

**THE EFFECTIVNESS OF CLEARING AND FORWARDING
PROCEDURES ON THE PROCUREMENT EFFICIENCY
CASE STUDY: SOMALIA PORT AUTHORITY**

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**A THESIS SUBMITTED TO THE SCHOOL OF BUSINESS AND
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UNIVERSITY**

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DECLARATION:

I Mahamed Korane Ahmed, declare that this research has been submitted by me in its original form and has never been presented in my knowledge to any other institution for an academic award.

SIGNATURE.....

DATE..05/03/2012.....

APPROVAL

I certify that this research has been done by Mahamed Korane Ahmed under my supervision and is now ready for the submission to the department of human resource management in school of business and management.

Mr. Henry Ochieno Barasa



Supervisor

Date

5/3/2012

DEDICATION

This research is dedicated to my beloved mother Dahabo Mohamed Mahamud, my father Korane Ahmed Mohamed and my elder brother and my sponsor Hassan Ilmi Gure for their efforts and support rendered me towards my education.

I also thank to all my brothers Abdirisac ,Abdirahman,Abdilkadir,Yusuf,Abdiaziz Abdighafar ,Sidiq and my sisters Zamzam, Raha, Farhio(feyruz) Ayan, Ikraam,Saabira, Samiya, Salma, Sahuur, Salwa.

I also thank to my best friend my little brother mr Sidiq Sahardid Ahmed (Oday) thank you my brother for every think you have done to me thank you very match .

May Allah be pleased with them in this world and the here and after Amin

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LIST OF BBREVIATIONS

APCs	Additional Procedure Codes
ASYCUDA	Automated System for Customs Data (Deal with task of international trader)
AWB	Airway Bill
BOL	Bill of Lading
BOS	Bank of Somalia
C21	Special Clearance Form
CN	Consignment Note
C & F	Clearing and Forwarding
COTECNA	The parent company of SKA
CPC	Customs Procedure Code
CRMS	Computerized Risk Management System
CVR	Classification and Valuation Report
DIS	Destination Inspection Scheme
DTI	Direct Trader Input
EPCs	Extended Procedures Codes
EPZ	Export Processing Zone
EX n	Export Declaration Type
FCL	Consignment comprised of full container/s
FI	Final Invoice
HQ	Head Quarter
IDF	Import Declaration Form
INCOTERMS	International Commercial Terms

IAA	Institute of Accountancy Arusha
IM n	Import Declaration Type
IU	SKAOverseas Inspection Unit
LCL	Consignment comprised of less than a container
NECOR	A Private Company contracted by the TRA to provide services associated with Direct Trader Input
PCVR	Provisional Classification and Valuation Report
PFI	Pro-forma Invoice
PPA 04	Public Procurement Act 2004
QA	Quality Assurance
QN	Query Notice
SBE	Single Bill Of Entry
SOFFA	Somalia Freight Forwarders Association
SOMSAD	Somalia Single Administrative Document
SBS	Somalia Bureau of Standards
SICTS	Somalia International Container Terminal services
TIN	Taxpayer Identification Number
SKA	Private Company contracted by SRA to provide destination Inspection (DI) services
TISS	Inter-Bank transfer system
TMU	Transit Monitoring Unit
SPA	Somalia Port Authority
TVS	Treasury Voucher System
VAT	Value Added Tax

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CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND TO STUDY

In banking and finance, **clearing** denotes all activities from the time commitment is made for a transaction until it is settled. Clearing is necessary because the speed of trades is much faster than the cycle time for completing the underlying transaction.

In its widest sense clearing involves the management of post-trading, pre-settlement credit exposures, to ensure that trades are settled in accordance with market rules, even if a buyer or seller should become insolvent prior to settlement.

Processes included in clearing are reporting/monitoring, risk margining, netting of trades to single positions, tax handling, and failure handling.

When you want to transfer goods, personnel and document from one department to another or from one organization to another the need for official permission that is given to somebody before they can work somewhere or have particular information that is Clearance, being that the case the idea of clearing and forwarding come into existence.

As long as no country in the world has fulfilled in his requirements; the country with deficits of a particular type(s) of good(s) need to import while the country with excess need to export in order to gain from that trade.

After keeping this idea in mind, before the goods enter and or leave the country by either road, air or sea shipment must be checked and necessary documents concerned those goods being checked out and cleared.

The major sea port is Mogadishu port with a rated capacity of 600 million tones dry cargo and 2.0 million tones bulk liquid cargo,.

Opportunities for growth:

- Wide hinterland and transit traffic to serve Ethiopia
- Modern facilities and equipment;
- Large shipping network destinations and large road networks to the hinterland being improved;
- Continued operational improvements including private sector participation in providing port services;

SPA has a ten year, Cooperate Strategic Focus (20010– 2020), which outlines major areas of intervention towards transforming the country's ports into world-class ports.

The specific areas of intervention in the form of Key Results Areas are:

- State of the art ports which are efficient, effective and economic;
- Efficient and seamless logistics systems;
- Effective resource management and accountability;
- Effective information communication systems;
- Clear environment;
- Total logistics security and safety;
- Corporate image

The vision statement of SPA is “To lead the regional maritime trade and logistics services to excellence”

The mission of SPA “To develop and manage port that provides world class maritime services and promote excelling total logistics services in East Africa”

The Valuc Statement is “A stable systematic caring organization” with Integrity/Trust; Stability, Good Governance, Recognition, Customer Care and Team work.

1.2 STATEMENT OF THE PROBLEM.

Clearing generally involves the use of a well-capitalized financial institution known as a central counterparty (CCP). The CCP becomes a party to every trade, acting as buyer to market participant sellers, and seller to market participant buyers. In respect of unsettled trades, market participants therefore bear the standardized credit risk of the CCP and not that of each other in a decentralized market.

In order for any country to sustain day to day economic, social and political activities it has sometimes need to import goods and services from other countries as it has been established beyond reasonable doubt that no country is self-sufficient. Actually all goods, which are coming from abroad need to be cleared, that is where the importance of cargo clearing.

There has been claim from clearing and forwarding companies and agents that there is tremendous improvement in provision of services in the particular area, especially due to application of computerized system. According to the Transport Bulletin (2004:31) Computerized Cargo Handling System called Mercury is in place to automate most of the routines and in addition it provides Electronic Data Interchange (EDI) where by cargo messages are automatically exchanged and other respective handling agents around the world having the similar facility. Although this is the case of SPA benefiting from these claimed improvements has been like a night mere, it takes long time to clear the cargo at the Mogadishu port. As a result the lead time has been too long to the extent of negatively affecting level of safety stock, also affects the quality of the service to customer. The reasons behind this may be lack of effective communications between parties involved in the clearing and forwarding of cargo, poor import policy to facilitate cargo clearing, bureaucratic in clearing procedures, level of education of the staff involved in the whole exercise of cargo clearing.

On the other hand there has been an exhaustive list or number of imports of ineffective cargo clearance to the companies both private and public, such as back order, customer complaints and non-returns and loss of customers.

1.2 THE PURPOSE OF THE STUDY

The purpose of the study is to establish the effectiveness of clearing and forwarding procedures on procurement efficiency in Somali port authority.

1.3 OBJECTIVES OF THE STUDY

The study aims at the following specific objectives;

1. To examine the factors hinder the clearing and forwarding of cargo.
2. To find out the reasons of having clearing section within the organization.
3. To examine the procedure that is used by the organization when conducting clearance.
4. To recommend proper solution for time spent an imported cargo.

1.4 RESEARCH QUESTIONS

1. What are the factors hindering smooth clearing processes?
2. What are the reasons for having clearing and forwarding section?
3. What are the underlying clearing procedures applied by the organization?
4. What are the factors which cause most of the organization not to comply with the overall clearing procedure (s)?

1.6 SIGNIFICANCE OF THE STUDY

The research will contribute towards the addressed problem; also help the researcher in report writing, as one of the conditions to acquire the Bachelor in Procurement & Supplies Management.

The information obtained from the study will assist the organization(s), as it will be useful in understanding the clearing and forwarding procedures.

Upon identification of problems associated with non-compliance of clearing procedures, the organization will be able to improve their operations by revisiting their practices and strengthening the application and implementation of clearing and forwarding procedures

The study will also enable the organization to acquire more insight information about awareness of clearing and forwarding procedures.

Finally it is hoped that the outcome of the study will give good reference material for future researchers in this area and will be a source of information to parastatal organization concerning clearing and forwarding procedures

1.7 SCOPE OF THE STUDY

The study will be the effectiveness of clearing and forwarding procedures on the procurement efficiency which include reasons upon its establishment in the organization and the problems involved in its adoption.

1.8 LIMITATIONS OF THE STUDY

In any study there are limitations that can prohibit the researcher to conduct his/her study efficiently.

Possible problems/limitations expected by the researcher are:

- **Cost**

Due to insufficient fund provided the researcher might not be able to conduct the study effectively.

- **Time factor**

The duration provided to conduct the study is too short. This is because data collection needs enough time to collect all relevant information.

- **Documents**

Most of organizations do keep some of their documents as confidential; therefore the researcher worry that relevant documents needed during the study may not be provided.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction.

This chapter reviews literature as an account of the knowledge that has been established by accredited scholars and experts in the field of study. It is also about views of other persons or scholars in relation to the topic identified by the researcher. The literature is vital and enables the researcher to investigate further. The literature will be taken from other secondary sources of data.

2.1 Conceptual Framework

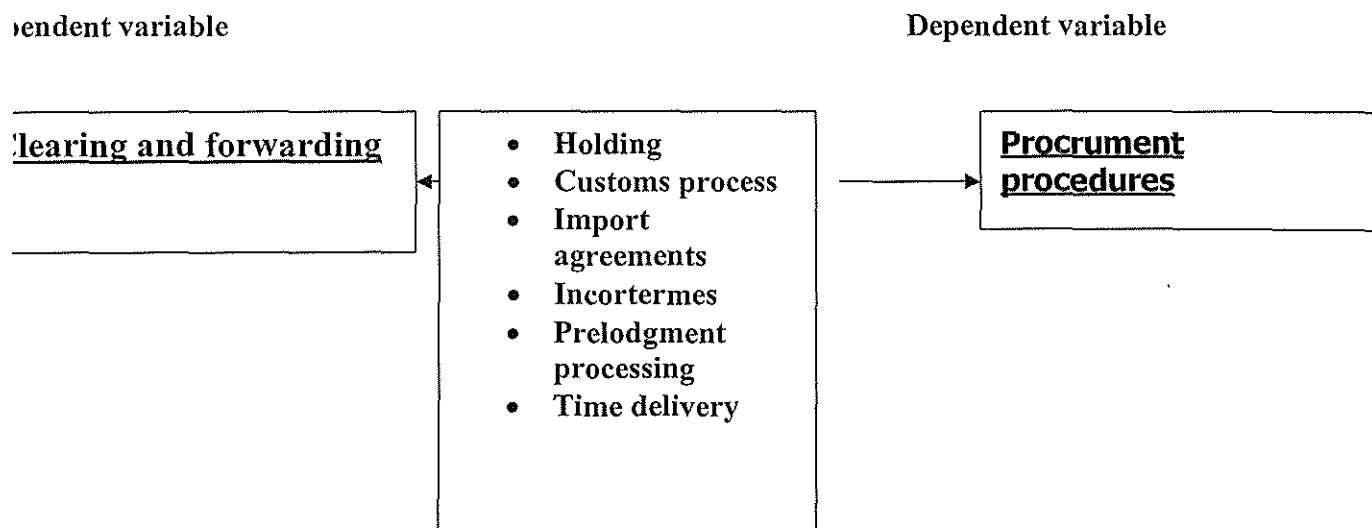


Figure 2.1 Conceptual Framework of the Study

Timing of delivery

It is necessary for the importer to keep informed about the likely timing of the delivery of a consignment. The importer should keep in touch with the shipping line, airline or import agent.

Basis for an import agreement.

Basis for import agreement involves; exactly plan to import and the quality of the product expect to be imported, promotion and training if staff, currency to be used for payment, the method of payment, credit expected in the payment terms and any area for specific cooperation. All these information should be incorporated into the content of the formal written agreement.

Holding inventory

It is indispensable to talk about the customer service without talking about proper management of inventory. Any interruption in the Physical Distribution system may affect inventory level consequently affects customer service. In most business inventory acts as a buffer between two processes and is used to absorb delays and mistakes. If delivery of raw materials is late then the raw materials held in stock can be used and so work in progress is interrupted, similarly customer demand can be met at once from the goods held in finished stock.

2.2 THEORETICAL LITERATURE REVIEW

Oxford Advanced Learners Dictionary has defined the term clearance as a document giving permission for a ship or plane to leave a place or for goods to pass through customs. From the definition it can be deduced that clearing of cargo is the process of seeking permission for imported/exported goods to pass through customs.

Pooler (1985:136) in his book Global Purchasing, Research for the world mentioned when the organization should use the clearing agent. According to him clearance of cargo can be done by the importer himself or his agent, buyers may handle their own import clearance paper work, insurance and follow up. This is only possible if the

importer has staff at his or disposal. Otherwise the buyer may let the task be done by agent after giving him enough information about the cargo to be cleared.

British Chamber of Commerce 1997:192 in its International Trade Manual (ITM) explained various important issues to guide stakeholders in the International trade. Some of the issues associated with clearing and forwarding of cargo include the basis for an import agreement, the need for timing delivery and of holding inventory.

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2.1.0 CUSTOMS PROCESSING

DECLARATION PROCESSING

According to Customs Policy and Procedures Manual issued by SRA October 2010; goods imported, exported or transiting Somalia are subjected to a three-stage declaration process. The processing stages consist of:

- Pre-lodgment (imports only);
- Lodgment and payment; and
- Entry Receipt, Clearance and release

Under the existing processing arrangements, unless otherwise determined by the SRA, all consignments are subject to documentary checking and inspection in Somalia. The level of intervention will vary according to the level of risk determined by Customs.

2.1.1 PRE-LODGEMENT IMPORT PROCEDURES

The purpose of this section is to formalize the procedures and arrangements that relate to the Pre-Lodgment Processing of imports to Somalia.

Procedures applying to Entry Lodgment and Payment and Entry Receipt, Clearance and Release are dealt with in later sections.

Pre-Lodgment Processing Arrangements

The Pre-lodgment stage of the import process is designed so that all activities associated with receiving, risk assessing and checking import information, documents and related details (the paperwork) and risk assessing consignments for inspection purposes can be completed before imports arrive in Tanzania.

An American company SKA is contracted by the SRA to perform Customs documentary checks associated with Pre-lodgment. All imports are required to undergo the Pre-lodgment arrangements.

Agents whose consignments are subject to the Pre-lodgment Arrangements must notify their 'intention to import' by completing an Import Declaration Form (IDF) and lodging it and a Pro-Forma Invoice (PFI) or Final Invoice (FI) - if available, with SKA as soon as possible after goods are purchased from overseas. Hardcopy IDFs are available from SKA offices and electronic copies can be downloaded from the SRA and SKA websites. Completed IDFs and PFIs can be electronically e-mailed to SKA at: IDF@cotecna.co.so

Provided that IDF and PFI details are complete, the importation is registered and an IDF number provided to the agent.

The process of checking that the IDF and PFI details supplied by agents in relation to valuation, tariff classification and origin are correct then begins.

Documentary checking activities are focused on detecting transactions where:

- information, documents or related details supplied by importers to agents are incomplete, incorrect, false, misleading or fraudulent; and
- goods may be undervalued, misclassified, prohibited or restricted;

Checking is conducted either locally or by an overseas unit of SKA. In those cases that are referred overseas, suppliers are requested by the overseas unit to provide certain documents and details related to the importation.

Final copies of importers invoices, transport documents and other relevant documents including exemptions and permits must be provided to SKA as and when they are requested by overseas units or received by importers. IDF and PFI details are verified against final documents.

When documentary checking and verification has been finalized SKA issues a Provisional Classification and Valuation Report (PCVR) for collection by the agent -- PCVRs can be e-mailed upon request. The PCVR contains SKA's assessment of the valuation and classification of the goods -- if an agent disagrees with the PCVR he/she can request a review and require the company to formally notify the basis of its assessment.

The PCVR must be signed by the agent, returned to SKA and be accompanied by an application for a Classification and Valuation Report (CVR). SKA then issues a CVR and a DTI Bureau Data Input Form.

Apart from details related to classification, valuation and origin, which are required inputs for the Lodgment and Payment Stage of the import process. The CVR also contains a security code (control number), which includes details of the consignment risk ratings. This is a very important code and is the means by which SKA consignment risk ratings are transferred to ASYCUDA++.

Pre-lodgment Documentary checking activities can take time to complete and for that reason it is to the advantage of agents for them to lodge their IDFs and PFIs as soon as possible after goods are purchased or shipped and provide final documents as soon as they become available so that all Pre-Lodgment Processes can be finalized well before consignments arrive in Somalia.

SKA has an online facility on its website which allows importers and agents to track the progress of their IDF from registration through to issue of the CVR. Agents can register for online access through the SKA website.

Once the CVR is issued and the goods have arrived, agents should be able to immediately gain a clearance for their goods provided they have entered their declaration via DTI, submitted their completed SOMSAD and supporting documents to Customs, paid all duties, taxes and fees and there are no impediments to release.

Pre-Lodgment Risk Rating of Consignments

SKA uses its Computerized Risk Management System (CRMS) to assess risks associated with imports. Databases containing overseas and local price information, agent, importer and supplier compliance histories and other intelligence are interrogated by CRMS to assess the relative risk levels of all consignments.

In terms of checking import documents and related details, local SKA staff use the local price database and access other intelligence to check consignments assessed as

low risk. Consignments determined as medium or high risk are referred to SKA overseas offices where more detailed checking is carried out using an overseas (export price) database and overseas intelligence.

In terms of the cargo itself, the level of intervention by Customs is determined from risk ratings allocated by CRMS that are focused on identifying consignments in which undeclared, misdescribed or under-declared goods may be found. Consignments assessed as low risk are not inspected. Those determined to be medium risk are either scanned using an x-ray scanner or receive a cursory examination. Consignments assessed as high risk are subjected to full physical inspection.

Exemptions to Pre-Lodgment Processing Arrangements

While a small proportion of imported consignments are exempted from undergoing Pre-Lodgment Processing, all consignments imported into Tanzania are subjected to some form of documentary checking and risk assessment. The exemption arrangements are as follows:

At Mogadishu Port

Only consignments consisting of explosives etc for use by the Transitional Government of Somalia are exempted from Pre-Lodgment Processing.

At Adan Adde International Airport

Only the following are exempted:

- consignments that are valued at less than \$US 300;
- unaccompanied baggage, personal or household effects;
- commercial samples; current newspapers, journals or periodicals; medicines or vaccines with a shelf-life of less than 30 days; live animals, fresh chilled or frozen fruits, vegetables, fish, meat or eggs; and
- Explosives etc for use by the Transitional Government of Somalia .

At Parcels Post or Registered Express Couriers

Most goods imported in this way are exempted from Pre-Lodgment Processing with only those valued at USD 5,000 or more per consignment being subject to the arrangements.

At Other Locations

Consignments of a type that have in the past been required to be processed by SKA, are to continue to be processed by it. Those previously not subjected to Pre-Lodgment Processing will continue to be exempted. However, changes to these arrangements are presently being considered and agents should check with Customs prior to clearance at these locations to ensure that the arrangements have not changed.

Consignments imported at these locations that are not subjected to Pre-Lodgment Processing are subjected to documentary checking and risk assessment by Customs after entries are lodged for processing.

Documentary Requirements

Agents are required to provide the following import documents to SKA:

Import Declaration Form (IDF)

Agents are required to notify their intention to import goods subject to Pre-Lodgment Processing using the IDF -- this form is available from SKA and Customs offices or can be downloaded electronically from their websites.

Pro Forma Invoice (PFI)

SKA will accept a PFI from an agent if a Final Invoice (FI) is not available at the time the IDF is lodged.

Final Invoice (FI)

SKA requires original or certified copies of the FI before Pre-Lodgment Processing can be finalized. The FI is the commercial invoice issued to an importer by the overseas supplier of goods at the time the goods are purchased.

Packing List

A packing list is required by SKA when a single consignment is comprised of multiple containers (FCLs) or containing multiple goods (LCLs).

Bill of Lading (BoL), Airway Bill (AWB) or Consignment Note (CN)

An original or copy of the transport document related to the importation (i.e. BoL, AWB or CN) is required by SKA.

Exemption Documents

When an exemption of duty or tax is claimed, SKA require the original or certified copy of the exemption document.

Country of Origin Certificate

When preference is claimed, SKA require the original or a certified copy of the country of origin certificate.

Import Permits

In those cases where restrictions apply to imported goods, the original or a certified copy of the government permit or certificate is required to be provided to SKA. Certificates and permits include:

- Fumigation certificates (e.g. Worn clothing)
- Permits from Ministry of Health (chemicals -- for industrial and consumer chemicals)
- Photo sanitary certificates (e.g. plants and seeds)
- Plant importation permit (plants)
- Batch certificates (for manufactured consumables)
- Radiation certificates

Procedures Flowchart

The following flow chart details the procedures that are associated with Pre-Lodgment Processing:

- **RESPONSIBILITY FOR CLEARING OF CARGO**

Depending on the terms of International trade contract for effective clearing of cargo each part i.e. the importer, exporter and the agent as the case may be have the role to play. That being the case each part must be aware of the terms used in the contract.

Bairley (199:51) in his book Law of International trade critically analyzed the International Commercial Law or Terms (INCOTERMS) According to him the CIF seller for instances part from other obligations must furnish the buyer with shipping documents within the stipulated time or if not as soon as possible after the goods have been appropriated. He proceeded by out living the responsibilities of the buyer and the seller when executing on International transaction. He said the seller must;

- Provide the goods and commercial invoice or it equivalent electronic message in conformity with the contract of sale and other evident.
- Obtain at own risk and expense any export license or other official authorization and carry out customs formalities.
- Contact on usual terms at his expenses for the carriage of goods to the named port of destination.
- Give the buyer sufficient notice that the goods have been delivered on board the vessel as well as any other notice required in order to allow the buyer to take measures, which are normally necessary to enable him to take the goods.

In addition to that he said the buyer must:-

- Pay the price as provided in the contract of sale.
- Obtain at his risk and expenses any import license or to other official authorization and carry out all customs formalities for importation of the goods and where necessary for their transit through another country.
- Bear risk or loss of damage of the goods from the time they have passed the ships rail at the port of shipment.

2.2. EMPIRICAL LITERATURE

Msigwa J. N. (2002:3) Identifies the objectives of the clearing section as to make sure that all imported equipments /goods need to be cleared in the right time. Also to ensure that all imported goods are received in good condition and according to the specifications.

Badger D. et al (1995:98) in his book International Physical Distribution and Cargo Insurance argues that the importer is responsible for preparing an entry for all the goods he/she is importing. The entry form is a document on which he declares the description, value, quantity, rate of duty and various other details about the goods. When presented to customs it is normally accompanied by supporting documents copies such as copies of commercial invoice and packing lists to provide evidence of the nature and value of the goods. He proceeded by identifying other documents which should be presented when clearing the goods.

Christopher (1998:39) in his book Logistics and Supply Chain Management noted that a strategy for reducing costs and improving services in order to operate efficient and effective is to provide time and place utility in the transfer of goods and services between buyer and seller. On the other way round there is no value in the transfer of goods and services until they reach to the hands of customers. Since clearing and forwarding of cargo spent time it may interrupt the whole process in the ongoing world of science and technology.

2.2.0 SUMMARY OF THE AUDITORS IDEAS

The British Chamber of Commerce while emphasizing on the timing of delivery and the basis of import pointed out that if delivery of raw material is late, then the raw material held in stock can be used and so Work In Progress is interrupted. Msigwa has identified the objectives and functions of the clearing section and the need for being careful with specifications when receiving imported goods.

2.2.1 PAYMENTS AND REVENUE ACCOUNTING

BANK PAYMENTS

The agent or importer presents the SOMSAD to a specified bank for payment of the total amount of duties as calculated and shown on the SOMSAD. The bank teller will stamp the SOMSAD and bank 'pay-in-slip' to acknowledge receipt of payment.

Note: Amounts of \$ 1,000 and above must be paid through the inter-bank transfer system (TISS). The agent/importer processes an electronic transfer at their commercial bank. This payment is deposited with the Salama Bank or Dahabshil Bank in the name of the SRA. Customs accounting section have access to the Salama Bank and Dahabshil Bank . After obtaining the SOMSAD from DTI, the agent goes to the accounting section that accesses the Bank details and update ASYCUDA++ with the details of the payment. The agent receives an electronic payment report and can then present the SOMSAD to the clearance counter.

ACCOUNTS SECTION

The ASYCUDA++ accounting system deals with all accounting and payment activities.

This includes payment of cash declarations, management and use of prepayment account facilities and facilitation of the collection of duties and taxes.

The Daybook

The daybook is used to define accounting periods so that reliable and accurate accounting reports can be produced.

It records all transactions processed in the daybook period, normally one working day or one shift.

The daybook needs to be open to start recording cashier transactions, and must be closed to balance the period takings, when no further transactions can take place.

Opening and closing the daybook can be the responsibility of the supervisor or the accountant.

Open

The daybook needs to be open at the start of the shift to start the recording of cashier transactions as it determines the basic accounting period.

Close

In order to balance daily takings, the daybook must be closed and then no further cashier transactions can be performed for that shift, i.e. no more money can be collected.

Cash and prepayment accounts

It is possible to account for duty and tax liability on Customs declarations in two ways.

- Payment of individual declaration liability in cash at a nominated bank
- Prepayment of declaration liability, where a importer or agent pays money in advance through inter-bank transfer system (TISS) before or after the processing of a declaration or declarations and this prepayment is used to discharge the liability of the declarations after processing

2.2.2 PROCESSING FEES AND FEE EXEMPTIONS

PROCESSING FEE

A \$US 10 Processing Fee is payable on all declarations processed by Customs unless they relate to:

- consignments imported by air or land that are valued at under \$US 100; or
- Consignments that contain previously owned and used personal or household effects.

DIS (1.2%) FEE

This fee -- calculated at 1.2% of the FOB value of the consignment is payable directly to Customs at the same time as duties and taxes are paid unless a fee exemption applies (see below).

DIS (1.2%) FEE EXEMPTIONS

All consignments imported into Somalia are liable for the payment of the DIS (1.2%) fee. However, as general principles, where imports are non commercial in nature, have no

commercial value, are being re-imported or it is in the interests of Somalia that they not be subject to the fee or charge, an exemption will apply.

Bearing this principle in mind the following imports are exempted from the payment of the DIS (1.2%) fee:

- unaccompanied baggage, personal or household effects (including one used vehicle for entitled persons) imported by sea, air, rail, road or post;
- consignments valued at less than \$US 500 imported by sea, air, rail or road;
- current newspapers or periodicals imported by sea, air, rail or road
- goods imported by parcels post or registered express couriers provided they are valued at less than \$US 5,000 per consignment;
- commercial samples and goods returned to the country after repair, replacement or exchange under warranty;
- goods entered for transit;
- aircraft and aircraft engines, parts, accessories, etc for use by an airline designated under an air service agreement or a foreign chartered aircraft;
- goods imported for the use of diplomats and supplies imported for the use of Diplomatic Missions, the UN and its specialized agencies registered with the Ministry of Foreign Affairs;
- goods imported for the government and government projects;
- goods for projects that are funded by Foreign Governments or International Agencies that are exempted from paying Customs duties and other taxes;
- emergency medical, drought, flood, famine or other natural disaster relief supplies airlifted into Somalia that do not exceed \$US 10,000 dollars per consignment or as may be approved by the Commissioner for Customs and Excise from time to time;
- goods imported by religious or charitable, community-based and non-profit driven organizations or institutions for projects related to religion, education, health or water supply;
- explosives and pyrotechnic products, implements of war, ammunition or weapons;

- zero rated raw materials.
- gold, precious stones, precious metals, objects of art;
- medicines or vaccines with a shelf-life of less than 30 days;
- live animals, fresh chilled or frozen fruits, vegetables, fish, meat or eggs; and
- Scrap metals.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents and describes the methods and techniques that the Researcher will employ to collect data. It will include the study population, research design, data collection methods and instruments, and analysis and limitations of the study.

3.1 RESEARCH DESIGN

During the research the researcher used the case study method. This method has helped the researcher to collect relevant data relating to application of material handling at SPÅ.

3.2 RESEARCH TECHNIQUES

The researcher has used qualitative technique and quantitative research technique. Qualitative research technique involves an in depth understanding of the problem by

using qualitative data. Quantitative research technique is the systematic scientific investigation of quantitative properties and phenomena and their relationships.

3.3 AREA OF STUDY

The study has been conducted at SPÅ HQ covering various departments including purchasing, accounting, technical services and store department.

3.4 TARGET POPULATION

The target population for the study have include different staff members from SPÅ such as Chief engineer, electrical and mechanical engineering , Chief accountant, procurement officer, store officer and few employees of the organization who provide relevant information relating to the study.

3.5 RESEARCH INSTRUMENTS

The researcher has used both primary and secondary data collection method.

3.5.1 Primary data

Original data collected by the researcher for the first time. Methods of primary data collection to be used include:

Interview

The researcher has used this method to obtain data from various staff of SPÅ by doing calls and chatting MSN and Facebook. The targeted interviewees were those from the different department related to the study. Structured interview questions were arranged with senior personnel in the management. This was provided for an opportunity for the study to get information which could otherwise not have been asked for.

Observation

The researcher has observed events directly as they were being performed by various staffs of SPÅ from different systems including electrical and mechanical system, purchasing system, accounting system and store system and record them. Physical observation was conducted by the researcher to check if there is effective application of Material handling for the betterment use of loading, unloading and storages of goods received by the organization.

Questionnaire

The researcher has drafted a set of written questions and those questions were sent out to respective SPÅ staffs with a request to answer those questions with accurate. The researcher has used closed questions because they are simple to understand.

3.5.2 Secondary data

Secondary data are already available materials that have been prepared by other people and can be either published or unpublished. The researcher in this study has obtained data from various documents of the company including mechanical, accounting and procurement manual, organization's website, minutes, financial policies and journals.

Secondary data are of great importance due to its characteristic, they answered some research questions, and they satisfied some research objectives. Also secondary data needed few resources and expenses because they have already been prepared.

3.6 Sampling Technique

The researcher has use probability sampling method as this give an equal chance of every element in a population to be selected and included in the sample. Probability methods which have been used include:

- **Random sampling**

Drawing a number of items any sort from a larger group or population so that every individual item has a specified probability of being chosen. In this all workers have been given an equal chance of being selected to be included in the sample frame.

- **Stratified sampling**

Stratified sampling is used when population from which a sample is to drawn does not constitute homogeneous group. The researcher has used this method to obtain more reliable material and detailed information.

The researcher has also use non-probability sampling includes:

- **Purposive sampling**

This method has been used to obtain the list of departmental heads to be interviewed, choosing the source of data to use as only those related to entity, choosing documents and books to use and all items have been selected deliberately as according to their suitability in relation to the study.

3.7 Sample size

The sizes of the sample which have been used during the study were 16 staffs. (2 engineer, and 4 heads of section concern and 10 different staff relating to the study)

3.8 DATA ANALYSIS AND INTERPRETATION

Data to be collected has been analyzed by using qualitative and qualitative method. But the researcher has mostly used qualitative method to analyze and interpret data because the study involves mostly the use of qualitative information rather that quantitative information.

CHAPTER FOUR

RESEARCH FINDINGS AND ANALYSIS

4.0 INTRODUCTION

This chapter summarizes the findings of the research work. Data collected from various sources including research questionnaires, SRA Customs Policies and procedure manual issued in October 2006, interviews, observation, participatory, journal and other organization's documents were analyzed and interpreted by taking into consideration research questions and objectives.

4.1.1 FEATURES OF C & F SECTION IN SPA

The main features of the system are as follows:

- Manual & ASYCUDA++ (electronically) systems are guiding the organization in conducting the C & F exercise.
- Procurement and supply officer authorize the effectiveness for C & F exercise which include gathering information of cargo, make follow up and delivery to the user department.
- Accounting/finance, procurement and supply department is responsible for keeping accounting records for C & F.
- The director of finance authorizes payment of taxes and other duties for C & F of cargo which have been imported.

4.1.2 RESPONSIBILITY OF C & F STAFF/SECTION

The responsibilities of this section are as follows:

- To clear all imports/exports on behalf of the organization on time and deliver to store;
- Also to make sure that the goods match with order documentation provided by supplier;
- To request the Commissioner of Customs of SRA to allow for pre-lodge assessment and immediately accept the assessed value (if delay arises).

- Direct communicate with the Commissioner for Customs and excise for approval (incase there is a problem with authoritative bodies subcontracted with SRA such as SKA or NECOR) to easy clearance formalities
- To make sure that all duties and taxes have been correctly calculated and payments have been made.

4.1.3 REASONS FOR HAVING C & F SECTION IN SPA

- **Cost efficient**

According to the International Customs Policies and Procedures clearing agent fee is 1.2% of the FOB price for the good/cargo imported and cleared. The company import cargo of high value e.g. forklift, mobile cranes, tug etc where by 1.2% commission to the agent results to very high cost increment to the equipment and organization. So SPA serves a lot of fund by having in-house section by ignoring 2% commission to the agent and payment of salaries + allowances to C & F staff.

- **Control reason**

Management can easily control and assign responsibilities to C & F staffs at any time depending on the nature of a particular need. Since SPA is among major parastatal organization in Tanzania, it becomes very easy to deal with other government bodies such as SRA compared to private C & F agents in terms of requesting for later payment of taxes, duties and emergence clearing of her goods.

- **Frequent importation**

The rate of importation in SPA is very high and the imported cargos need follow up and clearance so the presence of C & F section is of great advantageous to the organization due to the increasing rate of importation from time to time.

- **Nature of business and equipment**

The nature of business is to provide services to the customer such as receiving of cargo, storing and shipping differently from other businesses functions, equipments also differ to other businesses such as forklifts, mobile cranes, heavy duty tractors and trailers, supply of spare parts for these equipments etc which both need to be imported and cleared basing on this reason the company come into conclusion that there is a need of having C & F section.

4.1.4 C & F PROCEDURE IN TPA

The C & F procedure in SPA is guiding by the international custom policies and custom policies and procedures manual issued by SRA in October 2006. The overall exercise is conducted both manual and electronically using ASYCUDA++ system. The import procedures are as follows:

This section is specific to the Entry Receipt, Clearance and Release procedures that relate to imports.

Customs Clearance Counter

Agents are required to lodge two signed copies of their completed SOMSAD at the Clearance Counter of the Customs Service Centre together with any other required support documents (refer below).

Customs check that the declaration is signed and that all supporting documents are presented before accepting a SOMSAD for processing and requesting release from ASYCUDA++. Supporting documents include:

SKA CVR

When consignments are subject to Pre-lodgment Processing, the original copy of the SKA CVR is required.

Final Invoice (FI)

Original or certified copies of the FI are required. The FI is the commercial invoice issued to an importer by the overseas supplier of goods at the time the goods are purchased.

Packing List

A packing list is required when a single consignment is comprised of multiple containers (FCLs) or containing multiple goods (LCLs)

Bill of Lading (BoL), Airway Bill (AWB) or Consignment Note (CN)

An original or copy of the transport document related to the importation (i.e. BoL, AWB or CN) is required

Exemption Documents

When an exemption of duty or tax is claimed, the original or certified copy of the exemption document is required. A complete list of the supporting documents required is listed in Section A10.

Treasury Voucher

When goods are entered under the Treasury Voucher System, the original of the approved voucher is required.

Country of Origin Certificate

When preference is claimed, the original copy of the Country of Origin Certificate is required.

Import Permits

In those cases where restrictions apply to goods that are imported, the original copy of the relevant Government permit is required. Some of the certificates and permits that are required include:

- Fumigation certificates (e.g. Worn clothing)
- SBS certificate (e.g. Food stuffs, used motor vehicles, cosmetics, tyres, etc)
- Permits from Ministry of Health (chemicals -- for industrial and consumer chemicals)
- Photo sanitary certificates (e.g. plants and seeds)
- Plant importation permit (plants)
- Batch certificates (for manufactured consumables)
- Radiation certificates

If the entry relates to a consignment going 'into warehouse', evidence that the warehouse is prepared to accept the consignment must also be provided to Customs.

If the SOMSAD declaration is not signed, or any required supporting documents or evidence is not provided, the SOMSAD is rejected and returned to the agent.

However, provided all documentary requirements are satisfied release can be requested from ASYCUDA++ using **MODSHD** and by selecting:

Functions, Release Order, Print Release Order

The system will determine the risk treatment that will be applied. Risk treatments are:

- Green Lane -- low risk -- immediate clearance
- Yellow lane -- medium (documentary) risk -- document check
- Red lane -- high risk -- document check and either scan or inspection.

Agents are then advised of the risk treatments determined for their consignments.

If the consignment is determined by ASYCUDA++ to be 'low risk' (green lane), 2 copies of the Release Order are automatically printed and Customs and agents copies of the documents need to be separated and agents copies handed to them. The Customs copy of the Release Order is to be placed on the file.

All released entry files are retained until Quality Assurance (QA) action is completed. Once this has happened files are sent to Archives for storage.

Customs Intervention

Customs will intervene in those cases where a consignment is identified by ASYCUDA++ for yellow or red lane treatment. In all such cases, documents are to be referred directly to the Document Verification Unit for further action.

Document Verification Unit

This Unit handles entries that have been routed to yellow lane by the system at release request. Files are referred to the Unit for two reasons, either the transfer of the SKA control number to ASYCUDA++ has 'failed' or the file has been selected by ASYCUDA++ for documentary checking or red lane treatment.

Staff should firstly check the criteria selection for the entry documents from the system using MODSHD and by selecting:

Function, Release Order, Clear

From the list they should then select the number of the entry and 'click' **Criteria**.

Verification Unit staff are firstly required to ascertain if a 'failure' associated with the control number has occurred. They are also required to check the SOMSAD and

supporting documents for the purpose of verifying the correctness and authenticity of, among other things, the:

- Declaration;
- tariff classification;
- valuation;
- transport details;
- packages;
- country of origin (if preference claimed);
- exemption (if claimed);
- Treasury voucher (if applicable); and
- Permits (if required).

If there has been a 'failure' associated with the control number, staff is to identify the cause of the failure by reference to the CVR.

The most common reason for a file to be selected for "documentary check" is for the purpose of exemption checking the full list of supporting documents required for each exemption is available in Section A10.2. For some exemptions the descriptions and quantities of goods subject to the exemption is limited and are specified in the exemption. In these cases Customs must "write off" the goods that are imported against the original list of exempted goods.

If the file is selected for documentary check and no discrepancies are found, the file is re-routed to 'green lane'. ASYCUDA++ will then automatically print two copies of the Release Order -- one for the file and one for issue to the agent. Staffs are to record on the system "no discrepancy found" for entries without discrepancies.

The entry file must then be referred for Quality Assurance (QA) checking before being archived.

Where a discrepancy or error is detected from the documentary check, Verification Unit staffs are required to manually issue a Query Notice (QN) to the agent detailing the discrepancies/errors and advising what follow-up action is needed. For example:

- lodge further support documents
- duty/tax has been overpaid -- seek a refund

- duty/tax has been underpaid -- a further payment will be required
- permits or exemptions have expired or do not cover the goods -- obtain new permits or exemptions (otherwise the goods will be prohibited or duties/taxes will need to be paid)
- Consignment details are in error, etc.

When issued, 1 copy of the Query Notice is provided to the agent and the other is placed on the entry file. Where duties/taxes are underpaid or further documentation/details are required from the agent, such action must be completed before processing can proceed. In all cases, agents must formally respond to and sign the Query Notice.

Entry files involving Query Notices or consignments that are selected for 'red lane' (scanning or inspection) are to be referred directly to the Error Management Unit for further processing.

Staff must record in the Inspection Act what they found and then route entries to **ERROR MANAGEMENT** for resolution of the discrepancies.

Error Management Unit -- initial actions

Error Management Unit staff receive the file from the Documentary Verification unit and await the return of the Query Notification form signed by the agent. On receipt of this they confirm the required action has been taken by the agent and update the details in the ASYCUDA++ Inspection Act. If additional duty and taxes are required they generate an assessment notice in ASYCUDA++ and provide this to the agent.

On lodgment of the signed Query Notification Form and receipt of any additional duty and taxes:

- where the file was rated Yellow and the query is now resolved the file is rerouted to Green and a Release Order given to the agent
- Where the file relates to a consignment requiring scanning, a 'Scan Order' is printed. One copy is given to the agent and one copy placed on the file. The file is then transferred to the Scanning Unit.
- where the file relates to a consignment requiring an inspection, the 'Split Officer' forwards it to the relevant Customs Inspection Unit at the port (i.e. KICD, TICTS or SPA).

Agents must then arrange with the relevant port operators to arrange for the scanning or inspection to take place.

NOTE: Not all Customs offices throughout Somalia do have scanning equipment. Where scanning equipment is not available a physical examination will be done in lieu of a scan.

Scanning Unit

This Unit handles entry documents that have been selected for scanning.

The entry file is routed to the Unit via ASYCUDA++ and scanning staff await the arrival of the vehicle and container (mobile scanner) or the agent (KICD).

Customs and SKA scanning staff operate the scanner equipment and analyze the results of the scan.

If the contents of the consignment do not 'conform' with what is expected, the consignment is referred for a physical examination at the 'recheck' site. If discrepancies are detected in the recheck, details are recorded by Scanning Unit staff in the ASYCUDA++ 'Inspection Act' and re-routed along with the file back to the Error Management Unit for their action – in such circumstances the goods are not to be released by scanning staff.

If the contents of the consignment 'conform', Scanning Unit staff complete the 'Inspection Act' and re-route it to 'green lane'. ASYCUDA++ will then automatically print two copies of the Release Order -- one for the file and one for issue to the agent. The entry file must then be referred for Quality Assurance (QA) checking before being archived.

Inspection Unit

This Unit handles consignments routed for physical inspection either directly by the system or following re-assignment.

Staff should firstly check the criteria for selection from the system (MODSHD) and ensure they have received the entry documents.

If discrepancies are detected, details are to be recorded by staff in the ASYCUDA++ 'Inspection Act' and re-routed along with the file back to the Error Management Unit for their action – in such circumstances the goods are not to be released by inspection staff.

If no discrepancies are detected, Inspection Unit staff complete the 'Inspection Act' and re-route the entry to 'green lane'. ASYCUDA++ will then automatically print two copies of the Release Order -- one for the file and one for issue to the agent. The entry file must then be referred for Quality Assurance (QA) checking before being archived.

Error Management Unit -- follow-up action

Error Management Unit staff are responsible for finalizing all action related to Query Notices and discrepancies arising from scanning or inspections.

Where a Query Notice was issued and the matter resolved with the agent, staff must amend and/or reassess the entry (ensuring any extra duties/taxes were paid), complete the 'Inspection Act' and re-route the consignment to 'green lane'. ASYCUDA++ will then automatically print two copies of the Release Order -- one for the file and one for issue to the agent.

Decisions in relation to discrepancies are to be taken in accordance with the 'Sanctions and Penalty Guidelines' issued by the Commissioner for Customs and Excise. Sanctions and penalties provided for under the Commissioner's guidelines include:

- prosecution of the agent and/or importer
- de-licensing of the agent
- seizure of the goods
- application of administrative penalties

Where a discrepancy is found the 'Sanctions and Penalty Guidelines' should be applied in the first instance. If it is then decided that the consignment will be released, Error Management Unit staff must amend and/or reassess the entry (ensuring any further duties/taxes payable are paid), complete the 'Inspection Act' and re-route the consignment to 'green lane'. ASYCUDA++ will then automatically print two copies of the Release Order -- one for the file and one for issue to the agent.

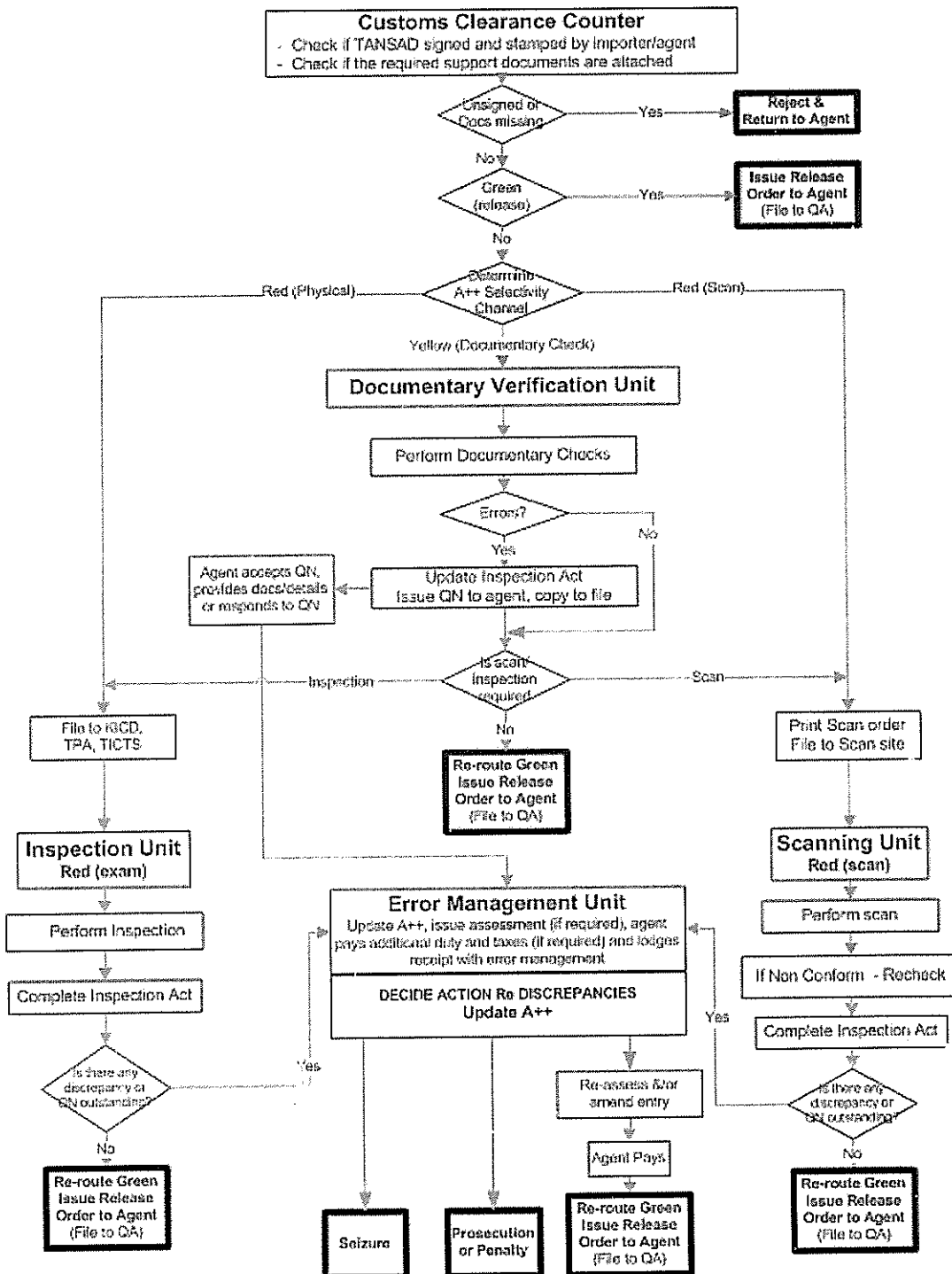
Any sanctions, seizure and/or penalty action should proceed independently of the release of the goods in accordance with the procedures contained in the 'Sanctions and Penalty Guidelines'.

All entry files finalized by the Error Management Unit must be referred for Quality Assurance QA checking before being archived.

Procedures Flowchart

Flow chart details that relate to Import Entry - Receipt, Clearance and Release procedures are provided at section A 1.4.1.

Import Entry Receipt, Clearance and Release Procedures



4.1.6 SOURCES OF FUNDS AND REVENUE

Sources of funds for SPA as analyzed in the annual reports are operating revenue such as wharfage and demurrage, fixed rental income and royalty. It maintains records of all sums which have been received as a result of service in order to show the total amount received. All revenue received is being acknowledged in writing with a copy to the Director General and Director of Finance and Supplies and then a revenue corrected is maintained at each ports and the Master revenue correction is maintained by Finance Manager at the Head Office.

The fund is used to import goods, procure equipments, works or services and other payments such as salaries, consultancy fees and all payments from services provided to the customers in there different ports, example the Mogadishu port is the Somalia principal port with a rated capacity of 1million (dwt) dry cargo and 2.0 million (dwt) bulk liquid cargo. The port has total length of about 1,000 metres with eleven deep- water berths. Mogadishu port handles about 95% of the somalia international trade.

4.2 FINDINGS

Beyond lead time

Lead time is interval between placing an order and receiving delivery. For Example if it takes two (2) weeks to receive delivery, then the lead time is two (2) weeks but when it takes more than two (2) weeks this is beyond lead time and cause delay in organization operation. This is caused by:

- Misplacement in custodian premises e.g. DAHACO and SWISS PORT
- On time payment of taxes and duties
- Latest submission of documents to inspection zonal office

Difficulties faced by C & F staff

During the research the following was found as difficulties faced the C & F staff:

Unreliable transport; as this is the field work scatted in different custom entry point the need for a reliable transport is crucial and inevitable

Bureaucracy; this is the major obstacle in this carrier especially in customs office

Unmediated payment

Payment of the required dues such as taxes and duties are not made on time which cause delay and additional overheads to shipment occur.

Managing the warehouse resource

The warehouse at SPA contains material, and finished goods on the move. Operating procedures consist of breaking bulk and regrouping merchandise in accordance with customer requirements. The objective is to efficiently move large quantities of inventory into, and specific customer order out of, the warehouse. The ideal arrangement would be for products to arrive and depart the warehouse during a single working day.

The functions of SPA warehouse are classified as movement and storage. Movement is emphasized: storage is secondary. Within these two broad categories found in SPA, movement is dividing into three activities and storage into two activities.

Handling Requirements

The primary handling objective in SPA warehouse is to sort in bound shipments according to precise customer requirements. The three handling activities are receiving, instorage handling and shipping.

Receiving: merchandise and material typically arrive at the warehouse in large quantities than when they depart. The first handling activity required is unloading the transportation vehicle, ship and railway which arrive in the SPA ports. In most warehouses found in SPA ports, unloading are manual or mechanical according to the types of items received. The product is hand-stocked on pallets or slip sheet to form a unit load for movement efficiency. In some cases conveyor and crane machine are used to unload vehicles more rapidly.

In storage Handling: in storage handling in SPA consist of all movement within a warehouse facility. Following product receipt, it is necessary to transfer merchandise within the warehouse to position it for storage or order selection. Finally, when an order is received, it is necessary to accumulate the required product and to transport then to a shipping area. The two types of insteracy handling in SPA are transfer and selection.

- Transfer movement required within a typical warehouse. The merchandise is first moved into the building and placed at a designated storage location. The inbound movement is handling by forklift truck when pallets or slip sheets are used for the larger unit loads
- Selection is the primary function of the warehouse in SPA. The selection process group material, parts, and products into customer orders

Shipping: In SPA shipping consists of checking and loading orders onto transportation vehicle. As in receiving, shipping is done manually and mechanically in most of handling operation done in SPA ports.

Storage Requirements

The warehouse found in SPA performs two types of storage: planned and extended.

- **Planned storage** –As previous found that, primary emphasis is placed on product flow in the warehouse. Regardless of inventory turnover velocity, all goods received must be stored for at least short time storage for basis inventory replenishment is referred to as planned storage.
- **Extended storage**- Extended storage, a somewhat misleading term, refers to inventory in excess of that planned for normal warehouse operations. In some special situation, storage may be required for several months prior to customer shipment.

4.2.1 BUDGET AND PLANNING

Budget is the planning aspect of financial control expressed in monetary terms. The planning involves the co-ordination of inflows and out flows of resources to achieve a given set of objectives. Hence utmost care must be exercised in preparation of the budget. The researcher has found out that during the preparation of the HQ operational plan and budget the Director of finance and supplies formulate plan and budget proposals to be tabled before the SPA management for approval as a planning guideline to be issued as planning and budget letter by the Director General.

Every annual budget according to the financial year of SPA which start on July 1st and end on 30th June each year is being fully supported by an operational plan giving specific physical and financial goals or targets in terms of achievement in conservation objectives, production or services during the year in line with development strategies and policies as defined and laid down by the government. At least three months before the commencement of each financial year, the Director General shall prepare for submission to the Board the annual budgets of revenue and expenditure of SPA for that financial year. The Board of Trustees role would be of defining goals and targets within the plan and of reviewing results in relation to those goals. The Board of Trustees reports to the government through the Parent Ministry.

In SPA there are exceptional circumstances where it is evident that the approval for the budget cannot be obtained before the start of the financial year i.e. 1st July, the Director

General shall have powers to incur expenditure in order to achieve organization objectives but there are limitations to it. The following are the limitations to exceptional circumstances:

- Recurrent expenditure – Up to one month approved budget of the previous year.
- Capital expenditure – Up to 10% of previous budget for capital expenditure.

In this case if the Director General is not smart enough then there can be misuse of public funds because PPA 04 requires that goods, works or services should be procured according to the planned budget of the year and not of previous years.

• **PLANNING AND BUDGET COMMITTEE**

SPA is having a committee consisting of officers who are responsible to review, scrutinize and recommend the departmental and overall organization's annual plan and budget. They review the organization annual management plan and budget for revenue and capital expenditures before submission to the master workers council and Board of Trustees for approval. Also they review the quarterly performance results of the budget to be tabled by Director of Finance and supplies for submission to the Board of Trustees. They have the powers to review the parks annual management plan and budget for revenue and capital expenditure before submission to the Ports Workers Council and Headquarter.

Usually this committee meets once in every quarter and on Ad-hoc basis for emergencies. The quorum shall constitute of five members being the Director General or his designated officer and four additional members, and the quorum for the ports shall be of the five members being the Port manager in charge or his/her designated officer and four additional members.

This is a committee consisting of the following members:

- The Director General of office designated by Director General
Chairman
- The Director of finance and supplies
Member
- The Port Manager
Member
- The Director of Personnel and Administration
Member

- The Chief Internal Auditor
Member
- The Corporation Secretary
Member
- The Planning Manager
Member
- The Directorate of finance and supplies
Secretariat

4.2.3 OTHER FINDINGS

- **Knowledge about clearing and forwarding**

The researcher has found out that most of the employees know what clearing and forwarding is. This is because when the researcher gives research questionnaire to other employees who actually relate clearing activity like supplies officers, engineers and other employees, they respond to answer the questions. Another thing which shows clearly that some engineer does not know many things about clearing operation because they know only repair and installation, the issue is when clearing officers are not present then everything has to stop until they come back to proceed with the activity. This is dangerous because sometimes there can be an emergence activity to be done and clearing officers are not present then organization will loose its reputation.

- **Inadequate Storage Space**

It has been noted that capacity of godown/warehouse owned by SPA ports and its branches is very small to accommodate the goods stored in it. For instance during this year's some goods such as grain, soil fertilizer, and other product which are affected by moisture which arrive at Mogadishu Port were kept outside in an open area and covered by canvass materials. This has in some cases created unnecessary congestion of the goods in godown/warehouse leading into deterioration and damage of the grain and this causing huge loss to the organization.

- **Inadequate Handling Equipment**

Another problem which face SPA ports which research found, is the shortage of handling equipments such as forklift, crane, conveyor belt, elevators etc. the shortages of these handling equipment causes delay in moving goods from the shipping to the port. This

problem is experienced in container terminal in Mogadishu Port where by the time for loading and unloading of containers become too long.

- **Computer application**

During the study the researcher has found out that the organization is using computer technology and little manual work manual system. This makes work easier because work which can be done in a long time can be done for few minutes. It improves the working efficient and quality of work, acquisition of new knowledge by searching the information from the internet, fastest transferring of information and cost efficient.

- **Transferring of staff**

The researcher has found out that an employee in SPA HQ or at the Ports sometimes do not stay for a long time in his/her position. For example an employee at HQ who is new to the organization and has just start to become familiar with her duties was transferred to Bosaso port. This reduces the performance of the organization and employee's experience. Therefore it is better for an employee to be taken direct to where he/she can stay for a long time so as to reduce the mobility of employees and increase performance.

4.3 DATA ANALYSIS AND INTERPRETATION

In relation to the proposed methods of data collection, in this case the researcher was able to collect relevant data by using research questionnaires. The researcher targeted twenty one (21) respondents for the whole study as a population. However not all respondents showed a positive response since other respondents did not return their questionnaires to the researcher. The table below shows summary of the respondent rates:

Table 1: Summary of respondents and non-respondents rate

Frequency	Respondents	Non-Respondents	TOTAL
Respondent in number	21	4	25
Respondent in percentage	$21/25 \times 100\%$ 84%	$4/25 \times 100\%$ 16%	$25/25 \times 100\%$ 100%

Source: Researcher's study findings

84% represents 21 respondents who were able to return the researcher questionnaires sent to them by the researcher while 16% equivalent to 4 respondents did not return questionnaires to the researcher.

ANALYSIS OF EACH RESEARCH QUESTION FOR THE 21 QUESTIONNAIRES RESPONDED

The following is the analysis of those research questionnaires, which were returned back by the respondents. The respondents who return questionnaires to the researcher answered are only twenty one (21) according to table 1 above.

Question one

Which system guiding the organization in conducting C & F procedures?

- a) Manual
- b) Electronically (ASYCUDA++) ()
- c) Both (a) and (b).

Table 2

Frequency	(a) response	(b) response	(c) response	Total
Number	0	7	14	21
Percentage	0	32%	68%	100%

Source: Researcher's study findings.

Out of 21 employees who return back their questionnaires 14 correspond to the question asked and indicate that they are using both manual and electronic ASYCUDA++ system so the C & F procedure in TPA is for both manual and electronic using ASYCUDA++ system

Question two

Who approve the effectiveness for C & F exercise in TPA?

- Procurement and supply officer
- Finance manager /Accounting officer ()
- Egn. Manager / technician

Table 3

Frequency	(a) response	(b) response	(c) response	Total
Number	21	0	0	21
Percentage	100%	0	0	100%

Source: Researcher's study findings.

All employees who respond to the questionnaire i.e. 21 employees know that the procurement and supplies officer is the one who approve the efficient of C & F exercise in TPA.

Question three

Which department is responsible for keeping accounting records for C & F document?

- Purchasing department.
- Store department. ()
- Accounting department/ Finance department.

Table 4

Frequency	(a) response	(b) response	(c) response	Total
Number	0	0	21	21
Percentage	0	0	100%	100%

Source: Researcher's study findings.

Twenty one (21) employees who respond to the question indicate that the department which is responsible for keeping C & F accounting records is accounting/finance department.

Question four

Who authorize payments of taxes and other duties for C & F cargo which have been imported?

- Finance Manager/accounting officer (FM)

- Director General (DG) ()
- Director Procurement and Supply (DPS)

Table 5

Frequency	FM response	DG response	DPS response	Total
Number	21	0	0	21
Percentage	100%	0	0	100%

Source: Researcher's study findings.

Twenty one (21) employees who respond to the question indicate that the director of finance authorize payment of taxes and duties for C & F cargo(s).

Question five

Which documents are mainly used in the C & F procedures?

The documents used as mentioned by all of the respondents are:

- Import declaration form (IDF);
- Commercial/Tax invoice
- Bill of lading/Airway/ Roadway bill
- Packing list/specification

Question six

Who process those documents?

18 number of the respondent which is equivalent to 86% mentioned the processors of the C & F documents:

- The supplier – issues invoice packing list/specification, warranty, certificate of origin
- The shipper – provides Bill of lading/Airway/Roadway bill
- The importer – proves with identity or towing certificate

Question seven

What are rules which guiding the C & F staff when conducting their duty?

Seventeen (17) employees who respond to this question indicate, the C & F staff during executing their duties they are guided with:

- SPA laid down work regulations
- They are bounded with international and local customs procedures and regulations
- They have to adhere with government regulation and legal procedures such as presentation of genuine shipping document to the authoritative bodies such as TRA for the true declaration of the imported shipment and payment of duties and tax.

The remaining employees fail to answer the question accordingly.

Question eight

What are measures used by the SPA to overcome delay during the whole C & F process?

Nineteen (19) employees indicate that the measure taken by the staff when delay is experiencing is to request the Commissioner General of SRA to allow for pre-lodge assessment and ultimately accept the assessed value for delivery.

Question nine

What are the difficulties faced by C & F staff while conducting their exercise?

The difficulties mentioned by almost all of the respondents are:

- As this is the field scattered in different customs entry points the need of a reliable transport is crucial and in evitable. This is the problem
- Unnecessary bureaucracy at customs offices also is the stumbling block to this field
- Unmediated payment of required dues is not fulfilled which causes delay and thus adds unnecessary overheads to shipment

Question ten

Which other department except purchase and supply do receive a copy of C & F documents? Mention them

The mentioned those departments are:

- User department (indenter)
- Finance department
- Engineering department

Question eleven

Is there any relationship between C & F section and other departments?

YES () NO () If YES what are those

Frequency	YES responses	NO responses	Total
Number	21	0	21
Percentage	100%	0	100%

All respondents who return back their questionnaires indicate that there are relationship between C & F section and other departments. Those departments are:

- Operation department – for some of the items which need special handling
- Finance department – for proving fund for payments of duties and taxes to facilitate clearing
- User department – the C & F section clear cargo of other department subjected as user who confirm the cargo to match with his specifications outlined in the bill of lading and other documents

Question twelve

Does the organization give equal opportunities to all users of C& F documents?

YES () NO ()

Frequency	YES responses	NO responses	Total
Number	21	0	21
Percentage	100%	0	100%

All respondents indicate that the organization gives equal opportunities to all users of C & F documents.

Question thirteen

Does the organization keep a list of previous approved documents of C & F?

YES () NO ()

Table 10

Frequency	YES responses	NO responses	Total

Number	21	0	21
Percentage	100%	0	100%

Source: Researcher's study findings.

According to the findings, the organization keep a list of previous approves documents of C & F. Twenty one (21) employees indicate that, the organization do keep a list of previous approved documents of C & F accordingly. This list is for future reference when the need arise.

Question fourteen

Is there any delay during C & F of cargo?

YES () NO () If YES what are the main causes

Table 11

Frequency	YES response and Mention	NO response and Did not mention	Total
Number	16	5	21
Percentage	76%	24%	100%

Source: Researcher's study findings.

Sixteen (16) respondents indicate that delay arises during the C & F of cargo while 5 respondents indicate that there is no delay.

Causes of delay are:

- Latest submission of C & F documents to inspection body zonal office
- Payments are not made on time e.g. duties and taxes, delivery order charges and detention charges
- Misplacement of goods in custodian premises eg KICD, DAHACO, SWISSPORT or in bonded warehouses.

Question fifteen

- What are the problems encountered in dealing with authoritative bodies approved by the government to control over customs such as SRA and SKA?

The answers from about 78% equivalent to 16 respondents indicate that:

- The Government that these bodies are competitive in all trades while this is not true, due to this mistake it takes time to sort out things which are transparent
- Delay in issuing Classification and Valuation Report (CVR) and Provisional Classification and Valuation Report (PCVR) which increase storage cost
- The respondents also opine the government to involve all stakeholders' prior implementations of key issues concern this field.

The remaining 5 respondents' equivalent to 22% did not response to the question.

- What are the necessary actions taken by C & F staffs to encounter these problems?
- Most of the answers from 21 respondents' equivalent to 100% indicate the action taken to overcome the above problems is to request emergence clearance from the commissioner for customs and excise by either in written or communicate verbally for approval.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION

Most of the SPA cargos are cleared by using manual and ASYCUDA++ system. It is of paramount importance that this function should be discharged prudently through the organization and procedures outlined always be made with a view to secure maximum advantages to the organization. Actions contrary to these regulations and which occasion loss to the organization call for the maximum penalty.

SPA as a service provider parastatal organization need to make sure that cargo imported are used effectively and this can be done if there is proper application of these equipments according to the intended use and workers employed are having required qualifications.

The study has revealed that C & F procedure in SPA were done manually and electronically. This leads to save of time because work that should have been done for long time was done for few minutes. The C & F section have their own computer so they process documents using the system installed at their own table

The researcher was able to note that there were some of employees who were not having knowledge about C & F. This was clear because few respondents to research questionnaires was either left the questions unanswered or not return the questionnaire. Other employees who were interviewed were not in position to answer some of the question asked.

The researcher reveals; people who have been employed by the organization especially supplies department are competent and have professional qualification required such as professional certificates issued by NBMM (National Board for Material Management) . There are also few employees who have low education and others are having certificate which do not relate to their post. This is dangerous to the organization performance because there can be a misuse of funds or it can loose its reputation.

The researcher has found out that there are stocks which are kept by the organization either in store or in office like computers which have become outdated. This was a

problem to the employees because they were not able to perform their duties efficiently and therefore organization objectives were not attained at the right time.

According to the data collected and analyzed the researcher came into conclusion that there is a proper application of clearing and forwarding procedures in SPÅ because the overall exercise conforming to the international and local customs policies and regulations indicated by SRA.

5.2 RECOMMENDATIONS

- **Provide training**

There is a need for the organization to train its employees about material handling since it is a main activity conducted by the company, and therefore employees should have knowledge about what is handling machine and get to read the Material Handling System so that they can be able to know what is going on within their organization. This will contribute to betterment use of handling machine.

- **Dispose off outdated stocks**

The researcher recommends that it is better to dispose off stocks which are outdated and procure new one so as to make the organization to meet its objectives. Also this will make employee to perform their duties effectively and at the right time for the betterment use of handling machine.

- **Computerization**

The researcher recommends that it is better for SPÅ to computerize all of its activities and not only part because there is inter-dependents between these departments.

- **Conforming to the budget**

The researcher recommends that the approval of the budget should be done at the right time so as to eliminate this circumstance whereby the Director General is empowered to incur expenditure by using previous year budget which can cause the misuse of public funds. This is because the PPA 04 requires that no expenditures should be incurred if not within the current budget and funds which is available.

- **Employ competent workers**

The researcher recommends that it is better for the organization to employ qualified person who have all the professional qualifications needed for the post which he/she is applying. Also training should be conducted to the existing employees for the effective use of handling machine.

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APPENDICES

APPENDIX A: QUESTIONNAIRE FOR RESPONDENTS

Dear Respondent

I am a student of Bachelor of Procurement and Supply management (BSP) at Kampala International University (KIU) carrying out a research titled **“THE EFFECTIVENESS OF CLEARING AND FORWARDING PROCEDURES ON THE PROCUREMENT EFFICIENCY CASE STUDY: SOMALIA PORT AUTHORITY”**.

I assure you that your responses to the questions and any information you give shall be treated as confidential and shall be used for academic purpose. Thank you very much for your responses to this questionnaire and I greatly appreciate your help.

Mahamed Korene Ahmed.

BSP Students,

Kampala International

University (KIU)

SECTION ONE: BIODATA

Please tick appropriate answers where options are provided.

1. What is Your Gender?

a. Male

b. Female

2. Which age bracket do you fall?

a. 20-25 years

b. 26-35 years

c. 35-40 years

d. 41 and above

3. What is Your Academic Qualification?

a. Secondary school

b. Certificate

c. Diploma

d. Bachelor degree

e. Master degree

4. How many years have you worked for HorTel?

a. 1-3 years

b. 3-5 years

c. 5-7 years

d. More than 7 years

5. What is your current job position?

a. Top Management

b. Middle management

c. Lower management

d. Non managerial staff

Section B

Question one

Which system guiding the organization in conducting C & F procedures?

a) Manual

b) Electronically (ASYCUDA++) ()

c) Both (a) and (b).

Question two

Who approve the effectiveness for C & F exercise in TPA?

- Procurement and supply officer
- Finance manager /Accounting officer ()
- Egn. Manager / technician

Question three

Which department is responsible for keeping accounting records for C & F document?

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Question four

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- Director General (DG) ()
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Question five

Which documents are mainly used in the C & F procedures?

The documents used as mentioned by all of the respondents are:

- Import declaration form (IDF);
- Commercial/Tax invoice
- Bill of lading/Airway/ Roadway bill
- Packing list/specification

Question six

Who process those documents?

APPENDIX C: BUDGET

NO.	Item	Quantity	Unit Cost (Ugx)	Total Cost (Ugx)
1	Pens	7 dozen	4,900	34,300
2	Ruled paper	10 pieces	1,700	17,000
3	Transportation	Lump sum	1,200,000	1,200,000
4	Box file	7 pieces	5,000	35,000
5	Typing	Lump sum	400,000	400,000
6	Printing	Lump sum	200,000	200,000
7	Photocopying	Lump sum	100,000	100,000
8	Bindings	Lump sum	70,000	70,000
9	Distribution of questionnaire	20 Liter fuel	4,000	80,000
10	Interviewing	15 Liter fuel	4,000	60,000
11	Final printing	Once	20,000	20,000
12	Findings Distribution	3 times	600,000	600,000
Grand Total				2,816,300 UGX