



CASTLE WEBINAR PRESENTATION

**COVID-19: OPPORTUNITY TO THRIVE
TRANSPORT AND LOGISTICS**

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1.0 BACKGROUND TO THE SECTOR

Transport and logistics are considered part of the backbone of an economy and directly impact many aspects of the economy - from what is available to be purchased, to the prices charged for goods. Transport & logistics companies are responsible for moving people, information, materials, and products to and from points of production to consumers. The sector players include freight forwarders, warehousing agents, consolidators, distributors, handling, airlines, shipping lines & their agents, transporters, Internal Container Depots (ICDs), clearing agents, and, most recently specialized IT solutions for logistics providers. Public transport is vital to keeping cities and businesses running.

Sectors that deal with products heavily depend on transport in order to become competitive. In the current global business markets, building corporate competence could help an enterprise gain sustainable competitive advantages. Competence is the ability to have the resources needed to support business functionality and achieve goals better than the competition. With increased global competition, the primary importance of logistic companies is to support their customers in gaining competitive advantage.

In East Africa, transport and freight costs are among the highest in the world: between 36-40% of production inputs for a manufacturing firm; more than 50% higher than in Europe or the United States. The high costs are also contributed to by the lack of multi modal transport systems and government regulations. Other contributory factors are the leadership and management of resources by logistics companies.

Uganda's strategic location as a distribution hub for the big markets of South Sudan, Rwanda, Northern Tanzania, Burundi and DR Congo poses huge logistics opportunities for the development of the logistics sector. In Uganda, an estimated 208,000 people are currently employed in the formal logistics sector (LDP, 2017). Logistics from sectors like oil and gas are expected to support the projected growth in Vision 2040. Forty five percent of the \$20bn anticipated investment in oil and gas will be spent on logistics. This provides a big opportunity for logistics firms in Uganda; if competences are addressed, the sector could employ up to 1m Ugandans.

Currently imports of transport and logistics services make up 55% of Uganda's total service imports while Uganda's transport and logistics exports are only 3.7% of Uganda's total service export (LDP, June 2017). With the growth of the oil and gas sector in Uganda, the need for competent logistics firms has become even more important with the strict requirement to adhere to industry related standards of health, safety and environment. The oil and gas sector in Uganda was the first sector to introduce the need for competent logistics with health, safety and environment management considerations.

Major borders have been developed into a one-stop operation with the neighbouring countries sharing both immigration and customs resources. This has improved service efficiency. Automation of customs systems and cargo tracking systems is enhancing efficiency and transparency.



2.0 GAPS EXPOSED AND CHALLENGES POSED BY THE PANDEMIC

The Covid-19 pandemic has impacted all sectors and in the process exposed gaps and posed a number of challenges. I will list some of these in the Transport and Logistics Sector:

2.1 Road transport

1. *The over dependence on road transportation for goods from the coast.*
2. *The lack of Standard Operating Procedures in managing health and safety for players in the industry.*
3. *There are delays at the borders due to new SOPs related to Covid-19 that are disrupting trade.*
4. *There is lack of infrastructure for transshipment at the borders (land, warehouses, cranes).*
5. *The need for ICDs*

2.2 Water Transport

6. *Lack of infrastructure for rail and water transportation for Uganda.*

2.3 Air Transport

7. *Shortage of cargo freighters hence reliance on passenger flights for transportation of cargo. Air cargo transport is heavily dependent on passenger planes with only one international airport – Entebbe*
8. *Cancellation of flights has led to further increases in the costs of air cargo transportation.*
9. *The high costs of handling at Entebbe airport due to the low capacity for airfreight to Entebbe (it is cheaper to fly cargo from Johannesburg to Nairobi and then by road to Uganda than to fly to Entebbe directly).*
10. *Air transportation has been badly hit by the pandemic due to closure of airports and drop in travel (Many airlines globally are going into administration or bankruptcy up to 80% - this will have a knock-on effect on banks and revenue collection).*

2.4 Financing

11. *The inadequacy of the current financing models for airlines - new models will need to be looked at.*
12. *Costs associated with managing the pandemic risks are high for companies and government.*

2.5 Policy Guidelines

13. *Lax regulations for the passenger transportation sector. This encourages unnecessary overcrowding in commuter vehicles and congested bus and taxi parks/terminals*

3.0 OPPORTUNITIES AND RECOMMENDATIONS

The gaps exposed and challenges posed give us some special opportunities to pay attention to this critical sector and reorganize it for a better future.

3.1 METROPOLITAN AREAS

It is inevitable that urban areas will grow, however it is important that growth is planned. The challenges of overcrowding in the cities can lead to disastrous situations in cases of pandemics. Covid-19 gives us an opportunity to review urban



planning and address gaps that exist. It is also an opportunity to ensure that the new cities do not repeat the mistakes that have led to overcrowding in Kampala.

3.1.1 Opportunities and Recommendations for the Metropolitan Areas

1. *Provide guidelines to reduce traffic congestion. Not everybody needs to be driving on a daily basis*
2. *Improving Transport Infrastructure:*
 - a. *Opportunity to create a lining culture: create space marks for physical distancing at taxi parks and bus stations*
 - b. *Design walking and cycling paths*
 - c. *Create more pedestrian lanes*
 - d. *Embrace innovation and digitization of processing e.g. payment and licensing systems*
 - e. *Revisit urban planning models and involve urban planners, public transport and mobility experts.*
 - f. *Revive and utilize the railway services.*
 - g. *For commercial vehicles, there is need to create loading zones for deliveries to promote decongesting of the city.*
3. *Create more safe waiting areas with social/physical distancing provisions including markings on footpaths.*
4. *Re-purpose the roads to encourage/promote cycling & walking over cars. This is healthier for citizens & the environment*
5. *Repurpose the roads (open streets) to encourage/promote cycling & walking over cars - healthier for citizens & environment*
6. *Ensure access to alternative transport services by passengers by:*
 - a. *Promote cycling and walking as an alternative- shift to cycling*
 - b. *Classify bicycle selling shops as essential services*
 - c. *Enhance strict adherence to traffic rules to protect the cycling and walking road users*
 - d. *Encourage a lifestyle change.*

3.1.2 Insights from the Minister for Kampala and Metropolitan Affairs

During the webinar on the Transport and Logistics sector, the Hon. Minister for Kampala and Metropolitan Affairs provided the following insights on the plans in the offing by the Kampala Capital City Authority to improve the transport infrastructure and conditions in the Greater Kampala Metropolitan Area:

1. *The Government was seeking to implement an organized transport system starting with reforming taxis and boda bodas which comprised the largest forms of public transport in the Greater Kampala Metropolitan Area. The imperatives would include making transport time-efficient, enabling vehicle tracking especially in the context of Covid-19, reducing pollution from traffic jams, introducing stages, stops, parks, planned and coded routes and introducing vehicles inspections to ensure road worthiness among others.*
2. *Some aspects of the intended organization are below:*
 - a. *Use of a mobile application to plan and manage transport and mobility. Those without smartphones or access to the internet would still be able to rely on marked public transport routes and stops and board from various stages and parks as is currently the case.*



- b. *Introduction of emergency lanes for ambulances and fire trucks.*
 - c. *Construction of pedestrian and cycling lanes to enhance safety of non-motorized mobility. The KCCA Engineering Department was working on how to separate lanes to ensure with safety of all road users.*
 - d. *Cashless transactions would be encouraged through use of mobile money as the payment system.*
 - e. *Introduction of congestion charges.*
 - f. *Introduction of boda boda stages, identification, distinction between transport and courier boda bodas.*
 - g. *Digitalizing the control of traffic flow in the city centres.*
3. *In order to address challenges of land use and land policies that sometimes hindered public infrastructure projects, Government and the KCCA had started acquiring land that could accommodate all lanes, electricity, water and other infrastructure corridors at once to avoid future purchases of land. The Ministry was also creating a data base of land prices.*
4. *Government and KCCA has started acquiring of land that can accommodate all lanes, electricity, water and other infrastructures corridors at ago to avoid future purchases of land. We are also creating data base of land prices*
5. *Diversification of mass transport options*
- a. *The Ministry of Kampala and Metropolitan Affairs was working with the Ministry of Works and Transport to expand the train services and a paper had been prepared for cabinet consideration.*
 - b. *Investors had been invited to submit proposals for the introduction of TRAMS under a PPP arrangement.*
6. *Pandemic Response; Sustaining the standard operating procedures*
- For the duration of the active threat of Covid-19, public transport would operate at half capacity and compliance officers from KCCA would monitor at the point of departure and police along the way.
7. *Disposal and waste management: The city authorities were in the process of engaging private sector players to construct a waste recycling plant which would take care among others of old vehicles and taxis that did not meet the testing standards.*
8. *Stakeholder and change management: The Ministry together with the KCCA had extensively engaged the taxi and boda boda communities as primary stakeholders in the impending reforms that would affect their lines of business. The proposals included working with the two platforms to elect leaders to work with KCCA to implement the reforms. A transitional period of 6 months was planned to enable seamless adaptation. They would be trained and encouraged to form cooperatives to help them be more organized.*



3.2 ROAD TRANSPORT

Logistics in Uganda are heavily dependent on road transport and this will likely be the case for at least the next 10 years. In general, the trunk road network of Uganda can be described as being in fair condition. Northern corridor efficiency has improved. Now clearing and transporting a container from Mombasa takes on average 7-15 days compared to 21 days before 2015.

It is noteworthy that the majority of the trucks that ply Mombasa – Kampala route are Kenyan owned trucks and/or registered trucks.

3.2.1 Opportunities and Recommendations for Road Transportation

- 1. Articulation or review of SOPs for health and safety in the whole sector*
- 2. Development of Internal Container Depot with requisite infrastructure for transshipment*
- 3. Review of all procedures at border crossings*

3.2.2 Insights from the United Bus Owners Association

The current state of bus terminals was a danger to public health in the midst of a pandemic. There was need for a single well established bus terminal in Kampala with others outside placed outside the city to serve upcountry routes. On a positive note, bus accidents had reduced during the past year due in part to enforcement of standards by the Transport Licensing Board. In that regard, boda bodas may not be suitable transport for people within the city center and should be restricted to deliveries.

3.2.3 Insights from the Uganda National Roads Authority

- 1. Demand for road transport had grown exponentially over the years due to absence of water and rail options.*
- 2. The budget allotted to UNRA was insufficient to share with the URC because in addition to major highways, roads to the primary production areas and tourist destinations were still a work in progress. Rail and water transport required funding.*
- 3. The passing of the Bill on local content was critical for Ugandans to participate in the infrastructure sector and retain the benefits of such participation within the country.*
- 4. A complicated land tenure system was still an impediment to infrastructure projects.*

3.2.4 Insights from the National Logistics Platform

- 1. The Covid-19 challenge had taught the sector many lessons: One of these was the optimization of technology by the transport and logistics sector. The second one was the need to institute mechanisms for the welfare and protection of drivers while in transit. In the context of Covid-19 this extended to their contacts as they delivered goods across the region. The third lesson came from an unprecedented level of constructive collaboration between Government and the logistics sector for problem solving. It was only through such partnerships that the country would realize the benefits of private sector innovativeness in a quick and practical manner. This called for a mindset change in the civil service.*
- 2. The private sector should utilize the platform offered by the Private Sector Foundation of Uganda to organize in readiness for public private partnerships.*



3.3 RAIL TRANSPORT

Rail transports a lot more cargo and needs fewer people to manage it. The crisis caused by the Covid-19 pandemic presents an opportunity to refocus on the development of railways. Being landlocked requires the development of alternative routes to the coast in case the main route gets any challenges as Uganda has well experienced. Our lifeline to the coast depends on the goodwill and internal stability of Kenya and Tanzania

3.3.1 Opportunities and Recommendations for Rail Transportation

- 1. Fast track the development of rail transportation into and within Uganda – consider extending it to DRC and South Sudan*
- 2. There is an urgent renewed need to address the construction of the Standard Gauge Railway or revamp the current meter gauge railway in case it is decided that the Standard Gauge Railway should wait until the Democratic Republic of Congo joins the EAC.*
- 3. Uganda Railways could consider developing its dormant land at places like Tororo, Gulu and Kasese into ICDs*
- 4. We recommend that Uganda explores the prospects of linking by rail to Tanzania’s SGR which is expected to reach Mwanza in about five longer. Expand water transportation and SGR rail from Mwanza*

3.3.2 Insights From the Managing Director Uganda Railways Corporation:

- 1. The main challenge faced by the URC since taking over the concession to run railway operations in Uganda from the Rift Valley Railway was funding constraints which had prevented the implementation of short and medium term plans to turn around the sector. Fortunately the Covid-19 challenge found that the URC had completed a number of long term plans.*
- 2. So far, the URC had succeeded in repairing the Port bell line which had opened water access to Mwanza and Kisumu, as well as the line to the Jinja pier which had created water access to Jinja.*
- 3. Planned initiatives*
 - a. Repair the MV Pamba.*
 - b. Enhance maintenance and rehabilitation of the Kampala - Malaba line,*
 - c. Rehabilitate 10 coaches for passenger services,*
 - d. Purchase container handling cranes for Mukono Internal Container Depot (ICD),*
 - e. Develop ICDs at Tororo and Gulu and purchase locomotives to improve haulage.*
- 4. It was possible for the private sector to own wagons operated by the URC through lease or access rights. The Private sector can also directly provide rail transport services over the URC network. This however still required establishment of robust rail and port infrastructure which was the current focus.*
- 5. On water transport the URC was working with the private sector to create dedicated spaces to provide scheduled services in Portbell, Mwanza and Kisumu. The URC had already started*



transporting fuel to Jinja where the Uganda National Oil Company had reserve tanks, and this was already improving wagon turn around.

- 6. Acquisition of locomotives would enable entry into Kenya (Eldoret for fuel, Naivasha for containers) and other bulk cargo.*
- 7. On passenger services, 10 coaches were pending rehabilitation due to funding. This was intended to provide services to Portbell and Nalukolongo. In the interim, URC had availed resources to extend passenger services to Mukono and Kyengera and later to Bujjuuko and then Jinja and Mityana in due course.*
- 8. Self-propelled coaches would be introduced to allow for addition or removal to match numbers at peak and off peak hours.*
- 9. Passenger services would be advanced through a digital booking and payment system and a mobile money platform.*

3.4 WATER TRANSPORTATION

Lake Victoria is grossly underutilized for water transportation. Freight services on Uganda's rivers and Lake Victoria have declined over the years to a situation where there are no roll-on, roll-off (Ro-Ro) train wagon ferries operating on the lake anymore. There is no rail service to Kisumu so no reason to have a Ro-Ro service operating from Kisumu; and no rail access to Port Bell, so no reason to have a Ro-Ro service operating from Port Bell. The only ferries operating between Port Bell and Kisumu are small load-on, load off (Lo-Lo) boats that carry general cargo. Loading and unloading of these smaller boats takes 2 days each as loading and unloading is done manually.

Serious consideration should be made on the prospects of increasing the number of ships connecting Kisumu, Mwanza, Port Bell and Bukasa and developing the use of ports at Port Bell and Bukasa. This would have to be done in tandem with developments in the neighbouring countries.

3.4.1 Opportunities and Recommendations for Water Transportation

- 1. Development/improvement of infrastructure for water transport on our lakes especially Lake Victoria.*

3.5 AIR TRANSPORTATION

Uganda only has one airport with the capacity to handle international air cargo, which is at Entebbe International Airport. Currently air cargo transport is heavily dependent on passenger planes. According to all stakeholders the current facilities available to air cargo handlers and carriers are inadequate even for the current requirements of exporters and importers.

GoU is upgrading the facilities at Entebbe, including a cold-storage facility, a freight forwarders facility, total storage capacity of 100,000 metric tons etc. Construction is also underway for another international airport at Hoima near the



oil region of the Albertine Graben. The private sector is also recommending the repair of Gulu Airport and the airfields in West Nile.

It should be noted that air transport moves urgent and perishable cargo and therefore is essential transport and supports emergency demand for cargo like the supply of medicine and health accessories in a pandemic. It is also noteworthy that while air cargo volume and weight is only 3% of total exports, the revenue it generates is 25% of the total exports.

Uganda Airlines is set to become a new player in the air passenger transport market. Uganda Airlines has not yet accumulated much baggage in terms of debt and might have an edge over the regional competitors when flights resume.

3.5.1 Opportunities and Recommendations for Air Transportation

- 1. The opportunity to upscale air cargo transportation. Cargo flight establishment. Uganda Air Cargo must be revamped – either managed by government or in collaboration work with the private sector.*
- 2. This low season should be used for maintenance of planes*
- 3. This is the best time to buy airlines cheaply either from the manufacturers or from other airlines that are closing up*
- 4. There is an opportunity to develop charter transportation for small groups of people*

3.6 PRIVATE SECTOR:

The logistics sector is organized under National Logistics Platform (NLP) that is anchored in PSFU as an apex organization to represent interest of business community. Uganda has 10 licenced ICDS and about 120 bonded warehouses. Most of them are concentrated around Kampala area within a radius of 10km from the Customs Document processing Centre. The logistics industry employs about 208,000 people as per a study done in 2017 (LDP, 2017).

Transport and logistics has a private sector strategy that was initiated by Uganda Freight Forwarders Association and was funded by Trade Mark East Africa (TMEA). The sector has defined the vision of making Uganda a regional distribution hub.

3.6.1 Opportunities and Recommendations for the Private Sector

- 1. The strategic location of Uganda with DRC and South Sudan poses a huge distribution opportunity. The sector also has a strategy to make Uganda a regional logistics hub and to implement this strategy they signed MOU with Ministry of Works and Transport; this should be fast-tracked*
- 2. It is important that the private sector becomes more forthright in guiding government on development of the logistics and transport sector.*
- 3. There is an opportunity to work with government to operationalize the PPP Act.*
- 4. The private sector should take a critical look at the proposed draft Self-Regulation bill initiated by Federation of East African Freight Forwarders Associations (FEAFFA) to create a formal sector for Logistics and ensure that the lessons from the pandemic are taken into consideration.*



3.7 PUBLIC SECTOR

A new Transport and Logistics Policy was recently concluded by Ministry of Works and Transport. Logistics is now covered as well unlike in previous policy. The PPP Act and regulations are also now in place to support infrastructure development

3.7.1 Opportunities and Recommendations for the Public Sector

- 1. In view of the long-term return and strategic importance for a land-linked country like Uganda, Government should consider investing directly in the capital-intensive logistics sectors by providing strategic infrastructure.*
- 2. Low interest or no interest rate loans for private players in this sector should be considered (logistics initiatives tend to be very capital intensive e.g. Uganda Airlines is a 700m to 1 billion dollar investment)*
- 5. Government must build capacity in the PPP unit at the Ministry of Finance to improve efficiency*
- 6. There is need for the establishment of directorates for the different logistics sectors in the Ministry of Transport made up of experts in the area that are not moved about in transfers.*

3.7.2 Insights from the Minister of Works Transport

- 1. Covid-19 would present both challenges and opportunities within the sector: For instance, while passenger air transport may decline for some time, Uganda had a good opportunity to focus on cargo transport and boost its exporting capacity. Entebbe International Airport had already been expanded and storage capacity increasing from 25,000 tonnes to 100,000 tonnes.*
- 2. The strategy for a national railway network would entail expanding the Kampala Metropolitan Area system to reach Jinja and Mityana. After building the SGR, long distance regional and national passenger services would be introduced to Mombasa and connecting to Kigali, Juba and Kisangani.*
- 3. Government was in advanced stages of completing the Bukasa Port which would provide access to the Namanve Industrial Park. Both the standard gauge and metre gauge railways would have a spur connecting to the park. The standard gauge railway also had a spur connecting to the Tororo Industrial Park*

4.0 CONCLUSION

While Covid-19 has exposed gaps and created challenges that are visible on television screens and social media platforms on a daily basis, it has also presented great opportunities to chart a new future for the Transport and Logistics sector. Whether or not this desirable future unfolds will depend on whether all key stakeholders will unite and arise to seize the opportunities that have emerged. Should the actors fail in this, then even the drive for import substitution and industrialization will be affected by the high cost of logistics.



CREDITS:

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The Centre for Advanced Strategic Leadership (CASTLE) is a non-profit think tank that has been established to provide research and consultancy towards approaches for addressing challenges to Africa's advancement. CASTLE is a product of the Institute for National Transformation (INT), a leadership training institution in Africa, which has since 2005 been developing transformational leaders who are serving society in a variety of sectors. INT is headquartered in Nigeria and operates in Uganda, Kenya, South Africa and Cote d'Ivoire. INT also has training centres in the United Kingdom and the United States of America for reaching out to the African diaspora. CASTLE complements INT by providing a practical platform to offer tailored interventions to specific issues that will be identified across the African continent.

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CASTLE conducts its work in a manner that is forthright, non-partisan, respective of diversity, and aligned with national aspiration.

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