



End of Assignment Report

**Advisor: Des Grimble
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**Submitted by:
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1. Background

Part of the Terms of Reference of the Southern African Global Competitiveness (SAGC) Hub is to assist the Southern African Development Community (SADC) Secretariat in the implementation of trade facilitation initiatives and notably as regards advising on the way forward for the implementation of a functioning Customs Transit regime in the region.

All Customs Administrations in the region have functioning Customs computer systems that contain modules to monitor inward, outward and through Transit transactions. However, the transit regimes operate on a national basis, with differing procedures and documentation, and with varying requirements for providing security for Customs duties and taxes. In particular, large sums of money are tied up in with the Customs Administrations to this purpose and waiting times for clearance at borders can run to days. One or two countries permit the guarantee for Customs duties and taxes to be provided by insurance companies but again this is only provided at individual movement level. This situation leads to substantial direct overhead costs for the trade and transport sector that are ultimately passed on to the business community in the countries, and of course the consumer.

In Europe, two Customs transit regimes have been operating very successfully for many years and have been the mainstay for economic development and the reduction of costs of road transport. These are the TIR and Common/Community (CT) Transit schemes.

The TIR scheme was set up under the United Nations Convention of 1959 and extends to the EU, through the countries of Eastern and central Europe, the Middle East and North Africa. The International Road Transport Union (IRU) manages the TIR system on behalf of the UNECE and the Customs Administrations of the Contracting Parties.

The CT system extends to 22 Contracting Parties (15 EU, 3 EFTA - Norway, Iceland and Switzerland, the Czech and Slovak republics, Hungary and Poland).

The two systems are very different in terms of their legal structure, management and IT systems. CT has recently been enhanced by a New Computerised Transit System (NCTS) that links operators and Customs offices of departure to the operators and Customs offices of Destination. Given the challenge that this new technology represents for the trade and transport community, the IRU has recently developed a sophisticated computerised system that enables trade and transport operators to the new CT and NCTS regimes and take full advantage of its benefits.

2. Purpose of the mission

- To present the principles, legal and procedural requirements, the technical basis and implementation process of the two Customs Transit systems operating in Europe to the Trade and Transport representatives of the private sector in Southern Africa;
- Consider with the audience, as part of the presentation, and SAGCH, the potential for the use of these techniques, either in whole or in part, in the Southern African region, any constraints that may be relevant and any next steps to be undertaken through SADC; and
- Make any recommendations as a result of the meetings and work done.

3. Principal activities

In Gaborone 24/27th. November

I met with SAGCH/USAID representatives to provide them with an overview of the EU transit systems and to prepare/finalise the presentation to the private sector. This was completed without difficulty.

I met informally with Mr. Ramsamy (Secretary General, SADC), together with Mr. Lyimo and Mr. Munyaradzi (SAGCH). The Secretary General's background is the Trade sector so he has a complete understanding of the Transit-related issues in the region. Whilst he was concerned to see that problems of the Customs Transit regime were addressed he was equally concerned that, in any major project, complementary issues related to the carriage of dangerous goods and commercial terms and conditions of Transport /insurance were not neglected. In Europe these matters are dealt with under the CMR Convention and ADR Agreement, managed by UNECE, and full information of these two regimes can be found on the UNECE website (www.UNECE.org).

The Secretary General would await a report from the SAGCH team that covered the existing situation on the ground in each of the countries, identifying the issues and the gaps, together with a proposal for further action. This would necessarily include notes on the Regional Bond Guarantee Scheme under consideration by COMESA since co-operation and co-ordination would be crucial to any successful project implementation.

I mentioned that the SAGCH team did not have the very specific knowledge required to carry out a full feasibility study in preparation for a definitive Customs Transit project and that this would necessarily have to be fielded as a first step (see below).

In Johannesburg, 27/28th. November

I presented the principles, logic and techniques of the TIR and CT Transit regimes to a group of private sector representatives. Copies of the full presentations have been provided to the SAGCH team for distribution as necessary. In addition I have attached at Annex 1 an overview comparison of both regimes.

A full report of the meeting is being prepared by the Chairman (Barney Curtis – FESARTA) and rapporteur (Lin Botha – Mitchell Cotts Freight), together with lists of attendees etc.

Discussions between the participants were wide-ranging. In particular, it was noted that South Africa had already implemented a computerised Transit system that resembled the CT and NCTS systems and that it would be essential to provide links with the Asycuda Customs IT systems running in the majority of the other countries. One of the major difficulties would be the recognition of guarantees at international level and the recoveries of Customs Duties and Taxes when a claim occurred. I emphasised that mutual recognition of guarantees and mutual assistance for recovery action were sine-qua-non conditions to any workable international Customs transit regime, as were the principles of single documents and the acceptance of Customs controls from one State to another.

A number of significant procedural problems were raised, specifically in the area of pre-clearance of goods, clearance to home use at borders (with the physical problems this can bring) and currencies.

In summary, the meeting felt that the CT/NCTS systems were rather more relevant to the Southern African situation. Edward Little, representing the Clearing and Forwarding Agents, felt that the availability of the IT infrastructure in CT/NCTS was a major plus since the implementation of a risk management system, on the top of faster information flows, would be essential to the operation of any new system.

It was recognised that whilst TIR might seem to have some advantages, particularly with its heavy reliance on paper discharge at national level (with which Customs might feel more comfortable), a major problem would be the lack of reliable postal services. Communications infrastructure to support an IT based system was not thought to be so much of a problem given the massive advances that had been made over the last few years and that were still to come.

4. Concluding comments

The meeting's view was that the next step was to commission a feasibility study immediately that would address the issues raised and provide the basis for implementing a full regional project. A team should be

fielded urgently and that the initiative for this must come from the SADC Secretariat. The SADC representative (Mr. Pamacheche) said that the same presentations should now be given to the Heads of Customs meeting that was scheduled for February in Botswana. If the conclusion was the same he would then be able to take the proposal forward to suitable funding institutions.

I recommend that specifically this must include as a minimum:

- Customs Transit procedural and legal expertise;
- Customs and Transit IT application expertise, preferably including someone with a background in Asycuda (the most widely used system in the region);
- IT Telecommunication expertise; and
- Road Transport expertise to ensure that the wider interests of the transport and trading community are taken into account.

I agreed to prepare a concept paper that would spell out the proposal in more detail as soon as possible.

Comparative summary of TIR and CT/NCTS Regimes

Components	TIR	Common Transit
Coverage: Geographical	46 countries in Europe and the Middle East.	22 countries (15 EU, 4 Visegrad, Norway, Iceland and Switzerland)
No. of transactions/yr	2.5 million	20 million
Overall control philosophy	Centralised system	De-centralised system
Overall control procedure	International transit controlled via national checks by Customs at departure, outgoing and incoming borders, and destination.	International transit controlled via door to door system from departure through to destination. TANs (TC 10) at offices of transit only.
Special procedures and simplifications Sealing	100% Customs sealing required.	Sealing mandatory for sensitive and high-risk goods only.
Presentation of goods to Customs at departure and destination	100% presentation required	Presentation may be dispensed with for approved consignors - documents only, subsequently.
Groupage, loading and unloading	One document required, with 6 points for loading and unloading	One document required for 1 point of loading and unloading. Otherwise multiple documents required.
Base document	Standard multi-part security carnet set printed centrally by IRU	Standard multi-part document set printed locally by Customs and/or traders with Customs approval
Mandatory accompanying documents	CMR	CMR Loading lists for multiple consignments TAN (TC 10) for transit offices Guarantee at office of departure
Responsible person for duties and taxes	Holder	Principal
Guarantee schemes	Individual per consignment	Individual (bank guarantee or cash deposit, or flat-rate vouchers) Comprehensive (100% > 50 > 30 or full waiver)
Liability for charges Principal or holder Guarantor	In full per consignment 50,000 USD maximum	In full per consignment In full per consignment under the individual or flat schemes. For the comprehensive guarantee scheme: the limit is the reference amount.

<u>IT infrastructure</u>	SafeTIR – database of terminated carnets held by IRU centrally	Full start-to-end monitoring via NCTS
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