

# **REPORT**

**BY THE DEPUTY CHAIRMAN OF CUSTOMS**

**DEPARTMENT OF THE PUBLIC REVENUES AND COLLECTIONS**

**MINISTRY OF THE REPUBLIC OF TAJIKISTAN**

**MR. MIRZOEV I.K. AT THE RISK MANAGEMENT AND**

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**Dear Ladies and Gentlemen!**

**Distinguished colleagues!**

First of all allow me to welcome all Seminar participants, and also express appreciation to the Asian Development Bank and Customs Administration of the People's Republic of China for arranging this event.

Customs policy is an important instrument of economic strategy in each country, and improving it is a necessary factor to develop international foreign trade.

Customs Department as a structural subdivision of Public Revenues and Collections Ministry (PCRM) of the Republic of Tajikistan is made responsible for developing and implementing customs policy aimed at protection of sovereignty and economic security of the Republic of Tajikistan, promoting economic links of the Republic of Tajikistan in the world economic relations system, ensuring protection of citizens, economic entities and public authorities' rights, and their compliance with customs regulations.

In nowadays, to efficiently and qualitatively address the tasks imposed on customs authorities of PCRM, it is important to introduce new customs methods and approaches in practice.

To address the above tasks, a new edition of Customs Code of the Republic of Tajikistan was made effective from January 1, 2005, it is based on 1999 Kyoto Convention, and was adopted by the Parliament of the Republic of Tajikistan and approved by the President of the Republic of Tajikistan.

New edition of Customs Code of the Republic of Tajikistan stipulates introduction and application of risk evaluation and port-entry audit procedures as an important direction in the operation of customs authorities of the Republic of Tajikistan.

Introduction and application of these procedures is aimed to implement selectiveness in customs control and utilize adequate risk minimization measures and forms of customs control that are sufficient to ensure compliance with customs legislation of the Republic of Tajikistan through application of risks analysis and minimization, customs statistics, projections, post-entry audit and other methods.

To implement provisions of the new edition of Customs Code of the Republic of Tajikistan, in the second half of 2004 a new Audit and Post-clearance Control Division was established in the structure of Customs Department of PRCM of the Republic of Tajikistan.

It is worth noting that during quite a short time of Division's operation, it accumulated certain experience and achieved concrete results.

The following regulations were developed:

- regulation on Audit and Post-clearance Control Division of Customs Department of PRCM of the Republic of Tajikistan;
- regulation on audit and post-clearance audit procedure;

- instruction on customs officers' actions in application of Risk Management System in Customs Service of the Republic of Tajikistan.

Moreover, based on the results of Audit and Post-clearance Control Division's operation the state budget received over one million USD (1,024,988) of customs payments, including penalties.

One should note that international experience in introduction new technologies in customs operation is based on international standards, and first of all, on International Convention on Simplification and Harmonization of Customs Procedures, with introduction of risk management system being one of key elements of efficient customs control.

In the application of Risk Management System customs service of the Republic of Tajikistan is based on:

- implementation of customs control selectiveness principle through application of adequate risk minimization measures and forms of customs control specified in Customs Code of the Republic of Tajikistan and regulations of PRCM of the Republic of Tajikistan;
- determination of procedure and cases for applying risk minimization measures and forms of customs control during customs clearance of goods;
- efficient utilization of human and material and technical resources of customs authorities;
- detection, prevention and prophylactics of violations of customs legislation of the Republic of Tajikistan with regards to those of stable nature, associated with significant evasions from customs payments, undermining competitiveness of local producers and touching upon other important interests of the state, the compliance of which is imposed on customs authorities, and also based on risk analysis and evaluation methods to identify goods subject for control and determine the degree of such a control.

Currently measures to minimize risks identified during customs processing and control of goods are distinguished into direct and indirect measures.

Direct measures to minimize risks are the set of actions before the release of goods that are applied in a centralized manner.

Indirect measures to minimize risks are the set of actions aimed at customs processing and implemented after the release of goods.

Besides that, to apply the Risk Management System, structural subdivisions of Customs Department and regional customs divisions of the Public Revenues and Collections Ministry of the Republic of Tajikistan operate based on the following model scheme:

- Activities to collect and furnish customs authorities with information on goods and vehicles crossing the customs border of the Republic of Tajikistan, and also on foreign economic activity participants;

- Collection and processing of information received from various sources, and also formation and maintenance of information data bases;
- Detection and analysis of signs of possible customs violations;
- Analysis-based development of proposals to apply direct risk minimization measures based on the risk evaluation system;
- Development of risk profiles;
- Projection of results and possible implications of the measures planned;
- Formation of risk profiles;
- Measures to convey risk profiles to customs authorities dealing with customs processing of goods;
- Control of application of direct risk minimization measures by customs authorities;
- Analysis of efficiency of direct risk minimization measures, and analysis' results-based development of proposals to cancel concrete risk profiles or actualize them;
- Development of proposals to the management of Customs Department on changes in customs control strategy.

As mentioned earlier risk management methods can be applied before, in the course and after customs clearance of goods. Because of underequipment, in most cases to select high risk importers we use post-clearance risk management.

Currently customs service of the Republic of Tajikistan has certain working experience in this area with Federal Customs Service of Russian Federation. Pursuant to an Agreement dated 15.04.94 "On cooperation and mutual assistance in customs" signed by CIS member countries and the Decision of the Council of Heads of Customs of CIS (CHC CIS) as of 28.03.02 #5/34 a constant comparative analysis of imports and exports is carried out, and in the course of such analysis significant deviations in both weight and value indicators were detected. In the result of this customs payments were additionally accrued and collected. Unfortunately, information exchange does not comply with modern requirements, and many countries do not observe the Agreement and Decision of CHC CIS.

Prospects of our cooperation development can not be imagined without information provision. Many countries have installed automated customs clearance systems, which allow for simplified customs procedures and strengthened risk management activities. Thanks to ADB's support, today the process of customs modernization in the country is stepping into a practical phase. Implementation of Customs Modernization and Infrastructure Development Project in the Republic of Tajikistan, the basis of which will be the introduction of modern information and communication technologies, will allow us to address post-clearance control and audit in accordance with international requirements and standards.

The first step in risk management is data collection. Upon submission from regional divisions Customs Department of Public Revenues and Collections Ministry of the Republic of Tajikistan

collects and consolidates data on imports of goods. And the way imports affect national priorities are reviewed based on data collected. Next step is the analysis of data collected to determine specific risk areas. We divide risks into several areas. First of all, by groups of goods – these are excise goods with very high risk rates. By customs regimes – these are “transit” and “reexport”. Transit of goods to Afghanistan through our territory raises a lot of concern because many foreign economic activity participants under the guise of humanitarian aid bring in transit goods that never reach Afghanistan. A number of foreign economic activity participants fall under high risk category because to evade from import duties they reexport goods under falsified documents.

A lot of concern is raised by the risk of understated customs value. Since we can not get timely and trustworthy information from a number of exporting countries, when determining the customs value of goods we are obliged to apply 4 methods, or based on these 4 methods – 6 methods to determine customs value of goods. Very high risk exists in reimbursement of VAT during exports of goods. Non-availability of information does not allow for timely identification of imports from neighboring countries that are intended for production of export goods. We lack qualified specialists in risk management and post-entry audit, which is a serious obstacle for us.

Along with achieved positive results the Audit and Post-clearance Control Division of Customs Department of Public Revenues and Collections Ministry of the Republic of Tajikistan faces a number of problems in its operation, some of them are as following:

- organization of information exchange with customs authorities of foreign countries, foreign economic activity participants, carriers and other organizations whose operation is associated with foreign trade;
- establishment of an information system to detect and manage risks at different levels of customs service through:
  - determining the required content of information on the operation of customs authorities, foreign economic activity participants, goods and means of transport;
  - developing special software, including electronic declaration with creation of data bases of submitted, registered and processed Customs Cargo Declarations, and modernizing the software applied in customs processing and control;
- professional training of staff on appropriate skills and knowledge.

However we should note that despite bilateral and multilateral agreements in customs area between Central Asian Republics, the current level of information interaction among customs services does not comply with potential and needs of our countries.

For instance, according to Customs Department’s statistics there is a stable growing trend in foreign trade of the Republic of Tajikistan with CCC member countries. If in 2002 this indicator comprised 326.8 million USD, in 2003 foreign trade turnover between our countries was already 359.7 million USD, and based on 2004 results the foreign trade between CCC members reached 602.8 million USD.

Obviously increased efficiency in the operation of customs services of CCC member countries can be achieved only through accomplishing upgraded new level of information interaction between our countries. Coordinated development of customs services in the countries of the region should become a basis for this.

Multilateral and bilateral Agreements and Treaties, that are to be signed under CCC both on certain directions of information interaction and technical assistance, should become the legal basis for such an exchange.

I think that information exchange can become a starting point to develop cooperation and regional integration. Drafting such provisions in the Agreements that will specify only achievable goals within real terms of CCC shall be important.

From my perspective, retraining of staff in the area of conducting customs audits shall become another important and necessary direction of cooperation under CCC, Therefore training of specialists should become one of the priority areas of our future cooperation.

In conclusion allow me to once more welcome Seminar participants and express appreciation to the hosts – the Asian Development Bank and China Customs.

Thank you for your attention!