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GASI Risk Management Component and Joint Inspections between CGA and GASI

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ABBREVIATIONS AND ACRONYMS

BPI	Business Plus Initiative
CGA	Customs General Administration
GASI	General Agency for Specialized Inspections
HS	Harmonized Schedule
IT	Information Technology
RM	Risk Management
USAID	United States Agency for International Development

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GLOSSARY

Criteria	Data elements available in customs declarations such as importer, exporter, country of origin, broker, etc.
Customs System	Computer system used typically for customs to control its operation such as filing, payment of duties and control of clearance
Indicator	Specific criteria which, when taken together, serves as a practical tool to select and target shipments

SECTION I: INTRODUCTION

In Mongolia, shipments are inspected by the CGA but also some shipments are inspected by GASI. The CGA inspections focus on quantity, correct classification, verification of permits and correct duty payment. The GASI inspections focus on the quality of the goods.

Currently, no declaration for the goods is filed with the GASI and the GASI does not use RM in its inspections. The GASI has expressed interest in using RM and also there have been discussions as to the possibility of conducting joint inspections between the CGA and the GASI. The GASI has already identified about 2500 HS codes which they need to inspect. The fact that now the GASI is working with HS codes is considered a step in the correct direction.

Taking into account that the GASI does not use a declaration for the goods it inspects and that it does not have an RM system, one possibility for implementing RM in the GASI rapidly, is using the customs declaration to trigger the GASI RM and to use the current RM module implemented in the Customs System to generate the appropriate stamps. This option would allow the GASI to start using RM in a short period of time and with a marginal investment. Also, provisions can be added the Customs System relatively easily to control joint inspections when possible.

The purpose of this document is to conceptually state the modifications required in the Customs System to allow the GASI to use the customs declaration for its RM, to allow the RM module to assign the GASI RM stamps and to contemplate the possibility of joint inspections.

SECTION II: RM IMPLEMENTATION AT THE CGA

The CGA has successfully implemented RM and currently all customs declarations processed are receiving green, orange or red stamps based on RM. A green stamp means that the customs declaration will be cleared without an inspection from the CGA. An orange stamp means that the customs declaration will be placed through a document inspection. A red stamp means that the customs declaration will be placed through a document inspection and a physical inspection. If a customs declaration receives an orange stamp, the customs agent can change the stamp to red. Green and red stamps cannot be changed.

To guide the CGA in the usage of RM, a tailored RM methodology was developed. The implemented methodology states that the first step is to develop a profile which is a document that targets a specific type of shipment (a subset of all shipments). A type of shipment could be for example vehicles or shipments where the importer is an individual, or all shipments at a particular port, etc. The criteria is all data elements that are available that can be used to target shipments. The indicators are the selected data elements that are actually used to target a shipment. Once the indicators are defined, they are loaded in the RM module of the Customs System. The RM Module will then use the indicators to generate the appropriate stamp to each customs declaration.

In the RM module the user can load four types of indicators. These indicators are the following

1. **Mandatory:** If a shipment matches a mandatory indicator then the stamp assigned will be red. For example all customs declarations stating vehicles that come from Mexico should get assigned a red stamp.
2. **Certified:** If a shipment matches a certified indicator then it will be treated as low risk. For example a customs declaration stating a Toyota vehicle should be treated as low risk.
3. **High Risk:** If a shipment matches a high risk indicator it will be treated as a high risk shipment. For example a customs declaration that is processed at UB port should be treated as high risk
4. **Exclusion:** Shipments that match an exclusion indicator will not be passed through the high risk verification. For example if a customs declarations states a Ford vehicle and it is processed at UB port do not consider this shipment high risk.

If a customs declaration does not match any indicators, then it will be assigned a stamp based on random. Customs declarations that match a mandatory indicator will always get assigned a red stamp. Customs declarations that match a certified, high risk or an exclusion indicator could get assigned a red, orange or green stamp. A customs declaration that is assigned a stamp based on random could get assigned a red, orange or a green stamp.

SECTION III: THE GASI RM COMPONENT CONCEPTUAL DESIGN

The GASI conducts physical inspections, document inspections and laboratory inspections on selected shipments. Therefore, with the implementation of RM in the GASI, the proposed stamps for the GASI are green, orange, red and red lab. The green stamp would mean no inspection by the GASI, the orange stamp would mean a document inspection by the GASI, a red stamp would mean a document and a physical inspection by the GASI and a red lab stamp would mean a laboratory inspection by the GASI. As it was mentioned, the GASI has identified 2500 HS codes which they need to inspect. Therefore, if a customs declaration does not contain one of these 2500 HS codes then the GASI stamp assigned should be green.

The idea is that all customs declarations when they get processed by the Customs System, they should get two stamps. One stamp for the CGA and one stamp for the GASI. Both stamps would be assigned based on RM but the CGA would keep its RM portion separate from the GASI portion meaning that each agency would work on its own individual piece of the RM component without interference from the other agency. The possible combinations of stamps are the following:

CGA Stamp	GASI Stamp
Green	Green
Green	Orange
Green	Red
Green	Red Lab
Orange	GASI Stamp
Orange	Green
Orange	Orange
Orange	Red
Orange	Red Lab
Red	Green
Red	Orange
Red	Red
Red	Red Lab

A joint inspection between the GASI and the CGA is possible only for shipments which get assigned a GASI red stamp and a CGA red stamp. Otherwise a joint inspection is not feasible. Also, even if a shipment gets assigned a GASI red stamp and a CGA red stamp a joint inspection could still not be possible if the infrastructure at the port does not lend itself to joint inspections or if the HS code specified in the customs declaration is considered by the GASI that it warrants an inspection by their agency prior to the CGA inspection.

To implement the above mentioned modifications in the RM components of the Customs System, it's recommended that the IT personal at the CGA get assigned the corresponding responsibility since they have proven to be perfectly qualified for this type of assignments.

The RM component used by the CGA does not require any significant changes and as mentioned the CGA’s RM component should not be visible to the GASI. The CGA stamp will continue to get assigned to customs declarations based on current functionality. However, in the Customs System a new option should be implemented for the GASI RM component. This option should have a separate security access which would be given to the GASI personnel. Therefore the CGA personnel should not be able to access or modify the GASI RM information and the GASI personnel should not be able to access or modify the CGA RM information.

Under the GASI RM component, using the HS codes loaded into the Customs System, the GASI personnel should be allowed to select the HS codes which are of their interest to inspect. So initially, based on the current work done by the GASI, they would select 2500 HS codes from the HS code list. They should be able to select HS codes at a 2, 4, 6 or 8 digit level. For each selection made, the system should register today as a start date and if an HS code is removed from the list, the system should automatically mark its end date. This will help conduct audits on the system to make sure it is working correctly.

For each of the HS codes selected by the GASI, the GASI personnel needs to specify if a joint inspection is possible. At this point the only reason for a joint inspection not being possible is if the GASI considers that for the HS in question, a GASI inspection should be performed prior to the inspection of the CGA. Also for each of the HS codes selected by the GASI, the GASI personnel needs to indicate if a laboratory test is required. Therefore, the table used to store the GASI HS code information should be similar to the following:

All HS Codes	GASI Interested in HS	Joint Inspection	Laboratory Test
01	Live Animals		
0101	Horses, asses, mules and hinnies, live	Yes	
0101.21	Purebred breeding animals	Yes	
0101.21.10	Males	Yes	No
0101.21.20	Females	Yes	No
0101.29	Other	Yes	
0101.29.10	Imported for immediate slaughter	Yes	No
0101.29.90	Other	Yes	Yes
0101.30.00	Asses	Yes	Yes
0102	Bovine animals, live	No	

When the GASI states interest in an HS code, meaning that it is an HS code that they need to inspect and the selection is done at the 2 digit level, then the entire chapter (all HS codes under the two digits) will automatically be marked with a “Yes” in the “GASI Interested in HS”

column. If the selection is done at the 4 digit level, then all codes under the four digits will automatically be marked with a “Yes” in the “GASI Interested in HS” column. If the selection is done at the 6 digit level, then all codes under the six digits will automatically be marked with a “Yes” in the “GASI Interested in HS” column. In the previous table it is assumed that the HS code 0101 was selected and therefore all HS codes under the 0101 were automatically selected. A similar mechanism needs to be implemented when stating if joint inspections are possible and if the HS code requires a lab test. The system needs to verify that all HS codes at an 8 digit level have a “Yes” or a “No” on all three columns. If the column “GASI Interested in HS” has a “No” then the other two columns should be blank.

For each of the ports, the GASI personnel needs to specify if a joint inspection is possible based on infrastructure limitations and other considerations. Therefore, the table where this information is stated should be similar to the following:

Port	Joint Inspection
Port 1	Yes
Port 2	No
Port 3	No
...	

Based on the information stated in the previous tables, a joint inspection will then be possible only if the CGA stamp and the GASI stamp are both red, all HS codes stated in the customs declaration have a “Yes” in the “GASI Interested in HS” column and a “Yes” in the “Joint Inspection” column or a “No” in the “GASI Interested in HS” column and finally the port stated in the customs declaration has a “Yes” in the “joint Inspection” column. If all these conditions are met, then a joint inspection can be done. If a joint inspection can be performed or not, it should always be printed on the customs declaration as part of the stamps assigned. Therefore, every customs declarations stamp should indicate the color of the stamp assigned for the GASI, the color of the stamp assigned for the CGA and if a joint inspection is possible or not. If a joint inspection is not possible it should indicate the order in which the inspections should be done which should be a configurable parameter in the Computer System based on the combination of the stamps that can be assigned.

If during a GASI inspection a finding is detected, the GASI personnel should be able to use sections of the Customs System to send feedback to the broker similar to how it is done by the CGA personnel. The Customs System needs to be modified such that a shipment is not cleared unless the supervisor from the GASI and the supervisor from the CGA confirm that the clearance process has been completed. This will guarantee that no shipment is cleared unless both agencies complete their assigned tasks.

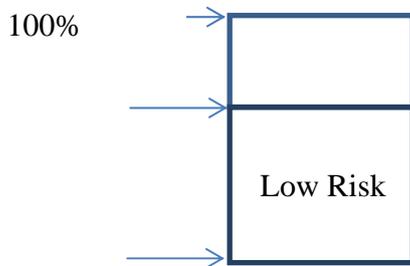
The assignment of the GASI stamp should first of all consider that if all HS codes in the customs declaration have a “No” in the “GASI Interested in HS” column then it means that this customs declaration should not be inspected by the GASI and therefore the GASI stamp assigned should be green.

The GASI personnel only needs the functionality to set mandatory, certified and risk indicators. GASI stamps will never be assigned based on random. All customs declarations that have an HS code that has a “Yes” in the “GASI Interested in HS” column have to match an indicator. Indicators can be set based on header information from the customs declaration such as importer, port, country of origin, etc. If an indicator is matched at a header level then all the customs declaration is covered. Indicators can also be set at an item level such as HS

codes. If a customs declaration has two items and both HS codes have a “Yes” in the “GASI Interested in HS” column but no header indicator is matched and only one of the HS codes matches an indicator, then the customs declaration cannot be considered as covered. As a precaution, any customs declaration which is not covered should be assigned a red GASI stamp and a special log should be made in the Customs System so that the GASI personnel can analyze what indicator is missing.

The GASI RM component should have the following elements:

1. Random number (RN). The Customs System should assign an RN to every customs declaration. This RN should always be between the range of 0.01 and 0.99 and the numbers generated should follow uniform distribution of numbers. The same RN number will be used for the GASI RM component and for the GCA RM component
2. GASI Random factor (GASIRF). The GASI RM component should allow the GASI personnel to set a GASIRF which will be used to indicate the difference between high risk and low risk. This GASIRF should have two percentage values; one for GASI red stamps and one for GASI orange stamps. The value for the GASIRF for orange stamps has to be greater than the value of the GASIRF for red stamps.



The GASIRF percentage for red stamps and the GASIRF percentage for orange stamps are independent and therefore do not necessarily have to sum 100.

If desired, for better precision, GASIRF numbers can be assigned separately for import and export declarations. In this case, the import GASIRF percentages (red and orange) are independent from the export GASIRF (red and orange).

3. If it is concluded that a GASI red stamp should be assigned to the customs declaration, an additional verification needs to be made to determine if the GASI red stamp should be changed to a GASI red lab stamp. If the customs declaration that got assigned a GASI red stamp has at least one HS code that has in the “Laboratory Test” column a “Yes”, then the GASI red stamp should be changed to a GASI red lab stamp.
4. GASI Mandatory indicators. The GASI RM component should allow the GASI personnel to set mandatory indicators. A customs declaration which matches a GASI mandatory indicator should always be assigned a GASI red stamp. The criteria in the customs declaration that can be used to set GASI mandatory indicators are the following:
 - a. Type of declaration (Import or export)
 - b. Customs Port
 - c. Trade Company
 - d. Taxpayer
 - e. Customs Broker
 - f. HS Code
 - g. Origin
 - h. Import/export Country
 - i. Transaction code (payment method)

- j. Procedure Code
- k. Deliver Condition

The stated fields could be used individually or combined.

Mandatory indicators do not require a probability of application percentage since a customs declaration that matches a GASI mandatory indicator will always get assigned a GASI red stamp. The pseudo code for mandatory indicator is the following:

```
GASI_mandatory_red = 0
FOR each GASI mandatory indicator DO
  IF customs declaration = mandatory indicator THEN
    GASI_mandatory_red = 1      *** Do not exit loop so that all ***
                                *** GASI mandatory indicators ***
                                *** that match can be identified ***
                                *** and a complete set of ***
                                *** instructions can be sent ***
                                *** to the GASI agent ***
  IF mandatory_red = 1 THEN
    IF customs declaration has at least one HS code with a "Yes"
    in the "Laboratory Test" column THEN
      Assign red lab to the GASI stamp
    ELSE
      Assign red to the GASI stamp
ELSE
  Go to number 5
```

Note: If a declaration gets assigned a GASI red stamp because of a GASI mandatory indicator, a test should be done to determine which GASI risk indicators are matched regardless of their set percentages so that the corresponding instructions can be pulled and accessed by the GASI agent. This will cause the system to provide better inspection instructions. This implies that if a GASI risk indicator is set to 80% then for the purpose of this test It should be determined if the customs declaration matches the indicator regardless of the 80% and the associated RN. The idea is that if the declaration, which will be sent to inspection (physical or document review) anyway, matches other GASI mandatory or GASI risk indicators, regardless of their percentage assigned, then the GASI agent in the field will have a more complete set of instructions which will improve the odds of detecting findings. GASI mandatory and GASI risk indicators are the only ones that have instructions for the GASI agents.

5. GASI certified indicator. The GASI RM component should allow the GASI personnel to set GASI certified indicators. Customs declarations which match GASI certified indicators will be applied the corresponding probability percentages stated in the GASI certified indicator. If the customs declaration matches several GASI certified indicators then the best benefit will be assigned to the customs declaration. For example, if a customs declaration matches two GASI certified indicators and based on set percentages, the customs declaration should receive a GASI red stamp based on the GASI certified indicator 1 and a GASI green stamp based on certified indicator 2, then the final GASI stamp assigned will be green since it represents the best benefit . The criteria in the customs declaration that can be used to set GASI certified indicators are the following:
 - a. Type of declaration (import or export)

- b. Customs Port
- c. Trade Company
- d. Taxpayer
- e. Origin
- f. Import/export Country
- g. Customs Broker
- h. HS Code
- i. Transaction Code
- j. Procedure Code
- k. Deliver Condition

The stated fields could be used individually or combined.

The GASI certified indicator should have two percentage values; one for GASI red stamps and one for GASI orange stamps. The value for the GASI certified indicator orange stamp has to be greater than the value of the GASI certified indicator red stamp. The value of the GASI certified indicator red stamp should not be greater than the value of the GASIRF for GASI red stamps. The value of the GASI certified indicator orange stamp should not be greater than the value of the GASIRF for GASI orange stamps. The pseudo code for the usage of GASI certified indicator is the following:

GASI_certified_green = 0

GASI_certified_orange = 0

GASI_certified_red = 0

GASI_hs_control = 0

GASI_declaration_control = 0

FOR each GASI certified indicator DO

 IF customs declaration = GASI certified indicator THEN

 IF GASI certified indicator contains HS code AND

 customs declaration contains other HS codes THEN

 IF GASI_hs_control = 0 THEN

 GASI_hs_control = 1

 map all HS codes in customs declarations

 mark HS code as covered

 ELSE

 Mark HS code as covered

 END

 ELSE

 GASI_declaration_control = 1

 END

 IF GASI certified indicator percentage for red stamp \geq RN THEN

 GASI_certified_red = 1

 ELSE

```

IF GASI certified indicator percentage for orange stamp >= RN
THEN
    GSI_certified_orange = 1
ELSE
    GASI_certified_green = 1
ENDO
IF GASI_declaration_control = 1 OR (GASI_hs_control = 1 AND all hs codes
covered) THEN
    IF GASI_certified_green = 1 THEN
        Assign green to GASI stamp
    ELSE
        IF GASI_certified_orange = 1 THEN
            Assign orange to GASI stamp
        ELSE
            IF GASI_certified_red = 1 THEN
                IF customs declaration has at least one HS code
                with a “Yes” in the “Laboratory Test” column THEN
                    Assign red lab to the GASI stamp
                ELSE
                    Assign red to GASI stamp
            ELSE
                Go to number 6
        ELSE
            Go to number 6
    END

```

Note. The GASI certified indicator percentage for GASI red stamps and the GASI certified indicator percentage for GASI orange stamps are independent and therefore do not necessarily have to sum 100.

6. GASI Risk Indicator. The GASI personnel) should have the option to set GASI risk indicators. The following criteria in the customs declaration can be used to set GASI risk indicators:
 - a. Type of declaration (import or export)
 - b. Customs Port
 - c. Trade Company
 - d. Taxpayer
 - e. Customs Broker
 - f. HS Code
 - g. Origin
 - h. Import/export Country
 - i. Transaction Code

- j. Procedure Code
- k. Deliver Conditions

The GASI risk indicators should have two percentage values; one for GASI red stamps and one for GASI orange stamps. The value for the GASI risk indicator orange stamp has to be greater than the value of the GASI risk indicator red stamp. The pseudo code for the usage of the GASI risk indicator is the following:

```

GASI_risk_green = 0
GASI_risk_orange = 0
GASI_risk_red = 0
FOR each GASI risk indicator DO
  IF customs declaration = GASI risk indicator THEN
    IF GASI risk indicator percentage for GASI red stamp >= RN THEN
      GASI_risk_red = 1
    ELSE
      IF GASI risk indicator percentage for GASI orange stamp >= RN
      THEN
        GASI_risk_orange = 1
      ELSE
        GASI_risk_green = 1
  IF GASI_risk_red = 1 THEN
    IF customs declaration has at least one HS code
    with a "Yes" in the "Laboratory Test" column THEN
      Assign red lab to the GASI stamp
    ELSE
      Assign red to GASI stamp
  ELSE
    IF GASI_risk_orange = 1 THEN
      Assign orange to GASI stamp
    ELSE
      Assign green to GASI stamp

```

Note. The GASI risk indicator percentage for GASI red stamps and the GASI risk indicator percentage for GASI orange stamps are independent and therefore do not necessarily have to sum 100.

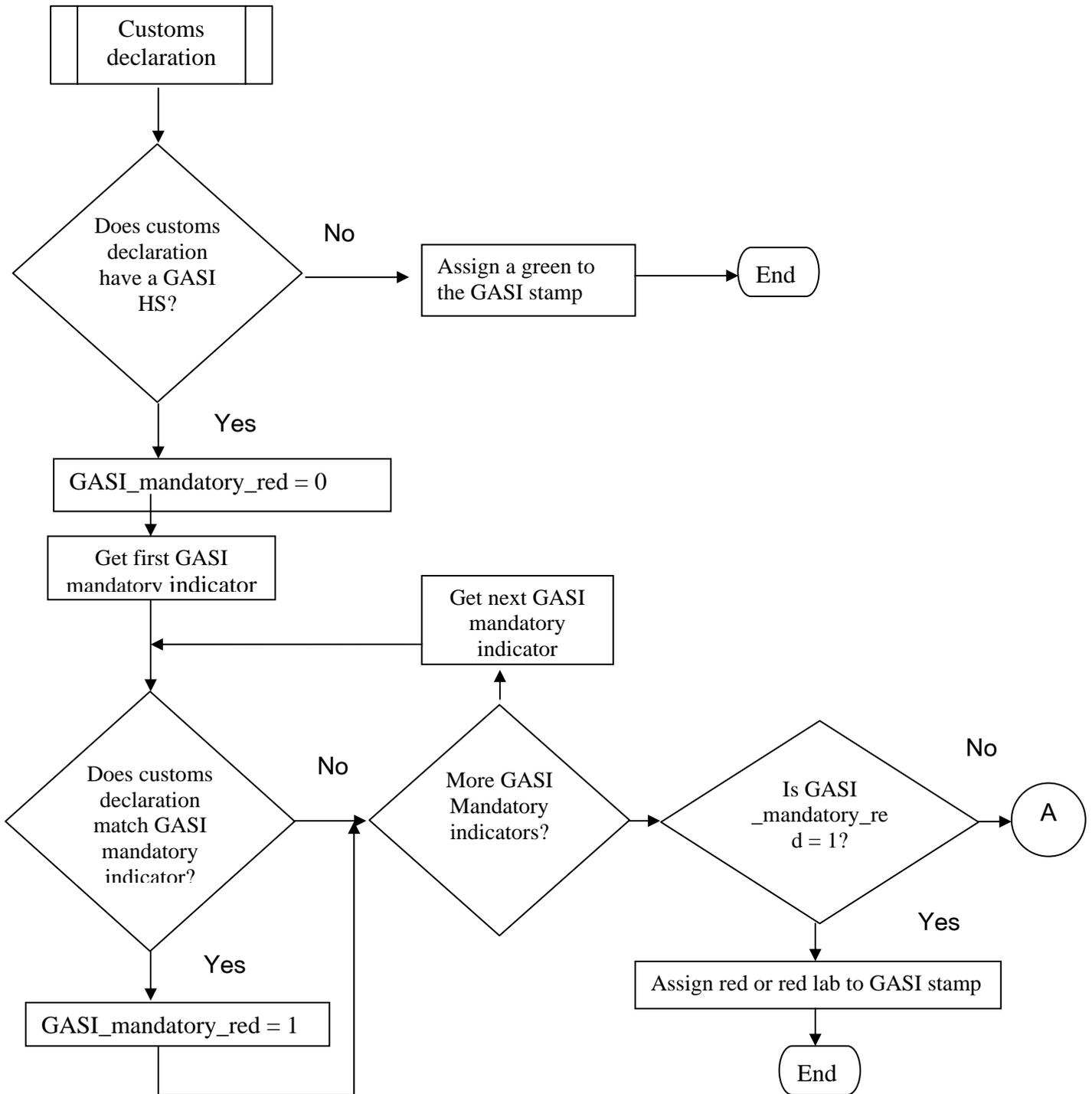
Note: If a declaration gets assigned a GASI red stamp, or a GASI orange stamp, a second pass should be done to test for matching indicators regardless of the percentages assigned. This will allow the GASI agent to have better instructions for document and /or physical inspection.

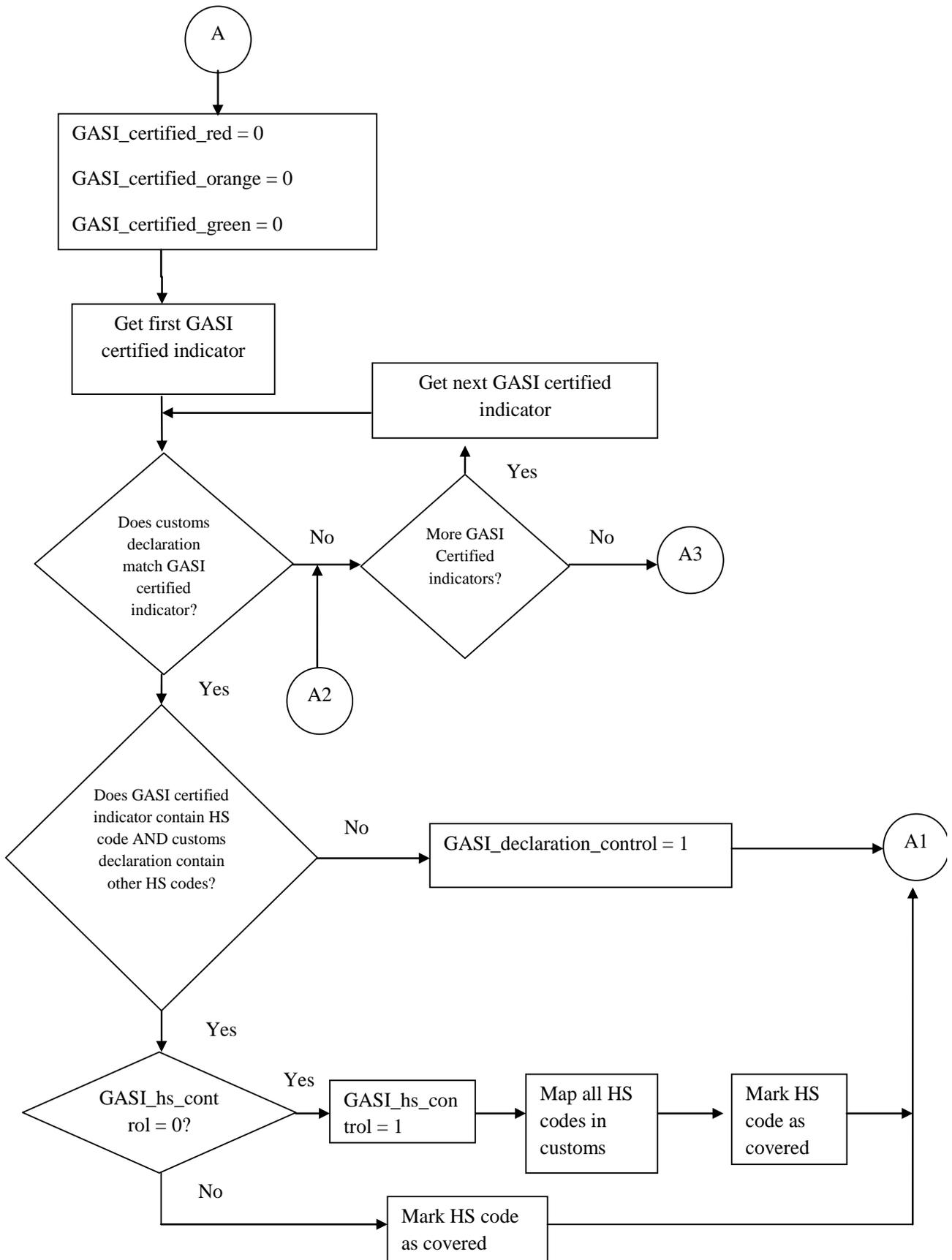
7. Dates. With all GASI indicators the GASI personnel should have the option of setting a date stating when the application of the GASI indicator starts and ends. If the GASI personnel leaves the final date blank it means that the application of the indicator will be permanent until eliminated. If the GASI personnel leaves the start date blank then the application of the indicator is immediate. Both dates could be blank. The start date and the end date cannot be less than today. The specification of dates is more commonly used when sample data is required. A certain indicator will be set for a

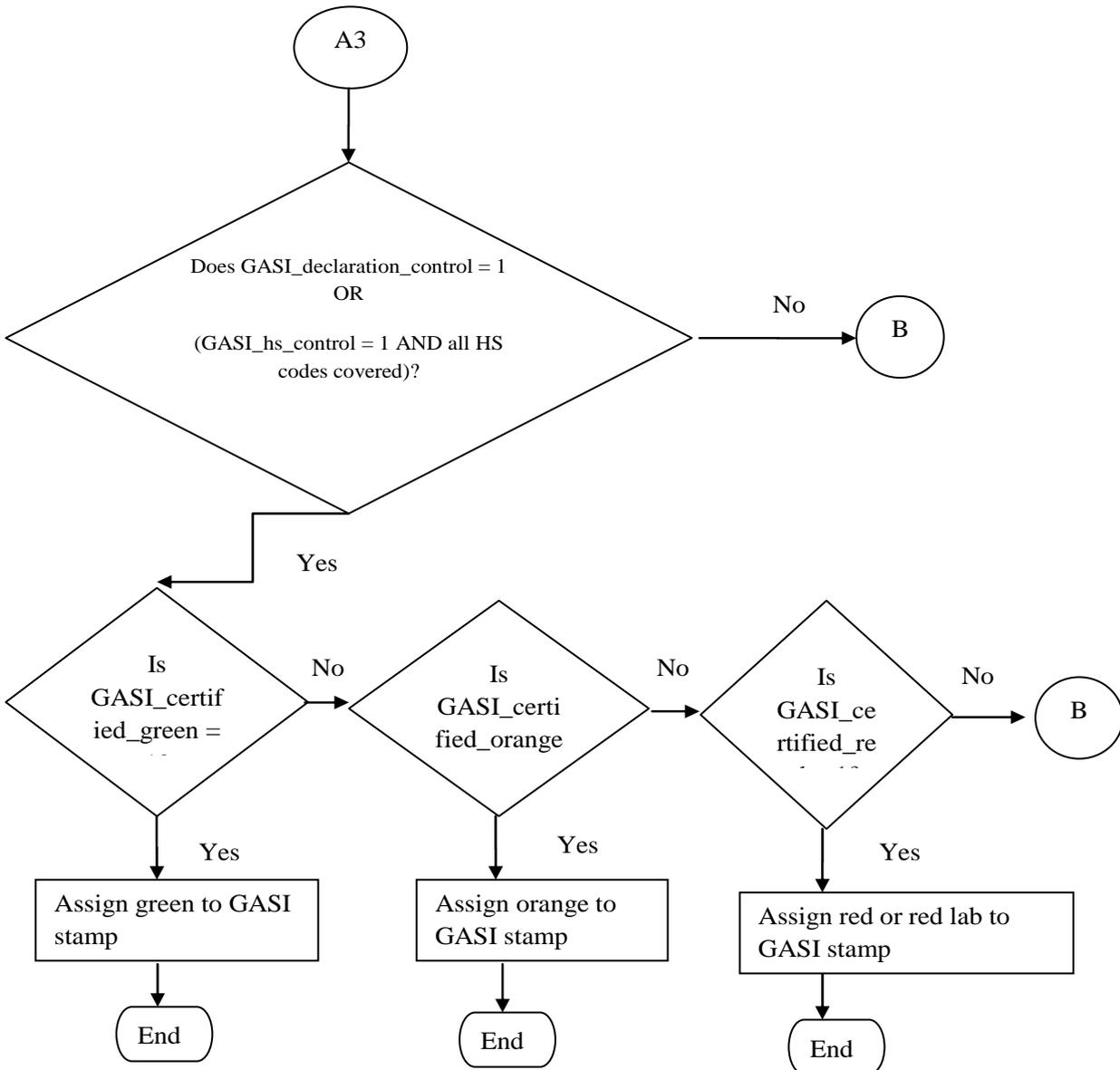
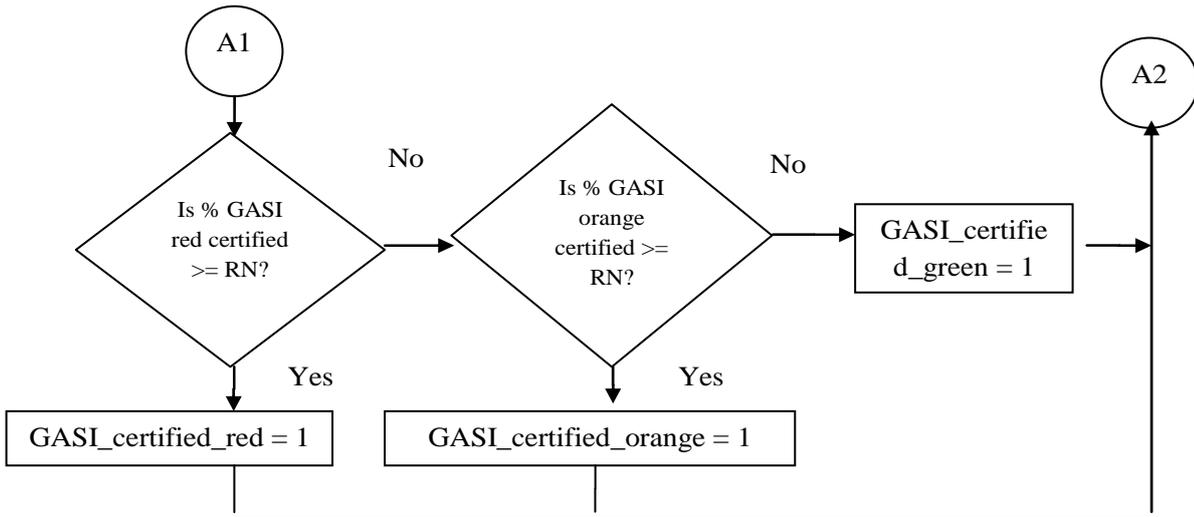
specific time period to gather this data. Another case is when for example a company acquires the status of certified company but this certification is good for only a set period of time. The specification of dates in the corresponding GASI certified indicator will help administrate the benefit awarded. Aside from similar scenarios, the specification of dates on indicators should be avoided to eliminate cases where an indicator is no longer in force and the organization did not notice that it had expired.

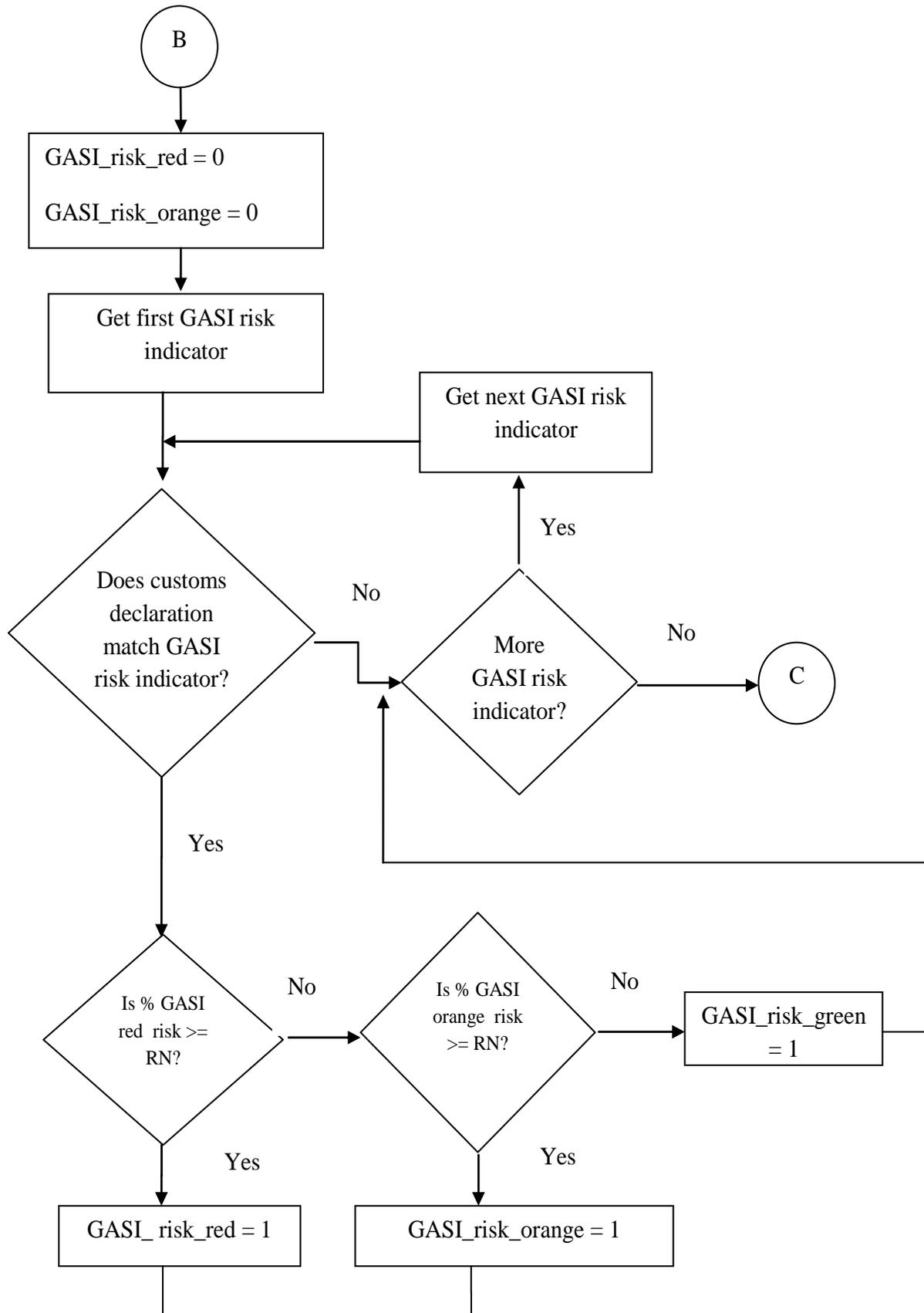
8. Unique Identification Numbers. Every GASI indicator loaded should be assigned automatically a unique identification number by the Customs System which will help identify why a particular GASI stamp was assigned to a customs declaration. If an indicator is modified then the amended indicator should receive a new identification number.
9. Chapter codes. The GASI personnel should be able to set HS indicators based on 2, 4, 5 or 8 digits.
10. When setting GASI mandatory or GASI risk indicators, instructions to the GASI agent must be a required field. This will allow GASI agents to better understand why a shipment was sent for inspection and therefore they can conduct a more precise search for findings.

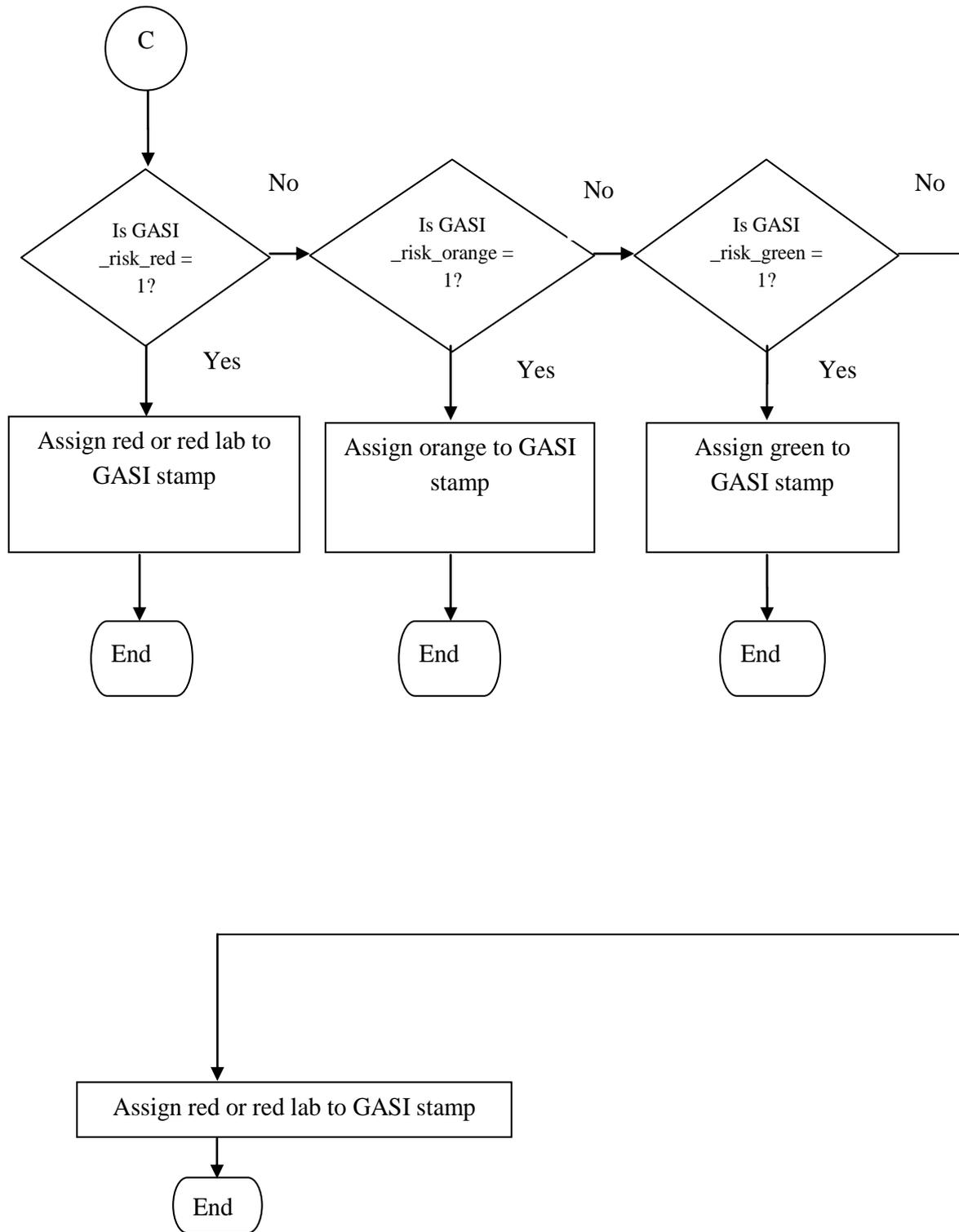
The diagram that supports the previously stated logic is the following:











SECTION IV: PRINCIPALS OF THE GASI RM COMPONENT

The GASI RM component should be designed such that the following principals are respected:

1. All customs declarations that have at least one HS code that is of interest to the GASI, should always have a probability of getting assigned a GASI red stamp.
2. For every GASI stamp assigned, there should be a detailed log via which it can be determined why a particular GASI stamp was assigned to a customs declaration.
3. Customs declarations which match GASI mandatory indicators should always receive a GASI red stamp
4. Once the GASI indicators are loaded they should be applied to customs declarations with no more than a 3 minute delay.
5. Every customs declaration should receive only one GASI stamp from the selectivity component.

SECTION V: CONCLUSIONS

Adjusting the CGA RM module so that it can also be used by the GASI is considered technically a viable solution and the modifications required can also contemplate the functionality for joint inspections. The experience gained by the GCA personnel in using RM and the RM module can provide lessons learned so that the GASI can have an easier RM adoption process. Also, the trade community would benefit from joint inspections and the usage of RM in the GASI since it would clarify to the trade community the tasks which need to be performed to clear a shipment.