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MONGOLIA

Customs Reform and Modernisation in Mongolia

1. Introduction

The main functions of Mongolian Customs as mentioned in the Customs and Tariff Law of Mongolia are as follows:

- Ensuring of customs legislation fulfilment
- Control of its implementation
- Imposing and collection of customs and other duties
- Record of export trading customs statistics
- Identification and restraining customs legislation violation

Under guidance of the Government's programme the Customs developed the following strategic tasks for 2001-2004:

- ensuring national security, in particular economic security
- updating legal environment and making it in conformity with the international standard
- improving the effectiveness of responsibility
- replenishment of the state budget
- establishment of qualified customs services.

During the last years a number of actions were taken to improve customs legal regulations, management and customs services framework, reform the customs service, modernise the techniques, introduce the automated information system as a result of which the Customs had fulfilled the tasks set. The revenues which Customs deposited to the State budget in 2003 exceeded the figures of 1999 by 2.5 times and equalled to MNT 190 billion.

The strategic plan of the Customs for 2004-2006, approved by the Minister of finance and economy contemplates reaching the following results by 2006:

- assurance of sovereignty and economic security of the country
- stimulation of national industry development and establishment of favourable conditions for the export trade to develop
- enhancing the customs clearance and control
- increasing the revenues of the state budget by updating customs tariffs, reducing the customs privileges and exemptions from customs duties
- identification, prevention and restraining the customs legislation infringement
- extended introduction of information technology, increasing the data processing and utilisation of its findings in the customs service
- create environment of reliability and collaboration between the Customs and enterprises, ensure effectiveness of the government bodies' functioning.

The Central Customs Administration of Mongolia is the executing agency of the Government and is accountable to the Minister of Finance and Economy. The Customs organisation chart includes the Central customs administration headed by a Director General, two Deputies Director General and seven divisions, five separate specialised services, a customs and economic college, a central customs laboratory, seven regional customs and nine subordinate to it

units and 21 permanent and temporary points at the border. There are in total 970 employees, out of whom 753 persons are the state customs inspectors (Appendix 1).

The Customs service of Mongolia implemented the customs control of export trading freight totalling to USD 1387.5 million in 2003, including export amounting to USD 602M, import – USD 787.3M and deposited to the state budget MNT 190 billion (USD1 = MNT1178). From the total tax amount 20% are the customs duties, 21.5% - excise tax, 3.2% - road tax, 55.3% - VAT (Appendix 2).

2. Reform and modernisation programme

A. Legal and Procedural Reforms

1. Customs Legislation.

The currently Customs and Tariff Law in force in Mongolia was adopted in 1996 and since then there were 150 resolutions (decrees) issued aiming to its implementation.

As a result of 6 revisions, 23 amendments were made to the Customs law. As an example, hereby provided the latest addendum according to which the economic units consisting of foreign investments are exempted only from the customs duties related to the assemblage and installation equipment. These addenda also enable to extend the storing period of the transport means and goods in the facilities of the customs, temporary kept under the project conditions.

20 rules and over 50 legal provisions were redeveloped, addenda were made to over 30 rules to simplify the customs clearance procedures and to prevent from evasion from the customs and other duties.

Since adopting the law in 1996 extensive changes took place in the country's economy, in the country's legislation in whole, the external links significantly expanded and the export trading activity developed. The Customs' organisation role continuously extends, its activity improves, a new information system is being introduced into practice as a remote declaration, internet declaration, online banking, internet banking, the customs registration and control commenced using the Risk management and predominantly the post clearance audit applied.

In view of the above mentioned factors and the current situation it tends to necessitate a new affective legislation able to regulate the customs activity in conformity with the other law of Mongolia, in accordance with generally recognised principles and norms of international law. The regulated by many provisions and legal regulations issues have to be authorised. At present a workgroup established which commenced with drafting a new law. It is assumed to complete the work this year and submit a new draft for the Parliament's review next year.

2. Actions to Simplify the Customs Procedures

The central customs administration undertakes a number of steps to simplify the customs procedures. One of them is the introduction of the risk management. The customs system of Mongolia did not yet fully assimilated the risk management in practice, and due to the further simplification of the customs clearance procedure we are facing the task to optimise the customs control arrangements on the grounds of infallible assessment of possible risks, prevention and restraining of the violations.

The implementation of these requirements on all the levels of customs activity will facilitate reduction of customs inspection stages, efficient client servicing and the correct customs control arrangements.

The introduction of the risk assessment to the customs system will create favourable conditions for the application to our situation of other countries' experience where the customs inspection is carried out in a proper way in short time and the client freely receives its goods and transport means, and after that a post clearance audit is undertaken.

This method of inspection is efficient and convenient for the client, favours the trading and enables to identify and restrain any trade artifice.

To implement this practice the management introduction is needed, which addresses the specifics of individual customs services. First of all, a data base of offences is required, which will enable to reduce the risk of customs clearance, as well as a programme completely covering the risk criteria has to be designed.

The establishment of such programme and combining it with the national automated information system GAMAS (ГАМАС) will allow to make respective changes in the regulations and instructions with regard to the customs clearance related to the organisations entitled for red, green and yellow exit.

In the future, it is intended to incorporate the clearance risk practice to all the customs services. The introduction of the risk management practice necessitates the post clearance audit improvement.

To simplify the work of controlling agencies, involved in the border points, so called one-stop-service was introduced as of 2002. Such service is intended to terminate the dues and fees collected by individual institutions, such as standard, veterinary, phytosanitary, and single dues were set out, which were imposed by the customs and were remitted to the state budget.

It was decided that the goods, such as alcoholic drinks and cigarettes, subject to excise tax must pass via a certain border points.

B. Introduction of the information technology into the customs services

1. Introduction

The customs of Mongolia used the international automated system ASICUDA (АСИКУДА) 2.6 and 2.7 before 2002. ASICUDA was introduced in 1995-1997 at 12 central and regional customs agencies. That was the first automated system for customs registration and control as well as the data processing mean.

At that time, the introduction of this system was as the most opportune. Its use significantly contributed to the automation of customs procedures for registration and control, collection of customs duties, updating the export trading, transport and other documentation to the international standards, reduction of customs clearance time and maintaining the customs external trade statistics.

Along with the positive facets, the ASICUDA had some shortcomings, the major of which was that the system did not cover all the customs points, but functioned only in 12 places, was not in the network, and a few of the functions could not be applied in Mongolia. The modification of the

programme was limited and in such cases a request should have to be submitted to the UNCTAD in Geneva, which lead to loosing time and most of all the system itself was expensive.

The project of upgrading the system to ASICUDA ++ was developed but we were unable to find the funding since the system cost almost 2 times as expensive as the previous version. In 2002, due to the expiry of ASICUDA warranty period as well as the absence of funding source, the Central Customs Administration decided to design its own automated information system with assistance from Mongolian programmers. The new system was named as GAMAS.

2. Automated Information System GAMAS

GAMAS consists of three main shells: software, information network, hardware.

The software includes a complex information programme of customs registration and control, general intranet for the customs and the website of the customs. The software written in 'Windows' environment and based on the client-to-server principle, and, of course, it is in Mongolian language.

The particular feature of the GAMAS is that the Mongolian Customs for the first time introduced the information systems covering all the customs services over the territory of Mongolia. To create the information system the programmers used the fibre-optic cable, VSAT, radio modem and usual modem. The central customs agencies, such as in Ulaanbaator, Selenge and Zamynnuud are linked to the central customs administration via VSAT. The information system on the main customs of the country functions at online mode and covers 65% of the total customs registration and accounts to 90% of the customs duties.

270 computers and equipment were procured for the GAMAS to function.

The GAMAS was introduced stepwise. GAMAS 1.0 was introduced starting from 2003 and covered all such functions as customs registration, customs duties, declaration, customs statistics. The introduction commenced in the large customs agencies in Ulaanbaator, Selenge and Zamynnuud.

The second stage of introducing GAMAS 2.0 version started in 2004. This version covers the risk management, remote declaration of freight via the information network and introduction of online-banking.

At present the customs points on the border don't have an access to the risk management data base, but by the end of this year we expect all the customs agencies to have the access to the risk management data base.

Thus, for the first time the domestic specialists designed and introduced an absolutely new automated information system functioning in the information network mode.

Presently, the GAMAS was introduced at the entire domestic and border customs. One could say, that this had initiated the development of e-customs.

In the future, we anticipate providing an uninterrupted system functioning, improvement of some technical facets and ensuring an effective application of the system. The package of all the undertaken measures shall be subject to improvement of the customs service activity and shall advance to the progressive world practice, which will finally facilitate implementation of the strategic tasks set to the customs service.

Finally, I would like to underline that the work was not easy; there were difficulties both of technical and organisational nature. We had been resolving the issue by stages, step-by-step, lacking of the initial general and detailed master project. i.e. we could not anticipate in advance all the issues likely to appear at the later stage of introduction. Furthermore, we designed and compiled a programme, procured the appropriate equipment. Who will be guiding and who will be working? We did not have enough of qualified staff. We were to urgently arrange for ubiquitous training.

Having completed the work and with the certain experience, one could say that to introduce the innovativeness of such scope one should originally have a master plan developed with the detail breakdown of all likely technical and organisational issues related to the individual stages of design, introduction and utilisation. An exact coordination of work and milestones is needed; a highly qualified team in the area of computer programming, state-of-the-art electronic equipment and customs is required.

3. Cooperation under CCC

The Mongolian Customs wishes to participate in all the events being organised under CCC. We are aiming for the business cooperation with all the CCC members. With regard to this, our Foreign Cooperation Department will submit a separate proposal.

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