

Trade Facilitation in East and Southern Africa

Christine Msemburi
Larry Liza

World Customs Organization



East and Southern Africa
Region

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Region**

e-book on

Trade Facilitation in East and Southern Africa

*Research papers presented at the
1st ROCB ESA Research Conference
Harare, Zimbabwe
4th – 5th June 2014*

Edited by

Creck Buyonge and Mark Goodger

Christine Msemburi

Larry Liza

WCO ESA ROCB

Nairobi, Kenya

World Customs Organization

East and Southern Africa

Regional Office for Capacity Building,

Forodha House 3rd Floor, Upper Hill Close

P. O. Box 50581 - 00200 NAIROBI, KENYA.

Tel +254 20 27 37 444

Fax +254 20 27 37 968

rocb@wcoesarocb.org

www.wcoesarocb.org

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Preface

The former Director of the ROCB, Ms. Christine Msemburi, always emphasised the discourse by Chimamanda Ngozi Adichie of Nigeria and called on the region to 'tell our own story'. She always highlighted why regional research remains important and called on the region to effectively define the direction and pace of 'our' growth and development in order that the latter years would be based on the strong foundations laid.

This eBook aims to 'tell our own story' and is a consolidation of papers presented during the first ever regional research conference on Customs and Trade Facilitation themed "Customs and Trade Facilitation: Building Institutional Capacity and the body of knowledge in Customs through research".

We invite you to share in our story by reading on various aspects of trade facilitation among our Members and the Regional Economic Committees and in Africa, including on Customs modernization, reducing the cost of trade, the transit management system, risk management implementation and the impact of trade facilitation on the business community and Customs. On the critical role played by Information and Communication Technology (ICT), we share a case study and explore how far the Island States Customs Administrations in the East and Southern Africa are ready to connect using ICT for the purpose of sharing trade data to facilitate legitimate trade.

In light of the critical role of the WTO Trade Facilitation Agreement, whose ratification the Heads of Customs in the region have encouraged, we hope that the importance of trade facilitation will further be buttressed through more research on Customs.

Larry Liza,
Director

larry.liza@wcoesarocb.org

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Acknowledgments

This project would not have been made possible without the tireless work of certain parties and individuals. Ms. Christine Msemburi, who served as the Director of the ROCB from 2012 to 2015 birthed the vision of improving the quality of research in the region, working with dedicated officials at the ROCB and partners across the region and the world to make it happen. We salute her wisdom and resilience.

We are thankful to the WCO for its commitment to supporting the region. Mr. Robert Ireland, the Head of the WCO Research Unit worked hand in hand with the ROCB, not only towards the success of the conference, but also the consolidation of the eBook. We salute the Department for International Development (DIFD) for providing financial support to the ROCB through TradeMark South Africa (TMSA) and for its commitment to continuing the support to the end. Much regards to the staff at TMSA who made it happen!

We salute our Member countries for supporting and permitting their officials to participate in this project as well as the Regional Economic Committees (particularly the EAC, COMESA and SADC), stakeholders and partners in both government and private sector.

Much gratitude to the management and staff of Zimbabwe Revenue Authority (ZIMRA) which accepted to host the first ever Regional Research Conference, and for the immeasurable support given to us. Professor Hope Sadza of the Women's University in Africa, who was the Chief Guest during the conference, will always be remembered for her inspirational encouragement to the region on the need to link Customs to Research. We would also like to thank the then Acting Commissioner General of the ZIMRA, Mrs. Anna Mutombodzi and the then Commissioner of Customs of the Zimbabwe Revenue Authority, Mr. Happias Kuzvinzwa for the speeches at the conference. Mr. Milton Kamwendo and Dr. Nellie Dhaerah, thank you for your presentations.

Finally, to the researchers whose papers are presented here, we congratulate you for your industry, and for working dutifully with your supervisors, Mr. Creck Buyonge and Mr. Mark Goodger, both who we shall always remain indebted to.

Background

The World Customs Organization, East and Southern Africa, Regional Office for Capacity Building (WCO ESA ROCB) launched the ESA Regional Research Programme through the support of the Tripartite/WCO ESA Collaboration Project. The programme aims to build institutional capacity and the body of knowledge in Customs through research. The programme will enhance the region's capacity to showcase its own research globally, especially at the WCO PICARD conferences. A work programme was developed for implementing the Research platform and themes. A call for papers was made and submissions received from Member states, the Regional Economic Committees (RECs) and other stakeholders. A Research Panel was established, constituted by COMESA, EAC, SADC, WCO ESA ROCB, WCO Research unit, two Short Term Experts and TradeMark Southern Africa (TMSA) which supported the programme under the ESA Collaboration Project. Financial support was provided by the Department for International Development (DIFD).

After an evaluation process, the ROCB notified all successful candidates and called on them to commence the writing of their papers. The candidates were allocated the Experts to supervise the writing of their papers. A set of Case Study guidelines for all candidates was prepared to assist candidates with the writing of their papers.

The first Regional Research conference was organized by the ROCB and held on 4th and 5th June 2014, hosted by the Zimbabwe Revenue Authority in Harare, Zimbabwe. The theme of the conference was *"Customs and Trade Facilitation: Building Institutional Capacity and the Body of Knowledge in Customs Through Research"*. Attendees included researchers and officials from various member Customs administrations in the East and Southern Africa region, including officials of the Zimbabwe Revenue Authority, the WCO, the RECs, the private sector, academia and co-operating partners.

The programme of the conference included; Presentations on the importance of Research in Customs and Customs Research in Africa, the Presentations of selected papers, Presentations and discussion on Research Methodologies and on Writing Methods and presentation of awards to the finalists of the 1st WCO ESA Research Conference.

This e-book presents a consolidation of papers presented during the conference.

Chapter ONE

Transit Management System: An Ideal Model for East and Southern Africa

Jimmy S. Badjonat and Reena Ramtohol

Transit Management System: An Ideal Model for East and Southern Africa

Jimmy S. Badjonat and Reena Ramtohol

Abstract

Transportation flow and global trade connectivity among the East and Southern Africa (ESA) region countries are crucial in promoting economic integration as prime catalysts for improved and sustained economic development. Landlocked countries within the region are particularly impacted since most of their trade transits through neighbouring borders. Landlocked nations should be highly pro-active to substantiate and maintain positive engagement for their integration and eventual economic expansion into the trade supply chain.

In this research paper we have examined and reviewed theoretical approaches, global trade facilitation initiatives and new trends of transit management case studies from within and outside the ESA region, with the objective to reveal valuable lessons and useful best practices suitably adapted, to the implementation of a functional transit management system allied to Customs control for the region. Additionally, this study suggests several propositions to be considered when implementing the ideal Transit Management System for the ESA region.

1.0 INTRODUCTION

1.1 Customs in the 21st Century

The 21st Century has witnessed the emergence of global Customs administrations as leaders in introducing change and innovation for trade facilitation, through consistent harmonisation of customs procedures under a co-ordinated platform, connecting various stakeholders through the sophisticated and advanced monitoring of movements of goods, people, capital, information through the medium of technology. The World Customs Organisation

(WCO) has initiated a process towards a new vision for Customs in the modern era. The main principles outline the need for international trade to promote economic growth and development through the application of effective customs controls over the international movement of goods and people. Reinforcing its role as a major trade facilitator Customs encourages greater efficiency through elimination of complex procedures, duplication and delays in international supply chains which contributes directly to cost savings.

The trend facing Customs in today's modern globalised market, illustrates expanding international trade volumes, coupled with the targeted practice of trade liberalisation, where minimal tariffs and non-tariffs barriers are encountered. As a major catalyst for economic development, the role of customs administrations has evolved correspondingly in a dynamic environment to cater for the changing needs of key stakeholders within the global supply chain. Customs Authorities consistently aim to synchronise their objectives in line with the principles of the World Trade Organisation (WTO), WCO and to, therefore, adopt the WCO Revised Kyoto Convention (RKC) standards. However, many African countries have hardly kept pace with the evolving business environment and hence they are often criticised for frustrating regional trade with rigid and detrimental customs procedures, which inflates transactional costs. The excessive involvement of other governmental agencies such as border police, among others, severely restrains the desired and seamless flow of goods in transit. Moreover the unnecessary burden to inspect numerous shipments could certainly bring global

trade to a halt at many similar border stations. Likewise, other negative trade factors hamper the smoothness of respective trade cycles in the ESA region.

1.1.2 Aims and Objectives of the Research Paper

The defined objectives of the paper are laid down as below:

1. To propose a functional transit management system with all the essential characteristics of an ideal model for the ESA region;
2. To suggest important aspects necessary for the implementation of the ideal transit management system for the ESA region and to provide a scope of the new system;
3. To provide an analysis of previous case studies in respect to an ideal transit management system for the ESA region;
4. To reveal valuable lessons and useful best practices of a functional transit management system in line with Customs control for the ESA region.

1.2 Background Study

The ESA region encompasses several landlocked countries where significant volumes of trade occur through cross border transits. Table 1 hereunder illustrates some African countries with their corresponding boundaries through

which their imports and exports transit.

As may be noted various factors generally impact adversely on the economic development of African countries. The geographic location and demographic state coupled with unfavourable climatic conditions mostly impede African landlocked countries' competitiveness in global trade.

Their isolation from the global market and the complexity in their trade structures usually leads to additional delays in the clearance process, thereby increasing transit costs. Cumbersome customs procedures with inadequate use of Information Technology and unsupportive governmental agencies, act as restrictive barriers to ultimately hinder the optimal trade practices. A serious barrier to the embracement of facilitation as supported by evidence reflected in table 2. This concern of landlocked countries has been addressed by the United Nations even as recently as the Landlocked Countries event in Mongolia.

The high transit cost involved in the African region has thus triggered various studies in this field. Previous papers have shown the adverse impact of transport cost on trade efficiency and that Africa bears a much higher percentage of transport costs on imports than other regions (UNCTAD, 2001). Within Africa, the proportion pertaining to transport costs for Eastern Africa

Country Name	Transit Countries
Botswana	South Africa, Namibia
Burundi	Kenya, Tanzania, Uganda, Rwanda
Ethiopia	Djibouti
Lesotho	South Africa
Malawi	South Africa, Mozambique, Tanzania
Rwanda	Kenya, Tanzania, Uganda
Swaziland	South Africa, Mozambique
Uganda	Kenya
Zambia	South Africa, Mozambique, Tanzania
Zimbabwe	South Africa, Mozambique

Source: World Bank: *Improving Trade and Transport for Landlocked Developing Countries*, June 2013

Table 1. Countries with their corresponding transit Countries

Corridor	Border post	Countries	Estimated delays (hours)
Beira	Machipanda	Mozambique/Zimbabwe	24
	Zobue	Mozambique/Malawi	24
	Mutare	Mozambique/Zimbabwe	26
Maputo	Ressano Garcia	South Africa	6
	Namaacha	Mozambique	
		Swaziland/Mozambique	4
North-South	Beit-Bridge	South Africa/Zimbabwe	36
	Chirundu	Zimbabwe/Zambia	24
	Victoria Falls	Zimbabwe/Zambia	36
	Martins Drift	South Africa/Botswana	6
Trans-Caprivi	Kazungula	Botswana/Zambia	24
Trans-Kalahari	Buitepos	Namibia/Botswana	6
	Pioneer Gate	Botswana/South Africa	4
Tanzam	Nakonde	Zambia/Tanzania	17

Source: UNCTAD Review of SADC Transport Corridor Agenda, July 2001

Table 2. Delays at selected Southern African border posts

was 23.6 per cent of the delivered cost, while for Southern Africa it was 12.7 per cent. On the export side, many of the countries of Southern Africa spend 20 per cent of their earnings on transportation and related expenses, with Malawi spending as much as 55.5 per cent (UNCTAD, 2001). This renders ESA States products completely uncompetitive in global markets.

1.2.1 Methodology

The research methodology used in the study seeks to address the key research questions by describing the steps taken to gather data with the aim of investigating and analysing existing case studies to determine an ideal transit management system for the ESA region. The methodology utilised is to provide an insight on the methods used for the collection of data and to also report the findings.

Literature review forms the basis of our study since it is itself a research method. Our study has considered different types of reviews mainly the integrative reviews by summarising what is known at a point in time, then the Historical reviews which traces the development

of transit management systems over time and finally Context reviews –which places the current project under direct focus. The purpose of the literature review is to, therefore, document the state of the art benchmark and organise and synthesise the findings of previous researchers into a summary of what is uncertain with respect to the ideal transit management system for the region. It also identifies areas of controversy in the literature and helps to formulate questions, which may require further research.

We have adopted distinct research methods, techniques and tools to conduct the study. For the development research we have considered the quantitative methods while we used the qualitative method as the basis for desirable outcomes for an ideal transit management system. We focused on quantitative methods to derive the objectivity of the data and to assess the reliability of developed hypothesis. On the other hand, the qualitative research methods were used to develop understandings about the real time environment and process involved. Our qualitative research methodologies focused on the selection of small-scale cases which

could form the basis of an ideal model. We have included both primary and secondary data in our work. The primary source of data is concerned with the generation and collection of original data. We obtained this type of data through research techniques such as interviews. We have adopted the most appropriate and practical qualitative methods of data collection like observations and analysis of previous case studies and research papers. Similarly, we collected quantitative data, which involves numbers, graphs and charts through various in depth analysis of previous work.

However, our research methodology was limited since our preliminary study had to consider various transit management systems on a global perspective to eventually adapt all the pre-requisites of an ideal transit system to all the countries under the ESA region.

1.2.2 The Need for Security

A major share of the transport costs is compounded by the legal requirement of the Customs laws pertaining to the provision of high bonds and security¹ to be submitted by the transporter or trader for goods destined to and between country of transit. These are legislatively required to provide for potential loss of duties and taxes, in the event that the goods were to be used illegally for local consumption. Moreover, the need for different bonds across several countries of transit has severely raised the transit cost which is in contradiction to the objectives of establishing a Free Trade Area (FTA). Furthermore, Article V of the General Agreement on Tariffs and Trade (GATT) provides for two main obligations:

1. Not to hinder traffic in transit by imposing unnecessary delays or restrictions or by imposing unreasonable charges; and
2. To accord Most-Favoured-Nation (MFN) treatment to transiting goods of all Members.

¹ It is to be noted that Specific Annex D of the RKC, Chapter 2, Standard 10 requires no security for Free Zones

Article V of the GATT provides for freedom of transit. It states, inter alia, that "There shall be freedom of transit through the territory of each Contracting Party, via the routes most convenient for international transit, for traffic in transit to or from the territory of other Contracting Parties". It states further that "except in cases of failure to comply with applicable customs laws and regulations, such traffic coming from or going to the territory of Contracting Parties shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or other charges imposed in respect of transit, except charges for transportation or those commensurate with administrative expenses. It establishes most favored-nation treatment for such transit with respect to all charges, regulations and formalities."

The obligation arising from Article V of GATT to facilitate transit traffic, and more specifically, to ensure that such traffic is not subject to unnecessary delays or restrictions, commits contracting parties to providing transport infrastructure, i.e., "routes most convenient for international transit", and also ensuring that customs and administrative regulations do not restrain transit traffic.

This article additionally requires contracting parties to provide for reasonable charges and regulations for traffic in transit to or from the territories of other contracting parties, having regards to the conditions of the traffic. With respect to all charges, regulations and formalities in connection with transit, each contracting party shall accord to traffic in transit to or from the territory of any other contracting party treatment no less favourable than the treatment accorded to traffic in transit to or from any third country.

The article states that each contracting party shall accord to products which have been in transit through the territory of any other contracting party treatment no less favourable than that which would have been accorded to

such products had they been transported from their place of origin to their destination without going through the territory of such other contracting party. Any contracting party shall, however, be free to maintain its requirements of direct consignment existing on the date of the Agreement, in respect of any goods in regard to which such direct consignment is a requisite condition of eligibility for entry of the goods at preferential rates of duty or has relation to the contracting party's prescribed method of valuation for duty purposes. In other words, Article V of GATT calls on the contracting parties on the one hand to provide adequate transport and related infrastructure for transit and on the other hand to provide a conducive regulatory environment in terms of streamlined customs and administrative regulations for reasonable charges to be applied.

1.2.3 Security in SADC Transit Management System

An overview of the SADC transit management system may rightly highlight the complexity involved in the mechanism. Member States have to sign and ratify the transit agreement mainly to facilitate quicker transfer of funds.

Customs amongst its wide scope of control responsibilities must provide the licence to any carrier or road hauliers to regulate transit movements, issue bond guarantees to Principal bond holder and determine the amount of bond for single or multiple conveyances². On the other hand, the Principal bond holder must apply for licensing and designate and appoint agency representatives in transit member states to guarantee the payment of import duties and taxes in the event that transit goods are diverted for home consumption or have not been accounted for to the satisfaction of Customs. Designated representatives in transit Member States are in turn entrusted with the tasks of administering the stipulated procedural compliance functioning of the complete Regional

² The Standards of Chapter 5 of RKC Gen Annex

Customs Transit Guarantee (RCTG) financial obligations. Different security initiatives create complexity and drive up costs.

1.2.4 International Trade Practice

The expanding trade levels in the interconnected global market with the emergence of new trade rules are necessitating prompt responses from Customs as a consequence of the growing and dynamic business environment. With the conclusion of the Uruguay Round and the establishment of the WTO in 1995 along with the current Doha Round of trade negotiations, and the more recent adoption of the WTO Agreement on Trade Facilitation in Bali in December 2013, WTO member countries, are required to show utmost adherence to improved rules for promoting and facilitating international trade. Moreover the proliferation of Regional Trade Agreements (RTAs) is reshaping the prevailing trade practices where traditional trade patterns are evolving in parallel to its key participants. New logistics dynamics in the supply chain are encouraging modern business approaches, such as just-in-time (JIT) distribution with minimum inventory level to innovative methods of moving goods across borders. This hence requires the reduction of unnecessary delays which otherwise would serve to erode the competitiveness of African traders.

The RKC provides standards which clearly suggest the vision "To endorse greater trade facilitation incentives, Customs shall allow goods to be transported under Customs transit in their territory from an office of entry to an office of exit, from an office of entry to an inland Customs office, from an inland Customs office to an office of exit and from one inland Customs office to another inland Customs office" (Revised Kyoto Convention, 1999, Standard 2, Specific Annex E, Chapter 1). "Moreover goods transacted under Customs transit shall not be subject to the payment of duties and taxes, as long as they comply with the conditions of Customs and the required security is furnished" (Revised Kyoto

Convention, 1999, Standard 3, Specific Annex E, Chapter 1). The aim is to remove or minimise the burdens faced by landlocked nations.

1.3 Types of Transit

Customs transit is described as “the Customs procedure under which goods are transported under Customs control from one Customs office to another” (RKC, 1999, Specific Annex E, Chapter 1). Customs transit includes outbound transit, through transit and inbound transit.

SADC in its Transit Management System Traders Manual defines “through transit” as the movement of cargo “in bond”, from the Customs office of origin or commencement in one member State to the Customs office of exit from the Customs territory of the transiting country. “Outbound transit” alternatively represents the transit movement from an inland Customs office within the Customs territory to a Customs office of exit from the Customs territory. “Inward transit” consists of transit movement from the Customs office of introduction into the Customs territory to an inland Customs office within the Customs territory of introduction.

Moreover, “National/Community transit” can occur when cargo is moved from one inland Customs office within the Customs territory to another Customs office within the same Customs territory or with the same Regional Economic Community. Most delays are experienced at inland border posts between the SADC states where road transport mode costs are driven up significantly.

2.0 TRANSIT MANAGEMENT SYSTEM (TMS)

The increasing volume of transit cargo shipments has necessitated the development and implementation of innovative technologies with complementary customs strategies for an enhanced and cost effective Transit Management System (TMS), which administers for fleets through controls over specific checkpoints and

eventually measure the performance of the carrier. An efficient TMS shall generally consist of ICT support for Data Exchange, Management Information System (MIS) and Risk Management Tools for its proper functioning and monitoring³. Such systems make use of integrated software to capture, manage, manipulate, analyse and display spatially referenced data while combining special tools for the communication function process.

The tracking of transit cargo is a crucial customs enforcement practice to monitor and enforce adherence to pre-scheduled rules as well as to generate precise information about the transit goods position at all times. This may be possible via Automatic Vehicle Location (AVL) and Automatic Vehicle Identification technologies, Unified Carrier Registration (UCR) that is an important tool especially for freight forwarders and customs brokers. Electronic seals using Global Positioning System (GPS), GSM and Radio-Frequency Identification (RFID) technology for tracking purposes are also increasingly being considered.

2.0.1 The SAFE Framework

In June 2005, members of the WCO adopted the SAFE Framework of Standards to Secure and Facilitate Global Trade. The June 2012 version of the SAFE Framework includes a new part 5 in respect of Co-ordinated Border Management and part 6 in respect of Trade Continuity and Resumption. As governmental organisations responsible for controlling and administering the international movement of goods, there is a need for Customs administrations to endorse co-ordinated strategies in collaboration with the WCO standards to secure the movement of global trade. Customs administrations are the main agencies empowered with the authority to inspect cargo and goods shipped into, through and out of a country. As such, facilitation objectives have been drafted by the WCO even

³ The General Annex of the RKC, chapters 6 and 7 sets out the ground rules on this issue.

under security frameworks.

The SAFE Framework mentions seal integrity for secure containers, which cater for improved security against theft and diversion of cargo while reducing losses and associated costs. It additionally mitigates the risk of evasion of duties and taxes by bolstering confidence in trading systems. This unique instrument equally ensures protection against illegal transport of materials such as narcotics and weapons as well as illegal movement of trade goods. In a similar way it entails a simplification of trade procedures with minimum number of examinations to ultimately reduce delays at borders.

However the Framework does not limit the responsibilities of the shipper for the safe and secure stuffing, sealing, shipping and transport of the container. On the contrary it stipulates the stringent principles that apply throughout the life cycle of a containerised and other modes of shipment of goods. The emphasis is on the relationships among parties upon changes in the custody or possession of the container along the supply chain. Adequate security shall be enforced to prevent tampering, theft and damage of the physical goods.

Security seals are an integral part of the chain of custody. Security seals shall be inspected by the receiving party at each change of custody for a cargo-laden container. (RKC Specific Annex E) Inspecting a seal requires visual check for signs of tampering, comparison of the seal's identification number with the cargo documentation and noting the inspection in the appropriate documentation.

If the seal is missing, or shows signs of tampering, or shows a different identification number than the cargo documentation, then a number of actions become necessary. The use of seals as a control measure will thus enhance the veracity of the prevailing customs procedures where strict adherence to moral and ethical codes will be practised for greater transparency and accountability along with higher standards of professionalism and probity.

Customs formalities prior to the lodgement of the Goods declaration shall be governed by the provisions of the Specific Annex A of the RKC and, insofar as applicable, by the provisions of the General Annex. Customs formalities⁴ prior to the lodgement of the Goods declaration should apply equally, without regard to the country of origin of the goods or the country from which they arrived.

They simultaneously provide supply chain security and facilitation at a global level to promote certainty and predictability as well as enable integrated and harmonised supply chain management for all modes of transport.

2.1 Types of Transit Management System

Developed as a primary support for road transport, the Convention on International Transport of Goods Under Cover of TIR Carnets (TIR Convention) is a multilateral treaty that was concluded in Geneva on 14th November 1975 to simplify and harmonise the administrative procedures of international road transport. (TIR stands for "Transports Internationaux Routiers" or "International Road Transports".) The conventions were adopted under the auspices of the United Nations Economic Commission for Europe (UNECE). As of May 2013, there are 68 parties to the Convention, including 67 states and the European Union. The TIR Convention establishes an international customs transit system for the seamless flow of goods in sealed conveyances or containers from a customs office of departure in one country to a customs office of destination in another country free of extensive and lengthy controls at intermediate borders. The system allows for cost-effective transactions while simultaneously assuring customs authorities with the necessary security and guarantees. The TIR system can also be

⁴ Customs have a broader and more significant role in the supply chain since they have the right to refuse entry or exit or to expedite entry. They may require that information pertaining to imported or exported goods be provided in advance and electronically.

applied to intermodal transport to facilitate international transits provided that at least one part of the total transport is made by road.

It satisfies the dual purpose of transit management system through suspension of duties and taxes for transit goods while protecting customs revenue by exercising an international guarantee system. The main characteristic of the TIR system is the automatic allocation of guarantee to the transit country as soon as a transit transport operation is performed. On one hand, the system provides a solution for simplified customs procedures and on the other hand it results in added complexity and transport costs as a net effect. This intermodal transit system will allow for rapid and easy trade practices amongst the African region through improved connectivity as it best suits their current infrastructure.

The TIR Convention⁵ only addresses the customs component and does not consider access rights or freedom of transit. A report in 2007 on Regional co-operation in transit transport defining solutions for landlocked and transit developing countries by the UNCTAD has described the TIR Convention as the most successful international customs transit system available over the years. It is in use mainly in the pan-European area and Central Asia, and covers around 3 million TIR transit transport operations a year.

A different transit system in the form of Automated System for Secure Electronic Transit (Asset) is put forward and explored by TradeMark East Africa. It requires payment of taxes at the point of entry to a particular region, where collection of revenue is reconciled amongst member countries. For instance, respective taxes on goods entering the Northern Corridor are paid at Mombasa. This practice thus eliminates the need for bond or security.

⁵ The principles of customs transit are set out in the World Customs Organisation (WCO), International Convention on the Simplification and Harmonisation of Customs Procedures (the Revised Kyoto Convention), and reproduced in the TIR system.

3.0 FACILITATION CASE STUDIES

3.1 COMESA/ SADC TMS

As a corrective measure, both COMESA and SADC have initiated a Transit Management System which demanded only a single bond instead of multiple bonds during the transit period. The program was finally concluded with a Tripartite Free Trade Area of SADC, COMESA and EAC, which presented a synchronised transit management system. However, this attempt did not fully live up to the expectations of the authorities as during the pilot phase in the years 2007 to 2010, which covered the Northern Corridor concerning Kenya, Uganda and Rwanda, the system did not operate effectively since some countries of the region could not implement the pilot test activities into mainstream operations. Consequently, the transit traffic lead times did not improve significantly with no record of performance indicators or research of transit times and this left stakeholders uninformed of any feedback and the eventual loss of business occurred for small and medium companies including clearing and forwarding agents. (Evaluation of the COMESA/SADC TMS, September, 2011).

An analysis of the transit schemes devised by the COMESA and SADC revealed that despite the significant harmonisation amongst Customs Documentation requirements, ICT, Management Information System and Risk Management Tools, there were substantial divergences between their transit bonds and securities.

The main difference was that COMESA scheme⁶ was based on TIR principle of the use of a Carnet as evidence of a bond and a network of sureties across the member states, while the SADC scheme was a bond taken by the principal bond holder who created his own network of designated representatives through an inter-agency agreement across the transit chain

⁶ The COMESA system adequately provided for a well-defined structure of sureties but was limited with financial expertise to aptly manage all the costs involved together with the cost of re-insurance.

and who were collaterally party to the bond guarantee respectively in each transit country.

In contrast to the complexity of the previous system, the SADC scheme presented a simple project solution, yet proved to be detrimental to bond holders and the designated representatives, who were faced with additional territorial liability and responsibility, due to lack of proper knowledge and involvement in the purchase of such highly geared financial instruments. To further complicate matters an ICT harmonised system on data transfer and MIS system, termed as SADCOM was recommended and as an integrated process did not meet expectations. The two Regional Economic Communities were required to use the same provider to render the service, thus implying that SADC should join the COMESA tender process to jointly identify the service provider.

3.2 Ghana CEPS –Another African study– Solutions to Transit Challenges

The Expert Meeting on Regional Co-operation in Transit Transport: Solutions for landlocked and transit Developing countries held in September 2007 in Geneva, shows a study of Ghana CEPS i-Transit system as a solution to the existing constraints. The analysis identifies the various challenges that may crop up in a transit system. The utmost objective of a transit scheme is to prevent revenue loss together with economic distortions through diversion of transit goods into local market. There is excessive reliance on costly escort system, which eventually distorts the entire mechanism for detecting immediate diversions and cost impacts. The lack of controls has caused added inherent problems in the system with greater inefficiencies in terms of more documentation, higher need for thorough checks and involvement of other agencies which unnecessarily delays the whole transit process.

The proposed solution to the previously existing paper based system in Ghana emerged in the form of an i-transit system with complete

computerisation of all procedures concerned by integrating sub-consignment breakdown, transit vehicles and foreign importer registration information, along with the route and check point definition, together with the interface to national guarantor. It also provides for an e-bond while replacing the escort system with a range of i-Transit tools for effective controls, cargo sealing, online check points and remote monitoring through IP cameras and satellite tracking along with data exchange amongst all other parties. The electronic system allows the use of an e-bond which is fixed to a transit declaration where there can be automatic release of the bond upon exit of final sub-consignment. Satellite tracking was accordingly intended to be functionally enabled through magnetic mounts and security stripes.

3.3 Jordan Transit System-A Middle-Eastern Case Study

A review of the Jordan`s current transit system has demonstrated its focal area of control over transit shipments through the use of centralised video monitoring to manage risks while preserving the credibility attached to sealed goods in a consignment without hampering the trade process.

Jordan has devised a new system to work in conjunction with the UNCTAD`s Automated System for Customs Data Analysis (ASYCUDA++) which is a software incorporating international best practices and standards as defined by the Economic Commission for Europe (ECE) and the WCO. The modern transit approach allows for proper seals to be affixed on trucks, container doors in such a way to ensure the trailer remains affixed to the same tractor vehicle. The system also caters for electronic data interchange facility between customs authorities along with a fast movable tracking unit, which can be easily handled during transit operations. As an additional precautionary measure an alarm system is set up, connecting the seals to the

tracking unit and at the same time supporting GSM and Wi-Fi communications to trigger and report any tampering.

GPRS/SMS technology is used for communication between the tracking units and the control room and digital maps provide a graphical interface to monitor truck movements. The geographical location and status of the vehicle needs to be monitored through geofences on predetermined routes to curb potential smuggling. Once the alarm triggers in the main control room, the nearest available patrol initiates an immediate intervention investigation. The transit trip ends at the exit border crossing point where the tracking unit and the seals are removed followed by an electronic report at the control room, including all the offences occurred during the transit.

An evaluation of the Jordan transit system has identified numerous benefits achieved through its thorough and timely implementation (Alfitiani,2010). It has led to minimal escort for transit trucks with a significant decrease of 90 per cent costs, thus eliminating truck congestion at customs borders. Moreover there has been a considerable increase of more than 80 per cent in Jordan`s transit trade due to a reduction of more than 60 per cent of the transit time. Similarly the improved security has diminished the risk of possible smuggled transit trade and diversion to the local market whilst enhancing Jordan as a transit corridor. Finally the online tracking system is much favoured by stakeholders mainly freight forwarders, customs clearing agents and brokers. This represents an example for Africa indeed.

3.4 Israel

The main constraint in the Israeli system of transit relates to the complex, costly and lengthy administrative procedures particularly for permits approval and when granted permits are specifically conditioned for limited validity periods. Faced with poor infrastructure,

transporters usually have to make use of dual carriage means through winding and unsafe roads and at times overloading their trucks, multiple damages, together with any additional financial burden were to exceed the transit time limit.

The prevailing security threats at Egyptian, Jordanian and Israeli borders entail excessive inspection of shipments with almost all containerised goods being unloaded, which are never stuffed again into the containers for inland transit, thus increasing the risk of pilferage and other illegal activities including double handling. Consequently, traders encounter additional transport costs to reload the goods.

Moreover, traders are not made aware of the different procedures governing trade activities with or through Egypt and Jordan. The constant changes therefore lead to poor predictability in the process since the updated information does not always reach the border business community on time.

In their attempt to overcome the existing economic barriers in the region and simultaneously promoting regional transit trade among Jordan, Egypt and Israel, the three countries have adopted the regional integration concept for further international cooperation, which is the key to advanced development. The members are involved in providing financial aid, support from their acquired technical expertise and ICT know-how with the opportunity of simplifying rigid customs procedures in the initial transit management system for the smooth flow of goods in transit.

3.5 Goods in International Transit (TIM)

Designed to improve the speed and efficiency of clearance of goods in transit in the Mesoamerican region, TIM (based on its Spanish acronym) is an electronic system that requires only a single electronic document where cumbersome procedures were previously present.

TIM is built around three main pillars, which are:

1. **Process re-engineering:** Streamlining procedures where multiple paper-based declarations were confined into a unique and comprehensive electronic document where all data needed by Customs, immigration and phytosanitary agencies are presented.
2. **Information technology:** TIM connects systems from all participating countries and agencies within an intranet and includes state of the art risk analysis and cargo control system with a robust reporting system for statistical performance measurement.
3. **Co-operation:** TIM greatly improves co-operation within a country and among agencies concerned with border control as it acts as a single window system for goods in transit.

TIM since its implementation in 2009 has reduced border-crossing times from an average of 62 minutes to 8 minutes and now processes 90% of all transit activity declarations in the Central American region with over 180,000 declarations in 2012 (WCO, 2012).

TIM has put into light some efficient practices supported by full and real political commitment from the highest authorities from every participating country to create mutual trust. Secondly, it also brought into perspective the fact that a system has to be built with the specifications of the particular region for which it is being designed. Clearly replicating the European Union transit system in the Mesoamerican region was not an option as the system had to be adapted to the specific laws and predetermined routes with specific checkpoints to ensure security and traceability of the goods along the transit corridor.

Moreover, TIM has also highlighted the technical committees' facilitation goals to be best served by including senior officials with decision making powers from all cross border agencies to ensure co-ordination and harmonised

execution, with unanimous decisions that will ensure ownership by all regional players and consensus as to the direction of the project.

4.0 AN IDEAL TMS MODEL FOR THE EAST AND SOUTHERN AFRICAN REGION

An efficient and well co-ordinated customs transit management system should consist of several fundamentals complemented by their corresponding sine qua non. We have studied distinct elements in their contextual area, highlighted some weaknesses and identified some global factors, which may positively contribute to an optimal transit management system for the ESA region. An evaluation of each aspect is outlined as follows in the sequential paragraphs:

4.1 Adequate infrastructure

Previous analysis has corroborated the positive correlation between high quality territorial infrastructure and an effective transit management system. Significant progress has been noted in East Africa, in terms of shorter transit times due to improved road development and infrastructure. However, the lack of adequate locomotives and wagons has caused the shift to road from railway transport and consequently deterred the advantages, which may have occurred of the use of rail mode as a means for transit transport.

The appropriate means of transport of a particular product for an effective operational transit system will depend on how best it suits the topography and geographical location of the country. For instance, the construction of pipelines in Kenya has enhanced the transportation of petroleum products and proved to be cost effective and has equally improved road safety.

Moreover, the interconnectivity between different modes of transport in the region is also a very important aspect in determining

the competitiveness of a particular route. Containerization has contributed largely in rendering different modes of transport readily interconnected; yet specialised equipment is often needed to speed up the process of changing transport modes. It is, therefore, imperative that countries are properly equipped with the appropriate infrastructure and equipment to facilitate the smooth transition, thus contributing to a faster and more efficient supply chain.

4.2 Optimal Use of Transit Corridors

The development of transit corridors connecting African landlocked countries has improved the general prospect for transit management system in the region. Table 3 illustrates the respective SADC Transport Corridors.

corridor are of immense impact for traders to consider. It has created an awareness to the integration of the entire region for important economic development that supports business growth through cross border facilitation, while concurrently bridging the infrastructure gap in the region and at the same time encouraging broader co-operation between state and private stakeholders for an optimal expansion of infrastructures in juxtapose to a well-coordinated transport service. It additionally promotes common objectives of the business community and their eventual realisation through enhanced level of flexibility in the transit system along with the increasing use of Memorandum of Understanding amongst numerous partners concerned.

SADC Transport Corridors			
Eastern Corridors	Western Corridors	Southern Corridors	North South Corridor
1. Limpopo	1. Trans Orange	1. Durban-Manzini	(Durban-Lubumbashi)
2. Beira	2. Trans Kalahari	2. Durban-Maseru	
3. Nacala	3. Walvis Bay-Ndola-Lubumbashi	3. Durban-Phalaborwa	
4. Mtwara	(Trans Caprivi)	4. Maputo	
5. Dar es Salaam	4. Trans Cunene		
	5. Namibe		
	6. Lobito (Benguela)		
	7. Mulanje		
	8. Bas Congo		

Source: SADC TRANSPORT CORRIDORS - Investment Opportunities, 2012

Table 3. SADC Transport Corridors

Transit corridor terms are prerequisites in an approach to transit agreements, which have evolved during recent years. Corridor developments in the ESA Region reflect the pressure for alternate logistical solutions and cost reduction objectives with different corridors becoming an option for traders. Customs curtailment activities relevant to the specific

The Walvis Bay Corridor and the Maputo Corridor are examples of existing cross-border corridor aiming at increasing co-operation amongst corridor users and service providers and creating an alternative trade route option to the traditional South African services. Northern and Central corridors offer intermodal transport options and are quite competitive as they handle transit trade to several countries. Once again

the Customs considerations can impact on the utilisation of respective corridors.

4.3 Public and Private Sector Partnership

An improved transit system shall involve the government to design policies and programs to ensure quality service delivery. Different partners of the transit transport stakeholders focusing on co-operation in the East African region include the United Nations, the World Bank, the African Union, the East African Community (EAC), COMESA and the Northern Corridor Transit Transport Co-ordination Authority (TTCA). Some of the main developments arising from the co-operation, are the replacement of single goods declaration document by the Road Customs Transit Document (RCTD), customs bond guarantee scheme, third party motor vehicles insurance scheme, harmonised vehicle weights and dimensions and harmonised road transit charges. The TTCA monitors the implementation of the COMESA trade and maintains the transport system standards along the Northern Corridor.

The UNCTAD secretariat is a major stakeholder in promoting regional co-operation in transit transport particularly through less developed landlocked countries. Its immense contribution in this field has positively impacted on the existing trade practices.

Therefore, specifically for African facilitation objectives, there should also be greater public and private sector collaboration, consultation and investment. Formerly, the transport sector was mostly state-owned however, with the increasing participating partnership from the private sector. The transport industry has been liberalised for the purpose of free and fair competition specially with the abolishing of the national transit transport licenses in certain countries. In COMESA member states, the COMESA Transit Carrier License System regulates the transit transport service. The greater cooperation between both the public

and private sectors has led to the establishment of autonomous regulatory bodies for efficient control.

The advent of regional agreements has strengthened the existing legal framework as well as improving utmost compliance amongst party members. As an effort to privatise the transport service, governments in the ESA region have delegated some of their functions to the regulatory and designated independent bodies. Similarly, the private sector has established professional bodies such as associations for transporters, clearing agents and forwarding agents for improved communication through regular meetings and training opportunities at various levels of the policy making process.

Customs should, therefore, be encouraged to develop co-operative arrangements with other government agencies that also impact border delays and hence improve their capability to detect high-risk consignments. Modern Customs administrations use automated systems to practise risk management in their daily course of surveillance and enforcement.

4.4 Maximum Use of Information Technology (RKC, Chapter 6)

In a rapidly evolving environment where automation is maximised for a streamlined system, a new transit management scheme should absolutely incorporate ICT facilities with the relevant tools for a proper transit mechanism. The current era demands Customs and other players to maximise the use of technology to smooth transit trade and promote the ease of doing business to sustain economic development.

The introduction of the modern technology application of 'Simba' in Kenya has allowed for the proper co-ordination of both the waterfront management system and a port community information system. They have been designed to support port operations and to provide a common network of information for port users.

The ICT platform not only allows for better sharing of information amongst stakeholders but also considers security aspects and trade facilitation objective.

The introduction of 'TIM' to manage transit trade across six nations in central America has highlighted several lessons as to the implementation and use of an effective electronic system and its decision making implications and the political commitment required. TIM has also highlighted the need to tailor the system to the specific needs of the countries involved in the project.

The SAFE Framework of Standards allows for Customs-to-Customs partnership, which aims at real-time co-operation between customs administrations through advanced electronic transmission of customs data, enabling Customs to identify high-risk consignments prior to the arrival of goods and apply certain specified standards. This represents a fundamental shift in customs administration as control usually tends to focus on import control that is carried out in isolation from the controls undertaken by the export and transit administrations. To achieve this aim, the Framework envisages the harmonisation of advance electronic information requirements for all shipments and the use of a consistent risk management approach, and encourages the use of non-intrusive detection equipment as well as aligning itself with the formalities prior to the lodgement of the goods declaration as stipulated in Annex A of the RKC.

An efficient TMS should, therefore, aim to simplify the clearance procedures needed by Customs and other border control agencies. It would be highly advisable to consider a single declaration for transit cargo under a dedication regime so as to eliminate the need for the highly cumbersome procedures involving landing and shipping declarations. An extension of this principle would be to use the same declaration across all the transit countries. One way to achieve this more effectively would be for the countries concerned to be able to exchange

transit declaration information across their national systems.

4.5 World Trade Organisation Agreement on Trade Facilitation (WTO ATF)

The Bali WTO agreement was reached during the Ministerial Conference in December 2013, in Bali, Indonesia. The WCO has published a comprehensive implementation guide for the WTO ATF on its website. Article 11 of the ATF is dedicated to the implementation of simplified transit procedures. It advocates for the freedom of transit, through the reduction or elimination of transit procedures where applicable and limiting fees to transportation, administration and other transit related services.

The agreement also prohibits restrictive measures in relation to Customs charges, formalities and inspections other than at the offices of departure and destination. The ATF also encourages advance filing and processing of transit documentation and co-ordination between member countries. Provisions are also made for single and multi-transaction guarantee where required. The WCO also provides a list of members' practices and relevant performance indicators in its guidelines to help member countries to effectively implement the WTO ATF.

5.0 CONCLUSION

This study has looked into previous publications and practical lessons learned through case studies of prior implementation of transit management systems in different global regions. Each system has their own scope of benefits and shortcomings, at times suiting a particular region while sometimes defeating their main purpose by failing to achieve the desired targets and resulting in the wastage of valuable resources. The drive towards an ideal transit management system should, therefore, incorporate the key criteria forming the basis of existing functional transit management systems

with a well concerted and modern approach conducive to a healthy business environment. In order to create an ideal Transit Management System, realistic targets should be set and measurable performance indicators, such as those as set out in the WCO ATF implementation guidance tool, which may be found on the WCO website.

The suggested measures and actions to be taken by both the public and private sectors are prerequisites for an efficient and effective transit management system in the ESA region, in order to maximise trade facilitation objectives, thereby stimulating greater economic performance and attractiveness of doing business with countries in the region.

Essential factors include developed transport infrastructures, adequate investment from various institutions, in parallel with trade and transport facilitation measures, political will and stability of a regional government for it to adhere to its contractual facilitation compliance commitments. Furthermore, the practice of good governance should prevail in transit countries by satisfying obligations set out in agreements signed and ratified. Greater engagement and commitment of various stakeholders to innovative projects aimed towards trade facilitation should bolster a superior degree of ownership, responsiveness and accountability of every party to the development scheme.

Similarly, the existing information system should be continuously upgraded and adapted according to the evolving trends of trade and transport, while sustained investment should be made into human resource capacity building for a highly skilled and trained labour force.

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Chapter TWO

Risk Management Implementation in Africa, Lessons Learned

Ismael Kafando with Adrian Baranga and Abdelwahab Zramdini

Risk Management Implementation in Africa, Lessons Learned

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Abstract

With the ever increasing growth in the flow of trade coupled with other 21st Century challenges as experienced by African and global border agencies, contrasted by the limited resources available to Customs administrations, the implementation of Computerized Risk Management (CRM) Systems within the Customs environment has been increasingly recognised as one of the most effective methodologies to achieve Trade Facilitation in accordance with the WCO Revised Kyoto Convention (RKC) and the WCO SAFE Framework of Standards (SAFE).

Considering the critical role played by African Customs administrations in facilitating trade, safeguarding national safety and security including their responsibilities of revenue collection, it becomes obvious that implementing a Risk Management System at the core of any Customs organisation's ICT system, in line with WCO Revised Kyoto Convention (RKC) and WCO SAFE Framework of Standards, will have a significant positive effect for Customs as well as the regional and national trading community. However, despite the potential benefits, the main challenge is that many African Customs administrations fail dismally at the point of implementation of a Risk Management Program within such a system.

This paper addresses and reflects current empirical and experience-based conclusions and expounds the challenges that will face any African Customs administration, in introducing a Risk Management System, in its environment, and recommends a practical strategy of implementation.

1.0 INTRODUCTION

The new WTO Bali Agreement on Trade Facilitation (December 2013), within its Articles, re-emphasised the necessity and urgency for all member countries to "expedite the movement,

clearance and release of goods (including transit)" through 1. availability and transparency¹ of imports, exports and transits procedures, 2. standardization, simplification and streamlining Customs and port administrations operations, 3. provisions of advanced imports declaration lodgement and electronic payment capability and 4. implementation of Authorised Economic Operators (AEO) and bilateral/regional agreements programmes.

Although, many African Customs administrations have made significant progress in reducing clearance costs, and in initiating AEO Programmes (e.g., East African Customs Community) revenue mobilisation still remains their primary focus in order to close national budget deficits and sponsor their education, health and poverty reduction strategies. The main challenge of these administrations is how to consistently secure tax revenues and ensure compliance within the customs control legislative framework while providing an appropriate level of Trade Facilitation. Therefore, the development of smart enforcement strategies that help to ensure these key objectives (Revenues, Security and Fast Clearance) are of critical national importance. This necessarily requires African governments in compliance to global WTO and WCO instrument's and agreements, to promote and speed up the automation of all customs processes and procedures coupled with a more targeted clearance approach supported by Risk Management as orchestrator (Brian Glancy 2014). Unfortunately, many African Customs Administrations are still lagging behind primarily due to their lack of adequate human and technical capacity to implement dynamic

¹ Accessibility to customs information via publication, internet and enquiry points, advance ruling to any interested person and opportunity to comment on customs decisions and appeal for an impartial review.

and effective risk management systems².

To address this specific objective, several private companies in collaboration with African Customs administrations started in 1999³ to implement Computerised Risk Management systems coupled with non-intrusive Cargo Scanning facilities (X-ray machines and radiation detectors) as an integrated component to Customs technical capacities.

This study, as conducted, takes stock of more than a decade of practical experiences in implementing automated and dynamic risk management solutions within an African context, and also presents various approaches to risk management and emphasises the barriers that impede the successful implementation of risk management initiatives. The study suggests a way forward including recommendations on how risk management solutions could be leveraged to drive and increase the efficiency and the effectiveness of Customs administrations in Africa. Risk Management is specifically addressed in the Bali Agreement.

It is expected that this empirical study will contribute to filling the gap of informed literature on empirical studies and experiences in the field of risk management within African Customs administrations. The positive outcome should inevitably be to achieve trade facilitation in accordance to global compliance standards.

1.1 Risk Management Approaches

Risk Management (RM) should not be confused with “risk assessment” which consists of a series of technical processes intended to identify and quantify individual risks. The WCO Risk Management Guidelines define RM as a “systematic application of management procedures and practices providing Customs with the necessary information to address

² Rather than static and rigid systems easily decodable by the fraudsters.

³ Cotecna was the pioneer in implementing in collaboration with Ghana Customs Administration a computerised risk management system using statistical approach methodology alongside Scanners Operations.

movements or consignments which present a risk”. Thus, RM is an expansive and continuous process that involves identifying the risks and threats, analysing, quantifying and classifying them, utilising rigorous methods and applying appropriate counter-measures taking into account the balances and priorities of revenues collection – security – trade facilitation.

Following the enforcement of compliance to the revised WCO Revised Kyoto Convention (RKC) standards by instruments of accession deposited by many African States and with support from the WCO, the majority of the Customs Management Systems (CMS) have been upgraded and enhanced by the introduction of risk management modules, applying mainly selective and random rules. During the last decade, various risk assessment systems have been implemented, mostly by private firms specialised in the area of customs operations and using various targeting methodologies. The main ones to be considered are as follows:

1.2 Rules-based Approach

A. Selectivity

The selectivity implies systematic orientation of customs declarations to a specific control channel (e.g., physical inspection or fast-track) based on pre-defined rules applied to a set of specific criteria/characteristics related to a transactions. For instance, imports of specific HS codes under certain regimes from *Country 1*, *Country 2* and *Country 3* or submitted by Authorised Economic Operators (or Green List Importers).

The selectivity rules are only efficient when they are based on special intelligence (i.e., based on information which has been gathered, analysed, categorised and refined) and when they are continuously refreshed to reflect the most recent behaviour and fraudulent practices. However, in practice, selectivity rules are sometimes defined, as based on raw or untested

information, often conflicting and most of the time static or only occasionally updated by Customs Administrations. This leaves room for arbitrary selectivity and provides an opportunity to non-compliant operators to adapt their behaviour and by-pass customs controls.

B. Frequency

This approach consists of systematically controlling any transaction that involves an economic operator, a specific type of targeted goods or a country (of supply or origin) which has no prior record in the customs database. This allows customs to ensure that knowledge is created or data collected for any new operator, HS code or route, which is critical for an effective risk assessment in the future.

A frequency methodology or approach requires an effective management of the economic operator's database. When importers or clearing agents are free to create as many Taxpayer Identification Numbers/TIN as they want, as is the case in some African states, it generates a lot of duplication in the databases. The effect of this is that the system is unable to clearly identify a "true" new player, and unnecessary interventions may be proposed.

C. Statistical Approach

This approach uses quantitative techniques to compute a risk score on trade transactions based on the historical results and findings from customs controls (Classification, Valuation, Scanning, Inspection ...). Each characteristic of Customs Declaration (Criteria) is scored and weighted based on the historical fraud data through econometric estimation. Any new transaction will be given an overall score by combining the weighted scores of its characteristics. The computed score is thus compared against predefined acceptability thresholds (customs capacity/trade facilitation target) in order to define the appropriate action to be performed. This approach relies on fraud feedbacks recorded, back to update the scores,

which will be used to predict the risk of the future transactions. Also new threats discovered during control are automatically integrated into a score computation process to identify new patterns of risk.

The application of a statistical approach in Customs RM brings many advantages over the classical selectivity that is commonly used within Customs RM solutions. Classic examples may be:

- Increased objectivity by removing human appreciation and reducing arbitrary controls.
- More accurate results by taking account of the daily controls, to continuously update the scores of the transactions and further consider fluctuating/changing non-compliance patterns.
- Impossibility for decoding by the economic operators or traders.

Statistical Approach relies on data which is required to be organised and processed correctly in order to draw some statistical robust risk patterns. The lack of systematic and accurate fraud feedback may constitute an issue for concern when applying this approach.

D. Random Approach

This approach applies a pure random selection methodology, used in particular to regulate Customs controls. When this approach is combined with the above-mentioned approaches, it could be configured in the manner to only select a small percentage of low risk transactions for control (for instance redirect a small portion of Fast-Track transactions to scanning or physical examination) and therefore dissuade compliant importers from fraud attempts. The positive results obtained from random selection are fed back to refresh the risk scores and also are used to evaluate the performance of the others used.

The above approaches are not exclusive and should be combined in an appropriate manner to obtain an effective and customised risk management system that helps Customs

to have complete control of its operations and be able to effectively reduce its clearance lead times without increasing the risk to the national security and prejudicing state revenue.

2.0 LESSONS LEARNED AND RECOMMENDED IMPLEMENTATION STRATEGY

Lesson 1: Adopt a “change management” approach

The introduction of a risk management (RM) project or initiative needs to be managed from both technical and human perspectives (not only from an internal Customs perspective but also from an external / clearance process stakeholders’ viewpoint). This is to increase the likelihood of delivering the intended results and outcomes. Most of the time, Customs administrations are able to ensure successful installation of RM systems.

However they struggle to ensure the acceptance, adoption and efficient utilization of the system by personnel who have to adjust their behaviour and skills to perform their job differently as a result of the change. Integrating a Change Management approach in a RM implementation project ensures that all perspectives are covered and process dimensions are considered at the earliest stage possible.

A. If you fail to plan, you plan to fail

As with any project, RM implementation within Customs starts with a clear definition and agreement on the precise objectives (i.e. purpose, aims, scope, deliverables, timescale, budget, team, etc.). However, its success and capacity to deliver the expected results and benefits depends strongly on the early consideration and management of barriers linked with personnel aspects. It is essential to prepare people for the change within their operational environment. An introduction of RM systems “*shall be carried out in consultation with all relevant parties directly affected, to the*

greatest extent possible” (WCO Revised Kyoto Convention (RKC) – Chapter 7). The following recommendations are critical in this process:

- Take time to identify the different departments, the offices and people affected by the project and the risks associated with their potential reactions to this change.
- Spend time with the Senior and Middle Management to truly build understanding and buy-in to the change effort. Their commitment and active leadership are key criteria to move the entire organisation in the same direction (Wallace-Hulecki *et al.*).
- Initiate workshops and briefing events to share and sell the vision of the project in values-based terms, in order to get the maximum number of people to commit, or at least understand the need for change.
- Collect and assess people’s perceptions and feelings about the change and consider the findings to build people-centred plans to support the change (education, training, communication, incentives ...).

Do not underestimate resistance to change. Set out what needs to be in place from a people perspective before the formal kick-off of the project. It includes analysis and possible revision of the operational process and procedures, establishment of a clear communication plan and sometimes amendments to national legislation to provide the legal basis for risk-based operations, enforcement, rewards and incentives.

B. Set up joint implementation committees in order to drive institutional reorganisation

Successful implementation of RM within Customs administrations requires the establishment of a structured management organisation to help develop a mutually beneficial relationship between the project implementation team,

Customs senior executives and the resources impacted by the changes in procedures and systems. This is essential in order to create a co-ordinated workforce capable of moving the entire organisation in the same direction. This management organisation should be representative of all the departments implicated in the project and include representatives from all levels of staff, from management through to officers working at the grassroots level. This will also contribute to build sustainability for the future.

A successful implementation and ongoing management of a RM solution is best supported by the following RM management structure:

- 1. A Steering Committee:** This is responsible for the overall supervision of the RM implementation and for providing assistance to all other sub-committees and units involved. Specific tasks could include: validation of proposals, mobilising resources when required, enforcing decisions and dealing with resistance to change. This committee is usually chaired by the Customs Commissioner (or his Deputy) and

It should be noted that the Steering Committee is usually the first group that shows signs of losing interest/focus. In most of the RM projects, it has been noticed that the real risk of loss of impetus of this group is expected during the first year. Thus, it is important that management retains and maintains employees, engages and keeps them committed. Therefore, the success of the Project is foundationally based on Senior Management's interest and participation.

Keeping the Steering Committee informed through regular meetings and status reports, organising seminars to communicate positive emotions such as ongoing progress, achieved objectives, perceived outcomes and future milestones are rules that have been applied successfully in the past to keep this key group engaged.

with the Head of the different departments as members with an active participation from the service supplier. It is the ultimate decision making authority.

- 2. An Operational Committee:** This is generally the "guiding team" composed of the Project Management Team and representatives from the key Customs functions with the right mix of skills and operational levels to drive change and influence the others. This committee is responsible for the practical implementation of the strategic objectives of Customs (such as Trade Facilitation, Revenue Collection and Security) within the RM project and will also assist in managing the inevitable ambiguity and uncertainties that will often appear.

Customs administrations in Africa are structured in what can best be described as a "silo" organisation, where each "silo" thinks and works independently, often without paying enough attention to the needs of other departments and the synergies that can be achieved by working in close co-ordination with each other (the "it's not my job" mentality). When it comes to moving forward with risk management decision making and planning within the Operational Committee, it is frequently difficult to break the normal working habits of people who only consider their own specific area, and are not looking at the broader obvious goals and objectives. Therefore, this committee is sometimes inefficient in achieving its main objective, which is to make co-ordinated decisions across the "silos" and move the project forward in a productive direction.

Clear commitment from Senior Management and the promotion of inter-department communication and co-operation is a mandatory condition to break the organisational silos barrier.

- 3. A Risk Management Unit:** Responsible for the maintenance and operation of the RM System (analysis, configuration, monitoring). The unit is also in charge of gathering intelligence information and consolidating

a dedicated national fraud database, providing RM training and awareness and regularly producing RM related operational and statistics reports. Considering the level of sensitivity of systems and information managed by this unit, it is recommended to be directly under the supervision and control of the General Commissioner or be attached to the Customs Intelligence (CI) & enforcement department and be composed of resources with very specialised skills and credible ethical moral character.

Carefully plan rotation of the Risk Management Unit:

Staff rotation is a natural discipline of Customs administrations, however, for this unit, rotation must be carefully planned so as to not affect the continuity of its activities. Ideally, the personnel of this unit should be appointed for the long-term because of the length of time it takes to reach an acceptable level of competency (i.e., there is a reasonably long learning curve [Laporte, 2011]). Before moving people into this unit, an appropriate training plan should be designed and executed to ensure a consistent handover. In addition, the new employee should be assigned to a mentor or supervisor to ensure questions receive the appropriate consideration and the correct answers and systems are correctly operated.

C. Appoint an experienced service provider to provide technical assistance

The use of technical assistance services regarding risk management systems is commonly recognized as an enabler for African countries to invest more quickly and confidently in Customs modernisation. The scope of technical assistance services should be carefully defined and aligned with Customs authority objectives,

capacity and budgets, and embrace global trade facilitation objectives.⁴

The service provider should have significant experience and a proven track record in implementing risk management solutions in similar Customs environments. It should have the methodology, as well as the skills and tools to ensure a successful implementation.

The service provider should have the capacity to support Customs authorities to adapt the management of their human resources: for example, to identify or recruit staff having the technical and soft skills to be in charge of risk management matters, and to help define clear job descriptions for the long-term assignments.

The utilisation of risk management solution providers, therefore, constitutes a solid and practical approach to give a considerable boost to a RM implementation project and deliver quick results (quick-wins) to gain confidence and buy-in from customs personnel affected by the project.

Lesson 2: Implement a consistent and automated Risk Management solution

Efficient RM implies the use of automated systems that implement dynamic risk assessments, drive control operations and collect and integrate meaningful feedback. To achieve such objectives, the systems and procedures put in place with the support of the technical assistance services providers should comply with the following minimum requirements:

A. Combine different risk modelling approaches

A number of different studies [WCO2010, Laporte, 2011], support the requirement that an efficient RM should combine a number of different risk modelling approaches including (but not limited to) statistical modelling (e.g., econometrics and scoring), rule based targeting and random selection.

⁴ The 2013 WTO Bali Agreement as an example.

B. Enforce a Unique Tax Identified Number

Submitting Customs Declarations with different Tax Identifier Number (TIN) is one of the trendy tactics used by importers to escape TIN controls tracking and assessments. On the other hand, the success of automatic RM highly depends on their capacity to uniquely identify the importers.

Ensuring that each stakeholder in the international trade chain has a unique number, which is mandatory for Tax purposes and also for risk management purposes, to ensure linking behaviours (frauds practices) to the appropriate declarants. One of the first measures to be addressed when implementing RM projects, consists of “cleansing” TIN databases through the consolidation of information from different sources and using specialised tools to detect the importers using different TINs.

C. Limit and track human interventions

The system should allow for human intervention in changing system parameters to integrate external intelligence information and alerts (e.g., define new selectivity rule,s etc.) however, such interventions should be effectively controlled and authorised, i.e., limited, protected and documented for auditing purposes (track who has done what and when).

D. Provide for reliable and centralised data

“Risk management” systems, as with any system will behave in the same manner following the “garbage in – garbage out” principle. There is a clear need to organise a wide range of data spread on the Customs cloud, part of it which is neither structured nor systematically recorded and, therefore, not directly exploitable by computer systems. Statistical based RM systems require the availability of formatted and reliable data that is systematically recorded, consolidated and analysed to update the system parameters.

To ensure optimal utilisation of risk assessment methods, Customs administrations are recommended to closely work with the

systems suppliers at the stage of data elements identification and validation. RM specialists should conduct a preliminary analysis of the consistency and pertinence of the data available for risk management purposes, as such an exercise often leads to a “gap analysis”, identifying the additional data, that may need to be gathered, recorded and processed.

E. Adopt a consistent approach to the management of feedback information

The collection and storage of structured fraud and accurate information feedback is a critical element of the RM processes. The fraud database indeed contains the historical records of Customs violations and offences discovered by the Customs officers through physical inspections and other types of controls carried out in the context of their daily operations. This information is essential to allow the RM system to adjust its parameters for an efficient assessment of the level of risk, and for the assignment of the appropriate intervention channel for each new Customs declaration.

Inaccurate feedback information is “misleading” not only for the system but also for those utilising it, to an extent where credibility and reliability may be raised as serious concerns.

In many cases, the fraud information available in the existing Customs fraud databases is not exhaustive and precise enough⁵, to conduct effective risk analysis. This leads to the development and implementation of various adhoc tools to improve feedback and populate the RM fraud database with more refined information.

Dynamic risk management systems using a statistical approach require a high volume of good quality data, which can be accessed in real-time. A lack of exhaustive and high quality frauds feedback, coupled with an inability to have access to this information at the earliest possible opportunity, could have a serious impact on the

⁵ Complete description of the goods to such a level that allows a proper identification, tariff classification and valuation of goods for Customs purposes.

implementation of the RM solution. In this case, some measures must be taken to implement mechanisms which guarantee continuous and timely flows of accurate information between the Risk Management Unit and Customs frontline offices.

F. Ensure usability of the system by the End-Users

Most of the solutions available in the market provide user interfaces that allow Risk Officers to manage basic selectivity rules, however, when it comes to more complex risk assessment rules configuration/calibration, the involvement of IT technicians and statistical experts become mandatory.

If Customs end-users (i.e., generally non-technical personnel) are not comfortable with the use of the RM system because of the complexity or the “black-box” effect, the system will not be continuously refreshed and the expected outcomes will not be achieved. Chapter 7 of the WCO Revised Kyoto Convention (RKC) recommends that *“Customs shall apply information technology to support Customs operations, where it is cost-effective and efficient for the Customs and for the trade”*.

A good RM solution should have a user-friendly and intuitive interface that allows not only statistical experts but also standard Customs users to understand how the statistics modelling works and what the impacts will be of changing some parameters or rules. Highly complex quantitative risk assessment methods should be very simple to use in order to quickly build the user experience.

Lesson 3: Ensure the existence of a minimum level of Telecommunications infrastructure

The deployment of an efficient RM also relies on an appropriate telecommunications infrastructure, a lack of which can be a real concern for project implementation as the quality of communications can highly impact the

systems architecture and operational modes. The availability of a reliable telecommunications infrastructure allows all border posts (ports, land borders) to centrally process declarations in real-time using the same risk management configurations. Feedback is collected from these remote posts, consolidated and centrally processed to adjust the system parameters.

When the telecommunications infrastructure is poor (low bandwidth and low reliability), which is the case in many African countries, Customs may have to implement distributed system architectures where a standalone Customs Management System and risk management solutions are deployed.

Operating under poor communication infrastructure necessitates the implementation of alternative infrastructures that allow users of the frontlines offices to access the central system if the network is available and automatically switching to the standalone solutions if not. Such a context implies the creation of a daily batch transfer of data between the remote and central systems.

Lesson 4: Assess RM projects through Key Performance Indicators (KPIs)

KPIs have proved to be an effective performance management tool. Customs Management has to ensure that KPIs have been cascaded down to all employees and that every employee relates his/her role to the basic objectives of the department, therefore, facilitating the fulfilment of strategic objectives.

While defining appropriate KPIs could be an easy task, (e.g., adaptation of KPIs applied by other Customs administrations) their measurement has proved to be much complex as the tendency is often to rely only on statistics extracted from the system.

Most KPIs are, therefore, oriented to the measurement of the program’s impact on trade facilitation and revenue protection and defined through processing channels. Examples include but are not necessarily limited to:

- Green channel for low risk and AEO transactions;
- Yellow channel for medium risk cargoes requiring documentary checks;
- Red channel for high risk transactions that are sent to the x-ray scanner and/or physical examination;
- Blue channel for transactions selected for Post Clearance Audits.

The RM system should provide flexible reporting capabilities that should allow accurate measuring of the KPIs and represent them in friendly manner. Below are some examples of KPIs that could be considered as part of an RM solution implementation:

- The distribution of cargoes across the different processing channels and its alignment with the objectives;
- Resources usage rates (number of cargoes controlled, scanned, or inspected) versus revenue generated;
- Release time for low risk cargoes that will allow administrations to measure their trade facilitation targets;
- Hit rate on high risk cargoes that illustrates the system effectiveness in targeting the really risky transactions;
- The additional revenue generated from cargoes showing discrepancies after inspection;
- Percentage Customs audit success rates for risk based post clearance audit targeting;
- Percentage Customs and border protection decisions overturned through external appeals;

These KPIs can be used to maintain the right balance between the availability of resources for control and the risk of loss of revenue knowing that in most cases, especially in Africa, that revenue always take precedence over facilitation.

Lesson 5: Proceed with a phased and progressive Implementation

In many cases, the identification of the risk criteria is carried out “manually” and relies on the Customs officer’s experience and judgement. The selectivity rules may be defined by a committee or group of people and then transmitted to an IT team for their implementation inside the system. The approach fully relies on human intervention and judgement. While not completely inappropriate and in many situations unavoidable, it fails to take advantage of all the information captured in the CMS database and to adapt in real time to new forms of Customs fraud, thus being a risk in itself.

To overcome such challenges, it is recommended to adopt a phased and progressive implementation of a comprehensive RM system supported by a training and capacity building program that allows for a gradual increase in the technical and management skills of the Customs staff.

This is particularly valid when it comes to the application of the statistical methods that have the capability to efficiently predict and detect declarations containing infractions, yet remain highly dependent on the volumes and quality of the data stored in the systems.

The implementation of a robust RM solution within Customs involves an incremental rollout of modules through the activation of advanced system features, which requires committed involvement from both Customs administrations and the risk management solution supplier.

Ideally the setup of efficient RM principles and systems within a Customs Administration requires a four phased and incremental implementation that take at least three years including an intensive and continuous training and capacity building programme.⁶

The four proposed phases are as follows:

1. The first implementation should commence around established risk

⁶ Laporte also considered that a period of two to three years is necessary to develop such a phased risk management system within African context [Laporte - 2011]

profiles (importers, commodities, countries...) using the knowledge of Customs officers and other information gathered on the field. The collection of basic feedback information (fraud observed or not) is implemented using adhoc fraud collection tools.

In parallel, other activities should be undertaken:

- Experts should analyse the quality (unformatted, not consistently recorded, not detailed enough), the consistency and collection channels of the available data and information; such analysis often leads to specifications to implement changes within the CMS that allow the required data to be recorded;
 - Risk management committees should be implemented and the capacity building program launched;
 - Key Performance Indicators and their means of measured identification should be defined.
2. The system should then evolve to combine risk profiles using weighted criteria and computed based on statistical methods. The feedback information is enriched by the qualification of the value of the fraud and related penalties. At that point, certain of the Key Performance Indicators can begin to be computed and reported.
 3. When the database is populated with more reliable and complete data, the algorithms using econometric scoring techniques can be activated. At this stage, the system is still not sufficiently informed about the nature of the infractions confirmed. The information revealed is the presumption of infraction, whereby the control officers must define the nature of the infraction. A Risk Profile Reporting module should be implemented to show dynamic reports on volumes, trends and analysing risk profiles, e.g., the

Top 10 riskiest importers or commodities and their related transactions and fraud behaviour. The CMS should be updated to allow all the information required by the RM solution to be recorded in a consistent manner.

4. The final stage implies, the implementation of a comprehensive solution, including an integrated Customs Information System allowing for the recording of the infractions, their type and impact, along with an executive reporting system showing clearly identified performance measurement indicators.

Lesson 6: Plan for a significant Capacity Building Program

All trade-related studies and organisations recognise that Capacity Building and Training is an important component for the successful implementation of RM within Customs Administrations. As emphasised in the recent risk management surveys performed within WCO Members, most Customs administrations are facing difficulties in achieving the practical implementation of the Risk Management Programme (Hintsa *et al.* 2011).

The Training and Capacity Building Package (TCBP) content should be defined following an in depth "Training Needs Analysis" (accurate diagnosis of developmental needs as stated by WCO) which often encompasses:

- Sponsoring awareness campaigns for the entire organisation;
- Study tours of similar environments to share experiences and best practices;
- Technical workshops on RM challenges, approaches and benefits for the staff indirectly implicated in the implementation and operations of the RM Systems;
- Development of soft skills of RM teams;
- Regular training on RM approach, methodologies and tools supported by systems demonstration and pilots;

- Organisation of “Train the trainer” sessions.

Ideally the training should go beyond the classical functional and technical training parameters and encompass the development of cross-functional skills of the Customs staff to support the change management process. Training areas identified by the Training Needs Analysis could include (but are not necessarily limited to) the following:

- Trade Facilitation Framework, WTO and WCO Standards;
- Risk Management Principles, approaches and best practices;
- Change Management;
- Risk Management Systems Tools and methodologies;
- Information security;
- Project Management;
- External Co-operation, Communication and Partnership;
- Crisis Management.

The TCBP should be a continuous process to ensure constant refinement and improvement. Other complementary measures should also be undertaken to enforce the RM policies and procedures:

- Create Specific Operational Procedures to enforce compliance with Risk Management System Orientations/recommendations;
- Develop Risk Management Course as part of training curricula and program for customs student;
- Establish permanent communication between Risk Management Units and Front-line Offices;
- Use WCO framework of principles and practices on Customs Career Development and training as basis to review African Customs administrations’ current practices;
- Adopt more holistic approach to Customs capacity building at a regional level to encourage mutual assistance and best

practices sharing. This also contributes positively to building regional synergies.

CONCLUSION

In the current economic environment defined by globalisation, significant trade growth (to and from Africa, and also within Africa) and an exhilarating pace of change, the implementation and designing of a Customs risk management system is no longer a ‘nice’ to have but a stringent necessity⁷. Such systems serve both facilitation and control objectives.

Deploying a Risk Management system and implementing the associated processes and procedures have the potential to transform an organisation in a radical way. However in order to achieve the full potential, it is important to strategically embark on a holistic approach thus going as far as taking into consideration not only the impact on the Customs organisation, but also the impact on the environment in which Customs operates.⁸ This requires customs to develop a real “Customs-to-Business” partnership with the trading community and “co-operative arrangements with other government agencies” (WCO SAFE Framework of Standards). Also, effective RM Systems are additionally supported by “a compliance measurement strategy” and strengthened co-operation between Customs administrations “to conclude mutual administrative assistance agreements” allowing for the enhancement of their control (WCO Revised Kyoto Convention (RKC) – Chapter 7).

Indeed, Risk Management globally and within African states, should consist of a balanced combination of policies and strategies covering the systems (tools) as well as people, processes and procedures (collecting, storing and managing data and data intelligence). All

⁷ WCO Revised Kyoto Convention (RKC) Chapter 6

⁸ From a Customs perspective it is important, for example, to understand not only the impact on its own operating costs and increase efficiency in the use of resources but also the impact on the speed of the clearance process and thus on the cost of doing business for the local trading community.

the Customs administrations in Africa have come to appreciate the necessity and compliance requirement to introduce such systems, and to facilitate trade.

From experience and in other global studies, it has been noted that the implementation in practice is met with varied levels of success, thus no administration appears to have Risk Management as a masterpiece of their management system, neither on strategic nor on operational level [Hinsha, 2011]; mostly due to inadequate trade-oriented policies, lack of appropriate Customs infrastructure (including telecommunications and IT information systems), defective RM programme implementation, and inadequate staff skills to support this kind of project.

Nevertheless, many WCO members in Africa have initiated at national level and in some cases at regional level a number of major reform and modernisation initiatives for their Customs administrations, which are more aligned with the WCO Revised Kyoto Convention (RKC) global standards. For those countries, implementing a Risk Management System as driver of their operations in synergy with the other trade facilitation instruments (i.e., multi-facet approach to trade facilitation) and taking into account the recommendations proposed by the study, will result in significant positive outcomes well beyond the Customs organisations boundaries, thereby positively impacting on all sectors of the economy and benefitting international trade.

In this regard, the memorandum of understanding signed between the WCO and the African Development Bank (AfDB) on January 2012 constitutes a great opportunity for African Customs administrations to secure both technical and financial support to capacity building initiatives required for such modernisation programmes. A well-planned and focused strategic implementation is the key to deliver successful RM systems in Africa.

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ANNEX: Cotecna's experience

Cotecna⁹ was the pioneer in 1999 in implementing a computerized Risk Management System based on a statistical approach alongside non-intrusive, state of the art cargo Scanning facilities as an integrated component to Customs operations.

Cotecna Risk Management, supported by CRMS®, uses an approach combining econometrical modelling approach with selectivity, frequency and random rules. This combination creates an effective and customised risk management system that helps Customs to have complete control of its operations and be able effectively reduce the number of physical examinations without increasing the risk to the national security and State revenue.

Cotecna initially implemented its CRMS® as part of contracts with governments to carry out Pre-shipment and destination inspection (PSI/DI) and scanning services. Based on the Advanced Cargo Information (ACI) provided to the PSI/DI schema, CRMS® assessed the risk and transmitted electronically the risk channel recommendations to the Customs Management System (CMS) allowing Customs to plan their actions. Two (2) weaknesses were observed:

1. The coexistence of two RM Systems which did not apply the same methodology (also emphasised by Geourjon et al., 2012): Only the goods subjected to PSI/DI services are assessed by CRMS®. The consignments outside PSI/DI were assessed by Customs CMS Selectivity Module which uses basic risk Assessment methods.
2. The fact that CRMS® was not directly operated by Customs within their own environment. In certain cases, this lack of ownership feeling by Customs increased the level of non-application /overruling of CRMS recommendations by the front-line offices.

⁹ Cotecna provides Trade Facilitation and Security Services to governments – www.cotecna.com

Learning from the experience accumulated in implementing risk management solutions in nine (9) countries across Africa, this innovative approach has, over the years, evolved into a multi-modular portfolio with a stand-alone computerised risk management engine operated within Customs and by Customs as one of its most technologically advanced components.

In the latest generation of CRMS®, Cotecna has built a RM solution with a multi-layered approach¹⁰ to the risk because the nature of the risk and the likely impact should drive decision on whether an action or counter-measure is considered appropriate.

¹⁰ Cotecna RM System: Assesses each strategic area of risk separately in order to recommend more precise action; Provides risk level not only for the whole Customs declaration, but also per item of the declaration for more targeted work approach (optimisation of Customs operations).

Chapter THREE

Trade Facilitation: Perspectives from the Private Sector on the Global Trade Facilitation Tools and Instruments Implemented in East and Southern Africa region. A Case Study of the Southern African Development Community (SADC)

Dhunraj Kassee

Trade Facilitation: Perspectives from the Private Sector on the Global Trade Facilitation Tools and Instruments Implemented in East and Southern Africa region. A Case Study of the Southern African Development Community (SADC)

Dhunraj Kasse

1.0 INTRODUCTION

1.1 Background

International trade in Africa and across the globe in goods and services is important for poverty eradication and sustainable development. The engine behind the growth of the global economy in recent years has been the dynamic performance of developing countries, especially emerging economies such as Brazil, China and India and trade among developing countries. In the Sub-Saharan African region, policy makers have started focusing increasingly on addressing non-tariff barriers. Trade facilitation measures have become a key focus to create an improved trading environment. Investment directed at making moving goods cheaper and achieving expedited delivery across the continent is expected to increase intra-African trade, spur growth and development of the continent and contribute to meaningful poverty reduction.

According to the OECD (2013), reducing global trade costs by 1% would increase worldwide income by more than USD 40 billion, most of which would accrue in developing countries. This study also revealed that the activities that appear to contribute significantly to the reduction of trade costs in Sub-Saharan Africa are relevant to compliance formalities¹. The same study reveals that in some African countries revenue losses from inefficient border procedures are estimated to exceed 5% of GDP. The United Nations Conference on Trade

¹ Certain measured automation, Formalities – documents and Information availability in the study estimated potential reductions of 2.9%, 2.7% and 1.9% respectively

and Development (UNCTAD) estimates that the average customs transaction involves 20–30 different parties, 40 documents, 200 data elements (30 of which are repeated at least 30 times) and the re-keying of 60–70 per cent of all data at least once. With the lowering of tariffs across the globe, the cost of complying with customs formalities has been reported to exceed in many instances the cost of duties to be paid. In the modern business environment of just-in-time production and delivery, traders need fast and predictable release of goods.

1.2 The impacts of the Southern Africa Development Community (SADC) and the Role of the Private Sector

The Southern African Development Community (SADC) is one of the eight Regional Economic Communities (REC) recognised by the African Union Head of States as building blocks for continental integration. The Treaty is the main Agreement establishing the Southern African Development Community in 1992 and its members include the following nations: Angola, Botswana, Democratic Republic of Congo, Lesotho, Namibia, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia and Zimbabwe. The SADC Strategic Development Plan (RISDP)² affirms in its policy, the role of the private sector in wealth creation, employment direction and recognises that the private sector in the region is the “engine of growth” and further includes strategies to

² The RISDP focuses on promoting trade and economic liberalisation through the establishment of a SADC Free Trade Area and a Common Market. The main instruments to support these objectives are the Protocol on Trade, Protocol on Finance and Protocol on Transport, Communication and Meteorology.

integrate the private sector in policy and strategy formulation in order to accelerate and achieve sustainable regional economic integration.

1.3 Problem Statement

Various recent global trade facilitation tools and instruments have been put in place with the objective to enhance the seamless flow of goods within the SADC region and other international regions. The SADC Protocol is a clear example of the commitment of SADC Member States to ensure trade facilitation as well as compliance to customs related laws and legislations. It is also designed to support global initiative such as the WTO TFA. However, according to various international and regional statistics and surveys, the magnitude of transaction costs within SADC in terms of the number of documents required, transportation costs and time taken for imports and exports are still high and in conflict with desired global standards. Consequently, the high transaction costs have an adverse effect not only on the intra-SADC trade, but also on the economic development of the region.

1.4 Objective of the research paper

This paper serves to give a brief overview of the various measures of the World Trade Organisation Agreement on Trade Facilitation (WTO ATF) signed in December 2013; the regional progression of implementation of the trade facilitation measures within the Southern African region vis-à-vis and beyond the agreement, challenges experienced and recommendations to enhance the seamless movement of goods within the SADC region. The paper includes a special focus on the WTO Agreement on Trade Facilitation, the WCO Revised Kyoto Convention (RKC), the WCO SAFE Framework of Standards (SAFE), the UN Almaty Programme of Action and the SADC Protocol on Trade.

The methodology used for the purpose of this research paper is a case study approach, analysis of data from the World Bank's Doing

Business 2014, interviews and various reports available on line (**Annex 1 refers**).

2.0 THE CONCEPT OF TRADE FACILITATION

2.1 Definition of Trade Facilitation

While the need for trade facilitation in this modern era is extensively mentioned and supported by global traders, there is no widely agreed upon singular definition for trade facilitation. The WTO defines trade facilitation as "the simplification and harmonisation of international trade procedures" where international trade procedures are defined as the "activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade". Trade facilitation measures seek to establish a transparent, consistent and predictable environment for border transactions based on simple and standardised trade and customs procedures and practices, documentary requirements, cargo and transit operations, and trade and transit conventions. In an era of vertically integrated global supply chains, rapid and efficient movement of goods and related services including information, are also important aspects of trade facilitation.

2.2 Trade Facilitation Tools and Instruments

This paper will refer to trade facilitation and instruments emanating from the following:

- GATT Articles V, VII and VIII
- WTO Agreement on Trade Facilitation
- WCO Revised Kyoto Convention (RKC)
- WCO SAFE Framework of Standards (SAFE)
- Almaty Programme of Action
- SADC Protocol on Trade

2.3 The WTO Agreement on Trade Facilitation (WTO ATF)

As part of a wider 'Bali Package' and after some nine years of negotiations, the World

Trade Organisation (WTO) members reached a consensus on a Trade Facilitation Agreement at the Bali Ministerial Conference in December 2013. In fact, GATT Article V on freedom of transit, Article VII on valuation for customs purposes, Article VIII on fees and formalities, and Article X on publication had already laid a very solid foundation for trade facilitation. The Doha Development Agenda or the Doha round was the latest round of trade negotiations among WTO members, which focused on fundamental objectives to enhance the trading prospects of developing, and least developed states. The Bali Package is a subset of the Doha Development agenda which commenced in 2001, and results from the Ninth Ministerial Conference of the WTO in Bali, Indonesia from 3rd to 7th December 2013.

The WTO Bali Package consists of draft decisions and declarations reflected in two parts: Part I regarding the regular work under the General Council, and Part II regarding work under the Doha Development Agenda. The most significant part of the Bali Package is the Draft Ministerial Decision on trade facilitation as a multilateral commitment to simplify customs procedures by reducing costs and improving speed and efficiency (Trade Law Centre [TRALAC] 2013).

2.4. Status of the WTO ATF main measures within SADC

2.4.1 Publication and availability of information

In the Southern African region, in line with the Revised Kyoto Convention and the Southern African Development Community (SADC) Customs Information Communication Technology Strategy 2013, most of the Revenue/Customs administrations have published trade-related information including tariff information on their websites. Some Member States such as Mauritius (2013) and Lesotho (2014) have gone beyond this to develop a trade portal. The Government of Mauritius refers to the trade portal as a web-based state-of-the-art system whose prime

objective is to facilitate imports and exports. In view of this, it would be highly recommendable for other countries to develop similar portals with a view to enhance transparency, predictability and integrity management³.

2.4.2 Advance Rulings

In the region, South Africa Revenue Service (SARS) for instance submitted a new Act to Parliament in 2014 called the Customs Duty Act (Act 30 of 2014). In terms of Chapter 10 of Customs Duty Act, the legislation provides for the issue of advance rulings on the tariff, value and origin determination of goods of a specific class or kind when intended to be cleared during a future period. This is in line with the Articles of the recent ATF.

2.4.3 Appeal or review procedures

The WCO Revised Kyoto Convention (RKC) actually recommends that it is important that an affected person be provided with an opportunity to address a decision or omission initially within Customs at the administrative level without first having to resort to an independent judicial authority. According to a customs audit carried out in 2011 (AECOM International Development 2011), all revenue/customs administrations already have established appeal or review procedure mechanisms (*see figure 1*).

2.4.4 Release and clearance of goods

According to the SADC Customs Audit 2011, 'virtually all Member States are implementing Post Clearance Audits and Pre-Clearance with the exception of Lesotho and Swaziland respectively' (AECOM International Development 2011, p.18). The majority of Member States have risk management procedures in place except for Botswana, Lesotho and Swaziland. With regards to the Authorised Economic Operators concept (AEO), in addition to Mauritius, Zambia and Tanzania, SACU countries including Botswana, Lesotho, Namibia, Swaziland, and South Africa

³ This is recommended in the Articles of the Bali ATF

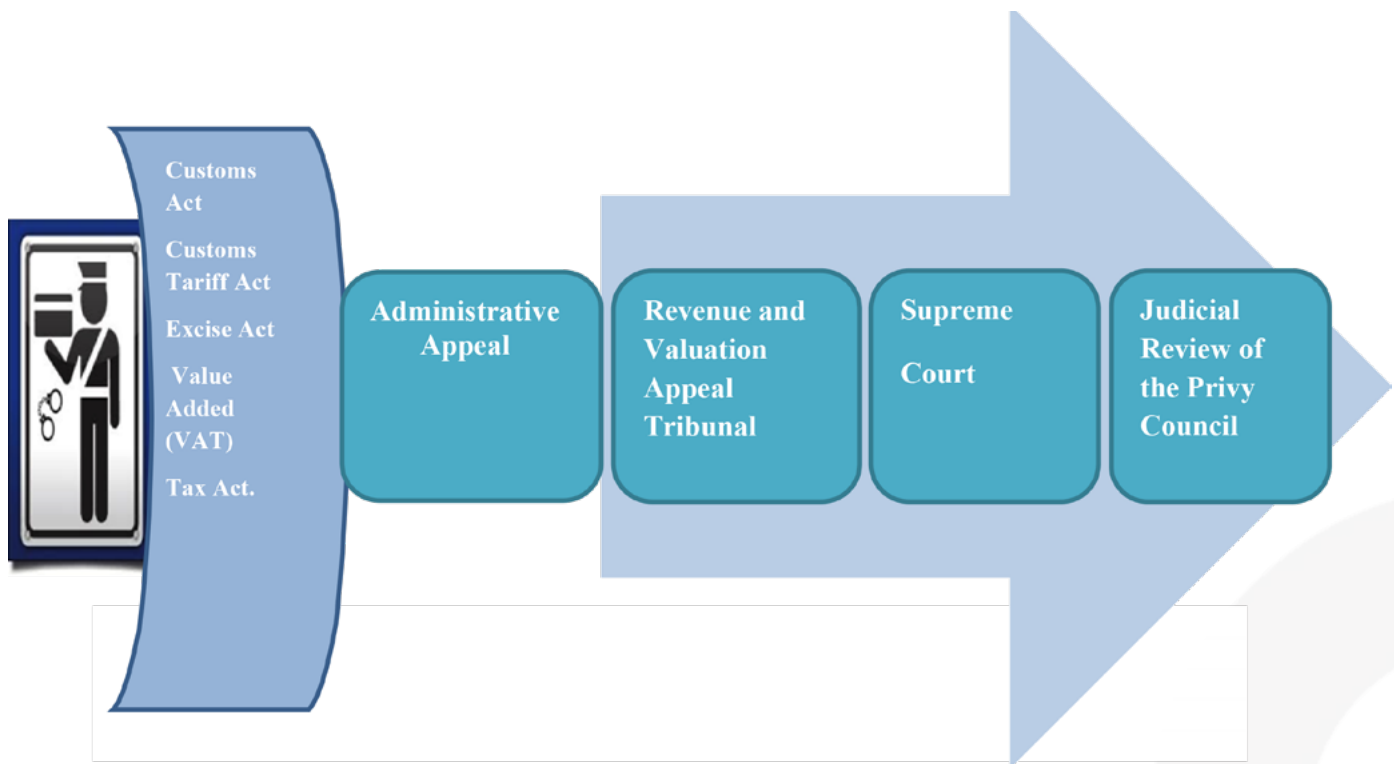


Fig. 1: Appeal Procedure in Mauritius

are implementing the Preferred Traders Program (MPoverello, 2013).

The WCO SAFE Framework objective really reflects the objectives for tangible benefits to the traders as it has a direct impact on the clearance and release of shipments in terms of facilitation. Several reasons have been given, for the lack of implementation of some of these measures in certain countries, such as lack of automation, the need to review legislation, varied level of infrastructure and developments and capacity constraints. The successful implementation of the AEO programme will also rest on the zealous participation of the private sector.

According to a new joint report by the Organisation for Economic Co-operation and Development (OECD), the World Trade Organisation (WTO) and the United Nations Conference on Trade and Development (UNCTAD), Global secured value chains have become a dominant feature of world trade and investment, offering new prospects for growth, development and jobs (*see figure 2*)

With regards to WCO Time Release Studies, it is worth noting as an example that in 2012, the World Bank supported a Time Release Study

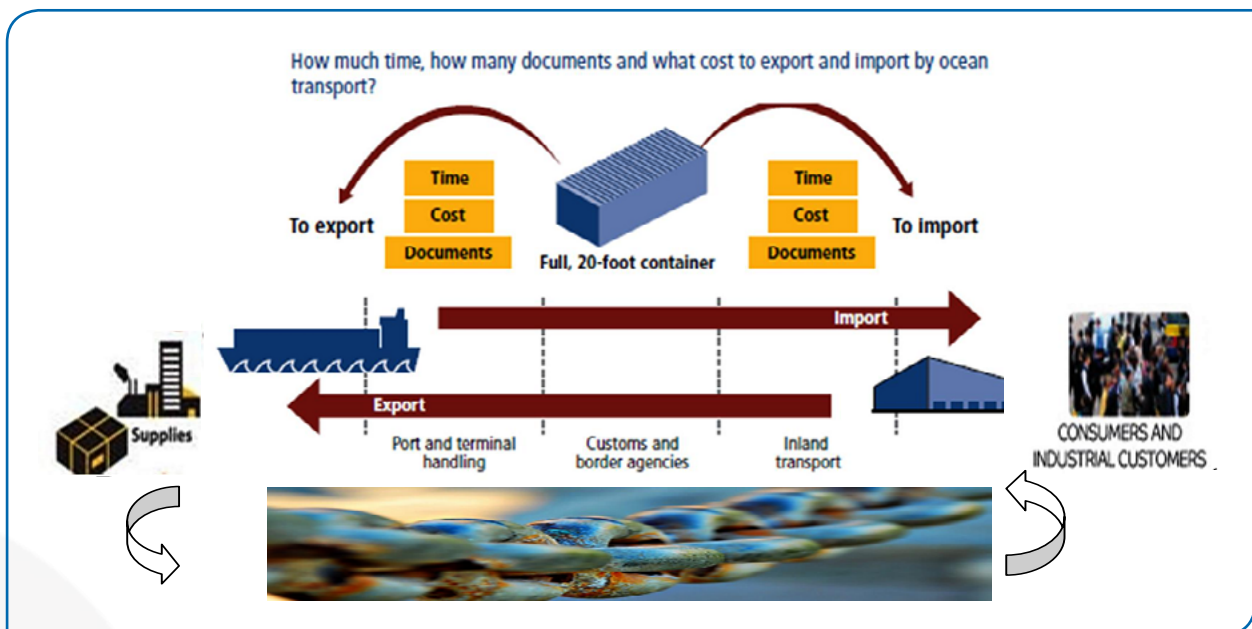
for the Ngwenya, Lavumisa and Lomahasha border posts to assess how the Swaziland Revenue Authority could cut the lead time to clear goods crossing the border. As part of the recommendations of the study, border operating hours were extended and the ASYCUDA system upgraded. The TRS had also revealed some areas of opportunity for improvement in the internal processes of the clearing of vehicles, textiles and other goods. However, it's essential for the findings of these studies to be published for transparency and predictability purposes.

Similar studies have been carried out by other Revenue Authorities with the collaboration with other organisations such as the WCO and the World Bank⁴.

2.4.5 Border agency co-ordination

Co-ordinated border management guidelines were developed by SADC to assist Member States to enhance border management modernisation (SADC, 2011). There are bilateral efforts to align and even extend the border operating hours in main border posts across SADC. Finally, the implementation of the OSBP concept at

⁴ The collaboration across border posts is encouraged within the Articles of the Bali ATF.



(Source: Adapted from the World Bank Doing Business Report)

Fig. 2: Customs processes in the Global Value Chain of goods

Chirundu (between Zambia and Zimbabwe) was launched in December 2009 and significant progress has been made to date. Chirundu is the first operational One Stop Border Post in Sub-Saharan Africa.

According to a SADC report (SADC, 2012), there are complaints that the region has different border operating times and this inhibits intra-regional trade. This is also amplified by cumbersome and bureaucratic delays encountered in the processing of documentation and clearing of goods at the border posts. Furthermore, the same report states that in June 2012, the Sub-Committee on Customs co-operation (Heads of SADC Customs administrations) resolved that Customs Administrations should consult with each other and relevant stakeholders to review the hours of operation at the border posts, with the objective of meeting the requirements by trade and also noted that the extension of border operating hours will require the support of additional resources and structures.

2.4.6 Formalities connected with importation and exportation and transit

Significant progress has been noted in this area considering that eleven out of the 15 SADC Member States have already acceded to the

WCO Revised Kyoto Convention (RKC) including Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe. Regarding the single window concept, countries such as Mozambique, Madagascar, Kenya and Ghana have chosen implemented National Single Window for Customs clearance whereas Mauritius has implemented a Cargo Community System for port logistics.

Another good example of the compliance to international standards would be the WTO Valuation system. Article IV of Annex II of the Protocol on Trade states that "Member States undertake to adopt a system of valuing goods for Customs purposes based on principles of transparency, equity, uniformity and simplification of application in accordance with the WTO Valuation System." The SADC Trade Audit 2012 confirms that all SADC Member states utilise the WTO valuation system. It's however worth noting that a few countries have not yet moved to Harmonised System 2012 and accession to and implementation of the Istanbul Convention still remains a challenge.

2.4.7 Freedom of transit

SADC as a REC has the highest number of landlocked countries in Africa and hence the

need to have an effective transit management system to allow seamless flow of goods within the region. Annex IV of the SADC Protocol on Trade is the legal basis for transit within SADC. However, according to the SADC Audit carried out in 2012, only one Member State is currently using the system. Various challenges account for the non-implementation of the SADC Transit Management System. The slow pace towards this goal has been largely attributed to the domestication of the instrument into national laws, recognition of the bond guarantee and multiple membership.

The UN Almaty Plan of Action recommends that it is important for landlocked and transit developing countries to review and revise their regulatory frameworks, where necessary, to allow a greater participation of the private sector and additionally to introduce reform measures to facilitate providers of transport services to be more responsive to user demands; to increase transparency of transit and border regulations; to establish streamlined administrative procedures; to further simplify border control and procedures; to promote the use of information technology; and to strengthen training programmes in the sector.

2.4.8 Customs co-operation

Customs-to-Customs co-operation is enshrined in the SADC Protocol on Trade, which makes provision for the establishment of a Sub-Committee on Customs Co-operation. According to the Protocol, the committee (comprising the Heads of Customs from SADC) is responsible for all activities relating to customs co-operation among the Member States with the objective to simplify and harmonise customs laws and procedures. Furthermore, Article VII of Annex II on Customs Co-operation states "*Member States undertake to co-operate in the prevention investigation and suppression of Customs offences.*"

2.4.9 Institutional arrangements

All countries in the Southern African region have established national structures on trade facilitation in addition to the NCBFs and NMCs. They may be called by different names. At a regional level, the SADC Protocol on Trade makes provision for the establishment of a Sub-Committee on Customs (SCCC) and a Sub-Committee on Trade Facilitation (SCTF). The SCCC comprises SADC Heads of Customs and its main objective is to co-operate in simplifying and harmonising customs procedures and to combat illicit trade and fraud. The SCTF comprises Senior Officials from Trade, Customs and Transport and its main objective is to take necessary measures to facilitate the simplification and harmonisation of trade documentation and trade procedures. At the national level, it will be essential that, trade facilitation committees are not duplicated and that synergies between the different existing committees are developed. At a regional level, the National Committees on Trade Facilitation should have regular inputs to the SCTF.

2.5 Other Trade Facilitation Initiatives within SADC

2.5.1 SADC Protocol on trade

The Protocol, which was signed in Maseru, Lesotho in August 1996, gives legal and practical effects to the commitment of Member States to trade and trade facilitation. Implementation of the Protocol came into effect in 2000 following the process of ratification by Member States. In exploring the achievements of the SADC Regional Trade agenda, this paper lists the objectives of the Protocol on Trade as follows:

1. To further liberalise intra-regional trade in goods and services on the basis of fair, mutually equitable and beneficial trade arrangements, complemented by Protocols in other areas.
2. To ensure efficient production within SADC reflecting the current and dynamic comparative advantages of its members.

3. To contribute towards the improvement of the climate for domestic, cross-border and foreign investment.
4. To enhance the economic development, diversification and industrialisation of the Region.
5. To establish a Free Trade Area in the SADC Region.

The main annexes that were developed in a bid to enhance trade facilitation are:

- Annex I on Rules of Origin
- Annex II on Customs Co-operation
- Annex III on trade facilitation
- Annex IV on Transit
- Annex V on Trade Development
- Annex VI on Sanitary and Phytosanitary measures

Though it may be widely agreed that the STP provides a real impetus to boost intra-SADC trade, implementation and compliance monitoring remains a challenge. The need for an enforcement mechanism has been noted.

2.5.2 Customs to business partnership within Southern Africa

In May 2013, the Sub-Committee on Customs Co-operation approved a strategy to enhance Private Sector Involvement in Customs matters (SADC 2013). The strategy was developed in collaboration with key private sector stakeholders and has three key recommendations:

- Strengthen Customs to Business dialogue mechanisms at the Member States level.
- Enhance the quality of Customs Administration to Business dialogue through improving information flows.
- Strengthen Private Sector involvement on customs issues at the regional level.

Almost all SADC countries have formal or informal platforms that serve for consultation with the private sector. Recently, a number of countries such as Malawi, Zambia, Namibia and the Seychelles, launched National Customs Business Forums. The strategy recommends the establishment of Regional Customs Business

Forums to address customs compliance and trade facilitation issues at a regional level. It is to be noted that the Southern African Customs Union (SACU) launched an SACU Regional Customs to Trade Forum in November 2013.

2.5.3 Mechanisms for elimination of non-tariff barriers

Article 6 of the SADC Protocol on Trade calls for Member States to adopt policies and implement measures to eliminate all existing forms of NTBs and refrain from imposing any new NTBs. In its commitment to eliminate NTBs, the SADC Secretariat developed an online mechanism in collaboration with COMESA and EAC Secretariats under the tripartite mechanism. The portal sets a platform for the private (and public) sector to register complaints on NTBs which are then addressed through a primarily bilateral mechanism. The system provides a useful mechanism for highlighting new NTBs and for providing the private sector with a forum in which to resolve complaints. Most SADC Member States have also established National Monitoring Committees (NMCs) to deal with non-tariff barriers at national level and these NMCs should normally involve the participation of private sector representatives.

2.5.4 Infrastructure and transport

Through the SADC Protocol on Transport, Communication and Meteorology, Member States have agreed to ensure the implementation of state-of-the-art rapid communication, information and data processing and exchange facilities to support corridor operations and supplying real-time logistical and other information to corridor users. The Transport Sector Plan of the Regional Infrastructure Development Master Plan (RIDMP), approved by the SADC Summit in 2012, seeks to address four key areas namely; improving access to seamless transport corridors value chain, reducing cost of transportation, enhance competitiveness and providing safe and secure transport services.

2.5.5 SADC Integrated Regional Electronic Settlement System (SIRESS)

In July 2013, the SADC Integrated Regional Electronic Settlement System (SIRESS) went live for the four countries of the Common Monetary Area: South Africa, Namibia, Lesotho and Swaziland. This is a first step towards implementing a common payment system across all Member States of the SADC regional economic community. The aim is to achieve harmonisation in areas such as trade tariffs and border controls, and integration in information and communications technologies (ICT) and financial infrastructure. SIRESS has relied on the active participation of the private sector, commercial banks — which are members of the SADC Banking Association — and the facilitation by central banks in the SADC Member States. Through this electronic system, money clearance across borders can now take place within one working day; whereas with cheques and other paper-based procedures, the clearance period is between seven and 21 working days.

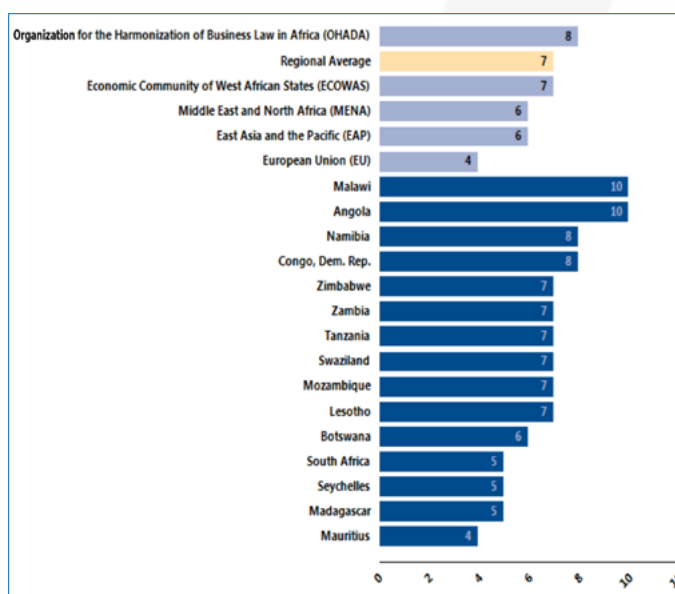
3.0 CHALLENGES AND IMPLICATIONS

The WTO Agreement on Trade Facilitation arrives as a welcome blessing for the private sector (traders) in terms of reducing the cost of doing business and its guidance to the border agencies as well as Government, in terms of bolstering economic development through increased market access initiatives. As such, whilst it is evident from the above findings that trade facilitation plays a pivotal role in the economic development of SADC and that the region is doing fairly well economically, it's also an established fact that priorities, experience, expectations, development and resources of individual countries differ substantially. The implementation of the WTO ATF and the other Trade Facilitation instruments has several challenges and implications including but not limited to the following:

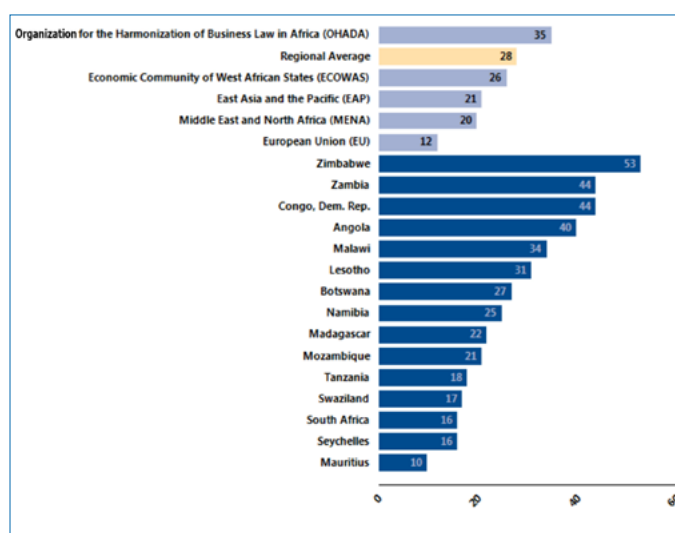
3.1 Ease of Doing Business in 2013

According to the World Economic Forum's Global Enabling Trade Index 2012, many African countries have liberalized trade and enjoy significant preferences in target markets, however significant improvements in trade facilitation have not yet been achieved. As a result, it is still significantly more expensive for countries — both inside and outside the continent — to trade with Africa than with other regions. In many cases, the cost of trading is a more important obstacle to trade development than trade policies (WEF 2012). The information in the following diagrams reflect the current status of the: "ease of doing business", in terms

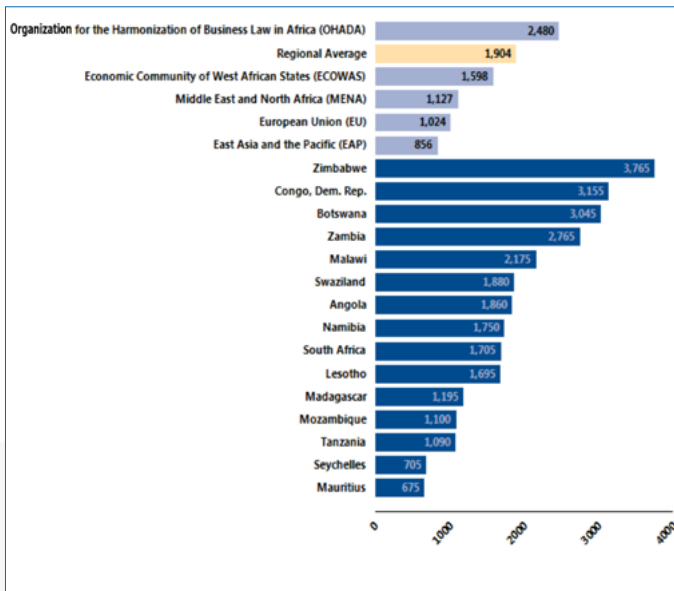
Documents to export (number)



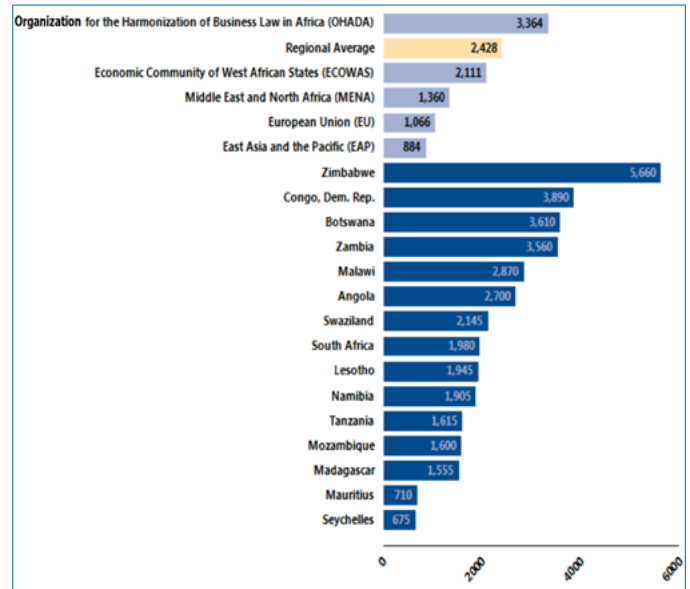
Time to export (days)



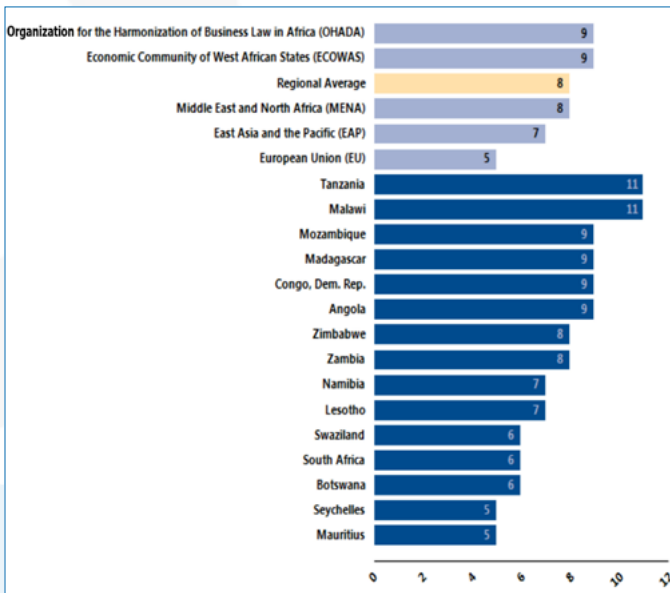
Cost to export (US\$ per container)



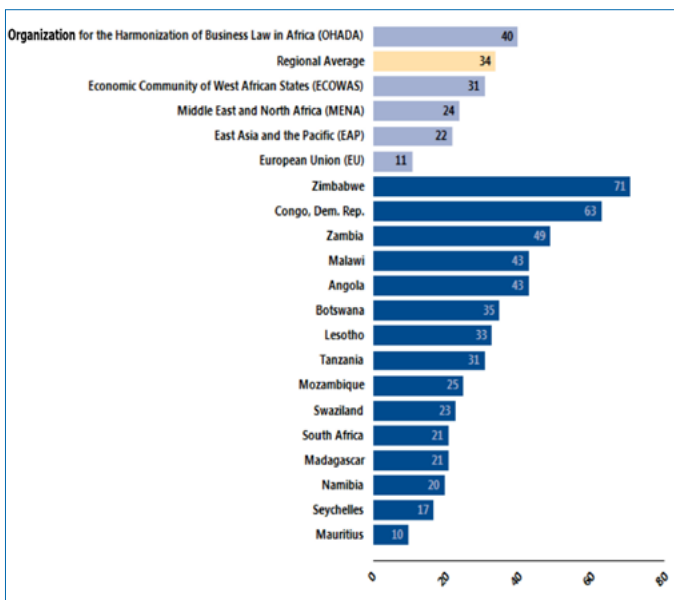
Cost to import (US\$ per container)



Documents to import (number)



Time to import (days)



of trading across borders within SADC as per the World Bank 'Doing Business Report 2013'.

Source: Doing Business database

Fig. 3: What it takes to trade across borders in economies in the Southern African Development Community (SADC)

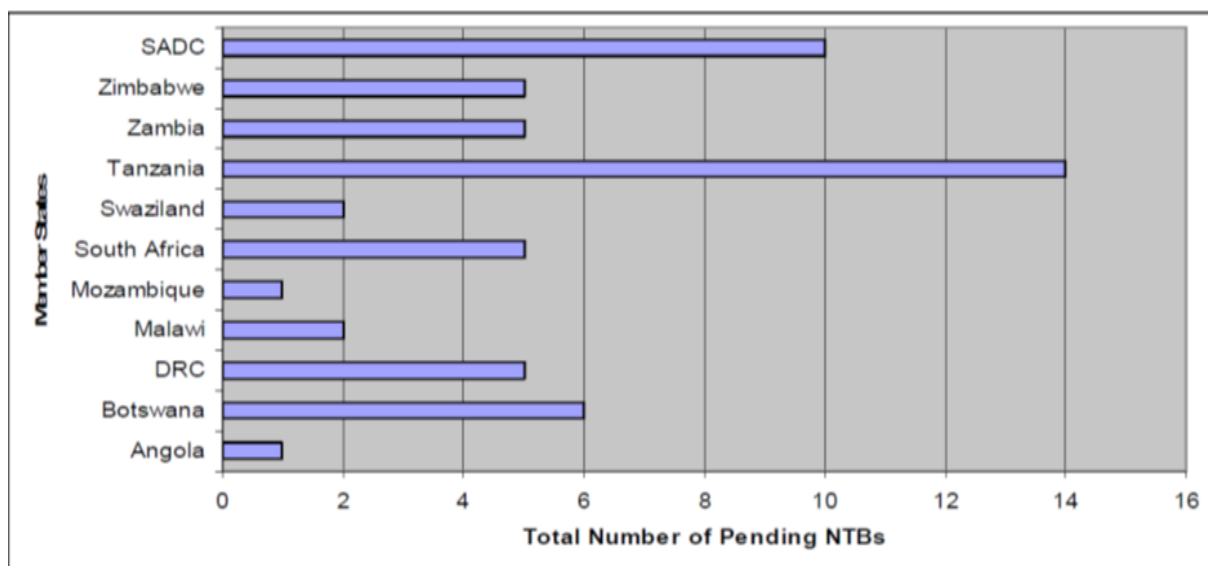
A closer study of some of the trading statistics across borders sub-components, showed in the above diagrams, indicates that the requirements for exporting and importing within the SADC region are varied. When one considers documents required to export and import, Figure 3 shows that, on average, there is a wide range of requirements among SADC countries and that, Mauritius, requires fewer trade documents per shipment (four documents when exporting and five documents when importing) than the other SADC countries on average, with Seychelles requiring nearly same number of documents (five documents when exporting and five documents when importing). These two countries' documentary requirements for exporting and importing are closer to the 'best' scenario country, Singapore (which requires only four documents both when exporting and when importing). On the other hand, countries which require more documents include Angola and Malawi (10 documents for exportation) and Malawi and Tanzania (11 documents when importing).

3.2 Non-Tariff Barriers (NTBs)

The experience of SADC with NTBs is not significantly different to global trends. As tariffs diminish in importance, NTBs tend to proliferate and form more significant constraints on trade. Currently, NTBs in SADC are often cited as the most significant constraint on the growth of intra-SADC trade. NTBs in SADC have been

3.3 Rules of Origin

According to the International Trade Centre (ITC)'s Business Brief Trade Policy Paper of January 2012, SADC's Rules of Origin are a thorn in the flesh for many business players in the region and were reported to be restricting trade under the FTA. In fact in many cases the rules of origin are so strict that some



Source: SADC 2012

Fig. 4: Total Number of NTBs per SADC Member States as at 22 May 2012

widely documented and a recent report by the World Bank reported NTBs affect products which account for more than one-fifth of regional trade.

The SADC Trade Audit 2011 noted that there was a severe lack of awareness outside of the public sector involved in the system or the interactions with the national chamber of commerce. To be an effective tool for the private sector, the system and its benefits must be more widely advertised. A significant number of the complaints on NTBs also relate to SPS and TBT measures. Such requirements are intended to be utilised to protect human, animal and plant health and life but are perceived as veiled attempts to protect certain local industries (ITC 2012). An illustration of Customs related NTBs is appended as Annex 2. The impact of NTBs at macro-economic level is felt in terms of lower level of competitiveness and at a micro level in terms of higher transaction costs. The table below depicts the impact of specific NTBs within SADC.

producers and retailers in the region cannot be bothered to satisfy them, therefore preferences are not granted and the FTA has little impact to the intended objectives. It has been noted that traders often choose to trade under COMESA rather than SADC as the former has generally less strict ROO criteria. The challenge with origin rules stems from their compliance criteria, which is built into the Trade Protocol and the administrative difficulty of adhering to them. Furthermore according to the SADC Trade Audit, Considerable progress has been made in reducing the restrictiveness of the SADC rules of origin, (two biggest problems by far remain wheat flour and garments.) According to the same audit, certification of origin imposes a significant administrative burden, requiring dedicated staff to prepare and collect thousands of certificates per month, each with multiple signatures, stamps and additional pages of export documents.

Barrier	Example of impact
Cost of paperwork for compliance with RoO and forwarding	Shoprite benefited by ZAR 93 million from SADC tariff preferences on exports in 2009. The cost of administration to manage the paperwork required for compliance to RoO and forwarding: ZAR 40 million. The introduction of electronic data processing and authorised trading in SADC would reduce the workload by 40%.
Cost and administration of import licensing	Shoprite spends an average of ZAR 136,000 per week on import permits for Zambia.
Licensing for new products	Can take up to three years to get new products (products that are not already exported) authorised.
Fiscal borders	The application of different VAT ^a and sales tax systems on intra-SACU trade costs an estimated 2% of the value of each transaction (0.5% for Lesotho–South Africa because of a bilateral agreement on administration at the border).
Uncertainty of payment	The absence of credit bureaus can be a significant constraint to developing export sales, for SMEs in particular. It can take between three and six months for SARS to return to traders duty paid erroneously.
Differences in product standards	Significantly raises the costs of trading in hazardous chemicals.
Restrictive RoO	Moving to more restrictive RoO for textiles (with the end of the MMTZ derogation) puts at risk an estimated 5 500 jobs in Malawi. Exports to South Africa already fell by 40% between 2008 and 2009.
Restrictive trade practices (eg export restrictions)	Namibia has imposed a restriction on live sheep exports. Between July 2004 and May 2008 exports of live sheep to South Africa from Namibia has decreased by 84%. According to a recent study, potentially 975 full-time job opportunities could be lost in South Africa owing to the scheme.

Source: SAIIA 2013

Table 1: Impact of specific NTBs within SADC

3.4 The Case of Informal Cross Border Trade (ICBT)

ICBT generally refers to trade in processed or non-processed merchandise which may be legal imports or exports on one side of the border and illicit on the other side and vice-versa, on account of avoidance of statutory border compliance formalities such as customs clearance. Some studies estimate that the average value of informal cross border trade in the Southern African Development Community (SADC) region stands at an impressive \$17.6 billion per year. Items traded mainly include foodstuff such as maize, rice and beans although additional products such as handicrafts and minerals are also commonly traded in the region. While it is clear that ICBT represents a significant portion of intra-SADC trade, there is still a need to, not only regularise their informality, but also to develop and implement a simplified instrument for them within Southern Africa.

3.5 Unethical Behaviours as a Non-Tariff Barrier to trade facilitation

Despite the fact that many of the SADC countries signed the World Customs Organisation (WCO) *Arusha Declaration*, which is a fundamental global tool to preventing corruption and increasing the level of integrity in Customs, there is a definite and strong perception that corruption is still rampant within the region.

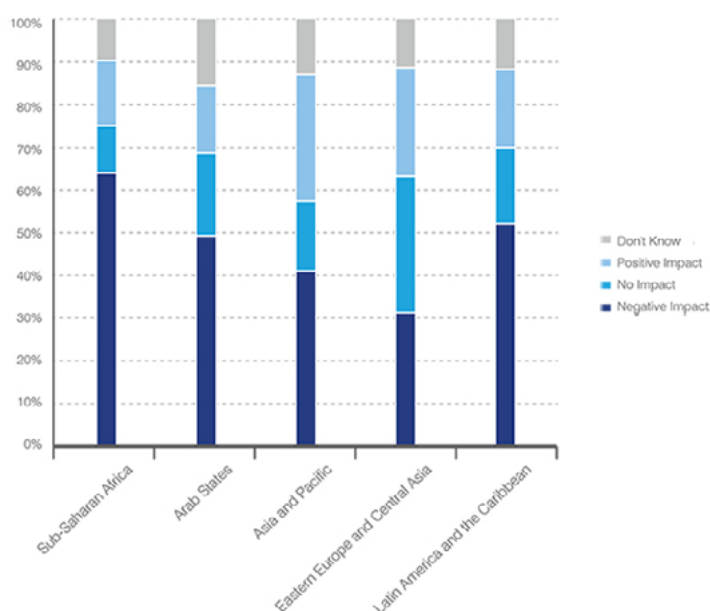
In the fight against corruption, subjective perceptions are the reference data most often used, as evidenced by the Corruption Perception Index (CPI) published by Transparency International, a non-governmental advocacy group, which is based on expert assessments and opinion surveys.

Other corruption related indexes that cover SADC countries include the Mo Ibrahim index and the World Justice Project Rule of law Index. A look at the various recent indicators reveals that despite ongoing reforms, many countries in the sub-Saharan Africa, lack adequate

checks on executive authority and government accountability.

A global survey conducted by the International Trade Centre in December 2013 reported that globally while the export environment has improved, the level of corruption has worsened, according to some 43% of respondents. Significant differences between regions emerged from the survey results on this point. Respondents in sub-Saharan Africa were the most pessimistic, **with almost two-thirds identifying worsening corruption as a major problem** compared to the worldwide average of 43%.

Respondents were also requested to compare their ability to trade with the prevailing level of corruption in their regions and in the majority of the regions. Respondents confirmed the existence of a negative trade environment relationship. More than 60% of respondents in the Sub-Saharan African countries (chart 1, refers) agreed that rising corruption reduces their ability to trade whilst in a corruption-free environment, their trade flourishes.



Source: ITC Website

Fig. 5: Have changes in the level of corruption had an impact on your ability to trade?

3.6 Level of Automation

According to the WEF Global Information Technology Report 2014, sub-Saharan Africa slowly continues to develop its ICT infrastructure,

especially by expanding the share of the population covered by, and having access to, mobile telephony and by expanding the number of Internet users, which in some countries such as South Africa has almost doubled. The report adds that, notwithstanding this progress, the region overall continues to suffer from a relatively poor ICT infrastructure, which remains costly to access, although some notable exceptions exist. Apart from Mauritius (48) and South Africa (70), all the SADC countries find themselves ranked over 100 for the Networked Readiness Index 2014 of the Global Information Technology Report 2014. The index aims at holistically assessing the way that countries go about leveraging ICTs and benefiting from them in terms of enhanced competitiveness and well-being. The WCO Revised Kyoto Convention (RKC) and the SAFE Framework Standards (SAFE) vehemently calls for the automation or computerisation of Customs and procedures.

3.7 Shift from Revenue Collection to Trade Facilitation

It's an undisputable fact that in many countries the revenue collected from Customs constitutes a big share of the total revenue collected and this is why the focus is still on revenue collection. Implementation of the WTO Agreement on Trade Facilitation (ATF) might require a paradigm shift from revenue collection objective to trade facilitation agenda.

3.8 Varied Level of Development and Resource Constraints

Within Southern Africa, different Customs Administrations are at different levels of development in terms of 'hard' infrastructure such as transport and communication networks. This poses a challenge in terms of not only frustrating regional integration, but also acts as a bottleneck to the Global Value Chain discussed earlier in the paper. The introduction of trade facilitation measures entails massive investment in various components including

but not limited to infrastructure, equipment, legal framework, capacity building, institutional changes, business process re-engineering and ICT. Some measures might not be expensive to put in place, yet create challenges in terms of sustainability.

4.0 RECOMMENDATIONS

4.1 Need for Political Support

The introduction of trade facilitation instruments including the various measures of the WTO ATF definitely require major changes to existing infrastructures, legal framework, plus allied systems and procedures.

Strong political will at the senior levels of government and business is required to introduce such changes and to see them through to completion. In order to achieve this level of political will and support, it is necessary to generate enhanced awareness of the significant benefits both for governments and for business associated with trade facilitation.

Additionally, the WTO ATF was approved by the Ministers responsible for Trade while the majority of the measures impact upon the Revenue/Customs authorities that are in most cases falling under Ministries of Finance. It will, therefore, be essential to develop synergies between the two to avoid reluctance and slow progress.

Another issue is that some measures, such as the establishment of a national structure on trade facilitation, need high level of political support due to their level of importance and scope. As a case study, introducing reform and modernisation in Mauritius Customs was a top priority on the 'to do list' of the highest level of the Mauritius Government in the 2000s.

Another bright example would be the launch of the Kenya National Electronic Single Window System in May 2014 by Presidents Kagame of Rwanda, Uhuru Kenyatta of Kenya and Yoweri Kaguta Museveni of Uganda, as well as the second vice president of Burundi and Tanzania's prime

minister. President Uhuru Kenyatta described the Single Window System as yet another building bloc in the EAC integration process.

4.2 Enhancement of Private Sector Involvement

The enhancement of private sector involvement programmes at a regional level will require a number of enabling factors, which include establishment of adequate institutions for co-ordinating and supporting the necessary legal, organisational and policy framework. Most SADC countries are developing, or are in the process of developing such programmes, however limited experience, expertise and organisational resources put their successful implementation at risk in many parts of the region.

Box 1: COMESA Business Council – Voice of the Private Sector in the Region

The COMESA Business Council (CBC) is a member based private sector institution of the Common Market of Eastern and Southern Africa. Established in 2009, the CBC has the key role and mandate as per the COMESA treaty to represent the Private Sector as a key policy and advocacy platform. The CBC represents the Consultative Committee of the Business Community and other interested parties as authorised by the COMESA Treaty.

The CBC's objectives are focused on private sector development, including the visibility of women in business and facilitation of private sector participation in regional trade related policy dialogue. CBC has been positioned to carry the harmonised inputs of the regional private sector and to ensure that they are incorporated within the recommendations and decisions of the policy organs.

Source: COMESA Business Council Website

Furthermore, Customs reforms and modernization programmes should not only be a matter of concern for Revenue/Custom

Authorities alone. Private sector consultation and participation will be essential in executing various projects such as the AEO concept, Single Window, Post Clearance Audit and establishment of a national structure on trade facilitation. In South Africa, the private sector from the logistics industry voiced strongly raised objections against certain sections of the new proposed Customs Control Bill.

According to Juanita Maree, Director of Savino Del Bene SA (a freight forwarding company, providing customers with integrated and customized logistics solutions), *"it is crucial that the voice of the logistics industry is heard as this goes far beyond the legal and security aspects. The supply chain includes numerous intermediaries that all contribute as important stakeholders to reduce logistic costs on corridors linking coastal ports with the commercial hub of the country – Gauteng, its environs and beyond – in making South Africa globally competitive"*.

4.3 Integrity Management

Several reports as mentioned have indicated that corruption and rent-seeking behaviour greatly hampers effective trade facilitation and may thus also act as a bottleneck to the implementation of the WTO ATF. Addressing corruption will require a comprehensive reform and modernisation programme that improves the legal framework, changes human resource management, business process re-engineering, and introduces aligning to agreed international and regional instruments thus promoting the use of ICT.

4.4 Effective Capacity Building Programmes for the Private Sector

The business community is of the view that there was very little awareness and discussion among business groups of the benefits arising from the SADC Trade Protocol or the collaborating efforts between governments and the private sector. Governments and the private sector need to

Box 2: A Case Study of Mauritius on Integrity Management

The World Bank's 'Ease of Doing Business' rankings include a component relating to *trading across borders*. In the latest survey, Mauritius topped the SADC countries and has been termed as best practice scenario country for trade facilitation in the region. This success did not happen accidentally but yet it has been possible with long-term vision, strong commitment and a holistic approach from government. Trade policies by governments created the opportunities for trade to occur and for trade flows to be facilitated, however the complementary productive capacities and competitive conditions which are the prerogative of the private sector to succeed and invest to capture the commercial opportunities was also provided.

Mauritius is also among the leaders in the region as far as control of corruption and promotion of governance and rule of law is concerned. The government passed the Prevention of Corruption Act in 2002 and created its national corruption-fighting agency known as the Independent Commission Against Corruption (ICAC). Abuse of public/private office, Traffic D'influence, Non-declaration of conflict of interests and corruption of agent are considered as corruption offences punishable under the law.

Moreover, the institutional reform and transformation of the customs department into the Mauritius Revenue Authority (MRA) with a new ethical vision and integrity culture in 2006 also created a culture of trade facilitation implementation. A highly effective on-going battle against corruption has been waged, with the Department transforming itself from being perceived as the most corrupt government agency in Mauritius in 2004 (StraConsult Anti-corruption survey 2004 commissioned by the ICAC), to being awarded twice (2006 and 2010), the ICAC's Best Anti-Corruption Framework Award for the Public Sector.

act together in partnership to achieve results. Greater engagement with the private sector could involve building awareness about regional decisions and processes; the provision of relevant and user friendly information; support for exporters; capacity building for business organisations; and more open debates about key policy issues. Various reports have stated that there is a growing lack of capacity building for the private sector on trade and customs related issues including but not limited to SADC Rules of Origin, Non-Tariff Barriers, SADC Protocol on Trade, transit, valuation and the correct use of the Harmonised System (HS). There are a number of capacity building programmes operated at national level by Customs Administrations and at a regional or international level by institutions such as the WCO, SADC, ROCB and RTCs. These programmes range from basic training courses on specific topics to Masters Degree Level.

They are, however, targeted to Customs officials only. It will be important to broaden these capacity building initiatives to include the private sector so that they do not find themselves in a weaker position which will in any event frustrate trade facilitation objectives.

4.5 Addressing Multiple Memberships

The challenge of overlapping memberships is a major cause for concern as conflicting interests and varied commitments are stalling the regional integration process. Some members of SADC belong to one or more of the following regional trade areas: the Common Market for Eastern and Southern Africa (COMESA), Southern African Customs Union (SACU) and the East African Community (EAC). Consequently, no synchronised developmental agenda has been possible with SADC member states. In relation to Customs procedures, some of the key issues that are directly impacted by overlapping membership are the Rules of Origin and transit. The Tripartite process can be a major breakthrough to address the various challenges resulting from multiple memberships.

4.6 Implementing Simplified Trade Regime

The lack of a Simplified Trade Regime has been reported not only in several studies but also in the NTB online mechanism. It's high time that a Simplified Trade Regime be developed and implemented within the Southern African Region taking into consideration similar instruments implemented at COMESA and EAC level. This will not only assist the small-scale cross border traders in countries belonging to SADC, but will also enhance Customs control between neighbouring belonging to SADC only such as Tanzania/Zambia and Malawi/Mozambique and those of other regions.

4.7 Reviewing the Rules of Origin

On rules of origin, the International Trade Centre (ITC)'s Business Brief Trade Policy Paper of January 2012 suggests that, governments would assist businesses immensely if they could improve the administrative capacities of customs officials that issue or check certificates of origin as well as also offering informational programmes or material to the private sector on the matter.

Another approach, that would tackle the problem at its roots, is to adopt economically sensible rules of origin and harmonise rules of origin under the Tripartite Free Trade Agreement (between COMESA, SADC and EAC) in the direction of the less restrictive rules of origin used in COMESA.

4.8 'ICT izing' Customs Procedures and Processes

In this era of iPods and iPads, customs administrations cannot stay with traditional manual processes and procedures. They should be able to leverage their infrastructure and environment with contemporary ICT solutions to create an electronically connected trade community wherein all stakeholders are and can be members.

ICT can act as a catalyst for the effective and efficient implementation of the WTO ATF

agreement (**see figure 6**). At this age of the digital economy, Member States will have to take recourse to the use of ICT in order to reap the full benefits of the Agreement on Trade Facilitation. According to the Revised Kyoto Convention, given Customs' obligations in relation to the trading economy of each country, it has become critical that administrations begin to use ICT technologies.

trade-relevant information should be published in such a manner as to be accessible to third parties. Coverage of Article X.1 extends to laws, regulations, rulings and judicial decisions of general application. Article X.2 further stipulates that rules can only be enforced if they were published prior to application. GATT Article X aims at enhancing transparency and good governance. Information on and knowledge of the regulations and rules in place ameliorate

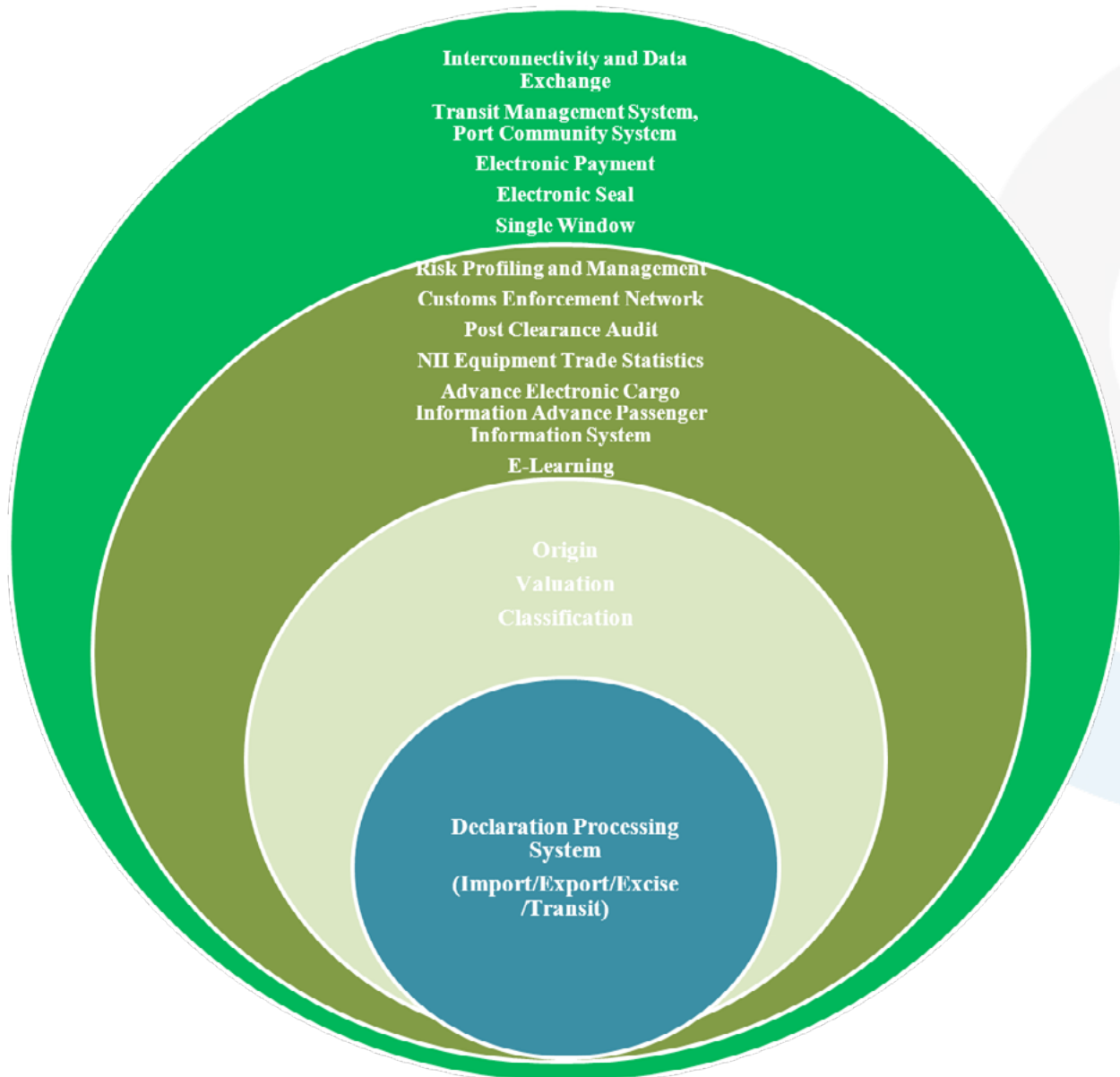


Fig. 6: ICT as a catalyst for trade facilitation

4.9 Replicating Trade Information Portals in all Member States

The availability of information on Customs related matters to interested persons is one of the key elements of trade facilitation. The transparency provision of Article X of GATT 1947 requires that

the conditions under which traders and operators engage. They can take their business decisions and plan their operations based on this information. Access to accurate information also reduces opportunities for corruption. The Articles of the Bali ATF clearly govern the same objectives.

4.10 Donor co-ordination

There are a number of donors also called International Co-operating Partners (ICPs) and Development Partners already implementing a large number of trade and customs related projects at a regional and also at a national level. These projects involve a colossal amount of resources in terms of capital and expertise. On the other hand, implementation of the ATF will also require a considerable amount of funds and expertise. While it will be essential to reconcile ICPs' agenda and recipient's needs and priorities, there will also be a need for donor co-ordination to avoid duplication and maximise synergies.

4.11 Review of the SADC RISDP

SADC is currently undergoing a review of its Regional Indicative Strategic Development Plan (RISDP), a 15-year strategic roadmap set by Member States as a blueprint for regional development and integration and which was approved in 2003. The review is intended to enable Member States and external stakeholders from civil society, private sectors and others to reflect on the key issues that should become priorities in the next phase of implementation. The main milestones on the economic integration agenda set out in the RISDP include the attainment of the SADC Free Trade Area (FTA) by 2008, the Customs Union by 2010, the Common Market by 2015, Monetary Union by 2016, and Single Currency by 2018. While the successful achievement of the FTA is noteworthy, the second milestone could not be achieved and this will of course have a domino effect on the others if the linear model is followed. It is suggested that the private sector plays a pivotal role in and be the driving force of the regional economic integration of SADC and the review of the SADC RISDP.

4.12 Comparison with Other Studies

Empirical studies on trade and trade facilitation for the SADC region are quite scarce mainly

due to the unavailability of updated, reliable and accurate data. Notwithstanding the fact that mirror statistics are often used, obtaining data for Angola and DRC is always a challenge, which definitely undermines the accuracy of the statistical findings of these trades nations.

A 2000 study by Australian Department of Foreign Affairs and Trade and the Chinese Ministry of Foreign Trade and Economic Co-operation found that moving to electronic documentation for trade would yield a cost savings of some "1.5 to 15 per cent of the landed cost of an imported item". The study by Simwaka (2011), estimated the improved trade potential expected from the SADC FTA initiatives, specifically, the study investigated benefits the Southern African countries could gain by way of increases in intra-regional trade if all trade barriers were to be removed. The paper accordingly employed the gravity trade model and it found that observed intra-regional trade was lower than its potential, thus suggesting existence of trade potential in the sub-region. The results of the study were however done at aggregate regional level, and not at country-to-country level.

In 2013, Makochekanwa generated a set of distinct trade facilitation indicators and further included them in a gravity model of trade. The set of indicators includes country specific trade facilitation indicators for port efficiency, customs environment and e-commerce use by business. The research found that improvements in port efficiency and increased use of e-business are some of the factors which boost intra-SADC trade in exports. Whilst the positive influence of each of these two variables differ between exporting countries and importing country, the fact remains that SADC policy makers should implement strategies which improve port efficiency and also encourage use of e-business.

5.0 CONCLUSION

It is an indisputable fact that, trade is a catalyst for economic development and growth that can ultimately reduce poverty within SADC.

The strong relationship between trade and growth has been empirically proven by many researchers including the World Bank, which concludes that: *"Trade can be a powerful force for growth and poverty reduction. Countries that have increased their share of trade relevant to their GDP have grown faster and reduced poverty more rapidly⁵.*

Trade facilitation is not about impeding or diminishing individual government's power and sovereign right to protect their borders, however it is a measure of serving the responsibilities of Customs administrations and other authorities economically and more efficiently. It should also be emphasised that within the SADC context, trade facilitation, objective go beyond the WTO ATF to include transport facilitation, suitable infrastructure, financial or banking systems and elimination of non-tariff barriers. According to the WEF Global Competitiveness Report 2013–2014, a well-developed transport and communications infrastructure network is a prerequisite for the access of less-developed communities to core economic activities and services. The accession to and implementation of the WCO Revised Kyoto Convention and the provisions of the SADC Protocol on Trade already lays a solid base for trade facilitation within SADC. However, it is clear from the contents of this paper, that considerable effort is still required to implement and achieve more effective trade facilitation measures in the region.

The efficiency and effectiveness of border procedures can significantly influence and economic competitiveness of nations according to a recent commentary of the WCO secretary general in the June 2013 edition of the WCO news. As such it will be imperative for the SADC nations to continue to put in place policies and measures to enhance the private sectors, participation in achieving the Millennium Development Goal

of eradicating extreme poverty. It can also be concluded that border management and trade facilitation issues can be better enhanced and co-ordinated from a regional perspective rather than only on a national level.

⁵ Nicholas Stern, World Bank Chief Economist and Senior Vice President for Development Economics. <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20072144~menuPK:34463~pagePK:34370~piPK:34424~theSitePK:4607,00.htm>

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Chapter FOUR

The Impact of Information and Communication
Technology (ICT) on Trade Facilitation: A Case Study
of the Zimbabwe Revenue Authority (ZIMRA)

Cephas Makunike

The Impact of Information and Communication Technology (ICT) on trade facilitation: A Case Study of the Zimbabwe Revenue Authority (ZIMRA)

Cephas Makunike

Abstract

This paper discusses the use of ICT in the Zimbabwe Revenue Authority (ZIMRA) and the ESA region which has resulted in various positive contributions to trade facilitation. In so doing, valuable benefits are reaped by stakeholders in the international business supply chain. The stakeholders include government agencies, intermediaries and traders. All the stakeholders also play a key role in trade facilitation which is driven by their distinct interests and needs in the trade supply chain. The paper identifies some of the significant benefits from trade facilitation as the reduction in the burden and costs associated with international trade transactions. There are further benefits which are related to a good trade facilitation environment such as the creation of greater opportunities to attract Foreign Direct Investment (FDI). There are many other positive multiple linkages which are linked to effective and efficient border clearance and trade facilitation systems which can accrue to an economy and hence contributing to economic progress as well as driving regional and international trade. The goal is to use electronic data instead of paper documents and to connect different computer systems of government agencies and business to create a robust international supply chain.

The paper also outlines that ICT plays a significant and critical role in various border clearance functions such as one stop border posts (OSBP), goods release or clearance times (as measured by the Time Release Study), the single window concept and co-ordinated border management in the East and Southern Africa (ESA). Whilst ICT is not short of its challenges, it provides a lot of future opportunities in customs administration. The paper concludes that ICT drives a robust customs administration system and thereafter recommends that it is important to prioritise the full automation of all customs

processes chief among them having a complete single window system in order to realise all the gains of automation.

1.0 INTRODUCTION

“While Customs administrations have to discharge the mission of revenue collection, protection of society and safeguarding security of the trade supply chain, they also have to strive for increased trade facilitation to promote investment and reduce poverty” (WCO Council, 2003). In most countries the lead border agency is customs. Other border agencies include immigration, border guards, police, veterinarians, plant inspectors, food inspectors, trading standards bodies, and vehicle inspectors. These agencies impose a barrage of regulations and require separate excessive documentation which are frequently described as non-tariff barriers (UNECE, 2003a; UNECE, 2003b).

In some cases where there are many border agencies and lack of co-ordinated border management, excessive documentation requirements has led to frequent complaints from business actors including on other issues such as lack of automation and ICT, lack of transparency in requirements and objectives, inadequate procedures and operating practices, and an overall lack of modernisation (Staples, 1998; Grainger, 2003). These issues pose a challenge to trade facilitation and are evident in most developing and Least Developed Countries (LDCs). Buyonge & Kireeva (2008) postulated that customs administrations, other government agencies and the private sector are capable of controlling up to 75% of the cross border delays

faced by business.

This paper uses trade facilitation as defined by the WTO (1998) to mean: "The simplification and harmonisation of trade procedures where trade procedures are the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade". Whilst this paper mentions other instruments which are used by customs and other border agencies in trade facilitation, it pays particular attention to the significant role and impact that the use of ICT has on trade facilitation.

Trade Facilitation dates back to the emergence of the General Agreement on Tariffs and Trade (GATT) 1947 and supported by the requirements under the multilateral trade facilitation disciplines of articles V, VIII and X of the GATT. In the 1960s, the United Nations Economic Corporation for Europe (UNECE) formed Working Party Number 4 for the facilitation of international trade procedures and began to draft trade facilitation recommendations (Grainger, 2007). The WTO's 9th Ministerial Conference held in Bali, Indonesia in December 2013 then gave birth to the Agreement on Trade Facilitation (ATF) which will now be the legal document on which worldwide trade facilitation work will be based. On December 11, 2013, the ATF was accepted in draft form and is expected to be ratified and implemented in July 2014 (Glancy, 2014). Articles 6–12 of the ATF are particularly important and relevant to the subject of this paper. This group of articles expand on GATT Articles V and VIII and focus on fees, charges and formalities for import, export and transit of goods. These articles require governments to develop new methodologies and business practices, introduce and expand the use of automation to enhance trade facilitation, and build a modernised border clearance service approach (Glancy, 2014). The use of ICT is paramount in this case and fully supports and enhances the implementation of the ATF.

On the other hand articles 1-5 of the ATF

deal with transparency issues which require comprehensive communications strategy. Communication promotes public awareness and public consultation, for example, on border modernisation initiatives like the National Single Window (NSW) as well as enabling access to government information, legislation, documentation and border obligation (Glancy, 2014). The use of ICT plays a significant role in supporting the communication strategy and ultimately the ATF. Jackson (2009) confirms that "it is hard to think of a customs reform or improvement project today that would not involve the use of ICT from the complexity of a multilateral Single Window project to the publication of customs notices via a website to the risk management systems used for targeting cargo for inspection."

The main objective of trade facilitation is to reduce transaction costs of doing business in international trade (Glancy, 2014). The specific costs include cost of clearing goods for import, export and transit and the associated border controls. Developing and least developed countries face the greatest trader transaction costs and the administrative burden of trader activities, especially the landlocked ones (Glancy, 2014). The "Bali born baby", the ATF, seeks to oblige member nations, specifically customs authorities and government agencies involved in international trade, to remedy this situation by using modernised business practices and processes in order to address these costs associated with international trade (Glancy, 2014). The use of ICT is expected to play a major role in this process.

Customs administration plays a pivotal and critical role in the world trading system and supply chain. Customs administrations use a variety of computer software packages such as ASYCUDA and the Direct Trade Input (DTI) to manage imports and exports, customs duty assessment and calculation as well as to manage the Harmonised System of (HS) classification of traded goods. The type of computer package

and the extent of use of the computer package by any customs administration has an impact on cost and turnaround time to various stakeholders in the trading system. Turnaround time, administrative and conformity costs are crucial to governments and business in the region. ICT cannot be overlooked in any serious attempt to reduce administrative and conformity costs as well as reduction of turnaround time hence facilitating trade.

A country case study of Zimbabwe is used in this study. The paper covers ICT as it is applied in customs administration in Zimbabwe. The challenges and successes of the ASYCUDA system is explored and the implications that the computer system has had in the facilitation of trade on issues such as customs administration costs, turnaround time, business conformity costs as well as overall flexibility in procedures and other administrative issues.

2.0 A CASE STUDY OF THE ZIMBABWE REVENUE AUTHORITY (ZIMRA)

2.1 ICT Initiatives to Date

The Zimbabwe Revenue Authority has an agenda of the use of ICTs for service excellence (Zimbabwe Revenue Authority (ZIMRA), 2014, p.4). The ZIMRA Customs division uses the internet based ASYCUDA World computer software package to manage imports and exports, customs duty assessment and calculation as well as to manage the Harmonised System of (HS) classification of traded goods. Asycuda software was developed by the United Nations Corporation on Trade and Development (UNCTAD) in 1981 and is used by most developing and least developed countries worldwide. (UNCTAD, 2012a) It is also used to create temporary import permits (TIPs) for foreign motor vehicles which are temporarily imported into Zimbabwe or when vehicles pass through Zimbabwe in transit to other countries in the region. The ASYCUDA World system

is also used as a risk management tool for importations whereby consignments are chosen using a set automated risk profiling method within the ASYCUDA World system.

According to UNCTAD (2012b), ASYCUDA is a computerised customs management system which covers most foreign trade procedures. The system handles manifests and customs declarations, accounting procedures, transit and suspense procedures and generates trade data that can be used for statistical economic analysis. The ASYCUDA system is perfectly able to communicate through extensible Markup Language (XML) messages with all systems that are compatible with the WCO data model (UNCTAD, 2012b).

The ASYCUDA World system came into effect in October 2011 and preceded the Asycuda ++ and Asycuda 2.7 software packages which were used in earlier years. The continual upgrading of the ASYCUDA software packages over the years has resulted in flexibility and brought in more sophisticated ways for customs management. The earlier versions of ASYCUDA have limited functionality compared to contemporary versions such as ASYCUDA World. ASYCUDA World also has a higher processing efficiency and electronic data interchange as compared to the earlier versions of ASYCUDA.

The ASYCUDA World version is internet based which means that it can be accessed from anywhere in the world where there is internet connection. It has brought in many advantages which include online lodgment of bills of entry (customs declaration) and attachment of all documents required for customs assessment of imports and exports. This has virtually eliminated the need to physically visit ZIMRA offices for customs assessment as well as removing the need for providing physical documents to ZIMRA thereby creating a virtual and paperless real time office. This has a positive effect of improving governance and reducing corruption because of the elimination of direct interface between customs officers and traders during

customs clearances (Lewis, 2009).

The type of computer package and the extent of use of the computer package by any Customs administration has an impact on cost and turnaround time to various stakeholders in the trading system. Turnaround time as well as administrative and conformity costs are crucial to governments and business in the region. ICT cannot be overlooked in any serious attempt to reduce administrative and conformity costs as well as reduction of turnaround time hence facilitating trade.

The ASYCUDA system for ZIMRA is on a wide area network (WAN) platform and hence information on the ASYCUDA database can easily be accessed by all customs offices in Zimbabwe on real-time. This has really proved to be crucial and beneficial to the superb functioning of the transit management system in ZIMRA. Goods that enter through one border post can easily be released online within the ASYCUDA World system at another border of exit in Zimbabwe. The WAN system has also enabled the systems based post clearance audits, enforcement and compliance management. The WAN ASYCUDA World system also allows monitoring of customs transactions from the office and this complements work being done outside the offices.

In addition, a software system called Systems, Applications and Products in data processing (SAP) is also used in Zimbabwe to support customs and tax administration. This system is used during the registration of business or traders and it works as a ZIMRA client database where clients' tax information is kept and can be accessed at any time, for example, the clients payments accounts or history are kept in the SAP database. Businesses are assigned business reference numbers known as Business Partner (BP) numbers which are also known as Tax payer Identification Numbers (TIN) in other countries. The SAP system is also used in ZIMRA for human resources, procurement, and recently (2014) for payroll administration. It is a robust

and user friendly computer software which has really done very well for ZIMRA. Various reports for statistical and other management purposes can be obtained using the SAP software package. The software package is also currently running on WAN basis which makes information on the SAP database available instantly to all ZIMRA offices on the click of the button.

ZIMRA has also got a vibrant website (www.zimra.co.zw) where a cocktail of domestic taxes and customs information can be accessed by both internal and external clients. The website contains information such as exchange rates, the integrated customs tariff (uploaded in 2013), a tariff ruling database, various customs and taxes legislation, customs and taxes articles and bulletins, an email link to the public relations (PR) desk and many other informative and useful forms and documents. ZIMRA is also on social network platforms such as Facebook, Twitter and also went on YouTube in January 2014.

The social networks are a very important modern tool for interacting with clients and thereby enabling a two-way communication line between ZIMRA and its clients. Through the social networks ZIMRA is able to avail important tax and customs information to its clients throughout the globe without any need of the client to physically interface with the offices. This ICT has managed to create a ZIMRA virtual office. The clients can also make enquiries using the social networks and be able to get feedback within two days unlike in the past where the clients were required to write physical letters and wait for weeks for the feedback. The use of the social networks can also keep clients abreast of latest developments at ZIMRA. The social networks also enable clients to comment on the service being provided by ZIMRA at any time. Moreover, a client satisfaction survey can also be easily conducted using the social networks platform.

Furthermore, ZIMRA uses the intranet system and an electronic newsletter platform

which act as an internal system for information and any other internal updates within the office are done through these platforms. The electronic newsletter is an electronic publication of ZIMRA which is published on a quarterly basis. More internal communication systems are also available in the form of the email software system known as Microsoft Outlook. This allows for an efficient spot on communication internally as well as with external stakeholders.

In line with the use of ICTs for service excellence ZIMRA implemented an e-services solution. An e-services solution is an e-registration tool that simplifies the process of paying taxes for citizens (ZIMRA, 2014, p.4). This system eliminates long waiting periods in queues and provides safe, simple, fast and a convenient way of online payments. Moreover, ZIMRA has been progressive in the e-customs systems in which ZIMRA introduced among other things, an electronic system to enable importers to clear their goods and make customs duty payments through the banking system. There also exist an electronic payment system in ZIMRA which uses both the internal SAP software package as well as the banks' ZIMSWITCH system which allows traders to make payments using plastic money. This system uses banks' electronic point of sale (POS) devices which was made possible by an agreement which was reached between ZIMRA and some banks. ZIMRA has also got a modern internet system which is on both network points and wireless (WIFI) platform.

2.2 ICT Opportunities

Opportunities in the ICT sector in Zimbabwe are vast because of the deliberate policy by the Government to stimulate growth in the ICT sector by making imports of most ICT equipment duty free. This has seen significant importations of ICT equipment and in recent years this has seen huge investment in ICT projects like the implementation of the fibre network system across Zimbabwe. The fibre network is being connected to several other regional countries.

Fibre network is a faster and cheaper system as compared to the satellite system. The fibre system is expected to be fully rolled out in Zimbabwe soon.

The fibre network is expected to support the ZIMRA internet based systems and is also expected to spread internet coverage to all parts of the country and this will connect remote ZIMRA customs offices like Sango and Kanyemba border posts. It is also expected to reduce the cost of administration of the computer systems.

2.3 ICT Challenges

According to USAID Compete, one of the greatest constraints in developing and least-developed countries is that nationally owned and managed electronic customs management systems cannot communicate flawlessly with other nationally owned and managed systems. In Southern Africa, there is no automated system to share customs information between countries (SATH, 2014). However, according to USAID (2010) there is a customs systems interface and connectivity system between Malawi and Tanzania using the Revenue Authorities Digital Data Exchange (RADDEX) platform. This however, looks more of a small ESA arrangement and not a purely southern Africa programme. However in East Africa there is inter-Customs administrations connectivity using the (RADDEX) system. The RADDEX system is a software application and data exchange system that allows close to real-time transmission of customs documentation to authorised public and private sector users that are working at key transit border posts and cities across East African Community (EAC) countries. This system results in increased efficiencies in customs clearing processes. According to USAID Compete, private sector shippers in the EAC are anticipated to save over US\$50 million per year in reduced transit times at borders.

ZIMRA does not have an inter-Customs administrations connectivity system. The current system requires manual re-entry of all information when most of similar data is required

to prepare export documentation in one country as well as import documentation in another country for cross border shipments. This results in delays in preparing and processing clearance documentation, delays caused by data errors, an increase in human error and trade costs (SATH, 2014). The use of ICT plays an important role in eradicating these challenges which have been in existence for many years.

An indirect challenge arises when implementation of new customs IT systems is often done without adequate internal and external consultation. Buyonge & Kireeva (2008) cited Kenya's experience with the implementation of 'SIMBA 2005' (a customs IT system) in July 2005. In this case a significant segment of the private sector was found unprepared with resultant disruption of business and profits. A number of customs clearing agents had not paid the requisite fees for training and internet access by July 2005. One company representing 790 others unsuccessfully took the Kenya Revenue Authority to court intending to reverse the migration to a new system (Buyonge & Kireeva, 2008).

In Zimbabwe, some resistance was faced from the side of customs clearing agents who appeared not ready for the implementation of the ASYCUDA World. Migrating to the new system had its own challenges like delays in clearances as all stakeholders got used to the system with time. The major challenge linked to the resistance to change is linked to the other organisations' lack of skilled personnel to efficiently use the new systems and the financial costs associated with training and the investment in IT equipment in some cases. Buyonge & Kireeva (2008) also concurred that in Kenya such a skills gap also existed within the other organisations involved in cross border trade when the new customs ICT system (SIMBA 2005) was introduced.

2.4 The Impact of New ICT Initiatives

New customs initiatives in Zimbabwe over the

years have had a variety of benefits to customs and other stakeholders who are involved in international trade. Like in any system there have also been some costs associated with the initiatives on both the customs operations as well as the other stakeholders especially costs associated with some investment in capital required to be able to use the new IT system. However, in the long-term, experience in Ghana and Senegal have shown that benefits of new ICT initiatives outweigh the cost of implementing the system.

2.4.1 Impact on Customs Operations

ZIMRA has had initiatives such as the use of an internet based ASYCUDA World software package. This has assisted in having a WAN system in the bulk of its customs offices dotted around Zimbabwe. This has enabled real-time access to information between inland customs offices and border posts which has facilitated faster clearance of import, export and transit goods. ZIMRA also uses the internet and social networks which has enhanced internal and external communication in line with the ATF.

Moreover ZIMRA has over the years purchased and implemented scanners which have expedited the turnaround time for examination of import, export and transit goods. It has also resulted in the reduction of smuggling cases and enhanced compliance and revenue generation. Instead of physically examining, goods trucks are just driven through scanners without hassles of unloading and reloading which has led to decongestion of border posts.

The use of ICT has also enabled ZIMRA's migration to Data Processing Centres (DPCs) as from 2013. This resulted in bills of entry being processed at only four centres across Zimbabwe instead of at each customs inland and border office. This removed physical interface between customs officers and clearing agents or traders and led to reduction of corruption as well as reducing clearance turnaround time. However, more still need to be done in line with customs

connectivity especially the implementation of the National Single Window system (NSW). Zimbabwe currently doesn't have a single window system although there are plans to implement a NSW.

In a nutshell, ICT initiatives have resulted in the implementation of new programs such as pre-arrival reporting, risk management approach for goods and persons inspection, e-payments, e-lodgment of bills of entry (paperless), authorised economic operators (AEO) (in the risk management selectivity criteria) and post clearance audits just to mention but a few. Benefits such as enhanced revenue collection, precise trade statistics and efficient border administration controls have accrued following these initiatives.

2.4.2 Impact on other stakeholders

Other stakeholders include intermediaries such as clearing agents/customs brokers, traders and other government agencies. Other examples of intermediaries are the entities that provide trade and transport logistical services within the international trade chain such as customs brokers, freight forwarders, carriers, banks, IT service providers and so on. Intermediaries require swift exchange of information and a transparent regulatory regime for them to comply with the requirements of government agencies and their clients (traders). ICT initiatives have made communication as well as the swift access to information possible. Traders have also benefited from the use of ICT by receiving faster border clearance which also lowers transaction costs and enable them to market their goods at competitive prices. The inspection of goods and persons based on a risk management approach, simplified payment schemes, elimination of paper documents backed declarations have also impacted positively on the direct and indirect costs of trade facilitation. Customs automation also results in increased transparency in the assessment of duties and taxes, substantial reduction in customs clearance times, and

predictability, which result in direct and indirect savings for both government and traders (Buyonge & Kireeva, 2008).

2.0 AN OVERVIEW OF ICT AND TRADE FACILITATION IN ESA

In the ESA region there are various customs initiatives which have been implemented whilst some are currently being implemented, on pilot study and some are being contemplated or studied for future implementation. These initiatives are to a great extent related to trade facilitation mainly driven in the form of the use of automation or ICT. Other initiatives are in forms such as one stop border posts (OSBPs) and co-ordinated border management systems. A very popular and current ICT initiative and near future plan in several Southern African countries is the National Single Window (NSW) concept. Countries which have already considered implementing the NSW are Namibia, Botswana, Malawi and Zambia whilst Mauritius, Kenya and Mozambique have already implemented the NSW (SATH, 2012 & 2013). Another interesting feature is the Chirundu OSBP on the border between Zimbabwe and Zambia. Time Release Studies (TRS) mainly in the COMESA member states have been undertaken in the past to evaluate the extent to which trade facilitation has impacted on border clearance times in the ESA region. The TRS project was spearheaded by the COMESA and sponsored financially and technically by the World Bank (WB) and the WCO in some countries whilst in others the Customs administrations initiated and funded their projects.

There is also a very innovative system which was implemented and currently being used in the EAC countries in the form of the RADDEX system. This has helped to eliminate major border difficulties such as inefficient paper work, lack of advance notification of goods, fraudulent declarations, lack of efficient information exchange between regional revenue

authorities and out of date or lack of transit and trade statistics. The RADDEx system has a network of linked RADDEx 2.0 central servers which stores Customs information and transit data. Once the information is stored in the RADDEx 2.0 system, it can be accessed through the internet by authorised users (USAID, 2012). This is an interesting form of ICT use in Customs administration which has had a remarkable impact on trade facilitation. Some of the functions provided by this system are near real time regional customs information for transiting goods, advanced notification of arriving goods, monitoring of defrauding false declarations, customs user audit trails, projected position of cargo based on historical information and the monitoring and evaluation of comprehensive regional risk (USAID, 2012). These functions demonstrate that the system offers the public and private sector excellent tools for trade facilitation.

3.1 One Stop Border Posts (OSBPs)

This concept supports Article 8 (1) (v) of the WTO Agreement on Trade Facilitation. This article requires WTO member states to establish one stop border post control. In ESA there is one currently functional OSBP (Chirundu OSBP between Zimbabwe and Zambia). OSBPs seem to be fast growing to be very popular in Africa. OSBPs being contemplated in ESA include: 10 in East Africa and 11 in Southern Africa under the auspices of the World Bank, African Development Bank, the Japan International Co-operation Agency (Erasmus, 2013).

OSBPs made it possible to have government agencies working alongside each other hence allowing the combining of border control management of the two countries at one location. This creates an opportunity to streamline operations and procedures at border crossings by performing joint controls and sharing of resources and ultimately result in the reduction of cross border costs and waiting

times for traders¹ (Erasmus, 2013). However, there is currently a missing link in OSBPs being the need for "an appropriate legal framework to allow for extraterritoriality²" and this has to be done by the relevant governments involved in the OSBP (Erasmus, 2013).

3.2 Time Release Studies (TRS)

Modern customs administrations have recognised that streamlining and simplifying clearance procedures is beneficial to their importers, their exporters and their national economies (KRA, 2004). One of the methods used for the review of clearance procedures is to measure the average time taken between the arrival of goods and their release. This enables Customs Authorities to identify both the problem areas and potential corrective actions to increase efficiency. The main objectives of the TRS study are to assess existing procedures and identify constraints affecting their implementation, and propose measures to reduce the time required for the release of goods. The TRS estimates the mean time difference between the arrival and release of imported goods. It also measures the time required for the key intervening processes in the clearance process such as the lodgment of import or export declaration, assessment of duty payable and physical examination of the goods. The study does not only involve the Customs Authorities but also involve other stakeholders that are involved in the import, export and transit clearance procedures. The study is usually carried out at sea-ports, land border posts, inland container depots and

¹ Other advantages of OSBPs are joint technical and capacity training, improved understanding of border posts operations, improved communication between government agencies, single customs declaration, costs of border management, infrastructure and law enforcement are shared and allows exchange of intelligence and experiences.

² Extraterritoriality empowers control agencies and control officers of the adjoining country to undertake controls in correspondence with national legislation outside their national territory as well as to carry out border controls under its national law within the territory of the host country. "Extraterritoriality arrangements permit the extension of a government's authority to exercise national powers outside its own jurisdiction" (Erasmus, 2013). This is an inherent challenge affecting the effective functioning of OSBPs because their operation requires the application of national regulations in the territory of another state and this is not feasible where there is no extraterritoriality.

international airports.

The TRS study has been conducted in ESA and was spearheaded by the COMESA and technical and financial assistance was provided by the World Bank and the WCO whilst some studies were conducted at the initiative of the individual countries without external assistance. Various case studies were conducted in countries such as Zimbabwe, Zambia, Malawi, Swaziland and Kenya. The Kenya TRS report acknowledged the role played by the TRS in developing the skills required to periodically measure the country's performance against global benchmarks. The report further mentioned that the TRS study will have a multiplier effect on the manner in which Kenya customs administration, as well as other Customs administrations in the region, transact their business. "For the first time, we have reliable and validated information on the time taken at various stages in the customs clearance process" (KRA, 2004). TRS is generally seen as a diagnosis tool to reveal the delays in the customs clearance processes which will enable proper solutions to be implemented and hence promoting better trade facilitation. The KRA (2004) report found out that there were delays at all customs stations and recommended the replacement of manual processes by using ICT and also recommended the implementation of the NSW concept.

The Kenya and Tanzania Time Release Study findings point out an important role for companies and third party service providers in expediting clearance of goods, specifically through prior lodgement of documents. It has been noted that prior lodgement alone cuts down the processing by up to half (Buyonge & Kireeva, 2008).

It must be admitted that many African Customs administrations do not have robust risk management systems enabling discriminatory treatment of importers and exporters on the basis of the risk they pose to loss of revenue or compliance with regulatory requirements.

3.3 Single Window Concept

"The Single Window electronic portal is the single most powerful trade facilitation tool in use today: dramatically reducing duplication, delays and the cost of cross border trade" (SATH, 2013). This system allows for the co-ordination of multiple agencies involved in cross-border trade and it demonstrates how important the use of the ICT NSW is in the facilitation of 21st Century international trade. The ESA region currently only have three countries namely Kenya, Mauritius and Mozambique which have already got an existing NSW. Mozambique uses a NSW called MCNet (SATH, 2013). However, there is a bright future ahead in ESA because several Southern African countries have already shown their interest to implement the NSW in the near future. Such countries are Namibia, Malawi, Botswana and Zambia through the support and technical expertise of USAID's Southern Africa Trade Hub (SATH, 2013).

Where a single window doesn't exist there is a requirement, for example, for traders across ESA to submit the same information to multiple border and regulatory agencies to obtain clearances for goods to enter or exit a country. This increases the time and costs required to cross borders. This has an impact of making products more expensive and it dampens trade (SATH, 2013). A NSW, instead, connects trade related stakeholders within a country via a single electronic data information exchange platform. The NSW allows the trader or clearing agent to enter all data required for a particular shipment into a single electronic system (SATH, 2013). All the other relevant stakeholders can then access the system and use the same data for various individual purposes.

Experience from other countries indicate that the NSW can to a large extent reduce the time and cost of shipping goods across borders. A SATH (2013) report indicates that the implementation of the NSW in Thailand resulted in the improvement of the country's "Trading

Across Borders” ranking from number 108 to number 10 between 2007 and 2009 whilst in Ghana, there was a significant tariff revenue growth by almost 50% in the first year, and the time and cost of exporting was reduced by 65% overall. Mauritius also has a single window as reflected in its “Trading Across Borders” ranking of number 21 (SATH, 2012). According to Glancy (2013), there is an increasing number of Southern African countries which are planning to implement a NSW, since the NSW is designed to reduce the time cost and cumbersome processes traders face in clearing import, export and transit goods.

Glancy (2013) further suggests that “countries are also recognising the NSW as a means to improve their business environment and competitiveness, reduce illegal practices and increase revenue and data collection.” Moreover, SATH (2012) supports the notion that a Single Electronic Window is a crucial instrument for eliminating inefficiency and ineffectiveness in business and government procedures along the international supply chain. SATH (2012) further purports that a NSW improves border control, compliance and security.

4.0 CONCLUSION AND RECOMMENDATIONS

Conclusion

The ESA region has had significant inroads or milestones in the use of automation or ICT to enhance trade facilitation. If experiences and initiatives in each ESA country are combined, there is a total ICT initiative package enough to comply with the WTO Agreement on Trade Facilitation. ICT initiatives like the ASYCUDA system and other automated customs data systems are in place in most ESA countries albeit at different stages of development, Mozambique has already led the pack in terms of implementing the NSW, the Chirundu OSBP is a standing example amongst various other OSBPs

already at advanced stages of implementation, Botswana and Namibia will soon be on the Microsoft cloud computing radar, various co-ordinated border management systems and internet based systems are in place, the RADDEX system as well as case studies and results for the TRS are there for all to see and learn from. Therefore, the ESA region is spoilt of case studies of ICT use initiatives from which other countries can learn and adopt from.

This paper concludes that there is enough experience in ESA from which all the ESA countries can draw from in order to fully participate in best practice trade facilitation which certainly reduces direct and indirect transaction costs associated with international trade such as reduced levels of smuggling and corruption, increased compliance levels, increased productivity in customs operations, increased government revenue, boosting world, country and regional economic outlook indicator rankings such as “ease of doing business” which attract foreign direct investment (FDI).

Recommendations

- To consider the implementation of the Microsoft cloud computing system type inter-Customs administrations connectivity (e.g., RADDEX) in order to have customs connectivity across all ESA countries.
- To consider the implementation of the NSW in all the ESA countries taking after Mozambique.
- To consider implementation of more OSBPs in the ESA region in order to harness greater benefits of trade facilitation.
- To consider investing more in automation of systems.

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Chapter FIVE

Customs Facilitation Initiatives reducing the cost of trading; The Case of Malawi, South Africa, Zambia and Zimbabwe.

Brian Mureverwi and Kindon Gandanga

Customs Facilitation Initiatives reducing the cost of trading; The Case of Malawi, South Africa, Zambia and Zimbabwe

Brian Mureverwi and Kindon Gandanga¹

Abstract

The recent Bali WTO Agreement on Trade Facilitation (ATF) renewed the regional impetus to reduce the costs of doing business in Southern Africa. The Agreement has been concluded at a time when COMESA, EAC and SADC are negotiating the terms of a Tripartite Free Trade Area agreement covering 26 countries from Cape to Cairo.

Customs is the gateway to international trade in sub-Saharan Africa and accordingly they are custodians of facilitation instruments, yet they can also be a barrier to trade in the region. Though tripartite, member states have substantially reduced tariffs on trade, there is still a lot to be done with respect to trade facilitation.

This paper covers an analysis, from a regional customs viewpoint, of the various sources of trade facilitation impacts and associated costs in Malawi, South Africa, Zambia and Zimbabwe including the specific cost reduction efforts and methodologies being conducted, such as One Stop Border Posts, Single Window systems and Integrated Border Management initiatives. The study quantifies trade facilitation experiences in Southern Africa using World Bank and OECD indices.

The study concludes by giving recommendations on areas of priority to improve trade facilitation in sub-Saharan countries, especially with specific relation to Global Value Chains that are shaping the world trading system in the 21st Century. The role of customs administrations have become a fundamental pillar in the supply chain.

1.0 CONCEPT OF TRADE FACILITATION

Trade facilitation is a comprehensive and integrated approach to reduce the complexity and cost of the global trade transaction process. It aims at ensuring that all trade activities can take place in an efficient, transparent and predictable manner, based on internationally accepted norms, standards and practices. It is one of the key factors for economic development of nations and is closely tied into national agendas directed at social well being, poverty eradication and economic development of countries and their citizens.

Although several attempts have been made to define trade facilitation, up to date no consensus has been reached on a uniform standard definition. In its narrowest sense, trade facilitation refers to the reduction of the trade costs associated with moving goods across borders.²

More recent definitions have been broadened to include the environment in which trade transactions take place, that is, the transparency and professionalism of customs and regulatory environments, as well as harmonisation of standards and conformity to international and regional regulations. Trade facilitation, according to the World Trade Organisation (WTO), refers to the avoidance of unnecessary trade restrictiveness. To achieve this, Customs Administrations globally are applying modern techniques, standards and technologies, while at the same time improving the quality of control in an international harmonised manner.

Trade facilitation from a customs viewpoint

¹ Brian Mureverwi and Kindon Gandanga are Trade economists based in Zimbabwe, and can be contacted on brianmureverwi@gmail.com and kgandanga@yahoo.com respectively.

² A broader definition encompasses all Non-Tariff Barriers (NTBs) to trade, including behind the border costs associated with institutional and business environment, services in support of trade, physical and infrastructural, in transport, energy and ICT.

and impact is, therefore, reviewed as an interaction of border and beyond the border issues with respect to the customs criteria of valuation and documentation, co-operation, government border agencies, infrastructure, procedures, regional transit management systems, regional customs bond, immigration procedures, transport regulations and road user charges.

1.1 Trade Costs, Global Value Chains and Trade Facilitation in Southern Africa

The World Bank Logistics Performance Index (LPI)³ 2014 ranks 160 global countries on six dimensions of trade, including customs performance according to infrastructure, quality and delivery lead times of shipments, according to key criteria that have increasingly been recognized as important compliance standards and economic development measurements. The data used in the ranking stems from a survey

several logistics service companies worldwide to evaluate their country of residence, as well as eight countries they are dealing with, in terms of seven logistics dimensions. They are:

- efficiency of customs and border management clearance (“Customs”).
- quality of trade and transport infrastructure (“Infrastructure”).
- ease of arranging competitively priced shipments (“Ease of arranging shipments”).
- competence and quality of logistics services—trucking, forwarding, and customs brokerage (“Quality of logistics services”).
- ability to track and trace consignments (“Tracking and tracing”).
- frequency with which shipments reach consignees within scheduled or expected delivery times (“Timeliness”).

The LPI uses standard statistical techniques to aggregate the data into a single indicator that can be used for cross-country comparisons (1 =

Country	Year	Overall LPI Rank	Overall LPI Score	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
Malawi	2014	73	2.81	2.79	3.04	2.63	2.86	2.63	2.99
South Africa	2014	34	3.43	3.11	3.2	3.45	3.62	3.3	3.88
Zambia	2014	123	2.46	2.54	2.31	2.13	2.47	2.47	2.91
Zimbabwe	2014	137	2.34	1.89	2.25	2.25	2.5	2.22	2.93

Source: Logistics Performance Index 2014⁴

Table 1. Logistics performance of tripartite countries

of logistics professionals who are reflected in relation to problems and concerns relevant to the foreign countries in which they attempt to operate. The survey uses an anonymous, web-based questionnaire which asks professionals in

³ The components analysed in the International LPI were chosen based on recent theoretical and empirical research, and on the practical experience of logistics professionals involved in international freight forwarding.

⁴ LPI accessed on <http://lpi.worldbank.org/>

lowest, 5 highest). The table below shows the logistics performance of tripartite countries that are in Southern Africa using the World Bank LPI.

In terms of the overall LPI, South Africa is better positioned to reap the benefits in relation to TFTA member states. It has an overall ranking of 34, way above Zambia and Zimbabwe, which are ranked 123 and 137 respectively. However, Zimbabwe and Zambia are economically linked

to South Africa through the Beitbridge and Chirundu transit corridors and border posts. It has excellent logistics infrastructure that links these inland countries to the sea ports. Their administrations are constantly challenged with trade facilitation initiatives and the infrastructure of its neighbours in the region, and their customs trade facilitation priorities have been known to drive up the cost of international cross border trade.

Zambia and Zimbabwe have high costs of doing business in the TFTA. For example, from the World Bank LPI indicator, in Zambia it costs \$3 560 to import a 40ft container, while in Zimbabwe it costs \$5 660. In general, costs of transport for exports are much lower in all the countries, primarily because governments and border agencies traditionally view exports as low risk and therefore deserved of easier trade facilitation. Costs of trading in South Africa are lower for both imports and exports when compared regionally due to improved infrastructure yet according the recent studies, it was observed that many importers prefer and deviate to road transport between Durban Port and Gauteng as a result of lack of confidence and delays experienced in the Transnet rail services. TFTA countries can and have utilised South Africa as a gateway to the world through

the increased popularity of these corridors.

Supply chain reliability is a major concern for traders and logistics providers alike. In a global environment, consignees require more certainty and predictability of when and how deliveries will take place. This increases the demand for quality in logistics services, posing challenges for private agents and governments, all of which face pressure to facilitate trade while safeguarding the public against criminal activity, health concerns or terrorism threats.

Efficient border management is critical for eliminating avoidable delays and enhancing predictability in border clearances. Co-ordination among government control agencies will remain essential in trade facilitation efforts — as well as the introduction of best practices in automation and risk management in non-customs control agencies, which have generally been less open to reform. Accordingly, customs agencies have obtained higher LPI ratings than all other agencies in border management, particularly sanitary and phytosanitary control agencies, and less so those enforcing standards. These standards are contained in the recent articles of the Bali ATF.

Table 2 shows the Trading Across Borders Indices for all the TFTA member states.

An online query simulation by Nathan Associates Trade Facilitation Calculator, shows

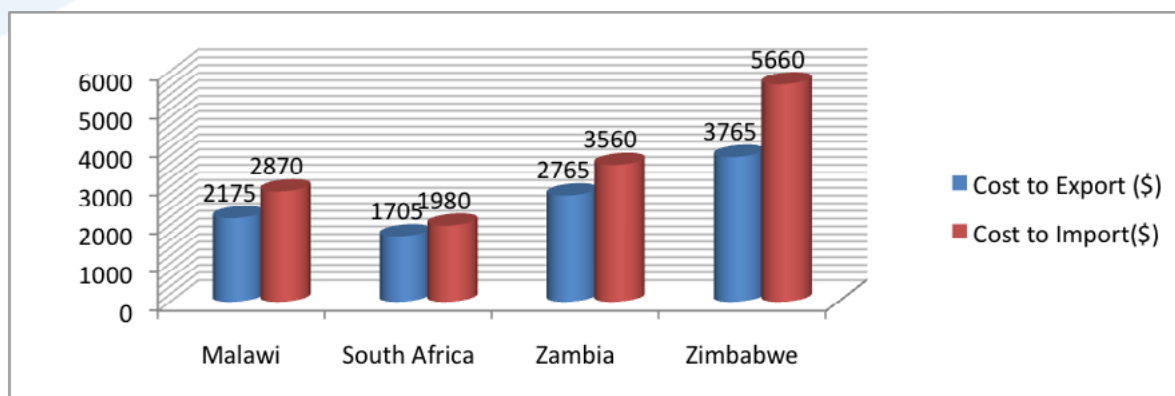


Fig. 1. Source: World Bank Doing Business 2014

road and air links along the North South Corridor. Other corridors are fast emerging such as the trans-Kalahari⁵, Namibia and Muputo. Logistics cost increases on traditional routes are driving

⁵ The Kalahari crosses a high, vast, arid plateau in Southern Africa, north of the Orange River. It comprises most of Botswana with parts in Namibia and South Africa.

massive changes in Gross Domestic Product and increases in unskilled labour as a result of a one day reduction in import delivery lead-time. These huge benefits can significantly transform the socio-economic lives of tripartite member states. Table 3 shows potential changes in GDP

Economy	Trading Across Borders				
	Rank	Documents to export (number)	Time to export (days)	Documents to import (number)	Time to import (days)
Angola	169	10	40	9	43
Botswana	145	6	27	6	35
Burundi	175	9	32	10	46
Comoros	146	9	31	10	26
Congo, Dem. Rep.	171	8	44	9	63
Eritrea	170	10	50	12	59
Ethiopia	166	7	44	10	44
Kenya	156	8	26	9	26
Lesotho	144	7	31	7	33
Madagascar	115	5	22	9	21
Malawi	176	10	34	11	43
Mauritius	12	4	10	5	10
Mozambique	131	7	21	9	25
Namibia	141	8	25	7	20
Rwanda	162	7	26	9	30
South Africa	106	5	16	6	21
Sudan	155	7	32	7	46
Swaziland	127	7	17	6	23
Tanzania	139	7	18	11	31
Uganda	164	7	30	10	33
Zambia	163	7	44	8	49
Zimbabwe	167	7	53	8	71

Table 2. Trading Across Borders Indices

Country	Range of Increase in GDP (\$m)	% Increase in Unskilled Employment
Malawi	\$ 630.252 and \$ 1,477.828	0.33% and 0.61%
South Africa	\$ 27.843 and \$ 65.584	0.38% and 0.66%
Zimbabwe	\$ 21.716 and US \$ 33.046	0.87% and 1.15%

Table 3. Potential changes in GDP

Source: Calculated for this presentation using Nathan Associates' Trade Facilitation Calculator⁶

to be achieved and employment opportunities as a result of one day reduction in import time

1.2 Bali Agreement on Trade Facilitation and Sub Saharan Africa

In relevance to global standards and addressing the developments relevant to trade facilitation, it is important to address the WTO Trade facilitation negotiations which formally kicked off in 2004. These indeed have an impact on

ESA standards, and serve mutual recognition embracement and attainment objectives.

After years of discussions in working groups launched at the WTO's First Ministerial Conference in Singapore, along with trade facilitation, WTO members had been examining whether to add a series of topics: Trade and competition; trade and investment; and transparency in government procurement to the agenda of the existing Doha Round negotiations.

The four topics were collectively known as

⁶ <http://www.tcboostproject.com/resources/tools/impactcalculator.php>

the Singapore Issues, and many had originally expected these to all be added to the Doha Round agenda. Eventually, WTO members began to consider agreeing on discrete sets of “modalities”, rather than a collective set. Finally, WTO members formally adopted the Trade Facilitation Agreement (TFA) in Bali, December 2013.

The Bali Agreement on Trade Facilitation seeks to:

- allow governments to apply and conduct border controls more efficiently.
- allow traders to move their goods across borders more quickly and easily.
- reduce transaction costs and hence reduce prices for consumers and producers.
- reduce transit costs in landlocked countries.
- reduce bureaucracy and corruption.
- facilitate trade for small and medium-sized businesses burdened with excessive bureaucracy and red tape.
- add to members’ GDP by making trade less costly.

An OECD study on “*the impact of trade facilitation measures on trade costs*” has established that measures to streamline procedures have a considerable cost reduction potential, of up to 5.4% of total trade costs. According to the World Bank, increased efficiency at ports and airports could increase global trade in manufacturing by up to US\$ 377 billion a year and triple the benefits for consumers. The gains according to the study, would be from streamlining customs procedures, reducing bribery and corruption, improved infrastructure and more efficient cross-border services, and speeding up business through use of the Internet.

Customs authorities should be mindful that the new WTO Trade Facilitation Agreement covers:

- use of the Internet for publishing information that is useful to traders and in general improving the availability of

information (*According to the OECD, improvements in information availability would save 1.8% of transaction costs.*)

- establishing advance rulings on tariff classification and applicable duties to expedite customs clearance (savings estimated to be up to 3.7 %).
- introducing pre-arrival clearance - goods to be released immediately upon arrival.
- expediting and simplifying the release and clearance of goods.
- enhancing transparency in customs rulings and administrative procedures.
- developing a uniform administration of trade regulations.
- streamlining fees and charges and establishing more discipline in their application for example, prohibition of the collection of unpublished fees and charges, reduction/minimization of the number and diversity of fees and charges, and prohibition of consular fees.
- improving co-ordination among border agencies.
- creating a single window – to submit data only once to a single agency.
- establishing discipline for transit formalities and documentation requirements.

Similar objectives to the WTO Trade Facilitation Agreement are embedded in the WCO Revised Kyoto Convention (RKC). More specifically, Chapters 6 and 7 of the RKC make reference to trade facilitation through the conclusion of mutual administrative agreements by customs administrations, as well as the use of ICT to enhance customs control respectively.

To assist developing country members with implementation, the new agreement contains provisions for “special and differential treatment”. These provisions would allow developing countries to delay the implementation of each provision of the text according to their needs

and circumstances⁷. Without doubt however the ESA customs administrations are aware of the high priority and global focus on trade facilitation.

1.3 COMESA-EAC-SADC Tripartite Free Trade Area and Trade Facilitation

In 2009, member states of the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), and the Southern Africa Development Community (SADC) took a decision to create a Tripartite Free Trade Area Agreement (TFTA). The TFTA combines 26 African countries spanning from Cape to Cairo, aiming to reduce tariffs imposed on goods originating and traded within the specified region. However, in addition to tariff barriers, the region's traders and producers face a myriad of non-tariff barriers, including high trade and transport costs. An integral part of the TFTA is the design and implementation of a programme that is aimed at improving trade and transport measures and reducing NTBs.

The economic integration agenda being implemented at the level of EAC, COMESA and SADC has a prioritised programme addressing trade and transport facilitation challenges, with the aim of reducing the cost of doing business and improving the competitiveness of products traded regionally. Such programmes encompass regulatory and policy reforms whilst encouraging the adoption of international instruments and best practices. This includes national and regional capacity building programmes to facilitate cross border movements and enhancement of infrastructure facilities at border posts to improve efficiency of cross-border movements.

To address these challenges the COMESA-EAC-SADC TFTA launched the Comprehensive Trade and Transport Facilitation Programme

⁷ The WTO Secretariat also oversees a technical assistance programme that brings technical experts from the capitals of African and LDC countries to participate in some of the trade facilitation negotiation meetings. Once the trade facilitation negotiations have been concluded, the WTO Secretariat will implement technical assistance programmes to help members understand and meet their obligations under this new agreement

(CTTFP), which is a series of initiatives from different RECs, that have been combined together into one large integrated trade facilitation programme that includes:

- The NTB Monitoring, Reporting and Removal System;
- Border and Customs procedures (One Stop Border Posts, Integrated Border Management, regional customs bond and transit management);
- Immigration procedures;
- Transport procedures (regional 3rd party insurance, vehicle standards and regulation, self-regulation of transporters, overload control, harmonised road user charges, regional corridor management systems and
- The establishment of the Joint Competition Authority linked to air transport liberalization.

1.4 Overview of Trade Facilitation in Southern Africa

African countries in general have a poor record of trade facilitation compliances suggesting that the customs authority embracement of such initiatives and global priorities could be significantly improved. However, efforts to improve trade facilitation have been on going since the Fifth Singapore Ministerial Conference. In Southern Africa, however, efforts to improve trade at Beitbridge, Chirundu, and Chipata border posts, are going on through customs automation. The customs processes of South Africa, Zimbabwe, Zambia and Malawi are automated through the utilisation of the Automated System for Customs Data (ASYCUDA) system. The WCO Revised Kyoto Convention (RKC) calls for national legislation to provide for electronic commerce methods as an alternative to paper-based documentary requirements. Automated systems in Customs control provide one of the most important tools for facilitation of trade procedures and risk

management in observation of Chapter 6 of the WCO Revised Kyoto Convention (RKC). Customs automation results in increased transparency in the assessment of duties and taxes, substantial reduction in customs clearance times, and predictability, all leading to direct and indirect savings for both government and traders. The higher the level of automation of customs procedures in a country, the greater the

109 countries using sixteen trade facilitation measurement indicators.⁹ Their findings on Southern Africa show that the region lacks behind specifically with respect to Advance Rulings, complex documentation compliances for import/export procedures, and a myriad of compliance fees and costs. The trade facilitation indices range from zero to two, the latter being the best. **Figure 2** shows the status of sub-

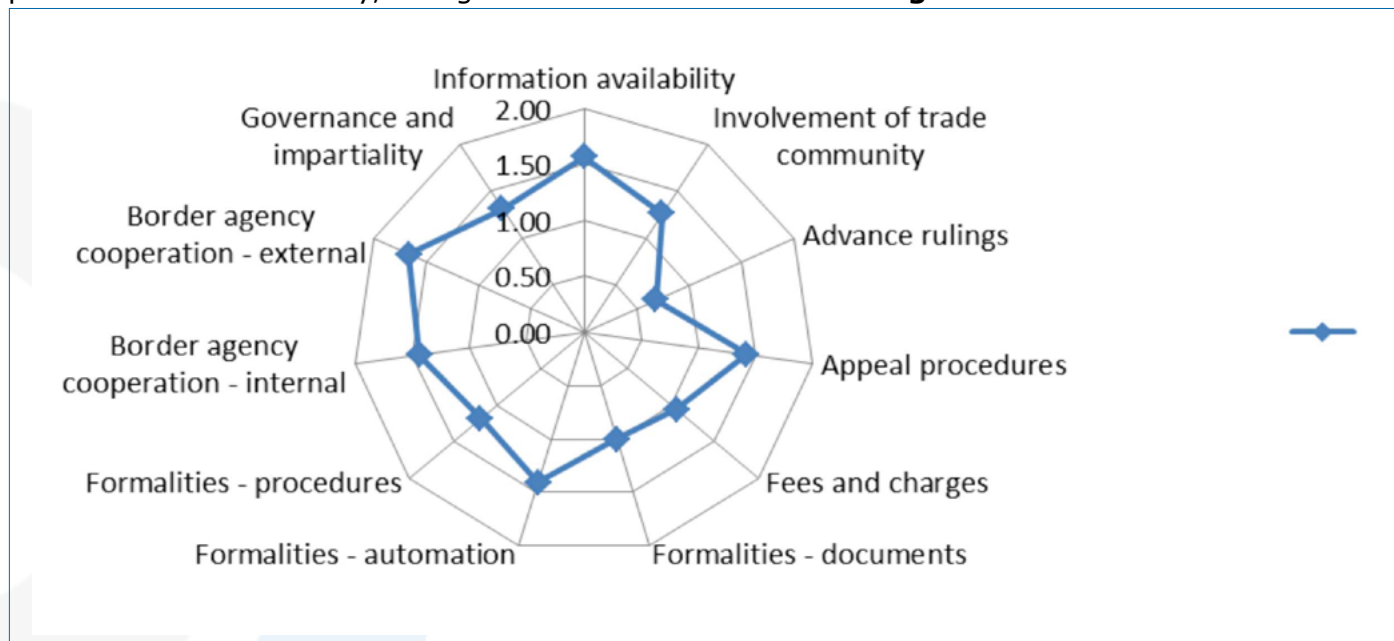


Fig. 2. Computations from OECD Trade Facilitation Indicators for Southern Africa, 2013⁸

possibility of targeted inspections, detection of fraud and firm action including successful prosecution in court.

The specific system should allow for preclearance of cargo before reaching the border. However, the trade facilitation initiatives in the region still remain far from best global standards, due to the following concerns:

- Antagonistic relationship between customs and business;
- Insufficient state of supporting infrastructure;
- Multiplicity of different border agencies carrying out similar duties; and
- Corruption of customs officials.

In 2013, the OECD carried out a study in

⁸ Countries sampled in sub-Saharan Africa are Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, DRC, Cote d'Ivoire, Ethiopia, Gabon, Gambia, Ghana, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

Saharan Africa.

To address these structural drawbacks on trade facilitation in the region, African governments through their customs administrations have resorted to One Stop Border Posts, Integrated Border Management and Single Window facilitation initiatives.

One Stop Border Posts (OSBPs)¹⁰ are being introduced in many parts of Africa to address one of the main delaying factors on major transport corridors. They combine two stops into one, and consolidate functions in a shared work space for exiting one country and entering another, thus reducing travel time for passenger and freight vehicles. OSBPs enable border agencies from neighbouring countries to perform joint Customs controls that can result

⁹ These are the indicators that were selected using the main areas of trade facilitation indicators at WTO.

¹⁰ OSBPs facilitate mobility of persons and, by reducing time loss, can also reduce the cost of transport for shippers and goods to consumers accruing economic benefits across the national economic spectrum.

in benefits to security, trade facilitation and human mobility.

In establishing OSBPs¹¹, it is important to understand the rationale of borders and the mandate of various agencies at the border posts. The establishment of border posts is to protect national security and autonomy. Border posts today are complex entities that often involve from 5-10 different agencies each performing specific controls related to movement of persons, vehicles and cargo from one country to another. Controls are designed to collect revenue, stop illegal trade, protection of public health and to facilitate economic activity. Some agencies issue permits/licenses at the borders or check permits submitted with customs declarations.

It is important to give full consideration to the operational and legal issues and infrastructure requirements.

- Operational issues relate to the simplification/harmonisation of procedures, sequencing of controls and the standard operating procedures for joint processes and co-ordination amongst the various border agencies.
- Information Technology is an important part of OSBPs as it allows sharing of data, co-ordination amongst agencies, improved risk management and accelerated procedures.
- Legal issues are important to create an enabling legal environment that allows agencies to operate extraterritorially and sets out agreements between the respective countries on basic operating principles.
- Infrastructure changes will be necessary as the establishment of an OSBP implies having to place certain offices and

¹¹ The purpose of introducing the OSBP is to achieve greater trade facilitation by combining border clearance activities in a single location so as to benefit from economies of scale, reduce transit delays, simplify clearance procedures, increase co-operation and co-ordination of controls, foster data and intelligence sharing and to improve control over fraud or risk management. Furthermore, the OSBP helps in optimum utilisation of available resources like scanning facilities and office accommodation. Revenue inflows are enhanced through effective sharing of intelligence and joint risk management initiatives.

structures in proximity to each other to allow for sharing and joint controls.

Chirundu OSBP is based on the border between Zimbabwe and Zambia located on the North South Corridor, which stretches from the port of Durban and the industrial heartland of South Africa in Gauteng Province, through both Zimbabwe and Zambia to the Democratic Republic of Congo (DRC). Chirundu is the first operational OSBP in Southern Africa.

Border controls in various African borders, at a traditional two stop border posts can take as long as three to five days to secure release, especially when errors or miscalculations delay revenue collections. Most trucks used for commercial cargo have daily fixed operating costs of US\$250–500¹² in Southern Africa plus the cost of the driver. Therefore, a three day delay at the border represents US\$750-1500 in unnecessary transport costs. Five day delays would cost US\$1250–2500. This added cost directly affects the cost and competitiveness of goods from Southern African in international markets as well as the cost of imports to consumers and inputs to manufacturers. The lead times for delivery are, therefore, also unacceptable by global standards.

A further cost that is incurred as a result of border delays and poor facilitation compliances on the route is high inventory costs. A recent World Bank Study¹³ found that for goods valued from US\$2,000 to \$5,000 per tonne, the cost of increased inventory holding is estimated at \$0.75 to \$2.50 per day per tonne. Manufacturers and retailers in the region report ordering an additional month ahead to hold additional stock to account for the lack of predictability of delivery. For a 28 tonne truckload this would range from \$630-\$2,100 of unnecessary additional logistics costs. When supply routes are not reliable, traders simply choose other sources of delivery

¹² The Road Freight Association in South Africa maintains data on vehicle operating costs and average vehicle fixed price.

¹³ Arnold, John, "Best Practices in Management of International Trade Corridors", World Bank, Transport Papers TP-13, December 2006, pp. 29–30.

of goods. Reconciliation of documents may not be possible where two stop border posts are in operation due lack of sharing of intelligence.

This is demonstrated by disparities between export and import data declared in many instances at the two border countries.¹⁴ Therefore, there is a distinct relationship between the lead time transit delay and reliability of specific corridors, including border crossing time, and negative growth in trade with its relevant potential negative impact on economic growth, revenue collection and job generation. Due to lack of implementation of OSBP, initiatives with respect to fears of *losing of sovereignty* or other reasons, certain governments have also resorted to alternative Integrated Border Management (IBM). It involves the organization of border control activities to facilitate trade and mobility, while meeting legally mandated controls. IBM involves:

- Domestic integration between government agencies within one country or customs union and
- International integration between neighbouring countries as, for example, an OSBP.

Both require interagency co-operation, parallel processing and co-ordination of interventions to achieve maximum efficiency. Domestic integration requires that all border agencies reach agreement on systems, data elements and processes to be implemented. These inputs are all aligned to form a process that integrates procedures and co-ordinates activities for maximum effectiveness. International integration involves aligning and integrating border formalities between two or more states¹⁵. This can often be done where agencies enforce the same international standards, such as agriculture, or use the same international data sources to monitor outbreak

¹⁴ Declaring of differing values for goods is usually motivated by the desire to avoid or reduce duties payable. Failure to collect all revenues due affects African countries which heavily rely on customs duties as a source of revenue.

¹⁵ "Integrated Border Management", *Global Facilitation Partnership for Transport and Trade*, The World Bank Group, June 2005.

of disease, etc. In an OSBP, it may mean co-ordinating exit and entry treatment in such a way that low risk goods can be expedited through the border.

For customs as the major control authority at the border, the emphasis over the past decade has been on customs modernization with active guidance from the WCO in providing training in customs operations, reform initiatives and facilitation. WCO Time release studies sought to identify time delays and rectification recommendations. The *Customs Modernisation Handbook*¹⁶ produced by the World Bank in 2005 is representative of this effort.

Whilst it is necessary to continue to seek improvement in customs operations, it is equally important to seek improvements in the operation of other agencies located at the borders. Each agency will need to streamline its procedures and develop a co-ordinated system for achieving the necessary measures to ensure the facilitation of trade. There is also a need to incorporate relevant private sector groupings during regular meetings of government border agencies. This is key insofar as ensuring that there are common understandings between the regulator and the trader on what needs to be done to ensure the smooth flow of goods across borders. This is prescribed by the WCO Revised Kyoto Convention (RKC).

IBM systems can include information sharing, co-located facilities, close inter-agency co-operation, delegation of administrative authority and cross designation of officials.

The Johannesburg Convention¹⁷ calls for the sharing of information and to incorporate it in the Customs legal framework. Integrated border management involves bringing these agencies into a co-ordinated clearance system in which procedures are carried out simultaneously as much as possible. This new holistic border approach is explored in *Border Management*

¹⁶ De Wulf, Luc and Jose Sokol, *Customs Modernisation Handbook*, The World Bank, 2005.

¹⁷ Also known as The International Convention on Mutual Administrative Assistance in Customs Matters, 2003 still to be adopted.

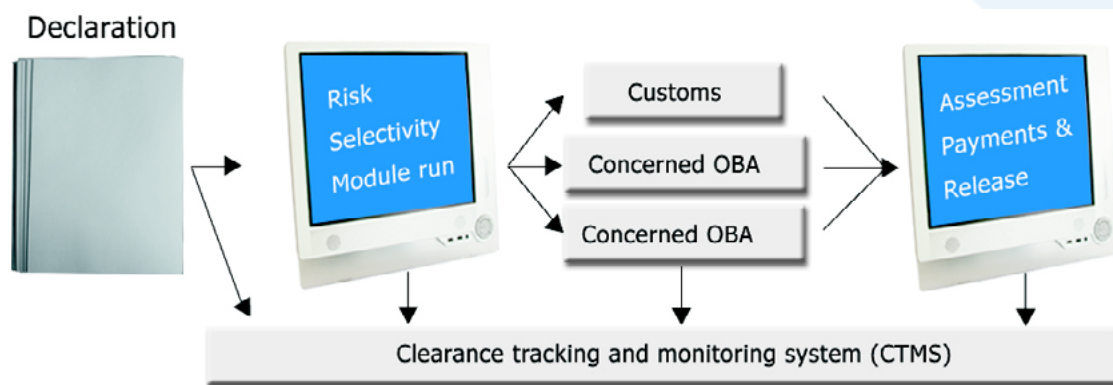
Modernization¹⁸.

SADC is initiating an IBM program which seeks to analyse operations from three perspectives: border, national headquarters and cross-border. SADC has recently produced a guideline and tools for IBM implementation. It focuses on institutions, the communication documentation amongst them and strategies for improving their operations and for their border collaboration.

At Chirundu, national level IBM is being introduced to introduce parallel processing of goods. Other border agencies (OBAs) are accessing declarations online to know which consignments are being processed in real-time. OBAs enter their risk selectivity profiles in the Customs Risk Management Module so that a co-ordinated clearance process can be developed on each side of the border. A real time monitoring system will be incorporated so that the reasons for delayed clearance can be identified and addressed. **Figure 3** illustrates the planned system.

Benefits of IBM:

- Improve management of border agencies and clarification of the responsibilities and accountability of border agencies.



Source: OSBP manual, 2011

Fig.3: Domestic Integrated Border Management

- Remove inter-agency rivalry and duplication of resources and efforts.
- Facilitation for trade, transport, tourism and foreign investment.

- Provide for overall ownership and accountability for border efficiency.
- Contribute to the success of regional cross-border facilitation projects, such as those concerning Transit and Corridor Efficiency, OSBP and SW initiatives.
- Facilitate implementation of regional integration agendas.
- Facilitate implementation and access to various international instruments concerning trade facilitation.

The **single window**¹⁹ concept is being explored and considered in many governments in Africa. However, there is slow implementation due to the significant legal requirements to harmonise inter-agency operations.

The SW concept has broad implications for electronic government solutions. The trade SWs mentioned above are essentially government-to-government, government-to-business and business-to-business exchanges. Other SWs are aimed at a wider constituent set. For example, vehicle licensing initiatives enable citizens to renew and pay for vehicle licenses online.

The major players in this type of SW may include central government agencies, commercial organizations, and local, state,

or provincial organisations and companies - ministries of transport, police, insurance

¹⁸ McLinden, Gerard, Enrique Fanta, David Widdowson and Tom Doyle, *Border Management Modernisation*, The World Bank, 2011.

¹⁹ The SW environment aims to expedite and simplify information flows between business and government and bring meaningful gains to all parties involved in cross-border trade. In a theoretical scheme, SW can be described as "a system that allows traders to lodge information with a single body to fulfil all import or export-related regulatory requirements".

companies, banks and finance companies, motor dealers, and citizens-covering the business to government, business to business and business to consumer categories. Each type of SW shares the collaborative features (interagency and organisational) of multiparty initiatives, linked together for a single set of objectives and covered by common policies, regulation and legislation.²⁰

According to e-government principles, governments must become citizen/constituent centric and service-based. Consequently, the following e-government features should be taken into account when setting up a SW:

- Fully integrated front -and- back -office processes.
- Electronic processing from end-to-end.
- Services that span government agencies and jurisdictions.
- Improved and more accessible business management information.

1.5 Rising Importance of GVCs

International trade is changing. Modern communication technologies and targeting of transport costs reductions have led to the emergence of global value chains (GVCs). These are production networks in which goods are traded several times, spanning many countries, often the entire globe. They are driven by firms that seek to optimise their sourcing strategies through geographic re-organisation and the separation of production stages. Today 80% of global trade is linked to multinational corporations, 60% of global trade in goods takes place in the form of intermediate products and on average, foreign value added makes up 25% of the total value added included in a country's exports.

Global value chains can only operate efficiently if the business and trade environment they face "enable" them to do so. In this context transport costs and efficient border operations

²⁰ Siva, Ramesh, "Developing a national single window: implementation issues and considerations", 2011. McLinden, Gerard, Enrique Fanta, David Widdowson and Tom Doyle, Border Management Modernisation, The World Bank, 2011, pp.125-129.

are key. Distance is an important factor in explaining why GVCs actually operate as "regional production patterns" – what matters, is not only the distance between suppliers of inputs but also the distance to markets.

Logistics solutions are thus critical. These include all aspects of border management: speed, automation in clearance procedures through customs, efficient port operations and cargo handlers, as well as the trade-related infrastructure in place supported by quality of transport services. Going further, distribution, telecommunication and express delivery services could be added to a broader logistics package of solutions. These factors, all of which contribute to the logistics dimensions of supply chain performance are often not put together as a focus for strategic GVC operation by policy makers. However, they can make all the difference. For example, manufacturing a typical aircraft today needs over 50,000 suppliers whose inputs of goods and services from around the world need to be combined in the most cost and time-efficient manner possible. Firms in countries with an inefficient logistics infrastructure and operations will not be called upon to participate in such commercial opportunities.

For governments, improving logistics/trade facilitation is a key challenge, not least for its implications for GVC operation. The Logistics Performance Index (LPI) produced by The World Bank every two years for 155 countries captures different dimensions of the determinants of their supply chain performance. In a similar manner, the World Economic Forum's Enabling Trade Index (ETI) captures four major aspects relevant to the operation of supply chains, namely: (i) market access; (ii) border administration; (iii) transport and telecommunications infrastructure; and (iv) business environment, and ranks 132 countries according to their aggregate performance on each, as well as on all four aspects collectively. These two different but complementary indices underscore the main inefficiencies in supply

chain operation today and in corollary, the main areas needed for improvement on a specific country basis.

To be most effective, it is suggested that governments approach logistics in a 'holistic' manner. In the WTO context, a proposal has been made to focus on logistics – bringing together a variety of relevant services sectors and sub-sectors (cargo handling, storage, warehousing, agency services and related ancillary services, as well as freight services – air, road, rail, maritime, express/courier) and to negotiate these services in a "bundle", with negotiations emphasis on trade facilitation issues including customs and border procedures in a parallel package.

Lessons from East Asia on Best Practice Trade Facilitation

An important operational difference between the trade effects by impacts of tariffs and of the quality of trade facilitation is that the measures of trade facilitation used are not direct measures of the factors that affect trade. They are indicators of such measures. If the trade barrier in question is the tariff rate, change is accomplished by lowering the rate. Improving the "Customs environment" might take many forms – dealing with corruption, providing for electronic data input, improving physical security in customs houses, etc. The measure of "customs environment," for example, is from a survey of customs users who ranked countries on a scale, taking into account and weighing in an unspecified way the various elements that influence the customs environment.

The ASEAN countries have an excellent record on trade facilitation. Southern Africa needs to draw lessons with respect to:

- Relations between customs and business;
- Insufficient state of supporting infrastructure;
- Contribution of various customs agencies to trade delays;
- Beyond the border trade facilitation.

The trade facilitation measures can reduce

the costs of trading in Africa in a variety of ways. A number of reforms can help to reduce the time needed for travel, border-crossings and administrative procedures: better border management, such as the introduction of automated customs systems and streamlining of border procedures. For example, the modernisation of border-crossing facilities and streamlining procedures (Chirundu border post between Zambia and Zimbabwe) have reduced waiting times and resulted in lower costs for traders.

Improved road infrastructure, especially along the main transport corridors improving the North-South corridors, and more investment in railroads and ports have contributed to costs savings. Reduced travel times but also less wear-and-tear and lower fuel consumption for transport fleets can increase trading opportunities. The rehabilitation and modernisation of trade infrastructure can spur investment in modern fleets with more loading capacities leading to greater efficiencies.

Other areas for reducing trade costs are harmonised technical, product and safety standards. Producers and traders can lower their costs if products and services can be delivered to a larger number of consumers in different markets. However, adjusting to the cornucopia of official and informal technical, product and safety requirements in different local and regional markets in Africa, often adds to the costs for producers and consumers.

The lack of information about requirements and different enforcement procedures reduce the reliability of delivering products and services. In order for Southern Africa to benefit from renewed interests in Africa, there is need to set priorities in the following areas:

- Need for policy reforms;
- "Soft trade facilitation" is an effective way to assist low-income countries;
- Trade facilitation is a multi-sectoral approach;
- Trade facilitation is meant to improve

- private sector capacity to trade;
- How to integrate trade facilitation across sectors.

1.6 Trade Facilitation and 21st Century Trade Policy in TFTA

The 21st Century trade is characterised by defragmented production processes across political boundaries and oceans. Gone is the Mercantilist conception of “good exports, bad imports”. In an era where goods lose nationality, trade is now used to produce goods, contrary to the 20th Century thinking where trade helped sell goods.

Regional trade arrangements are now being designed to tap into the GVC framework and trade facilitation becomes fundamental. The TFTA is an ambitious mega-regional trade arrangement whose potential success is underpinned on efficient trade facilitation systems. Statistics show the cost of trade in TFTA coupled with cumbersome customs procedures.

While tariffs are generally being lowered in the TFTA, there is a glaring need to improve on infrastructure, border management, and customs co-operation and automation. There is consensus of opinion among published articles that improvement in trade facilitation in sub Saharan Africa leads to improvements in trade, GDP and employment. This is an appealing realisation for African political leaders and policy makers. The resultant implementation of the Trade Facilitation Agreement yields huge benefits for governments and traders. This conclusion is consistent from the above quantitative studies by the Centre for Global Trade Analysis, OECD, World Economic Forum and the World Bank. Africa’s contribution to the world trade has been consistently below 3%, due to low export diversification, poor trade facilitation and potential vulnerabilities to price volatilities of primary commodities. However, tapping into low hanging fruits of trade facilitation and GVC presents an opportunity to improve the trade

pattern in the TFTA.

Whilst political leaders have exuberance towards realising Africa’s trade potential, there is need to appreciate that trade facilitation is intrinsic to the goal. The 20th Century trade policy thinking no longer applies in 21st Century. Tariffs are generally lower; production is now trans-boundary, finished goods no longer has nationality. Improvements in GDP, trade and employment is a result of improvements in trade facilitation.

Trade between nations is a vital driver of economic well-being and wealth creation. Customs administrations are a major component in the efficiency of international trade because they process every single consignment to ensure compliance with national regulatory requirements and international multilateral trading rules. While Customs administrations have to discharge this mission of revenue collection, protection of society and safeguarding security of the trade supply chain, they also have to strive for increased trade facilitation to promote investment and reduce poverty. Security in the supply chain too.

In conclusion, adherence to the WCO Revised Kyoto Convention (RKC) and relevant World Trade Organisation Agreements by customs organisations has the potential to improve the functioning of the customs organisation and trade. The Revised Kyoto Convention (RKC) provides both the legal framework and a range of agreed standards to improve customs operations with a view toward standardising and harmonising customs policies and procedures worldwide.

The WCO’s SAFE Framework of Standards also aims, amongst others, to facilitate legitimate trade and introduced the concepts of ‘Customs-to-Customs’ and ‘Customs-to-Business’ partnerships. As a result of these and other instruments, many customs administrations have introduced reforms such as the implementation of risk management to focus attention on high risk traders and goods,

automation to enable traders and intermediaries to submit documentation electronically, sometimes in combination with single window systems, accreditation arrangements for trusted traders and other facilitation arrangements. Combined with initiatives to develop more professional, skilled and agile workforces, these developments have impacted positively on trade facilitation. The WTO TFA, WCO Revised Kyoto Convention (RKC) and WCO SAFE Framework have similar objectives that need to be reconciled along the customs compliance and supply chain flow.

It is clear, therefore, that there is no doubt that Africa and its customs administrations are on a non-return journey to embrace trade facilitation in line with global standards. The customs administrations in Eastern and Southern Africa are fundamentally aware of their role, responsibility and impacts in their respective economies, and the potential they have to influence trade facilitation positively.

Commenting on the Economic Competitiveness Package (ECP), the Secretary General of the WCO²¹ noted that *“Over the past 60 years, international trade has grown significantly faster than production, making States even more dependent on ensuring the smooth flow of cross-border trade which interweaves national economies, requiring them to increase their economic performance and attractiveness.”*

Around the world, governments take actions to improve the external environment of their trading community by, for example, improving existing infrastructure, creating a better general business environment and enhancing the efficiency and effectiveness of their national economic, institutional, regulatory and competition policies.

High-performing Customs services, well equipped to meet the challenges of international trade and engaging directly with importers and exporters to support commercial activity, are a

valuable ally in dealing with global competition as more markets open up, making it imperative to ensure smooth trade flows and effective protection measures by illicit trade...”

²¹ Secretary General of WCO Kunio Mikuriya in the October 2012, WCO News magazine

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Annex 1 on Costs of Doing Business Indicators

Malawi Rank #176/185			
Export		Import	
Documents to Export (number)	10	Documents to Import (number)	11
Time to Export (days)	34	Time to Import (days)	43
Cost to export 20t Container	US\$2 175	Cost to Import 20t Container	US\$2 870

South Africa Overall Rank #106/185			
Export		Import	
Documents to Export (number)	5	Documents to Import (number)	6
Time to Export (days)	16	Time to Import (days)	21
Clearing time with physical inspection	4	Clearing time with physical inspection	4
Cost to export 20t Container	US\$1 705	Cost to Import 20t Container	US\$1 980
Port Terminal, days	2	Port Terminal, days	2
Inland transport, days	2	Inland transport, days	2
Number of Agencies , Export	2	Number of Agencies, Import	2

Zambia Overall Rank#163/185			
Export		Import	
Documents to Export (number)	7	Documents to Import (number)	8
Time to Export (days)	44	Time to Import (days)	49
Clearing time with physical inspection	4	Clearing time with physical inspection	4
Cost to export 20t Container	US\$2 765	Cost to Import 20t Container	US\$3 560
Port Terminal, days	3	Port Terminal, days	4
Inland transport, days	5	Inland transport, days	7
Number of Agencies , Export	5	Number of Agencies, Import	5

Zimbabwe Trading Across Borders # 167/185			
Export		Import	
Documents to Export (number)	7	Documents to Import (number)	8
Time to Export (days)	53	Time to Import (days)	71

Clearing time with physical inspection	2	Clearing time with physical inspection	2
Cost to export 20t Container	US\$3 765	Cost to Import 20t Container	US\$5 660
Port Terminal	2 days	Port Terminal	2 days
Inland transport	1 day	Inland transport	1 days
Number of Agencies , Export	10	Number of Agencies, Import	10

Annex 2 on Functions of Common Border Agencies in Southern Africa

INSTITUTIONS	ROLE
Customs	Pursues revenue collection, trade facilitation, social and environmental protection.
Immigration	Regulates entry and exit of persons, issuance of visas, permits and border passes, maintenance of border security
Police/Security	Controls security, law and order
Interpol	Pursues intelligence gathering (mainly stolen vehicles)
Bureau of Standards	Formulates and enforces national standards, implements standards through product certification and import and export inspections.
Environmental Management Agency	Ensures compliance with environmental laws
Drug Enforcement Commission	Controls the importation, exportation, production, possession, sale, distribution and use of narcotic drugs and psychotropic substances
Ministry of Agriculture	Regulates the importation and exportation of agricultural products for the purpose of controlling the spread of plant diseases and regulating sanitary and phyto sanitary issues.
Forestry Department	Regulates the import and export of plant or timber of all forestry produce
Ministry of Livestock and Fisheries	Regulates the import and export of livestock, livestock products, fish and fish products. Controls spread of animal diseases.
Port Health	Enforces international health standards, prevention and suppression of diseases and protecting the public against health hazards and fraud in the sale and use of food, drugs, cosmetics, and medical devices.
Road Transport and Safety Agency/Road Authority	Enforces vehicle standards, licenses, driving permits, mechanical condition and collects road tolls
Vehicle Examination Department	Operates the weighbridges to control overloading and inspects outward or inward vehicles
Clearing and forwarding agents and transporters representatives	Provides the private sector service of transport and clearing goods
Insurance companies	Sell Third Party Insurance
Inland container depots and bonded warehouses	Provide logistics services, storage and services

CHAPTER 6: CUSTOMS CONTROL

Legal Text

6.1. Standard

All goods, including means of transport, which enter or leave the Customs territory, regardless of whether they are liable to duties and taxes, shall be subject to Customs control.

6.2. Standard

Customs control shall be limited to that necessary to ensure compliance with the Customs law.

6.3. Standard

In the application of Customs control, the Customs shall use risk management.

6.4. Standard

The Customs shall use risk analysis to determine which persons and which goods, including means of transport, should be examined and the extent of the examination.

6.5. Standard

The Customs shall adopt a compliance measurement strategy to support risk management.

CHAPTER 7: APPLICATION OF INFORMATION TECHNOLOGY

Legal Text

7.1. Standard

The Customs shall apply information technology to support Customs operations, where it is cost-effective and efficient for the Customs and for the trade. The Customs shall specify the conditions for its application.

7.2. Standard

When introducing computer applications, the Customs shall use relevant internationally accepted standards.

7.3. Standard

The introduction of information technology shall be carried out in consultation with all relevant parties

directly affected, to the greatest extent possible.

7.4. Standard

New or revised national legislation shall provide for:

- electronic commerce methods as an alternative to paper-based documentary requirements;
- electronic as well as paper-based authentication methods;
- the right of the Customs to retain information for their own use and, as appropriate, to exchange such information with other Customs administrations and all other legally approved parties by means of electronic commerce techniques.

Chapter SIX

How far are the Island States Customs Administrations in the East and Southern Africa ready to connect using ICT for the purpose of sharing trade data to facilitate legitimate trade?

Giandeo Mungroo

How far are the Island States Customs Administrations in the East and Southern Africa ready to connect using ICT for the purpose of sharing trade data to facilitate legitimate trade?

Giandeo Mungroo¹

Abstract

Information and Communication Technology (ICT)² when put in its true perspective, provides the basis for the changing role of Customs and opens up unparalleled new opportunities for connectivity and interaction. Connectivity among Customs administrations is of paramount importance for trade supply chain security, trade facilitation, border security and protection of government revenue. Customs administrations are making huge investments in the field of ICT with a view to be more competent in terms of effectiveness and efficiency and also to be able to exchange data at national level between cross-border government agencies and at regional and international levels between customs administrations.

This paper aims to investigate the readiness of island states customs administrations' ability to connect regionally and share data for the purpose of trade facilitation and control.

1.0 INTRODUCTION

Gone are the days when communication between Border Control Agencies including Customs was a barrier to trade facilitation and control. This era is considered to be the era of the information age where the world is looked upon as a global village. The emergence of the internet, state-of-art technologies, and other innovations in

¹ I would like to thank the Director General of the Mauritius Revenue Authority (MRA), and the Director of Customs for having granted me the go-ahead to participate in the research conference. I am also grateful to the Director General's and Commissioners' of Customs of Comoros, Madagascar, Mauritius and Seychelles for having responded positively to the survey questionnaires. Heartful thank also goes to Creck Buyonge MIRITO, Adjunct Associate Professor (Revenue & Customs) for his support and guidance. Last but not the least, I wish to thank ROCB for having accepted my paper for the conference.

² ICT is a diverse set of technological tools and resources used to communicate, and to create, disseminate, store, and manage information.

the field of communication software³ has made people around the globe *as closer as the nails to the flesh*.

When we speak of connectivity, then, the support of Information and Communication Technology (ICT) cannot be overlooked. Just like *curry is tasteless without salt*, similarly *connectivity is futile without the support of ICT*.

During the past decade, ICT has changed the way people communicate. The emergence of electronic mail (e-mail) has dramatically reduced the use of paper means and protected our forest from deforestation. The costs of sending an e-mail is comparatively cheaper, the speed is almost instantaneous and the mode of delivery is seamless. Connectivity imbues all walks of life which include the banking sector, tourism and the airline industry, just to mention a few. People nowadays seldom carry bank notes with them. This is so because it is risky and uncomfortable in the first place and secondly, because banking transactions can now be done electronically. Connectivity, therefore, has changed way the banking sector operates.

As far as customs operations are concerned, connectivity is also revolutionizing the way customs administrations operate in the 21st Century. Today, customs officers are no longer regarded as gate-keepers stopping and examining each and every consignment of goods, stopping and searching each and every luggage of passengers entering or leaving the borders. Selective targeting based on risk indicators and profiling is being envisaged with the support of ICT. Customs administrative forms, commercial documents and other trade-related documents are drifting into history by

³ Communication software is a program designed to pass information from one system to another.

the process of dematerialisation. Here again, ICT is leaving no stone unturned in its endeavour to provide solace to businesses and trade.

Moreover, according to (WCO News 2012), no state is an island. When we speak of customs connectivity in this region of the world, we have to ensure that island states customs administrations viz, Comoros, Madagascar, Mauritius and Seychelles are also ready to connect through ICT and are able to exchange trade related data seamlessly with each other and to other customs administrations. Globally Networked Customs (GNC) connectivity will be successful only when all customs administrations irrespective of its size and geographical location are ready to connect and be able to exchange information by using a standardised and harmonised data set derived from the WCO Data Model⁴.

This paper, therefore, aims to investigate the readiness of these island states customs administrations' ability to connect regionally and share data for the purpose of trade facilitation and control.

1.1 Problem Statement

Connectivity between Island States Customs Administrations in the Indian Ocean is a relatively new field of study.

According to (RIS 2012), without proper connectivity, it would not be possible to realise the full benefits of the regional free trade and co-operation agreements which are already in place or are currently under negotiation. Connectivity in its broadest sense encompasses road, rail, waterway, shipping and electronic connectivity. These provide the transmission channels through which development impulses can spread across the region and can add to the dynamism of economic and social progress.

Connectivity, in this region of the world, is essential for the region's prosperity, continued

⁴ Data Model covers for the whole of government cross-border regulatory agencies data requirements including customs. It consists of an exhaustive set of data elements required to cover all import, export and transit related customs procedures.

growth, and, most importantly, for the fight against the proliferation of narcotics drugs, and under-invoicing of commercial documents which represents a huge shortcoming or deficit for the government in terms of revenue.

A survey about their readiness for connectivity will be carried out and the result and recommendations will be presented in this paper. The survey will be focused on three areas that are required to create a connectivity environment. This includes an investigation about the current ICT infrastructure, the legislations that make provisions for the exchange of electronic data, and the harmonised and standardised data requirements.

1.2 Benefits of the research

The findings and recommendations of the research will obviously enable director generals, commissioners and policy makers in these island states customs administrations to get a clear picture or visibility about the use of ICT in customs operations. The idea is to make them informed of the extent to which ICT is being used by their neighbours to secure and facilitate trade. Regional co-operation and mutual assistance between neighbouring customs administrations may help improve existing customs procedures, customs legislations and cement the bond for better co-ordination in the fight against drug trafficking, smuggling of goods, protection of society and protection of government revenue.

Another benefit of the research is that it will enable the customs administrations to assess their readiness for a *regional e-customs network*⁵ for the exchange of reliable and trustworthy trade related data. The e-customs initiative will provide seamless exchange of supply chain trade data between customs administrations and will cut-off or lower trading costs for traders. This is so because commercial documents viz, invoice, bills of lading or air waybills and other

⁵ A network that will provide seamless exchange of trade data between Island States Customs Administrations and scalable to connect other customs network at regional or sectoral level.

transport and commercial documents will be dematerialised and submitted electronically instead of paper-based.

Moreover, through the e-customs network, it will be possible to secure and facilitate regional trade because all the logistics information with regards to tracking and tracing will be monitored through the system. The need for physical inspection in the importing country will rarely be required. This means that an export declaration from the exporting country may be used as an import declaration in the importing country.

Connectivity will also enable customs administrations to receive pre-arrival information. Hence, risk management may be carried out well before the arrival of the vessel. Receiving information in advance will enable pre-arrival clearance of goods for low risk consignments. The risk of document falsification and wrong declaration on the other hand, would be practically eliminated.

Last but not the least, the WCO vision of a Globally Networked Customs (GNC) will emerge. The creation of a regional e-Customs network with capabilities to connect to global network will ensure seamless, real-time and paperless flows of information and connectivity.

Scope and Limitation of study

The scope of this paper is limited to the investigation about the readiness of the island states customs administrations to connect regionally. Investigation will be carried out to assess their readiness with respect to the ICT infrastructure, legislations for electronic transactions, Information system for the reception of digital trade data for processing and clearance of goods and the need for a harmonisation and standardised data set derived from the WCO Data Model for proper connectivity.

Literature Review

"there is little point in reinventing the wheel ...the work that you do is not done in a vacuum,

but builds on the ideas of other people who have studied the field before you. This requires you describe what has been published, and to marshal the information in a relevant and critical way" Jankowicz's (2005)

Year 2012 was designated as the year of connectivity where the slogan "**Borders divide, Customs connects**" was echoed in all customs administration in every nook and corner of the world on the world customs day (Mikuriya, 2012). According to the Secretary General of the WCO, connectivity connotes a vision of arrangements worldwide that support the smooth and lawful flow of goods, services, people, technologies, capital, culture and ideas. It also galvanises the establishment of partnerships, the preparation of research, the sharing of knowledge and the delivery of capacity building.

The WCO Secretary General lays emphasis on the fact that facilitating global trade cannot be done in isolation. Customs needs to understand the concerns of business, while business needs to know the requirements of Customs. Most importantly, there is a need to translate this relationship into a partnership that results in mutually beneficial outcomes. In this respect, the development of Customs Compliance Frameworks that promotes voluntary compliance and voluntary disclosure is essential.

The partnership between Customs and trade is also tackling the issue of data quality. Increasingly Customs rely on automated systems to perform their tasks and hence on the quality of data they receive from traders. The WCO aims to provide guidance to customs and other stakeholders to drive Customs innovation and communication for better connectivity.

The WCO has put forward various useful instruments like the Revised Kyoto Convention(RKC)⁶, SAFE framework of

⁶ The International Convention on the Simplification and Harmonisation of Customs procedures (Kyoto Convention) entered into force in 1974 and was revised and updated to ensure that it meets the current demands of governments and international trade. The WCO Council adopted the revised Kyoto Convention in June 1999 as the blueprint for modern and efficient Customs procedures in the 21st Century. Once implemented widely, it will provide international commerce with the predictability and efficiency that modern trade requires.

standards⁷, Unique Consignment Reference (UCR)⁸, and the WCO Data Model to facilitate connectivity between member countries. The WCO data model is looked upon as a blue print for modern customs administrations that caters for the requirements of the whole of cross-border government agencies. The adoption of the WCO data model will allow member countries to efficiently and effectively exchange trade data between border control agencies and also across borders to meet the objective of the 21st Century customs – globally networked customs. Technical assistance is also being provided by the WCO to customs administrations requiring expert advice and support in setting up the platform of interconnectivity between customs administrations.

In his paper, (Lewis 2009) states that the development of paperless customs systems is seen as the crucial starting point for any country to influence the growth of e-commerce and thereby improve economic performance. The spread of ICT is an opportunity for customs administrations to strengthen their positions as the vanguard of strategic developments in all countries.

According to (Ellanti and Canham 2012), the global economy is continuing to evolve at a fast pace, businesses and governments are trading more and working more across international borders. Customs agencies play a vital role in promoting and driving a country's economic competitiveness by enabling seamless trade across borders. Seamless trade can only be achieved through a high degree of connectivity between a Customs agency, its customers, and the various stakeholders involved in trade movements. Technology plays a vital role in automating and empowering connectivity,

⁷ In June 2005, the WCO Council adopted the SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework) that would act as a deterrent to international terrorism, secure revenue collections and promote trade facilitation worldwide.

⁸ The Unique Consignment Reference UCR is a reference number for Customs use and may be required to be reported to Customs at any point during a Customs procedure. It is like an electronic staple designed for e-commerce which binds information together all the bits of data about a trade transaction, from initial order and consignment of goods by a supplier, to the movement of those goods and arrival at the border, through to their final delivery to the importer.

primarily between a Customs agency and its customers. Beyond that, technology also enables connectivity between a customs agency with its government and other government departments.

To reduce trade costs in Southern Africa, the Trade Hub has partnered with Microsoft and the customs administrations of Botswana and Namibia to establish customs connectivity between the two countries (USAID 2013). Customs connectivity is expected to reduce repetitive data entry, opportunities for errors and fraudulent declarations, and ultimately reduces the costs of exports/imports. For customs administrations it is supposed to improve the collection of standardized trade statistics and allows greater visibility of the cross-border trade process. It can also facilitate planning and risk assessment before goods arrive at the border and increase revenues through reducing duty avoidance.

Projects such as the International Transit of Goods in Mesoamerica (known by its Spanish acronym, TIM), provide a platform for sharing information electronically and in advance between all countries involved in the transit of goods – an excellent example of Customs-to-Customs co-operation. This collaboration has made it possible to reduce border-crossing times for trade, by an average of 60 minutes to only 8 minutes by applying TIM (IDB 2012).

According to IDM, over the last 10 years, as a result of increasing trade volumes, especially with Asia, global efforts to facilitate and secure supply chains, and advancements in technology, have resulted in a corresponding surge in the need for connectivity amongst Customs worldwide. IDB has been at the forefront in responding to this global tendency, by encouraging the transfer of knowledge and technical assistance exchanges between Customs administrations in Latin America and the Caribbean and other Customs administrations in other regions, such as Asia and Europe.

Furthermore, political leaders in the ASEAN⁹

⁹ Association of Southeast Asian Nations

countries have joined their efforts to create an association with the motto "*One vision, One identity, One Community*". The vision of the ASEAN leaders is to build an ASEAN community by 2015 that will contribute towards a competitive and resilient ASEAN as it will bring people, goods and services closer together. The ASEAN single window aims to bring seamless flow of goods at, between, and behind national borders (ASEAN 2011).

Over the last two decades, connectivity has become a major requirement for the smooth functioning of the *EU Customs Union*¹⁰ and has resulted in the implementation of many IT systems (Deffaa 2012). Confronted with the need to do 'more with less', EU connectivity extends classical information exchange to sharing IT assets, effort and knowledge.

Historically, the sharing of common data by Member States' Customs during the 60s and through the 70s occurred through paper forms that were carried by the various actors in the process or exchanged by mail or fax. The increasing volume and speed of trade in the 80s called for the electronic management of common tariff related information and the exchange of information and support of mutual assistance against fraud. Later in the 90s computerisation was extended first to the common Customs tariff (known as TARIC) and tariff quota management, then to the EU transit procedure and later in areas such as export, safety and security measures, and many others. Due to its limited scope, the exchange of information among EU Member States and the Commission in the 80s and early 90s was dealt with on an adhoc basis, each system or application implementing its own connectivity means.

In the early 90s it was recognised that this adhoc connectivity had to be avoided and this gave rise to a common interoperability solution to cover all connectivity requirements for Customs and taxation matters: the Common

¹⁰ The EU customs union is a single trading area where all goods circulate freely.

Communication Network/Common System Interface (CCN/CSI). CCN is an IT infrastructure designed for the secure transport of information, and CSI is software that can be adapted to any hardware, network and software environment and connect it to the CCN.

Again, according to (Deffaa, 2012) doing more with less also involves improving connectivity between traders and Customs administrations. Traders are, for instance, asking for standardisation of the external interfaces so as to considerably reduce implementation costs for new systems and new interfaces. Their needs are also to be taken into account in the overall connectivity approach. Connectivity in EU Customs is evolving from exchanging to sharing. Through increased sharing of information, knowledge and effort, the EU can improve the efficiency and effectiveness of the European Customs Union in the interest of national Customs administrations, traders and citizens.

2.0 BACKGROUND STUDY OF THE ISLAND STATES CUSTOMS ADMINISTRATIONS

The island states customs administrations in the East and Southern Africa include Comoros, Madagascar, Mauritius and Seychelles. All of them are members of the WCO¹¹.

2.1 Comoros

According to (UNCTAD 2011) report, Comoros is an island of about 2,235 square kilometer surface area. ASYCUDA++ has been implemented in the customs administration with funding from European Union.

Comoros Customs has acceded to the WCO Harmonised System (HS) Convention in 2013 as a sign of its integration into the global trading and Customs system (WCO 2013).

Trade related data such as cargo manifests are being submitted online to the customs authority. More than 200 Customs officers and Traders are

¹¹ For more information consult <http://www.wcoomd.org/en/about-us/wco-members/customs-websites.aspx> viewed 24 February 2014.

trained on the ASYCUDA++ system. Through the Trader Input (DTI) the Agent/Importer is responsible for the input of the declarations to the Customs system and this may be done by direct connection to the ASYCUDA (Automated System for Customs Data) ++ Server using a DTI software (UNCTAD 2011).

Both customs and trade have recognised that ASYCUDA has made clearance of goods faster and simplified procedures. Use of Risk Management, proper Transit and warehousing control coupled with efficient and transparent accounting has increased revenue by 30% in Comoros. Moreover, there has been an improvement in range and quality management reports for system supervision. Connectivity between customs administration at regional or international level for the exchange of trade data does not exist (UNCTAD 2011).

2.2 Madagascar

Madagascar is an island in the Indian Ocean with a land surface area covering about 587,041 square kilometres in land area (UNCTAD 2011).

According to (World Bank 2014)¹² doing business report, Madagascar embarked on major customs reforms and modernisation programmes since 2007. Madagascar made trading across borders easier by rolling out an online platform linking trade operators with government agencies involved in the trade process and customs clearance.

In 2009, the implementation of EDI, a single window, risk-based inspections and improvement of port infrastructure led to a decrease in export and import time. Furthermore, the report mentions that in 2011, Madagascar improved communication and co-ordination between customs and the terminal port operators through its single-window system (GASYNET), reducing both the time and the cost to export and import. Recently, Madagascar made trading across borders easier by rolling

¹² For more information consult <http://www.doingbusiness.org/data/exploretopics/trading-across-borders/reforms> viewed 24 February 2014.

out an online platform linking trade operators with government agencies involved in the trade process and customs clearance.

The TradeNet System currently covers the main cities of Madagascar (Antananarivo, Toamasina, Mahajanga, Antsiranana, Toliary and Tolagnaro), accounting for about 98 per cent of the volume of import operations. It interconnects clearing agents with customs stations, container terminals, scanner sites, inspection bodies and the banking system for the payment of customs dues and related taxes¹³.

2.3 Mauritius

According to UNECE report¹⁴, Mauritius is a small island economy of about 60 km long by 40 km wide, covering about 2,040 square kilometres in land area. Mauritius operates a TradeNet single window system which contributes significantly to provide speedy processing of data and maintenance of cost-effectiveness.

According to the report, the single window was implemented in phases as follows:

Phase 1 in July 1994 – Transmission of approved non-verification declarations from customs to freight stations for delivery of goods.

Phase 2 in January 1995 – Submission of manifests from shipping, clearing and forwarding agents to customs.

Phase 3 in July 1997 – Submission of declarations from traders to customs and receiving response from customs for delivery of goods.

Phase 4 in July 2000 – Submission of form 28 for the transfer of containers.

Phase 5 in December 2000 – Submission of import and export permits.

In addition to the phases defined, the Mauritius Customs adopted the "Single Goods Declaration" form to be in line with the World Customs Organisation recommendation. In 2001, the system has integrated a programme

¹³ For more information consult <http://www.aace-africa.net/african-alliance-e-commerce/madagascar.php> viewed 24 February 2014

¹⁴ For more information consult http://www.unece.org/fileadmin/DAM/cefact/single_window/sw_cases/Download/Mauritius.pdf

for the electronic submission of declarations by operators of the bonded warehouses within the port area (for goods in transit), and it is in the process of providing for the electronic payment of Customs duties and taxes.

Distribution of data through TradeNet concerns the sending of electronic copies of manifests to the Mauritius Ports Authority, the Cargo Handling Corporation and the Mauritius Chamber of Commerce and Industry.

As from 1st January 2012, the Mauritius e-Customs project has gone live. Customs declarations, along with their relevant transport and commercial documents are now scanned and sent electronically to customs. Paperless customs is a fundamental change in the way business is now being conducted at Mauritius Customs. The philosophy behind the project is to reduce traders' costs and cargo dwell times while at the same time enhancing transparency and predictability for trade.¹⁵

Mauritius Customs also offers SMS notifications to Economic Operators as soon as their import declarations have been paid at Customs or one or more containers or even bulk consignment has received Customs Clearance. This new facility is considered to be one of the organisation's strategies to sustain World Class Customs services. This new service fits with the 2013 theme of the World Customs Organisation which is Innovation for Customs Progress.¹⁶

2.4 Seychelles

According to (UNCTAD 2011), Seychelles comprises 115 tropical islands (habitation is limited to only 10) spread over 1.374 million square kilometres, covering 455.3 square kilometres in land area. The local newspaper, *Nation*¹⁷, reports that under a project funded

¹⁵ For more information consult http://www.portguide.mu/about_mra.html viewed 24 April 2014.

¹⁶ An SMS service via mobile phones to importers has been implemented for better transparency in customs clearance of consignments. For more information consult <http://www.mra.mu/index.php/home/372-august-2013> viewed 10 March 2014.

¹⁷ Seychelles National Information Services Agency newspaper in English medium. For more information consult <http://www.nation.sc/article.html?id=240477> viewed 15 March 2014.

by the tripartite agreement between the Government of Seychelles, the Common Market for Eastern and Southern Africa (COMESA) and the United Nations Conference on Trade and Development (UNCTAD), Customs switched from ASYCUDA++ to ASYCUDA World on June 3, 2013. The primary motivation has been to keep abreast of new development in Communication, there was a need to switch as ASYCUDA World is a versatile and portable system and is internet based which means it can be connected with other systems and/or other equipment.

The newspaper further reports that Seychelles has also migrated from the 2002 version of the World Customs Organisation (WCO) Harmonised Commodity Description and Coding System (HS 2002) to HS 2007. This move facilitates both national and international trade by resolving classification problems that traders were encountering and improve collection of statistics among others.

Seychelles will be the first country in the region implementing the Electronic Signature for Customs (ASYCUDA World). This procedure, aimed at increasing security and applying ownership features to processed documents, will also have a great impact on the reduction of forms and other non-Customs documents (UNCTAD 2013).

In its reform and modernisation programme, Seychelles has also implemented the WCO e-Learning platform to promote learning and continuous professional development of all officers across the Seychelles Revenue Commission (SRC) by offering the administration a diverse range of highly interactive Customs e-modules, complemented by new written training materials and best practices on Customs modernization topics (WCO 2014).¹⁸

3.0 RESEARCH METHODOLOGY

¹⁸ For more information consult <http://www.wcoomd.org/en/media/newsroom/2014/february/wco-supports-the-development-of-training-strategy-src.aspx>, viewed 25 April 2014.

3.1 Research Strategy

Different research strategies exist for doing research. This includes experiment, survey, case study, action research, grounded theory, ethnography and archival research. Each strategy may be used for explanatory, descriptive and exploratory research (Yin 2003).

"No research is inherently superior or inferior to any other. What is most important is not the label that is attached to a particular strategy, but whether it will enable researchers to answer their particular research question(s) and meet their objectives (Yin 2003)."

The choice of a strategy is guided by the research question(s) and objectives, the extent of existing knowledge, the amount of time and other available resources.

(Robson 2002) defines case study as "*a strategy for doing research which involves an empirical investigation of a contemporary phenomenon within its real life context using multiple sources of evidence*".

Taking into consideration that this study is a new area of research in customs field, and that there is little existing literature, I am not in a position to frame a hypothesis. Although the research is to describe the state of connectivity across island states customs administrations, it is very difficult for me to go for the deductive approach. This is primarily because of lack of information available for the research. I have opted for the inductive approach where theory follows data. Meaning that the theory will be developed based on data collection and analysis.

3.2 Data collection

The objective of descriptive research is "*to portray an accurate profile of persons, events or situations*" (Robson 2002). The data collected will be evaluated and meanings derived (Saunders *et al.*, 2005). Therefore, to meet the objective of the research, a questionnaire has been designed and drafted both in English and French versions to collect data from all the island states customs administration in the region.

Apart from the questionnaire, information has also been collected from various other trusted sources which include digital libraries, customs administrations' websites, WCO Websites, journals, newsletters and world reports.

3.3 Research Questions

The following are the research questions:

1. Do the Island States Customs Administrations in the Indian Ocean have adopted an Information processing system for the electronic processing and clearance of goods?
2. To what extent is ICT used in the Island States Customs Administrations?
3. Is there a legal framework in place to govern the submission and processing of electronic transactions?
4. Are the Island States data elements aligned to the WCO data model which facilitates the process of regional and global inter-connectivity?

3.4 Research Objectives

The following are the research objectives:

1. To investigate on the Information System being implemented by the Island States Customs Administrations.
2. To investigate as to what extent ICT is used for the processing and clearance of goods. Whether it covers import, export and transit related procedures.
3. To investigate whether necessary legislations have been enacted for the electronic transmission and reception of trade data.
4. To investigate whether the island states' data elements are aligned to the WCO data model which lays the foundations for regional and global inter- connectivity between customs administrations.

4.0 ANALYSIS AND FINDINGS

4.1 Introduction

The survey was carried out over a period of five months. Questionnaires were designed and drafted in English and French versions. Same were disseminated to respective Director Generals or Commissioners. Apart from the questionnaires, data was collected from reliable sources such as the WCO website, UNCTAD, digital libraries, journals, local newspapers, newsletters and information available on Island States Customs Administrations websites.

4.2 Response rates

The response rate was 50%. Only two customs administrations responded positively to the survey request. However, this has practically no negative impact on the outcome of the survey as necessary information was eventually acquired from other sources.

4.3 Findings

RQ1 Do the Island States Customs Administrations in the Indian Ocean have adopted an Information processing system for the electronic processing and clearance of goods? As per information collected, it is noted that ASYCUDA++, ASYCUDA world and Electronic Data Interchange information systems are

being used in the island-states customs administrations for the processing and clearance of goods. **See table 1.**

RQ2 To what extent is ICT used in the Island States Customs Administrations?

ICT is currently being used for the processing and clearance of goods for all customs operations. It is also used for identification and management of risks. **See table 2.**

RQ3 Is there a legal framework in place to govern the submission and processing of electronic transactions?

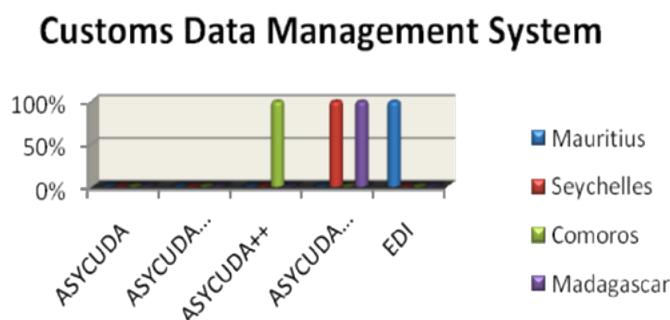
All island-states customs administrations have enacted proper legislations which make provision for the submission of electronic declaration for the import, export and transit related operations. **See table 3.**

RQ4 Are the Island States data elements aligned to the WCO data model which facilitates the process of regional and global inter-connectivity?

Again, based on information collected and the WCO Status Report 2013-2014 on global adoption of the WCO Data Model, it comes out that all of the island-states customs administrations have at least aligned their data sets to the WCO data model version 2.0. **See table 4.**

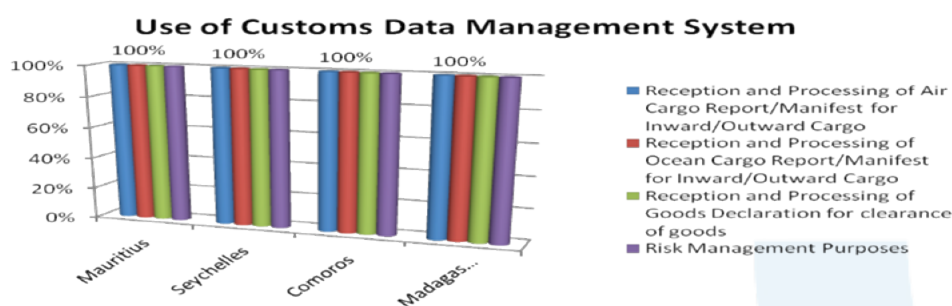
	Mauritius	Seychelles	Comoros	Madagascar
ASYCUDA	0%	0%	0%	0%
ASYCUDA 2.7	0%	0%	0%	0%
ASYCUDA++	0%	0%	100%	0%
ASYCUDA World	0%	100%	0%	100%
EDI	100%	0%	0%	0%

Table 1: Customs Data Management System



	Mauritius	Seychelles	Comoros	Madagascar
Reception and Processing of Air Cargo Report/Manifest for Inward/Outward Cargo	100%	100%	100%	100%
Reception and Processing of Ocean Cargo Report/Manifest for Inward/Outward Cargo	100%	100%	100%	100%
Reception and Processing of Goods Declaration for clearance of goods	100%	100%	100%	100%
Risk Management Purposes	100%	100%	100%	100%

Table 2: Use of Customs Data Management System



	Yes	No
Legal Framework for submission and reception of trade data	100%	0%

Legal Framework for submission and reception of trade data

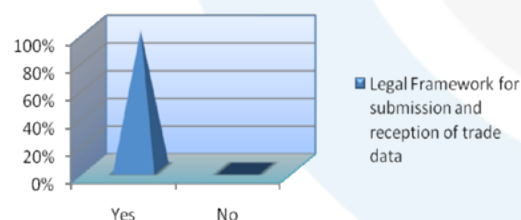


Table 3: Legal framework for submission and reception of trade data

	Yes	No
Alignment to WCO Data Model	100%	0%

Alignment to WCO Data Model

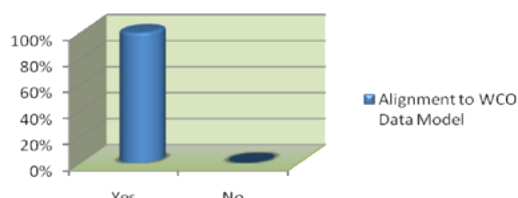


Table 4: Alignment to WCO Data Model

5.0 CONCLUSION

Over the years, the Island States Customs Administrations in the East and Southern Africa have made remarkable progress in their quest to provide world class customs service to their stakeholders. Major reforms and modernisation programmes have been envisaged ranging

from Business Process Re-engineering (BPR) to promulgation of new enactment for transmission of digital trade data.

Each customs administration has a declaration processing system in place. This implies that the technical infrastructure for regional connectivity is available. Necessary

legislations for electronic transactions have been enacted. The information systems have been designed and implemented based on the harmonised and standardised data set as per the Customs Data Model version 2.0.

In the light of the outcome of the study, it is clear that the Island States Customs Administrations have the necessary prerequisites to connect regionally and share data for the purpose of trade facilitation and control.

6.0 RECOMMENDATIONS

Today, nearly every country has a customs declaration system in place, but they struggle to connect with each other. This lack of connectivity causes cargo flows to slow at the border (Whiting 2012).

A regional e-Customs network initiative between the island-states will ensure seamless, real-time and paperless flows of information and connectivity. This approach will allow for the tracking and tracing of goods throughout the trade supply chains and will avoid the need to intervene for physical inspection at point of entry.

To set-up the e-Customs network, the Island States Customs Administrations should ensure that user-defined data elements are required at a minimum level as it increases trading cost. Such types of information are usually country-specific and are required as per provisions in national legislations.

Furthermore, there is also a need for Island States Customs Administrations to amend their national legislations in order to include electronic transmission of cargo and goods declarations at regional level where the export declaration in the exporting Island State may be used as an import declaration in the importing Island State.

Moreover, a Regional Single Window system can be included in the e-Customs network using the **cloud computing technology**¹⁹ which can

allow connectivity without the need for Island States Customs Administrations to change the existing IT infrastructure. Cloud-based services do not require large infrastructural investment.

The proposed technology is not going to store trade related data on third party servers because of security issues. The approach is to provide gateway services for the exchange data between the Island States Customs Administrations over highly secured data communication channels. According to (Whiting 2012), the cloud should simply be an encrypted data carrier, delivering messages both ways but never holding on to the data itself. All data storage and processing should be done on the individual customs servers. The following diagram shows the conceptual architecture of the e-Customs solution. **See Figure 1.**

Key features of the e-Customs solution

- Provides a single interface between trade, transport business and Island States Customs Administrations.
- Common reporting gateway to business for submitting standard messages.
- In-built data translation tools for converting data from one form used by one system into the form required by another system.
- Provides interfacing to external system(s).
- Rules Engine for implementing data validation rules.
- Change Management – to implement changes in a timely and cost effective manner.

¹⁹ Cloud computing is the term used to refer to a model of network computing where a program or application runs on a connected server or servers rather than on a local computing device.

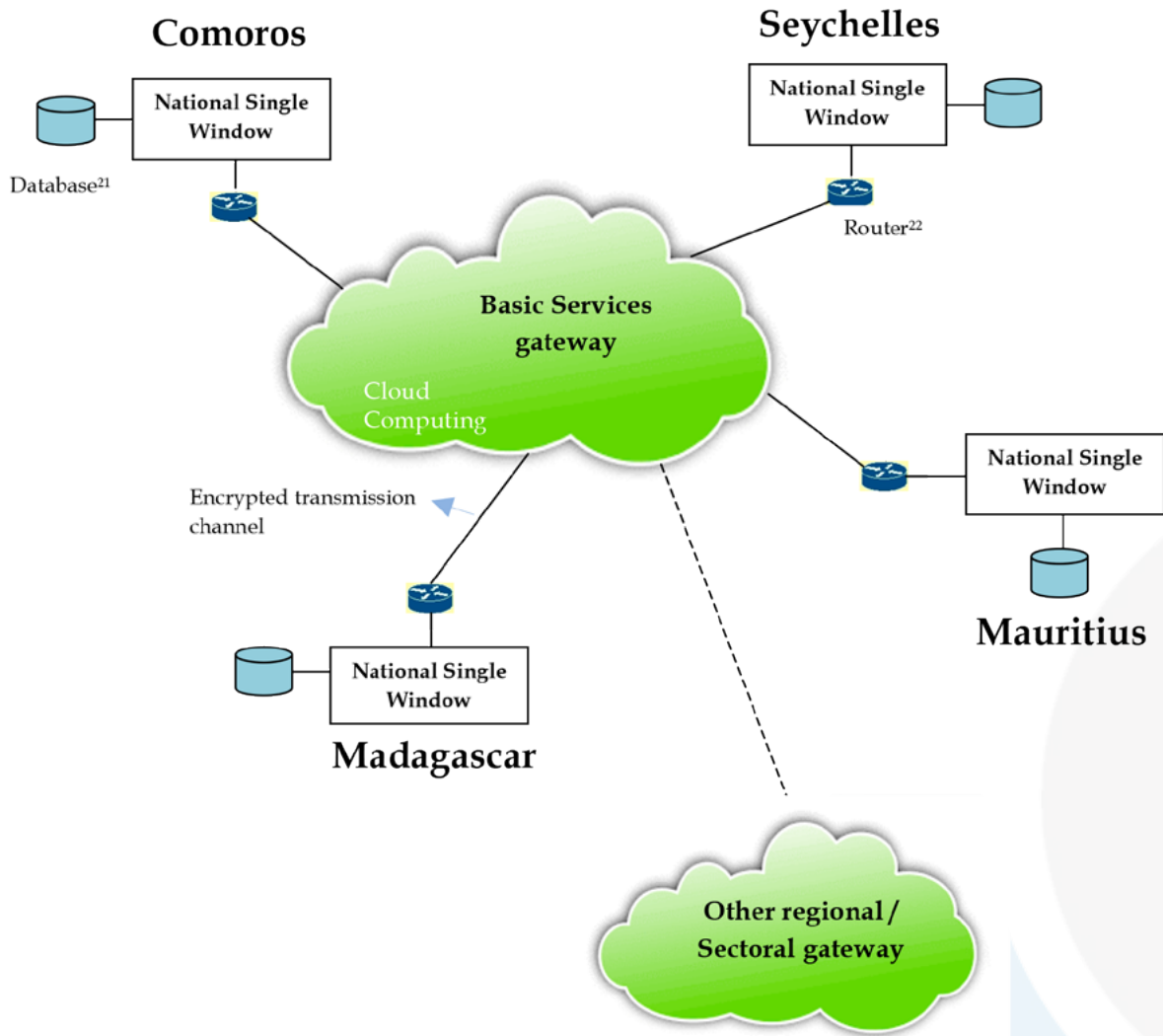


Fig.1 e-Customs – conceptual architecture

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Chapter SEVEN

Assessing the Impact of Trade Facilitation on the business community and Customs: A Case Study of the Mauritius Revenue Authority (MRA) Customs

Deerajen Ramasawmy and Risal Beeharry

Assessing the Impact of Trade Facilitation on the Business Community and Customs: A Case Study of the Mauritius Revenue Authority (MRA) Customs

Deerajen Ramasawmy and Risal Beeharry

Abstract

This study aims at gaining insights on an array of World Trade Organisation trade facilitation measures and assessing their impact on the Customs management and the private sector. It also assesses the current status of the organisation and evaluates its systems and processes. Further, it provides a systematic approach to understanding regulatory control and trade facilitation. This study uses both qualitative and quantitative research methods. A survey methodology was adopted using a questionnaire designed for the trading community, namely brokers and agents.

The main findings suggest that there are significant differences in the perception of the impact of trade facilitation measures and the expected outcomes. It was also found that trade facilitation measures have an impact on the effectiveness and efficiency of the organisation. In addition, they have yielded some positive benefits for the business community, namely: simplified trade and customs procedures, the use of modern technology and the use of risk management tools which have reduced cost and clearance time for release of goods. However, there is still need for improvement in order for the MRA Customs to achieve its goals and objectives.

Recommendations are made in order to respond to these challenges for the benefits of all stakeholders. Training of employees, use of risk management techniques, use of modern technology and a proper single window are proposed to further improve its systems and processes. As regards to brokers and agents, a reduction of penalties and fines and an efficient valuation system including the participation of the private sector in the formulation of policies are some important measures that are

recommended for a successful trade facilitation environment.

1.0 INTRODUCTION

Today, international trade is recognised as a key driver for economic growth, development and prosperity. Increasingly, there is more trade among countries around the world which has caused a considerable increase in volume of international trade. The Organisation for Economic and Development (OECD) (2009) found that traditional trade barriers such as tariffs, quotas, rules of origin and others are gradually being eliminated through bilateral, multi-lateral and regional trading agreements. The removal of these trade barriers has caused intra-regional and global trade to expand rapidly after the conclusion of the trade negotiations of the Uruguay Round in 1994 and the subsequent establishment of the World Trade Organisation (WTO) in 1995, the predecessor of the General Agreement on Tariffs and Trade (GATT).

According to the WTO, the annual increase of international trade is 5.5% during the last decade and it was approximately the same figure for the years 2011 and 2012. The United Nations Environment Programme (UNEP) found that trade has helped tremendously to reduce poverty around the world and improved the benefits of higher living standards. Moreover, trade has brought nations closer together, fostering mutual understanding and contributing to world peace. The OECD International Business (2013) stipulates that government, businesses and other stakeholders are all major actors in trade facilitation and

implementing trade facilitation measures will improve competitiveness, reduce compliance costs, enhance governmental control, increase predictability and transparency.

Customs management is about implementing the policies of the government in terms of collection of revenue and tax administration. It also plays a vital role in facilitating trade and people to a country and protects the society against illegal entry of prohibited goods. However, due to globalisation and international trade, Customs operates in an environment of perpetual change. It has to respond to the promotion of economic development and to comply with regional, national and international obligations. Reformed Customs procedures are essential in order to reduce levels of tax evasion, under-declaration, fraud and collusion with Customs officials and thus generate obvious profits for the public revenue.

Today, the role of Customs is increasingly focusing on trade facilitation and security of the trade supply chain, with revenue collection becoming a by-product. The September 11, 2001 terrorist attack in the United States heightened security concerns of the supply chain which has compelled customs management to be on the forefront to combat illegal activities of money laundering, illegal drug trafficking and terrorism to protect the society. If there is no effective supply chain and security, this can result in illegal activities of money laundering, illegal drug trafficking and terrorism. In this respect, the effective management of goods and people entering and leaving the customs has all its significance for our country.

According to Statistics Mauritius (2013), Mauritius has developed from a low-income, agriculturally based economy to a middle-income diversified economy with growing industrial, financial and tourist sectors. For most of the period, annual growth has been in the order of 5% to 6%. This compares very favourably with other sub-Saharan African countries and is largely due to sustained progress in economic

conditions; between 1977 and 2008, growth averaged 4.6% compared with a 2.9% average in sub-Saharan Africa. It is further forecasted that the Mauritian economy will grow by 3.4% in the year 2013 (Statistics Mauritius, 2013).

The main aim of this study is to assess the impact of trade facilitation tools and instruments on the private sector in Mauritius and to propose recommendations to improve the business climate in the business community. To achieve the aim of the study, the following objectives have been formulated: (i) To evaluate the current status as regards to trade facilitation and regulatory interventions; (ii) To assess the impact of trade facilitation tools and instruments on the business activity of the Private Sector, and (iii) To make appropriate recommendations to improve the business climate in order to attract more investments that can boost up the economy. Moreover, this study can be useful for developing countries in implementing trade facilitating measures in this part of the region.

The significance of this study is to provide the MRA Customs Department an analysis of how far trade facilitation is being implemented and assess their impact on the business community. In the same line, it attempts to identify the gaps between established standards by the WTO and WCO and the current situation in our customs administration.

2.0 LITERATURE REVIEW

In this era of dynamic and changing global trade patterns, trade facilitation is a fundamental condition for economic development, particularly for developing countries. Indeed, developing nations have more burdensome trade procedures than developed countries. Usually they depend heavily on collection of revenue through high duties, taxes and levies and foreign direct investments. Trade facilitation has emerged as an important issue in unilateral, bilateral, and multilateral trade liberalisation and is at the centre stage of policy debate in international

trade. Trade facilitation is in fact a political, economic, business, administrative, technical and technological issue (Butterly, 2003).

While trade facilitation frequently refers to all measures that can be taken to facilitate and ease trade flows, there is no standard formal definition of trade facilitation. In fact there is mainly two broad ways of defining the term, either in a narrow focus which can be called 'at the border procedures', or in a wider perspective which include 'behind the border measure', trade facilitation can be defined in a narrow sense and which originates from the WTO, and as stated by Engman (2005) is the simplification and harmonisation of international trade procedures where international trade procedures are the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade.

This definition clearly limits the attention to what happens around the border. However, viewed from a less narrow angle, the Doha Ministerial Declaration (WTO, 2001) refers to trade facilitation as expediting the movement, release and clearance of goods, including goods in transit. In this definition issues like transport and infrastructure are taken into consideration.

From a much broader perspective, Wilson *et al.*, (2003; 2005) define trade facilitation by including issues like port efficiency and customs administration, and also issues behind the border, such as domestic regulatory environment and services infrastructure. For the purpose of this study, we will make use of the definition that was developed by Wilson *et al.*, (2003; 2005) as it is best suited for this research work and respond to the formulated research objectives. There are major key players involved in international trade such as suppliers; manufacturers; importers, exporters; freight forwarders agents, free trade zones and Customs brokers, airline companies and sea carriers and port authorities are also involved. Banks, insurance companies; and government agencies such as Customs, health,

quarantine, Police authorities are also involved in the process. In fact, global value chains need appropriate and adequate infrastructure services at a reasonable cost. These refer to transportation, telecommunications, finance and insurance. Transportation services cover sea, land and air, as well as supporting and auxiliary services. Telecommunications services refer to electronic transmission of information, including business network services and internet access. Financial services deal with financial intermediation, with auxiliary services provided by banks and stock exchange and also services provided by factoring, credit card and other enterprises. The ability of enterprises and of economies to join the global supply chain is heavily affected by the efficiency of border processes and customs practices.

To properly administer trade on a global front, the WTO and WCO have established various articles and agreements in order to facilitate trade among different countries. They are namely the GATT Articles V, VIII and X. Other GATT agreements also deal with trade facilitation related issues. The current Trade Facilitation agenda focuses specifically on three Articles, namely: V, VIII and X. Article X is the most important of the three Articles and deals with the "Publication and Administration of Trade Regulation". The main principle in this article is transparency by means of publication. Transparency is achieved by making information available and allowing the Business Community to fully understand the conditions, constraints, benefits and costs of entering and operating in a market. It covers issues *inter alia* the publication of information, customs procedures, fees and charges, penalties and fines, appeal mechanism procedures, advance ruling, enquiry points and clearance and release time as well using of Internet for publishing of information.

As regards to Article VIII, it is concerned with "Fees and Formalities for importation and exportation" and has 2 key elements. They are fees, charges and minimise of import

and export procedures. It aims at simplifying procedures and formalities and reduce time, cost of the clearance and release of goods. It also covers measures such as risk assessment and management, authorised traders, post-clearance, establishment of a Single Window and adoption of international standards. Article V deals with "Freedom of Transit" and shares common issues with Articles X and VIII, such as publication, fees and charges related to services rendered, simplification of documentation and inspection. Trade facilitation policies and measures are beneficial for both Government and the business community. The benefits are numerous and can be seen not only in direct monetary gains, but also in terms of increased transparency, time, increased business opportunity, amplified customer value and improved security.

demonstrated the impact of trade facilitation and quantify the cost and benefits. For example, Wilson *et al.*, (2003b) found a positive effect of enhanced port efficiency and regulations on trade flows compared to improved customs procedures and the use of e-commerce. They also conclude that the total gain in trade flows from improvements in trade facilitation is higher than that from reductions in tariff. The benefits of trade facilitation also differ among countries, sectors and characteristics of traders. OECD (2003) found that 1% reduction in trade transaction costs would yield about US\$ 40bn in gains to world income. The study finds that gains from trade facilitation are higher for developing countries than for OECD countries. This is because developing countries depend largely on agro-food products and small and medium sized enterprises. The study further reveals that

Government Benefits	Trader Benefits
Increased effectiveness of control methods	Cutting costs and reducing delays
More effective and efficient deployment of resources	Faster Customs clearance and release through predictable official intervention
Correct revenue yields	Simple commercial framework for doing both domestic and international trade
Improved trader compliance	Enhanced competitiveness
Accelerated economic development	
Encouragement of foreign investment	

Source: ECE Trade Facilitation – An Introduction to the Basic Concepts and Benefits (2000)

Table 1. Importance and Benefits of Trade Facilitation

OECD (2005c) explained that there is a strong positive causal links between improvement in trade facilitation with trade flows and government revenue. This applies to mostly for developing countries by implementing measures to modernise customs procedures to facilitate trade which has resulted in more efficient collection of taxes. Furthermore, OECD (2005c) demonstrates that facilitated cross-border movement of goods have a positive effect on the ability of a country to attract foreign direct investment and better integrate in international production supply chains.

There have been researches that have

reducing the trade transaction cost involves investment in automated customs system and higher operational expenses for governments.

Messerlin and Zarrouk (2000) explained that the cost of application technical regulations and customs procedures and other national enforcement cannot be entirely eliminated. They also explained that trade transaction costs can be reduced by improving the efficiency of border procedures through the provisions of trade facilitation. Moreover, the research reveals that documentary red tape in customs procedures is estimated to increase the cost of imports substantially by 7–10% of the total

value of world trade.

Shepherd and Wilson (2009) found that improvements in measures impact positively on intra-regional trade. In the same vein, Nordas *et al.*, (2006) trade facilitation found that trade facilitation supports regional integration and would improve regional integration.

Other studies have also found evidence that shows trade facilitation benefits trade and exports in particular. For instance, USAID (2003) describe the dramatic growth of export from Mauritius from \$89 million in 1970 to \$2.8 billion in 2000 is partly attributed to trade facilitation measures. However, Hertel and Mirza (2009) found that trade facilitation bring greater regional integration. Their analysis shows that trade facilitation reforms have a positive impact on intra-regional trade, increasing intra-regional trade by US\$ 5.8 billion or 75%.

Moreover, Wilson, Mann, and Otsuki (2003) suggest that raising capacity in broad measures related trade facilitation, such as customs, regulations and infrastructure across whole countries, could increase world trade by approximately \$377 billion dollars.

Hellqvist (2003) explained that despite there are benefits when implementing trade facilitation measures, there are also obstacles faced by developing countries in facilitating trade. For instance, the growth in the volume of international trade is largely due to the elimination or reduction of tariff and non-tariff barriers. This has brought into new prominence the wider regulatory and institutional shortcomings such as waiting time and customs procedures. The use of advanced information technologies and e-commerce has changed the supply chain, production and distribution systems. Consequently, this has brought unnecessary or over-complicated trade procedures causing a significant cost for businesses and governments.

Staples (1998) argues that excessive documentation, physical inspection, and multiple inspections by different agencies cause lengthy delays and high cost for customs clearance which

increases cost by 7 to 10% of the value of world trade. Furthermore, lack of automation and use of information technology, lack of transparency, inadequate procedure and modernisation affect negatively even more trade facilitation (Staples, 1998; Grainger, 2003). In addition, Chia (2010) explained that disputes over classification, valuation and overall clearance procedures are the main obstacles for proper implementation of trade facilitation.

3.0 OBSTACLES FACING THE BUSINESS COMMUNITY

The WTO identified the following issues as the main obstacles that impede proper trade are shown in table 2. Direct costs are expenditures related to supplying information and documents to the relevant authorities whereas indirect refer to issues arising from procedural delays, lost business opportunities and lack of predictability in the regulations.

There is loss of revenue and smuggling, and difficulties in implementing trade policy. These inefficiencies lead to poor export competitiveness and make the country less attractive to investment. Corruption is another factor that affects negatively trade facilitation especially when there are high rates of duties and other taxes involved. It has been proved that importers and exporters are prepared to pay bribe to have their goods cleared without inconvenience and delay (Biggs *et al.*, 1999).

The Arusha Declaration on Customs addresses issues of corruption in Customs administrations. It acknowledges that integrity is a critical issue for all customs administrations and that a Code of Ethics be adopted to reduce corruption risks. The WTO identified the following issues as the main obstacles that prevent the proper trade: Fees and charges, complicated import and export procedures, excessive documentation requirements for import and export, lack of transparency and predictability and fairness.

In view to further simplify and expand

Type of problem	Problems related the system	Problems related to implementation
Fees and charges	Expensive terminal handling charges (Port procedures)	Bribery, tips Increase of terminal handling charges by instructions from each port authorities (Port procedures)
Complicated import and export procedures	Complicated deferred payment system for tax since the provisional of collateral is only admitted by each import declaring customs (customs)	Long customs clearance time (customs) Complicated import and export procedures (customs) Complicated duty refund procedures (customs) Complicated duty refund procedures, delays in refund (customs) Inappropriate cargo examination at the time of clearance (customs, Quarantine, Ministry of Health, Ministry of Fisheries, Pharmaceutical board, Commissioner of Police, Ministry of Agro-Industry)
Excessive documentation requirements for import and export	Requirement of certificate of heated treatment for wooden pallets and wooden packaged cargoes (Quarantine) Excessive requirements of safety certificates (Standards) Requirements for price registration documents by exporters making downward price adjustment (Customs)	
Lack of transparency and predictability		Sudden revision/abolition of laws and orders other than those published in Officials Notices (Overall) Sudden change in Customs valuation methods (Customs)
Fairness	Non-transparent customs regulations (Customs) Different system among regions (Overall)	

Source: World Trade Organisation 2006

Table 2. Obstacles facing the Business Community

trade, the WCO brought amendments to the RKC on the Simplification and Harmonisation of Customs Procedures and introduced a new set of protocols for cargo security called the Framework of Standards to Secure and Facilitate Trade (SAFE) (WCO, 2006). Widdowson (2007) also shares the same view and states that SAFE framework addresses the security issues after the terrorist attack in the United States of

America while at the same time strengthening procedures to facilitate the movement of goods across borders. Schmitz (2007) explained that SAFE framework expand further trade facilitation and will promote customs administrations as a key role in facilitating trade. This framework also supports economic and social protection, and will help attract foreign direct investment. Furthermore, it facilitates the cooperation

between Customs and other government agencies. Finally, it helps government to ensure efficient integrated border management and control.

Another approach towards a better trade facilitation is the single window concept. This is a system through which a trader can submit, once and for all, the required data and information to a single body for various official purposes. This implies the establishment of a principle that submission of data or other information requirements either for export or import be one time only and to a single agency particularly through Customs or a trade department. Then, it will ensure onward transmission of data to other relevant agencies before clearance of goods. There is no doubt that the benefits of trade facilitation are significant. However, there are obstacles that inhibit the proper implementation of trade facilitation. The WTO described the following issues as the main concerns for the business community:

- Excessive documentation requirements;
- Lack of automation and insignificant use of information-technology;
- Lack of transparency; unclear and unspecified import and export requirements;
- Inadequate procedures; especially a lack of audit-based controls and risk-assessment techniques;
- Lack of modernisation of, and co-operation among customs and other governmental agencies, which thwarts efforts to deal effectively with increased trade flows.

In addition, it was found that there is a need to amend trade and customs related legislations. More importantly, there is also the need to apply improved management techniques and to re-organise management structures in order to manage the changes required by trade facilitation. Customs administration is shaped by the International Customs Framework established by the WCO Conventions and the

rules regulations and obligations emanating from WTO membership.

Culpeper *et al.*, (2010) clearly stated that fiscal importance of customs administrations is significant for developing countries. In fact these nations depend heavily on trade taxes such as customs duties, excise duties, levies, value added taxes other taxes. They represent a valuable source of government revenue. Customs will be expected to play an important role in safeguarding the economic and trade interests of countries in the context of preferential trade agreements.

While the development of trade policy is usually the responsibility of ministries responsible for trade, Customs has a role to play in administering tariffs, the valuation code and origin regulations. Implementing trade and tariff policies is another important facet of Customs and as rightly pointed out by Keen (2003). He explained that Customs administration is complicated by several features of customs tariffs: a large number of taxes and tax rates, wide differentials between rates, massive use of quasi-tariff instruments and several exemptions. Risk assessment is generally recognized as the only practical approach to monitoring customs entries within an environment of increasing trade volumes and declining or stagnant verification resources.

Risk management is widely established as a best practice as it allows Customs to focus its limited resources on areas of concern while at the same time facilitating trade (WCO, 2007). Indeed, the concept of risk management in Customs procedures can be considered under Article VIII of GATT 1999. It explains the need to minimise incidence and complexity of import and export formalities and to simplify the import and export procedures. The WTO considers the introduction of risk management as an efficient approach to expedite clearance of goods. The followings are benefits of a proper risk management: Increase revenue, improved compliance with laws and regulations, improved

collaboration with traders, reduce release time and reduce transaction cost. The WTO identified the following broad areas of concerns that affect trade facilitation by Customs authorities:

- excessive government documentation requirements;
- lack of automation and insignificant use of information-technology;
- lack of transparency; unclear and unspecified import and export requirements;
- inadequate customs procedures; particularly audit-based controls and risk-assessment techniques;
- lack of co-operation and modernisation amongst customs and other government agencies, which impedes efforts to deal effectively with increased trade flows.

The problems identified by the WTO shows the potential weaknesses in the way in which governments and more specifically customs administrations, approach the task of monitoring and regulating international trade. The costs of import tariffs are often exceeded by the losses incurred by the international trading community as a result of slow clearance procedures, opaque and unnecessary documentary requirements and lack of automated systems and processes. Today it is being recognised that the policies and procedures of a number of agencies impact on the processing and clearance of international cargo. In this regards, the WTO has actively encouraged agencies, Ministries and other stakeholders, other than Customs to participate in the negotiations on trade facilitation. The WTO Trade Facilitation Negotiations Support Guide highlights the need for appropriate co-ordination among the relevant agencies in the context of the negotiations. In most countries, there are various government agencies which are directly involved in the movement of goods such as health and safety, food inspection, import licensing, tax collection, quality inspection and enforcement.

Customs participation in every international trade transaction has a significant impact on the

efficiency of international supply chains. Now it is playing a more significant role in a country's competitiveness in the global economy. More than ever countries are compelled to expand trade facilitation. Today most countries around the world have made Customs reform and modernisation a national priority. Customs administrations are on the forefront in the fight in combating illegal drug trafficking, money laundering, pornography, prostitution, smuggling and arms trafficking. Moreover, now, terrorists and terrorism have joined the threats facing countries and their Customs administrations at the borders. As countries become more closely aligned and integrated with the global trading system, the general movement is to focus towards trade facilitation. In the future, the priorities and emphasis of Customs will change based on world events, new technology, economic crisis, epidemics, new crime patterns, immigration, or other external events. Therefore, Customs management should be prepared to address all these challenges in an efficient manner. Grainger (2007a) describes the relationship between trade facilitation and Customs management as one between compliance and enforcement. Indeed, Customs administration has to cope with the rapid growth of volumes of trade and at the same time have to apply regulatory control measures. Therefore, proper trade facilitation measures help Customs administrations to perform their duties and tasks accordingly. In this context, it is important to modernise the Customs authorities in order to achieve trade facilitation. However, the achievement of a proper trade facilitation environment depends largely on the commitment of customs authorities to maintain the right balance between trade facilitation and regulatory intervention. Wilson, Mann and Otsuki (2005) explained some vital measures of trade facilitation that are important for their successful implementation. They are adequate port facilities, customs handling, the regulatory environment and the availability of service

sector infrastructure. They also explained that improvements in these measures would have positive impacts on both exports and imports. Therefore, institutional structures, qualified human resources, use of updated technology and organisation culture are prerequisites for successful implementation of trade facilitation. The various WTO Agreements will have direct impact on Customs Management. Thus, they should be proactive in their approach by adopting proper policies and strategies which will be vital for their success.

4.0 METHODOLOGY

A deductive approach based on the implementation of trade facilitation measures and its impact on the private sector was used. Both exploratory and explanatory research will be used as it is most appropriate to investigate the impact of these measures on the operations of the business community. A survey method was adopted for this study. For the purpose of this research, the target population consists of the business community represented by Customs Brokers (94) and Agents (12). For the purpose

	Statements	SA	A	N	D	SD	Mean	S.D.
A1	Relevant trade and customs procedures and regulations are publicly available and easily accessible	0.0	6.1	22.7	63.6	7.6	3.73	0.692
A2	Information about changes in regulations and procedures are made available promptly and conveniently to the public and other stakeholders	0.0	0.0	1.5	69.7	28.8	4.27	0.482
A3	Laws, regulations and judicial decisions are applied in a uniform, impartial, and reasonable manner	0.0	9.1	6.1	36.4	48.5	4.24	0.929
A4	An independent system to appeal trade and/or customs authorities' decisions is available and operates effectively	1.5	6.1	9.1	40.9	42.4	4.17	0.938
A5	A formal and effective private sector consultation mechanism exists allowing traders to comment on proposed changes on regulations and procedures before they are implemented.	0.0	12.1	16.7	43.9	27.3	3.86	0.959
A6	An effective advance ruling system is in place, which allows the importer, in advance of trade, to obtain binding rules in certain specific areas	1.5	12.1	0.0	45.5	40.9	4.12	1.015
A7	Computerisation and automation of customs and trade procedures have reduced cost and time of clearance	18.2	63.6	12.1	4.5	1.5	2.08	0.791
A8	It is easy to submit required trade documentation to customs authorities for approval	6.1	78.1	15.2	0.0	0.0	2.09	0.455
A9	The use of X-ray scanners reduces the clearance time for goods and passengers luggage	3.9	31.8	28.8	34.8	1.5	3.00	0.928
A10	Single Window has reduced waiting and time of clearance for goods	1.5	10.6	12.1	53.0	22.7	3.85	0.949

Table 3: Trade facilitation measures implemented by the MRA Customs

of this study, a survey was adopted and collected through questionnaire. It comprises 3 sections: Section A assesses whether trade facilitation measures help importers or exporters to carry out business with the department. Section B deals with the major problems the business community face when dealing with the MRA Customs Department and Section C contained open-ended questions. The questionnaires were distributed personally to respondents at their place of work and the response rate 62.3%.

5.0 ANALYSIS AND FINDINGS

Data were obtained from self-administered questionnaires, completed by 66 Customs Brokers and Agents, 66 answered the questionnaire which represents a 62% response rate. SA: Strongly Agree; A: Agree; N: Neutral; D; Disagree; SD: Strongly Disagree; and S.D.: Standard Deviation.

From **table 3**, we observe that the majority of respondents disagree with the statements that these measures have improved trade facilitation at the MRA Customs except for statements A7 and A8. In fact, most brokers and agents agree that computerisation and automation have reduced cost and time for clearance of goods. They also agree that it is much easier to submit documents for approval. The e-Customs project implemented in year 2011 has reduced significantly traders' operational costs.

6.0 HIGH BUREAUCRACY AND RED TAPE FACING BROKERS AND AGENTS

From **table 4**, we note that most brokers and agents agree with the statements but interestingly we observed a relatively high number of them who disagree with statement B1. Nearly 55% of respondents do not agree that import and export procedures require excessive number of documents. The result is due to the introduction of the E-Customs initiative which has reduced significantly the submission of documents.

A factor analysis with the 10 statements was

conducted which results in four groups in order of importance. They are the followings:

1. An advance ruling system, fairness in application of laws and regulations, an independent appeal mechanism, importance of a single window and consultation with the business community are found to very essential initiatives that would enhanced trade facilitation. These are in accordance with the different Articles of the WTO on trade facilitation as mentioned in the literature work. The SAFE framework (WCO, 2006) promotes the same objectives and in the same way Schmitz (2007) explained that SAFE framework improves further trade facilitation for the benefits of traders. This means that management should give due considerations to the implementation of these measures.
2. The use of X-Ray scanners and accessibility of trade and customs procedures are also important. As described in the literature review, these measures are in line of the WCO (2000, 2005) which stipulates that RKC should establish guidelines to facilitate trade. They are consistent with Article X which clearly mentioned that trade agreements and administrative rulings need to be published in order to improve trade. Thus, their full implementation is vital.
3. Computerisation and automation of Customs and trade procedures are found to be essential to facilitate the submission of documents by brokers and agents. As described in the RKC convention and WCO SAFE Framework, it is obvious that the benefits to the business community would be significant if properly implemented.
4. Simplification of submission of documents and proposed changes in regulations and procedures are made available to the public are found to be also important.

	Statements	SA	A	N	D	SD	Mean	S.D.
		Percentage						
B1	Documentation requirements for import/export are excessive and time consuming	1.5	15.2	28.8	53	1.5	3.38	0.818
B2	There is no proper and adequate information on Tariff classification	15.2	62.1	18.2	4.5	0.0	2.12	0.713
B3	There are too many procedures for inspection for release of goods	3.0	69.7	24.2	3.0	0.0	2.27	0.57
B4	There is no proper mechanism for the determination of origin of goods	13.6	59.1	21.2	6.1	0.0	2.2	0.749
B5	There is no transparent Customs valuation process	47	48.5	4.5	0.0	0.0	1.58	0.583
B6	On average fees and charges levied on export and import are excessive	3.0	53	42.4	1.5	0.0	2.42	0.583
B7	Penalties and fines for minor breaches of Customs Regulations are excessive	59.1	40.9	0.0	0.0	0.0	1.41	0.495
B8	Irregular and arbitrary payments are often required to expedite release of goods from Customs	16.7	66.7	16.7	0.0	0.0	2.0	0.582

Table 2: High bureaucracy and red tape facing Brokers and Agents

These measures are in accordance with Article X and WCO SAFE Framework. Therefore, management should ensure that these measures are fully implemented in order to be compliant with rules and regulations of this Article.

Another factor analysis was performed with the eight statements which results into four groups in order of importance. They are as follows:

1. No proper valuation process, irregular and arbitrary payments and too many procedures for clearance of goods are the most important difficulties facing brokers and agents. These are impediments to trade facilitation are discussed in the literature review. Hellqvist (2003) in his study revealed that these problems cost significantly both to traders and the government. Furthermore, as strongly supported by studies of Messerlin and Zarrouk (2000) documentary red tape in customs procedures increases imports and transaction cost. Chia (2010) also explained that disputes over classification, valuation and

overall clearance procedures are major hindrances for proper implementation of trade facilitation.

2. No proper mechanism for origin determination of goods and tariff classification is another aspect that needs to be taken by management. Having a non-transparent mechanism for either origin or tariff classification is contrary to the international standards of the WCO and WTO which recommends a simplified and reduced rates for Tariff.
3. Excessive penalties and fees for import and export procedures are also problems facing brokers and agents. In fact, these are contrary with Article VIII where it is clearly mentioned that fees and charges imposed by contracting parties should be limited to the amount to the approximate cost of service rendered and that imposition of substantial penalties for minor breaches of customs rules and regulations is clearly illegal. Abolishment of these measures will put the department in full compliance with Article VIII.

4. The requirements for import and export documents are classified in the last order of priority of importance by brokers and agents. In fact, this is justified as the new initiatives taken by management to implement the E-Customs project have brought positive results. Moreover, they are in accordance with Article VIII where less and simplified documents are required for clearance of goods.

Scores were calculated for each section, namely A, B, C and D. Normality Tests were used in SPSS and the results show that all the mean scores for sections A and B are non-normal. As a result, non-parametric tests would be used to compare means between different lengths of service of respondents. No significant differences between the different length of service groups of respondents for scores A and B were observed. The findings clearly justifies that there are differences in the MRA employees and the brokers/agents perception with regards to the implementation of the trade measures. It was found that the average score for the employee perception of the implementation of WTO facilitation measures was 2.21 while brokers and agents do not share the same views as the officers. They believe that there is still high bureaucracy and red tape with an average mean score of 2.17. It may, therefore, be concluded that a gap exists and there is a difference in perception and application of these measures. This may be explained that most probably there has been no consultation where feedback from brokers and agents could have resolved these issues. The findings reveals that the most desired list of priorities are the technical aspect to improve trade facilitation through the implementation of an advance ruling system, fairness in application of laws and regulations and an independent appeal mechanism. Moreover to further simplify trade procedures the concept of a true "Single Window", "computerisation and automation of trade procedures", "improvement in Customs inspection and control procedures

through risk assessment and Post-clearance Audit and "elimination of bribery and other corrupt practices".

In addition the need for an enquiry point is essential as a measure to disseminate information to the stakeholders and with the implementation of the e-Customs project there has been a simplification of submission of documents. The study reveals also that X-Ray scanners have been introduced to improve risk management and the other systems and processes are viewed as important measures to combat illegal entry of prohibited goods, arms and drugs in the country. Even though there have improvements in the systems and processes, there is a need for a proper single window that would improve co-ordination between the various agencies. Moreover, there is a need for a transparent and proper valuation process and simplified clearance procedures. In addition, the findings also bring into the surface of some corrupt practices that still exist in the department. In fact, these measures are experienced as an impediment by brokers and agents and elimination of these practices will be a major step towards better trade facilitation. In the light of above discussion, the study reveals inefficiencies in trade facilitation measures and this need to be tackled in order to be in full conformity with international standards and conventions.

7.0 RECOMMENDATIONS

Reduce penalties and fines: It is proposed that penalties and fines be reduced. Indeed, imposing a penalty of 50% plus interest is viewed as excessive and irrational decision by all brokers and agents. They also pointed out these measures are contrary to the recommended Practice of Article VIII of the WTO.

A proper valuation system: It is further recommended that a comprehensive customs reform in the valuation section be implemented. Moreover, transparency, fairness and competency in valuation procedures are requested. A valuation system that is fair, neutral and uniform that will

prevent the use of arbitrary or fictitious values are important. Indeed, the GATT Articles VII of the WTO stipulates that the value for customs purposes of imported merchandise should be based on actual value.

Regular meetings between management and stakeholders required: It is recommended that regular meetings be held between management and brokers and agents. The management should continue to develop collaborative relationship with partners in view to improve trade facilitation. In fact, a good healthy relationship at the MRA Customs will no doubt promote co-operative governance as defined by WCO SAFE Framework and RKC.

Airport to have the same facility for valuation facility as the Port: The study highlighted the need to have the same valuation facility at the Airport. Indeed, an office with adequate number of officers fully empowered to properly assess valuation for goods arriving at the PATS Warehouse is vital for traders who use airplanes as a means to transport their goods.

Training of brokers and agents: It is also recommended that the department should develop training programmes to empower brokers and agents. A proper training programme covering all aspects of Customs laws and regulations and other enactments should be given to all of them by qualified and experienced resource persons. The services of retired officers could be sought out as they have gained much valuable expertise during their years of service in the department.

Adequate number of Examining Officers: It is further recommended that more examining officers be posted at different sections in order to expedite clearance of consignments. They should be posted especially in stations where there are express delivery such as in courier stations and freight stations.

In conclusion, Customs management will continually face greater challenges in the future in implementing trade facilitation measures due to the constant pressure from the business

community and it will be even more challenging in the future due to globalisation and change patterns of trade. The need to strike the right balance between regulatory control and facilitation is imperative. Moreover, with the constant reforms in the Customs department, the management should continually seek to improve its systems and processes in order to facilitate trade. In light of the different findings and results, we can also conclude that some legislation needs to be reviewed in order to simplify customs and trade procedures for instance an independent appeal system, the advanced ruling system. In the same vein, some procedures should be reviewed such as a proper valuation system and reduction of fine and penalties imposed on brokers and agents. Even though the department is revising some of the outdated legislation, there is still room for improvement towards the standards established by these articles.

Moreover, there is a strong need to reduce the excessive penalties and fines for brokers and agents. This will be a major step towards the business community as it will reduce significantly their operations costs. However, initiatives should be implemented to make them more compliant and encourage them to be fully engaged in the reforms towards trade facilitation. In addition, the management should continue investing in modern technology such as the use of non-intrusive inspection and implement a Risk Management Division. The study concluded that more could have been achieved to improve the trade facilitation environment if more co-ordinated involvement of all stakeholders, training of staff, the use of modern technology, review customs and trade procedures, reduce penalties and fines and establish a transparent valuation system. There is no doubt about the willingness and ability of our Customs authorities to implement these trade facilitation measures in order to comply fully with the GATT Articles V, VIII and X and achieved its aim to be a World Class Customs.

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Chapter EIGHT

Customs Modernisation and Trade Facilitation Tools in the ESA Region

Elisha Tshuma

Customs Modernisation and Trade Facilitation Tools in the ESA Region

Elisha Tshuma

1.0 INTRODUCTION

The journey towards achievement of global trade facilitation objectives as introduced by the World Trade Organisation (WTO)¹, World Customs Organisation (WCO) and similar global organisations has been embarked upon in the East and Southern Africa (ESA) region and receives high priority on the regional agenda, in the realisation of economic impacts for the respective nations of the region and their customs administrations.

Most nations in the region have taken measures to move from manual systems of processing customs declarations to electronic systems. Examples are Kenya which introduced 'SIMBA 2005', Rwanda, Zambia and Zimbabwe have moved to 'Asycuda World' while Mozambique and South Africa have rolled out other solutions of electronic systems.

However, there has been an observation that trade is at times frustrated during the implementation of these noble initiatives. For example, when Kenya rolled out its 'SIMBA 2005' there was disruption of business leading to a court challenge by one company on behalf of 790 others to force the customs administration to go back to the old system (Buyenge & Kireeva 2008). Though the court case was not successful, it gave an indication that there were significant implantation challenges. Another recent example is Zambia. It rolled out its Asycuda World in December 2013. Again the roll out had challenges resulting in Clearing and Forwarding Associations in Zambia requesting the Zambia Revenue Authority to allow the new

system to run parallel with the old system until such time that stakeholders are confident that the system is stable. These are just but a few examples.

This paper seeks to expand upon what are the causes of such implementation challenges and what can be done about such causes?

Trade facilitation initiatives should assist countries to meet the challenges and opportunities of the 21st Century in the promotion of the seamless movement of goods through a secure international trade supply chain. Most of the initiatives are spearheaded by National Customs Administrations for the obvious reason that trade facilitation is greatly enhanced by simplifying and harmonising customs procedures (WCO 2010).

While the objectives of such initiatives are to ensure improved trading conditions in the region, Customs Administrations must be wary to ensure that they are not frustrating trade in the name of implementing such customs modernisation and facilitation initiatives.

This research touches on a few African examples in relation to the initiatives towards the realisation global facilitation compliance standards. The countries nominated for the purposes of the research are members of WTO and WCO and are in the ESA region. They were selected, not because they are relevantly good or bad examples. They were selected because their information is readily available in the public domain.

Mozambique

Mozambique is an ESA nation that has embarked

¹ WTO Bali event of 2013. Refer to Agreement on Trade facilitation.

on a path of customs modernisation. In April 2013 it introduced an electronic single window system and new procedures for the clearance of transit goods. The aim was to facilitate and expedite the clearance of goods whilst safeguarding revenue. However, there were implementation challenges which resulted in traders incurring huge demurrage charges.²

Zimbabwe

Zimbabwe's customs administration has shown a progressive willingness to upgrade its systems to meet the needs of the 21st century traders. As a learning curve, there are however lessons gained during the implementation process.

Zimbabwe Revenue Authority (Zimra) upgraded its Asycuda version to Asycuda World and introduced a cashless office amongst other customs modernisation initiatives. In these cases, there were unfortunately implementation challenges that resulted in traders incurring substantial financial losses due to storage charges and delays.³

South Africa

South African Revenue Services (SARS) has also implemented a number of custom modernisation and facilitation initiatives.

² *The Herald* (08/05/13) reported that "the introduction of a new electronic customs clearance system (Single Entry Transit Window) by the Mozambican government is seriously affecting imports and exports into Zimbabwe through the Beira Corridor. It is also understood that the SETW which went into effect on April 1 has resulted in nightmares for many transporters and businessmen at Nyamapanda and Forbes border posts where traffic has been congested, therefore, delaying the movement of cargo." Malawi is reported to be another country experiencing the same problems at their Mwanza and Machipanda borders. *The Herald* is reliably informed that most countries now prefer to use the Durban port so as to avoid the chaos and delays at Beira."

³ The Chronicle of 12 July 2013 reported that: "The processing of vehicle imports at Beitbridge Border Post has become a nightmare for many car dealers and individuals after the Zimbabwe Revenue Authority introduced the Zero Cash Office concept without notice. The development has seen many importers spending between two and three days to clear their vehicles. The zero cash concept was mooted in 2005 although Zimra only started implementing it at Beitbridge Border Post three weeks ago. It is now compulsory that all payments should be made through the Internet, Point of Sale machines or by depositing the money into Zimra's CBZ Bank account. It is understood that yesterday showed that the zero cash office is open to anyone on ZimSwitch, Visa and MasterCard. A visit to the border post by *Herald Business* some unscrupulous dealers had taken advantage of the situation and were now "hiring out" their Automated Teller Machine cards for between US\$100 and US\$120 to make payments to Zimra."

It has a dedicated team for customs modernisation implementation based in Pretoria. In 2013, they introduced a new customs computer system at Beitbridge Border Post and implemented the same system relevant to Mozambique and a few others.

The SARS initiatives did not cause as much trade frustration as evidenced by the following comments from private sector stakeholders:

"When SARS embarked on the modernisation journey, it was clear that there would be baby steps and some giant leaps. The planning, inclusion and the intensive testing with key supply chain industry members can only be commended. The results speak for themselves, minimum interruption to the supply chain and a couple of blinks later, success..." – Mr Currie Pisapia, Customs Portfolio Manager, Bidvest Panalpinia Logistics, a Clearing and Freight-forwarding company.

"Congratulations to you and your team on the successful implementation of Project Interfront over the weekend..." – Mr Dave Logan, CEO of the South African Association of Freight Forwarders.

Accordingly this area concerning implementation was examined with the following target areas of relevance.

1.1 Research Questions

1. How do traders benefit from customs modernisation and facilitation initiatives?
2. What were the causes of implementation challenges in countries such as Mozambique and Zimbabwe?
3. What was the additional cost burden to the traders caused due to these initiatives and were there any further additional challenges or barriers?
4. What can be done to avoid such implementation problems to ensure sustainability?

1.2 Research Objectives

1. To identify specific challenges that the

implementation of trade facilitation tools faced.

2. To identify ways of reducing or mitigating implementation challenges.
3. To identify lessons learnt during implementation of the cited initiatives.
4. To ensure that costs are driven out of the supply chain, specifically as a result of customs facilitation solutions.

The methodology utilised for the purposes of the research is reflected in the Annex of this document.

2.0 THE CONCEPT OF TRADE FACILITATION?

The recent Ninth World Trade Organisation (WTO) Ministerial Conference was held in Bali, Indonesia from 3rd to 6th December 2013. The most significant part of the outcome of the conference was the Draft Ministerial Decision on trade facilitation as a multilateral commitment to simplify customs procedures by reducing costs and improving speed and efficiency (Viljoen, 2014).

According to the WTO, the objectives of the trade facilitation agreement are: "To speed up customs procedures; make trade easier, faster and cheaper; provide clarity, efficiency and transparency; reduce bureaucracy and corruption, and use technological advance" (Mapalala, B 2014).

ITC (2013) explains that trade facilitation "aims at simplifying not only the documentation required to clear the goods, however also the procedures employed by other border agencies."

Although the WCO has developed and introduced various instruments focussed on facilitation, it is clear that the topic remains high on the global concern list specially the UN in terms of landlocked states, hence the most recent WTO conference and multilateral commitment on the agenda.

Buyonge and Kireeva define trade facilitation as "the simplification and harmonisation of

international trade procedures". They further noted that the definition has been recently widened to include "transparency, and professionalism of customs authorities, harmonisation of various standards and conformity to international or regional regulations".

The World Bank defines trade facilitation as "measures that include anything from institutional and regulatory reform to customs and port efficiency and are inherently far more intricate and costly to implement" (World Bank 2010).

The Organisation for Economic Co-operation and Development (OECD) explains that "facilitating trade is about streamlining and simplifying international trade procedures in order to allow for easier flow of goods and trade at both national and international level". (OECD 2001)

In addition to the above, the World Trade Organisation (WTO) also explains that the aim of trade facilitation is to "ease customs procedures and to facilitate the movement, release and clearance of goods." WTO also believes that trade facilitation should cut bureaucracy and corruption in customs procedures and speed up trade and make it cheaper (WTO 1998).

Grainger (2009) writing in the World Customs Organisation (WCO) journal, reinforces the above definitions by explaining that "trade facilitation is the simplification, harmonisation, standardisation and modernisation of trade procedures. It seeks to reduce trade transaction costs at the interface between business and government and is a priority agenda item within many customs related activities".

In the most recent WCO news June 2014 Issue No 74 the ATF is described as taking centre stage with customs and the WTO encourages members to implement the schemes with specific relevance to Article 7.7 to ensure the required standards.

All the above attempts to define and address trade facilitation contain the common element of simplifying and harmonising customs

procedures, with the aim of moving goods across the borders faster and at lower costs.

Naturally, facilitation is critically important for the ESA region which is embracing the concept and in line with the recent WCO ECP4 guidelines in the realisation that Customs Agencies can enhance their own countries competitive position in the global economy by consideration to trade demands.

2.1 What is Customs Modernisation?

WCO (2007) defines customs modernisation “as a broad strategy and goal to improve the effectiveness, efficiency, transparency and predictability of an administration’s operations so that it can better meet the demands of modern times”.

2.3 Trade Facilitation Negotiations at WTO

Trade facilitation was placed on the agenda of the WTO Singapore Ministerial Conference in 1996. Between 1996 and 2004 WTO Members conducted analytical work on trade facilitation in the Council for Trade in Goods. Negotiations were launched in August 2004. Their objectives were to update and develop understanding of GATT Article V which addresses issues related to freedom of transit. These issues include elimination of unreasonable charges and delays of goods in transit, GATT Article VIII which addresses matters of simplification of import and export procedures and reduction in the number and diversity of fees (UNECE, 2013), and GATT Article X which deals with promotion of transparency of trade rules and policy through publication and administration of trade rules with the objective of further expediting the movement, release and clearance of goods (Europa 2003). Another objective was to facilitate border agencies co-operation with customs and to improve technical assistance and build capacity in trade facilitation.

An agreement on trade facilitation was

⁴ WCO Economic Competitiveness Package

reached in Bali, Indonesia in December 2013. International organisations, including the World Bank⁵ and the World Customs Organisation, participated in the negotiations as observers.

2.4 Trade Facilitation Initiatives by WCO

According to the World Customs Organisation (WCO), the customs role has expanded from revenue collection to include security and facilitation of legitimate trade from threats of posed by terrorism, white collar crime, counterfeiting and piracy. The security role received more emphasis after the terrorist attacks of September 11, 2001 in United States of America.

To successfully execute its role, WCO noted that there was a need for more efficient and effective customs procedures that promote economic competitiveness and investment in a secure trading environment. To this end, the World Customs Organisation revised and updated its Kyoto Convention to ensure that it met the current demands of international trade.

“The Kyoto Convention is widely regarded as the blueprint for modern and efficient Customs procedures in the 21st Century.” The desire of the WCO is to foster a seamless global supply chain which is both safe and secure through provision of predictable and efficient services (WCO 2013). The WCO SAFE Framework of standards was also released for unanimous acceptance by its members.

2.5 The Link between WTO Negotiations and WCO Initiatives.

As mentioned, Trade facilitation was placed on the agenda of the WTO Singapore Ministerial Conference in 1996 and negotiations were launched in 2004 and the final agreement was reached in December 2013 in Bali, Indonesia. On the other hand, the WCO reviewed its Kyoto Convention and updated it, taking into consideration trade facilitation issues. The WCO

⁵ The World Bank is helping developing countries to carry out self-assessment needs so that it can provide technical assistance in customs modernisation initiatives (WTO 2013).

Revised Kyoto Convention was adopted in 1999 and became effective in 2006. As of now, 91 members have acceded to the implementation of the provisions of the WCO Revised Kyoto Convention. These countries have commenced by implementing the provisions that they have agreed to. They are receiving technical capacity from the WCO and international organisations such as the World Bank are providing funding. As an example of the modernisation initiative, Chapter 6 of the WCO Revised Kyoto Convention (RKC) clearly guides Customs towards a Risk Management approach towards trade.

It is important to note that countries that actively participated in the construction of the WCO Revised Kyoto Convention (RKC) were also actively involved in trade facilitation negotiations at WTO. It is also worth noting that international organisations such as WCO and the World Bank attended WTO trade facilitation negotiations as observers. It's, therefore, not surprising that the WCO Revised Kyoto Convention was utilised as a reference during the negotiations. A closer reading of the WTO legal negotiating text on trade facilitation showed that all the issues under negotiations are covered in the WCO Revised Kyoto Convention with minor differences in wording and terminology.

For example, where the WCO Revised Kyoto Convention discusses the "authorised persons", the same concept was embraced with a relevance to the "authorised economic operator".

The working relationship between WCO⁶ and WTO jointly promotes a vision to ensure the compatibility of WCO instruments. WCO tools should and do implement WTO principles. This relationship also facilitates collaborative capacity building efforts by the international organisations such as IMF, OECD, UNCTAD, WCO and the World Bank. This explains why the final negotiated document at WTO trade facilitation

⁶ "The WCO has supported Customs modernisation and trade facilitation through standard setting, developing a pool of experts, providing capacity building and enhancing a Customs network, which can support the implementation of the Agreement on Trade Facilitation" (WCO 2014).

has similar provisions to the WCO Revised Kyoto Convention. One of the main reasons why members favoured the WTO as a forum for rules on trade facilitation was that the WTO rules can achieve legal enforcement through the dispute-settlement mechanism which is not available under WCO (Bolhofer 2007). The WCO Revised Kyoto Convention stands as an instrument providing minimum standards in customs procedures. WCO persuades its members to accede to it however if its members choose not to, nothing can be done. In SADC region, Angola, Tanzania and Seychelles are yet to accede to the WCO Revised Kyoto Convention while Malawi was the latest member to signify accede in September 2013.

Another reason why members also favoured the WTO was that the Agreement on Trade Facilitation will bind all its 159 members at the level of all border agencies and not just customs authorities (ITC 2013). The global drive is clear that countries not embracing facilitation will fall under the magnifying glass and accordingly their respective Customs Administration now no longer have any excuse for non-compliance. The WCO Implementation Guidance, on the website of the World Customs Organisation www.wcoomd.org is an interactive tool which is very useful in providing assistance regarding the implementation of the WTO TFA. The Guidance introduces overview, relevant WCO tools, Members' practices relating to all Articles of the TFA. For the purposes of this research paper, the reference to the trade facilitation agreements of the WCO, the correlation between the articles of the WTO ATF and WCO trade facilitation agreements (per article) and the tool available are all of assistance one can use to evaluate the performance of Customs with specific direction to the following website. See <http://www.wcoomd.org/en/topics/wco-implementing-the-wto-atf/atf.aspx>.

2.6 SADC and COMESA Position Regarding Trade Facilitation

Both SADC and COMESA have embraced trade facilitation initiatives. For example, SADC Sub-Committee on Trade and facilitation recommended its members to accent to and implement provisions of the WCO Revised Kyoto Convention (RKC). The Sub-Committee believes that if all members implement provisions of the WCO Revised Kyoto Convention, it will go a long way towards achievement of trade facilitation within the SADC region and in harmonising and simplifying customs procedures (SCTF 2012). Both RECs have trade protocols that encourage harmonisation of customs procedures and documents, among others.

The proposed TFTA covering COMESA, EAC and SADC has dedicated Annex 2, Part IV, to the draft Agreement dedicated to Customs co-operation and Trade Facilitation. The provision encourages implementation of International standards as provided by organisations such as WCO.

3.0 FINDINGS

3.1 To what extent do traders benefit from the cited Regional customs modernisation initiatives?

3.1.1 Mozambique

Both stakeholders and customs authorities in Mozambique agree that the system provides benefits to Customs and international trade community, such as:

- Submission of declarations, 24 hours a day, 7 days a week.
- Explanations validation performed automatically by the system.
- Module Integrated Risk Assessment for Customs.
- Payment of taxes and fees may be made at any of the participating banks.
- Automatic clearance of goods.
- Automatic features including risk.

- Powerful monitoring tool for Customs.
- An integrated database that allows trade statistic.

3.1.2 Zimbabwe

According to www.zimra.co.zw the ASYCUDA World system has brought about many benefits to the business world in that:

- Geographical boundaries as to the registration of entries have been removed.
- Managers can supervise their office work whilst they are on vacation as long as they have internet connectivity.
- Unlike ASYCUDA++, the system can use any type of laser printers.
- Long-term benefits to the business is the investment on advanced network and hardware technology
- The desire of the Authority is to achieve a paperless environment, hence there will not be any need for paper-based clearances during commercial transactions.
- Once a declaration has been registered onto the Customs server, where supporting documents are electronically attached, processing starts there and then, hence there will be expedited and improved clearance times (www.zimra.co.zw).
- Cashless office provides security to traders. Traders do not need to move around with large amounts of money. It is safer and more convenient.

3.1.3 South Africa

In its global report on the ease of doing business, The World Bank ranked South Africa in 39th amongst 185 economies in 2013. The ranking takes into account factors like the administrative obstacles to start a business, getting electricity, registering property, paying taxes and trading across borders.

“Through its customs modernisation

programme, it implemented measures that reduced the time, cost and need for documents required for international trade. Improvements in South Africa have impacts throughout Southern Africa," the World Bank stated in its global report Doing Business 2013.

- The new Customs management system is the beginning of a new process to create an improved interface with customs authorities in neighbouring countries. We have implemented an interface system with Mozambique and discussions are underway with Zimbabwe.
- The improved interface of customs systems will reduce the time it takes to clear the flow of goods across borders.
- According to <http://www.thesait.org.za/news>, the following trade activities were processed without interruption:
 - Import Declarations Processed: close to 39 000 since the introduction of the new system.
 - Export Declarations Processed: more than 55 000 since the introduction of the new system on Saturday 17 August 2013.
 - Both import and export declarations represent more than 500 000 consignments that were declared and processed.
 - Goods with a total trade of R40 billion⁷ moved through South Africa's borders since implementation.
 - More than R2.5 billion have been collected in duties – R1.9 billion in VAT and R600 million in customs duties.

In addition to the above, all administrative processes are now replaced by a single processing engine and a new automated management system for all commercial cargo which will:

- Reduce the use of paper – end-to-end paper reduction of up to 95%.

⁷ South African Rand currently trading at USD 10.56.

- Automation – the introduction of electronic declarations and mobile inspections (iPods).
- Simplification – reduce the administrative burden for traders as no supporting documents are required from traders unless requested because of risk identification.
- Better Security and Risk detection – Customs now receives advance information concerning consignments from traders and can assess risk in advance using third party data verification (similar to the income tax system).
- There were however challenges from private sector to certain provisions of the new South African Control Bill specifically those designed to target containerised traffic moving to inland ports and as well as those in transit to neighbouring states. These concerns were voiced in parliamentary proceedings with a result that the new legislation was approved with a caveat which allows for correction of or reverse and correction of the new procedures and to adopt the prior provisions. This again is evidence of the role that private sector should play in terms of participating with and guiding government with regard to trade facilitation implementations.

4.0 WHAT WERE THE CAUSES OF THE IMPLEMENTATION CHALLENGES IN SOME COUNTRIES?

4.1.2 Mozambique

FCFASA (2013) explained that from April 1, 2013, Alfandega introduced the Janela Unica Electronica which introduced a transition from a manual to fully electronic process. This was coupled with an electronic draw down of bonds. The equipment and the personnel were not fully prepared enough for the new system to have ensured a smooth roll over and this

created a serious standstill in customs clearances for both imports and exports. Stakeholders however, generally agree that Mozambican customs clearing agents were given ample time to prepare. However, Alfandega did not provide resources required for their business partners to comply. The business partners were supposed to address the financial resources to comply with new developments. There was a general consensus that the banks and insurance companies which provide bond guarantees to clearing agents had set very stringent conditions resulting in very few clearing agents complying.

On 12 May 2013, the President of Federation of Clearing and Forwarders Association of Southern Africa (FCFASA) advised that his visit to Cuchimano border post revealed that the new system that Mozambican Customs introduced had no technical problem at all. The problem was that a draw-down transit bond guarantee system that was introduced which was not being supported by adequate bonds. At Cuchimano, for example, only one clearing agent was licensed to clear transit cargo. This agent's bond was not big enough to cover the duty on all the transit traffic that passes through the border. As a result, the agent was only processing consignments of less than USD10000 using the new system. Mozambican authorities were allowing higher value consignments to be processed utilising the old system. Even the smaller value consignments of less than USD 10000 were sometimes experiencing delays pending acquittal of others that would have been cleared before them. This was more than a month after the introduction of the new system. He further advised that he had been informed that according to Forbes/Machipanda border only four clearing agents are licensed under the new system (FCFASA, 2013).

The implementation by the Mozambican administration was not considered in full compliance of both the WCO Revised Kyoto Convention and the WTO Agreement on Trade Facilitation which provides for flexibility. Under

freedom of transit both documents state: "Where a Member requires a guarantee in the form of a surety, deposit or other appropriate monetary or non-monetary instrument for traffic in transit, such guarantee shall be limited to ensuring that requirements arising from such traffic in transit are fulfilled."

Alfandega was not proactive enough to observe this low rate of compliance by clearing agents. If it had, it could have realised before implementation that they had insufficient agents to move the volumes of cargo that pass through Beira.

Customs clearing agents, Transit agents & Freight Forwarders made timely recommendations to Alfandega to have a parallel system/fall back plan to facilitate trade with the neighbouring countries Zimbabwe, Zambia, Malawi and move the cargo within reasonable time however, this was not necessarily adopted on recommendation, but rather the recommendations were not considered. Customs considered the suggestions put forward by stakeholders only on May 3, 2013 to introduce the manual process to run parallel with June exactly one month later, after which the containers had already accumulated to about 10000 units in the port congestion due to absolutely no movement as there were no clearances during the period. This created a huge backlog in container clearances. As the number of containers was significant, this chain effect was that the quantity was far more than the available transporters' capacity could handle at one go, and thus a shortage of transport services occurred. Traders incurred huge demurrage charges in the months of April and May 2013 (FCFASA, 2013).

Introduction of a single entry transit window system, is a key trade facilitation guideline provided in the agreement on trade facilitation and is also provided for in the WCO's Revised Kyoto Convention.

The Mozambican example highlights the need to fully engage all stakeholders during

implementation process and the need to have a fallback position in case of system failure. In this case, the opposite was achieved during implementation stage, as traders had to pay more than what could make economic sense in their transaction costs. The Customs Administration also took too long to consider the traders' plight.

Alfandega finally reviewed their requirements for moving goods in transit. Some selected goods were exempted from the list requiring bond coverage and some goods' cover were reduced from 100% to between 20% and 35% however, the damage to trade had already been concluded.

It is however pleasing to note that Mozambique Revenue Authority has planned to implement risk management procedure to enhance the effectiveness of its revenue role and contribute to trade facilitation. The WCO will provide technical support in risk management and training policy (WCO, 2013).

4.1.2 Zimbabwe

Zimbabwe Revenue Authority (ZIMRA) introduced the Asycuda World which is web based at a time when Zimbabwe was facing economic challenges affecting efficiency of electricity supply and reliability of internet services. This led to connectivity challenges. ZIMRA could have mitigated the challenges by discussing these constraints with its stakeholders and sharing ideas on how best the new system could be introduced with minimum disruption to business despite the economic challenges.

The earlier *Herald* report highlights some shortcomings in the implementation of this trade facilitation initiative. Standard 7.3 of the WCO Revised Kyoto Convention states that:

"The introduction of information technology shall be carried out in consultation with all relevant parties directly affected, to the extent possible." Consultation does not only mean calling stakeholders to advise them of the introduction of an information technology system and giving

them updates. It also involves getting and securing their input on the possible challenges they will likely face during the introduction of the system and how best those challenges can be solved and this should further be done in good faith by all parties.

ZIMRA was accused of ignoring vital input from system users. There was no contingency plan in position in case of system failure. It took more than three months for ZIMRA to resolve the challenges. It is important to acknowledge that the issue of the cashless office is included in the Bali Agreement on Trade Facilitation. It should also be acknowledged that the initiative objective is to make life easier for travellers. However, it is very crucial for Customs Administrators to realise that by closer examination, of the terms of the Bali Agreement on Trade Facilitation that it clearly indicates that the concept of cashless office, should be provided as an option and should not be the only manner of conducting business. In Zimbabwe's scenario, it initially frustrated trade.

The measure was introduced without sufficient notice to the affected public. Travellers had to seek services of dealers with ATM cards to transact at Zimra and this came at a cost.

Just like in Kenya, Zimbabwe introduced its Asycuda World without adequate internal and external consultation.

In both the Mozambican and Zimbabwean cases, remedial action was taken to facilitate trade after implementation and when the business had already suffered significantly.

It is pleasing to note that ZIMRA recently signed a memorandum of understanding with a business organisation to implement a customs-to-business partnership. It is hoped that this will create an avenue for more dialogue with the private sector.

4.1.3 South Africa

The introduction of the border modernisation initiative was allowed to run parallel to the old system for some time until the project team

was convinced that it could run independently. Contingency plans were known to be in place and a team was on standby to assist traders in the event of any clearance delays. Stakeholders were warned in advance of the impending changes and the likely consequences. The notices were even sent to customs administrations in the region such as ZIMRA so that they could alert their exporters and importers.

This is an ESA modernisation initiative that shows that it is possible to implement trade facilitation initiatives without frustrating trade in the process. The customs clearing agents and freight forwarders in South Africa spoke positively about how SARS implements its customs modernisation initiatives. They are satisfied with the level of stakeholder engagement conducted by SARS when it introduces new customs systems. They note that at times SARS may give short notices to some changes however they are quick to positively react to stakeholder concerns.

Naturally, South Africa should take heed and carefully study the WTO ATF articles and ensure their precise implementation and compliance for the future, particularly its compliance as far as trade flows to landlocked states are concerned. If its trade corridors become unattractive or expensive the trade flows will simply disappear.

4.2 What was the cost to the traders caused by these challenges?

4.2.1 Mozambique

According to FCFASA (2013), exporters/Importers paid the price such as a loss in reputation, supplier credibility, and cost of finance tied up in stock. Due to the transit related delays in Beira, traders incurred further additional costs in storage and demurrage. The challenges in Mozambique affected trade on a wide scale in the region.

4.2.2 Zimbabwe

The trading community suffered from

accumulating demurrage charges and loss of business due to failure to deliver on time. To date clients are still complaining of the high downtime of the Asycuda World system. For example, in 2012 there were a total of 512 hours in downtime costing traders approximately US\$6 400 000.00 in border waiting time at Chirundu Border Post.⁸

An introduction of cashless office with insufficient notice to stakeholders resulted in traders hiring ATM cards from touts for charges ranging from \$100.00 to \$120.00.

4.3 What can be done to avoid such implementation problems?

Constant communication between customs and its stakeholders. Communication is to change management what blood is to life. This requires respect for trade and the recognition that trade is the life blood of our regions economy. The RKC suggests that Trade must always be consulted.

The major international facilitation agreements and UN protocols and instruments should be studied and a plan drafted for full implementation.

Sufficient involvement of executive management. Most projects are run by junior managers and the executive management normally relies on reports from their juniors. However, when challenges arise, the executive would need time to react, thereby lengthening the period of time to resolve the issues. In both Mozambique and Zimbabwe scenarios, it took at least three months to resolve the challenges. This is not acceptable by global standards.

⁸ According to SFAAZ statistics, Zimbabwe Revenue Authority's Asycuda down time at Chirundu Border Post, in 2012 was a total of 512 hours and when converted to 8 hour working days, it was a total of 64 days. Chirundu Border Post had no electricity for a total of 413 working hours translating into working 51 days. A total of 115 days of no production at Chirundu Border Post out of a year with 365 days. This is slightly less than a third of year of no production. Fitzmaurice (2012), a representative of the private sector, confirmed in his presentation that there was high Customs system down time at Chirundu OSBP. Curtis (2013) informed that the cost of truck waiting time at the border post ranges from US\$250.00 per day to US\$500.00 depending on the nature of the truck and its origin. If you multiply the minimum cost (\$250.00) by the number of days for Asycuda World downtime (64) the result is US\$16 000.00 per truck. The total costs of Asycuda World downtime at Chirundu border post in 2012 was US\$16 000.00 multiply by the daily average number of trucks per day (400) which gives US\$6 400 000.00. This cost does not include the time when electricity was not available.

Systems should be allowed to run parallel and only discard the old system once the new one has been fully tested.

There should be mutual trust and respect between customs and traders. Traders in Mozambique and Zimbabwe accused their customs administrations of not taking their input into consideration. "Moving successfully from conceptualisation to implementation requires that these initiatives be properly planned and emphasis placed on the involvement and buy in of stakeholders" (Kieck 2009). South African Customs would do well to avoid challenges to their new modernisation legislation being tabled in parliament and trade concerns highlighted in the press. Customs must clearly understand trade impacts with a view to achieve excellent results such as those suggested by the WCO SAFE framework which shows that trade facilitation can take place under secure systems of control.

5.0 RECOMMENDATIONS

Build capacity in change and project management in both customs administrations and business. Increase awareness of the Agreement on Trade Facilitation among stakeholders. "To ensure that business, particularly businesses in developing countries, can benefit, it is important that business understands what the agreement provides for and how the implementation process can be influenced" (ITC 2013). Follow the reconciled facilitation agreements concluded by both the WTO and WCO strictly.

6.0 CONCLUSION

The overall objectives of trade facilitation are to increase trade volumes and reduce cost of trade by promoting the seamless movement of goods through a secure international trade supply chain. Care should be taken to ensure that trade is not frustrated during implementation stage. The aim is to boost trade and reduce cost of doing business and to achieve certainty

and predictability. Traders are actually business partners.

From the modernisation initiatives examined, it is clear that without negative comparison of one with another that the customs authority can create negative or positive impacts.

It is also not possible to implement all trade facilitation initiatives at once due to scarce financial resources especially on the part of the private sector and some governments. Capacity is another problem. Developing countries took part in the WTO trade facilitation negotiations on condition that the agreement does not bring weighted obligations for constructing expensive infrastructure⁹. The Bali Agreement on trade facilitation will allow developing countries to stagger their implementation of the agreements in three phases. When the Agreement comes into force, developing countries will submit their implementation plan in three categories.

Category A is for initiatives that can be done immediately, Category B will be for trade facilitation initiatives that developing countries can do but at a later given date, and Category C will be for trade facilitation initiatives that the developing country will only implement on condition that they get funding from developed countries. This explains the financial support desired from international institutions such as the World Bank, which customs administrations in the developing countries are receiving. The private sector would need to look for funds either through borrowing or otherwise, so as to comply with the new requirements. Therefore, it may not be prudent to introduce one initiative after the other without considering the constraints of those who do not rely on donor funding, however are supposed to implement them. Work done by OECD (2006) can actually assist the countries identify areas they can prioritise. Countries should ensure that there are always legal frameworks in place to support their initiatives.

⁹ If it does, then more developed countries should consider providing funding for the projects.

Africa has much to offer the global economy and it is indeed improving its role provided this realisation is coupled with political will.

Fundamentally, however, it is clear that the journey towards global trade facilitation objectives as introduced by the WTO, WCO, UN and similar global organisations has definitely been embarked upon in the ESA region and it is high on the agenda, in the realisation of economic impacts for the respective nations of the region and their customs administrations.

“Change is hard at first, messy in the middle and gorgeous at the end.” Robin Sharma.

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Annexure

Methodology

Telephone interviews

This method was chosen due to the fact that travel to all desired border stakeholders was not possible however the advantages and drawbacks of this method were taken into consideration. The advantages of using the telephone include decreased cost, increased access to geographically disparate subjects, increased interviewer safety and the ability to take notes unobtrusively (Opdenakker, Raymond 2006, August).

The disadvantages include lack of telephone coverage for some participants (absence of visual cues, and the potential for distraction of participants by activities in their environments and further that telephone interviews were necessitated to be kept brief compared to face-to-face interviews, thus thereby reducing in-depth discussion (Opdenakker, Raymond 2006, August).

To mitigate on the disadvantages, the author established contact before conducting telephone interviews and used a prepared script to introduce the study at the beginning of the initial telephone interview (Opdenakker, Raymond 2006, August).

E-mail Interview

In some instances, the author could not get hold of the targeted interviewees on telephone and resorted to sending questions on e-mail. This method was chosen because the interviewer had a small budget and less time for travelling. The other reason was that both the researcher and the targeted interviewees had e-mail facilities (Opdenakker, Raymond 2006, August).

This method allowed the interviewees to respond to send questions in a relaxed mood and at their convenient time.

Face to face Interviews

Face to face interviews were done with local targeted interviewees. This was affordable and allowed the researcher to see the facial expressions of respondents. It also allowed him to probe further in case he wanted clarity to responses given.

World Customs Organization



East and Southern Africa Region

Forodha House 3rd Floor,
Upper Hill Close
P. O. Box 50581 - 00200
NAIROBI, KENYA.
Tel +254 20 27 37 444
Fax +254 20 27 37 968
rocb@wcoesarocb.org
www.wcoesarocb.org