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**ISSUES ON MULTIMODAL TRANSPORT  
DEVELOPMENT IN AFRICA:**

**Human Resource Development and Training in  
Multimodal Transport/Freight Forwarding Subsector**

HUMAN RESOURCES DEVELOPMENT AND TRAINING IN MULTIMODAL  
TRANSPORT/FREIGHT FORWARDING SUB-SECTOR

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## **SUMMARY**

Under UNCTADA II and SSATP programmes, the Economic Commission for Africa in collaboration with UN specialized agencies dealing with transport development in Africa, formed a coalition to look into human resources and institutional development in transport and communications. Case studies were prepared by various UN agencies covering all modes by transport including multimodal transport/freight forwarding. The outcome of the findings and recommendations of the case studies were disseminated by ECA through sub-regional and regional seminars.

The outcome of studies identified major weaknesses in the field of Multimodal Transport and Freight Forwarding as follows:

- Inappropriate legal framework;
- Need for strengthening national and sub-regional freight forwarding associations;
- Too many variations in the structure of companies carrying out freight forwarding activities;
- Faulty management systems coupled with poor delegation by power; and
- Lack of professional structures in the industry.

To overcome these problems an attempt has been made to highlight activities of selected sub-regional training institutions that have or could develop courses for the benefit of the sub-sector. Priority areas for sub-regional training in Multimodal Transport/Freight Forwarding are identified and a sample training module is explained. The proposed module covers thirteen main areas of concern as follows:

- Elaboration on duties and responsibilities of the freight forwarder and its relationship with intervening parties;
- Rights, duties and responsibilities of Multimodal Transport/Freight Forwarding institutions;
- The art by packaging, marking and handling of special cargoes;
- Principles of carriage of goods by sea;
- Principles of carriage of goods by air;
- Carriage of goods by road and rail;
- Practices of customs' activities and port procedures;
- The art of consolidation and intermodal transport
- Freight forwarding documentation practices
- The use of incoterms
- Application of documentary credits;
- Cargo insurance; and
- Liability insurance.

The objectives of each module are briefly explained leaving open the task of the development and validation of training materials.

It is recommended that past effort in the development of the sub-sector should be intensified further, and those sub-regional institutions conducting courses should be given minimum support in the implementation of their training activities.

ECA should spearhead the development of sub-regional training activities in close collaboration with FIATA and sub-regional MT/FF Associations. Training at national levels should be developed by sub-regional association in close consultations with national associations.

## MULTIMODAL TRANSPORT/FREIGHT FORWARDING SUB-SECTOR

### I. BACKGROUND

1. The general decline of the economies of African countries in recent decades—made worse by drought and the accumulative pressures of international debts and falling commodity prices has drawn the attention of policy-makers to the transport and communications as key elements in recovery programmes developed jointly by the African countries. Poor performance in the transport sector is, therefore, no more tolerable; improvement is a matter of priority; leading to a research for causes and remedies.

2. During the implementation by ECA of the Second United Nations Transport and Communications Decade for Africa (UNTACDA II) from 1991 to 2000, United Nations agencies dealing with the development of transport and communications in Africa formed a coalition that coincided with the beginning of a joint ECA/World Bank project, Sub-Saharan Africa Transport Programme (SAATP), which had a human resources and institutional development component. The aims of the component were to improve understanding of problems in the transport and communications sector, define institutional and human potentials and find new approaches and measures to tackle them. The project was implemented at the preparatory stage of UNTACDA II through an effort that begun with analysis of and reinforcement of the determinants of successful institutional and human resources development. Each agency conducted case studies on transport and communications institutions and agencies in its allocated areas as follows: International Civil Aviation Organization (ICAO) (civil aviation), International Labour Organization (ILO) (roads), International Maritime Organization (IMO) (maritime shipping and ports), United Nations Conference on Trade and Development (UNCTAD) (ports and multimodal transport), World Bank (railways), Economic Commission for Africa (ECA) (dissemination of findings through six sub-regional workshops and one regional workshop), with a view to formulating necessary action plans for HRID. The outcome of the studies produced the results in the following areas for each of the modes studied including multimodal transport:

- The diagnosis for each of the modes studied;
  - The role of Governments;
  - HRID factors;
  - Organizational design problems;
  - Problems of management systems; and
  - Human development problems.
- i) Chapters II and III of the report highlights the above issues as addressed under multimodal transport/freight forwarding sub-sector.
- ii) The report takes into account the outcomes of recent consultations between ECA and the International Freight Forwarders Association (FIATA), and data collected on MT/FF training through ECA missions to Kenya International Freight Forwarders and Warehousing Association (KIFWA), and to the South African Association of Freight Forwarders (SAAFF). The report describes the coverage, content, and scope of training that would assist the Multimodal Transport/freight Forwarding (MT/FF) industry overcome some of its weaknesses identified during the implementation of UNTACDA I and II, and

SSATP programmes. The training can be tailored to suit any national/sub-regional training requirements, and it is up to local educational authorities and institutions to decide on the level of award depending on legislations governing issues of certificate/diplomas in each country.

3. The presentation on training (Chapter IV) is based on the design and content of a Manual on Freight Forwarding that was prepared by the secretariat of the Economic and Social Commission of Asia and Pacific (ESCAP) in collaboration with FITA for the Asian region. The extent to which the training material applicable in Asia could be easily adopted to suit the African region requirements is a question to be answered at an Ad-hoc Meeting of Experts that will be held in 2003 to review issues in the development of Multimodal Transport/Freight Forwarding in Africa. The issue of training in the development of freight forwarding industry should be given high priority in the agenda for the Ad-hoc Experts Meeting.

4. This document is therefore divided into six main parts. After this introduction, the second part deals with general issues characterizing the MT/FF industry as diagnosed during the implementation of UNTACDA II programme. Part three highlights the importance of training and the types of sub-regional training institutions in Africa that are already conducting some courses in the field including others which should consider introducing courses in MT/FF. Part four of the report is a summary of 13 Modules that could form a basis for training in the field. These modules, especially their objectives, should be critically reviewed and enriched by Experts in the field.

5. The document concludes, in part five, by calling upon relevant institutions at national and sub-regional levels to speed up their efforts in initiating training activities that would enhance the establishment of indigenous MT and FF institutions in Africa.

## **II. THE STATUS AND NATURE OF MULTIMODAL TRANSPORT/FREIGHT FORWARDING (MT/FF) INDUSTRY IN AFRICA**

6. Activities undertaken under UNTACDA II in MT/FF indicated that the industry is suffering from numerous HRID problems, that is, problems whose solutions lie more on adjustment of life; training and other ways people organize themselves than in the purchase of expensive equipment and technology. The five main issues are briefly highlighted in the paragraphs below.

### **1. Inappropriate legal framework**

7. The vast majority of multi-modal transport organization (MTOs) operating in Africa today, are based in developed countries, and they often operate in a regulatory vacuum. Indigenous operators are small and ill-equipped to compete with the foreign operators. A legal framework which gives clear and well-defined status to the profession would be a favorable and stabilizing factor.

8. There appears to be some contrast in this domain between francophone and anglophone countries in Africa. In one case, the legal definition of the sector is covered by a series of specific laws and decrees, which outline civil and commercial rights and duties. In the other, there are no specific legal texts covering the profession, and only general company law applies to the sector.

9. Although in both cases technical and financial conditions for being licensed to exercise the profession have been defined, yet these are either not strict enough or are not applied. As a result, many marginal, fictive or clandestine companies - "*suitcase*" companies - have sprung up. They are generally unable to offer guarantees of responsibility or to fulfil minimum legal obligations, but they carry out their activity alongside properly structured companies technically and legally equipped to execute the tasks of freight forwarding correctly.

10. This situation limits the ability of an inexperienced shipper to select a forwarder intelligently. Some form of accreditation with minimum qualifications for forwarders is consequently recognized as desirable both for the industry and for shippers.

## **2. Need for strengthening national and sub-regional freight forwarding associations**

11. Professional associations can be of immense value in improving planning, exchanging information, and developing the profession. In most African countries, there are a few recognized professional organizations representing all, or even a majority of the freight forwarders operating in those countries.

12. Where there is an association, it usually does not voice the opinion of the profession. In most of the cases, there are two or more associations, each pretending to represent and defend the interest of all the others. These associations generally attract sub-elements of the profession such as in transport freight forwarders, ocean-transport freight forwarders and customs agent freight forwarders.

13. This situation reflects a lack of identity among freight forwarders and reinforces their need to cluster around a particular mode of transport or a particular function.

14. Under such circumstances, the professional associations lack credibility in the eyes of government authorities and other commercial groups. When decisions related to the transport of international cargoes are being prepared, these associations are generally not consulted and, when they are, their negotiating power is limited. These associations are often managed on a part-time basis, and standardization of co-ordination, dispatching and document processing rely on the good will of a few members offering their support in addition to running their own businesses.

## **3. Variety in structure of companies**

15. The freight forwarding profession is characterized by considerable disparity in the size and organization of companies. The size and organization affect the range and reliability of services offered to clients, the capacity to market services and to establish international contacts, the degree of vulnerability to economic circumstances, as well as professional training, human resource development and opportunities for advancement.

Four main types of freight-forwarding enterprises were found in Africa:

### **Group 1**

16. This Group includes the most important enterprises in terms of capital, organization, and number of employees, physical facilities and equipment. These are generally local subsidiaries of important foreign freight-forwarding groups, although local legislation may require 51 per cent of their capital to be nationally owned. They are characterized by a sound structural organization, with clearly defined functions, the application of modern management techniques, frequently under the control of expatriate senior managers, and are closely connected to international transport networks.

### **Group 2**

17. This Group includes enterprises, which are controlled by members of ethnic groups of foreign origin, many of whom were born in or have become nationals of the countries studied. In some cases, these groups have become implanted relatively recently (Lebanese in West Africa, established mostly in 20<sup>th</sup> Century). In other cases, the groups have been there longer (Asians in East Africa, established in the 19<sup>th</sup> Century). Such enterprises form an intermediate cluster in size and scope of services, and are not as well structured as Group 1 companies. However, they tend to benefit from the strong support provided by other members of their ethnic groups who have become successful and powerful entrepreneurs.

### **Group 3**

18. This Group includes enterprises with exclusively national/local capital. Such enterprises have generally entered the freight-forwarding sector recently (mainly in the last few decades). They lack strong financial bases and face some problems in management and organization. They have difficulty in getting and keeping even a modest share of the market. They rarely have international contacts and are not in the international transport chain. However, they offer support for national import and export trade. In most cases, they are vulnerable in periods of weak economic growth.

### **Group 4**

19. This Group is made of informal operators who have neither appropriate structure nor legal existence. They have become numerous, do not pay license fees or taxes, and they encroach on the individual consignments market in which they manage to provide cheaper services than established freight forwarders. Their activity is mostly limited to customs clearance, where their personal contacts are valuable. They can barely be called freight forwarders, but they do affect the business and consequently its organization.

20. To these four Groups, one might add some trading companies that do their own clearance and forwarding through departments within their organizations.

21. The foregoing explication of the organization and capacity of the main participants in freight forwarding (multi-modal transport - MMT) in Africa reveals much about the requirements

that will be imposed on all modes of transport in Africa, if the countries in the region are to keep pace with other regions of the world.

22. It is significant that the case studies of MMT organizations contain little identification of internal organizational impediments to performance and success. The studies emphasized external matters: the need for professional accreditation and for education of specific publics about the services and potential of the MTOs. Other than comments about recruitment methods, restricted mobility within the organizations and the need for better training of employees, the studies by implication find little fault with organization, morale, work culture and efficiency, perhaps for these reasons:

- The MTOs/FFs are evolving rapidly in response to market forces and the needs of shippers and consignees.
- The MTOs/FFs are private enterprises, owned and run by risk-taking investors and entrepreneurs with single-minded motivation: profit
- The MTOs/FFs are not encumbered by a history of traditional civil-service procedures, and they are not inhibited by staff reflexes conditioned by hunger for lifelong security and protection from competition.
- The MTOs/FFs are regulated by governments, often by the governments of several countries through which they pass, but they are not owned by governments.
- The MTOs/FFs are competitive. None is a monopoly, and none can afford to relax for long in the illusion of security. They compete with each other, and increasingly with single-more government-owned transport organizations.
- The MTOs/FFs is the incubus of the future for transport in Africa. They might well be studied as modalities of organization and mission, for in their operation they are most certainly proof that the problems of organization and work culture outlined in the foregoing diagnosis of ills in Africa's transport sector are neither generic nor immutable.

#### **4. Management Systems Poor Delegation of Power**

23. In the process of clearing and forwarding cargo, most companies use a circulating file as a means for reporting administrative operations. If a problem occurs - damaged or missing cargo, disputes with customs, unusual delays, unpaid clients' bills - the file winds up through the hierarchy until it reaches a level where solution can be found and a decision taken.

24. As a result, the movement of the file increases the African and expatriate managers' workloads. This reflects the pyramidal structure of a decision process in which there is insufficient delegation of power.

25. Exceptionally, in a few large and well-organized freight forwarding companies, external working groups are set by the general manager in order to analyze the issues related to information and data management, analytical studies, and preparation of important decisions.

26. The committees give the staff an opportunity to meet regularly, usually once a week, with an agenda requiring preparation and discouraging improvisation. The result is a report. In some cases, specialized ad hoc working groups are set up for specific tasks. For example, a management control committee might prepare budgetary and cash-flow analyses, a personnel and training committee might specify salary increases, or a computer committee might coordinate the use of computers within the company. The general manager always chairs these specialized committees and only the staff concerned can participate.

## **5. Lack of professional structures**

27. Freight forwarding and multi-modal transport companies have varying policies on professional training depending mostly on their size. Small-size companies (Groups 3 and 4) have more problems in organizing their professional training than larger well-structured companies (Groups 1 and 2). Generally, companies in Groups 2, 3 and 4 have no training mechanisms, whereas large international companies from Group 1 can afford internal training programs. Medium-size companies sometimes look to private training institutions to organize periodic sessions around lectures by professionals.

### **III. OPTIONS FOR TRAINING IN MULTIMODAL TRANSPORT AND FREIGHT FORWARDING INDUSTRY**

#### **Training Institutions**

28. Within the African context one of the evaluation reports prepared by ECA under UNTCDA programme on the development of human resources in general and multimodal transport concluded that:-

"many facets of efforts needed to improve transport conditions in Africa require 'software' (human and institutional feature rather than' hardware') (physical) answers ..... Thus, there is an urgent need to improve the quality of human resources at all levels through the sector, and also for them to be effective in the administrative and cultural environment in which they operate. Support from the international community is therefore a priority contribution to African countries in their efforts to improve the quality of managers and technicians at all levels and modes in the sector."

The report finally concluded that:-

"in respect of high-level training, it is doubtful whether the range and numbers likely to be needed can all be produced by institutions in advanced countries. There is the added risk of large losses at high skill levels through the brain drain to ... developed countries. Taking these points against the background of the requirements .... it is reasonable to conclude that while external assistance through executive manpower development programmes would be of great benefit, the bulk of the manpower development programmes would be of great benefit, the arrangements within the region. Technical

assistance ... should, therefore, be geared towards development of training institutions within Africa (including through) ... close association by institutions (in developed countries) as an effective way of transforming appropriate technologies".

29. Training institutions for FF/MT should be those that aim at satisfying the requirements of the sub-sector. Factors to be taken into considerations in deciding on options for training institutions in FF/MT are:

- Training needs requirements of FF/MT institutions in Africa;
- Existence of training facilities and materials that would meet the immediate training needs;
- Establishment of whether the training should be conducted at national or sub-regional levels;
- The extent to which the existing national and sub-regional institutions could be used;
- Drawing up of an appropriate training curricular based on identified training needs, whether the award after training should be at certificate or diploma levels.

30. Training programmes delivered in many African countries in the field of FF/MT often arise from uncoordinated sources. In many cases their origin are traceable to some Ad-hoc pressure to improve performance in specific fields of MT/FF i.e. in the application of Incoterms, new customs documents, or the efficient utilization of a specific transport mode etc. Institutions that can readily conduct sub-regional training in the field of MT/FF in Africa are:

- The Banadari College in Mombasa, Kenya, for countries in Eastern Africa. The Kenya Ports Authority wholly owns the College. The College already runs a one-year Diploma course in Clearing, Warehousing and Practical Freight Forwarding (DCFW) in conjunction with the Kenya International Freight forwarding and Warehousing Association (KIFWA);
- Portnet Academy Durban for Southern African countries under its management and supervisory training, and functional training programmes;
- Maritime Academy in Accra, Ghana and Maritime Academy in Abidjan Côte d'Ivoire, for Anglophone and Francophone countries in West Africa respectively;
- Ecole Supérieure Africaine des Cadres des Chemins de Fer et de Gestion des Transports (ESAC-GT), based in Brazzaville, Republic of Congo. The institution was originally a railway institute, but has opened for other aspects of transport training for Central African countries; and
- North African countries could share the Cairo based Inland Water Institute and the Arab Maritime Academy (AMTA) in Alexandria. These institutions are strong in

water-based transport matters and would, therefore, be the best ones for delivery of sub-regional training courses in FF/MT.

31. Sub-regional freight forwarders associations have a role to play in liaison with their national members about the establishment of sub-regional training schemes. They are to ensure that both national and sub-regional training activities in their sub-regions are recognized by the relevant training authorities at national and sub-regional levels, it is the only way the MT/FF organizations can gain recognition they need as a profession so that government-controlled institutions do not stand in their way. Sub-regional Associations also have the responsibility to ensure that any training activities in their sub-regions are in conformity with the International Federation of Freight Forwarders Associations (FIATA) requirements for training curriculum approval whether the training activity is vocational, certificate or diploma oriented in certification. The FIATA Regional Africa-Middle (RAME) based in Zurich, Switzerland is readily available to provide guidance in all training issues in the field of MT/FF, including training of trainers.

#### **IV. PRIORITY AREAS FOR SUB-REGIONAL TRAINING IN THE FIELD OF MULTIMODAL TRANSPORT/FREIGHT FORWARDING**

32. Successful implementation of policies, practices and plans in any type of activity depends ultimately on those responsible for them. If, therefore, economic and social progress is being limited by shortage of well-trained and experienced manpower as is the case in many parts of the African continent, then investment in developing human and capital offers prospects for two important benefits. One is high economic and social return through sounder policy, investment, and operational decisions. The other is to break out of environments of inappropriate practices, which inhibit entrepreneurial initiative as well as erosion of responsibility and self-reliance at all levels.

33. The importance of freight forwarders in helping develop national economies has been widely recognized. They play an active role in expanding trade by procuring efficient and economic modes of transport. They help to improve the balance-of-payments position by assisting in export promotion by lending support to national carriers and insurers. They also play an active role in facilitating trade by simplifying and rationalizing trade and documentary procedures, thereby reducing transport costs.

34. The twelve modules selected as areas of priority training for freight forwarders performance improvement are described below. They represent the most common areas that all freight forwarders usually deal with in their day-to-day work. It is expected that detailed training materials covering the twelve modules would be developed regionally, as was done by the Economic and Social Commission for Asia and Pacific (ESCAP) for the Asian region in early 1990s, or sub-regionally depending on the wishes of the various sub-regional freight forwarding associations, in accordance with the various objectives set for each of the modules.

## **MODULE 1: SCOPE OF FREIGHT FORWARDING SERVICES**

### **1.1 Who is a freight forwarder?**

35. Originally, a freight forwarder was a commission agent performing on behalf of the exporter/importer routine tasks such as loading/unloading of goods, storage of goods, arranging local transport, obtaining payment for his customer, etc.

36. However, the expansion of international trade and the development of different modes of transport over the years that followed enlarged the scope of his services. Today, a freight forwarder plays an important role in international trade and transport. The services that a freight forwarder renders may often range from routine and basic tasks such as the booking of space of customs clearance to a comprehensive package of services covering the total transportation and distribution process.

37. There is no internationally accepted definition of the term "freight forwarder". Forwarders are known by different names in different countries, such as "customs house agent", "clearing agent", "customs broker", "shipping and forwarding agent" and in some cases acts as a "principal carrier", that is, the main carrier. But one aspect of their activities which is common to all of them, whatever the name they use, is that they all sell their services only.

38. In this module, participants should outline the various activities, which fall within the scope of freight forwarding services, the rights, duties and responsibilities of a freight forwarder and his relationship with the various parties in the course of providing services to his customer.

### **1.2 Scope of Freight Forwarding Services**

39. Unless the consignor, the person sending goods, or the consignee, the person receiving goods, wants to attend to any of the procedural and documentary formalities himself, it is usually the freight forwarder who undertakes on his behalf to process the movement of goods through the various stages involved. The freight forwarder may provide these services directly or through sub-contractors or other agencies employed by him. He is also expected to utilize, in this connection, the services of his overseas agents. Briefly, these services are:

#### **1.2.1 On behalf of the Consignor (Exporter)**

The forwarder, in accordance with his shipping instructions, would:

- Choose the route, mode of transport and a suitable carrier
- Book space with the selected carrier
- Take delivery of the goods and issue relevant documents such as the Forwarders' Certificate of Receipt, the Forwarders' Certificate of Transport, etc.

(these documents will be dealt with in more detail in the module on Freight Forwarding Documents).

- Study the provisions of the letter of credit and all Government regulations applicable to the shipment of goods in the country of export, the country of import, as well as any transit country; he would also prepare all the necessary documents.
- Pack the goods (unless this is done by the consignor before handing them over to the forwarder), taking into account the route, the mode of transport, the nature of the goods and applicable regulations, if any, in the country of export, transit countries and country of destination.
- Arrange warehousing of the goods, if necessary.
- Weigh and measure the goods.
- Draw the consignor's attention to the need for insurance and arrange for the insurance of goods, if required by the consignor.
- Transport the goods to the port, arrange for customs clearance, related documentation formalities and deliver the goods to the carrier.
- Attend to foreign exchange transactions, if any.
- Pay fees and other charges including freight.
- Obtain the signed bills of lading from the carrier and arrange delivery to the consignor.
- Arrange for transshipment en route if necessary.
- Monitor the movement of goods all the way to the consignee through contacts with the carrier and the forwarders' agents abroad.
- Note damages or losses, if any, to the goods.
- Assist the consignor in pursuing claims, if any, against the carrier for loss of the goods or for damage to them.

### **1.2.2 On behalf of the Consignee (Importer)**

The forwarder, in accordance with his shipping instructions, would:

- Monitor the movement of goods on behalf of the consignee when the consignee controls freight, that is, the cargo.
- Receive and check all relevant documents relating to the movement of the goods.

- Take delivery of the goods from the carrier and, if necessary, pay the freight costs.
- Arrange customs clearance and pay duties, fees and other charges to the customs and other public authorities.
- Arrange transit warehousing, if necessary.
- Deliver the cleared goods to the consignee.
- Assist the consignee, if necessary, in pursuing claims, if any, against the carrier for the loss of the goods or any damage to them.
- Assist the consignee, if necessary, in warehousing and distribution.

### **1.2.3 Other Services**

40. In addition to the services listed in paras 1.1.1 and 1.1.2 above, the forwarder may also provide, depending upon the requirements of his customer, other services arising during transit operations and also special services such as consolidation or groupage services arising in connection with project cargoes turnkey projects (supplying equipment, plant etc, ready, for operation), etc. He may also advise his customer on consumer needs, new markets, competitive situations, export strategy, appropriate trade terms to be included in foreign trade contracts and in short in all matters relating to his business.

### **1.2.4 Special Cargoes**

41. Freight forwarders usually handle general cargo consisting of a large variety of finished, unfinished or semi-processed goods and other miscellaneous commodities moving in international trade. The services listed in 1.1.1 and 1.1.2 above generally apply to such cargo. But freight forwarders may also provide, depending upon the requirements of their customers, other services arising in connection with special cargoes and some freight forwarders may even specialize in the provision of such services. Examples of such services are:

(i) Transportation of project cargoes

This essentially involves the movement of heavy machinery, equipment, etc. for the construction of large projects such as airports, chemical plants, hydro-electric plants, oil refineries, etc. from manufacturers to construction sites. The movement of such cargoes has to be carefully planned in order to ensure timely delivery and may require the use of heavy cranes, oversize trucks, special types of ships, etc. This is a specialized field for freight forwarders.

(ii) Garment hanging services

Garments are carried in hangers hung on racks in special containers and, at the destination; they are transferred directly from the containers to stores for display. This avoids the need for processing the garments which would have

been necessary had they been stuffed inside containers and at the same time provides protection from the weather, dust, etc.

(iii) Overseas exhibition

Freight forwarders are usually appointed by organizers of exhibitions to transport exhibits offered by different exhibitors to the exhibition site in another country. The forwarders have to comply with the special instructions of the organizers in regard to the form of transport to be used, the specific customs terminal in the country of destination, when the exhibits are to be delivered, the documentation required, etc.

## **MODULE 2: RIGHTS, DUTIES AND RESPONSIBILITIES OF A MULTIMODAL TRANSPORT/FREIGHT FORWARDING INSTITUTIONS**

42. Many countries have problems with establishing the status of freight forwarders as compared to other activities carried out by other transport mode. It is therefore necessary to look into the two types of law systems that govern freight forwarding activities in Africa.

### **2.1 Legal Status of a Freight Forwarder**

(i) Common law countries

In the absence of international legislation in the field of freight forwarding, the legal status of a freight forwarder varies from country to country depending on the legal system in each country. Generally speaking, in common law countries (where traditional usage and customs form the basis of legal principles and rules), this is based on the concept of agency.

The forwarder is the agent of his principal, the consignor/consignee, in arranging transport of the latter's goods, and he is subject to the traditional rules of agency such as the provision of due care in the performance of his duties, being loyal to the principal, the duty to obey reasonable instructions and to be able to account for all transactions.

When acting as agent, the defenses and limitations of liability, which are appropriate to an agent, are available to him. But if the agent assumes the role of a principal (one who has permitted or directed another - an agent - to act for his benefit and subject to his direction and control) and concludes a contract assuming responsibility in his own name, this would not be the case. If he does this, he becomes responsible for the satisfactory performance of the whole transport operation, including the period when the goods are in the custody of the carriers and other agencies whose services he makes use of.

In actual practice, however, the position often varies with the type of service undertaken by the forwarder. For example, when a forwarder undertakes to provide road transport, transporting the goods himself, he assumes the role of a principal but if he has a sub-contractor known to his client who has been appointed with the agreement of the client, he continues to act as an agent.

Again, when a forwarder provides groupage or consolidation services and issues his own bill of lading he becomes a principal.

(ii) Civil Law Countries

In Civil Law countries (where laws are laid down regarding private rights and remedies) the legal status and consequential rights and obligations of forwarders vary from country to country. As a general rule, forwarders in such countries transact business in their own name for the account of their principals. They are considered to be agents in relation to their principals (consignor or consignee) and principals in relation to the carriers.

43. There are, however, variations between civil law countries in the type of responsibility undertaken for transport by the forwarder. In some civil law countries like France, in addition to being liable for forwarding activities the forwarder is also liable for the proper performance of the transport contracts and in this respect, the forwarder is often virtually considered as a carrier. In regard to the liability arising out of the performance of the actual transport, French law permits the shipper to use either the forwarder or the carrier. In some other civil law countries like the Federal Republic of Germany, however, the position is substantially different, in that the forwarder does not assume liability for the proper performance of the transport contracts, unless he performs them himself.

**Objectives:**

The module should explicitly explain relationships between Freight Forwarders with:

- i. Government parties such as customs, port authorities, central bank, consular offices, trade control authorities and transport licensing authorities;
- ii. Private parties such as - shipowners, road operators, railway organizations, airlines, and inland water operators;
- iii. Warehouse institutions for warehousing of goods; insurers for insuring cargo;
- iv. Packaging organizations for packing goods; and
- v. Commercial banks for the operation of documentary credit.

This coverage should be the end of the first module of basic course on freight forwarding in which are briefly described the scope of the forwarder's services, the difference in his rights, duties and responsibilities when he acts as agent and when he acts as a principal and his relationships with other intervening parties.

### **MODULE 3: PACKAGING, MARKING AND SPECIAL CARGOES**

44. The subjects treated in this module are very important for a forwarding agent. Although in the packaging of goods he acts in an advisory capacity to the shipper, he is increasingly actively involved in the packing of goods in containers, whether they are transported by sea, air, road or rail. Although this module introduces the principles of packing of cargoes in containers, containerization should be dealt with in more detail in the relevant modules later in the course.

45. The forwarder's duty is to ship goods on behalf of his principals, whether these are buyers or sellers. It is very important for the forwarders that these consignments arrive in good condition. Their sound advice on questions relating to the packing required, given the mode of transportation and the final destination, is a valuable guide to firms engaged in international business.

46. It is important to bear in mind that certain materials are harmful to the environment and should not be used as packing materials. For example, POLYURETHANES and POLYSTYRENE are harmful because FLUORCHLORIN CARBON HYDROGEN, which destroys the ozone layers of the earth, is used in their production.

47. At the end of this module, the participants will be able to demonstrate that they can provide advice to shippers on the most appropriate packaging for their goods and to plan and deal with dispatches of special cargo.

#### **Objectives**

- To provide advice to shippers on the most appropriate packing and handling required for their goods.
- To have a working knowledge of the principles of packing cargo in container stowage.
- To plan and deal with dispatches of special cargoes.
- To provide advice to shippers on the most appropriate marking and labeling for the different types of cargo.

### **MODULE 4: CARRIAGE OF GOODS BY SEA**

48. Shipping constitutes the principal mode of international transport and is estimated to carry about 90 per cent of international trade in terms of volume. This has a great extent been facilitated by the principle of Freedom of the Seas, whereby ships of all nationalities are free to operate in international trade routes.

49. The carriage of goods by sea involves several parties as well as procedural and documentation formalities. The commercial and legal implications are therefore wide-ranging and important. It is consequently very important for the freight forwarder to be able to identify the formalities relating to carriage of goods by sea to be able to provide an efficient service. After a successful study of this module, participants should be able to demonstrate that they can effectively and efficiently organize the carriage of goods by sea for their client.

This module should be divided into five sections as follows:

#### **4.1 Selection of suitable shipping carrier/service**

##### **Objectives:**

- To explain briefly the relative importance of transport geography in carriage of goods by sea;
- To explain the role of shipping conferences, non-conferences, NVOCCs (non-vessel operating common carriers) and tramp (freight vessel) operators in sea borne trade.

#### **4.2 Rights, duties and responsibilities of a carrier**

##### **Objectives:**

- To specify the rights, duties and responsibilities of the carrier under the Hague Rules;
- To explain the significant amendments relating to carrier's liabilities and the application of the Rules in relation to Bills of Lading under the Hague-Visby Rules;
- To explain the proposed changes in regard to allocation of risks, rights and obligations between shippers and carriers under the Hamburg Rules.

#### **4.3 Documents**

##### **Objectives:**

- To list the main type of Bill of Lading;
- To explain the purpose of the Sea Waybill and other documents used in carriage of goods by sea.

#### **4.4 Carriage of goods in containers**

##### **Objectives:**

- To list the advantages and disadvantages of containerization;

- To list the precautionary measures required in using containers;
- To describe the modes of container shipment;
- To describe the responsibilities of the carrier.

#### **4.5 Freight rates and cargo claims**

**Objectives:**

- To determine the principal factors governing freight rates for the carriage of goods by sea;
- To explain cargo claim procedures in relation to the carriage of goods by sea.

### **MODULE 5: CARRIAGE OF GOODS BY AIR**

50. Today, air transport plays a major role in international trade. More and more goods - particularly goods of high value, time-sensitive commodities and perishables - are moving by air and are being found suitable for movement by air. It has been estimated that goods moving by air account for about 20 per cent of the world trade in terms of value.

51. About 90 per cent of the world's air cargo traffic is handled by air cargo agents who act not only on behalf of air shippers but also on behalf of the airlines of whom they are approved sales agents. In this module, the different aspects of air cargo traffic will be dealt with, with special reference to the role of air cargo agents.

52. After successful completion of this module, course trainees should be able to gain a broad understanding of the principles and practices of air cargo traffic.

53. This module is intended essentially for sea freight forwarders who need a basic knowledge of air freight. It is not comprehensive enough for the training of air freight forwarders.

This module has been divided into five sub modules as follows:

#### **5.1 International air transport: Organizations and geography**

**Objectives:**

- To explain briefly the international organizations - ICAO, IATA and FIATA - involved in air transport;
- To establish a working knowledge of air transport geography.

#### **5.2 Rights, duties and responsibilities of carrier/shipper**

**Objectives:**

- To specify the rights, duties and responsibilities of the carrier/shipper under the Warsaw Convention;
- To explain the main provisions relating to the liability of the carrier.

**5.2 Documents**

**Objectives:**

- To identify the documents used in carriage of goods by air;
- To explain the main functions of the air waybill and its contents.

**5.3 Air Cargo Agency**

**Objectives:**

- To identify the air cargo intermediaries;
- To explain the roles and functions of air cargo agents/ air freight forwarders.

**5.4 Aircraft and air transport**

**Objectives:**

- To identify types of aircraft;
- To explain the air cargo handling facilities;
- To describe the roles of freight forwarder in handling special cargoes;
- To explain the rate structure and types of freight rate.

**MODULE 6: CARRIAGE OF GOODS BY ROAD AND RAIL**

**Complementary Role of Road and Rail Transport**

54. Rail transport plays more or less the same role as road transport in the domestic economy of a country. Rail transport and road transport are often complementary, with rail transport undertaking the long hauls and road transport undertaking the local collection and distribution.

55. The objective of this module is to enable the forwarder to be able effectively and efficiently to organize the carriage of goods by road and/or rail.

The subject of carriage of goods by road and rail has been divided into five sections:

## **6.1 Rights, duties and responsibilities**

### **Objectives:**

- To explain the essential rights, duties and responsibilities of the carrier in the carriage of goods by road, based on the provisions of the CMR (Convention de Marchandises par Route) and the applicable national law;
- To explain the essential rights, duties and responsibilities of the carrier in carriage of goods by rail based on the provisions of the CIM (Convention Intenationale concernant le Transport des Marchandises par Chemins de Fer) and the applicable national law.

## **6.2 Documents**

### **Objectives:**

- To explain the main documents used in the carriage of goods by road or rail;
- To specify all the essential particulars required for each type of document;
- To specify the uses of each type of document.

## **6.3 Freight rate structure**

### **Objectives:**

- To list the main factors that determine freight rates in carriage of goods by road;
- To list the main factors that determine freight rates in carriage of goods by rail.

## **6.4 Transportation of dangerous goods**

### **Objectives:**

- To distinguish the responsibilities of the consignor and freight forwarder in the transportation of dangerous goods by road and rail.

## **6.5 Settlement of claims**

### **Objectives:**

- To be able to explain the procedure for processing claims and their settlement in the carriage of goods by road or rail.

56. The essential aspects of road transport and rail transport which are of significance to freight forwarders are examined here. The material contained in this module is based mostly on the information supplied by the national association of freight forwarders in one country of the countries visited for data collection in the region and may not be relevant in all respects to the other countries. It is for the national association of each country to adapt this module to suit its requirements.

## **MODULE 7: CUSTOMS AND PORT PROCEDURES**

57. Customs clearance in the import-export trade is one of the traditional functions of a freight forwarder. Indeed, in developing countries many freight forwarders are still restricting their activities to customs clearance at the ports.

58. The legal status of the freight forwarder in his relationship with the customs authorities, on the one hand, and his customers, on the other, varies from country to country. In many countries, the forwarder acting as customs house agent is required to obtain a license from the Government and such a license is issued only when he establishes his professional competence by passing prescribed examinations. He may also be required to furnish security or bond for the proper performance of his functions, which may be forfeited in the event of any irregularity or misconduct on his part. In some countries, however, no license or qualifications are required for doing customs clearance work.

59. As customs agents are authorized by the Government to attend to the customs formalities in respect of goods to be imported or exported, they are required to ensure that the customers' interests are safeguarded. They are expected to process quickly the various documents and formalities so that their customers do not miss shipping opportunities in the export trade and do not have to pay demurrage and other charges on account of delays in the clearance of imports. To their customers, they also have a responsibility to ensure proper valuation of the goods and their appropriate classification, so as to avoid any incorrect levy of duties that may subsequently lead to prolonged correspondence involving a lot of time and money. In the performance of their functions, therefore, the customs agents have a dual responsibility to protect the interests of both their customers and the customs authorities.

60. In this module the procedural<sup>1</sup> and documentary details have not been spelt out as these vary from country to country.

### **Objectives of the module**

- To be conversant with relevant customs regulations concerning the import, export and trans-shipment of cargo.
- To have a working knowledge of procedures prevalent in ports and airports.

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<sup>1</sup> For further reference on the simplification and harmonization of customs procedures, please refer to a Customs Cooperation Council publication entitled, *International Convention on the Simplification and Harmonization of Customs Procedures*

## **MODULE 8: CONSOLIDATION AND INTERMODAL TRANSPORT**

61. The advent of container technology in transport has facilitated the introduction of consolidation or groupage services as well as door-to-door intermodal transport services in international trade. This has enlarged the scope of services of the freight forwarder. When a freight forwarder provides consolidation and intermodal transport services, he assumes the role of a principal and is no longer an agent of the shipper or carrier.

62. Consolidation services are more popular in sea and air transport although they are also provided by the railways and truck operators. The ultimate forwarder is the NVOCC (non-vessel operating common carrier) who in practice combines all the functions of the shipper and carrier.

63. The terms "intermodal transport", "multimodal transport" and "combined transport" have essentially the same meaning. Intermodal transport, as generally understood, means transport involving more than one mode, whether it takes place within the same country or between two countries. The term "multimodal transport" is used in the United Nations Convention on the subject (which has not yet entered into force) and refers to transport operations taking place between two countries. The Uniform Rules for a Combined Transport Document, which has been evolved by the International convention in force, uses the term "combined transport" which has the same meaning as "multimodal transport" used in the United Nations convention. In this document, the term "intermodal transport" has been used except in the section dealing with the United Nations Convention where the term "multimodal transport" has been used.

### **The objectives of this module are:**

- (2) to enable participants to define the scope of services of a freight forwarder acting as a consolidator and intermodal transport operator;
  - To define the term consolidation and discuss its advantages to forwarders;
  - To specify the documents involved in consolidation services;
  - To describe the essential requisites for consolidation.
- (3) to describe consolidation and intermodal transport in terms of:
  - Its advantages;
  - the documents involved; and
  - the liability of consolidators and intermodal transport operators

### **Objectives:**

- To define and list the advantages of intermodal transport for forwarders;
- To state the different types of intermodal transport operations and operators;
- To state the intervening parties in intermodal transport;
- To describe the scope of services covered by intermodal transport;
- To list the documents involved in intermodal transport;
- To define the responsibility and liability of the intermodal transport operator.

## **MODULE 9: FREIGHT FORWARDING DOCUMENTS**

64. There is no international uniformity in the documentary procedures followed in freight forwarding or in the format and contents of the documents, which have been commercially created. Nevertheless, efforts have been made by the International Federation of Freight Forwarders' Association (FIATA) to promote the use of uniform freight forwarding documents and thereby improve professional standards. FIATA has evolved several documents, which are aligned with the United Nations Economic Commission for Europe (ECE) layout.

65. The purpose of including a module on freight forwarding documents is to enable national freight forwarders' organizations to popularize the use of these documents or to modify them to suit national requirements in their respective countries. However, the use or acceptability of these documents will be subject to national law or commercial practice prevailing in each country.

66. The objective of this module is to enable trainees to be able to determine the purpose of each of the FIATA freight forwarding documents and to be able to complete two of them, namely, the FFI (FIATA Forwarding Instructions) and the FIATA FCCR (Forwarder's Certificate of Receipt).

67. In this module, the documents which are directly connected with freight forwarding services and which are used by freight forwarders will be dealt with. Other documents which are not directly connected with freight forwarding but which freight forwarders may have to handle during the course of their business, for instance invoices and packing lists, are beyond the scope of this module.

68. The documents usually adopted by national associations of freight forwarders for use by their members are the following:

### **Documents received from customer**

1. FIATA Forwarding Instructions - FFI or Shipper's Instructions
2. FIATA SDT - Shipper's Declaration of Dangerous Goods

**Objectives:**

- To determine the purpose of each of the freight forwarding documents received from customers;
- To be able to complete the FIATA Forwarding Instructions
- To determine the purpose of each of the freight forwarding documents issued to customer;
- To be able to complete FIATA forwarder's Certificate of Receipt.

**MODULE 10: INCOTERMS**

69. There are no international conventions in force governing contracts for the international sale of goods, so disputes and misunderstandings have often arisen between buyers and sellers, mainly because of different interpretations about the terms used in the contracts. In order to avoid such situations, which hinder the smooth flow of International Trade, the International Chamber of Commerce has evolved standardized trade terms known as the "incoterms" (International rules for the interpretation of trade terms).

70. These terms deal with delivery conditions between the buyer and seller, and their main purpose is to apportion the costs and risks of the transport movement and related operations between the two parties. In other words, these terms determine at what points the seller has fulfilled his obligations so that the goods in a legal sense could be said to have been delivered to the buyer. Incoterms are optional in the sense that they become operative only when the parties to the contract agree to apply them.

71. The Incoterms were first published in 1936. Amendments and additions were later made in 1953, 1967, 1976, 1980, 1990 and again in January 2000 in order to bring the rules into line with current international trade practices.

72. There are 13 Incoterms containing standard definitions.

**Coverage**

The incoterms cover 13 different stages of delivery, ranging from a point of delivery which carries the minimum cost, risk and responsibility for the exporter to a point of delivery which carries the maximum obligation for exporter, i.e. from "Ex Works" to "Delivered duty Paid".

The Incoterms recognize only two parties – i.e. the exporter and the importer – and are concerned only with the delivery of goods, i.e.

- Who will meet the costs of delivery

- Who will bear the risks of delivery
- Who will carry the responsibility for ensuring that delivery takes place.

The 13 Incoterms are as given in the table below:

Ex Works (EXW)	Departure term
Free Carrier (FCA)	Departure term
Free Alongside Ship (FAS)	Departure term
Free on Board (FOB)	Departure term
Cost and Freight (CFR)	Departure term
Carriage Paid to (CPT)	Departure term
Cost, Insurance and Freight (CIF)	Departure term
Carriage and Insurance Paid to (CIP)	Departure term
Delivered at Frontier (DAF)	Arrival term
Delivered Ex Ship (DES)	Arrival term
Delivered Ex Quay (DEQ)	Arrival term
Delivered Duty Unpaid (DDU)	Arrival term
Delivered Duty Paid (DDP)	Arrival term

73. Based on the Incoterms, some northern European countries such as Sweden have introduced what is known as "Combiterms", which seek to define more precisely the responsibility for certain types of expenses which has been left rather vague in the Incoterms. The Combi-terms, however, do not seem to have been used in countries outside northern Europe. The revised version of the Incoterms is expected to rectify this position.

#### **Objectives:**

- To differentiate the implications of the various terms of sale covered by Incoterms;
- To define the respective obligations of the seller and buyer in international trade;
- To be able to advise the seller or buyer on the choice of the appropriate term.

### **MODULE 11: DOCUMENTARY CREDITS**

74. In international sales transactions, different methods of payment are adopted, depending mainly upon the relationship between the seller and the buyer. For example, if the seller and the buyer know each other and have a long-standing business relationship, they may transact business on trust and the seller may periodically send invoices to the buyer for settlement. Payment may also be made by other methods such as "cash with order" when the buyer sends a cheque or a bank draft with his order, or by "documentary collection", when the seller sends the relevant documents to his bank for release of payments by the buyer in the buyer's country on the buyer's acceptance or payment, as may be specified in the documents.

75. But in many cases, the seller and the buyer do not know each other and are located in countries thousands of miles apart. They are not in a position to conduct their commercial

transactions on trust. The seller is reluctant to part with his goods unless he is assured of payment; equally, the buyer is reluctant to part with his money unless he is assured of possession of the goods. In order to reconcile the conflicting interests of both the parties and to provide a mechanism for payment in such situations, the International Chamber of Commerce has evolved what is known as "Documentary Credit". In simple terms, documentary credit means payment against documents instead of against goods. The documents transfer title to the goods. In other words, payment is made by the buyer against "constructive delivery" of the goods instead of against their "physical delivery". The documentary credit is operated through banks.

76. The "Uniform Customs and Practice for Documentary Credits" (UCP) published by the International Chamber of Commerce contains detailed provisions dealing with the operation of documentary credit. The first edition of the UCP was published in 1933 and it has since been revised and updated several times. The latest revision was effected in 1983 and the provisions of this revised edition (ICC publication No. 400) came into effect on 1 October 1984. It has been accepted and adopted by banks and banking associations throughout the world. It has brought the UCP into line with established and foreseeable practices regarding containerized transport and trade facilitation, the use of electronic data processing and the development of new types of credit like deferred payments and stand-by credits.

It is however understood that the UCP is in the process of being revised again.

#### 1. **Advantages of Documentary Credit**

77. Documentary credit is operated through banks. Therefore, it has certain advantages to both the seller and buyer:

- For the seller, it is a bank undertaking to which he can look for payment.
- For the buyer, it is a conditional undertaking where payment can be made on his behalf only against the documents, which will transfer to him the title to the goods.

How it works

78. For practical purposes, assume that a local buyer agrees to buy goods from an overseas seller and under the sales contract, payment is to be made by banker's letter of credit.

79. To fulfill the contract, the buyer arranges with his bank to open a letter of credit for his account in favour of the overseas seller.

80. The buyer is not required to pay for the goods until the arrival of the relevant shipping documents. The seller, on receipt of a letter of credit, will have to prepare shipment of the contract goods within the delivery date. Once shipment of the goods is completed, the seller will be able to present all the documents to the negotiating bank for payment under the terms of the credit. The negotiating bank should ensure that the seller's documents are drawn up in accordance with the credit terms before such documents are paid for and forwarded to the issuing bank for final reimbursement. When the opening bank receives the negotiated documents it will make up a debit note showing the total cost due and request payment from

the buyer. Once the buyer accepts that the documents are in compliance with the terms of the letter of credit he must settle the bill in order to obtain the shipping documents so that he will be able to take delivery of the goods from the carrier or its agent.

81. On settlement of the bill, the whole operation of documentary credit will be regarded as completed.

## **2. Role of Freight Forwarder in relation to documentary credit**

82. Freight forwarders who organize transport for the movement of goods in international trade are expected to be familiar with transactions relating to documentary credit. Their advice is often sought by customers in negotiating letters of credit and in preparing various documents connected with documentary credit. The freight forwarder is expected to study the conditions of the credit and advise in time his customers, either sellers or exporters, whether they can be complied with and if not how they should be amended. It is also for him to advise his customers whether a direct shipment is possible or whether trans-shipment would be required. He should also ensure that shipment is effected in time within the deadline set in the credit. Moreover, he should advise his customers on the precautionary measures to be taken in order to protect them from maritime fraud.

83. Freight forwarders also become involved when the documents issued by them are stipulated in the credit. They have to ensure that the documents conform to the requirements of the documentary credit and contain all the necessary particulars.

This module should be divided into the following four sections:

### **Requirements (Buyer and Seller)**

#### **Objectives:**

- To specify the requirements of the buyer and the seller with reference to documentary credit operations.

### **Documentary Credit Operations**

- To be able to explain accurately, with the aid of a flow chart, each step of the operation of documentary credit.

### **Types of Documentary Credit and Settlement Methods**

- To describe the main types of documentary credit that are commonly used in documentary credit operations;
- To list the advantages and disadvantages of the three main types of credit for the buyer and seller.

### **Analysis of Documentary Credit Instructions/Details**

- To specify the instructions and details in a letter of credit for verification against the sales contract;
- To specify the most common type of discrepancies that may be found in a letter of credit.

## **MODULE 12: CARGO INSURANCE**

### **1. Cargo Insurance by Sea, Air or Land**

84. The term "cargo insurance" is used to refer to the insurance of goods, which are transported by sea, air or land. Exclusive transport by land and by air are covered by separate cargo insurance but basically the rules governing all types of transport insurance are the same.

### **2. Legislation for Cargo Insurance**

85. Most countries, including the African countries, have enacted legislation in conformity with international practice. Although the legislation varies from country to country, it usually provides for flexibility of contract, leaving a fair amount of latitude to the contracting parties to depart from the legislative provisions. Countries which are historically linked with the United Kingdom have based their legislation on the United Kingdom Marine Insurance Act of 1906.

### **3. Cargo Insurance and the Freight Forwarder**

86. Freight forwarders are very much concerned with cargo insurance. Some forwarders themselves are also insurance agents or brokers. In any case, it is their duty to bring to the notice of the customers the importance of cargo insurance and advise them on all related matters.

1. Cargo Insurance: Its principles and importance

#### **Objectives:**

- To define the principle of cargo insurance on the basis of the insurer and the insured;
- To provide information and advice to clients on matters relating to the insurance of goods in transit.

2. Types of insurance coverage

#### **Objectives:**

- To define the terms "Particular Average" and "General Average" correctly;
- To explain briefly the FPA, WA/WPA, AR, AR (W&SRCC) and Open Contracts/Floating Policies.

### 3. Cargo Insurance: Extent and Duration, Value and Premium

#### **Objectives:**

- To specify exactly the extent or duration of insurance coverage;
- To compute correctly the amount or value to insure for a given cost of goods, incidental charges and a profit margin;
- To specify all the details required for the Certificate of Insurance;
- To list all the factors in determining the rate of premium.

### 4. Processing and Settlement of Claims

#### **Objectives:**

- To specify exactly the obligations and duties of the insured party;
- To specify correctly the procedure for the process of claims and settlements;
- To compute accurately the amount of compensation for a cargo insurance claim.

## **MODULE 13: LIABILITY INSURANCE**

87. The insurance cover taken by those involved in international trade and transport broadly falls under two categories - property insurance and liability insurance. Property insurance covers risks of physical loss of or damage to property, that is, goods, ships, vehicles, equipment etc. and is generally taken on behalf of the owners of such property. Liability insurance provides insurance protection to those who become legally liable for loss of or damage to property, loss of life, or personal injury that may be caused during the performance of their duties. In effect, liability insurance is often intended to protect the insured against recourse action brought by property insurers.

88. This module deals with liability insurance of freight forwarders - the risks to which they are exposed, the parties to whom they become liable and how best they can protect themselves by adopting loss prevention measures and taking adequate liability insurance.

#### **Objectives:**

To list the freight forwarder's liabilities as an agent;

- To list the freight forwarder's enhanced liabilities as a principal;
- To define the types of liability insurance coverage;

- To define the protection against risks not normally insurable - general exclusions and qualifications applicable to policies.

## **V. CONCLUSIONS AND RECOMMENDATIONS**

89. Past efforts by ECA and the international community, as well as FIATA, in the development of Multimodal Transport/Freight Forwarding have still to be intensified, if the desired results are to benefit the sub-sector. The segmentation of the industry into four distinctive groups, its precarious legal status, coupled with weaknesses in its institutional framework resulting from lack of its professionalism, as described in Chapter II of this report, will still persist unless special measures are taken by RECs, national/sub-regional FF Associations, and their respective governments.

90. The issue of training institutions as presented in Chapter III of the report should be taken up by all sub-regional Associations in consultations with the existing sub-regional/national institutions highlighted in the report. The existing training institutions are already carrying out good training activities and programmes where they are established but there is need to carry out, from time to time, training needs surveys at both national and sub-regional levels aimed at up-dating what already exists in the field.

91. There is a special need for RECs that deal with the development of the MT/FF to initiate regular consultations and programmes for exchange of experiences, through regional meetings and study tours, on best practices for the development of the MT/FF sub-sector in Africa. A case in point is the FIATA regional meeting for Africa and Middle East held in Nairobi in July 2002 and attended by countries from Africa and Middle East. One of the objectives of the meeting was to discuss and formulate training strategy for all cadres of staff in the MT/FF industry. Such meetings should be regularized at sub-regional levels.

92. In a service-oriented activity like MT and FF, manpower is the key input and human resource development need to be given high priority in any programme for promoting the industry. In recognition for this need, ECA has consulted with selected national and sub-regional MT/FF Associations in Africa and has drawn up a thirteen-module training programme (Chapter IV) based on the experience of FIATA and ESCAP in Asia. National and sub-regional Associations in Africa should review the programme, for the purposes of getting it oriented towards the requirement of their local markets that utilize MT/FF industry. Graduates of such a basic programmes should later function as trainers for courses to be organized at sub-regional and national levels.

93. If the programme is reviewed at a regional level it should be adopted to constitute a training activity that would be designed by Associations in accordance with the identified sub-regional requirements. The content of the on-going recourse at the Bandari College in Mombasa, Kenya, and the course material developed by the Southern African Association of Freight Forwarders, are two examples of good programmes tailored to suit users and professionals in MT/FF at national and sub-regional levels.

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