

The Role of Revenue Authorities in International Trade Facilitation in East African Community

Mugwe Moses 

Ph.D. Candidate , Kenyatta University, Kenya.

ARTICLE INFO

Received: 08 July 2022

Revised: 06 September 2022

Accepted: 24 September 2022

Keywords:

International Trade
Facilitation,
Revenue Authorities,
Kenya Revenue Authority,
Tanzania Revenue Authority,
Uganda Revenue Authority

Corresponding Author:

Mugwe Moses

Email:

mugweskab1@gmail.com

Copyright © 2022 by author(s).

This work is licensed under the
Creative Commons Attribution
International License (CC BY 4.0).
<http://creativecommons.org/licenses/by/4.0/>



ABSTRACT

Purpose: The study examines the role of revenue authorities in facilitating international trade in the East African Community. It specifically seeks to establish the degree of integration of revenue authorities in member countries of the East African Community; to assess the individual role played by revenue authorities in member countries of the East African Community to facilitate trade; and to examine the collective role played by revenue authorities in member countries of the East African Community to facilitate trade.

Approach/Methodology/Design: A qualitative approach with a special focus on explanatory design was used to collect and analyze study data. The primary evidence and reports available are used to establish the role played by revenue authorities in trade facilitation. Seven (7) key informants from Kenya, Uganda and Tanzania were interviewed. The responses obtained were analyzed thematically.

Findings: From these findings, it is determined that there are major steps and strategies taken by revenue authorities in the East African community to facilitate international trade. One of these steps was the introduction of a single bond for member countries, whereby traders are allowed to have a single bond for their imported goods for all countries through which their goods pass. Revenue authorities are also implementing integrated customs programs such as regional electronic cargo tracking systems (RECTS) and customs interconnection as a means of increasing the efficiency and effectiveness of customs administration. Through the authorities, a Single Customs Area (SCT) was implemented thereby streamlining the movement of goods throughout the East African Community. The authorities have also introduced a trading information portal, a platform intended to utilize trade information among traders in member countries.

Originality/value: To improve trade facilitation in the region, revenue authorities need to advance their cooperation, thereby streamlining the implementation of key trade facilitation policies. Embracing a more integrated system will be critical for authorities to work closely together, reducing process duplication and improving the flow of operations across member countries to facilitate international trade.

INTRODUCTION

Governments' operations are financed by revenues obtained from different sources such as government investments, taxes and levies, grants and loans and sale of the available resources (World Bank, 2017). Out of these sources of financing from the government, tax revenue remain the main integral since it can be the most reliable source of funding if it is effectively managed and mobilized. Moreover, the tax revenue is generally proportionate of the country's stability, thus it is an indicator of how well an economy is. To maximize the tax revenue and its effectiveness in contributing to the country's success, governments set institutions that are

mandated to coordinate the taxation process and collect the taxes from businesses and individuals within the country and in other jurisdictions as prescribed in the existing structures and policies (Ramasamy & Yeung, 2019). These institutions usually known as revenue authorities are tasked with the mobilization of tax revenue collection and ensuring compliance of the existing tax policies for both businesses and individuals. Every year, as per the Monetary Fund and World Bank guidelines, countries through the tax revenue authorities set targets of expected revenue collection which are aimed at gauging the extent to which the revenue collection is done. These targets determine the ability of a country to finance its debts and internal operations, thus every tax administration organization seeks to meet the target or even exceed the target.

As the tax administration institutions seek to mobilize tax revenue collection and meet the set targets, it goes without saying that their role also is to ensure the companies and individuals are able to pay taxes (Inomjon, Abduraimova & Sarvar, 2021). In the modern era, tax administrators are shifting to not only focusing on revenue collection, but also enhancing the ability of organizations and individuals to pay taxes, through promotion of better operating grounds (Atkin & Khandelwal, 2020). Supporting business and individuals to meet their tax obligation is a way of planting the seeds of success for the tax administrators, as this enables them (the businesses and individual tax payers) to be in a position to pay more taxes, thus the targets by the tax authorities are more easily met.

In developed countries like the United States of America, tax administrators support businesses to grow so that they can increase the number of tax payers and contribute to the tax revenues. According to Roberts, Prager, Baschnagel, Rose and Shears (2021), the Internal Revenue Service (IRS) in the US does not only collect taxes, but also supports emerging firms to streamline their operations and break-even, so as to enhance their ability to pay taxes. Roberts et al. (2021) further allude that the mandate of the IRS is not only to collect the tax revenue, but also to negotiate with the tax payers to establish a level ground where the taxes can be paid. The tax administrator also supports local entrepreneurs by giving them tax holidays so as to catch-up with the operating environment and get adequate stability to pay taxes and still continue operating.

In Canada, tax revenue administration is done by the Canada Revenue Agency (CRA). The agency is mandated to collect and administer tax revenues and ensure the country meets its annual targets in tax collection (Gnangnon, 2017). The agency also facilitates trade by promoting the local businesses to carry out trade activities both locally and internationally. According to Gnangnon (2017), the CRA is always instrumental in enabling local firms especially the SMEs to venture into exports and thus widening their revenue collection margin. Offering unified permits and licences as well as efficient processing of compliance requirements are key measures that CRA undertakes to facilitate trade among local and international businesses (de Lange, Walsh, & Paul, 2022). These facilitation measures as described by Stewart and Noorbaloochi (2019) are essential in strengthening the capacity of the tax administration agency to meet its targets, as well as promoting a good relationship between the tax payer and the agency.

In Britain, Her Majesty's Revenue and Customs (HMRC) is the agency tasked with collection and administration of tax revenue in the UK. The role of the agency is to administer and collect taxes and customs and promote compliance among individuals and entities. According to Alqaryouti and Shaalan (2022), the success of HMRC in administration and collection of taxes has been mainly due to the trade facilitation measures undertaken by the agency. Through its time-to-time facilitation processes such as sensitization of traders, negotiations with traders to establish the appropriate taxes to be paid and continued tax holidays for the upcoming start-ups

and SMEs, the agency has been able to exceed its targets, and by so doing, promote the economic growth and development (González & Sorescu, 2019). Hillberry and Zhang (2018) contemplates that trade facilitation should be upheld by not only the state agencies tasked with facilitation but also the revenue authorities which ought to be supportive.

In Regional Trade Organizations (RTOs), revenue authorities play a significant role in promoting the effectiveness of trade among the members (Vassilevskaya, 2020). One of the fundamental aspects that trade agreements focus on is taxation and how to make the taxation and custom policies friendly to the traders. This implies that the tax administration institutions have the central role to play in ensuring that the trade facilitation is achieved through easing of the trade requirements. According to Ismail (2020), revenue authorities may not be the formulators of the policies aimed at easing trade requirements between countries, but they are the main implementers of the policies, thus their role is immense in contributing to the success of the Regional Trade Agreements (RTAs). Since countries in a regional trading block might not have a unified revenue administration institution, the agencies from individual countries ought to work together in order to enhance the effectiveness of trade facilitation (Lubeka, 2017). This calls for the integration of policies and structures among the revenue administration agencies in order to have an elaborate and unified mode of operation that is aligned on the existing trade facilitation measures.

As countries come together to form regional trade organization which are aimed at easing trade barriers among countries, revenue administration agencies in the countries remain an integral part of the trade facilitation. However, the role of these agencies has been overlooked, with little emphasis on their role and how they come in as both revenue collectors and trade facilitators. In East African Community (EAC), revenue authorities in the member countries have been showing their commitment to work together in a bid to achieve a more unified implementation process of the laid-out trade facilitation measures. Despite the continued meetings and corporation among the revenue authorities in the EAC region, there exists limited evidence on the role the agencies have played in promoting trade facilitation. Moreover, the stipulation of their roles and their integration has not been put across to clearly describe how they implement key trade facilitation policies in the region. Evidence from other regions such as Europe (Safaeimanesh & Jenkins, 2021) Asia (Ismail, 2020) Gulf and Caribbean (von der Ppten, 2021) show that trade facilitation is mainly enhanced by the integration of the revenue administration agencies in the member countries. This having not been empirically proven in the region and particularly in the EAC, this study was set to establish the role that the revenue administration authorities/agencies in the EAC member countries play in enhancing trade facilitation in the region.

REVIEW OF LITERATURE

Striking a Balance between Customs Administration and Trade Facilitation

One of the major issues that have emerged on the efforts to enhance trade facilitation is the need for customs and how to have the customs administered without affecting the trade facilitation. The administration of customs requires that the administrators (the revenue authorities) work together with the importers and exporters to ensure clearance and compliance with the import duty and other taxation guidelines. The guidelines and policies are strongly upheld in the trade facilitation, an indication that the revenue authorities are integral in enhancing the success of the process. According to Otsuki, Honda and Wilson (2013), trade facilitation is related to changes in the trade environment in terms of reforms, modernisation and simplification of the requirements with the aim of reducing time and saving on costs of

trade. Safaeimanesh and Jenkins (2021) on the other hand describe the process of trade facilitation as the implementation of key policies that ensure that there is seamless trade with efficient communication and transport infrastructure among the Regional Trade Organization (RTO) member countries. Trade facilitation measures are recognised to be essential in helping to strengthen trade ties between countries, thus speeding-up the process of economic growth and development (OECD, 2019). Most of the facilitation measures, however, coincide with the customs and related activities, thus placing the revenue administrators at the core of implementing the trade facilitation measures.

According to World Trade Organization (WTO) (2018), trade facilitation measures are categorized in two broad categories, which are; hard dimensions and the soft dimensions. The hard dimensions of trade facilitation comprise of the aspects surrounding physical infrastructure and other tangible elements that are meant to strengthen trade facilitation. Road networks and transportation infrastructure such as railway lines, air ports and seaports are essential infrastructure that facilitates trade. These require huge investments by the governments, and the role of revenue authorities is limited in these measures. The soft dimensions on the other hand comprise of measures that wave around policies and they majorly encompass customs and duties. According to Siddiq and Ahsan (2022), soft measures of trade facilitation are responsible for solving over eighty percent of the issues that affect trade facilitation. While infrastructure and transport networks have been put in place to interconnect most countries across the world, soft measures still continue to undermine the effectiveness of trade facilitation (Hoekman & Shepherd, 2015). In countries with high degrees of customs controls and bureaucracy, including landlocked countries, soft dimension investments can provide faster trade facilitation results (Grainger, 2014).

The soft dimension is frequently relevant in the customs context. For example, although the requirement for documentation offers the necessary support for international transactions, excessive requirements impose administrative costs on the importers and exporters involved and may cause uncertainties (OECD, 2019; Shepherd, 2016). Customs and trade procedures could be simplified by reducing the number of documents required for international trade and by replacing printed forms with electronic ones, which are more easily transmitted. Reforms in the customs environment do more to improve the business context than do tariffs that are negotiated in multilateral negotiations (Hoekman & Shepherd, 2015). Carrying out more efficient collection of taxes on trade could also simplify these procedures (Hoekman & Shepherd, 2015). Decreasing the time required for physical conferences and the delivery of imported goods could increase the revenue of national governments (Rudahigwa & Tombola, 2021).

The revenue authorities being the key implementers of any soft dimension measures put across on trade facilitation, they ought to be steadfast in working together across the countries in given trade organizations to achieve their goals (Siddiq & Ahsan, 2022). The authorities operate as distinct institutions and with set timelines and targets to meet. Owing to the need to perform and record better results through meeting the set targets, it implies that the revenue administration agencies are held at a grid between implementing policies that reduce or eradicate some of the customs and maximizing the collection of customs to meet their targets. To strike a balance between the collection of customs to meet the targets and eradicating some of the customs as it may be prescribed in the existing policies of trade facilitation, the revenue agencies for the member countries ought to work together with other policymakers to formulate and implement the trade facilitation policies.

Integration of the Revenue Authorities

In many Regional Trade Agreements (RTAs) across the World especially among the advanced economies, the revenue authorities have been integrated to ensure that their role in synchronizing the trade facilitation measures with the existing taxation policies is achieved effectively (WTO, 2017). In several occasions, the revenue authorities in Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) member countries hold seminars and meetings to coordinate their operations towards implementing the trade facilitation measures among their respective countries. The IRS of the United States and other revenue authorities in OECD meet occasionally to come up with a process of working together to strengthen their respective countries' trade relations, while ensuring there is a smooth flow of the existing trade agreements (Cohn, 2020). The Asia-Pacific Economic Cooperation (APEC) which incorporates 21 member countries, has a sub-organization known as Committee on Trade and Investment (CTI) which comprises of among other members, the trade facilitation and revenue administration agencies. The aim of this committee is to ensure trade facilitation in the member countries is achieved through integration of key policies that reduce duplication of process and reduce the time and costs of trade among the member countries (Shepherd, 2016). These key examples show that integration of revenue authorities for the RTA member countries is fundamental in enhancing the effectiveness of trade facilitation measures.

In East African Community, integration of the revenue authorities has also been gaining momentum over the past five years. The revenue authorities from the first EAC member countries (Kenya, Uganda and Tanzania) have in many occasions worked together to ensure a collective role in the regional trade and customs administration (Rudahigwa & Tombola, 2021). Some of the measures that have been collectively implemented among the revenue authorities in the three countries include the Single Customs Territory (SCT). This is a system aimed at enhancing seamless flow of trade among the member countries. Introduced in 2013, the system is still yet to be effectively upheld in some of the EAC member countries. The system ensures effective harmonization and simplification of customs procedures, documentation and automation of customs systems and its effective implementation would ensure the member countries record a more robust flow of trade (Kamau & Odongo, 2020). Such measures require the revenue authorities in the member countries to efficiently work together to ensure timely implementation. If the system is implemented in one country within the stipulated timelines but other countries lag behind in its implementation, it may not achieve the intended purpose.

METHODOLOGY AND PROCEDURES

Data and variable measurements

The study utilized a qualitative approach with a specific focus on explanatory design. This is where key existing evidence and reports have been utilized to establish the role played by the revenue authorities in trade facilitation. Moreover, key informant interviews were carried out targeting key experts in the trade facilitation and the revenue authorities drawn from the three countries (Kenya, Uganda and Tanzania). Based on convenience sampling, 7 respondents were interviewed three drawn from Kenya, two from Uganda and two from Tanzania. Key set of questions were asked, and the explanations given noted down. Thematic content analysis was carried out and the findings presented systematically while supported by the data obtained from secondary sources.

RESULTS AND DISCUSSION

Integration of the Revenue Authorities in East African Community Member Countries

The study sought to establish the extent to which the revenue authorities in East African Community member countries have been integrated to work together in key issues relating to the region's trade. The revenue authorities in EAC member countries are essential in stimulating trade across the region through dispensation of policies and other key measures that steer the interdependence among the countries. A review of existing reports revealed that the revenue authorities from the three initial member countries of EAC (Kenya, Uganda and Tanzania) have been cooperating in key areas concerning the region's integration and trade facilitation. In November 2018, the commissioner generals for Kenya Revenue Authority (KRA), Uganda Revenue Authority (URA) and the Tanzania Revenue Authority (TRA) commissioned training of personnel to monitor and steer the custom processes at One-Stop Border Posts (OSBPs) across the borders of the three countries. The commissioners were also focusing on introducing more OSBPs in order to ensure there is easier and seamless clearance of cargo moving across the EAC member countries.

The World Trade Organization (WTO) has provided a pool of major trade facilitation measures and guidelines that the member countries ought to uphold in their RTAs. These guidelines are classified into twelve major articles as shown in Figure 1. A report computed by UNCTAD (2016) revealed the correlation between the implementation of these articles by respective member countries and the success of trade facilitation (doing business index indicator). The results as shown in revealed the most of the aspects that are mainly associated with or functions of the revenue authorities had strong correlation with the success of trade facilitation.

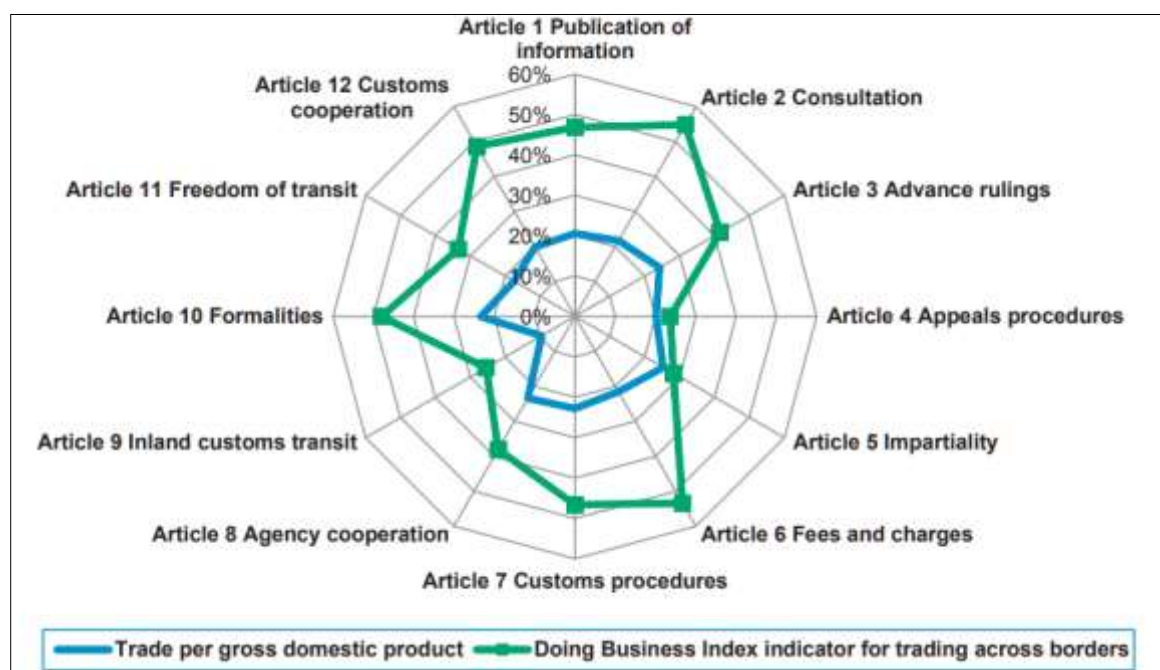


Figure 1: Trade facilitation Implementation and Doing Business Indicator
Source: UNCTAD (2016)

As the results portray, article two which is on consultations among key agencies (including revenue authorities) had the strongest correlation with doing business index indicator for trading across borders (success of trade facilitation) followed by article six which focuses on fees and charges. Article seven on customs procedures and article twelve on customs cooperation also had a strong correlation with the success of trade facilitation. This is to imply that the revenue authorities are instrumental in trade facilitation in international trade.

The revenue authorities from the EAC member countries also work together in ensuring that illicit trade is combated across the region (EAC, 2021). The commissioner generals through their respective agencies come up with key policies that are meant to ensure the set regulations on trade and movement of goods are in line with individual country's laws and regulations. The revenue authorities have worked together in tracking the progress of trade and customs administration (Kugonza & Nsubuga, 2017). However, similar to other regional revenue authorities, the EAC member countries' revenue authorities usually focus on handling custom linkages that prevent them to meet their tax revenue collection targets. Integration of the revenue authorities can further be enhanced to ensure that they as well focus on working together towards enhancing trade facilitation.

Collective role of the Revenue Authorities in Trade Facilitation

The continued cooperation among the EAC member countries' revenue authorities has made some effort to enhance trade facilitation in the region. The revenue authorities have introduced several measures that have strengthened the trade among the member countries over the past five years. Although some of the measures may not have been derived by the revenue authorities, it is their cooperation that has seen these measures succeed to some extent. The following are some of the measures that the revenue authorities have introduced in the recent past.

Trade Information Portals (TIPs)

To address the insufficient and unavailability of business information among the traders in the member countries, the revenue authorities spearheaded the introduction of Trade Information Portals (TIPs). These are portals aimed at providing the required information on how to do business and key taxation requirements from each of the EAC member countries. The portals are to be developed by each of the member countries, such that each member country develops a site comprising of key information required to conduct business as a trader from the EAC member countries. One of the key informants indicated that the trade information portals were essential for enabling access of information among traders in the EAC. The respondent stated:

Through the portals, every trader who seeks to trade in any of the EAC member countries can access the key requirements and how to comply with the requirements. Since we implemented these portals, most traders who used to call every now and then to inquire about the requirements to trade across the EAC region have reduced, while the number of people accessing the portal on daily basis has escalated. This is more reliable and effective than calling directly (Respondent, 03).

The TIP portals if fully implemented would make it easier for traders to gain the required knowledge, which is essential in driving trade facilitation (Peterson, 2017; Sela, Yang & Zawacki, 2020). As of December 2021 however, only three member countries (Kenya, Uganda, Tanzania and Rwanda) had developed the portal, thus delaying the effective use of the system in enhancing trade facilitation.

Single Customs Territory (SCT)

The introduction of Single Customs Territory (SCT) in 2013 and its implementation in July 2014 was one of the major moves to achieve the full customs union strategy, aimed at streamlining the movement of goods across the EAC. The Single Customs Territory (SCT) is aimed at ensuring goods are assessed and customs cleared at the destination country while they are at the point of entry (EAC, 2014). It is the consolidation level of the Customs Union (CU) with the aim of allowing free circulation of goods with minimum internal customs border controls, enhance trade facilitation by eliminating trade barriers and reduce cost of doing

business and promote intra trade and investment (EAC 2014). One of the respondents applauded the role of single customs territory by stating the following:

Our role as custom administrators has been eased by the implementation of the SCT. Previously we used to wait until goods arrive in the country (Uganda) then we would process the customs. This used to waste a lot of time for the traders. The Single Customs Territory has solved all this since we work together with Kenya's KRA to ensure we are notified of the goods destined for Uganda and start processing customs even before they are at their destination. It therefore enhances trade facilitation by eliminating trade barriers, reduce the cost of doing business and promote intra trade and investment (Respondent, 05).

SCT covers all customs regimes for direct home-use, warehousing, transit, export, intra-EAC trade and temporary imports. While this measure was given a go-ahead by the heads of state for the member countries, it was the revenue authorities from the member countries who were tasked with its implementation. The revenue authorities through destined customs officers of destination countries are deployed at ports of first point entry to clear the goods, while they liaise with their counterparts in the destination who are tasked with the receipt of custom payments for the goods upon arrival at the destination country. SCT has contributed to internal border control, use of a single bond across the region, use of One Stop Border Posts (OSBPs), interconnectivity of customs systems- interface, reduction of non-tariff barriers, and inter agency coordination of single window.

Electronic Cargo Tracking

The evolution of a more integrated customs programs such as regional electronic cargo tracking system (RECTS) and interconnectivity of customs systems have a positive impact on EAC trade. This has reduced incidences of diversion of goods and the turn round time on movement of cargo by about 40%. In addition, multiple use of documentation has reduced from an average of 5 to 7 times to once or twice along the corridors (EAC, 2018). Also transport costs have reduced to about 20% due to the increased turnaround time on movement of goods particularly petroleum products. One of the respondents agreed that the electronic cargo tracking system was essential to both the tax administrators (revenue authorities) and the traders. The interviewee stated the following:

Technology has been the basis for the authority (TRA) to facilitate trade among the traders, while minimizing tax evasion. The electronic cargo tracking system for instance, has been essential to minimize diversion of goods especially those destined for other EAC member countries. We have also minimized the waiting time and number of documentations required, such that with real time information, a revenue administrator in Rwanda or Uganda is aware of any cargo and what is in the cargo before it even arrives, thus can ensure clearance early enough. This saves a lot of time for the traders, thus enhancing timely delivery of their cargo (Respondent, 04).

The findings imply that the revenue authorities work together to ensure the electronic cargo tracking systems are upheld for efficient tracking and clearance of goods on transit. This saves on costs and reduces the time taken to clear the goods at every point of entry and exit.

Single Bond Across the Region

One of the latest trade facilitation the Revenue Authorities in East African Community member countries have come-up with is the single bond for the member countries. According to Dillian (2022), a single bond is the security or an assurance that a trader pays for goods on transit, to

ensure the goods are not diverted to a market they were not meant for. When one imports an item through the Mombasa port and the person is in Uganda, for instance, the individual or company will not pay any duties for the product at the port of entry. In this case, it means KRA will not charge them any customs or duties for the imported good. However, this good will be taxed at the destined country (Uganda). If the trade decides to divert the imported item to Kenyan market, it means KRA will lose since the product is consumed locally and no duties were paid for the product. To prevent this, a trader is required to place a bond with a Kenyan bank, and once the item arrives and it is cleared in Uganda, the amount of bond paid will be reimbursed to the trader. For a trader taking the good to multiple countries, it means the bond will be transferred to more than two banks, and this will be a tedious and time-consuming process. To ensure the effectiveness of this process, a unified bond that is applicable in the multiple countries would be essential. One respondent expounded on how a single bond would enhance trade facilitation and stated the following:

The revenue authorities from the EAC member countries came together and decided to have a single bond, where one will have the bond applicable in all the member countries. This will not only save on costs but also the time spent seeking clearance to transfer a bond from one country to another. A single bond will also fasten the process of establishing a common bank for the EAC member countries, thus strengthening the economic integration of the region further (Respondent, 01).

Single bond for the EAC region would be instrumental in enhancing the effectiveness of trade among the member countries. Integrating the bonds to have a single bond is also cheaper for the traders, thus saving on the cost of trade. Clearing the goods on transit also becomes easier when a unified bond is in place.

Revenue Authorities' Individual Roles in Trade Facilitation

The individual revenue authorities in the EAC member countries have also their roles to play internally in facilitating trade. The study sought to establish the individual role played by the individual Revenue Authorities of the selected countries (Kenya, Uganda and Tanzania) in trade facilitation.

Kenya Revenue Authority

The Kenya Revenue Authority (KRA) is the institution mandated to administer and collect revenue in Kenya. However, the institution also focuses on playing other integral role in promoting trade both at the domestic level and international level. The findings from secondary sources revealed that KRA has been instrumental in facilitating international trade among small and large scale traders. The authority has been implementing key measures that have enhanced the trade for both local traders and those from EAC member countries. One of the main bottle-necks that affect international trade is the custom policies and procedures. This is why the revenue authority is integral in easing the customs processes and ensuring they are less tedious, thus encouraging international trade. According to KRA, the commitment to have effective systems that strengthen the efficiency of import and export cargo processing processes is one of the major ways that the Authority has upheld to enhance trade facilitation.

KRA has also upheld the automation of the customs processes, thus enabling the export and import processes to run smoothly and more efficiently (KRA, 2020). According to Omosa (2022), automation is essential in ensuring that processes are more efficient and accurate, thus issues of delays and tax evasions are minimized. Most of the custom clearance processes by KRA are now automated, and this has a strong connection with ease of doing cross-border business.

There are other agencies that facilitate international trade, but KRA plays the central role since it is concerned with revenue collection and ensuring compliance as far as customs are concerned. To strengthen its effectiveness in trade facilitation, KRA introduced the single window concept through a system known as Community Based System (CBS). This is a system designed to integrate all the agencies mandated with licencing and carrying out other trade facilitation processes. The system also brings together the business community (traders), thus they are able to get all the required information in regard to trade facilitation under 'one roof'. The CBS system helps to reduce the time and cost of accessing various agencies in different platforms/locales, thus enhancing trade facilitation.

The Kenya Revenue Authority has also facilitated trade through the introduction of the Integrated Customs Management System (iCMS) which is a system meant to enable clearance of goods before they arrive at the port of entry among other customs operational functions. The system has significantly reduced the time taken in clearance of goods, and also promoted efficiency, thus the traders can effectively trade across the borders.

Training and Sensitization: The Kenya Revenue Authority has also been training the small-scale traders on the rules, requirements and procedures of cross-border trade. This has been aimed at encouraging more traders to participate in cross border trade by availing the required information and creating awareness among the traders. One of the interviewees indicated the following:

We have been carrying out training and sensitization programmes especially in towns along the border so as to encourage the traders to participate in cross-border trade. We also want to minimize the smuggling of goods through illegal routes, thus we train the traders on the dangers of smuggling and encouraging them to use the right means of bringing-in goods into the country. Most of the small-scale traders are not aware of the goods that do not attract import and exercise duties, thus they will struggle to smuggle such goods for lack of awareness. Creating this awareness is integral since the traders can trade effectively without struggling to smuggle through the illegal routes (Respondent, 02).

Training the small scale traders and creating the necessary awareness is an instrumental strategy to facilitate trade since the traders get the appropriate information on how to import and export goods. Enlightening the traders on the appropriate routes and how to clear customs also saves the cost and time incurred on finding illegal routes to smuggle goods. These costs are a times higher than what could be paid at the customs, and require more time than the time spent in custom clearance. This is an indication that if the traders have this information, it would be easier for them to trade.

International Policy and Treaties: The Kenya Revenue Authority has been playing an essential role in promoting international policy compliance among the local traders as a way of enabling them to participate in international trade. One of the ways that the Authority has been aligning the international policy is by taking part in the double taxation agreement (DTA) management by ensuring the local traders and the goods imported in the country are not double taxed. By setting a Treaty and International policy office, KRA has been committed to ensuring that the local traders are compliant and up to date with international tax matters, thus enabling them to effectively participate in the international trade. The office also helps the local traders to review and interpret legislative trade policies and requirements to ensure they are well-versed on the requirements of international trade.

To further facilitate trade, the Kenya Revenue Authority focuses on upholding joint inter-agency coordination which is mandated to investigate and curb customs-related crimes such as trafficking of prohibited goods and drugs, tax evasions and breaching security policies. By preventing such crimes, KRA has enhanced compliance of the traders, thus enabling them to have a good reputation to internationally trade their goods. Complying with the World Customs Organization (WCO) standards and Container Security Initiatives (CSI) has been an essential move by KRA to ensure security of the cargo in transit thus enhancing the peace of mind for the traders.

Uganda Revenue Authority

The Uganda Revenue Authority (URA) is the body responsible for tax administration in Uganda. The authority is tasked with collection of revenue, and facilitating trade in conjunction with other revenue authorities in the region. One of the main strategies that URA has been upholding in enhancing trade facilitation is the automation of some of its services. Applying for the Tax Identification Number (TIN) is now an automated process, thus enabling the traders and individuals to have the TIN at their convenient. Training and equipping the tax payers with the right information on tax and trade is essential in promoting trade facilitation. URA has an e-learning portal, an online platform aimed at training the traders and individual tax payers on tax obligations and customs administration in order to create awareness. This awareness helps not only the revenue authority to collect more taxes, but also the traders to effectively trade within and across the borders now that they have the information regarding customs and other international trade requirements.

As a way of enhancing the effectiveness of trade facilitation within and across borders, the URA has a system for managing cargo in bonded warehouses. The system, known as Bonded Warehouse Management Information System (BWIMS) is meant to ensure that there is real-time tracking of cargo in bonded warehouses by enhancing management of inventory by the traders, strengthening reconciliations, promoting information sharing and enhancing the process of custom clearance for goods in bonded warehouses (URA, 2022).

Another measure taken by the Uganda Revenue Authority to facilitate trade is the introduction of the single window system known as the Uganda electronic Single Window (UeSW). The system leverages technology to allow traders submit all the required regulatory documents to all approving agencies electronically using a single access point. It offers seamless clearance of goods thus facilitating trade by reducing the time used in clearance of customs. The system has integrated over 22 agencies, thus making it easier for traders to apply for certifications and clear customs effectively.

Tanzania Revenue Authority

Tanzania Revenue Authority (TRA) is a revenue administration agency in Tanzania. The agency is responsible for collection of revenue, ensuring compliance and supporting traders to pay taxes through awareness creation. Similar to other revenue authorities in EAC, TRA also facilitates trade by developing and implementing key measures that make it easier for traders to obtain clearance and trade efficiently. One of the key measures that Tanzania Revenue Authority has taken to facilitate trade is the introduction of the Tanzania Customs Integrated System (TANCIS). This is a system for administering customs where imports and exports can be declared and customs paid without the need for the clearing agents to hop from one office to another (Makene, 2014). The system is built on hi-tech principles with a view to increasing effectiveness, efficiency, transparency, and reliability in the Customs administration. Being a web based system TANCIS progressively facilitates paperless operations leading to a

significant reduction in costs of doing business. One of the respondents stated the following in regard to the TANCIS and how it has facilitated trade:

Previously we had cases of tax evasions, delays in clearance of exercise duties, and frustrating traders due to the time consumed in clearing customs for both imports and exports. However, since TANCIS was introduced in 2014, the clearance of customs has been efficient. The TRA has been collecting more revenue, and at the same time enhancing the satisfaction of the traders through a seamless clearance process. This has also saved the traders costs and time, which is a good thing for the regional trade (Respondent, 06).

The other trade facilitation measure undertaken by the TRA is the uphold of One Stop Border Posts (OSBP). This is the legal and institutional framework, facility and associated procedures that enable goods, people and vehicles to stop in a single facility in which they undergo necessary controls following applicable regional and national laws to exit one State and enter the adjoining State. The aim of One Stop Border Posts is to ensure that duplication of processes is eradicated, while saving on the time spent in clearance of customs and assessing other legal requirements for the traders. One respondent highlighted how one-stop border posts have been essential in facilitating trade:

Having effectively managed one-stop border posts where our agents (TRA) are adequately involved has been integral in enhancing trade facilitation. Traders now take lesser time to clear customs, and save the costs incurred in logistics particularly where there are varied border posts. As TRA, we have always been committed to ensure that the administration of OSBP is well-managed to promote smooth flow of goods and people in and out of the country (Respondent, 07).

The TRA has also been instrumental in facilitating and managing the Export Processing Zones (EPZ). These are customs areas where traders are allowed to import plant, machinery, equipment and material for the manufacture of export goods under security, without payment of duty. TRA monitors all the EPZ to ensure goods are exported and if any goods are redirected for local consumption, their duty is paid. The revenue authority supports the EPZ by ensuring the traders in this category have access to one stop registration and licensing and provided with a facility of long term tax concession.

CONCLUSION AND SUGGESTION

Revenue authorities are integral in not only administering revenues but also ensuring that the traders and other tax payers are facilitated to be capable of paying taxes. Since most of the trade barriers are based on the customs, exercise duties and other tax policies and procedures, the revenue authorities play the central role to ensure their role do not dissuade trade but encourage the traders to undertake more trade. Facilitating trade would be essential in enabling the revenue administrators to collect more taxes, thus meeting their targets more profoundly. Revenue authorities have the duty of ensuring that the traders are well-facilitated so that they can have the capacity to pay the required taxes. By easing the requirements and collaborating amongst themselves, the revenue authorities in East African Community would strengthen the cross-boarder trader among the member countries, thus collecting more revenue.

The ability of the Revenue authorities to closely work together would make it easier for the implementation of key regional trade agreements among the member countries. This however, would be achieved through a more profound regional integration, where the EAC member

countries strengthen their ties and commitment to an economically integrated region. If this is achieved, it would be easier for the revenue authorities to work together as well, thus enhancing trade facilitation. Lack of clear policies has been evident in the efforts by the revenue authorities in the three countries to facilitate trade. URA has some of its roles not clearly aligned to those of the ministry of trade, similar to TRA, where some roles collide with those by the ministry of trade. In Kenya, there are no clearly stipulated roles on how KRA facilitates trade and how this is collectively achieved with inclusion of the other trade facilitation agencies. Without such clear and properly aligned policies, the effectiveness of revenue authorities in promoting trade facilitation is limited.

Systems downtimes have continually affected the effectiveness of the leveraged technology in revenue administration and trade facilitation processes. The Kenya Revenue Authority, Uganda Revenue Authority, and Tanzania Revenue Authority have integrated key systems to enhance custom clearance and eventually facilitate trade. However, due to systems downtimes, these systems fail to achieve the intended purpose. It would therefore be appropriate for the revenue authorities to continually invest in stronger systems that have fewer downtimes in order to effectively facilitate trade.

The effectiveness of the revenue authorities to facilitate trade has also been affected by imbalance infrastructural development in the member states, which implies that embracing an integrated process may not be adequately achieved. While it would be essential to have all the regional revenue authorities integrated and working together to promote seamless trade, some countries have weaker technological infrastructure, which implies their integration may not be effective to match the other country's systems. It is therefore essential for all the EAC member countries to support the revenue authorities by investing in more robust and up to date revenue administration infrastructure in order to have a level operating ground for integration with the other revenue authorities in the region.

CONFLICT OF INTEREST

None

FUNDING

None

REFERENCES

- Abdullahi, H. (2021). KRA Launches Awareness Campaign For Cross-Border Traders. Kenya News.
- Alqaryouti, O., & Shaalan, K. (2022). Trade facilitation framework for e-commerce platforms using blockchain. *International Journal of Business Information Systems*, 40(2), 238-258. <https://doi.org/10.1504/ijbis.2022.123626>
- Atkin, D., & Khandelwal, A. K. (2020). How distortions alter the impacts of international trade in developing countries. *Annual Review of Economics*, 12, 213-238. <https://doi.org/10.1146/annurev-economics-081919-041554>
- Bugarčić, F. Ž., Skvarciany, V., & Stanišić, N. (2020). Logistics performance index in international trade: Case of Central and Eastern European and Western Balkans countries. *Verslas: Teorija ir praktika/Business: Theory and Practice*, 21(2), 452-459. <https://doi.org/10.3846/btp.2020.12802>
- de Lange, D., Walsh, P., & Paul, S. (2022). UK-Canada Trade Post-Brexit: Leading with Circular Economy Trade. *Resources, Conservation & Recycling Advances*, 14, 200081. <https://doi.org/10.1016/j.rcradv.2022.200081>

- Fontagné, L., Orefice, G., & Piermartini, R. (2020). Making small firms happy? The heterogeneous effect of trade facilitation measures. *Review of International Economics*, 28(3), 565-598. <https://doi.org/10.1111/roie.12463>
- Gnangnon, S.K. (2017). Impact of trade facilitation reforms on tax revenue, *Journal of Economic Studies*, 44 (5), 765-780. <https://doi.org/10.1108/JES-03-2016-0054>
- González, J. L., & Sorescu, S. (2019). Helping SMEs internationalise through trade facilitation. OECD Trade Policy Working Papers, No. 1 to No. 139. <https://doi.org/10.1787/2050e6b0-en>
- Hillberry, R., & Zhang, X. (2018). Policy and performance in customs: evaluating the trade facilitation agreement. *Review of International Economics*, 26(2), 438-480. <https://doi.org/10.1111/roie.12338>
- Hoekman, B., & Shepherd, B. (2015). Who profits from trade facilitation initiatives? Implications for African countries. *Journal of African Trade*, 2(1-2), 51-70. <https://doi.org/10.1016/j.joat.2015.08.001>
- Inomjon, Q., Abduraimova, N., & Sarvar, X. (2021). Open Doors Of The Wto For Hard Rules Of Facilitation For Investment Development: Open Doors Of The Wto For Hard Rules Of Facilitation For Investment Development. *Архив научных исследований*, 1(1).
- Ismail, N. W. (2020). Digital trade facilitation and bilateral trade in selected Asian countries. *Studies in Economics and Finance*, Vol. 38 No. 2, pp. 257-271. <https://doi.org/10.1108/SEF-10-2019-0406>
- Kafeero, E. (2008). Customs and trade facilitation in the East African Community. *World Customs Journal*, 2(1), 63-71.
- Kentrade. (2019). Kenya Investment Climate Program-II Trade Logistics Impact Evaluation of the Kenya National Electronic Single Window.
- Martínez-Zarzoso, I., & Rudolf, R. (2020). The trade facilitation impact of the Chinese diaspora. *The World Economy*, 43(9), 2411-2436. <https://doi.org/10.1111/twec.12950>
- Omosa, A. M. (2022). Effect of Systems Automation on Customs Revenue Performance in Kenya. *African Tax and Customs Review*, ATCR 01 (2022) 2664-9535 (32p) 38-69.
- Organization for Economic Cooperation and Development. (2013). Trade facilitation indicators. Transforming border bottlenecks into global gateways. OECD Trade and Agriculture Directorate (TAD).
- Otsuki, T., Honda, K., & Wilson, J. S. (2013). Trade facilitation in South Asia. *South Asian Journal of Global Business Research*, 2(2), 172-190. <https://doi.org/10.1108/SAJGBR-12-2011-0052>
- Peterson, J. (2017). An Overview of Customs Reforms to Facilitate Trade. *Journal of International Commerce and Economics*, 8(2017), 1-30.
- Portugal-Perez, A., & Wilson, J. (2012). Export performance and trade facilitation reform: Hard and soft infrastructure. *World Development*, 40(7), 1295-1307. <https://doi.org/10.1016/j.worlddev.2011.12.002>
- Ramasamy, B., & Yeung, M. C. (2019). China's one belt one road initiative: The impact of trade facilitation versus physical infrastructure on exports. *The World Economy*, 42(6), 1673-1694. <https://doi.org/10.1111/twec.12808>
- Roberts, B., Prager, F., Baschnagel, C., Rose, A., & Shears, B. (2021). The economic benefits of trade facilitation: US Customs and Border Protection's Centers of Excellence and Expertise programme. *The World Economy*, 44(2), 346-366. <https://doi.org/10.1111/twec.13009>

- Rudahigwa, O., & Tombola, G. M. (2021). The Influence of East African Community's Cargo Clearance Procedures on Trade Facilitation in Rwanda. *European Journal of Business and Management Research*, 6(3), 61-68. <https://doi.org/10.24018/ejbmr.2021.6.3.828>
- Safaeimanesh, S., & Jenkins, G. P. (2021). Estimation of the potential economic welfare to be gained by the South African Customs Union from trade facilitation. *South African Journal of Economic and Management Sciences*, 24(1), 1-14. <http://dx.doi.org/10.4102/sajems.v24i1.3796>
- Sakyi, D., & Afesorgbor, S. K. (2019). The effects of trade facilitation on trade performance in Africa. *Journal of African Trade*, 6(1-2), 1-15. <https://doi.org/10.2991/jat.k.191129.001>
- Sela, S., Yang, A., & Zawacki, M. (2020). Trade facilitation best practices implemented in response to the COVID-19 pandemic.
- Shepherd, B. (2016). Did APEC's trade facilitation action plans deliver the goods? *Journal of Asian Economics*, 43(1), 1–11. <https://doi.org/10.1016/j.asieco.2016.01.003>
- Siddiq, A., & Ahsan, S. (2022). Pakistan-Canada Relations: Prospects And Challenges. *Pakistan Journal of Social Research* Vol. 4, No. 2, , pp. 933-948. <https://doi.org/10.52567/pjsr.v4i2.546>
- Stewart, T. P., & Noorbaloochi, S. (2019). The USMCA & United States-Canada Trade Relations: The Perspective of a US Trade Practitioner. *Can.-USLJ*, 43, 280.
- Turkson, F. E., Adjei, R. M., & Barimah, A. (2020). Does trade facilitation promote bilateral trade in sub-Saharan Africa? Policy and issues. In *Fostering trade in Africa* (pp. 63-96). Springer, Cham.
- Uganda Revenue Authority – URA. (2022). Roll out of the Bonded Warehouse Management Information System – BWIMS.
- UN Comtrade. (2021). International Trade Statistics Database. United Nations.
- Vassilevskaya, Y. (2020). Trade facilitation in times of pandemic: Practices from North and Central Asia. *Asia-Pacific Research and Training Network on Trade (ARTNeT)*, Bangkok; ARTNeT Working Paper Series No. 197.
- von der Ppten, T. (2021). The Investment Protection Rules of the EU-Canada Trade Agreement. *Nordic Journal Of International Law*, 90, 471-508.
- World Bank (WB). (2019). *The World Bank Database: Doing business*. Washington, DC: World Bank.
- World Trade Organization (WTO). (2013). *Trade facilitation*. Geneva: World Trade Organization.
- World Trade Organization (WTO). (2014). *Annual report 2014*. Available from: http://www.wto.org/english/res_e/booksp_e/anrep_e/anrep14_e.pdf.
- WTO (2020a). “Trade set to plunge as COVID-19 pandemic upends global economy”. Accessed August 2022.
- WTO (2020b). “Standards, Regulations and COVID-19 – What actions taken by WTO members?”. Accessed August 2022.
- WTO (2020c). “COVID-19: Trade and trade-related measures” [DATABASE]. Accessed July 2022.

