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# Customs Reform and Modernization Activities: Interim Report, July 2003 to November 2005

AMIR II Achievement of Market-Friendly Initiatives and Results

January 2006

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**JORDAN AMIR II**

Achievement of Market-Friendly Initiatives and Results

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Interim Report, July 2003 to November 2005**

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**Data Page**

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## **Abstract**

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Jordan's land borders include Israel, Palestine, Iraq, Syria, and Saudi Arabia. Additionally, Jordan has two international airports (Amman and Aqaba) and a major seaport on the Red Sea at Aqaba. Jordan has the reputation as a stable country in a rough neighborhood. In terms of customs practice, the peer customs administrations in the region recognize the Jordan Customs Department as the most advanced. As confirmation of this statement, the Middle East and North Africa (MENA) national customs administrations repeatedly have selected Jordan as their regional representative to the World Customs Organization (WCO). Jordan Customs Department (JCD) still suffers from many of the stagnating factors slowing reform of Government in Jordan (GOJ), principally an obsolete civil service system and pay systems. This report documents the progress that made during July 2003 to November 2005, points of continuing concern, and areas for potential further development in the JCD as well as border operations generally.

## **Abbreviations and Acronyms**

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AMIR	Achievement of Market-Friendly Initiatives and Results Program
ASEZ(A)	Aqaba Special Economic Zone (Authority)
BMTF	Border Management Task Force
CITS	Customs Integrated Tariff System
CRM	Customs Reform and Modernization
DG	Director General
GOJ	Government of Jordan
H. E.	His Excellency
HCDM	Human Capital Development and Management
HR	Human resources
IU	Intelligence Unit
HS	Harmonized System
ISO	International Standards Organization
JCCAA	Jordan Customs Clearing Agents Association
JCD	Jordan Customs Department
MOU	Memorandum of Understanding
MENA	Middle East and North Africa
MIT	Ministry of Industry and Trade
NGO	Non Government Organization
OGAs	Other Government Agencies (other than Customs)
PMP	Project Management Professional
PSPI	Public Sector Policy Initiative
PM	Prime Minister
PMI	Project Management Institute
SAT	Systems Approach to Training
USAID	United States Agency for International Development
USCBP	United States Customs and Border Protection
WCO	World Customs Organization
WTO	World Trade Organization

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## **Executive Summary and Recommendations**

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The Jordan Customs Department (JCD) has gained from the benefits of both phases of the USAID-funded AMIR Program. The long-term commitment of USAID funding recognizes that the customs administration as the primary gatekeeper at the border is a 'make or break' agency to promote international trade, processing of persons, and security of a nation, particularly in a troubled region. Prior to 2003, the investment from USAID in customs reforms followed the more traditional concerns of building capacity in basic customs functionality. The foundational work started under the first phase of the AMIR Program focused on capacity building activities such as training on tariff classification and value determination under the World Trade Organization (WTO) valuation methodology. Additionally, USAID invested in computer hardware for the JCD through the AMIR Program. Subsequently, the institutional capacity building shifted to the introduction of modern business practice including, as an example, strategic planning and concepts of risk management. By the fourth quarter of 2003, the JCD was foundationally poised to shift from theory to practice on several fronts.

Beginning in the fourth quarter of 2003, the focus of the Customs Reform and Modernization (CRM) subcomponent of the AMIR Program shifted from reviewing the organization and providing recommendations to more hands-on project implementation. The CRM subcomponent reduced the delivery of theoretical training to the JCD. CRM changed the new assistance to the development of specific projects<sup>1</sup> within the JCD in partnership cooperation with USAID's AMIR Program. Some of the more traditional activities carried on, such as training and consultancies to the fledgling Intelligence Department in the JCD and continued support for legislative reforms. Of the more traditional consultancy work in the CRM portfolio, the legislative reforms developed by the JCD in cooperation with CRM consultants are key requirements to some of the new programs introduced in the JCD. New program level activities started in late 2003 and continuing to date required extensive funding and development. As an example, the Human Capital Development and Management (HCDM) activities have required serious technical project management skills to insure that the project remained in scope.

The new projects introduced into the CRM portfolio include shifting to an informed, voluntary compliance strategy within the JCD. To address this strategy,<sup>2</sup> both an information project and a voluntary compliance project were included in CRM activities. The voluntary compliance project balances with negative consequences for non-compliance. As an example, the JCD needs to take a stronger stand against non-compliance of unprofessional customs clearing agents. For the information pillar, the CRM worked with the JCD to launch a web-based information system, the Customs Integrated Tariff System (CITS). The goal of CITS is to be the single rulebook used by

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<sup>1</sup> It is important to note that the shift in focus introduced significantly higher program risks, which were justified by the prior investment in training and general capacity building.

<sup>2</sup> Informed, voluntary compliance simply means taking aggressive steps to make information readily available on the rules to follow for exporting and importing, and rewarding the entities that voluntarily follow those rules.

both government and the private sector for international trade regulatory compliance in Jordan. To promote voluntary compliance, the CRM subcomponent assisted in the development of the JCD Golden List Program. The Golden List Program recognizes those businesses in which the JCD has high confidence as being voluntarily compliant. Additionally, the Golden List Program places Jordan at the leading edge of the focus worldwide for customs administrations to have an active role in supply chain security. Both of these projects took long-term vision and the JCD officially launched them in the summer of 2005.

Another project that shifted from the more traditional customs reform and modernization activities was the introduction of a concept of multi-agency coordination. Customs does not stand alone with regulatory mandates at any country's borders. The JCD recognized that while they are usually blamed when things go wrong at the borders, the problem often is not a direct result of customs. CRM, through a series of workshops, introduced a radically new concept for Jordan to address holistic border management. This is the formation of a task force comprised of members of key border agencies. The job of the task force is to work together and provide recommendations to the GOJ on how to resolve the multi-agency, multi-mandate dilemma. A directive from the Prime Minister formed the Border Management Task Force, giving it a one-year mandate beginning in March 2005 to develop high-level recommendations for better border management in Jordan. The results of this investment in holistic reforms are still unknown. The BMTF has been troubled since the inception both from internal and external problems. Not all critical border mandate agencies appear to support the concept of holistic approaches to government. Further, key persons in the BMTF, notably the chairperson and the supervisor, have changed during the project creating a break in cohesion among the members.

The final macro level project in the CRM portfolio holds the potential and promise for the greatest impact. This is the reforms in human resources (HR) and training. A very modern Human Capital Development and Management software tied to a Systems Approach to Training (SAT) software package have finished a pilot testing phase in the JCD and are now in a full rollout stage. The changes in HR and training business practices rationalize this software for the JCD. The business practices, however still need a long way to go. The continued transfer of employees with no semblance of an impact analysis on current work is a high risk that still needs better solutions. Current practice is to transfer employees in high-skill, specific positions, on a few days notice with no overlap with the replacement person. This problem of a lack of organizational management is systemic in the Government of Jordan (GOJ). One anticipated outcome of entering employees into an automated system based on job descriptions that requires defined skills and competencies will expose the current practices as poor management. The new automated system, in addition to taking a stock take of current employees' skill sets, supports the business practices of the Systems Approach to Training. SAT is a tried and true methodology that manages to close the gap between an employee's skills and his or her job.

## **Recommendations**

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1. Create competency requirements for all clearing agents including those previously licensed.

Basis - Inept clearing agents cause the most critical problem facing the JCD on the quality of the customs declaration process. Modern customs practice relies on accurate self-declaration processes. In modern customs practice, customs administrations routinely accept declarations without a need for further modification. Modern clearing agents or customs brokers are highly competent professionals relied upon by both their clients and government. The level of technical skill of a modern customs broker is comparable to that of a lawyer or engineer. This is not the general state of affairs in this industry in Jordan. With a few exceptions, Jordan's customs clearing agents are the weakest link in the supply chain.

Action – A) The Director General of JCD issues a directive to all customs officers and a copy to the Jordan Customs Clearing Agents Association (JCCAA) requiring that as of 60 days from the date of issuance, customs officers are forbidden from accepting incomplete declarations from any clearing agent. B) Modify licensing of all clearing agents to assign levels of service available from established clearing agents based on historical records and past performance.

2. The JCD commits to continue with the project plan for the human resource and training development through the remainder of the AMIR Program, currently scheduled to end in July 2006, and take full ownership of the project post-AMIR. This commitment requires the JCD to seek approval from the GOJ to reform its pay and incentives system and to modify its code of conduct requirements.

Basis – The foundation for the most significant changes that will occur within the JCD in the next decade is the modification of current HR and training reforms to adapt to best practices. A core cadre of JCD employees now understands the internal management of the most valuable asset of the JCD, the collective knowledge and skills of its employees. In the collective opinion of the CRM HR team, the concepts that the new HCDM/SAT software will support has clicked into place within the JCD project team. The software that USAID purchased for the pilot project and that they approved for a full rollout to the JCD is a very powerful tool that supports best business practices in HR and training. The one important roadblock that will challenge the greatest of intents by Customs to modernize human resources is the current pay and incentives systems. As an example, in the opinion of the CRM team of experts, the incentives tied to the “discovery” of violations are a root cause of many of the problems in the JCD including inappropriate motivation and objectives of work performed. In many ways, the JCD is a loose coalition of independent bounty hunters.

Action – A) The JCD continues the rollout of the HR and training reforms as currently planned with USAID support through the AMIR Program. B) The JCD elaborates the 2005-2007 Strategic Plan to coincide with the milestones in the HR and training project plan. C) The payment of incentives, particularly those tied to violations, must stop. To accomplish this recommendation will require a project in itself. As a first step, the JCD should formally request support and approval from the highest levels of Government to take the JCD out of the current civil service pay system as a pilot project within

government. With the approval of highest levels of the GOJ, the JCD should use the skills gained in formal project management over the last two years and supported by the sophisticated, modern HR system in place, and design a project to restructure pay and compensation systems for JCD employees. The project planning should follow the Project Management Institute processes, in which many JCD employees have been trained with the support of USAID and its AMIR Program. The JCD may wish to consider seeking donor support for this project to reform pay and incentives.

D) The JCD needs to tighten the integrity provisions for their employees. As part of the request for approval to pilot pay and incentives reform, the JCD should consider including integrity performance as part of the pay reforms. This would include the expansion at the agency level of the Code of Conduct and a related Table of Offences. As an example, customs officers would have to file personal financial statements with the JCD; officers would sign an acknowledgement of the code of conduct contents and would understand that following the code would be a condition of employment; and code of conduct would include mandatory provisions to answer all questions truthfully during a code of conduct inquiry.<sup>3</sup>

E) The JCD has asked the World Customs Organization (WCO) to monitor the HR and Training Reforms of the JCD. The WCO has been disappointingly lackadaisical in responding to this request. The JCD should take the initiative and host a workshop no later than summer of 2006, inviting all members of the WCO Member States to attend. This workshop will be an opportunity for the JCD to share the knowledge gained through the USAID-funded HR and training reforms particularly with other developing country customs administrations. Seeking donor and private sector funding assistance for this activity would be appropriate.

3. Complete the software development of CITS version 2 and put into practice complementary business processes within the JCD matching the power of CITS.

Basis – The JCD needed significant improvement to communicate changes in regulatory requirements both within the JCD and with external stakeholders. To address this need, the CRM team assisted the JCD in building what we believe is the world’s best integrated tariff system, CITS. The CITS version 1 was a seriously challenged project. Both the AMIR Program and the JCD made errors in this project, primarily because of weak project planning. CITS was launched in July 2005 and is currently available in Arabic to all users on the JCD website. The AMIR Program is currently helping to build a version 2 of CITS to correct missed targets in the version 1 and to create an unofficial English version of CITS. Since its launch, the JCD and the other border agencies are not fully utilizing the power of CITS as a reform tool. Moreover, the Tariff Directorate at the JCD has not adequately modified business practices to insure the value of CITS to the organization. This practice must change or CITS will befall the same fate as was discovered in the build of CITS. The primary declaration-processing engine of the JCD, ASYCUDA, contained inaccurate data with legal implications.

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<sup>3</sup> In customs administrations in other countries this provision is included and does not conflict with rights against self-incrimination, which is a criminal prosecution protection. Once the Government grants immunity against criminal prosecution, the employee must answer truthfully even to admissions of a violation of the code of conduct resulting in dismissal. Failure to answer truthfully is itself a dismissible offence under the code of conduct. This follows the general practice of recognizing employment is a privilege, not a right.

Action: - The JCD should commit full resources to the building of version 2 of CITS, including a project manager<sup>4</sup> that will work with the CRM team. This will include:

A) When building version 2, the AMIR Program and JCD both must follow the formal project management processes of the Project Management Institute to minimize risks; otherwise, the project will be challenged or fail.

B) The JCD Tariff Directorate will reorganize internal work processes to coincide with the CITS maintenance and workflow advantages to prevent the same failures that have occurred over the last few years in ASYCUDA data. This workflow reorganization should follow the recommendations of the CRM technical advisors.

C) The newly formed Quality Management Directorate should pay particular attention over the next year to the processes within the Tariff Directorate to insure that employees are following documented processes.

D) The Customs IT Directorate will complete the portion of the CITS project that from the start have been under their exclusive expertise, *viz.*, the full integration of CITS to ASYCUDA. If problems persist, the IT Directorate should seriously consider accepting external assistance with the CITS to ASYCUDA integration. The JCD IT Directorate must build the integration using processes including full documentation of the project following best business practices for IT as defined by the International Standards Organization (ISO).<sup>5</sup>

E) The JCD has one of the most powerful tools to coordinate the issuance of regulations between the border mandate agencies in CITS. The JCD should begin immediately to demonstrate a leadership role of regulation issuance coordination with Other Government Agencies (OGAs) by actively establishing formal agreements with the OGAs to consult with Customs through CITS prior to issuing new regulations to insure correct tariff classifications. Based on volume of regulations issued, the Ministry of Industry and Trade (MIT) should be the first OGA selected for this process.

F) The JCD should review the registered users of CITS and identify the customs clearing agents that are not routinely using CITS to validate the content of the declarations they file. Demonstration of the ability of the clearing agents to use CITS should be included in the mandatory test of clearing agents.

4. The JCD uses the Automated Reports Tracking System (ARTS), developed by USAID through its AMIR Program, for both the management of the AMIR 2.0 Program recommendations and the management of the JCD 2005 -2007 Strategic Plan.

Basis – In 2004 the CRM team took a serious look at the way in which we were assisting the JCD and Jordan. Part of the analysis identified that CRM was providing reports to Customs in English that were only sitting on shelves. To foster involvement of the JCD and make them accountable, AMIR Program staff and consultants built a new software program to track the reports and recommendations provided to the JCD and allow Customs to give feed back. This software provides a formal tool for the JCD to give back

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<sup>4</sup> The author understands that because of pay consequences in the current Civil Service Law, the JCD may not use the term “manager” in a title. Accordingly, we refer to the project manager as a job function and not a title.

<sup>5</sup> The practice of building or modifying software by JCD employees themselves is a questionable practice. It is hard for any customs administration to justify programmers. Certainly, the JCD IT Directorate must follow the same industry standards as any professional software development organization if they are going into software development.

to AMIR the status of the recommendations. The JCD review of CRM recommendations identifies the acceptance of the recommendation and begins tracking the progress made against the recommendation. ARTS is also a tool that the JCD can use for tracking and managing its own strategic projects.

Action – The JCD needs to use the ARTS software provided to them.

A) By end-February 2006 the JCD should complete the review of all AMIR Program 2.0 recommendations and confirm their status. The JCD would answer the following queries: Was the recommendation accepted and if not, why? If the recommendation is accepted, what is the status of the recommendation: (i) put in practice, (ii) in progress, and (iii) who is the owner of the change process? The JCD Organization and Planning Directorate will exchange data with the AMIR Program on a monthly basis through May 2006. The JCD will incorporate the recommendations accepted and remaining open at the end of May 2006 into the JCD strategic planning. At that time, the AMIR Program will turn ownership of the ARTS system over to the JCD and release the source code permitting the JCD to have a professional programmer modify the software to meet the JCD needs.

B) The ARTS system has an excellent capacity for management of the JCD's internal strategic planning. Within four months of receiving full ownership of ARTS the JCD should enter into the ARTS system the output and actions of the JCD 2005 – 2007 Strategic Plan. The JCD will assign individual owners (not just at the organizational level) of each of the Strategic Plan actionable items and track progress. On a quarterly basis for the remainder of the 2005 to 2007 period, the Organization and Planning Directorate will prepare a report on the progress against the strategic plan.

5. Expansion of Golden List Program within Jordan and to other developing economies.

Basis – Jordan Customs Department has an obligation to Jordan to expand the participation of companies in the Golden List Program. The Golden List is a mutually supportive program between the private sector in Jordan and the JCD. The JCD must not fail their good partners. The Golden List is not just about Jordan Customs or the current participating companies but also about telling the world about Jordan's business environment. As reported by the JCD Director of Organization and Planning after attending a recent meeting of the WCO, Jordan also is the world leader outside of one or possibly two other countries that has a program in place to meet the needs of the June 2005 WCO "Framework of Standards to Secure and Facilitate Global Trade." In helping the JCD achieve this world leadership status, USAID deserves a return on investment. The JCD has the power to leverage significantly the donor assistance provided to Jordan by the United States. USAID/Jordan is the first and only assistance program that has helped a customs administration in developing their program to meet the new WCO Framework of Standards to improve supply chain security. Other developing economy countries can also benefit if Jordan will pay back the investment of USAID. Jordan, by actively assuming a world leadership role, can help other developing countries recognize they too can secure and facilitate global trade.

Action – A) The JCD should meet at least once a quarter with all Golden List partners in a forum beginning no later than the first quarter of 2006. From these meetings the JCD must take steps to respond to the needs of their best clients. B) The JCD should write an article for submission to "WCO News" on the Golden List Program development. C) No

later than the summer of 2006, the JCD should invite and host a conference for customs administrations in other developing economies to share how the JCD, with donor assistance, developed the Golden List Program. This conference should include an invitation to all major international donor organizations. The JCD should consider seeking both donor and private sector support for this conference. D) The JCD should consider inviting the WCO to study the Jordan Golden List Program and the USAID-funded processes through the AMIR Program as a model to build similar projects in other developing economies.

#### 6. Quality Directorate Expansion

Background – The Jordan Customs has fully engaged in using the ISO 9001-2000 standards for quality management to continuously improve their operations. This is another example of fundamental change in the JCD by making quality management a guiding principle and not just an ISO certification to hang on the wall.

Action – By the spring of 2006 the JCD new Quality Audit Directorate will complete a project plan to expand the quality management service wide within the next 2 years. The plan will identify actionable milestones.

7. JCD and the Aqaba Special Economic Zone Authority (ASEZA) Customs should take the leadership in merging the JCD and the ASEZ Customs.

Background – Jordan has an anomaly of having two customs administrations in one country. The fragmentation of the primary border agency responsibility has proven not to be in the best interests of Jordan. How and why Jordan created a separate customs administration in the Aqaba Special Economic Zone is a lesson that all participants in the process should study that a similar situation is avoided in the future. The Director General of Customs, Engineer Alaa Batayneh, has an excellent attitude towards correcting discovered problems. In a recent discussion with the CRM manager on correcting historical errors the DG expressed his philosophy of “Let’s not play the blame game, let’s just fix it.” This same starting point can correct this anomaly of two customs. The ASEZA Law gives ASEZA the right to have a separate customs administration. It also means they have the right and the power to correct the problem by agreement to unification. Likewise, the Border Management Task Force (BMTF) task is to make recommendations for holistic, multi-agency coordination at the borders. Depending on the quality of their work, suggestions on how to resolve this specific dilemma may emerge such as the tried and historically successful application of cross-designation, memoranda of understanding among agencies and service level agreements for multi-agency coordination.

Action – A) The JCD and the ASEZ Customs need to progress to the “let’s just fix it” stage. As a first step, by the end of the first quarter of 2006 the JCD and ASEZ should sign a letter of mutual understanding with recognition by both sides that the dual customs administrations is hurting Jordan. Both sides need to agree on a high-level project plan to unify the two administrations with measurable milestones and indicators, and commit personnel resources to the project. The letter of mutual understanding and recognition should commit both organizations to a progressively harsh voluntary budget cut for failure to meet the project schedule. Both organizations should make this MOU public. B) The JCD and ASEZ should also hire a private sector, certified project manager to

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oversee the project. This project will follow the full Project Management Institute project processes including cost and schedule performance tracking. C) The mutually chartered project from JCD and ASEZ Customs will kick off by the end of the second quarter of 2006. D) The JCD and ASEZ Customs will report progress against indicators in an open forum on scheduled date of each milestone.

## **1. Background and Objectives of Consultancy**

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The Jordan Customs Department (JCD) has made significant progress on reforms over the life of the USAID-funded AMIR Program. Relatively speaking, the JCD is now informally ranked through a polling of the CRM Subcomponent consultants as in at least the top one-third of all customs administrations regarding technical capacity. They are also progressing up the scale. That does not mean that areas do not still exist for significant improvement. The first year work plan for the CRM Subcomponent best summarizes the long-range goals of CRM in the AMIR 2.0 Program.

“Under the AMIR 1.0 Program, USAID funded substantial assistance to the Jordanian Customs Department, aimed at introducing international best practices, including extensive automation of Customs clearance procedures. AMIR 2.0 will continue this process of improvement, focusing on development of a customer focus among Customs staff, increasing automation, linking Customs to e-government initiatives, and coordinating with other government bodies, such as the Ministries of Health, Agriculture, and Industry and Trade, which exercise important functions with respect to entry of goods into the country. AMIR 2.0 will focus significantly on IT initiatives in Customs, both for internal operations and information purposes and for improved communications with the public and with other Government bodies. AMIR 2.0 will also devote considerable resources to resolving important technical issues particularly those involving WTO compliance and adoption of international best practices. These issues include amending customs laws and regulations to comply with the World Customs Organization (WCO) Kyoto Convention on simplification and harmonization of customs procedures.”

In the initial planning for 2003 the focus on technical assistance to the JCD shifted to “...a focus on commercial operations, warehousing and *entrepôt* goods, post-entry audit, and the human resources development/human resources management environment. Additionally, Customs with AMIR has established a lead in the field of risk management. This plan suggested a degree of resource sharing (training, data and equipment) among the Ministries of Health, Agriculture, JISM, and ASEZA that all exercise important functions with respect to the facilitation of international trade. The process of amending Customs laws and regulations to comply with all WTO requirements and the requirements of the World Customs Organization (WCO) Kyoto Convention on simplification and harmonization of Customs procedures continued.” In 2003 the program and work with the JCD suffered from a setback in progress. This was due to the evacuations of the expatriate consultants in early 2003 at the commencement of the invasion of Iraq.

When the current CRM subcomponent manager arrived in Jordan In July 2003, the project was still in a recuperation phase from the evacuation. During the evacuation, the local staff had done an excellent job making progress with much needed translations such as the translation into Arabic of the Revised Kyoto Convention.

Beginning in the fall of 2003, the CRM subcomponent began a shift from the more traditional cycle of consultancy – report – recommendations – consultancy to the “hands-on” approach of co-ownership of projects between the JCD and the AMIR Program. Hands-on technical assistance required the identification of specific “projects” within a portfolio. In essence, the CRM subcomponent became more “program like” than the previous practice. As an example, in the introduction of the due diligence and the eventual development of the JCD Golden List Program, the CRM subcomponent introduced a shift away from only working with the JCD and the GOJ to working with the private sector on customs reforms. The shift in approach opened the opportunity for the issuance of the first grant under the Public Sector Policy Initiative (PSPI) component. The new emphasis on public and private partnership recognized the needs of Jordan for competitive advantage changes.<sup>6</sup>

Competitive advantage reforms shifted the CRM portfolio to a higher risk. Competitive advantage reforms changed part of CRM work from ‘catch-up’ to what other countries customs administrations have done to what they will do in the future. The risk is correctly projecting what will be the mandates of the future (in the case of the CRM customs administrations and international trade). As a competitive advantage target for Jordan, the CRM manager selected an increased role for the JCD in the validation of supply chain security. The role of the JCD in supply chain security was incorporated into the due diligence development project. The competitive advantage strategy has paid off. Jordan is one of less than a handful of countries in the world that has a program meeting the customs-public partnership standards of the June 2005 WCO “Framework of Standards to Secure and Facilitate Global Trade.”

Over the reporting period, eleven primary focus areas covered the CRM pre-defined AMIR Program objectives as mandated by USAID. The largest grouping of activities is reform of human resources and training. Second to the HR focus area was the two-pillar approach of an informed, voluntary compliance strategy. The informed, voluntary compliance strategy shifts a greater obligation to the private sector to be compliant with the regulations. It also places a serious obligation squarely on government to have readily available information to the public. The following section of this report covers the eleven project areas.

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<sup>6</sup> This consultant have defined competitive advantage focus as identify how government can support the private sector in their country over the private sector in other countries while staying within the limits of international agreements.

## **2. Significant Projects and Key Outcomes**

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### **2.1 Border Management Task Force**

Upon arrival in Jordan, the CRM manager initially found a high concern by both the private sector and government on an anomaly of the existence of two customs administrations in one country. In a press report, His Majesty King Abdullah issued a directive to integrate the operations of Jordan National Customs and the ASEZ Customs. The press report stated:

"His Majesty King Abdullah visited the Customs Department at Aqaba Port Sunday July 27. During a meeting with officials, the King directed concerned authorities to put in place a strategy to upgrade the port and facilitate the movement of goods. His Majesty King Abdullah stressed the need to complete planned measures to **unify customs procedures** in Aqaba by the end of the year, to facilitate the smooth flow of goods through this city's port. At a meeting chaired by the Monarch, the King directed concerned authorities to draw up a five-year strategy put into effect in the next few months to upgrade the port in consideration of Aqaba's status as a special economic zone. His Majesty also checked upon the port's customs unit, set up upon his directives following a surprise visit the King made to the department last year".

The greater issues involve multiple agencies other than just the two agencies of Jordanian Customs and ASEZ Customs that must work in a coordinated effort to meet the national objectives. While the national customs administration, acting as the lead agency for the clearance of goods, will take the blame for inefficient borders, the existence of more than one agency with a border mandate compounds the potential problems. A holistic approach to border operations is required. To address the holistic approach issue, in August 2003 the CRM manager prepared a proposal for the formation of a Border Management Task Force.<sup>7</sup> With the concurrence of visionaries in the JCD, AMIR Program management and USAID, the formation of a BMTF using allocated CRM funding was included in the work plan.

2.1.1. Investment - \$132,614 / 4.78% of CRM budget<sup>8</sup>

2.1.2 Goal - Apply multi-agency approach to border management.

2.1.3 Process – Formation of a Border Management Task Force.

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<sup>7</sup> AMIR document "Task Force Workshop" Walter Hekala, August 20, 2003 (Task force proposal\_final.doc)

<sup>8</sup> The projected budget for the CRM Subcomponent for the period of September 2003 to July 2006 is \$2,776,614. While the figures are not exact, the reporting consultant would place the reported amounts invested in each major subgroup of activities within 3 Sigma.

The formation of a Border Management Task Force required multi-agency commitment. As in every country, the border mandate agencies have a relative ranking of importance. In Jordan, in addition to Customs the assessment, identified key agencies that included Public Security, General Intelligence, and the Jordanian Army. Secondary but critical agencies because of trade-related regulatory authorities including Ministries of Trade, Health, Transport, and Agriculture, the Jordan Institute of Standards and Metrology, and ASEZA. To gather commitment from the GOJ, in October 2003 The AMIR Program introduced to the Minister of Finance the concepts of creating a multi-agency task force with a limited duration mandate to provide high-level recommendations for holistic border management in Jordan. Additionally, the CRM team gave a presentation to other key players in the critical agencies to gain their support.<sup>9</sup>

A key element to the success of any multi-agency endeavor such as the BMTF is having an external champion. Initial recommendations were to have the Ministry of Planning participate and help select the champion, identified as the BMTF Chairperson. The Private Sector Policy Initiative (PSPI) Component Manager and the CRM Manager discussed the concepts for the BMTF and recommendations for the foundational steps with the Ministry of Planning. However, for unknown reasons, the Ministry of Planning subsequently declined to participate in this role. (As will be further identified, the lack of a highest-level champion has significantly affected the BMTF.)

CRM conducted two workshops in Jordan in late 2003 and early 2004 to introduce task force concepts to key agencies. The final objective of the workshops was for the participants to prepare documents with recommendations for the formation of a Border Management Task Force. This included an interagency agreement for the BMTF, identification of funding sources, and suggestions for gaining highest-level government support for the task force work. In the invitation, CRM provided each of the agencies with a candidate profile for the attendee from their organization. The candidate profile was the profile the consultant later introduced as a potential candidate profile for membership in the BMTF. Key elements to the profile are:

- Mid-level to upper-level manager viewed as a potential organization leader;<sup>10</sup>
- Fully cognizant of the organization mandate and operations;
- Highly respected within the organization and trusted by the head of the organization; and
- Empowered on a routine basis to commit significant resources of the organization to meet objectives.

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<sup>9</sup> AMIR presentation “Task Force Concepts” Walter Hekala, December 2003 (Task Force PP Dual language\_v2.ppt)

<sup>10</sup> As an example, CRM staff asked the participating agencies to nominate candidates that they would send to a one-year graduate program. The expected return on investment would be over another ten to fifteen years of employment by the candidate.

A final key process in the planning for the formation of the BMTF was the identification of the formation of the BMTF as a condition precedent for the release of US funding to the GOJ. The USAID funding commitment in return would cover the costs for subsidized activities in support of the BMTF including training, equipment usage, a potential study tour and technical advisors to the BMTF.

2.1.4 Outcome – BMTF formed in April 2005, recommendations in process, value of recommendations may be challenged by key stakeholders in participating government agencies.

The two workshops delivered by CRM generally had candidates believed to meet the profile. By the end of the first workshop, the participants fully understood the suggested concept of a task force as opposed to a working group or committee. They had also internalized the very non-traditional concepts of management by consensus. The workshops resulted in the preparation of key outcome documents including:

- BMTF mission statement;
- Model inter-agency agreement; and
- Protocol recommending the formation of a BMTF and requesting a review of their work by the Prime Minister.

In a signed protocol, the participants directed the JCD on their behalf to take the lead to move forward in seeking approval from the Prime Minister (PM) to form the BMTF. The routing for the request to the PM recommended the Ministry of Planning as the lead, since that agency would act as a “neutral stakeholder” as the process champion. The concern of the participants, and rightly so, was that a proposal from any of the border mandate agencies could give the impression of ownership of the BMTF to that agency. Following the Protocol, the JCD prepared cover letters and submitted the BMTF formational documents to the Minister of Finance who in turn forwarded them to the Minister of Planning. The Minister of Planning declined to submit the proposal to the Prime Minister stating it was not within their mandate and returned the proposal to the Minister of Finance. Subsequently, after discussions with AMIR Program and USAID representatives, the Minister of Finance submitted the proposal for the formation of the BMTF to the Prime Minister directly. The Prime Minister and Cabinet approved the formation of the BMTF. The PM issued a directive to form the BMTF with the authority to appoint a chairperson to the Minister of Finance and the BMTF supervisor represented by the JCD. The Government gave the BMTF a one-year mandate to prepare recommendations against the BMTF mission statement.

"The mission of the BMTF Joint Task Force is to bring together the major participants in the border processes, including public officials and agencies, in order to cooperate for the purpose of formulating positions on issues of national interest, leading to consensus or mutual understanding

of differences of opinion on those issues and developing recommendations for consolidation of border process."

After much wrangling over the appointment of members from the agencies named in the Prime Minister's directive, the BMTF members came together in a kickoff workshop funded by USAID during 5-7 April 2005. Notably and unfortunately, none of the initial participants who participated in the foundational workshops and understood the background for the BMTF were among the final selected participants. Accordingly, not all participants met the candidate profile. The chairperson selected by the Minister of Finance was also not in attendance. The kickoff workshop had to cover much of the same ground as the initial workshops; however, the participants produced an initial work plan for the BMTF and a project risk analysis. By bad luck, one of the addressed risks occurred on the last day of the workshop, which was a change in Government including a new Minister of Finance. This change left the BMTF orphaned and without a champion. Task force members lost both ministerial-level support and the chairperson also resigned from the post.

The BMTF proceeded to set up shop, notably under a subcontract for unused space of the AMIR Program. The Director General of Customs fulfilled the role of caretaker for the BMTF in the absence of a chairperson to get them started. The BMTF began working on a series of studies of border activities for potential consolidation. Subsequently the BMTF, befell a further shift in management with a change in the Director General of Customs in May 2005. The result was the appointment of a new JCD member to the BMTF. Unfortunately, because of the foundational documents, the mandate for the supervisor was to be the JCD representative and hence the newest member of the Task Force became the supervisor. The "supervisor" role to the newly appointed JCD member in a consensus management style appeared to be an unknown concept. The result in the group dynamics of the introduction of the new member again created serious group dysfunction. The issue of the new supervisor and its impact were raised to the new Director General of Customs; however, the new supervisor remained in place and the BMTF has suffered continued dysfunction.

As part of this report, the BMTF completed some beneficial work to identify work overlap at the borders. The BMTF submitted some work product to the CRM consultant assigned as a technical expert for review and comment. Generally, the opinion of the work reviewed is that while it is accurate, the analysis is shallow. Unfortunately, because of an unknown agenda, the BMTF is preparing recommendations based on the limited research. The CRM consultants have suggested to the BMTF members that further research would likely lead them to making other recommendations. The outcome of the BMTF will likely be unknown, however, the general instability of the GOJ in its Cabinet and other personnel changes makes progress repressed. Consequently, key outcomes and recommendations that could be of tremendous long-term benefit to Jordan may be lost in the continuing shuffle of the deck.

The value of the unique opportunities in the formation of the BMTF in Jordan may be low. Clearly, there are key upper and mid-level managers in some agencies that understand the vital concept of holistic border management. Others in key roles do not. The BMTF and the agenda have become lost in the GOJ “shuffling of the deck”. As a result, the work product of the BMTF even if well produced may be lost. As recognized by USAID’s Cognizant Technical Officer for the AMIR Program, in the end the BMTF is a GOJ responsibility. The suggested strategy is to continue the technical support to the BMTF through the submission of their report and recommendations to insure that the best possible recommendations are forthcoming but recognizing that both political and personal agendas have overcome the potential for the BMTF.

2.1.5 Lessons learned and recommendations – GOJ instability is a significant risk to continued long-range planning and commitments.

Holistic approaches to border management are critical to both trade facilitation and border security. The formation of a BMTF is a good idea to raise above the political agency rivalries that occur in every government. What the BMTF in Jordan lacked, and still lacks, is a powerful but neutral champion. The initial proposal envisioned that the Minister of Planning would fulfill this role to get the ball rolling, and for whatever reason he backed out. The results suggest that without the backing and patronage of the Royal Court or the Prime Minister, the BMTF faced challenges from the start. The Royal Court has the only long-term stability in Government. Had the BMTF started with a Royal Court mandate, including the selection of suggested candidates and a chairperson with the desired profiles, then the outcome and results would have a much higher chance of success. The question then is how to raise the profile of the BMTF to the level of the Royal Court within the limits of the political agendas in Jordan. The consultant suggests, in retrospect, that the BMTF concepts would have been better started external to government. The private sector, rather than government agencies, would have been more effective in raising the profile. Once the private sector championed the concept to the Royal Court, then participating government agencies would follow the trickle down mandate.

## **2.2 Legal Issues**

2.2.1. Investment - \$174,264 / 6.28% of CRM budget

2.2.2 Goal - Reform the legal and regulatory environment in Customs

2.2.3 Process – Consultancies to the JCD on legal reform drafting and building external awareness of reforms.

Jordan’s Customs Law is relatively modern yet excludes some key concepts to support international trade. The CRM strategy was to have leading international consultants work directly with the JCD on drafting amendments to the Customs

Law to fill the gaps. The Revised Kyoto Convention provided the foundational basis to justify the selected changes. Additionally, CRM consultants identified regulatory changes external to customs as one area of required legal reform. For example, the types of securities accepted by the JCD should include customs bonds offered as a product of the insurance sector. Addressing the issue of customs bonds also requires the insurance sector to have the authority to issue and willingness to offer the product. As a result, the process also included a grant to build awareness and drive business motivation to offer this product in the Jordan insurance market.

2.2.4 Outcome – JCD Legal Department staff, supported by CRM technical legal experts, wrote legislative amendments and submitted them to GOJ. These amendments are currently stalled in Government and are pending submission to the Parliament. Confidence remains high that the reforms will ultimately pass through Parliament.

Through the analysis and drafting process, the JCD followed the CRM workshop recommendations, and prepared a series of amendments to the Customs Law and submitted them to the GOJ. The CRM legal consultants hold the opinion that when these amendments are adopted Jordan will move into full compliance with the revised Kyoto Convention. The amendments include critical points tied to other parts of the reform package already in place in Jordan. These include provisions related to voluntary disclosure that are critical to voluntary compliance. As the law now stands, there is a negative incentive for a company to come forward and correct unintended errors and omissions. In fact, a company could potentially face criminal charges for voluntary disclosure. (There is also a positive incentive to customs officers not to see this change go thorough. Under the “bounty hunter” system in Jordan, they will no longer personally receive a part of any additional payment from this “discovered” violation.) A second example in the reform package is a provision for binding rulings. A binding ruling legally binds the JCD to follow a ruling they make in advance of importation even if it turns out later they want to change their opinion.

Another very important part of the pending legislative changes is an amendment to permit customs bonds issued by insurance companies as a form of security accepted by the JCD. A customs bond is nothing more than a specific type of performance bond. Customs bonds will introduce an entirely new insurance product into Jordan. Initial research has identified that millions of Jordanian Dinars (JD) are locked up in bank deposits as securities that could be more efficiently used as working capital.

2.2.5 Lessons learned and recommendations – Legal reforms in Jordan are slow and need external push.

The customs legal reform package is currently stalled in the Legislative Bureau under the Prime Minister. Attempts by the JCD and the Minister of Finance have

not prevailed in getting the package moving. The CRM manager has raised the issue to USAID and requested political assistance. However, the JCD has also raised a concern that if USAID pushes too hard, the result will be negative and that the Government will perceive the legal reform package as “an American agenda.” The lesson learned from this process is that a legislative reform package would likely have fared better if the initial workshops had included a participant from the Legislative Bureau to gain a champion from within that office.

### **2.3 Intelligence Unit Support**

A functional intelligence capability in every customs administration can greatly increase the capacity to detect and target non-compliant shipments. Intelligence requires raw data and tools and skills to manipulate that data. Intelligence for customs administrations starts with a serious look at historical violations, finding the common factors and projecting the likelihood of future violations based on those findings. Currently, the JCD does not use the tools it has already to support the Intelligence Unit. CRM stopped technical assistance to the Intelligence Unit pending internal reforms in Customs.

2.3.1. Investment - \$109,022 / 3.93% of CRM budget

2.3.2 Goal - Provide a better process for identifying high-risk shipments

2.3.3 Process – Technical consultancies

An ongoing activity in July 2003 was the development and support for an Intelligence Unit (IU) in Customs. The JCD formed the Intelligence Unit as the result of prior recommendations from CRM consultants. The IU staff was the beneficiary of several workshops by CRM consultants. Unfortunately, the Head of the Intelligence Unit had a pre-conceived expectation on the expected level of support from the AMIR Program. In essence, his expectations included full funding from USAID for both hardware and software to support the intelligence process, extended study tours to other customs administrations and a long-term technical consultancy specifically targeting support for the IU. The expected level of assistance was unrealistic to the CRM budget. Unfortunately, the CRM manager discovered that the foundation for these unrealistic expectations were statements to JCD counterparts from a CRM short-term consultant.

As a middle ground, limited short-term consultancies continued. As a result, a series of recommendations identified steps that the IU should initiate to gather intelligence from front-line customs inspectors and market the IU to front-line customs officers. Additionally the CRM consultancies identified that software exists within the current JCD systems that could be a potential tool. If properly applied, that software could tremendously increase the amount of data available for analysis. This software is the JCD internally developed “Cases” system. “Cases” is the system built by the JCD IT Directorate to store and track customs records of violations. Its primary use is to track open cases and penalties. Additionally, at least from the perspective of the customs officers involved in the

discovery of violations, officers use “Cases” more importantly as the foundational system for the dispersing of “incentives<sup>11</sup>” tied to the violations. The system has a very good potential for creating a database of historical violations for analysis by the IU. The Head of the IU also recognized the potential for the Cases system.

CRM provided a specific consultancy looking at the Cases system. The result documented in a report to the JCD identified a series of steps to make Cases a usable tool for intelligence. Customs terribly underutilized this tool. The system itself has serious faults but they are correctable. Examples identified by the consultancy include not requiring mandatory fields and permitting free text fields that make statistical analysis difficult. As a specific example, the reporting units of measurement for the seizure of a shipment of cigarettes are the number of cigarettes, the number of boxes, or cartons or even by weight. A user group of the Cases data should decide on the correct measurement unit.

#### 2.3.4 Outcome – Further assistance is unjustified at present.

A return on investment to date justified no further investment pending the JCD following up on the specific recommendations related to the Cases system. The CRM manager stopped the technical assistance to the IU.

#### 2.3.5 Lessons learned and recommendations – Modified internal CRM project management practices.

The short-term consultants should clearly understand that they have no authority to commit project resources. The lesson learned is to verify this understanding by short-term consultants. The specific recommendation regarding the development of the intelligence capability within the JCD is to make the redevelopment of the Cases system a future conditionality for direct funds disbursement.

## **2.4 Human Resources and Training**

The largest commitment of the CRM budget has gone to reach highest goal in providing technical assistance, self-sustainability for self-initiated further changes. The goal is for the JCD to do themselves what donor funded consultancies attempt to do, find areas of weakness, eliminate the root cause of those weaknesses and make progressive changes. The quality of the knowledge, and the sharing and management of the organizational knowledge affects the ability of an organization to make change. Externally delivered and externally funded training does not reach for this goal but in some cases has perpetuated a dependency on donor-assisted training.

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<sup>11</sup> “Under a legally-based system, JCD officers are paid a proportion of the penalties collected by customs. In the opinion of CRM staff and consultants, the “incentives” pay system that covers a wide range of payments to customs officers in addition to base salaries is a root cause of many of the problems that persist in the JCD. The HR and Training reforms section further addresses the incentives pay system.

By the fall of 2003, the JCD progressed through the prior technical assistance from USAID and most notably by the German Government development agency GTZ, to have foundational building blocks in place to justify the investment in further technical assistance focusing on Human Capital Development and Management reforms. The CRM technical assistance program approach was to tie a long-term business reform plan to the acquisition of software to support the changed business processes. Automated systems alone do not succeed if the business changes are not likewise reformed. Automation of business processes does, however, add key elements of discipline, consistency, and transparency to business practices. The process planning required for the acquisition, deployment and test of the proposed new software added the project discipline to the business reforms. By learning how a modern software package for HCDM and the Systems Approach to Training (SAT) controls the processes and steps for a modern business practice aided the JCD team in understanding the business process changes.

The multi HR and training reforms project intentionally exceeds the AMIR Program lifecycle. By leaving a legacy and roadmap for further reforms is the best departure of a technical consultancy.

2.4.1. Investment - \$909,223 / 32.75% of CRM budget

2.4.2 Goal - Create a self-reforming and sustaining organization through management of human resources and training.

2.4.3 Process – Local and international consultancies, purchase of supporting software.

The largest project in the CRM portfolio both in investment and in expected return on investment is a project introducing both business reforms and supporting software for HCDM and SAT methodology. HR and training reforms are fundamental to self-sustainability. The approximate breakdown in the project investment is one-third for software and two-thirds for business reforms.

The JCD previously received support from a multi-year GTZ technical assistance project that assisted the JCD in starting a training center. The prior project supplied computers and equipment, and assisted the JCD in establishing the training center. The same project also provided the JCD with revamped job descriptions. The JCD never put the new job descriptions into practice. The training center separated from the HR Directorate becoming a fiefdom unto itself for the generation of “incentives” pay for a limited few instructors, notably the previous director. The lessons learned from a review of the previous project identified that fundamental pieces were missing. First, the JCD did not place training in a systemized methodology. Second, the JCD did not own the training materials and training itself. Training remained the personal property of the instructors receiving incentives for delivering courses. Third, the separation of

HR from the training center also created a critical flaw. Training was not associated with training needs based on job descriptions.

The lessons learned from the GTZ project and the invaluable cooperation of the GTZ consultant helped the CRM subcomponent step in cautiously to HR and training reforms with the JCD. A problem previously identified was the weak management of the HR and training. One point that the prior work did not address was locking the new job descriptions into an organizational system, and assigning personnel to the job descriptions. The proposed solution was a parallel approach of business reforms coinciding with automation. An automated HCDM software solution is not an answer in itself however, the management of information through an automated process adds both transparency and discipline.

The process of proceeding on HR and training reforms began with training to key personnel in the JCD and the Ministry of Finance on the SAT. A systems approach to training is the planned grouping and sequencing of training research, development, delivery, and evaluation of activities and decisions. Human capital development and management is a system for developing and managing the information and people in an organization. It is a natural outcome that human capital management was born from the systems approach to training. Under this approach to human resources management, the competency requirements to perform the functions of an organization are carefully developed, tracked, and managed as an organizational asset.

A business case further enhanced the justification for the purchase of a software solution. The business case identified the best scenario as the purchase of off-the-shelf software. A painstaking process carefully gathered the requirements for a new software solution for the JCD that would combine the business practices of HCDM and SAT. With USAID approval, Chemonics issued an RFP for a proposed solution. An acceptable offer came to Chemonics that combined very modern HR management software from a Jordanian company combined with a customized build using Microsoft Sharepoint software for SAT. USAID accepted the proposed solution for a pilot test in the JCD.

At the same time as the software solution was tested the macro changes in business process reforms continued. The business process changes lead consultant, Ruth Perrett, actively developed a plan to merge process changes with software support. To support further the project, the JCD key personnel received training in project management, change management, team building, and modern HR and training practices.

The pilot phase was successfully completed. USAID approved the purchase of software for the full rollout in the JCD. The project is under very high scrutiny to keep on track. A key person in the process is a professional project manager hired by the AMIR Program, whose is to responsible for incorporating best business practices into the process. At the same time, the project team from the JCD is

receiving valuable training not only in the selected disciplines of HR and training, but hands on project management experience.

The HR reforms initiated by the CRM component with the JCD are also looking at moving forward to justify the JCD taking the next steps, pay and benefits that match responsibilities, skills and performance. Based on interviews with the headquarters managers, the systemic problems created by the current pay and incentives are well known. Managers in the JCD almost universally acknowledged the need for change as well. The will to make changes from a pay system based on connections and piecemeal pay to a system based on a transparent, modern practice is still untested but confidence is high.

2.4.4 Outcome – Business practices reformed supported by modern, transparent software are tested. The JCD and CRM are preparing for further rollout.

The outcome of HR and training project is unknown. The million dollar (literally) question is the sustainability of the changes post-AMIR. The project's return on investment will be measured in the changes that the JCD initiates itself over the next five years and beyond. The final frontier of HR reforms has yet to be crossed: pay and incentives reforms. The CRM component is investing in a study<sup>12</sup> to assist the JCD in making the case to highest government permitting the JCD to cross the pay reforms threshold. The new business practices in HR and training supported by a software solution provide a foundational basis for permitting the JCD to take the last step as a pilot for government wide reforms.

The HR and training program has achieved measurable results to date. Illustrative measurable results identified include:

- Key milestones against the project plan were met.
- The JCD training center now owns all training materials.
- Training material formats are now standardized.
- On the job training system is now formalized and in a successful pilot phase.
- Job descriptions for all positions in JCD are completed.
- Core competencies and skills for positions are identified.
- Testing of pilot of new software is completed.

2.4.5 Lessons learned and recommendations – Project planning, formalized partnership with counterparts, and professional project management are key to augment technical subject matter experts.

Lessons learned in the HR and training reform to date are:

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<sup>12</sup> AMIR Report “Customs Institutional Development: Roll-out of HR Training, November 2005 by Kenneth Donaldson

- The formalized process of project management must be a skill set shared by the counterparts, donor, and contractor. Investment in formal project management training provided to counterparts is justified.
- Formalized project management substantially reduces risks.
- Formalized commitments by donor, contractor and recipient are highly recommended. Formalized agreement to include clear delineation of responsibilities and commitment of resources is also recommended.
- IT project is only justified with confirmation of change in business practice associated with IT service.
- Administrative processes in USAID funded acquisitions typically are underestimated in schedule development.
- Technical consultants may underestimate the order of magnitude cost estimates, thereby placing projects at risk.

## **2.5 Due Diligence development and Golden List Program**

The development of the concept of exercising due diligence or reasonable care by the private sector was a new concept introduced into the JCD. This is a well-founded practice only in the most advanced customs administrations; however, it is fundamental to self-regulation. By stepping out of the box of “normal” customs reforms has advanced the JCD business practices and Jordan’s private sector. In fact, the JCD has advanced so far that some of Jordan’s largest trading partners will have to catch up. In the meantime, Jordanian companies have a unique opportunity to excel in the export of goods manufactured in this country. Through this process, Jordan gains competitive advantage.

2.5.1. Investment - \$337,153 / 12.14% of CRM budget

2.5.2 Goal - Create an environment that promotes and recognizes self-regulating companies that are low risk for non-compliance with tariffs, non-tariff regulations, and that can effectively exercise supply chain security measures.

2.5.3 Process – Build capacity of the private sector to demonstrate documented due diligence, assist the JCD to recognize low-risk and compliant companies.

The development of the due diligence practice area and the Golden List Program in Jordan are not part of a strategy to ‘catch up’ a developing economy with other economies, but intends to move the JCD into a position as a world leader. The development of the JCD’s Golden List Program required stepping out of the traditional CRM box of focusing only on the government side of transactions. The most advanced customs administrations apply the strategy of informed, voluntary compliance, such as those in the North American Free Trade Agreement member countries of Canada, the United States of America and Mexico. The Golden List is the key program initiated by CRM to improve continuously voluntary compliance. The first step in the process was to educate CRM counterparts, including USAID, on the due diligence concepts. The CRM Manager started the process by widely circulating a short paper on the concepts of

due diligence in international trade transactions.<sup>13</sup> The timing for this activity was critical to support Jordan's exports as the world moves to higher standards for supply chain security.

Once the JCD understood the advantages of the informed, voluntary compliance strategy, the evolution of what the JCD called their Golden List Program started. A critical capacity that needed technical assistance was for the JCD is to be able to measure due diligence in the private sector. The measurement is through conducting compliance audits of the applicant companies to the Golden List Program. A CRM consultant provided a training course to JCD Risk Management Directorate personnel. As part of the training, a Jordanian importer volunteered to permit the trainees and the instructor to conduct an on-site audit of their company. The CRM team also provided models to the JCD for a complete compliance audit manual. The Risk Management Directorate used the model to develop the JCD audit manual.

The application of a voluntary compliance program requires the enlistment of companies willing participate in the program. One of the positive points in Jordan is that there are very good companies that meet international best practices such as ISO 9000 Quality Management Systems, so the ground was fertile for this project. To encourage the private sector to take responsibility in a voluntary compliance program means developing standards that make sense and with which companies can effectively comply in a cost-effective manner. The next step in the process was to find volunteer companies.

The first, and preferred option, was to find an existing organization to take ownership of the program from the private sector. The AMIR Program issued a Request for Proposals seeking one of the existing business NGOs to take the lead in this process. AMIR did not receive any proposals where the candidate had the required capacity to fulfill the grant. A fallback was to use a consultant from one of the local subcontractors working with an international consultant to develop the program. The subcontractor likewise lacked the required capacity to meet the program requirements. After this somewhat rocky start, ultimately, AMIR received an unsolicited proposal from the International Research Corporation to do the development work with the private sector for the due diligence program.

Through both consultancies by an international consultant and grantee work, CRM put a program in place where:

- Consultants drafted industry-specific due diligence models that they subsequently elaborated to the satisfaction of both JCD and the participating private sector companies that agreed to beta test the models.
- Beta test companies put the due diligence standards into practice within their companies.

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<sup>13</sup> AMIR Paper "Facilitation of Cross Border Trade Through Risk Management by Walter Hekala, July 2003 (Due diligence v2)

- The JCD conducted voluntary audits of the beta test companies to validate that the companies had the capacity for tariff, non-tariff and supply chain security self-regulation.
- The JCD publicly recognized on their website the companies meeting the compliance standards and successfully passing the voluntary compliance audit to be on the list of “Golden List Companies.”
- The JCD prepared to move independently to the next step of giving and receiving mutual recognition with other customs administrations for their capacity to maintain a program of measured and documented lowered risk, as envisioned under the new WCO “Framework of Standards to Secure and Facilitate Global Trade”.

2.5.4 Outcome –Program successfully implemented.

The outcome of the Golden List Program has placed the JCD at the leading edge of technical capacity in the field of documenting low-risk companies and the related transactions. It also has opened a world of opportunity for those companies gaining acceptance into the Golden List. With today’s high concern for security in international trade transactions, documented compliance with the supply chain security is critical. The design of the Golden List Program meets new standards agreed to only this last June by the WCO. A handful of countries in the world can make this claim, Jordan and the United States being among them. The JCD recently attended a meeting of the WCO and reported that the WCO identified that, as of October 30, the status of the level of international commitment to the June 2005 “Framework of Standards to Secure and Facilitate Global Trade” is as follows:

- Countries identified as committed – 90
- Countries identified that submitted letters of intent and checklist against the standards – 30
- Countries with existing compliance measurement programs – 2 (US and Jordan)

2.5.5 Lessons learned and recommendations –Private sector partnership is critical to customs reform and modernization. Interagency conflict is a risk to global security.

The due diligence process and concepts introduced that resulted in the JCD launching their own Golden List Program validated that by involving the private sector in the reform process significantly increases the potential for success. This highly interactive process between the JCD and the private sector might have been used to assist other CRM projects to meet better or quicker successes. CRM is supporting thorough limited funding one additional grant to entrench the Golden List process in Jordan. The grant has an objective of building a marketing strategy for the Golden List Program. This grant is intended to build continuing post-AMIR support for the program from external stakeholders such as the Jordan Exporters Association. The CRM manager recommends that concepts of due

diligence and documented low risk are not limited to customs applications. Further donor funded technical support to other government regulatory agencies in Jordan should include similar processes of informed, voluntary compliance.

The JCD Golden List Program development was primarily justified under a USAID mandate to build competitive advantage for Jordan. The Golden List Program also generally progresses the global need for supply chain security. The Golden List and the advancement of the JCD appear to have stepped on some individual's toes in other US Government agencies. This is not a new phenomenon in government circles but only reinforcement of an unpleasant fact.

USAID should take full recognition for the technical assistance provided to the JCD in the Golden List Program. The work under the CRM portfolio is not the answer to global security in the Golden List Program. It is however, the only project that has taken a developing country from ground zero to having a supply chain security program in place similar the program in the United States Customs and Border Protection (USCBP). At the USAID headquarters level, USAID should receive recognition for having contributed in their part for supporting a US Government prime concern of enhanced global security. Further, under a USAID mandate, similar programs in other developing countries are justified taking full advantage of the documentation and lessons learned over a two and a half year process in Jordan. USAID should consider, at a high level, coordinated programs with USCBP to better develop supply chain security.

## **2.6 Study Tour to the United States**

In the spring of 2005, five officers from the JCD went on a study tour to the United States where they visited the USCBP headquarters in Washington, D.C., the US Federal Law Enforcement Training Center in Glynco, Georgia and the US Customs Port of Miami.

2.6.1. Investment - \$28,821 / 1.04% of CRM budget

2.6.2 Goal - Provide an opportunity for JCD to learn from example best practices in a modern customs administration

2.6.3 Process – Coordinated visit of JCD Customs officials to US counterparts.

JCD officials including the Director General went on an AMIR Program-funded study tour to meet with counterparts in the USCBP. The technical aspects of a customs-to-customs study tour to the United States funded by a consultancy are challenging. As an example, this study tour could only take place because of a change in management in the USCBP International Affairs. Prior attempts to organize the study tour met with strong resistance from lower echelon employees in USCBP who refused to entertain working with a private consulting firm even on the logistics for the study tour. Fortunately, this policy changed and the technical aspects remained customs-to-customs but the logistics were well coordinated with Chemonics home office and the USCBP. The study tour had

high-level objectives of helping the participants understand key CRM supported objectives including training, and working in partnership with private sector.

2.6.4 Outcome – The USCBP and JCD have developed a closer customs-to-customs working relationship.

The majority of the participants from the JCD took the study tour seriously and the USCBP made every effort to make high-level executives in the Customs Headquarters available for briefings. The most important outcome is moving closer to a process of mutual recognition of the Jordan Golden List to the similar program in the US.

2.6.5 Lessons learned and recommendations – Interagency rivalries can be a significant hindrance to both donor assistance and when resolved cooperation efforts are the best return on investment by all agencies.

The technical assistance under the CRM mandate included taking steps to bring the JCD and the USCBP together into a closer relationship. USAID/Jordan deserves accolade for recognizing that it is in the mutual interest of the United States and Jordan to strengthen the customs-to-customs relationship. Likewise, the USCBP should be commended for their spirit of interagency cooperation.

## **2.7 Process Re-Engineering**

2.7.1. Investment - \$63,300 / 2.28% of CRM budget

2.7.2 Goal - Redesign the processes at customs borders to facilitate trade.

2.7.3 Process – Consultancy and work with a team from JCD..

As part of the CRM work plan, a series of consultancies identified steps in the border processes to facilitate clearance of shipments and passenger processing. The process started with conducting a series of process mapping exercises. To transfer the skills for the JCD to conduct similar exercises, the international consultant performed the process mapping exercises with customs officers. The consult and the customs officers prepared recommendations for process changes. These recommendations are contained in AMIR Program reports sent to the JCD.

2.7.4 Outcome – Some processes changes by independent initiative by local officers but the more macro changes require multi agency concurrence.

A primary finding of the process mapping exercise identified a “black hole” in the clearance process among the JCD and other border mandate agencies. The border process mapping reports are in the hands of the BMTF and will hopefully form a basis for the BMTF further recommendations.

The JCD has not taken full ownership of the required reforms; however, many of the duplicated processes will require more fundamental changes in organizational structure to accomplish. The process engineering requires fundamental HR changes to be effective. As an example, clearance documents are currently, “audited” many times and require excessive levels of approval. Until the jobs of those persons “auditing” are defined in a more meaningful fashion, the process reengineering cannot take place. A more fundamental issue of pay reforms also is tied to the excessive document review. Currently, officers receive incentives (additional pay) for discovering violations. Violations are reported to include non-consequential errors or omissions such as mistyped words. Until HR practices eliminate the real underlying cause driving the audits, personal financial gain, there will continue to be high motivation for this type of auditing.

2.7.5 Lessons learned and recommendations – Single agency border reforms are of limited value and identifying the root causes for processes is critical.

The BMTF recommendations must be of such a quality that the multi-agency processes can be streamlined. As a follow up, the same consultant that worked with the JCD on the process mapping and resultant recommendations should continue to follow up with the BMTF.

The process mapping exercise identified several steps that Customs could take just within the JCD. The JCD should continue to follow up on the recommendations that are the outcome of this consultancy.

## **2.8 Jordan Customs WCO Regional Office Support**

2.8.1. Investment - \$19,110 / 0.69% of CRM budget

2.8.2 Goal - Build the capacity of the region through Jordan leadership

2.8.3 Process – Event support, document support

The JCD is the regional representative for the Middle East and North Africa to the WCO. In this capacity, the direct work with the JCD for capacity building can support regional capacity building. The CRM support included helping the JCD organize and host regional meetings, including the Policy Commission of the WCO that took place in December 2004. By the assistance from CRM and the supporting teams from AMIR Program Communications and Training Departments, the JCD gained experience in major event organization that it will independently apply in the future.

Additionally, the CRM subcomponent co-financed with the JCD the translation and printing of WCO papers into Arabic for the benefit of the region. This included the WCO “Framework of Standards to Secure and Facilitate Global Trade” and the “Convention on Mutual Administrative Assistance in Customs Matters.”

2.8.4 Outcome – JCD gained regional and international recognition and the donor assistance provide through USAID funding was leveraged to other Arabic countries.

As an international trading country, the reputation of the JCD is part of the business environment image for Jordan. International recognition of the JCD supports this positive image for Jordan. At the same time, to understand fully models for modern customs business practices, key documents published by the WCO are routinely used. Translation into Arabic is a one-time cost. CRM leveraged this assistance by spreading the translated documents to other Arabic countries. The result is increased opportunities for modernization in the region's customs administrations. Shared partnership between Jordan and the USAID-funded AMIR Program was an achieved goal of the CRM objectives.

2.8.5 Lessons learned and recommendations – Leveraged assistance is a good return of investment for donors.

## **2.9 General Assistance**

2.9.1. Investment - \$455,695 / 16.41% of CRM budget

2.9.2 Goal - Provide day-to-day assistance in customs reform

2.9.3 Process – Local and international consultancies

The general assistance category of this report covers both funding and technical assistance of the long-term consultant CRM manager and the long-term local customs advisor. A significant portion of the level of effort under this category is the general management of the CRM portfolio. This includes program design, project implementation, recruitment and management of short-term specialists, report review, and budget management. A portfolio the size of the CRM subcomponent is time-consuming for logistical and managerial activities. The MM&E system in the AMIR Program helped reduce this burden by providing a best practice managerial tool.

One outcome that is noteworthy of the results of the general managerial practices in the CRM subcomponent is actually a melding of managerial assistance and best practice in technical assistance formulated during this consultancy. A basic question asked by the PSPI Manager, resulted in a new business practice initiated in CRM and the development of new software that is in testing with the JCD. The software is the Automated Reports Tracking System (ARTS). Over the course of both phases of the AMIR Program, consultants have made hundreds of recommendations. How many of these recommendations have been accepted and followed? Neither CRM nor the JCD, the primary counterpart, could answer this question.

Root cause analysis of why this question could not be answered identified several key reasons including:

- AMIR distributed reports to only one office in the JCD.
- JCD did not have the capacity to distribute the reports to all key decision makers.
- English is the reporting language for AMIR Program reports and not all key decision makers in the JCD read English.
- Many AMIR Program reports lacked structure to make the recommendations clearly identifiable.
- AMIR Program reports contained recommendations, which while valid, were often of such scale that they were unrealistic without significant commitment of further support.
- The reports contained recommendations, which while valid often lacked specific, actionable steps tied to the recommendation.
- The recommendations contained in the reports were not in any type of accountable and traceable system by either the AMIR Program or JCD.

In response to the root cause analysis, CRM and the JCD took the following the following steps:

- AMIR Program provided additional paper copies of the reports to the JCD for wider distribution to the specific key directorates.
- CRM restructured report format to include the key recommendations in the Executive Summary.
- CRM reports tend to be lengthy because of attachments included such as reference materials, training manuals, charts.<sup>14</sup> The full translation, unfortunately would be extremely time consuming and costly. As an alternative, the restructured reporting format easily permitted the translation of the executive summary and the recommendations to Arabic.
- CRM consultants were required to rethink the recommendations into articulated, actionable formats.
- The JCD agreed to place the Arabic version of the Executive Summaries with recommendations of all AMIR Program on the JCD “Encyclopedia” on their intranet, so that the information is available to all JCD employees.
- CRM agreed to develop a database program that would share between the AMIR Program and the JCD a traceable history of the follow-up to the recommendations made to the JCD. This automated tool would permit the JCD and CRM to better partner on the reform process.

The tracking and accountability database is ARTS. The vision of ARTS is to permit an exchange of information between the JCD and CRM on the status of recommendations and ultimately, to encourage the JCD to take responsibility for their implementation. It is a dual language system. The concepts include:

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<sup>14</sup> The CRM work product under the second phase of the AMIR Program in the last 29 months has grown to over 5,000 files in 2.3GB of storage space.

- JCD will assign the recommendations to business owners in the organization.
- Business owners will either accept or reject the recommendation. In the latter case, the business owner provides the reason for the rejection.
- Once the JCD accepts the recommendation, the JCD assigns an owner that will report progress through to the completion of the recommendation.
- The CRM and JCD will exchange data on a monthly basis.
- The system can generate a number of reports for tracking status.

An AMIR Program consultant first built the ARTS software, which was then further developed by a software subcontractor. ARTS is new tool for management and for technical capacity building.

In addition to the managerial and responsibility for portfolio vision, a key point to the success of the CRM sub-component is the availability of the long-term staff to interface with counterparts on a daily basis. This includes frequent after-hour consultations by both the CRM manager and the local customs specialist. Simply put, availability and responsiveness are key to credibility. Drop in/drop out consultancies do not bridge the credibility gap. Frequently over the last 29 months, a small investment of time by the long-term consultants has resulted in significant returns. Illustrative examples include:

- Technical advice to the JCD on reasons why the USCBP suggested certain provisions in US/Jordan Customs Mutual Administrative Assistance Agreement. (CMAA) - Despite an exchange lasting over one year between the United States and Jordan on suggested language on the proposed CMAA, by the Fall of 2003 this agreement had stalled. The JCD was very frustrated with the process. Sitting with the JCD team for only a few hours and providing information on US public law legal provisions for asset sharing helped the JCD understand that part of the US proposal was really in the best interests of Jordan. Once the JCD understood the US legal requirements to permit the United States to share assets with Jordan, Jordan moved forward with the CMAA that was signed in Amman in December 2004.
- One of the two projects currently being tested in Jordan by its major trading partners that is innovative for modern customs and trade facilitation, namely Operation Safe Commerce, is directly attributable to CRM intercessions. The Operation Safe Commerce, project funded by the United States, is investigating the types of physical equipment that shippers can install on containers to make them less vulnerable or at least traceable to intrusion (viz., to make them “smart containers”). Jordan, Sweden and Finland are the three countries selected by the Port Authority of New York & New Jersey to participate in this program. The selection of Jordan for this program is directly tied to the due diligence project. Two critical path junctions are the direct result of quick response by the long-term advisors. First, the chosen Jordanian company Petra Engineering decided at their expense to invest in radio frequency

identification device (RFID) tag technology. That technology resulted in a 40-container shipment to the United States that received one-day clearances, and that is now well-documented as a key success of international trade between Jordan and the United States. Key to the decision made by Petra Engineering to invest in this technology were the numerous hours of conversation between the CRM Manager and Petra executives. Because of the trusted relationship, the CRM manager helped Petra rationalize the cost and return on investment in purchasing the RFID equipment.

2.9.4 Outcome – Through long-term commitment to technical assistance, key programs advanced. High credibility for this type of USAID technical assistance based on qualified expatriate personnel supported by specialized local personnel is a key outcome. Business practices in the developmental industry advanced.

The ultimate success measurements of the CRM relationship with the JCD are the changes that have occurred in Jordan because of the program and the advancement of the business practices of developmental assistance. The measurement of the outcome of the general assistance part of the portfolio is in snippets of quick successful interventions, as illustrated above, as well as the success of the longer-term portfolio projects. In addition, changes in business practices within the developmental industry as exemplified by ARTS are measurable outcomes.

In the personal opinion as the CRM manager, the reputation of the JCD, their primary clients, and Jordan in general advanced because of the CRM work under the AMIR Program. The regional customs administrations already respected the JCD as their leader. The JCD is now poised to gain world recognition because of the USAID assistance on the Golden List Program. Respect for the JCD translates into respect for Jordan as a trading nation.

The ARTS project is an example, as is the MM&E system of an equally important return on investment for USAID. Consultants will take ARTS to other projects. ARTS will be further developed as a powerful tool documenting accountability both by technical advisors and by assistance recipients. ARTS impressed the JCD as a potential tool not only for AMIR-related coordination but as a tool for coordination of all donor activities and as a potential tool for management of the JCD Strategic Plan.

2.9.5 Lessons learned and recommendations – With long-term advisors for portfolio management, programs have higher credibility and accountability for investment by USAID. Specific lessons learned include:

- Long-term commitment increases return on investment by donors.
- Long-term portfolio managers need both technical expertise and technical project management skills. The processes and knowledge areas within the

Project Management Institute exemplify the project management skills required.

- Automated tools such as the MM&E and ARTS reduce project risk and increase likelihood of successful outcomes.

## **2.10 Communications Improvement**

Two specific consultancies targeted better communications as a fundamental change in the JCD. One outcome was a justification and rational basis for the CITS project.

2.10.1. Investment - \$73,863 / 2.66% of CRM budget

2.10.2 Goal - Provide recommendations on better internal and external communications in Customs.

2.10.3 Process – Consultancies to review the communication processes in Customs and provide recommendations.

Two separate consultancies took a serious look at the communications processes in the JCD. The communications both internally and externally in customs are mission critical. The consultancies recommended several actionable steps the JCD could take to change the communications processes. The external communications with both the public sector and with the other border mandate agencies identified a critical need for a method of communicating on regulation changes.

2.10.4 Outcome – The communications consultancies lead to refinements in the capacity of the Customs Integrated Tariff System Project.

One of the largest problems that identified in the communications processes within the JCD was a quick and transparent mechanism to communicate changes in the customs regulations to both the JCD officers and to the public. Often times the officers themselves would not see changes to the customs regulations for weeks after the issuance of the new regulations. There was not a single source where the public could go to find the regulations applied at the time of customs clearance. An outcome the communications consultancies was a justification for the building of the web-enabled Customs Integrated Tariff System.

2.10.5 Lessons learned and recommendations – Communications policies and practices review is critical to determine root cause analysis for causes of problematic errors in organization function.

## **2.11 Customs Integrated Tariff System**

2.11.1. Investment - \$473,549 / 17.05% of CRM budget

2.11.2 Goal - Build the most advanced integrated tariff that both government and the private sector can use to access a complete listing of all government regulations applied for imports, exports and transit goods in Jordan.

2.11.3 Process – Hire a subcontractor to work on the IT build and consultants to work on the business processes.

The Customs (Comprehensive) Integrated Tariff System (CITS) is the JCD information side of an informed, voluntary compliance strategy. The CRM Manager introduced the idea of creating a web-based system of international trade regulations to the JCD and USAID in October 2003. Several underlying consultancies studied the feasibility of building this system in Jordan. After the initial workup of the feasibility, CRM presented the vision of the project to the Director General of the JCD in a formal presentation. The CRM team suggested that the JCD director general act as the project sponsor. The DG accepted this responsibility and agreed to commit JCD resources to the project.

Serious underestimations of the magnitude of the project by both CRM consultants and the JCD developed during the course of the project. As a result, CRM and JCD started the project without project planning following Project Management Institute (PMI) processes. The perception of the CRM consultants during the first months of the project was that the JCD was “dragging their feet” on meeting the work requirements defined in the project. As a result, CRM considered the project close to collapse. The JCD and AMIR then entered into a Memorandum of Understanding regarding the building of CITS only after the project was well underway. The MOU included formal agreement on the timeframes for decision making by the JCD on the CITS Project. CRM and the JCD agreed to increase the project budget and timeline to compensate for delays. The increase in USAID funding covered transferring additional parts of the IT development to an AMIR subcontractor rather than the JCD IT Directorate personnel.

While all participants recognized that the CITS project had the potential for tremendous benefit to both the private sector and the GOJ, at the working level within the JCD, particularly in the Tariff Directorate, creating CITS caused a dilemma. This dilemma was that prior work within the Directorate of the entry of regulations and tariff amendments into ASYCUDA was inaccurate. The inaccurate data in ASYCUDA would reflect poorly on those individuals responsible for the data. Further analysis identified that often the cause of inaccurate data in ASYCUDA was due to GOJ Cabinet level decisions beyond the control of the JCD such as retroactive (ex post facto) regulation changes.

Another miscalculation was the capacity of the JCD IT Directorate. The IT Directorate in the JCD does not have the resources to build a solution from scratch such as CITS. One of the missed objectives of CITS version 1 is a complete interface with ASYCUDA.

2.11.4 Outcome – CITS version 1 launched, CITS version 2 delayed but still achievable within the AMIR Program lifecycle.

CITS version 1 launched before the shutdown date of July 31, 2005. The version 1 did not achieve some of the features of the vision for CITS contained such as the ASYCUDA interface. Still, CITS did meet the primary objectives of providing an easy to use reference site for finding all regulations associated with a given tariff number. Some of the features of CITS version 1 have not been utilized such as the capacity for other agencies to consult with the JCD prior to issuing a new regulation. The JCD needs to champion and market CITS.

In the work plan for CRM is the planning and budget for CITS version 2. The build of CITS version 2 takes into consideration the lessons learned in the version 1 project. The lead in the build of version 2 requires that the subcontractor, CRM, and JCD team complete a full project plan following PMI methodologies. The JCD has been slow in allocating personnel resources to the version 2 build. This issue appears resolved and the combined team from JCD and CRM will complete a project plan. Once completed, the project plan will require sign off by stakeholders.

2.11.5 Lessons learned and recommendations – Formal project management process such as recommended by the Project Management Institute are mandatory for a project of this nature.

Key lessons learned in the CITS version one project include:

- CITS confirmed that the build of new software from scratch is a high-risk project. In the case of CITS, no off-the-shelf solution was available. Extraordinary care in a high-risk project must include formal project management practices.
- The business practices in the JCD Tariff Directorate and the dilemmas caused by higher government in the regulation issuance process create a risk that CITS will fall to the same fate as ASYCUDA. This risk is inaccurate data. Inaccurate data in the primary declaration processing engine for a customs administration can result in incorrect revenue collections with negative consequences for both government and private sector.
- The JCD IT Directorate should not routinely build new IT software, but rather be outsourced. The JCD does not have the resources in house to dedicate to building new software. The JCD IT Directorate did not adequately document the work on CITS version 1 creating a sustainability risk. A better solution is the JCD fully trained in IT contract issuance and management.
- The condition precedent system for the direct release of funding to the Government of Jordan by the Government of the United States provides an excellent insurance that good intentions and good results merge.

### **3. Remaining AMIR Lifecycle CRM management**

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For the remainder of the AMIR 2.0 Program scheduled to end in July 2006 the consultant recommends that most of the effort will be concentrated on closure of existing projects and consultancies already scheduled for this period. The primary remaining projects are outlined as follows.

#### **3.1 HR and Training**

The Human Capital Development and Management project has an established project plan. The project plan will lead the activities for the remainder of the AMIR 2.0 Program. The project management leader is Mr. Fuad Bajjali, a certified a Project Management Professional (PMP). The business development has suffered a setback due to the recent terrorist attack in Jordan. The lead consultant on the HR reforms has declined to return to Jordan. Two local consultants, Ms. Ghadah Nazzal and Ms. Ruba Afana, are continuing the work . Alternatives how to proceed without the prior lead consultant in country include closer supervision by the CRM Manager and distance mentoring by the lead consultant. Included in the business development planning are all the steps for moving to a JCD-wide rollout of the new software.

A project risk is the administrative approvals process for the purchase of the roll-out level application of the software purchased for the pilot from Black Iris. AMIR accepted this risk. Careful planning of timelines identified the critical path for meeting the full rollout within to the JCD of the software prior to the end date of AMIR. The status of the project as of this report is a successful completion of the pilot of the proposed solution and the issuance of a contract for the full rollout. To verify the accuracy of this assessment an independent audit of the pilot confirmed the success. A second project risk only identified during the pilot phase is dirty data in the current HR system. This problem was caused by the old system accepting free form text in fields that will not now migrate to a more disciplined modern system. The JCD has accepted this risk and will be responsible for data cleaning and data entry into the new system. A third project risk is a concern for the level of commitment by the JCD to use the new system. The Director General of the JCD has accepted this risk. He signed off on the proposal for the rollout, the project plan and agreed to a date of April 1, 2006 for the shutdown of the old HR and training systems.

The CRM manager recommends key milestone within the AMIR Program lifecycle and post-AMIR Program as conditions precedent.

#### **3.2 Customs Integrated Tariff, Version 2**

CITS version two that will include the introduction of an unofficial English version is currently being built by AMIR Program subcontractor CNS/Primus. CNS built the version 1 of CITS with the JCD. The requirements for the CITS version 2 build took into account the problems encountered in the build of version 1, specifically inadequate

project planning, and an activity breakdown that did not identify the responsibilities under the JCD mandate to a work package elaborated level.

The delay of the assignment of personnel to the CITS version 2 created a time constraint risk. The JCD named the resources and the completion of an articulated project plan by the combined team has commenced. The launch of CITS version 2 and the modification of the supportive business practices be considered as conditions precedent.

### **3.3 Border Management Task Force**

The BMTF activities for the remainder of AMIR Program focus on providing technical advice through a consultant, John Howard. Mr. Howard provides distance mentoring to the BMTF, and will continue to do so through February 2006. The process requires minimal administrative support.

### **3.4 Customs Clearing Agent Regulations**

In the beginning of 2006, a task for CRM is to assist the JCD in preparing to change the guard in the licensing of clearing agents. The traditional role of customs brokers or clearing agents are to be the private sector technical experts in the preparation of the declaration to customs and to insure on behalf of their clients full compliance with all regulatory requirements. Clearing agents or customs brokers are a key support industry to international trade in that by both government and their private sector clients rely on their competence and integrity. The clearing agents of Jordan continue to have a generally terrible reputation as both incompetent and corrupt. Unfortunately, because of past historical alliances, the JCD tolerates practices eliminated by more advanced customs administrations. The relationship of the JCD to clearing agents is historically based on a prior requirement that clearing agents in Jordan were former customs officers.

Anecdotal stories persist of clearing agents that cannot complete even a rudimentary customs declaration and must rely on the Customs officers to complete the forms. Other examples are clearing agents that essentially copy a prior declaration from the same client disregarding an attempt to verify the correct tariff classification. This practice simply must stop particularly now that the all the required information is readily available to the clearing agents through the web enabled Customs Integrated Tariff System. Additionally, stories continue to persist of clearing agents seeking rents in the name of customs. This practice suggests one of two scenarios. First, the JCD officers are corrupt and the clearing agents are acting as conspirators to the corruption. Second, the unscrupulous clearing agents fill their own pockets at the expense of the reputation of the Jordan Customs. Neither scenario is acceptable.

### **3.5 Customs Bonds Models**

An AMIR Program consultant completed a scoping exercise to identify the steps to develop further the suretyship market. The finding of the scoping identified that the ideal candidate for breaking ground on this new market is the introduction of customs bonds into Jordan.

An amendment to Customs Law to permit the use of customs bonds is currently scheduled for review by the current session of the Parliament. There is high confidence that the new legislative changes permitting the use of customs bonds as a form of surety will pass Parliament. In preparation for the introduction of customs bonds, the prior consultancy identified several steps to introduce this new practice into Jordan. In the beginning of 2006, a CRM consultant will work with the JCD to complete the steps to introduce private sector customs bonds in the practice areas for the JCD.

### **3.6 Legislative Changes**

During the last several years USAID, through the AMIR Program, funded a series of specific technical assistance activities that targeted legal reforms and other changes required to move the JCD to modern practices. An example of those reforms is the use of customs bonds issued by private insurance companies as a form of security accepted by the JCD, as described above. Accordingly, the JCD Legal Directorate prepared a series of specific modifications to the Customs Law. The JCD assigned high priority to these legislative changes after attending a workshop led by AMIR Program consultant and lead customs advisor Mark Harrison. Since that workshop took place, the JCD has made progress at a faster pace than expected. They have also taken full ownership of their responsibility to modernize the legal environment needed in Jordan to permit the key business practices recommended by AMIR Program consultants based on the standards of the revised Kyoto convention. The JCD submitted their proposed legislative changes to the Minister of Finance for approval. The legislative reform package has stalled in the Legislative Bureau within the office of the Prime Minister. CRM requested USAID to seek political support to get the customs legislative reforms moving forward and on a fast track.

Based on prior experience in the most developed and developing countries alike, the critical issues that need to be incorporated into a customs law are rarely understood by a legislative body. This common problem is due to the specific nature of customs practice. For example, the United States Customs has included an Office of Congressional Affairs in its organizational structure to prevent a negative impact resulting from well-meaning legislators making changes to customs legislation. The purpose of this position is to serve as both an advisor and resource to the members of the US Congress. Currently the JCD has not developed this formalized relationship with the Parliament. Once the legislative package gets “unstuck” an AMIR consultancy will assist the JCD in making their case to the Jordan Legislator’s on the value and benefit to Jordan of the proposed legislative changes.

### **3.7 Software Needs Analysis**

Between December 2005 and the completion of the AMIR Program a consultant will conduct a scoping exercise of the environment in the JCD and the inter-related border mandate agencies to identify the steps for a further justification for change in Jordan of the primary customs and border agency processing software, ASYCUDA.

The consultant will provide technical assistance and conduct a scoping exercise of the environment of the business and IT status of the JCD. The primary objective will be to assess the readiness and capacity in Jordan to replace the existing primary processing engine, ASYCUDA with a more advanced system. This scoping mandate includes specific attention addressing the utilization of existing systems, business practices compatible with existing and more advanced systems, needs, and goals of the JCD, and the potential of acceptance, Government wide, of a new primary system for customs processing. Particularly applicable will be the review of business and IT practices between the JCD and the ASEZA Customs towards consolidation. Included in the scoping will be both the willingness and potential for the JCD to follow best business practices for acquiring a new IT solution of first defining needs, proceeding to an open request for proposals, and then selecting a solution.

#### **4. Post-AMIR Program Recommendations**

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##### **4.1 CITS**

The Customs Integrated Tariff System has a tremendous potential to simplify regulatory policy. However, the power of CITS is not yet used that will permit government agencies to consult with Customs prior to the issuance of regulations to narrow the tariff classification to the intended commodities. The review of commodities with high administrative burdens identified through CITS can streamline processes. The following are examples of regulatory reforms that for assistance could support:

##### **Ministerial and Higher Government Decrees must assign ownership and responsibility.**

Weakness - The Cabinet issues decrees that, based on the research in the development of the CITS, have resulted in separate agencies issuing multiple regulations to cover the same decree. This adds both duplication and confusion to the issues. By having multiple regulations issues in a duplicative fashion creates an appearance of over regulation.

Recommendation – Ministerial and Higher Government Decrees as a policy should include a statement as to the ownership of responsibility for the implementation of the decree. A clear directive as to which agency has primary responsibility will eliminate this confusion.

##### **Ministerial and Higher Government Decrees as a general policy should not be retroactive.**

Weakness – In some instances, the Cabinet has issued both regulations and tariff rates retroactive to a date earlier than the date of publication. The issuance of retroactive regulations violates the legal principle of ex post facto laws. In the case of retroactive tariff changes, increasing tariffs after the fact is discriminatory to businesses that have based their business decisions on expected costs they will pay to the Government. In a review of the instances where tariff rates have been lowered retroactively, it is unfair to domestic producers.

In some instances, the reduction or increase of tariffs has been on a very narrow band of tariff items or a single tariff line item. This type of a reduction gives the appearance of a less than transparent process in the establishment of tariffs. It raises the appearance of corruption where perhaps a single importer has received a retroactive advantage or a domestic producer has used political connections to eliminate retroactively imports from free and open competition.

Recommendation: By Government policy, discontinue the issuance of retroactive decrees and regulations.

**Inadequate lead-time for decree and regulation implementation.**

Weakness – As a routine practice, the government holds changes in tariff rates secret until the date they go into effect. This is a destabilizing practice to businesses that plan the import of goods based on projected duties and taxes. The worst risk to effective business practice is uncertainty. Government support for a healthy business environment must take reasonable steps to reduce business risks caused by uncertainty in government. The same principle applies to non-tariff regulatory changes. Regulation compliance inevitably requires an outlay cost by businesses to insure compliance. Often this may also require time to put new procedures into practice. On the other side of the coin, government agencies need time to prepare plans to put the new regulation into practice and circulate to government employees the new regulation and policies and procedures of the new regulation. In the current situation where both the public and the government agencies such as Customs may have a responsibility to implement the regulation in behalf of another agency both sides are placed at a disadvantage. The practicality is that the new regulation goes into effect on a staggered basis over a delayed period anyway.

Recommendation – Tariff changes and regulations, except in the case of clearly documented emergency justification have a minimum of 30-day delay between official publication date and effective date. In those rare cases of an emergency issuance shorter than the 30 days, the issuance must contain a clear statement articulating the factual basis for the decision to issue an emergency decree or regulation. The best supporting practice would also include the official publication of draft regulations permitting a period for public comment prior to the final regulation issuance. This is a common practice in advanced trading nations commonly referred to as a “Notice and Comment” practice. The Notice and Comment procedures recognize a true partnership between the private sector and government.

**Standardized regulatory issuance for all border related regulations.**

Weakness - Border-related regulations issued by various agencies are not consistent in the fields for the content of the regulation. Often regulations from separate agencies have differing data fields. As an example, many regulatory agencies do not practice a regulatory review policy as reflected by not including a recommended mandatory expiration or review date in the regulation. The review of regulations performed by the JCD in preparing for CITS highlighted these discrepancies, which leads to regulations that are inconsistent with changes in tariff tables.

Recommendation – All agencies issuing border-related regulations adopt a policy of standardized regulation format and fields. As part of the adoption of a consolidated recommendation format, each agency adapts an internal regulation review and verification system to evaluate periodically the continued need and legitimacy of issued regulations. All currently existing regulations are entered into the agency’s review and verification system and if lacking a review and validate assigned date at the time of entry, the individual regulations are assigned a review date of no longer than three years from

date of issuance. Regulations exceeding three years from date of issuance are giving an immediate priority for review and validation.

**All regulations issued relative to commodities crossing the borders of Jordan identify the regulated commodities by Tariff Classification numbers assigned by the JCD.**

Weakness – Now, regulations issued by various border agencies intended to be applied to specific commodities are issued only using word descriptions. This has led to imprecise application of regulations. In some cases, the regulations are ambiguous as to exactly what commodities the originating agency intended for coverage by the regulation to the point that neither Customs nor the public understand what the originating agency's intent is. The result has been that as a standard practice in attempting to interpret the intent of the originating agency the JCD has applied the regulation to the widest band of possible commodities. This widest application may have been outside of the intent by the agency originating the regulation. This creates a trade-inhibiting environment of over regulation.

Recommendation - The "language of international trade" has a precise, internationally recognized language, tariff nomenclature numbers. Jordan's tariff numbers follow the Harmonized System (HS) maintained by the contracting parties to the convention. The JCD is the official representative to the WCO for Jordan and is responsible under the international agreement to insure Jordan's compliance with following the HS tariff classifications. By mandate, the JCD is the responsible agency in Jordan for determination of the customs tariff number applied. To assist other government agencies in accurately defining their regulations to cover the intended commodities and only the intended commodities, prior to issuance of new regulations by Government agencies, the JCD should provide consultative services to sister agencies in tariff classification. This interagency cooperation will be beneficial to meet the objectives of the issuing agency and minimize the application of the regulation to prevent unnecessary trade barriers. The CITS launched in July 2005 has the capacity of permitting the other agencies to consult with the JCD in a secure manner to resolve classification issues.

#### **4.2 Penalty and Violation Process Streamlining**

The processing of penalties and violations is still very slow. Part of the problem is beyond the control of the JCD because it is tied to the legal and court system. An effective fines, penalties, and forfeitures regime can simplify the processes to a point where cases will rarely go to court. The work of the penalties and violations streamlining will also make clear distinction between inconsequential errors or omissions and true violations.

#### **4.3 HR and Training Reforms**

The work of the JCD on HR and training reforms can progress to an all-new level with the approval of the government to permit customs to make radical changes in pay and compensation. The pay system needs serious overhaul to eliminate the incentives mentality in the JCD. Currently, looking for additional incentives is a preoccupation with

most officers. Some of the more nefarious incentives are tied to the discovery of violations where the JCD officers are in effect bounty hunters who look for inconsequential errors such as spelling mistakes to collect incentives for these violations.

#### **4.4 Development of a Modern Communications and an Automated Issuance System**

CRM first suggested the development of an issuance system when reviewing the communications systems of the JCD.<sup>15</sup> CITS has resolved some of the issues for external communications but the JCD has a long way to go. An automated issuance system will permit the tracking and defining of the issuance of regulations, policies and procedures to insure conformity.

#### **4.5 Replacement of the JCD Cases System**

The Cases automated system is a database that manages and track violations. Customs under utilizes this system as a potential tool for identifying potential violations by analyzing historical violation records. Part of the reason is that the software does not include mandatory fields and many fields are free text preventing statistical analysis. The further work could either replace the Cases software or turn it over to a professional software developer for modification.

#### **4.6 Replacement of ASYCUDA**

The replacement of the ASYCUDA system is a potential mega project having serious implications. Over the next few months the CRM subcomponent will conduct an analysis to identify the needs of Jordan for a replacement system. If the JDC replaces the primary system, ASYCUDA, the definition of the needs of the new software conceivably will also address automated features replacing Cases, tie to the existing HR system, and link to a fines penalties ad forfeitures automated process.

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<sup>15</sup> For details, see 'Communication Development for Jordan National Customs,' prepared by XXX for the AMIR Program, July 2004.