

Inception meeting for the project on preventing trade mis-invoicing in selected African countries

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UNCC, Addis Ababa, Ethiopia**

Organized by the Economic Governance & Public Finance Section,
Macroeconomics & Governance Division, ECA in collaboration with ESCAP,
UNCTAD, UN-DESA, UNODC

MEETING REPORT

May 2019

1. Meeting Outcome Summary

- ***Create awareness and sensitization among policy makers:*** The challenge of trade mis-invoicing is largely unknown among policy makers at country level. Participants called for an engagement strategy to create awareness, build political will and commitment for addressing the problem.
- ***Access to reliable trade data:*** It was acknowledged that trade data is an important prerequisite in fighting trade mis-invoicing. Countries requested for support in generating and accessing reliable data on international trade in order to detect transfer mispricing and mis-invoicing practices. In this regards, the importance of collaborations between customs and national statistical offices was highlighted as key to minimizing discrepancies in trade statistics.
- ***Promote inter-agency co-ordination:*** The need to promote the establishment of inter-agency co-ordination mechanisms on combatting IFFs was reiterated. Generally, countries still lack platforms for co-ordination among the relevant government agencies (including customs, FIUs, financial regulators, and law enforcement agencies). A strong-interagency mechanism is very important to address both the commercial and criminal aspects of trade mis-invoicing. There are good practices on inter-agency co-ordination from which lessons should be drawn such as South Africa's Inter Agency Working Group (IAWG) for addressing various forms of IFFs.
- ***The need for technical support*** in building automated customs clearing and valuation systems and infrastructure was highly emphasized, given the rapid developments in trade mis-invoicing techniques. Lesson-learning missions about South Africa's automated customs system were recommended.
- ***A model framework for cooperation:*** There is need for a legal framework for cooperation and exchange of information between customs administration at both sub-regional and regional levels. The ECA will explore the use of tools and instruments highlighted including agreements and MOUs to operationalize such a framework. It was recommended that the ECA should build on existing frameworks and tools to develop a model instrument for exchange of information among customs administrations at the regional level.
- ***Ensure sustainable implementation of capacity-building solutions*** through training of national personnel: ECA, in collaboration with developers, was requested to conduct training workshops for customs officials on the various solutions. Already some solutions like CCP provide both theoretical and practical training on different aspects of customs operations. REC Secretariats have made inroads on this through continuous trainings, practical manuals and guidelines. Training should be tailored to country specific needs.

- ***Criminalization and prosecution of trade mis-invoicing:*** In addition to customs administrative penalties, participants strongly recommended the criminalization of trade mis-invoicing and IFF practices including through convictions with imprisonment, confiscation of goods, fines and jail terms as additional remedies. At country level, this will involve advocacy for legal reforms and legislative amendments/reviews of Penal laws. Additionally, proposals tabled for prosecuting trade mis-invoicing included fast-tracking of trade mis-invoicing cases through a fast-tracked criminal justice system similar to the process adopted in high profile corruption cases. In this context, countries requested for a joint strategy on how to implement this.
- ***Prioritize funding for capacity-building against trade mis-invoicing:*** Experts advised countries to allocate funds within their national budgets for training to build the necessary capacity in curbing IFFs. In this regards, participants called upon governments to dedicate a share of resources from the stolen assets recovery initiative towards capacity-building efforts.
- ***An integrated solution approach:*** Countries expressed interest in the tools discussed including ASYCUDA, GF-Trade, UNDOC's CCP. The ECA will work with the partners to support countries in adopting and implementing identified solutions.
- ***Interface ASYCUDA with other equivalent systems:*** It was observed that although ASYCUDA is a widely used system in Africa, some countries like Nigeria and Tanzania use other systems (NYSAC and TANCIS respectively). It therefore important to develop a platform which enables countries which use other systems to interact with ASYCUDA in order to ease customs-to-customs cooperation among countries.
- ***Institutionalization of trade mis-invoicing:*** Countries called for the institutionalization of trade mis-invoicing agenda at the national and regional level. RECs expressed a commitment to prioritize trade mis-invoicing through their periodical ministerial forums on trade.
- ***An implementation strategy at country and regional level:*** It is proposed that ECA should prepare a *technical assistance programme* and action plan with clear long term and short term interventions for implementing this project.
- ***Develop a monitoring framework*** as a follow-up process to the implementation of the recommendations of the High Level Panel Report. This can be through regional workshops to assess progress made in the implementation of these recommendations.
- ***Identify country focal persons for IFFs*** to coordinate and follow-up with the relevant stakeholders and institutions.

2. Introduction

The United Nations Economic Commission for Africa (ECA) convened an Inception Meeting in Addis Ababa, Ethiopia, from April 24th to 25th 2019, for the project on *Preventing Trade Mis-invoicing in Selected Africa Countries*. Six countries have been identified for the first phase of this project including South Africa, Egypt, Tanzania, Senegal, Nigeria and Tunisia. The meeting was organized by the Economic Governance & Public Finance Section, Macroeconomic and Governance Division in collaboration with UNDESA, UNCTAD, UNODC and ESCAP, as implementing partners of this DA Project.

The meeting brought together 21 participants comprising of representatives from national customs authorities and Financial Intelligence Units (FIUs) as well as experts from Regional Economic Communities (RECs) and international organizations working on issues of trade mis-invoicing. The full list of participants is attached in Annex 2.

3. Background

The project on *Preventing Trade Mis-invoicing in selected Africa Countries* is among several ECA-led initiatives aimed at implementing the recommendations of the High Level Panel Report on Illicit Financial Flows (IFFs). The Panel's recommendations were endorsed by the 24th African Union Summit of Heads of State and Government in 2015. The Report underscored that trade mis-invoicing which involves the deliberate falsification of the value or volume of an international commercial transaction of goods and services, is the largest component of IFFs. According to ECA's latest estimates, Africa lost about \$84 billion annually in gross illicit financial outflows through trade mis-invoicing alone between 2000-2016. For most economies in Africa, IFFs constitute a significant drain on tax revenues, undermining their ability to mobilize adequate resources for development. These risks have been recognized in the 2030 Agenda for Sustainable Development where the reduction of IFFs is explicitly stated under Goal 16.

This project therefore reinforces ECA's work to scale-up domestic resource mobilization efforts in support Africa's implementation of the SDGs and Agenda 2063. Agenda 2063 reiterates that domestic resources are the core financing strategy for attaining the continent's development aspirations over the next 50 years. Similarly, the Agenda 2030 calls for strengthening domestic resource mobilization as a central source for financing the SDGs. The success of these two development agendas largely depends on Africa's ability to generate and mobilize sufficient, predictable and timely financial resources. Greater reliance on domestic resources would enhance African countries' ownership of public policy to target national priorities, strengthen public accountability and reduce exposure to the potential unpredictability of external funding.

It is against this background that the ECA is spearheading a project on strengthening the capacities of selected African countries to prevent trade mis-invoicing. The project aims to: (a) strengthen awareness of trade mis-invoicing and encouraging political will across the region to tackle the problem b) improving the capacities of the selected countries to tackle trade mis-invoicing c) ultimately contributing to lowering IFFs from Africa through trade mis-invoicing.

4. Meeting Objectives and Expected Outcomes

4.1. Objectives

The overall objective of the inception meeting is to initiate discussions towards the development and implementation of a capacity-building framework to address trade mis-invoicing at the country and regional level. More specifically, the meeting aims to:

- (i) Gather perspectives and experiences from the selected countries to define priorities, and identify capacity gaps and needs in tackling trade mis-invoicing.
- (ii) Gain insights on the efficiency and effectiveness of existing regional and global tools and solutions as well as customs' administrative practices for detecting and controlling trade mis-invoicing.
- (iii) Provide a platform to discuss the development of an appropriate capacity-building framework, including software tools, for addressing trade mis-invoicing at the country and regional level.

4.2. Expected outcomes

- (i) An enhanced understanding of key capacity challenges and needs of selected countries in their attempts to tackle trade mis-invoicing;
- (ii) A clear consensus with respect to country-specific priorities; and
- (iii) An overview of appropriate capacity-building strategies and solutions required to detect, prevent and control trade mis-invoicing.

5. Opening Session

Opening remarks were provided by Mr. Adam Elhiraika, Director, Macroeconomics and Governance Division (MGD), ECA and Ms. Laura Páez, Chief of Section, Market Institutions on behalf of Mr. Stephen Karingi, Director, Regional Integration and Trade Division.

Mr. Elhiraika welcomed the participants and reflected on the main purpose of the project which is to support African countries in mobilizing sufficient domestic resources for financing sustainable development and economic transformation. In this context, he noted that the continent's financing gap remains huge with estimates ranging from \$614–\$638 billion a year to achieve the SDGs. He added that the huge financial resources gap and needs underscore the importance of stemming IFFs, which account for significant revenue leakages from the continent.

Mr. Elhiraika highlighted that trade mis-invoicing is believed to be the predominant source of IFFs in the region resulting in severe implications for domestic resource mobilization. It undermines tax collection and constitutes a major conduit for moving capital unrecorded out of a country as well as undermining the accuracy of international trade data and statistics. He noted the central role of customs' authorities and Financial Intelligence Units in addressing this problem, but acknowledged the major capacity constraints faced. Mr. Elhiraika ended his

remarks by inviting countries to be candid in their discussions and insights about capacity gaps and constraints.

Additional remarks were provided by Ms. Laura Páez, who thanked participants for taking the time to attend. She remarked that trade mis-invoicing is a growing concern for trade as well as domestic resource mobilization efforts. She noted that the trade landscape in Africa is rapidly evolving especially with the conclusion of the agreement for Continental Free Trade Area (AfCFTA). As the required threshold of 22 ratifications was achieved in early April, the operationalization will be launched in July, during the African Union Summit. While the AfCFTA will bring opportunities for addressing IFFs, it can also bring new and unexpected challenges.

In this regard, she highlighted that stakeholders need to leverage the mechanisms contained in the AfCFTA provisions on customs cooperation, transit and trade facilitation, which require state parties to cooperate closely over the simplification and harmonization of trade procedures. She concluded by reiterating that customs departments, which are at the “front line” of the battle against IFFs need to boost their capacities to detect risks that may come with the AfCFTA implementation.

Following the opening remarks, Mr. Gamal Ibrahim, Chief of Section, MGD, reiterated the purpose of the meeting, which is to bring together developers of capacity-building solutions and country representatives. He encouraged countries to be keen in identifying suitable solutions, based on their needs and priorities. This was followed by a round of introductions, session presentations and discussions.

6. Concepts and measurement of trade mis-invoicing

Situational Analysis: Overview of Trade Mis-invoicing (TM) practices at regional and global levels

Mr. Tom Cardamone - Global Financial Integrity (GFI)

The presentation covered the definition of trade mis-invoicing, the types of trade mis-invoicing as well as how trade mis-invoicing is conceptualized in the context of IFFs. In line with this, the main sources of IFFs and the mechanisms of moving them were elaborated with the presenter concluding by emphasizing that addressing trade mis-invoicing is the ‘low-hanging fruit’ in the big challenge of IFFs.

ECA Trade Mis-invoicing Estimates

Mr. Gamal Ibrahim, Chief of Section, MGD, ECA & Alice Lépissier, Consultant

This presentation highlighted the importance of having accurate estimates on the nature and scale of trade mis-invoicing to support policy prioritization and targeted interventions to combat illicit flows. The main strengths of the estimation methodology were explained and estimates of trade mis-invoicing were presented for the selected six African countries; South Africa, Egypt, Tanzania, Senegal, Nigeria and Tunisia. The presentation showcased the top destinations for IFFs as well as the main sectors where trade mis-invoicing is prevalent.

Trade perspectives on Trade Mis-invoicing in Africa: implications for Africa's integration

Mr. Jamie Alexander -African Trade Policy Centre (ATPC) ECA

This presentation provided an overview of the progress made towards the ratification of the AfCFTA agreement and highlighted the contents of the agreement that are relevant for customs co-operation. Potential risks and patterns of trade mis-invoicing within the AfCFTA were also explained.

What statistics tell us about Trade Mis-invoicing.

Mr. Markie Muryawan –Statistics Division, Trade and Industry Section, UNDESA

The presentation provided a summary of the key challenges in trade statistics and the main reasons for bilateral asymmetries in trade data. The presenter noted that the main challenges /reasons for bilateral asymmetry in trade statistics is due to poor reporting, a lack of quality data and differences in methodology. Finally, a template for analyzing and reducing bilateral asymmetry was presented as an approach for countries to rule out statistical discrepancies before drawing conclusions on illicit activity.

Discussions

- Countries deliberated on the issue of including export processing zone information in their trade statistics. It was agreed that export processing zones should be part of trade data. However, this is done at the country's discretion due to the operation of Free-Zones, which are managed by different authorities with different reporting requirements. It was recommended that Customs authorities and Free Zones should harmonize their processes better to collaborate in capturing this data and reducing statistical inefficiencies.
- It was observed that intra-Africa transactions should also be factored into estimations on IFFs. This is because IFFs do not only take place between African countries and advanced economies, but also among countries within the region. Participants suggested that the project should therefore analyze the extent of intra-Africa IFFs.
- Participants also indicated that IFFs estimates should be presented in per capita terms rather than absolute terms, in order to determine the size of IFFs in low-income African countries. This will help to make comparisons on the scale of IFFs in Africa's high and low income countries.

7. Country Experiences with trade mis-invoicing

Presentations were made by customs officials from five of the countries represented. These presentations provided an overview of their experiences and challenges with trade mis-invoicing. A brief summary of the presentations is provided below:

Nigeria - Mr. Muhammad Ali Ibrahim, Senior Customs Official, Nigeria Customs Department

Nigeria's import procedures are categorized into three areas: pre-importation activities, clearing activities and post clearing activities. Some of the strategies adopted in detecting trade mis-invoicing practices include, but not limited to automated customs clearance (which resulted in visible trade facilitation, cost & time savings and simplification of the complex

international trade supply chain), application of the six methods of valuation, regulatory control of forex, extreme foreign profit transfer policy, capacity-building, risk management, encouraging establishment of basic industries, incentives to genuine and transparent traders and encouraging better multiagency collaboration.

The Nigeria's Customs Department adopted state-of-the-art intelligence processes across the entire data, analytics, automation and value chain to improve the overall risk management. The Department aims to create a culture that encourages the utilization of smart technologies among Nigeria's traders as well as a predictable and transparent platform for all customs business processes and procedures. The Customs Department also utilizes sophisticated tools for risk management and shares digital data with partner government agencies to address issues of trade mis-invoicing.

South Africa- *Dr. Tshisikhawe Victor Munyama, Executive: Trade & Industry Statistics, South Africa Revenue Services*

South Africa has closely followed the recommendations of the High-Level Panel on IFFs and made some policy interventions in that regard. Two approaches/perspectives on IFFs were followed: First, at a strategic level the country developed a national IFFs threat picture to guide the operational work on IFFs. Second, at an operational level creating an Inter-Agency Working Group (IAWG) on IFFs as a coordinating forum, bringing together all relevant national agencies to support efforts towards addressing IFFs.

South Africa has also made good progress in terms of customs administration enhancement. Country achievements include generating its own trade statistics legacy project to ensure high quality trade statistics, a customs modernization and automation program which focuses on implementing reforms introduced by the new Customs Act as well as immediate improvements in customs controls. As part of future strategies, the IAWG plans to strengthen transparency across all aspects/ procedures, closely monitor commercial routes to detect early the movement of IFFs; monitor new and innovative means of generating IFFs through the use of virtual currencies (e.g. crypto assets); support efforts needed in asset recovery and repatriation thorough scrutiny of international flows to financial secrecy jurisdictions; and to modernize the Customs and Merchandise Trade Statistics Processes.

Egypt - Mrs. Susan Fathallah Gawhar, General Director, Egyptian Customs Authority

Trade mis-invoicing practices in Egypt encompass deliberate falsification of the value or volume of an international commercial transaction of goods or services by at least one party to the transaction and providing forged documents (Certificate of Origin). Tools used by Egypt to address these practices include Customs law number 66 of 1963 and its amendments; valuation rule based on Article 7 of GATT 1994; applying Harmonized System (HS) rules for classification commodities and hence determination of the right types of goods and applying recent types for customs control as risk management; and post- release audit. The suggested strategies and capacity-building needs include: developing risk management and post release audit systems, and developing and reviewing all relevant legislations. In this regard, the Egyptian government has prepared a new draft Customs law expected to be reviewed by the State Council and approved by Council of Representatives.

In addition to improvements in the customs infrastructure and strengthening law enforcement, the Customs Authority needs support to develop and enhance its capacity through technical training for customs officials; organizing mutual co-operation conferences between

countries to share experiences with regard to combating trade mis-invoicing; organizing technical awareness workshops for importers, investors and business actors to improve compliance and to disclose all information requested by the customs authority; developing computerized data base for prices and types of goods as well as developing a fully-automated system for customs procedures. However, it was observed that such a capacity-building activities will require significant financial and technical support.

Senegal- *Lt-Cl Amadou Ba DIATTA, Assistant Director of Intelligence and Customs Investigations, General Directorate of Customs*

Senegal is integrated into regional economic, monetary and / or customs communities (UEMOA, ECOWAS, ZONE FRANC, in particular). The control of import and export activities in Senegal is entrusted to the General Directorate of Customs. Excessive invoicing of import goods is a big challenge in Senegal. The Directorate of Customs has identified a category of transactions which are particularly susceptible to mis-invoicing which includes petroleum products, medicines, vehicles and telephone equipment, among others. A major channel for trade mis-invoicing is commercial transactions between related corporate entities, mostly subsidiaries and parent companies of Multi-National Corporations (MNCs).

To address mis-invoicing, the Directorate of Customs implemented several reforms including: the adoption of Community¹ and national laws on customs valuation, money laundering and foreign exchange control; expanding the mandate and powers of customs officers. Key areas for reform and capacity-building needs are as follows:

- Stronger collaboration of the national services involved in the fight against illicit financial flows (Banks, BCEAO, DMC, TAXES, CENTIF, GENDARMERIE, POLICE, etc.).
- An improvement of the local risk analysis system by the implementation of criteria oriented in the fight against the overcharging of imported goods.
- Strengthening mutual administrative assistance at the regional and international level.
- Support for the establishment of a value database and/or access to existing databases at the international level.
- Raising-Awareness-among policymakers on the scourge of IFFs and its negative effects on Africa's sustainable development.

Tunisia - Colonel Major Fethi Homrani, Director of Tunisian Customs Investigations, General Directorate of Customs

Tunisia is a signatory to Agadir Agreement, a free trade agreement between Egypt, Jordan, Morocco and Tunisia signed in 2004. It provides for co-operation in customs administration among these countries as well as the Arab League and the European Union. Through this agreement, Tunisia receives administrative assistance in customs valuation. To address falsified invoicing or reduction of the value of registered goods, Tunisia's Directorate

¹ UEMOA-Economique et Monétaire Ouest Africaine, ECOWAS- Economic Community of West African States and ZONE FRANC.

of Customs adopted a formula for determining the contract value of goods. According to this formula the value is the price actually paid or payable for the goods when they are sold for export to the country of importation. In the absence of such a value, alternative methods, called substitution methods, are applied.

The presentation highlighted some of the key interventions needed to fight against trade mis-invoicing in Tunisia, particularly review of laws and regulations, ensuring compliance with international conventions and building a robust data base of trade statistics. In terms of administrative reforms, the Directorate of Customs put in place measures to improve risk management, controls and updated the database. The Directorate of Customs has the mandate to institute legal action against traders involved in mis-invoicing.

Inter-agency coordination is one of the mechanisms used to address IFFs in Tunisia. The General Directorate of Customs works in collaboration with the national tax authority, the national committee of financial analysis, the Central Bank, the judicial economic and financial Centre as well other relevant bodies.

Discussions

- It was noted that measuring trade mis-invoicing and IFFs in general is a complex undertaking and is a challenge for many countries therefore capacity-building in this area would go a long way. UNCTAD expressed commitment to work with ESCAP and ECA to support countries in this regard. This can include technical assistance in capturing goods imported through e-commerce.
- Experiences from some countries which belong to a single customs territory or regional economic bloc shows that there are already existing mechanisms for automatic exchange of information. This is already taking place between South Africa and Eswatini within SACU.
- It was reiterated that collaboration among customs officials should be enhanced through formal arrangements such as MOUs and inter-country agreements and/or conventions to promote information sharing. Examples were shared such as the MOU between South Africa and DRC which gives customs officials of both countries the mandate to investigate any suspicious transactions. Through this MOU the countries have made some achievements in the fight against trade mis-invoicing.
- There is need for this project to build on existing mechanisms for customs cooperation and exchange of information among RECs and individual countries. Based on the existing mechanisms for automatic exchange of information, it was recommended that the ECA should develop a model framework agreement which can be replicated for country-specific contexts.
- Similarly, at the regional level, experts highlighted the need for a legal framework to enhance coordination among countries on issues of customs administration. It was proposed that the ECA should explore the use of some tools and instruments such as Conventions, MOUs to operationalize such a framework. It was also suggested to build on what exists already in some countries and RECs such as COMESA. The ECA can build on the existing tools and instruments to develop a

model regional instrument for co-operation and exchange of information between customs among countries.

- It was shared that ECOWAS has one of the oldest practices in customs cooperation and automatic exchange of information facilitated by a 1992 Convention. This Convention has gone through a series of revisions to address emerging issues including transnational crimes. In 2018 a new Convention was signed to facilitate mutual exchange of information among countries. In December 2017, ECOWAS harmonized customs legislation to strengthen customs operations, enforcement and risk management among all the member countries.
- In terms of capacity-building, the need for training was reiterated. Already some solutions provide both theoretical and practical training on different aspects of customs operations. REC Secretariats have also made inroads on this through continuous trainings, developing manuals, and guidelines. It was recommended that training should be tailored to the specific needs of countries.
- Countries observed that in West and North Africa, transnational trade is dominated by MNCs and their subsidiaries which are responsible for a significant share of IFFs in the sub-regions. In this regards it was recommended that efforts to address trade mis-invoicing should also include setting up a data base of key players in transnational trade.
- The practice of IAWG in South Africa was highly appreciated. Participants clearly emphasized the importance of establishing platforms on inter-agency co-ordination at the national level which will bring together all relevant institutions (Customs administration, FIUs, financial regulators, and law enforcement). Countries were encouraged to draw lessons from South Africa's IAWG.
- It was observed that despite such efforts, South Africa still has a high level of IFFs. There is need for additional funding to make the IAWG fully operational. Moreover, data sharing in the IAWG is also encumbered by confidentiality regulations. For South Africa, the need for continuous training of professionals in data analysis was also mentioned due to high demand and turnover of data specialists into financial institutions.
- Participants agreed that an outcome document from the inception meeting with agreed recommendations and an action plan should be shared with REC Committees of Trade and Industry as a way of popularizing and prioritizing the fight against trade mis-invoicing. It was particularly emphasized that trade mis-invoicing should form a priority agenda item of sub-regional Ministerial forums on Trade.

8. Existing solutions/tools to prevent trade mis-invoicing at regional

Presentations were made by stakeholders on existing solutions/tools used to tackle trade mis-invoicing.

The Container Control Programme - UNODC

The presentation provided a brief overview of the Container Control Programme which has 54 participating member states and currently operates in 91 ports and airports. Globally, 701 million Twenty-foot equivalent unit (TEU) containers are transported annually accounting for 90 percent of the global cargo trade, however it is not clear how many of these are used for illicit movement of goods. Only 2 per cent of the containers are physically inspected due to the heavy workload and capacity gaps which gives ample opportunities for organized crimes. The Container Control Programme (CCP) thus aims to enhance better inspection rates. The programme was developed in 2004 by the United Nations Office on Drugs and Crime (UNODC) in collaboration with the World Customs Organization (WCO). The mission of the CCP is to build capacity in member states to improve risk management, supply chain security and trade facilitation in seaports, airports and land border crossings in order to prevent the cross-border movement of illicit goods. The programme helps to prevent criminal activities through harnessing the strengths of customs and other law enforcement agencies.

When a country expresses interest in the CCP, a formal agreement is made between the relevant national authorities and UNODC, followed by a technical assessment of the participating port or airport. The CCP encourages interagency cooperation agreements since port controlling involves several other national agencies such as Wild Life, Crime prevention agents, patrol police etc. Once a mutual agreement is signed, theoretical training is conducted supported by practical trainings as well as advanced specialized training (intelligence training, hijack training etc) where needed. The programme is fully dependent on donor funds and to date there are 18 countries that fund the programme. One of the challenge is the varying interests of donor countries.

ESCAP Trade Mis-invoicing Solution: Lessons for African Countries - ESCAP

Where and how to dodge taxes and shift money abroad using trade mis-invoicing: A beginner's guide – Working Paper Series.

The presentation highlighted the main reasons for trade mis-invoicing as capital flight and profit shifting, tariff and non-tariff measures, indirect tax avoidance as well as indirect tax rebates and export subsidies. A model was presented which identified the differences in export/import under/over invoicing and weight through discrepancies in the quantities. It was noted however, that if prices are inflated/deflated on both sides, this model may not be helpful. Therefore, it is recommended to strengthen customs-to-customs data exchange, develop framework agreements on facilitation of cross-border paperless trade, adopt digitalized trade processes to enable electronic exchange and legal recognition of trade-related data and documents across borders.

Another solution is the Trade Intelligence and Negotiation Adviser (TINA), <http://tina.negotiatetrade.org>, an online decision support system on trade negotiations designed to build capacity of trade negotiators in developing countries in a sustainable manner. The system combines multiple sources of data including country data, WTO tariff data and other data bases. It also automates data collection and manipulation. Currently, the system is not able

to detect illicit financial flows but it could be easily expanded to analyze price distribution. In the long-term, the system can be enhanced to examine trade mis-invoicing between potential trade partners which can then be addressed through customs provisions in trade agreements, thereby extending the system to capture mis-invoicing.

GFTrade Solution – GFI

The presentation highlighted that the GF-Trade solution is friendly to use. It gives full access to data by countries' customs department. There is no need to install software or hardware and it provides automatic monthly updates of trade information from 31 governments (US, Japan, China, Eurostat). GFI staff conduct country visits to specifically train customs officials as well as a mid-year week-long follow up visit to countries for additional customer engagement and consultations.

The solution was described as *accurate* as it provides real time pricing information for thousands of products from 31 of the world's top trading nations; *efficient* as it enables customs officials to quickly clear low-risk transactions and place greater focus on commodities susceptible to mis-invoicing. GF-Trade solution also provides instantaneous results (in real time) and consistently updates product pricing information monthly. In addition, the system is secured (password protected and server firewalls to prevent data leakage) which provides high returns on investment.

ASYCUDA Programme - UNCTAD

The presentation provided an overview of ASYCUDA, an integrated, automated customs management system for international trade and transport operations. The system helps to develop a more efficient and effective customs administration, thereby protecting a country by combating fraud and the illegal trafficking of prohibited/ restricted goods. It also provides statistical information on foreign trade transactions which are essential for economic planning.

The system operates on various types of hardware in a client/server environment and takes into account all international codes and standards relevant to customs processing as established by International Organization for Standardization, World Customs Organization and the United Nations. The system can easily be adapted to national contexts and it allows for electronic data interchange between traders and customs administration. ASYCUDA aims to reform the customs clearance process, reduces average clearance times, as well as increases customs revenues. It was mentioned that the system is currently used by 95 countries.

Discussions

- It was acknowledged that most countries are not aware about these solutions and in this regard, countries suggested that developers need to raise more awareness in the region.
- It was discussed that CCP program is potentially an influential tool since a significant share of global cargo trade is transported by sea. Crime is exacerbated through big volumes of trade and without the necessary technology and tools it is not possible to solve mis-invoicing. It is important to enhance coordinated efforts to facilitate international collaborations through MOUs among agencies as well as trade agreements for better sharing of data. As best practice, the Egyptian Customs Authority signed protocols with several countries in North Africa to

promote the exchange of data and information among the customs bodies. The government also signed agreements for customs co-operation with its key trading partners including China. Through these arrangements, customs are able to receive information on corresponding transactions. This was commended as a good practice for other African countries.

- Participants highlighted that CCP is tailor-made to cater for country specific conditions and priorities. It involves a two-weeks theoretical training which can be longer depending on country needs. This is usually followed by practical and other specialized training on various aspects of customs administration processes.
- Nigeria's representative specified that CCP may assist the Customs Authority in addressing the huge problem of container dumping. It was proposed that Nigeria should consider joining the CCP to address such logistical challenges, including the parallel airport control programme.
- A key recommendation was about the need for digitalization of trade facilitation procedures to eliminate issues of under or over declaration of quantities and prices of goods.
- Participants articulated that capacity-building for adopting the solutions discussed is very key. Emphasis was placed on building in-house capacity of customs officials to ensure sustainable implementation. It was generally agreed that building in-house capacity of customs will require long term strategies and approaches. Currently, ECOWAS is working with countries to transition to the ASYCUDA system and ensure that the system is fully operated by national officials. It was reflected that capacity-building training is highly required during such transitional processes.
- It was clear that many countries in Africa have embraced and adopted the ASYCUDA programme since it is not only a tool for preventing trade mis-invoicing but it is also a customs management system which covers the entire value chain of foreign trade clearing procedures. In COMESA, the programme is now utilized for small scale traders. As complementary efforts, it was recommended that countries using ASYCUDA should build their own price reference to enable comparison with international prices and with declared prices.
- Important to note is that ASYCUDA is demand-driven system which was originally developed on request from ECOWAS. In Africa, it has been successfully implemented for a broad range of customs management issues, including customs declarations, accounting procedures, transit and suspense procedures. It was proposed that developers should explore ways of using the ASYCUDA to enhance information exchange among countries. However, it was mentioned that information exchange among countries cannot only be solved at the system level, there is need to have agreements among trading countries. A case in point is that Egypt receives invoices from China because of the trade agreement between the two countries.
- Countries were informed about some of the challenges involved in the implementation of these solutions including; resistance to change among customs personnel, the high cost of maintenance, internet outages and the high turn-over

of staff after training. To avoid such setbacks countries were advised to complement the solutions with manual documentation. While the tools and solutions are very helpful, they should not replace customs documentation like certificates of origin or declaration forms.

- It was discussed that moving to a computerized system is critical but it is important for countries to share challenges in adopting the tools and how to tackle such issues. In this regard, collaboration among partners/developers to ensure effective implementation and information-sharing remains key.
- Countries were advised to develop uniform customs documentation in order to improve transparency and minimize false declarations. Experts advised that this requires collaboration with the World Customs Organization which is responsible for developing best customs practices globally.
- In conclusion, participants recommended the need to integrate elements of GF-Trade, the CCP with ASYCUDA to develop a model solution which addresses country specific needs. Such a solution should provide an opportunity for other agencies to interface with ASYCUDA system to enable the exchange of data and customs to customs coordination. It was recognized that the implementation of these solutions will require a huge amount of funds which can be partly sourced through development assistance.
- As a way forward, a medium to long term action plan was highly recommended to guide countries in tackling trade mis-invoicing and to create impact. The long term plan should also consider inbuilt mechanisms to enhance the capacity of custom officials.

9. Country Specific Capacity-building Needs and Priorities

This session focused on country suggestions/interventions as to which capacity-building solution is most suitable to their country needs and priorities.

Nigeria

- Prioritizing the criminal aspect of the IFFs can be an effective strategy for addressing the commercially-driven illicit trade especially in Nigeria given the high level non-compliance.
- Resources from asset recovery funds should be channeled towards financing efforts aimed at addressing TM/IFF. For instance, the recovered amount could be computed based on past experience to get an estimate of how much countries can raise from within.
- The need for ECA support Nigeria in setting up Nigeria's national IAWG was emphasized.
- The importance of ECA and the HLP to follow-up and monitor progress in implementing recommendations of the HLP at country and sub regional level.

Egypt

The Egypt representatives indicated the need for capacity-building in terms of technical training. There is huge demand for technical training for the customs officials and the specific training needs will be communicated in due course.

Tanzania

- Tanzania has an IAWG. The country was using ASYCUDA but currently it adopted TANCIS. Tanzania's customs need capacity-building in order to address trade mis-invoicing. GF-Trade could assist in identifying the under/overvaluation of the commodities.
- The port of Dar es Salaam serves several landlocked neighboring countries and strengthening regional cooperation is key.

Tunisia

- The customs office has a risk management system in place and they have trained a number of staff in evaluation and control.
- In Tunisia, a Commission was created within Central Bank to address issues related to money laundering.
- At the international level, the Directorate General of Customs is working with the European and Arab Union to control of false invoicing through mutual administrative assistance to verify the values of the goods declared and their origins. Support is needed for further cooperation with other African countries.

Senegal

The Senegal representatives discussed the following capacity-building needs:

- How to use the tools to determine mis-invoicing.
- Developing modernized customs systems.
- Logistical and materials support.
- Capacity-building on how to administer the solutions/tools.
- Strengthening cooperation at the regional and international level.
- Legal and regulatory reform.
- Sensitization of policy makers about IFFs.
- Conduct situation analysis to have a broader understanding of the situation.

South Africa

- There is a shortfall in capacity-building despite several trainings offered. Next June, South Africa's customs office has planned to offer training on trade statistics to build the capacity of employees. However, shortage of funds remains a challenge to full execution of the training.
- Greater sharing of experiences from other African countries.
- Countries should allocate resources specifically for capacity-building activities as is the case in South Africa.

In summary, countries indicated the need for training to build competent personnel at customs. The lack of funding was mentioned as a critical issue for capacity-building trainings. Countries were advised to mobilize domestic resources and specifically budget for training/capacity-building as demonstrated by South Africa's case. Additional funding from UN and other development agencies should also be sought.

10. Closing Remarks

In closing, Mr. Allan Mukungu the focal person at the ECA for this project thanked colleagues for the valuable insights and recommendations made at the meeting. He indicated that the ECA will undertake scoping missions to countries to further delve into the specifics of the identified capacity-building solutions. He further suggested the possibility of an online platform to facilitate continuous engagements and interface on this project. He thanked country representatives, implementing partners and colleagues for attending the meeting.

Annexes

- I. Programme
- II. List of Participants

Annex I. Meeting Programme

Time	Activity
DAY 1: WEDNESDAY 24TH APRIL	
8:30am- 9:00 am	<i>Arrival and Registration – Ms. Rahel Abebe, ECA</i>
9.00am-9:15 am	<p>Welcome, opening remarks and introductions</p> <ul style="list-style-type: none"> - Mr. Adam Elhiraika Director, Macroeconomics & Governance Division (MGD), ECA - Mr. Stephen Karingi, Director, Regional Integration & Trade Division (RITD), ECA
9:15am – 10:15am	<p>Situational Analysis: Overview of Trade Misinvoicing (TM) practices at regional and global levels: Mr. Tom Cardamone, Global Financial Integrity (GFI)</p> <p>Definition of TM, key features, distinction between TM and other forms of IFFs (aggressive tax avoidance and money laundering), the key methods/ channels through which TM takes place, commodities most affected by TM, Key country destinations for TM</p> <p>ECA TM Estimates: Mr. Gamal Ibrahim, Chief of Section MGD, ECA & Ms. Alice Lépissier, Consultant</p> <p>Trade perspectives on TM in Africa: Implications for Africa’s integration: Mr. Jamie Alexander Macleod, African Trade policy Centre (ATPC), ECA</p> <p>What statistics tell us about TM: Mr. Markie Muryawan, United Nations Statistics Division, UNDESA</p>
10:15-10:30am	<i>Coffee Break</i>
10:30-11:00am	<p>Discussion on presentations:</p> <p>Moderator: Mr. Alexey Kravchenko, ESCAP</p>
11:00-11:45	<p>Country experiences with TM: strengths, challenges, capacity needs and national strategies to address the problem</p> <p>Moderator: Mr. Gamal Ibrahim, ECA</p> <ul style="list-style-type: none"> - Presentation by Customs Official: Nigeria - Presentation by Customs Official: South Africa - Presentation by Customs Official: Egypt

11:45am -12:30pm	Discussions on country experiences & perspectives from Financial Intelligence Units: Mr. Tom Cardamone, GFI
12:30pm – 2:30pm	<i>Lunch Break</i>
2.30pm – 3:15pm	Discussions on country experiences (cont'd) Moderator: Mr. Markie Muryawan, UNDESA <ul style="list-style-type: none"> - Presentation by Customs Official: Senegal - Presentation by Customs Official: Tunisia - Presentation by Customs Official: Tanzania
3:15pm -4:00pm	Discussions on Country Experiences & perspectives from Financial Intelligence Units Chair: Mr. Francis Mangeni, COMESA
4:00pm – 4:15pm	<i>Coffee Break</i>
4:15pm -4:50 pm	Existing solutions/tools to prevent TM at regional and global levels Implementation progress, achievements, challenges and opportunities, The pros and cons of capacity building solutions Moderator: Ms. Suzan Fathallah Gohar, Egyptian Customs Authority <ul style="list-style-type: none"> - The Container Control Programme - Mr. Svetlan Savov, UNODC - ESCAP TM Solution: Lessons for African countries - Mr. Alexey Kravchenko, ESCAP
4:50pm – 5:30pm	Discussions on existing solutions - Ms. Anu Peltola, UNCTAD
5:30pm—5:35pm	Wrap-up of the day’s proceedings - Ms. Uzumma Erume, ECA
DAY 2: THURSDAY 25TH APRIL	
9:00am – 9:50am	Existing solutions/tools to prevent Trade Mis-invoicing Moderator: Mr. Tshisikhawe V. Munyama, South African Revenue Services <ul style="list-style-type: none"> - GF Trade Solution - Mr. Tom Cardamone, GFI - ASYCUDA Programme - Ms. Anu Peltola, UNCTAD
9:50am- 10:30am	Discussions on existing solutions: Moderator: Mr. Tshisikhawe V. Munyama, South African Revenue Services
10:30am- 10:45am	<i>Coffee Break</i>
10:45am -12:30pm	Discussions: Country specific needs and priorities for capacity building solutions drawing on (but not limited to solutions presented) Chair: Mr. Sulayman B. Dawodu, Open Government Partnership, Nigeria <i>This session will focus on country suggestions/interventions as to which capacity building solution is most suitable to their needs and priorities.</i>

12:30pm- 2:00pm	<i>Lunch Break</i>
2:00pm - 3.30pm	<p>A summary of capacity building solutions discussed, action areas and way forward - Mr. Gamal Ibrahim, ECA</p> <p>Discussions</p> <p>Chair: Lt-Cl. Amadou Ba Diatta, General Directorate of Customs, Senegal</p>
3:30pm-3:45pm	Closing Remarks: Mr. Adam Elhiraika, ECA
3:45pm-4:00pm	<i>Coffee</i>

Annex II.

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