-up articles, etc	36,904	40,028	42,703	53,372	73,979
	Others	388,156	515,626	552,431	663,343	881,039
	Total	**1,375,106**	**1,726,238**	**2,054,137**	**2,557,308**	**3,495,391**

Source: Uganda Bureau of Statistics

Second in share of import, are automobiles (road vehicles), which import bill increased from US$89.2 million in 2001 to US$ 192.2 million in 2005. Import bill from cereals and cereal preparations amounted to US$141.2 million in 2005. Import bill from iron and steel increased by 82 percent between 2003 and 2005, that from telecommunication equipment by 180 percent.

Kenya is the largest source of Uganda's imports, accounting for 30 percent of total imports, annually; Asia about 27 percent, and the EU about 20 percent. About 7 percent of total imports come from the Middle East and 7 percent from South Africa. African countries accounted for 36.2 percent of the total imports expenditure in 2005, which means that over 60 percent of imports are still sourced from overseas.

Table 9. Imports by region ('000 US$), 2000 – 2007

Region/Country	2000	2001	2002	2003	2004	2005	2006	2007
COMESA	312,246	295,695	337,711	389,630	434,154	565,011	450,419	560,321
o/wKenya	296,033	281,472	312,870	357,327	399,152	520,686	400,965	495,687
Other Africa	76,708	82,455	84,968	101,047	160,139	177,881	188,853	242,712
o/w S/Africa	65,915	72,850	83,665	98,984	140,749	143,676	156,272	207,191
Asia	224,127	259,761	292,580	382,110	499,396	540,808	749,982	1,174,968
o/w China	29,457	36,227	44,026	70,248	103,093	109,217	138,260	274,268
European Union	185,566	198,181	183,573	243,734	314,496	387,158	481,209	717,642
Other Europe	27,920	34,643	27,921	24,325	11,793	21,703	69,894	66,049
Middle East	60,270	69,319	73,904	101,707	121,883	206,879	489,218	566,592
North America	45,454	38,439	43,149	88,031	122,926	105,723	98,615	128,779
o/w USA	30,813	28,133	35,842	78,129	103,499	78,143	89,720	100,939
South America	8,823	7,457	2,175	5,521	26,092	31,550	11,557	32,407
Rest of the world	17,316	20,607	27,752	38,999	35,250	17,424	17,561	5,921
Unknown	33	-	--	--	0	0	-	-
Total	958,464	1,006,557	1,073,732	1,375,106	1,726,128	2,054,137	2,557,308	3,495,391

Source: Uganda Bureau of Statistics

2.2.4 Burundi's trade with the EAC

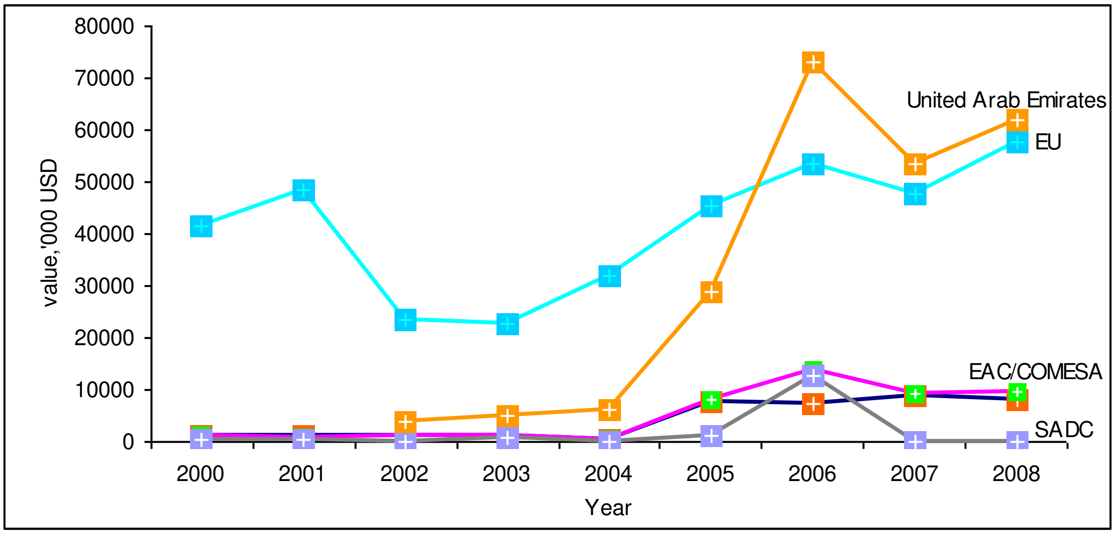
Burundi is a member of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (since July 2007), the Economic Community for Great Lakes Countries (CEPGL)[6], and the Economic Community of Central African States (ECCAS). On November 23, 2007, Burundi, together with the other EAC Partners States, initialed an interim Economic Partnership Agreement (EPA) with the European Union; and is currently negotiating a comprehensive EPA. At the same time, Burundi enjoys preferential market access under the EU's "Everything but Arms" initiative for least developed countries. In addition, Burundi's exports still enjoy preferential access to the U.S. market under the African Growth and Opportunity Act (AGOA).

However, the utilization rate of US and EU preferences has been rather modest and their value negligible, compared to other countries in the region. It is constrained by limited supply capacity – being a country emerging from decades of conflict. Nevertheless, the European Union is still one of Burundi's most important destination market (Figure 7), accounting for 40.6 percent of Burundi's exports in 2008. In recent years, United Arab Emirates has been the most significant importer of goods from Burundi, accounting for 43 percent of Burundi's total exports in 2008.

[6] Other members of CEPGL are Rwanda and the Democratic Republic of Congo

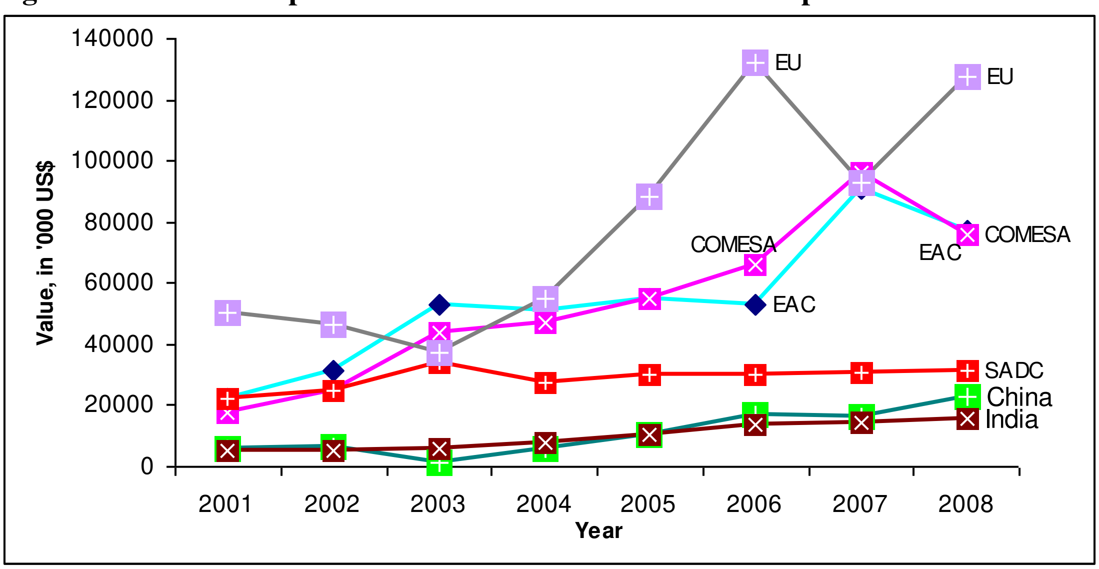
Until recently, the EAC as a region has not been an important destination for goods from Burundi. In 2004 for example, only 0.5 percent of Burundi's exports went to EAC, but in 2008 this ratio rose to 5.8 percent. The EAC significance is being felt after Burundi joined the Community in 2007 with increase in exports to EAC, comprising mainly beer, cigarettes, sugar, and cotton fabric; and raw hides, ornamental fish, live plants, fruits, flour, and vegetables.

Figure 7. Selected destinations of Burundi's merchandise exports



Source: COMTRADE database
Notes: Burundi relies primarily on coffee and tea for exports.

Figure 8. Trends in imports into Burundi from selected trade partners



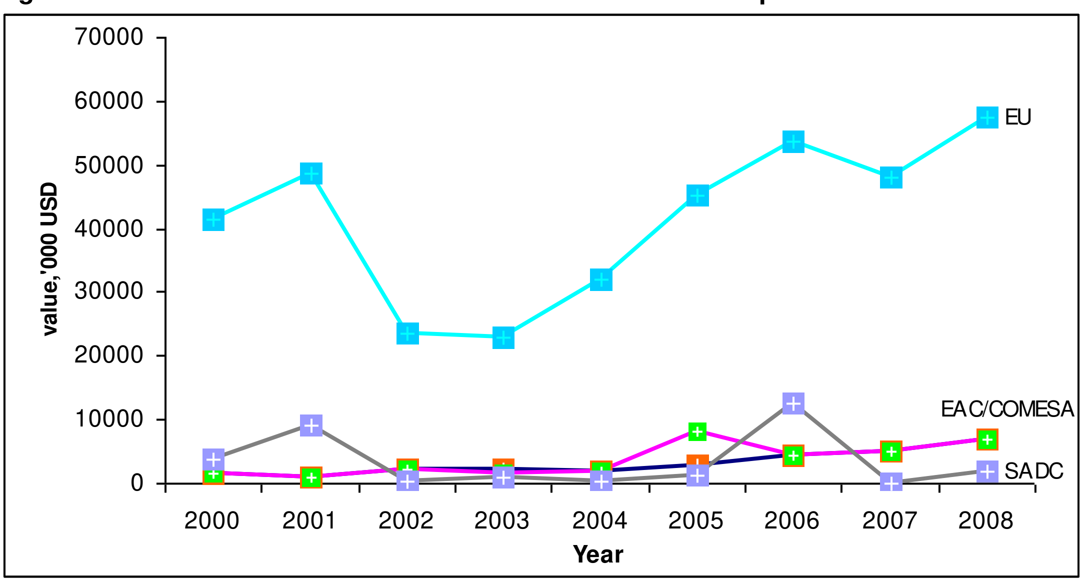
Source: COMTRADE database

With regards to imports, the EU is the largest importer into Burundi (Figure 8). After 2006 imports from the EAC rose sharply (corresponding to the period of joining the EAC) but only faced a slight decline in 2008. Petroleum products (fuels), rolling stock and machinery, inputs (construction materials, metallurgical products, agricultural inputs), pharmaceutical products, and foodstuffs dominate Burundi's merchandise imports.

2.2.3 Rwanda's trade with the EAC

Since 2004, Rwanda has implemented a 100 percent tariff reduction on imports from the Common Market for Eastern and Southern Africa (COMESA), of which it is a member. This measure is now superseded by its joining the East African Community (EAC) in 2007 and the gradual adoption of EAC Common External Tariff (CET) for trade with the rest of the world. However, Rwanda commodity exports remain largely focused on extra-EAC markets, especially the EU (Figure 9). Rwanda enjoys a preferential market access to the EU under the EU's "Everything But Arms" initiative for the LDCs.

Figure 9. Selected destinations of Rwanda's merchandise exports



Source of data: COMTRADE
Notes: Rwanda's exports of primary commodities are largely dominated in value terms by coffee and tea.

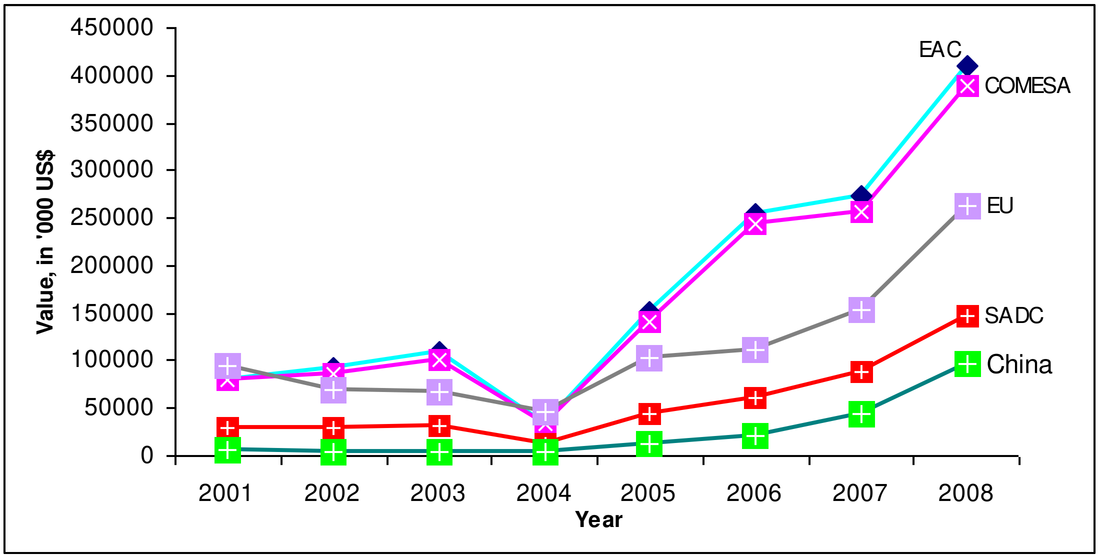
In 2008, Rwandan merchandise exports to the EU accounted for 23 percent of Rwanda's total exports that year, while its exports to EAC accounted for only 2.7 percent. However, when trade volumes are considered, Rwanda exports to EAC markets actually grew faster, compared to its exports elsewhere (by about 50 percent between 2006 and 2008 compared to the 7 percent exports growth gained in the EU markets during the same period). Though it is too early to judge (based on current results), the results nevertheless shows that Rwanda is increasingly making use of the EAC markets since it joined the Community in 2007 – which could see its share of intra-EAC exports increase substantially in the next two to five years.

In addition to being a member of COMESA and the EAC, Rwanda is also a member of the Economic Community of Central African States (ECCAS) and the Economic Community of the Countries of the Great Lakes (CEPGL). Its application is also pending to join the SADC. Rwand's exports to SADC market has more than tripled between 2005 and 2008 although its share of total exports still appears insignificant. Although Rwanda has been a beneficiary of the trade preferences under the Generalized System of Preferences (GSP) schemes, particulary the U.S' African Growth and Opportunity Act (AGOA) - since 2000, some sources have indicated that Rwanda has not been able to untilise it, and its exports to U.S. has remained insignificant (1 percent of its exports in 2008).

When it comes to imports, Rwanda shows a strong reliance on imports from EAC (Figure 14). As we saw in Table 1, the EAC accounted for 39 percent of Rwanda's total imports in 2005 – 2008, compared with Kenya's (1.5%) and Tanzania's (3.8%) share of total imports in 2005–2008 coming from EAC countries. Again as we saw earlier, most of Rwanda's imports are from Kenya (11.4% of total intra-EAC imports in 2005–2008), followed by Uganda (8.3%), Tanzania (3.4%), and Burundi (0.5%), while its largest regional destination market is Burundi, followed by Kenya, and Uganda.

The EU is still a significant importer into Rwanda (suppasing the SADC region and China, for example), and its imports into Rwanda grown quite fast in recent years (Figure 10) - signifying an increasing economic ties Rwanda. In November 2007, Rwanda initialed an interim Economic Partnership Agreement (EPA) with the EU.

Figure 10. Trends in Rwandan imports from selected regions



Source of data: COMTRADE

2.3 Informal cross–border trade

Table 10 summarizes the transactions along the selected CBTCs and the key constraints faced.

Table 10. Top three commodities across selected borders and major constraints

Kenya—Uganda—Southern Sudan				
Commodity	**Kenya** Rice Pulses/peas Potato	**Uganda** Beans Maize Fish	**Uganda** Maize Beans Sorghum	**Southern Sudan** Hides/skin Tobacco Groundnut
Border	**Busia**		**Oraba**	
Constraint	High trade cost – due to poor roads network connecting supply region to transport corridor; market and price information lacking		High trade cost – due to poor roads network connecting supply region to transport corridor; market and price information lacking, poor border infrastructure especially the Sudan side	
Tanzania—Uganda—Rwanda				
Commodity	**Tanzania** Beans Fish Rice	**Uganda** Beans Maize Banana	**Uganda** Maize Beans Potato	**Rwanda** Peas Passion fruit Vegetables
Border	**Mutukula**		**Katuna**	
Constraint	Traders are not a ware of customs procedures; Clearing Agents take advantage of this to charge high fees + high transport costs, Tanzania export ban of food and		High taxes in Rwanda	

	corruption by police at check point	
	Tanzania	**Rwanda**
Commodity	Rice Maize Groundnuts	Coffee Banana* Potato
Border	**Rusumo**	
Constraint	High trade cost – due to high transport cost, customs requirement for containerization, only goods below 1million RF is cleared at border adding to cost of documentation, transport to Kigali and waiting	

Table 10 Continued.

Tanzania—Burundi—DR Congo				
	Tanzania	**Burundi**	**Burundi**	**DR Congo**
Commodity	Cassava Maize Groundnuts Fish	Hardly any agric comm. crossing from Burundi	Cassava Maize Vegetables Fish	Milk powder Vegetables Very little agric comm. crossing from DR Congo
Border	**Kobero**		**Gatumba–Kavivimvira**	
Constraint	Tanzania export ban on food – leading to increased bribing (of police); delay at customs due to insufficient border infrastructure and lack of computerization of customs operations		Border customs allowed to clear goods up to 0.5 million BRF. Goods above this threshold is cleared at customs in Bujumbura, adding to cost of waiting at Bujumbura; poor infrastructure at border customs	
	Tanzania	**Burundi**		
Commodity	Maize Rice Cassava/sorghum	Agricultural commodity from Burundi negligible		
Border	**Mabamba —Gisuru**			
Constraint	Poor border customs infrastructure; capacity of personnel; and roads			

Source: Survey data

Customs statistics[7] indicate that, over 90 percent of Uganda's overseas imports and exports transit through Busia each year. Over 90 percent of Kenyan exports to other countries in the Greater lakes region including Rwanda, DR Congo, Sudan, and Burundi transit through Busia. This clearly shows pivotal role Busia border plays in the intra-regional goods trade.

Uganda's informal exports to Kenya are mainly agricultural food commodities and these include maize, beans, fish, groundnuts, bananas and fruits. Exports of bananas earned US $ 4.5 million (9,906 tonnes) and fruits (which include water melons, passion fruits, mangoes,

[7] by Uganda Revenue Authority

oranges) accounted for US $ 3.7 million. When informal trade is considered, cross-border trade in beans tops in the list of several agricultural commodities that cross from Uganda into Kenya at Busia (Table 11), followed by maize, fish, groundnuts and millet. Evidence also shows growing importance of fruit (e.g. water melon), vegetables and export of poultry product (egg) into Kenya.

However, the total value of informal exports into Kenya dropped by half between 2005 and 2007. This dramatic fall in export was driven by decline in export of beans and maize. Stakeholder contacted attributed this (decline in Uganda's food export to Kenya) to the emerging market in Southern Sudan. I tend to agree with this view because the growth of Uganda's informal cross border trade in beans (Table 11) has been astronomical (over 320-fold between 2005 and 2007. However, maize does not feature among leading informal food export to Sudan. The decline in the volume of maize into Kenya must find explanation somewhere else not necessarily the emerging market in Southern Sudan.

Table 11. Trend in Uganda's informal agricultural export to Kenya through Busia (US$)

Commodity	2005	2006	2007
Beans	29,363,861.65	16,349,532.36	6,633,740.87
Maize	22,740,263.86	14,969,032.87	6,512,703.49
Fish	5,967,641.00	10,518,469.52	6,457,139.93
Groundnuts	2,794,080.86	4,535,908.82	4,450,939.02
Millet	3,230,721.19	2,223,930.94	3,567,249.14
Vegetables (Tomatoes)	*6,426.86*	2,049,083.54	1,852,729.71
Eggs	756,644.12	*1,031,766.85*	1,461,109.50
Water Melons	*291,539.68*	-	1,369,854.02
Others	3,949,920.81	2,874,570.59	6,022,831.70
GROSS TOTAL	**69,101,100.03**	**54,552,295.49**	**38,328,297.38**

Author's compilation based on UBOS data

The leading agricultural products from Kenya into Uganda are rice and beans. Others include unprocessed coffee, tuber root crops and fruits. Rice tops among agricultural commodities flowing into Uganda from Kenya through the border at Busia (Table 12). Again, almost similar to the trends noted in Table 11, we see a dramatic decline in overall flow of food into Uganda, between 2006 and 2007, in particular rice and fish. This declining trend in informal food export could be attributed to trade diversion into other markets (such as Southern Sudan) and overall trends witnessed in most countries where agricultural food production generally declined in 2007 which culminated into 2008 food crisis.

Table 12. Trend in Kenya's informal agricultural export to Uganda through Busia (US$)

Commodity	2005	2006	2007
Rice	98,641.35	3,164,114.21	746,325.15
Coffee (Unprocessed)*	365,529.86	979,802.43	336,301.52
Peas	55,374.22	102,413.44	275,468.12
Root crop (Potatoes)	130,874.29	249,626.58	243,117.90
Maize	50,239.43	*2,491.11*	120,263.97
Fish	*27,892.81*	388,662.71	62,913.97
Beans	10,396.87	1,231,486.75	36,963.72
Passion Fruits	245,258.16	74,092.59	29,460.16
Others	182,668.00	248,003.27	309,539.08
GROSS TOTAL	**1,166,874.99**	**6,440,693.09**	**2,160,353.59**

Author's compilation based on UBOS data

*Unprocessed. The main fruits include bananas, ripe bogoya, apple bananas, pineapples, water melon, cabbage and pumpkins, oranges, lemons, mangoes and tomatoes while the main vegetables include greens especially sukuma wiki (cordies).

The intensive trade that thrives here is in agricultural products, especially in beans and maize from Uganda, and manufactured products from Kenya and, above all, products re-exported to Kenya via Mutukula coming from Tanzania. Most of the commodities exported to Kenya come from western Uganda, mainly Bushenyi and Mbarara districts (Table 13).

Table 13. Source of commodities traded across Busia

From Uganda to Kenya		**From Kenya to Uganda**	
Commodity	**Source (District/Uganda)**	**Commodity**	**Source (Kenya)**
Maize	Busoga, Kasese, Mbarara	Carrots	Bungoma
Beans	Ibanda, Mubende, Kasese	Passion fruits	Kisi (Nyanza Province)
Bananas	Bushenyi, Rubare	Irish potatoes	Bukusu & Rift Valley Province - West Pokot, Molo (Nakuru) & Elbergon
Groundnuts	Teso, Soroti, Lira	Mangoes (dodo)	Mombasa
Millet	Soroti, Bushenyi, Ibanda		
Tomatoes	Bugerere		
Water melon	Bushenyi, Busia		
Pineapples	Bugerere, Mbale		
Bogoya & Cabbage	Mbale		
Pumpkins	Bushenyi, Sheema, Ibanda		

The data on informal trade in Table 14 is an indication of the general rise in trade with southern Sudan in recent years. It is surprising why maize, which is Uganda's leading agricultural export to Sudan is not captured by this table. The reason could be that maize is going through Biba border, but this only part of the reason. It is possible that the time the informal survey was conducted was off season for maize, and could not feature among top ten commodities. However, all the people interviewed agreed that maize tops among southern Sudan's agricultural imports from Uganda through the Oraba border.

Table 14. Trend in Uganda's informal agricultural export to Southern Sudan through Oraba (US$)

	2005	2006	2007
Fish	688,267.89	875,562.48	18,537,472.14
Onions	160,854.86	-	6,406,531.83
Beans	146,380.42	88,699.33	4,687,165.82
Chicken	*11,751.21*	*42,925*	2,532,402.28
Cattle	*9,086.64*	*27,765*	2,467,518.53
Bananas	*12,351.02*	111,469.87	2,386,751.46
Root crops (Potatoes)	91,787.35	54,436.35	2,366,840.24
Tomatoes	*21,017.08*	*8414.43*	2,346,820.39
Others	471,499.42	454,045.98	15,378,895.35
Gross Total	**1,612,995.89**	**1,663,318.14**	**57,110,398.04**

Author's compilation based on UBOS data

The data in Table 15 clearly confirms that Uganda significantly dominates the cross border trade with Sudan. Nonetheless, there are signs of great potential for rice, live animals and livestock products from southern Sudan. It is easy to see in Table 8 that value of export of goats, beef and rice has gone up significantly 2006 and 2007 and could even be much higher in 2008. High demand for hides and skins by Uganda's industries also provide great opportunity for Sudan's hides and skin industry which could see significant rise in export of these products in near future.

Table 15. Trend in Sudan's informal agricultural export to Uganda through Oraba (US$)

	2005	2006	2007
Hides & Skins	18,909.68	135,825.54	93,324.4
Tobacco	*1,963.62*	-	51,377.4
Beef	-	*771.85*	34,188.6
Ground Nuts	296,794.28	32,993.63	30,402.2
Rice	*405.08*	*4,147.12*	24,676.2
Meat	*1,135.86*	-	22,573.9
Goats	23,651.92	12,318.89	18,609.0
Beans	*2,722.72*	12,260.09	15,695.3
Others	**76,723.11**	**54,684.50**	**70,959.0**
GROSS TOTAL	**422,306.27**	**253,001.62**	**361,805.9**

Author's compilation based on UBOS data

Informal trade through Mutukula (Uganda – Tanzania border)

Table 16 and 17 depict a positive trend in informal trade in recent years. Although the year 2007 witnessed a general decline in trade a cross a range of commodities, particularly Tanzania's imports from Uganda, comparison of 2005 and 2006 trade figures suggests that year 2007 was exceptional.

Table 16 Trend in Uganda's informal agricultural export to Tanzania through Mutukula (US$)

Commodity	2005	2006	2007
Beans	80,958.88	800,327.29	1,396,358.8
Maize	644,329.20	5,771,861.22	1,228,722.0
Bananas	2,472.80	41,624.95	340,842.4
Millet	-	*7,400*	125,681.8
Eggs	3,802.57	19,141.69	105,450.4
Sorghum	-	*48*	57,981.4
Groundnuts	*3.03*	154,766.65	45,895.2
Coffee	*37.28*	**57,863.05**	36,834.8
Others	**5,704.60**	**50,415**	**85,165.9**
GROSS TOTAL	**737,308.36**	**6,903,447.9**	**3,422,932.6**

Author's compilation based on UBOS data

Mutukula has been experiencing unprecedented informal trade flows. There is a seven feet trench, which was dug in the 1970s to separate the two countries. It is currently filled with logs and sand, and is being used by vehicles to ferry goods in guise of carrying firewood.

Table 17. Trend in Tanzania's informal agricultural export to Uganda through Mutukula (US$)

Commodity	2005	2006	2007
Coffee (Unprocessed)	*360*	919,663	498,901.8
Beans	12,705	568,747	250,009.3
Fish	2,471	128,506	187,329.4
Rice	196,087	395,998	123,745.8
Meat	*212*	58,534	45,465.5
Peas	-	761,543	41,424.4
Bananas	14,816	79,838	35,731.9
Milk (Fresh)	-	30,230	19,909.0
Others	**6,801**	**125,973**	**95,687.2**
GROSS TOTAL	**233,451.8**	**3,069,031.6**	**1,298,204.3**

Author's compilation based on UBOS data

Informal trade across Rusumo (Tanzania—Rwanda) border

Rusumo corridor — is the main link between Tanzania and Rwanda. It connects to DRC Congo through Goma and other outlets along Rwanda—DR Congo borders, and with the port of Dar-es-Salaam in Tanzania. Rusumo is second only to Katuna in the volume of trade flow into Rwanda. Rwanda regularly records production shortages and has to import from other countries in the region —mainly Uganda and Tanzania —to meet its consumption needs. Food security in Rwanda, therefore, depends largely on cross-border trade in agricultural products with Uganda and Tanzania, although agricultural supplies from Tanzania have proved to be very seasonal due to insufficient production and administrative control over trade in cereals and the ban on food exports, particularly rice.

The intensive trade that thrives here is in agricultural products, especially in cereals (rice and maize) and groundnuts from Tanzania. Other products that pass through this corridor are tea and coffee from Rwanda, and manufactured products from Kenya and, above all, products re-exported to Rwanda via Kenya and Tanzania coming from within the region. On average (as records at customs suggest), 40 goods-trucks cross to Rwanda through Rusumo border every day.

Informal trade through Katuna (Rwanda—Uganda) border

From Uganda to Rwanda, the principal routes are Kampala–Kagitumba–Kigali and Kampala–Gatuna– Kigali. Katuna is the busiest customs post along the Uganda – Rwanda border for both formal and informal trade. It connects the segment of the northern corridor route that extends to Kigali (Rwanda) and Bujumbura (in Burundi). It is about 90 kilometers from Kigali and 22 km from Kabale. Uganda exports mainly maize, beans, bananas, potato and groundnuts to Rwanda. Although formal trade statistics at disaggregated level is hard to come by, it is easy to see from Tables 18 and 19 (on informal trade flows) that the magnitude of cross border agricultural trade between the two countries is substantial.

When informal cross-border trade is considered, the growth of trade over the last three years in which data is available has been quite dramatic, particularly for *maize* and *banana* exports form Uganda (Table 18)

Table 18 Trend in Uganda's informal agricultural export to Rwanda through Katuna (US$)

	2005	2006	2007
Maize	289,363.51	1,142,373.71	3,883,483.81
Beans	150,020.42	973,544.50	1,006,246.21
Potatoes (Irish)	755,656.52	-	947,075.25
Bananas	325,506.09	272,280.61	655,456.54
Tobacco	337,916.77	459,401.76	600,985.58
Sorghum	*8,480.0*	*4,077.63*	147,294.54
Pineapple	*6,961.8*	7.80	139,778.68
Apples	*8,878.1*	-	131,256.81
Others	**262,317.7**	**393,634**	**387,144.94**
GROSS TOTAL	**2,145,100.84**	**3,245,320.43**	**7,898,722.36**

Note: According to Key informant interviews, maize flour and wheat flour are the leading commodities from Uganda to Rwanda, followed by Irish potatoes and bananas.

Table 19. Trend in Rwanda's informal agricultural export to Uganda through Katuna (US$)

	2005	2006	2007
Peas	123,103.71	147,368	70,393.3
Passion Fruits	109,167.19	211,665	63,184.8
Ovacadoes	13,678.34	20,000	37,784.9
Onions	*21*	12,645	32,817.6
Chicken	52,607	-	27,761.5
Berries	-	-	15,763.6
Egg Plants	*1,528*	-	8,815.0
Cabbages	*390*	-	4,217.7
Others	**12,346**	**8,840**	**12,433.8**
GROSS TOTAL	**312,841.3**	**400,518.6**	**273,172.2**

Author's compilation based on UBOS data base

Key informant sources indicate fruits, peas, hides and skins as topping the list of commodities crossing into Uganda (through Katuna).

Trade across Gatumba/Kavivimvira (Burundi—DR Congo) border

Gatumba – Kavivimvira border points[8] are located about four kilometers from Bujumbura. Very low level of cross-border trade activities takes place here. This is reflected in the poor infrastructure at the customs. In Burundi, Gatumba is not recognized as important place for cross-border trade

[8] The entry into Burundi is called Gatumba and the point of entry into DR Congo is called Kavivimvira.

Customs formalities

At Gatumba post (in Burundi), a single import consignment exceeding BFr 0.5 million is beyond threshold that the customs authority at the border is allowed to clear.

The Bujumbura port clears all goods above this threshold, entering Burundi through all its border crossings. This happens because most of the border posts are largely nonfunctional. The clearance paperwork undergoes a process of control and verification simultaneously with the actual goods. The estimated time to complete this process (of clearance) is three to seven days. The great concern, however, is that during the same period, traders still face fees for services on the trucks, including truck fees of USD250 per day and parking fees of BFr 9,000 per truck per day.

Customs formalities (at Bujumbura) are very lengthy — involving the following steps:

- Presentation of PAC (summary statement of goods completed at the office of entry) at the customs clearance office
- Presentation of freight manifest (number of packages, quantities, and weights) by the hauler
- Intake and entry of manifest data by customs
- Unloading of cargo in Bujumbura Port Authority (Exploitation du Port de Bujumbura) warehouses
- Customs declaration by a customs clearance agency
- Documentary/physical verification of quantities and value of goods by the customs office
- Verification of the customs declaration by customs: acceptance/rectification of the declaration
- Payment of customs duties and taxes by the importer
- Issuance of the removal order by the office chief
- Removal of goods by the importer

Trade across Mabamba— Gisuru (Tanzania—Burundi) border

There are six border points along the borders between Tanzania and Burundi—ranked in Table 20 in ascending order of their importance.

Table 20. Border points along Tanzania—Burundi borders

Border	Location (province)	Commodity	Rank
Kobero	Ruyinga Province	Cassava, maize	1
Rumonge	Bururi, on Lake Tangayika	Cassava, maize	2
Gahumo	Cokuzo Province	Maize, cassava	3
Mugina	Mukamba Province	Cassava	4
Kayogoro	Mukamba Province	Cassava	5
Gisuru	Ruyigi Province	Maize, groundnut, sorghum, cassava	6

Trading across Mabamba— Gisuru border points

Mabamba—Gisuru borders[9] account for less than 5 percent of the aggregate cross-border trade taking place between Tanzania and Burundi (Kobero being the most preferred border). Table 21 shows the trends of agricultural imports into Burundi through Gicuru in July 2008.

Table 21. Agricultural imports cleared at Gicuru Customs, Burundi in July 2008

Date	Commodity	Value in Bfr	Volume in tons	Customs duty in Bfr
7/7/2008	Cassava	5,100,000	17.0	25,520
8/7/2008	Cassava	2,100,000	7.0	10,520
9/7/2008	Maize	2,000,000	6.0	4,520
9/7/2008	Cassava	1,500,000	5.0	7,520
10/7/2008	Cassava	5,100,000	17.0	25,520
13/7/2008	Maize	900,000	6.0	4,520
13/7/2008	Groundnut	2,400,000	6.0	12,020
14/7/2008	Maize	900,000	6.0	4,520
19/7/2008	Cassava	5,100,000	17.0	25,520
21/7/2008	Maize	1,500,000	10.0	7,520
21/7/2008	Maize	1,500,000	10.0	7,520
21/7/2008	Cassava	2,400,000	8.0	12,020
21/7/2008	Cassava	1,800,000	6.0	9,020
22/7/2008	Maize	1,050,000	7.0	5,270
25/7/2008	Maize	1,200,000	8.0	6,020
27/7/2008	Cassava	5,100,000	17.0	25,520
30/7/2008	Maize	1,900,000	10.0	7,520
31/7/2008	Groundnut	1,200,00	4.0	6,020

Source: Gicuru Customs
Note: 1 US$ = 1240 BFr

The formal trade across this border flows in only one direction: from Tanzania to Burundi i.e. all the supplies are from Tanzania as confirmed by records at Mabamba and Gisuru customs. The main traded commodities are maize, groundnuts and cassava.

[9] The entry into Tanzania is called Mabamba and the point of entry into Burundi is called Gisuru — separated, about 5 kilometres apart.

For the two days I was at the border, I never saw a single truck or vehicle crossing the border. Informants attribute the low level of trade flow on this corridor to the sorrow state of roads. When asked why the border is not busy one official at the customs said, “people don’t want to break their cars. They use other borders.” Many business people complained of poor border infrastructure and attitude of customs officials particularly at Mabamba.

The corridor served by these borders extends up to the Tanzania port of Dar-es-Salaam by road, and on the Burundi side, up to Bujumbura — stretching over a distance of over 1,000 kilometer (400km from Gisuru to Bujumbura, and 600 from Mabamba to Dar-es-Salaam). Various spots along this route—for example, the Gicuru–Rujigi segment spanning around 50 kilometers—are in extremely poor condition, in need of rehabilitation.

Overloaded freight vehicles coupled with poor roads maintenance, and poor enforcement of axle load regulations further deteriorate the road network and reduce road life spans. Unlike the other countries traversed by trade corridors in which there are limits on axle loads, Burundi has no weight restrictions on road traffic. Burundi also has longer-term problems with road security, and travel between 6:00 p.m.—8:00 a.m. is restricted.

Magnitude of informal trade

While statistics on magnitude of informal trade across Mabamba—Gisuru borders is not available, all the people talked to at the borders agree that a large part of trade across Mabamba—Gisuru borders is informal trade, and that direction of trade in over 95 percent of the cases is from Tanzania to Burundi. That is, almost every thing comes from Tanzania —the commonly traded commodities include maize, followed by groundnuts, sorghum, cassava and rice. Most of the maize comes from Kibondo district – in Busunju area in particular – about 40 km from the border corridor. Transport from producing areas to the market is difficult because of poor infrastructure. Other important production areas are Iringa in the cental province, Mbeya, and Rukwa, and Kasura. Cassava is the main staple.

Trade across Kobero (Tanzania—Burundi) border

Kobero is the busiest border point along the Tanzania-Burundi borders, used for most of the merchandise (over 80 percent) between Tanzania and Burundi including fuel and tea and coffee exports. It is located about 150km from Bujumbura and about 1000km from Dar-es-Salaam. It has sufficiently well developed infrastructure to facilitate trade. Roads on either side of the borders customs are tarmac. Supporting institutions such as police, immigration, and revenue agents are well established. There are well developed storage facilities on Burundi and Tanzania side of the border.

Kobero handles goods enroute through Mwanza and Dar es Salaam, and can be the gateway for goods from Uganda and Kenya through Lake Victoria. The roads on the Tanzania side have been paved, with the exception of the Manyoni–Singiola (90 km) segment. In Burundi, the Bugarama–Bujumbura segment (spanning around 40 km) is in poor condition. Average travel time for cargo – between the border and Bujumbura - is ten to twelve hours. Roundtrip cargo shipment time is estimated at about one month, taking into account the time required for travel, various customs and administrative formalities required, and loading/unloading at Dar es Salam and Bujumbura, as well as the truck maintenance.

a) Commodities from Tanzania

Maize tops the list of commodities crossing to Burundi in terms of volume (and value), followed by cassava, rice and fish and groundnuts. Cross-border trade in livestock also takes place.

b) Commodities from Burundi

Cross-border flows of cereals are difficult to quantify because, unlike the trade in livestock, they are not subjected to custom registration procedures at borders.

Magnitude of cross border trade in agriculture

While official statistics on magnitude of cross-border trade flows are hardly available, besides scattered records that are available at customs office, all participants interviewed agree that significant volume of trade takes place and that it continues to grow in magnitude every year. It was possible to confirm that this is true, when I observed what was taking place at the border and had the chance to looked at records at customs. For example, during 1-23 June 2009, I noticed that fish imports from Tanzania amounted to 132,325,000 BFr, while 31,497,500 BFr worth of maize was imported.

The next sections examine these corridors in greater details.

3 Transit routes, procedures and requirements

Uganda, being a land-locked country, relies on the ports of Mombassa and Dar-es-Salaam to transit her exports and imports. Uganda, Burundi, Rwanda and Eastern Congo rely on the Northern and Central Transit Corridors (Mombassa and Dar es Salaam ports, respectively) for their external trade activities.

3.1 The Northern Corridor

The Northern Corridor comprises roads, rails and Lakes-network from the Kenyan port of Mombasa to Kampala. On surface mode, it consists of road routes from Mombasa via Malaba and Busia to Kampala – Mbarara /Kabale onward to Kigali and Butare in Rwanda, and to Bujumbura in Burundi. It is estimated that 85–90 percent of Uganda's exports and imports pass through the Northern Corridor.

The Northern Corridor is the main route for Uganda's external trade flows, carrying an average of 88 per cent of the traffic in the period 1998-2004 (Table 8) - Mombasa being Uganda's closest ocean port.

Table 22. Uganda's external trade movements on the Northern and Central corridors ('000 tonnes)

Traffic stream	1998	1999	2000	2001	2002	2003	2004
All surface modes on corridors							
Northern Corridor across Kenya border 1/	1,053	1,266	1,393	2,087	2,138	2,367	2,762
Central Corridor	98	260	251	278	284	263	348
Total all surface modes	1,151	1,527	1,644	2,366	2,422	2,630	3,111
Northern Corridor share of corridor traffic (%)	**91.45**	**82.95**	**84.75**	**88.24**	**88.27**	**89.99**	**88.80**
Flows of goods trade by rail							
Northern Corridor	469	514	563	566	623	595	528
Central Corridor	86	226	218	242	247	229	303
Rail sub-total	554	741	781	808	870	824	831
Rail share of total traffic (%)	48.16	48.52	47.51	34.16	35.93%	31.33	26.71
Rail share of Northern Corridor traffic (%)	44.53	40.61	40.41	27.12	29.14	25.14	19.11

Source: World Bank (2006) *Uganda Diagnostic Trade Integration Study*, the World Bank, Washington, D.C. based on Uganda Bureau of Statistics (UBOS), Kenya Port Authority (KPA), Tanzania Ports Authority (TPA), and Uganda Railways Corporation (URC).
Notes: 1/ data are estimates (may not reflect the regional movements accurately).

Over 90 percent of Uganda's overseas imports and exports transit through Mombasa each year. Dar es Salaam caters for less than 4 percent, and about 2 percent are air freighted each year. Uganda's traffic through Mombasa is also seen to be growing each year, while its traffic through Dar es Salaam appears to be declining each year. The share of railways in Northern Corridor traffic has declined substantially (from 44.5 per cent in 1998 to 19 per cent in 2004).

The Northern Corridor is also regarded as the life line of the Great Lakes region as it accounts for over 80 percent of the cargo (exports/imports) - by road (Table 8). Along the Northern Corridor, Kampala represents a major transportation hub in the region – into Southern Sudan, Northeastern DRC, Rwanda and Burundi. While Rwanda and Burundi receive a good number of their imports through Tanzania, an estimated 80 million people in the region consume goods transported through Kampala – approximately 10 percent of Sub-Saharan Africa's total population.

In 1985, Kenya, Uganda, Rwanda, Burundi and the Democratic Republic of Congo signed the Northern Corridor Transit Agreement (NCTA) aimed at simplifying and harmonising procedures relevant to the expeditious movement of goods in transit. The agreement provided for establishment of Transit Transportation Coordination Authority (TTCA), which is responsible for implementation of NCTA particularly matters related to transit traffic.

The northern corridor has tried to sustain its traditional role as the main route to the landlocked countries. However, TTCA has not been fully successful in reducing the transit barriers along this route, such as delays and high transaction costs created by bureaucratic customs procedures, restricted axle load limits and too many weigh bridges, police roadblocks, etc. (Tex Box 2). These problems are perceived to have been created by the rigidities in government management at transit points, lack of political commitment and political instability in some countries in the region.

Text Box 2: Major problems faced along the Northern Corridor
(BASED ON STAKEHOLDER CONSULTATIONS)

1.1 The roads conditions deteriorated on most sections of the route owing to insufficient maintenance and axle overloads;

1.2 Inefficiencies along the corridor have led to slow speed, and long transit time. Increased transit times and operating costs have led to increased transit costs that are born by the consumer;

1.3 Inadequate facilities at Nakawa inland depot (in Uganda) and other container depots has led to delays in clearing imports and exports by customs (Uganda Revenue Authority);

1.4 Lengthy documentation and customs procedures and too many uncoordinated institutions involved in the processing of papers (at port of Mombasa and border crossing points). The facilities at Malaba (Kenya-Uganda border crossing point) are inadequate – impeding the free flow of transit traffic;

1.5 The Rift Valley Railways runs on an old rail network and has a shortage of locomotive powers and wagons. This impedes transportation by rail – making road transport the most preferred though expensive option;

1.6 The strict enforcement of axle load limits leads to less tonnage for most vehicles. This is unfavourable to cargo transporters, some of whom have ended up paying fines or corruptly paying their way through the weigh bridges or have had the excess cargo off loaded in places where there are no cargo storage facilities, especially at the border points;

1.7 It takes seven days to transport goods from Mombasa to the Kenya-Uganda Malaba border-post. Without barriers along the route, it should take 3-4 days. Port procedures take over 60 hours followed by border post procedures that take 15 hours;

1.8 Border crossing procedures, too many weighbridges and road blocks and insecurity are barriers to the smooth flow of cargo increase the cost of doing business along the Northern Corridor.

1.9 Barriers introduced along the route have a double effect of increasing the transit time and costs of transport, thereby impacting negatively on the economy of landlocked countries.

1.10 Congestion of trucks at the port, transit fees, various national documents and inland terminal or transit parking yards procedures and facilities.

The barriers highlighted in Text Box 2 are elaborated in subsequent sections 3.1.1 – 3.1.6.

3.1.1 Transit procedures and requirements

Of the five EAC countries, only Kenya and Tanzania have access to the seaport and the rest get their imports or are able to export after going through transit procedures. All the officials interviewed in government and private sector (in Kampala) agreed that port and border crossing procedures top among the barriers along the Northern Corridor.

Port procedures take over 60 hours – i.e. it takes about two weeks in most cases, to have goods cleared by Kenya Port Authority. This result is similar to the findings of the World Bank Trade Diagnostic study which showed that transit cargo spent (on average) 17.9 days in Mombasa port (based on a sample of 802 import containers in the first 14 days of October 2005, using KPA data of containers railed from the port). For a sub-set of 177 boxes destined to Uganda and beyond, the time spent at the port was much higher at 37.5 days, while that of the 625 Kenyan boxes was 12.4 days[10].

These figures are very high compared with those for some other developing countries compiled by the World Bank (reproduced in Table 9). Based on the data provided by the World Bank (2006), the reasonable time for stay at port should be 7 days instead of 37.5 days for cargo at Mombasa destined for Uganda.

Table 23. Customs Processing Times (in days)

<table>
<tr><th></th><th>General</th><th>Green Channel*</th><th>Yellow Channel</th><th>Red Channel</th><th>Period</th></tr>
<tr><td>Bolivia</td><td>2.2</td><td>1.6</td><td>2.0</td><td>3.0</td><td>Jan-June 2003</td></tr>
<tr><td>Ghana KIA Airport</td><td colspan="5">75 per cent clearance the same day</td></tr>
<tr><td>Ghana Tema Port</td><td colspan="5">44 per cent clearance in two days</td></tr>
<tr><td>Morocco</td><td>0.025</td><td></td><td></td><td></td><td>March 2003</td></tr>
<tr><td>Mozambique</td><td>8</td><td></td><td></td><td></td><td>mid 2002</td></tr>
<tr><td>Peru</td><td></td><td>0.1</td><td>0.5</td><td>1.0</td><td>2002</td></tr>
<tr><td>The Philippines</td><td></td><td>0.8</td><td>1.0</td><td>0.8</td><td>December 1997</td></tr>
<tr><td>Turkey</td><td colspan="4">Within one day: 71.5 per cent of imports
Within 2 days: 82.5 per cent of imports</td><td>2002</td></tr>
<tr><td>Uganda</td><td colspan="5">Up to one week
Under simplified procedures: Single item cargo: one day
Mixed cargo: three days</td></tr>
</table>

Source: Customs Modernization Handbook, 2005, the World Bank.

Question being asked is how to improve transparency and efficiency (in the clearance and release of goods), especially at the port. Documentary requirements, excessive transit fees,

[10] Time at port refers to the time taken from unloading containers to exiting ports and from entering port to loading on ships).

and costs of warehouse and offloading imports at the port (with short grace periods given on imports before applying demurrage charges), as well as corruption, all add to the difficulty and cost of trading. Together with the already high transport costs, these result in landlocked countries, particularly Uganda, failing to be competitive.

There are indirect costs associated with these delays. For example, inventory holding costs caused by goods waiting in the ports, with each 10 days of delay is equivalent to about 0.5 percent of the value of goods in additional inventory costs.[11] There is also cost resulting from goods not being available for use. Hammels (2001) has estimated that such cost amounts to 0.8 percent of the value of goods per day, based on a study of what exporters are willing to pay for reducing transit time of manufactured goods.

With high port/warehouse charges, the level of damages at the port continues to rise while traders struggle to raise money, and delay to pick their goods. In early-May 2008, approximately 8000 containers were reported to have been affected at the Mombassa port. This problem does not seem to affect Kenya as much as Uganda since the port is in Kenya. It also became increasingly apparent that a number of traders were resentful about the treatment they receive at the Kenyan port of Mombasa. “We are treated as ‘strangers’, not as part of the EAC. We pay the same high charges, like ‘foreigners’ do”, they complained.

The new EAC transit licenses - being issued as part of the new EAC transit regulations – amount to multiple fees: US$1,500 for a Company Transit License, US$600 for a Transit Goods License and KShs10 million for a security bond on goods in transit. A number of cargo transporters felt that these fees are quite excessive, and a few others reported that they were not aware of the new EAC transit regulations. Besides, different countries continued to charge their own rates. For example, it costs Ushs 500,000 (approx. Kshs 20,000) for a transit licence in Uganda, but KShs 42,000 (approx. Ushs 1,050,000) for one in Kenya – which is more than two times the rate in Uganda.

Transit goods licences issued by Kenya Revenue Authority (KRA) only allows goods to be routed through Kenya, but not local transportation within Kenya. The licenses prohibit transportation of locally produced goods from Kenya as exports. It prohibits transportation of goods from Uganda into Kenya as imports, as would be the normal occurrence on returning the truck to Kenya. Such restrictions, according to Uganda’s importers escalate transport costs because they have to send back an empty truck which they should have used to

[11] Assuming interest rate of 20 percent

transport some Ugandan exports. Some traders asked, “If the COMESA Yellow Card can be acceptable in the region, why isn’t the Transit Goods Licence the same?”

Contrary to the East African Community Protocol, Kenya (and so is Tanzania and Rwanda) charge fees on each truck entering their territory (what some traders referred to as road toll). Kenya charges US$60 for truck going up to Nairobi and $90 beyond Nairobi (Rwanda charges US$76 on each truck, while Tanzania charges US$50 dollars). Besides, Mombasa Municipality has introduced a new levy on Uganda bound trucks.

From discussion with transporters, it was also mentioned that Uganda-registered trucks were not allowed to re-fuel in Rwanda. Since fuel prices are lower in Rwanda than they are in Uganda, refuelling Uganda’s trucks in Rwanda is equated to smuggling. Ugandan transporters have to make sure that they have enough fuel before crossing Rwanda border to avoid getting stranded in Rwanda. Close to this, the EAC transit regulation allows a grace period of 7 days without payment of Temporary Road License – for vehicles entering the territory of a partner state, but it is not being followed in some countries.

3.1.2 Delays at weighbridges, and variation in axle load limits

The customs checkpoints and mandatory weighbridges (along with poor roads) for goods in transit contribute greatly to transportation costs and serve as a real impediment to trade. Trucks are weighed on the way, causing delays to move goods from one territory to another. The acceptable weights are not harmonised in the region, causing conflicts.

Again, transporters must know what type of commercial trucks is accepted in different states because partner states do not agree on the same axle loading. This has contributed to limiting access to certain markets. In extreme examples, entries were temporary denied, even with the ‘right’ axle loading. Stories were narrated of Uganda registered trucks that were temporary denied transit permits to Congo by Rwandan authority in recent past. The reasons for this are not very clear, but the concern has been that “Ugandan trucks spoil their roads”.

3.1.3 Customs documentation /border post procedures

One of the expectations from a customs union – anywhere in the world – is the simplification and harmonisation of customs procedures, documents and formalities, including the standardisation of certificates of origin. This is yet to be seen in the EAC. Failure to fully achieve this has resulted in, for example, the continued use of COMESA certificates by Kenyan and Ugandan businesses, which they are entitled to do as they are still members of the preference trade area (PTA).

We are also witnessing varying systems of import declaration, payment of applicable duty rates, working hours at the customs posts, and standards (Sanitary and Phytosanitary requirements) applied by EAC member states. We heard about lengthy procedures, unfair treatment, corruption (at customs) and inadequate information to enable officials at customs make the right decisions. Some of the customs delays were attributed to limited working hours at the customs posts.[12]

At border posts, every country seems to be stuck to a different system of documentation, from the rest. Uganda uses ASYCUDA ++ (to implement key customs processes of cargo control, transit, entry processing, warehouse control and accounting). Kenya uses SIMBA. The problem around the link between these two systems has not been fully resolved yet. This does not help to speed up the process across customs where processes are supposed to be harmonised. A few years back, Kenya and Uganda concluded a bilateral agreement, which provides the necessary legal framework for joint controls at their common border posts, sort of creating a one–stop border posts, but this is yet to be seen in practice.

Besides, the two countries had agreed in the past to take immediate steps towards the introduction of a 24-hour service at their common border posts. This is yet to be implemented. It would also appear that the directive by the minister of roads and public works in Kenya, to the effect that transit trucks be weighed once and issued with certificates, has not been fully complied with.

At the same time, concerns about delays in processing export papers have been heard. Before transporters leave Kampala, it is a requirement that they file export papers with URA which are then sent to the border point. It was learnt that these papers often reach the border point late, and transporters are made to wait for 2 to 3 days. Goods are physically inspected in many cases, particularly where they involve refund or drawback claims, regardless of the compliance record of the exporter. This can unnecessarily slow down the operations of the exporter.

[12] It takes about one week for process at KRA to be completed.

Traders who export goods to Francophone countries (e.g. Burundi) pay a fee $300 to translate the regulations (required documents) to English - at Jomo Kenyatta International Airport. They see this as a great inconvenience to them. Ugandan traders have suggested that Regulations should be translated in all the official languages spoken in EA community by the issuing country.

Some Ugandan importers also complained that while in Kenya, they are restricted from using Uganda's registered Clearing Agents, to clear goods in Kenya. They are forced to hire Kenyan clearing agents who, most times, are very expensive and some of them are dubious.

3.1.4 Import and export inspection and certification procedures

The EAC partners states have adopted (or are expected to adopt) the EAC harmonised standards of goods traded within the region (and supposed to be enacted into law – a mechanism that ensures mutual recognition of national quality marks on products by national standards agencies (Bureaus of Standards). The mechanism agreed by the Partner States exempt the goods from vigorous verification upon importation once they bear the quality marks.

This has not been implemented. Clearly, the concerns are on: product verification and inspection (that have continued despite quality marks or certificate by national agencies) and inspection fees (on goods in transit). Ugandan tea is transited through Kenya to countries outside the region like Pakistan. At the Kenyan-boarder, an inspection fee of $400 is levied in disregards of inspection that was done in Uganda before tea left the country. Government will also accept that there are many agencies involved in import and export inspection and certification, amounting to duplication and additional costs. This is the second concern.

Why some stakeholders may have the impression that government agencies are not coordinated arise from that fact that some institutions have duplicated roles or functions. Numerous public agencies play a role in the management of food safety, agricultural health and/or quality standards in Uganda. The most important government entities in this area are:

- Uganda National Bureau of Standards (UNBS)
- Ministry of Tourism, Trade and Industry (MTTI)

- Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), especially: Department of Livestock and Entomology; Department of Animal Production; Department of Crop Protection (DCP); Department of Fisheries Resources
- Ministry of Health (MOH), Environmental Health Division
- National Drugs Authority (NDA); Uganda Police.

While SPS is the mandate of the ministry of agriculture, there are instances where several government agencies converge with competing roles and influences on the SPS issues. Up to now, it has never been resolved whether the issue of food safety should be the mandate of the ministry of agriculture or ministry of health or National Drug Authority as all of them struggle to exert influence on regulations in this matter. This is a self-imposed bureaucratic issue that needs to be resolved to facilitate trade.

The agencies with the most direct involvement in the adoption or enforcement of standards for traded agro-food products are UNBS, and the various listed MAAIF departments. Many of these agencies need to work closely with health, veterinary, or other departments at the district local government level, presenting considerable challenges of coordination.

The inspection bodies have not developed the capacity to have laboratories at the entry and exit points which should have been the ideal situation. The issue of accreditation of laboratories as a requirement for compliance is one that sometimes gives the stakeholders the impression that the inspecting agencies are not coordinated. According to government officials, not many stakeholders appreciate the need for accreditation of laboratories. That is why you hear many complaints about cumbersome inspection requirements, strict standard requirements and inspection charges.

3.1.5 Police road blocks, bribery and corruption

Police road blocks were constantly cited, and appear not to be serving the purpose for which they are intended. There are about 10 police controls (roadblocks), from Mombasa to Uganda border (it used to be about 27 in the past, 4-10 years ago). They lead to rent seeking and transit delays. It is estimated that 12 percent of checks (of commercial vehicles) take more than 1 hour. In some cases, police and local government check points at the border cause delays even for returning vehicles not carrying goods. Some stakeholders have accused police for using roadblocks to solicit bribes.

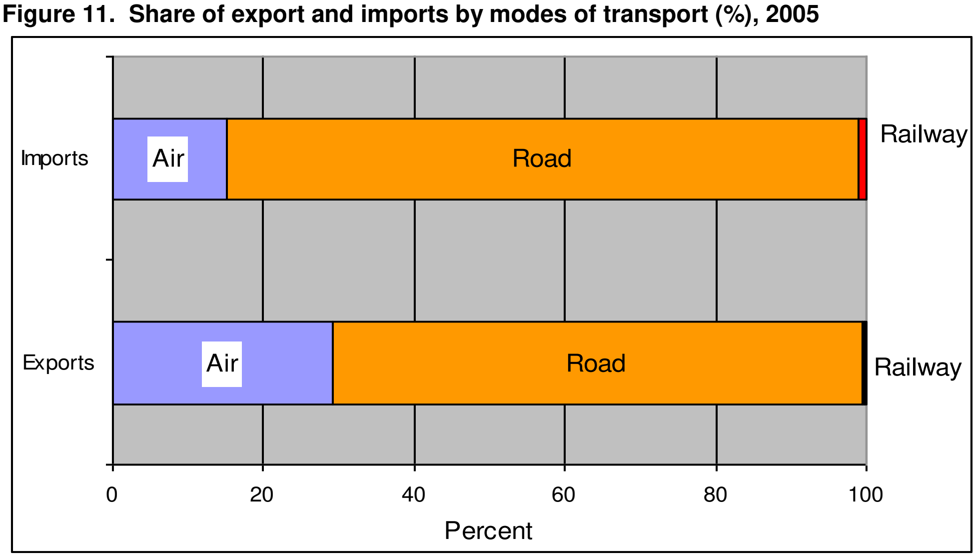
> "Police check points have become 'police-cash-points' as they are no longer serving their intended purpose of security control only but are using them as mediums of soliciting money from transit trailer trucks, especially those with foreign registration numbers", said one irritated transporter.
> Yet these are not the only noted cases of corruption – officials at customs are also alleged with corrupt practices by the business sector.

3.1.6 Infrastructure constraints

Problems cited relate to electricity power supply in Uganda, non functioning railways transport, inadequate vessels on Lake Victoria, and poor roads network. The roads conditions deteriorated on most sections of the route owing to insufficient maintenance and axle overloads and yet it is the dominant mode of transport.

Road as a mode of transport accounts for over 80 percent of the volume of freight and human movement (Figure 2), but driving from Kampala to Busia and Malaba borders, highlights the dilapidated state of the roads network.

Figure 11. Share of export and imports by modes of transport (%), 2005

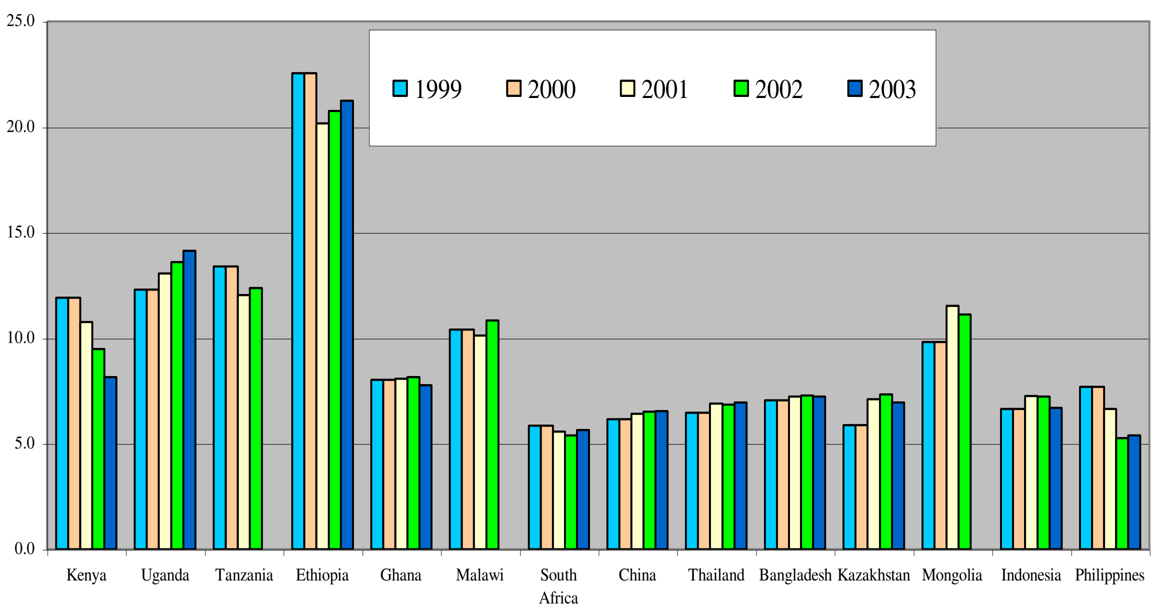


Source: Based on UBOS data

Poor road networks in Uganda explain why it has the second highest transportation cost (after Ethiopia) for a landlocked African country (Figure 3). The contrast is more glaring when compared with exporting countries in Asia. High inland freight charges from Mombasa remains a major obstacle to trade. It is easy to understand why stakeholders would compare the costs of international shipment with that of transporting goods from port to Kampala.

Land transport costs are high mainly because less expensive railway transportation capacity is not presently available to cater for traffic demand. The railway network has virtually collapsed. Only 2 lines are functional (Kampala-Malaba and Tororo-Soroti line – commissioned in July 2004), yet it is the cheapest means of transport for cargo. Railways currently handle less than 30 percent of Uganda's bulk cargo to and from the ports of Mombasa and Dar-es-Salaam. An efficient railway system will reduce the costs of doing business and improve the competitiveness of products in the landlocked countries of the region.

Figure 12. Freight transport rates of selected countries (%), 1999–2003



Source: World Bank (derived from IMF data)

In fact, if the report that some Uganda manufacturers were contemplating shifting bases to Kenya to reduce transport costs is true, this would have serious ramification on Uganda's

Industrial base in the long run. To say the least, it can frustrate the country's efforts to industrialisation.

They would argue that it is cheaper (it costs only US$2,000) to transport goods from China to Mombasa than transporting goods from Mombasa to Kampala (about US$3,000), but it is still important to bear in mind that the mode of transport is different. Transport by roads, world over is more expensive than transport by sea. It is no surprise that it costs almost the same amount to transport a container from Mombasa to Kampala as transporting it from Europe to Mombasa port. It is however, true that numerous inland charges such as transit fees, licenses, road tolls, levies on goods in excess of the axle limits, container fees, etc exaggerates the costs of transport of cargos to destinations such as Uganda and other countries that use the Northern Corridor.

In the 2008/09 budget, Government has promised to invest over the medium term in building the Northern Transport Corridor into a dual carriageway, from Busia/Malaba to Mbarara (GoU, 2008). Another specific road that is receiving attention is the Kapchorwa-Bukwa; and Kapchorwa-Suam link near Mount Elgon that would be used by the horticulture export industry seeking to develop new farms to grow high value products.[13] A regional link is also planned to upgrade this road and extend it to Kenya. Further, the Mount Elgon area has some tourism traffic and the regional road could provide an alternative connection from Mombasa to the Northwest bypassing Malaba and Tororo.

With respect to links on the Corridor, there are stretches of the route to Rwanda and DRC that need to be upgraded. Plans are underway to link Goma in DRC at Bunagara from Kyanika near the Rwanda border, as well as the main link from Mbarara to Katuna. Also, growing trade with Southern Sudan has led to growth of traffic[14] on road links with Sudan and these are to be upgraded. Work is underway to provide a standard road to the Sudan border from Gulu, and a good standard road all the way from Kampala and Tororo.

3.2 The Central Corridor

The Central Corridor comprises a network of road, rail and lake transport routes from the port of Dar-es-Salaam to Kigoma and Mwanza in Tanzania, onwards to Port Bell in Uganda. The

[13] From Kapchorwa there is a good road to Mbale and Iganga Thereafter this meets the main Northern corridor to Kampala and Entebbe for air transportation. The upgrading of the latter section is ongoing.

[14] Particularly on the road to Oraba (which connects to Yei and Rumbek/Juba, and has very little insurgency on it affecting traffic) the most recent traffic count indicated a high Average Daily Traffic (ADT) of 784 without two wheelers.

transit corridor connects to Bujumbura by ships and barges at Kigoma on Lake Tanganyika and then to Rwanda by road. The complete roads network stretches from Dar-es-Salaam via Dodoma to Singida, Nzega, Lushaunga – into Rwanda and Burundi.

As mentioned earlier, less than 15 percent of total goods trade (from and to Uganda) is through the Central Corridor (sometimes associated with traders in Masaka), but it also provides a viable option for the landlocked countries of Central Africa as a transit route. These countries established an intergovernmental standing coordination (about ten years ago) to oversee the facilitation of transit transport along the corridor. The committee was to oversee the refurbishment of the Ishaka dry port to handle increased cargo from the port of Dar-es-Salaam for the hinterland countries. Due to lack of documentation, it has not been possible to give clear milestones in terms of achievement from the work of this committee.

Information from the interviews, points to three major problems that are typical to this route: high transport cost associated with long distance and poor road infrastructure (a long section of the road is not paved); lower axle load limit than the Northern Corridor's; and low off take. The Ishaka inland container freight station was meant to ease cargo off take from Dar-es-Salaam into the hinterland to Burundi, Rwanda and the Democratic Republic of Congo, but challenges remain. Although the Northern Corridor has its shortcomings as mentioned earlier, it remains the preferred route.

In the 2008/09 budget, Government has promised to develop an alternative route through the port of Dar-es-Salaam by rehabilitating wagon-ferries on Lake Victoria. Resources have also been located for the purchase of a new ferry wagon to replace the *MV Kabalega*, which sank in 2004. Government is also considering developing the Tanga–Moshi–Arusha–Shinyanga rail link to operationalise further alternatives for access to the sea (GoU, 2008).

3.2.1 Immigration procedures and visa fees

Stake holders have complained about cumbersome and duplicated immigration procedures and the issue of visa by the EAC partner states. For instance, Tanzania charges visa fees contrary to the EA community customs protocol. At the border post of Kenya and Tanzania (Nyamanga) each truck that passes is charged $50. Tanzania also charges $100 as work permits for those who would like to exhibit their work/products in Tanzania.

Visa requirement is among some of the barriers that have already been removed – following EAC Council decision, but continued enforcement at Tanzania border posts is causing a lot of frustration to transporters. Visa fees were removed in June 2007 and replaced by temporary work permits for visitors seeking temporary assignments. These levies do not apply to traders, transporters and visitors who are not seeking temporary employment. On the contrary, Tanzania, continues to charge visa fees on every truck entering the country.

3.2.2 Variations in axle load limits

Axle limits vary between Uganda and Tanzania. Tanzania has an axle load limit of 3 axles per truck, whereas Uganda's axle limit is 4. Ugandan trucks, therefore, have to remove the 4th axle when in Tanzania, an activity which is very costly both in terms of time and money. During the political crisis in Kenya, Tanzania authority invited Uganda to use their ports, but it became impossible to continue using Tanzania route even for two weeks because of the huge fines charged by Tanzania on loads in excess of the standard axle load. The load limit is 7 tonnes per axle. It is a problem when the truck has a higher load capacity. Fuel prices are increasing as well as maintenance costs. Ultimately, costs of operation go up.

3.2.3 Delays in offloading and clearing cargo at Dar-es-Salaam

It takes 2–4 weeks to clear containers. In September 2005, there were about 11,000 containers, which after 4 weeks were not cleared. Yet, they incur demurrages after 15 days.

3.3 Comparative transport costs along transit routes

In 2004 the WTO estimated that the share of transport costs in value of trade for most Sub-Saharan African countries is five times greater than actual duties paid. Increase in transport costs of 10 percent was estimated to result in 20 percent reduction in trade, which suggests that the cost of transport has direct correlation with country trade performance.

The data in Table 10 (compiled by United Nations Economic Commission for Africa – UNECA) indicates that unit transport cost of container is higher for the Central Corridor than for the Northern Corridor, which confirms why Northern Corridor is often a preferred route.

It is about two times cheaper to transport container through the Maputo corridor than either the Central or Northern Corridor. East Africa suffers from poor infrastructure e.g. less than 30 percent of roads are paved. Administration problems such as check points, delayed movement of trucks (transport), standards requirements, and lack of harmonised transport systems, customs procedures compound the problem (it takes an average of 12 days to clear customs in SSA, compared to 7 days in Latin America, and 5.5 days in Asia).

Table 24. Estimated unit transport costs for container

Route	Distance in km	Cost per km (US$)
Dar-es-Salaam-Kigali	1650	3.0
Dar-es-Salaam-Bujumbura	1750	3.0
Doala-D'Jamena	1900	4.2
Lome-Ouagadougou	1000	2.6
Lome-Niamey	1234	2.6
Mombasa-Kampala	1440	2.3
Maputo-Johannesburg	561	1.4

Source: Pearson, Mark (2006) based on United Nations Economic Commission for Africa (UNECA) data.

The main transport and trade facilitation issues on the Northern Corridor are the time spent in Mombasa Port by imports and the cost of customs bonds for transit import and export cargoes. Also, the poor performance of rail transport necessitates intensive use of higher cost road services, which exceed rail rates by 38 to 56 percent (according to World Bank, 2006 estimates). Rail services are poor on the Central Corridor too, increasing the time container spend at Dar es Salaam Port. [15] Customs bonds and long distance add to costs. As a result, Mombasa, continues to be the main port handling the majority of Uganda's trade despite the recent efficiency improvements at the Dar port with the concessioning of the container terminal (port charges are broadly similar for the two ports). Export cargoes meeting shipping deadlines do not face delays in either port but incur costs related to customs bonds.

[15] Unlike the Northern Corridor the availability of road services is limited.

4 Other non-tariff barriers to goods trade

4.1 Arbitrary use of Rules of Origin

Customs procedures are complicated by differences in the interpretation of the *Rules of Origin.* Rules of origin are the criteria used to define where a product was made. Under the WTO Agreement, members are required to ensure that their rules of origin are transparent, and do not have restricting, distorting or disruptive effects on international trade. They must also be administered in a consistent, uniform, impartial and reasonable manner, and based on a positive standard.[16]

What is happening in EAC is that Rules of Origin only apply when an import is wholly produced in that country. Where there has been any transformation on the product, the tendency is to use the COMESA rules of origin. At that point, controversy comes, in the interpretation. This problem will last as long as the five EAC members do not standardise certificates of origin. At the moment there is no clear consensus on this matter. Uganda prefers to argue that 'local content of local raw material should exceed 35 percent of the ex-factory cost and the product should be classified in a separate tariff heading other than the non-originating raw materials used in production.' Others disagree.

The internal bureaucratic problems have not gone away either. Certification from Uganda Exports Promotion Board (that the goods are from Uganda) takes more than a week. Obviously, this bureaucratic delay greatly affects exporters especially those dealing in perishable products.

4.2 Business registration and licensing procedures

Varying business procedures and treatment of EAC originating businesses as foreign businesses makes cross-border registration of business branches difficult and cumbersome. Payment for registration of business names and the multiplicity of licenses among the five EAC countries for production, distribution or sale of goods result in high costs of licensing.

[16] Countries setting up a free trade area are allowed to use different rules of origin for products traded under their free trade agreement. The agreement establishes a harmonization work programme, based upon a set of principles, including making rules of origin objective, understandable and predictable.

The WTO Trade Related Property Rights Agreement exempts developing countries from certain obligations which four of the five EAC Member states would enjoy. All the East African countries, apart from Kenya, are categorized as Least Developed Countries. When it comes to cross border trade of pharmaceutical and medicinal products, it becomes very complicated about the manner in which the four LDCs in EAC should trade with Kenya.

4.3 Import and export bans

Heightened concerns over food safety and potential impact of non-compliance with SPS standards following the EC fish trade restrictions by the end of the 1990s have resulted in stringent measures by EAC Member States. In Uganda, government departments have sought to increase budgetary resources to carry out regulatory enforcement, and awareness of the importance of food safety and agricultural health issues has spread into other industries, particularly at the level of food processors.

In the livestock sector, SPS problems are a major barrier to trade due to the presence of endemic diseases. In August, 2007, Kenya and neighbouring countries imposed trade restrictions (a ban) on Ugandan poultry as a result of concerns over a suspected case of Highly Pathogenic Avian Influenza (bird flu). Kenya demanded that a test for bird flu be conducted first, the test was conducted successfully and non existent of bird flue confirmed, but the ban has not been lifted up to today.

While importation of day-old chicks are permitted into Uganda, this is not so in Kenya and Tanzania. Rwanda usually imposes bans on the export of beans when it suspects supply shortage. These bans are very unpredictable in nature thus making it hard for Ugandan importers to plan appropriately. While others impose trade restrictions on Ugandan products, Ugandan markets remain open to imports from its neighbours. These restrictions have negative impacts on income generated by the livestock sector and directly impact on poverty and food security for the poor farmers reliant on livestock production.

4.4 Inspection for standards / compliance with SPS requirements

A number of barriers identified were, by nature, technical barriers to trade which result, either directly or indirectly, from the requirement to comply with compulsory/mandatory standards, mainly in the area of food safety, animal and plant health (i.e. sanitary and phytosanitary or SPS) requirements.

There are two challenges to be tackled, fostering the development of sustainable SPS/quality management capacities (to reduce potential risks of market access problems related to some of its more important exports to regional markets and outside the region) and issue of harmonisation of standards.

Enormous amount of development assistance has gone towards promoting Uganda's agro-food exports, but with modest success in fostering the development of sustainable SPS/quality management capacities. Based on Diagnostic Trade Integration Study (DTIS) Action Plan and other capacity assessment and evaluations, and recently concluded workshop on mobilising aid for SPS-related technical cooperation in East Africa, a number of priority areas have been suggested in the SPS area. However, the proposed interventions are too broad and are not focused enough to create any impact.

Attention should now be focused on (i) prioritizing investments to specific SPS compliance issues and related capacity-building needs; (ii) awareness-raising and promotion of good practices among primary producers, enterprises and capacity of regulatory agents; (iii) clearly defining the roles and responsibilities of different players; and (iv) strengthening institutional collaboration—within the private and public sector agencies, and among donors—in the implementation of agreed strategies and programs.

The EAC protocol required harmonisation of standards across the region but the realisation of this has not been forthcoming. The failure to harmonise standards has resulted in a situation where individual member states has continued to set their own standards, requiring the other states to comply, thus hindering cross border trade in the region. A Tanzanian food exporter pays Tsh200,000 (each time) for a Tanzania Bureau of Standards' certificate, but in the end the certificate is not recognized by the other EAC countries.

It is the mandate of the National Bureau of Standards to ensure that producers meet required industrial standards. It is also true that all EAC member states are required to recognise each others quality marks as stated before. However, due to inadequate capacity in standards/quality management, there has been miss-application or miss-interpretation of standards with regard to the requirements/certification. Think about a sugar-producing factory that was set up around the Kagera Basin in Tanzania to manufacture brown sugar. The sugar produced from this factory bears the certification of Tanzania's Bureau of Standard and is being exported into Uganda.

In Uganda the sugar is sold at a price lower than the Uganda-produced sugar. The problem is that the existing standard in Uganda does not apply to brown sugar. While Tanzania sugar in this case, meets the certification requirements, it doesn't meet the standards requirement in Uganda.

Government admits that this (harmonisation of standards/monitoring the adoption and implementation of standards) is an area that has proved difficult to implement because of limited resources and capacity. Just to obtain samples from producers or manufacturers in the country by the national standards agencies (National Bureaus of Standards) for testing to ensure conformity to standards has not been possible. It has not been possible due to the high cost involved and limited capacity of the national agencies responsible for enforcement of standards such as the Uganda National Bureau of Standards (UNBS). This requires investments and technical assistance. At the moment, consumers may not have confidence that all products in the market are up to standards.

The issue of accreditation of laboratories to perform required tests also presents a technical barrier. Accreditation takes into account the general laboratory environment (which is really based on subjective judgement), competence of the personnel involved in the testing of products, the procedures followed in performing the tests, validation of the tests by performing the same tests on standard products and comparing the results. These competences are not the same in all countries. Rwanda for example, is facing accreditation problem of its laboratories due to insufficient competence to perform the required tests.

Yet, political will still counts. Compliance to industrial standards can prove impossible to implement especially if it is viewed as conflicting with the political agenda of promoting industrialisation. This has been the case, but it does not help in the long run. The credibility of the bureau of standards continues to be in doubt – affecting trade in the region. This effect has in the past, been down played by mutual understanding and a good track record that some of these standards agencies (e.g. UNBS) have built over time. The issue is now being looked into.

Of great importance also is the inspection systems used for goods traded across borders. These have to ensure that international standards are followed (and yet access to international standards on some products, especially those used by terrorists such as chemicals, are currently very difficult), accepted procedures followed, and that accepted sample sizes are used such that the test results obtained are unbiased. These are not in harmony and there are instances where goods are returned or destroyed due to this variation (lack of standardisation). Again, this is an area where technical assistance is very vital.

The national bureau of standards are not equipped enough to ensure that the local industries meet the international standards and therefore able to compete in the international markets. International standards require confidence in the measurement of industry equipment. For instance, in the manufacture of cement, if a certain amount of cement is put in the kiln and is burnt at 1000^{o}C for 3 seconds, how sure are we that the temperature was actually at 1000^{o}C? Otherwise, if the temperature were different, it would be very disastrous. This confidence is obtained from tests carried out to ensure that the equipment the industry is using is up to standard. Industries that do not have their equipments tested are therefore restricted on how far they can trade, and consequently how much they can sell.

Other constraints

Information constraint

Dissemination of information is poor. Traders are not aware of some of the decisions made at the EAC Council, decisions like the new transit regulations we mentioned in our earlier discussion. This and other related information barriers can be a major hindrance to regional integration.

Insecurity/highway crimes

Heightened security concerns along the route (mainly to combat counterfeits and smuggling) and highway thefts have resulted in additional concerns for traders and transporters along the Northern Corridor. There is a big problem of loss of containers on the way to Uganda/ Kampala, last year 32 containers were lost to thieves and a number of people lost their lives. Furthermore the events that unfolded after the December disputed election in Kenya led to one of the worst highway crimes ever witnessed in Kenyan history.

Influx of counterfeits products

There is a lot of mushrooming trade in counterfeit and adulterated products across the border. The sale of these products unfairly competes with the legitimate industry but more importantly adds unnecessary risk for the users. The regulatory authority does not have adequate resources (both financial and human resources) to curb the problem of counterfeits practices. It is only recently that the parliament passed a bill to deal with the problem of counterfeits.

In 2004, about 50 tonnes of counterfeit goods were impounded by the Uganda National Bureau of Standards (UNBS) because they failed to meet the minimum quality standards. These included foodstuffs, soft drinks, salt, cosmetics, clothes, building materials such as cement, and factory goods. According to officials at UNBS, counterfeit goods worth over Shs 600 million were either denied market in Uganda (returned) or destroyed by inspection units at various border points. Other affected products are pens (e.g. the case between Mulwana and Picfare), tiger head battery, textiles, and foam products (e.g. the case between Euro foam and Vita Foam), tooth brush (case between Mulwana ship toothbrush and another firm that produced the same from a German factory).

Smuggling

Serious concern has been expressed about cross-border illicit trade. The most serious form of illicit trade activities across the borders is smuggling. A large part of this trade comprises day-to-day transactions between traders living in locations on either side of the national borders. Most commodities crossing borders are absorbed by the local markets along the border – usually delivered on bicycles and heads, and hands in 'caveras' (polythane bags) normally in small quantities. Identifying cross-border illicit traders of this nature is not so straightforward because they could easily be mistaken for goods for own personal use or gift from relatives. Besides, the region's borders are inherited from a colonial era that split entire communities who shared historical trading, family and cultural links, which makes these small-scale types of transactions to attract less attention.

5 Efforts to eliminate NTBs and challenges

A lot has been done with assistance of donor community especially the World Bank, over the last ten years, in an effort to address myriad challenges associated with goods trade through the Northern Transit Corridor. For instance, the East African Trade and Transportation Facilitation Project (EATFP) that was established a few years ago, with financial support of the World Bank is among the initiatives that were expected to bring about reduction in transit times (and hence costs) along the Northern Corridor. The project was meant to improve the movement and clearance of goods along the corridor and facilitate the implementation of the East African Customs Union. Several of the project components were geared towards the enhancement of cargo clearance and delivery.

As part of EATFP initiative, a number of border posts along the northern corridor were to be improved to facilitate joint controls and one-stop border operations. It was also intended to support implementation of port community systems, enhancement of port security and the concessioning of the Kenya – Uganda railways. There is need to document the achievements and challenges of this project, so as to enrich the recommendations of elimination of the NTBs.

With further assistance of the World Bank sub-Saharan transport policy and Programme, the Northern Corridor established an observatory of non-tariff barriers and performance indicators. In order to address these barriers, the TTCA secretariat was supposed to set up a continuous monitoring of delays through agreed mechanisms with transportation association in the region. TTCA was supposed to monitor a wide range of operations along the route, from handling and clearance at the port and movement of goods along the transit route to customs clearance operations both in transit and at the final destination.

With regard to one – stop border posts, Kenya and Uganda had concluded a bilateral agreement, which provides the necessary legal framework for joint controls at their common border posts. The two countries have also agreed to take immediate steps towards the introduction of 24-hour services at their common border posts. It would appear that the directive by the minister of roads and public works in Kenya, to the effect that transit trucks be weighed once and issued with certificates, has not been fully complied with.

What are the real obstacles?

Stakeholders feel that success in elimination of NTBs can be expected to be more difficult for EAC, than was the case for tariff reductions. They associate this with the complex nature of the NTBs, the political will to tackle the problem, inadequate technical capacity across the partner states, the financial dependence at the national level, etc. A more detailed analysis of each of these issues follows.

Delayed decisions due to failure of Council to meet

Major decisions are made by the council of ministers of all the member states, but as stakeholders pointed out they do not meet regularly. As a result, policy decisions that should have been taken at the regional level get delayed. Nothing gets done because member countries cannot take unilateral decisions before resolutions are made by the council of ministers. This delays the implementation of important strategies that could improve trade in the region.

Delayed implementation / harmonisation of policies and issues

Stakeholders interviewed feel that all issues agreed upon by member states should be harmonised and given similar treatment although this has not the case. The laws or policies governing trade within the EA Community have not been harmonised to cater for the needs of all member countries. For instance, in the 2007/08 budget, Government (Uganda) imposed a ban on production and importation of polythene bags less than 30 microns, but Kenya government did not. Kenya continues to produce and export to Uganda polythene bags less than 30 microns – through unofficial routes (smuggling). Stakeholders have recommended that, for purpose of harmony, all the partner states need to devise a mechanism to restrain domestic players from undermining regulations that are put in place by other partner states. The same story of the polythene bags is heard in Rwanda. In Rwanda it is illegal to use polythene bags of whatever microns although the regulation in Uganda permits use of polythene bags of a thickness of 30 or more microns. Uganda can not, therefore, export products to Rwanda, which require such material for packaging.

With regards to standards, regulatory systems are different in the different member states.

Stakeholder feel that what is and might continue to make harmonization more difficult is the problem of multiple memberships in the regional trade arrangements. This will retard the integration process and delay the gains of EAC customs union. Think of Uganda and Kenya being members of the COMESA, with Kenya belonging to COMESA free trade area, Uganda not; and Tanzania not being part of COMESA, but belonging SADC.

Compliance with EAC system, lack of commitment, failure to implement council decisions

There is a general belief that implementing agents from partner states still think in terms of their individual countries and not in terms of East African Community – including those working at customs and ports. As a result, they tend to favour their own citizens than others. We learnt that although agreement was reached on elimination of NTBs, its enforcement has been very poor. Part of the reason, according to some stakeholders, is that the EAC Secretariat lacks sufficient powers to penalise non-compliant members, so it ends up playing a role that stakeholder equates to that of an observer's.

Some stakeholders think that the 'go-slow' policy are designed by some states, in what they called 'a trade-game' because there are countries are benefiting this (delay in eliminating NTBs).

In September 2007, all member states of the EA community met in Arusha to discuss NTBs and how they can be eliminated. Resolutions were made. Among them was the development of the NTB mechanism that should guide the elimination of the trade barriers. National committees were formed, and charged with the responsibility of ensuring the implementation of the NTB monitoring mechanism. However, the Ugandan committee has never met at all. Therefore, the NTB monitoring mechanism is not working in Uganda. This has obviously, frustrated the efforts to eliminate the non tariff barriers. There is also a feeling that keeping the NTBs is deliberate and is being used as alternative to tariffs to avoid competition.

Furthermore, in the EAC meeting in Arusha about the NTBs, it was agreed that all drivers should have NTB sport and patch forms. The drivers are supposed to record all the barriers they face on the road. This form should then be submitted to the Ministry of Trade, Tourism and Industry for review, and then forwarded to the EAC Secretariat for redress. All this has not been implemented at all because the Uganda committee is not functional. The frame work of the implementation of NTB mechanism is not working and its progress is not being monitored and evaluated. The people supposed to ensure the implementation of this mechanism are not yet acting on it and this has caused delay. Lack of commitment on the part of governments was often cited, by both the private sector and officials in government ministries – in what they described as deliberate intentions by member countries to protect the interests of their countries in trade. Government agencies (e.g. revenue authorities, police, etc) both in Uganda and in the region have not been fully sensitised and oriented to effectively play their role in implementing directives and agreements geared towards eliminating NTBs.

Poor flow of information

Article X of GATT requires that: laws, regulations and other information (including on cross-border procedures and customs administration) that affect or relate to importing and exporting must be published promptly in such a manner as to enable governments and traders to familiarize themselves with them.

In some of our meetings with officials of traders association, Government was criticised for keeping traders ignorant. That majority of the traders do not even know that there is an NTB monitoring mechanism through which they can report barriers. There is apparently an information gap between the policy makers, implementing agencies like National Bureaus of standards and the traders. Even the mechanism and language used to explain issues concerning trade in the EAC are not simplified enough to benefit traders.

How about the public? We were reminded that majority of the people do no know about EAC and what it is supposed to achieve. Stakeholders feel that unless people are made aware and sensitised about EAC integration process, they will be reluctant to endorse certain strategies that may be decided upon.

Whereas awareness at the senior regional level is high, public participation in the EAC partner states is still limited. Thus, broadening and deepening ownership among East Africa citizens remains a big challenge. This can be achieved by improved information sharing, the adoption of new methodologies for networking among stakeholders. The challenge is for EAC Member States to be as successful in energising mobilisation and implementation as it has been in reviving the community. A change would concern defining a framework to ensure more effective interaction between the EAC Secretariat and different stakeholders.

Institutionalisation problem at the EAC

Some stakeholders interviewed were not satisfied with the pace of development at the EAC Secretariat with regards to Arbitration process. That whenever they face problem, the process of getting justice is so slow that some problems are never solved. This is a source of frustration for many traders. Traders also feel that EAC lacks policy on how business people who have incurred losses (due to political conflicts, etc. such as the recent case in Kenya) can be compensated.

Weak capacity of national institutions

The regional structure is not adequate. The Bureaus of Standard are not sufficiently staffed; more staff with the right skills are required to implement the harmonisation process. Apart from the senior staffs of the National Bureaus of Standard, who are already actively participating in the East African Commission, the junior staffs are slow in realising that what they do here locally actually has a regional impact. They need to be sensitised, and this should be the responsibility of the Bureau of Standard as an institution.

Cultures of the regulatory bodies are different and institutional frameworks are ineffective with regard to developing standards and harmonisation of standards. The harmonisation process is being driven by the public sector. The private sector, who are the ones actually affected by the process, are not involved.

6 Summary, conclusions and recommendations

Summary

The study analysed the existing non-tariff barriers to trade in goods within the East African Community. The northern corridor has tried to sustain its traditional role as the main route for Uganda's overseas imports and exports and as the life line of the Great Lakes region - accounting for over 80 percent of the cargo (exports/imports) - by road to the landlocked countries. However, a number of non-tariff barriers exist along this route (and so, along the Central Corridor) which are impediments to free flow of goods trade within the region.

Among the critical NTBs are delays at port (port procedures), multiple transit fees, customs documentation (bureaucratic border post/customs procedures), restricted axle load limits and too many weigh bridges (leading to unnecessary delays), import and export inspection and certification procedures, police road blocks, Arbitrary use of Rules of Origin, arbitrary interpretation of standards and SPS requirements, and infrastructure constraints.[17]

Other barriers that are relatively less severe than the ones mentioned above are problems related to bribery and corruption, business registration and licensing procedures, import and export bans, congestion of trucks at the port and poor flow or dissemination of policy information.

The study found that port procedures (at Mombasa) take over 60 hours – i.e. about two weeks in most cases, to have goods cleared by Kenya Port Authority, followed by border post procedures that take 15 hours. It takes seven days to transport goods from Mombasa to the Kenya-Uganda Malaba border-post. Without barriers along the route, it should take 3-4 days. This finding is consistent with other studies e.g. the World Bank (2006) which found that transit cargo spent (on average) 17.9 days in Mombasa port in October 2005. The study estimate the reasonable time for stay at port to be 7 days instead of two weeks (or more) for cargo at Mombasa destined for Uganda.

[17] Prioritization of different NTBs identified was based the responses received from stakeholders. Stakeholders were asked to list the first three to four most important NTBs based on their experiences, and identify others that never affected their businesses in a significant way. Stakeholders used a number of parameters such as transaction time, and costs, indirect business loss, etc. to arrive at their decisions. Using frequency, the most mentioned NTBs were considered as critical.

These non-tariff barriers coupled with poor infrastructure, and corruption, all add to the difficulty and cost of trading. These, together with the already high transport costs on the route, result in Uganda, a land-locked country, failing to compete.

The instruments under the EAC Customs Union protocol have not been fully successful in reducing the transit barriers along the transit routes, such as delays and high transaction costs created by bureaucratic customs procedures, restricted axle load limits and too many weigh bridges, multiple fees and formalities for exports and imports, police roadblocks, etc.

Although consensus exist on elimination of most of the NTBs, their implementation poses serious challenges due to rigidities in government management at transit points, lack of political commitment, delayed decisions due to failure of Council to meet, failure to implement council decisions due to rigidity of implementing agencies to change, delay to harmonise cross-border policies and procedures, and to standardise regulatory systems and instruments.

Table 11 selects the NTBs that are critical to trade in EAC. The information summarised in Table 11 show that at least 40 percent of the current non-tariff barriers exist because governments (or government agencies) have delayed to implement decisions/resolutions made by council of ministers, or provision in the EAC Protocol to eliminate them, or directives by responsible ministers. These types of NTBs are classified as category 1 NTBs in the table.

The second category of the NTBs (category 2 NTBs), which accounts for about 50 percent of the total number of NTBs, arise from policy differences or lack of cross border harmonisation and standardisation of procedures and regulations. This category of NTBs requires building consensus. Benchmarking the EAC and national development of harmonised and simplified clearance and transit procedures and standards will require technical assistance and capacity building. Category 3 type of NTBs shall need long term intervention.

Table 25. Major non-tariff barriers in EAC

	Selected EAC reported NTBs	Causes	Solution agreed, but not implemented	Category
1	Import and export inspection and certification procedures	Failure to implement EAC harmonized standards adopted by EAC Partner States - to ensure mutual recognition of national quality marks on products by national standard agencies; many agents involved in certification.	The mechanism agreed by the Partner States exempt the goods from vigorous verification upon importation once they bear the quality marks.	1
2	Delays in clearing goods at port and customs	Limited customs opening hours / failure to implement decisions to introduce 24 hour service	Uganda and Kenya agreed to introduce 24 - hour service at common border posts.	2
3	Inspection for standards (Incompatible standards)	Miss-application/ interpretation of standards with regards to certification, due to failure to implement EAC decision	EAC Protocol requires harmonization of standards	1
4	Delays in offloading	Low off take capacity, limited facility		3
5	Variation in transit good license fees	Lack of standardization of transit license fees		2
6	Multiple transit fees	Lack of standardization of transit fees		2
7	Lengthy customs procedures and documentation	Lack of harmonization of customs procedures and documentation		2
8	Arbitrary use of Rules of Origin	Problem of interpretation and failure to standardize certificate or origin		2
9	Varying system of import declaration	Failure to standardize certificate or origin		2
10	Restricted/varying axle load limits	Lack of harmonization of standard axle load limits		1
11	Delays at weighbridges	Too many weighbridges, acceptable weights not harmonized	The Kenyan Minister of Roads and Public Works directed that transit goods be weighed once and issued with certificates	1
12	Delays at police roadblocks			2

General conclusions and recommendations

As mentioned earlier, the NTBs that are of priority concerns to Uganda include: delays at port or port procedures (category 2), multiple transit fees (category 2), customs documentation or bureaucratic border post/customs procedures (category 2), restricted axle load limits and too many weigh bridges – leading to unnecessary delays (category 2), import and export inspection and certification procedures (category 1), police road blocks (category 2), Arbitrary use of Rules of Origin (category 2), arbitrary interpretation of standards and SPS requirements (category 1), and infrastructure constraints (category 3).

Challenges ranging from estimating the extent of constraint imposed on trade flows by the individual NTBs to political and economic factors make targeting (NTB elimination) difficult. Nonetheless, all NTBs identified under category 1 may well be the low hanging fruits that EAC may wish to target first. Targeting the barriers listed under category 2 can then follow (it may under special circumstances be targeted simultaneously with those in category 1), even though significant time and effort would be needed to devise and implement a plan for their removal.

Revised Kyoto Convention widely used as the basis for benchmarking the regional and national development of harmonised and simplified clearance and transit procedures and standards. Various instruments such as Single Administrative Documents (SADs), Time Release studies, the WCO Diagnostic and the WCO data model have been developed to enhance this process.

Specific recommendations

One Stop Border Posts – shall reduce the time taken at borders, thus reducing transit costs. This should be accompanied by sharing of data and computerisation of the services or operation of other border posts. A system of network, which could link all the revenue authorities in the EAC would enhance information sharing and efficiency, and reduce delays at customs and costs of documentation.

Carriers License – transit goods license should allow back-loads. This will reduce cost of transport

Axle Load Limits and Vehicle Dimensions – Need to allow trucks to operate with the same axle loads through-out the region

NTB Monitoring System – Need to track non-tariff barriers, which are moving target, eliminate those that are genuine NTBs and try to limit appearance of new ones.

Harmonised Standards and SPS – It is difficult to have trade between countries of the standards and health and phytosanitary regulations incompatible. Harmonisation of standards should be one of the priorities. A sector level approach in development of standards (and in building consensus) is recommended, involving relevant stakeholders such as commodity associations.

Attention should focus on (i) specific SPS compliance issues and related capacity-building needs; (ii) awareness-raising and promotion of good practices among primary producers, enterprises and capacity of regulatory agents; (iii) clearly defining the roles and responsibilities of different players; and (iv) strengthening institutional collaboration—within the private and public sector agencies, and among donors—in the implementation of agreed strategies and programs. SPS Priority needs for Uganda (that emerged from recent workshop are provided in Appendix 2)

Improve infrastructure – Need for joint/regional projects to improve infrastructure especially roads network and providing vessels on Lake Victoria to ease transport. An efficient railway system will reduce the costs of doing business and improve the competitiveness of products in the landlocked countries of the region. There is need to regulate rail service provider to prevent inefficiency and abuse of market power in niches that railways could dominate (such as container traffic); and repair the ships/ferries that operate on Lake Victoria.

Applying principle of asymmetry – Provide differential treatment to countries that are relatively more disadvantaged than others (e.g. landlocked countries) when applying transit or customs regulations and procedures, etc.

Stakeholder participation and effective information sharing – Need for effective consultation and stakeholders information (including business community) and collective decision making. There is also need for a focal point institution (at national level) outside the government spheres for effective dissemination of information e.g. on new regulations, or resolution and decisions of council, standards, awareness creation, and to update or educate stakeholders on progress in the integration. Through the focal point network, effective mechanisms for solving problems that traders face while doing business and getting feedback can be developed to improve beyond the border relation.

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Appendix 1: Preliminary action plan for eliminating NTBs

	Selected NTBs	Action recommended	Responsible agency	Time frame
1	Import and export inspection and certification procedures	Implement EAC harmonized standards adopted by EAC Partner States - to ensure mutual recognition of national quality marks on products by national standard agencies; reduce the number of agents involved in certification.	MTTI (NBS)	Short term
2	Delays in clearing goods at port and customs	Introduce 24 hour service at common border posts; Use regional fora to address problem of delays in Ports, including placing emphasis on use of electronic data interchange and improved cargo tracking; establish advance shipping information system in ASYCUDA++.	URA and other Revenue Authorities in EAC	Short term
3	Inspection for standards (Incompatible standards)	Harmonize standards as required by EAC Protocol Harmonize selected East Africa regional SPS and quality regulations and procedures that will facilitate trade Develop accreditation laboratory	UNBS and other Bureaus of Standards in EAC	Short term
4	Delays at weighbridges	Change regulations to have transit goods weighed once and issued with certificates.		Short term
5	Delays in offloading at port	Improve off take capacity, and port facility		Medium to long term
6	Variation in transit good license fees	Standardize transit license fees		Medium term
7	Lengthy customs procedures and documentation	Harmonize customs procedures and documentation; establish advance shipping information system in ASYCUDA++; Sensitize business community on import procedures and processes.		Medium term
8	Arbitrary use of Rules of Origin	Standardize certificate or origin and build capacity of National Bureau of Standards		Medium term
9	Varying system of import declaration	Standardize certificate or origin		Medium term
10	Delays at police roadblocks	Reduce number of police roadblocks		Medium term

Appendix 2: SPS Priority needs for Uganda

(Final conclusion from workshop on Mobilizing Aid for Trade for SPS-Related Technical Cooperation in East Africa, Kampala, Uganda, 28-29 May 2008)

Details	Timeframe Short term	Medium	Long term
	<1yr	1-2yrs	>3-5yrs
DEVELOPMENT OF NATIONAL SPS POLICY			
1. Stock taking – establishment of existing gaps and Policy development following a consultative approach	X		
2. Policy implementation – include regulations development, legal reforms, institutional development and rationalisation, awareness creation		X	X
3. Training on Pest risk analysis			
4. Monitoring & Evaluation- for the SPS policy		X	
			X
LIVESTOCK SECTOR			
1. Awareness creation	X		
2. Conformity assessment and establishment of certification system			X
3. Infrastructure systems		X	
4. Establish disease free zones		X	
5. Cattle movement routes	X		
6. Research on breeding			
7. Good Handling Practices (GHP)			X
8. Capacity building in animal husbandry			X
9. Traceability			X
ANIMAL DISEASE			
1. Policy enforcement surveillance mechanisms for cross boarder animal disease – Regional aspect			X
2. Awareness creation	X		
3. Proper information flow	X		
4. Strengthening existing control mechanisms		X	
5. Capacity building in risk assessment and mitigation measures for quarantining, holding and pest risk analysis			X
FISHERIES			
1. Awareness creation on GHP across the entire chain		X	
2. Improve fish handling methods and the design of fishing boats for proper hygiene		X	
3. Build capacity in Monitoring Control and Surveillance			X
4. Provision of adequate upstream infrastructure at landing sites			X
5. Harmonise traceability system regionally			
6. Approve other lakes and upgrade the landing sites		X	
7. Infrastructure development in laboratories/accreditation and capacity building	X		
8. Strengthening research institutions			X
9. Development of infrastructure for aquaculture			

10. Environmental Monitoring programming	X	X	X
HORTICULTURE Creation of awareness amongst the farmers Creation of export groups/critical mass of small scale exporters Standard pack houses Training quality controllers Improvement of the cold chain infrastructure Production Marketing Distribution and Transportation infrastructure Pesticide residue monitoring plan for fruits and vegetables	X X	X X X X	X
FOOD SAFETY **Safe water supply and its impact on SPS (water policy)** Implementation of National Food Safety Strategic Plan 1. Improvement of policy framework for food safety 2. Streamlining institutional responsibility framework 3. Food safety and handling infrastructure including Training of enterprises and food inspectors. 4. Certification for enterprises 5. Awareness creation including on the demand side (food safety in education system) 6. Development of Codes of Practices (COPs) on good agricultural practices, good manufacturing practices and mycotoxine detection in foods, food safety management systems	X X X	X X X X	X X
CROSS CUTTING ISSUES 1. Bolstering the enforcement capacity including training of responsible enforcement agencies 2. Strengthening of national notification systems/information flow 3. Building capacity for sustained compliance with SPS/sustainability. 4. Awareness of SPS issues by policy makers and politicians 5. Development of Codes of Practice	X X X	X X	X X

Appendix 3: Region (EAC) outstanding priority SPS action areas

(Final conclusion from workshop on Mobilizing Aid for Trade for SPS-Related Technical Cooperation in East Africa, Kampala, Uganda, 28-29 May 2008)

Title of action	Background	Specific details to be covered	Timeline
Further harmonize standards in selected product areas	Most "harmonized" standards relate to product specifications. Only limited number cover sampling and testing methods, labelling or other matters that might truly affect trade. Only few "harmonized" standards have been formally adopted as national standards. In selected product areas, further harmonization might be beneficial to trade (examples are standards being developed within COMESA for maize and dairy products). Private sector is best positioned to identify these areas and it is thus critical that a stronger demand-driven element be introduced in the ongoing process of harmonization.	Coordination between EAC, COMESA, SADC standardization committees and activities RECS two way communication with International Standards Setting Organizations (ISSOs) committees – informing member NSBs and bringing new items for international standardization regional Representation of RECS in ISSOs, choice of type of membership and funding (funding could be secured through various means such as ongoing technical assistance, fee-waivers and contribution from regional associations)	
Streamline regulations and create a system of mutual recognition of conformity assessments in EAC member countries.	Complementary to the harmonization process is the need to establish systems of mutual recognition on the implementation side. Systems need not feature equivalent capacities, yet over a broad range of areas there is scope to introduce common - standard-operating - procedures, record-keeping, auditing, etc. In addition, unnecessary regulations should be eliminated as much as possible. The possibility of developing "model" legislation (e.g. a basic model food safety law) should also be further examined.	UNIDO/EAC/NORAD is focusing on the development of the model on food safety legislation, but assessment needed for animal and plant health model. Improvement of SPS protocol draft to indicate on what needs to be harmonized and its translation for countries without the capabilities to meet the requirements. Ensure no contradiction and mutual support between EAC and COMESA SPS protocols Assessment and upgrading of regulations dealing with SPS Encourage member states to have a national SPS committee to be responsible for coordinating all SPS issues. Members to be signatories to all SPS conventions.	
Create economies of scale and cooperation through establishment of centers of excellence and a regional accreditation body	Different institutions and countries are currently duplicating analytical, testing and other capacities. There is evidently much to be gained from establishing single "centers of excellence" in specialized areas (training, testing of pesticides, regional PRAs, etc.), leading to more effective use of research capacity, equipment and staff. This also applies to the creation of a regional accreditation body (in accordance with the EAC SQMT Protocol). There is also scope for joint programs in a number of fields such as applied research, pilot programs (e.g. food safety and backward linkages in tourism sector), stakeholder training etc	- Each country to have a minimum capacity to handle SPS issues, an inventory of capacity to be done and program to build capacity - identify center of excellence by use of scientific criteria and develop business plans - Specify role of centers i.e. to develop analysis methods, rules and guidelines, - Establishing a regional accreditation body. Highlight pros and cons of establishing a regional body vis a vis a national body specialized organizations to member states to get consent.	
Increase collaboration in the	National bureaus of standards seem to have put	Implement a traceability system for all products covered under SPS auspices	

Title of action	Background	Specific details to be covered	Timeline
management of transboundary risks, notably the movement of plant pests and animal diseases	more efforts in the regionalization process than other government agencies, research institutes, etc. If collaboration occurs, it is often forced by an event or a crisis, notably outbreaks of diseases or infestation by pests. There is scope to develop a variety of regional surveillance and contingency planning initiatives to better manage selected priority risks. Regional information alert systems and joint planning and monitoring would help to prevent the spread of pests and diseases through largely uncontrolled borders.	and especially on products of animal origin affected by trans-boundary diseases. Establish a regional surveillance system for diseases ad undertake a cost benefit analysis at national levels for need of this system Coordinate with other institutions in the region i.e. AU, COMESA to be able to use their data Have a SPS committee drawn from national SPS committees. Identify and keep a data base of regional experts/research institutions. Have a coordination mechanism that allows CODEX, IPPC, OIE country representations meet and consult	
Finalize the development of the EAC SPS Protocol and establish joint SPS management mechanisms	The EAC (and COMESA and SADC) trade agreement calls upon its members to harmonize SPS measures with international standards and to seek synergies in building up regional capacities in SPS management. Within the EAC, progress on SPS has been modest to date - apart from interlinked developments in SQMT (Protocol adopted 2001). The planned SPS Protocol should be finalized and further thought should be given to establishing joint management mechanisms and developing regional positions (e.g. coordination of EAC delegations in Codex, OIE and IPPC sub-committee meetings, etc.).	As discussed above	

Table A1. Sensitive products under the EAC Customs Union

Heading No.	Description	Duty rate (%)
4.01	Milk/ and cream, not concentrated nor containing added sugar or other sweetening matter (of fat content, 1-6% by weight)	60
4.02	Milk/and cream, not concentrated nor containing added sugar or other sweetening matter (in powder, granules or other solid forms)	60
10.01	**Wheat and Meslin**	
	Durum wheat	0
	Other	0
	Specially prepared for sowing	0
	Hard wheat	35
	Other	35
10.05	**Maize (Corn)**	50
10.06	**Rice**-in the husk (Paddy or rough), husked (brown) rice, semi-milled or wholly milled, broken rice	75 or US $200 per MT
11.02	**Wheat or meslin flour**	60
11.02	Maize (Corn) flour	50
17.01	**Cane or beet sugar and chemically pure sucrose, in solid form**	
	(Raw sugar not containing flavouring or colouring matter)	
	cane sugar : juggery	35
	Other	100 or US $200 per MT whichever is higher
	Beet sugar : juggery	35
	Other	100 or US $200 per MT whichever is higher
	Other containing added flavouring or colouring matter	100 or US $200 per MT whichever is higher
	Industrial sugar	100 or US $200 per MT whichever is higher
	Other	100 or US $200 per MT whichever is higher
24.02	**Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes**	35
24.03	Other manufactured tobacco and manufactured tobacco substitutes; "homogenized" or "reconstituted" tobacco; tobacco extracts and essences	35

25.23	Portland cement, aluminous cement, slag cement, supersulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	55
36.05	Matches, other than pyrotechnic articles of heading 36.04	35
52.08	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/m2 (Khanga, Kikoi and Kitenge)	50
55.13	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170g/m2 (including Khanga, Kikoi and Kitenge)	50
63.02	Bed linen, table linen and kitchen line (including knitted or crocheted, Printed bed linen, of cotton and other)	50
63.05	**Sacks and bags, of kind used for the packing of goods**	
	Of jute or other textile bast fibres of heading 53.03	45
63.09	Worn clothing and other worn articles - US	45% or US cts 45 per bag whichever is higher
83.09	Stoppers, caps and lids (including crown, screw caps and pouring stoppers), capsules for bottles, threaded bungs, bung covers, seals and other packing accessories of base metals	US $ 0.75 per kg or 50% whichever is higher
	Crown corks	40
85.06	Primary cells and primary batteries (manganese dioxide, mercuric oxide, silver oxide, Lithium, Air zinc, others)	35

Source: *EAC Common External tariff (Annex 1 to the EAC Customs Union Protocol