SUGAR, IVORY, TOBACCO TOPMOST SMUGGLED GOODS

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The trade funds criminal enterprises and breeds corruption in East Africa and the surrounding regions.

A recent market survey conducted by the Kenya Association of Manufacturers discovered that 40% of products, including cigarettes, alcohol and water, are illicit.

On the other hand, a surveillance report by the Uganda Bureau of Statistics for 2017 and 2018 indicates that on average, 54% of goods on the market are substandard, with nearly half being locally-made.

"As much as 70% of the alcohol available in Uganda is thought to be illegal," the CEP report showed.

"At every link in the illicit chain, economic, social and political harm is done to the East African society. Illicit trade causes environmental despoliation and labour exploitation, while exposing consumers to unregulated and potentially unsafe products and reducing civic trust. It also diverts critical tax revenues.

COUNTERFEIT PRODUCTS

"Every year, Kenya loses $900m (or sh32.4b) to counterfeit products, according to the country's Anti-Counterfeit Authority. Illegal tobacco alone costs the region $100m (sh3.6b) annually," it added.

Ivory confiscated from smugglers. Ivory is among the most illicit traded items in East Africa

IMPACT OF ILLICIT TRADE

Annually, an estimated $88.6b (or sh325 trillion), equivalent to 3.7% of Africa's gross domestic product (GDP), leaves the continent as illicit capital flight, according to the United Nations Conference on Trade and Development's (UNCTAD) Economic Development in Africa Report 2020.

Uganda alone is estimated to lose more than sh2 trillion to illicit trade. The staggering figure represents about three quarters of the national budget support by development partners to Uganda for the fiscal year 2020/21.

Jane Nalunga, the executive director of the Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI), said African countries are in dire need of financial resources and yet they continue to lose them through Illicit financial flows.

BETWEEN THE LINES

Last year, Uganda Revenue Authority chief John Musinguzi said they were to start using drones, artificial intelligence, data analytics, satellite technologies and regional electronic cargo tracking systems to curb illicit trade.

In January 2019, the Uganda Wildlife Authority, together with Police, charged two Vietnamese nationals with possession of several thousand pangolin scales, as well as 750 pieces of ivory. The consignment was believed to have been packaged in the DR Congo before being smuggled into Uganda via South Sudan.

Between 30-40% of Ugandan timber is reported to originate from illegal logging, with timber smuggling often combined with other categories of illicit trade, including in gold and ivory.

"Ongoing conflicts in the Central Africa nations, such as the DR Congo and Central African Republic, are fuelled by the illegal expropriation and smuggling of environmental resources, including diamonds and wildlife.

These illicit goods are commonly routed through East Africa on their way to international markets," the report said.

The report noted that the export of illegal gold from Uganda has increased significantly over the past five years.

Jane Nalunga

John Musinguzi Rujoki

However, with much of the gold refined in Uganda sourced from other countries, "there remains serious concerns that the industry is not as effective as it might be in preventing illegal gold from entering the system."

Commenting on the report, Sir Ivor Roberts, the CEP senior advisor and author of the report, said as illicit trade networks continue to expand and grow in sophistication, the cost to the East African society will be enormous.

"The most effective way from the East African region and the wider international community to fight extremism, crime and corruption is to turn off the taps of illicit trade. This can ensure that critical revenues are not lost to the shadow economy, but are instead invested in key services," he said, adding that: "Combating illicit trade should be the number one priority for East African governments and their international allies. This issue goes beyond the borders of East Africa, and it is imperative that the international community pay heed."

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CO-ORDINATION

In the last decade, several border posts on the main trade corridors in the region have been converted into one-stop border posts (OSBPs) and many others are lined up for conversion.

Under the EAC OSBP arrangement, border agencies from neighbouring countries co-operate and co-ordinate their border-based interventions to save time.

However, results have rarely met expectations as co-ordination between border agencies from different countries is far from addressing illicit trade, according to observers.

In October last year, Uganda Revenue Authority's commissioner general John Rujoki Musinguzi revealed that the tax body will intensify the use of emerging technologies around the porous border points.

"The agency will on board use of drones, artificial intelligence and data analytics, satellite technologies and regional electronic cargo tracking systems in its quest to identify revenue as means of curbing illicit trade and enhancing border intelligence," he said.

GOVERNMENT INTERVENTIONS

By press time, we were unable to get the Financial Intelligence Authority (FIA) to comment on the CEP latest report. However, there have been some ongoing interventions by the money watchdog to tighten loose screws in the financial sector.

Effective April 1, FIA asked all wire transfer service providers to file weekly international wire transfer reports to the agency. The directive requires all commercial banks, credit institutions, microfinance deposit-taking institutions, money remitters and mobile money service providers to comply.

Sydney Asubo, the FIA executive director, in a statement said wire transfers are vulnerable to being used for money laundering and terrorism financing (ML/TF).

"In the Money Laundering and Terrorism Financing National Risk Assessment of Uganda conducted in 2017, ML/TF risk posed by wire transfers as a financial product was assessed and rated medium. There is, therefore, need to take measures to mitigate the identified risks," he said.

"The main objective of filing is to ensure that basic information on wire transfer transactions is available to FIA for analysing suspicious or unusual activity and disseminating the resulting financial intelligence to the relevant law enforcement agencies for further investigations," he added.