



# Increasing Customs Efficiency Lessons from Jordan

This Best Practice was adapted from "Doing Business 2007: How to Reform Case Study: Trading Across Borders—Jordan," prepared by Booz Allen Hamilton in cooperation with USAID for the World Bank Group's 2007 Doing Business Reformers Club Conference.

## Executive Summary:

*Jordan took sweeping steps to improve its ability to trade across borders, not only by decreasing the average number of days needed to export and import goods, but also by launching programs that increased the transparency of government programs and regulations. Public awareness of these programs has helped businesses engage in international trade. These programs have made Jordan more competitive in the global marketplace and place it as a leader in customs reform.*

## Introduction

The impact of any trade-related reform is ultimately measured by the private sector's ability to participate in the global economy. Companies inherently compete on the efficiency of their supply chains. Because customs is in the middle of every international supply chain, it has become an increasingly important factor in the global economy. A more efficient and effective customs organization can make significant contributions to a national economy.

Joining the World Trade Organization (WTO) in 2000 was the impetus for Jordan to make customs reform a priority. Outdated clearance procedures often delayed routine shipments at borders for weeks. Thus, Jordan needed a more efficient, market-oriented customs program. For more than three-quarters of shipments, the wait time to clear customs at entry points has been reduced from 2.1 days to 24 hours or less—even as the amount of shipments rose 37 percent.

This case study focuses on two customs-related programs enacted by the Jordanian Customs Department (JCD) through the support of donor funding: the Golden List Program and the Customs Integrated Tariff System (CITS). Such reforms have helped Jordanian customs to become a more mod-

ern, trade-friendly system and also directly affect Jordanian businesses by increasing their ability to engage in international trade.

## Context

Customs reform was a priority of the Jordanian government to accelerate its accession to the WTO, which it joined in 2000. In anticipation of increased trade due to its membership, the government recognized the need to upgrade and modernize its international-trade infrastructure. The USAID AMIR (Achievement of Market-Friendly Initiatives and Results) program provided the funding, recommendations, and support for Jordan to build a modern customs administration. The projects directly related to facilitating trade across borders, such as the Golden List Program, which expedites customs procedures for business that enroll in the program, and the CITS program, which gives manufacturers the ability to look up tariffs and all applicable regulations online, thereby increasing awareness and transparency of the customs system.

The overall goals of the two programs were to contribute to the economic and trade growth of the Kingdom of Jordan, supply the treasury with revenues, monitor move-



ment of people and goods, combat smuggling, protect the community and environment from hazardous materials, and achieve better discipline and accountability of employees.

## Approach and Results

### *The Golden List Program*

The Golden List Program was designed to make JCD a global leader in trade and customs efficiency. It created an environment that promotes and recognizes self-regulating companies that are low risk for noncompliance with tariffs and nontariff regulations and that can effectively exercise supply-chain security measures. Overall, it was a fundamental step in achieving self-regulation. To do this, the project had to build private sector capacity to demonstrate documented due diligence, assist the JCD in recognizing low-risk and compliant companies, and develop the auditing capacity and staff within the JCD.

The program requires the voluntary enlistment and compliance of companies. To encourage the private sector to enroll, the program was designed in a way that would allow companies to comply in a cost-effective manner. The next step in the process was to find volunteer companies and conduct compliance audits of those companies. As part of the technical assistance, a training course was provided to JCD Risk Management Directorate personnel. As part of that training, a Jordanian importer volunteered to permit the trainees and instructor to conduct an on-site audit of their company. Models were provided to the Risk Management Directorate to develop the JCD audit manual.

Steps included the following:

- Consultants drafted industry-specific due diligence models that they subsequently modified to the satisfaction of both the JCD and the participating private sector companies that agreed to beta test the models.
- Beta test companies put the due diligence standards into practice within their companies.
- The JCD conducted voluntary audits of the beta test companies to validate that the companies had the capacity for tariff, nontariff, and supply-chain security self-regulation.
- The JCD publicly recognized the companies that met the compliance standards and successfully passed the voluntary compliance audit as Golden List Companies on its website.

- The JCD prepared to move independently to give and receive mutual recognition with other customs administrations for their capacity to maintain a program of measured and documented lowered risk.

The Golden List Program has placed the JCD on the cutting edge of technical capacity in the field of documenting low-risk companies and increasing the trade capacity of companies that gain acceptance by being placed on the Golden List. With today's high concern for security in international trade transactions, documented compliance with the supply-chain security is critical. The design of the Golden List Program meets new standards agreed to in June 2005 by the World Customs Organization (WCO).

This program has further enabled the JCD to be more prepared to meet standards mandated by the U.S. Container Security Initiative (CSI), U.S. Customs Trade Partnership Against Terrorism (CTPAT), the WTO, and the World Customs Organization (WCO). The program does not reduce corruption specifically, but does reduce risk for both JCD and the private sector business by making the process more transparent. The Golden List Program did not change the number of approvals necessary for import/export procedures, but it did reduce delays in other countries by encouraging them to enact reciprocal agreements for accepting the low-risk shipments of Jordanian Golden List members. Because the Golden List Program did not take away jobs, did not interfere with any incentive programs the JCD already supported, and gave customs officials training in a new practice area, there was no opposition to the program voiced from within the JCD.

There are undeniable costs associated with launching such an aggressive and progressive capacity-building program. The JCD initially was not fully staffed with the trained personnel necessary to take on an increased number of applicants. The training needs to be continuous, and as more companies apply to the program, more audit agents will be needed to inspect and seal containers. In addition, with bilateral trade agreements reducing the tariffs collected by customs agents, the JCD is becoming less of an income-producing organization and more of a compliance-and-control agency. Thus, other countries interested in enacting similar programs must have sustainable funding, whether from donors or other sources, to allow for staff training. Funding should also be allocated

to increase public awareness of the program, so more businesses have the opportunity to take part.

The business community reaps significant benefits through this program because being on the Golden List allows easier export through preferential clearance to other countries. Because the companies already meet high security and trade standards, they have an export advantage over companies not on the Golden List.

#### *The Customs Integrated Tariff System (CITS)*

The goal of the CITS was to build an advanced integrated tariff system that both the government and the private sector could use to access a complete listing of all government regulations applicable to imports, exports, and transit goods in Jordan. This program reduces the costs and corruption related to exports and imports by making accessible the HS code, the tariff, and associated regulations for the import and export of products. For Jordanian businesses, this publicly available information helps prevent individual interpretations of tariffs and regulations, which they previously encountered. This Web-based program is accessible to both the private and public sector.

Within two years of the launch of the CITS program, there were 1,500 registered users across all sectors of the Jordanian government and private sector. Even the JCD uses the program to gather data to include in reports to cabinet-level officials. The program easily allows users to see the effects of adjusting tariffs in advance, as the program automatically identifies every secondary regulation that will be affected by a tariff code change to keep regulations consistent. Also, if the government changes an import rate due to a reduction in a tariff tied to a bilateral trade agreement, users can see on CITS the associated cost savings.

Through the online system, the JCD is able to receive and answer queries from the private sector, which are then logged for future reference. This is especially important for any prior rulings on tariff classifications, as it reduces the opportunity for corruption because regulations are publicly available and posted. Regulations that used to be very vague can now be reviewed for consistency and specificity.

The CITS created an opportunity for the JCD to make the customs process more transparent and fair for businesses. However, there were challenges associated with the implementation of this

program. Both the donor-funded consultants and the JCD underestimated the magnitude of the effort. Though there was little political support for this program in Jordan initially, the implementing contractor continued to push for the reform from the donor side. The Director General was provided with a report of how the program would function, but it took the incentive of a conditional cash transfer before a commitment to implementing the CITS was made and a time frame for deliverables was decided upon. Under the cash transfer program, if the CITS launch target was missed, the transfer was reduced by US \$1 million.

In the case of CITS, no off-the-shelf solution was available, which added time and cost to the project. Inaccurate data in the primary declaration-processing engine for a customs administration can result in incorrect revenue collections, having negative consequences for both the government and the private sector. Thus, it is important to ensure all information online is accurate at the launch date.

Ultimately, CITS met the primary objectives of providing an easy-to-use reference site for finding all regulations associated with given tariffs in Jordan. Such a program needs to be championed and marketed both within the government and to the private sector for the program to be fully utilized and to show a cost benefit to all stakeholders.

#### **Conclusions**

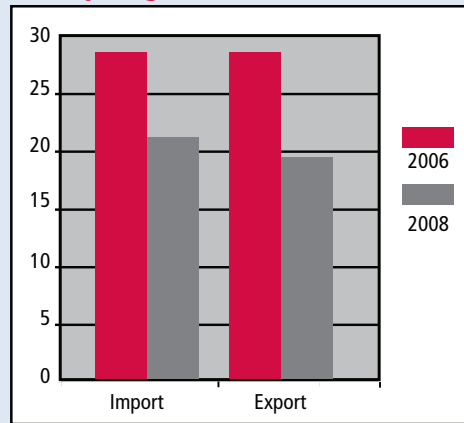
Though the full impact of these two programs will be difficult to measure until they are in place for a few more years, they have already led to promising changes. From 2006 to 2008, the number of days it takes to export out of Jordan dropped from 28 days to 19 days, while import time dropped from 28 days to 22 days on average.

4 \_\_\_\_\_

### About BizCLIR:

BizCLIR, or the Business Climate Legal & Institutional Reform Project, is a multi-year initiative of the United States Agency for International Development with the goal of improving the efficiency and impact of assistance programs intended to help developing countries improve their business enabling environments. This series, Best Practices for the Business Environment, represents one of many knowledge management components of the BizCLIR project. The goal of the series is to highlight the known best practices, case studies, lessons learned, and in some cases worst practices, so that the lessons can benefit other practitioners in the field. All issues are available at [www.bizclir.com](http://www.bizclir.com).

**Figure 1: Days required to import and export goods**



Source: World Bank, Doing Business Report

Burdensome entry regulations constrain private investment and increase consumer prices and corruption. The CITS helps Jordan avoid these economic setbacks by providing a transparent and accessible online database for all customs and trade-related regulations. The Golden List Program minimizes the hurdles that entrepreneurs and businesses face in exporting or importing goods, which eases trade across borders in Jordan. These two programs have helped Jordan to have more efficient customs systems and increase compliance with export and import procedures, making it more competitive globally.