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**THE COSTS OF INTRODUCING AND IMPLEMENTING TRADE FACILITATION MEASURES:
INTERIM REPORT**

OECD Trade Policy Working Paper No. 8

by Evdokia Moisé

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ABSTRACT

This report presents preliminary findings from a series of country surveys on the costs of introducing and implementing trade facilitation measures. It was prepared in response to concerns with respect to the cost implications of a future WTO agreement on trade facilitation and will be complemented in the near future by additional data from a wider range of developing and least-developed countries. The report contains observations with respect to the methodology of assessing trade facilitation costs and highlights common cost features in the various country experiences.

Keywords: trade facilitation, customs, costs, developing countries, capacity building.

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THE COSTS OF INTRODUCING AND IMPLEMENTING TRADE FACILITATION MEASURES: INTERIM REPORT

Executive summary

The aim of this paper is to present preliminary findings from a series of country surveys on the costs to governments of introducing and implementing trade facilitation measures. It was prepared in response to increasing concerns with respect to the cost implications of a future WTO agreement on trade facilitation and as a complement of recent OECD work to quantify the benefits of trade facilitation measures.

Four countries, Chile, Latvia, Morocco and Uganda, which have just introduced or are in the process of introducing trade facilitation measures, accepted to participate in the study and to provide available figures on their implementation expenses. Eleven areas of facilitation, each of particular importance in the provision of efficient and effective procedures for international trade, were selected for examination among the various proposals made by WTO Members during discussions at the WTO Committee on Trade in Goods. Information technology systems were not examined as a separate item, as they serve a wide range of official purposes and are not devoted solely to trade facilitation. However, in assessing the costs of introducing and implementing the selected measures, the study did take into account costs related to information technology used in support of the measures. On the other hand, the study did not attempt to evaluate the costs of infrastructure development, which may, depending on individual country cases, be required in order to implement certain trade facilitation measures, but which are too specific to each country's circumstances to lend themselves to generalisation.

The first stage of the study allowed a number of observations with respect to the methodology for assessing trade facilitation costs. It highlighted the difficulty of obtaining cost estimates in monetary terms and the necessity to complement monetary estimates with information on human resource variations. It also emphasised the value of elaborating performance indicators in order to properly assess the effectiveness of reviewed measures. The study strongly pointed to the importance of coherence between various trade facilitation measures and the need to factor in linkages between measures that cannot be implemented in isolation. Finally, it stressed the significance of the time factor: in order to get an accurate picture of a measure's cost implications, its costs and its benefits need to be assessed on a comparable time scale.

Although the selected countries are very different from each other, some common observations can be made after reviewing their recent endeavours. Most facilitation measures were not the prime objective for reforms but were part of larger efficiency-enhancing endeavours. They have helped introduce new approaches for achieving traditional mandates, and resources for introducing and implementing them were in many cases absorbed in normal administrative operational costs. While this clearly meant that countries which had already in place relatively trade friendly procedures found it easier to make progress with a minimum of change and expense, even more modest efforts in other countries brought significant improvements for the administration and the trading community.

Among the measures selected for review, the most significant costs were incurred in the technically demanding areas of risk assessment, audit-based controls and special procedures for authorised persons, where countries still have some way to go in order to achieve full efficiency. The costs involved in the other areas covered were in general minor and were absorbed in the normal operating costs of border agencies. The starting point of facilitation endeavours is clearly significant, since in some countries the enacting of some of these measures will have required the introduction of additional, enabling measures or policies which were not assessed here. However, the strong interrelation between trade facilitation measures and other efficiency-enhancing measures made it difficult for reviewed countries to provide fully quantified estimates for all the areas under review.

I. Introduction

1. The costs of introducing and implementing trade facilitation measures have increasingly attracted attention and have been the subject of much concern in the context of recent discussions in the WTO, including those at the 5th WTO Ministerial Conference in Cancun in September 2003. In the lead up to the Cancun Ministerial several developing countries expressed reluctance to engage in trade facilitation commitments that might prove disproportionately costly for their economies, all the more so since there is no clear idea about how important these costs may be. During the Cancun Ministerial the lack of reliable data on this issue allowed unsubstantiated and unrealistic figures to be floated. The Decision adopted by the WTO General Council on 1 August 2004 indicates that negotiations on trade facilitation "*shall also address the concerns of developing and least-developed countries related to cost implications of proposed measures.*"

2. Recognizing how significant the cost issue is for future negotiation prospects, the Working Party decided in its December 2003 meeting to develop analysis of the costs of introducing and implementing trade facilitation measures as a follow up and a complement to its recent work to quantify the benefits of such measures. In view of the lack of consistent data on costs, the Working Party undertook first to collect reliable and comparable data, which would then be analysed at a second stage with a view to arriving at a better understanding of what trade facilitation measures may entail. For that purpose it sought the assistance of countries that have just introduced, or are in the process of introducing, trade facilitation measures and have available figures on their implementation expenses. Networking and data collection benefited from the valuable support of the WCO Secretariat. The study has clearly focussed on costs to government and did not address in any way possible costs to the private sector. Furthermore, research was intentionally limited to existing data available to the participating countries and did not attempt to generate any new data.

3. Four non-member countries, Chile, Latvia, Morocco and Uganda, accepted to participate in the study during its first data-collection phase; the Working Party decided the study should now be expanded to include additional data from a wider range of developing and least-developed countries, including from the Asian region, currently not represented. On the other hand, information from a number of OECD countries suggests that recent developments there in the area of trade facilitation were small incremental steps in a long-standing process, so that relevant data for those countries would not provide an accurate picture for the purpose of this study.

4. The countries covered so far are very different from each other in many aspects, in terms of size, geographical and geopolitical conditions, level of development and trade patterns. Chile, a Latin American country with very important sea and land borders, has experienced a significant increase in trade flows and engaged quite actively in regional trade agreements in the recent past. Latvia, located in the Baltic Sea area, re-established its independence and moved to a market economy after the Soviet Union broke up in 1991 and became a member of the European Union from 1 May 2004. This implies that the Latvian borders facing Estonia and Lithuania, both now EU members, will no longer need the same type and amount of Customs control. Uganda is a landlocked country, situated in the East African area. On its East and South, it faces Kenya and Tanzania, the members of the Customs union in which Uganda participates. Morocco has the biggest sea port on the African continent, a number of other ports and international airports. The notable integration of countries like Chile and Morocco into global trade has generated additional customs revenue which helped finance the adaptation of the Customs administration to the new challenges brought by increased trade flows. On the other hand, in countries like Uganda reforms are aimed at fostering the conditions for better integrating into global trade, including by improving the export competitiveness and investment attractiveness of the country. The divergent situations in the reviewed countries should be taken into account in interpreting any figures and outcomes of the study: trade

facilitation and Customs reform endeavours did not start off from the same point everywhere and research could only focus on additional costs for new measures.

5. In order to limit research to a manageable scope, only trade facilitation measures in the narrow sense – as discussed in the WTO Council for Trade in Goods¹ and detailed in the TCWP document "*Trade Facilitation Principles in GATT Articles V, VIII and X: Reflections on Possible Implementation Approaches*" TD/TC/WP(2003)12/FINAL – have been considered. The study was based on a range of eleven measures, selected among the proposals made by WTO Members at CTG meetings, so as to cover the broad lines of the discussion and to make sure that sufficient information could be gathered among reviewed countries. In order to avoid duplication with the work of international organisations that have extensive field experience in transit issues, the Working Party decided not to include measures related to transit. As highlighted in document TD/TC/WP(2003)12/FINAL, there is not a single way for pursuing trade facilitation principles, but a whole range of possible approaches for implementing them, although multilateral endeavours do call for coherence and consistency. This is confirmed by the studies in the current project, which show that, although implementing some of the measures requires other measures to be up and running, there is still room for flexibility in the way trade facilitation is put in place.

6. Many of the measures studied are principally related to Customs procedures and requirements, which are of particular importance in international trade since Customs are in practice the only government body which deals with all goods arriving in and departing from countries. However, it should be kept in mind that Customs administrations are invariably responsible for the application not just of their own requirements but also those of a range of other authorities, most particularly in ensuring compliance with documentary requirements (licenses, certificates, etc.) for many purposes. Second, there are many occasions when both the Customs and other authorities require physical examination of certain goods to ensure they meet official requirements. The appropriate degree of co-ordination and co-operation between the authorities constitutes in itself an important trade facilitation approach, resulting in sometimes significant reductions in time and costs to the traders. Customs procedures benefit from a fairly advanced level of international standardisation thanks in particular to the work of the World Customs Organisation (WCO) and this contributed significantly to the comparability of data collected in the context of this study. However, beyond this fact the choice of measures in this study is intended not to prejudice the scope and definition of trade facilitation in the OECD and WTO discussions and in upcoming negotiations.

7. The introduction and use of automated systems has not been included as a separate item. As investments in information technology are to a large extent undertaken primarily in relation to Customs control operations and are also part of the regular maintenance of existing systems, it would be very difficult to distinguish costs related to the implementation of trade facilitation measures from other IT costs. Nevertheless, while information technology was not studied on its own merit, it was not excluded altogether. The analysis showed that there are aspects of IT related to a particular trade facilitation procedure or practice, such as transparency mechanisms or risk management mechanisms, which do in fact have to be taken into account in properly assessing the costs of these procedures.

8. The rest of the paper will present main findings of the study in Section II (general observations; a typology of cost components; and presentation of the findings for each measure, including country examples). A brief description of the measures considered in the context of the country studies can be found in Annex I. Background information for each of the reviewed countries is presented in Annex II.

¹ A compilation of all proposals made by WTO Members in relation to trade facilitation can be found in document G/C/W/434 of 15 November 2002, prepared by the WTO Secretariat.

II. Main findings

A. General observations

9. In all the reviewed countries, most of the trade facilitation measures examined were part of larger efficiency-enhancing endeavours. The country studies have confirmed that the facilitation of trade is generally not the prime objective for reforms in border procedures, although, as in the case of Morocco, it may well be one of the main threads of reform. This is a common observation, despite the considerable differences in the initial situations in the reviewed countries or the main driving forces behind reform. Motivations like the transition to a market economy and accession to the EU in the case of Latvia, the expansion of regional trade links in the case of Chile, or revenue enhancement in the case of Uganda imposed on these countries similar efficiency-enhancing strategies, albeit on a different scale. The studies also illustrated that even if facilitation is not the prime objective, it is certainly one of the main positive outcomes of reforms undertaken. Trade facilitation measures introduced new approaches for achieving traditional mandates of border agencies, including ways for making border agencies more efficient and effective by rationalising resource use, whether or not additional resources for facilitation were available.

10. The corollary of this is that there was generally no specific budget allocated to introducing and implementing trade facilitation measures. Additional resources specifically earmarked for trade facilitation are often simply not available and the concerned administrations have to proceed with just what is in hand. Resources spent for introducing and implementing these measures were in many cases absorbed in normal administrative operational costs. This of course does not have the same implications for all countries. Some countries have been able to introduce facilitation measures with a minimum of change and expense because they already had in place relatively trade friendly procedures. Others, on the other hand, having made less progress in the past, have found difficulty in introducing facilitation measures in some of the reviewed areas. Yet, progressive facilitation endeavours woven into the normal operations of the concerned agencies did bring in all cases significant improvements both for the administration and for the trading community. The studies strongly highlight the close link between efficiency enhancement and trade facilitation: improved revenue collection brought by good governance has generated resources that can be partly devoted to adopting business friendlier procedures.

11. Not surprisingly, among the measures selected for review the most radical and costly changes were in the most technically demanding procedural areas of risk assessment, audit-based controls and special procedures for authorised persons. Costs incurred in these areas were primarily related to recruitment and training of specialised staff and for equipment. Those costs were by no means large in the overall context however, with the probable exception of those pertinent to ICT (information and communication technology) that are not the subject of this survey. Current developments would suggest that they are more than offset by staff savings at the border and by enhanced control and revenue collection. For obvious reasons only time will show the financial and procedural benefits derived from these control techniques, although in Morocco it was clear that the anticipated benefits have already been achieved.

B. Typology of cost components

12. The introduction and implementation of trade facilitation measures have entailed costs in one or more of the following areas: new regulation, institutional changes, training, equipment and infrastructure. Among cost components, equipment and infrastructure may be the most expensive in many cases; however, training appears to be the most significant, as trade facilitation is primarily about changing border agencies' ways of doing business. An accurate cost assessment needs to factor in linkages between different elements of trade facilitation which cannot be correctly implemented in isolation, such as separation of release from clearance and risk assessment. The costs of introducing and implementing trade

facilitation measures also need to be seen in the light of the measures' effectiveness, but in the absence of quantitative performance indicators, it is very difficult to get the full picture of costs and benefits of trade facilitation. Clarifying the linkages between the different cost components and exploring possible parameters for assessing the measures' effectiveness may be important tasks for the continuation of the analysis.

13. *Regulatory costs:* Trade facilitation measures may sometimes require new legislation or the amendment of existing laws in accordance with the national legislative and regulatory process of each country. This will in turn involve time and staff specialized in regulatory work both in the line ministries and the centre of government and parliament. Resources required for such legislative and regulatory work differ depending on the country's legislative structures, procedures and frequency of changes in legislation. However, with the exception of changes requiring major legislative modification such as the adoption of legislation on electronic signatures, most changes pertinent to trade facilitation seem to be handled at the operational level and entail little additional cost.

14. *Institutional costs:* Some trade facilitation measures require the establishment of new units, such as a post-clearance team, a risk management team, or a central enquiry point, which may mobilise additional human and financial resources. With respect to the human resources, countries can either recruit new staff or redeploy existing staff. The former option generally costs more, although the latter option may also entail training costs, expenses for physically relocating staff and resources devoted to forward planning. Relocation is not uncommon as a general management practice in Customs, so that redeployment linked to newly introduced trade facilitation measures may be just part of the general relocation practice. However, relocations can only happen up to a certain scale, in order to avoid service disruptions.

15. *Training costs:* Training often appears as the most essential cost component of trade facilitation measures. Countries may choose between (a) recruiting new, expert staff; (b) training existing staff in a training centre; (c) on-the-job training; and (d) importing trained staff through personnel exchange with other ministries/agencies. Option (a) is the most expensive one since it implies a budgetary increase and can only tap into a limited pool of expertise providing the necessary Customs-specific skills and know-how. Among reviewed countries the more commonly observed practice was a combination of options (b) and (c). Regular training is common practice in many Customs administrations around the world, although in varying frequency and duration, and training for specific trade facilitation measures will often be part of such general training. On-the-job training results in no additional cost for the administration, but it may give rise to temporary costs for traders, in the form of lower performance of the public service. On the other hand, the possibility to massively train officials to new techniques, such as risk assessment, may be constrained not only by financial considerations, but also by the need to avoid disrupting the normal operations of the administration. Option (d) may be relevant for cases such as post-clearance audit, where appropriate expertise may be drawn from the inland tax administration. Although this is a costless option for the State and for the Customs administration, the loss of qualified staff for the tax administration may make it difficult to implement without high and sustained political commitment, even where Customs and Tax belong to the same agency or department.

16. *Equipment/infrastructure costs:* Equipment and infrastructure are not a prerequisite for trade facilitation measures, although some of these measures, such as risk assessment, or special procedures, are greatly assisted by the availability of appropriate equipment and infrastructure. Border agencies call for information and communication technology products and infrastructure (ICT) and scanners primarily because of their potential to enhance the effectiveness and efficiency of Customs operations and controls and only incidentally to sustain trade facilitation measures. For example, the installation of telephone lines and telephone equipment provides Customs with far better communication abilities and office automation provides genuine performance improvements. None of these items' costs can be counted as costs of trade

facilitation. Nevertheless, the studies show that insufficient equipment and infrastructure will make some facilitation measures more difficult to implement.

17. Most equipment and infrastructure should be viewed as implementation tools that should be carefully combined and sequenced with regulatory, institutional or human resource changes. For example, as long as a country has not introduced modern risk management targeting high risk consignments and continues examining unnecessarily large numbers of low risk consignments, scanners cannot help reduce clearance times or enhance control performance. Furthermore, choosing implementation tools before elaborating the relevant policies (for instance introducing computer networks before modernizing control and clearance procedures) runs the risk of reducing available policy options and making subsequent changes more lengthy and costly.

18. Analysing costs also implies identifying how and by whom such costs are born as well as where benefits accrue. Some measures may be provided for through resource transfers between different government agencies, while cost savings by a border agency may generate costs to traders or to another segment of the government. For example, the establishment of a central enquiry point could be a cost to the central administration, although it also eliminates or reduces the cost of dealing with enquiries for the regional Customs offices. Likewise, the conversion of a general court into a special Customs court has the advantage of bringing about the benefit of accumulated knowledge and specialization without generating costs for Customs; however, it may be a net loss for complainants with respect to issues other than Customs. In addition, a cost evaluation has to be set against a specific time frame, as some measures may involve important one-off costs but spawn long-term benefits.

19. Finally, it should be kept in mind that only a small cross-section of countries has been studied. Their very diverse situations mean inevitably that the practical application of the trade facilitation measures in each country will differ in the immediate future.

C. Publication and availability of information

20. All reviewed countries supply information of a general nature through a variety of means, including the National Gazette and the Customs Bulletin, press releases, public Notices, stands at fairs and exhibitions. These are longstanding practices, well incorporated into the Customs administration's operational budget and have not entailed any additional expenses. The provision of value added services may generate extra costs, but these are usually passed on to the customer: in Chile, while new regulations and rulings are published free of charge on the Customs website, users can also access them for charge through a special legal compendium (Bulletin Jurídico). Likewise, the monthly bulletin of statistics is free of charge but specific statistics questions are billed. Latvia subjects the supply of information from Government databases to a fee reflecting the cost of retrieval.

21. Binding rulings on classification, valuation, or origin may be supplied on application. While rulings on classification are now a longstanding practice in all countries, rulings on valuation and origin are not available everywhere. In Chile valuation rulings will be available from 2007, so as to give the administration the necessary time for on-the-job training of concerned staff. Rulings are issued free of charge in some countries or subject to a fee in others. All reviewed countries considered that the administration of such rulings calls for no additional resources.

22. Provision of information through websites is also widespread (Customs-specific in Chile, Latvia and Morocco; through the Uganda Revenue Authority website in Uganda). The cost of putting in place and operating a website includes the creation of the site's frame, including expenses for purchasing or developing the appropriate software and for elaborating the information platform, which are one-off expenses, as well as the staff required for keeping the web pages up to date. There are no additional costs

for putting together the information that is displayed in the website because this is handled by the same people that deal with the existing, traditional paper publications. In Chile, the creation in 2000 of the Customs website frame was entrusted to a private company and cost 2,000 USD, while the software for operating the site cost 10,000 USD. The information platform was elaborated in-house, mobilizing 10 staff members for approximately one year. In addition to staff in the Communications department collating the information to be published, the website requires 2 staff members for its operation and daily update.

23. Enquiry points are increasingly established to help Customs users and to improve and rationalize the work of Customs officers. They can be centrally located (physically or in the form of an electronic portal), or in regional Customs offices. In Latvia, a small section of three people was set up in the central administration to deal with enquiries. In Chile, in addition to information desks in regional offices, questions can be made through the Customs website; replies are also provided electronically, within the same day if they are about applicable rules. Customs administrations generally consider that these measures do not generate additional expenses, because they result in time savings for other staff that no longer has to deal with routine enquiries.

D. Consultative and feedback mechanisms; communication with traders

24. Customs administrations in all reviewed countries maintain formal consultative arrangements with different stakeholders, such as importer associations, government ministries/agencies, brokers associations and the trading community, at both national and local (port, airport, regional) levels (specific country practices are described in Annex II). Consultations can cover proposals for new or amended legislation and procedures, Customs practices, location, competence and working hours of Customs offices, or other items proposed by the trading community. Communication on a less formal basis can also take place at the request of traders. All interviewed administrations reported that consultative and communication mechanisms are essential for their good and efficient governance; their costs are not budgeted as "additional" as they are central to the operation of Customs.

E. Review and appeal procedures and due process

25. In all reviewed countries users can ask for Customs decisions to be reviewed in the first instance by superior officers in the Customs administration. For instance, in Chile claims have to be addressed first to the Regional Customs Director or Administrator (Juicio de Reclamo). The decision can then be appealed to the Director of the National Customs Service. In handling the review, these officers are subject to administrative law rules and procedures. In all countries the administration handles such reviews part-time in addition to other tasks and does not incur additional costs for dealing with this task. Appeals may then be lodged either in the courts, or in a special tribunal. Appeals to general courts are the least expensive solution for the administration, but experience shows they are generally time-consuming and costly for the users. The record is better with administrative courts, whether they have general jurisdiction on citizens' appeals against the State, as in Latvia, or jurisdiction on fiscal matters, like the Tax Appeals Tribunal in Uganda. Costs related to the operation of such administrative courts are absorbed in the country's court system and are not considered in border administrations' budgets on trade facilitation.

26. Morocco has also created an appeals mechanism specific to Customs, composed of a network of regional appeals commissions and a national appeals commission in order to provide a more efficient and timely handling of Customs issues. The commissions are presided over by a Customs official with representatives from other government departments and professional bodies and their decisions can be further appealed to the courts. These commissions were set up during a general review of the Customs code, finalized in 2000 and were part of the general re-organization of Customs arrangements. Morocco reports that they did not involve any measurable costs.

F. Advance lodgement and processing of data

27. Advance lodgement and processing of data require a certain degree of automation of Customs systems. Although the electronic lodgement of goods declarations does not have to take place online (before the setting up of their computer system 5 years ago, the Latvian Customs already allowed the declaration to be lodged prior to the arrival of the goods using a floppy disk system), it does require some IT infrastructure for checking the data. In Uganda, such advance lodgement and processing is possible in the Kampala region, where the larger proportion of goods is cleared, but not at land boundary posts, where trade flows are too small to economically justify computerisation, even in the foreseeable future. Thus, although there are no identifiable additional costs for establishing advance lodgement and processing of data other than the automation costs incurred for enhancing the efficiency of Customs controls and operations, total absence of automation makes this trade facilitation measure impossible to implement. On the other hand, the implementation of advance lodgement and processing of data in Uganda, even partial, has generated important savings through the reduction of the number of staff engaged in clearance work.

28. Depending on the degree of sophistication of the systems applicable in the country, the customs administration may be able to apply risk assessment (see below), which can greatly enhance the efficiency of advance processing. Another area of potential complication in the effective use of advance lodgement and processing of data is the valuation of imported goods, which still presents difficulties for a number of countries. If the information in the goods declaration satisfies the Customs requirements, the goods are cleared and released as soon as they have physically arrived – or are selected for physical examination, as the case may be. In all reviewed countries the electronic declaration needs to be supported subsequently by paper documents, as no provisions currently exist for the acceptance of electronic signatures.

G. Procedures for assessment, collection and repayment of duties and taxes

29. Provided that security is given, the payment of duties and taxes may be deferred in the reviewed countries, with the exception of Chile, where this only applies in the context of duty drawback schemes for capital assets. Deferred payment does not involve additional expenses for the Customs.

30. Again with the exception of Chile, where duties and taxes are not collected below the minimum amount of 10 USD, the reviewed countries do not yet have minimum value provisions but are in the process of considering such provisions. In Morocco Customs does not collect sums found payable subsequently to the release of the goods if they do not exceed 200 dirhams (approximately 18.25 Euro). All three countries estimate that the legislative cost of introducing minimum value provisions and the subsequent loss of revenue will be marginal.

H. Risk assessment

31. Risk analysis and management have been among the most costly trade facilitation measures considered in the context of this study, mainly because of their requirements for infrastructure and training. At the same time, the reviews highlight their importance in enhancing the efficiency and facilitating the implementation not only of the main Customs tasks and controls but also of other trade facilitation measures examined here, such as the advance lodgement and processing of data, the separation of release from clearance or the special procedures for authorised traders.

32. Risk analysis and management have already been put in place in Chile, Latvia and Morocco, and they are prominent in the work programme set by Uganda. They include databases of risk profiles and in Latvia and Morocco they are supported by a compliance methodology programme. Risk assessment covers tariff classification, valuation and origin, goods declarations and cargo declarations, and, in those countries where such procedures are available, special procedures for authorised traders. Among the three reviewed

countries already applying risk management, only Morocco has a fully automated system, while in Latvia the system used by border control offices in respect of the control of persons needs to be upgraded to be fully effective. Moroccan Customs were not in a position to specify the costs involved in the development of the risk assessment programme over time but are satisfied that the costs are clearly outweighed by the operational and fiscal advantages, including the reduction of inspection rates from 100% to 10%, which allowed transferring Customs inspectors to other duties within the administration.

33. Risk assessment systems have taken several years to be put in place because of their requirements in appropriately trained staff. Both Chile and Latvia report that only a small number of staff currently deals with trade risk assessment and analysis (in Chile the task benefited from a group of 4-5 people when risk assessment was launched end 1997, reaching 12 people today; Latvia currently employs 25 people at the national level and 69 people at the regional level). Latvia is further considering the possibility of merging their Enforcement Division and their regional enforcement group into a single control unit that would then be better staffed. Training of the additional staff would be provided locally, mainly on-the-job, so as to avoid additional training costs. Countries find it difficult to speed up the process further: external recruitment is constrained by the limited availability of experts in the field and "out-of-the-job" training can only happen at a reduced scale not just because of funding problems but also to avoid major disruption of daily operations.

34. In Chile, the current system was put in place progressively (starting with classification and valuation, launching the training of officers in regional customs offices in 2000, and adding origin in 2001) with technical assistance from Canada, the United States, Japan, the IMF and the IADB. The IADB programme of technical assistance for introducing risk assessment paid out in 2002 200 000 USD, of which 45 071 for counselling on risk management and compliance control and evaluation, 45 071 for counselling on audit (see also below), 39 158 for training intelligence analysts and 70 700 for purchasing software to assist information analysis. The Chilean Customs further backed the programme with another 133 350 USD.

I. Audit based controls

35. Audit-based controls are closely linked to risk assessment, described above, and have generally been developed in parallel with it in the three reviewed countries that already apply risk management systems. In Uganda risk assessment and audit-based controls are part of an introductory programme set to be launched before the end of 2004. However, although they have been launched for sometime now in the other three countries, their generalised use has encountered resource problems. Latvia and Morocco report a relatively wide use of such controls but anticipate the need to train additional staff in the near future. Chile describes staff availability and training problems similar to those encountered in the area of risk assessment. In Latvia, training of additional staff in audit techniques will take place under the EU Customs 2007 programme and the Customs have the ambition to expand their post-clearance audit team up to 12-15 staff in the central administration (against 9 people currently, plus 103 people at the regional level). A way around the resource problem is to seek assistance from other parts of the administration which have the necessary expertise, such as tax authorities, which may also help through limited personnel transfer and on-the-job training. This is already ongoing in Latvia where the Customs service works closely with the State Revenue Service tax administration (National Tax Board) and is part of future plans in Uganda.

36. The plan to introduce risk assessment and audit-based controls in Uganda may provide an interesting illustration of the resource requirements presented by these two areas. The plan will involve an upgrade of the Customs computer system, recruitment and training of an anticipated 4 experts for the corporate risk management office and 30 staff for post-audit clearance plus some additional equipment including transport. Funding for training will be shared between the Ugandan administration, free provision of trainers from the UK government and probably some assistance by the US Customs sponsored

by the Private Sector Foundation in Uganda. The Ugandan inland tax administration has experts and training facilities, the use of which could lower the costs for training, but there has yet been no experience of operational co-operation and co-ordination between the two sub-organisations of the Uganda Revenue Agency. In the plan, it is anticipated to create 6 audit teams carrying out about 20 audits per month in total. Staff redeployment, mainly from the Kenya border as a consequence of further development of the Customs union, could provide the additional personnel needed to staff these teams. The plan also provides for the external recruitment of qualified auditors, as long as the necessary resources can be secured. Estimated costs would be in the order of 150,000-170,000 USD in the first year. This estimate includes new recruitment, training, and the acquisition of additional IT and transport equipment (four cars), but does not take into account the possibility of staff redeployment.

J. *Special procedures for authorised traders*

37. Special procedures for authorised traders rely quite extensively on the availability and efficient operation of risk assessment and audit techniques. This explains why only two out of the four reviewed countries have such procedures in place at present. Although Uganda envisages special procedures for authorised persons, it will not be in a position to introduce them until the planned risk assessment and audit-based control programmes are up and running. Given the present circumstances, the special procedures are likely to begin on a limited scale only and Uganda foresees no additional resources for introducing them other than the resources scheduled for the risk assessment and audit-based control programmes. Chile has no plans in this area for the time being.

38. In Morocco a range of special procedures is available to authorized persons, including periodic entry, self-assessment, and lodgement of the declaration by entry in the records. Around 60 companies have partnership agreements with the Customs for such procedures, subject to compliance with requirements concerning good revenue record, reliable commercial record system, provision of security etc. Such “partnership” simplified procedures were first introduced on a limited basis in 1983 and the arrangements have developed with upgrading in 1986, 1992 and particularly in 1997. Costs for these procedures were absorbed in expenses for setting up risk assessment and audit procedures.

39. Latvia set up local clearance arrangements for the first time in 2001 with Riga warehouse operators. The arrangements provide for agreed simplified declarations, examination at approved premises and period entry but not for self-assessment of duties and taxes and lodgement of the goods declaration by means of an entry in the traders’ commercial records system. The Customs administration hopes to reduce the number of officers working on border inspection as a result of these arrangements, thereby obtaining significant savings. In order to make these arrangements possible a Quality Assurance group of three people at the national level and six people in the regions work on compliance in close co-ordination with the staff in charge of physical inspections. Training in quality management techniques is provided locally and in Sweden and would need to continue in the future. Costs for training staff in border posts are estimated at 9,100 Latvian Lats (approximately 13,700 Euros) and for staff in the central administration at 8,300 Latvian Lats (approximately 12,500 Euros).

K. *Separation of release from clearance*

40. Customs in the reviewed countries operate on the principle that goods should be released as soon as possible provided that Customs are satisfied that all their requirements will be met within a specified period and that traders have made available the agreed minimum information necessary for calculating the applicable duties. Chile and Morocco report having had no difficulties and having incurred no additional expenses in putting the principle into practice. In Latvia, although there are no legal difficulties, there remains a practical application problem with respect to declarations lodged electronically, as the current Customs computer system cannot accept incomplete declarations, a problem that may exist elsewhere.

Latvia reviews the possibility of changing the computer system set-up, which, in addition to a possible software upgrade, would entail a training expenditure of around 800 Latvian Lats (approximately 1,200 Euros). In Uganda separation of release from clearance is put into practice on a limited scale because there is not enough confidence built between traders and border authorities and the law needs to be strengthened to ensure that official requirements can be enforced properly. Confidence building may largely benefit from enhanced mechanisms for transparency and consultative and feedback mechanisms.

L. Security for duties and taxes

41. Security for duties and taxes is used in varying degrees in the reviewed countries. In Latvia, it replaced since 1998 the obligation to transport excise and sensitive goods in convoy under Customs escort, a self-financing measure thanks to the redeployment of staff previously used in escort teams. In Morocco the Revenue section is in charge of management of the security as a part of its job, so that implementation costs are absorbed in its daily operations budget.

M. Co-operation and co-ordination among different authorities

42. In all reviewed countries co-operation between Customs and other border agencies (the Sanitary Border Inspection agency in Latvia; the National Bureau of Standards, the National Drug Authority, the National Environmental Management Authority, the Ministry of Agriculture the Revenue Preventive Service and the Internal Audit Investigation Department in Uganda; the Livestock and Farming Service, the Public Health Service, the National Fishery Service, the National Forestry Commission and the army in Chile) is a longstanding practice happening on an informal basis. In concrete terms, although there are no formal arrangements requiring inspections to be carried out by the different agencies at the same time, there is co-ordination of inspections. In Morocco or Chile concerned border authorities have staff at the main international ports, airports and land border offices, physically sharing offices with Customs and co-operate to arrange joint physical inspections. Customs do not carry out examination of goods on behalf of other authorities, with the exception of Uganda, where this can happen on an ad hoc, informal, basis. As these working methods are not recent, reviewed administrations could not identify any costs related to their establishment, but estimated that they may result in savings with respect to physical infrastructure.

43. None of the reviewed countries has yet put in place formal co-ordination mechanisms in the form of a single window.

ANNEX I: TRADE FACILITATION MEASURES CONSIDERED IN THE CONTEXT OF THE COUNTRY STUDIES

44. The section below offers a brief description of the trade facilitation areas which having been used as a basis for the country studies, with direct reference to related proposals made at the WTO Council for Trade in Goods.

a) Publication and availability of information²

45. Transparency is essential in international trade in order to allow commercial operators to fully understand the conditions and constraints for entering and operating in a market. It implies the systematic availability and ready accessibility of information on the applicable border requirements and procedures to all interested persons. Information of general nature, including information about operational aspects, administrative implementation guidelines, or available special procedures, can usually be obtained by a variety of means such as the official publication of laws and regulations, consolidated paper and online publications, Customs handbooks, the press and trade publications, as well as enquiry points. The transparency and predictability of applicable requirements can be further enhanced by the comprehensive, accurate, prompt and cost-efficient provision of information and advice related to a company's specific operations, including advance rulings on tariff classification, value or origin, and motives behind administrative decisions or actions.

b) Consultative and feedback mechanisms; communication with traders³

46. Consultative and feedback mechanisms are fundamental factors of facilitation because they enhance the predictability of the regulatory environment, improve public confidence and support, increase the prospects of compliance and provide a tool for improving regulatory quality. The timeliness and inclusiveness of these mechanisms are important for their effectiveness. They imply targeting stakeholders/interested parties as widely and universally as possible; covering the whole range of policy-making activities, including proposed new regulation and procedures and the amendment of existing ones, as well as practical aspects of the daily operation of border agencies; and allowing sufficient time periods before entry into force of regulations.

c) Review and appeal procedures and due process⁴

47. The availability of appropriate mechanisms for reviewing and correcting administrative action related to customs and border matters is essential for persons engaged in international trade. Clear and fair review and appeal procedures should be accessible, impartial and efficient in offering redress. Avenues for appeal may include recourse to the Customs administration, to an independent body and/or to the courts. An efficient and timely handling of the issue is important for customs and border matters which are quite time sensitive in general.

² Point I.1 of WTO document G/C/W/434

³ Points I.2 and II.6 of WTO document G/C/W/434

⁴ Point I.3 of WTO document G/C/W/434

d) Advance lodgement and processing of data⁵

48. The possibility to lodge the goods declaration and supporting documents, in agreed form, prior to the arrival of the goods can greatly facilitate their rapid release because it enables the authorities to process data, apply risk assessment arrangements and reach decisions as to the action required before the goods actually arrive in the Customs territory. Provided official requirements are met, the great majority of goods can be released on arrival either immediately or very shortly afterwards, greatly reducing the time previously required for traders to obtain their goods, except in cases where goods need to be examined physically or additional documentary checks are necessary.

e) Procedures for the assessment, collection and repayment of duties and taxes⁶

49. Despite the movement towards free trade and the reduction in Customs duties, procedures for the assessment, collection and, where appropriate, the repayment, of duties and taxes remain a core Customs activity, including the controls necessary for the correct application of trade agreements, quotas, origin, tariff classification, valuation, etc. Trade is greatly facilitated by clear, possibly standardised requirements governing the amounts of duties and taxes to be paid, the time when payment is due, arrangements for deferring that date, or methods of payment, and by the application of such requirements in a uniform manner across the Customs territory.

f) Risk assessment⁷

50. Risk assessment and management techniques allow Customs administrations to properly target border controls, so as to correctly allocate limited resources were required. Controls are kept to the minimum necessary to ensure compliance without overburdening trade by downscaling physical inspection and processing quickly "low risk" travellers and shipments and selectively targeting the areas of greatest risk for intensified controls. Effective use of risk management can be applied not only to the goods themselves but also to the companies trading – for example, to ensure that authorised trader status is fully justified.

g) Audit based controls⁸

51. Audit based controls can supplement the use of risk management techniques to ensure efficiency and effective compliance. They facilitate legitimate trade by moving documentary controls from the border to inland premises and reducing bottlenecks at border crossings. They also support the use of simplified clearance procedures for authorised traders. Before switching from controlling a trader's operations on a consignment basis to an audit basis, the authorities must be satisfied that their requirements regarding trustworthiness, records, payments, etc are met. Audit techniques generally entail the availability of specially trained staff.

h) Special procedures for authorised traders⁹

52. For traders who meet specified criteria of trustworthiness on account of their accurate declarations and timely payments, there are a range of facilitative arrangements which will provide

⁵ Points II.3, II.4 and III.1 of WTO document G/C/W/434

⁶ Points II.4 and III.1 of WTO document G/C/W/434

⁷ Points II.4 and III.1 of WTO document G/C/W/434

⁸ Points II.4 and III.1 of WTO document G/C/W/434

⁹ Points II.4 and III.1 of WTO document G/C/W/434

predictability and reduce time, work and costs in dealing with the authorities. Such special procedures include the provision of minimal information at the time of release of the goods; clearance at the trader's premises or other inland location; goods declarations covering multiple transactions over a specified period; self-assessment of duties and taxes based on commercial records; and goods declaration by a bookkeeping entry in those records. Various combinations of these measures can be made to suit the particular needs of a trader in his dealings with Customs, leading to even greater trade facilitation.

i) Separation of release from clearance¹⁰

53. "Release" refers to making the goods available to the importer or exporter or their representative, while "clearance" refers to the completion of all official formalities. Separation of release from clearance allows the goods to be released as rapidly as possible even though all formalities may not have been completed. The special procedures of (h) above all operate on that basis but it is important that other traders (who do not use or do not qualify for those procedures) also can receive their goods as quickly as possible. Provided the authorities are satisfied as to the circumstances, this can be achieved even though, for example, some data or documentation is not available or there is difficulty in agreeing on the classification or value of the goods.

j) Security for duties and taxes¹¹

54. Security for duties and taxes, the ways in which it can be provided, and the associated costs, become of increasing importance in the context of advance lodgement of data and the use of simplified release procedures. Sensible and straightforward methods of providing security play an important part in trade facilitation and the rapid release of goods, including through separation of the accounting (payment) process from the movement/importation of goods. Instances where the Customs may find it possible to release goods without requiring security for the duties and taxes, or acceptance of a general security covering all of a trader's operations in a given period instead of requiring a security each time goods are imported can further facilitate trade.

k) Cooperation and coordination among different authorities¹²

55. Multiple regulatory prerogatives by Customs and other border control agencies, dealing, for example, with agriculture, veterinary, health, phytosanitary and standards requirements frequently lead to duplicative requirements and controls, generating increase compliance costs, risks of error and delays when interfacing with different concerned authorities in a sequential manner. Enhanced co-ordination mechanisms between involved agencies, including single windows and integrated border controls, can greatly simplify border procedures and contribute in avoiding unnecessary restrictiveness. They may imply sharing information, concentrating documentary verification in the hand of a single agency, and co-ordinating inspections or integrating them in a single location and timing.

¹⁰ Points I.3, II.4 and II.5 of WTO document G/C/W/434

¹¹ Points II.5 and III.4 of WTO document G/C/W/434

¹² Points II.3, II.6 and III.5 of WTO document G/C/W/434

ANNEX II: RESULTS OF THE SURVEYS

Chile

56. Chile is a Latin American country with very important sea and land borders. Since the early 1990s it has negotiated and implemented preferential trade agreements with a number of countries and regions. Chile has already in force free trade agreements with Canada, Central America, the European Union, Mexico and the United States, and complementary economic agreements with MERCOSUR, Peru and Venezuela. It is also in the process of final approval of an agreement signed with Korea and in a negotiation process with Bolivia, New Zealand and Singapore. Unilateral trade liberalisation has brought a gradual lowering of its almost uniform ad-valorem tariff rate from 11% in 1998 to 6% in 2003 and thereafter.

57. A number of studies have documented significant benefits of the free trade agreements for the Chilean economy. From 1996 to 2003 the average growth rate for both imports and exports was around 21%. Chile was expecting for 2004 an increase of 13.8% in exports, corresponding to 23 500 million USD, way above the annual average of 18 500 USD in the years 1996 to 2002, and 20 000 million USD for imports¹³. At the same time, these agreements have brought about a considerable increase of Customs tasks and operations, such as the implementation of gradual tariff reductions on different goods and services, the increased relevance of origin verification and certification, or the stepping up of controls against counterfeit trade. Although the budget of the National Customs Service almost doubled between 1996 and 1998, it has since roughly remained constant, calling for considerable increases in productivity to accommodate an 11.7% increase in Customs operations between 1998 and 2003. The National Customs service has estimated that a cumulative 10% increase of their operating budget to be incremented in the following four years would be required in order to cope with a forecast total increase of 26.26% of Customs operations by the year 2008. This increase, mainly linked to the increased tasks generated by Chile's FTAs would imply a budget rise of 0.0045% of GDP, attaining a share of 0.05% of Chile's GDP after four years. Specific points worth of particular mention with respect to the trade facilitation areas under review will be presented below.

Publication and availability of information

58. Customs publishes Customs laws and guidelines, as well as certain Customs decisions of general application, in the Official Gazette. It also publishes a monthly Official bulletin containing resolutions, and most relevant decisions, including changes and complements to the Tariff code and to the Compendium of Customs Regulations. The Customs webpage www.aduana.cl is updated on a daily basis as new information arises. English pages have been included right from the creation of the site. Foreign trade statistics, port traffic, dollar reference prices are updated on a monthly basis.

Consultative and feedback mechanisms

59. There is a permanent exchange between the private and the public sector, including among others the brokers' associations, chambers of commerce and importers and exporters associations, particularly where regulatory change is proposed. The Chilean Customs have also established working groups with different sectors, such as textiles, shoes and leather, information technologies and others, in order to cooperate, exchange information and eventually conclude memorandums of understanding.

¹³ Minuta tentative para simulación del gasto del servicio nacional de aduanas por posible impacto de los tratados de libre comercio, mars 2004

Appeals procedures

60. Any decision by Customs determining payment of tariffs and duties, as well as actions by which those duties are assessed, is subject to appeal. Claims have to be introduced first to the Regional Customs Director or Administrator and his decisions can be appealed to the Director of the National Customs Service. Both steps are subject to administrative law rules and procedures and decisions have to be rendered no later than 15 days after evidence has been submitted. A final recourse against the decisions of the Director of the National Customs Service is available with the Supreme Court of Justice.

Advance lodgement and processing of data

61. Since 1996 a value added network (VAN) has been available for users to lodge electronic declarations. Since 2000 an internet-based system is also available (ISIDORA – internet-integrated system for Customs operations and regulations). ISIDORA allows for 24h/365d processing of declarations and physical inspection targeting through risk management techniques. It has brought the average time spend per declaration from one hour in 2000 to 1 to 3 seconds in 2003 and has permitted for the sole year 2003 savings of 678.333 USD in export document processing, that is 4.53% of the Customs annual budget. The new system will also allow in the future the acceptance of electronic signatures. Legislation relating to electronic signatures was elaborated in 2003 but is not yet implemented. A pilot implementation project is currently ongoing with the Internal Revenue Agency and implementation is expected to be generalised by 2005.

Overview

62. The significant increase in trade flows experienced by Chile during the last decade has provided considerable momentum for a wide-ranging modernisation endeavour in the Chilean Customs. It has sought to enhance the efficiency of Customs operations through an increased reliance to risk management and audit techniques, automation and co-ordination with other government agencies and has been characterised by a strong user orientation. A number of facilitative arrangements have been put in place in the context of this modernisation endeavour and, although resource availability has been an issue with respect to risk management and audit, benefits have already been quite notable both for the administration and for the private sector.

Latvia

63. Latvia is located in the Baltic Sea. It re-established its independence after the Soviet Union broke up in 1991 and has become a member of the European Union since the 1st May 2004. The National Customs Board together with the National Tax Board forms the Latvian State Revenue Service. The Customs services have some 2,000 staff of which approximately one hundred, divided into 11 divisions, work in the headquarters. The international airport is in Riga. The main port is also at Riga and there are a number of smaller ferry cargo terminals. Latvia has considerable road and rail transport operations and the Customs operate nearly 40 border control points. Latvia has borders with Estonia, Russia, Belarus and Lithuania and until May 2004 Customs controlled all of them. Since Latvia, Lithuania and Estonia joined the European Customs Union, the Latvian/Estonian and Latvian/Lithuanian borders became internal frontiers while Latvian borders with Russia and Belarus became external frontiers of the European Union. Staffing levels at the internal frontiers will be reduced and it is planned to reorganise the Customs into five regions.

64. The current laws and regulations and structure of the Customs service have their beginning following the independence of Latvia and the other Baltic states from Russia in 1991. Following independence, the Latvian Customs Law was passed in 1991, followed by the Latvian State Revenue Law

in 1993, revised in 1997 and supported from time to time by regulations and decisions of the Cabinet of Ministers. In practice, to all intents and purposes, the Latvian Customs services started from scratch following independence some 12 years ago. This situation afforded the advantages that the Latvian Customs could base themselves to a very large extent on existing law, procedures and practice which had already been introduced elsewhere in Europe. In particular, Latvia drew upon the Customs code of the European Community as a basis for their own arrangement. Furthermore, for a number of years, Latvia, like its Baltic neighbours, has worked towards joining the EU and the Customs Union. Latvia has to a large extent worked throughout that time to ensure that the concepts on which it operates are in line with the code and similar procedures. At the international level, Latvia has therefore been able to accept the current version of the WCO's Kyoto Convention and subsequently to be one of the first Contracting Parties to accept the revised version of the Convention.

65. It is not unfair to say that, due to its rather recent start and the background described above, in the course of natural development and progress Latvia has accepted and implemented internationally agreed measures of trade facilitation with a minimum of change to what had already put in place. The areas where change has been required, and where work is continuing, are not devoted to issues of trade facilitation as such, but relate mainly to integration into the Customs union. The main issues relate particularly to the responsibility for the EU external frontier arrangements with Russia and Belarus, the collection of Customs duties as EU own resources, administration of the common agricultural policy and compatibility with the areas of the EU information systems. Specific points worth of particular mention with respect to the trade facilitation areas under review will be presented below.

Publication and availability of information.

66. Latvian Customs use all the usual methods of disseminating information of a general nature including a website (<http://www.vid.gov.lv/eng/index.htm>). A charge may be made for supplying information of a specific nature but this is either a small flat-rate fee or related to the cost. This applies, for example, to the issue of certificates and the supply of information from Government databases. Binding rulings on classification, valuation and origin are supplied on application.

Consultative and feedback mechanisms

67. At the national level, the Customs Consultative Board is organising meetings with trade representatives on a monthly basis. Furthermore, as a longstanding practice more recently incorporated in the Administration Law, the Customs usually consult with the trading community, in advance, regarding proposed new legislation and procedures and proposed amendments of existing practices and procedures, although there may, as elsewhere, be emergency situations where that might not be possible. In the context of consultative and feedback mechanisms it is open to both the Customs and the traders to propose items for discussion and to prepare working papers.

Appeal procedures

68. Since independence the Latvian appeals system has provided a two-tiered appeals system, first to the Customs and then, if the person concerned is not satisfied, an appeal to an administrative court set up to deal specifically with cases involving persons versus the State not limited to Customs issues.

Advance lodgement and processing of data

69. There is a provision for the goods declaration to be lodged prior to the arrival of the goods and the data is checked by the Customs computer system¹⁴ set up 5 years ago. Before that a floppy disk system

¹⁴ Since 1999 Latvian Customs have been using ASYCUDA (version 1.15), developed by UNCTAD.

was in use. If the information in the goods declaration satisfies the Customs requirements, the goods are cleared and released upon the confirmation of their physical arrival. Like most countries, the goods are not given release or clearance until they have physically arrived. Electronic declaration must be supported by hard copies within an agreed time scale as no arrangements currently exist to deal with electronic signatures, something which will be taken forward in the EU context in due course.

Procedures for assessment, collection and repayment of duties and taxes

70. Provided that security is given, the payment of duties and taxes may be deferred for a maximum of 30 days. This is a longstanding practice. Currently there are no minimum values and/or minimum amount of duties and taxes below which the sums will not be collected or repaid, but such limits will be introduced administratively in line with the EU amounts.

Risk assessment

71. Risk management and analysis supported by a compliance methodology have been in operation as part of the trade information management programme (a database of risk profile) introduced in 1996. They are used to deal with the usual Customs/Trade areas including authorisation of traders for special procedures.

Audit-based controls

72. Audit-based controls began seven years ago and are quite widely used. The physical examination of goods when judged necessary forms part of the control scheme and the appropriate evaluation of approved traders' commercial systems is carried out.

Co-operation and co-ordination among different authorities

73. Customs and the Sanitary Border Inspection agency are the two administrations that may physically examine imported goods. The two authorities do not inspect goods on each other's behalf. There are no formal arrangements requiring inspections to be carried out by both of them at the same time, but there is a longstanding practice of close co-operation and co-ordination so that the need to examine certain goods does not result in any delay in release or clearance.

Overview

74. Because of the reasonably trade friendly basis on which Latvian Customs law and procedures were set up after independence, it has been possible for steady progress to be made in line with, in particular, the European Union Customs Code. Upgrading of procedures, training of staff, adjustments to deal with improved facilitative arrangements, have followed a natural course over the past years. The only areas in which the Latvian National Customs Board has incurred, or will probably incur, costs in order to meet recently agreed international trade facilitation standards are training in quality assurance/compliance techniques and alterations to the Customs automated entry processing system (ASYCUDA) to enable it to cope with incomplete declarations.

Morocco

75. Morocco in Northern Africa has a population of approximately 31.7 million people; the administrative capital in which the government ministries are situated is Rabat. The country has land borders with Algeria to the east and Mauritania to the south with the sea on the north and west. It has some dozen international ports (a few basically fishing ports) of which the main ones are Casablanca, Tangiers,

Agadir, and Mohammedia. There are a similar number of international airports, the most important being Casablanca, Marrakech, Fès and Agadir.

76. The Customs administration has approximately 4,460 staff of which 500 work in the Headquarters and 2,280 is uniformed staff responsible for border control and other control functions. The basic law is the Customs Code. This is updated on a regular basis, the last major revision having been made in 2000. In addition there are administrative instructions and an integrated tariff which is both in documentary form and on the internet. These are available free of charge to all interested parties.

77. In 2003 the World Bank carried out a long and detailed study of the Moroccan Customs and its procedures. The study concluded that the facilitative arrangements developed in Morocco over the years for dealing with international trade can fairly be held up as an example of what can best be described as a partnership between the Customs and the commercial and transport operators (see World Bank Publications “Douanes, Pragmatisme et Efficacite. Philosophie d’une Reforme Réussie” Septembre 2003 and “Reformes Douanières Au Maroc” Octobre 2003).

78. What is of particular interest is that these procedures and practices had been in place before the relevant standards were agreed at the international level. Thus Morocco was in the position to accept these standards immediately and was in fact one of the first countries to do so. Morocco has been working on facilitative Customs procedures and practices for over 20 years. The Customs administration has adapted progressively during this period and regards the changes implemented as the normal and acceptable course of development. The costs involved in that development can now hardly be quantified but the Customs are fully satisfied that they have been outweighed many times over by the advantages which have accrued to them, to the trading community and to the Moroccan economy. Specific points worth of particular mention with respect to the trade facilitation areas under review will be presented below.

Publication and availability of information

79. Moroccan Customs make information available to the public on all Customs procedures and practices using all the usual means (website, the tariff, public notices, stands at exhibitions etc.). The Customs website, which is accessible by the internet and by mobile telephone, is very informative, simple to use and effective. It combines all public information into one easily accessible source. Provided that the Customs are given all the necessary details, information of a specific nature and binding rulings are provided free of charge. Changes to the Custom law are published in the Official Bulletin.

Consultative and feedback mechanisms

80. Moroccan Customs maintain formal consultative arrangements with the trading community at the national level, including consultations regarding proposed new laws and procedures and amendment of existing practices and procedures. Local/regional consultations also take place, particularly at the request of traders, but on a less formal basis than the national form of consultation. It is interesting to note that consultative committees comprise not only Customs and the trade but also other government departments, other border agencies and professional associations. The trading and transport community is free to make proposals regarding procedures, competence and working hours of Customs offices etc. but in some instances other government authorities need to be consulted and some questions need to be referred from the regions to headquarters as they may have national rather than just local repercussions.

Appeals procedures

81. When there is a dispute with a Customs decision, the first appeal is lodged with the Customs. Further appeals may be lodged if necessary, each being considered by a superior officer. If the matter is still not resolved to the satisfaction of the appellant the appeal is passed, first to a regional appeals

commission and, if necessary to a national appeals commission. The commissions are presided over by a Customs official with representatives from other government departments and professional bodies. In the final instance, the person concerned may appeal to the court. When an appeal is won by the appellant, the Customs act on the decision or ruling without delay.

Advance lodgement and processing of data

82. All goods declarations are lodged electronically and may be submitted prior to the arrival of the goods (up to 8 days in advance). At that point the declaration is registered and risk assessment is applied. At present, declarations can follow one of only two routes –they are accepted and the goods may be released as soon as they arrive (but not prior to their arrival) or they are selected for examination of the goods. Morocco intends to institute a third route to distinguish between the need for further documentary checks, on the one hand, and physical examination of the goods on the other hand. Electronic declarations must be confirmed by hard copies within an agreed period because the law providing for the acceptance of electronic signatures has not yet been promulgated. While hard copy supporting documents are still required, intra-ministry discussions are taking place to enable supporting documents to be presented electronically using Single Window arrangements.

Risk assessment

83. Moroccan Customs system of risk management and analysis is fully automated and is applied in all relevant areas of work including the approval of companies for simplified procedures. It is supported by a sophisticated compliance methodology programme. All Customs offices are linked to the automated system. Risk management and analysis has been developed over many years and in 1988 a complete national system was implemented. The system will either select a shipment for exam or advise that it is able to be released. The Customs officer may over-ride the advice to release and order a physical examination but he may not over-ride the system's selection for examination. If the officer over-rides the automated systems advice, he must report the details of the action taken and the reasons underlying his decision. The automated system will be adjusted as necessary to take account of such actions and the results achieved. In 2005 the system will be upgraded to provide data to Customs staff as to the precise reasons why importations have been selected for examination etc. As a result of the development of the risk analysis automated system, the rate of examination of goods has been reduced from 100% to its present rate of 10%. It has taken years to reach this 10% rate of examination but Moroccan Customs have derived many benefits from the point of view of efficiency and effectiveness, collection of duties and taxes, control etc. Not least, the use of risk analysis and management has made it possible to transfer Customs inspectors to other duties within the administration. Moroccan Customs were not in a position to give the costs involved in the development of the risk analysis programme over the years but are satisfied that the costs are clearly outweighed by the operational and fiscal advantages.

Audit-based controls

84. Before companies are approved for simplified arrangements, the Customs carry out an audit following the standard practices. Audits of companies' books and records are also carried out after they have been authorised to use the simplified procedures. Audits are also carried out on the non-authorized traders to ensure compliance with Customs laws. At present, the availability of staff trained in audit techniques does not pose a problem but it may do at some point in the future if the arrangements expand and are used more widely. At some point it may be necessary to obtain assistance with training in audit techniques from, for example, the tax authorities and professional bodies.

Security for duties and taxes

85. Moroccan Customs make a distinction between the security required for goods under relief procedures (e.g. temporary admission and processing) and that in respect of goods imported for home use. In the case of relief procedures, security is usually provided by a bank guarantee (a bond), by deposit or, in the case of traders with a good revenue reputation, by a simple undertaking. The arrangements are very flexible – in the case of goods temporarily imported for processing, for example, no security is required when the imported goods (intended for re-exportation) remain the property of the overseas supplier. General security is often given. As regards goods imported for home use, payment of duties and taxes can be deferred for periods of 15, 30 or 45 days. Security for payment is usually provided by an undertaking to pay issued by a bank, by certified cheque or by a deposit. A deposit is usually made in the case of a dispute regarding the precise amount of duties and taxes chargeable.

Overview

86. Due to the trade friendly approach adopted over the years by Moroccan Customs and government when they were developing or revising Customs procedures, Moroccan Customs have actually been well in advance of agreed international standards. The costs involved which were expended over a considerable period are regarded as the natural development costs of an active and modern administration and the Customs are satisfied, and indeed can be, that their work has born fruit. Therefore, when international standards were agreed Moroccan Customs were in a position to accept and implement them without delay and without having to change their existing procedures and practices. The only area in which Morocco does not meet the agreed national standards is that national legislation does not yet specify a minimum value and/or minimum amount below which the charges will be neither collected nor repaid by the Customs.

Uganda

87. Uganda is an East African Republic of some 23 million people. It is a landlocked country, having borders with Sudan, Kenya, Rwanda, Tanzania and the Democratic Republic of the Congo. Until independence in 1962, it was a British protectorate as were Kenya and Tanzania. In general terms, Uganda exports natural products (tea, coffee, cotton, etc) and imports manufactured goods. It has one international airport (Entebbe) and a certain amount of trade across Lake Victoria. The great bulk of trade is across the land boundaries, with extensive use being made of the Kenyan port of Mombassa and some trade via the Tanzanian port of Dar-es-Salaam. A Customs union with Kenya and Tanzania is being established. The northern region has a difficult insurgency situation and the general border situation is particularly difficult as regards Sudan where armed conflict has been ongoing for some 20 years. Uganda has also suffered from a reputation for corruption; matters seem to be improving but there is clearly an element of mutual distrust between the authorities on the one hand and the trading community and general public on the other.

88. The Customs and Excise Department (Uganda Customs) forms part of the Uganda Revenue Authority (URA), together with the internal tax department and various smaller authorities. Uganda Customs have some 600 staff including 8 small headquarters divisions and collect border tax/duties: Customs duty alone constitutes over 50% of central government revenue. Funding and assistance have been received from the UN Development Programme and the UK Department for International Development (DFID) in particular. A consultancy team funded by the latter is currently working with the URA and it is understood that useful progress is being made. Specific points worth of particular mention with respect to the trade facilitation areas under review will be presented below.

Publication and availability of information

89. Ugandan Customs provide general information on the Uganda Revenue Authority website (<http://www.ugrevenue.com>), in the Customs tariff (electronic version available), the National Gazette, press releases and a limited range of public Notices. They participate in exhibitions, seminars and workshops. No charge is raised for supplying information of a specific nature but a fee is charged for the issue of licences and certificates. Binding rulings are issued in particular in the fields of tariff classification and valuation.

Consultative and feedback mechanisms

90. For many years Ugandan Customs have maintained formal consultative arrangements with the different stakeholders, *i.e.*, importer association, government ministries/agencies, brokers associations and the trading community, at national level, at Entebbe international airport and at regional level in the 5 Customs regions. Such consultations are held where necessary and/or on request: there were 52 consultations at national level in the past one year alone. Proposed new and amended legislation and procedures, including the location, competence and hours of business of Customs offices, are discussed with the trading community. Often the traders make proposals, but on a basis of longstanding practice rather than a legal requirement to do so.

Appeals procedures

91. Persons have the right to lodge appeals to the Customs in the first instance. After that they had to submit an appeal to the court which was time-consuming and costly, so that in 1996 a Tax Appeals Tribunal was established. If a person is dissatisfied with a ruling of the Tribunal, he may then appeal to the courts.

Procedures for assessment, collection and repayment of duties and taxes

92. Certain category of goods, in particular perishables, live animals, other urgently required consignments and imports by government bodies, are deemed cleared under a provisional Customs entry declaration which must be perfected within 48 hours. Duties and taxes must then be paid within 45 days after which interest will be charged for late payment. Apart from the special allowances arrangements for travellers arriving at the international airport, Ugandan legislation does not specify a minimum value or minimum amount of duties and these below which a charge will not be raised nor a repayment made. In this context, the consideration of treatment of numerous small traders most of which regularly cross the border on foot carrying large volume of imports might be difficult to address. National legislation will need to be amended to cover the situation and there will be some limited loss of revenue but nothing of any moment.

Security for duties and taxes

93. There is a longstanding system of bonds, post-clearance cheques and, where acceptable, signed promises to pay from authorised persons under memoranda of understanding arrangements. General securities are widely used.

Co-operation and co-ordination among different authorities

94. A number of agencies other than Customs are involved in examining goods at import/export – the National Bureau of Standards, the National Drug Authority, the National Environmental Management Authority, the Ministry of Agriculture; and the Revenue Preventive Service and the Internal Audit Investigation Department which are both part of the Uganda Revenue Authority. Co-ordination of

examinations by Customs and other authorities has posed no problems and on an ad hoc basis the Customs carry out checks for other agencies.

Overview

95. Ugandan Customs operate in a difficult environment caused not least by Uganda's geographical position as a landlocked country and by the frequently referred to lack of trust between the authorities and the trading community. In the majority of the trade facilitation areas covered by this enquiry, the basis of facilitation has clearly existed for years. What is not so clear, however, is the evenness of application given the number of land boundary border posts, many of them small. The areas in which Uganda Customs do not yet operate internationally agreed facilitation measures are those of risk management/analysis, audit-based controls, and the special procedures which depend on those arrangements. Costs of introducing them, at what is felt to be an appropriate level, are estimated at approximately US\$160,000 in the first year, offset by probable staff reductions elsewhere and improved control and revenue collection. There appear to be no significant costs involved in the other areas covered.