

Streamlining Customs Clearance Procedures to Facilitate International Trade (The Case of Ethiopian Import Procedures)

By:
Tekleweyni Tadesse
(World Bank Customs Consultant)

October, 2018
Malatya, Turkey

Introduction

- The trade facilitation challenges in Ethiopia suffers from excessive border bottlenecks, lack of reform and drawbacks in private investment.
- The high cost of doing business across borders in Ethiopia is said to have become a major constraint to economic development.
- Ethiopia is one of the countries with the highest set of challenges in cross border trade.
- This has affected Ethiopia's international trade relation and has hampered its trading across borders track record at the face of global competition for foreign direct investment.

Streamlining Ethiopian Import Customs Procedures

It is extremely important that when setting out to reform and modernize Customs procedures, every effort must be made to:

- Minimize the incidence of Customs interventions;
- Simplify and streamline the complexity of data and document requirements, work and paper-flows, procedures, processes, and controls;
- Ensure that the proposed reforms are in full conformity with international Customs conventions, related recommended best practices and agreed standards;
- Apply information and telecommunications solutions (ICT) to support these Customs reform efforts.

Typical Ethiopian Customs Import Clearance Process

The Customs import clearance process in Ethiopia normally consists of various distinct steps:

- 1) Cargo declaration by carrier to Customs
- 2) Temporary storage of arriving goods
- 3) Customs import goods declaration
 - a) Preparation and submission of the goods declaration by importer/broker
 - b) Validation and acceptance of the goods declaration
 - c) Automated risk management/channeling

Typical Ethiopian Customs Import Clearance....

- d) Checking the goods declaration and supporting documents
- e) Assessment of the goods declaration by specialized customs officer (optional)
- 4) Physical inspection of the goods (optional)
- 5) Collection of duties/taxes by Customs (optional, by commercial banks)
- 6) Release of the goods by Customs
- 7) Delivery of the goods to the importer
- 8) Post-clearance auditing of importer by Customs (optional)

1. Cargo Declaration by Carrier to Customs

The carrier reporting procedure in Ethiopia is characterized by:

- Being totally paper-based (i.e., Customs not equipped to accept electronic carrier manifest reporting). Consequently, upon arrival of the conveyance, carriers must print multiple hardcopies of manifests for Customs and other border agencies.
- No advance electronic cargo declaration reporting.
- No automated risk management capability within the Customs computer for processing carrier reports

Cargo Declaration by Carrier to Customs.....

The Ethiopian customs should design electronic carriers reporting system and the carrier's cargo declaration to Customs should:

- Include minimum data or document requirements normally found on the carrier's manifest
- Set the maximum time limit either prior to or after arrival of the conveyance for the carrier to report to Customs the cargo's arrival; and,
- Allow the carrier to make the cargo declaration to Customs on a pre arrival basis, that is, in advance of the conveyance's arrival at the border

Cargo Declaration by Carrier to Customs.....

- Once the manifest data is in the Customs computer, the system should be capable of automatically matching each manifest item against each item on the Customs goods declaration that is subsequently submitted by the importer
- The application will also automatically ‘acquit, jerk, write-off’ each line of the manifest against each goods item declared on the Customs declaration, in order to identify any cargo that has been reported as arrived by the carrier but not declared to customs
- The system should identify all discrepancies as well as any ‘unclaimed or undeclared’ cargo (i.e. cargo reported arrived but not cleared by Customs)

2. Temporary Storage of Arriving Goods

When assessing the effectiveness of Ethiopian Customs temporary storage facilities, we can determine the need for reform by looking at the following weaknesses:

- A lack of storage facilities, resulting in the conveyance being held up for days and not being released for other commercial activities;
- Insecure storage facilities, resulting in pilferage and damage;
- A lack of equipment to unload the goods from the conveyance into the temporary store,
- Customs not allowing the trader to have access to his goods in temporary storage,

Temporary Storage of Arriving Goods..

The Ethiopian customs should solve the problems of temporary storage facilities by:

- Purchasing modern equipments and constructing additional secured temporary storage facilities to unload the goods,
- Allowing importers to access their goods while the goods are in temporary storage to check whether they conform to contract conditions, or to undergo certain authorized operations necessary to preserve the goods ,
- Granting an extension to the goods which are not removed from the temporary store within the prescribed period, or allowing transferring to a free zone, or be exported.

3. Customs Import Goods Declaration

3.1 Preparation and Submission of the Customs Goods Declaration by Importer/Broker

When we see the Ethiopian customs, the following problems are observed in goods declaration requirement:

- Many data element requirements on the goods declaration;
- High number of hard copies of Customs declaration;
- High number of copies of required supporting documents (e.g. commercial invoices)
- Absence of ‘paperless’ Customs declarations (i.e., electronic goods declarations with electronic signatures, electronic commercial invoices, electronic certificates of origin, and import permits).

Customs Import Goods Declaration...

To reduce transaction costs and cargo dwell times associated with the Customs clearance of goods, every attempt of Ethiopian customs should be made to:

- Minimize reporting and clearance processes by eliminating or combining procedural steps and creating 'one-window' or 'one-stop-shop' customer service centers where all relevant authorities can provide required services to traders;
- Streamline work/paper-flows;
- Minimize document requirements (both the Customs declaration and supporting documents) and related data requirements;

Customs Import Goods Declaration...

- Utilize a single, standardized document format and content for multiple agency reporting purposes and customs regimes;
- Harmonize and standardize border authority requirements and, to the extent possible, ensure these are consistent and compatible with internationally-accepted trade documents;
- Minimize the number of approval authorities' signatures or stamps, and;
- Maximize the use of ICT systems, whereby data requirements can be exchanged electronically using standardized electronic message structures, wherever possible in advance of the cargo arrival.

Customs Import Goods Declaration...

3.2 Validation and Acceptance of the Goods Declaration

- At the reception desk, Customs officers are allowed to undertake a very cursory check of the completeness of the declaration package and confirm the acceptance of the goods declaration package. However;
- There is no a facility or an electronic data interchange among customs officers and customs brokers to inform the status of each customs declaration and to submit additional enquiries to customs brokers.

Customs Import Goods Declaration...

- A facility should be given to importers/brokers to allow them to track/monitor the status of their goods declaration in the clearance process.
- This can be accomplished by placing monitors in strategically located public areas of the Customs office.
- These monitors can indicate the status of each goods declaration number and/or whether there has been any query raised by Customs and who to contact, etc.
- The customs management system should allow for exchange of electronic messaging with importers and customs brokers

Customs Import Goods Declaration...

3.3 Automated Risk Management/Channelling

- The risk management system implemented in Ethiopia is at its infancy level with high percentage of cargo inspected physically. This is because of the following reasons:
- The risk criteria loaded into the risk management application is not carefully monitored and regularly updated.
- Absence of information to update the profile of importers
- Lack of information technology to update the profile of importers regularly
- Thus, the Ethiopian customs should solve the above problems to enhance its risk management system and to facilitate international trade.

Customs Import Goods Declaration...

3.4 Checking the Goods Declaration and Supporting Documents by Customs

- There is a problem with regard to communicating with importers and putting the reasons why the officer decided the goods to be inspected and the specific information required from the inspector.
- Therefore, Ethiopian customs should design effective customs procedure for checking of goods declaration and supporting documents by:

Customs Import Goods Declaration...

- Enabling the customs system, to request the importer/ declarant to present additional information or documents to support the declaration, make a correction to the declaration, etc.
- Enabling the Customs system to record the specific reason for inspecting the goods and the specific information that should be gathered by the Customs officer assigned responsibility for inspecting the goods. For example, the officer checking the documentation may request: digital photographs be taken; a sample be taken and sent to the officer; the goods to be checked for marking, origin or specific information to assist in verifying how the goods should be either classified or valued.

Customs Import Goods Declaration...

3.5 Assessment of the Goods Declaration by Specialist Customs Officers (Optional)

- In Ethiopia there is a specialized assessment unit in each customs branch offices to provide a decision on issues related with the value, tariff classification, or origin declared on the goods declaration.
- Given the significant problems in checking the reasonableness of the Customs values declared for specific goods, Ethiopian Customs have developed valuation reference price databases containing unit prices for all commodities.

Customs Import Goods Declaration...

- The Ethiopian Customs have experienced serious difficulties in effectively operating the WTO Agreement on Customs Valuation (ACV) due to:
- National Customs legislations not amended to effectively incorporate the ACV provisions.
- Lack of ownership and poorly internalized Customs process
- Serious concerns about loss of revenue given the importance of Customs duties/taxes to the state's fiscal situation.
- ill-equipped to effectively check the reason of values before release,
- Raising serious concerns for policymakers in applying the transaction value;

Customs Import Goods Declaration...

- Low managed Customs computer systems and the lack of systems to create and maintain valuation reference price data bases to assist officers in checking the reasonableness of declared values;
- Corruption between Customs officers and traders.
- Failure to consistently apply severe penalties for presentation of false invoices or for valuation fraud.
- Lack of regularly updating the unit prices in the database by a research team responsible for examining invoices presented, gathering catalogues and price lists, searching the Internet for prices, attending trade shows, soliciting values from competitor firms, etc.

Customs Import Goods Declaration...

- Ethiopian Customs also issue national rulings on how specific goods should be classified.
- However, this service is not provided electronically and the issued rulings are not available to the public on their Web site or over their computer systems through a database containing national HS rulings.
- The following problems are observed in the provision and controlling of exemptions in Ethiopia:
- The goods declaration doesn't include an exemption authorization number
- Many number of other ministries or authorities allowed to legally grant duty/tax exemptions

Customs Import Goods Declaration...

- Providing exemption approvals to the importers rather than sending directly to Customs by the authorizing agency
- Absence of exemption approvals stored in an exemption database inside the Customs computer.
- Absence of an electronic system to apply online to the appropriate granting authority for an exemption and to electronically send the approval directly to Customs
- Absence of clear criteria for granting duty/tax exemptions,
- Lack of monitoring and evaluation to ensure that the costs of the exemption do not exceed the intended benefits
- Absence of conducting rigorous end use audits for goods imported under exemption or concession regimes

4. Physical Inspection of Goods by Customs Officer (Optional)

- Where more than one agency is involved in an inspection, it is important that there is coordination between such agencies so as to avoid duplicative inspections.
- Unfortunately, in Ethiopia there is no mechanism for ensuring coordination between the various government inspectors, leading to unnecessary delays.
- In addition, the absence of any system to schedule cargo inspections causes unnecessary queuing and delays,
- To avoid queues and delays with cargo inspection, the Customs automated system be enhanced to allow the trader to schedule any physical inspection with Customs and other border agencies

Physical Inspection of Goods by Customs Officer....

- It is very important that Customs hours of operation coincide with those of the other border agencies.
- Again, unfortunately in Ethiopia this is not the case, with hours of operation of the various agencies not harmonized to maximize service to the trader.
- Ethiopian customs have already invested in sophisticated container scanning systems allowing officers to peer deep inside a closed container or truck
- However, the digital images of the scanned cargo are interpreted by more than one officer and that these images are not stored and digitally linked to the goods declaration document.

Physical Inspection of Goods by Customs Officer....

- Given the high volume of import and export containers in Ethiopia, there is insufficient time and it is not cost effective to move all containers through the scanner.
- Unfortunately, Ethiopian customs doesn't implement Intelligence and profiling techniques to select which containers to scan.
- Ethiopian customs have no enforcement intelligence database which can contain intelligence information and look out past enforcement records;
- Thus, Ethiopian Customs needs to work closely with stakeholders and other border agencies and Customs services in other countries for the exchange of vital intelligence to more effectively combat customs offenses.

5. Collection of Duties/Taxes

- The Ethiopian customs system normally calculates the duty/tax payable on each declaration.
- However, Customs cashiers only accept cash payment order (CPO).
- Therefore, the Customs computer system must be linked to the systems of commercial banks, Society for Worldwide Interbank Financial Telecommunication (SWIFT) to allow traders to transfer funds from their bank accounts to a Customs account, with electronic messages sent to all parties confirming the transfer details.

6. Release of Goods by Customs

- Once Customs has decided to release the goods (and the duty/tax has been paid), the importer/broker must be notified electronically for physical removal of the goods from the airport or port.
- However, goods declaration form is stamped or signed by a Customs officer as proof of Customs release in Ethiopia.
- Thus, Ethiopian customs should improve its customs systems to notify the release of shipments and to communicate importers why consignments are not released and which border agency has placed a hold on the consignment.

7. Delivery of Goods

- Sometimes, Customs release may not be sufficient to remove the consignment from the exit gates at the airport or port.
- Normally, the port authority or cargo handling company will not allow the goods to be delivered until any demurrage and all port-handling charges have been paid.
- In Ethiopia significant cargo delays occur after the delivery note is issued and until the goods are actually loaded onto a truck and delivered.
- This is mostly caused by the delays by the cargo handling company actually loading the goods onto the truck.

8. Post-Clearance Auditing of Importer (Optional)

- In Ethiopia, goods declarations are selectively re-verified after release of the goods.
- This is especially the case for those goods declarations that have been granted immediate Green Channel release and not been checked prior to release.
- However, automation is not used to process goods declaration data against specific selection criteria maintained by post-clearance audit teams.
- Thus, Ethiopian customs should support the selection process for post clearance audit by information technology.

Thank You Very Much for Your Attention!!

Tekleweyni Tadesse
World Bank Customs Consultant

Email: tgebrekidan@ifc.org

lalay2002@gmail.com

+251920552744