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USAID-TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM

KURDISTAN REGIONAL GOVERNMENT CUSTOMS SERVICE

Strategic Modernization Plan 2012 - 2015



February 2012

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ACRONYMS

USAID	United States Agency for International Development
KRG	Kurdistan Regional Government
KRGC	Kurdistan Regional Government Customs
MoF	Ministry of Finance
WTO	World Trade Organization
WCO	World Customs Organization
ASYCUDA	Automated System for Customs Data
GATT	General Agreement on Tariff and Trade
SWOT	Strength, Weakness, Opportunity and Threat
DG	Director General
Deputy MoF	Deputy Minister of Finance
FDI	Foreign Direct Investment

1. Executive Summary

Kurdistan is emerging from the aftermath of conflict and repression; its economic challenges define the aspirations of KRGC in its efforts to meet Governmental priorities.

The Kurdistan Ministry of Finance aims at 'building an efficient revenue administration that is consistent with evolving regional and international revenue administration trends and standards. To hold an international reference for the quality of service we deliver and for the revenues collected'

It commits the Ministry to development of a 'transparent, robust, and simplified modern internal revenue system and customs administration system wherein the tax base is broadened with all citizens, residents and businesses paying their share, thereby enhancing revenue performance, encouraging investment and ultimately developing a balanced national development'

This has driven a strong revenue focus in the KRGC to concentrate on revenue collection activities. The emphasis on revenue collection however has also resulted into highly bureaucratic collection processes, little trade facilitation, outdated Customs procedures and a high level of management checking and little scope for delegation.

Recognizing the need to move forward the Ministry of Finance and KRGC have engaged to shift the focus from revenue collection to a broader economic development concept. Whilst recognizing the continuous imperative of revenue collection there is a need for KRGC to embrace a broader economic role of developing and maintaining compliance management, facilitating legitimate trade, providing social protection, maintaining accurate economic data and providing effective anti smuggling.

The Kurdistan Ministry of Finance and KRGC have been engaged with USAID to develop an ambitious project which will help the country to move to the next development phase towards regional and global standards for Customs performance. These proposed programs include:

- the implementation of ASYCUDA World or a similar Customs IT system
- Legislation review
- Process re-engineering
- Review of border posts
- Implementation of the Harmonized System for classification of goods,
- Implementation of WTO GATT valuation rules
- A full review of all Customs activities
- Harmonization and Simplification of Customs Procedures

- Introduction of Intelligence, Risk Management, Post Clearance Audit and Training functions within the KRGC.

KRGC is striving to achieve the standards required of a modern customs service as identified by the World Customs Organization (WCO), and the World Trade Organization (WTO). KRGC recognizes the value in participating in these global and regional initiatives and strives to achieve international standards and best practices such as the WCO Revised Kyoto Convention, the SAFE Framework of Standards or the WTO GATT Valuation Agreements.

To successfully implement an economic reform the Customs modernization strategy of the KRGC must take into account these fundamental demands and it needs to consider the ability of the organization to manage and absorb change. It has therefore been decided to develop a properly sequenced strategic development plan based on current USAID support and activities however, accepts that future support and technical assistance from experts will be required to develop and mentor staff at all levels and support the change process.

2. Background

Between 2005 and 2010 the KRGC received some support in the form of workshops delivered by USAID Tijara Program who completed basic diagnostics of the import processes. USAID Tijara program accelerated training in 2011 with staff trained in the HS System and Valuation plus Change Management and Training of Trainers Workshops. The management workshops delivered identified the extent of the changes required not only in the business process but also in the organization and structure of the KRGC. The KRGC must move forward to ensure the benefits of this training is not lost due to passage of time prior to implementation and thus has proceeded to complete a strategic action plan. This is aimed at identifying the areas of change needed, the timescales required to effect the change and the impact and benefit to the KRGC, Ministry of Finance and Regional Government. The overall beneficiary will be the people of Kurdistan through more efficient revenue collection and better social protection.

3. KRGC Vision Statement

KRGC to be recognized as a professional, efficient, and modern Customs service which contributes to economic growth and the advancement of social welfare of Kurdistan by achieving International Standards at Administrative and behavior levels.

4. KRGC Mission Statement and Values

To service citizens by enhancing revenue collections, facilitating legitimate trade, protecting the economy and the environment by adhering to modern Customs

standards and procedures and be a repository of trade statistical data through the use of the latest technology and transparent systems and activity.

KRGC Values

- **Honesty and Justice**
- **Invention and Development**
- **Change**
- **Protection of National Interests and Society**
- **Transparency**
- **Respect for All**

5. KRGC Customs Objectives

5.1 MODERN STRATEGIC MANAGEMENT

Customs administrations are strategically positioned in the global supply chain to make a significant improvement to the economic growth of individual economies. In order for the KRGC to successfully play this role in Kurdistan, a three year strategic management plan has been designed to be culminated into KGC annual work plans. This medium term plan will be regularly monitored and evaluated through conducting of SWOT analysis.

5.2 HUMAN RESOURCE MANAGEMENT

The challenge faced by the KRGC of Kurdistan is to build the required professional capacity and competence of Customs officers to effectively fulfill their role and functions. This requires a customs management that responds to the requirements of government, trade, public sector, regional and international obligations and transfers these into operational policies.

It further requires the establishment of a Customs Human Resource management that delivers on the business objectives through well-designed and targeted capacity building investments focused on improving the efficiency and effectiveness of its officers to deliver significant dividends for the government.

5.3 COMPLIANT TRADE AND BORDER MANAGEMENT

The WCO Framework of Standards to Secure and Facilitate Global Trade (SAFE FoS') establishes standards for enhancement of trading environment through certainty and predictability of customs procedures and a level of benefits for business that meet a certain compliance standard. A modern Customs service is

required to meet these standards and KRGC needs to work towards establishment of a compliance culture through transparent and predictable Customs legislation, standardizing and streamlining Customs procedures and practices and promotion of compliant attitude with businesses.

5.4 TRADE SECURITY, RISK MANAGEMENT AND ENFORCEMENT

Whilst issues of enforcement are wide-ranging and must be kept under focus, commercial fraud, trans-national crime and the escalating problem of counterfeiting and piracy is becoming a concern that threatens employment, innovation, economic growth, investment and the health and safety of Kurdistan. KRGC must devise strategies to mitigate the threats that would otherwise adversely impact the economy and social welfare. This requires the use of risk management in all Customs processes supported by targeted intelligence. These will also be enhanced through closer participation and partnership with business, industry and other internal and external stakeholders.

5.5 ESTABLISHMENT OF EFFECTIVE CUSTOMS TO CUSTOMS- AND CUSTOMS TO BUSINESS COMMUNICATION

As governmental organizations that control and administer the international movements of goods, Customs services are uniquely positioned to effectively contribute to socio economic developments through legitimate trade facilitation and revenue collection and to provide increased security to the global trading systems. This in turn supports investment within the region.

To fulfill this role effectively Customs services must work co-operatively along common and accepted standards and must establish a level playing field for information exchange and for mutual collaboration. The establishment of effective Customs to Customs communication is a prerequisite to better identify risks in the supply chain and to accelerate the flow of legitimate trade. For Customs-to-Customs communication to be effective it needs a certain level of automated information exchange based on compatible and interoperable automated communication mechanisms.

Modern Customs service aim at optimizing the improvement in trade facilitation for legitimate trades leading to increased compliance and integrity. Customs, other competent authorities and traders at national, regional and international level should establish regular consultation on matters of mutual interest, including facilitation measures and supply chain security. The establishment of an effective Customs to business communication provides the common ground for transparent and effective information exchange that in turn results into enhanced Customs procedures intelligence and risk management.

6. DELIVERABLES

SHORT-TERM DELIVERABLES

- Increasing the revenue by moving away from the initial use of the Department of Trade's minimum values list and instead applying the standard WCO transaction value price as the initial customs assessment base value
- Improving revenue analysis, tracking and enforcement by enhancing the current reporting system to provide weekly statistics on revenue collected at key border sites
- Facilitating movement and release of goods, compliance and collection of revenue by using information collected from the points of entry to build importer compliance profiles and introduce a clearance system based on risk management principles
- Improving technical skills by continuous training and development.
- Improving service to clients and stakeholders and address public criticism by immediately introducing a commission-wide integrity program based on the World Customs organizations (WCO) Arusha declaration
- Improving morale and public services and compliance by ensuring that all customs points of entry have proper signs, notices and written operating procedures and standards, and that customs officers are supplied with the minimum tools and identification badges.

LONG-TERM DELIVERABLES

While working on the short-term initiatives the processes of reform from the legal foundations up must begin. A revised Customs law incorporating a revised tariff and valuation system, new nationally consistent operating and enforcement procedures, business planning, recruiting, training, computerization, rebuilt and equipped border facilities and on going measures to sustain and improve integrity must all be addressed in a comprehensive modernization plan and program. The proposed modernization plan is designed to be implemented initially over a period of three years. It addresses more immediate and achievable needs while paving the way for longer-term and more costly reforms such as rebuilding and equipping facilities. The key elements of the plan are:

- A new Legislative base and operational procedures compatible with WTO requirements and WCO standards
- Streamlining the organization, structure and management of the KRGC to support strategic business plans and mandates
- A human resources plan aimed at recruiting and maintaining qualified staff.
- An ethics program based on WCO guidelines

- A training program aimed at continual employee improvement and career planning
- A complete national enforcement strategy based on intelligence gathering, profiling and risk management
- An administrative trade facilitation program based on WTO Doha proposals
- A national computerized Customs system

7. KRGC Customs Modernization Strategic Plan 2012 - 2015

7.1 Modern Strategic and Human Resource Management

<p>Aim: KRGC designs and manages a Customs strategy that transfers requirements of government, trade, public sector and regional and international obligations into operational policy.</p> <p>The Customs Human Resource management delivers on the business objectives through well-designed and targeted capacity building investments.</p>	<p>Success criteria: Competent Customs officials operational along clear performance targets and working along published development goals.</p>
<p>Purpose/Benefits: Maximize the Efficient use of Customs resources to achieve Corporate Objectives. More effective and efficient Customs officers deliver significant dividends for the government.</p>	<p>Indicators of Achievements: Monitoring of delivery against strategic plan and delivery plan Analysis of economic indicators (WB doing business data / UNCTAD/WTO International trade centre statistics / Millennium Development Goals indicators etc.) Analysis of transparency and corruption surveys.</p>

Objectives	Result/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stake- holders involved	Associated projects	Resources
1. Development of strategic management capability that provides strategic direction for implementation and maintenance of Customs reform and ensures Customs efficiently develops their core functions	a. Establishment of enhanced strategic planning and funding mechanisms		a. The strategic plan will receive the endorsement of the Minister of Finance	MoF Deputy MoF Director General Customs	MoF	a. Strategic Planning at MoF Level	Staff Technical Assistance
			b. Political will to Customs reform and Customs Capacity Building			b. Review of Customs legislation / Regulations	

Objectives	Result/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stake- holders involved	Associated projects	Resources
			remains				
(1.0cont'd) Development of strategic management capability that provides strategic direction for implementation and maintenance of Customs reform and ensures Customs fully take over their core functions	b. An annual KRGC result based management plan is introduced including an annual budget forecast	Development of an annual plan with quarterly performance indicators	The strategic plan will receive the endorsement of the Minister of Finance	MoF Deputy MoF DG Customs		c. Strategic Planning at MoF Level d. Review of Customs legislation	Staff Technical Assistance Required
	c. Introduction of fund allocation to KRGC operations between 3 - 5% of the total regional Customs Revenue		Political will to Customs reform and Customs Capacity Building remains				
	d. Increased operational funding in allocated budget						
	e. Clearly defined usage of operational funds	Development of funds usage guidelines and procedure					

Objectives	Result/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stake- holders involved	Associated projects	Resources
	f. Decentralized administrative decision making, through delegation of authority to KRGC Senior Managers.	Establish defined scope for decision making at various levels					
2.0 Collection of baseline data and collection of better Customs statistics	a. Enhanced reporting mechanisms introduced including information on revenue collection, anti-smuggling activity, trade patterns and staff and resources.		a. Trade statistics will be captured at source. b. The KRGC will be funded or obtain donor support to automate its activities e.g. Asycuda.	KRGC Senior management Ministry of Finance.	MoF Trade	ASYCUDA / IT reporting mechanism	Staff Technical Assistance
	b. Monthly production of revenue and trade statistics bulletin		c. Data will be processed in Microsoft Access				Staff Technical Assistance Required
3.0 A human resource system in place that retains human capital and builds the capacity of Customs services, through:	a. Development and endorsement of KRGC Human Resource policies		a. Human Resource Specialist will assist in this process		MOF		Staff Technical Assistance Required

Objectives	Result/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stake- holders involved	Associated projects	Resources
	b. Development and implementation of a Human Resource Strategy						
	c. KRGC Performance Management System introduced (review of job descriptions – each customs staff having a clearly defined job description)						
	d. Development of a career succession plan						
(3.0 cont'd) A human resource system in place that retains human capital and builds the capacity of Customs services, through:	e. Establishment of promotion rules		a. MOF Human Resource Specialist will assist in this process	KRGC Senior management			Staff Technical Assistance Required
	f. Establishment of performance appraisal linked to salary or incentives/punitive action						
	g. Development of a recruitment and		b. MoF Allocation				

Objectives	Result/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stake- holders involved	Associated projects	Resources
	selection system in place that delivers on KRGC business requirements.		takes into account the required resources for KRGC to fulfill its strategic targets				
	h. Development of a Training Module for Customs to include Gender and Environmental issues			DG of customs, KRGC Training Division along with Compliance & Enforcement Division, ASYCUDA / IT Project Team and Post Clearance Audit			
4.0 Establishment of a remuneration system that allows as a minimum compensation of basic allowances.	a. KRGC staff remuneration developed that encourages performance and allows for housing of their immediate family, educate their immediate family and provide healthcare for their immediate families	Development of an remuneration plan comparable to the industry average of Kurdistan	Cabinet endorsement	MoF	Cabinet		
	b. Rural housing facility constructed						

Objectives	Result/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stake- holders involved	Associated projects	Resources
	for customs staff assigned at remote border Customs posts.						
5.0 Development of centers of excellence / establishment of specialization at KRGC HQ	a) Establishment of core customs responsibilities at KRGC HQ (Valuation, Classification, Customs legislation Customs procedures, risk management) Intelligence		The HR review on MoF level takes into account the required resources for KRGC to fulfill its strategic targets	KRGC DG MoF		HR review on MoF level Capacity Building strategy	Staff Technical Assistance
	b) Establishment of specialized supporting capacities at KRGC HQ (IT, International cooperation with other customs bureaus.			KRGC DG		Capacity Building strategy	Staff Technical Assistance
(5.0 Cont'd) Development of centers of excellence / establishment of specialization at KRGC HQ	c) Rotation system reviewed leading to exclusion of specialized capacities	Development and review of the rotation scheme	The ongoing HR review takes into account the required resources for KRGC to fulfill its strategic targets	KRGC DG MoF		HR review on MoF level Capacity Building strategy	Staff Technical Assistance

Objectives	Result/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stake- holders involved	Associated projects	Resources
	d) Development of working groups to establish capacity on new development requirements (Integrity, Management Development)	Developing and implementation of an Integrity Plan in line with WCO Regional Working Group on Good Governance and revised Arusha Declaration				Capacity Building strategy	Staff Technical Assistance
	e) Developing and implementing a corruption free, staff integrity based program		<ul style="list-style-type: none"> a. Code of conduct in place and disseminated to all staff; b. Standard Operating procedures in place c. Corruption and Integrity issues are addressed in a timely manner 	MoF, KRGC DG, Revenue Internal Affairs, Revenue Risk Management Division			Staff Technical Assistance

Objectives	Result/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stake- holders involved	Associated projects	Resources
6.0 Rebuild the KRGC Capacity Building structure and align Customs Capacity Building to relevant business demands	a) Endorsement of a Customs Capacity Building strategy that covers: - immediate consultancy and training demands on core customs areas,		Political strong commitment to reform Sufficient funding is allocated to KRGC budget to enable Customs Capacity Building.	MoF KRGC DG	-MoF Trade Groups Universities		a) Staff Technical Assistance is required.
	b) Development of a KRGC training unit to manage and develop KRGC training events against planning						
	c) the longer term Capacity Building plan against strategic demands (specialization in customs core functions – classification, valuation, rules of origin)						
	d) availability of training facilities (own facilities or shared access)						

Objectives	Result/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stake- holders involved	Associated projects	Resources
	<p>e) the longer term phasing out of external training through development of own training competencies,</p> <p>f) Basic customs training incorporated into Regional University training curriculum and MoU signed between universities and KRGC to develop training curriculum</p>						
	g) Establishment of an annual training plan with cost estimate.		KRGC is kept informed of any service contract negotiations that are due have a Customs relevant component	MoF KRGC DG	National Programme Unit External consultants Donors	ASYCUDA/ IT other new contracts	Staff Technical Assistance
	h) The training unit is equipped with minimum office infrastructure, portable training equipment and stationery against an inventory of	1st Qtr 2012 and the 1 st quarters of all subsequent years till 2015		KRGC DG KRGC Training Unit			Staff

Objectives	Result/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stake- holders involved	Associated projects	Resources
	needs						
	i) Methodological training competence within KRGC developed through train the trainer training	1st Quarter 2011		MoF KRGC DG			Staff USAID
	j) Training modules for KRGC training events developed	4 th Qtr 2012		KRGC Training Unit			Staff Tijara Technical Assistance
	k) Implementation of consultation and training on customs core competencies	First set of training modules finalized until New training modules developed against occurring training needs	That the KRGC training unit is sufficiently equipped with office infrastructure as under d)	KRGC Training Unit			Staff Technical Assistance Tijara
	l) Implementation of consultation and training in additional specialization areas along needs (IR, Integrity, Management Development etc.)	2012 – 2015	Activities are incorporated in the annual training plan	KRGC Training Unit External expertise			Staff External expertise
	m) Fee-based consultations and	2012- 2015	Activities are incorporated in the	KRGC Training Unit,		ASYCUDA / IT training,	Staff External

Objectives	Result/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stake- holders involved	Associated projects	Resources
	training for other stakeholders implemented		annual training plan				expertise
	n. Customs Brokers trained and certificated	2012- 2015	Activities are incorporated in the annual training plan	KRGC Training Unit, HQ expert	Traders Customs Brokers Chamber of Commerce		Staff Fee based activity Technical Assistance
7.0 Develop and implement an effective Integrity based program to combat corruption in customs	a. Establishment and implementation of policies on Integrity	2012 - 2015	a. A working group on Integrity is established within KRGC	KRGC Integrity working group	Traders Customs Brokers Chamber of Commerce	Integrity activity within the KRG and Ministry of Finance.	Staff Technical Assistance
	b. A strategy in place to implement and promote integrity in line with the WCO Arusha Declaration.	3 rd qtr 2012	The annual workplan covers relevant fund allocation for publication	KRGC Integrity working group DG			
	d. Establishment of Integrity activities against the Arusha Declaration	2012 – 2015					

Objectives	Result/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stake- holders involved	Associated projects	Resources
	e. Level of remuneration compared with industry average	3 rd qtr 2012					
	f. Number of cases identified, uncovered and prosecuted	2012 – 2015					
	g. A code of conduct in place and enforced	3 rd qtr 2012					

7.2- Compliant trade and border management

<p>Aim: To develop compliance strategies to enhance Customs service and voluntary traders compliance</p>	<p>Success Criteria: Reduction in customs intervention by 5% 2012, 10% 2013, 15% 2014 Reduction in clearing time by 5% 2012 10% 2013, 15% 2014</p>
<p>Purpose/Benefits: Effective intervention by Customs and reduction in Business and Government costs</p>	<p>Indicators of Achievements: Analysis of level of satisfaction through client survey Analysis of economic indicators (WB doing business data / UNCTAD/WTO International trade centre statistics / Millennium Development Goals indicators etc.)</p>

Objectives	Results/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stakeholders involved	Associated projects	Resources
1.0 Modern Customs rules and regulations in place	<p>New Customs legislation drafted and endorsed incorporating as a minimum:</p> <p>a) Internationally standardized definitions and Terms as in Chapter 2 of the revised Kyoto Convention</p> <p>b) Valuation rules along the WTO rules</p> <p>c) Customs procedures along the RKC</p>		<p>a. Legislative approval</p> <p>b. Customs Administrative endorsement</p> <p>c. The establishment of centers of excellence at KRGH HQ level</p> <p>d. The establishment of a temporary inter ministerial legal working group</p>	<p>MoF Deputy MoF Assistant MoF KRGH DG Inter-ministerial legal working group covering: - Customs Modernization Unit - MoF legal section - KRGH HQ Customs experts</p>	<p>Parliament Cabinet Upon KRGH demand: external Customs legal advisors Brokers Associations Business Association</p>	<p>HR Strategy Training strategy</p>	<p>Staff External Customs legal advise upon demand</p>

Objectives	Results/ Performance Indicators	Target date/ Milestone s	Assumptions/ Requirements	Responsibility	Other Stakeholders involved	Associated projects	Resources
1.0 (cont'd.) Modern Customs rules and regulations in place	d) Provision for application of IT automation processes		e. Legislativ e approval	MoF	Parliament	HR Strategy	Staff
	e) Provision for customs control based on risk management		f. Customs Administrative endorsement	Deputy MoF	Cabinet	Training strategy	External Customs legal advise upon demand
	f) Clear definition of Customs role and function and the relevant powers and responsibilities		g. The establishment of centers of excellence at KRGH HQ level	Assistant MoF	Upon KRGH demand: external Customs legal advisors		
	g) An appeal procedure upon Customs decisions		h. The establishment of a temporary inter ministerial legal working group	KRGH DG	Brokers Associations		
	h) An appropriate level of punitive actions to Customs offences			Inter-ministerial legal working group covering: - Customs Modernization Unit - MoF legal section - KRGH HQ Customs experts	Business Association		
	i) Decrease of case by case decisions and permits to the outmost.						
	j) Legal provision for Customs management of non- fiscal offences (Implementation of International conventions such as TRIPS, CITES, cross border crime such as drug smuggling etc.).						

Objectives	Results/ Performance Indicators	Target date/ Milestone s	Assumptions/ Requirements	Responsibility	Other Stakeholders involved	Associated projects	Resources
2.0 Modern Customs rules and regulations in place	New Tariff Nomenclature endorsed along the HS 2012 rules		National legislative endorsement	MoF Deputy MoF KRGC DG	WCO WTO	Capacity Building Strategy	
3.0 Application of uniform Customs procedures at approved routes	Standard Operational Procedures on all Customs regimes developed and applied at all border posts		National legislative endorsement Administrative endorsement	DMR KRGC DG KRGC Customs Modernization Team plus HQ Core experts KRGC Asycuda unit	Customs Brokers Business Association	Capacity Building	
4.0 Trade Facilitation through streamlined procedures and reduced clearance times	a) Use of one SAD that captures all relevant information to meet the data requirements of other Kurdistan governmental departments.		Political will to foster cross departmental cooperation.	KRGC	Other governmental department Customs Brokers Business Association ASYCUDA	Part of ASYCUDA / IT re-engineering process WTO accession	Staff Technical Assistance
	b) Relevant data captured on the manual SAD as well as the e-declaration.						
	c) Appropriate MOUs with other governmental departments upon sharing of ASYCUDA / IT data.						
5.0 A comprehensive analysis of the	Baseline data on clearance times at different border posts collected through a Time		Administrative endorsement	KRGC DG ASYCUDA Project Team	Customs Brokers Business Association	Part of the ongoing trade facilitation process	Staff External Customs legal advise upon demand

Objectives	Results/ Performance Indicators	Target date/ Milestone s	Assumptions/ Requirements	Responsibility	Other Stakeholders involved	Associated projects	Resources
Customs clearance processes	Release Study and assessed against progress			KRGC Customs Modernization Team KRGC Senior Management at selected ports			
6.0 Increased compliance through enhanced IT Automation	Pilot-Implementation of IT support at EIA for later dissemination to other border points.		Establishment of a Risk Management Competence at KRGC	KRGC DG KRGC ASYCUDA Unit	ASYCUDA / IT project Training Unit Risk Management Unit		ASYCUDA / IT project
7.0 Increased transparency through dissemination of Customs legislation	Widest use of public media to share information on Customs legislation to KRGC staff and other stakeholders			Public relations unit HQ Customs legal expert Dep MinFin DG Customs	Business Other governmental departments and border authorities		Staff Funding
8.0 Customs website launched	a) Regulations, laws, guidelines and procedures published			DG Customs IT Unit	Ministry of Finance		Staff Funding
	b) Hard copies of regulations, laws, guidelines and procedures published and distributed						
9.0 Enhanced voluntarily compliance by customs bookers	a) The system of licensing and renewal of licenses for brokers is established and based on proficiency and compliance		Regulations and code of conduct for customs brokers in place		Brokers Broker association	Capacity Building Strategy Integrity Strategy	Staff

Objectives	Results/ Performance Indicators	Target date/ Milestone s	Assumptions/ Requirements	Responsibility	Other Stakeholders involved	Associated projects	Resources
	<p>b) Training for customs brokers implemented on new developments in legislation and procedures</p> <p>c) 100% compliance regime in place and enforced</p>						

7.3 TRADE SECURITY AND ENFORCEMENT

<p>Aim: Intelligence led controls to meet national, regional and international commitments</p>	<p>Success Criteria: By 2013 – Direct impact of Increase of revenue by 20% by 2015 5% by 2012; 10% by 2013; 15% by 2014; 20% by 2015</p>
<p>Purpose/Benefits: Enhanced revenue protection Effective Customs intervention against illicit trade at borders, illicit trafficking of drugs, customs fraud, money laundering, and to protect Intellectual Property Rights (IPR)</p>	<p>Indicators of Achievements: Reduction in smuggling / Customs Fraud activities by 50%</p>

Objectives	Results/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stakeholders involved	Associated projects	Resources
1.0 Establishment of a trade security and enforcement structure at KRGC	a) A new intelligence and investigation competence established at HQ level		Administrative endorsement Legislative endorsement	MoF Deputy MoF Assistant MoF KRGC DG	Other security institution; MOJ Mol	Capacity building strategy Risk Management Strategy	Staff Technical Assistance
	b) An effective enforcement competence established at HQ level <i>that has broader competencies than dept recovery</i>		Legislative endorsement Administrative endorsement			Capacity building strategy	Staff Funding Technical Assistance
	c) <i>A new Anti Smuggling Unit to become a mobile preventive patrol within the enforcement unit.</i>		Procurement of patrol vehicles and communication equipment				

Objectives	Results/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stakeholders involved	Associated projects	Resources
2.0 Enhanced trade security through application of a risk based targeted control mechanisms	a) Risk Management Unit established and operational		Administrative endorsement	KRGC DG KRGC Modernization Unit, Compliance and Enforcement Division Risk Management Working Group Asycuda Unit	Customs brokers Business association		Staff Technical Assistance
	b) Risk Management policy endorsed.						
	c) Risk Management working group established with members drawn from operations, IT, anti smuggling and intelligence set up.						
	d) Intelligence led anti smuggling operation with input from Risk Management working group/unit in place						
3.0 KRGC meets its international commitments in supply chain security	KRGC recognized as effective prevention service responsible for detection of smuggling of illicit goods into and out of Kurdistan through:		Interagency Memorandum of Understanding endorsed by Cabinet and operational	KRGC	Other border security agencies	Review of Customs legislation	Staff Technical Assistance
	a) Clear agreement on roles and responsibly of all border securing agencies (responsibilities, procedures for seizures, treatment of illicit goods, prosecution, arrest etc.)						
	b) Established collaboration with border agencies						

Objectives	Results/ Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsibility	Other Stakeholders involved	Associated projects	Resources
	c) Implementation of enforcement/anti smuggling against agreed procedures						
4.0 Effective control of goods through use of modern detection devices and NII technology	Determine suitable technology relevant to business requirements based on cost benefit analysis		Financing will be made available for new detection tools.	MoF KRGC		Capacity building strategy	Staff External expertise Funding
	b)Technology procured	2011-2013		MoF KRGC	Donors External service provider	Capacity building strategy	Staff External expertise Funding

7.4 Effective Customs-to Customs, Customs-to-Business and Business-to-Customs Cooperation

<p>Aim. To secure and facilitate increased trade and investment through quality service that meets stakeholder expectations and international standards.</p>	<p>Success Criteria: Reduction in cost and time of doing business in Kurdistan Increase MCC rating to lower space</p>
<p>Purpose/Benefits. To remove or reduce constraints that affect the import and export of goods Enhanced cooperation of stakeholders in the dissemination and implementation of new policies and procedures</p>	<p>Indicators of Achievements: Recognition by the trade of KRGC as a key service performing towards client satisfaction and economic growth through client surveys. Analysis of economic indicators (WB doing business data / UNCTAD/WTO International trade centre statistics / Millennium Development Goals indicators etc.)</p>

Objective	Result/Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsible	Other stakeholders involved	Associated or Parallel projects	Resources
1.0 Effective Communication Strategy in place	A communication strategy endorsed that identifies communication channels, levels and responsible parties	1 st half 2010		Deputy MoF KRGC DG KRGC Customs Modernization Unit RD Corporate Affairs Unit	LBBF, IFC, WCO	RD Tax Payer Awareness Campaign	Staff
2.0 Development of a customs to business communication platform.	Customs Business Consultative Group established and regular meetings institutionalized	2010 - 2013		Deputy MoF KRGC DG RD Corporate Affairs Unit Public relations unit	Business, Chamber of Commerce, LBBF, Kurdistan Business Association, BIVAC National Investment Commission, Ministry of Commerce, Customs Brokers Association etc.		Staff Funding

Objective	Result/Performance Indicators	Target date/ Milestones	Assumptions/ Requirements	Responsible	Other stakeholders involved	Associated or Parallel projects	Resources
3.0 Establishment of Customs to stakeholder partnerships	Businesses are clearly aware of mode of communicating with Customs	End of 2010 2011 -2013		DG	Business Chamber of Commerce LBBF Kurdistan Business Association Other governmental department		Staff
4.0 Establishment of Customs to Customs partnerships	Three (3) MoUs with bordering countries	2010 - 2013		Deputy MoF KRGD DG KRGD HQ Experts			Staff
5.0 Increased engagement with the international Customs and trade community	KRGD being represented at regional and international forums and Customs technical committees	2010 - 2013	Commitment and agreement to International standards	Deputy MoF KRGD DG HQ Experts from relevant unit			Staff Funding
6.0 Collection of data on customer satisfaction	Customer satisfaction analysis through monitoring, media coverage and customer surveys	2010-2013		Public relations unit			Staff
7.0 Increased transparency through dissemination of information	Widest use of public media to share information on Customs modernization process, procedural changes and business implications	2010-2013		Public relations unit	Business, Other governmental departments and border authorities		Staff Funding

8. Benefit of Modernization

A considerable amount of work will be needed to be dedicated by KRGC Senior Management Team and Ministry of Finance to ensure meaningful and tangible outcomes can be achieved from the Customs Strategic Modernization Plan.

Consideration will need to be given to a similar program within the tax department and any national implications relating to Baghdad and Central Government. The benefit of modernization is well documented and an immediate benefit will be a more efficient revenue collection process, increased trade and higher revenue yield.

Foreign Direct Investment and the business environment (International Chamber of Commerce)

Traditionally, FDI has been driven in substantial part by the need to invest behind tariff barriers. High trade barriers in a country create an incentive for investment to serve consumers of that country that does not depend on efficiency of the workforce, availability of world-class material suppliers, access to other markets, or the maintenance of an effective system of commercial law. Even the advantages to be gained from economies of scale are overwhelmed, often requiring the construction of small, inefficient plants in each of several markets that could be served collectively by a single, scale-efficient factory. Markets traditionally protected by trade barriers often fall behind world standards because the goods and services they provide are not tested by international competition.

When tariff and non-tariff barriers to trade are removed, investment decisions increasingly are made on the basis of the ability of the market to provide an environment that is conducive to the establishment and maintenance of a world-class manufacturing operation to serve the regional market and often to produce for worldwide export. Workforce availability, a stable economic system, and an effective legal system all assume greater importance in making investment decisions. Equally important is logistics - the ability to maintain a reliable, low-cost flow of raw materials and components into a manufacturing facility, and an effective system to distribute finished products flowing out of the facility.

Customs modernization as national competitive advantage

Logistics - the efficient movement of goods to and from a manufacturing facility - is critically important. Any world-class manufacturing facility must have access to world-class sources of raw materials and components. Certainly, many inputs may be available locally in quantities and quality needed to support such manufacturing. However, no single market either developed or emerging, can produce all of the world-class inputs needed for a complex manufacturing operation. Aided by rapid improvements in the speed of information exchange, global corporations are creating sophisticated international supply chain management systems to move goods quickly and economically around the world. Countries that stop or slow down these supply chains will be left out of the process.

Consequently, access to imported raw materials and components is an important consideration in selecting manufacturing sites. And customs administration is critically important to this access in many ways:

- *Clearance time* - In order to support world-class manufacturing, customs clearance time must be measured not in weeks, or even days, but in hours. Any customs administration that can provide reliable, timely customs clearance, or immediate release based on pre-clearance, creates an enormous competitive advantage in attracting manufacturing.
- *Predictability* - Delayed delivery of a key input can shut down an entire manufacturing line, at enormous cost. Unpredictable delivery due to customs administration can require the maintenance of excessively large "safety stock", with unacceptable inventory carrying costs. Arbitrary or unpredictable customs clearance delays are incompatible with efficient manufacturing.
- *Transparency* - Arbitrary or unexplained changes in classification or valuation of goods can disrupt logistical flows and marketing plans, thereby seriously detracting from efficient operation.

The importance of customs administration to FDI decisions is not hypothetical. Case studies of real-world decisions are attached to illustrate the importance of customs in making decisions on building manufacturing plants.

Reaping the benefits

Countries that are early in recognizing the competitive advantage of customs modernization will reap the lion's share of the rewards. Experience in the developed world includes several examples of smaller countries that have taken advantage of such factors as favorable location, modern transportation, trade culture and services industries to rank among the largest trading economies. These successes would not have been possible without modern customs services. In the developing world, there are some more recent examples that are following this pattern. The experience in these countries already demonstrates that customs modernization and trade facilitation are compatible with revenue collection and enforcement. It is noteworthy that customs revenues have increased with modernization efforts because greater volumes of trade are processed more efficiently.

Conclusion

Governments have an important stake in the modernization of their customs administrations and those of their trading partners. As the world moves increasingly toward trade liberalization, the cost of tolerating an inefficient customs administration will become too great to bear. The International Chamber of Commerce urges governments, and in particular trade and finance ministers, to become ardent advocates of internal customs reform and vocal demanders of regional and worldwide rules to ensure multilateral movement toward a uniformly high standard of customs administration.

Summary of Benefits

- **Increased and More Efficient Revenue Collection**

- **Decrease in Customs Clearance Times**
- **An improved climate for investment**
- **Improved standing within the international community**
- **An Efficient and Effective Workforce**

Costs

At this stage it is impossible to estimate exact costs without a clear plan of what is required and a mandate from the government to proceed further.. Experience shows and the benefit of advice from Tijara staff indicates that the major cost of any modernization process is IT - Hardware, Software, Connectivity and Training. Technical assistance from experts will be required in many areas and donor support should be sought to fill these gaps in knowledge with a clear target of migrating skills and responsibilities to KRGC staff within a set timeframe.

Automation is not a "cure all" for customs modernization but is part of the overall modernization process

Annex 1 - Specific Goals

Organization and Management

The KRGC is part of the Ministry of Finance. The KRGC is responsible to the Minister of Finance, for collecting all revenues on goods imported into Kurdistan. The proposed 'Customs Modernization and Reform Program' will be under the control and direction of the Minister of Finance or delegated deputy. The Director General (DG) of Customs is responsible for planning operational matters and customs policy recommendations.

Customs requires reorganization and the proposal is for a division into 3 Regional Directorates, each Regional Director being responsible to the DG.

In order to move forward and develop working practices that are internationally accepted a thorough analysis of the needs of the KRGC is required. Business strategies need to be planned and an operational and financial planning system that supports this requirement needs to be developed and implemented. To accomplish this the KRGC must look to develop its operational and management structures through the recruitment of high quality individuals and the development of its current staff. New specialized sections such as Human Resources and Training require development whilst enhancement of the Enforcement and IT sections should commence. There needs to be clear identification of lines of responsibility for each work area.

The Director General should take a strategic overview of customs operations directing activity in order to meet identified government requirements. Responsibility for the day-to-day operations of each section should be devolved to each senior manager with responsibility to ensure that goals and objectives are met.

The Director General (DG) of Customs manages the KRGC and the proposal is for 7 directorates each headed by a Director reporting directly to the DG.

The Directorates will be:

- Legal and Policy
- Operations including Enforcement
- Internal Audit and Inspectorate
- Information Communication & Technology
- Fiscal Administration including Human Resources
- Regional Operations
- Training

Specialist managers should be appointed to head enforcement and human resource functions with the eventual development of national directorates for these areas of work.

Goals

The KRGC should:

1. Develop a projected three-year Strategic Departmental Business Plan defining operational and management objectives in line with government strategic goals.
2. Develop an annual operational and financial planning system in support of the business strategy.
3. Fully implement a 'Customs Modernization and Reform Program' to ensure that the structure, organization and location of the administration is determined by their requirements to respond to operational demands.
4. Enhance capacity of the Regional and Divisional departments to develop activity planning and improve reporting systems.
5. Review the current buildings and infrastructure of KRGC and produce a needs assessment for a future modern office structure to include dedicated IT and Training facilities.
6. An assessment of existing Internal Audit and Management control be undertaken against the 8 key components of the Internal Audit and Management control standard.

Human Resource Management

7. Staffing authorities should be clearly stated in law or regulation. The concentration of appointment and disciplinary authorities in the hands of the Director General should be addressed to provide for greater transparency and objectivity.
8. Objective Recruitment and probationary procedures should be established and implemented.
9. Develop and draft of job classifications and job descriptions for all positions and standard operating procedures within the KRGC.
10. As a priority, establish a computerized personnel database to readily provide statistical information on employees.
11. Prepare an implementation plan for the introduction of performance appraisals and the establishment of sound performance measuring criteria.
12. Conduct a review to ensure that pay differentials properly reflect the objective responsibilities and technical and professional qualifications.

,A complete HR diagnostic to assess the application of HR systems and procedures at the regional and port offices as well as HQ should be completed with reviews of promotion procedures, career, development and progression, transfers, severance, dismissal, retirement and working conditions should be mapped.

13. Draft mission statement and a multi-year business strategy to support it.
14. Draft a multi-year Human Resources plan that fully supports the delivery of the mandate and objectives specified in the KRGC's businesses strategy and mandate.
15. Draft a departmental policy and review system to ensure that staff grievances can be made noted and acted upon expeditiously, objectively and fully.
16. Prepare in cooperation with the operational sections, a management assets and acquisition plan to ensure each employee has the equipment tools and safety gear required to do their job.
17. Prepare and implement a safety and best practices guideline.

Customs Ethics

Ethics in customs services is a major concern to both the national and the international community. Strong measures need to be implemented to address both real and perceived concerns from both the trade and public.

Goals

18. The KRGC draft, adopt and publish an ethics policy that observes the principles of the "Arusha" declaration.
19. Provide training to all staff and ensure that management controls are implemented consistent with the ethics policy.
20. Deliver risk assessment training to managers and establish management controls and internal risk assessments for each customs post.
21. Initiate and issue a disciplinary code to all staff members. Implement and apply it.
22. Establish a registry of all complaints and record all actions taken.

Training

No formal training plan or career development process is in place. On-the-job training appears to be the only training offered, and this is hindered by a complete lack of written guidelines and procedures. Training is one of the most important areas required for the development of an efficient customs service. A professional approach to this area of work is required and each customs officer must have a structured development and training plan. The investment in staff leads to greater competence and efficiency in the performance of their duties and reflects in the overall performance of the customs service as a whole.

Goals

23. KRGC is to design and implement a training strategy in line with identified business needs and perform a complete training needs assessment.

24. Appoint a senior manager to develop training policies and programs to address medium and short-term needs.
25. Establish a training infrastructure with sufficient resources, budget and premises to deliver training requirements.
26. Ensure the transference of skills from experienced staff and consultants to KRGC staff in order to develop the necessary training expertise and to ensure sustainability.
27. Specialist training is developed for key areas in management, internal audit, intelligence and analysis, investigation and anti smuggling using internal / external experts to develop expertise in these areas.

Enforcement

There is no enforcement strategy, or even a day-to-day common approach to enforcement and compliance issues. Basic enforcement and intelligence data and analyses are nonexistent. Enforcement of customs regulations is the backbone of all customs activity. Every modern customs service has a modern proactive enforcement section. In line with the WCO/WTO requirements for risk-based controls the KRGC must develop a strategy to tackle fraud without disrupting legitimate trade. Revenue protection and collection and the protection of society from prohibited and dangerous goods are the main functions of an effective customs service. An effective enforcement section will enhance the KRGC ability to achieve this.

Goals

28. The KRGC should establish intelligence and investigation units in support of risk-based controls to complement a transaction based import system. A movement away from 100% examinations of goods should be made and resources directed against identified risks.
29. A national risk assessment unit should be established and trained in modern techniques to support the strategic objectives of the KRGC. Local and regional risk assessment units should supplement the national unit operating against identified local risks.
30. An analytical unit should be established as part of the intelligence function to enhance overall intelligence development capability.
31. Mobile anti-smuggling teams and investigation teams should be formed to supplement existing controls. Consideration to be given to having multi agency anti-smuggling teams utilizing both Ministry of Finance and Ministry of Interior officers.
32. The enforcement of all customs regimes should be undertaken using modern inspection and post clearance audit procedures.
33. Closer inter agency working should be established with all law enforcement and border control agencies. A review to be completed on the infrastructure, buildings and equipment requirements of all customs offices.
34. A communication strategy to be drafted to include a national control room to enhance enforcement activity.

35. A dedicated Internal Audit Department be established and is overseen by an Internal Audit Committee to ensure audits are completed to internationally recognized standards.
36. An internal investigation unit is to be established to research and investigate complaints of corrupt practices within the KRGC. Special links to be formed with the Ministry of Interior and external training be delivered to officers appointed to ensure the highest standards of performance and integrity be achieved.

Trade Facilitation and Relations with Business Clients

Trade Facilitation and relations with business clients are more principles to be built into the whole customs reform program than they are discrete actionable components. There are however elements of trade facilitation that often fall by the wayside and are important enough to be included in the Customs reform plan. This is an element of customs work that is key to the WTO's Doha Agenda.

Goals

37. Simplify the importation and exportation process by ensuring that appropriate delegation authorities exist between Ministries and agencies to ensure that inspections, documentations, assessments and information requests are not needlessly duplicated. Barriers to trade are not just a customs problem. Many agencies including agriculture, trade, health and sanitation, police and immigration are involved in the border process. Ensuring that there is not a duplication of effort that puts additional land repetitive demands on importers and exports is one of the key elements of trade facilitation.
38. Ensure that the physical infrastructure of the customs facilities is adequate and adequately managed to effectively meet the needs of the importing, exporting and traveling public. Trade facilitation does not end with improved processes. If facilities are not available or adequate to handle increasing volumes of commerce and travelers, no amount of streamlining will help. A diagnostic study and assets management review of current customs facilities with recommendations and suggested actions should be an integral part of the Customs Reform Program's trade facilitation component.
39. Complete a total quality management review of the service offered to the public at key border and inland customs facilities with recommendations. The human element is perhaps the most important component of trade facilitation. Ensuring that the human element is capable and willing to effectively, efficiently and creatively serve the clients and stakeholder is essential to a trade facilitation program.
40. Initiate a series of consultative committees including representatives from the public, freight forwarders and Licensed customs brokers to regularly review

customs and importing procedures. There seems to be little public input into the whole Customs process. Establishing a series of consultative committees would help establish client service as an element of the customs corporate culture that seems not to currently exist.

Computerization

Issue

Unless full computerization is made a priority, the customs process will become a major impediment to KRG's reconstruction, and economic growth and diversity. There is a clear requirement for the KRGC to take advantage of modern technology to enhance operational activity and security procedures, to facilitate trade and, to achieve the targets in revenue collection set by the government. A software and hardware package should be considered which would provide a comprehensive customs information management system. One system providing meeting the requirements of all customs operations from entry processing to enforcement is recommended such as ASYCUDA.

Goals

41. The customs develop an IT strategy to effectively meet the business needs of the KRGC.
42. The KRGC to seek funding for the implementation of a customs reform and modernization plan including the design and development of an integrated custom information management system.
43. An IT Director is appointed to run a dedicated IT directorate tasked with the development, maintenance and support of an Iraq Customs Information Management system.
44. Dedicated secure offices are allocated to the IT directorate and a separate development and training budget allotted.
45. All KRGC staff are trained in the operation of the system and user manuals are made available.

Revenue Collection

ISSUE

Revenue collection is still not fully automated and is subject to laboriously confusing, slow and opaque manual audits. This makes tracking and analyzing revenue collection and trends slow and haphazard. The semi automated / paper-based system also opens the doors to greater integrity lapses. One of the main objectives of the KRGC is to ensure the efficiency and integrity of revenue collection by developing and implementing appropriate policies, systems and procedures to collect and account for revenue.

Goals

46. Complete a national diagnostic of the commission's revenue collection and accounting operation and implement a structured revenue management function and strategy.
47. Implement an automated entry declaration and accounting management system as part of the KRGC's overall IT strategy.
48. Enhance the management information reporting capability of the KRGC to ensure all necessary information is timely, accurate and available to meet all business needs.
49. Develop a "Single Administrative Document" (SAD) for use in all customs declaration regimes.
50. Develop internal audit and management procedures to ensure the integrity of the revenue collection process.
51. Establish risk based anti smuggling teams, post clearance audit and investigation teams to enhance trader compliance.
52. Establish new strategic aims and targets for revenue collection.