

THE HONDURAN
CUSTOMS ADMINISTRATION
PROJECT 1972-1974

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MAYO 1974

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FINAL REPORT ON THE
HONDURAN CUSTOMS ADMINISTRATION PROGRAM
No. 522-11-710-032.2
CONTENTS AND STRUCTURE OF REPORT

- PART I. Brief history of the project.
- PART II. Objectives. A statement of general and specific objectives as added to or modified during the life of the program.
- PART III. Operation report. Each sub-project will be dealt with in order of its importance from the two viewpoints of revenue generation and administrative efficiency and not from their chronological inclusion in the project. Each will be divided into three sectors: objective, progress and problems.
- PART IV. Conclusion. An overall assessment of the achievements of the program and recommendations for the future.

STATISTICAL APPENDIX

PART I. BRIEF HISTORY OF THE PROJECT

In June-July 1971 I was invited by the Honduran Minister of Finance under A.I.D. auspices to perform a five-week study to identify defects in the Customs Administration and fiscal export incentive mechanisms and suggest remedies. The study was duly reported on and followed up by a further month's visit, December 1971 to January 1972 to assess official reaction to the suggested measures and, if necessary, discuss and adopt a framework for a year's advisory assistance in this field.

The reactions were sufficiently positive to justify an advisory program and this began on July 20, 1972, continuing with extensions until May 31, 1974.

I acted as advisor funded under the Tax Administration Program of the Institutional Development Division of A.I.D. and physically located in the Customs H.Q. with local secretarial help. The program environment was significantly affected by the Government changes of the first quarter of 1973 and from that time the official policy underlying the project and the active support to it have remained constant

PART II. OBJECTIVES

To add to and modify the Customs Directorate's structure in such a way as to reduce revenue evasion and improve administrative efficiency through modernising procedures.

To introduce new legal measures and administrative machinery to reduce specific fraud in liquor distillation, liberated material for industry and temporary import of vehicles.

To establish a permanent training system for Customs personnel. To establish systems of fiscal incentives to promote exports and to advise on bonded warehouse and Free Zone policy. To advise and train enforcement personnel in the repression of contraband.

PART III. OPERATIONAL REPORT

a) Valuation Branch

(i) Objective. To create and maintain a fully operative Valuation Branch to ensure the correct declaration of values for the assessment of duty on imported goods.

(ii) Progress. The period between July 72 and March 73 was taken up with the preparation of internal instructions, detailed work plans and the budget requirements for the personnel and equipment of the new Department. The latter dispositions were approved in the 1973 Customs Budget. At the original discussions between the Minister of Hacienda, A.I.D. and O.A.S. in February 1972, the latter promised 6 month's advisory services in this field to supplement the program, but this was not implemented.

The first measure to be adopted by the new Director General of Customs in March 73 was the appointment of personnel, purchase of equipment and the formal establishment of the new Department. The personnel had received prior training in Valuation either from external becas or at the Customs training School (q.v.) and I subsequently worked with them in developing their work plan.

The first stage was the selection of imports whose total value and rate of ad valorem duty merited extensive study so that periodic reports on value could be transmitted to the Customs service. These "Value Lists" were prepared and distributed progressively from June 73 onwards.

Card indices were also prepared providing central information on important importers and sectors of merchandise with their corresponding values based on independent sources of information (such as price lists, etc.).

A mechanism was established to ascertain whether examining officers were following the values guidance distributed and to identify cases of regular non-compliance.

Trading relationships between major importers and their suppliers have been investigated to detect illegal discounts which lead to underpayment of duty.

During the course of the year's operation members of the Department have paid visits to most of the Customs Administrations to instruct staff on the working of the new procedures. Training courses in Valuation have been a permanent feature on the Training Center's activity and of the Administrators' Seminars.

The work of compilation and distribution of statistics is a continuing element of the work and values are subject to constant review. The Department is therefore continuously improving its function and cannot be said to have achieved a specific goal at any particular time. It is, however, firmly established and making a slow but effective impact on values determination.

(iii) Problems. The practice of illegal discounts on suppliers' invoices has been a major problem. Ambiguity in the Customs Law has created practical difficulties in the rejection of such discounts and a clarification of the law will be necessary to give the examining officers full powers to implement some of the new measures.

b) VEHICLE IMPORT PROCEDURE

(i) Objective. To establish a system to identify and locate all temporarily imported vehicles and ensure their eventual export or duty payment and to limit the concession to bona fide travellers. To assist the Director General of Tributación in the collection of taxes on registered vehicles.

(ii) Progress. About the middle of 1973, it was realised that there

was a serious evasion of duty on cars being improperly imported by Honduran Nationals under the temporary import facilities granted to tourists. To a much smaller extent also there was evasion of taxes on the same vehicles, payable to the Dirección General de Tributación.

This situation led to a series of discussions between the Customs, Ministry of Hacienda and Tránsito with a view to centralising the registry of vehicles and tightening up the Customs control. During the second half of 1973 internal regulations and a new form were prepared in the Customs Directorate which would perform the triple role of keeping track of temporarily imported vehicles, notifying the Ministry of Hacienda's central computer and also the newly formed Ministry of Hacienda Police in case of seizure action.

One of the important issues was the legal definition of a tourist and most of the duty evasion was due to a wilful misinterpretation of the spirit of the law. At a meeting on 6 February 74, the Minister of Hacienda considered the matter serious and urgent enough to warrant a clearer legal instrument and this was in fact issued as Acuerdo No. 93 of 7 March, 1974.

The new procedures are now being issued to the Administrations for immediate application and a central register is being prepared in the Customs H.Q. until the Computer Center is authorised to process the information.

- (iii) Problems. No difficulties are foreseen in the operation of the new scheme and the seizure of any vehicles which overstay their permit. There is however a large number of vehicles already in the country which has escaped duty payment. A method of tracing these vehicles has been devised with the Tránsito, and the new Department of Investigation in the Customs H.Q. will devote some of its time to this problem.

c) CONTROL OF LIBERATIONS

- (i) Objective. To create and train a Department to ensure the legal use and disposal of duty free raw material for manufacture, and other goods imported duty free under the Industrial Incentive Law.

(ii) Progress. On 21 June, 1973, Decree 129 of 1971 was repealed by Decree 49 of 1973. This had the effect of removing the limitations on liberations of duty permitted under the Industrial Incentive Law. I expressed my concern at the time to the Director of Customs and the Sub-Secretary of Hacienda that the quantity of duty free materials and components imported by classified manufacturers could be expected to increase sharply and that no machinery existed to enforce the correct use of such material and prevent illegal sales. As Article 10 of the Decree 49 specifically charged the Minister of Hacienda with "verifying the correct use of liberations and duty exemptions", I proposed that I submit a report identifying the problem and suggesting methods of solving it.

As a result of this report, I was asked by the Minister to submit a specific plan to include the installation of a new control unit such as I had suggested. During the third quarter of 1973 I worked with the Director General of Industry in the preparation of a coordinated work plan for the Customs and Ministry of Economy and the drafting of regulations under the Decree. These regulations were subsequently issued and a new Department of Control de Franquicias was authorized in the 1974 Customs Budget, comprising a Chief and 4 Inspectors.

The theory and practice of Liberation Control was included in the curriculum of the Training Center, a new office constructed in the Customs H.Q., and the four Inspectors nominated. The appointment of the Chief and the purchase of the furniture, etc. is expected to be accomplished this month when the Department will commence its internal work plan and operations.

To my knowledge no Central American country has adopted any measure to control the misuse of liberated goods although extensive liberations are granted under the various industrial incentive laws more or less common to all countries of the area. Inspectional control appears to be confined to the maintenance of conditions of industrial classification.

- (iii) Problems. The low salary budgeted for the Chief has caused difficulty in finding a suitable candidate and the delays in equipment purchase have contributed to three months of inactivity. These are superficial problems and the Unit will commence to operate shortly pending the Chief's appointment.

a) MINISTRY OF HACIENDA POLICE

- (i) Objective. To train the new Hacienda Police in Customs procedures to permit their immediate deployment on anti-contraband functions outlined in the Decree 60 of 11 July, 1973.
- (ii) Progress. By the above Decree, the Government created the Ministry of Hacienda Police for the detection and prevention of comprised some 550 Officers, N.C.O's and guards and replaced the 250 "Fiscal Guards" who were under Customs control on the borders with vaguely defined duties. The new Force was uniformed, partly armed and operated in three groups: Frontier, Port and Airport Control, under the direction of the Commandant of C.E.S.

Although the creation of such a Force had never been a specific sub-project, it had been the subject of many discussions between myself and Government officials in many sectors. It cannot be said that this Decree was a direct result of the Advisory Program but it was of the greatest importance in filling a serious gap in anti-contraband control.

In order to conduct a crash training program in Tegucigalpa before the Police were despatched to their Units, the Commandant of C.E.S., through the Minister of Hacienda and A.I.D., requested me to plan and conduct a highly intensive training course in Customs matters on three levels which would be coordinated with military training.

I organised a group of Customs Instructors and planned separate courses for Officers, N.C.O's and Guards which were interlocked with military training. The specialised subjects covered Customs History, Organisation, Administration and Legislation; Liquor Contraband and Narcotics Control; Border Patrolling;

Investigation; Port Authority Work; Human Relations; Health and the Use of Firearms. I participated as an Instructor in the courses which were held in an open encampment at El Picacho between August and October 1973.

Examinations and a classification system were devised to form the basis of selection of the personnel for specific duties and locations. The Police entered on their duties the 9 October 1973 with H.Q. in Casamata.

During February and March 1974, a month's specialised course was arranged for selected personnel and I participated as Instructor.

In view of the massive nature of the operation it was obvious that only the better students would derive much benefit from the course. The general intelligence level was low and the impact on probably a third of the participants was negative, but it did provide a rough and ready means of selection and enabled a Force to be put on the border at very short notice with some chance of immediate effectiveness.

The efficiency of the Force is improving monthly and the value of seizures and fines between November 73 and March 74 are about Lps. 100,000, but much improvement is needed to equate the results to the cost of the operation. No proper statistics were kept of seizures prior to this time but the now-disbanded Inspectors' Unit in Customs H.Q. registered a seizure and fine figure of about Lps. 30,000 for the full year of 1973.

- (iii) Problems. Although the border control is immeasurably better, the low quality of recruits will present personnel control problems which will affect relations with border civilian Customs and the public. These problems will never really be solved within the present pay structure but the cumulative effect of discipline and experience should show better results.

e) DEPARTMENT OF INVESTIGATION

- (1) Objective. To establish and train a Department of Investigation

directly dependent on the Director General of Customs to investigate serious cases of fraud, contraband and official complicity.

- (ii) Progress. At the commencement of this Advisory Program, I placed high priority on the creation of this Department and in the first months I submitted an explanatory report with a draft Decree and internal Regulation to all the Ministry and Customs officials immediately involved. It was rejected for inclusion in the 1973 Customs Budget and during that year I unsuccessfully campaigned for its reconsideration.

One difficulty was the fact that the necessary budget for the Unit's higher pay would have to come from an existing Unit in Customs H.Q. of 35 Inspectors whose work was already superseded by the Ministry of Hacienda Police. This raised a delicate question of redundancy and the nature of the work of the new Department was also likely to cause resistance from some elements in the Customs Service. In January 74 I reported that I saw no prospect of the project prospering during the life of the program.

On 6 February 74, I had occasion to see the Minister of Hacienda with the Commandant of C.E.S. regarding contraband problems and I restated my case for the creation of an Investigation Department. The Minister agreed and gave orders for its immediate creation and the dissolution of the Inspectors' Unit.

From a 100 applicants, a Chief and 35 men were selected for Customs training at a course of 10 specialised subjects at the Training Center through March-April 74. A final selection of a Chief and 13 Investigators was made, based on the examination results and the Unit moved to the Special Agents' Training School at Ojo de Agua for one week's training in Investigation and Arrest Techniques, Personal Defence, Small Arms Training, etc. The course finished on the 20th April, 1974 and the new Department commenced operations on 22 April, 1974.

(iii) Problems. None

f) LIQUOR CONTROL

- (i) Objective. To rewrite the Law and Regulations in such a way as to ensure the full and correct collection of duties, and to train personnel.
- (ii) Progress. Since the outset of the program, a great deal of work has gone into the preparation and study of various drafts of a new Liquor Law and the negative result to date is the only seriously disappointing aspect of the program.

During my two TDY visits in 1971 and 1972, I had identified a number of serious defects in distillation and sale control of potable alcohol and these were substantially eliminated in the first Law draft prepared late in 1972. Without entering into detail, six drafts have been considered (5 at Sub-Secretary and 1 at Minister level) and have been referred back for legal rephrasing or minor readjustment but in all cases my original statement of the necessary objectives of the new law has been maintained. These are:

1. The duty charge to be placed on production and not sale, thereby eliminating the use of "casquetes" on each bottle, concentrating the fiscal control in the factory and avoiding widespread forging of the "casquetes".
2. Obligatory use of measuring machines at certain stages of distillation to confirm the amount produced.
3. Removal of restrictions on wholesale and retail sales to increase competition and reduce the consumer's price.
4. Obligatory use of a mechanical means of calculating the product due from a known quantity of raw material to avoid illegal extraction before collection of the final product and as a double check on the measuring machines.
5. Duty charge to be made on the volume, not strength, of the alcohol to incentivate the use of modern equipment and purification of the product.

6. Duty rebate over a limited period to assist minor producers to modernise their equipment.
7. Establishment of fixed formula for denaturing, and improved control to minimise the risk of reconversion of the low-duty denatured alcohol to the high-duty potable.
8. Reduction of duty rate but increase of revenue yield due to more efficient control.
9. Built-in incentives to encourage maturing of the product before sale to remove dangerous impurities.
10. Fixing of educational and technical standards of the Factory Customs Inspectors to improve control.
11. Establishment of a paid licence system to permit control over production standards and increase revenue.
12. Obligatory use of a secure sealing device by the producers to safeguard their product, reduce the risk of sale of clandestine liquor and ease identification of the product by the enforcement agencies.

The present position is that on 30 November, 1973 I concluded discussions with the Ministry of Hacienda on various technical amendments necessary to the latest draft. The resulting (6th) draft has been with the Ministry since that date awaiting a full review with the Sub-Secretary.

The supplementary work to the production of the drafts has been very extensive and has included studies of the Alcohol laws of the other Central American countries and Mexico, a point by point comparison with the present Honduran Alcohol Law, discussions with and factory visits to private producers to solicit their views on the new measures, reports on improvements expected from the new Law with estimates of revenue increases, and the preparation and execution of training schemes to acquaint the relative personnel with the new proposals.

I am sure that the Ministry maintains a lively interest in enacting the new Law but that work pressures and the unavoidable technical complexities have reduced momentum. The Ministry and Customs do indeed have few experts in this highly technical field which has made it difficult to progress as we would have wished. But it is still disappointing to report that the Advisory Program must close before the conclusion of this important issue.

(iii) Problems.. Delay

g) DEBT REPAYMENT PROCEDURES. (HOJAS DE REPARO)

(i) Objective. To improve the method of advising and collecting underpayments of Customs duty.

(ii) Progress. A staff of accountants in the Customs Directorate is charged with the revision of duty-paid Customs entries to ensure that there has been no underpayment by error or fraud. As a result of my recommendations, a new system for advising and collecting underpayments was set up in August 72. A study of statistics up to March 74 gives the following results:

<u>Year</u>	<u>No. Demands Issued</u>	<u>Amount Demanded</u>	<u>Amount Paid</u>	<u>% collected</u>
1970	700	L. 237,170	L. 30,437	12.5
1971	677	L. 428,413	L. 39,100	9.1
1972	651	L. 896,026	L. 730,778	81.6
1973	?	L. 2,952,000	L. 315,271	10.7
1974 (up to 31 March) ?		?	L. 70,800	?

It appears that in 1972 the payments relate to a special Decree and therefore cannot be regarded as normal. In 1973, payments are around 10 times the previous normal years. This reflects a great increase in the efficiency in the despatch of demands but a deficiency in the collection.

(iii) Problems. The enforcement of collection is related to the emission of appeal decisions by the Customs Directorate. If payments are still not made after the rejection of the appeal, the Customs are allowed to detain future imports until payments are made. A further complication is that many demands relate to minor omissions (say, a technical fault in obtaining a liberation) which do not justify insistence on payment which would ultimately be followed by reimbursement.

The two questions of delay in the transmission of appeal decisions and the unnecessary demands are the subject of present enquiry.

h) WAREHOUSE CONTROL

- (i) Objective. To establish a system capable of prohibiting the illegal extraction of packages from the Customs Warehouses.
- (ii) Progress. The two aspects of this sub-project are the assumption of warehousing in the ports by the Port Authority (ENP) and the establishment of a documentary system capable of advising the Director General of irregularities in the control of each Administration's warehouses.

In July 1972, I advised the Sub-Secretary of Hacienda that in my opinion the ENP should take over responsibility for Customs Warehousing at least in the ports because:

1. Warehousing is not a Customs function.
2. Cargo storage and manipulation would be facilitated by the better equipment, expertise and budget facilities of the ENP.
3. The Customs could reduce personnel and thereby cost to the Government.

The proposal was not acceptable. After the change of Government in December, 1972 I repeated my advice to the new Sub-Secretary and it found favor with him and the new Minister of

Hacienda. Subsequent discussions were held between the Ministers of Hacienda and Economy and ENP and these led to a decision that ENP would immediately commence a study of their budget needs to enable them to take over warehousing in La Jeiba, Tela, Amapala, Trujillo and Roatán as from 1 January, 1974. This was completed on schedule and the majority of the installations are now taken over.

As a corollary to this development, an improved documentary control was established in the Customs Directorate in April 1973. It began as a pilot exercise for the Administrations of Toncontín and La Mesa but has operated so successfully that it has been extended to the six largest administrations. Although control of the warehouses by ENP improves efficiency and reduces the possibility of fraudulent extraction, it does not absolve the Customs Directorate from the responsibility of seeing that all deliveries from warehouse are legally made.

The object of the new system is to supply periodically to the Customs Director a list of packages from each Administration shown in the records as having no proof of delivery six months or more after their arrival. The Director may then send Field Auditors to check the items. The new system has also reduced the number of personnel employed in this office.

(iii) Problems.. None

1) PERSONNEL TRAINING

(i) Objective. To create and maintain a training institution for in-service staff in all aspects of Customs work.

(ii) Progress. The first sub-project to get under way (in September, 1972) was the Customs Training School. Seven selected instructors from the Customs Directorate were given a course of teaching techniques at the C.C.T.I. and on 2 October, 1972 a general course began for 30 participants. By March, 1973 a total of 88 Customs participants and 15 Customs Clearing Agents had received general Customs training.

In March, 1973 the School was incorporated in the Ministry of Hacienda Training Center which we had organised as a joint Ministry-USAID venture with a full-time Director. During the subsequent 14 months I continued organising Customs courses and Administrators' Seminars but on a more specialised basis and help was arranged from visiting lecturers from ICAP, Costa Rica. Up to the close of the Advisory Program, the Center has completed the following course:

<u>Material</u>	<u>Participants</u>	<u>Man/hours</u>
Liquor Control	37	1073
Import-Export	33	825
Customs Investigation	44	1100
Customs Law	34	884
Customs Organ. and Administration	32	800
Tariff Nomenclature	31	775
Customs Valuation	36	900
Customs Policy	21	630
Customs Accounting	26	1532
Arithmetic	16	480
Textile Analysis	30	720
Administrators' Seminars	34	476

The Training Center is now established as a permanent institution and is expected to continue as a Ministry of Hacienda dependency when the USAID financial contribution ends in December, 1974.

(iii) Problems. None

j) HEADQUARTERS REORGANISATION

(i) Objective. To establish a new structure for the Customs Directorate incorporating new and reformed departments in order to delegate responsibility, improve supervision and discipline, simplify procedures and establish work priorities.

(ii) Progress. Between July and December, 1973 a Commission was formed with representatives from the Ministry of Hacienda

and Customs and myself to draw up a new structure for the Customs service. Much of the work laid to this Commission was supplementary to the main points of my program but it contained important budget proposals for the inclusion of new departments in the Customs H.Q. The supplementary considerations included a separation and definition of responsibilities of the Director, Sub-Director, changes in duties and staffs of some H.Q. divisions new pay proposals, a clear definition of functions for every department of Customs, etc.

The work was not completed in time and some confusion occurred over the division of the work into short-term and long-term objectives. The matter was further delayed by the appointment of the Ministry of Hacienda representative as Sub-Secretary and although action was taken piecemeal on many of the Commission's recommendations, the final work was never satisfactorily completed.

In spite of this confusion the following concrete results have been obtained consequent on the Commission's deliberations:

1. Budget approval was obtained for, and subsequent action taken on the creation of new departments of Liberation Control, Investigation Branch and Laboratory Analysis.
2. Civil Service commenced a study of job reclassification in the Customs Service.
3. Work reforms were specified for the existing departments of Warehouse Control, Field Audit and Entry Revision Section.

So little organization remains to be done that it would be simpler to deal separately with each issue. The bulk of the remaining work is the preparation of internal regulations and compilation of the various Customs Laws and enactments but this work is outside the present scope of the Advisory Program.

- (iii) Problems. The main problem is to decide whether the remaining work should form part of a new Advisory Program or whether the Ministry would appoint a full-time Commission to complete the task.

k) NARCOTICS

My activities regarding narcotics have not constituted a separate sub-project. I have reported on occasions to the Embassy Drug Committee on the Customs function relative to narcotics and on equipment and training needs for them and the Ministry of Hacienda Police. I have also assisted the Narcotics Division of C.E.S. in drafting a new Narcotics Law but this project is only in its initial stages.

1. FISCAL EXPORT INCENTIVES

- (i) Objective. To initiate schemes of fiscal incentives to promote exports.
- (ii) Progress. In my TDY report to the Government in July, 1971 I suggested the setting up of a drawback or "bond" scheme to permit the use of duty-free raw material in manufactured products for export. Both schemes were in fact legislated by Acuerdo 43 of January, 1972 so that when this program began in July, 1972 they were already in operation. In conjunction with the Directorate of Economy and Commerce of the Ministry of Economy I gave a series of lectures to the Private Sector on the operation of these schemes and wrote articles for publication in Ministry of Economy pamphlets. I also visited all the manufacturers whom I considered would benefit from the use of the schemes and explained their operation.

Both the "Drawback" and the "Bond" schemes are now in effective use by the small number of manufacturers to whom it applies.

Throughout 1973 the UNCTAD scheme known as the "Generalised Systems of Preferences" began to come to the force as the various donor countries published the tariff preferences which

they were prepared to admit to the developing countries. I attended a U.N. Seminar on this subject in November, 1972 in Guatemala and throughout 1973 assisted the Ministry of Economy in the dissemination of this information to exporters who would benefit from the concessions.

The question of a Free Zone or Port development and the existing bonded warehouse system are loosely connected with Export Promotion and I have included this subject matter in my lectures on Export Promotion. In early 1973 there was much interest in the Ministries of Hacienda and Economy in the creation of a Free Factory Zone or Free Port in Puerto Cortés and the ENP was asked to do a confidential study on the possibilities. The Sub-Secretary of Hacienda asked me to do a report on my ideas on the subject and this was transmitted to the Director of ENP. His completed study was given to the Minister of Hacienda late in 1973 but as it is confidential, I have not been able to review it.

Apart from periodic consultations, this project has been regarded as successfully concluded since about July, 1973.

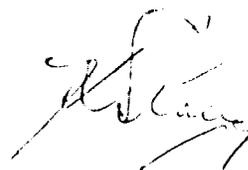
(iii) Problems. None

PART IV. CONCLUSION

Much of the planning of this project was completed before March, 1973 but it was not until that month, with the advent of the new Minister and Sub-Secretary of Hacienda and the Customs Director, Sr. Ricardo Perdomo, that any implementation was accomplished. In the twelve months following that date, the structure of the Customs H.Q. and enforcement units have been entirely changed along the lines planned at the outset of the Advisory Program. The notable exception has been the Alcohol Law.

The time of termination of the AID assistance and its continuance by the British Overseas Development Ministry is felicitous because we are now entering a new plan of activities. The future emphasis will be on the development of the new institutions now established and the only ground-work now remaining is the Alcohol Law.

I do not regard the present state of the program as complete in itself, but the achievements made possible by the unstinted cooperation offered, have far exceeded my original hopes. I would like to mention specifically Lic. Manuel Acosta Bonilla, Lic. Ricardo Reyes, Lic. Marco Tulio Banegas, Sr. Ricardo Perdomo and Lic. David Chinchilla, who have been the active force in this extensive reform. In my opinion, the new developments which they have engendered have given the Honduran Customs a lead over the Customs Administrations in the Central America area, and the next year must be devoted to ensuring that these new instruments are effectively employed.



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30 April, 1974

APPENDIX ON STATISTICS

The average annual rise in Customs collections between 1962 and 1972 is 5.5%. The rise of 1973 over 1972 was 16.5% and that for the first quarter of 1974 over 1973 something over that amount, taking into consideration the coffee export situation (see below).

Although it is unsafe to relate a Customs Advisory program to the movement of Customs Revenue, I feel justified in claiming much of this increase as being due to the Ministry's adoption of procedures put forward in the program. The rise in world prices would account for no more than 2% increase over the normal growth rate. A more detailed report on the subject was sent to the Division Chief in November 5, 1973.

In the following chart, Import Duties include all the Budget divisions 1401 to 1412 plus the 6% surcharge on liberations. Export Duties include 1501 to 1508 and Aguardiente is 1320.

Item	1972	1973	Rise or Fall	%
Import Duties	51,684,453	55,740,546	+ 4,056,093	+ 7.8
Export Duties	5,971,923	11,457,421	+ 5,485,498	+91.9
Aguardiente	9,895,225	11,498,750	+ 1,603,525	+16.2
	67,551,601	78,696,717	+11,145,116	+16.5

Item	1973 (Jan-Mar)	1974 (Jan-Mar)	Rise or Fall	%
Import Duties	12,953,000	15,798,800	+ 2,845,800	+22.0
Export Duties	3,380,500	2,519,361*	- 861,139	-25.5
Aguardiente	2,686,000	2,878,900	+ 192,900	+ 7.2
	19,019,500	21,197,061	+ 2,177,561	+11.4

*This figure is very much distorted by the fact that coffee held for export has been retained awaiting a favorable trend in the world price. Thus the apparent loss of Lps. 1,130,000 on coffee export duty will be at least in part compensated for by future increased exports.