CHALLENGES TO GOOD GOVERNANCE IN CUSTOMS: BETTER LAWS ARE NOT ENOUGH

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CONTRACTING PARTIES TO THE TIR CONVENTION

Contracting Parties that apply the TIR procedure (2005)
Contracting Parties that do not apply the TIR procedure (2005)
Potential Contracting Parties
### TIR Carnets Distributed to National Associations (Global Figures)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Number of Carnets</th>
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<td>1959</td>
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<tr>
<td>1990</td>
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<tr>
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</tr>
<tr>
<td>2003</td>
<td>3 298 000</td>
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<td>2006</td>
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## Issuance of TIR Carnets in EECCA Countries

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ACHIEVEMENTS AND PROSPECTS

• 2001 – 2006: TIR Carnets issued in EECCA + 74%
  (1,142,700 in 2006)

• Southern Caucasus: + 116% (10,350 in 2006)

• EECCA shares in 2006: 32 % of TIR Carnets issued & 45% of terminated TIR operations worldwide

• Rapid growth to continue when China and Pakistan accede to the TIR Convention
IMPEDIMENTS

• TIR Convention addresses the issue of Customs transit by road
• This is necessary but not sufficient
• TIR Convention less effective if other border-crossing problems not resolved
• Impediments: (i) directly related to the TIR Convention (or Customs operations); (ii) indirectly affecting the application of the TIR procedure
IMPEDEMENTS DIRECTLY RELATED TO THE TIR PROCEDURE

• Requesting documents/information not foreseen by the Convention

• Excessive use of exceptional control measures such as Customs escorts and physical examination en route

• Lack of training and experience of Customs officials

• Other flaws and omissions in Customs operations
ADDITIONAL DOCUMENTS AND INFORMATION

The TIR Convention foresees two documents only:

• TIR Carnet

• Certificate of approval of a road vehicle for transport under Customs seal

Other documents may be used, if available from operators:

• CMR consignment note, packing list, etc.

• Information from such documents to be used only for the identification of goods and vehicles

• Data on the value of goods and HS-codes not mandatory
CUSTOMS ESCORTS

• May apply in exceptional cases (Article 23) at the carrier’s expense
• Entry on TIR Carnet should indicate the reasons for escort
• Escort rates to be justified by actual costs
• Example: Customs escort when the duties and taxes at stake exceed the guarantee limit (additional guarantees not allowed by TIR Convention!)
• Once a decision is taken, Customs escort should be organized as soon as possible
• Payments for questionable services (e.g. parking fees while waiting for escort) should not be tolerated
EXAMINATION EN ROUTE

• Applicable in exceptional cases to prevent abuse

• Use iff well-founded suspicions of an infringement

• Modern risk management superior to extensive controls

• Other government authorities (e.g. traffic police) not entitled to remove seals without Customs officials being present
LACK OF TRAINING AND EXPERIENCE OF CUSTOMS OFFICIALS

- Failure to understand key role of the Customs office of departure → insufficient checking of TIR Carnet, goods and vehicles
- Errors in completing TIR Carnets
- Requirements in contravention of TIR rules
- Poor discipline and failure to follow internal Customs instructions
- Non-application of risk analysis and excessive controls
OTHER FLAWS AND OMISSIONS IN CUSTOMS OPERATIONS

• Poor organization of Customs controls, lack of proper equipment/facilities, limited use of IT and EDI technologies

• Abuse of official power for private gain, e.g. blackmailing operators with the threat of strict control measures

• Unnecessary on-the-spot checks inside the country (sometimes performed by other government agencies)
IMPEDIMENTS BEYOND THE TIR CONVENTION

• Road/environmental charges
• Weighing and weight certificates
• Maximum vehicle weight, dimensions and axle load
• Lack of coordination among control authorities at the border
• Unsatisfactory issuance of visas to professional drivers
• Bilateral road transport permits
• Poor road infrastructure and border-crossing facilities
• Steep domestic duties and taxes that prevent operators from purchasing/leasing new tractor units/trailers/semi-trailers
THE HARMONIZATION CONVENTION

• International Convention on the Harmonization of Frontier Controls of Goods became effective in 1982

• 48 contracting parties, incl. the European Community

• Southern Caucasus countries (Armenia, Azerbaijan, Georgia) acceded to the Convention

• Adjacent signatory states: Russia, Turkey
Aims

• Facilitate border crossing of goods to reduce transport costs by:
  • Harmonizing and reducing formalities
  • Harmonizing and reducing # and length of border controls
  • Establishing procedures for border controls (customs, quality, technical standards, medico-sanitary, veterinary & phyto-sanitary inspections)
  • National cooperation and coordination of various services
  • International cooperation between respective border services
IMPLEMENTATION

• Harmonization Convention provides a framework (but not detailed recipes) for:

  • Joint controls of goods and documents through the provision of shared facilities

  • Same opening hours and same types of services at the same border

  • Promotes one-stop shop principle for border controls
IMPLEMENTATION (cont’d)

• Survey sent to all contracting parties in April 2006 - about ¼ responded

• 70% : Convention served as a model for integrated border management procedures at national and international levels

• 60% : Lack of detailed guidelines for organizing cooperation between neighbouring countries makes implementation difficult

• 70% : Capacity-building training on cross-border cooperation needed
## The length of export procedures (days)
### 2006

<table>
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<th>GEO</th>
<th>KAZ</th>
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<td>1</td>
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<tr>
<td><strong>Total</strong></td>
<td>34</td>
<td>69</td>
<td>13</td>
<td>93</td>
<td>5</td>
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</table>

**Note:** Data for Denmark and Kazakhstan are provided for reference only.  
*Source: World Bank, [www.doingbusiness.org](http://www.doingbusiness.org)*
Recent research by Djankov, Freund and Pham → length of procedures has a powerful effect on exports:
www.doingbusiness.org/Documents/TradingOnTime_DEC06.pdf

Sample of 98 countries, incl. ARM, AZE, BLR, KAZ, MDA, RUS, UKR

Main result: length of export procedures ↓ 10% → exports of goods ↑ 4%

Implies solid returns to investment in transport facilitation
WHAT A DIFFERENCE A DAY MAKES

- Recent research and own calculations → reduce export procedures by a day → extra exports per year up to:
  - $11 million in Armenia
  - $63 million in Azerbaijan
  - $45 million in Georgia

- Investing in better implementation makes economic sense
CONCLUSION

• Harmonization Convention: a useful model for integrating border procedures within and between contracting parties

• Improvements to procedures entail significant payoffs

• Implementation requires mainly administrative and organizational measures (both national and cross-border)

• High-level political commitment and adequate training essential