

**Access to Microfinance & Improved Implementation of Policy  
Reform  
(AMIR Program)**

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*ASEZ Customs Assessment*

Final Report

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## **A) Executive Summary**

This report assess issues related to the implementation of a Customs regime to support the introduction of the Aqaba Special Economic Zone (ASEZ) on January 1, 2001. The report analyzes the draft ASEZ law and customs regulations, addresses infrastructure and equipment requirements, and proposes future technical assistance. Particular attention is given to policy and operational issues which will need to be addressed by the Customs Working Group responsible for implementing the ASEZ customs regime in Aqaba.

The short time frames available before the January 1, 2001 will necessitate that interim solutions be designed and implemented. For example, temporary/mobile customs offices will need to be constructed/put in place on the northern highways leading to the Jordanian Customs territory (i.e. one for cargo/transit clearance and one for passenger clearance). Given the limited facilities that will exist at these sites, and the need to minimize double handling/inspection of cargo, it is recommended that most Customs clearance procedures (i.e. processing of customs entries for goods destined for the ASEZ and the Customs territory) be undertaken at a temporary Customs long room set up in or near the Aqaba port. Simplified documentation and procedures will need to be developed to facilitate the movement of cargo to/from the port, as well as entry into the ASEZ. By March 2001, an evaluation of these procedures should be undertaken and a decision taken whether to transfer all or part of Jordanian Customs controls to the parameter offices (e.g. processing of entries and physical inspection of goods destined for the Customs Territory). This evaluation will dictate the size and infrastructure requirements for the permanent 'purpose built' customs offices that may be required to be constructed on the parameter of the ASEZ.

It is highly recommended that the core ASYCUDA system be implemented as a matter of highest priority at a temporary long room office in Aqaba at least one month prior to start-up of the ASEZ (i.e. by December 1, 2001). The system will need to process a simplified SAD-4 document which will be designed for entry/clearance of goods into the ASEZ. The ASYCUDA system will provide the necessary database for controlling the inventory of merchandise entering the ASEZ.

It will not be possible to have in place a fully staffed/trained autonomous ASEZ customs service by January 1, 2001. Consequently, it is recommended that Jordanian Customs Department in Aqaba be tasked to carrying-out the simplified ASEZ customs procedures and controls during this interim period (e.g. until June 2001). In the meanwhile, work related to creating the ASEZ Customs service will continue (e.g. finalize organization charts, job descriptions, staff remuneration, codes of conduct, recruitment and training of staff).

In recognition that the SEZ will create opportunities for smuggling and transit fraud, it is recommended that the existing manual transit system be examined and steps taken to strengthen controls in the short term. Jordanian Customs needs to evaluate and take a

decision on which automated transit system is to be implemented, then proceed with this implementation as a matter of priority.

The draft work plans proposed in this assessment need to be discussed in detail with Jordanian Customs and the Customs Working Group. There is much to be done to implement the ASEZ Customs regime at Aqaba during the next few months. A concerted effort will be needed from a highly motivated and dedicated team if this task is to be completed efficiently and effectively.

## **B) Findings and Recommendations**

### **1.) Background**

The Government of Jordan (GoJ) has taken a decision to transform the port town of Aqaba into a large scale Special Economic Zone that will attract investors by offering special incentives, streamlined administrative systems and integrated infrastructure planning. The 650 Km<sup>2</sup> Aqaba Special Economic Zone (ASEZ) will encompass Aqaba Town, Aqaba International Airport, all of Jordan's seaport facilities, the new Aqaba International Industrial Estate, and a mix of coastal and inland development areas. The entire ASEZ will be a duty-free area in which investors, residents and visitors will enjoy reduced tax rates.

Following the Government's decision, a draft ASEZ law is scheduled to be submitted during the next extraordinary session of Parliament in June/July 2000. Once this law is approved, the Government plans to launch the ASEZ on January 1, 2001.

Initial responsibility for the establishment of the ASEZ has been entrusted to an interim Task Force, which is chaired by the Chairman of the Lower House of Parliament's Economic Committee. The Task Force is to present the draft ASEZ law to the Parliament. Concurrently, the Task Force is charged with establishing the executive and the legal frameworks for the ASEZ, as well as setting up the institutional framework for developing and managing the ASEZ, which would be the responsibility of a formal ASEZ Authority.

US AID is providing support to the GoJ and the Task Force in implementing the ASEZ. The first phase of this support will be provided through USAID's AMIR program, during June and July 2000. Following the successful completion of Phase 1, USAID plans to provide to broader range of technical assistance support to the ASEZ initiative during Phase 2, from August 2000 to February 2001.

The Jordanian Department of Customs (DoC) requested support from USAID/AMIR Program. Approval in principle has been given for the procurement of computer equipment (e.g. PC's, software, cabling, etc.) and other supporting equipment (e.g. air conditioning and emergency power generation equipment) to be installed in a new Customs facility in Aqaba port.

This report provides an assessment for what additional material and/or technical assistance support is required to successfully implement the ASEZ customs regimes which will be so crucial to the successful operation of the ASEZ.

## **2.) Objective of Mission**

The consultant was requested to carry out a needs assessment for implementing the ASEZ Customs Service in the areas of physical infrastructure and facilities, systems and procedures, organization and staffing and technical assistance.

The tasks related to achieving these objectives included:

- Review/comment on the draft ASEZ law and Customs Regulations;
- Specify physical infrastructure and equipment needed to implement the ASEZ customs regime over the first 5 years of operation and propose an indicative budget;
- Review DOC's short range plans for warehouse 8 in Aqaba container port, and make recommendations for implementation of customs infrastructure, including ASYCUDA related equipment, at this location;
- Develop a work plan for implementing the recommendations set out above;
- Develop a work plan required to implement the ASEZ customs regime over the next 5 years, in terms of institutional/organizational design, systems and procedures, and training;
- Review previous and on-going technical assistance being provided to the GoJ (i.e. AMIR program, GTZ, others as relevant) and identify all existing and potential synergies between this work and the implementation of the ASEZ customs regime; and,
- Outline technical assistance requirements for implementing the ASEZ customs regime over the next 5 years.

This report is structured to address each of the tasks specified above.

### **3. Review and comment on draft ASEZ law and Customs Regulations.**

During the mission the draft ASEZ law was under consideration by Parliamentary Committee. The last version of the law which was provided the consultant during the mission was dated June 18, 2000. It is this version upon which comments to follow have been prepared.

To date, Jordanian Customs Department (DoC) has had little involvement in the legal/regulatory aspects of the ASEZ to date. The Department had not received the draft ASEZ law, the Customs regulations or draft Customs SOP manual. In addition, the Customs Working Group had not yet been created to design and implement the Customs component of the ASEZ.

It is strongly recommended that the DoC be given copies of the latest version of the ASEZ law and customs regulations as a matter of priority such that DoC officials can provide technical input. There is a danger that without DoC's direct involvement in the planning of the ASEZ from the outset, many customs-related operational and implementation issues will not be effectively addressed before implementation. This technical and operational input from DoC (and the Customs Working Group) is especially important given the limited time frame available to the ASEZ Authority to implement the ASEZ.

It is recommended that DoC (as opposed to the proposed new ASEZ Customs Service to be under the control of the ASEZ Authority) continue to operate Customs controls in the ASEZ on behalf of the ASEZ Authority during the start-up period. DoC operation of ASEZ customs controls will probably need to continue until mid-2001, or at least until such time as the new ASEZ Customs service can effectively assume its responsibilities from the DoC.

#### Comments on draft ASEZ law (dated June 12, 2000)

##### *Article 4*

The borders of the zone need to be finalized/enacted as a matter of priority. The DoC and the ASEZ customs working group need to examine/have input into the alternative locations for parameter border offices, the amount of land required, etc. Once this agreed, these lands will then need to be purchased/expropriated by the ASEZ Authority.

##### *Article 5*

This article states that the SEZ law will supersede other legislation (e.g. including the Customs law) in cases of contradiction.

It should be noted that the existing Customs law (which was amended a couple of years ago) is deficient in a number of areas, including: adequacy of Customs penalties/fines; licensing of Customs agents/brokers; importer record keeping requirements; etc. Rather than trying to amend the Customs law, consideration should be given to strengthening these deficiencies through the ASEZ law and/or its customs regulations.

*Article 6*

The law/regulations need to be clear whether or not will allow the Authority will prosecute Customs offenses which occur within the SEZ. If this is the case a special unit will need to be created in the organizational structure, and a clear channel of subsequent appeal set out. Also, the ASEZ MOU with the DoC will need to address this matter to ensure there is some degree of consistency and uniformity how traders are treated inside/outside the zone.

*Article 7*

It is highly unlikely that the ASEZ Customs Department will be organized and fully staffed by Jan. 1, 2001. Recognizing this fact, it will be necessary for the DoC to operate customs controls on behalf of the ASEZ for an interim period. Provision for this eventuality may need to be set out in this article.

*Article 9 b/2*

States that the ASEZ Authority shall carry out in the Zone, authorities...in relation to: 5. import and export; 6. Customs procedures.

The law/regulations need to be clear whether or not the ASEZ Authority will license customs brokers/agents (or whether this will remain the responsibility of the DoC).

The ASEZ law and draft customs regulations are silent on the issue of appeals/dispute settlement involving customs procedures/decisions. It is also silent on prosecutions/courts to hear customs related cases.

*Article 10 (2)*

It is recommended that consideration be given to appointing the Director General of Jordanian Customs, or his substitute, a seat on the ASEZ Board of Commissioners. This will be important, especially during the initial start-up (when DoC will continue to operate controls at Aqaba, and during first 1 - 2 years of transition to Aqaba Customs.

*Article 12 (4)*

Again, if the DoC is to operate in the SEZ on behalf of the Authority for an interim period, this provision may need to be accommodated in the law.

*Article 14 (10)*

Will a portion of the budget that the DoC currently expends on Aqaba Customs be transferred to the ASEZ Authority?

*Article 14 (12) 3*

Consider specifying somewhere in the law what taxes/fees will be imposed/collected in the zone by the ASEZ Authority.

*Article 14 (12) 4*

The role of ASEZ Customs needs to be clearly set out in the regulations related to the issuance of ASEZ certificates of origin (currently not mentioned in the draft regulations).

The issue of ASEZ certificates of origin for goods manufactured in the ASEZ needs to be studied carefully against the requirements of trade agreements which Jordan has with neighboring countries and trade groups e.g. the EU/EFTA; U.S.. It should be noted that the EU/EFTA trade agreement specifically prohibits duty free access to the EU market of any goods which have benefited from such beneficial schemes as drawback, duty suspension and free zones.

*Article 21*

Registered enterprises in the ASEZ will need to have an identification number assigned by the Authority. Similar to the taxpayer identification number currently used by DoC, this number will need to be quoted on the simplified SAD document to allow ASEZ Customs to monitor the inventories of goods in the Zone.

*Article 23*

The law/regulations need to specify what goods are restricted/prohibited import into the ASEZ.

*Article 24*

If goods are imported into the ASEZ from the Jordanian Customs territory, it is important that the firm in the Customs territory that originally imported the goods/paid any domestic tax be able to obtain a refund (from the DoC) of any duties/taxes collected by DoC on such goods.

*Article 25*

Need to clarify in the regulations what is a 'commercial quantity'.

*Article 26*

If the Authority is to authorize its (customs) employees to 'enter places and shops to ... examine documents', it is important that clear record keeping requirements be specified for enterprises operating in the Zone.

*Article 27*

2nd/3rd - See previous comment re: Article 14 (12)

*Article 28*

The current customs law is deficient in the area of record keeping, therefore relying on the current Customs law may be insufficient. Record keeping requirements for ASEZ enterprises need to be clearly specified in terms of what records are required, whether hard copy or on magnetic media are acceptable, retention period, reporting requirements, and penalties for non-compliance. (Also see Article 36, which states that Instructions shall be issued)

*Article 30*

Will the ASEZ importer/enterprise still be required to pay the ASYCUDA processing fee?

*Comments on Model Aqaba Customs (Freeport) Regulations (June 18, 2000 version)*

All references to 'Freeport' will need to be changed to SEZ.

*Article 2*

All definitions provided should be checked for consistency against the WCO's Kyoto Convention Glossary of International Customs terms.

*Article 4 (3)*

It will be critical to develop/issue a series of operational instructions to SEZ customs staff to support their operational responsibilities as set out in Articles 3 and 4.

*Article 5*

The 'merchandise control system' referred to needs to be clarified. Is not what is required is an inventory system which will allow SEZ Customs to monitor what goods have been authorized/cleared to enter the Zone (i.e. in what type (tariff classification), quantity, value of goods entered by which registered enterprises and from this database to be able to produce statistical/trade reports for the ASEZ Authority and GoJ. If this is the case, this database could be created by requiring enterprises/their agent/broker to prepare/submit a 'simplified' Single Administrative Document (SAD) for processing /clearance by ASEZ Customs. This simplified SAD could be processed through the ASYCUDA system (along with other SAD documents used for clearance of goods into the Jordanian Customs Territory. Jordanian Customs already uses a simplified SAD (Type 4) for goods destined to the Royal Household and this same/or a similar format could be used as the basis for the ASEZ SAD.

A mechanism will need to be found for enterprises to report to ASEZ Customs the disposition of the goods entered into the ASEZ (e.g. goods exported to the Customs Territory of Jordan; goods exported to third country; goods consumed in the SEZ). Consideration should be given to requiring the enterprise prepare/submit a quarterly summary report for ASEZ Customs listing all such transactions. In this way, ASEZ Customs would be aware/and be able to audit (or physically verify) all goods which should be remaining in the enterprise's possession in the ASEZ. If this approach is accepted, the requirement should appear in the Customs regulations.

Given the importance of maintaining an accurate database, the Customs offense/penalties referred to in the Customs Law (see sub-section 6) need to be carefully reviewed to ensure that they are an adequate deterrent to any SEZ enterprise that falsely declares the disposition of SEZ goods.

#### *Article 6*

(1) The minimum 'advance notice' to the enterprise for an audit should be stated in the regulations (e.g. 2 working days). It is also important that the regulations state that ASEZ Customs must have access to manual hard copy records and/or data stored on magnetic media.

#### *Article 7 (b) (1)*

Again, the relevant customs offenses and penalties need to be clearly set out in the regulations. If an audit/physical inspection reveals goods which the enterprise cannot account for (i.e. no SAD document as to how the goods were cleared into the ASEZ), in my opinion such goods should be subject to seizure by ASEZ. Such goods should be subject to forfeiture and public auctioning (authority set out in Article 11). The auctioning should be performed by a public auctioneer, not ASEZ Customs.

*Article 8*

The location/adequacy/operation of the 'Customs stores' referred to needs to be identified/agreed to by Jordanian Customs as part of the assessment of infrastructure options.

*Article 13*

Specific record keeping requirements for enterprises need to be spelled out, either in the regulations or the instructions.

*Article 14*

A complete list of prohibited/restricted goods needs to be compiled and available to enterprises (and ASEZ Customs personnel alike).

*Article 16 - 17*

It should be noted that the ASYCUDA system has a manifest software application module. This module, which has been implemented in a number of other countries, allows carriers (sometimes via the port authority) to transmit (EDI messages) manifest details directly to Customs<sup>1</sup>. The system then writes-off/acquits the manifest details against the Customs declaration. In this way, Customs can be assured that all cargo being reported by carriers is declared by an importer/enterprise. Any discrepancies can then be followed-up by Customs.

It is understood that Jordanian Customs (ASYCUDA project team) has plans to implement the manifest module once the core system has been rolled-out to Aqaba, Zarka, etc. This feature would certainly reduce the currently highly labor-intensive manifest write-off, but also increase customs cargo control at Aqaba (both for ASEZ goods and goods destined for the Customs Territory) once it were implemented e.g. sometime in 2001/2002.

*Article 20 (b)*

The proposed 6 months period to submit evidence is too long. Suggest it be reduced to 2-3 months maximum.

*Article 23*

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<sup>1</sup>It is understood that the port authority in Aqaba has undertaken some studies regarding the feasibility of accepting manifest data electronically from conference lines.

The same comment as above in 16 - 17, insofar as the ASYCUDA manifest application software could also be used to write-off cargo reported on air waybills (as opposed to bills of lading).

*Article 27*

It is unlikely that ASEZ Customs will be able to license/bond carriers by 1/1/2001. Consequently, existing carrier bonding arrangements with the National Customs Service will need to be extended for an interim period.

*Article 28 (c)*

A stock of high quality Customs seals will need to be procured for use by Aqaba Customs. In the longer term, these seals should be bar-coded to facilitate tracking, acquittal and prevent malfeasance. These seals should be procured from reputable suppliers/manufactures outside the region. Stocks of seals need to be closely controlled by ASEZ Customs.

It is recommended that all transit trucks be weighed at the port prior to transit commencing. Ideally, the existing weigh bridges at the port produce a computer print-out of the weight to prevent malfeasance. Weighing transit trucks at the commencement and termination of the transit movement is an excellent method of detecting transit fraud.

*Article 33*

The WCO also has a Guideline (developed in conjunction with the International Express Courier Conference) for clearance of express consignments. This guideline should be used (in the medium term) as the basis for an expedited clearance system for express consignments entering Aqaba (and indeed the Customs Territory of Jordan).

*Article 37 - 38*

The proposed requirements/procedures relating transit of goods from the port to/from the Customs territory, from the Customs territory to Israel and Saudi Arabia, etc. need to be examined carefully in conjunction with the national Customs Service. Jordanian Customs are currently evaluating 3 possible options (i.e. implementing the ASYCUDA transit module<sup>2</sup>; implementing an in-house developed transit module which is to be pilot tested and evaluated on transit

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<sup>2</sup>The ASYCUDA team has evaluated the current ASYCUDA transit module against national requirements and sent a request for amendments to UNCTAD several months ago. UNCTAD has not responded to these amendments and consequently the team is of the opinion that the current module should not be implemented until improvements are made.

trucks moving between the Syrian and Saudi borders<sup>3</sup>; and an Arab League transit system which is to be discussed at an Arab League meeting in July<sup>4</sup>.

Jordanian Customs has agreed to provide a copy of its evaluation report and recommendations related to each of the transit system options to AMIR by the end of July. Given the uncertainty surrounding which of these options, it is unlikely that an automated transit system will be implemented by 1/1/2001. In the interim it will be necessary to continue to tailor and operate the existing manual transit control system used by Jordanian Customs.

*Article 40 (5)/41*

The threshold values (i.e. 50 JD for personal gifts; 100 JD for commercial shipments) for not requiring an 'application for admission/simplified SAD' would seem to be low. This will result in a large number of low value SAD documents that will need to be prepared by agents (with costs borne by enterprises) and a larger than necessary workload for ASEZ Customs to process these documents. Suggest that this threshold be raised to at least 150 JD.

*Article 42*

The 'application for admission' should be supported not only the commercial invoice but also the manifest (i.e. bill of lading, air waybill, transit document)

The regulations should allow for electronic transmission of the required data (see Kyoto Convention recommendation related to paperless entries/eliminating the requirement of a signed customs declaration).

*Article 43*

The ASYCUDA has a selectivity module that should assist ASEZ Customs in selectively targeting high risk consignments. Again, this is not essential for start-up of the SEZ but should be implemented gradually once the core ASYCUDA system has been implemented at Aqaba.

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<sup>3</sup>The in-house developed module was programmed a number of years ago but never tested. It runs on a UNIX platform and utilizes dumb terminals. The Director of IT suggested that even if the evaluation is positive, the software should be reprogrammed and operate on intelligent PC's.

<sup>4</sup>The Arab League transit system is being proposed for all Arab League members. It is understood that it would continue to be based on the Arab League Transit Document (which is large and does not conform to the UN layout format/key to facilitate computer processing. The Director of IT stated that Jordan has been asked to pilot the Arab League transit system and the decision to do so will be largely political.

*Article 44*

A maximum rate of physical examination should be established for ASEZ destined goods (e.g. 7 %).

*Article 46/49 g*

During the mission, I was told by AMIR officials that a policy decision had been taken not to allow duty free vehicles for freeport enterprises. If this is the case these articles need to be revised accordingly.

*Article 54*

Is it the intention that the enterprise prepare/submit to ASEZ Customs an annual reconciliation of goods ? First time this has been mentioned in the regulations.

*Article 58*

The proposed requirement that the enterprise prepare/submit a statistical declaration for goods being entered into the Customs territory, transit through the Customs territory for export or delivery to a free zone or bonded warehouse may not be necessary if the ASYCUDA system is used by both ASEZ Customs and Jordanian Customs. The SAD data processed by Jordanian Customs for such transactions should be accessible to ASEZ so as to avoid this duplication. This possibility needs to be explored with the ASYCUDA so as to avoid this duplication/expense for enterprises.

*Article 59 (d)*

Goods (whether domestic or imported) originating in the Customs Territory then entered into the SEZ should be eligible for refund from Jordanian Customs of any duties/taxes paid. If such goods are subsequently entered back into the Customs Territory from the ASEZ, such goods should not be exempted from duties/taxes, but should be subject to duty/tax by Jordanian customs as would any goods considered third country. As proposed, it would be very difficult for Jordanian Customs to verify that the origin of the goods was from within the Customs Territory and thereby exempt that portion from duties/taxes.

*Article 60*

The transshipment/transit of goods from the ASEZ to a free zone or other duty free regime in the Customs territory should be governed by the transit procedures (and the automated transit system) to be implemented by Jordanian Customs.

*Article 61*

See previous comments related to Articles 46/49.

*Article 64*

- a) See previous comments for Article 58 related to requirement for statistical declarations.
- b) 1) 4) see previous comments to Article 46, 49, 61 related to motor vehicles
- 6) see previous comments in Article 40 regarding threshold value for declaration.
- c.) d) Cannot the SAD (coded for transfer/transit) be used as the transactional statistical declaration, as opposed to requiring a separate declaration submitted up to 3 days after the transfer of the goods (or monthly in the case of a periodic statistical declaration)?

*Article 68 a)*

Is it practical to issue a special identification card to each visitor in the SEZ? Why is this necessary? Cannot the persons name, citizenship and passport number be used?

I cannot comment on the proposed use of 'smart cards' since I have not seen them in operation. Suggest that the Customs working group examine this technology in operation at a freeport.

*Article 69 a)*

Is it realistic to assume that each merchant will be able to accurately calculate on the invoice the duties/taxes owing on each item sold?

- b) Jordanian Customs 'should' not be required to automatically accept/collect the amount of duties/taxes shown on the invoice.

*Article 73*

If there are not to be duty free SEZ automobiles, this article will need to be revised accordingly (e.g. policy decision needed whether or not the sale of duty free fuel be allowed at all within the SEZ?)

*Article 78*

Will need to be revised/deleted to reflect policy decision that residents will not have duty free vehicles.

*Article 83*

Given the inadequacy of penalties/fines in the national Customs law, it is important that a schedule of specific offenses (and the administrative fines) be set

in the ASEZ law or regulations. Normally customs offenses and penalties must be set out in law/regulations to be binding in law, not in Sop's/instructions.

*Article 86*

It is recommended that the auctioning of forfeited, seized/abandoned, and unclaimed goods be contracted by the ASEZ Authority to a private auctioning firm (not ASEZ Customs). The firm would be paid a percentage of the sales and therefore would be motivated to operate a professional auction that would maximize the price of goods at sale.

#### **4.) Infrastructure and equipment requirements**

##### **a.) Physical Infrastructure/Offices**

##### **i.) Two highway offices on northern parameter**

It will be necessary to construct two highway customs offices on the northern parameter to the ASEZ. It is recommended that one of the parameter offices be dedicated to traveler processing and the other dedicated to truck/cargo processing. Assuming the January 1, 2001 start-up date of the ASEZ is not postponed, it is highly unlikely that there be sufficient time to design and construct 'purpose-built' Customs offices on the two highways leading north from Aqaba. Alternative sites for these offices need to be evaluated as quickly as possible and a decision taken by the ASEZ Authority (in conjunction with the DoC). It is recommended that the parameter border facilities be shared, that is, with DoC staff and ASEZ staff operating 'back to back' at joint/shared facilities at the parameter offices.

Once the two sites have been chosen and land purchased/expropriated, a conceptual plan should be prepared for each site. This strategic design will need to include blueprints for the immediate construction/placement of a temporary/interim Customs office at each location. The requirements of the temporary Customs offices will need to be finalized in the immediate term (i.e. size of office, placement on site, parking facilities). It is important that the positioning of these temporary offices not interfere/restrict the construction of the permanent Customs facilities.

##### **Basic requirements for interim/temporary/mobile offices** (short term)

- To be built or leased and in place for January 1, 2001 start-up and operate through January 1, 2002 (or whenever construction of permanent facilities would be completed at each site);
- Could be of a temporary/mobile type similar to those currently in use at Wadi Arabia crossing with Elat;
- Would need to be situated so as to not interfere with the medium term construction of the permanent border posts;
- Would need to be designed to process both incoming and exit traffic;
- One office to be dedicated to cargo clearance (i.e. clearance of transit trucks/goods; goods cleared for entry into the Customs territory) and one office for passenger/traveler processing;

- If it is determined that there is a need to install a limited number of ASYCUDA PC's and/or transit related PC's at these temporary offices, the size/electricity requirements of these offices would need to be increased accordingly;
- Design of both temporary offices to consist of primary toll booth(s) for initial questioning/processing, and secondary office for queries/physical examination/declaration and document processing/cashier office.;
- Both offices would need air conditioning, electricity (generator), water, toilets (public and staff), vehicle parking areas, electric gates/barrier at toll booths on traffic lanes; and,
- Offices would be manned/operated by DoC officials during interim period (i.e. until such time as the ASEZ Customs organization has been created/staffed/trained).

Basic requirements for permanent, purpose-built Customs offices (medium term)

Cargo processing office design would need:

- To reflect the results of an evaluation of the effectiveness of interim procedures which would have DoC customs continue to clear goods from within the Aqaba port (i.e. the evaluation would examine to what extent interim clearance procedures for goods arriving in Aqaba and destined for clearance into the Customs territory should continue to be performed in Aqaba port as opposed to being performed at the parameter offices. This evaluation should be completed by March 2001.
- To accommodate separately (i.e. back to back in a shared facility) DoC staff and ASEZ customs staff;
- A secure goods examination facility, equipped with equipment to off-load goods from vehicles on a selective basis (Note: only a small facility may not be required if cargo were to continue to be inspected/cleared within the port);
- A goods storage facility (to store forfeited, detained and seized goods/vehicles);
- A long room office (and computer room) to process goods declarations and transit documents (i.e. large enough to have computer PC's installed for ASYCUDA entry processing, cashier and whatever automated transit control system is chosen by the DoC);
- A room(s) for customs agents (to prepare entries);
- Banking facilities; and

- A secure, well-lighted parking area for trucks/trailers

Traveler processing office would need:

- Primary questioning/inspection toll booths on traffic lanes (perhaps traffic designed for Red/Green channel/lanes; resident/non-resident lanes to expedite processing);
- A secondary building (with a covered awning where selective physical examinations of vehicles/baggage would be undertaken, and an small office where any informal entries could be completed and duties/taxes could be assessed/collected; and
- An adequate parking area for passenger cars, buses, etc.

## **ii.) ASYCUDA operations at Aqaba Port**

Because purpose-built Customs offices are unlikely to be available at the parameters to the ASEZ on January 1, 2001 (and probably could not be completed before January 1, 2002), and recognizing the importance of minimizing double handling/inspection of freight at the port and again at the parameter to the ASEZ, it is recommended that an interim Customs office be made available in/near the Aqaba port. This office would be required to accommodate the installation/operation of the ASYCUDA computer system and to house DoC customs officers (and eventually ASEZ Customs staff) responsible for performing selective physical inspections of goods to be entered into the SEZ, bulk/perishable cargo, as well as non-containerized/less than container load cargo destined for the Customs Territory or for inward/through-country transit.

The DoC's Director of ASYCUDA agreed during the mission to immediately evaluate alternative locations for this interim customs office/ASYCUDA long room, including:

- renovating possible office locations inside the existing Aqaba Customs House; and,
- constructing a temporary customs long room office inside Warehouse 8 at the container port<sup>5</sup>.

At the time of finalizing this report, a copy of this evaluation report had not been received and no final decision had yet been taken on this matter. If ASYCUDA is to be implemented by December 1, 2000 (i.e. in advance of the ASEZ start-up), it is

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<sup>5</sup>Because the ASYCUDA team had yet to prepare plans/proposals for the Customs office for warehouse 8, it was not possible to evaluate proposals during the mission.

critical that the decision on the location of the ASYCUDA long room be taken by the ASYCUDA team/DoC as a matter of urgency. Construction of the long room is likely to take 3 - 4 months to complete and consequently plans must be completed and construction underway during August 2000.

It is recommended that the efficiency and effectiveness of this interim arrangement of continuing to inspect goods in the port be evaluated in March 2001, i.e. approximately 3 months following start-up of the ASEZ. A decision should then be taken whether to continue to have DoC related ASYCUDA entry processing and physical inspections carried out from inside the port, or alternatively to shift some/all DoC related operations to DoC staff stationed at parameter offices. This evaluation/decision will dictate the size and physical requirements of any purpose-built customs facilities to be constructed at the parameter to the ASEZ. Regardless of these decisions related to the deployment of DoC staff, ASEZ Customs staff (including ASYCUDA operations related to ASEZ) would need to continue to operate from an office within/near the port.

**iii.) Aqaba International Airport.**

Upgrades to the customs facilities at the Aqaba airport would allow ASEZ Customs to more efficiently and effectively process the expected higher volumes of commercial cargo and passenger traffic at Aqaba airport. This growth in traffic may be accelerated if bilateral agreements were reached with the Government of Israel to allow increasing numbers of international flights with passengers/cargo destined for Elat to utilize the larger runway/facilities currently available at Aqaba international airport.

Existing Customs offices/long room at the airport cargo terminal would need to be renovated to accommodate ASYCUDA processing in the medium to long term. Special expedited clearance procedures should be introduced to expedite clearance of perishable and time-sensitive cargo, including express/courier consignments.

A 'RED/GREEN' Channel passenger clearance facility should be installed at the arrivals hall to allow more efficient clearance of international air travelers. Facilitated transit procedures would need to be implemented to allow Elat destined passengers to move to the Wadi Araba crossing.

**iv.) Al Derah border crossing (Saudi Arabia crossing)**

It is anticipated that in the medium to long term, there will be increases in tourist and cargo traffic through this crossing. Although renovations had been planned for Al Derah border post for some time, but it is not possible to visit the post during the mission to examine what, if any, improvements/upgrades have been made.

An assessment of the adequacy of the Al Derah border office needs to be undertaken in the short term to determine what, if any, renovations have been completed and to estimate what further upgrades are required in the medium to long term to meet ASEZ requirements.

v.) **Wadi Araba border crossing** (Elat crossing)

The Wadi Araba border post was constructed quickly using mobile/temporary buildings. Should restrictions be eased related to the movement of private vehicles between Elat and ASEZ, the volume of passenger vehicle traffic and cargo/truck traffic could increase significantly at this crossing.

A comprehensive assessment should be undertaken in the medium term, in collaboration with Israeli authorities to determine the requirements and best options available. For example, consideration could be given in the medium to long term whether or not the facility should be enlarged and permanent offices constructed. If volumes warrant, a decision would need to be taken whether or not to construct separate cargo and traveler clearance channels.

vi.) **Aqaba ferry terminal**

Although the ferry terminal was refurbished several years ago, it is likely in need of minor upgrades to facilitate customs traveler/cargo clearance in the medium to long term. An assessment should be undertaken in the medium term to determine requirements.

**b.) Computer Hardware**

**i.) Core ASYCUDA**

The ASYCUDA team has prepared hardware equipment lists/specifications (i.e. for PC's, servers, printers, UPS's, cabling, etc.) to implement the core application modules (i.e. DTI, entry processing, statistics, accounting) of ASYCUDA at Aqaba and Zarka Free Zone<sup>6</sup>.

It was not possible during this brief mission to evaluate either the quantity or estimated cost of the hardware being requested (i.e. approximately US\$ 200,000 for both sites). However, it must be said that following the successful implementation of ASYCUDA at the airport and Amman Customs House, the ASYCUDA project team has considerable experience in calculating hardware requirements.

It should be noted that if in the medium term it is decided that ASYCUDA must operate at both an office in/near the port (to process goods entering the ASEZ) and also at the parameter offices (to process goods entering the Customs Territory), additional hardware may be required. Similarly, it is decided that ASYCUDA should be implemented in the cargo section at Aqaba International Airport and other Aqaba offices, additional ASYCUDA hardware would be required.

The DoC have requested USAID financial assistance in procuring this equipment, though it is also understood that the DoC has some internal funding available for this procurement. It was agreed that the Director for ASYCUDA would re-examine the original hardware estimates in light of the potentially additional ASEZ related hardware requirements. Given delays which often accompany the tendering/procurement process, is important that the required hardware for ASEZ be procured as a matter of priority, such that it is available for installation and testing by mid-November 2000.

**ii.) Transit control system**

The DoC Director of IT stated that once an evaluation of the three alternative transit systems has been completed by August 1, 2000 (i.e. ASYCUDA transit module; the in-house transit application; and the Arab League Transit system), a decision on which transit system to implement would be taken, an implementation plan prepared, and hardware requirements specified for the selected option. Until this evaluation is completed, it is difficult to accurately specify the quantity and cost of computer hardware for the transit system.

If the ASYCUDA transit module were implemented, the ASYCUDA team stated that they could readily determine the quantity/cost of PC's and printers. If however the in-house developed transit system were chosen, a decision would need to be taken whether to implement the application on its current platform (which utilizes dumb-terminals which are apparently available from existing DoC

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<sup>6</sup>See Customs Automation Assessment Report, prepared by Irina Swift, May 2000.

hardware inventories) or to reprogram the application so that it will operate on PC's. The IT Director currently has no information related to the Arab League Transit system's computer requirements.

For any transit system to be effective, it will require that all major transit commencement and transit termination offices be linked to the existing VSAT network such that transit details can be exchanged efficiently and effectively. It is likely that additional VSAT locations (both inside the ASEZ and at various offices inside the Customs Territory) will need to be implemented to fully support an automated transit system.

Given the uncertainties surrounding which automated transit system will be chosen by DoC, it is highly unlikely that any automated transit system could be implemented by January 1, 2001. It is therefore recommended that the existing manual transit system be examined and controls be strengthened to the extent possible taking into consideration the additional ASEZ requirements. This strengthened manual transit control system would continue to operate in the short term in order to control goods transiting from the Aqaba port to the parameter offices, and from the parameter offices to inland clearance offices or to the exit offices.

It is vitally important that an efficient and effective automated transit system be implemented in the medium term to support the ASEZ. There is a significant risk that transit fraud will increase as large quantities of duty/tax free goods are entered/stored in the ASEZ. Unless an effective transit control system is operational, there is a danger that the ASEZ will become (or at least be perceived to become) a major source of smuggled goods into the Customs Territory, causing revenue loss and economic distortions to the Jordanian economy.

In addition to the hardware and telecommunications equipment (e.g. VSAT and HF radios) will be required to support the automated transit system, other enforcement related equipment will be required to support transit controls (see other equipment below)

### **iii.) ASYCUDA manifest control module**

The ASYCUDA system offers a manifest application software module that allows Customs to accept and write-off manifest data (taken from bills of lading and air waybills) against Customs entries. This writing-off procedure assists Customs in detecting cargo which has been reported to Customs as having arrived but subsequently never cleared by Customs within prescribed time frames. The ASYCUDA manifest control application has a facility whereby manifest details can be electronically interfaced with carriers' automated systems (or the automated system of the air/port authority) to eliminate the need for Customs staff to key enter this data.

Experience in other countries has shown that the manifest application is a very effective cargo control mechanism. DoC/ASYCUDA project and the ASEZ Customs service would be well advised to consider implementing the module in Aqaba (and other sites in the Customs territory) in the medium to long term. It is understood that the Aqaba port authority has been working with conference lines

to electronically accept manifest data in advance of ship's arrival. If this is the case, ASEZ Customs could consider linking the manifest module to the port authority's automated system.

**iv.) Automobile Temporary Admission System**

It is understood that DoC has designed and pilot tested at Jaber (Syria) border crossing an automated system to control the temporary admission of automobiles. DoC plans to extend the system to 8 other sites and has requested USAID assistance in procuring the necessary hardware (estimated cost US\$ 210,000).

If it is decided that residents of ASEZ will be granted duty-free vehicles, a automated system will need to be installed at the parameter office(s) of the ASEZ by January 1, 2001. If necessary an evaluation of the DoC vehicle temporary admission system could be undertaken to determine its applicability for use by ASEZ Customs in controlling vehicles leaving the ASEZ and temporarily entering the Customs Territory. If it is determined that this system did not meet ASEZ Customs requirements, other alternative systems could need to be evaluated.

**v.) Smart Card Technology**

Smart card technology is in use in various free zones around the world. The technology is designed to assist Customs in controlling merchandise inventories and collecting duties/taxes on duty-free merchandise purchased at ASEZ retail outlets by Jordanian Customs territory residents.

Smart card technology should be evaluated to determine its applicability to ASEZ situation. If deemed effective, this technology could be procured and implemented to support Customs operations.

**vi.) Enforcement Intelligence Database**

ASEZ Customs enforcement personnel will need a limited number of PC's and printers to allow it to compile a database of high risk goods/enterprises; analyze intelligence data from DoC, WCO, other enforcement agencies; prepare prosecution cases, etc.

**vii.) ASEZ Customs Office Automation**

Computers will be required support all facets of the ASEZ Customs administration (e.g. personnel; finance; accounting)

**c.) Other Equipment**

**i.) Transit control**

- A stock of high quality bar-coded container seals (procured outside the region);
- Portable bar-code scanners;

- Automated date/time clocks to stamp/perforate transit documents;
- Weigh bridges which produce automated printouts to record weights of trucks departing/arriving;
- Patrol vehicles dedicated to escort high-risk transits movements/follow-up on overdue trucks.

**ii.) Physical inspection**

- X-Ray machines for traveler baggage (Aqaba airport, ferry terminal)
- X-Ray machines vehicles and containers (Aqaba port or parameter cargo office).

Note: Given the high cost of such technology, a cost-benefit analysis should be undertaken before proceeding with the procurement.

- Night vision binoculars (7 km range) to assist patrols round parameter of ASEZ
- Narcotics test kits
- Patrol vehicles for parameter patrols, escorts, surveillance, enforcement/anti-smuggling teams
- Detector dogs (to detect narcotics, weapons), includes procurement/training of dogs/trainers; construction of purpose-built facility to house/train dogs; accommodation for trainers; exercise yard; etc.
- Equipment for dismantling and assembling vehicles (e.g. screwdrivers, pry bars, torches, overhauls, measuring tapes, portable mirrors, scopes for looking inside vehicle doors/fuel tanks)
- Portable HF radios
- Cranes/forklifts for unloading/searching vehicles
- Uniforms for ASEZ Customs staff
- Office furniture, chairs, calculators and other basic office equipment

**d.) ASEZ Customs: Indicative\* budget for Infrastructure and Equipment**  
(\* US \$ Order of magnitude only)

Short term: Before 1/1/2001

Medium term: Years 1 - 3

Long term: Years 3 - 5

Item	Short term	Medium term	Long term
<b><u>Infrastructure/offices</u></b>			
2 Parameter border offices			
Temporary/Interim	400,000		
Purpose built		3,000,000	1,000,000
Aqaba port office	50,000	350,000	
Aqaba airport		200,000	
Al Derah border crossing		350,000	
Wadi Araba border crossing			350,000
Aqaba Ferry Terminal		350,000	
<b><u>Computer Hardware</u></b>			
ASYCUDA core at Aqaba	100,000	100,000	
ASYCUDA manifest		50,000	50,000
Transit		210,000	100,000
Vehicle temporary admis.		250,000	
VSAT extensions		100,000	100,000
Smart Card		300,000	200,000
Enforcement Database		50,000	50,000
ASEZ Customs administrative computers		100,000	50,000
<b><u>Other Equipment</u></b>			
Container Seals	25,000	30,000	45,000
Bar-code Scanners	50,000	100,000	100,000
Date/time stamps	25,000	50,000	50,000
Weigh bridges		250,000	250,000
Transit Patrol vehicles	100,000	200,000	200,000
X-Ray (baggage)		500,000	250,000
X-Ray (containers)		10,000,000	
Night vision binoculars		150,000	150,000
Narcotic test kits		10,000	10,000
Anti-smuggling vehicles	50,000	200,000	200,000
Detector Dogs		150,000	50,000
Inspection Equipment	25,000	50,000	50,000

Uniforms	5,000	15,000	15,000
Desks, tables, chairs, basic office equipment	20,000	25,000	25,000
<b><u>Totals</u></b>	<b><u>850,000</u></b>	<b><u>17,135,000</u></b>	<b><u>3,395,000</u></b>

## **5.) Critique of DOC's short range plans for warehouse 8**

Detailed discussions were held during the mission with the DoC Director for ASYCUDA and the Director for Planning regarding the ASYCUDA ++ phase II project plan (see Attachment 1). The plan proposed that the core applications of the ASYCUDA system would be implemented simultaneously at Aqaba Customs House (and related sub-offices) and Zarka Free Zone during the first 13 months of the project.

After discussing the importance of having the core ASYCUDA system operational in Aqaba on or before January 1, 2001 to support the introduction of the ASEZ, the Director for ASYCUDA confirmed that it may be possible to implement the core ASYCUDA system at a site within Aqaba port within that time frame. However, this would only be possible if:

- There was a clear directive from the GoJ/DoC senior management that the implementation at Aqaba was to be given the ASYCUDA project team's highest priority (and that work on the Zarka implementation would be postponed until Aqaba was fully operational);
- A decision could be taken quickly on where/what office in Aqaba the system would be implemented in; and,
- Funding was made available immediately to undertake all necessary infrastructure upgrades and to procure required hardware.

During the mission, the ASYCUDA project Director drafted a Gantt chart setting out critical path activities to implement by December 1, 2000 (see attachment 2). It was the Director's opinion that the system should be operational a full month prior to start-up of the ASEZ to ensure all technical problems had been resolved. It was also the Director's opinion that the simplified SAD - 4 document could be utilized for declaring/entering goods into the ASEZ (see attachments 3 and 4 for samples of the SAD - 4 currently used for Royal House imports).

An offer was made by the AMIR project to the DoC to finance a short term mission by Mr. David Wright (the former UNCTAD Sr. Customs Advisor responsible for implementing Phase 1 of ASYCUDA) to return to Jordan on short notice to Jordan to assist the ASYCUDA team in evaluating the ASEZ infrastructure options, related floor plans and to finalize Aqaba related hardware requirements. This proposal was rejected by the DoC officials stating that they had the experience and expertise to complete this task in a professional and timely manner.

It was therefore agreed that the Director of ASYCUDA would immediately visit Aqaba to evaluate the alternative sites for implementation (i.e. warehouse 8 and the existing Aqaba Customs House) and prepare an evaluation report. This report would include a recommendation for the chosen site, draft of the proposed long room/office

layouts, cost estimates for refurbishments, and a critical path implementation plan. The evaluation report was to be completed by mid-July.

During the mission, a telephone discussion was held with the responsible UNCTAD regional coordinator in Geneva (Mr. Paul Laugesson). An assurance was given that a long term Sr. Customs advisor could be recruited by UNCTAD and put in place in the short term. UNCTAD would recruit the expert however only once a request was received from the GoJ. It was therefore recommended to the Director of ASYCUDA that the DoC request UNCTAD to proceed immediately with recruiting the long term Sr. Customs Advisor. It was also suggested that the DoC may wish to reconsider the duration of the Advisor's assignment (total of 5 months) in light of the urgency to implement ASYCUDA to support the ASEZ and the additional requirements associated with the implementation.

The Aqaba evaluation report had not been received at the time of finalizing this report. Consequently, it is not possible to provide any further substantive comments on the proposed infrastructure requirements or implementation plan. It is recommended that the AMIR project follow-up on the evaluation report with the DoC as a matter of high priority.

In regards to computer hardware requirements for Aqaba, the estimated US\$ 100,000 (US\$ 210,000 for both Aqaba and Zarka) as stated in the Computerization Assessment report prepared by Mrs. Irina Swift, should be reassessed by the Director for ASYCUDA (and ideally by the Sr. Customs Advisor to be recruited by UNCTAD) in light of any additional requirements related to the separate processing of the ASEZ SAD - 4 documents by ASEZ Customs personnel in Aqaba port/long room. It will also be important to take into consideration the additional requirements to implement ASYCUDA in the medium term at the other ASEZ Customs sub-sites/border crossings (e.g. airport cargo terminal, ferry terminal, interim/permanent parameter offices).

Once hardware requirements have been reassessed in light of ASEZ, it is recommended that further discussions be held with the Director for ASYCUDA/Director General for DoC to determine what, if any, additional funding shortfall exists related to the procurement of ASYCUDA hardware. The ASYCUDA phase II project document's budget contains a budget line of US\$ 770,000 to procure ASYCUDA hardware. Further clarification is required from the DoC as to what portion of this funding is currently available/committed from the GoJ and/or UNDP and what portion is required to be funded by USAID/AMIR.

## **6.) Work plan to implement the ASEZ customs regime**

A detailed work plan/GANTT chart was prepared during the mission and discussed with the DoC's Director for ASYCUDA and the Director for Planning (see Attachment 5). This plan set out the critical path activities to implement the ASEZ by January 1, 2001.

It was agreed that the Director for ASYCUDA and the Director for Planning would review the work plan with the Director General and forward to the AMIR office any comments/proposed amendments. At the time of finalizing this report, no comments had been received from the DoC.

A medium to long term work plan has also been prepared to highlight the activities to be undertaken after the January 1, 2001 (see attachment 6).

Both the short term and medium to long term work plans need to be discussed with/approved by the DoC/Customs Working Group as a matter of urgency.

## **7.) Technical assistance requirements**

### **a) Existing reform projects**

#### **i.) AMIR Project**

The AMIR project has been providing technical and financial assistance to DoC since 1998. Among its accomplishments, the project has assisted DoC in implementing a VSAT telecommunications system and provided technical training in such areas as Customs valuation and Selectivity. The project has also recently undertaken a Customs automation assessment of the DoC in preparation for funding the procurement of computer hardware.

Discussions were held with Sheri Rosenow, a Trade Attorney who has recently joined the AMIR project for a period of approximately 2 years. Ms. Rosenow's terms of reference/work plan have yet to be finalized however are proposed to include a number of wide-ranging Customs-related activities related to WTO membership commitments.

Ms Rosenow stated that the following work plan activities were under consideration:

- Intellectual Property Rights - develop instructions for use by Customs
- WTO Customs valuation - develop interpretative notes for dealing with valuation fraud; train Customs staff and traders
- Rules of Origin/certification - develop procedures related to direct shipment and provision of origin rulings
- Pre-arrival declarations - develop regulations/procedures to allow Customs to accept/process customs entries on a pre-arrival basis
- Urgent/express consignments - develop simplified procedures to allow expedited clearance of such consignments
- Professional Ethics Manual
- Booklet on private sector record keeping requirements
- Customs valuation checklist
- Organizational restructuring including preparing job descriptions
- Improve the Customs training system

- Commercial fraud training
- Selectivity/Risk assessment techniques

Because Ms. Rosenow had only arrived in Jordan approximately 1 month earlier, she had yet to finalize her work plan with the DoC or to coordinate her activities with other donor-financed advisors working in the Customs Department.

The AMIR project also employs a locally recruited Customs consultant (Mr. Jamal Oliamat) who reports to Ms. Rosenow. Ms. Rosenow stated that Mr. Oliamat's supporting terms of reference will be reviewed and adjusted in-line with her terms of reference/work plan, once they have been finalized.

## ii.) German Technical Cooperation (GTZ) Project

GTZ has been funding a project to modernize DoC for the past 4 years. The GTZ Customs consultant was on leave in Europe during the mission, therefore, it was not possible to meet to discuss the GTZ project plan. Officials in the DoC did however provide a copy of the latest GTZ work plan for the period 1/6/2000 - 31/12/2001 (see attachment 7).

The main activities include:

- Simplifying Customs procedures, including:
  - transit/transfer
  - free zones
  - warehousing
  - summary declarations/entries
  - risk management
  - payment through banks
- Reorganization of the DoC, including:
  - decentralization
  - delegation
  - job descriptions
  - job evaluations
  - external audit
  - enforcement network
- Training and Human Resource Development
  - training system
  - staff database
  - staff forecasting

- career tracks
  - staff recording
  - training plan
  - technical courses
- Cooperation and Coordination with ASYCUDA<sup>7</sup>
    - evaluation of ASYCUDA

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<sup>7</sup>The recent ASYCUDA extension project document indicates that GTZ is no longer a member of the Steering Committee since it is no longer a financial contributing donor to the roll-out.

**iii.) UNDP/UNCTAD - ASYCUDA Phase II Project**

The GoJ (Ministry of Planning) and UNDP signed in May 31, 2000 a phase II project document with UNCTAD. This US\$ 1.7 million project extension is intended to roll-out the automated system to an additional 8 customs offices during the period March 1, 2000 to September 2002. The additional Customs offices include: Aqaba, Zarka free zone, Sahab Industrial Estate, Jaber Border Office, Al Hassan Industrial Zone, Al Yadoudeh Bonded Warehouse, Quaismeh Bonded Warehouse, and Al Mahattah Bonded Warehouse.

The project will cover the implementation of the following system enhancements:

- ASYCUDA transit module at all computerized Customs houses;
- Linkages between ASYCUDA and commercial banks to allow electronic payment of duties/taxes; and,
- Post-audit control of warehouses, temporary imports, exemptions and end-use reliefs using risk assessment techniques.

The project budget also includes US\$ 770,000 for the purchase of non-expendable project equipment, including computer hardware according to UNCTAD specifications.

The following advisors will also be recruited:

*Internationally recruited:*

- UNCTAD Sr. Customs Advisor (5 months);
- UNCTAD IT Advisor (3 months)
- UNCTAD Project Coordinator (6 months)
- UNCTAD Quality Assurance Advisor (2 months)

*Nationally recruited:*

- National project director (31 months)
- Computer specialist (31 months)
- Computer and communications specialist (31 months)
- Customs procedures specialist (30 months)
- 2 programmers/systems analysts (60 months)
- Admin/Financial assistant (31 months)
- Executive secretary (31 months)
- Driver (30 months)

### **Existing and Potential Synergies**

None of the existing reform projects are specifically designed to implement ASEZ related customs procedures/controls. That being said, all the projects contain activities that could support (to some degree) the implementation of the ASEZ. For example:

- **Organization structure/HR reforms**

Both the GTZ and AMIR work plans propose activities related to reorganizing the DoC, preparing job descriptions, etc. While this would no doubt be useful for the DoC as a whole, what is needed in the short to medium term is a concerted effort to structure and staff an autonomous ASEZ Customs service (with linkages to the DoC in such areas as ASYCUDA). Work on the larger task of reorganizing DoC has been underway for several years and continues to progress very slowly. Proposals are currently resting with the Public Service Commission. Concern must be expressed that if the ASEZ Customs HR activities are tied with/dependent on on-going HR reforms for the entire DoC, there will be long delays in creating an ASEZ Customs organization.

It is strongly recommended that this proceed as a separate stream of activities which are independent of other DoC organizational reform efforts. The ASEZ HR work must however take into account the latest organizational design proposals for the DoC in order to structure informal/formal reporting linkages.

There is at the moment no formally approved organizational structure for Aqaba Customs. Attachment 7 is the organization chart provided by DoC. Attachment 8 is the staff complement listing.

In light of the foregoing and the limited time frame to create an ASEZ Customs service, it is recommended that the DoC's Aqaba Customs staff continue to operate the ASEZ Customs functions during the interim start-up period (e.g. March 2001) until such time as an ASEZ Customs organization can be created, staffed and trained.

- **ASYCUDA**

The ASEZ implementation is not yet officially seen as a 'special case' or high priority in the ASYCUDA team's work plan. The GTZ project latest work plan shows minimal involvement in Phase II of ASYCUDA (i.e. no commitment to finance any further hardware or infrastructure). AMIR's proposed involvement is largely limited to provision of hardware/telecommunications (and perhaps supporting infrastructure for the ASEZ implementation).

It is strongly recommended that the Aqaba implementation of ASYCUDA be assigned the highest priority by the ASYCUDA project team. Given the tight

time frames to implement the core system at the Aqaba port (and possibly other sites including the parameter); the need to design/introduce the simplified SAD - 4 document; implement ASYCUDA transit module (if it is the option chosen); etc., it may be prudent to recruit the UNCTAD Sr. Customs Advisor immediately and deploy him on a full time basis to the ASEZ implementation. Since the Phase II project document only has a total 5 months input for the Sr. Customs advisor, the AMIR project (or another donor) could consider 'topping up' (e.g. an additional 6 months) the advisor's inputs to cover this additional/unforeseen work related to the ASEZ. A similar 'topping up' could be considered for the UNCTAD IT advisor.

The ASYCUDA team has prepared a number of SOP manuals, instructions, user guides (see attachment 8) that will need to be tailored/updated to reflect ASEZ requirements.

- **Transit**

The GTZ project plan indicates that it is to develop simplified transit/transfer procedures. The ASYCUDA project states that it is to implement the ASYCUDA transit module in the medium to long term. The DoC Director IT states that she will be evaluating 3 options and preparing a recommendation in late July 2000. AMIR has provided a nation-wide VSAT network, which will provide the telecommunications infrastructure for ASYCUDA, transit and other applications. The ASEZ implementation underlines the urgency to strengthen transit controls, including introducing an automated system.

It is recommended that implementation of strengthened transit laws and controls as well as an automated transit system be given a high priority. Since it is unlikely that an automated transit system cannot be operational by 1/1/2001, it is recommended that the manual system be improved as an interim measure with the chosen automated system implemented as early as possible in 2001. It is highly recommended that the transit evaluation report prepared by the DoC be examined carefully and a project plan be prepared in coordination with all concerned donors. Consideration may need to be given to recruiting a short term technical advisor to assist in implementing the transit system.

- **Risk Assessment/Selectivity**

Both the GTZ and AMIR projects are proposing to assist the DoC in this area. While such assistance is no doubt needed, it will be important to provide specialized/targeted assistance to deal with the unique risk posed by the ASEZ. It is recommended that GTZ and AMIR coordinate their efforts in this regard.

It is also important to mention that none of the projects would appear to be assisting DoC in the area of Enforcement (i.e. Investigations; Intelligence). It is

strongly recommended that this possible area for technical assistance be discussed with the DoC, particularly as it relates to ASEZ.

- **Other Customs procedures**

The GTZ project plan states that it will develop simplified procedures in such areas as warehousing, free zones and summary declarations. Such procedures could be applicable to the ASEZ and should be developed in close cooperation with the ASEZ Working Group. In addition, the ASYCUDA team have prepared a number of SOP manuals and user guides that could be directly relevant to the SOP manuals which will need to be developed/tailored for Aqaba (see attachment 9).

**b.) Future Technical assistance requirements**

**i.) ASEZ Customs implementation coordinator/advisor**

A coordinator will be required to oversee/provide technical assistance and advice to the ASEZ Customs working group.

The coordinator would be responsible for:

- Preparing terms of reference for short term advisors;
- Managing/monitoring the quality of work being performed;
- Liaison/coordination with other donor financed projects and the Customs Working Group; and,
- overall management of the design, implementation and evaluation of the ASEZ customs component.

Duration: 2 -3 years, effective immediately

Ideally full time until 2/1/2001, potentially part time thereafter.

**ii.) ASEZ Customs Human Resource Advisor**

Technical assistance will be required to operationalize the new ASEZ Customs Service.

The Advisor would be responsible for:

- Analyzing existing Aqaba Customs organization structure and staff complement/deployment in light of ASEZ Customs requirements;
- Developing a organization chart for ASEZ Customs;
- Preparing job descriptions;
- Analyzing grades/pay scales;
- Developing a remuneration policy;
- Developing a policy regarding staff recruitment, deployment and rotation;
- Preparing a disciplinary code of conduct;
- Prepare MoU's outlining reporting relationships to the DoC and other agencies, etc.
- Prepare a migration strategy and advise/assist the ASEZ Authority during implementation.

Duration: 6 months full time - August to February 2001  
12 months part time - March 2001 - March 2003

**iii.) Traveler/passenger processing advisor**

Technical assistance will be required to develop streamlined traveler processing regimes at all entry/exit points to ASEZ.

This will involve:

- Preparing an interim operational strategy for 1/1/2001 start-up (i.e. using DoC staff) and a detailed strategy and procedures for the long term operation (i.e. using ASEZ Customs personnel)
- Providing technical advice during the design of interim and permanent parameter border offices, as well as upgrading all other ASEZ Customs border offices (e.g. traffic flows; signage; parking; location of primary and secondary offices)
- Introducing simplified Red/Green channel systems;
- Providing technical training to staff (e.g. passenger profiling and interviewing techniques)
- Reviewing exiting laws/regulations governing passenger exemption levels; preparing amendments
- Preparing regulations to introduce a flat rate duty assessment system
- Evaluating 'smart card' technologies; assist during procurement implementation as appropriate
- Providing technical input into ASEZ customs public/traveler specific information/education campaign; and
- Providing technical input into the design/operationalization of the required organizational structures, staff deployment, etc. related to traveler processing function.

Duration: 6 months full time - 9/1/2000 to 3/1/2001  
6 months part time - 3/1/2001 to 3/1/2003

**iv.) ASEZ enforcement technical advisor**

Technical assistance will be required to develop and implement an enforcement strategy for ASEZ Customs.

This will involve:

- Assisting ASEZ Customs in developing a comprehensive Customs enforcement strategy. For example,

This strategy should identify all enforcement targets and tailor strategies for deploying resources to maximum effect. Consideration should be given to establishing ASEZ Anti-Smuggling Team to implement the strategy for interdicting contraband into the Customs Territory. This Team should:

- be comprised of a hand-picked cadre of personnel from various enforcement agencies (e.g. DoC, Police, Immigration, National and local Police, Attorney General);
- be given a high profile and visible support from the GoJ and ASEZ Authority;
- be under a central command which would be responsible for coordinating all activities and operations, including coordination with other enforcement agencies;
- have its mandate focused primarily on the detection, apprehension and charging of those parties found physically transporting, distributing or marketing contraband goods;
- have authority to investigate and charge any person (i.e. private or public) participating in such illegal activities;
- operate fully within the law and have Customs' search and seizure authorities;
- have at its disposal appropriate enforcement aids to undertake its mandate; and
- launch a public information campaign to solicit public support and participation in the campaign.

The general public and firms currently being injured by illegal goods entering Jordan should be encouraged to contact the Team to provide whatever information deemed useful to curb smuggling

- Provide technical enforcement training to ASEZ Customs staff e.g.
  - Stocktaking and auditing techniques

- Search of general-purpose containers
- Motor vehicle search techniques
- Passenger and baggage search
- Search of loaded containers
- Identification and testing of drugs
- Search of planes, ships and pre-planning techniques
- Evidence gathering/handling
- Basic communication and interviewing techniques
- Means of detecting falsified documents
- Intelligence information collection and analysis techniques
- Advise ASEZ Customs staff on how to reduce the level of physical inspections through the use of risk analysis/selectivity techniques.
  - Introduce selective physical inspection (based on risk assessment techniques) to other traders not benefiting from the Green Channel scheme; and,

The level of inspection should be systematically reduced to:

- 12 percent by the end of Year One of the SEZ implementation
- 10 percent by the end of Year Two of the SEZ implementation
- 7 percent by the end of Year Three of the SEZ implementation

While the level of physical inspections are reduced, the level of enforcement effectiveness should be closely monitored to ensure that the rate of offenses detected/Customs enforcement actions taken continues to increase.

To meet this objective, a system of intelligence gathering and risk assessment should be implemented to determine which consignments should be physically inspected. Selection criteria should be controlled and updated regularly by the Customs House management in conjunction with Customs Headquarters. Risk can be determined based on such criteria as: the quality of the goods description and discrepancies between the declaration and supporting documents; the incentive/likelihood that this particular good could be misclassified to avoid a higher duty/tax rate; the value of the consignment (e.g. whether the consignment is of high value or whether the declared unit price is within excepted price ranges); whether the importer, broker and/or supplier has a history of misclassifying or undervaluing goods, or has an enforcement record (e.g. smuggling, enclosures, importation or restricted or prohibited goods).

The selectivity module in the ASYCUDA system should be implemented to assist Customs in selecting goods declarations meeting selection criteria. A unit will

need to be established for intelligence gathering, risk analysis and monitoring the effectiveness of selection criteria/updating criteria.

Technical assistance/training courses on cargo selectivity/risk assessment should be provided to the Customs intelligence/risk assessment unit.

- Increase the quality/decrease the quantity of inspection staff and provide them with the tools to perform more effective physical inspections.
  - Through selective inspection, only a limited number of hand-picked, high quality and well trained inspection staff should be deployed to perform physical inspections.
  - Selection of which officer is to perform which inspection should be based on a rotating roster system as opposed to the current discretionary method. The ASYCUDA system offers a facility whereby the system will randomly select/assign the officers on the roster to undertake physical inspections.
  - Inspection staff should be subjected to random, periodic audit/re-verification by Customs management (i.e. selective re-inspections should be undertaken to ensure that physical inspections have been performed with utmost propriety).
  - A system of examination instructions should be prepared for specific commodities to assist inspection officers in documenting the technical detail required to verify tariff classification and valuation.
  - Evaluate and if necessary modify the 'clearance teams' such that commodity specialists responsible for valuation and tariff classification are physically separate from staff responsible for physically inspecting consignments.

Duration: 4 months full time - 9/1/2000 to 1/1/2001

14 months part time - 3/1/2001 to 3/1/2003

**v.) ASEZ Customs procedures advisor\***

Technical assistance will be required to develop and implement documentary and procedural controls related to the import/export of goods into the ASEZ.

*(Note this \*Advisor may only be required if ASYCUDA Sr. Customs Advisor is not recruited/deployed full time to Aqaba implementation in short term).*

*This would involve:*

- Advising/designing all procedure and control aspects of ASEZ Customs operations (interim term and long term); review all existing procedures/controls with the intent of simplifying documentary requirements, long room entry review and clearance procedures; training staff and agents in new procedures; etc.
- Reviewing/revising existing ASYCUDA SOP manuals which are relevant to simplified SAD - 4 entry for use at ASEZ long rooms/ASYCUDA operations;
- Providing technical assistance to ASEZ Customs working group (liaise with GTZ procedural working group and ASYCUDA implementation team related to procedural issues)
- Assisting in designing/implementing ASEZ customs related audit mechanisms; define ASEZ enterprise record keeping requirements
- Developing and introducing special expedited clearance procedures for perishable, time-sensitive cargo, including express consignments.
- Examining ways of simplifying procedures and documentation requirements and minimizing costs to traders associated with financial guarantee requirements (e.g. reduce the amount of guarantee required based on the risk of the importer).

Jordanian Customs should review and apply the Joint WCO/IECC (International Express Courier Conference) guidelines for cargo reporting and clearance of express consignments.

Duration: 6 months full time - August to February 2001  
12 months part time - March 2001 - March 2003

vi.) **UNCTAD Sr. Customs Advisor**

and

vii.) **UNCTAD IT Advisor**

It is recommended that consideration be given to immediately recruiting the UNCTAD Sr. Customs Advisor and IT Advisor such that they can be dedicated full time to assisting the ASYCUDA team in implementing the ASYCUDA system at Aqaba by December 1, 2000 and in preparing for implementation of the ASYCUDA transit module (if that option is chosen by the DoC).

This would require an extension of approximately 7 months to the level of effort set out in the phase 2 project document (i.e. bringing the total level of effort to 12 months in the project document).

If the GoJ and UNDP cannot fund this extension, other donors (including USAID) should consider funding the extension to these advisors.

Duration: 4 months full time - Sept. to Jan. 2001  
3 months part time - commencing March 2001 to implement transit module

## **C) Appendices**

### **Attachments:**

- 1 - ASYCUDA Phase II project plan
- 2 - Draft implementation plan for Implementation of ASYCUDA at Aqaba
- 3/4 - Single Administrative Document (samples of simplified entry)
- 5 - Gantt chart for short term implementation activities for ASEZ customs
- 6 - Gantt chart for medium to long term implementation activities
- 7 - Informal organization chart of Aqaba Customs
- 8 - Aqaba Customs staff complement
- 9 - ASYCUDA list of available user manuals/guides
- 10 - Email to J. O'Gara, TSG, response to technical customs issues

### **List of documents read during course of consultancy**

- Aqaba Development Vision Project Description
- Feasibility study and implementation action plan: Assessment of Customs policies, procedures and capacity, TSG/Bert Cunningham, July 31, 1998
- UNDP Report of ASYCUDA evaluation, August 1999
- Scope of work for Customs working group , June 13, 2000
- Report on Customs bank guarantees and penalty based customs incentives, Chemonics July 1999.
- GTZ customs reform work plan 01/06/2000 to 31/12/2001
- Review of transit procedures in Jordan and recommendations for reform and impact on the design of the ASYCUDA transit module, August 3, 1998
- UNDP/UNCTAD/GoJ ASYCUDA phase 2 project document, signed May 31, 2000
- Customs Automation Assessment, Irene Swift, May 2000
- Model Aqaba freeport customs regulation, June 18, 2000
- Draft ASEZ law, June 18, 2000

### **List of individuals interviewed during course of consultancy**

#### *Jordanian Customs Department*

- Dr. Khaled W. Al-Wazani, Director General
- Mr. Mahmoud Wafa, Director for ASYCUDA
- Mr. Marwan Mah'd Gharaibeh, Director of Planning
- Mr. David Wright, UNCTAD Sr. Customs Advisor
- Mrs. Somaya Al-Wahoush, Director for IT
- Eng. Aref. A. Al Fiiani, VSAT Project Manager

#### *Chemonics*

- Mr. Steve Wade, Chief of Party
- Mrs. Sheri Rosenow, Trade Attorney
- Mr. Jamal Oliamat, Customs consultant

*TSG*

Mr. Jim O'Gara  
Mr. Markus Mueller

*UNCTAD*

Mr. Paul Laugesson