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Managing Compliance in Jordan Customs

Final Report

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Abstract

The Kyoto Convention on the Simplification and Harmonization of Customs Procedures promotes the use of compliance techniques based on risk management and post transaction audit. Jordan Customs continues to use a compliance approach based on the scrutiny of documents at the time that the goods are being imported. This is no longer world's best practice.

This report examines different approaches to compliance management, particularly in relation to revenue management, that could be applied in Jordan. It argues that the implementation of a risk-based and intelligence-driven approach will deliver a more effective and efficient compliance program, but that it will require a major change in thinking and culture both in Customs and in the importing and exporting industries.

The approach should be built on the following key elements:

- A genuine process of self-assessment by importers, exporters and their agents (brokers)
- The use of electronic systems to minimize documentation and allow instantaneous computerized processing of transactions
- The use of risk management principles to drive enforcement and compliance activity
- A detailed understanding of the trading community based on intelligence and research and analysis and using data bases with software that enables comprehensive analysis of risk
- A more intensive focus on post-transaction compliance techniques, particularly systems-based audit
- Continuing use of properly targeted real-time activity such as cargo inspections and document checks
- A system of “rewards” for highly compliant importers and exporters, based on due diligence by them, and including reduced levels of inspection and audit, and deferred duty payments
- Increased penalties to act as a deterrent to poor performance by brokers and traders.

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Executive Summary

Jordan Customs has made considerable progress in reforming its practice and procedures. To achieve world's best practice, however, further steps need to be taken. The current focus on transaction processing continues to create delay in the clearance of goods and fails to deliver the same levels of facilitation that Jordan's competitors can deliver.

To increase facilitation and to establish a more strategic approach to Customs control and enforcement, Jordan needs to move to a voluntary compliance regime, based on the Customs control methodology outlined in the Kyoto Convention on the Harmonization and Simplification of Customs Procedures. This will assist Jordan to attract investment and to integrate more closely with the global economy.

A voluntary compliance approach will help to deliver results against key objectives of the next strategic plan, including:

- Contribute to economic and trade growth in the Kingdom
- Continue to provide the State Treasury with revenue
- Combat smuggling and illicit trade transactions.

The approach should be built on the following key elements:

- A genuine process of self-assessment by importers, exporters and their agents (brokers)
- The use of electronic systems to minimize documentation and allow instantaneous computerized processing of transactions
- The use of risk management principles to drive enforcement and compliance activity
- A detailed understanding of the trading community based on intelligence and research and analysis and using data bases with software that enables comprehensive analysis of risk
- A more intensive focus on post-transaction compliance techniques, particularly systems-based audit
- Continuing use of properly targeted real-time activity such as cargo inspections and document checks
- A system of "rewards" for highly compliant importers and exporters, based on due diligence by them, and including reduced levels of inspection and audit, and deferred duty payments
- Increased penalties to act as a deterrent to poor performance by brokers and traders.

Jordan Customs is well placed to move to this system, but would need to overcome significant hurdles, including:

- The development of fully functional entry processing IT systems and of data bases for information management and analysis
- The development of a truly professional body of brokers in whom Customs can place trust to lodge accurate declarations

- A skilled body of Customs staff in post audit techniques, risk management and intelligence analysis
- Changes to the structure of Customs to include risk management, intelligence and audit units that are able to deliver the required analytical and operational capability to manage post transaction compliance
- Appropriate legislative change to ensure that Customs has the necessary powers for electronic processing, data collection and dissemination, audit and similar powers, and effective document retention and production requirements for traders, and
- increased penalties where necessary, applied objectively.

A compliance management strategy has been developed by the Compliance Management Workshop held on 31 August to 3 September. It is attached. It marks the first tentative step towards an enduring commercial compliance strategy for Customs as a whole. Much work remains to be done, including developing greater buy-in from very senior management. The new approach would require a significant procedural and cultural shift in Customs. To succeed, it will need time, planning and effective leadership. That will only happen if the new approach is fully accepted and endorsed by Management. A Commercial Management Committee needs to be established with a mandate similar to that of the Border Management Committee to oversee the introduction of the new approach.

The cooperation of the private sector is also crucial. The post-transaction approach proposed in the strategy requires a fundamental change in thinking by traders to ensure that they are capable of handling Customs requirements and of adjusting to a world in which their business systems and not just their transactions are under scrutiny. A consultative machinery needs to be built so that the private sector can be brought along with the process, and can assist the development of techniques that will ensure a high level of facilitation as well as effective customs controls and enforcement. Both sides must recognize that the new approach is a win-win one.

It is essential that the Brokers are recognized as the weakest link in the chain and that the development of professional standards and the implementation of an effective broker licensing regime are given the highest priority. At present, their levels of competence are not sufficient to allow Customs to trust them to lodge properly constructed declarations. Proper arms length transactions, rather than the present system of personal interaction and *wasta*, will also be necessary to develop confidence in the system within the trading community.

The move to a true voluntary compliance approach will take some time. It will coincide with the anticipated elimination of many customs duties. Taken together, these two developments can greatly enhance the image of Jordan as a country which welcomes foreign investment, delivers a high level of facilitation, and ensures that all its clients are treated objectively and fairly.

MANAGING COMPLIANCE IN JORDAN CUSTOMS

INTRODUCTION AND SCOPE

This report has been prepared in accordance with the SOW agreed under activity number 555.1 Customs Reform and modernization, Title Commercial Compliance /Audit. It is based on discussions¹ with some of the key Directors responsible for commercial compliance related activities in Jordan Customs. It is also based on the results of the workshop conducted from 31 August to 3 September 2003; a list of participants is attached to the workshop strategy. It is possible that in the time available (12 days) I have misunderstood some aspects of Customs compliance activity or missed some elements of it. I have tried to verify all aspects however by meeting twice with counterparts and ensuring accuracy as much as possible.

In his report “Baseline Efficiency Study of Jordanian Customs”², Bert Cunningham wrote:

It is also important to emphasize that neither the ASYCUDA or GTZ projects adequately address the critical area of reforming techniques/controls related to customs enforcement. Unless techniques related to investigation, audit, intelligence gathering, risk assessment/selectivity are addressed, the effectiveness of the reform program could be undermined.

This statement remains as true today as when written in 1998. This report recommends an approach to managing the compliance program related to three key objectives in the strategic plan:

- Contribute to economic and trade growth in the Kingdom
- Continue to provide the State Treasury with revenue
- Combat smuggling and illicit trade transactions.

For the purposes of this report, commercial compliance is defined as the management of all goods entering and departing Jordan on which duty is payable, temporary entry provisions apply, or there is some other revenue implication attaching to the goods. It recognizes the importance of the revenue collection function to Customs and also the benefits to industry in Jordan of a facilitative approach to compliance management and the application of exemptions and concessions in accordance with the Customs Law. It is important to remember that Jordanian Customs revenue responsibilities extend beyond the collection of revenue – they include the entry of goods free of duty for manufacturing or other purposes, the provision of drawbacks, the provision of refunds and the foregoing of revenue through exemptions.

The compliance strategy will support , and depend on, the procedural and IT reforms that have been introduced since 2000 and which are being further developed through the AMIR program,

¹ The Directors were: Eng Ali al Qudah (Valuation); Emad Arslan (Tariff), Syad Aslan (Temporary Entry) and Abdulwahab Syrerah (Audit).

² Prepared by Bert Cunningham for USAID under Access to Micro Finance and Improved Implementation of Policy Reform Project (Contract No. 2878-C-00-98-00029-00), 4 May 1998

particularly in relation to automated processing and information management. It is also designed to complement the Border Management Strategy being developed through AMIR.

The report is in three main parts. The first is a situation analysis of the current approach to compliance management within Customs. The second is an explanation of how a risk-based post-transaction system operates. The third is a gap analysis leading to recommendations as to what needs to be done to develop the new approach to compliance management. The actions required to give effect to these recommendations are then summarized in a table at the end of the report.

Also attached to the report is the Compliance Management strategy developed by the workshop. This contains some fundamentally important ideas. They need to be more widely understood within Customs. The participants at the workshop were enthusiastic participants, but a combination of lack of time and the absence of some key Directors and their staff means that the strategy has little buy-in from key people. The risk analysis is also hasty, lacking in strategic thought and short on understanding of some of the post transaction techniques available – this was simply the result of time constraints.

In subsequent discussions with the Directors it was agreed that it would be highly desirable for them to participate in a similar workshop, perhaps early in 2004, once they had had a chance to study this report. This would enable them to consider the strategy in depth, and to work on operational risk management plans for their Directorates. I can therefore only conclude the introduction by saying that a further workshop involving key personnel from the relevant directorates (e.g. Audit, Risk Management Unit, Tariff, Valuation, Temporary Admission, Transit) would be highly desirable as a means of developing the plans and increasing the buy-in of Directors and senior managers.

SITUATION ANALYSIS: THE CURRENT PROCESSING AND COMPLIANCE APPROACH

In this section of the report I have examined current goods entry processes and the compliance strategies currently in place to ensure that there is no revenue leakage and no fraud.

The actual entry process is not unusual. Goods are entered by means of a goods declaration, which itemises the goods, their value for customs purposes, their tariff classification, their origin, any applicable exemption or concession and whether or not they are being entered for home consumption or for transit or for temporary admission.

Despite the introduction of the Single Administrative Document (SAD), there seems to have been little transfer of responsibility from Customs to importers for the lodgment of correctly prepared declarations. The involvement of the Customs in this process is extensive. Customs officers are responsible for determining the value and tariff classification of goods, based on documents (invoices particularly) made available to them by the importers or the importer's agent (usually a Customs broker). While the importer/broker is responsible for providing the documentation it is actually the Customs officer who determines the duty payable and who formally enters the goods into ASYCUDA.

This is not a self-assessment process. Nor does it assist facilitation, as it can cause inefficiency, delay and difficulty in the clearance of goods. It seriously negates the facilitative approach provided through the implementation of the ASYCUDA system. It requires a high intensity of input from Customs officers, who must have a detailed and extensive knowledge of valuation, tariff etc. It places little responsibility on the importer/broker to manage their imports properly. It can put the Customs officer at risk of making a serious entry and thereby incurring a penalty – which is likely to make the officer risk averse. It also has the potential to create a situation between the officer and the importer/broker which can lead to unacceptable behaviour.

Following completion of the declaration, it is immediately referred to the so-called Audit Department for review by another officer. This means that there is still double-handling by Customs of entries, and provides an environment of haste and noise in which to make judgments about the validity of invoices or the correctness of Customs decisions. Auditors work under constant time pressure and are susceptible to undue influence. This is not a true audit process, but a real-time review of processes. It is totally transaction based and provides little opportunity to detect serious, clever fraud – or to take account of companies which have a good compliance record and deserve to be rated low-risk.

In both stages – the entry stage and the audit stage – there are practices peculiar to Jordan which create unacceptably close relations between the brokers and the Customs officers. The brokers are often able to put pressure on the customs officers by arguing with them, or invoking special relationships – *wasta* – to procure favorable treatment. This is not acceptable. It does not allow Customs officers to make objective determinations of value or tariff classification and gives other importers the impression that Customs will negotiate value rather than determine it objectively. This can potentially lead to undue influence, corruption, and the undermining of

public confidence in the objectivity and impartiality of Customs. This in turn seriously weakens Jordan's credibility as a country that wishes to attract foreign investment.

This can be overcome by the adoption of a true self-assessment process, in which the onus falls on the trader/broker to lodge a complete and accurate declaration, without any intervention from Customs. In contemporary best practice, entries can be lodged in a fully automated environment, with the physical intervention of Customs limited to certain targeted cases that require scrutiny. The vast majority of transactions are managed electronically, the goods are released automatically upon payment of duty, and there is no Customs intervention at that point. This delivers a high level of facilitation, reduces clearance times and enables manpower resources to be deployed away from routine functions and into effective compliance management and service delivery roles. It also removes the potential for corruption or the exercise of undue influence.

Compliance in such a process is maintained through an intelligence-driven, risk-managed compliance program. This needs to be built on a range of activities including:

- information programs,
- education programs,
- an effective "virtual" customs presence in the minds of brokers and importers
- an effective system of broker licensing,
- a program of different types of audit designed to achieve different compliance goals,
- the introduction of other post-transaction techniques such as leverage exercises
- the development of reward-based compliance programs for exemplary compliance, and
- a system of administrative and criminal penalties to deter and sanction unacceptable or criminal levels of non-compliance.

This is the model in evidence in many developed countries, articulated in the Kyoto Convention, and recognized in many developing countries as the best practice model to which to aspire.

Although transaction driven and focused on entry processing, the current compliance approach does have some elements of the voluntary compliance model already in place – information materials are produced, pre-importation advice is available, there is a broker licensing system, some audit and risk management activities are in place, there are administrative and criminal penalties in place. These provide a foundation for developing a best practice compliance strategy.

This will require some new thinking from Customs. The workshop participants clearly struggled to think much outside the current approach to compliance, arguing for more resources to do the things they do now, rather than for different resources to do things differently. There was also a sense that, while there was some revenue leakage, that that was a result of the facilitation approach. It needs to be stressed that facilitation does not automatically mean revenue leakage – and with revenues from customs duty set to decline in coming year, Customs will need to reduce revenue leakage to ensure that the decline is proportionate. A simple comparison of import data with actual revenues collected suggests that there is a real problem of leakage at present. Kyoto-based controls to support facilitation will reduce that leakage.

1. Advisings and rulings

Before goods are entered, customs brokers and importers can seek advice from Customs about the tariff classification of goods. These advices are prepared in writing and given to the person making the request. Advices are not recorded on a database, and are not required to be produced at the time that declarations are lodged. This can create difficulties in that the relevant Customs House is not aware of the advice that has been given, and brokers/importers will try to obtain a different, more favorable decision from the officer handling the entry. Port shopping is common, a serious risk to the revenue and, perhaps more significantly, detracts from the standing of Customs as an agency able to make consistent and objective decisions.

The process of advisings is very important and must be retained, particularly if a true self-assessment process is introduced. The Director Tariff commented that it was important that staff throughout the country had quick and easy access to a data base of these rulings so that they could prevent this sort of subterfuge.³ There is guidance in the Kyoto Convention on how to manage and automate rulings, and Customs should look at these provisions of the General Annex closely.

2. Entry Processing

a) Valuation

Jordan Customs is still in the process of introducing the GATT Valuation Agreement. This has been in train for some 3 years and good progress has been made, to the extent that Customs officers are becoming more familiar with the requirements of the Agreement. A training program has been put in place and all Customs Houses are staffed with experts in Valuation. There have been agency-wide seminars and workshops on the Agreement. Nevertheless, problems remain:

- Not all staff are comfortable with the GATT hierarchy of means of determining value, particularly if they feel that the transaction value as shown in invoices is not correct. This leads to a situation in which Customs officers negotiate value, rather than determine it objectively in accordance with the Agreement. In fact, it may even be putting Jordan technically in breach of the Agreement. This has a very negative impact on the way in which foreign investors view Jordan.
- Brokers/importers do not yet understand the new approach to Valuation. Customs has provided some workshops, but these have not been sufficient to generate a change of thinking or attitude. Undervaluation remains a problem, and current penalties are no deterrent. The skilling of brokers in this area is essential if Customs is to move to a true self-assessment process.
- Compliance activity is concentrated at the time of entry, unless referred to Risk Management unit for further study. Considerable effort is exerted by Customs to make sure that the

³ IT consultants Andrew Ford and Lyubo Dvorsky have since spoken to the Director and are working on a solution to this issue.

valuation is correct at the time of entry, including the use of experts in Valuation and the review process described above. Customs accepts that the onus is on them to get it right.

Within the Customs Houses, there are experts to advise on Valuation and there is a local committee to advise on more complex matters. If the local committee is unable to make a firm determination then the matter is referred to Director Valuation. If he cannot resolve it, then it goes to the Valuation Committee in HQ and then, if necessary, to the Customs Court. More and more HQ is resisting taking cases from the regions. Of 400 referred to HQ in last 6 months, only 20 or so have ended up in the Court. Nevertheless, this is a cumbersome process and causes lengthy consideration of difficult cases before they can be resolved (the goods in these circumstances are released provided the importer pays the duty as determined by Customs).

As much as possible, Customs should be looking to provide rulings and advice on Valuation matters before the goods are imported, in the same way as is done for Tariff classification issues. There is guidance in Chapter 9 of the General Annex of the revised Kyoto Convention on how this can best be done in a systematic way.

Customs has created a data base of values to assist staff to determine what the transaction values should be. This is important and should be developed further. It should also feed in to the rulings process recommended above.

Director Valuation supports the use of post-transaction auditing to achieve an improved level of compliance and a greater level of facilitation but he has identified a number of obstacles to that being achieved:

- Lack of competence and knowledge on the part of the brokers and importers
- An ineffective penalty system
- Lack of intelligence to assist targeting of high risk companies and goods
- Lack of skilled auditors in Customs
- Time needed to change staff attitudes.

These problems affect Valuation compliance – but in fact detract from Customs' current performance across the board.

b) Tariff

Jordan Customs has been implementing the HS Tariff since 1994. It is therefore more confident in its use than in the use of the Valuation Agreement. Amendments introduced by the WCO in 1996 and 2002 have been implemented, with the latest amendments coming into force on 1 March 2003. Under Article 14 of the Customs Law, changes to the tariff are recommended to the Council of Ministers by the Tariff Committee (Minister for Trade and Industry, Minister of Finance, and DG of Customs) and then issued by the Council as a decree. This is then published in the official journal.

Jordan is committed to the elimination of custom duties to a duty free environment by 2009. This will create a reducing risk of revenue loss, but the collection of revenues will nevertheless be

important during this transition period. Even in a zero duty environment, Customs controls remain important for the proper management of goods entering the country, both for contraband detection purposes and for the collection of accurate statistics for the national accounts.

Current tariff rates create a substantial revenue risk. Cigarettes are at 80% and alcohol is at 180%, and that creates a substantial incentive for smuggling. But other commodities are also at high rates – e.g. household appliances, clothing and footwear, and non-alcoholic beverages are at 30%. These rates are determined in accordance with the tariff bindings in place under Jordan's accession to the GATT.

Tariff classification is the responsibility of Customs officers at the Customs Houses. Entry processing officers are required to determine the classification of goods. According to the Director Tariff, brokers and importers are not good at understanding the tariff – they have not had enough training and need to be more professional. There has been some Customs training in the tariff but this has not been sufficient. The course provided by a local College in Customs matters has not been verified by Customs and there are question marks over its quality.

This puts the pressure on Customs officers to get it right at the time of entry. Usually this has to be done on the basis of documents presented, although brochures, samples etc can also be required. Even if the tariff classification is shown on the documents, Customs does not have confidence that it has been put there by qualified people. Customs therefore is authorized to determine the tariff classification.

This is similar to the Valuation process and is normally carried out by the same officer. It has the same flaws as the approach to Valuation – and if subsequent audit shows that the Customs officer has made a serious mistake, then it is possible that the Customs officer may be disciplined. This is likely to make officers risk averse, to slow down the entry process and often to cause the goods to be classified to a higher duty rate just to avoid the risk of duty being underpaid. It also leaves officers open to inducements to classify the goods favorably for the importer.

As with Valuation, there is a process of review based on the local committees and then reference to HQ for higher determination if necessary. This remains a cumbersome process. In some 145 cases over the last ten years, Customs has gone to the WCO for assistance with classification determination.

Director Tariff felt that his staff now had a considerably improved understanding of the tariff, were well-educated (many with tertiary qualifications), and led the Arab world in understanding the tariff. Many also had a good knowledge of English, which is very important in understanding the tariff. When asked about the use of post-entry compliance techniques to assist with tariff compliance, the Director commented that Tariff might refer some matters to the Risk Management Unit, but would receive no communication from them about the results of any compliance activity undertaken by them.

c) Exemptions

The Customs Law provides for a considerable range of importations which are exempt duty. Some of these exemptions are standard – and required by international law – but many are of local origin. It is important that they are reviewed regularly so that they do not proliferate and cause further risk to the revenue. But to the extent that they will continue, they provide a further area of risk that can be addressed by a post-transaction compliance regime. At present, exemptions are administered in the same way as dutiable importations, and the same issues about lack of arms-length transactions between brokers and Customs arise.

d) Drawbacks and refunds

Customs is also responsible for the administration of refunds of revenue where duty has been overpaid and for the payment of drawbacks where goods have been imported duty paid and subsequently exported. Both of these areas raise risks of fraud and revenue loss, although normally on a relatively low scale. There does not appear to have been a systematic risk analysis of them. As with other forms of Customs administration, they require some compliance activity at the time of lodgment, including a matching of the claim for refund or drawback to the original entry document. But they also lend themselves to risk-based audit approaches, particularly in the case of companies which are frequent and orderly claimants of drawbacks. This is not happening.

It is important to develop within Jordan Customs a sense of responsibility in relation to the whole of the revenue functions – and not just to the collection of duties and taxes. The workshop could not even agree on how much duty Customs collected, let alone how much revenue was administered in relation to refunds, drawbacks and exemptions. Until this aspect of the Customs “environment” is understood by officers, they will not be capable of undertaking a comprehensive risk analysis of the revenue risk.

e) Temporary Admissions

The Temporary Entry Provisions of the Customs Law are a very important part of Customs contribution to the economic development of Jordan. The Law allows temporary entry of goods without payment of duty for a number of purposes:

- To enable the duty free importation of materials for manufacturing and re-export, with particular reference to the QIZs for manufacturing and export under the USA FTA
- To enable the importation of goods for exhibition purposes
- To enable some goods to be imported for use by foreign personnel – diplomats, University staff – working in Jordan subject to re-export at time of departure.

The entry process is the same as for normal imports and requires the lodgment of declarations in the normal way through ASYCUDA. Temporary imports are specially coded. This has decentralized entry processing to Customs Houses in the regions, but a centralized data base ensures that there is a full record of all goods entered under temporary admission procedures.

As far as the manufacturing industries are concerned, whenever goods are entered, the importer has three years in which to export the manufactured product. At the end of the three-year period, the Customs will verify that export has occurred. If it has not, penalties are applied and the bank guarantees are called up. When there is no record of export, the company will be notified and asked to provide proof of export. This will usually consist of export declarations, manifests and, if available, proof that the goods have entered the country to which they have been exported.

Temporary entry provisions such as these create compliance risks, most notably if goods imported this way are able to enter into home consumption without duty being called up. To meet these risks, the Customs have compliance mechanisms in place:

- Importers importing goods for manufacturing purposes are required to lodge securities to (partially) cover the duty that would be payable were the goods not imported under temporary entry provisions
- Importers are generally required to have endorsement from key government departments
- Penalties can be applied to companies that fail to abide by the temporary entry provisions.

Director Temporary Entry has acknowledged that there may be some instance of non-compliance, but these are normally covered by the system of guarantees. There is no indication however that a compliance measurement program is in place. He also argues, probably with some justification, that the risks are generally low, particularly in relation to the temporary importation of vehicles for personal use, and the desire of foreign firms in the QIZ to comply strictly with the terms of the FTA to ensure trouble free entry into the US market. No formal risk assessment appears to have been completed.

Special arrangements are in place for some firms operating in the QIZ. While they are required to lodge securities, these may be only a fraction of what would be required from firms operating outside the QIZs. This leads to a more facilitative approach to the foreign firms operating in the QIZs.

The overall compliance approach may be effective and the use of securities is understandable. But the approach could be far more facilitative if an effective compliance regime could be introduced which eliminated the need for securities and reduced the requirements for proof of export. The system of bank guarantees, even if administered favorably, is an impediment to investment. If a compliance program based on other controls were able to be developed, that could contribute to expansion of the manufacturing sector both inside and outside the QIZs. The potential for an audit program to deliver the necessary compliance assurance at lower cost to industry needs to be explored. Indeed, the Temporary Admission area appears to be an ideal area for the introduction a post-transaction pilot project to test the application of a voluntary compliance approach in Jordan. This could be developed in relation both to Temporary Admissions and to drawbacks.

f) Transit

Jordan has a major transit role for goods moving to and from Aqaba from neighbouring countries. The risks posed by transit traffic are considerable, although there are some treatments

in place to reduce the risk. Their effectiveness is uncertain. Some transit traffic is escorted in convoys and moves under seals. But in some cases trucks move freely, seals are easily broken without being detected, and many trucks are cleared without inspection. The volume of traffic is so great, that there is no chance that all can be inspected. Use of risk management techniques to decide on trucks requiring inspection is essential, together with a proper analysis of the risks created by cargoes, drivers, countries of origin, types of truck etc. This is not happening in any systematic way, although some officers have sound knowledge. A proper risk management analysis and determination of appropriate treatments is necessary.

This is an area where the border management and compliance management strategies overlap and it is important that they are entirely consistent in approach. As the revenue risk from transits may be significant, it has been included as an issue for this report, and was discussed by the workshop.

3. Existing Compliance Activity

The current compliance management approach adopted by Customs can be summarized as being highly dependent on transaction checking, supported by some rudimentary transaction-based auditing and a fledgling risk management approach which is yet to take hold. Penalties are available but insufficient and seldom applied. Document retention provisions exist in the law, but their use is limited and the overall powers of officers to conduct audits are not fully articulated.

a) Transaction checking

As already discussed, a large amount of the Customs compliance activity is conducted at the time at which goods are entered. Some transaction checking is desirable. It can assist with the monitoring of the quality of declarations being lodged by traders and brokers and it can provide visible evidence of Customs continuing presence at the time goods are being imported. It can also assist to provide some targeting for cargoes requiring inspection.

Transaction checking per se is not, however, likely to guarantee high levels of compliance or control, and certainly does not facilitate the movement of goods. Fraud and error will not always be detected by the process, while compliant companies have to run the same gauntlet of processing as non-compliant companies.

b) Risk Management

The Risk Management Unit seems uncertain about its role in Customs. It appears to take on a secondary transaction checking/investigation function and to regard itself as a form of risk treatment, rather than as a unit designed to assist the rest of Customs to implement risk management in a structured way. The role of the Unit needs to be clarified as a matter of urgency – and the risk treatment function it currently undertakes allocated to a more appropriate part of Customs.

c) Audit

The Audit Department has a very limited mandate. It appears to spend most time doing document checks of transactions immediately after they have happened. This is not an efficient use of resources, as it creates double handling and operates on the same documentary basis as the original declaration processing. It gives no scope for the audit of companies and their systems, nor for the adoption of more pro-active audit techniques, leverage exercises and similar innovative approaches.

The exception to this is that GTZ have been training some 15 officers to conduct financial audits. This skill is valuable, particularly for internal audit purposes, but it is not enough in itself to enable staff to conduct serious systems-based or due diligence audits.

d) Investigation

There is no investigation unit as such, which severely limits the Customs' capacity to deal with significant cases of fraud when and if they are detected. At present, such cases are referred to the Legal Department for investigation and prosecution. A long-term goal should be the establishment of an investigation arm to follow up the incidences of fraud which are likely to be uncovered through an effective post-transaction audit regime.

In short, some structural changes will be needed for the new compliance approach to succeed. These are also discussed below.

HOW THE FUTURE MIGHT LOOK – THE SHAPE OF A VOLUNTARY COMPLIANCE REGIME

Recommendation #1: Customs should adopt a risk-based post-transaction compliance strategy to replace the current transaction-based approach. This strategy should be modeled on similar approaches in other Customs and tax agencies and should include an articulated compliance philosophy.

Jordan Customs does not yet have a true self-assessment entry process and its compliance approach reflects a lack of confidence in entry processing generally. If it wishes to adopt international best practice, and particularly the approach recommended in the Kyoto Convention, it will need to make substantial changes to its entry processing approach. There is much about what is done at present which should be retained, but there are also some key changes to be made and some obstacles to be overcome before best practice can be achieved.

Jordan has little option but to move away from its current emphasis on transaction-based compliance. The growth in trade between Jordan and the rest of the world and the need to maintain a reduced cost of Customs processing, mean that the Customs needs to find more effective and efficient ways of conducting business. The strong emphasis on facilitation can be met by reducing the intervention of Customs at the time that goods are being imported – and the need for effective controls can be delivered by means of a well structured, risk-based compliance program.

What should the compliance approach look like? This was the principal issue considered by the workshop from 31 August to 3 September. The workshop concluded that the following model provided the best way forward for Jordan Customs and reflected the best practices standards to which Jordan aspires. The Workshop's strategy paper, which expands on the model set out here, is attached as Attachment 1.

Compliance Philosophy

The workshop wished to adopt the approach taken by other Customs and tax agencies to articulate its approach to compliance in a way which provides parties dealing with Customs with a clear picture of what they can expect from Customs – and what Customs can expect from them. This approach should be based on the following principles:

- Customs will match appropriate compliance responses to the type and level of non-compliance evidenced by industry, ranging from awareness programs and partnerships to penalties and prosecution
- Customs will focus on anti-smuggling, revenue compliance, facilitation which is not abused and proper enforcement of Customs laws, regulations and procedures

- Customs is committed to the use of risk management principles as a fundamental underpinning of its compliance program
- Customs' compliance strategy will be integrated into its overall strategic plan
- Customs will introduce greater use of post-transaction compliance activity such as audit to supplement and, where appropriate, replace existing real time procedures
- Customs will move from a transactions-based approach to a systems-based approach wherever appropriate
- Customs is keen to explore and introduce a wider range of risk treatments into its compliance management strategy
- Customs recognises that an effective risk management strategy depends upon good intelligence and knowledge management
- Customs recognises that highly compliant clients should be recognised and rewarded, and that such rewards for high levels of compliance should be introduced as part of a due diligence process
- Customs should be able to measure compliance improvement, through monitoring and reviewing its risk management strategy and on the basis of good intelligence
- Customs will focus its revenue compliance effort on key industry sectors with a significant revenue responsibility to Government.

Based on this set of principles, Customs can move to a new regime of voluntary compliance, containing the following elements:

- Full self-assessment by traders and brokers without Customs involvement
- Electronic lodgement of entries and payment of duty, matched by electronic clearance of goods
- Development of risk management capability to identify high risk and low risk transactions, companies and industry sectors
- The use of research and analysis, based on information and intelligence data bases, to analyse, assess and prioritise risk
- Targeting of high risk consignments using intelligence and risk assessed profiles
- Inspections of cargoes and real-time checking of documents in high risk cases
- The increased use of post-transaction audit techniques to verify compliance
- The use of systems-based and prudential audits to identify highly compliant companies
- The use of other techniques such as leverage exercises and KPI monitoring to encourage and measure compliance within industry groups
- The use of incentives and rewards to encourage voluntary compliance
- The use of more effective penalties against non-compliant importers and brokers.

The diagram on page 18 represents this compliance approach. It recognises different levels of compliance and different risk treatments depending upon the level of compliance. Customs’ clients are likely to fall into one of four groups, as follows:

Self - regulating: These clients are essentially voluntarily compliant and are committed to abiding by the law, but are dependent on Customs for facilitation, advice and efficient customs procedures. The risk treatments to be used for these clients include information programs, due diligence “gold card” schemes based on systems-based audits, education programs, KPI monitoring, advisings and other forms of assistance to clients.

Assisted self-regulating: These clients generally want to be compliant but through incompetence or negligence are in fact not compliant. In addition to information and education programs, they will be made compliant through leverage exercises, low level audits, use of modest administrative penalties, warning letters and other techniques.

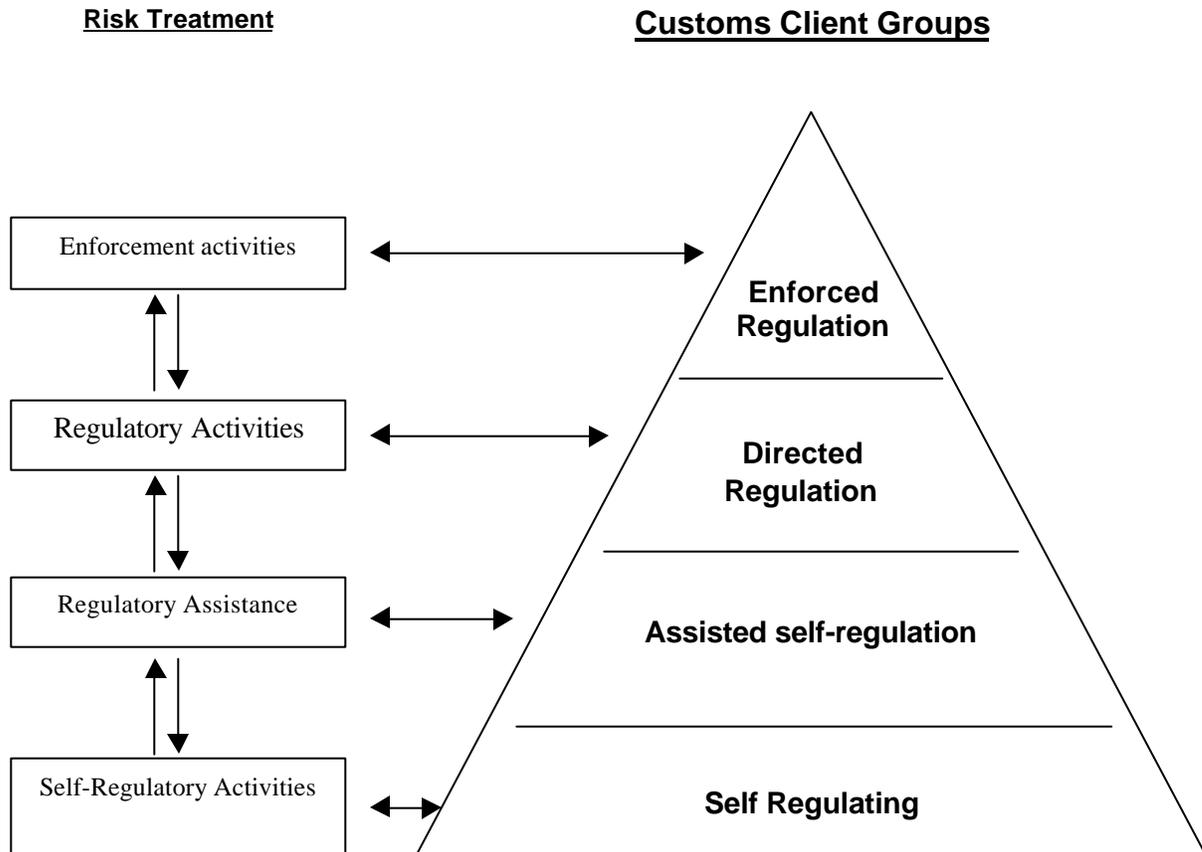
Directed Regulation: These clients are generally not concerned about whether they are compliant or not and will act outside the law unless corrected. They do not however engage in activities which are criminal in nature. They will be subject to audit, to more severe administrative penalties, to frequent intense inspections and similar more stringent attention.

Enforced Regulation: These clients are either engaged in criminal behaviour or are so reckless in their compliance that punitive sanctions are necessary to enforce compliance. They will be subject to investigation, prosecution and appropriate penalties.

The overall aim of the compliance strategy is to move clients from the top three levels of non-compliance to the level of self regulated, voluntary compliance. Compliance activity is adjusted to reflect the behaviours in these four client groups. The activities can be summarised as follows:

Self Regulatory Activities	Regulatory Assistance Activities	Regulatory Activities	Enforcement Activities
Facilitation Control Information Rulings Training Golden clients Rulings Licensing of brokers KPI monitoring Bonds and Securities	Examinations of cargo Document exams Audit Rulings Leverage exercises Warning letters Minor admin penalties Licence conditions Baggage examination Bonds and securities	Licence suspension or non-renewal Audit – comprehensive Mandatory examinations Serious admin penalties Bonds, securities and bank guarantees	Investigation Prosecution Cargo exam Search of premises Search of transport Licence revocation Detention and forfeiture of goods

**JORDAN CUSTOMS DEPARTMENT,
COMPLIANCE MANAGEMENT FRAMEWORK**



From the previous discussion, the first and most significant recommendation in this paper follows:

GAP ANALYSIS: RECOMMENDATIONS FOR REFORM

This preferred approach will require substantial change by Customs in many areas and it would be easy to argue that the changes required would be too great, or not in accordance with Jordan's Customs culture. This would be unfortunate. While the obstacles are significant, they are not insurmountable.

1. Automation of Entry Processing

Recommendation #2: The post-transaction compliance strategy will require maximising the use of IT systems to allow for the electronic lodgement of entries and a fully automated clearance system.

The post transaction compliance approach is really predicated on the availability of IT systems which enable traders and brokers to lodge Customs declarations and other documents electronically and to receive clearance of goods electronically. For maximum facilitation, therefore, it is important that ASYCUDA continue to develop as a system which will allow for goods to be entered without any requirement for the lodgement of paper documents or for the routine intervention of Customs officers in the process. While post-transaction activity is still valid in a non self-assessment environment, it tends to lead to duplication of effort and a lower level of facilitation.

The use of automation will remove the need for Customs officers to be involved in the entry lodgement process. This will release large numbers of staff to be used in targeted intervention activity, not in the routine of transaction processing. The skills that these staff have will greatly assist in developing organisational capability in relation to research and analysis, audit and the design and delivery of information and education programs for traders.

The existing system for the recording of Temporary Admissions provides a very useful data base for the management of these risks in a post-transaction sense. This system should continue to be developed and expanded to provide both administrative support to TA and basic data for the analysis of risks posed by the TA regime.

2. Private Sector Involvement

Recommendation #3: Customs should develop a relationship with the private sector which will ensure that current weaknesses are overcome and that the foundation is laid for their involvement in the voluntary compliance approach.

The voluntary compliance approach places substantial onus on the private sector for its success. It requires traders and brokers to be compliant and to operate with a high level of professionalism. It requires them to demonstrate traditional customs skills in valuation, tariff, origin etc. It also requires them to maintain accurate records, to retain and produce documents on request, to assist with audits and to enter into a form of partnership with Customs.

In return, the benefits to industry can be significant. A much higher level of facilitation can be achieved, goods moved quickly, and storage, shipping and processing costs reduced. For the highly compliant, rewards can be introduced which recognise these levels of compliance, including deferred payment of duty, periodic accounting and reporting arrangements, and minimal levels of cargo inspection. On a macro level, this form of compliance management can contribute substantially to the image of Jordan as a country which encourages investment and trade.

To reach this stage of partnership between industry and Customs, however, Customs must take the lead.

a. Brokers

As indicated above, the brokers are not ready for self-assessment. This was identified by the workshop as the biggest obstacle to true self-assessment. They are not well-trained, they have a history of trying to circumvent Customs controls and procedures, they are unreliable, and they use *wasta* to clear their goods as cheaply as possible. A number of steps need to be taken:

- A proper education program for brokers, with a formal and rigorous testing of their understanding of Tariff, Valuation, Origin etc should be introduced. Ideally, this should include competency-based training and the delivery of suitable qualifications recognised by a major educational institution (College or University). The education program should also contain capability to provide ongoing professional development for licensed brokers to maintain existing skill levels and develop new ones.
- The licensing regime should be reinvigorated and based on the licence applicant demonstrating much higher levels of competence than currently exist. It should include powers to revoke or suspend licences for poor performance, requirements for periodic recertification, and requirements relating to continuing professional development.
- Effective penalties for brokers need to be introduced and clear statements made by Customs about the circumstances in which they should be used. These penalties should only be applied where there has been a clear lapse in professional standards, but should also serve as a clear statement to all brokers that poor performance will not be allowed. The current penalties are either insufficient or not applied at all.
- An effective program of consultations between Customs and the Brokers should be introduced, involving a regular and effective exchange of views between the peak Broker body, the Director-General and key Customs staff engaged in compliance management
- The brokers should themselves undergo compliance management workshops so that they can understand how the new process will work and how they and their clients can benefit from it.
- At the same time, brokers and officers need to be separated at all stages of the entry process so that brokers are not able to influence Customs decisions or to use their

connections with Customs to receive preferential treatment. Until this *wasta* based relationship is broken, Customs will be unable to demonstrate that it is dealing objectively at arms length with its clients.

- Key brokers with high standards of compliance should be given the opportunity to visit the USA and meet with key brokers there to understand how the system works. Once a more professional peak body is in place, relationships with similar bodies overseas should be built.

b. Traders

Investors, manufacturers, importers and exporters stand to benefit from this new approach, provided they maintain high levels of compliance. They will be crucial to the success of the strategy. It will be necessary to involve them in several ways:

- Customs will need to consult closely with industry about the approach to be taken and should make compliance managements workshops available for them as well
- Industry will need to prepare for the systems and documents record keeping requirements that will arise
- They will need to be consulted on the partnership approach, particularly the nature of rewards that might be available to industry that adopts a full due diligence approach to its international trade.
- They will need to understand how penalties will be applied to those entities that are not fully compliant with customs requirements.
- They will need to understand the audit techniques that Customs will be adopting, including the need for Customs to audit company systems as well as or instead of transactions.
- Customs should ask industry to assist the introduction of the strategy, using industry's experience of other countries where this best practice system already works
- Industry should also be asked to assist customs by providing referrals of companies which are known not to be compliant with Customs requirements a program of so-called "industry referrals"
- Above all, industry must understand that this new shift to a partnership approach will involve a commitment from industry to achieve high levels of voluntary compliance if it is to succeed.

As with the Brokers, it would be desirable to establish an industry consultation panel to create a genuine collaboration between industry and Customs. This panel should meet to consider the introduction of the new approach as soon as possible. The approach should be modelled on, and consistent with, the provisions in the General Annex of the Kyoto Convention dealing with working with Industry.

3. Research and Analysis

Recommendation #4: The Intelligence Unit being developed under the AMIR project must have a capacity to provide detailed research and analysis into revenue compliance issues, including the examination of particular industry sectors, commodities trading, company performance, brokers performance and risk aspects of all Customs procedures.

Another crucial factor for a risk-based compliance program is the quality of information available to Customs upon which to base its decisions about how and where to intervene. The establishment of the “intelligence” unit in Customs is therefore crucial to the success of this strategy. This unit will need to be able to collect and analyse large amounts of data about importers, exporters, manufacturers, investors and brokers so that it can begin to identify patterns of compliance and non-compliance. It will also need to analyse the trading community in terms of the various commodities imported and their revenue importance – and risk - to the Government. Information on all compliance activity will also need to be fed into the intelligence holdings, together with information provided by foreign governments, other Jordanian agencies and the industry sector itself. Any program of industry referrals would need to be handled by the intelligence unit.

To make the research and analysis unit effective, it should:

- Develop a data base of all companies, industry sectors and commodities with which Customs deals
- Import as much data as is available into that data base
- Purchase or develop software that is capable of analysing that data
- Train staff to be skilled analysts of the commercial sector in Jordan
- Analyse the results of compliance activity to measure the success of that activity.

Customs will need to develop its network of mutual assistance arrangements to encompass other countries. The valuation data base should be expanded as much as possible to assist risk assessment and auditors in implementing the Valuation Agreement.

4. Risk Management

Recommendation: #5

Apply risk management principles to analyse the risks to revenue arising from the importing and exporting environment.

Effective risk management is at the heart of post-transaction compliance. A structured risk management approach needs to be introduced and this should be the responsibility of the risk management unit. In consultation with the Intelligence Unit, a thorough risk assessment should be conducted of the key industry sectors identified by research and analysis. From this risk assessment, the RMU should also develop a thorough risk treatment approach for managing the risks inherent in each section. Thus, for example, in sectors with few companies but large revenue payments, systems-based audits of the revenue payers will provide Customs with a long-term assurance of their compliance levels. Where there are many small companies with low revenue responsibility, leverage exercises, focussed audits, warning letters and other devices may be needed.

I am not convinced that Customs yet has the risk management expertise in place to handle risk assessments of this nature. Staff need to be skilled in this area, and risk management workshops focussing on commercial issues are desirable (similar to those conducted by the border management team). These workshops would enable Customs to develop operational risk management plans for the directorates concerned.

5. Audit Technique

Recommendation # 6 : Establish an effective post-transaction audit capability that can deliver a range of risk treatments to meet identified risks.

Another major task will be to establish a core group of auditors with the skills necessary to conduct the types of audits required for a post-transaction regime. They will need to be skilled in:

- Systems based audit
- Performance audit
- Comprehensive customs audits
- Financial audit
- Focused audit.

Some skills can be delivered in training classes and workshops and people with existing audit skills can soon be brought up to speed on new techniques. For people without audit skills, however, more intensive long term training can be required. This could be delivered by arrangement with a college or university in Jordan that has a capacity to teach audit skills, and could also be done in partnership with a foreign training provider that already has programs developed for Customs personnel. Customs has many people with good customs skills that are presently used in the entry process. These skills need to be retained and recognized, and those with them who are suited to audit work should be brought into the audit teams.

Some advances have been made in training auditors in Financial Management, but in all other respects the focus is still only on transaction audit. Specialist skills are necessary, including the audit of IT systems used by companies to manage their international trade.

There is software available with the capability to assist with the auditing of company records. There is also software available that provides an audit management capability. As Customs moves towards implementing this post-transaction approach, it should examine the software available in the market place to measure its suitability for Customs purposes.

It should also be remembered that detailed comprehensive audits may be required to identify traders who should be entitled to long-term partnership arrangements with Customs because of their high levels of voluntary compliance. This requires Customs to accept that audit may contribute to the monitoring of compliance behavior and not just to the identification of fraud or serious error.

6. Organizational Structure

Recommendation #7: Establish an organizational structure within the Audit function which will ensure proper information management and corporate knowledge, and enable the compliance areas to create effective relationships with the client base.

It will be important for Customs to structure its operational areas to meet the new approach. In addition to the need for an Intelligence and Risk Management capability, Customs will also need to provide a proper structure for its audit teams.

This could take several forms. One that would be desirable would be to identify audit teams with responsibility for key industry sectors, and which would work with Intelligence and Risk Management to treat risks identified within their particular industry sector. As much as possible, audit teams should be located close to the main clients. This may mean some concentration of resources in Amman, in Aqaba or in or near the QIZs. It is important however that the audit teams are in close proximity to their clients so that they can manage a continuing partnership or interchange of information with them.

7. Investigation capability

Recommendation # 8: Establish an independent Investigation Unit to deal with cases identified through risk analysis and audit activity.

The new approach is likely to lead to the detection of significantly higher levels of fraud than have been found with the transaction-based approach. This is likely to require sophisticated investigation techniques, by specially-skilled staff. The current competency of staff in the Legal Departments is quite good, but investigation is at best a part-time activity for that group. A dedicated Investigation unit, with well-trained staff, effective powers of investigation, and good interdepartmental cooperation may be essential if major fraud is to be detected and dealt with. This is not something that Jordan can be complacent about.

8. Information and Assistance

Recommendation # 9: Develop the existing information and rulings program to provide a more comprehensive level of service to clients.

At the other end of the compliance continuum, it is essential in a self-assessment environment that people dealing with Customs have a very clear idea of what is required by Customs for them to be compliant. Customs will need to expand its existing information program so that all stakeholders have no doubt about what the legal requirements are. This will mean a comprehensive communication strategy, focusing on the web site, on printed information in the form of brochures etc, advisings and rulings and other communications techniques. (This point is consistent with the points I made in my report on legislation management about the importance of informing the client base so that they cannot subsequently argue that this was not known to them.

9. Penalties

Recommendation # 10: Review and reform the penalty system to ensure that penalties are appropriate to the level of non-compliant behavior and that they are being objectively and appropriately applied.

It is a recurring theme of reports on Jordan Customs that the penalty system is ineffective and in need of reform. The decision taken in recent years to lower penalties so that Customs would appear more facilitative is to misunderstand the true nature of facilitation. Penalties must be adequate to deter and punish effectively poor compliance performance. At present, there is a consensus in Customs that that is not happening.

A review of the penalties regime will be necessary to cover new issues that may arise under a post-transaction regime, such as:

- Failure to retain and produce documents
- failure to allow access for audit
- failure to answer questions
- moving goods from customs control without authorization
- declaration of wrong valuation, classification, origin or other material information, and
- failure to declare goods
- late lodgment of declarations, manifests and other documents etc

The penalty system will need to be able to allow Customs to deal with these sorts of errors in an administrative way through the imposition of administrative penalties. The system will also need to allow for penalties to be subject to review and appeal. A quicker review system than that currently in place is going to be needed.

10. Legislative Change

Recommendation # 11: Revisit the recommendations in the Legislation Management Report to ensure that effective legislation to support the new compliance approach is in place to support the activities of Customs staff.

In addition to the penalties, it is likely that other legislative change may be required. As much as possible, this should be done through regulations and operating instructions rather than by changing the Customs Law. Nevertheless, it is likely that some provisions will be required in the Law:

- To change penalties
- To establish the powers of officers to audit and investigate non-compliance
- To impose certain requirements on industry to assist with audits
- To allow officers to enter company premises
- To empower the use of automated clearance transactions.

An audit of legislative requirements will need to be conducted to ensure that the post-transaction compliance approach can actually be delivered. There are international benchmarks to assist with this. The recent legislation introduced in Australia is one example of contemporary practice in this area.

11. Leadership

Recommendation # 12: Ensure that Customs management is given every assistance to understand and implement the changes required, including assistance with compliance management concepts, with change management and with project management.

This will mark a distinctive change in Customs practice. It will have far-reaching consequences for the way in which Customs operates, and will require a real shift in Customs culture. It will not work without the full support of the most senior management, from the Minister down. It will need strong effective leadership and a clear change management strategy for its introduction. It will need to be carefully planned and staged, to be well-resourced, and to have the political support of industry and other government agencies. It will need the complete engagement of staff through a program of internal consultation and communication. It must come from the top down, but in a way which ensures that staff appreciate the benefits to Customs, to industry, and, in the long run, to themselves.

It would be very easy to retain the current transaction-based approach. But the current approach is not meeting the needs of industry nor of the Government. Determined and committed leadership is therefore an absolute prerequisite.

12. Demonstrating results

Recommendation # 13: Introduce a pilot project in Temporary Admissions to develop and test the new approach.

An important part of any change management project is to demonstrate progress – a quick win. Earlier in the paper, I refer to the potential for a pilot project to be introduced, based on the Temporary Admissions Directorate. This Directorate has a strong facilitation ethic already in place, and an effective system of bank guarantees which provide useful leverage for the introduction of the new approach. The companies concerned are often foreign investors who would be familiar with the post-transaction approach in other countries. They are likely to welcome the trial of an approach which reduces their paperwork and compliance requirements and which can verify that they are highly compliant and therefore entitled to be treated as such.

By concentrating on Temporary Admissions as a pilot, Customs would be able:

- To conduct research and analysis on companies which are already well known to Customs and operating under strict registration conditions in the QIZs
- To practice risk assessment techniques to determine likely risk
- To use a range of audit techniques that will match the risk as identified and allow the Customs to develop new techniques in a low-risk cooperative environment
- To demonstrate to investors that Customs is looking for better and less intrusive ways to manage compliance
- To enter into partnerships that will reduce the need for Customs intervention, reduce processing and reduce costs to the company, including through the relaxation of securities and bank guarantees.

The Director Temporary Admissions has made substantial progress in developing the Directorate towards using an exclusively post-transaction compliance approach. This pilot would help him take this approach to the next step.

Appendices

Appendix 1: Action plan for moving to a post-transaction compliance strategy

Recommendation	Actions required	Milestones Year 1	Outlook Year 3
<p>Rec #1:</p> <p>Customs should adopt a risk-based post-transaction compliance strategy to replace the current transaction-based approach.</p>	<p>Formal endorsement by the DG of this approach and adoption of this report as the basis upon which to move forward.</p> <p>Identification of appropriate resources and creation of Commercial Compliance Committee to oversee establishment</p>	<p>Public statements about Customs intent.</p> <p>Inclusion of new approach in strategic plan</p> <p>Committee established with terms of reference and steps to implement remaining recommendations begun.</p>	<p>Review progress towards/success of reform program to this point.</p> <p>Expectation is that new approach should be fully functional by then.</p>
<p>Rec #2:</p> <p>The post-transaction compliance strategy will require maximising the use of IT systems to allow for the electronic lodgement of entries and a fully automated clearance system.</p>	<p>Continuing development of entry processing systems to allow for the electronic lodgment of declarations.</p> <p>Training for staff, brokers and traders in the use of systems.</p> <p>Staged reduction in the use of manual declarations.</p>	<p>Existing IT strategies to be implemented.</p>	<p>All transactions between traders and customs fully automated.</p> <p>Overwhelming majority of transactions conducted on line and without hard copy documents being required.</p>
<p>Rec #3:</p> <p>Customs should develop a relationship with the private sector which will ensure that current weaknesses</p>	<p>A). Brokers</p> <p>An effective program of consultations between Customs and the Brokers should be introduced, involving a regular and effective exchange of views between the</p>	<p>Establish Consultative Committee between brokers and Customs.</p>	<p>An effective consultation process will be in place, delivering effective voluntary compliance.</p>

<p>are overcome and that the foundation is laid for their involvement in the voluntary compliance approach.</p>	<p>peak Broker body and the Director-General.</p> <p>Introduce a proper education program for brokers, with a formal and rigorous testing of their understanding of the Tariff, Valuation, Origin etc.</p> <p>The licensing regime should be reinvigorated and based on the license applicant demonstrating the high levels of understanding necessary.</p> <p>Effective penalties for brokers need to be introduced and clear statements made by Customs about the circumstances in which they should be used.</p> <p>The brokers should themselves undergo compliance management workshops so that they can understand how the new process will work and how they and their clients can benefit from it.</p> <p>Key brokers with high standards of compliance should be given the opportunity to visit the USA and meet with key brokers there to</p>	<p>Design and test a pilot education program for brokers. Ensure rigorous examination standards established and understood.</p> <p>Review weaknesses in licensing regime. Establish clear guidelines on professional requirements. Begin process of re-certifying existing brokers to comply with new standards.</p> <p>Identify current weaknesses in penalty regime. Prepare and pass any legislation required to amend system. Consult with brokers on introduction of new penalties.</p> <p>Series of compliance workshops to be held for brokers as part of the re-certifying process.</p> <p>Study visit undertaken.</p>	<p>The first groups of fully qualified, professional brokers will have graduated and will be working in partnership with Customs.</p> <p>New licensing requirements fully operational.</p> <p>New penalty regime operating effectively to deter and sanction unacceptable performance from brokers.</p> <p>Program of workshops completed. Compliance management taught as part of brokers education program.</p> <p>Brokers association has formal links with broker associations overseas. Recognized as a peak body for highly professional</p>
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	<p>understand how the system works.</p> <p>Brokers should be removed from the Customs Houses, except for the delivery of completed declarations and the necessary supporting documents where electronic lodgement is not yet available.</p> <p>b) Traders Customs to consult closely with industry about the approach to be taken.</p> <p>Make compliance managements workshops available for traders. Use workshops to explain the post-transaction model and new audit techniques involved.</p> <p>Industry will need to prepare for the systems and documents record keeping requirements that will arise</p> <p>Establish a Jordan-specific due diligence approach that will reward highly compliant traders.</p>	<p>Existing shortcomings in entry processing eliminated. Brokers concentrating on developing service standards for their clients.</p> <p>Establish an industry consultation panel to create genuine cooperation.</p> <p>Conduct compliance management workshops for industry to explain the new approach.</p> <p>Establish the record keeping requirements that industry will need to meet and advise industry accordingly.</p> <p>Examine overseas models. Establish requirements and rewards for Jordan.</p>	<p>brokers.</p> <p>Interaction between brokers and Customs maintained at a strategic level, and in cases where assistance genuinely required. Transactions conducted by brokers without needing to go to Customs houses.</p> <p>Effective on-going consultation process to assist development of partnering concepts.</p> <p>Trading community fully understands how the compliance strategy is intended to operate.</p> <p>Industry fully understands what records must be maintained, how they are to be retained and the penalties that will apply for failure to comply.</p> <p>A significant number of major traders will be operating under due diligence arrangements rewarding high levels of compliance with an high level of facilitation.</p>
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	<p>Assist traders to understand how penalties will be applied to those entities that are not fully compliant with customs requirements.</p>	<p>Conduct seminars and workshops for traders. Consult on penalty regime.</p>	<p>Penalties being applied objectively to traders which are continuing to be non-compliant despite clear information on requirements.</p>
<p>Rec #4: The Intelligence Unit must have a capacity to provide detailed research and analysis into revenue compliance issues, including the examination of particular industry sectors, commodities trading, company performance, brokers performance and risk aspects of all Customs procedures.</p>	<p>Include in the terms of reference for the Intelligence Unit that it will develop a research and analysis capability in relation to revenue matters</p> <p>Develop a data base of all companies, industry sectors and commodities with which Customs deals.</p> <p>Train staff to be skilled analysts of the commercial sector in Jordan</p> <p>Analyse the results of compliance activity to measure the success of that activity.</p> <p>Expand the valuation data base to assist risk assessment and auditors in implementing Valuation.</p>	<p>Establish adequate resources in the Intelligence unit to manage commercial intelligence.</p> <p>Import as much data as is available into data base.</p> <p>Intelligence analyst training provided to staff.</p> <p>Establish compliance measurement criteria in accordance with Kyoto guidelines.</p> <p>Continue to develop the data base.</p>	<p>Research and analysis capability to drive risk analysis and treatments.</p> <p>Data base established and operating with full knowledge of the trading community.</p> <p>Intelligence Unit has a full complement of skilled analysts who understand the importing and exporting community in depth.</p> <p>Annual statistics measuring improvement in levels of voluntary compliance over the previous three years.</p> <p>A comprehensive and accurate data base to value all goods entering Jordan</p>

<p>Rec #5:</p> <p>Apply risk management principles to analyse the risks to revenue arising from the importing and exporting environment.</p>	<p>Include revenue compliance in the risk assessment process being introduced into Customs</p>	<p>Develop a risk management approach to revenue compliance, modeled on the approach suggested by the Workshop strategy. Risk Management Unit to assist Intelligence Unit to establish a risk strategy for Customs revenue areas.</p> <p>Conduct risk management workshops focusing on revenue compliance to develop risk management operational plans for the relevant Departments – Audit, Tariff, Valuation etc</p>	<p>An established risk managed process, with an annual risk assessment program, risk registers and risk treatments identified and documented.</p>
<p>Rec # 6:</p> <p>Establish an effective post-transaction audit capability that can deliver a range of risk treatments to meet identified risks.</p>	<p>Develop an audit Department with sufficient resources to enable Customs to conduct different types of audits of companies, and brokers, based on risk and most effective treatments.</p>	<p>Train staff in audit technique.</p> <p>Mentor audit staff through participation in pilot audit programs to ensure that the training is effectively translated into the workplace.</p> <p>Identify software that will assist in the conduct of audits and in the management of audit materials.</p>	<p>A skilled audit department with a wide range of audit and related techniques.</p>
<p>Rec #7:</p> <p>Establish an organizational</p>	<p>Examine the best physical location for audit staff once initial Research</p>	<p>Establish Audit teams for best deployment.</p>	<p>An effective audit operation located close to industry.</p>

<p>structure within the Audit function which will ensure proper information management and corporate knowledge, and enable the compliance areas to create effective relationships with the client base.</p>	<p>and Analysis conducted of distribution of industry sectors and traders in Jordan.</p>		
<p>Rec # 8: Establish an Investigation Unit to deal with cases identified through risk analysis and audit activity.</p>	<p>Establish, staff and provide terms of reference for the Investigation Unit.</p>	<p>Train staff in Investigation techniques. Ensure Customs Law provides powers for Investigators to carry out Investigation functions. Identify equipment required, including IT case management software.</p>	<p>Investigation Unit carrying out successful fraud investigations and securing prosecutions.</p>
<p>Rec # 9: Develop the existing information and rulings program to provide a more comprehensive level of service to clients.</p>	<p>Expand the existing advisory service to include advisory opinions on valuation, origin etc. and manage it in accordance with the Kyoto Convention.</p>	<p>Develop data base to make it easily acceptable to all staff in the country so that port shopping can be reduced.</p>	<p>An IT based rulings system which can be relied on by brokers o assist with self-assessment.</p>

<p>Rec # 10:</p> <p>Review and reform the penalty system to ensure that penalties are appropriate to the level of non-compliant behavior and that they are being objectively and appropriately applied.</p>	<p>Review the existing penalties system to identify which penalties will need to be increased and what new penalties will be required to support self-assessment.</p>	<p>Legislation providing for new and revised penalties passed and operational. Guidelines for the application of penalties published and known by staff and traders alike</p>	<p>An effective penalty system, deterring non-compliance and administered objectively and fairly.</p>
<p>Rec # 11:</p> <p>Revisit the recommendations in the Legislation Management Report to ensure that effective legislation to support the new compliance approach is in place to support the activities of Customs staff.</p>	<p>Identify and plan for the passage of legislation required to support post-transaction compliance activity in a self-assessed electronic environment.</p>	<p>Drafting instructions prepared. Legislation drafted. Operating procedures and guidelines established.</p>	<p>Effective legislation passed by the Parliament and supporting a range of post-transaction activities with clear powers of officers and rights of traders set out in law.</p>
<p>Rec # 12:</p> <p>Ensure that Customs management is given every assistance to understand and implement the changes required.</p>	<p>Develop an effective leadership development program for key customs managers to enable them to manage the changes required by the new strategy.</p>	<p>Workshops conducted in compliance management, change management and project management to equip managers with the required skills.</p>	<p>A confident and capable leadership group, able to manage change and to deliver results.</p>

<p>Rec # 13:</p> <p>Introduce a pilot project in Temporary Admissions to develop and test the new approach.</p>	<p>Introduce the pilot project on the basis of a carefully considered project management plan.</p>	<p>Plan the project. Identify resources required. Begin necessary research and analysis of risk. Involve private sector in project.</p>	<p>A fully operational model of post-transaction compliance, delivering a high level of facilitation and control and providing leadership for other areas of Customs to follow.</p>
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Appendix 2

JORDAN CUSTOMS DEPARTMENT

COMPLIANCE MANAGEMENT STRATEGY

Prepared by Participants of the Workshop on Compliance Management

at the

AMIR Office, Amman

31 August – 3 September 2003

JORDAN CUSTOMS COMPLIANCE MANAGEMENT STRATEGY

Introduction

This document represents the outcome of the four-day workshop held in the AMIR training Room, Amman from 31 August –3 September 2003 and led by Mark Harrison. The participants list is attached as Annexe I.

Purpose Statement

The purpose of this document is to assess the strategic directions currently being taken by the Jordanian Customs and to identify new strategies (if any) that might be used in coming years.

Objectives:

The workshop identified its objectives as being:

- To develop a compliance management strategy for Jordan Customs
- To identify the steps required to move to this new strategy.

Due to time constraints the workshop was not able to develop operational risk management plans for the relevant Departments – Tariff, Valuation, Audit etc.

THE CONTEXT

Objectives

The principal revenue objectives for Jordan Customs were identified by the workshop as follows:

- To collect the correct amount of duty and taxes
- To administer temporary admissions to maximise facilitation without loss of revenue
- To administer refunds and drawbacks without loss of revenue
- To administer transit goods so that they do not enter unlawfully without the payment of duty

Recent developments in Jordan Customs

The workshop identified that Jordanian Customs has made significant advances in recent years, including:

- Introduction of the HS Tariff and subsequent amendments
- Introduction of partial self-assessment when goods are declared
- Instead of multiple staff being required to carry out the entry process, one officer now is responsible for inspection of the goods, valuation, tariff etc
- Introduction of the WTO Valuation Agreement in 1998

- Use of ASYCUDA for 100% of declarations (although these are still entered by Customs officers)
- Introduction of risk management
- Satellite linkages between Amman and the regions
- Ability to pay duty in advance and to use credit card to pay duty
- Ability to use the internet to make payments
- Greater use of female staff
- Preliminary classification decisions
- System of JISM certificates to guarantee quality
- Improved use of bank guarantees, including on-line delivery
- Development of the valuation data base
- Touch screen information at Amman Customs House
- The web site
- The use of e-mail within Customs
- Licensing for temporary admission of vehicles
- IT system for managing temporary admissions.

The Customs Environment

Customs revenues are very important to the Jordanian Economy. They are worth some JD370m per annum, including all customs duties, charges and penalties. Another JD350m is collected in General Sales Tax. Fraud through undervaluation and misclassification is not uncommon, and much of this activity happens at a low level at the border crossings. There are some high tariff goods which are commonly smuggled, particularly cigarettes, alcohol, computer parts, motor vehicle parts and electrical goods.

The development of manufacturing industry is also important, and Customs contributes to the development of foreign investment in Jordan. This requires Customs to facilitate the movement of goods in and out of the QIZs, and to administer drawbacks and temporary admissions effectively. It is central to the good management of the zones that fraud is detected and compliant investors encouraged to develop their businesses. An efficient Customs process helps Jordan to compete for international investment.

The Government expects Customs to deliver a high level of facilitation to industry. It attempts to clear goods as quickly as possible for these purposes and has a system of securities in place which assists compliance. Some clients take advantage of this facilitation by abusing facilities and exemptions. There is a constant need to strike the right balance between facilitation and control. Jordan Customs has put measures in place to be more facilitative, accountable, consistent, and transparent and we have simplified our procedures by having one Customs officer to handle each declaration.

In delivering these services, Customs needs to work with other government agencies which are responsible for encouraging investment in Jordan. Cooperation with these agencies is important. So too is cooperation with the other tax agencies.

Jordan is a transit country. Many goods pass through Jordan on their way to other countries in the region. This transit traffic is important for the growth of Aqaba and the airport. It must be well administered, to ensure that goods move quickly across the border and that the risks of transit traffic are treated properly. Liaison with the other Customs Houses is important. The satellite communications system that Customs has is an important asset for assisting communication within Customs.

Customs is very mindful of its obligations under international conventions, particularly the HS Tariff, the Valuation Agreement and other bilateral trade agreements to which Jordan is party. In addition, Customs intends to become a party to the revised Kyoto Convention, which means that Customs should give high priority to ensuring that it is Kyoto compliant. It appreciates that there are benefits to be gained from cooperating closely with other Customs services, under mutual assistance arrangements

A major factor in developing facilitation is the implementation of information technology and the lodging of electronic declarations. Jordan Customs is heading towards fully paperless transactions through ASYCUDA, but still has some way to go. Our compliance approach must recognise the growing importance of electronic information systems.. In this respect it is very important that we continue to develop our ability to conduct customs audits, including the audit of electronic systems.

A second key factor in facilitation is the role played by Customs brokers. In Jordan, the Brokers do not have high professional standards, are not well trained and are not competent to lodge self-assessed documents. Agents are licensed by Customs, and there is therefore some control over the quality of their work. But the law is not strong enough, and penalties are very low. The use of brokers in future will increase and this will create risks that must be dealt with – just as Customs needs to develop techniques to educate and audit importers and exporters, so too it must develop techniques to educate and audit brokers. Only then will it be able to rely on the quality of data supplied by brokers.

Customs must continue to develop the skills, knowledge and integrity of its staff. Skills in Valuation, Tariff, Origin, audit techniques, investigation, English language and other aspects of customs processing will continue to be important, particularly for those working in compliance. The Customs must constantly work to ensure that skills remain up-to-date.

Customs understands that it is important for importers, exporters and investors to have a good understanding of Customs requirements and produces documents and brochures to assist understanding. It recognises that more could be done.

Our Stakeholders

Jordan Customs performs its functions on behalf of a wide range of bodies, both in Jordan and overseas, and in the Government and the private sectors. The following list is indicative of the wide-ranging impact that our activities have – and of the parties who benefit from our compliance work:

- The Jordanian Government
- Other Government Ministries including Finance, Trade and Industry, and JISM,
- The Director General of Customs
- Customs staff
- Duty and taxpayers
- Foreign Governments
- Foreign agencies – WTO, WCO,
- Trade Associations and peak bodies
- Customs brokers
- Importers and exporters.

COMPLIANCE MANAGEMENT PHILOSOPHY

The integration of the Jordanian economy into the global economy, particularly through the Free Trade Agreements, requires Customs to adopt world's best practice. Despite the improvements made, there is still work to be done to achieve world's best practice. Jordan is party to many key international agreements, but is not yet party to the Kyoto Convention. This will be an important step forward. To be Kyoto compliant, Customs will have to move to a new way of managing compliance. This will increase both facilitation and control of cargoes, allowing Customs to clear low risk cargoes quickly and efficiently while intervening to detect and stop high risk cargoes. Revenue leakage will be detected more easily, and revenue collections will increase.

Jordan Customs does not have an articulated compliance management philosophy. At present, the focus of its activities is on transactions at the time of processing. Customs does not have a well-developed approach to post-transaction activity such as audit, nor to the development of partnership arrangements with highly compliant companies. There is not yet a strategic risk management approach to revenue collection and verification. Nor is there sufficient research and analysis done of the trading community.

It is desirable that Jordan Customs adopt a new compliance philosophy, drawn from best practice models elsewhere, and which could include the following principles:

- Customs seeks to match appropriate compliance responses to the type and level of non-compliance evidenced by industry, ranging from awareness programs and partnerships to penalties and prosecution
- Customs focus is on anti-smuggling, revenue compliance, facilitation which is not abused and proper enforcement of Customs laws, regulations and procedures
- Customs is committed to the use of risk management principles as a fundamental underpinning of its compliance program
- Customs compliance management strategy should be integrated into its overall strategic plan

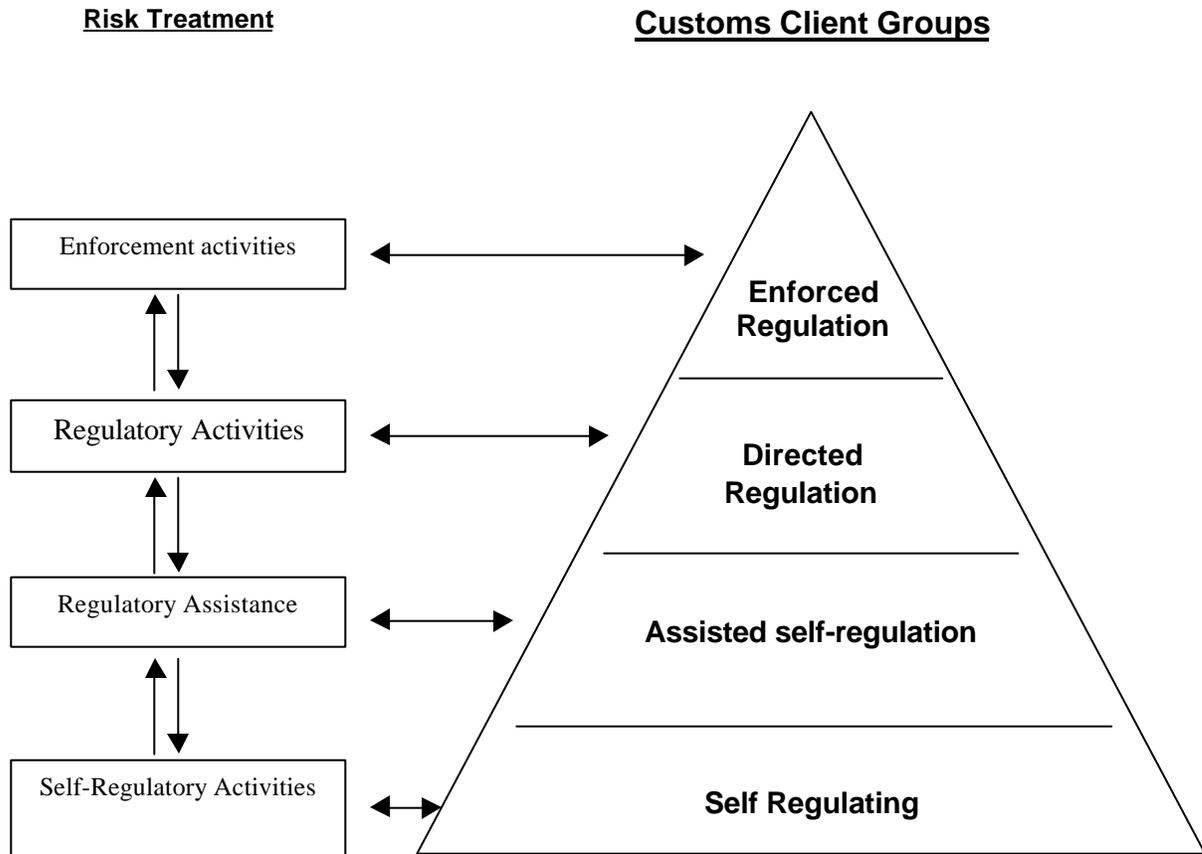
- Customs needs to introduce greater use of post-transaction compliance activity such as audit to supplement and, where appropriate, replace existing real time procedures
- Customs should also move from a transactions-based approach to a systems-based approach wherever appropriate
- Customs is keen to explore and introduce a wider range of risk treatments into its compliance management strategy
- Customs recognises that an effective risk management strategy depends upon good intelligence and knowledge management
- Customs recognises that highly compliant clients should be recognised as “golden clients”, and that such rewards for high levels of compliance should be introduced as part of a due diligence process
- Customs should be able to measure compliance improvement, through monitoring and reviewing its risk management strategy and on the basis of good intelligence
- Customs will focus its revenue compliance effort on key industry sectors with a significant revenue responsibility to Government.

From this philosophy, Customs can move to a new regime of voluntary compliance, containing the following elements:

- Self-assessment by importers and exporter and brokers
- Electronic lodgement of entries
- Development of risk management capability to identify high risk and low risk transactions, companies and industry sectors
- The use of research and analysis, based on information and intelligence data bases, to analyse, assess and prioritise risk
- Targeting of high risk consignments using intelligence and risk assessed profiles
- Inspections of cargoes and real-time checking of documents in high risk cases
- The increased use of post-transaction audit techniques to verify compliance
- The use of systems-based and prudential audits to identify highly compliant companies
- The use of other techniques such as leverage exercises and KPI monitoring to encourage and measure compliance within industry groups
- The use of incentives and rewards to encourage voluntary compliance
- The use of more effective penalties against non-compliant importers and brokers.

The following diagram represents this compliance philosophy. It recognises different levels of compliance and different risk treatments depending upon the level of compliance:

**JORDAN CUSTOMS DEPARTMENT,
COMPLIANCE MANAGEMENT FRAMEWORK**



Customs’ clients are likely to fall into one of four groups, as follows:

Self - regulating: These clients are essentially voluntarily compliant and are committed to abiding by the law, but are dependent on Customs for facilitation, advice and efficient customs procedures. The risk treatments to be used for these clients include information programs, due diligence “gold card” schemes based on systems-based audits, education programs, KPI monitoring, advisings and other forms of assistance to clients.

Assisted self-regulating: These clients generally want to be compliant but through incompetence or negligence are in fact not compliant. In addition to information and education programs, they will be made compliant through leverage exercises, low level audits, use of modest administrative penalties, warning letters and other techniques.

Directed Regulation: These clients are generally not concerned about whether they are compliant or not and will act outside the law unless corrected. They do not however engage in activities which are criminal in nature. They will be subject to audit, to more severe administrative penalties, to frequent intense inspections and similar more stringent attention.

Enforced Regulation: These clients are either engaged in criminal behaviour or are so reckless in their compliance that punitive sanctions are necessary to enforce compliance. They will be subject to investigation, prosecution and appropriate penalties

The overall aim of the compliance strategy is to move clients from the top three levels of non-compliance to the level of self regulated, voluntary compliance. Compliance activity is adjusted to reflect the behaviours in these four client groups. The activities can be summarised as follows:

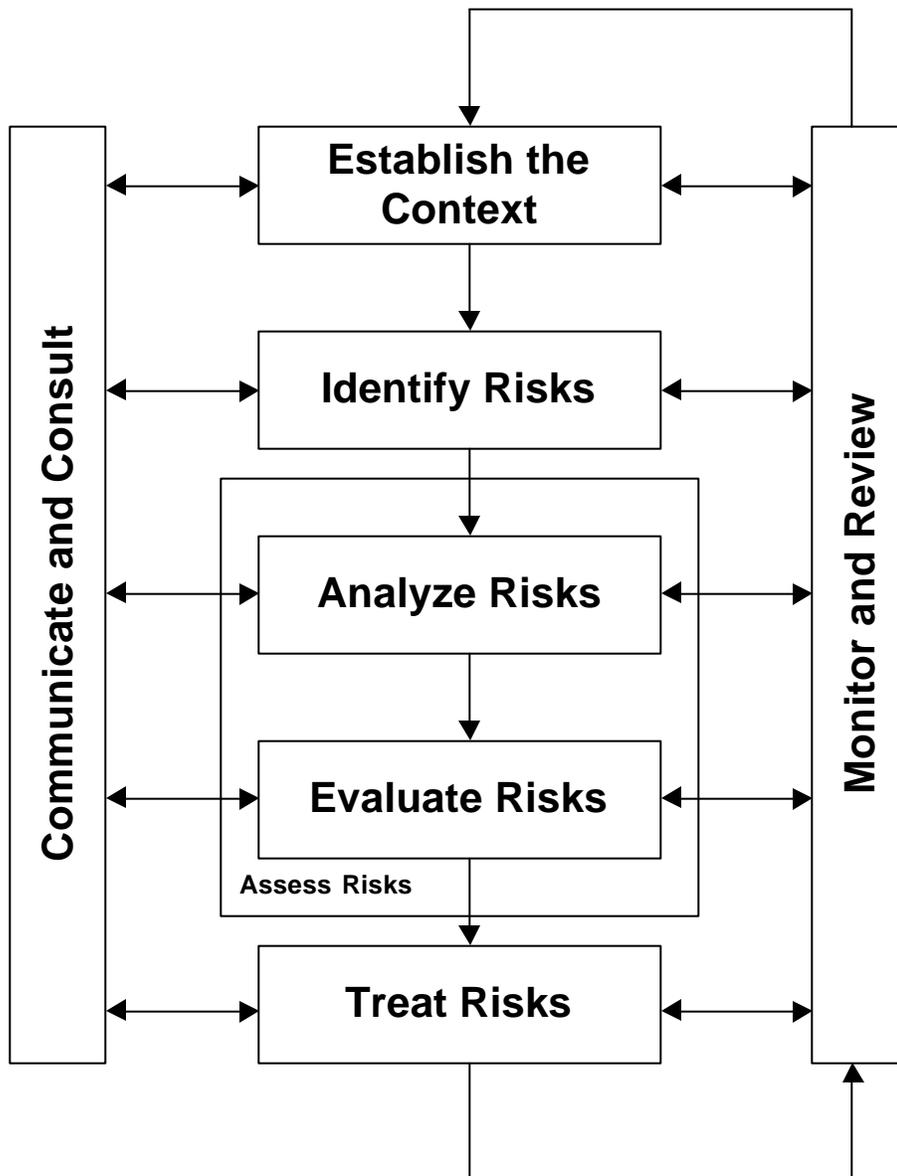
Self Regulatory Activities	Regulatory Assistance Activities	Regulatory Activities	Enforcement Activities
Facilitation Control Information Rulings Training Golden clients Rulings Licensing of brokers KPI monitoring Bonds and Securities	Examinations of cargo Document exams Audit Rulings Leverage exercises Warning letters Minor admin penalties Licence conditions Baggage examination Bonds and securities	Licence suspension or non-renewal Audit – comprehensive Mandatory examinations Serious admin penalties Bonds, securities and bank guarantees	Investigation Prosecution Cargo exam Search of premises Search of transport Licence revocation Detention and forfeiture of goods

RISK MANAGEMENT

We recognise that the application of risk management principles and procedures is essential for the effective management of compliance. We use risk management to identify the risks with which we have to deal, the best approach to meet those risks, and the success of our approach.

We operate on the following risk management model, which is essentially endorsed by the Kyoto Convention, General Annex, Chapter 6:

RISK MANAGEMENT FRAMEWORK



Managing Risk

In the following table we have performed a risk management analysis for the revenue risks faced by Jordan Customs. We have identified risk, and we have identified risk treatments, some of which already occur and some of which will be introduced.

Key Objective	Risk	Risk Treatment
<p>To collect the correct amount of revenue due to the Government from imported and exported goods, based on the correct application of the law relating to tariff classification, valuation and rules of origin</p>	<p>Failure to declare goods.</p> <p>Undervaluation of goods through fraud</p> <p>Undervaluation of goods through error</p> <p>Wrong description of goods leading to wrong classification</p> <p>Use of wrong HS Code (Error)</p> <p>Use of wrong additional codes in declaration to avoid duty (ASYCUDA Field 37)</p> <p>Misuse of concessions (Origin preference) through Fraud</p> <p>Port Shopping</p> <p>Misuse of Concessions and Bank Guarantees in QIZs</p>	<p>Enforcement activity – audit, investigation, prosecution.</p> <p>Improve skills of staff in anti-smuggling unit.</p> <p>Increase penalties</p> <p>Increase international cooperation</p> <p>Increase inter-agency cooperation</p> <p>Enforcement activity – audit, investigation, prosecution.</p> <p>Improve skills of staff in anti-smuggling unit.</p> <p>Increase penalties</p> <p>Improve Brokers skills</p> <p>Increased use of post-transaction audit</p> <p>Target high risk transactions</p> <p>Improve quality of Customs auditors</p> <p>Enforcement activity – audit, investigation, prosecution.</p> <p>Improve skills of staff in anti-smuggling unit.</p> <p>Increase penalties</p> <p>Improve Brokers skills</p> <p>Increased use of post-transaction audit</p> <p>Target high risk transactions</p> <p>Improve quality of Customs auditors</p> <p>Improve Brokers skills</p> <p>Increased use of post-transaction audit</p> <p>Target high risk transactions</p> <p>Improve quality of Customs auditors</p> <p>Enforcement activity – audit, investigation, prosecution.</p> <p>Improve skills of staff in anti-smuggling unit.</p> <p>Increase penalties</p> <p>Increase international cooperation</p> <p>Increase inter-agency cooperation</p> <p>Audit declarations</p> <p>Assess risk</p> <p>Data base for pre-importation advisings</p> <p>Post audit of manufacturers</p> <p>Cooperate with other Govt agencies</p>

Objective	Risk	Treatment
<p>To Administer the Temporary Admissions Legislation without loss of revenue and to facilitate investment and manufacturing in Jordan</p>	<p>That goods will be entered without proper determination of their value (because they are being entered for temporary admission)</p> <p>Insufficient physical examination of goods</p> <p>Some manufacturing co-efficients enter the local market</p> <p>T/A goods are substituted with goods of less value and quality</p> <p>Bank Guarantees are misused</p> <p>Goods not exported within 3 years</p> <p>Problems arise with the transfer of the export burden from manufacturer to another party</p>	<p>Audit of documents and invoices Ensure proper Valuation expertise available Obtain info on similar imports</p> <p>Increase staff capability to search cargoes Introduce new technology to assist</p> <p>Audit using assistance from experts in the field to participate in calculating the manufacturing coefficient percentage to prevent waste entering into local market Use bank guarantees.</p> <p>Obtain and keep samples at time of entry. Inspection at time of export</p> <p>Monitor factory performance to see if capability sufficient to maintain targets.</p> <p>Government to assist in market expansion</p> <p>Departmental approval required for new exporters</p>

Objective	Risk	Treatment
<p>To administer the return of revenue to importers through refunds and drawbacks without loss of revenue and in accordance with the Law</p>	<p>Refunds will be claimed in excess of entitlements (fraud)</p> <p>Drawbacks valued in excess of goods exported</p> <p>Refunds paid after the expiry of the legal term in which refunds can be claimed</p>	<p>Attach original declaration to drawback application (or administer through electronic acquittals) Audit.</p> <p>Physical inspection at time of exportation Compare to value on declaration Increased use of audit.</p> <p>Auditing of dates of payment and legitimate payment period</p>

	<p>Importing foreign goods for manufacture and export – then sell goods into local market and substitute locally sourced materials for export</p> <p>Customs might lose the original declaration under which goods are imported</p>	<p>Physical inspection of re-exported goods</p> <p>Keep original declarations – electronic archive for these declarations</p> <p>Audit</p>
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Objective	Risk	Treatment
<p>To administer transit goods so that goods do not enter unlawfully into Jordan without payment of the correct duty</p>	<p>Wrong value declared for imported goods</p> <p>Goods smuggled within legitimate transit cargo</p> <p>Drivers smuggling goods in vehicle, whether dutiable or illegal</p> <p>Seals on containers not effective allowing goods to be removed without it being apparent</p> <p>Goods substituted in transit</p>	<p>Valuation data base for goods from the export country – update regularly</p> <p>Some targeted inspection</p> <p>Truck specifications checked – suitable for carriage of goods</p> <p>High quality seals</p> <p>High value transactions under customs escort</p> <p>More fines</p> <p>Inspection equipment</p> <p>Inspection equipment</p> <p>More info about drivers – risk assessed</p> <p>More penalties</p> <p>Use improved seals.</p> <p>Use truck tracking equipment.</p> <p>Generally, establish data base about drivers, cargoes etc. Record all smuggling cases. Intelligence to use data for risk assessment. Use external sources</p> <p>Strengthen penalties</p>

Annex I

Participants of the Workshop on Compliance Management

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Mr. Abederoof Yahya Al- Rawashdeh
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Mr, Asam Abd-Alghani Aridah
Mr. Salim Iflieh At-Rawneh
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Mr. Masnour Abu- Azzam