Presentation at the workshop on the updated and new recommendations International Merchandise trade Statistics (IMTS 2010) and their implementations in countries of the Sub-Saharan region,

Lusaka, 1-5 November, 2010

On

Agenda item 13: <u>Data compilation Strategies, Institutional arrangements,</u> Use of Customs and non-customs data sources; institutional arrangements; Informal Cross Border Trade.

And

Agenda item 10: <u>Valuation of imports and exports</u>; compilation of imports FOB and currency conversion

By

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1. 0 Use of customs and non-customs data

The Customs Department of the Uganda Revenue Authority (URA) is the principle source of trade data as over 90% of external trade data are obtained from this source. The data collected is mainly on visible trade. This is collected using the Single Administrative Document (SAD) through the Direct Trade Input (DTI) Centers using the ASYCUDA++ system by clearing agents on behalf of the importers and exporters. Also Form88 (F88) is used to capture imports of small goods.

However, supplementary sources are used to ensure complete coverage. This is because not all transactions are subject to customs surveillance and control.

In Uganda, a number of Authorities and Organizations were established to promote the production and sales of traditional cash crops. These organizations provide reliable and timely data, which are sometimes not collected by the Customs department. These include Uganda Coffee Development Authority (UCDA), Uganda Tea Authority (UTA), Cotton Development Organization (CDO) , British American Tobacco Uganda Limited (BATU), Kasese Cobalt Company Limited (KCCL) and Uganda Electricity Transmission Company Limited (UETCL).

In addition, the Informal Cross Border Survey (ICBT) has since 2004 been used as an addition source of external trade statistics that is not recorded by customs. It is worth noting that a lot of data flows have been observed and data is collected through this survey approach.

2.0 Institutional Arrangement

The Uganda Bureau of Statistics signed a Service Level Agreement with the Uganda Revenue Authority and Bank of Uganda. In addition, the Bureau through the Statistics Act 1998, has signed a number of MOUs with these institutions to allow efficient data collection and compilation of statistics.

3.0 Informal Cross Border Survey:

3.1: Introduction

The International Trade Statistics Committee (ITSC) under the auspices of the Bank of Uganda, which comprises of Uganda Bureau of Statistics (UBOS), Ministry of Finance, Planning and Economic Development (MoFPED), Uganda Revenue Authority (URA) and other stakeholders, identified existing data gaps in Uganda's international merchandise trade statistics. These gaps had partly contributed to data discrepancy for Balance of payments figures compiled by BOU using the flow of financial resources on one hand, and UBOS figures based on actual flow of goods on the other hand.

The Committee acknowledged the existence of substantial information on informal cross border trade whose magnitude could only be estimated. The ITSC proposed that a

comprehensive study be carried out between Uganda and her neighbours to determine the composition of traded products and the magnitude of informal trade.

Therefore, a pilot survey was carried out in 2003, followed by the main Informal Cross Border Survey (ICBT) throughout 2004 to date.

The main objective of the survey was to establish the magnitude of unrecorded trade between Uganda and her neighbours.

3.2: Scope and Coverage of the Informal Cross Border Survey

The ICBT survey initially covered fourteen selected border posts distributed along the frontiers of all the five neighbouring countries that were known to have high concentration of informal trade transactions.

During the financial year 2007/08, ICBT coverage was expanded to 20 border posts adding six new border posts and three bus terminals to cover border stations for which informal trade activities kept on soaring as security improved in the neighbouring countries.

The border posts monitored were purposely selected and the selection depended on the availability of supporting government institutions, road accessibility, security and the volume of unrecorded trade involved.

3.4: Survey organization

The Uganda Bureau of Statistics and Bank of Uganda senior staff carries out regular monthly coordination and supervision of ICBT field activities to ensure compliance to best practices. At every border station at least two enumerators are engaged in the collection of data during the monitoring weeks.

The enumerators are trained to acquire competencies in metric system, quantity estimation methods, and tactical extraction of information from the traders and they normally have adequate knowledge of the local languages at the given border stations. They also work hand in hand with the Immigration and Revenue Officials.

3.5: Methodology

The direct observation method of data collection is used as the most effective way of gathering informal data under border conditions, which are far from ideal. This technique takes into account the characteristics and prevailing habits of unrecorded/informal trade practitioners at the border. Under this technique,

enumerators are positioned strategically at the border posts to record all merchandise entering or leaving the country excluding those that are officially recorded by customs. In addition, enumerators use the weighing scales to ascertain the weights of items were possible.

Two weeks are monitored every month and flows for the remaining two weeks of the month are estimated owing to resource constraint which cannot allow full coverage of the 4 weeks in a month.

3.6: Benefits from the Informal Cross Border Trade Survey

The main benefit is that Uganda as a country has been able to estimate the magnitude of informal cross border trade with its neighbouring countries. Hence;

- Providing monthly and annual ICBT estimates for the Balance of payments and National Accounts compilation which have further reduced the statistics gap in those areas.
- A list of commodities transacted under unrecorded trade has been compiled enhancing further analysis by commodity categories mainly of agricultural nature.
- A database of the informal flows in terms of values and volumes has been created which can be used for comparative analysis on recorded and unrecorded trade.

3.7 Challenges in the collection of Informal trade flows

3.7.1: Quantification problem

There is a difficult in the quantification of informal flows due to the fact that the packaging with this kind of trade is not standardized. Even when standard packaged items are traded, they can be covered making it difficult for direct observation. More so, the allocation of weights is quite a challenge since direct observation method is used.

3.7.2: Conceallment of Items

There some cases of outright concealment of commodities which make product identification and estimation of quantities difficult. Commodities are carried across the borders in a disguised manner, restraining the use of observation and accurate recording.

3.7.3: Harmonization of Informal trade

Transforming the ICBT data into international commodity nomenclature such as Harmonized Commodity Coding System (HS) and Standard International trade Classification (SITC) is quite a big challenge yet it is crucial for easy integration of the data into the main external trade data base. In addition, some items are recorded in local names which may not be found in the nomenclature or even consume time trying to synchronize.

3.7.4 Porousness of the borders, recording and pricing of assorted goods

The Uganda borders are porous in nature; this poses a challenge in trying to capture accurate trade flows given the wide stretch to monitor. Also, recording and pricing of assorted goods is quite a big challenge when dealing with informal cross border trade due to quality and quantity variations.

4.0 Recommendations

1. Regional governments should introduce a legal framework that compels informal traders to declare their merchandise at the time of crossing whether on bicycle or foot. Moreover sensitization of trader's is crucial in achieving this objective

2. Regional states should initiate joint trade policies that target players in informal trade in order to enhance their income and product competitiveness.

3. Sensitization of various stakeholders including customs, immigration, police, and other border authorities should be done to enhance coordination of their activities in guiding informal traders. The awareness should focus on the rights of informal traders and the need to declare their goods formally.

4. All the neighboring states should be encouraged to undertake ICBT survey to generate statistics for comparison purposes.

Agenda item 11: Valuation

1.0 CIF and FOB Valuation

The Uganda Revenue Authority uses the customs value as the basis valuation of international merchandise trade imports are valued at CIF price, which includes the transactional value of the goods, value of service associated wit the delivery of the goods to the border of the exporting country, the cost of insurance and freight. On the other hand, exports are valued at FOB prices.

In a similar way, informal trade flows are valued at CIF for imports and FOB for exports. However, the valuation is done in such a way that prices are collected on a daily basis at the respective border points for each item recorded. It should be noted that due to the border environment there can exist variations in the prices for the same items as collected from the different traders along the border. In such circumstance, a n average price is used.

1.1 Valuation of Electricity

Data on electricity imports and exports is not collected by customs; it is got from the Electricity Authority as a supplementary source. The electricity regulatory body provides information on the volume and value of electricity traded by direction of trade. The statistical value and the line rental value are recorded separately. During integration of this data into the main database, only the statistical value is included.

2.0 Valuation of Imports FOB

Currently Uganda's imports are valued at CIF, this is due to the fact the information on imports is presented as a single figure combining the transactional value of the goods, delivery charges to the port of the exporting country, cost of insurance and freight by the traders. However, on the Single Administrative Document (SAD) used to capture customs data, the fields for insurance and freight have been separated but compliance has not been achieved to have this kind of information captured. Therefore, sensitization on the importance of imports FOB should be carried out, first at the customs level to make it mandatory for traders to declare separately on entries for cost, insurance and freight charges.

3.0 Currency conversion.

The value of the trade transactions is always expressed in a variety of currencies in relation to the countries of origin. However, these are converted to the national currency as the single unit of account by the customs authority. The exchange rate for conversion is always the rate compiled by customs from the daily rates submitted from Bank of Uganda for both imports and exports for the respective currencies. Normally an average rate is used for the whole month. The Bureau uses a single exchange rate compiled by URA to convert from the national currency to the US dollar for dissemination of international trade figures for both formal and informal trade.