

Enhancing the Recent Growth of Cross-Border Trade between South Sudan and Uganda

Yutaka Yoshino, Grace Ngungi and Ephrem Asebe

June, 2011

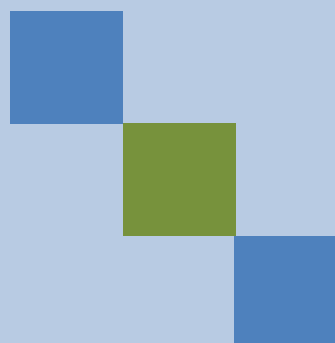
This note describes the recent trend and the pattern of trade between South Sudan and Uganda, which showed a dramatic growth initially but remains vulnerable to changing local security conditions. It analyzes how cross-border trade is still costly for South Sudan due to several key constraints at the border as well as behind the border. Customs processing in South Sudan remains cumbersome largely due to weak staff capacity and inefficiency in customs administration. Poor road quality and numerous roadblocks and informal payments between border posts and Juba drive up the trading cost further. The current trade pattern between the two economies is highly asymmetrical—the rapid growth comes solely from a skyrocketing increase in Ugandan exports to South Sudan. It is also largely informal, where women play significant roles and sensitive to local security conditions. Even with the recent growth in trade, physical and institutional constraints in trading are still substantial and addressing those issues would further enhance trading opportunities for South Sudan with its neighbors and sustain its trade ties with them

The restoration of peace has led to a significant growth in demand in South Sudan. The signing of the Comprehensive Peace



Africa Trade Policy Notes

Note #21



Agreement (CPA) in 2005 between the Government of Sudan and Sudan People's Liberation Army (SPLA) brought to an end of the decades-long conflict in South Sudan. The peace and the stability have led to a significant demand expansion in South Sudan. The oil windfall, which was driven by the new flow of oil revenue to the Government of South Sudan (GoSS) based on the wealth sharing agreement between the North and the South, coupled with foreign aid, allowed a large increase in public expenditure in the South. Population growth from resettlement of returnees and former refugees as well as increased business presence by foreign investors in South Sudan also contributed to the demand growth.

The demand growth in South Sudan together with lack of local production capacity then led to a sharp increase in cross-border trade between Sudan and Uganda. The Uganda Bureau of Statistics and the Bank of Uganda have undertaken a series of surveys of informal cross-border trade between Uganda and its neighboring countries. Informal trade here means trade that is not recorded officially by customs at the border and does not necessarily mean illegal trade. Many informal trading activities are totally legal, going through

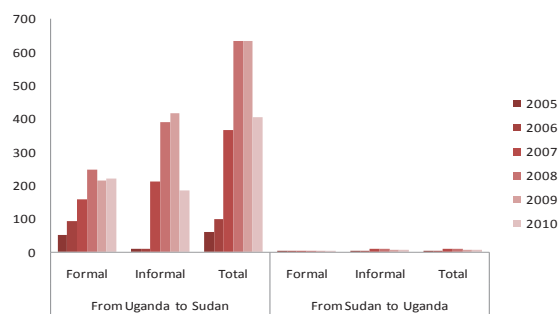
customs but not officially recorded due to small quantities traders carry. Combining their estimation results of informal trade, bilateral exports from Uganda to Sudan have experienced skyrocketing growth since 2005—from \$ 60 million in 2005 to \$ 635 million in 2008 (figure 1). The consumption and the construction booms in the post-conflict Southern Sudan—a sharp increase in demand coupled with the lack of local production capacity—are the driving force behind this increase.

The stability of Northern Uganda in recent years is additional factor which has contributed to the growth of cross-border trade between Sudan and Uganda. The Juba Peace Talk between the Lord’s Resistance Army (LRA) and the Ugandan government by the mediation by GoSS has resulted in the cease fire in 2006, putting an end to the two-decade-long internal conflict that seriously affected the economy of the Northern Uganda. While the peace and stability of South Sudan and Northern Uganda has led to the skyrocketing growth of trade between the two, South Sudan’s trade with other neighbors is relatively small, largely due to lack of security in the areas on the border with those countries. Direct cross-border transactions with Northeastern Democratic Republic of Congo (DRC) and Kenya are limited at the moment due to the deteriorating security condition in Northeastern DRC due to LRA activities, Western Equatoria State in South Sudan, which faces border with Northeastern DRC, as well as Eastern Equatoria of South Sudan which faces border with Kenya.¹

¹ While both South Sudan and Northern Uganda were under the conflicts until the mid 2000s, Lokichogio, a town in Northwestern Kenya, was the principal logistical hub for transporting international humanitarian supplies to South Sudan, which were air-lifted from Lokichogio to Juba. Relative improvement of security condition in Northern Uganda, Uganda is by far the largest origin of the inbound trucks to South Sudan in terms of vehicle traffic volumes as registered at the customs. As much as 88 percent of inbound cross-border registered vehicles coming through Nimule and Kaya, South Sudanese border posts with Uganda. On the other hand, direct traffic from Kenya through Nadapal is limited to 12 percent.

The rapid growth in Ugandan has stalled after 2008 and even declined in 2010 due to increased insecurity in South Sudan faced by Ugandan traders. Uganda’s exports to Sudan declined in 2009 due to the reasons including the import controls imposed by the Central Bank of Sudan to lessen foreign exchange pressures and safeguard foreign exchange reserve position of the Republic of Sudan as a whole, which led to a decline of Sudan’s overall formal imports by 20 percent in 2009. Slight recover in formal imports is recorded in 2010 in light of normalized level of the oil revenue. However, informal exports from Uganda to Sudan dropped substantially from 2009 to 2010 (figure 1). A substantial number of Ugandan traders withdrew from South Sudan as they faced their business environment in South Sudan at the border as well as in Juba deteriorating through increasing harassments and a series of violence against them. There were also fears of potential insecurity from the Sudanese general election in April 2010 as well as the run-up to the referendum in early 2011. While there have been signs of return of Uganda traders to South Sudan since the peaceful conclusion of the referendum in early 2011 and the drop in 2010 may be a one-year phenomenon, the magnitude of decline is nonetheless significant, implying how informal trade is sensitive to changes in local security conditions.

Figure 1: Trade between Sudan and Uganda (\$ million)

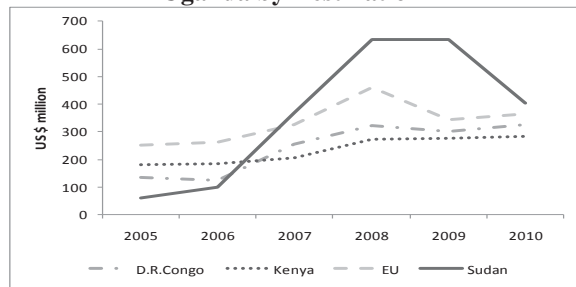


Source: IMF, Uganda Bureau of Statistics and Bank of Uganda

Even with the recent decline in informal exports from Uganda to Sudan, Sudan remains Uganda’s largest trading partner, dominated by South Sudan. For both formal and informal trade combined, Sudan has been the single largest destination of Uganda’s

exports since 2007, larger than any other destination in the world (figure 2).

Figure 2: Exports (Formal and Informal) from Uganda by Destination



Source: Uganda Bureau of Statistics

The bilateral trade between Uganda and South Sudan is highly asymmetric with the volume of exports from Uganda being disproportionately larger than the volume of exports from Sudan to Uganda and largely informal. As shown in figure 1, Sudanese exports to Uganda are negligible compared to Ugandan exports to Sudan. While formal imports from Uganda were \$246 million in 2008, informal imports were estimated to be as much as \$389 million in the same year.

The leading exports, both formal and informal, from Uganda to South Sudan include food and other consumer non-durables and construction materials. A range of products are exported from Uganda to Sudan with food (e.g., beer, water, food products, sugar, cooking oil) and construction materials (e.g., cement, iron sheets) being the leading exports. While South Sudan used to export a range of products such as cow, hides and skin, honey, coffee beans, ground nuts, sesame, beans, horn and hoofs, and gum arabic, the only product currently exported is timber. Based on the survey data, the major informal unrecorded exports from Uganda to South Sudan are similar to those in recorded formal exports. For both Oraba-Kaya and Bibia-Nimule border posts, two principal posts along the Sudan-Uganda border, agricultural crops and industrial products have

significant shares in the total informally exported products from Uganda to South Sudan.

There is some complementarity between formal trade and informal trade, which underlines the similarity in products traded formally and informally. Informal trade activities can take place as stand-alone cross-border transactions such as crossing borders outside of the areas covered by border posts. But in many cases, informal trade takes place next to formal trade at border posts and in ways, informal trade activities are linked with formal trade activities. Same goods can cross the border formally or informally—by foot, bicycle, motorbike, passenger car, bus, carried in small quantities thus exempted from the procedures at the customs. In some ways, informal trade is *connected with formal trade*. Trucks unload some of their consignments between Uganda and Sudan check points on the border and sell them to foot, bicycle, or motorbike transporters, presumably in order to reduce customs duties and tax payments when they enter Sudan.

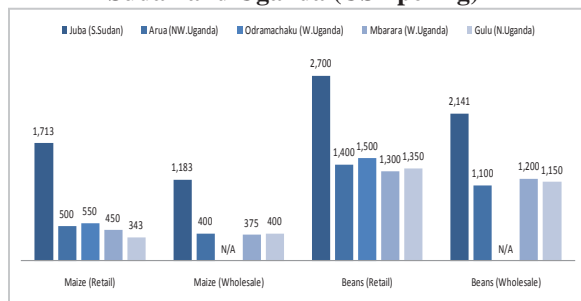
Monitoring regional trade—trade in regionally produced and regionally consumed products—including informal trade, has become more relevant than ever as each economy in the sub-region has become more integrated. The boom in informal exports from Uganda, primarily to South Sudan, partially offset the negative impact of the global financial crisis on Ugandan economy, being a crucial contribution to the current account of the balance of payments at a time when most other sources of foreign exchange earnings were under pressure. Economic interdependence through regional trade also affects food security at the regional level. Given the short-term supply capacity constraint in Uganda, the export boom to South Sudan has raised domestic prices in Uganda. The high demand on agricultural food products in South Sudan has created supply shortages in some districts in Uganda and a rise in food price. It has induced an expansion of agricultural production in Uganda but also attracted more imports of agricultural products from DRC.

At the same time, informal trade remains sensitive to changes in local security conditions. Even relatively small scale security incidents, if targeted to specific groups such as Ugandan traders, could generate a substantial withdrawal of trading activities given little fixed investments associated with informal trading.

COSTS AND CONSTRAINTS AT THE BORDER AND BEHIND THE BORDER

There are significant gaps in the food prices between Juba and Ugandan cities. Figure 3 presents the price levels of some agricultural products (maize and beans) both at the retail level as well as wholesale level in Juba as well as three transport hub cities in Uganda—Arua (Northwestern Uganda), Odramachaku (Western Uganda), Mbarara (Western Uganda), and Gulu (Northern Uganda). Maize in Juba is about three times more expensive than in Ugandan cities for both at the retail and wholesale levels, while beans in Juba is about twice more expensive than in Uganda cities for both levels.

Figure 3: Prices of Agricultural Products in South Sudan and Uganda (USh per kg)

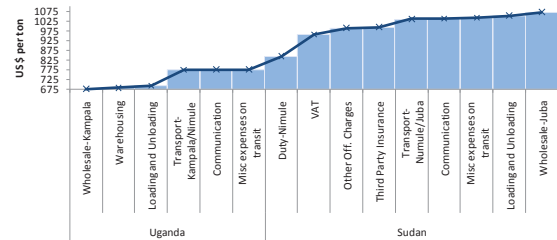


Source: Original data collection as in Asebe (2010)

One factor for the large gap is a high total trading cost between Uganda and South Sudan. Figure 4 below illustrates how trading costs build up as a ton of beans being transported from a market in Kampala to a market in Juba. Transport and logistics costs (\$145 per ton; with \$93 inside Uganda and \$52 inside South Sudan) as well as duty and other official charges (\$218.33 per ton) are the categories in which a substantial portion of the total trading cost is accrued. For other products which are similarly regionally produced and

regionally traded, such as maize, water, beer, and cement, which the study covered, the size of trading costs is similarly significant.

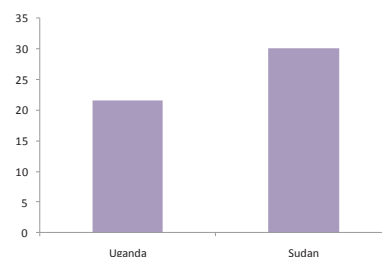
Figure 4: Costs of Trading from Kampala to Juba: Case of Beans



Source: Original data collection as in Asebe (2010)

While behind-the-border trading cost is higher inside Uganda in an absolute term, the unit cost of behind-the-border trading cost inside Sudan is much higher than in Uganda. As shown in figure 5, unit cost of the behind-the-border cost—aggregate of various costs incurred after good pass the border post up to the final market—is roughly 40 percent higher in South Sudan than in Uganda. This is largely due to the poor transport infrastructure condition in South Sudan such as poor road quality and limited transport routes.

Figure 5: Behind-the-border costs in South Sudan: Unit Cost (cent/ ton-km-ton) Total and Unit Costs



Source: Original data collection as in Asebe (2010)

Costs and Constraints at the Border

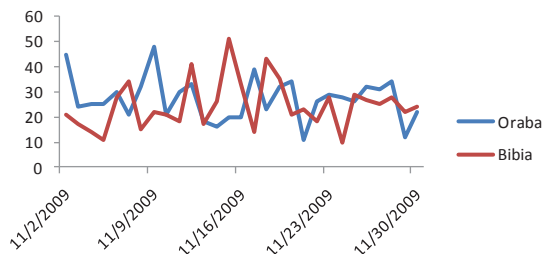
Lack of consistent implementation of trade policies at the Sudanese customs raises cost of trading. In the case of Sudan, there is significant confusion and lack of clarity and consistency in implementing trade policies including tariff rates to be applied. The background to this situation is the gradual enforcement of CPA which gives the Khartoum-based Government of National Unity (GoNU)

the mandate over the border controls for the entire Republic of Sudan—transition from SPLA-administered customs operation during the Civil War—as well as the existing lack of clarity in the division of labor between GoNU and GoSS in formulating the tariff policies and enforcing them. Under the current regime, GoSS has a power to intervene in the tariff rates at the South Sudanese customs, reflecting the continued sense of autonomy from the SPLA time. Currently, agriculture faces zero tariff at

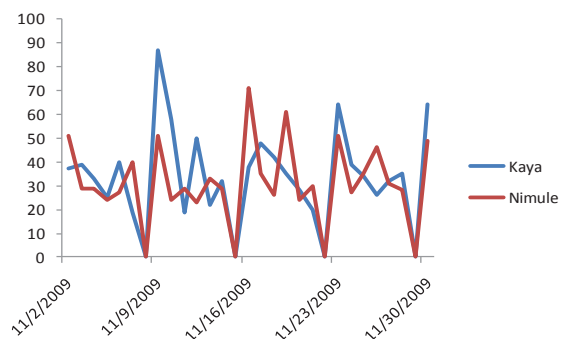
the South Sudanese border customs points, based on the GoSS inter-ministerial meeting’s decision in September 2010. Overall, the tariff applied in the South is only about 30-40% of the rates set by GoNU based on the GoSS intervention based on the rationale to protect Southern consumers from high prices. Some anecdotal evidence leads one to suspect that actual rates applied may vary among the border points.

Figure 6: Number of Vehicles Registered at Sudanese and Ugandan Customs per Day: November 2009

(A) Outbound Traffic to Sudan Registered by Ugandan Customs



(B) Inbound Traffic from Uganda Registered by Sudanese Customs



Source: Customs records at Kaya, Nimule, Oraba, and Bibia customs as in Asebe (2010)

Note: The two Sudanese customs points, Kaya and Nimule, are located on the other side of the border from the two Ugandan customs points, Oraba and Bibia respectively.

The limited opening hours of the Sudanese customs cause significant fluctuations in the daily volume of traffic passing through the customs, hence the volume of customs work, with high concentrations on Mondays. Albeit its manual processing, average customs clearance time at the Sudanese customs appears to be relatively short when there is no documentation problem. In reality, there are many cases with problems with documentation in which case it takes up to one week to clear if the problems are serious. A few trucks encounter problems with their cargo seals broken when they enter Sudan. The South Sudanese customs are closed during the weekend. The customs closure during weekends on the Sudanese side makes trade flows more volatile as goods cross the border from Uganda to Sudan (figure 6). The large fluctuations of traffic recorded by the Sudanese customs imply large fluctuations in the work load on the side of customs officials, putting pressure on the staff

capacity of customs. This also creates congestion at the South Sudanese customs.

Poor customs infrastructure and staff capacity are serious binding constraints at South Sudanese customs. There is a system in place in administering customs procedures within each customs point. However, the lack of modern data management and communication system makes customs administration inefficient, particularly in terms of inter-office data verification and communication among different customs offices.² Also the lack of sheltered areas for inspections (open-air inspections) makes the customs more exposed to weather-related liability risks from rain damages to consignments during their inspections. Also,

² For example, the customs office in Yei in South Sudan, located at a middle point between Kaya and Juba, verifies customs declaration forms with Kaya for inbound consignments from Uganda to Juba, which is now done only by telephone calls.

customs staff, the majority of whom were former SPLA soldiers, is poorly trained.

Security is still weak at the border area for traders particularly those from Uganda, inhibiting their business incentives in South Sudan. Harassment by the Sudanese customs officials against traders, in particular those from Uganda, is growing concern among the private sector in Uganda. Small-scale incidents such as robbery and confiscation of properties repeatedly occur. Kampala City Traders Association (KACITA) and Joint Action Redemption of Uganda Traders in Southern Sudan reports that there are approximately 320 official complaints between 2007 and 2010 regarding on murder, rape, confiscation, and under-payment.

Costs and Constraints behind the Border

On top of constraints at the border, more constraints in regional trade are found behind the border with the poor road condition. Behind-the-border costs include high transport cost due to poor road condition, multiple check points and roadblocks, multiple taxes (state tax, VAT, county fees), as well as non-tariff barriers such as product standards, import licenses. The major driver behind the high trading cost comes from high transport cost due to poor road condition, particularly in South Sudan. The poor road condition is single most significant reason for high cost of cross-border transport to South Sudan. The road condition between Yei and Kaya is in particular bad. The majority of vehicles which are released at Kaya Customs, for example, do not arrive at Yei Customs, which is just 90 km away from Kaya, on the same day but arrive the next day or later.

Also, load factor contributes to the high transport cost in South Sudan. As discussed earlier, the trade patterns between South Sudan and Uganda are highly asymmetric in the sense that the amount of goods exported from South Sudan to Uganda (or through Uganda to elsewhere) is significantly less than goods exported from Uganda to South Sudan. This implies that many trucks transporting goods from Uganda to South Sudan return to Uganda

empty, making one-way cost of shipping goods from Uganda to South Sudan much more expensive. Bringing back empty trucks back from Sudan to Uganda is associated with high opportunity cost for transport service providers. Per km cost from Mombasa to Juba and from Kampala to Juba, are more than twice as expensive as from Mombasa to Kampala. Also, limited competition of transport services in South Sudan and high risk factor also contribute to the high unit cost of transport in South Sudan.

Numerous nuisance fee payments faced by traders exacerbate behind-the-border trade costs in South Sudan on top of already high transport cost. Among several cases collected for the study, trucks transporting goods from the two border posts, Kaya and Nimule, to Juba were stopped for paying nuisance fees every 7 to 15 kilometer, 5 to 10 times, as presented in Table 1. The average total amount is SDG 200, which is not very high if it is paid all at once. However, being broken down to small amounts to be paid 5 to 10 time along the routes, the time cost of the payments is substantial. Specific items being charged for in some of those cases include payments to traffic police, to the army for public security, road blocks, and waraga (travel permit) payments. The most of the payments are of an informal nature and also small in amount (e.g., SDG 10).

Additional taxes imposed by the States within South Sudan, raising not only monetary cost of trading but also time cost from congestion at inter-state border such as Juba Bridge. In the case of Nimule-Juba route, the state taxes of Central Equatoria State (CES) are imposed at Juba Bridge when goods cross the border between Eastern Equatoria State and CES. The analysis of data collected at Juba Bridge reveals that roughly two-fifth of tariff and VAT payments paid at Nimule is being charged at Juba Bridge by CES (Atil 2010).³ With those multiple taxes and charges that are imposed at Juba Bridge, the Bridge becomes a major

³ This consists of one-fifth for CES tax and another one-fifth for additional charges including cargo verification, standards verification, driver and vehicle registry, commerce check, Sudan customs policy, and parking fee.

bottleneck in transporting goods from Nimule to Juba, creating congestion at the Bridge. The import cargo spends, on average, extra two days at the Juba Bridge (World Bank and International Finance Corporation 2011).

Table 1: Miscellaneous Formal and Informal Payments during Transit between Border and Juba

Case	Route	Distance (km)	Total Amount (SDG)	No. of Payments	Amount per payment
1	Kaya-Juba	233	285	11	25.91
2	Kaya-Juba	233	205	8	25.63
3	Kaya-Juba	233	165	9	18.33
4	Kaya-Juba	233	200	7	28.57
5	Nimule-Juba	193	145	8	18.13
6	Nimule-Juba	193	205	6	34.17
7	Nimule-Juba	193	135	5	27.00
8	Nimule-Juba	193	285	10	28.50

Source: Original data collection as in Asebe (2010)

For formal trade, the cumbersome documentation process for importation multiplies the constraint behind the border in South Sudan. The recent Doing Business report for South Sudan (World Bank and International Finance Corporation 2011) found that an entrepreneur in Juba needs to submit 11 documents, wait 60 days, and spend US\$ 9,420 to import a standardized container of cargo through the port of Mombasa. While this is the case of imports outside of the sub-region, a similar story applies for regionally produced regionally traded products which are the focus of this note. Better coordination of process among Customs, Ministry of Commerce and Industry (MCI) and Sudan Standard and Metrological Organization as well as state governments would facilitate importation process by cutting down the time cost of importation in Juba.

Costly Trade Financing

Formal trade financing services are costly in South Sudan. Formal letters of credit (L/Cs) are available from banks located in South Sudan and Uganada, mostly branches of foreign banks, including regional banks from Kenya and

Ethiopia. Kenyan Commercial Bank and Equity Bank are the two largest banks issuing L/Cs in South Sudan. However, the number of clients is very limited. L/Cs are mainly issued to clients known to the bank and backed by 100 percent cash collateral in US dollar and the bulk of these are issued to traders that supply government with the government acting as guarantor (Atil 2010). Businesses also face difficulty in terms of high rates of daily charges associated with L/Cs.

On the other hand, many services are provided informally. Due to the high cost of L/Cs, businesses often resort to other informal ways to finance their imports. Informal trade financing is accessed through friends and personal contacts where buyers can provide upfront payments to traders for purchases, and/or where suppliers are willing to wait for the payments or accept partial payments. More often than not, businesses send their employees to Uganda and elsewhere to make purchases directly, thus minimizing the risk. In such a case, cash in dollar is kept outside of South Sudan for purchases abroad (Atil 2010). Other sources of trade finance include loans from family, friends, or informal moneylenders. The cash-based cross-border settlements of informal trade have attracted a significant number of informal currency exchange service providers at the border areas as well.

WOMEN’ S PARTICIPATION IN INFORMAL BORDER TRADE

Women’s participation in border trade is largely informal. Like in most developing countries, women are prominent players in informal trading activities in South Sudan and Uganda. Trading activities play a crucial role in improving their household incomes. Among those who were interviewed by the original data collection for the study (Ngungi 2010), 77 percent of traders were from female-headed households as widows or bread winners, depending solely on cross-border trade as a source of income. Typical age was between 35-45 years, age that allowed women to be away from family responsibilities such as childcare. Instead, they face increased needs for cash, for

example, for school fees and other household needs, which drive their participation in cross-border trade.

There are largely two types of women traders engaged in informal border trade between South Sudan and Uganda: local Sudanese at the border areas and Ugandan and Kenyan traders. The first type is local Sudanese women at border towns, mostly in Kaya, where they walk to cross the border from South Sudan to Uganda (Oraba) to purchase commodities to sell during the market days in South Sudan. Most women participating in cross-border trade in this way are illiterate and lack basic education. Another type is women traders who purchase commodities in Ugandan and Kenyan markets and use regular bus services which connect Juba in South Sudan and cities in Uganda and Kenya to transport the commodities to Juba and sell them there.⁴ The study found that 70 to 80 percent of their passengers are Kenyan and Ugandan women who engage in cross-border trade (Ngungi 2010). Most of traders of this type are literate.

The vast majority of the local women participating in border trade use the agents for clearing the customs. Those agents are not necessarily based on professional permits or licenses but simply based on personal recognition by customs officials. Therefore, the agents are naturally those who have been around doing the work at the border posts and know how to get around with the system. Use of agents is not officially required; however, customs officials have preference to deal with clearing agents who understand the procedures better than the women in business. The negative perception was that the customs officers looked down on the women because they were poor and they perceived informal businesses as illegal smugglers.

Access to credit is a significant constraint for informal women traders. There seems to be a vision for carrier development among women traders engaged in cross-border trade to improve

their economic livelihood by stepping up their business from retailers to wholesalers (Ngungi 2010). However, they are constrained in terms of obtaining sufficient capital to start buying commodities in bulk and sell them to retailers at competitive prices. They have only limited access to microfinance institutions (MFIs). Among the respondents, only 10 percent have obtained services from financial institutions including MFIs to finance their start-up costs, while 90 percent have financed either from their own savings or from family members.

Lack of security at the border areas affects women more than men. A number of incidents of rapes and other violence against women were reported at the border area of Bibia-Nimule. There is an ongoing effort to establishment of markets at border, which will likely help reduce occurrence of those incidents.

INDEPENDENT SOUTH SUDAN AND AGENDA FOR REGIONAL TRADE

The forthcoming independence of South Sudan will bring both opportunities and challenges with uncertainty exists how the border management of South Sudan, including customs, will be handled. The overwhelming majority of South Sudanese voted in favour for independence in the referendum that took place in January 2011. The immediate agenda for the independent South Sudan is to quickly set up an initial independent border management arrangement including customs. Under the post-CPA arrangement, GoNU has controlled the overall border management including customs operations. It is still under the discussion how the transition of the border management from GoNU and GoSS will be handled and how the border between North and South Sudan will be set up.

The drive for integration with East African Community (EAC) further complicates the process of creating a new customs regime in South Sudan. GoSS has already announced its intension to seek membership in EAC once it becomes independent. As South Sudan aspires to join the regional body, there will be an obvious

⁴ There are total nine passenger bases pass through the Nimule border (eight from Kampala and one from Kenya).

question of how the harmonization with EAC countries in terms of trade policies and other trade-related domestic regulations will be handled in conjunction with establishing possibly a new regime of border control and customs. During the five years of the post-CPA customs regime, dialogue between South Sudanese and Ugandan (and Kenyan) authorities was rather limited, given that GoNU has been formally representing the Southern customs. More intensified interactions between GoSS and regional counterparts (e.g., Uganda Revenue Authority) need to take place quickly.⁵

Maintaining security in business environment is a critical step to sustain growth in cross-border trade. Some dialogue between GoSS and the Government of Uganda has started since the series of violence against Ugandan traders in South Sudan, which has led to the idea to establishment of border markets as well countering the existing antagonistic sentiment against foreign traders in South Sudan, maintaining security in business environment through proper law enforcement is a critical foundation for cross-border trade. A step-up effort on both sides may be helpful to sensitize their populations on the merit of trading to build stability in the region.

Improving quantity and quality of services provided at the customs through building staff capacity and extending hours of operation is an utmost important priority in increasing efficiency at the border. The study found that the manual nature of the procedure at the customs itself is not necessarily the most binding constraint. Weakness exists rather in making consistent application of policies by the customs staff. The weak staff capacity is the most binding constraint in the efficient customs operations, reducing staff morale and their

⁵ For instance, growing issue for Uganda Revenue Authority (URA) is loss in tax revenues for local governments by informal, unrecorded purchases and cross-border trade. Southern Sudanese traders come to buy agricultural products directly from farms, where local authority cannot capture. URA held three meeting with GoSS in December 2009, April and June 2010 to prepare common custom documents to smooth cross-border trade. Progress is slow because under current trade policy regime GoSS does not have mandate in trade policy-making.

efficiency, and lowering the transparency in their routine handlings thereby increasing risks of informal payments. Even under the control of GoNU, the customs in South Sudan have been staffed by South Sudanese, mostly former SPLA soldiers. The majority of them require proper training. Also, simply providing sufficient opening hours during the weekend for the customs services would enormously alleviate the delay at the border crossing. Staff capacity building and ensuring sufficient amount of hours for customs operations should have a higher priority than investments in hardware infrastructure and upgraded system (e.g., ASYCUDA) and perhaps simpler first steps the new independent government can take. Regional training opportunities—cross-country learning from other Eastern African countries—may be an effective way to build staff capacity in South Sudan this regard.

Improved clarity and coordination in various taxes and charges, both at the central as well as state levels, are needed to reduce trade-related transaction costs at the border as well as behind the border. The lack of clarity in administrating duties and taxes at the border charged by different government offices including the state government has led to cases of multiple taxes. There is need for more harmonization in the revenue regime of Southern Sudan. Also uncoordinated issuance of exemptions from duties and taxes was also mentioned as a growing concern.

Efforts should be placed in removing roadblocks along with investments to improve road quality. In reducing trading costs, traders face trade off in the environment with multiple trading constraints. Poor infrastructure will make small loads more economical. Roads are still too bumpy for large trucks as in the case of extremely poor road condition between Kaya and Yei and the limited capacity of Juba Bridge which can accommodate trucks only up to 45t. On the other hand, small loads make trading more costly due to transit bottlenecks since various payments, official or unofficial or both, are made per truck not by amount. Time costs are also high. While improving road quality in South Sudan is critical

investment to be made to reduce costs of trading, the government needs to step up its efforts to reduce the number of roadblocks along major corridors for miscellaneous expenses during transit. If payments are collected for legitimate reasons, it is better that those are collected all together once to save time.

As alternative corridors which may be developed in medium to long terms, improving competitiveness along Juba-Kampala corridor is important for Uganda to keep its position as a transit hub. With the independence of South Sudan and improved security conditions in the country in the future, South Sudan would possibly start developing alternative corridors to sea ports. Once the security condition in East Equatoria improves, investments will likely be made to develop a corridor directly to Kenya to get access to Mombassa rather than going through Uganda. There is already a plan to establish road connection from Malakal in Upper Nile State to Gambera in Western Ethiopia to develop a corridor to Djibouti. For Uganda to maintain its position as a transit hub for South Sudan, and other landlocked economies such as DRC, Rwanda, and Burundi for that matter, maintaining its cost competitiveness and efficiency of trade-related services are critical.

About the Authors

Yutaka Yoshino is a senior economist Africa Poverty Reduction and Economic Management unit. Grace Ngungi and Ephrem Asebe are consultants. This work is funded by the Multi-Donor Trust Fund for Trade and Development supported by the governments of the United Kingdom, Finland, Sweden and Norway. The views expressed in this paper reflect solely those of the authors and not necessarily the views of the funders, the World Bank Group or its Executive Directors.

References

Asebe, Ephrem. 2010. "Regional Trade and Transportation Facilitation Assessment in Southern Sudan and Northern Great Lakes Region" World Bank, Mimeo.

Atil, Melody. 2010. "Supplementary Data Collection Juba." World Bank, Mimeo.

International Monetary Fund. Various Years. Direction of Trade Statistics. International Monetary Fund, Washington, D.C.

Ngungi, Grace. 2010. "Assessment of the Gender Implications of Cross-Border Trade between South Sudan and Uganda." World Bank, Mimeo.

Nishiuchi, Toru. 2011. "Impact of post-referendum confusion in Southern Sudan on Ugandan economy." World Bank, Mimeo.

Uganda Bureau of Statistics and Bank of Uganda. 2008. The informal Cross Border Trade Survey Report 2007, Kampala, Uganda.

----- 2007. The informal Cross Border Trade Survey Report 2008, Kampala, Uganda.

Uganda Bureau of Statistics. 2009. The Informal Cross Border Trade Qualitative Baseline Study 2008, Kampala, Uganda.

Uganda Bureau of Statistics, Various Years. Statistical Abstract. Kampala.

World Bank and International Finance Corporation. 2011. Doing Business in Juba, World Bank, Washington, D.C.