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## **Report on Reforming and Modernization of Customs Service in the Republic of Azerbaijan**

As the history shows, none of the states from the ancient time can function without customs, which is efficient tool for the national economic development. During decade of independence, Azerbaijan customs office faced the necessity in a short time to create and develop the customs services, and upgrade it to the international standards. Actually starting from zero, we had to catch up with the advanced customs in modern countries. And today we can assure, that we managed to do so. The period of Azerbaijan customs formation is over, and we transit now to the solution of global problems, relevant to the modern level of development of customs services. Experience of 10 years of customs office showed, that without clear definition of the strategic aims, formulation of the clear priorities it is impossible to achieve the success.

At present the State Customs Committee has in its structure 18 regional custom bodies, 58 customs posts, of which 25 are in borders. One should mention the specialized ones, which are set up to perform the special tasks. For example, the customs posts "Sahil" and "Yieni Sahil" were set up to make custom clearance of goods, delivered to the republic under the contracts on exploitation of oil deposits in the Caspian Sea. The Energy customs was set up to clear the foreign trade transactions with the energy carriers. There is also Excise post for clearing the excise goods in the republic.

The need to facilitate foreign trade put a task to Azerbaijan customs to work out a new approach to customs development. At a time of expansion of foreign trade, cultural, scientific and technical relations, it is impossible to imagine Azerbaijan without close cooperation with foreign countries. Azerbaijan does foreign trade with more than 120 countries in the world. Customs service annually performs customs control and customs clearance of imported and exported freight in the volume of more than US\$5 billion (19,2 million tons). In 2003 the custom duties amounted to 1061.2 manats (\$215 million), of which 67,4% - VAT, 24.1% - import taxes, 4,0% - excise. The volume of custom duties in the total Government tax revenues is 17,3%.

Realising intergovernmental documents, the customs offices in the country carry out the activities to simplify the customs clearance procedures and strengthen customs control, increase efficiency in the means of customs regulation of foreign trade, upgrade IT and automation systems of control, and also train and upgrade the qualification of personnel. At present, 2000 people are employed in the customs offices, annually more than 150,000 declarations and accompanying papers are proceeded .

The geographic conditions of Azerbaijan is strategically important, as Azerbaijan is located at the border of Europe and Asia, and a well known from ancient times Great Silk Route has passed via its territory. Azerbaijan Customs do everything possible to revive this route again for goods, at the same time admitting the need to improve the forms and methods of customs control and other types of state control at borders, with the aim to exclude the unjustified delays of transit transport.

The expanding with the support of European Union Economic Transport Programme TRACEKA (Europe- Caucasus- Asia) revives Azerbaijan as it is one of the important transport junction of Euro-Asia.

But expansion and deepening of the foreign trade is only one side of cooperation.

The priority task of customs of any state is to ensure the economic security and interest of the country. Any strengthening of security control starts at the border – traditional place for customs activities operations. The important trend in the customs offices operations is the increased role of countries customs in to fight against international terrorism in global scale and ratification by the countries the Conventions, strengthening regional security in all spheres of activity. Azerbaijan Customs bodies in their activities in fighting terrorism are guided by the principles and recommendations of World Customs Organization. In January 2002 a memorandum on opening in Azerbaijan the Regional Training Centre of World Customs Organization was signed, and on 30 September 2003 it was opened. The creation of the Centre will contribute to the improvement of the qualification of customs personnel in the region, and given the relevance of fighting with international terrorism, such a centre will allow to provide special training to the personnel.

Fight against smuggling and violations of the customs rules, including illegal drugs trafficking, is one of the priority trend in the activity of the Azerbaijan customs bodies. On 19 February 2002 Azerbaijan joined the International Convention on the mutual administrative facilitation to prevent, investigate and eliminate the customs law violations.(Nairobi Convention). Besides, with the aim to fight with such violations, all ECO countries signed Memorandum on Mutual Understanding between the member countries of ECO in May 1998 on cooperation in fighting against smuggling and custom law violations. Also the adoption of resolution on strengthening measures to monitor the international trade with precursors is welcomes, as they are used for illegal production of drugs. The priority trends in the activity of the Main Department on Fighting Smuggling and Violations of customs rules, at State Customs Committee, are focused on the fight with illegal trafficking of drugs, tobacco weapon, arms, etc.

Azerbaijan custom bodies in 2003 with the aim to prevent the illegal import of tobacco to the country, revealed 194 cases of the violations, of which 6 are of criminal nature, and the rest (188) are of administrative nature. In the result of the measures, conducted by Azerbaijan customs bodies in 2003, 66 cases of arrest of drugs was conducted, with the total weight of 44 kg 872,787 gr.

State Customs Committee is active in this field and sends information on confiscations to the Customs Law Protection Network, database for the World Customs Organization. On 9 June 2002 the Agreement was signed between Azerbaijan State Customs Committee and World Customs Organization on joining the Regional Information Communication Control- RILO – Moscow, covering all CIS countries.

In our Republic at the higher political and administrative levels, the strict commitments are adopted to ensure the honest behavior of the civil servants.

With the aim to realize the measures, aimed at solution of the corruption in Azerbaijan customs bodies, the Collegiums of the State Customs Committee approved the Code of Honor for customs offices, based on Arush Declaration.

It should be noted, that much work has been recently done in this field of professional training of the custom officers, expansion of exchange of knowledge and experience, strengthening the customs posts, equipping them with modern equipment, searching tools and communication devices. In this aspect we received support from UNDP and Euro-union, Programme SCAD, TACIS, US Government, and we express our deep gratitude and acknowledgement.

We would like also to note, that on 22 -23 of January 2004 in Baku the Conference, conducted by World Customs Organization, was held on combating the illegal trafficking of drugs in the Great Silk Route countries. At this Conference the Baku Declaration was signed, its main aim was - cooperation in fighting with smuggling and customs law violations. The Declaration has 2 important goals: first – to give information of persons,

violating the law and dealing with illegal trade of drugs, and the second- to exchange experience by arranging meetings of the customs officers from member-countries and programmes for advanced training, it gives opportunity to the customs staff to familiarize themselves with modern technology and equipment, used in fighting with smuggling.

With the aim to ensure the efficient export control, the special attention is given to the equipping the border customs posts with required technology. In the central airport of Baku "Bina", the strict system of control is installed, X-rays devices are used to control large size freight, kits with technical tools for fighting with smuggling, including poltests for detecting drugs, detectors for precious stones, tools of radiation analysis, etc. are used. At the custom post "Bara" of Baku Main Custom Department, with the technical assistance of MAGATE, the device "Aspect -1" is installed to control if the passengers have the radiation goods.

We would like to draw attention to the fact, that a part of Azerbaijan state border of 132 km with Islamic Republic of Iran is in the zone, occupied by Armenian armed groups, thus this part is not covered by export control and is exposed to smuggling of the radioactive materials and elements of the massive weapon, to CIS and Europe.

The main task of our states is to promote the trade relations through the increase and facilitation of the traffic capacity of export-import freight, their clearance, improvement of transport services, simplification of the customs procedures and other issues. At present Azerbaijan ratified the International Convention on the harmonized system of goods description and coding (2 May 2000), and also new edition of the International Convention on simplification and harmonization of customs procedures. (9 December 2003).

The work is ongoing to introduce the system of risk management, aimed at using the resources of customs bodies efficiently, improving procedures of the customs clearance, creating enabling environment for goods turnover thorough the customs border, economizing time for customs clearance and increasing efficiency of custom control, in line with Kioto Convention. In this view the Concept of Risk Management of customs service and technical task for automation system of control are drafted. Upgrading of the customs clearance is done through wide diffusion of information technology (IT), provision of transparency for residents and non-residents and access to customs procedures.

One of the priorities in customs activity is democratization of the customs procedures and transparency. The State Customs Committee website is created. It contains Customs Code and Customs tariffs, structure of the custom system, monthly analysis of the foreign trade, information on the customs collections and questions and answers. Regulatory – legal basis periodically is published in the weekly newspaper Tax News"

In order to provide rapid information to foreign trade actors and give them access to the rules and procedures of the crossing the custom border, the Information Stall is designed, it includes all current rules for legal and physical entities, and also information on customs tariffs for concrete goods.

At present "Information Stall" are installed in 6 customs bodies and they to a certain extent ensure transparency of the tax procedures.

As was noted above, the programme on risk management is being drafted in the customs bodies. The introduction of this programmes will allow to reduce to minimum customs control, required for observe custom legislation, identify people and goods, including transport, who should be thoroughly checked, allowing the main mass of goods and people pass freely through the customs.

The introduction of risk management system will facilitate detection of violations of customs legislation and create enabling environment for foreign trade actors, who observe customs legislation.

In 1996 Azerbaijan ratified the international customs Convention "On international transportation of freight, using MDP 1975 book)

In Azerbaijan there is an Association of Automobile Carriers (ABADA) and between this Association and State Customs Committee, the following documents are signed: the agreement on cooperation and Code on Mutual Understanding. State Customs Committee has modern communication with Azerbaijan Association of Automobile Carriers. All information on import cargo, using TIR carnet books is annually sent to State Customs Committee by corporate net and then to Association for its further forwarding to IRU.

In customs the Information Technology is diffused in 5 trends:

- creation of automation working places for inspectors
- creation of corporate and local nets
- automation of tax clearance, control and procedures
- automation of operational-searching measures
- automation of management process

The corporate net is being used for two years in customs system of Azerbaijan, connecting in regime "on line" 30 customs bodies. This net allows to collect daily and process operational information on goods and transport means, which cross the customs border, declared and transit goods, transported by the physical persons.

In State Customs Committee there are 4 database: "border", "declared goods" and "transport means", "transit goods" and "cleared goods by invoices"

The search of information is done in the following directions:

- name of the foreign trade actor
- name of goods
- by countries
- by customs bodies
- by customs duties

The search can be done in several trends at once.

The work on corporate net is on-going, and in 2004 it is planned to expand it.

As is known, in customs organization, the most important are custom clearance, various types of custom control, registration of goods at their crossing the border and other procedures. That is why this aspect attracts much attention.

The program "Delivery" is also in use. Its software allows the electronic registration of cargo in the border, and exchange of files between customs bodies of departure and destination countries by e-mail, i.e e- control over the cargo delivery. This software enable e-control of delivery of import, export and transit cargo.

In three customs bodies the "Automated system of custom clearance and control" (ASTOK) programme is on probation almost for a year.

Coded in the modern algorithm "Delfi -6" ASTOK allows maximum automation of declaration process. Three modules of control are used: format-logical control, control of the inspectors of cargo and financial- tariff departments on the basis of shared use of programme product and hard copy information.

ASTOK ensures transparency of declaration. Each resident and nonresident through the "Information Stall" can get information on the status of declaration.

In the field of operational - search activities, the registration tasks are automated. In the customs system of the republic the “Automated system of registration and control of the law violations, detected by the customs bodies” is also on probation. This system allowed to create data base of the law violations, based on protocols and acts, and analyse with the aim to find out the risky countries, goods, transport, and also the ways of concealment.

In 2004 on the bases of created database it is planned to develop statistical analysis of the detected violations.

Much work is planned with creating the automated working places for inspectors. In the departments “Statistics and Automated System of Control”, the software “Declaration” and “Customer” is used through which State Customs Committee controls and analyses the foreign trade relations in customs zone. In the cargo departments the programme software is used for control of the temporary imported and exported goods.

In perspective it is planned to perform the automated examination of goods and transport means, e-monitoring of the movement of cargo.

It should be noted, that there is no yet association of customs brokers. Institute of customs brokers at present is on the stage of formation. That is why the preparations are on going to open the institute of customs brokers. In the training centre of State Customs Committee the preparatory courses are organized for the experts on custom clearance. The courses covered experts from more than 50 firms, enterprises and establishments. According to the customs legislation, the customs brokers can function by license. At present the preparatory works are on going for issuance of such licenses.

Azerbaijan Custom bodies take active part in the activities, organized by ADB, each of them gives positive results in the elaboration of documents and realization of projects and programmes. Custom bodies include them, along with other measures, to their development plan and /or implement them in the framework of bilateral and regional agreements.

Our activity within ADB is aimed at creating the environment for free movement of transit goods, which finally is important for economic growth in the country.

In the nearest 5 years State Customs Committee plans to focus the efforts in the following directions:

- wide realization of risk management systems in the practice
- creation of automated working places for the inspectors
- distance e-declaration of goods and transport means
- introduction of the principles of e-government

In the course of the conducted works on customs modernization, State Customs Committee faces certain problems, such as training personnel in ICT field, lack of cheap and quality communication channels, lack of required control-technical equipment.

Further customs modernization in Azerbaijan depends to a certain extent also from support of the Secretariat of CCS (KTC). This support can be directed for the solution of the following tasks:

- creation of the appropriate infrastructure and equipment with modern control-technical means at border customs posts
- diffusion of automated system of visual control and ensure on-going radiation control at custom border
- diffusion of automated scanner system of the accompanying documents to create border data base.