

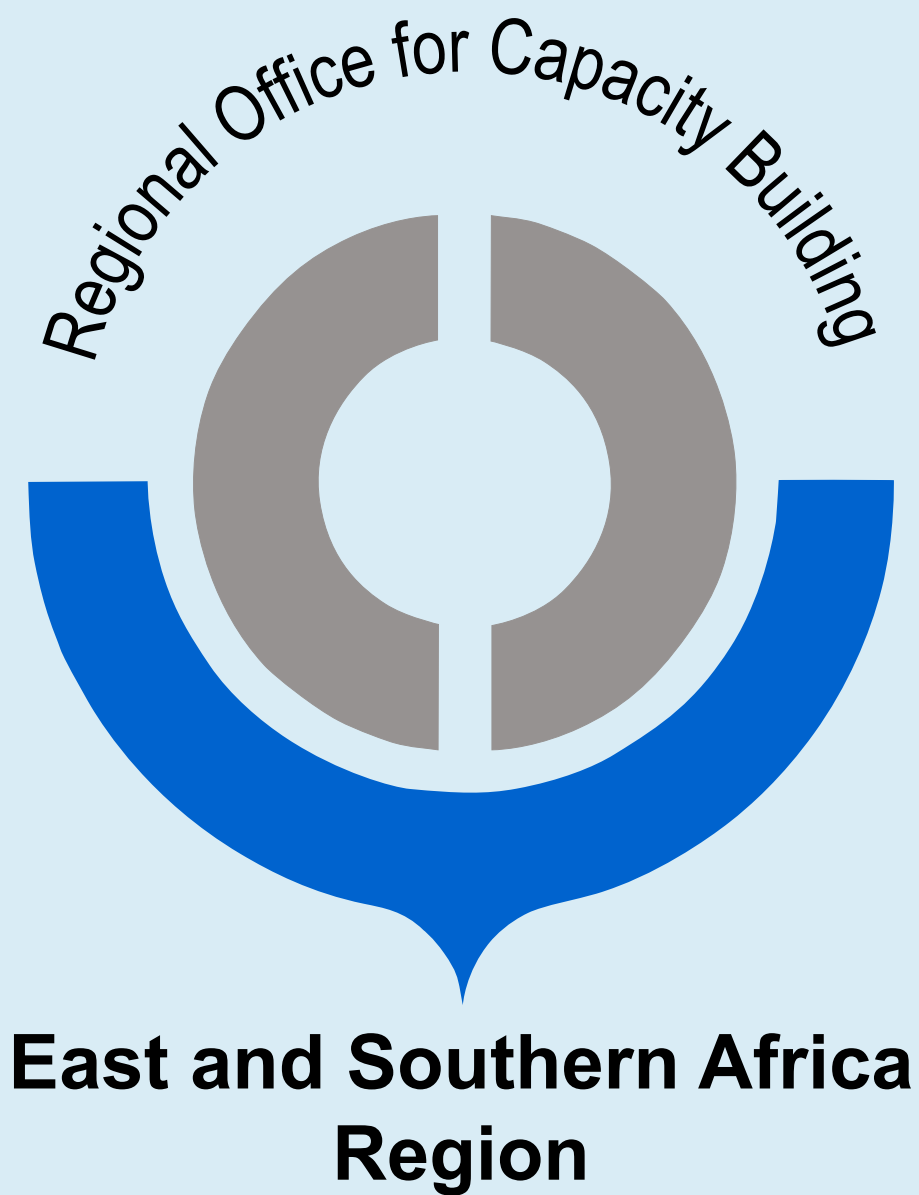
ESA Newsletter

**World Customs Organization East and Southern Africa
Regional Office for Capacity Building (WCO ESA ROCB)**

April - June 2020



**East and Southern Africa
Region**





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June 2020 Editorial

We are pleased to present to you yet another edition of the global newsletter of the World Customs Organization East and Southern Africa Regional Office for Capacity Building (WCO ESA ROCB). This edition features highlights of many exceptional regional activities since the first quarter of the year in the midst of the COVID-19 pandemic.



Most capacity building/regional activities planned by the ESA Region for the financial year 2020-2021 have been postponed indefinitely. Nevertheless, some regional meetings - the RTC Heads meeting, Finance and Governance Committee (FGC), the Management Committee meeting and Governing Council (GC) meeting have since been held virtually with amazing successes. We are sure redefining our *modus operandi* as we seek plausible ways of fully implementing our strategy.

The newsletter also features achievements by our Member administrations as well as the support that has been warmly offered by our development partners who are keen to ensure that the Region progresses its economic development agenda successfully.

Lastly, we wish to thank all the Members, the Regional Economic Communities, stakeholders and development partners for continuously supporting the flourishing of the Newsletter through regular contribution of articles.

Enjoy this read.

Larry Liza
Director



Acknowledgments

Botswana Unified Revenue Service

Comoros Customs

Japan International Cooperation Agency

Kenya Revenue Authority

Madagascar Revenue Authority

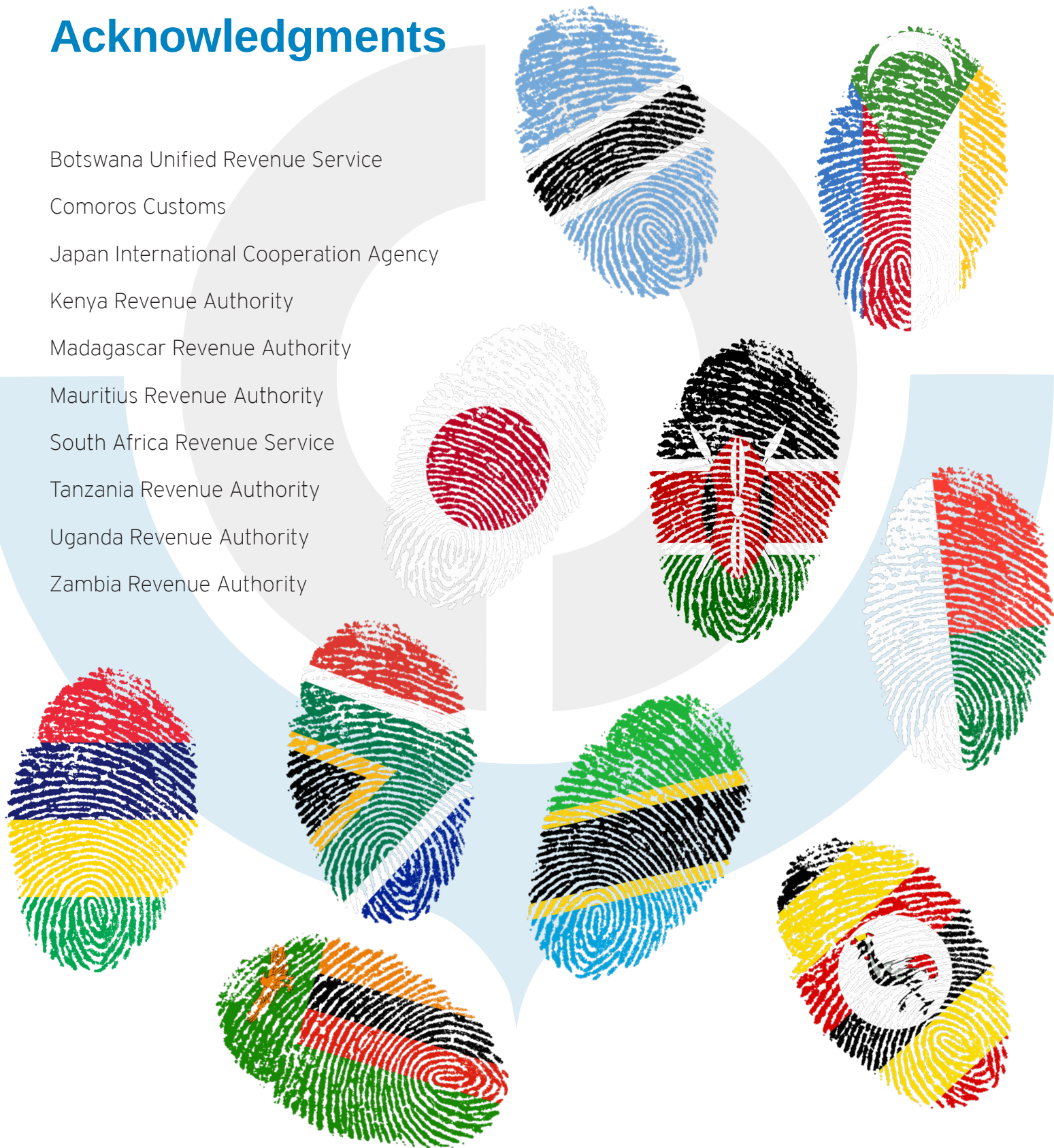
Mauritius Revenue Authority

South Africa Revenue Service

Tanzania Revenue Authority

Uganda Revenue Authority

Zambia Revenue Authority





Esa Regional Meetings Amidst the Covid-19 Pandemic

The COVID-19, commonly known as the Coronavirus (disease) was discovered and first reported in Wuhan, in the Hubei Province of China in November 2019. As new cases and deaths mounted in China, it spread to other parts of the world. The World Health Organization (WHO) declared it a pandemic on 11th March 2020. The WHO declared it a pandemic on 11th March 2020. The first case of the virus was reported in Africa in Egypt on 14th February 2020, and in East and Southern Africa in South Africa on 5th March 2020.

At the beginning of the pandemic, Governments drafted measures to curb the spread of COVID-19, key among these measures were closing of international borders. The Governments enforced travel bans with the aim of combating the spread of the Coronavirus globally. As a result, most capacity building/regional activities planned by the ESA Region for the financial year 2020-2021 were postponed indefinitely. Some regional meetings; RTC Heads meeting, Finance and Governance Committee (FGC) and the Management Committee meetings have since been held virtually.



The meeting of the WCO ESA RTC Heads, ROCB and the WCO, which was initially expected to be hosted by Malagasy Customs took place on the 7th and 8th May 2020 via the Google Meet Platform. It was attended by the Heads of the RTC Kenya, RTC Mauritius, RTC South Africa, RTC Zimbabwe as well as the ROCB, and the WCO. The Finance and Governance Committee (FGC) took place on 22nd May 2020, also through the Google Meet Platform while the Management Committee meeting took place on the 11th June 2020 via the Zoom Platform.

The 25th Governing Council of the WCO ESA took place on Monday 22nd June 2020 (today) - virtually and attended by 40 delegates from our Member countries. The ESA Vice Chair, Mr. Philiso P. Valashia, Botswana, chaired the meeting. The GC focused on countering the effects of the COVID-19 pandemic, WCO Policy Commission matters, regional strategy, as well as finance and governance matters. The meeting was initially meant to be hosted by Madagascar, which remains to host the next physical meeting. Uganda was crowned the winner of the ESA Photo Contest 2020, followed by Kenya (which previously won the contest 3 years in a row) with Mauritius coming third.



Kudos to All Frontline Customs Staff

The phenomenon of applauding health-care workers fighting the coronavirus on the front lines has gone global. This trend has journeyed alongside the virus and enforced quarantine to different cities from Wuhan to Milan, from Madrid to London.

In Kenya the Chief Administrative Secretary - Health on the 21st April 2020 declared that at exactly 12 p.m. every Wednesday, starting April 22, 2020 Kenyans would halt their activities to clap in honour of healthcare workers under the newly-unveiled **'Saa Sita'** Campaign. We applauded and gave praise to our health workers for their role in providing health care at such a time of the COVID-19 pandemic.

As the world celebrates health workers, customs officers who are frontline workers are a forgotten lot. Needless to say the work these officers perform and on whom we all depend is easily forgotten. They are working in stressful and frightening work environments, not just because of the little known information about the virus, but because in most settings they are under-protected, overworked and themselves vulnerable to infection.

Yet these brave officers tirelessly soldier on with or without protective gear, special allowance or incentives!! They report on duty without fail to ensure that revenue is collected, the community is protected, trade is facilitated and national security is safeguarded.

KUDOS TO ALL CUSTOMS OFFICERS! KEEP UP THE SPIRIT. KEEP UP THE GOOD WORK.

Caroline .J. Ogol

Kenya Revenue Authority.



Ongoing efforts to improve safety and security through Programme Global Shield (PGS) with the support from WCO and JICA

Under the auspices of the JICA/WCO cooperation, East African Customs has conducted training and awareness sessions to their staff from various borders and key ICD/warehouses on the WCO Programme Global Shield (PGS) since last year. PGS is a WCO security initiative, which aims at building the capacity of customs administrations to counter the illicit trafficking and diversion of chemicals and other components used by terrorists to manufacture improvised explosive devices (IEDs).

Under the JICA/WCO joint project (The Project on Capacity Development for Trade Facilitation and Border Control in East Africa), designated staff of the East African Revenue Authorities (EARAs) were trained as national PGS trainers

and they have been training on PGS more than 1,000 officials to date. Since July 2019, JICA/WCO conducted national follow-up training in each country to monitor the training delivery of these national PGS trainers as well as to support more PGS training to reach out to officers from key stations for the upcoming regional PGS operation in 2020. Under the national follow-up, a total of 194 officers were trained/sensitized on how to identify and monitor precursor chemicals, their handling, labeling and storage as well as any risk indicators.

This is a part of the ongoing efforts of EARAs, JICA and WCO to further enhance its border control capacity to improve the safety and security of the people and society in the region.





MRA embarks itself in Big Data Analytics



MRA Customs Officers attended a two-weeks training course at the Custom House to effectively use Big Data Analytics for a smarter and more intelligent Customs in order to enhance Trade Facilitation while ensuring the proper mitigation of risks.

Big Data Analytics is an extremely powerful tool for improving business processes both at the operational and strategic levels. The application of big data analysis will enable the MRA and border regulatory agencies to adopt a proactive rather than a reactive response to supply chain risks, whilst facilitating legitimate trade. This can only be achieved through the right use of data available across the supply chain.

Big Data Analytics will enhance MRA's ability to harness the use of sophisticated analytics in future policy-making processes. It is also expected from the team which has received



the training to capitalise on the use of latest AI technology and block chain to conduct better risk and compliance management. By bringing all the data together from the entire supply chain, the MRA will obtain an accurate and holistic picture thereof. This will enable the identification of trends which will assist officers in identifying suspicious activities, detecting frauds, fighting against trafficking of illicit drugs and prohibited goods as well as under and over valuation of goods.





The desired solution will help connect different systems such as the Customs Management System, Tax Revenue System, Passport & Immigration System, Cargo Community System, Cargo Handling System, Financial Investigation Unit and Non-Intrusive Inspection devices. The aim is to better control information flow and make information more intelligible for Customs, in the face of exponential growth in global trade. Predictive analytics is relevant to the MRA by using the vast amount of historical data in applying analytics in risks prediction. Risks based analysis can be made from data irrespective of its structure such as scanning images. Algorithms aimed at fraud detection, tax evasion, non-compliance, travel history trends would also benefit the MRA.



The two-weeks training culminated with the Award of Certificate which was held on Friday 28 February, 2020. The ceremony was graced by The Hon Nandcoomar Bodha, Minister of Foreign Affairs, Regional Integration and International Trade.

In his address, the Chief Guest, Hon. Nandcoomar Bodha, underlined the close collaboration between the European Union (EU) and the Southern African Development Community (SADC) member states. He furthered that the training was expected to improve the Risk Management System at Customs, thereby enhancing the operational capabilities of MRA to target risky consignments and importers.

The Director-General of the MRA, Mr. Sudhamo Lal, thanked the Hon. Minister for sparing time from his schedule to attend to the Award of Certificate Ceremony at the MRA and extended his thanks to the European Union for funding this project. Mr. Lal concluded that the MRA is committed to enhance border protection, in line with Government's policy.





Covid-19 BURS Response

Following the outbreak of the Corona Virus pandemic that adversely affected the entire world, Botswana went under lockdown in an effort to contain the virus on 02 April 2020. This affected many business operations including that of Customs. In an effort to relieve the burden caused by the virus, it became imperative for Customs to develop and implement new strategies to ensure that its mandate of facilitating the movement of goods including those on transit is upheld, while at the same time putting measures in place that would enhance the safety and security of the nation.

Botswana's main trading partner is the Southern African Customs Union (SACU), with most essential imports coming from South Africa, at 61.4 percent of total imports (*International Merchandise Trade Statistics*

Monthly Digest - January 2018). 14 borders shared with the South Africa were closed resulting in only 10 major border posts being operational and this led to influx of traders at those borders. Priority clearance was therefore given to essential goods such as medicaments and medical equipment, food, soap and sanitizers. Customs control measures were relaxed on those goods entering the country including for those on transit, resulting in Customs relying more on Post Clearance Audit for control.

During this period, there was also greater cooperation between Customs and other border agencies both internally and externally. All these measures ensured that Botswana was not subject to any shortages of essential goods for the nation's safety and security throughout the period.





The Risk of Smuggling and Its Influence on Customs Revenue Target Forecasting: a Regional Border Control Procedure Reflection.

Smuggling is as old as the bedrock of the pre-trade period in human activities historic spectrum. However, it was not expressed in the modern days' face until a few centuries ago when taxes and embargoes were imposed on trade.

Ant smuggling procedure has been designed and implemented to prevent, curb and control porous borders. The scope of these preventive measures is strategically determined by the prevailing magnitude of risk of smuggling activities in a region, as stated in CED-808-H, procedure number 1 of TRA.

Usually, any profitable economic venture must have low costs of operation in relation to what comes out of its completion. 'A tax is efficient if it is economical to collect', (Adam Smith). Basing on quantitative forecasting of revenue, the historical records and expenses are normally factored in to come up with future targets of collections. In the same vein of argument, Customs revenue projections for that matter likely incorporate the cost of uncertainties emanating from the risk of smuggling.

According to PART XVII of EACCMA (2004), smugglers are penalized heavily and or such goods or vessels/vehicles used shall be liable to forfeiture.

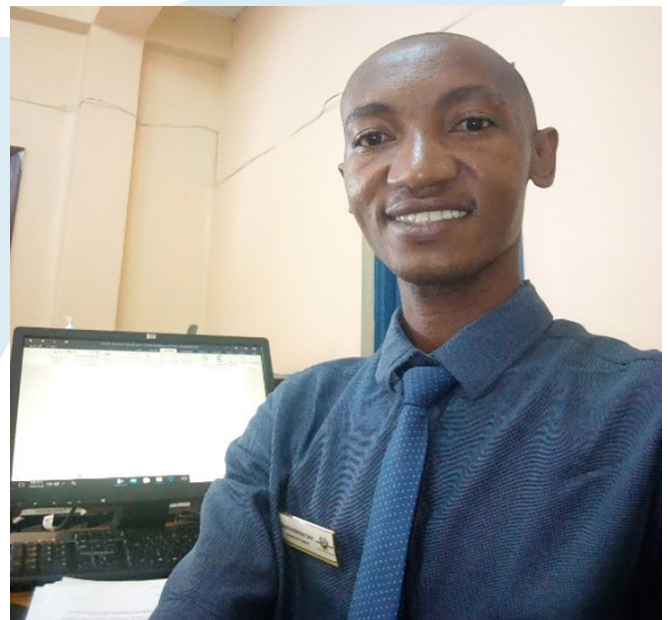
As the smuggler faces significant risk of Customs penalties if caught with contraband, smugglers are able to impose a significant price

premium on smuggled goods. So goes the saying, "Greater enforcement results in more potential smuggling".

Then, aligning the contentions of the subject under focus, one may derive the correlation of the issues to be; Greater enforcement results in more potential smuggling. With this increased risk of smuggling in a region raise Customs revenue upon successful intervention hit rates. Eventually, leading to subsequent higher targets forecasting of Customs revenue.

Should authorities **reduce enforcement** to come up with **realistic Customs revenue forecasts** and a **reduced risk of smuggling**?

Evance K. Muchunguzi (CO II)
MTWARA PORT





Lessons learned from 19th Meeting of the WCO Integrity Subcommittee

My colleague and I had the privilege to attend the 19th Meeting of the WCO Integrity Subcommittee in Brussels, Belgium as from 20 - 21 February 2020. Whereas I had attended two previous meetings, for my colleague it was a first time experience. We were really excited despite the long flight schedule looking forward to learning and sharing experiences from different Customs Administrations and invited speakers. The agenda looked appealing enough to further enhance my excitement.

The Keynote address by Mr. Robert Sinclair - Deputy Head Missions of Canada to the EU on the topic ***"Transparency in The Era of New Technologies: How Can New-Tech Help Leaders in Customs Promote Integrity?"*** was an awesome starter.

He discussed how leaders in the public sector including Customs can leverage on new technologies such as Artificial Intelligence, UNDC Container Programmes, Single Window, Block Chain Technology etc. to enhance transparency and illustrate their commitment towards integrity development. He shared views on the use of social media to promote integrity and fight corruption and outlined the issue of data protection as an emerging

challenge for integrity in light of the trend where private sector platforms have more data than governments.

Another topic that was of great interest to me was ***"Political Interference in Customs: How to Respond - Transparency & Accountability"*** by Commissioner Liberia Customs - Commissioner Saa Saamoi. His topic focussed on exemptions.

Why are exemptions important to a country? Or simply put why exemptions? Are exemptions really necessary? To answer the last question, yes indeed exemptions are necessary for various reasons. Whereas specific exemptions are listed in the Act, many exemptions are as a result of presidential orders or directives given to address special economic conditions, national emergencies such as floods, earthquakes and other natural calamities, for special incentives, special social needs amongst other reasons.

Exemptions is one area considered of high integrity risk. It is prone to abuse and misuse creating unfair competition as a result of disproportionately granting exemptions to investors in the same sector. Many a times there is a miss-match between anticipated benefits and the outcome.



As the discussions continued on this very important subject matter, I realized the similarities Customs Administrations face in carrying out its mandate. I reflected on exemptions challenges we experienced back home:

1. Lack of full disclosure on subsequent variations to exemptions agreements.
2. Lack of full disclosure on financial agreements.
3. Lack of involvement of Customs in generation of master-lists before exemptions approval.

To curb the abuse of exemptions, accountability and transparency measures are of great importance. He highlighted the following measures that were undertaken by Liberia Customs to ensure accountability and transparency in exemptions:

1. Removal of discretionary powers
2. Publication of exempt provisions & requirements
3. Publication of requirements and procedures for exemption processing
4. Public reporting of exemptions processed in a calendar year that included beneficiaries.

In conclusion, I can attest that these two sessions were the lessons that I carried back home.

By:

Caroline Ogol
Assistant Manager
Operations Office





Coronova Virus spreading: Comoros Customs on phase 2.



From left to right, Head of Port (Moroni Comoros), Director General of Comoros Customs and Minister of Finance, Budget and Banking Sector.

As customs officers are required agents to be in front of borders and are the first people who are authorized to get in contact with people who come into the country either by air or by sea, they are potential victims and vectors of the virus .

Due to that, Customs officers in port and airport were called in a campaign awareness regarding the behaviors to adopt to fight against the spread of Corona virus pandemic.

The awareness raising operation was organized on the initiative of the Director General of Customs, Mr Souef Kamalidini in collaboration with the Ministries of Health, Information

and Finance in partnership with the World Health Organization.

The awareness session goal was to explain the nature of the pandemic, border control measurements, conducts to be followed and the quarantine process for suspicious cases.

“We have a port and airport community which brings together numerous customs officers from different places of the country, hence it was mandatory to raise an awareness, push them to adopt the same level of behavior, and outdo their responsibilities in the work environment” explained the Director General of Customs, Mr Souef Kamalidini.



Beside the awareness operation, the Director General of Customs, Mr Souef Kamalidini has played a civic duty by taking exceptional preventive measurements not only for custom officers but for direct partners and all users which go as follow:

It is recommended to interact with users by phone or other means of communication:

1. Meetings related to work of more than ten people and other groups within the Administration are prohibited until further notice.
2. Comoros Customs urges all commissioners in exercise and brokers to use tele declaration through ASYCUDAworld and send all supporting documents of supports, by dematerialized way.
3. Customs recommends as far as possible, for its staff, a succesfull teleworking as a means of information and communication during this exceptional period through Comoros customs Webmail:douane.gov.km and the online intranet space strictly reserved for customs officers.
4. All staff are called to use other means of working such as email, whatsapp groups or other applications.
5. Non essential staff are required to stay home until further notice.

The Covid-19 control system at the port and the airport will be soon officially put in place, according to sources from the Ministry of Health and other preventive measurements will be taken according to the progress of the situation.





Kudos to All Frontline Customs Staff

Due to an increasing volume of cargo and travelers at the border crossings, most Customs Administrations are urged to implement Customs modernization strategies in order to enhance productivity in Customs operations.

The modernization seeks to enhance Customs **control** and **trade facilitation** at the border crossings. This, in turn, will increase the levels of; revenue, smuggling and tax evasion detection, staff integrity and motivation, and detection of other illegal practices at the border crossings.

Indeed, meeting the modernization objectives will most likely require to focus on:

- Simplified and harmonized Customs procedures e.g. OSBPs, Single Administrative Document, etc.
- adequate use of intelligence and reliance on risk management;
- optimal use of Information Communications Technology (ICT);
- effective partnership with the private sector, including programs to improve compliance;
- increased cooperation with other border control agencies and other Customs Administrations.
- a well-designed framework for Customs laws which will reflect realistic trading environments in cross border transactions.

In that perspective, most of Customs Administrations have managed to achieve tremendous achievements in Customs modernization process.

Nevertheless, the modernization needs to be complemented with the staff houses establishment or improvement which must be considered as a paramount agenda of Customs modernization.

A rational Customs modernization will likely to understand that an officer who pinpoints; **smugglers, tax evaders, illegal businesses** and **collects Customs duties/taxes** in cross-border transactions calls for maximum security and isolation from the public in order to avoid falling into temptations of bribes and other disobediences.

In a nutshell, a good Customs modernization will, among others, consider the construction or improvement of staff houses, a thing which will spur officers to work with morals, integrity and peace of mind from the works they perform.

Therefore, as the most valuable asset of any organization is her employees, this article intends to remind Customs Administrations that the establishment or improvement of staff houses is a paramount agenda in the process of Customs modernization.

Ernest E. Myenda (Senior Customs Officer)



Zambia Customs' Efforts To Combat Spread Of The Corona Virus (Covid-19) Pandemic

The story of the deadly disease caused by the coronavirus started in December 2019. To many, the problem was remote and not much attention was paid to the issue.

Thanks to the innovation of the Zambia Revenue Authority's own Station Manager Kitwe



office, Mr. Dickens Chisengalumbwe! Kitwe, for the readers whomaybeunfamiliar with the geography of Zambia, is a town in the Copperbelt Province of Zambia.

Mr. Chisengalumbwe, a former Customs Laboratory Manager studied chemistry at the University of Zambia. He joined the Zambia Revenue Authority in 2017 to help with the management of the Customs Laboratory.

Faced with the challenge of scarce hand sanitizer for the teams under him and appreciating the danger of the coronavirus, Mr. Chisengalumbwe had to live the saying that goes, "necessity is the mother of invention." He came up with a formula to make hand sanitizer for the officers working under him.

Mr. Chisengalumbwe explained that he makes the hand sanitizer using affordable and locally available pharmacopeia quality reagents and humectants. Based on the World Health

Organization (W.H.O) formulations for alcohol-based hand sanitizers, the solution was made from denatured ethanol of 99.9% v/v stock and concentrated lemon juice. This mixture maintained and minimally augmented the PH of ethanol thereby preserving its efficacy to combat the virus and other bacterial spores.

Using Mr. Chisengalumbwe's invention, Zambia Customs has been able to produce 180 liters of hand-sanitizer and supply to over 20 Customs offices in Zambia. This initiative goes to show the importance and versatility of Customs laboratories in contributing scientific solutions to challenges facing the customs administration. In the Zambian case, the laboratory has gone beyond safeguarding revenue. It is a life-saving venture!





Customs launches AEO training for affected staff

Implementation of the long-awaited Authorised Economic Operator (AEO) pilot has gained further momentum, with about 70 Customs Investigations Auditors receiving training in November 2019. Training forms a large part of introducing this exciting “next-level” of trader accreditation.

From 1 December 2019, Customs started piloting the AEO programme with three Original Equipment Manufacturers (OEMs), who all have Preferred Trader status, meaning they are regarded as compliant with Customs accreditation requirements. They are actively involved in the security validation process for AEO accreditation. This is to ensure that they operate in a safe and secure environment, to reduce the risks associated with terrorism and other forms of prohibited goods entering and leaving the country.

The Customs Trade Services Unit prepared for the pilot of the AEO programme, by training Customs validators aligned to criteria as set out by the World Customs Organisation (WCO) SAFE Framework of Standards. To execute the validation procedures in a way that ensures that all risks are covered, the AEO validator (Customs Auditor) is being taught how to be aware of the different risks to be evaluated.



Photo 1. Doringkloof Auditors attending AEO Validation Training.

Photo 2. Concentrating during Durban session.

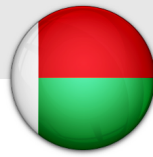


Training on the various compliance requirements aims to enable the AEO Validator to verify the safety standards of the traders who will participate in the pilot implementation of the programme.

Training sessions have already been held in Doringkloof, Cape Town and Durban. Further training sessions have been scheduled from January 2020 onwards in the Eastern Cape, Richards Bay, Beitbridge and North West.



Photo 3. Cape Town fun.



Douane Malagasy: Proactivity and Perseverance for a Continuity of Services in a Health Crisis Situation

The Malagasy General Directorate of Customs launched at the beginning of the year its new strategic plan for the period 2020-2023; a framework document serving as a dashboard for the next four years. This new plan is a continuation of the reform efforts and projects already undertaken the last ten years mainly in terms of dematerialization and modernization which have made Malagasy customs a flagship administration in Africa ; but it also contains new innovative projects set up to optimize customs performance, particularly in terms of trade facilitation, which is the watchword of the moment.

As a reminder, this new strategy has four (04) axes : (1) Axis 1 : contributing to the financing of the Plan for the Emergence of Madagascar (optimizing revenues and strengthening the fight against fraud); (2) Axis 2: act as a Partner to facilitate exchanges; (3) Axis 3: contribute to the security/safety of the country, its environment and its population (Coordinated border management, fight against organized fraud and smuggling) and (4) Axis 4: invest in human capital and organization.

Unfortunately, as soon as the plan was launched, the country, like the rest of the world, entered a state of health emergency caused by the COVID-19 pandemic, which greatly slowed down, stopped for some countries, activities and exchanges cross-border.

However, positioning itself as a responsible administration and partner for the emergence of the country according to its new vision, Malagasy customs, anticipated the situation by setting up its emergency plan in advance (as soon as the emergency was announced abroad) that it was able to implement from the start of the state of emergency. This proactivity of the administration has made it possible to apply measures aimed at limiting administrative burdens and thus ensuring the continuity of flows and operations so as not to penalize economic players beyond the health crisis. This by ensuring the adoption of the sanitary measures necessary for the protection of its agents, favoring telework for certain services and establishing a system of rotation for others to minimize the risks of exposure of agents. In the case of the Tamatave Port office, the main port generating the majority of revenue, activities were carried



out as normal but limiting contact as much as possible. The administrative procedures were then modified to minimize physical contact, favoring dematerialization (electronic versions replacing physical documents).

Note that this procedural reform is included in the new strategy, the objective being the eradication of red tape to save time and performance ; its application has therefore only been accelerated by the crisis.

As a final word, we would like to remind you that the Malagasy customs authorities are celebrating their bicentenary this year ; despite the current health restrictions, we unite in our hearts to celebrate this great event and already inviting our sister administrations to join us, in thought while waiting for the borders to reopen and so that we can celebrate our two hundred years properly!





Bilateral Engagements

Implementation of the Directives of the Commissioners of Uganda Revenue Authority and Kenya Revenue Authority

In a bid to foster relations, the two revenue bodies under the leadership of their commissioners of customs, on 02nd August 2019 a bilateral was signed under which several issues were agreed upon which include the following; Integration of iCMS (Integrated Customs Management Systems) and SCT (Single Customs Territory), Deployment of staff in the two partner states, Formulation of a compliance strategy between NTC Kenya and NTC Uganda (National Targeting Centre), management of electronic seals under RECTS (Regional Electronic Cargo Tracking System), Integration of Non-Intrusive Instruments, Joint valuation framework, warehousing framework, formulation of a technical working group on facilitation of Exports, joint training/capacity building, joint innovation hub, working group with TMEA, five additional borders, Ugandan ICD at Naivasha.

The signing of this bilateral gave birth to several joint working groups to implement the directives above among which is the technical working group on Human Resource and Capacity Building. This technical working group is required to develop a joint capacity building framework for both staff and clearing agents. It is against this background that the first bilateral engagement was held at the Busia one stop border post from 9th to 13th December 2019.

The three-day engagement resolved to work on two directives:

1. Deploy staff in the two partner states which require to make recommendations to both the commissioners of the partner states, developing a standard deployment letter, immunity status of deployed staff and their vehicles.
2. Development of a joint capacity building framework to cover staff and clearing agents. development of the training curriculum, setting up of resource centres, virtual libraries, training laboratories at OSBPs (One Stop Border Post), Identification of model environments for training, KESRA (Kenya School of Revenue Administration) to fast track registration of a professional body to accredit the customs and tax professionals.

The Human Resource and Capacity Building technical working group held the second bilateral engagement from 16th to 18th February 2020 at the Kenya School of Revenue Administration to discuss the developed framework and also follow up on all the issues that were discussed in the first bilateral.

The two tax administration bodies are very optimistic of the outcomes of the different joint technical working groups if the recommendations suggested have adhered in a bid to improve trade facilitation.



Digital Convergence and Modern Customs Valuation on Electronic Commerce.



Introduction:

Digital Convergence refers to a situation whereby the line between “Goods” and “Services” has blurred, especially in the electronics industry, where digital content – be it camera software embedded into a mobile phone or video on an MP3 player – defines the value of the physical good.

By 1992 when the last multilateral trade agreement was completed, goods and services were traded in so absolute/definite manner that Customs valuation was not complicated. During that period (prior to digital convergence), WTO neatly packaged trade into goods issues and services issues in such a way

that the line between “Goods” and “Services” was clearly seen.

However, after the introduction of iPod, **the digital convergence** was the mainstream lexicon in Customs valuation and posed a great deal of complications in Customs valuation in many Customs Authorities Worldwide.

Complications of Customs Valuation over the Digital Convergence:

Digital convergence has raised fundamental questions, such as when – and if – to collect tariffs and taxes on digital products embedded into hardware?

From Customs perspective, digital convergence has significant implications. For example, if an MP3 player has material costs of USD 90 and a retail price in excess of USD 400, with a significant portion of the difference attributable to embedded software, a number of questions arise:

- Should the embedded software be considered a service or a good?
- If the embedded software is a service, should Customs duties and import taxes be assessed on the hardware portion or on the full value of the product, inclusive of the embedded software?



Contemporary Solutions:

Historically, WTO committee on Customs Valuation sanctioned the practice of valuing carrier media bearing data or instructions (software) for use in data processing equipment either inclusive or exclusive of **the value of the software recorded on carrier media**.

However, the sanction by the WTO committee on Customs valuation has yet left the vague meaning of **Data or instructions recorded on "carrier media"**

Information Technology Agreement(ITA) between many countries and the USA put out of its scope the imports of other products incorporating software (e.g. software pre-loaded on the hard drive of a computer) because computers are not carrier media. Only software on traditional carrier media (e.g. Diskettes, CDs, etc.) is within the ITA's scope.

Though the consistently been revised policies by WTO - Information Technology Agreement(**ITA**), the Import Duty Moratorium on Electronic Commerce and Free Trade Agreements(**FTAs**) have begun to directly address digital convergence in a meaningful way, the latest policy - FTAs should be contracted to all WCO members in order to harmonize the Customs valuation practice on valuing such imports.

By Ernest Myenda (SCO)





Uganda, *the Pearl of Africa*, WINS!!

Uganda, the Pearl of Africa, won the ESA Sotho Photo Contest 2020 by a landslide having submitted a photo showing an Intercepted mother carrying a 'baby' aboard a Bus at Mpondwe Border of western Uganda, by Uganda Revenue Authority Customs Enforcement. She had crossed into Uganda from the Democratic Republic of Congo on the 8th of January 2020.

It turned out that the 'baby' was a dummy containing banned Cosmetics which contain

Hydroquinone and Mercury other cancer causing chemicals.

For the 2020 contest, we received photos from 12 out of our 24 Members countries, with **Uganda** winning the contest! followed by **Kenya** who had previously won the competition three years in a row and **Mauritius** who were also the 2nd runners up in the 2019 Contest. All the photos submitted will form the ESA Sotho Photo book 2020.



UGANDA'S Toxic Baby!! The photo shows an Intercepted mother carrying a 'baby' aboard a Bus at Mpondwe Border of western Uganda, by Uganda Revenue Authority Customs Enforcement.

She had crossed into Uganda from the Democratic Republic of Congo on the 8th of January 2020.

It turned out that the 'baby' was a dummy containing banned Cosmetics which contain Hydroquinone and Mercury other cancer-causing chemicals.



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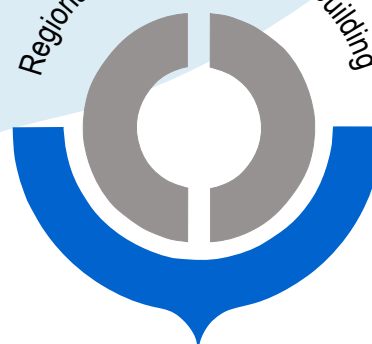
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