



Customs Modernization Plan



USAID-Funded Economic Governance II Project

Presented To: USAID

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GCC Modernization Plan - Update



- On February 21, 2006, Finance Minister Ali A. Allawi formally provided written approval for the GCC Modernization Plan.
- The Plan addresses valuation, information technology, statistical data collection, trade facilitation, training, an integrity program, and professional standards.
- There are short-term deliverables and long-term deliverables which USAID will assist in implementing.
- The implementation of short-term deliverables begins now and extends until the end of 2006.
- Long term deliverables are for 2007 to 2008.

GCC Modernization Plan: Short-term (1)



- Increase Revenue by using the World Trade Organization's (WTO) “transaction value” price versus “minimum values”, which is the only agreed system for about 150 countries (and, CPA Order #54).
- Enhance the usage of the revenue-collection systems (ICLS, etc.), with commodity codes and weekly statistical reporting.
- Balancing Trade facilitation with Revenue Compliance by building shipper compliance profiles and risk management capabilities.
- Improve technical skills by better using revenue-collection systems in preparation for implementing a new automated control system.

GCC Modernization Plan: Short-term (2)



- Improve professionalism of the GCC by immediately introducing an integrity program based upon World Customs Organization “best practices” and the Arusha Declaration concerning ethical conduct.
 - Good legislation
 - Automated controls
 - Measure line managers
 - Code of Conduct
 - Review/enhance salaries
 - Consistent procedures
 - Human resources practices
 - Unscheduled Audits
 - Professional training
 - Transparent behavior
- Improving the working environment, with better tools available to officers, and clear “standard operating procedures”.

GCC Modernization: Longer-term (1)



- **Rebuild legal foundation and structure in accordance with world standards and best practices.**
- **Fully implement international HS code and WTO valuation standards.**
- **Implement a nation-wide computerized Customs control system.**
- **Enhance organizational and human resources practices.**
- **Develop a national enforcement and intelligence program.**
- **Implement a WTO approved trade facilitation program.**

GCC Modernization – before and after (1)



Before/Now

- Passed through the border with
■ no declaration or inspection.
 - Too many trucks per day pass through some borders indicating no inspection or administrative processing time is possible.
- - Determination that a shipment is
■ Exempt, with no paperwork filed.

After/Future

No shipment passes the border without being registered, automatically analyzed and processed.

The “system” will determine what is and is not Exempt.

■ Corruption Risk

■ Fiscal Risk



GCC Modernization Plan – before and after (2)



Before/Now

No Declaration is submitted.

- - Shipper and Customs agree on the declaration and Customs inputs some data into the Customs Levy system.
- - Established “minimum values” are used for valuation.
- - No invoices are presented.
- - No legal basis for prosecuting false declarations, since Customs did the input of the data.

■ **Corruption Risk**

■ **Fiscal Risk**

After/Future

Full Declaration is submitted

- Shipper must declare transaction values based upon invoices.
- Values are checked relative to the shipments database for identical or similar products.
- The overall risk of the declaration is assessed automatically, and instructions to border officials are issued by the system (High/Med/Low Risk and resulting actions).
- Declaration is a legal document with resulting penalties for fraud.

GCC Modernization – before and after (3)



Before/Now

- Transits are not registered and are accompanied by 1 or more soldiers.
- No bond or guarantee system currently exists.
- No control over bonded warehouses or free zones currently exists.
(Note: there are very few of these currently but more than 25 are planned for 2006.)

■ Corruption Risk

■ Fiscal Risk

After/Future

All Transits are registered, with authorized route and maximum travel time.

A bond equal to the Customs duty and Tax value of the shipment is engaged at entry, and only disengaged upon successful completion of the Transit.

Bonded facilities are fully controlled with in/out registration and inventory status metrics.

GCC Modernization – before and after (4)



Before/Now

- No measurement of how much revenue should be collected at each border currently exists.
- No trained intelligence or enforcement functions exist.
- No post-entry auditing function exists (random or targeted).
- No cooperative information sharing with neighboring countries exists.

After/Future

From registered declarations, the amount of duty/tax that should be collected is known by the “system”.

Intelligence and enforcement functions are critical elements and provide to risk profiling & mgmt.

Shipments that are released at the border can be “re-visited” any time.

Encouraged cooperation as part of risk management for targeting of shipment, importer, agent, etc.

- Corruption Risk
- Fiscal Risk