



THE 7TH PAN AFRICAN CONFERENCE ON ILLICIT FINANCIAL FLOWS AND TAX



TRADE FACILITATION UNDER CUSTOMS & EXCISE

EFFICIENCY GAINS AND EFFECTIVENESS OF TAX ADMINISTRATIONS IN THE ERA OF
TECHNOLOGICAL ADVANCEMENTS

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PRESENTATION OUTLINE

- This discussion will be on the gains and effectiveness relating to trade facilitation under a customs and excise or border management facility.
- The discussion will be with general reference to customs management and specific reference to the Zimbabwean experience.
- It will cover two chosen perspectives, i.e.
 - ✓ Specific customer support issues; and
 - ✓ Internal processes applied by a customs and excise facility to
 - ❖ ease business transactions
 - ❖ remove Non-Tariff Barriers (NTBs) and
 - ❖ ensure the smooth flow of goods and services along the global supply chain.
- Brief insights on digitalization as the propeller of changes resulting in the gains will set the ground for the main discussion.

DIGITALIZATION

Characteristics of Technological Advancement

- At macro-level, the dynamics in the technological environment are caused by the innovation in the same environment and may have the same effect on the initiators as it does on the rest of the community.
- The technological environment
 - ✓ evolves fast because of demands for improvement,
 - ✓ forces a change in the manner an economy converts its resources into output and
 - ✓ reinforces itself in that one invention from one need creates other needs and necessities in supportive cycles.

DIGITALIZATION

- Digitalization
 - ✓ integrates digital technologies into everyday life activities through the *digitization* gadgets, digitized information, media etc.
 - ✓ is a basic initiative in contemporary technological development across the world.
- Its pervasive nature
 - ✓ redefines customer needs and expectations,
 - ✓ influences production, innovation and inventions and
 - ✓ leads to the creation of different deliverables (goods/services).
- This requires dynamic shifts in facilitative service delivery processes, particularly in government and its various regulatory institutions.
- Change therefore is inevitable in service delivery processes, national policy/legal frameworks and all other activities that ensure effective global supply chain management between the public and private sector.

THE DIGITAL ECONOMY

- The digital economy is defined by increased use of digital technology in economic processes, transactions, interactions and everyday business and private activities.
- It is more broad-based than the internet economy which relies on internet connectivity.
- It uses various digital tools that may not necessarily require internet connectivity e.g. data processors, storage, production and cellular or wireless transmission devices
- However, it is noted that there is significant integration of the digital economy and the internet economy since most of the data processed is eventually shared across the globe.

THE DIGITAL DIVIDE

- The gap between those that have access to digital technology and those that do not stands an impediment to effective service delivery or access to digital solutions.
- Both the developed and developing economies are experiencing increasing high technology penetration, but gaps still exist at various levels.
- Even where technology has taken root, the gap may exist due to the rapid transformation of technology, e.g. in cellular phone technology, the differences between 3G and 4G networks affects access to certain services.
- The gap will continue to exist with different effects in economies due to the dynamic nature of technological innovation.
- The business environment will continue its evolution, with new demands on all structures that support or facilitate trade.

GUIDING PRINCIPLES

- The World Trade Organization (WTO) sets rules for trade facilitation with requirements for simplification of processes and legislation, harmonization, transparency, partnership, cooperation and risk management.
- The World Customs Organization (WCO) provides the norms to ensure implementation of these recommended best practices.
- The Organization for Economic Cooperation and Development (OECD) defines trade facilitation as a practice that covers the full spectrum of border procedures, from the electronic exchange of data to the simplification and harmonization of trade documents and the availability of supportive appeal administrative decisions by border agencies.
- The World Bank's concept of trade facilitation involves improving all aspects in the operations of global, regional and local supply chains (Ease of Doing Business Concept).
- The common requirement here is therefore just to make things simple for the trading community where such trade is across borders.

CUSTOMS MODERNIZATION

- The following modernization initiatives should therefore carry an element of the possibility to shift all processes towards technological tooling;
 - ✓ Automation of processes
 - ✓ Adequate and appropriate physical and virtual infrastructure
 - ✓ Supportive policy and legislative frameworks
 - ✓ Simplification and harmonization of processes and procedures
 - ✓ Capacity building and
 - ✓ Continuous reference to contemporary issues for effective benchmarking.

PAYMENT PLATFORMS

- In a predominantly cashless business and private community, locally or globally, the trajectory taken in financial management systems has also positively transformed.
- This has created simpler and secure funds transfer services across all areas of commerce including trade facilitation.
- Payment platforms in Zimbabwe, also applicable in trade facilitation, have taken three broad categories.
- A distinctive feature is that all three categories have become more and more integrated, converging towards the mobile platform enabled through telephony or internet connectivity via portable smart devices.

MOBILE PLATFORMS

- Mobile phone applications are by far the most dominant transaction modes in Zimbabwe, offering direct payment to other mobile phone numbers or merchant codes sitting on similar platforms.
- Platforms are packaged as **Ecocash** from ECONET Wireless Zimbabwe, **Telecash** from Telecel Zimbabwe and **OneMoney** from NetOne.
- These platforms provide acceptable payment of duties as either swipe or transfer besides supporting other e-commerce requirements.
- They create significant convenience to the trade and banking community as well as the revenue administrations.

OTHER PLATFORMS

- **ZIMSWITCH**

- ✓ offers interoperability & facilitates financial inclusion involving several financial institutions and mobile money operators.
- ✓ Payments are amongst registered entities regardless of their different banking institutions, via Point of Sale (POS), Automated Teller Machine (ATM) and ZIMSWITCH's Instant Payment Interchange Technology (ZIPIT) facilities.

- **ELECTRONIC FUNDS TRANSFER (EFT)**

- ✓ Facilitate funds transfer from one bank account to other individuals or corporates.
- ✓ Main facility in Zimbabwe is the REAL-TIME GROSS SETTLEMENT (RTGS)

CUSTOMER PERSPECTIVE

- Specific service delivery improvement initiatives are aimed at the following customers
 - ✓ the general travelling public, including tourists
 - ✓ importers and their brokers, including lawyers
 - ✓ other state agents
 - ✓ Stakeholders, individually or in associations and;
 - ✓ other administrations regional and international.
- Broad initiatives are meant to provide direct service delivery for the facilitation of trade and travel.

✓

CUSTOMER PERSPECTIVE

- Smooth processes have been designed for
 - ✓ the integrated collection and protection of revenues
 - ✓ information exchange
 - ✓ dispute settlement at various levels
 - ✓ capacity building and
 - ✓ information dissemination.
- These are supported within customs to business partnership arrangements to enable constructive stakeholder engagement.

SPATIAL DEVELOPMENT AND TECHNOLOGY

- Modernization initiatives improve the physical inland and border infrastructure to meet world standards, to improve all processes, and to support Border Efficiency Management Systems (BEMS).
- Current developments include border upgrade projects with medium to long-term plans towards **One Stop Border Post (OSBP)** concepts.
- Developments are also supported by the World Bank's Ease of Doing Business recommended initiatives.
- Spatial development upgrade plans carry within them, provision for the inclusion of technological advanced electronic infrastructure for border efficiency management.
- In addition, general and routine upgrade of all other automated functions, e.g. ASYCUDA World, NIIT software, is carried out.

REFERENCE MATERIAL

- Internal information on administrative issues for use by operators is contained or accessed from a fully developed Microsoft SharePoint includes -
 - ✓ Revenue and performance reports
 - ✓ Work instructions and guidelines to procedures
 - ✓ Relevant guiding policies & legislation
 - ✓ Goods classification, valuation and origin guidelines
 - ✓ Administrative stationery for internal and external use
 - ✓ Data bases (revenue reports, statistics, research and advisory papers)
- Other decision making tools accessed via internet include
 - ✓ WCO Diagnostic guidelines and case references
 - ✓ WCO Classification, Valuation, Origin Verification and Post Clearance Audit Guidelines (Diagnostic Tools)

STAKEHOLDER ENGAGEMENT

- Exchange Of Information (EOI), information dissemination and general communication are enhanced using email, WhatsApp, mobile voice/video calling applications, mobile or desk top devices to facilitate interaction.
- Stakeholders engaged include
 - ✓ other government agencies
 - ✓ Traders, including importers and their representatives
 - ✓ other tax administrations at regional and international level
 - ✓ other stakeholders at international levels e.g. IMF, World Bank, ATAF etc.
 - ✓ Most have created interactive data sharing platforms, e.g. ATAF and IMF.

E-SERVICES PLATFORMS

- Using a smart mobile device or internet connectivity, business can access this web based platform to-
 - ✓ register for ASYCUDA World transactions
 - ✓ lodge a declaration and attend to its processing
 - ✓ monitor the progress in the processing of the declaration
 - ✓ manage the duties prepayment account
 - ✓ attach all required supporting documents as soft copies
 - ✓ update their registration information
 - ✓ apply for tax clearance certificates
 - ✓ access products such as the electronic temporary importation permit for visitors' vehicles (E-TIP)

INTEGRATED REVENUE AND LEVY PAYMENT PLATFORMS

- Under the single window concept, port health, agriculture, environmental protection agency, vehicle inspection department etc no longer directly or individually collect revenues and levies.
- To reduce the impact of agency & process multiplicity as a major non-tariff barrier and to collect and protect revenue, this facility has the following features:
 - ✓ Integration and coding of payments due to government bodies within the border into the ASYCUDA World payment system
 - ✓ Electronic payments to the revenue authority's with a single receipt issued at one point.
 - ✓ Electronically banking of these collections with each amount identifiable for proper accounting purposes.

ASYCUDA World Version 4.3.2

- The Direct Trader Input (DTI) facility enables registered brokers and traders to lodge declarations online.
- Pre-clearance and notification procedures enable brokers and traders to lodge their declarations for processing prior to arrival of the consignments.
- Risk management and the selectivity modules facilitate the immediate and automatic release of low risk consignments including imports by Authorized Economic Operators (AEOs).
- Revenue account management modules enable brokers and traders to deposit, in advance, funds for future importations and automatic transfer of the duties and taxes due from these accounts.
- Declarations lodged in error or where erroneous overpayments are adjusted, traders funds are automatically returned to the source account, on the completion of transaction adjustment process.
- Query processing and dispute settlement at point of declaration are system based and require no direct broker/officer interface.
- The system supports the uploading of Harmonized System Code updates for operators, brokers and traders for ease of reference and to create a common resource.
- Declaration Processing Centres (DPCs) enable electronic allocation of declarations to examiners at any centre for 24/7 processing.

ELECTRONIC CARGO TRACKING SYSTEM (ECTS)

- Selected high risk imports and transit goods are secured by electronic seals.
- Selection is both system based and manual for effectiveness.
- Cargo movement is monitored via Google along geo-fenced routes with driver supervision enabled cell phones including the required acquittal time lines for transit cargo.
- Reported violations are attended to by the nearest revenue administration office to minimize reaction time and to control pilferage, unlawful de-stuffing of containers or unloading of contraband.
- Seals are disarmed electronically using mobile devices to reduce delays and cost.
- This function secures revenue, the goods and the transporting vehicle, with mutual benefits for the fiscus, importers, brokers and transporters.

CONCLUSION

- The rapid global technological transformation compels both the trading community and revenue administrations to embrace innovation and creativity to keep pace and to create new and simpler business models/solutions.
- The need to invest in research and development cannot be over emphasized.
- Policies and legislative frameworks require constant review and update to catch up with the changing landscape.
- These changes should balance control and facilitation.
- There now is an even greater need for constructive stakeholder engagement at both local and global level – communication barriers need adjustment/flexibility.
- The envisaged synergies will have far-reaching benefits given that globalization is not limited by time, distance, borders or language.

**THANK YOU FOR YOUR KIND
ATTENTION**