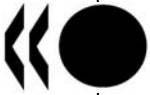


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THE COST OF INTRODUCING AND IMPLEMENTING TRADE FACILITATION MEASURES

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THE COST OF INTRODUCING AND IMPLEMENTING TRADE FACILITATION MEASURES

Introduction

1. The costs of introducing and implementing trade facilitation measures have increasingly attracted attention and have been the subject of much concern in recent WTO discussions, including at the 5th WTO Ministerial Conference, held in Cancun in September 2003. In the lead-up to the conference, several developing countries expressed reluctance to engage in trade facilitation commitments that might prove disproportionately costly for their economies, particularly since they had no clear idea of the importance of these costs. Owing to the lack of reliable data on this issue, unsubstantiated and unrealistic figures were floated during the conference. 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. Recognising the significance of the cost issue for future negotiation prospects, the OECD Trade Committee decided to analyse the costs of introducing and implementing trade facilitation measures as a follow-up and complement to its recent work to quantify the benefits of such measures. In view of the lack of consistent data on costs, the first task was to collect reliable and comparable data that could then be analysed with a view to better understanding what trade facilitation measures may entail. It therefore sought the assistance of countries that have just introduced, or are in the process of introducing, trade facilitation measures and have figures on their implementation expenses. Networking and data collection benefited from valuable support from the World Customs Organization (WCO) Secretariat. The focus was on costs to government, and possible costs for the private sector were not addressed. Furthermore, research was intentionally limited to data already available to the participating countries; no attempt was made to generate new data.

3. Fifteen non-member countries accepted to participate in the study: Argentina, Barbados, Cambodia, Chile, Jamaica, Latvia, Mauritius, Morocco, Mozambique, the Philippines, Senegal, Tanzania, Thailand, Uganda and Zambia. They represent Africa, Asia, Europe and the Americas and six are least developed countries (LDCs). Information from a number of OECD countries suggests that their recent developments in the area of trade facilitation were small incremental steps in a long-standing process, so that data for those countries would not provide an accurate picture for the purposes of this study.

4. The countries covered are very different from each other in many respects: size, geographical and geopolitical conditions, level of development and trade patterns. For countries like Chile and Morocco, their integration into global trade has generated additional customs revenue which helped finance the adaptation of the customs administration to the challenges raised by increased trade flows. In countries like Mozambique, Senegal or Uganda, instead, reforms aim at fostering the conditions for better integration into global trade, including by improving the country's export competitiveness and attractiveness for investment. Cambodia, the least advanced of the reviewed countries in terms of customs reform, faces challenges that other countries may have already resolved. Countries' differing situations should be taken into account in interpreting figures and outcomes: trade facilitation and customs reform endeavours did not start from the same point everywhere and the research could only focus on additional costs for new measures.

5. To keep the scope of the research manageable, only trade facilitation measures in the narrow sense – as discussed in the WTO Negotiating Group on Trade Facilitation¹ and detailed in OECD (2003) – are considered. Eleven measures among the proposals made by WTO members at the Negotiating Group on Trade Facilitation were selected so as to cover the broad lines of the WTO discussions and to ensure that sufficient information could be gathered from the reviewed countries. To avoid duplication with the work of international organisations with extensive field experience in transit issues, measures related to transit were not included. As noted in OECD (2003), there is a range of possible approaches for pursuing and implementing trade facilitation principles, although multilateral endeavours do call for coherence and consistency. The studies undertaken here show that, while 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 primarily concern customs procedures and requirements; these are of particular importance in international trade since customs is, in practice, the only government body that deals with all goods arriving in and departing from countries. However, customs administrations are invariably responsible for the application not just of their own procedures and requirements but also those of a range of other authorities, particularly for ensuring compliance with documentary requirements (licences, certificates, etc.) for many purposes. Second, on many occasions both the customs and other authorities require physical examination of certain goods to ensure they meet official requirements. Appropriate co-ordination and co-operation between authorities constitutes in itself an important element of trade facilitation and sometimes results in significant reductions in time and costs for traders. Customs procedures benefit from a fairly advanced level of international standardisation owing in particular to the work of the WCO, and this contributed significantly to the comparability of data examined in this chapter. It should be noted that the choice of measures adopted here is not intended to prejudice the scope and definition of trade facilitation in OECD discussions and ongoing WTO negotiations.

7. The introduction and use of automated systems is not included as a separate item. As investments in information technology (IT) are 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 IT was not studied on its own merit, it was not excluded altogether. There are aspects of IT related to a particular trade facilitation procedure or practice, such as transparency mechanisms, advance lodgement and processing of data or risk management mechanisms, which do in fact have to be taken into account to properly assess the costs of these procedures.

8. The following pages first make some general observations and describe a typology of trade facilitation cost components. The main findings for each reviewed measure, including country examples, are presented next. Annex A gives a brief description of the measures considered.

Assessing the costs and challenges of trade facilitation

General observations

9. In all the reviewed countries, most of the trade facilitation measures examined were part of larger efficiency-enhancing efforts. The country studies confirm that trade facilitation is generally not the main objective of reforms in border procedures, although, as in Morocco, it may well be an important goal. This is in fact often the case, despite considerable differences in the initial situations of the reviewed countries

1. A compilation of all proposals made by WTO members at the Negotiating Group on Trade Facilitation can be found in WTO Document No. TN/TF/W/43 of 3 June 2005, revised regularly since to incorporate new proposals and amendments.

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 and Mozambique imposed similar efficiency-enhancing strategies on these countries, albeit on a different scale. The studies also show that even if facilitation is not the primary objective, it is certainly one of the main positive outcomes of reforms. Trade facilitation measures have introduced new ways to fulfil the traditional mandates of border agencies, often making them more efficient and effective by rationalising resource use, whether or not additional resources for facilitation were available.

10. The corollary is that generally no specific budget was allocated for introducing and implementing trade facilitation measures. Additional resources specifically earmarked for trade facilitation are often not available. Resources spent to introduce and implement these measures were therefore often absorbed in normal administrative operational costs. The implications are not the same, of course, for all countries. Some have been able to introduce facilitation measures with a minimum of change and expense because they already had relatively trade-friendly procedures. Others, having made less progress in the past, have found it difficult to introduce facilitation measures in some areas. Yet, progressive facilitation efforts woven into agencies' normal operations led in all cases to significant improvements for both the administration and the trading community.

11. The studies strongly underscore the close link between efficiency enhancement and trade facilitation: improved revenue collection owing to good governance has generated resources that can be devoted in part to adopting more business-friendly procedures. At the same time, they show that initial gains may be reversed when there are not enough resources or political momentum to sustain the process or to prevent backsliding. Interdependencies among the measures mean not only that it is not feasible to introduce some of the measures in isolation but also that the weaknesses in the implementation of some measures may limit the effectiveness of others.

12. Not surprisingly, among the measures selected for review, the most radical and complex changes were required in the most technically demanding 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, but the time necessary for satisfactory implementation of the measures constitutes an additional challenge. Advance lodgement and processing of data is also a challenge for some countries because of the IT requirements. The costs of such measures were not large in the overall context of reform, with the probable exception of IT. However, IT concerns far more than trade facilitation, and the costs would have been borne even in the absence of a trade facilitation agenda. Current developments suggest that the costs 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 full financial and procedural benefits derived from these control techniques. In Morocco, the anticipated benefits have clearly already been achieved.

13. As a final point it is important to stress the difficulties encountered for identifying cost elements. Very few measures or tasks could be isolated from related tasks or from broader endeavours. The reviewed customs administrations did not always have a clear picture of what specific measures entailed in terms of resources, although they were in a position to indicate the major challenges posed by their introduction and implementation. This difficulty was particularly clear when seeking to identify country needs with respect to a given measure and suggests that many countries may need assistance to better understand what possible trade facilitation commitments may require in their domestic regulatory and economic context.

Typology of cost components

14. 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 often be the most expensive; 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 that 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 their effectiveness, but in the absence of quantitative performance indicators, it is very difficult to get a full picture of the costs and benefits. Clarifying the linkages between the different cost components and exploring possible parameters for assessing the measures' effectiveness may be important tasks for future analysis.

15. **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 specialised in regulatory work in ministries, the centre of government and parliament. Resources required for legislative and regulatory work differ depending on the country's legislative structures, procedures and frequency of changes in legislation. However, with the exception of major legislative overhauls, as in the case of Cambodia, or the need for major legislative changes, 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.

16. **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. As relocation is not an uncommon management practice in customs, redeployment linked to newly introduced trade facilitation measures may simply be part of the general practice of relocation. However, redeployment is only possible to a certain degree if service disruptions are to be avoided. In general, the more customs administrations introduce sophisticated, specialised functions, the less they can redeploy staff from one task to another.

17. In several of the reviewed countries, customs administrations are part of a single public revenue authority. Customs authorities that were brought under a common structure after having enjoyed institutional and budgetary autonomy tend to complain that such a structure focuses too much on revenue collection and too little on customs control and trade facilitation. However, this institutional arrangement seems to afford welcome economies of scale and to enable a valuable pooling of expertise and cross-fertilisation between tax and customs authorities, especially in poorer countries where the shortage of qualified staff is an important concern.

18. **Training costs:** Training often appears as the most essential cost component of trade facilitation measures. Countries may choose between: *i)* recruiting new, expert staff; *ii)* training existing staff in a training centre; *iii)* on-the-job training; and *iv)* importing trained staff through personnel exchange with other ministries/agencies. Option *i)* is the most expensive since it implies a budgetary increase and can only tap into a limited pool of expertise with the necessary customs-specific skills and know-how. In a number of countries, option *i)* seems to be further constrained by a salary scale that is too low to attract staff with sufficient professionalism and integrity. Among reviewed countries the more commonly observed practice was a combination of options *ii)* and *iii)*. Regular training is common practice in many customs administrations around the world, although it varies in frequency and duration, and training for

specific trade facilitation measures is often 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 administration's normal operations. Option *iv*) 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 from the tax administration may make it difficult to implement without high and sustained political commitment, even when customs and tax are under the same agency or department. Most reviewed countries provide for training of all customs officers when they join the administration. Training when customs legislation or practice is modified is also a common feature, although the number of officers trained is smaller.

19. ***Equipment/infrastructure costs:*** Equipment and infrastructure are not a prerequisite for trade facilitation measures, although some of these measures, such as advance lodgement and processing of data, risk assessment or special procedures, are more readily implemented with appropriate equipment and infrastructure. Border agencies call for information and communication technology (ICT) products and infrastructure and scanners primarily to enhance the effectiveness and efficiency of customs operations and controls and only incidentally to sustain trade facilitation measures. For example, telephone lines and telephone equipment make it far easier for customs to communicate, and office automation provides genuine improvements in performance. None of these 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.

20. Most equipment and infrastructure should be viewed as implementation tools to 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 for targeting high-risk consignments and continues examining unnecessarily large numbers of low-risk consignments, scanners will not help reduce clearance times or enhance control performance. Likewise, while modern equipments and IT systems can be brought to bear on trade facilitation, a complementary investment in people is indispensable. As the technical aspects of customs work are being improved, human resource development has to keep pace because any system can only be as efficient as the people who run it. Furthermore, choosing implementation tools before elaborating the relevant policies (for instance introducing computer networks before modernising control and clearance procedures) runs the risk of reducing available policy options and making subsequent changes lengthier and more costly.

Distribution of costs and benefits

21. Analysing costs also implies identifying who bears such costs and how as well as where benefits accrue. Some measures may be provided for through resource transfers among 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 constitute a cost for the central administration, although it also eliminates or reduces the costs of regional customs offices for dealing with enquiries. Likewise, the conversion of a general court into a special customs court has the advantage of drawing on available knowledge and specialisation without generating costs for customs; however, it may be a net loss for complainants whose cases are not related to customs.

22. In some countries public-private partnerships have reduced the fiscal burden of implementation and the usual resistance to changes in the system. The Philippines Automated Customs Operations System (ACOS) is a product of such a public-private sector collaboration. Developed on the basis of ASYCUDA++, it benefited from financing, personnel and technical advice from private companies for the

development of adjunct systems and requisite additional infrastructure. Private support can be extremely valuable in filling resource gaps, including to tackle expense overruns during the implementation of reforms, but it is obviously easier to elicit such support when the administration's good governance practices inspire confidence to the private sector.

23. 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. Countries' experience shows that, although the revenue collected by efficient customs administrations remain relatively stable or even increase despite large tariff cuts, they have nonetheless become less important in the revenue stream of the government. Customs modernisation will result in particular in cost savings, especially of manpower, in the ability of the administration to handle a growing number of trade declarations without need for additional manpower and in shorter clearance time but more effective screening of cargoes.

24. Finally, it should be kept in mind that only a small cross-section of countries was studied. Their very diverse situations inevitably mean that practical application of trade facilitation measures in each country will differ in the immediate future. The aim of the study was not to generate hard and fast figures about how much each country is or should be spending for promoting trade facilitation but to provide indications as to the relative complexity of trade facilitation measures, the challenges that such measures present, and approaches for overcoming such challenges in practice.

Main findings

Publication and availability of information

Publication

25. All reviewed countries supply information of a general nature, including applicable laws, regulations and procedures, and operational aspects 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 customs administrations' operating budget and did not entail any additional expenses. Specific customs publication activities are often handled by a public relations unit or information desk inside the customs administration, which may range from 3 people (0.20% of total staff) in a small LDC like Senegal to 13 people (0.28% of total staff) in Argentina. In addition to staff expenses, there is a modest budgetary allocation for paper publications: in Mozambique this allocation averages USD 35 000 a year (in 2004, USD 37 212 or 0.13% of the total customs budget).

26. On the other hand, most of the countries do not publish internal procedures and guidelines, court judgements or the underlying objectives of enacted laws and regulations. Although it has not been possible to assess the potential costs of expanding publication practices to cover this type of information, it can be argued that it would not generate additional costs of any significance insofar as it relates to information that is available and therefore does not need to be specifically produced or collated. The situation may be different when countries need to develop the capacity to generate information that is lacking: for example, the World Bank has recently estimated the costs for enhancing legal transparency in Cambodia at USD 400 000, including USD 320 000 over 24 months to develop a system for publishing on the Internet all² commercial laws, regulations, draft legislation and final judgments of the Supreme Court and the Court of Appeal and USD 80 000 to provide training for judges and key staff. In the Philippines, the scarcity of published statistical information, other than trade value and volume and revenue collection, is not due to a lack of transparency but to the fact that such information still has to be compiled manually for a number of ports and transactions.

2. *i.e.* not only pertaining to those applicable to the movement of goods across the border.

27. The provision of value-added services may generate extra costs, but these are usually passed on to the customer. In Chile, new regulations and rulings are published free of charge on the Customs Web site, users can also access them for a fee through a special legal compendium (*Bulletin Jurídico*). Likewise, the monthly statistics bulletin is free of charge but specific statistics questions are billed. Latvia subjects the supply of information from government databases to a fee that reflects the cost of retrieval. The provision of information that is specific in nature and not available through traditional means of publication may be free of charge in some countries (Argentina, Mauritius), or subject to service fees on a cost-recovery basis in others (Thailand).

28. Efforts to make information available in a widely used language other than the country's official language (for instance English) also generate additional costs, which some poor countries may find of relatively low priority, considering their available resources. Mozambique, a Portuguese-speaking African country, has found it financially impossible to undertake translation of customs information into English in the face of competing requirements for other reforms.

Internet publication

29. Provision of information on the Internet is also widespread, often via a customs Web site (Cambodia, Chile, Jamaica, Latvia, Mozambique, Morocco, Senegal) but sometimes in an area of the national revenue authority Web site when customs is part of such an authority (Argentina, Uganda). The costs of putting in place and operating a Web site include the creation of the site's frame, expenses for purchasing or developing the appropriate software and for elaborating the information platform, which are one-off expenses, and the staff required for keeping the Web pages up to date (Table 1).

Table 1. Illustrative costs for publication measures

	Internet introduction ¹	Staff assigned to Internet operation	Staff assigned to rulings
Argentina	n.a.	0.15%	0.64%
Barbados	n.a.	n.a.	1.7%
Cambodia	24 man-months	0.17%	--
Chile	USD 12 000 + 120 man-months	0.15%	n.a.
Mozambique	USD 8 500 + 4 man-months	n.a.	--
Senegal	USD 18 000 USD	n.a.	--
Zambia	n.a.	n.a.	1.63%

n.a. Figures not available.

--: Not applicable; the measure has not been introduced.

1. Figures in monetary terms refer to purchases of goods and services; figures in manpower terms refer to tasks undertaken by customs staff.

Source: Based on data provided by the national administrations.

30. In Chile, the creation in 2000 of the customs Web site frame was entrusted to a private company and cost USD 2 000, and the software for operating the site cost USD 10 000. The information platform (in Spanish and English) was elaborated in house and mobilised ten staff members for approximately one year. In Mozambique, the Web site frame for the newly launched customs portal was created internally in around a month by a development team of four and an additional USD 8 500 was paid for the software. By contrast, the quoted price for purchasing a "turnkey" system from an outside company was USD 50 000. In Senegal, the creation of the customs Web site in 2000 mobilised a special project team for a period of six months and cost in total USD 18 000.

31. Daily operation of Web sites appears relatively inexpensive and there are no additional costs for putting together the information displayed on the Web site because this is handled by the people that deal with the traditional paper publications. In Chile, in addition to staff in the communications department who

collate the information to be published, the Web site requires two staff members (0.15% of total staff) for operation and daily updates. The Cambodian customs Web site is also operated by two customs staff (0.17% of total staff). In Argentina, the customs pages on the Federal revenue authority Web site are handled by seven staff members (0.15% of total staff).

Enquiry points

32. Enquiry points are increasingly established to help customs users and to improve and rationalise 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 Mozambique, an online enquiry point was included in the newly created customs Web site and expenses for its establishment were part of the Web site creation expenses noted above. In Argentina, the customs Web site includes “intelligent search” facilities for customs resolutions and enquiries. In Latvia, a small group 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 asked through the customs Web site; replies are also provided electronically, on the same day if they are about applicable rules. Customs administrations generally consider that the operation of these measures does not generate additional expenses, because they result in time savings for other staff that no longer have to deal with routine enquiries.

33. A relatively ambitious project was envisaged by Senegal, which set up in 2000 a new business advice and facilitation entity to provide information support and advice to traders to help them select the most advantageous regimes. However, an insufficient endowment in human resources (currently one person) and the fact that the applicable regulatory framework makes no provision for it, made it very difficult for the entity to adequately fulfil its tasks. In its 2003 Strategic Action Plan, Senegalese customs planned to devote USD 14 450 over a period of six months to reinforce the business advice and facilitation entity, including through better organisation and the acquisition of supporting equipment.

34. No enquiry points are available in Barbados; the country’s small size and the limited number of customs offices led the administration to consider this measure superfluous.

Binding rulings

35. Binding rulings on classification, valuation or origin may be supplied on application in a number of the reviewed countries but are not available everywhere. In some countries users may request an advance valuation or classification assessment of their goods but the assessment is not binding upon the administration. This is the case in Senegal, where the automated customs system Trade X allows traders to calculate in advance duties and taxes payable on a given consignment, although the simulation outcome does not commit the customs administration. Binding rulings are not available in Cambodia or Mozambique either. In Tanzania, a unit devoted to binding rulings on classification and origin will be established in the framework of the ongoing Customs Modernisation Plan. In the Philippines the Tariff Commission, an agency under the Office of the President, has exclusive authority to issue advance rulings on classification, but such rulings are rarely sought; the customs have no authority to issue rulings on valuation and origin.

36. Among countries that provide for binding rulings, rulings on classification are a longstanding practice, but there is much less experience with rulings on valuation and origin. In Argentina, a unit of 30 people (0.64% of total staff) is devoted to binding rulings, mainly in the area of classification. In Zambia nine officers (1.63% of total staff) are in charge of delivering binding rulings in addition to their other duties. In Barbados, a Classification Committee composed of eight officers (1.7% of total staff) issues binding rulings on tariff classification; although the possibility of rulings on valuation and origin is

provided for, no such rulings have been requested to date. In Chile valuation rulings will be available from 2007 to allow for the necessary on-the-job training of the staff concerned.

37. Rulings are issued free of charge in some countries and are subject to a fee in others. The rulings are usually only notified to the affected party and are not publicised more widely, however there are some interesting exceptions. In Jamaica, rulings are shared among concerned customs officers, so as to ensure consistency of customs decisions and policy implementation. In Argentina, the customs administration exceptionally issues general rulings on classification and valuation that are published in the Official Gazette.³ All countries considered that the administration of such rulings calls for no additional resources, as in most cases assessment would take place anyway at the moment of importation.

Consultative and feedback mechanisms; communication with traders

38. Customs administrations in most 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. 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. The frequency of consultation depends on outstanding issues. Argentina, for instance, reports that its customs administration holds on average 120 consultations a year. Mauritius holds three formal consultations a year at the national level and local consultations once a month in each airport and port. In Mozambique, in addition to consultations held prior to the enactment of new or amended regulation, the CSTA (*Conselho Superior Técnico Aduaneiro*, the formal entity entrusted with consultations, composed of the General Director of Customs and representatives of the Ministries of Trade, Health, Agriculture and Transport, of the clearing agents and of the Confederation of Trade associations) meets twice a year to ensure good working relations between the administration and the private sector. Mozambique considers these consultations as one of the major strengths of their post-reform regime.

39. In the Philippines, it is felt that the success of the customs administration in mobilizing private sector resources and support for new regulations and practices was to a large extent due to their policy of enhanced communication with different stakeholder groups. For instance, customs have concluded a co-operation agreement with the Philippines Chamber of Commerce and Industry (PCCI) and the Federation of Philippine Industries (FPI) to prevent and control smuggling, by sharing data analysis on abnormalities in the value of specific shipments. This data link-up project was wholly funded by FPI, while the technical work was done by customs IT personnel.

40. Consultative arrangements of customs administrations may also be part of wider consultative mechanisms operated by the government or initiated by the private sector. Cambodia has established a Working Group on Legislation, Governance and Taxation in the framework of the government-wide Government-Private Sector Public Forum, which will include a partnership mechanism between the Customs and Excise Department (CED) and stakeholders. The partnership will be based on a series of Memoranda of Understanding to be concluded with business groups, such as the Chamber of Commerce, the freight forwarders association and the customs brokers association. A Business Outreach consultation programme was also envisaged in the CED Annual Report of 2001 but it has not yet been established. Since 1999, Barbados operates a tripartite consultative mechanism known as the Customs, Trade and Finance Consultative Committee, which meets roughly every three months. In Tanzania, the customs department is a member of the Shipping Industry Consultative Forum and uses it to get feedback from

3. The practice of publicising binding rulings is more widespread among OECD countries, for instance in Australia, Canada or the United States (see OECD, 2002).

stakeholders and advise them of policy changes. Consultations and sensitisation during the transition to ASYCUDA++ were conducted in this framework.

41. In Barbados, Mauritius and Tanzania, customs also organises training sessions for the private sector aimed at familiarising traders, brokers and other relevant stakeholders with inputs expected from them under newly introduced or upcoming measures (such as new documentation, the introduction of electronic lodgement of data, updates of the customs electronic data interchange [EDI] system, etc.). These sessions are often absorbed in the budget available for customs training, but may also (Mauritius) be partly passed on to the concerned stakeholders.

42. All interviewed administrations reported that the costs for operating consultative and communication mechanisms are minimal. At the same time, administrations find it extremely difficult to assess the number of hours devoted to specific consultations and thus to express incurred “costs” in terms of staff hours, because several areas and many stakeholders may be involved in a given consultation at different points in time and because some consultation outcomes may be discarded outright while others may go through a series of discussion rounds that spill over more than a single year. In general, customs administrations consider that such 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.

Review and appeal procedures and due process

43. In all of the countries, users can ask for customs decisions to be reviewed in the first instance by superior officers in the customs administration. In Chile, for instance, 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 laws, rules and procedures. In Cambodia, a unit of seven or eight officers (0.69% of total staff) is in charge of dispute resolution within customs, and the formal appeals system is essentially not used. In Zambia, nine customs officers (1.63% of total staff) handle recourses in addition to their other tasks. In Tanzania, where approximately 300 litigation cases are handled yearly by customs, the ongoing Customs Modernisation Plan provides for the creation of a technical disputes and rulings unit in the near future. In Barbados, where the litigation rate is approximately two cases a year, recourses are handled directly by the comptroller, *i.e.* the head of the customs administration. In all countries, the administration handles such reviews part-time in addition to other tasks and does not incur additional costs for this work.

44. Appeals may 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 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 Mauritius, the Philippines, Uganda and Tanzania, the Revenue Court in Jamaica, or the Federal Fiscal Tribunal in Argentina. In Mauritius customs decisions could be appealed to the Tax Appeal Tribunal, established in 1984, until 2003, when the tribunal was replaced by an Assessment Review Committee, set up to hear representations from aggrieved taxpayers and required to take decisions within a period of eight weeks. Decisions of the tribunal and of the committee can be further appealed to the Supreme Court. Customs cases were in both instances a very small part of total appeals (on average 0.56% and 0.38%, respectively).

45. In Argentina, nine out of the 21 judges in the tribunal and roughly 43% of the tribunal’s budget (about USD 955 570 of a total of about USD 2.27 million in 2004) are allotted to customs matters. Although it is possible to lodge appeals with the judicial authorities, the vast majority of tax and customs cases go to the Fiscal Tribunal because of its specificity and professionalism; among the cases heard by the

Tribunal, customs infractions have the highest litigation rate (40%). In countries where customs matters are heard by administrative courts, costs related to their operation are absorbed in the country's court system and are not specifically considered in border administrations' budgets for trade facilitation. Most countries also make provision for appealing decisions of the administrative tribunal to the country's Court of Appeals.

46. To provide a more efficient and timely handling of customs issues, Morocco has created a specific appeals mechanism for customs, composed of a network of regional appeals commissions and a national appeals commission. The commissions, presided over by a customs official, include representatives from other government departments and professional bodies; their decisions can be further appealed to the courts. These commissions were set up during a general review of the customs code that ended in 2000 and were part of the general reorganisation of customs arrangements. Morocco reports that they did not involve any measurable costs.

47. Mozambique has also established a specific mechanism for appeals, composed of three customs tribunals, one in each of the three administrative regions of the country. The tribunal of the southern region, which includes the capital Maputo, is currently composed of five judges and 37-39 support staff (the tribunal's budget allows for a total of 62 people); the tribunals in the regions of Beira and Nacala are each composed of one judge (two are allowed) and ten support staff. The average litigation rate is around 1 000 cases a year which are essentially brought by the administration. However, the figures are expected to rise as traders' confidence increases and they use the tribunal more often. A case is usually decided in 60-120 days, compared to an average of 6-12 months in administrative tribunals. At their inception, 50% of the collected fines financed the tribunals, which were staffed by former customs officers. Gradually, professional judges, enjoying judges' privileges, immunities and salary, have been appointed to the tribunals, which since 2005 have also been allotted their own budget: MZM 14.3 billion for the Maputo region (around USD 579 500) and MZM 5.9 billion (USD 284 000) and MZM 5.2 billion (USD 210 000) for the Beira and Nacala regions respectively. Judges and supporting staff undergo 4-6 months of initial training on customs matters in the Matola training centre run by the Ministry of Justice and also benefit from periodic training afterwards.

Advance lodgement and processing of data

48. Advance lodgement and processing of data require a certain degree of automation of customs systems. Cost information in this section reflects this fact and should be interpreted with caution (Table 2). Expenses incurred for implementing automation cannot be counted as costs of trade facilitation; however, their efficiency-enhancing effect will support the implementation of a trade facilitation strategy.

49. Although electronic lodgement of goods declarations does not have to take place on line (before Latvia set up its computer system in 1999, customs already allowed the declaration to be lodged on a floppy disk prior to the arrival of the goods), checking the data does require some IT infrastructure. Cambodia is the only exception among the countries reviewed; it provides for entirely manual advance lodgement and processing of data, without any IT support. However, this is only possible at Sihanoukville seaport for government imports, imports of raw materials, machinery and accessories of investment firms, or if the importer is awaiting administrative letters. A request for advance lodgement and processing is submitted for approval by the director general of customs on the assumption that it concerns urgently needed goods. The mechanism is further supported by the use of PSI and is in any event minimally used.

Table 2. Advance lodgement systems

	IT supported	IT system	Inception cost	Upgrading cost	Annual maintenance cost
Argentina	✓	SIM (SOFIX)	made available	n.a.	n.a.
Barbados	partial	ASYCUDA 2.7	n.a.	n.a.	n.a.
Cambodia	no	--	--	--	--
Chile	✓	ISIDORA	n.a.	n.a.	n.a.
Jamaica	✓	TIMS	USD 5 million	n.a.	n.a.
Latvia	✓	n.a.	n.a.	n.a.	n.a.
Mauritius	✓	CMS	n.a.	n.a.	n.a.
Morocco	✓	SADOC (SOFIX)	n.a.	n.a.	n.a.
Mozambique	partial	TIMS	USD 4 (made available)	USD 200 000 (geographical extension)	USD 50 000
Philippines	✓	ACOS (ASYCUDA++)	USD 2 565 000 (customisation)	USD 9 914 000 (Windows upgrade)	USD 1 086 000 ²
Senegal	✓	TRADE X	n.a.	USD 1 850 400 (Web migration)	USD 740 160
Tanzania	partial	ASYCUDA 2.7	USD 938 7851 (1994)	USD 770 440 ¹ (ASYCUDA++)	n.a.
Thailand	✓	n.a.	n.a.	n.a.	n.a.
Uganda	partial	n.a.	n.a.	n.a.	n.a.

n.a. Figures not available.

-- Not applicable; the measure has not been introduced.

1. Costs covered by donor assistance.

2. Average maintenance expenses 1993-1999

Source: Based on data provided by the national administrations.

50. In other countries IT capacity conditions to a certain extent the possibility of lodging and processing data in advance. For instance, Zambia has not yet introduced advance lodgement and processing because electronic means are still uncommon in the land transport sector, which represents the bulk of the country's import flows. In Uganda, advance lodgement and processing are 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 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, this trade facilitation measure is very difficult to implement in the absence of automation. However, even partial implementation of advance lodgement and processing of data in Uganda has generated important savings by reducing the number of staff engaged in clearance work. In Chile, customs estimated that advance lodgement and processing of data with the support of the IT system ISIDORA has allowed them savings in 2003 alone of USD 678 333 (which corresponds to 4.53% of that year's budget).

51. A number of countries operate systems for advance lodgement and processing of data based on various versions of ASYCUDA or other systems. The purchase of an off-the-shelf system is generally less expensive than the development of a new system; however, adapting existing systems to local conditions can be expensive. Some of the countries that have relied on off-the-shelf systems subsequently experience difficulties in upgrading the system to changed circumstances or to incorporate new functionalities; the lack of local expertise and insufficient access to information on the architecture of the system keep some customs administrations dependent on the initial providers of the system or on private service providers. With funding from UNCTAD, Tanzania introduced ASYCUDA 2.7 in 1994 for a cost of USD 938 785. Customs are now migrating to ASYCUDA++ over a period of four years starting in 2004 for a total cost of USD 770 440, also funded by UNCTAD. Tanzania has also moved away from the previous PSI-based

system to destination inspection; customs presently utilises the services of a destination inspection company (Tiscan, a subsidiary of COTECNA) for document checking (valuation, classification and origin) and for scanning. Tiscan uses its own IT-based customs risk management system (CRMS) and issues a single bill of entry (SBE) document upon completion of the checking process, which is lodged by the agent or importer with customs when the goods arrive. Although the overall clearance process will be greatly enhanced by the move to ASYCUDA++, benefits will be below potential as long as an electronic interface between ASYCUDA and CRMS does not exist. In Barbados the current ASYCUDA 2.7 version, introduced in 1993, does not allow for fully paperless operation, but the system is being upgraded to permit the electronic processing of supporting documents, such as transport documents.

52. Mozambique uses TIMS, provided by Crown Agents for a symbolic USD 4 in the framework of the reform project entrusted to the company since 1997. Customs continues to rely on Crown Agents to maintain the system (for an annual cost of USD 50 000, included in the company's contract) or to carry out any necessary modification, extension or upgrading, but the capacity to operate the system locally is now gradually being built up. The recent extension of the coverage of TIMS beyond the Maputo region to border posts was budgeted at USD 200 000 in 2005; this included the strengthening of the team in charge within the customs IT unit from five to 32 staff.

53. Jamaica's CASE (Customs Automation Services) was also based on TIMS, but has now moved to an online Web application and was recently expanded to allow e-payment of duties. The new system, which permits lodgements on a 24/7 basis, now covers 98% of entries, with 95% of customs brokers on board. The project, including the overall requirements analysis, the development of software, data communication equipment and computers, cost approximately USD 5.5 million, which was funded by the Jamaican government; a World Bank loan and additional government funding were devoted to follow-up work to develop and implement e-manifests, online release and warehouse control. E-payments are an important functionality of such automated systems, not only because they reduce opportunities for proposing illegal payments but also because they accelerate the clearance process: once duties have been paid, goods can be released upon arrival. The possibility of e-payment is also provided by the Thai system, which allows online payments through seven private banks on a 24/7 basis and now covers more than 90% of export entries and 81.5% of import entries.

54. Argentina's *Sistema Informático María* (SIM) was developed locally based on the French SOFI (*Système d'ordinateurs pour le fret international*), which was provided at no cost by the French customs in the framework of the countries' Cultural, Scientific and Technical Co-operation Agreement and the Customs Co-operation Agreement. The system was adapted to local conditions by staff from the two customs services and enabled the progressive expansion of automated registration to all Argentine customs offices over 1993-98 with financing from the Inter-American Development Bank (IADB) loan that supported the establishment of Argentina's Revenue Authority (AFIP). A Web-enabled version of the system is currently being developed by AFIP staff.

55. Senegal is among the few developing countries (and the only one in the sample) to have developed entirely on its own an automated system for advance lodgement and processing of data. Its customs system Trade X (also known as GAINDE – *Gestion automatisée de l'information douanière et économique*), was developed locally from the mid-1980s and became operational in 1990. In 2000, the migration of Trade X to a Web-based system cost around USD 1.79 million, which included the central infrastructure that is shared with Senegal's single window, ORBUS (see below). The system employs ten people and has a yearly maintenance cost of USD 715 000.

56. Depending on the sophistication of a country's systems, the customs administration may be able to apply risk assessment (see below), which greatly enhances the efficiency of advance processing. Risk assessment techniques allow customs to determine in advance what steps to take when the goods arrive. If

the information in the goods declaration satisfies the customs requirements, the goods are either cleared and released upon arrival or are selected for physical examination, as the case may be. Another factor that may affect 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.

57. Online systems also call for some degree of connectivity between different posts. They also imply that traders or their representatives are themselves properly equipped and connected. The adoption of new technologies may allow bringing connectivity costs down, thereby enabling customs to make better use of scarce available resources. For instance, Mozambique currently envisages moving the automated network connecting customs locations from satellite to optic fibre support, so as to be able to connect 30 instead of the current 20 locations (approximately 25% of all customs locations) for the same monthly rental fee of USD 25 000.

58. Finally, it should be kept in mind that the use of advance lodgement possibilities depends also on the involvement of private users, as well as of other concerned authorities. In the Philippines, although pre-arrival lodgement is technically supported by ACOS, the declaration has to be supported by the vessel manifest, which most carriers do not submit until after arrival of the vessel, as allowed by the system. A JICA-UPECON time release study conducted in 2003⁴ reveals a gap of about 1.5 to 2.9 days, depending on import type, between the time cargos are discharged from the vessel and the time importer lodges a trade declaration. In fact, this period accounts for about two-fifths of the time between the arrival of the vessel and the release of the cargo to the consignee. Pre-arrival lodgement in the Philippines currently only works for air express cargo at the Manila international airport, where cargos are issued a separate airway bill they can lodge at the time of take-off from the port of origin.

59. In all of the countries, the electronic declaration needs to be supported subsequently by paper documents, as there are currently no provisions for the acceptance of electronic signatures. Chile is in the process of enacting the relevant legislation, while Thailand has already enacted the law but not yet the necessary implementing regulations. In Argentina the introduction of digital signatures is under study by AFIP, which, along with all federal government authorities, must fully implement them by the end of 2006 at the latest.

Procedures for the assessment, collection and repayment of duties and taxes

60. The payment of duties and taxes may be deferred in most of the countries (Barbados, Cambodia under the new law, Latvia, Mozambique, Morocco, Senegal, Uganda, Zambia), subject to the provision of appropriate security. In some countries this only applies in specific cases: in Chile, deferred payment applies in the context of duty drawback schemes for capital assets; in Argentina, it applies to exports, or, in the case of imports, to temporary operations or when payment is conditioned on the subsequent submission of complementary documentation. Mauritius and Tanzania only allow deferred payment for petroleum products. Deferred payments are not possible in the Philippines.

61. Security usually takes the form of a cash guarantee or a bank guarantee or caution. Mozambique also allows traders with good records to provide security in the form of a letter of responsibility. Countries that allow deferred payment report that it does not involve additional expenses for customs.

62. Among the countries reviewed, only Zambia provides for the grouped payment of duties and taxes for multiple entries spread over a period of no more than ten days. The provision is available solely to traders entitled to "special status".

4. UPECON Foundation (2003) "A study on the measurement of the time required for the release of goods in the Republic of the Philippines", report submitted to the Japan International Co-operation Agency (JICA)

63. Minimum value provisions are not widespread, but among the countries that do not have such provisions some are in the process of considering their introduction (Latvia, Morocco, Uganda). Duties and taxes are not collected below the minimum duty amount of USD 10 in Chile, or around USD 24 in Thailand, or for goods values that do not exceed USD 20 in Jamaica, or USD 183 in Senegal. In Argentina minimum value provisions only apply to commercial samples up to USD 100 FOB for imports and USD 2 000 FOB for exports; in Zambia they apply to personal effects up to USD 250 and postal parcels up to USD 100. Moroccan customs does not collect sums found payable subsequent to the release of the goods if they do not exceed MAD 200 (approximately USD 22.5). The countries envisaging the introduction of minimum value provisions estimate that the legislative cost of introducing such provisions and the subsequent loss of revenue will be marginal.

64. Most of the countries already define the value of imported goods in accordance with the WTO Agreement on Customs Valuation. However, Cambodia was allowed a five-year transition period until 1 January 2009 to replace the current valuation system with the WTO transaction value method provided for in the Cambodian draft customs law. The phased implementation has been linked to the launching of a post-clearance audit programme and the provision of appropriate training on valuation techniques, the cost of which will be partly borne by donors (see below).

Risk assessment

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

66. Risk analysis and management have already been put in place in Argentina, Chile, Jamaica, Latvia, Mauritius, Morocco, Mozambique, the Philippines, Senegal, Tanzania, Thailand and Zambia. They are also prominent in the reform programme of Barbados, Cambodia and Uganda (Table 3). Most operational risk management systems include databases of risk profiles for goods and entities/traders, and in Latvia, Mauritius, Morocco, Senegal, Tanzania and Zambia they are supported by a compliance methodology programme (*i.e.* random checks to verify/update the risk indicators). Risk assessment covers tariff classification, valuation and origin, goods declarations and cargo declarations,⁵ and, in those countries where such procedures are available, special procedures for authorised traders (except Argentina, where the criteria for operating under the *Aduanas Domiciliarias* are not related to risk, see below).

67. In the case of Thailand, the system's efficiency was further enhanced by designing it to connect customs seamlessly with other agencies with border responsibilities (see the section on co-operation and co-ordination among different authorities below). Mechanisms like the Co-operation Agreement with the Port Authority of Thailand offer customs more comprehensive tools for identifying areas of non-compliance (shippers, goods) and for directing attention and resources (surveillance, x-ray, selectivity and inspection) to them. On the contrary, in the case of the Philippines, the Risk Management Group (RMG) does not have good information links with either customs examiners in the field or other government agencies that could provide feedback and intelligence data useful in updating traders' profiles and selection criteria. As RMG has to accommodate the requests of other government agencies to apply blanket controls to certain types of imports, today more than 70% of transactions are flagged yellow or red (*i.e.* targeted for document and/or physical examination), up from 26% at the inception of the system in 1997. This

5. Argentina does not currently apply risk management to cargo declarations.

percentage far outnumbers green channel transactions and clearly defeats the principle of "intervention by exception" of the selectivity mechanism.

Table 3. Introducing risk management capacity

	Introduced	IT support	Inception cost	Staff (%) ¹	Timeline	Inspection rate before/after
Argentina	✓	partial	n.a.	0.17%	n.a.	n.a./32.8%
Barbados	planned	--	n.a.	1.45% ⁽²⁾	--	85%/--
Cambodia	planned	--	USD 40 000	--	--	80-100%/--
Chile	✓	partial	USD 333 350 ³	0.9%	7 years	n.a./5.17%
India	ongoing	✓	USD 789 510 ³	n.a.	8 years	n.a.
Jamaica	✓	partial	n.a.	0.54 %	n.a.	n.a.
Latvia	✓	partial	n.a.	n.a.	n.a.	n.a.
Mauritius	✓	✓	n.a.	2.4%	n.a.	80%/20%
Morocco	✓	✓	n.a.	n.a.	n.a.	100%/10%
Mozambique	✓	partial	n.a.	0.77%	6 y	n.a.
Philippines	ongoing	partial	n.a.	n.a.	5y	100%/26%/70% ⁴
Senegal	ongoing	✓	n.a.	0.46%	2 y ears– n.f.o.	100%/23%
Tanzania	ongoing	partial	n.a.	2.82%	n.f.o.	100%-10%
Thailand	✓	✓	USD 1 071 042	n.a.	n.a.	100%/21%
Uganda	planned	--	USD 170 000 ^{2,3}	0.66% ²	--	n.a.
Zambia	✓	partial	n.a.	1.45%	7 years	95%/30%

n.a Figures not available.

n.f.o. Not fully operational.

-- Not applicable; the measure has not been introduced.

1. As a percentage of total customs staff.

2. Planned.

3. Shared with audits.

4. Before/at the inception of the system in 1997/currently

Source: Based on data provided by the national administrations.

68. Among the countries that already apply risk management, Mauritius, Morocco, Senegal and Thailand rely on a fully automated system, while that of other countries is only partially automated. Some countries operate, or plan to operate, risk management systems based on the risk assessment module of the IT programme (ASYCUDA or other) in use by the customs administration. This is the case for the ASYCUDA++ used in Zambia and the Philippines, and Jamaica's CASE, operated by a team of 11 (1% of total staff), out of which six officers (0.54% of total staff) are in charge of maintaining and updating the risk indicators. In Barbados, where, in the absence of a risk management system, the physical inspection rate is currently 85%, the customs administration plans to start introducing risk management following the migration of the customs EDI system to ASYCUDA++, scheduled for completion by the end of 2005. The plan includes setting up a risk management team of seven officers (1.45% of current total staff) with good salaries (approximately BBD 13 500, or USD 6 800 per month) to ensure their competence and integrity.

69. Other countries rely on the IT system operated by the PSI or DI (destination inspection) company. In Senegal risk management is part of the IT system used for PSI, which is provided and managed by COTECNA.⁶ It is operated by two COTECNA officers, assisted by seven Senegalese officers (0.46% of total staff), of which two are in charge of IT, three are anti-fraud officers and two are stationed

5. The cost is included in the COTECNA's USD 10.87 million annual contract.

in the port of Dakar. The system draws, among other things, on the national litigation file (*Fichier national d'identification* – FNID) which lists traders involved in litigation with the administration. In Tanzania, customs have already established a Risk Management Branch, composed of a Risk Assessment and Targeting Unit and an Information and Intelligence Unit, and staffed by 28 people (2.82% of total staff). However, as ASYCUDA++, which would make it possible to operate an IT-sustained system, is not yet fully introduced, the administration still has to rely on the DI company in respect of classification, valuation, origin and goods documentation.⁷

70. Cambodia is the only country which already undertakes some sort of risk management despite the absence of supporting IT. The customs administration currently applies a rudimentary risk management system whereby importers are informally classified as low, medium or high risk at the ports, using intelligence information that is not available at headquarters. At Sihanoukville seaport, risk assessment is used to classify cargo for examination purposes as follows: sealed PSI cargo is not examined unless suspect, and a detailed check is done on 5% of such cargo; 100% of cargo that bypasses PSI is examined, and 80% of investment company imports are subject to a detailed check. Customs also use a TC-Scan to determine whether goods should be subjected to detailed inspection. Under the ongoing reform strategy, an automated risk management system is being developed, including a compliance methodology programme, and 20-40 people undergo risk management training every year. The adoption of risk management capacity is currently financed by the World Bank with an International Development Association (IDA) grant (the related grant component is USD 40 000).

71. Risk assessment systems have taken several years to be set up because of their requirements in terms of appropriately trained staff. Quite a few countries report that fewer staff currently deal with trade risk assessment and analysis than what the customs administration consider appropriate to match its needs. Countries find it difficult to speed up the process: external recruitment is constrained by the limited availability of experts in the field and “off-the-job” training is necessarily small in scale, not just because of funding problems but also to avoid major disruption of daily operations. In Chile risk assessment work involved a group of 4-5 people when it was launched at the end of 1997; they were 12 in 2004 (0.9% of total staff). In Argentina, the risk management sector currently employs eight people (0.17% of total staff) in the Division of Customs Selectivity, but a new structure based on a separate Risk Management Division with functional separation of staff and tasks is under consideration by the federal senate. In Senegal the current risk management system took two years to introduce but customs has not yet fully mastered it and still heavily relies on the PSI company. Nonetheless, physical inspection rates have been reduced to 23%, not very far from the targeted rate of 17% defined at inception. Zambia took seven years to achieve the current level of operation of their risk management system, which now comprises eight officers (1.45% of total staff). In Tanzania more than 30 staff have received training on risk management and analysis but still experience difficulties in the everyday operation of the system.

72. In Mozambique an intelligence unit was created in 1997 by Crown Agents, which also managed it until 2002 when it was handed over to Mozambican staff. The unit started with 19 people and covered the Maputo and central regions; it now has around 60 staff, including local officers, in all three regions, and an anti-smuggling team of 20 was created in 2003. Customs reckon that 30 more staff would be necessary for optimal operation. A core team of 11 is responsible for risk assessment (0.77% of total staff), five of whom are in charge of preparing intelligence data. The intelligence database was built at the creation of the Intelligence Unit by Crown Agents, which also provides two on-site trainers (three when the system was launched).

73. Latvia currently employs 25 people at the national level and 69 at the regional level and is further considering the possibility of merging the Enforcement Division and the regional enforcement group into a

7. Risk management does not yet cover cargo declarations.

single control unit which would be better staffed. Training of the additional staff would be provided locally, mainly on the job, to avoid additional training costs. Mauritius currently employs 23 people (2.4% of total staff) in an intelligence unit which gathers and analyses data and maintains and updates the risk selection criteria; they have been recently supplemented by a flexible anti-smuggling unit and a 24-hour hotline for collecting information on potential offences from citizens.

74. In Chile, the current system was put in place progressively (starting with classification and valuation, followed by 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. In 2002, the IADB programme of technical assistance for introducing risk assessment paid out USD 200 000, of which USD 45 071 for counselling on risk management and compliance control and evaluation, USD 45 071 for counselling on audit (see also below), USD 39 158 for training intelligence analysts and USD 70 700 for purchasing software to assist information analysis. The Chilean customs further backed the programme with another USD 133 350. Thai customs have benefited from a series of training and technical assistance projects, including a US-Thailand Trade Information Project in 2001, APEC risk management training sponsored by Canada Customs and Revenue in 2002, training by the Korean Customs Services in 2003 and an AUD 1.4 million programme in the framework of the ASEAN-Australia Development Co-operation Program in 2005.

75. The efficiency-enhancing role of risk management systems is highlighted in the positive experience of several of the countries. Moroccan customs were not in a position to specify the costs involved in developing 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 made it possible to transfer customs inspectors to other duties within the administration. In Jamaica, risk management has made it possible to bring average customs clearance time down to 5 minutes and average time required for physical inspection down from 60-75 minutes to 30-40 minutes per cargo. The Chilean customs found that the implementation of risk management to identify higher-risk entries has made it possible to gradually reduce documentary controls of import and export entries, while increasing the number of offences detected from 0.35% in 2000 to 15.89% in 2003 (Table 4). Assuming that the cost to exporters of physical examination of cargo was USD 730 000 in 2000 (at an average cost of USD 28.11 for packing and unpacking a 20-foot container for physical examination of export cargo), the reduction in the rate of physical inspection of exports meant savings for exporters of USD 298 333 in 2003. Thailand reports that risk management has allowed customs to drastically reduce the inspection rate from 100% to around 21% in terms of entry numbers and 18% in terms of value of the shipments (Table 5). At the same time, the number of detected offences remained roughly the same as when all entries were inspected, which indicates the effectiveness of the risk profiling.

Table 4. Documentary controls in Chile

	2002	2003
Import/export declarations	1 360 177	1 423 991
Documentary controls	86 525	73 619
% of controls/declarations	6.36	5.17
% of offences / controls	13.42	15.89

Source: National Customs Service of Chile.

Table 5. Import entries flagged for inspection in Thailand
CIF values in THB millions and %

	Inspected		Not inspected		Total	
	Value	Number	Value	Number	Value	Number
2000	488 970 [19.7%]	247.895 [15%]	1 994 207 [80.3%]	1 405 565 [85%]	2 483 177	1 653 460
2001	573 943 [20.9%]	302 715 [17.6%]	2 177 419 [79.1%]	1 421 075 [82.4%]	2 751 362	1 723 790
2002	577 960 [21%]	356 598 [18.1%]	2 173 474 [79%]	1 615 376 [81.9%]	2 751 164	1 971 974
2003	660 455 [21.1%]	391 752 [18.3%]	2 469 217 [78.9%]	1 747 035 [81.7%]	3 129 673	2 138 787

Source: Customs Department of Thailand.

Audit-based controls

76. Audit-based controls are closely linked to risk assessment, as described above, and have generally been developed in parallel in most of the countries that already apply risk management systems. In Uganda risk assessment and audit-based controls were part of an introductory programme to be launched before the end of 2004. In Cambodia audits are part of the current reform strategy and will benefit from technical assistance from Japan under the ASEAN customs co-operation programme. The lack of qualified staff has delayed the creation of a post-clearance audit unit in Mozambique, which hopes to establish first a centralised structure with training assistance from the South African Revenue Service and decentralise over time to main ports of entry as resources become available.

77. The plan to introduce risk assessment and audit-based controls in Uganda may provide an interesting illustration of the resource requirements of these two areas. It involves an upgrade of the customs computer system, recruitment and training of an anticipated four 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 and the UK government (provision of trainers at no cost), probably with some assistance from US customs sponsored by the Private Sector Foundation in Uganda. The Ugandan inland tax administration has experts and training facilities that could lower training costs, but there has yet been no experience with operational co-operation and co-ordination between these two sections of the Uganda Revenue Agency. The plan anticipates the creation of six audit teams carrying out a total of about 20 audits a month. 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. It also provides for external recruitment of qualified auditors, as long as the necessary resources can be secured. Estimated costs would be of the order of USD 150 000-170 000 in the first year. The 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.

78. In Cambodia a Control Office set up in 1983 performed audits on a limited scale which focused on reviews of declaration forms, the description/nomenclature, tariff and origin. It could not evaluate the trader's commercial records systems, as customs does not have the authority to visit company premises or access company records and lacks the capacity to examine financial and IT systems. The Control Office assigned better-trained staff to audit sensitive shipments (such as garments and cigarettes) at the major ports of Sihanoukville and Phnom Penh airport where declarations are in English, and less experienced staff to checkpoints with lighter traffic and documents in Khmer. A Post-clearance Audit Office was created in 1999; it obtained the legal basis to operate in 2003 but is still not fully functional. It lacks the properly trained staff and computerised processing necessary to apply risk management. The reform strategy includes plans for a post-clearance audit programme supported by an automated customs processing system. Their introduction will benefit from technical assistance from Japan, offered in the context of the ASEAN customs co-operation work programme and covering training, the preparation of a manual of procedures and case studies and a blueprint for implementation.

79. Tanzania makes limited use of audit-based controls for clients with a good compliance history and reliable company records. In 2004, a special unit for post-clearance audits composed of nine people (0.91% of total staff) was established with the help of technical assistance from international organisations, which has made possible the training of more than 50 officers to date. Under the Customs Modernisation Plan, the scope of post-clearance audits will be expanded and audits will be supported by currently developed risk management and analysis resources. In Zambia a unit of eight officers (1.45% of total staff) established in 1998 performs a limited number of audits, including the evaluation of the traders' commercial records systems.

80. In the Philippines, despite the adoption in 2000 of the transaction value method and the institution in 2003 of a Post-Entry Audit Group (PEAG), meant to be staffed with 68 officers skilled in trade information risk analysis and compliance audit, several posts were still not filled by end 2005. Skilled candidates proved difficult to attract because of the salary levels provided by the standard government salary scale and several customs officers without auditing background had to be pulled out of their units and trained. The existing Customs database still needs to be upgraded to allow efficient targeting of companies for audit, based on criteria such as the relative magnitude of customs revenue from the company, the rates of duties applied to the company's imports, and the compliance track record of the company. A data warehouse should be developed shortly using 10 million USD of technical assistance committed by the Japan International Co-operation Agency (JICA). The development of the post-clearance audit system was further stymied by the negative reactions of business lobbies, which succeeded to defer the launching of the system on the grounds that they were not given adequate time to prepare for it.

81. However, even in countries which have had audit-based controls for some time, their generalised use has encountered resource problems. Latvia, Mauritius, Morocco and Senegal report relatively wide use of such controls but consider that staff assigned to this task are insufficient to cover customs' needs and 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, despite considerable efforts devoted to building audit capacity, especially in the area of valuation (476 officials trained for a total cost of USD 44.8 million during 2001-03).

82. Argentina indicates that although audit-based controls are now applied in all of the country's customs offices, the number of personnel assigned to such controls (currently 91, *i.e.* 1.97% of total staff) is still limited because of the scarcity of staff specialised in *ex post* and corporate audits. Value and documentary controls for imports and exports carried out by regional offices are complemented by documentary, destination and value controls at the central level. These second-level controls should be reinforced in the context of the new structure for risk management and audits currently under consideration by the federal senate.

83. Thailand is the only reviewed country reporting no capacity problems in the audit area. The audit-based control system was planned in 2000 and introduced two years later, after implementing changes in the internal structure of customs, some reorganisation of staff functions, and capacity building of audit staff. The Thai Post-clearance Audit Bureau currently employs 157 officers and 43 temporary staff, of which 100 auditors (1.66% of total staff) checking issues of valuation, restricted items and privileges. The Bureau records 14 000 importer companies but concentrates on the 4 000 companies with good accounting systems that make up the majority of imports. Of these, the 500 companies whose imports make up 70-80% of total imports are audited by the Bureau every year. Small and medium-sized enterprises (SMEs) may be audited by the Investigation and Suppression Bureau and Regional Bureaus. Aside from enforced audit, 100 companies participated in a pilot project of voluntary audit with self-assessment. The trader's commercial records system is always evaluated before applying audit-based controls to ensure that customs understands the trading practices of the client and that the audit does not

ignore systems (e.g. records, accounting, payments, etc.) that may be unique to the trader but comply with customs procedures.

84. Training is an essential prerequisite for launching successful audit programmes, as customs administrations often encounter difficulties for recruiting qualified accountants and auditors. However, opportunities for training other than on-the-job training are also scarce and are among the most pressing demands for technical assistance in many countries. In Latvia, training of additional staff in audit techniques will take place under the EU 2007 customs programme and customs wish to expand their post-clearance audit team from nine to 12-15 staff in the central administration, plus 103 people at the regional level. In Senegal, the unit in charge of post-clearance audits (*Bureau Enquête et Contentieux*, composed of 70 people, or 4.8% of total staff) has offered since 2001 regular audit and investigation training, with help from the police department and the French customs.

85. Thai customs has benefited significantly from technical assistance from other customs authorities and international and bilateral organisations, including two major programmes in 2003 sponsored by the Japan International Co-operation Agency (JICA) and the ASEAN-Australia Development Cooperation Programme, of USD 9 000 and USD 1.1 million, respectively. In Argentina, in addition to training on audit techniques for tax and customs staff, the Federal Administration of Public Revenue (AFIP) has prepared a manual for *ex post* customs control (*Manual de Fiscalización Aduanera Ex Post*) as a way to unify control methodologies. The manual contains general control guidelines for *ex post* audits, including typical types of fraud and suggestions for tackling them. It should be complemented shortly by additional material on specific types of fraud, depending on the special Customs regimes applicable to the goods. Both work tools are based on the previous experience and texts of the Argentine tax authority as well as other sources like the WCO and the customs services of France, Spain and other countries.

86. A way around the resource problem is to seek assistance from other parts of the administration with the necessary expertise, such as the tax authorities, which may also help through limited personnel transfer and on-the-job training. This is a common feature in countries where customs administrations are, alongside tax administrations, part of a single revenue authority. In Latvia, the customs service works closely with the tax administration of the State Revenue Service (National Tax Board). Such enhanced co-operation is also planned in Uganda and in Mozambique, where the customs and tax authorities will become part of a single Revenue Authority in 2006. In Barbados a team of 21 officers (4.37% of total staff) performs audit-based controls for value-added tax on both imports and domestic transactions; the team will be strengthened at the end of 2005 with an additional 10-15 people in charge of audits for excise tax.

Special procedures for authorised traders

87. Special procedures for authorised traders rely extensively on the availability and efficient operation of risk assessment and audit techniques. This is why only seven out of the 16 countries reviewed have such procedures in place at present, not all of which are fully operational. Uganda envisages introducing special procedures for authorised persons, but will not be in a position to do so until the planned risk assessment and audit-based control programmes are up and running. Given 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. Tanzania and Cambodia are in a similar situation. As noted above, Zambia has “special status” provisions that allow for grouped payment of multiple entries but has not introduced any other special procedures. Barbados, Chile, Jamaica and Mauritius currently have no plans in this area.

88. In Morocco a range of special procedures is available to authorised persons, including periodic entry, self-assessment and lodgement of the declaration by entry in the records. Around 60 companies have

partnership agreements with customs for such procedures, subject to compliance with requirements concerning good revenue record, a reliable commercial records system, provision of security, etc. Such simplified “partnership” procedures were first introduced on a limited basis in 1983; the arrangements have been upgraded in 1986, 1992 and particularly in 1997. Costs for these procedures were absorbed in expenses for setting up risk assessment and audit procedures.

89. Latvia first set up local clearance arrangements in 2001 with Riga warehouse operators. The arrangements provide for agreed simplified declarations, examination at approved premises and periodic 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. As a result of these arrangements, the customs administration hopes to reduce the number of officers working on border inspection and thus obtain significant savings. 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 will need to continue. Costs for training staff in border posts are LVL 8 300 (approximately USD 14 300).

90. Argentina has recently introduced a system of domiciliary and factory customs controls (*Aduanas Domiciliarias, Aduanas Factorías*), under which clearance of goods can take place outside customs premises or be deferred in view of re-exportation. Under the system of domiciliary controls, clearance at the beneficiaries’ private warehouse or specific fiscal warehouses allows for swift movement of goods between arrival and clearance at no extra cost to the customs authority, reduces the time goods spend in fiscal warehouses (and the associated expenses for the trader) and improves productivity by easing congestion in customs’ facilities. This procedure, granted to traders with significant volume, covers 28 corporations in Argentina and has been strengthened in 2005 by the creation of a Commission for Domiciliary Customs Control, in charge of implementing *ex post* controls on selected corporations. The factory controls regime addresses the export-oriented industrial sector and allows for the transformation, packing, repair or modification of goods at the beneficiary’s premises under a temporary imports regime for up to one year. Only two corporations are currently authorised to operate under that regime. None of the above procedures allows for periodic entry arrangements, self-assessment of duties or lodgement of the goods declaration by an entry in the trader’s commercial records. The customs administration reports that the establishment of special procedures did not entail additional costs, as the system is run by specialised staff that was already part of customs.

91. In Thailand, special cargo processing procedures for traders were introduced in 2000 and fully implemented in 2001, together with related reforms in the areas of risk management and audits. Their use is based on eligibility criteria such as financial status, reliability and past record of offences and on systematic accounting records to satisfy the post-clearance audit process, and is supported by risk analysis and management. The beneficiaries of the system (“gold” cardholders) tend to be large companies with high trade values, particularly those whose trade value per entry is high; for imports they average 20% of the total number of entries and 26% of total value, and for exports 11% of the number of entries and 18% of value. The administration does not allow periodic entry arrangements or blanket declarations for a single trader within a specified time period. However, it provides for the self-assessment of duty and tax liability based on the authorised trader’s commercial records, and attaches particular importance to these records when deciding about the qualification of a trader for special procedures.

92. In the Philippines, a "super green lane" (SGL) was introduced in 2001, formally providing for a cargo clearance time of about four hours (7.75 hours in reality). SGL allows for end-to-end automated cargo processing and immediate release of goods upon the receipt of the bank's notification that the duties due have been paid. If Customs decides to physically inspect the goods, the examination is conducted at the importer's premises. Interested companies must go through an accreditation process based among

others on reliability and good compliance records, and can only avail of SGL procedures for goods they import regularly. However, the SGL fee, considered too high compared to regular processing fees, and the ineligibility of certain types of imports, such as agricultural products subject to quarantine, have deterred importers from a wider use of SGL. SGL imports account for a mere 4% of total imports in terms of value and out of 83 companies that are SGL-accredited 19 choose to subject their imports to regular processing.

93. Mozambique currently applies special procedures for authorised traders to three companies, the most important of which is MOZAL, to which customs has assigned a team of six people. In Senegal such procedures have been pilot-tested since 2002 with a single petroleum company. Although neither country identifies inception costs beyond those related to the introduction of risk management and audits, the operation of special procedures on such a limited scale presents a considerable resource challenge: if countries wish to rotate specifically trained staff so as to avoid collusion between the traders and the officials assigned to them, they have to develop capacity beyond what is necessary for servicing the limited number of authorised traders.

Separation of release from clearance

94. Customs in the countries reviewed 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. Argentina, Chile, Morocco, Senegal and Thailand report having had no difficulties and having incurred no additional expenses in putting this principle into practice, with the condition that anticipated duties and taxes are deposited as a condition of the early release of goods prior to clearance. In Latvia, although there are no legal difficulties, there remains a practical problem with respect to declarations lodged electronically, as the current customs computer system cannot accept incomplete declarations, a problem that may exist elsewhere as well. Latvia is reviewing the possibility of changing the computer system set-up, which, in addition to a possible software upgrade, would entail a training expenditure of around LVL 800 (approximately EUR 1 200).

95. However, Jamaica, Mozambique and Uganda indicate that separation of release from clearance complicates the task of their customs administration. Jamaica and Mozambique report difficulties for obtaining the completion and submission of final entries by traders once shipments have been released, so that they may have to cash the guarantee provided prior to the release. Although the guarantee may shield customs from lost revenue, incomplete documentation impedes updating trade statistics and risk management databases. In Uganda separation of release from clearance is put into practice on a limited scale because there is not enough confidence between traders and border authorities; in addition, the law needs to be strengthened to ensure that official requirements can be properly enforced. Confidence building may benefit significantly from enhanced mechanisms for transparency and consultative and feedback mechanisms.

96. In Zambia the high incidence of undervaluation, misclassification and errors in declarations has discouraged the introduction of this measure. Likewise, separation of release from clearance has not been introduced in the Philippines and in Tanzania. In Barbados, Cambodia and Mauritius the trader has to submit all required documents and data before the goods can be released; deferred calculation and payment of duties is then possible upon deposit of an appropriate guarantee (see below).

Security for duties and taxes

97. Security for duties and taxes is used in varying degrees in all the reviewed countries. In Latvia since 1998, security has replaced the obligation to transport excise and sensitive goods in convoy under customs escort; the measure is self-financed as staff previously used in escort teams have been redeployed.

In Mozambique, this is used particularly to allow swift release of perishable goods; periodicals and press; dangerous goods requiring special handling; temporary imports, including commercial samples for fairs and exhibitions; in cases of conflict about the value of the goods; and for authorised traders. In the Philippines, where no consignment can be released to the consignee if the applicable duties and taxes are not paid, a security has to be paid to obtain tentative release status for consignments whose assessed transaction value is contested. In Argentina, Barbados, Jamaica, Mauritius, Senegal and Thailand the use of security is a longstanding practice, subject to the usual security legislation and practices. Acceptable forms of security are usually cash deposits, bank or insurance company guarantees, bank checks and bonds.

98. In Mauritius security is not required for goods in export processing zones or admitted under a temporary admission regime (*carnet d'admission temporaire en douane*) or for small and medium-sized industries. However, in Argentina, Cambodia, Jamaica and Thailand security is required to cover duties and taxes that are potentially chargeable; there are no exceptions.

99. Most countries report that the use of security for duties and taxes does not entail costs or pose particular problems for their administration. In Morocco, management of security is the revenue section's job, so that implementation costs are absorbed in its operating budget. Barbados customs has established a special team of bonds officers, for which it spends about USD 18 000 a year.

Co-operation and co-ordination among different authorities

100. In most of the countries (with the notable exception of Cambodia), informal co-operation between customs and other state agencies with border-related responsibilities (including national security forces, agencies dealing with SPS controls, health protection, standards and conformity assessment, environmental management, agriculture, fisheries and forestry, and inland revenue) is a longstanding practice. While no formal requirements specify that inspections should be carried out by the different agencies at the same time, inspections are in fact co-ordinated in the field. In Barbados, procedural instructions have been issued to this effect. In Chile, Morocco, Mozambique and Tanzania the relevant border authorities have staff at the main international ports, airports and land border offices, who physically share offices with customs and co-operate to arrange joint physical inspections or co-ordinate inspection times. In Mauritius co-ordinated inspections can be arranged at the request of the customs broker. As these working methods are not recent, the administrations could not identify any costs related to their establishment, but estimated that they may result in cost savings in terms of physical infrastructure.

101. In most countries, customs does not carry out examination of goods on behalf of other authorities, although in Barbados and Uganda this can happen on an *ad hoc*, informal basis. In Zambia authorities in charge of border controls may delegate investigative powers to customs; however this possibility is constrained by the ability of customs officers to perform particular technical functions such as drug or phytosanitary controls. In Thailand, the adoption by customs of selective inspections has pushed the Food and Drug Administration to develop a system of risk-based selectivity. In the absence of centralised inspection arrangements, Mauritius is currently working to introduce a tracking function in its customs management system that will enable importers to identify the reasons for release delays.

102. Co-ordination is all the more important when additional interveners are used as a safeguard against corruption. In the Philippines, while co-ordination of physical controls between various border agencies has proved relatively straightforward, controls may also involve as many as five different units in Customs, members of the Presidential Security Guard, as well as an observer from the private sector (the Port Users Confederation, the Chamber of Customs Brokers or other business chambers), nominated to avert irregularities and dealings between the trader and government representatives. Each of the five Customs units has the authority to issue a physical inspection order without any obligation to co-ordinate, so that the same shipment may be inspected as many as five times.

103. In Cambodia, where burdensome and duplicative controls still plague both the export and the import process, the nomination of customs at the single overall inspection agency is now under discussion as part of the new Action Plan. For the time being, co-ordinated inspection is only practiced at Sihanoukville. The introduction of an electronic single window, including the deployment of IT to automate customs functions, is currently financed by the World Bank with an IDA grant (the related grant subcomponent is USD 5.95 million). Furthermore a project to co-ordinate documentary controls and physical inspection at the border with Vietnam was designed with Asian Development Bank (ADB) support for implementation in 2005. The single-window concept of one counter for submission of documents, simultaneous processing by several agencies, and then return of documents to the declarant, has also been recommended by the prime minister for the garments sector.

104. Among the reviewed countries only Senegal has already put in place a formal co-ordination mechanism in the form of a single window. This system, called ORBUS, is an electronic platform for exchanging data among the different private and public entities involved in trade, including the traders, customs brokers, banks, insurance companies, customs, exchange control authorities, sanitary and phytosanitary authorities and quality control authorities. It allows traders or brokers to submit the necessary documents electronically and the authorities to indicate missing data in return; concerned entities can access the data they need directly on line, while traders or brokers can follow the progress of their shipment in the same way. ORBUS was developed in Senegal over a period of six years using local expertise for a total cost of USD 1 087 000. It currently employs 18 people and entails yearly maintenance costs of USD 715 000. However, these costs are fully covered by the service charges collected for using the system (an annual average of USD 956 000). In 2005, a similar system, developed by Senegal in cooperation with the government of Kenya was launched by the Kenyan customs and border authorities.

105. Thailand has put in place a partial co-ordination mechanism, called “one day clearance” project in co-operation with the Port Authority of Thailand (PAT). The project requires completion of the inspection process within seven hours and of the overall clearance process within one day; other agencies have 17 hours to complete their tasks. It also involves risk management co-operation based on a shared electronic information system, which offers customs a more comprehensive perspective on areas of non-compliance. The “one-day clearance” project has already been implemented in three entry points: Bangkok port, Laem Chabang and Bangkok International Airport. A more ambitious project, covering all import, export and transit-related regulatory requirements, has recently been launched by the Thai government. The project, which is scheduled over a three-year period and is expected to cost USD 3 million was to enter a pilot phase at five border posts by the end of 2005.

106. Argentina launched in 2004 a “single agency” pilot project, involving a system of counters for the unified presentation and subsequent sharing of information among various control authorities. In parallel, a programme for information sharing between the tax and the customs department of AFIP is currently under study and development. Because both projects are at an early stage, their costs implications are yet unclear.

ANNEX A

TRADE FACILITATION MEASURES CONSIDERED IN THE CONTEXT OF THE COUNTRY STUDIES

The following is a brief description of the trade facilitation areas that were used as a basis for the country studies, with direct reference to related proposals made at the WTO Negotiating Group on Trade Facilitation.

Publication and availability of information⁸

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 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.

Consultative and feedback mechanisms; communication with traders⁹

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 regulations and procedures and the amendment of existing ones, as well as practical aspects of the daily operation of border agencies; and allowing sufficient time before entry into force of regulations.

Review and appeal procedures and due process¹⁰

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

8. Points A and C in the Index of WTO document TN/TF/W/43/Rev.15.

9. Point B in the Index of WTO document TN/TF/W/43/Rev.15.

10. Point D in the Index of WTO document TN/TF/W/43/Rev.15.

efficient and timely handling of the issue is important for customs and border matters which are generally quite time-sensitive.

Advance lodgement and processing of data¹¹

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.

Procedures for the assessment, collection and repayment of duties and taxes¹²

In spite of 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.

Risk assessment¹³

Risk assessment and management techniques allow customs administrations to properly target border controls, so as to correctly allocate limited resources. Controls are kept to the minimum necessary to ensure compliance without overburdening trade by downscaling physical inspection and quickly processing “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 trading companies, for example, to ensure that authorised trader status is fully justified.

Audit-based controls¹⁴

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.

11. Point J.1(a) in the Index of WTO document TN/TF/W/43/Rev.15.

12. Points F.1 and G.1(a) and (b) in the Index of WTO document TN/TF/W/43/Rev.15.

13. Point J.1(c) in the Index of WTO document TN/TF/W/43/Rev.15.

14. Point J.1(a) in the Index of WTO document TN/TF/W/43/Rev.15.

Special procedures for authorised traders¹⁵

For traders who meet specified criteria of trustworthiness because of their accurate declarations and timely payments, a range of facilitative arrangements can provide 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 dealing with customs, leading to even greater trade facilitation.

Separation of release from clearance¹⁶

“Release” refers to making the goods available to the importer or exporter or his 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 ... 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.

Security for duties and taxes¹⁷

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 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.

Co-operation and co-ordination among different authorities¹⁸

Multiple regulatory prerogatives of 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 increased compliance costs, risks of error and delays when interfacing sequentially with different authorities. Enhanced co-ordination mechanisms between involved agencies, including single windows and integrated border controls, can greatly simplify border procedures and contribute to 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.

15. Point J.1(c) in the Index of WTO document TN/TF/W/43/Rev.15.

16. Point J.1(e) in the Index of WTO document TN/TF/W/43/Rev.15.

17. Point J.1(e) in the Index of WTO document TN/TF/W/43/Rev.15.

18. Points G.1(e) and (h) and I in the Index of WTO document TN/TF/W/43/Rev.15.

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