

SOUTHERN AFRICA GLOBAL
COMPETITIVENESS HUB



Technical Report:

**Malawi/Tanzania Revenue Authority RADDEx Live
Launch – Malawi**

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EXECUTIVE SUMMARY:

Delays at international border crossings have long been identified as one of the biggest non-tariff barriers to trade in Africa. Contributing factors include inefficient paperwork processes, lack of advance notification of goods, fraudulent declarations, lack of efficient, international information exchange between revenue authorities and out dated or lack of transit and trade statistics. One drastic improvement lies in developing a platform of efficient customs and transit data exchange, management and reporting.

Interconnectivity or electronic data interchange has been a standing initiative in the Dar es Salaam Corridor agenda. Malawi and Tanzania, as corridor members, jointly requested technical assistance from the USAID Southern Africa Global Competitiveness Hub (Trade Hub) to achieve this in order to ease delays at their mutual border crossings and help eliminate fraudulent customs declarations. The Trade Hub agreed and in partnership with the USAID COMPETE Program, and through a series of meetings, technical workshops and training sessions facilitated the adoption of the *Regional Authorities Digital Data Exchange* (RADDEX) through the following critical steps:

- Establishment of bilateral operational agreement;
- Installation and customization of RADDEX software at Malawi Revenue Authority (MRA);
- Extensive ongoing testing; and
- Training (Information and Communication Technology (ICT) technical staff and Training of Trainers (TOT) end user training).

The Trade Hub also trained eight MRA and Tanzania Revenue Authority (TRA) officials on December 8 – 10, 2009.

The results increased awareness of the benefits of regional cooperation, sensitization to the need for legal reforms in the digital age, movement towards customs functioning as a union and finally a software solution owned, operated and maintained by the revenue authorities themselves.

The RADDEX software is a tool for trade facilitation. It is software designed in the environment where it runs, designed to work with connectivity utilizing minimal bandwidth and employing processes that can retry forever until they succeed. If the power is out for a week, when it is re-started, the RADDEX server will pick up where it left off. RADDEX transmits customs declaration data, in near real time, from point of initial lodging, through all affected transit points, to final destination. The RADDEX architecture employs messaging through web services and the available infrastructure utilizes minimal bandwidth with no requirement for constant connectivity.

The live launch connected the Tanzania Revenue Authority server to the Malawi Revenue Authority server, and it showed the MRA in Blantyre displaying a customs declaration made in Dar es Salaam by TRA. It showed that RADDEX is an automatic process, a system of information exchange that takes place behind the scenes, while its users only access the information on the surface. The automatic electronic transmission of customs data directly results in decreased transit delays through provision of advance notification, facilitation of pre-lodging, elimination of duplicate data entry and risk analysis. In East Africa, where RADDEX is fully implemented in Partner Member States, in excess of 900 declarations per day are transmitted from Port of Mombasa in Kenya through Malaba border post at the Kenya/Uganda border. These declarations are accessed by customs officers and clearing agents, days before the goods arrive at the border, often facilitating

instant crossing, saving transport costs in excess of \$700 per day. And these lowered transport costs should directly contribute to a lower end price of the goods when they reach the market place.

INTRODUCTION

As part of the ongoing effort to modernize customs throughout eastern and southern Africa, a need was identified to introduce Information and Communication Technology (ICT) solutions. These solutions are aimed at streamlining cumbersome customs and trade facilitation procedures thereby reducing delays in cargo clearance and transit times while working towards a paperless, communicating, fully accountable and reportable trading environment.

Following success in east Africa in the implementation of electronic customs data exchange along the Northern Corridor through technical assistance from the former USAID East and Central Global Competitiveness Hub (ECA Trade Hub), a clear benefit was seen in duplicating the strategy along additional trade routes in eastern and southern Africa. The Malawi and Tanzania Revenue Authorities (MRA and TRA) met in Mbeya in February 2008 and decided to adopt and implement a customs systems interface through the *Revenue Authority Digital Exchange System (RADDEx)* at their border crossings. They then jointly requested technical assistance from the USAID Southern Africa Global Competitiveness Hub (Southern Africa Trade Hub) to achieve this in order to ease delays at their mutual border crossings and help eliminate fraudulent customs declarations, which adversely affected revenue collections.

The ECA Trade Hub initially began collaboration with the Southern Africa Trade Hub in 2007 to share technical advice on customs systems interfacing and connectivity between the eastern and southern African regions. An agreement was made to jointly provide the technical assistance requested by MRA and TRA, and this has been honored by the USAID COMPETE Project. The Trade Hub also trained eight MRA and TRA officials on December 8 to 10, 2009.

OBJECTIVES:

- To develop a means of communicating customs data between existing Customs Computer Systems, transit interface requirements, possible ways of exchanging/transmitting data across international frontiers and legal framework for exchange of information; and
- To get MRA and TRA connected electronically.

HIGHLIGHTS:

The Live Launch of the RADDEx between MRA and TRA was officially opened by Mr. Crispin Kulemeka, Deputy Commissioner General of MRA, who pointed out that the launch was a manifestation of the commitment that the MRA and TRA have to promote bilateral and intra regional trade for the benefit of people of the two countries. He said Malawi was grateful that through USAID technical assistance, she was the first country in southern Africa to use the facility.

The TRA Director of ICT, Mr. Kenneth Wakati, in his remarks, gave a history of cooperation between MRA and TRA and also the history of the RADDEx in east Africa. All the East Africa Community Partner States customs administrations had developed bilateral links and are now exchanging customs data electronically, and with this first roll-out beyond the EAC, other administrations in southern Africa could follow the initiative.

The representative of the USAID Trade Hub, Dr. Kathleen Montgomery commended the joint effort by the USAID Trade Hub and COMPETE in the RADDEx initiative. She outlined

Trade Hub technical assistance to the Dar Corridor and in particular, to Malawi and hoped that the RADDEX initiative would be extended to other southern Africa countries.

Mr. Michael Smith, Senior ICT consultant at COMPETE, commented the joint effort between the Trade Hub and COMPETE, and gave the technical analysis of the RADDEX, and how it will operate.

Mr. Edward Kaluwa, chairman of the Clearing and Forwarding Agents Association of Malawi, making his remarks on behalf of the private sector, congratulated MRA and TRA for this initiative and hoped that the new system will form part of the solution to the streamlining of cumbersome customs processes which causes delays at international frontiers, thereby increasing transaction costs.

The Live Launch was witnessed by high ranking officials from Malawi and Tanzania Revenue Authorities, Private Sector Organizations, Executive Directors of the Dar Corridor Committee and the Trans Kalahari Corridor Management Committee (TKCMC), representatives from USAID Southern Africa, USAID Trade Hub and USAID COMPETE Project and members of the press. The list of participants is in Annex 1.

ISSUES AND RECOMMENDATIONS:

Interconnectivity or electronic data interchange has been a standing initiative on the Dar es Salaam Corridor agenda. Malawi and Tanzania, as corridor members, jointly requested technical assistance from the USAID Southern Africa Global Competitiveness Hub (Trade Hub) to achieve this in order to ease delays at their mutual border crossings and help eliminate fraudulent customs declarations. The Trade Hub agreed and in partnership with the USAID COMPETE Program, and through a series of meetings, technical workshops and training sessions facilitated the adoption of the RADDEX.

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The two revenue authorities have had long term objectives of ensuring maximum use of ICT with the aim of facilitating legitimate international trade and streamlining overall customs procedures and functions. At country level, each administration had recorded advanced uses of technology especially ICT. Both TRA and MRA have for several years been using a computerized system called the *Automated System for Customs Data (ASYCUDA++)* for processing and managing customs declarations. However, there has

not been any interconnectivity between the two, and for that matter between any countries in southern Africa. RADDEx has provided a systems solution that will enable customs administrations and concerned trading community (such as Customs Brokers) to access each other's automated information. This will improve customs controls and facilitate achievement of savings in the resources currently devoted to data capturing. Agents at the border station may not need to re-key in import declaration information but claim those in export or transit declarations uploaded in RADDEx by the originating country and submit them to ASYCUDA++. Customs officers will get early pre-arrival reports of what is expected to transact at their end and can therefore plan their activities, including risk assessment, an opportunity customs authorities have been missing.

Way Forward

The successful launch of the RADDEx between Tanzania and Malawi ushers a new era in southern Africa, as other countries have already indicated their desire to also have this connectivity. At present there is no customs systems interface and connectivity in southern Africa.