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Q1: Respondent details

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Q2: Country or Customs territory

UGANDA

Q3: Organization

NGO

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Q4: Title of case story

Uganda Revenue Authority customs business systems enhancement programme

Q5: Case story focus

Trade Facilitation.

Q6: Case story abstract

Uganda Revenue Authority (URA) is mandated to collect tax revenues on behalf of the Government of Uganda (GOU). URA faced various challenges in executing its mandate of collecting tax revenue from international trade. These included: (i) delays in cargo clearance due to cumbersome business processes, which in turn delayed the collection of related revenue; (ii) diversion and disappearance of cargo along transit routes, which in turn led to a loss of related revenue; and (iii) delays and inconvenience for businesses because of unpredictable customs system that lacked transparency. The 2010 World Bank Report indicated that, it took 34 days, 7 documents and a cost of USD 3,390 to import a 20 foot container to Uganda. In reversal, it took 37days, 6 documents and a cost of USD 3,190 to export a 20 foot container.

In September 2012, URA with funding from TradeMark East Africa (TMEA) rolled out an intervention that aimed to change how customs was conducted to improve the ease of doing business in Uganda. The Customs Business Systems Enhancement Programme (CBSEP) would facilitate faster, easier trade and safeguard revenue collection.

Q7: Who provided funding?

Other (please specify)
Trade Mark East Africa with funding from DFID,
Ministry of Foreign Affairs of Netherlands, Embassy of
Denmark – DANIDA and Sweden

Q8: Project/Programme type

Single country

Q9: Your text case story

The problem:

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Uganda Revenue Authority (URA) is mandated to collect tax revenues on behalf of the Government of Uganda (GOU). As URA increases the revenue it collects the government reduces its reliance on foreign aid to fund budget priorities such as education, healthcare and infrastructure development among others. URA collects revenue from both domestic trade and international trade (customs revenue). Revenue from international trade accounts for over 45% of total revenue collected.

However, URA faced various challenges in executing its mandate of collecting tax revenue from international trade and facilitating business to import and export competitively. There were delays in cargo clearance due to cumbersome business processes, which in turn delayed the collection of related revenue. Also, businesses incurred losses due to diversion and disappearance of cargo along transit routes which in turn led to a loss of related business income and government revenue. Furthermore, the unpredictable customs systems that lacked transparency and predictability generally increased the cost of doing business rendering Uganda uncompetitive.

Uganda, a land locked country, imports its cargo through the ports of Mombasa in Kenya and Dar es Salaam in Tanzania. This posed unique challenges, for example, the 950 km distance from Mombasa to the main Ugandan border of Busia should take not more than 15 hours by road. However, poor international trade processes, unscheduled stops and non-tariff barriers caused delays to cargo heading to Uganda.

The 2010 World Bank Report indicated that, in Uganda, it took 34 days, 7 documents and cost USD 3,390 to import a 20foot container. Also, it took 37 days, 6 documents and cost USD 3,190 for export a 20foot container. Finally, the Regional Time Release Study conducted in 2012, reported that cargo heading to Uganda would take up to 18 days from entering port until final destination and clearance. Additionally, Ugandan cargo owners would frequently lose their goods in transit unless they employed physical police escort at a cost of USD250 per day. Furthermore, cumbersome and time consuming procedures at the borders also led to slow clearance.

TMEA Intervention

In September 2012, URA with funding from TMEA rolled out interventions designed to bring about transformational change in the way the country facilitated and conducted international trade and customs business.

The intervention included the following: a review of business processes; capacity building through training and change management; adopting an improved customs management system (ASCYUDA World a web based customs management system developed by UNCTAD); introduction of Authorised Economic Operators (AEO); and an Electronic Cargo Tracking System (ECTS) developed by BSMART Technologies. TMEA provided financial support totalling USD7.3million for this package of interventions.

How it was designed:

In 2012, TMEA and URA signed a Memorandum of Understanding, which established the foundation for cooperation between the parties. It covered a limited set of activities that TMEA could fund through its Uganda Country Programme budget. The choice of projects involved a participatory approach with extensive consultations held with senior URA management including the Commissioner General and approved by the URA Board of Directors. The consultations involved other URA stakeholders. URA and TMEA based their final decision on the results of gap analysis that took into account other planned projects implemented by URA and other donors such as DFID, KfW and IMF.

A Joint Steering Committee (JSC), comprised of donors and URA Senior Management was constituted. The Commissioner General of URA chaired the JSC which held meetings on a quarterly basis. .

Who executed:

URA established a Project Implementation Team (PIT) to manage, implement and coordinate the day-to-day project components of CBSEP. To complement this, a joint URA-TMEA Technical Committee reporting to JSC was established with membership drawn from TMEA and URA to and oversee the PIT.

The project stakeholders utilised TMEA procurement processes, to procure for a vendor of the customs management system with TMEA and URA conducting the procurement evaluation jointly. The beneficiary preferred the TMEA procurement process owing to its international credentials based on its use of international best practice which ensure efficiency and timely delivery. Government procurement processes would take more than twice the time taken by TMEA process.

What the intervention sought to achieve:

The project sought to enhance the operating capacity of URA to increase its efficiency thus reducing time and costs taken in clearance of imports and exports and customs transactions.

Specific interventions

Upgrade of the Customs Management System to ASYCUDA World

By 1996, URA Customs used ASYCUDA as its operating system, it later upgraded this to Asycuda++. Asycuda++ connectivity was done using a central server and was implemented in 97% of customs stations, which accounted for 99% of the total revenue collected. Under the first phase of the intervention, URA activated and interfaced most of the modules within the Asycuda++ with Kenya Revenue Authority's (KRA) Simba system through RADDEX (Revenue Authorities Digital Data Exchange) which electronically transmitted the Customs Declaration (Single Administrative Document) to the other country.

This ensured quick confirmation of goods from Kenya / Tanzania and Uganda and vice versa, and those transiting through these countries. The system also generated advance information, which was used for pre-arrival declarations resulting in reduction of border clearance times.

ASYCUDA++ brought about significant reductions in the time taken to process customs documents, and greater impact was realised by the business community in terms of reductions in the cost of doing business.

However, the system had limited functionalities, including limited interconnectivity with other systems; lack of support for enterprise wide risk management; complicated navigation; and upgrades that did not allow for involvement of key business stakeholders.

In line with its quest for improvement, URA urgently needed to migrate to a higher version of ASYCUDA, thus ASYCUDA World. ASYCUDA World is a web-based paper less processing system that enables 24-hour processing on all customs declarations submitted from any part of the world. It provides online feedback on the status of clearance of goods and profiles all consignments into one of four channels based on the level of risk so that trusted and reliable importers process faster.

The upgrading data processing system into the customs clearance process eliminated unpredictable customs systems which translated to a reduction in delays that businesses experienced. This has contributed to lowering the cost of doing business in Uganda.

Authorised Economic Operator (AEO) Programme

The AEO programme aimed at lowering the risks of non-compliance, by implementing risk based approaches to customs inspections and audits. Importers and exporters - tax compliant companies - are taken through a rigorous vetting process after which they are accredited as AEOs to benefit from preferential treatment and incentives because they have demonstrated a history of compliance. Thus, AEOs are accredited importers and exporters who benefit from preferential treatment and incentives because they have demonstrated a history of compliance. AEOs enjoy benefits such as the following: automatic renewal of customs agency license, reduced physical examination of goods to less than 5% and self-management of their customs bonds; direct consignment of goods to AEO premises without going through container depots; and dedicated relationship managers from the customs department.

As at August 2016, 28 companies had been accredited as AEOs in Uganda (these account for 85% of customs revenues) and 3 AEOs have been accredited at EAC level. In addition, 70 companies have applied for accreditation and are undergoing vetting. Benefits derived from being an AEO encourage adoption of good business practices by importers and exporters.

Electronic Cargo Tracking System ECTS enables electronic monitoring of cargo in transit and is designed to ensure that the cargo is not diverted. Containerized cargo is sealed with an electronic seal, which is simultaneously monitored by customs authorities, cargo owners, transporters and customs brokers. The information is accessible online allowing cargo owners and customs agents to get real time information on the location of the cargo. The system also serves to monitor the truck driver's performance. ECTS replaced the physical police escort, which saved traders security costs.

Results:

Combined, these interventions have improved the transparency and efficiency of the customs operations in the following ways:

- i. Automated status notifications throughout the customs declaration process- from queries to assessment to payment and release- eliminated need for human interaction and made the process predictable;
- ii. Automation of previously manual processes including valuation, focused risk management, clearing agent management, task allocation to customs staff and use of bar code technology; and

iii. Interface and sharing of information with other revenue authorities in the region including Kenya Revenue Authority, Rwanda Revenue Authority, Burundi Revenue Authority and Tanzania Revenue Authority has led to the operationalisation of the Single Customs Territory (SCT).

Emerging Results

- a) Customs clearance time has reduced from an average of 5 days (120hours) to an average of 2days (48hours) for regular clients and to an average of 1day (24hours) for AEOS.
- b) Electronic Cargo Tracking System contributed to a reduction in transit time through Uganda (from the entry borders of Busia/Malaba to the exit borders of Katuna/Elegu/Mutukula/Mpondwe) from an average 6-8 days (144-192 hours) to an average of 1.5-2days (36-48hrs), saving about 5 days (120hrs) on average.
- c) Physical police escorts of transit cargo/goods, which were used to ensure that transit goods exited, were all eliminated. The business community / private sector realised estimated cost savings of USD 600,000 per annum (USD50 was charged for physical escort per transit truck, on average 12,000 trucks were escorted per annum). Over the three-year period, that ECTS has been operational, this translates into a cost saving of USD1.8million.
- d) URA has reported a 48% increase in customs revenues from UGX2.9trillion in 2011 to UGX 4.3trillion in 2015 and has foiled six attempted robberies of goods worth USD 200,000 in financial year 2015.
- e) The system enabled URA to upgrade overall ICT and improved management and statistical reporting that has facilitated government planning. Reciprocal training between Uganda and Kenya on each other's computerized customs systems has boosted East African Regional Integration through the operationalization of SCT.

Impact

The project led to enhanced efficiency in clearance and transit of selected goods under the Single Customs Territory regime by enabling the operationalization and facilitating the adoption of the (SCT) for imports and exports. This was through enhancing the integration of customs systems of Uganda, Kenya, Rwanda, Burundi and Tanzania.

Under the SCT clearance procedures, customs declarations are made in destination countries and taxes paid or necessary guarantees executed prior to release of goods from the points of entry. As shown in the table below, before the rollout of SCT document preparation could take 10 days on average but with SCT procedures it takes 1 day; thus a time saving of 9 days. Similarly it would cost approximately cost USD 360 per declaration which has been reduced to just USD 36; thus a cost saving of USD 300 per declaration.

In addition, on average it would take 33 days at a cost USD 3375 to clear a container before SCT procedures and this has been reduced to 7 days at a cost of USD 1,731 thus a time saving of 26 days and a cost saving of USD 1,644. Estimated total savings, by URA, from these improvements are USD373 million per annum. See illustration below

The spill-over effect is positive response from private investors. For example improved business informed Vivo Energy to construct a 10 million litre fuel storage facility to ensure sustainable supply. Before implementation of this initiative, Uganda was facing fuel supply constraints, sometimes having as low as two days stock in reserve tanks. After implementation, average stocks of diesel and gasoline can cover up to 16 days consumption while average stocks of aviation fuel can sustain up to three weeks of airline operations.

Who benefits?

Silver Ojakol, Commissioner External Trade, Ministry of Trade Uganda said "The ECTS is a very versatile system that enables real-time monitoring of cargo by the transporter as well as URA. This monitoring has led to behavioural change by the truck drivers because they know that the truck is being watched and made them deliver the cargo faster. For the transporter, the faster turnaround means minimal or even no deposit needed in the future. You can also use your truck more if the transit time is quicker which will bring down the costs. There is a saving, there is a welfare benefit for the consumer, and there is an economic gain for the operator."

Complementarity of the new systems plus the elimination of some non-tariff barriers has shortened the port clearance and transit time from Mombasa to Kampala from an average of 18 days to 4 days, boosting market competitiveness and lowering the cost of doing business.

As a result of these reforms, URA has become a model of best practices, with the World Bank recognizing it as a trade facilitation organization in its study

Retty Kiouli of 'Nice House of Plastics' in Kampala explained the benefits of becoming an AEO: As a result of

Betty Kiguli of ABC House of Trades in Kampala explained the benefits of becoming an AEO. As a result of preferential treatment for example reduced examination and inspection of goods as well as acceptance of pre-arrival import declaration, Betty's company saves approximately US\$150 per day for 25 containers received each month in addition to unquantifiable administrative savings. Other benefits as a result of the streamlined processes include enhanced ability to give discounts to dealers. Savings are reinvested back to company which is now able to pay its employees better.

"URA has transformed its approach and we greatly appreciate its trade facilitation role for example it recognized that we are tax compliant and granted us an AEO status. We are really trusted tax payers" noted Betty Kiguli

Jennifer Mwijukye, the Managing Director of Unifreight Cargo Ltd, at the URA launch of AEO companies, enumerated the benefits of the AEO scheme under which Unifreight now operates. She said "we operate in the 'green lane' and I clear our merchandise electronically at my desk, here I calculate the taxes due which I remits 'at the click of a mouse' without physically going to URA offices. Unfreight is a woman owned business.

"Unlike other importers, Unifreight's cargo is not subject to physical examination, meaning that the containers are not opened at all by URA customs staff. Unifreight also manages its bonded warehouses without the presence of any customs officer. So the goods just 'sail' through borders and the airport to the warehouses, directly saving the company millions and precious time. I can tell you today that I am saving at least USD300 per container in processing costs, to say nothing of the handling time which has drastically reduced, we now thus save at-least USD31, 200 a year" she said.

Q10: Lessons learnt

Project ownership by the beneficiary is important. URA demonstrated a high level of project ownership of the interventions. In part, this was because of very relevant project focus, which sought to enhance URA's ability to carry out its core mandate of revenue collection. Also, combining and presenting a package of interventions that derives total and not partial benefits is a key success factor in project implementation

Complementarity of donor and beneficiary project management is crucial in project success. URA managed project implementation plans and activities, while TMEA provided timely advice, assisted in the management of the procurement process which would otherwise delay on the basis of public sector regulations. Furthermore, project benefited from the regular joint TMEA/URA planning meeting at which TMEA which provided technical advice, faster procurement support and fiduciary management.

Role of the private sector and cooperation with the private sector helps to build a cadre of champions of change who act as the face of the project through their testimonies to stakeholders and timely provision of feedback to the project implementation teams. For example the accreditation of businesses to AEO status served not only to create preferential treatment from URA, but has assured the operators of better business rewards such as automatic renewal of licenses, certain tax exemptions and reduction in costs of doing business linked to cargo retention.

Sustainability of Results:

The Customs Business System Enhancement Programme was designed to enhance URA's capacity to fulfil its mandate to collect tax revenue. In order ensure that the benefits are sustainable TMEA's involved URAs from project inception, design, implementation and closure.

URA is fully responsible for the provision of operations and maintenance budget for all the IT interventions and has funded these costs from internally generated funds since 2013. This is expected to ensure sustainability of the project and that improvements are made to address the needs of the end users.
