

**ALL COUNTRIES**

**INFORMATION / DATA COLLECTION  
STUDY FOR  
ENHANCING CUSTOMS FUNCTIONS  
IN RESPONSE TO CHANGES  
IN THE INTERNATIONAL TRADE  
ENVIRONMENT**

**FINAL REPORT**

**MAY 2021**

**JAPAN INTERNATIONAL COOPERATION AGENCY  
(JICA)**

**ORIENTAL CONSULTANTS GLOBAL CO., LTD.**

<b>GP</b>
<b>JR</b>
<b>21-011</b>

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# Table of Contents

	Page
<b>1 Survey Overview</b>	
1-1 Background .....	1
1-2 Outline of the Survey .....	3
1-2-1 Purposes of the Survey and the Target Areas and Organisations.....	3
1-2-2 Survey Area .....	3
1-3 Survey Team and Survey Process .....	4
1-3-1 Composition of the Survey Team .....	4
1-3-2 Schedule of Survey.....	5
1-4 Past JICA Assistance Activities.....	5
<b>2 Analysis of Customs Assistance to Date</b>	
2-1 JICA's Customs Assistance .....	8
2-1-1 Southeast Asia .....	8
2-1-2 Africa.....	9
2-2 Customs Assistance by Other Donors .....	15
2-2-1 Assistance Record .....	15
2-2-2 Evaluation and Assignment .....	30
<b>3 Changes in the International Trade Environment Surrounding Customs</b>	
3-1 Trends in the International Trade Environment .....	32
3-1-1 Trade Investment .....	32
3-1-2 Revenue from Customs Duties, etc. ....	37
3-2 Challenges in Customs Procedures .....	41
3-2-1 Southeast Asia .....	41
3-2-2 Africa.....	47
3-3 Changes in the International Trade Environment.....	49
3-3-1 Southeast Asia .....	49
3-3-2 Africa.....	51
3-3-3 Common change of South East Asia and Africa.....	52
3-4 Development of IT technology .....	53
3-5 International Trade-Related Hard Infrastructure .....	55
3-6 Impact of COVID-19 .....	56
<b>4 Effectiveness of KPI and Validation of the Issue Diagnostic Matrix</b>	
4-1 Analysis of Future Issues in Light of International Trends in the Customs Field.....	65
4-1-1 Assistance Approach .....	65

4-2	Key Performance Indicators (KPIs) .....	83
4-2-1	Examination of Existing KPIs .....	83
4-2-2	Examination of New KPIs.....	111
4-3	Problem Diagnosis Matrix .....	125
<b>5</b>	<b>Conclusion</b>	
5-1	Future Direction of Support .....	130
5-1-1	Changes in the international trade environment .....	131
5-1-2	Challenges in customs procedures.....	132
5-1-3	Development of ICT technology by the private sector.....	134
5-1-4	Future Direction of Assistance .....	136
5-2	Proposal.....	138
5-2-1	Assistance Approach .....	138
5-2-2	Verification Method (KPI).....	141
	APPENDIX 1: Survey Team and Survey Process (related to Chapter 1).....	147

## Abbreviation

Abbreviation	English
ACCU	Air Cargo Control Unit
ADB	Asian Development Bank
AEO	Authorized Economic Operator
AFAFGIT	ASEAN Framework Agreement on Facilitation of Goods in Transit
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
ASEAN-BAC	The ASEAN Business Advisory Council
ASW	ASEAN Single Window
ASYCUDA	Automated Systems for Customs Data
ATIGA	ASEAN Trade in Goods Agreement
AU	African Union
AUC	African Union Commission
AUDA-NEPAD	African Union Development Agency - New Partnership for Africa's Development
B/L	Bill of Lading
BCP	Business Continuity Plan
BIECT	Bordereau D'Identification Electronique De Tracabilite Des Cargaisons
BIMP-EAGA	Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area
BPR	Business Process Re-engineering
BURS	Botswana Unified Revenue Service
CBTA	Cross Border Transportation Agreement
CCP	Container Control Program
CMTA	Customs Modernization and Tariff Act
CNSW	Cambodia National Single Window
COMESA	Common Market for Eastern and Southern Africa
CPI	Corruption Perception Index
DfID	Department for International Development
DX	Digital Transformation
EAC	East African Community
ECOWAS	Economic Community of West African States
EDI	Electronic Data Interchange
EPA	Economic Partnership Agreement
FDI	Foreign Direct Investment
FS	Feasibility Study
FTA	Free Trade Agreement
GDCE	General Department of Customs and Excise of Cambodia
GMS	Greater Mekong Subregion
IL	Import License
INTERPOL	The International Criminal Police Organization
JAIF	Japan-ASEAN Integration Fund
JASTPRO	Japan Association for Simplification of International Trade Procedure
JBAC	Japanese Business Association of Cambodia

<b>Abbreviation</b>	<b>English</b>
JCC	Joint Coordination Committee
JTEPA	Japan-Thailand Economic Partnership Agreement
JWS	Joint Water Surveillance
KOICA	Korea International Cooperation Agency
LPI	Logistic Performance Index
MACCS	Myanmar Automated Cargo Clearance System
MTP	Master Trainer Programme
NACCS	Nippon Automated Cargo and Port Consolidated System
NCE	Namibia Customs and Excise
NSW	National Single Window
OAU	Organization of African Unity
OECD	Organization for Economic Co-operation and Development
OSBP	One Stop Border Post
PCA	Post Clearance Audit
PDM	Project Design Matrix
PSI	Pre-Shipment Inspection
RA	Revenue Authority
RCEP	Regional Comprehensive Economic Partnership (RCEP) Agreement
RECs	Regional Economic Communities
RECTS	Regional Electronic Cargo Tracking System
RFID	Radio Frequency Identification
RPA	Robotic Process Automation
RTMS/CCS	Real Time Monitoring System/Cargo Clearance System
SDGs	Sustainable Development Goals
SC	Supply Chain
SCT	Single Customs Territory
TFA	Agreement on Trade Facilitation
TICAD	Tokyo International Conference on African Development
TKC	Trans Kalahari Corridor
TMEA	TradeMark East Africa
TMS	Time Measurement Survey
TPP	Trans-Pacific Partnership Agreement
TPP11	Comprehensive and Progressive Agreement for the Trans-Pacific Partnership
TRS	Time Release Survey
UNEP	United Nations Environment Programme
UNODC	United Nations Office on Drugs and Crime
UPU	Universal Postal Union
VNACCS	Viet Nam Automated Cargo Clearance System
VOC	Verification of Conformity
WCO	World Customs Organization
WDR	World Drug Report
WTO	World Trade Organization

## List of Figures and Tables

	Page
Figure 1-1 Diversified Roles of Customs .....	1
Figure 2-1 Areas Assisted by TFAF (Measures with Low Implementation Rates).....	16
Figure 2-2 Requests for Assistance from WTO Member Countries (by Sector).....	17
Figure 2-3 A comparison of the diversity of agricultural and industrial products in Africa, the U.S., Asia, and Oceania .....	18
Figure 2-4 Five areas that have had the most impact on economic diversity .....	19
Figure 2-5 Countries using ASYCUDA (96 countries, as of 2020) .....	26
Figure 3-1 Global Trade Trends and Trade Balance.....	33
Figure 3-2 Major Trading Partners and Major Products in Southeast Asia .....	33
Figure 3-3 Major Trading Partners and Major Products in EAC.....	34
Figure 3-4 Global FDI Trends .....	35
Figure 3-5 Trends in FDI Inflows (Southeast Asia) .....	36
Figure 3-6 Trends in FDI Inflows (Sub-Saharan Africa).....	36
Figure 3-7 Relationship between Customs Duties, etc. and Economic Development .....	37
Figure 3-8 Customs Duties (Left) and Tax Revenue Structure (Right) in Japan (1990-2018).....	38
Figure 3-9 "Tariff rate inversion" in Japan-Malaysia EPA .....	39
Figure 3-10 Customs Duties (Left) and Tax Revenue Structure (Right) in ASEAN Countries (1990-2018) .....	40
Figure 3-11 Customs Duties Value (Left) and Tax Revenue Structure (Right) for South Africa and Uganda (1990-2018) .....	41
Figure 3-12 Southeast Asia GDP Growth Rate Forecast and Current Account Balance to GDP Ratio Forecast .....	51
Figure 3-13 GDP Growth Projections in Africa, Base Case (Left) and Worst Case (Right) .....	52
Figure 3-14 Subsidy for Domestic Investment Promotion Project for Supply Chain Measures .....	58
Figure 3-15 Responses to Consideration of Returning Own Factories to Japan .....	58
Figure 3-16 Details of Review (Procurement / Production Strategy).....	59
Figure 3-17 Switching Suppliers .....	60
Figure 3-18 Support Programs for Overseas Supply Chain Diversification .....	60
Figure 3-19 Support Programs for Overseas Supply Chain Diversification by Sector and Country .....	61
Figure 3-20 Method of Reviewing the SC.....	62
Figure 4-1 "Free and Open Indo-Pacific" Concept.....	65
Figure 4-2 "Proper and Fair Collection of Taxes and Trade Facilitation" .....	66
Figure 4-3 Mission 1 Trade Facilitation: Improving Regional Connectivity Assistance Approach (Draft).....	72

Figure 4-4	Mission 2 Tax Collection: Ensuring Adequate Fiscal Revenue Assistance Approach (Draft) .....	73
Figure 4-5	Mission 3: Cracking Down on Smuggling: Achieving Safety Assistance Approach (Draft) .....	73
Figure 4-6	WCO TRS Guide (Result of Japan's TRS and Trade Facilitation Measures Made by Japan Customs) .....	86
Figure 4-7	WCO TRS Guide (Use of Preliminary Examination System and Immediate Permission Upon Arrival) .....	86
Figure 4-8	LPI 2018 Top 10 Countries in the Last Five Surveys .....	90
Figure 4-9	Relationship between the CPI and the LPI .....	100
Figure 4-10	Correlation between the CPI and the LPI for Sub-Saharan African .....	101
Figure 4-11	Correlation Between LPI and CPI Across the World.....	102
Figure 4-12	Correlation Between GDP per Capita and CPI.....	103
Figure 4-13	Revenue Collection by Customs per Total National Tax Revenue .....	104
Figure 4-14	Target, actual and achievement rates for customs revenue in Kenya and South Africa .....	108
Figure 4-15	Progress of Digital and Trade Facilitation Measures in ASEAN (2018).....	114
Figure 4-16	Progress of Digital and Trade Facilitation Measures in Sub-Saharan Africa (2018).....	115
Figure 4-17	Customs Revenue and Customs Duties in Singapore .....	118
Figure 4-18	Breakdown of Customs Revenue.....	118
Figure 4-19	Correlation with Customs Duties.....	118
Figure 4-20	Correlation Between Customs Revenue as a Percentage of Tax Revenue and GDP per Capita.....	120
Figure 4-21	Correlation Between Customs Revenue as a Percentage of Tax Revenue and Trade Facilitation KPI.....	121
Figure 4-22	Correlation Between Customs Revenue as a Percentage of Tax Revenue and the Number of RTAs in Force.....	121
Figure 4-23	Misinvoicing Value and the Ratio of Misinvoicing Value to Total Trade Value .....	125
Figure 5-1	Foreign Policy "Free and Open Indo-Pacific" .....	130
Figure 5-2	Direction of Support for "Proper and Fair Collection of Tariffs and Trade Facilitation" .....	131
Figure 5-3	Correlation with Customs Duties.....	145
Table 1-1	JICA's Main Customs Assistances in Southeast Asia .....	5
Table 1-2	JICA's Main Customs Assistances in Africa.....	7
Table 2-1	Major Donor-Assisted Activities in Southeast Asia.....	27
Table 2-2	Major Donor Support Activities in Africa .....	28
Table 3-1	Trade-weighted average tariff rates for mineral and industrial products in four Southeast Asian countries .....	38



Table 3-2	Interviews in Southeast Asia.....	42
Table 3-3	Interviews in Africa .....	47
Table 4-1	Proposed Assistance Approach .....	74
Table 4-2	Status of ASEAN .....	80
Table 4-3	Status of South-eastern Africa .....	81
Table 4-4	Current Situation in West and Central Africa .....	82
Table 4-5	Items Expected to be Identified by TRS Analysis .....	84
Table 4-6	Indexes and Rankings for the 2016 and 2018 Surveys of Japan LPI.....	91
Table 4-7	Changes in LPI Index and Ranking of ASEAN Countries .....	92
Table 4-8	Customs LPI Index and Ranking of ASEAN Countries .....	93
Table 4-9	LPI Index and Ranking of the Three African Corridor Countries .....	93
Table 4-10	DB International Trade-Related Indexes for ASEAN Countries .....	96
Table 4-11	DB Index for Vietnam's International Trade.....	97
Table 4-12	DB Index on Myanmar's International Trade .....	97
Table 4-13	Kenya's DB Index on International Trade.....	98
Table 4-14	DB Index for Uganda's International Trade .....	98
Table 4-15	CPI of ASEAN Countries .....	100
Table 4-16	Transition of Percentage of Revenue Collection by Customs per Total National Tax Revenue .....	105
Table 4-17	List of Crude Oil Price, Import Value and Exchange Rate .....	106
Table 4-18	Uganda Case Revenue Collection by Customs per Total National Tax Revenue .....	108
Table 4-19	UN Survey on Digital and Sustainable Trade Facilitation Questionnaire .....	112
Table 4-20	Changes in Customs Revenue.....	116
Table 4-21	Tax and Stamp Revenue Settlement, Ministry of Finance.....	117
Table 4-22	Results of Multiple Regression Analysis .....	122
Table 4-23	Standard Values of Customs Revenue as a Percentage of Tax Revenue Using the Analysis Results.....	123
Table 4-24	Countries With More Than 10% More/Less Customs Revenue as a Percentage of Tax Revenue Than the Standard Value .....	123
Table 4-25	Trade Misinvoicing Classification.....	124
Table 4-26	LPI of ASEAN Countries .....	128
Table 4-27	LPI of Sub-Saharan Africa Countries .....	129

# 1 Survey Overview

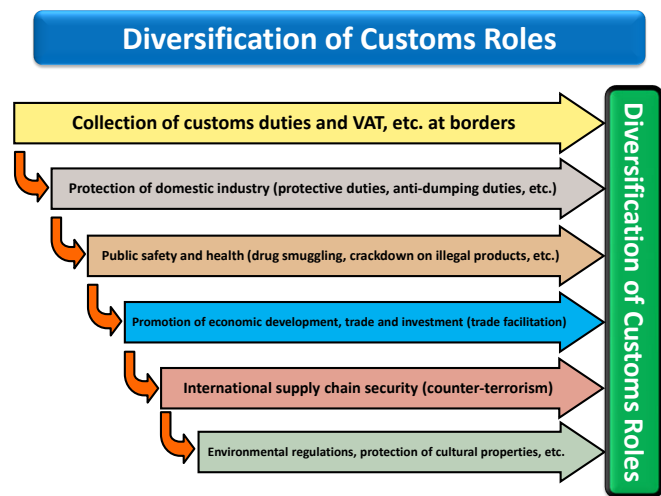
## 1-1 Background

Customs modernisation not only improves regional connectivity and the business environment through trade facilitation, but also contributes to the peace, stability and prosperity of the country and region by stabilising the country and region through border control and stabilising public finances by securing tax revenues. These efforts will contribute to the promotion of trade and investment, improvement of business environment, enhancement of security measures and connectivity, and will contribute to the resolution of various development issues, including Sustainable Development Goals (SDGs) Goal 8 (Promote sustained, inclusive and sustainable economic growth.).

Comparing customs offices around the world, there are countries that specialise in trade facilitation (e.g. Singapore and Hong Kong); countries that separate customs clearance from border control (e.g. the United States and Canada); countries that combine border control and trade facilitation (many developed countries); and countries that not only focus on revenue collection, but also on trade facilitation (many developing countries). Therefore, when considering the target areas and methods of support for customs modernisation and trade facilitation, it is necessary to pay attention to the policy priorities of the target countries and consider the areas of support. In carrying out customs operations in each country, it is necessary to balance the different policy objectives of securing tax revenue and border control with trade facilitation, taking into account the socioeconomic background of the country concerned.

Developing countries, in particular, need to fully grasp the level of their trade environment and administrative execution capacity and work to improve their capacity accordingly, while at the same time respond to the globalisation of economic activities and the international framework that accompanies it. Developed countries also have a responsibility and need to support developing countries in modernising customs operations. Thus, Japan and other developed countries are also working to support developing countries in modernising customs operations. The role of customs has also diversified, with the World Customs Organization (WCO) recognising that there are six roles for customs as shown in Figure 1-1. Although this Survey will be conducted with the three universal missions, safe and secure society, appropriate and fair tax collection, and trade facilitation, in mind, we believe that the following six roles should also be given due consideration.

Customs modernisation and trade facilitation will be directly related to the engine of economic growth, especially in Southeast Asia where intra-regional connectivity is strengthened through such activities as



Source: Interview to WCO

**Figure 1-1 Diversified Roles of Customs**

the launching of the ASEAN Economic Community by the end of 2015, in which Japan's total trade accounts for approximately 15% with strong economic growth; and in the African continent, where the African Continental Free Trade Area (AfCFTA) came into effect in 2019 and the combined Gross Domestic Product (GDP) of 55 countries – with a rapidly growing population – reached more than US\$3 trillion (approximately 330 trillion yen). In light of the above circumstances, JICA has been cooperating with the Customs and Tariff Bureau of the Ministry of Finance and regional customs houses in Japan (hereinafter called “Japan Customs”), as well as the WCO to support customs modernisation and trade facilitation in Southeast Asia and Africa. In anticipation of contributing to the achievement of SDGs, JICA will strengthen its strategic role in customs assistance for these areas as an “initiative for proper and fair collection of tariffs and trade facilitation” (hereinafter called the “initiative”).

On the other hand, looking at global trends, various developments have emerged, such as responses to the digital economy, including cross-border e-commerce; the development of global supply chains; and the rise of conflicting techno-nationalism. Responses to these challenges are also required in developing countries. For example, as the volume of trade in each country increases in the future, there will be a need to conduct customs operations more efficiently. At the same time, there will be pressure to deal with new issues, such as sorting out the concept of customs duties on products handled in cross-border e-commerce and security measures.

With business innovation being encouraged, creating a smooth trade environment to promote private investment is essential, while at the same time, continuing to pay attention to measures to maintain security is required. As pointed out in the Survey Background, it is necessary to consider business development that goes beyond the existing contents of support in response to the changes in the international trade environment and technological innovation. In examining a new business development (initiative) for the next 10 years (by 2030), “E-Commerce Development and Trade” and “Trade and Gender”, and the assistance for the countries who is participating Mega-EPA such as AfCFTA, RCEP, and Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (TPP) are also important development perspectives as part of changes in trends. The initiative aims to set the strategy, framework and targets in the customs field until 2030.

Japan's contribution to global trends is also an important aspect. In terms of Japan's responsibilities in the international community, it is necessary to consider the types of contributions to be made both multilaterally and bilaterally in view of Japan's comparative advantages that always keep its promises and executes them faithfully, and that emphasizes bottom-up support in line with local needs, including not only the Japanese government, but also the private sector. The proposals for support that make use of Japanese characteristics and features are discussed in detail in Chapter 4, 4-1-1 assistance approach.

Since March 2020, a new coronavirus disease (COVID-19) has spread globally. Almost all countries have temporarily closed their borders as a measure to prevent the spread of the infection. As of April 2021, many countries have closed their borders or imposed restrictions on travel, and the impact on the economy, trade, tourism, and other sectors is enormous. Although it is difficult to estimate the impact of COVID-19 in general terms at this moment, it is likely that many global companies will be forced to

respond to the post- COVID-19 society in the near future. In addition, the trend that has promoted globalisation to date is gradually changing following the decline of the influence of WTO and the US-China trade war. The recent stagnation in the economic activities due to the outbreak of COVID-19 and the worsening US-China relations are likely to be continued. The newly elected US President Joe Biden, who took office in January 2021, has shifted from the "America first" stance of the past to a more cooperative international stance, and is seen to be working with major countries to solve global-scale problems. In the world of with- COVID-19, “non-contact” and decentralisation are being promoted, and the introduction of ICT technology in various fields is accelerating rapidly. On the other hand, the COVID-19 has exposed an atypical form of protectionism, such as embargoes and hoarding of medical supplies, and market access and equitable distribution of critical goods in emergencies has emerged as a key issue for free trade.

Even in this context, the customs sector plays a major role. Hence, it is necessary to pay close attention to the following: (1) the strengthening of revenue collection from the authorities' perspective; and (2) the speed and smoothness of trade procedures in each country to restructure supply chains from the private sector's perspective.

With this background, this Survey will examine the direction of future customs assistance in Southeast Asia and Africa, paying attention to current changes in the international trade and investment environment and future developments in ICT technology and its utilisation in international trade. The results have been reflected in the assistance policy of the above initiative.

**1-2 Outline of the Survey**

**1-2-1 Purposes of the Survey and the Target Areas and Organisations**

There are two purposes of this Survey:

- 1) To collect and summarise information on changes in the international trade environment for developing countries' customs, development of IT technology, and discussion held in international arena, in order to examine the direction of future assistance; and
- 2) To propose an assistance approach and a methodology for verifying its validity and effectiveness (Key Performance Index (KPI), etc.) for strengthening the strategic nature of future customs assistance (initiative) based on the above results.

**1-2-2 Survey Area**

The target areas/organisations of this Survey are:

**(1) Southeast Asia**

The following countries will be included in the Survey: Thailand, which occupies an important position as a regional base for Japanese companies and a nexus in the Mekong region; Singapore, where the development of the trade and investment environment and the shift to a digital economy are making

progress on a global scale; Indonesia, where the ASEAN Secretariat is located; and the Philippines, where the Asian Development Bank (ADB) is located. In addition, the Survey will be conducted in Myanmar, Vietnam, and Cambodia, where JICA provides assistance. By examining the situation of countries that are facing challenges in basic areas of customs operations and those that are making cutting-edge efforts, the information has been collected that can be used in future support policies for other countries.

## **(2) Africa**

The Survey Team collected information in Kenya and South Africa, where there is a large volume of private sector investment, and in Ethiopia, where the African Union (AU) Secretariat is located and where a large demographic bonus is expected. Since there are many Regional Economic Communities (RECs) in Africa and their characteristics vary greatly from region to region and country to country, the Survey was conducted in Eastern Africa, where Kenya and Ethiopia are located; Southern Africa, where South Africa is located; Ghana, where the AfCFTA Secretariat was established; and Western Africa, where Nigeria, one of the largest countries, is located.

## **(3) Belgium**

The Survey Team collected information from WCO. Two interviews were held in July and August 2020 using the web conference system. In August, the Survey Team interviewed with Mr Mikuriya, Director General of WCO.

## **(4) Switzerland**

The Survey Team collected information from WTO.

## **(5) United States**

The Survey Team collected information from World Bank. The Survey Team conducted the interview in January 2021 using the web conference system.

### **1-3 Survey Team and Survey Process**

#### **1-3-1 Composition of the Survey Team**

The composition of the personnel and their roles were examined to ensure efficient, effective, and smooth investigation in their areas of responsibility within the specified period of time, and the following personnel composition was decided. The details are mentioned on APPENDIX 1.

##### **(1) Policy of staff allocation**

- 1) Deployment of members who are familiar with the situation of WTO and WCO
- 2) Assign members with expertise in diagnosing problems in the customs sector and evaluating projects.

### 1-3-2 Schedule of Survey

In-country information gathering was conducted during April and May 2020, and the Inception Report was prepared, presented, being consulted and finalized in May 2020. From May 2020 to February 2021, the Survey Team collected information on the survey targets in Southeast Asia and Africa through interviews using the web conference system and by reviewing existing documents. With regard to information gathering in Africa, the Survey Team strengthened the activities of collecting information by outsourcing interview research to a Kenyan consulting firm. Interviews were held with international organizations, including the WCO and the World Bank, using the web conference system.

Based on the above findings of the survey, the Survey Team compiled the recommendations for strengthening the strategy of the proposed "Appropriate and Fair Collection of Customs Duties and Trade Facilitation Initiative" and the "Matrix for Diagnosis of Problems in the Customs Sector", and "prepared the Draft Final Report". After explaining and discussing the project with JICA, the Survey Team finalised the Final Report based on the comments from JICA.

### 1-4 Past JICA Assistance Activities

Since 1970, JICA, in cooperation with Japan Customs and the WCO, has been providing customs assistance mainly in Southeast Asia and Africa. Major customs assistances (including trade facilitation) in Southeast Asia and Africa are shown in Table 1-1. Since tariffs generally account for a large share of revenue in developing countries, there is a tendency for them to be highly interested in "revenue enhancement". On the other hand, it is necessary to strengthen security in regions where social conditions are unstable, and to promote initiatives for trade facilitation from the viewpoint of promoting logistics within the region. JICA has been providing assistance to the three missions of customs while keeping balances in response to the needs of each country, and has been making substantial efforts in trade facilitation that contribute to the economic development.

**Table 1-1 JICA's Main Customs Assistances in Southeast Asia**

Country/ Secretariat	Project Title	Cooperation Scheme	Duration
ASEAN Secretariat	ASEAN Customs Post-Clearance Audit Procedures Project	Expert	2004-2006
Cambodia	Advisors on Trade Facilitation	Expert	2002-2013
	Project on Customs Risk Management	TCP <sup>1</sup>	2004-2007
	Advisors on Trade Facilitation	Expert	2013-2019
	Advisors on Customs Modernization for Trade Facilitation	Expert	2019-2021
Philippines	Advisors on Trade Facilitation	Expert	1990-2007
	Project on Customs Intelligence System	TCP	2007-2010
	Project on Customs Post Entry Audit	TCP	2008-2011
	Project for Strengthening Customs Functions and Information Management	Expert	2011-2015
	Project for Strengthening Customs Functions	Expert	2015-2022

<sup>1</sup> Technical Cooperation Project

Country/ Secretariat	Project Title	Cooperation Scheme	Duration
Indonesia	Advisors on Customs	Expert	1994-2004
	Project for Administration Improvement of Trade-Related Regulations, Systems and Procedures	Development Planning	2004-2005
	Project for Improvement of Customs Administration	TCP	2004-2007
	Project for Administration Improvement of Trade-Related Regulations, Systems and Procedures	TCP	2006-2008
	Project on Capacity Development for Trade-Related Administration	TCP	2009-2013
	Project on Capacity Development for Trade-Related Administration	TCP	2013-2016
Laos	Project on Customs Administration	Expert	2012
	Strengthening of Governance and Trade Facilitation in the Field of Customs	Expert	2013-2021
Malaysia	Advisors on Customs	Expert	1990s~
	Project on Risk Management in Customs	TCP	2006-2008
	Policy Adviser to Director-General of Customs on Trade Facilitation	Expert	2011-2015
	Project for Enhancing Transparency and Predictability of Preferential Rules of Origin on EPA/FTAs in Customs Clearance	TCP	2015-2018
	Consolidating Procedures for Enhancing Trade Facilitation and Securing of Revenue Collection toward Strengthening Risk Management	Expert	2018-2021
Myanmar	Project on Customs Clearance and Operations	Expert	2012-2015
	Project for National Single Window and Customs Modernization by Introducing Automated Cargo Clearance System	Grant	2014-2017
	Project of Capacity Development for National Single Window and Customs Modernization by Introducing Automated Cargo Clearance System in Myanmar	TCP	2014-2018
Thailand	Project for Capacity Development on Customs Risk Management in Mekong Region	TCP	2008-2010
	Project for Enhancing the Transparency and Predictability of Tariff Classification and Customs Valuation	TCP	2012-2015
	Project for Capacity Development on Rules of Origin for Efficient Customs Procedures	TCP	2015-2018
	Project for Enhancing Capacity on Data Analysis and Risk Management for Promotion of Trade Facilitation	Expert	2018-2021
Vietnam	Advisors on Customs	Expert	1996-2009
	Capacity Building of Master Trainers on CV, PCA and HS	TCP	2004-2007
	Provision of X-ray Inspection Facilities in HCMC and Hai Phong	Grant	2008-2010
	Project on Strengthening the Training System for Improving Capacity of Frontline Officers of Vietnam Customs	TCP	2009-2012
	Project on Introducing NACCS	Grant	2012-2014
	Project on Promotion of Electronic Customs Clearance	TCP	2012-2015
	Project for E-Customs and National Single Window for Customs Modernization	TCP	2015-2018
Thailand	Project on Mekong Regional Customs Risk Management	TCP	2008-2010
	Project for improvement of Transparency and Predictability in Tariff Classification and Valuation	TCP	2012-2015
	Project on Capacity Building of Rules of Origin for Efficient Customs Procedures	TCP	2015-2018
	Project for Strengthening Data Analysis and Risk Management Capabilities to Promote Trade Facilitation	Expert	2018-2021

Source: JICA

**Table 1-2 JICA's Main Customs Assistancess in Africa**

Country	Project Title	Cooperation Scheme	Duration
<b>Eastern and Southern Africa</b>			
Kenya, Tanzania, Uganda	Project for Capacity Building for the Customs Administrations of the Eastern African Region Phase 1	TCP	2007-2009
Kenya, Tanzania, Uganda, Rwanda, Burundi	Project for Capacity Building for the Customs Administrations of the Eastern African Region Phase 2	TCP	2009-2013
Kenya, Tanzania, Uganda, Rwanda, Burundi	Project for Capacity Development of International Trade Facilitation in the Eastern African Region	TCP	2013-2017
South Sudan	Project for Capacity Development of South Sudan Customs Services for Introduction of Harmonized System Code	TCP	2016-2019
Botswana	Project for Promoting OSBP Adoption and Improving Customs Administration	Expert	2015-2017
Kenya, Tanzania, Uganda, Rwanda, Burundi	Project on Capacity Development for International Trade Facilitation and Border Management in the Eastern African Region	TCP	2017-2021
South Sudan	Project for Capacity Development of South Sudan Customs Services for Introduction of Harmonized System Code Phase 2	TCP	2020-2023
Africa	Information Collection and Confirmation survey on the current status and issues for the operation of the AfCFTA Agreement	TCP	2020-2021
Zambia, Botswana, Zimbabwe	Project to Strengthen Capacity for Smooth OSBP Operations and Management in the North-South Corridor	TCP	2020-2025
<b>Central and Western Africa</b>			
Botswana, Namibia	The Project for the Establishment of the One Stop Border Post (OSBP) Between Botswana and Namibia at Mamuno/Trans Kalahari Border Post	TCP	2010-2013
UEMOA	Project for UEMOA Intra-Regional Trade Facilitation Promotion	Training	2016-2020
Africa	JICA/WCO Seminar on Trade Facilitation in Southern and Western Africa	-	2018-2021

Source: JICA



## **2 Analysis of Customs Assistance to Date**

### **2-1 JICA's Customs Assistance**

#### **2-1-1 Southeast Asia**

##### **(1) Assistance Record**

The results are as described in 1-4 above.

##### **(2) Evaluation and Issues**

The evaluations and issues identified from each of the above supports listed in 1-4 above are as follows.

###### **1) Assistance in introduction of Customs Clearance Systems**

The following three issues have emerged from the support for the introduction of customs clearance systems in Vietnam and Myanmar.

###### **(i) Conditions unique to developing countries and Japan's assistance to meet these conditions**

In developing countries, the system and rules for digitization by the system itself are not yet developed, and the manual procedure itself may not be established. In addition, the culture of "top-down management" may make it difficult for the voices and needs of the frontline to reach the government from the private sector or the upper management from the frontline. In the case of introducing a large-scale system such as a customs clearance system, it is difficult for developing countries to define specifications and requirements on their own because counterpart human resources who understand the voices and needs of the field and define system specifications and requirements have not been trained.

In assistance of the introduction of customs clearance systems in Vietnam and Myanmar, it was necessary to utilize the technical resources of the private sector, which is skilled in the development of large-scale systems, as well as technical assistance and advice from personnel with experience in the planning, development, and operation of similar systems at government agencies.

###### **(ii) Need for medium- to long-term assistance**

In light of the aforementioned circumstances unique to developing countries and the generally low IT literacy of the target countries, the effects of introducing customs clearance system assistance do not necessarily appear immediately even after the system goes into operation. It is essential to continue to improve operations and provide medium- to long-term assistance to make these improvements sustainable.

In addition to the development of human resources who will use the system, it is also necessary for counterpart organisations to develop human resources who will be responsible for the planning, development, and operation of the system autonomously and continuously as the entity that manages the core system. Since it takes time to develop such human resources, it is necessary to provide assistance over the medium to long term.

### **(iii) Operation, maintenance, and renewal costs**

Due to the nature of IT systems, a certain amount of operation and maintenance costs are required as soon as they are put into operation, and hardware maintenance expires within a few years after the system is put into operation, making it necessary to replace it. In the case of government agencies, budget acquisition and procurement procedures also take time, so it is necessary to prepare with an awareness of continuous renewal after system implementation. In developing countries, system operation and maintenance budgets may be limited, so it is necessary to consider updating the system in a longer span than the update cycle in developed countries such as Japan.

In addition, renewal costs are generally higher than operational costs, and budget acquisition techniques make it difficult to obtain a large budget for a single project, even in developed countries. For this reason, it is worthwhile to consider obtaining a level budget and a user fee system from the time of project formation, taking renewal costs into account.

## **2) Assistance to capacity building for Customs Administration**

JICA has assisted customs in developing countries in ASEAN so far. Some lessons have been learned through the assistances so far.

- Flexibility and speed of project formation

It is a principle to follow the necessary procedures to form a project in response to a request for assistance from customs in developing countries. However, in order to provide more effective assistance, it is essential to form projects with flexibility and speed. For that purpose, it is necessary to grasp the needs in detail.

- Responses that take personnel changes into consideration and assistance considering the ownership

JICA assistance is request-based, and the success of the project relies on the intention of improving the requesting country. It is important to carry out the JICA project while being aware that Japanese experts will work closely with the counterparts of the beneficiary countries. In addition, it is quite natural that personnel changes will occur, and it should be incorporated into the plan that the project will be implemented as expected even if personnel changes occur. In this regard, it is important to design a project that is conscious of systematic project implementation (system or framework) rather than project implementation relying on specific officers.

## **2-1-2 Africa**

### **(1) Assistance Record**

#### **1) Assistance to Eastern Africa**

For the Eastern African region, four phases have been implemented so far, starting with the Eastern African Regional Customs Capacity Building Project (Phase 1), which began in 2007 (Phase 4 is currently under implementation). In the assistance to Eastern Africa, training of Master Trainers (MTs)

and capacity building of customs officers and clearing agent by MTs are being conducted mainly with the assistance of One Stop Border Post (OSBP).

## **2) Assistance to Africa in cooperation with WCO**

The collaboration between the WCO and JICA began with the Memorandum of Cooperation (MOC) signed in 2015, which first produced the Transit Guidelines, and then launched the Africa Trade Facilitation Project in 2016, which has seen steady progress and expansion to date. JICA, together with the WCO, has been implementing the Master Trainer Programme (MTP) in Africa with the aim of continuous and autonomous customs professional development. As of September 2019, MTPs have been implemented in Eastern Africa, Southern Africa, and West Africa.

## **3) Assistance to Southern Africa, assistance to Western Africa**

The Trans Kalahari Corridor (TKC), which crosses three countries in Southern Africa, connects the port of Walvis Bay in Namibia in the west to Johannesburg in South Africa, and is considered to be a shorter route linking North America and Europe with the Southern African region. TKC's assistance for the conversion of the Mamno/Trans-Kalahari border facility to OSBP began in October 2010. JICA implemented the "Mamno/Trans-Kalahari Border OSBP Implementation Project" with the Customs and Excise Departments of Botswana and Namibia as C/P agencies for a period of three years from October 2010 to October 2013.

As for the assistance to West Africa, JICA dispatched a long-term expert to Burkina Faso from 2012 to 2015 to assist UEMOA in improving the capacity of customs operations for trade facilitation. Burkina Faso is the logistical junction between the Gulf of Guinea and the landlocked Sahel countries (Mali and Niger), and is the headquarters of the West African Economic and Monetary Union (UEMOA), the driving force behind the regional integration of the eight French-speaking African countries. At Tokyo International Conference on African Development (TICAD)-V held in June 2013, "promoting intra-regional and inter-regional trade through strengthening the capacity of the regional economic community" was designated as a priority area, and JICA provided assistance to promote intra-regional economic integration, such as improving the efficiency of border customs clearance and developing wide-area infrastructure, while deepening cooperation with UEMOA.

## **(2) Evaluation and Issues**

### **1) Assistance to Eastern Africa**

#### **[Phase 2]**

The end of Phase 2 evaluation in August 2017 rated the project objectives as "somewhat achieved". The following three lessons were drawn:

#### **① Setting of PDM items taking into account the impact of other projects**

Under the project, the construction of OSBP facilities was expected to be completed on schedule at the two target borders (Namanga and Rusumo), and various activities under the PDM were expected to be implemented and the results achieved. However, as of the time of this survey, only

Rusumo OSBP has started its operation. In the Namanga OSBP, construction of the facilities is almost complete, but minor modifications remain, and water supply and internet access on the Tanzanian side, which were pointed out at the time of the mid-term review survey, have just been completed and are not yet operational.<sup>2</sup>

For this reason, the Namanga OSBP has not yet reached a situation where it is possible to judge the results of "monitoring of OSBP operations" and "extraction of lessons learnt for the second edition of the OSBP Sourcebook", such as experiences after the operationalisation of the OSBP, which were set in the PDM. Therefore, when forming technical cooperation projects, sufficient caution should be taken when incorporating project activities that are premised on the expected achievement of other projects.

## ② Understanding of PDM by project stakeholders

During project implementation, it is necessary to assist C/Ps in promoting their understanding of the project objectives, results, etc. set in the PDM. If the C/P side does not understand the purpose of project implementation, they will not understand what JICA is assisting and for what purpose, which may cause problems when enhancing the autonomy of the C/P side. Specifically, it is not understood that projects have goals, budgets, and deadlines, and it is often perceived that assistance will continue indefinitely in some sense for issues.

In each technical cooperation project, it is assumed that each activity will be carried out to achieve the project objectives and results as indicated in the PDM. As a result of the interview survey, the Commissioner General and other senior managers generally understood the purpose of the project, although their level of understanding of the items set in the PDM varied, and they also understood that the project had budget and time constraints. On the other hand, there were some cases where the staff at the section chief level and below had never seen the PDM or needed to be briefed on the purpose of the project (project name, project goals, results, etc.). In some cases, C/Ps understood that JICA assisted in their activities, but they had little information about the project except for various directly related activities (e.g. participation in training, revision of manuals, etc.).

## ③ Assistance for knowledge-sharing and dissemination

The following elements are important in the formation and implementation of an effective OSBP project:

- (i) Legal frameworks and systems and OSBP procedures/manuals developed after thorough discussion by stakeholders
- (ii) Effectiveness of OSBP training and awareness-raising activities enhanced by motivated OSBP trainers
- (iii) Conducting a rigorous Time Measurement Survey (TMS)
- (iv) Preparation of OSBP information materials

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<sup>2</sup> The construction of the OSBP in Namanga is being carried out on the Tanzanian and Kenyan sides through co-financing with the AfDB (JICA assistance the Tanzanian side and the AfDB assistance the Kenyan side). The construction of the OSBP in Rusumo was carried out on both sides with the cooperation of JICA.

The technical assistance project was premised on the timely completion of the targeted OSBP facilities and infrastructure (ICT interconnection, hydropower, etc.), but a combination of factors resulted in significant delays. In addition, the Namanga OSBP had not been formally operated by the time of the ex-post evaluation survey. From this, it was understood that the project assumptions need to be more carefully considered during the project planning phase, in consultation with the relevant stakeholders.

Delays in the construction and operationalisation of the Namanga OSBP affected the smooth and timely implementation of project activities (e.g. monitoring of OSBP operations, extraction of lessons learnt for the second edition of the OSBP Sourcebook, and minor revisions to the OSBP Procedures Manual).

The collaboration between the WCO and JICA has had a number of impacts. In addition to the provision of high-quality training, it was indicated that there may be other possibilities such as secondment from the Revenue Authority (RA) to the WCO. When collaborating with WCO and other institutions and organisations in the future, it is desirable to improve the motivation of C/Ps and others by combining human resource development in the project with secondment to institutions and organisations or recognition of qualifications.

The greater the number of partner countries and institutions/sectors involved in a project, the more important it is to carefully consider the balance between project scope and implementation structure to ensure smooth implementation and achievement of project results.

In addition to this, the commitment to the project by top management, such as RA executives, is very important for the smooth implementation of the project, including the allocation of resources (human, financial, and material) to the project.

Finally, the impact of OSBP on border communities (both positive and negative) needs to be considered, and these impacts need to be considered in relation to expectations and awareness-raising.

### **[Phase 3]**

According to the external ex-post evaluation carried out in 2019, the evaluation of this assistance was high. Although the DAC was not necessarily only rated high on the 5-point scale, the overall rating was "high". The assessment points to five lessons learnt were:

#### **① Consideration of the social aspects of OSBP**

It was reported that the conversion of border facilities to OSBP reduced the time people and trucks spent at the border and reduced commerce in the surrounding areas. In designing a new OSBP, it would be effective to estimate how the livelihood and economic activities of the surrounding communities would change and plan measures as necessary (e.g. encouraging the establishment of a commercial centre nearby) to increase the impact.

**② Conducting awareness-raising activities for border communities**

Joint Border Surveillance ("JBS") /Joint Water Surveillance ("JWS") did not maximise the deterrent effect on smuggling in the manner expected by the project, as joint patrols were not frequently conducted even though information was shared. On the other hand, it was suggested that the awareness-raising activities among the communities had a positive effect on preventing smuggling, as the border communities learnt that goods brought into the country through the OSBP are not taxed if they are within a certain range, or if they are taxed, the amount is very small, and they do not take the risk of crossing the border. In assisting the operation of the OSBP, it would be effective to coordinate community awareness-raising on both sides of the border as a set of border surveillance activities, and to disseminate correct customs knowledge to border communities.

**③ Procurement of equipment consistent with the objectives of the Lake Victoria Joint Water Monitoring**

Many of the patrol boats provided for the JWS were not in use at the time of the ex-post evaluation because their hulls were damaged due to high waves and landing in places where there was no pier. It was also explained to us by the on-scene water surveillance team that the size of the boats provided would make it difficult to conduct joint patrols with neighbouring countries (due to the size of the target waters and low habitability). The on-water surveillance team, deployed in relatively calm waters and with boats in good working order, was also conducting day patrols in only one country for the same reason. It was also explained that small high-speed boats were selected for this project because of the need for mobility. However, it is believed that the input can be linked to greater results if the equipment procurement plan is consistent with the type and quantity of boats to be procured and the purpose and status of the monitoring activities, such as joint monitoring over long distances or monitoring small bodies of water within one country.

**④ Careful consideration of embedded ICT development components**

The OSBP Cargo Management System (Real-Time Monitoring System/Cargo Clearance System (RTMS/CCS)), which was developed under this project and upgraded in Phase 3, has not been fully utilised in the target countries other than Kenya due to the reduced functions and compatibility problems caused by the combination with the development of customs clearance management systems in countries outside this project. Since this was a technical cooperation project with many components, it was not possible to develop a large-scale ICT system that would require changes to the entire existing customs clearance management system, and this was probably an unavoidable response. When planning the development of ICT systems in a technical cooperation project, it is necessary to carefully consider whether the expected results can be obtained by incorporating them as a component of the project, in terms of the amount of input and the development period and man-hours.

## ⑤ **Good practices for wide-area projects consisting of multiple phases**

JICA's four-phase technical cooperation project on trade facilitation in the Eastern African region has been highly appreciated by the East African Community (EAC) and other donors, especially in the areas of human resource development and software, among the broader efforts for OSBP in the region assisted by many other donor agencies. The following is a discussion of these factors to the extent possible in this evaluation. This project (Phase 2) was a full-scale implementation of various activities that were piloted in Phase 1, and aimed to spread them in the region. For this reason, a wide variety of components were widely deployed. With regard to OSBP in the region, a large amount of donor assistance was already in place when Phase 2 was launched. In this context, JICA's detailed coordination activities in all the target countries – which were field-oriented and flexible according to the needs of each country – as well as its long-term assistance focusing on human resource development, which is JICA's specialty, led to the trust of counterparts and created a high impact. Although most of the project effects emerged in Phase 3 and later, the fact that we worked on various components in Phase 2 and learnt from each of them seems to have contributed to improving the project design by clarifying issues that should be focused on in subsequent phases, external conditions that should be monitored, and in organising activities. Specifically, although there were some effects that were not taken over by subsequent phases, such as the concept of the target OSBP becoming a model for the region and the initial functioning of the RTMS/CCS, it can be said that this phase played a role in the long-term assistance in terms of seeking an approach that has comparative advantages. This leads to the realisation of effects as JICA assistance within the framework of the EAC trade facilitation. In addition, close collaboration with the EAC and WCO, including the human resource development of the EAC secretariat during the series of phases, has led to the institutionalisation of the results of this project throughout the region and facilitated the coordination of assistance from other donors.

### 2) **Assistance to Africa in cooperation with WCO**

The MTP in Africa, in collaboration with the WCO, is being expanded to other regions, using the case of Eastern Africa as a successful example. The MTP has made a significant contribution to the internalisation of human resource development capacity, which is important for the development of customs in developing countries, and the WCO has been highly praised not only by customs authorities, but also by the minister in charge.

JICA's assistance has traditionally been strong in introducing Japanese best practices, etc. However, the collaboration with the WCO has enabled JICA to make use of the WCO's many high-level English and French experts and to utilise the WCO's treaties, tools, etc. to standardise and simplify customs procedures, which are particularly important for JICA's corridor development assistance. On the other hand, by collaborating with JICA, the WCO has been able to provide medium- to long-term assistance to member countries with an eye on multiple years. WCO has also expanded the possibility of more effective assistance, such as the collaboration between technical assistance and JICA's Grant

Aid financial assistance, as is being done in Eastern Africa.

The Eastern African MTPs have pooled a total of 90 experts (HS classification, tariff assessment, information analysis) to be used as trainers. In the 2018-2019, group training and on-the-job training were provided to approximately 12,000 participants comprised of customs officers and clearing agents. This contributed not only to stable human resource development in Eastern Africa, but also to the promotion of understanding and building of trust between customs and clearing agents. The MTP has been recognised as a success story as it was featured in TICAD-7. The initiative is also highly regarded within the WCO.

### **3) Assistance to Southern Africa (Mamno/Trans-Kalahari Border OSBP Implementation Project)**

The lessons learnt as pointed out in the end-of-term evaluation report in April 2013 are summarised as follows: 1) create a well-discussed and considered plan (PDM); 2) monitor based on the PDM (check KPI); and 3) build and maintain a solid management system. As noted above, the assistance started its implementation before the project design had been fully considered. Inadequate planning and the fact that almost all project stakeholders implemented the project in a state of limbo were factors. The survey team understands that this assistance will serve as a good case study when considering future customs assistance.

The individual experts were subsequently sent to Botswana Unified Revenue Service (BURS) from March 21, 2015 to March 20, 2017 in this matter. As a result of the activities of the individual experts, the objectives of the OSBP manual and the operationalization of the manual through training, which were issues identified in the 2013 end-of-project evaluation, have been achieved. The lessons learned from the previous project were applied to the deployment of the individual experts, and BURS and NCE continued to provide training, achieving the desired objectives.

## **2-2 Customs Assistance by Other Donors**

### **2-2-1 Assistance Record**

In terms of promoting trade facilitation, the introduction and implementation of the WTO Trade Facilitation Agreement (TFA), which was agreed at the WTO Ministerial Conference held in Bali, Indonesia in December 2013, is very important. The WTO assists the implementation of trade facilitation in cooperation with international organisations such as the World Bank (WB) and the World Customs Organization (WCO). The activities of each organisation are as follows:

#### **(1) Activities related to trade facilitation Agreement at the World Trade Organization (WTO)**

The WTO's activities in the area of trade facilitation include support for the introduction of the Trade Facilitation Agreement, which was agreed at the WTO Bali Ministerial Conference in December 2013 and entered into force in February 2017, and Aid for Trade, which was agreed at the WTO Hong Kong Ministerial Conference in 2005, each of which is outlined below.

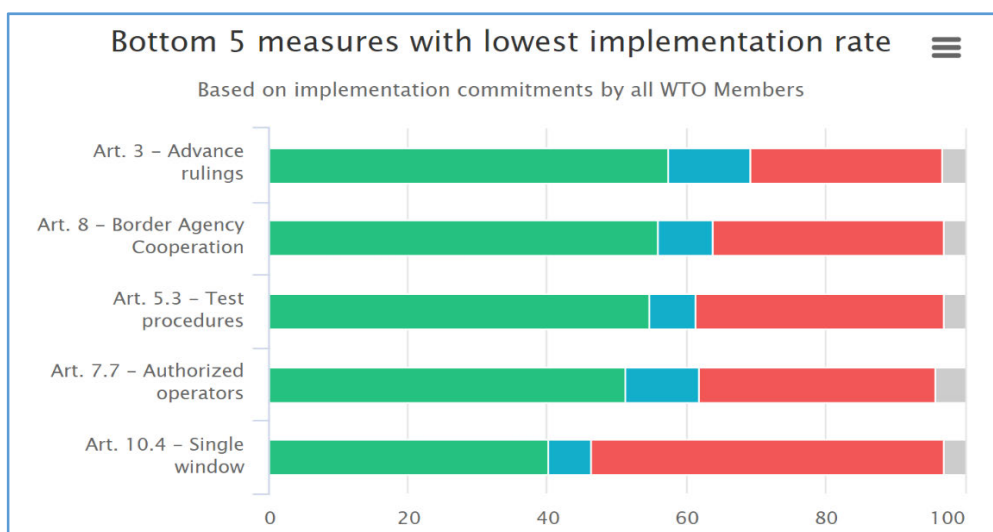


## 1) Support for the introduction of the WTO Trade Facilitation Agreement (TFA)

On 22 July 2014, the WTO launched a new initiative called the WTO Trade Facilitation Agreement Facility (TFAF) to assist the adoption of TFAs by developing and least developed countries.

The TFAF complements the technical assistance and capacity building on trade facilitation that have been provided by national, regional, and international donors. It also aims to assess the technical assistance needs of developing and least developed countries, and to ensure smooth linkage with the information provided by donor countries and agencies on their assistance. To this end, the WTO has established an independent website for the TFAF to update information and assist donors and recipient countries from time to time.<sup>3</sup>

Since the TFA entered into force in February 2017, the number of countries ratifying it has increased. As of the end of January 2021, 153 countries, or over 93% out of the 164 WTO members, have ratified it. Category A, B and C notifications by developing and least developed countries are 50.8%, 17.7% and 27.9%, respectively, and Category C notification, which requires technical assistance for the implementation of each item of the Agreement, is less than 30%. In particular, as only less than 35% of the sectors has been committed to implementation by least developed countries, assistance for least developed countries is urgently needed.



Source: WTO Trade Facilitation Database<sup>4</sup>

**Figure 2-1 Areas Assisted by TFAF (Measures with Low Implementation Rates)**

As shown in Figure 2-1 above, the five areas that require the most assistance for the implementation of TFA are, from the top: (1) Single Window (Article 10.4), (2) Authorised Operators (Article 7.7), (3) Test Procedures (Article 5.3), (4) Border Agency Cooperation (Article 8) and (5) Advance Rulings (Article 3). The provisions of the TFA regarding the five difficult-to-implement measures are as follows:

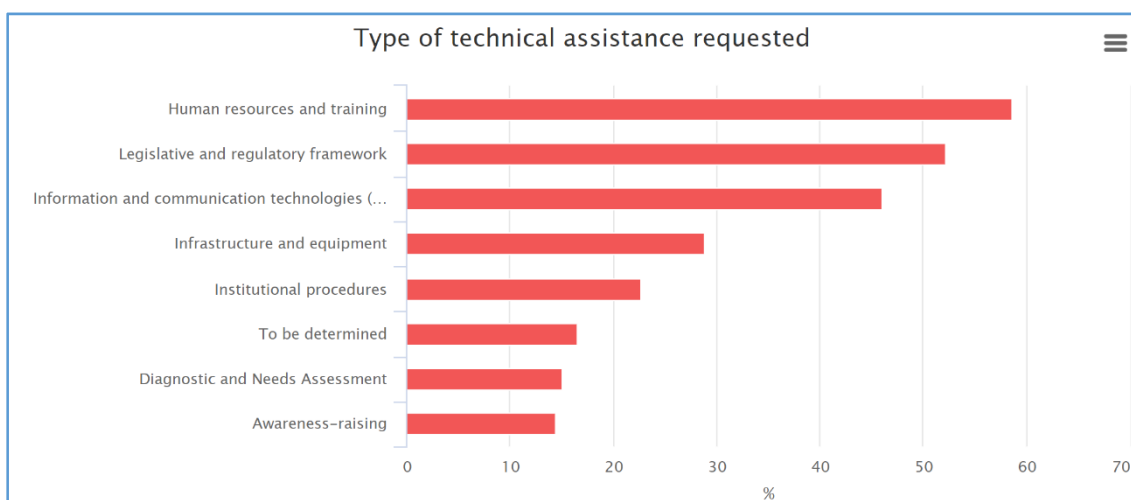
<sup>3</sup> WTO TFAF: <https://www.tfafacility.org/>

<sup>4</sup> WTO Trade Facilitation Database: [TFAD - Trade Facilitation Agreement Database \(tfadatabase.org\)](https://www.tfafacility.org/tfad/)

- **Single Window (Article 10.4):** A member shall endeavour to establish or maintain a Single Window, enabling traders to submit documentation and / or data requirements for importation, exportation or transit of goods through a single-entry point to the participating authorities or agencies.
- **Authorised Operators (Article 7.7):** Each member shall provide additional trade facilitation measures related to import, export, or transit formalities and procedures, pursuant to paragraph 7.3, to operators who meet specified criteria, hereinafter called authorised operators.
- **Test Procedures (Article 5.3):** A member may, upon request, grant an opportunity for a second test in case the first test on a sample taken upon arrival of goods declared for importation shows an adverse finding.
- **Border Agency Cooperation (Article 8):** Each member shall ensure that the authorities and agencies responsible for border controls and procedures dealing with the importation, exportation and transit of goods cooperate with one another and coordinate their activities in order to facilitate trade.
- **Advance Rulings (Article 3):** Each member shall issue an advance ruling in a reasonable, time-bound manner to applicant that has submitted a written request containing all the necessary information. If a member declines to issue an advance ruling, it shall promptly notify the applicant concerned in writing, setting out the relevant facts and the basis for its decision.

To date, 95 countries/regions have requested technical assistance for a total of 1,245 measures to implement the TFA. The most common areas are human resource development, followed by legislative and regulatory framework, information and communication technologies, and infrastructure and equipment.

However, it was not possible to identify any externally published data on the technical and capacity building assistance that the WTO has provided to date in cooperation with other donor countries and organisations, such as a summary by country and sector. In addition, it is not aware of any such report that summarises the priority areas of each country or region.



Source: WTO Trade Facilitation Database

**Figure 2-2 Requests for Assistance from WTO Member Countries (by Sector)**

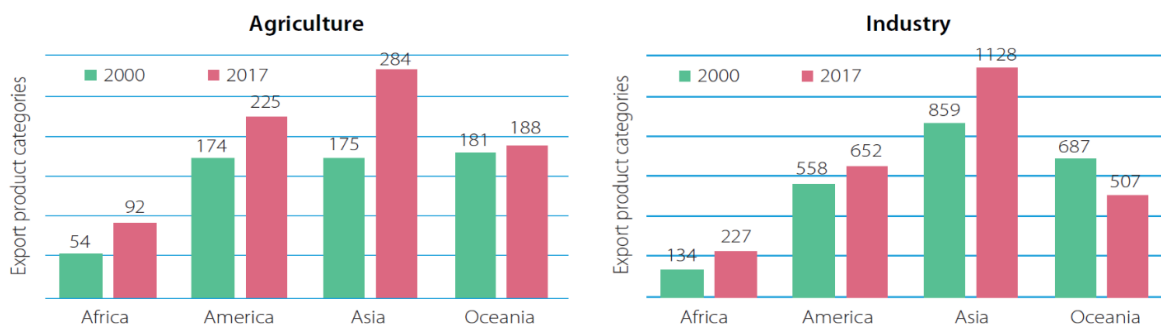
## 2) Activities of Aid for Trade

In addition to the aforementioned ratification of the WTO TFA by Members and the implementation of each facilitation measure, the core area of the WTO trade facilitation is the WTO Aid for Trade, which provides capacity building support to developing countries in trade-related areas. Aid for Trade's activities are aimed at helping developing countries, especially overcome difficulties in participating in world trade based on inadequate trade infrastructure and lack of supply side in developing countries. Aid for Trade also promotes economic development through the development of trade, and to remove identified barriers to trade in these countries.

The activities of Aid for Trade were decided at the WTO Ministerial Conference held in Hong Kong in 2005, and the Aid for Trade Global Review Conference has been held once every two years since 2007 to review the progress and direction of Aid for Trade. The Review Conference is designed to exchange views and share information among member countries and relevant international organizations on (1) understanding the current status of Aid for Trade activities, (2) future action items, and (3) monitoring and evaluation of the WTO, and the 7th Conference was recently held in 2019.

In relation to the WTO's monitoring and evaluation, the WTO, in cooperation with the Organization for Economic Co-operation and Development (OECD), prepared a report in 2019 entitled Aid for Trade at a Glance 2019 - Economic Diversification and Empowerment. The report highlights the continued emphasis on economic diversification as an objective of trade and development policy. In the report, the diversification of trade from various perspectives is analysed. For example, the following graph compares the diversity of agricultural and industrial products in Africa, America, Asia, and Oceania region, and shows the scarcity of supply-side products in Africa compared to Asia in both sectors, indicating the importance of support in the African region.

### Export diversification



Source: WTO Database

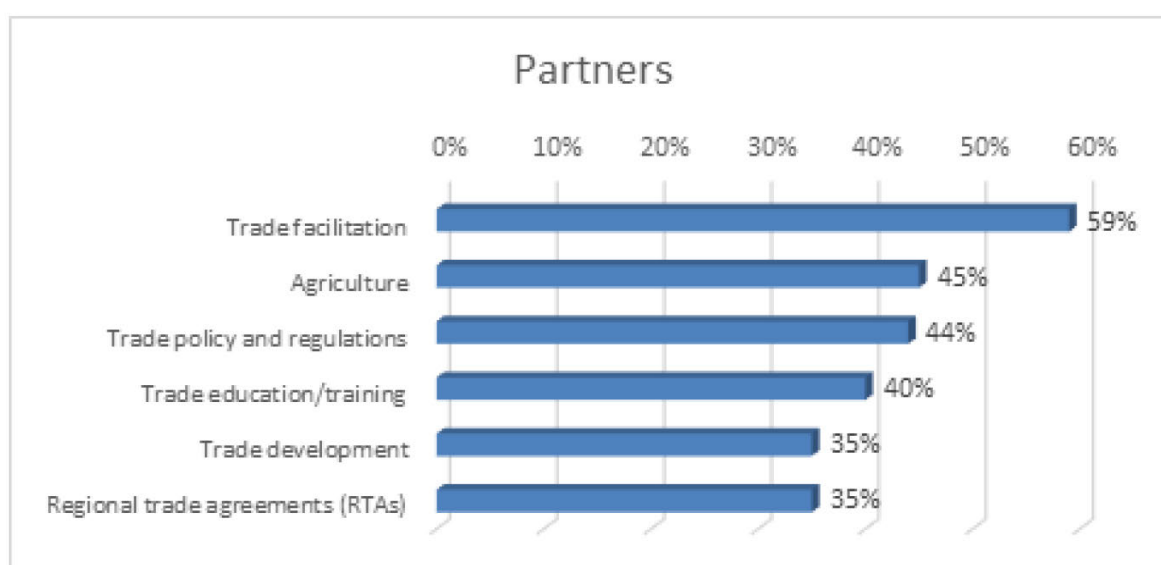
**Figure 2-3 A comparison of the diversity of agricultural and industrial products in Africa, the U.S., Asia, and Oceania**

In addition, with regard to the WTO's Aid for Trade, a two-year action plan has been developed and published starting in 2016. The activity plan to date is as follows.

- 2016-2017: Promoting Connectivity
- 2018-2019: Economic Diversification and Empowerment
- 2020-2022: Empowering Connected, Sustainable Trade

The 2020-2022 Plan states that the international trade environment has changed significantly since Aid for Trade's inception in 2005, and that it will investigate the opportunities that digital connectivity and sustainable development present for economic and export diversity in order for developing countries to respond appropriately and rapidly to these changes and achieve the goals of the 2030 SDGs. In addition, the report will show how Aid for Trade can help to strengthen these deliverables.

The plan also cites the 2019 report, which includes an assessment by recipient countries and donor agencies that trade facilitation has had a significant impact on economic diversity. The graph below shows the five most impactful areas for economic diversification as rated by recipient countries and donors, indicating that the importance of trade facilitation is highly valued by both recipient countries and donors.



Source: WTO Aid for Trade Work Program 2020-2022

**Figure 2-4 Five areas that have had the most impact on economic diversity**

The plan states that activities will change as the environment changes, but the major goals of Aid for Trade - strengthening supply-side capacity and developing trade-related infrastructure - will remain constant.

## **(2) Capacity-building activities in the field of trade facilitation by World Bank (WB)**

The Trade Facilitation Support Program (TFSP) of the WB is a programme to assist countries seeking technical assistance for the implementation of items specified in the TFA. The TFSP is designed to be realistic and responsive to requests for assistance. The programme supports developing countries in benefitting from trade facilitation by increasing trade and foreign investment and strengthening the trade competitiveness of the private sector. To date, it has provided assistance to 47 countries, mainly in the Sub-Saharan African region.<sup>5</sup>

Requests for technical assistance from developing and least developed countries are made directly to the TFSP or in cooperation with the World Bank Group or other donors.

<sup>5</sup> World Bank, TFSP: Trade Facilitation Support Program (TFSP) ([worldbank.org](http://worldbank.org))

The TFSP will support laws and regulations, administrative procedures, IT systems and consultation mechanisms provided in the TFA that are relevant to trade facilitation in developing and least developed countries. The following are the focus areas of the technical assistance:

- Assistance with scheduling commitments and implementation timelines
- Review and validate self-assessments and identifying reform gaps
- Assist and strengthen the National Trade Facilitation Committee
- Review/revise/draft trade laws and implement regulations to ensure alignment with the TFA
- Simplify, streamline and harmonise trade procedures and documents to reduce time and cost to trade
- Improve transparency and accountability of trade practices
- Foster partnerships between public and private sectors to catalyse trade
- Assist in the design and implementation of automated systems and innovative technologies to facilitate trade, etc.

With the aim of creating and sustaining reform momentum, the TFSP focuses on rapid response. In addition, it is extending its assistance to areas not covered by the TFA.

In order to monitor the implementation of the TFA, the TFA Alignment Tracking Tool (TT), which evaluates both the introduction of the legal system and its implementation, has been introduced to provide countries with a mechanism to track the implementation of reforms and report on progress of the TFA.<sup>6</sup>

### **(3) WCO's Activity Policy and Capacity Building Activities in the Field of Trade Facilitation**

In considering JICA's support in the field of Customs and trade facilitation, it is important to look at the policies and discussions in the World Customs Organization (WCO), the international organization for Customs. In this context, we have tried to extract the current and future state of Customs from a broad perspective through the Customs in the 21st Century (hereinafter referred to as "C21"), which can be regarded as a blueprint for the current and future Customs administration, the WCO's latest strategic plan, the theme and specific content of the year announced each year on World Customs Day, and discussions at the WCO Council session.

#### **1) About C21**

At the 50th anniversary WCO council session in 2002, the heads of the world's Customs administrations discussed what the future function of Customs should be in the 21st century, including how to deal with terrorism, which is newly imposed on Customs in the 21st century. The result is a blueprint for how Customs authorities should deal with issues such as the globalization of business activities, development and poverty, complex governance, international terrorism, and environmental protection, and how Customs administrations that promote trade facilitation and appropriate border control should deal with these issues in the 21st century. After a series of lively discussions at the WCO, C21 was adopted by the Council session in June 2008.

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<sup>6</sup> World Bank Trade Facilitation Alignment Tracking System: <https://www.tfacountrytrackingtool.org>

The C21 states that while the fundamental role of Customs remains unchanged - to raise revenue, prevent smuggling and facilitate trade through the proper control of goods passing through its borders in line with the government's policy objectives - the environment in which Customs operates has changed significantly and a new approach is needed to respond to this change, and the following items should be promoted as building blocks.

- Globally networked Customs: Establishing an electronic Customs network to enhance seamless, real-time, paperless exchange of information and coordination among Customs offices
- Better coordinated border management: Better coordination with trade ministries and agencies responsible for the management of people and goods crossing the border
- Intelligence-driven risk management: Appropriate risk management based on information at both the policy and field operations levels
- Customs-Trade partnership: strengthening partnerships with the private sector
- Implementation of modern working methods, procedures and techniques: implementation of modern methods such as PCA and cargo management based on electronic systems
- Enabling technology and tools: Introduction of the latest non-intrusive instrument such as container scanners
- Enabling powers: strengthening Customs legislation to enable the use of the latest systems and technologies
- A professional, knowledge-based service culture: Providing better Customs administration services underpinned by competence and professionalism
- Capacity building: continuous provision of capacity building to the necessary Customs authorities
- Integrity: Fighting corruption by strengthening staff discipline

We believe that the 10 items listed in C21 are central to the current and future activities of the WCO, and can be summarized as follows: collaboration among Customs offices through the use of the latest digital technologies, such as IT and Digital Transformation (DX); collaboration between the public and private sectors at the border; adoption of the latest methods, systems and technologies, such as risk management and non-destructive testing equipment; and provision of advanced Customs services backed by high professionalism and staff discipline.

## **2) WCO Strategic Plan 2019-2022**

The WCO produces a strategic plan every three years, the current one being adopted by the Council session in June 2019. The WCO Strategic Plan adopts a procedure whereby the draft prepared by the Secretariat is discussed at the WCO regional meetings in the six regions of the world (with the participation of the director general of the Customs administration in each region) and finally adopted by the WCO Council session. Therefore it can be said that all the important items to be implemented by Customs worldwide are included in the plan.

The WCO Strategic Plan 2019-2022 identifies "Trade Facilitation", "Revenue Collection" and "Protection of Society" as the three strategic objectives of the Customs administrations and the following eight strategic plans are set out to achieve them.

- SP1. Economic Competitiveness Package: Further development of the WCO's tools to support efforts to enhance national economic competitiveness through trade facilitation.
- SP2. Revenue Package: Further development of WCO tools to ensure social stability through Customs revenue enhancement
- SP3. Compliance and Enforcement Package: Further development of WCO tools to assist in the detection of terrorist materials and smuggling through enhanced border control by Customs.
- SP4. Organizational Development Package: Further development of WCO tools to strengthen WCO capacity building and integrity
- SP5 Joint operations and exchange of information: Facilitate the exchange of enforcement information and joint enforcement between Customs offices to combat organized crime and smuggling.
- SP6. Sharing of knowledge and best practices: Promoting cooperation among Customs offices through exchange of knowledge and sharing of experiences
- SP7 Technical assistance, training and tools for implementation of international standards: Providing capacity building in line with the needs of Member States' Customs offices for the adoption of international standards
- SP8. Technical assistance, training and tools on people development: Providing technical assistance to improve the capacity of Customs officers

### **3) Annual theme to be announced on World Customs Day**

The WCO has designated January 26 as World Customs Day, and each year it announces the theme of the year's key policy issues. Therefore, by looking at the themes of recent World Customs Days, it will be possible to see the direction of the WCO's activities now and in the near future. The themes for each of the last five years are as follows.

- 2021: Customs bolstering Recovery, Renewal and Resilience for a sustainable supply chain: Customs supports recovery from COVID-19 through the use of DX at the border, attention to the use of innovative technologies, and collaboration with all stakeholders in the supply chain.
- 2020: Customs fostering Sustainability for People, Prosperity and the Planet: Supporting the achievement of the SDGs as defined by the United Nations in areas related to Customs.
- 2019: SMART borders for seamless Trade, Travel and Transport: working with trade and border control authorities to achieve SMART (Secure, Measurable, Automated, Risk Management-based and Technology-driven) borders for the rapid transit of goods and people.
- 2018: A secure business environment for economic development: making it easier for businesses, especially micro, small and medium enterprises, to participate in international trade
- 2017: Data Analysis for Effective Border Management: collecting and analysing data generated by economic activities, including international trade, to achieve effective border management.

Looking at the themes of World Customs Day for the past five years, including the recovery from COVID-19 in 2021, the common goal of the WCO and Member States' Customs in recent years has been to contribute to the development and stability of society through effective border control and

rapid transit of goods and people, using ICT, DX, Data, Technology and Risk Management as keywords.

#### **4) WCO Council session and Policy Committee Discussions**

The highest decision-making body of the WCO is the Council session held in June each year, and we believe that a close examination of the discussions at the Council session will enable us to identify items that should be emphasized by Customs in the present and future.

- 2020 (held in December due to Covid-19): resolution on expedited clearance of medicines and vaccines, declaration on gender equality and diversity in Customs, revised e-commerce package, updated coordinated border management (CBM) compendium, free trade zone (FTZ) guidance, comprehensive capability framework for data analysis in Customs, etc.
- 2019: Adoption of the revised HS 2022 version, adoption of the e-commerce package, electronic exchange of information between Customs and postal authorities, adoption of the WCO Strategy 2019-2022, etc.
- 2018: support for the implementation of the WTO Trade Facilitation Agreement (implementation of the Mercator program), adoption of a framework of standards for e-commerce, issues related to fraudulent invoices and other illicit flows of funds, cooperation between Customs and national tax authorities (transfer pricing and tax collection), performance measurement (establishment of a working group to measure trade and Customs processes), establishment of a working group to comprehensively review the Revised Kyoto Convention (RKC), etc.

Recent WCO Council session agendas have focused on addressing electronic commerce, tackling small parcel shipments (related to electronic commerce), addressing trade abuses in free trade zones (FTZs), promoting the WTO Trade Facilitation Agreement, and addressing fraudulent transactions and strengthening tax collection capacity (transfer pricing, fraudulent invoices).

#### **5) WCO's Activities and Future Direction**

Based on the aforementioned discussions and strategy papers at the WCO, the three basic objectives of Customs - trade facilitation, revenue collection and social protection - will remain unchanged in the future, and various strategy papers, including C21, have been prepared to achieve them. On the other hand, the environment surrounding Customs is constantly changing, including in response to the spread of COVID-19 since 2020, and Customs is responding flexibly to this change in the environment.

Specific areas of activity that the WCO has been focusing on in recent years include: responding to the increase in the volume of cargo handled as a result of the development of cross-border e-commerce and the smuggling of illicit drugs and IPR-infringing goods (developing a framework of e-commerce standards and an e-commerce package); promoting the electronic exchange of cargo information with postal authorities (WCO and Universal Postal Union (UPU) guidelines); effective risk management based on DX and the use of ICT and data; and strengthening efforts in border trade relations, coordination among enforcement authorities, public-private sector cooperation, and promotion of the



WTO Trade Facilitation Agreement. In particular, it can be inferred from the aforementioned various documents and discussions that the government intends to focus more and more on responding to the further development of cross-border e-commerce and the use of innovative technologies and data through the development of DX and ICT.

## **6) Activities in the area of trade facilitation**

The WCO launched the Mercator Programme in June 2014 to assist the implementation of the TFA by member states. The programme has a dual-track approach: one is common to all recipient countries, and the other is designed to meet specific needs based on each country's situation. Common approach includes conducting awareness-raising activities for the introduction of TFA at the national, regional or global level, and developing WCO tools for the implementation of TFA. With regard to assistance for the individual needs of each country, the dispatch of WCO diagnostic missions and capacity building missions in specific fields is the main focus.

In November 2020, the WCO published the WCO Mercator Programme Report 2020, which summarises its activities for the six years to June 2020. Key activities common to the past six years include the following:<sup>7</sup>

- Assisting the formulation of multi-year strategic plans and indicators in customs at both national and regional levels
- Providing technical assistance to assist implementation of specific technical measures under the TFA
- Developing new and updated guidelines and tools to assist TFA measures
- Organising regional-level awareness-raising workshops for customs
- Assisting leadership and management competencies, attitudes, and behaviours at the highest management levels through intensive introspection and self-management
- Developing new training and e-learning materials
- Building project management skills and competencies within modernisation and international relations units
- Establishing the foundations for modern, competency-based human resources management
- Cooperation with other international organisations

In addition, the "My Mercator" programme was introduced as a centrepiece of activities to address individual needs. It is based on a medium- to long-term partnership between the WCO and each member customs administration to assist the introduction of TFAs. It consists of first diagnosing the implementation status of FTAs upon request, and then dispatching WCO-accredited experts to necessary areas to assist their implementation. As of June 2020, there were 51 member customs participating in the programme, and the WCO has sent diagnostic missions to 40 participating countries.

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<sup>7</sup> WCO Mercator Programme Report 2020:  
[http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/capacity-building/activities-and-programmes/mercator-programme/def\\_2020\\_mercator\\_en\\_digital.pdf?db=web](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/capacity-building/activities-and-programmes/mercator-programme/def_2020_mercator_en_digital.pdf?db=web)

In addition, the WCO has developed a TFA (Mercator) Maturity Model as a method to monitor the implementation of TFA in recipient countries and regions. The model provides a means of assessing baseline status by identifying the stage from the starting level to the fully sustainable level for each country/region and for each article of the agreement. This methodology is for the internal use of the participating countries/regions and is not published. The results of the evaluation will be submitted as part of the diagnostic mission report and can be used to measure progress in TFA implementation through ongoing evaluations every 12 months thereafter. The WCO, through its Mercator programme, has developed a scoring matrix for the use of its member countries and regions.<sup>8</sup>

Over the six-year period from July 2014 to June 2020, the WCO has provided active assistance for the implementation of the TFA through the fostering of 79 Mercator advisors, making 970 proposals to countries conducting diagnostic missions for the introduction of FTAs, and dispatching about 2,500 country- and region-specific technical assistance and capacity-building missions under the Mercator Programme.

#### **(4) Digitisation assistance by UNCTAD (ASYCUDA introduction assistance)**

The Secretariat of the Economic Community of West African States (ECOWAS), the target organization of the Survey, requested UNCTAD in 1981 to assist in the preparation of foreign trade statistics for its member countries. UNCTAD has decided to digitalise customs clearance procedures in order to modernize customs offices and clearance procedures.

UNCTAD developed the first version of Automated Systems for Customs Data (ASYCUDA) in 1981. The first ASYCUDA was operational from 1981 to 1984, followed by ASYCUDA V2 (1985-1995), ASYCUDA+ (1992-present (used in some countries)), and ASYCUDA World (2002-present). The latest version of ASYCUDA World, which is the fourth update, uses web-based technology.

According to UNCTAD, ASYCUDA is considered to be an integrated customs management system for international trade and transport operations in a modern automated environment. ASYCUDA is intended to the following objectives<sup>9</sup>:

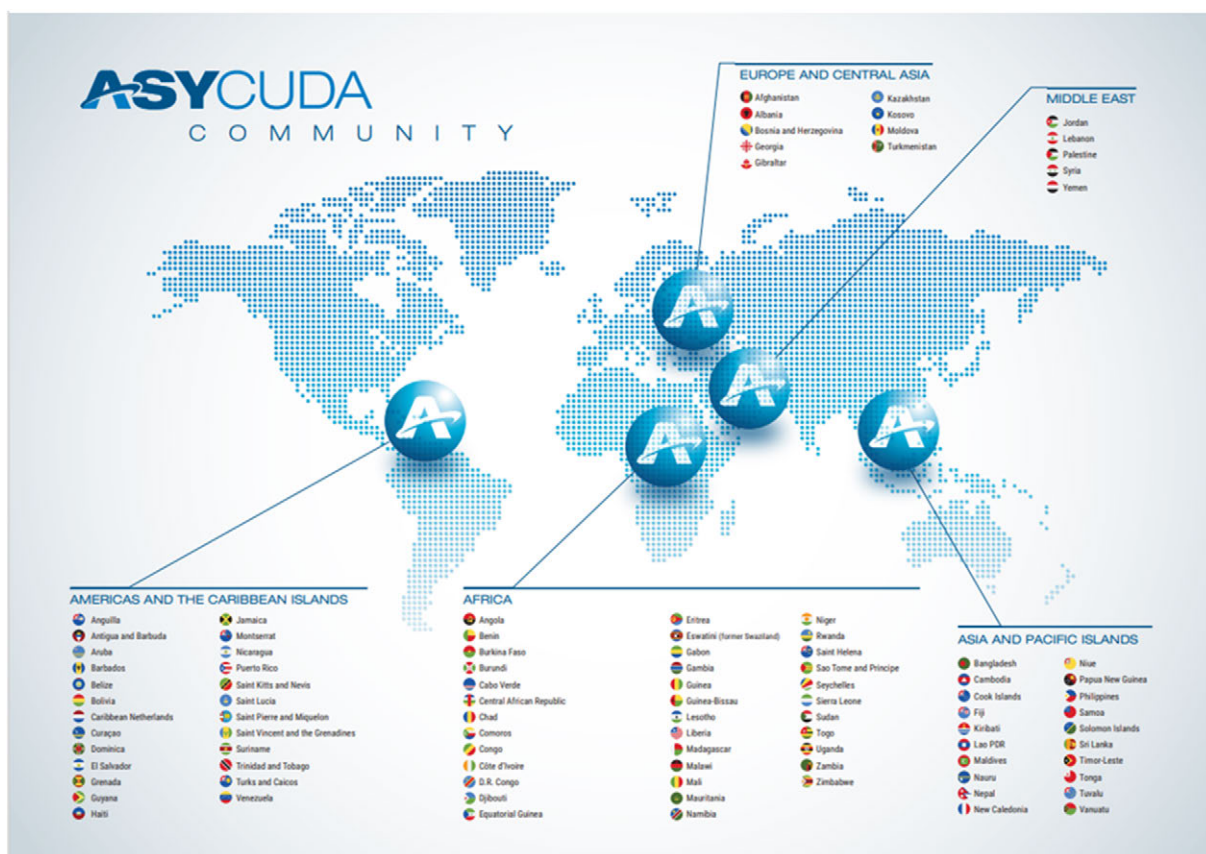
- Help to modernize customs operations and improve revenue collection
- Facilitate trade efficiency and competitiveness by significantly reducing transaction time and costs
- Improve security by streamlining cargo management, freight forwarding, and customs clearance procedures
- Help to fight corruption by making transactions more transparent
- Use electronic transactions and documents to reduce paper use and promote sustainable development

As shown in Figure 2-5, ASYCUDA is being used in 96 countries around the world as of 2020. In the region covered in this Survey, 37 countries in the Sub-Saharan African region and three countries in ASEAN (Cambodia, Laos and the Philippines) are using ASYCUDA.

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<sup>8</sup> Page 31 of WCO Mercator Programme Report 2020

<sup>9</sup> <https://unctad.org/topic/transport-and-trade-logistics/customs-automation-ASYCUDA>



Source: ASYCUDA Compendium 2020<sup>10</sup>

**Figure 2-5 Countries using ASYCUDA (96 countries, as of 2020)**

### (5) UNODC support to the customs sector

The United Nations Office on Drugs and Crime (UNODC) is the UN agency that fights illicit drugs and transnational organized crime. It publishes various research reports on drug-related crimes and international terrorism, and provides technical assistance in the field of enforcement in developing countries in cooperation with other international organizations.

In the area of customs, the UNODC-WCO Container Control Program (CCP) has been implemented since 2004 in cooperation with the WCO. In order to efficiently and effectively select high-risk container cargoes used for illicit drugs smuggling and other cross-border crimes, the CCP establishes Port Control Units (PCUs) consisting of customs, police and other enforcement agencies to assist in the selection of containers for inspection and the improvement of inspection techniques. Due to the success of the CCP, the scope of its activities has been expanded to include air cargo, and Air Cargo Control Units (ACCUs) have been established in participating countries to strengthen enforcement against international trafficking of illicit drugs and terrorism-related materials using trade cargo in coordination with the two units.

As of the end of 2020, 70 countries and regions around the world are participating, including eight ASEAN countries and 12 Sub-Saharan African countries in the region covered by this Survey.<sup>11</sup> In 2020,

<sup>10</sup> [https://unctad.org/system/files/official-document/dtlasyCUDA2021d1\\_en.pdf](https://unctad.org/system/files/official-document/dtlasyCUDA2021d1_en.pdf)

<sup>11</sup> Container Control Program Annual Report 2020 : [www.wcoomd.org/-/media/wco/public/global/pdf/topics/enforcement-and-compliance/activities-and-programmes/drugs-and-precursor-chemicals/ccp/ccp-annual-report-2020.pdf?db=web](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/enforcement-and-compliance/activities-and-programmes/drugs-and-precursor-chemicals/ccp/ccp-annual-report-2020.pdf?db=web)

317 trainings were conducted worldwide, involving some 4,000 customs, police and other enforcement officials. As a result, a record 961 cases were seized during the year, including 106 tons of cocaine, 1,108 tons of precursors for the manufacture of illicit drugs, and about 335 million illicit cigarettes.

In addition, as a countermeasure against COVID-19, surveillance against counterfeit medicines, medical devices, and hygiene products that do not meet standards was strengthened, and results were achieved in the seizure of 2 tons of illicit medicines and 2,450 COVID-19 test kits.

**(6) Other major donor-supported activities**

The main donors mentioned in this Report are USAID, the EU, TradeMark East Africa (TMEA), and GIZ, which have large-scale aid operations in Southeast Asia and Africa. Specific support activities are shown in Table 2-1 and Table 2-2 below.

- Southeast Asia

**Table 2-1 Major Donor-Assisted Activities in Southeast Asia**

	Donor	Contents of Support Activities	Countries	Period
1	USAID	<p>As a major international supporting partner to ASEAN Single Window (ASEAN Single Window: ASW), the three major projects from 2008 to 2022 have been conducted with the objectives: (i) support for the establishment and operation of ASW; (ii) support for the establishment and operation of NSW and capacity building of ASEAN member countries; (iii) support for the development of legislation within member countries to implement ASW and NSW; and (iv) private sector outreach and social awareness</p> <p>[Major Projects]</p> <ol style="list-style-type: none"> <li>1. ASEAN Development Vision to Advance USAID's Economic Integration Program (ADVANCE, US\$7.775 million, 2008-2013)</li> <li>2. US-ASEAN Partnership through Trade and Investment (US-ACTI, US\$20.9 million, 2013-2018)</li> <li>3. ASEAN-USAID Comprehensive Growth Project for ASEAN through Technology Innovation, Trade, and E-Commerce (IGNITE, US\$12 million, 2018-2023)</li> </ol>	ASEAN	2008-2022
2	EU	<p>Support for the modernisation and harmonisation of ASEAN's customs regime is being provided through three major projects with the objectives for the period 2003-2022: (i) upgrading customs procedural processes; (ii) partnering with business and trade stakeholders; (iii) developing standard AEO programmes and AEO mutual recognition arrangements; (iv) strengthening customs capacity and cross-subsidisation processes; and (v) closing development gaps in customs. In order to avoid duplication of support among donors, support for ASW is not provided.</p> <p>[Major Projects]</p> <ol style="list-style-type: none"> <li>1. ASEAN Programme for Regional Integration Support (APRIS), EUR 10.7 million, 2003-2010;</li> <li>2. ASEAN Regional Integration Support from the EU (ARISE), EUR 7.7 million, 2013-2017; 3. Enhanced Regional Integration Support from the EU (ARISE Plus), EUR 22.5 million, 2017-2022; (*)Under ARISE Plus, the ASEAN Customs Transit System (ACTS) became operational in October 2020, enabling the transit of goods and tracking of goods between borders under land transport with a single customs declaration by submitting an e-Transit Declaration to customs.</li> </ol>	ASEAN	2003-2022

Source: The Survey Team

- Africa

**Table 2-2 Major Donor Support Activities in Africa**

	Donor	Contents of Support Activities	Countries	Period
1	USAID Southern Africa Trade Hub (SATH)	<p>The aim is to contribute to business opportunities, trade investment, and trade promotion with the United States by promoting trade and supporting the creation of business opportunities in the South African region. Various projects, surveys, and seminars are being conducted with the following goals:</p> <ol style="list-style-type: none"> <li>1. increased exports to South Africa from Southern African target countries.</li> <li>2. increased capital and technology investment from South Africa into Southern African target countries.</li> <li>3. sustained use of the African Growth and Opportunity Act (AGOA) for Southern African target countries.</li> <li>4. promote investment in South Africa with a view to enhancing the competitiveness of exporters in the target sectors; and 5. promote exports from the target countries to the United States.</li> </ol> <p>[Main Project] Electronic Customs and Electronic Trade Pilot Project (with Microsoft, 2010-2014) for the establishment of interfaces, connectivity, electronic information exchange and Single Window of the customs computer system in the Trans-Kalahari Corridor.</p>	South Africa, Botswana, Malawi, Namibia, Eswatini, Zambia, Mozambique	2016-2021
2	USAID West Africa Trade Hub	<p>It aims to contribute to business opportunities, trade investment, and trade promotion with the United States by promoting trade and supporting the creation of business opportunities in the West African region. Various projects, surveys, and seminars are being conducted with the following goals:</p> <ol style="list-style-type: none"> <li>1. US\$300 million of new business investment in the private sector.</li> <li>2. create jobs for 40,000 people, in which 20,000 will be used to create jobs for women.</li> <li>3. promote exports from the target countries to the United States and imports and exports between the target regions in compliance with the African Growth and Opportunity Act (AGOA).</li> </ol> <p>[Main Project] Project on Enhancing Resilience of Small and Medium Enterprises (SMEs) under Burkina Faso and Niger Covid-19 (2021.8 - TBD)</p>	Burkina Faso, Niger, Cote d'Ivoire, Ghana, Liberia, Nigeria, Senegal, West Africa Region	2020-Scheduled to exceed 5 years
3	EU	<p>The EU-WCO Programme for Harmonized System in Africa, funded by the EU and supported by the WCO, is underway to ensure that Member States implement the 2022 HS in accordance with the HS Convention, the Trade Facilitation Agreement (WTO-TFA), the WCO's revised Kyoto Convention and continental and regional commitments as the AfCFTA enters into force. The aim is to implement and apply the 2022 version of the HS in accordance with continental and regional commitments. The longer-term goal is to provide African countries and other stakeholders involved in the implementation of the HS with the necessary institutional capacity and resources to ensure the timely and coordinated application of the 2022 amendments to the HS across the continent and in each region.</p>	38 countries in Africa, 8 RECs	2019-
4	TradeMark East Africa	<p>Since 2010, TradeMark East Africa has been working with the EAC, government agencies and the private sector to reduce trade barriers in the region to facilitate trade and enhance business competitiveness. They have carried out a number of projects related to trade, and the main achievements are listed below:</p> <ol style="list-style-type: none"> <li>1. reduced customs clearance time in the Economic Corridor from Dar es Salaam or Mombasa Port to Bujumbura or Kigali.</li> <li>2. reduced customs clearance time at Dar es Salaam and Mombasa ports;</li> <li>3. reduction of customs clearance time at the border within the EAC.</li> <li>4. Development of Mombasa Airport and Ntungamo Road (Uganda).</li> <li>5. establishment of NSW (Rwanda Revenue Authority) and risk management system (Uganda Revenue Authority).</li> </ol>	Kenya, Uganda, Rwanda, Tanzania, Burundi, South Sudan, EAC	2010-

	Donor	Contents of Support Activities	Countries	Period
		<p>6. increase in the amount of revenue (Burundi Revenue Authority), reduction in the time required for customs clearance at the Nimule border, and increase in revenue (South Sudan Customs); and</p> <p>7. reduction in the cost of transporting 40-foot containers on the Mombasa-Kigali route.</p> <p>[Main Project]</p> <p>1. Project to implement a regional electronic cargo tracking system in the Northern Economic Corridor (US\$800,000, 2018.5-2020.12)</p> <p>2. Regional Electronic Cargo Tracking Northern Corridor - RECTS EAC Single Customs Area Implementation Project (US\$4.4 million, 2017-2023)</p>		
5	GIZ	<p>GIZ implements projects in diverse sectors across Africa with funding from the EU. In particular, it focuses on support in West Africa, but also provides support to the AfCFTA Secretariat. Major projects related to trade are as follows:</p> <p>[Major Projects]</p> <p>1. West Africa Trade Facilitation Project II (2018-2022) ECOWAS Common Customs Tariff Law, development of ECOWAS trade liberalisation, computerisation of customs clearance procedures in the Dakar-Bamako Economic Corridor (introduction of the ECOWAS interconnectivity system SIGMAT), and support for the enactment of measures to improve the role of the private sector in trade facilitation.</p> <p>2. Strengthening of SADC for regional economic integration (2018-2022): Computerisation of certificates of origin, removal of intra-regional barriers to trade in services.</p> <p>3. General support for the AfCFTA (2020-2023): Operational support for the AfCFTA through recommendations to the Trade and Industry Division of the African Union Secretariat.</p> <ul style="list-style-type: none"> <li>• Regional Trade Policy Adviser to the Department of Trade and Industry, African Union Secretariat, to advise the African Union Commission (AUC) on policy strategies and advocacy issues.</li> <li>• Seconded experts in customs cooperation and trade facilitation to support the AfCFTA negotiating unit.</li> <li>• During the Phase 1 negotiations (finalization of the schedule of concessions) of the AfCFTA, individual experts were dispatched and training and seminars were held.</li> <li>• Close cooperation with EAC, ECOWAS and SADC to ensure coordination at the continental and regional levels.</li> </ul>	African Union, 39 African countries	1974-
6	KOICA	<p>Korea International Cooperation Agency (KOICA) is promoting support for the introduction of Uni-Pass, a Korean customs clearance system, in Africa. Uni-Pass can be connected to other ministries and private systems as a National Single Window (NSW). To date, the system has been installed in 12 countries, mainly in Africa, starting with assistance to Kazakhstan in 2005. (Adopting countries: Kazakhstan, Kyrgyzstan, Dominican Republic, Mongolia, Guatemala, Ecuador, Nepal, Tanzania, Uzbekistan, Cameroon, Ethiopia, Ghana)</p> <p>[Main Projects]</p> <p>1. project to strengthen the revenue capacity of the Rwanda Revenue Authority Customs (US\$2.8 million, 2014-2017) Promoted customs administrative cost reduction and revenue enhancement. We introduced tax related systems to the Rwanda Revenue Authority, such as the Early Warning and Control System (EWCS), which provides a real-time monitoring environment for Revenue Authority staff in conjunction with ASYCUDA and E-tax. In addition, training to strengthen the operational performance of field staff was also conducted.</p> <p>2. Algerian Customs NSW Implementation Project (scheduled to start in 2021)</p>	Rwanda, Tanzania, Ethiopia, Cameroon, Algeria, Ghana	2005-

Source: The Survey Team

## **2-2-2 Evaluation and Assignment**

### **(1) WTO, WB, WCO**

The WTO, WB and WCO are closely coordinating and cooperating with other donors and actively assisting countries and regions that seek assistance, as the introduction of TFA may make a significant contribution to the economic development of developing countries, especially least developed countries.

With the active involvement and assistance of such agencies, many WTO members pushed for the ratification of the FTA and the FTA which entered into force in February 2017. Member countries are required to report to the WTO on the implementation status of FTAs, and the implementation status of each country can be confirmed by checking the contents of the published reports. However, based on the results of a number of interviews, it is questionable whether the content of the central government's report is being smoothly implemented by customs and trade-related ministry officials in the field, such as land border, seaports and airports.

In addition, regional development banks such as the Asian Development Bank (ADB) and various donor countries have been actively assisting in the introduction of TFA, and it is believed that high momentum has been maintained to date because of various assistances.

In the future, it is important to monitor the extent to which the system is implemented reliably in the field after its introduction. In this regard, it is recommended that the TFA (Mercator) Maturity Model – which is attached to the diagnostic mission report by the WCO, and the scoring matrix – which will be prepared separately, be published.

### **(2) Other major donors**

In Southeast Asia and Africa, USAID and TMEA generally provide assistance to the region in parallel with bilateral assistance. For example, in Southeast Asia, USAID provides support to ASEAN Single Window (ASEAN Single Window: ASW), and in parallel, USAID provides support for the development of NSWs in each member country, support for the development of domestic laws related to both ASWs and NSWs, and support for private companies. In addition, in Africa, the TMEA not only provides support to the EAC, but also provides support to member states at the same time, and has achieved the results shown in Table 2-1 and Table 2-2 through bi-directional support from the region and countries. By providing assistance to the region in parallel with bilateral assistance, the effect of reducing trade barriers in the region as a whole and improving the competitiveness of each country's industry can be enhanced. For example, TMEA's support for the OSBP has contributed to speeding up and facilitating customs clearance procedures at the border by providing assistance to the two countries that own the OSBP as well as Single Customs Territory (SCT) support at the port of Mombasa. The ability to lump together import permits for cargo destined for EAC member states once at the Port of Mombasa will minimise the need to process transit cargo at the border. Thus, it can be said that the combination of support to the regional community and bilateral support has achieved a significant effect on trade facilitation that cannot be achieved by support to either one alone.

Furthermore, one of the characteristics of western donors is their close support to the Community Secretariat. For example, USAID and GIZ directly support the ASEAN Secretariat and the AfCFTA Secretariat, respectively. By providing support for the establishment of the secretariats and the management of the communities, it can be said that USAID and GIZ continuously exert significant influence on each community.

The Korea Customs Service and the Korea International Cooperation Agency (KOICA) are making efforts to support computerization of customs clearance procedures. Seminars for customs officers from various countries are held four times a year in Korea, where knowledge on customs policy, organizational management, etc. is not only inputted but also discussed among the participants. Since decision-makers from various countries attend the seminar, the seminar and discussions often lead to the decision to introduce Korea's customs clearance system (Uni-Pass). In addition, training on the use of new technologies in customs administration and computerization is also provided to frontline officers, which is characteristic of the support provided to customs officers in developing countries to encourage them to adopt ICT.

Factors that enable western donors to provide large-scale supports assume that they are the former suzerainty of each target country and that they receive multilateral funds. South Korea has also introduced Uni-Pass to 12 countries<sup>12</sup> around the world to date, and provides specialized support for the introduction and maintenance of customs clearance systems. Japan may continue to provide coordinated support that captures the characteristics of each donor while taking advantage of the unique Japanese features of the support provided to date.

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<sup>12</sup> Kazakhstan, Kyrgyzstan, Dominican Republic, Mongolia, Guatemala, Ecuador, Nepal, Tanzania, Uzbekistan, Cameroon, Ethiopia, Ghana, Source: Korea Customs Service



### **3 Changes in the International Trade Environment Surrounding Customs**

#### **3-1 Trends in the International Trade Environment**

##### **3-1-1 Trade Investment**

###### **(1) Trends in International Trade**

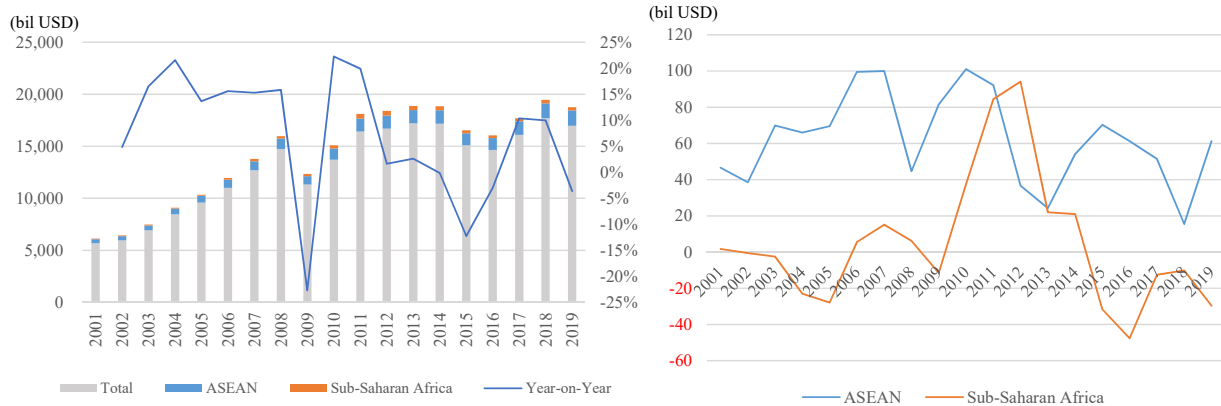
###### **1) Changes in the international trade environment**

The global trade investment in 2020 experienced a double-digit year-on-year decline due to the impact of the COVID-19, and the production network experienced a negative demand and supply shock, however, the global trade investment has been weak since 2019 due to the U.S.-China trade friction and trade countermeasures of various countries. At the same time, the efficiency of production networks have been improved through digital technology, and the development of the mega-FTAs involving a number of countries is accelerating the trend towards regional integration. These factors are expected to drive economic recovery and further expansion of production networks after COVID-19. The mega FTAs such as TPP11, which entered into force in December 2018, the RCEP, which was signed in November 2020 excluding India, and the AfCFTA, which was declared operational in January 2021, are expected to stimulate intra-regional trade and investment through the elimination of tariffs, and the AfCFTA is likely to trigger a shift in interest towards trade facilitation, particularly in Africa, where the focus of interest has been on customs duties collection in the customs field.

###### **2) Global trends**

The value of exports in the international trade in 2019 was US\$16.97 trillion in the nominal US dollars for merchandise trade, falling 3.6% year-on-year (Figure 3-1). This was the first negative growth in the last three years since 2016. The decrease in the value of exports was due to increased uncertainty of trade disputes, lower demand caused by slowing global economic growth, and the continued slump in fuel prices. In addition, due to the global economic slowdown caused by the COVID-19, the value of exports in the third quarter of 2020 was US\$12.48 trillion, recording a year-on-year decline of -10.8%.

The target countries in the Survey, Southeast Asia and Sub-Saharan Africa, accounted for 8.7% and 1.8% of global trade in 2019, respectively, and their shares have remained largely unchanged over the past decade. In the trade balance, Southeast Asia posted a surplus of US\$61.2 billion, while the Sub-Saharan Africa region posted a deficit of US\$29.6 billion. The Sub-Saharan Africa region has been running a trade deficit since 2015.



Source: International Trade Centre (ITC)

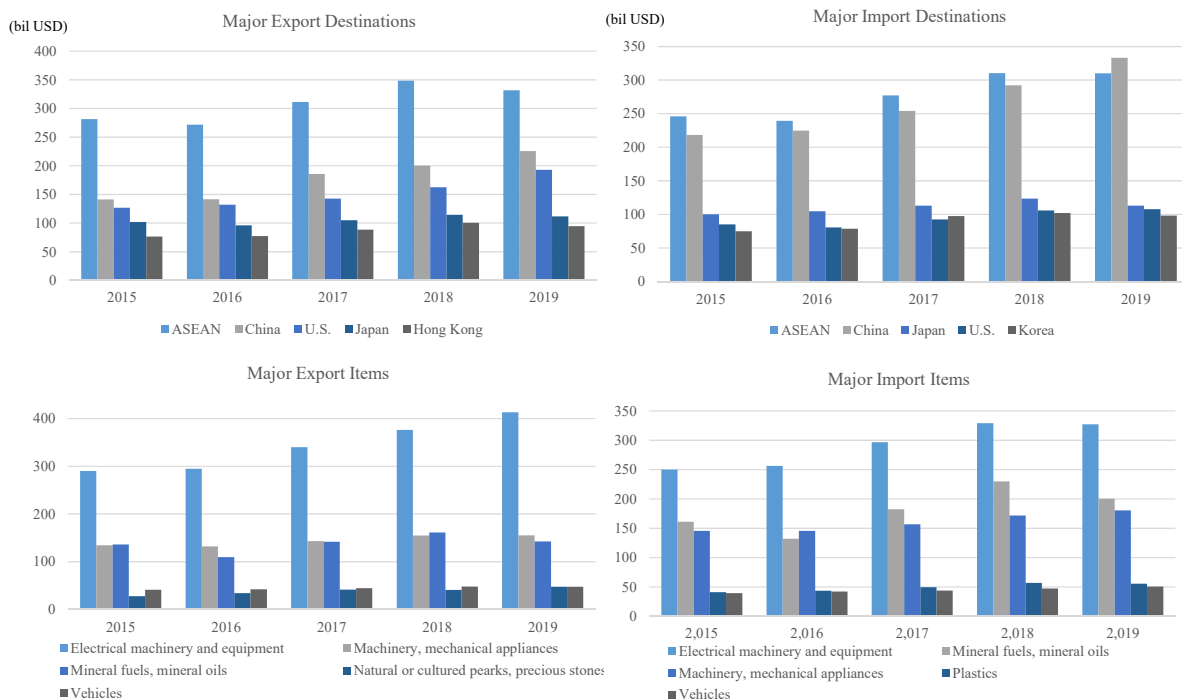
**Figure 3-1 Global Trade Trends and Trade Balance**

### 3) Trends in Southeast Asia

In 2019, Southeast Asia's exports grew by 2.4 percent year-on-year to US\$1.47 trillion, while imports declined by 0.8 percent year-on-year to US\$1.41 trillion, recording a trade surplus of US\$61.2 billion.

As the supply chains have been well developed within the Southeast Asian region, the intra-regional trade has been the biggest trading partner in recent years, but China became the biggest import partner in 2019 (Figure 3-2).

The majority of both export and import items compose electrical equipment, mechanical equipment, automobiles, and ores. The trade value of electrical equipment has been increasing particularly, accounting for 28% of the export value and 23% of the import value in 2019.



Source: ITC

**Figure 3-2 Major Trading Partners and Major Products in Southeast Asia**

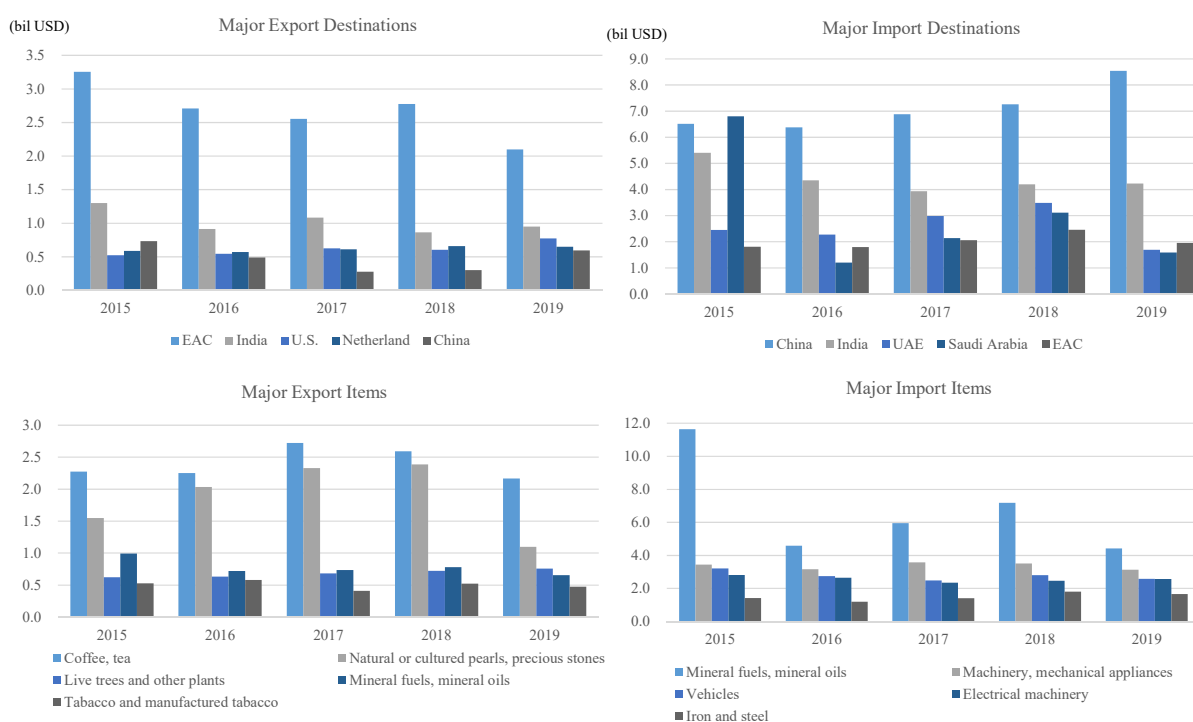
According to the ASEAN Secretariat's website, ASEAN's exports and imports in 2020 were valued at \$0.95 trillion and \$0.86 trillion, respectively, and decreased by 34.8 percent and 38.4 percent year-on-year, respectively, indicating that ASEAN's trade was affected by both supply and demand side.

#### 4) Trends in Eastern Africa (EAC)

The trend of trade volume was examined for the EAC member countries in the Sub-Saharan Africa region. In 2019, the EAC countries recorded a trade deficit of US\$21.8 billion, with exports down 22.1 percent year-on-year to US\$11 billion and imports down 9.8 percent year-on-year to US\$32.8 billion.

The biggest export partner is the EAC region, but the value of transactions has been declining. On the other hand, the biggest import partner is China, which has seen an increase in the transaction value, accounting for 23% of imports in 2019 (Figure 3-3).

In addition, primary commodities such as coffee, ores, timber, and fuels compose a large share among the major export items, while major import items include finished products such as fuels, machinery and equipment, automobiles, and electrical equipment. This indicates a trade structure of exporting raw materials and importing finished products.



Source: ITC

**Figure 3-3 Major Trading Partners and Major Products in EAC**

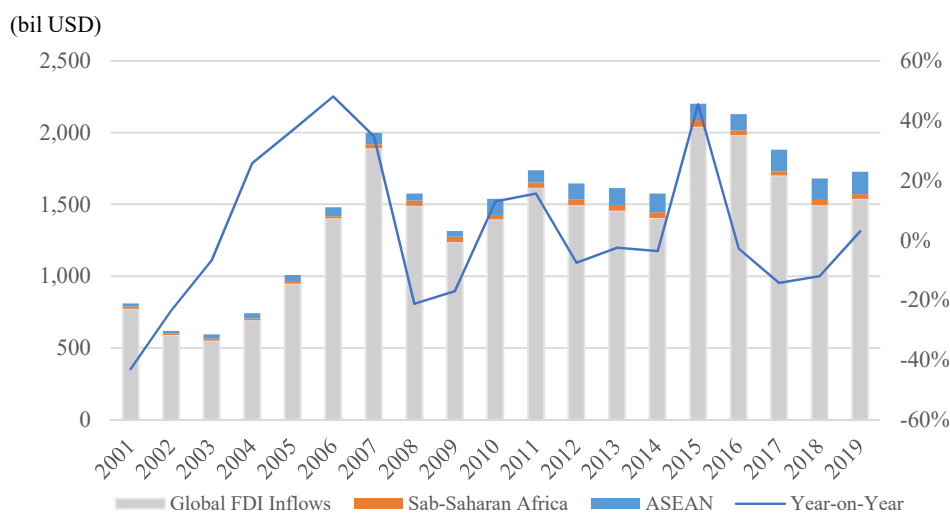
## (2) FDI (Foreign Direct Investment) Inflow

### 1) Global trends

In 2019, the global FDI inflow increased by 3% year-on-year to US\$1.54 trillion, but the value remained below the average of the past decade and 25% below the peak value of 2015 (Figure 3-4). The rise in FDI was mainly the result of higher flows to developed economies, as the impact of the

2017 tax reforms in the United States waned. The FDI inflows to developing countries declined by 3% from the previous year.

The target countries in the Survey, Southeast Asia and Sub-Saharan Africa, accounted for 10.1% and 2.1% of the global FDI in 2019, respectively, and have remained largely unchanged over the past decade, except for a slight increase in the share of Southeast Asia.



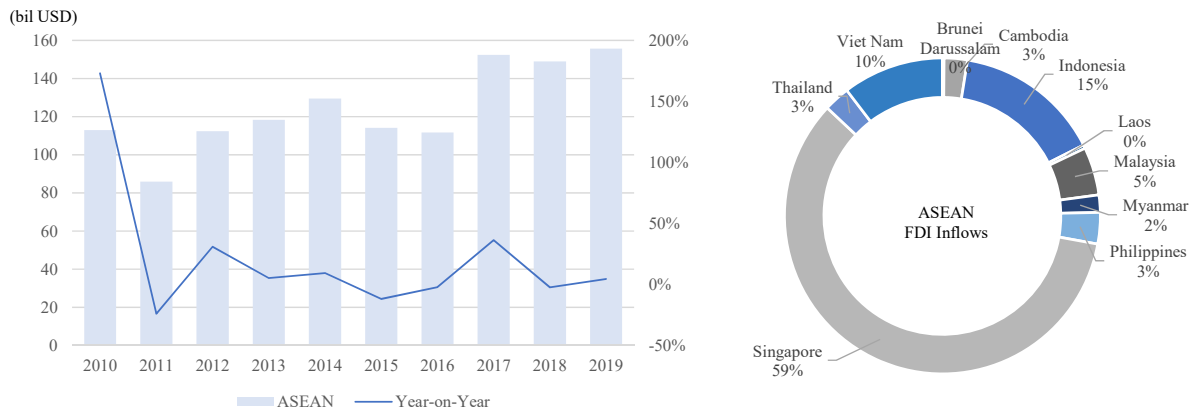
Source: United Nations Conference on Trade and Development (UNCTAD)

**Figure 3-4 Global FDI Trends**

In addition, the global FDI in the first half of 2020 fell 49% year-on-year to US\$399 billion, affected by delays in existing investment projects and postponement of new projects due to lockdowns in various regions caused by COVID-19.

## 2) Trends in Southeast Asia

In 2019, Southeast Asia's FDI inflow grew by 5% year-on-year to a record US\$155.8 billion (Figure 3-5). The largest recipients were Singapore, Indonesia, Vietnam, and Malaysia. The investment from East Asia, the United States, and the ASEAN region has increased, and the relocation of labour-intensive industries from China as a result of the US-China trade tensions also contributed to the surge in investment (UNCTAD World Investment Report 2020). Cambodia recorded its highest ever FDI at US\$3.7 billion because of robust investments in manufacturing and services. Most investments came from China, intra-ASEAN sources and Japan.



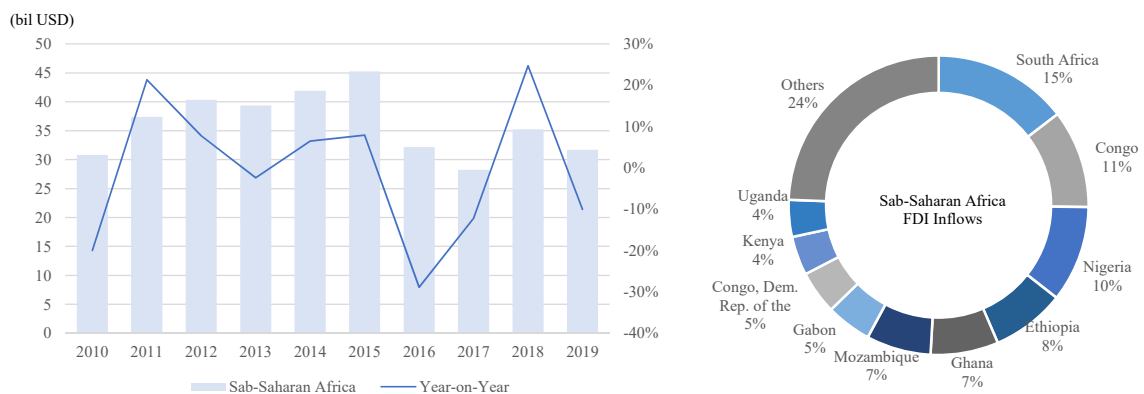
Source: UNCTAD

**Figure 3-5 Trends in FDI Inflows (Southeast Asia)**

In the first half of 2020, Southeast Asia's FDI inflows declined by 20% year-on-year to US\$62 billion. The region as a whole was affected by a decline in new investment in the services and manufacturing sectors, particularly in Singapore, Indonesia and Vietnam, which had previously seen high inflows.

### 3) Trends in Sub-Saharan Africa Region

In 2019, the FDI inflows into the Sub-Saharan Africa region declined by 10% year-on-year to US\$31.7 billion. The countries with the highest inflows were South Africa, Congo, Nigeria, Ethiopia, and Ghana. The declines were recorded in some large FDI hosts, including Ethiopia (down by 27%), Mozambique (down by 18%), and South Africa (down by 15%). In Ethiopia, the slowdown in the pace of the industrial park development has led to a decline in investment in manufacturing, construction and real estate, and FDI from China has also declined.



Source: UNCTAD

**Figure 3-6 Trends in FDI Inflows (Sub-Saharan Africa)**

In the first half of 2020, FDI inflows in the Saharan African region declined by 21% year-on-year to US\$12 billion, impacted by delays in resource-related projects in Nigeria, Mozambique and other countries.

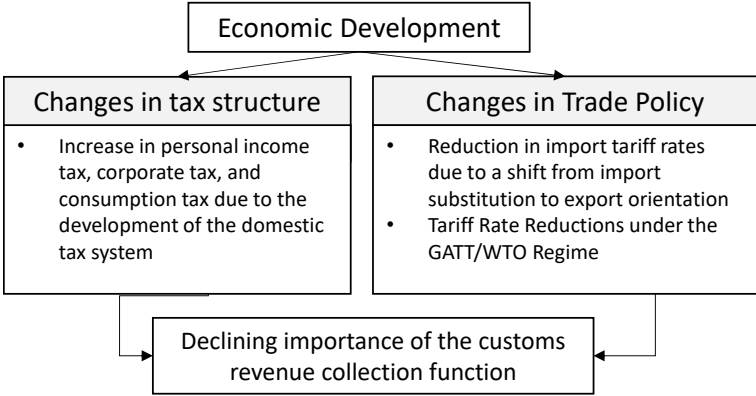
**3-1-2 Revenue from Customs Duties, etc.**

**(1) Functions of Customs Duties, etc. and Economic Development**

The collection of customs duties, consumption taxes, and other taxes is one of the three missions of customs, and the function is considered to have two functions: the tax revenue collection function and the trade policy function. The tax revenue collection function focuses on customs duties, etc. as a source of national revenue, while the trade policy function is to protect domestic industries by restricting market access through the imposition of high tariff rates on imports.

In developing countries, customs duties, etc. function as an important source of revenue as a means of securing national financial resources. However, the importance of customs duties, etc. declines when economic development leads to the development of domestic tax systems, increases in tax revenues other than customs duties, etc. These include personal income tax, corporate income tax, and domestic consumption tax, and changes in the tax revenue structure. In addition, in terms of trade policy, the importance of customs duties, etc. will decrease due to tariff rate reductions resulting from the shift from import-substitution industrialisation. This protects domestic firms from competition with foreign products through high tariffs and other measures, to export-oriented industrialisation through the elimination of protectionism and tariff rate reductions, followed by the formation of an international trade liberalisation framework under the GATT/WTO regime.

With these changes in the role of customs duties, etc., the importance of the tax revenue collection function of customs duties, etc. is assumed to decline with the progress of economic development (Figure 3-7).



Source: The Survey Team

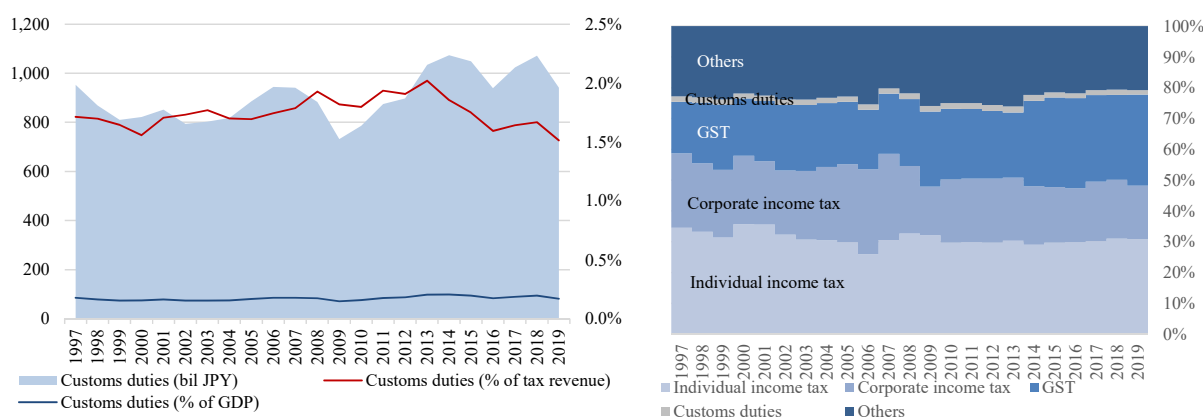
**Figure 3-7 Relationship between Customs Duties, etc. and Economic Development**

**(2) Trends in Customs Duties, etc. and Tax Revenue Structure**

In order to show the changes in the functioning of the aforementioned customs duties, etc. statistically, trends in the amount of tariffs and the structure of tax revenues in each country from 1990 to 2018 were analysed. For Japan, "Tax and Stamp Revenue Accounts" published by the Ministry of Finance was referred to, and for other countries, "Customs and import duties" in "tax revenue" stated in "Revenue Statistics", announced by OECD (Organisation for Economic Co-operation and Development) was referred to.

## 1) Japan

The role of customs duties in tax revenue is limited, with Japan's customs duties ranging from about 800 billion yen to 1 trillion yen between 1997 and 2019. The customs duties revenue as a share of tax revenue is averaging 1.75%, and customs duties revenue as a share of GDP is averaging 0.17%. In terms of the tax revenue structure, the top tax revenue items were personal income tax, corporate income tax, and consumption tax in 1997. In 2018, however, the order was changed to personal income tax, consumption tax, and corporate income tax, indicating that the consumption tax has increased its share significantly due to the consumption tax hike.



Source: Ministry of Finance, Tax and Stamp Revenue Accounts

**Figure 3-8 Customs Duties (Left) and Tax Revenue Structure (Right) in Japan (1990-2018)**

## 2) Southeast Asia

The customs duties (USD nominal value), the share of customs duties in import value, tax revenue, GDP, and the changes in the tax structure for Indonesia, Thailand, the Philippines, and Malaysia are described in Figure 3-10. In the four countries, the value of imports has increased since the 1990s, and in Indonesia and Thailand, the ratio of the customs duties to the import has decreases in contrast to the increase in the customs duties, indicating that tariff rates have been reduced. In Malaysia, the ratio of customs duties to import value has decreased along with the decrease in customs duties.

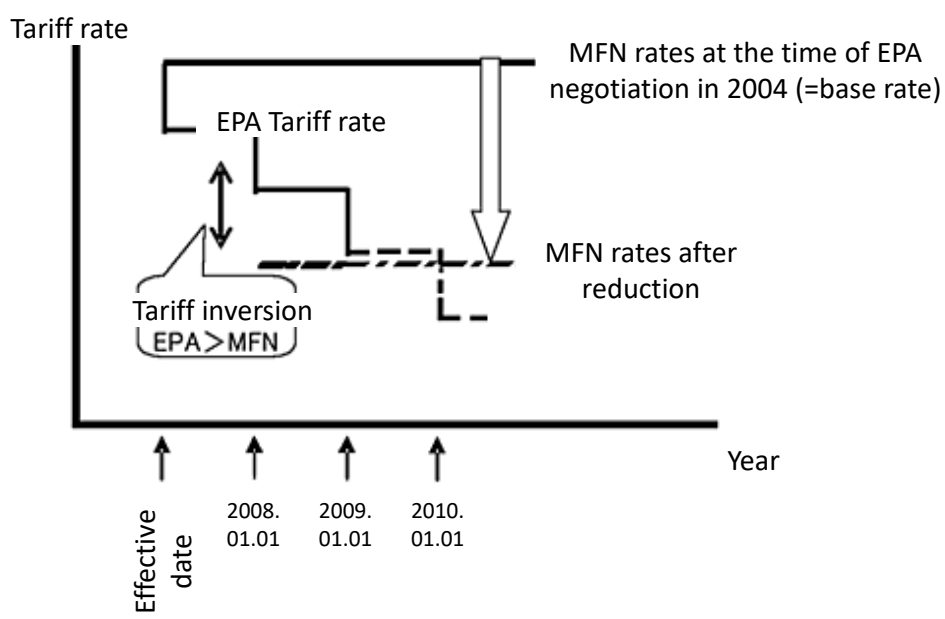
The reduction in tariff rates in each country has been influenced by the agreement to reduce tariffs in the Uruguay Round under the GATT, completed in 1994. As a result of the Uruguay Round, Malaysia's trade-weighted average tariff rate fell from 10.2% to 9.1%, and subsequent reductions in tariff rates have resulted in a tariff rate of 3.4% in 2019, the lowest level compared to the other three countries (Table 3-1).

**Table 3-1 Trade-weighted average tariff rates for mineral and industrial products in four Southeast Asian countries**

	Before the Uruguay Round	After the Uruguay round	2019
Indonesia	20.4%.	36.9%	5.3%.
Thailand	37.3%	28.0%	4.4%.
Philippines	23.9%	22.2%	4.5%.
Malaysia	10.2%.	9.1%.	3.4%.

Source: WTO database

In addition, under the Japan-Malaysia EPA, the elimination or reduction of the MFN (Most Favoured Nation Treatment) tariff rate was initiated based on the rate in Malaysia at the time of 2004. However, the subsequent elimination or reduction of the MFN tariff rate by the Malaysian government has resulted in a reversal of the tariff rate for some items, with the EPA tariff rate being higher than the MFN tariff rate (Figure 3-9). Thus, it can be seen that the elimination or reduction of the MFN tariff rate has been actively pursued in Malaysia.

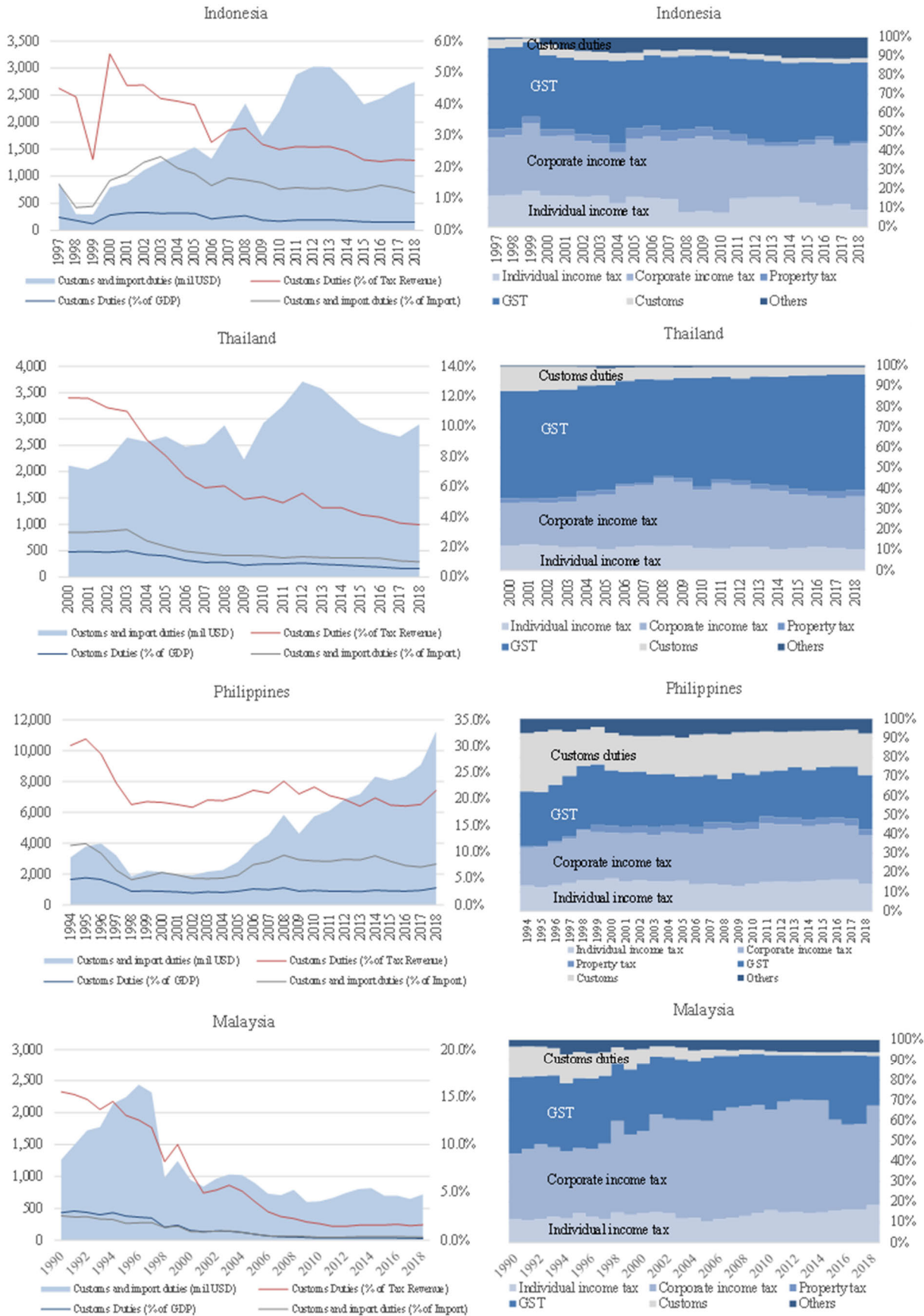


Source: Ministry of Foreign Affairs of Japan "Reduction of Malaysia's Performing MFN Tariff Rate"

**Figure 3-9 "Tariff rate inversion" in Japan-Malaysia EPA**

In the Philippines, on the other hand, customs duties (in per cent of tax revenue) have been unchanged or on the rise since 2000. The tax reform in the Philippines in January 2018 resulted in higher taxes, which led to a 29.4% year-on-year increase in customs duties collections in 2018 and a 22.0% increase in overall goods and services tax collections. It can be seen that customs duties remain an important tax revenue source of revenue in the Philippines.





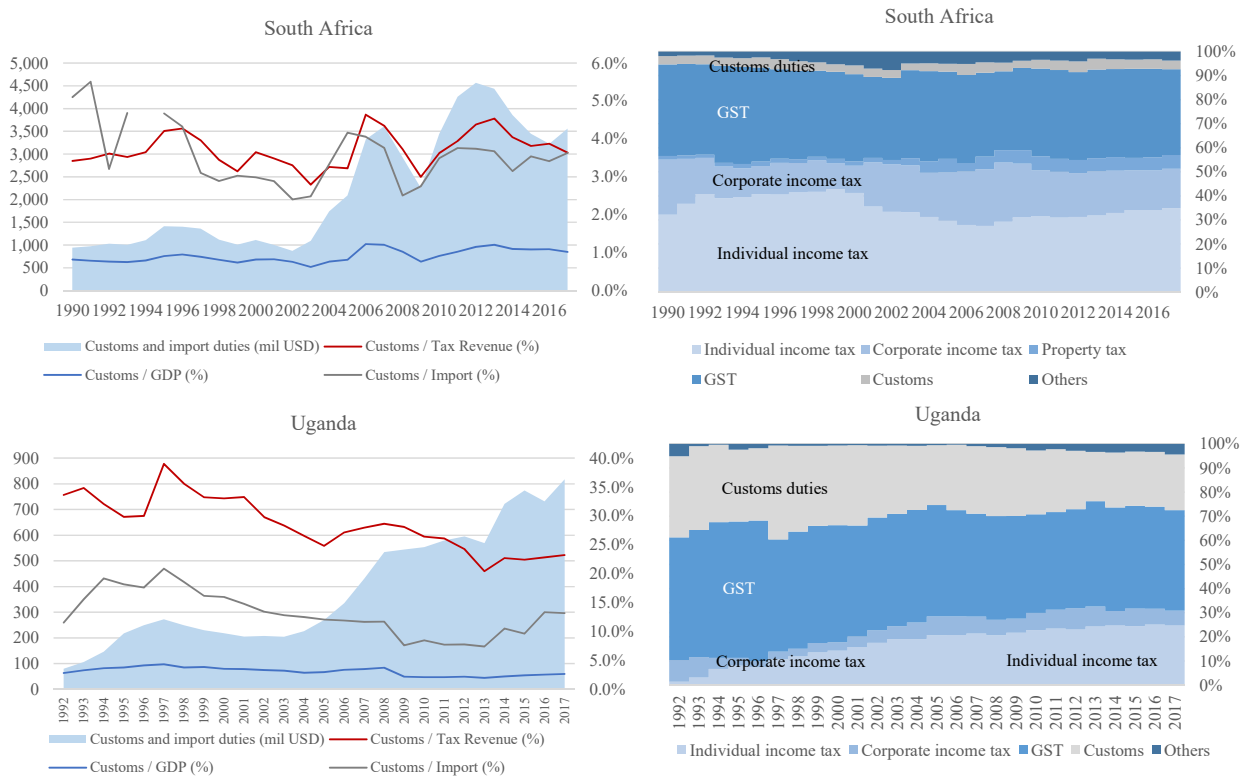
Source: OECD Revenue Statistics

**Figure 3-10 Customs Duties (Left) and Tax Revenue Structure (Right) in ASEAN Countries (1990-2018)**

### 3) Sub-Saharan Africa Region

Due to the limited number of African countries which were possible to follow trends over time, only South Africa and Uganda were included in the analysis. In South Africa, the value of customs duties has changed along with the changes in customs duties, indicating that there has been no change in customs duties rates or in the structure of tax revenue.

In Uganda, the share of customs duties in tax revenue has decreased relative to the increase in customs duties, which may reflect the transitional measures on the elimination of intra-regional tariffs within the EAC since 2005. In the tax revenue structure, customs duties are the largest tax revenue items after the goods and services tax, and further expansion of personal income tax and corporate income tax in the domestic tax revenue structure is considered to be necessary.



Source: OECD Revenue Statistics

**Figure 3-11 Customs Duties Value (Left) and Tax Revenue Structure (Right) for South Africa and Uganda (1990-2018)**

## 3-2 Challenges in Customs Procedures

### 3-2-1 Southeast Asia

#### (1) Customs and Other Ministry Related Challenges

Interviews were conducted with 20 private companies and 18 government agencies, either Japanese or foreign.

**Table 3-2 Interviews in Southeast Asia**

Southeast Asia		Private companies	Government agencies
Number of interviews		20	18
<b>(1) Customs and Other Ministry-Related</b>			
1)	Cargo classification	10	1
2)	Advance ruling system	4	1
3)	Tax payment (tax exemption, tax refund)	3	3
4)	Rules of origin/certificate of origin	10	4
5)	Gap between international standards and its operation	17	9
6)	PCA	8	0
7)	Appeals system	3	0
8)	Informal fees	5	3
9)	Deficiencies in the implementation of GMS CBTA system	2	0
10)	Customs clearance system	18	9
11)	Regulations of other ministries and agencies	4	0
<b>(2) Private Sector-Related</b>			
1)	Entry of foreign companies	0	9

Source: The Survey Team

**1) Cargo classification** (Number of respondents with problems: 10 private companies and 1 government agency)

At the time of import clearance by developing country customs, the product may be classified under an HS code that is considered incorrect. At the time of customs clearance of individual cargo, the interpretation differs depending on the person in charge or the customs office, and the HS code may be different for each declaration even for the same item. In addition, there is an issue of cooperation with the department (Item Classification Centre) that can be consulted when a decision is lost. These issues have been pointed out by the private sector.

Survey Team's analysis shows that individual customs officers should be able to properly classify cargos through appropriate training, etc., but the reality is that sufficient training has not been provided. In addition to the lack of knowledge of the personnel in charge of customs clearance, there may be an intention to tax at a higher rate.

To solve these problems, it is possible to improve the ability of staff through human resource development such as training, including on-the-job training, and to introduce some kind of system (system (advance ruling system, etc.) or IT system (AI-based guide)). In addition, since the item classification ranges from Chapter 1 to Chapter 97 and it takes years to understand all of them in detail, it is effective to train human resources by dividing their responsibilities and gradually increasing their expertise.

**2) Advance ruling system** (Number of respondents with problems: 4 private companies and 1 government agency)

An increasing number of developing country customs offices have also introduced advance ruling

systems for the implementation of the WTO Trade Facilitation Agreement. However, there have been requests from the private sector for improvements in advance ruling, perhaps because the capacity of the staff has not reached the level to provide advance ruling. Even when an advance ruling system was introduced, it took a long time from application to response, and in some cases it was not possible to respond in time before the cargo arrived and was imported. In addition, there are cases where the content of the advance ruling differs from the ruling made at the time of customs clearance at the site. These issues have been pointed out by the private sector.

In order to solve these problems, it is necessary to improve the capacity of the staff through human resource development in the department in charge of providing advance ruling. It is effective to divide the hierarchy of the department in charge of providing advance ruling according to the difficulty of the case to be processed. It is efficient to handle relatively simple cases, such as those that are frequently inquired about, as well as those that are subject to international disagreement, in different tiers of departments depending on their level of difficulty.

**3) Tax payment (tax exemption, tax refund)** (Number of respondents with problems: 3 private companies, 3 government agencies)

Many developing country customs offices focus on tax collection as part of their customs mission. In such cases, there are cases where goods that would normally be exempt from duty are not properly exempted. In addition, even in the case of goods that should be exempt from tax or subject to a refundable tax, there are cases where the refund is not correctly made due to the intention not to reduce tax revenue. These issues have been pointed out by the private sector.

In order to solve these problems, it is essential to solve them institutionally, for example, by separating the accounts for tax collection and tax refunds. It is also an effective means of managing risks related to tax collection. Effective tax payment can be achieved by spending more time examining importers who are less compliant, rather than spending more time filing tax refunds for importers who are more tax conscious.

**4) Rules of origin/certificate of origin** (Number of respondents with issues: 10 private companies, 6 government agencies)

Today, developing countries have also concluded many Economic Partnership Agreements (EPAs)/Free Trade Agreements (FTAs). It is necessary for importers to prove the origin of the goods in order to qualify for these EPA/FTA preferential rates. However, EPA/FTA preferential tariff rates are lower than general tariff rates, which reduces the amount of customs revenue. As a result, customs offices that set tariff collection amounts as one of their policy objectives strictly apply rules of origin, or invalidate certificates of origin for minor deficiencies. These issues have been pointed out by the private sector.

To resolve these issues, they need to be coordinated in a committee among authorities under the EPA/FTA agreement (e.g., the EPA's Subcommittee on Customs Procedures). The ASEAN ASEAN Trade in Goods Agreement (ATIGA) also introduced a self-certification system in September 2020.

Compared to third party certification, the self-certification system requires a high level of understanding of the technical and institutional aspects of the certifier, and support for the certifier is necessary. Customs officers who conduct examinations will be required to have greater examination skills than ever before, and the need for human resource development (training including OJT) will increase.

**5) Gap between international standards and its operation** (Number of respondents with problems: 17 private companies and 9 government agencies)

Even when laws and regulations are established by the central government based on international standards, there are still operational issues such as misinterpretations at local borders or ports, and different procedures for tax exemptions and refunds at different government offices. These are cases where the system is not properly known to the field staff, or even if it is known, the field staff may be disappointed for some reason. These issues have been pointed out by the private sector.

According to the analysis of the Survey Team, there are several factors that may be responsible for these discrepancies between the system and its operation. This could be due to the incompetence of individual staff members, distraction from their workload, inadequate consultation systems within Customs through on-the-job training, or deliberate violations of laws and regulations knowing that they are against the system.

To solve these problems, human resource development is, of course, necessary, but they can also be avoided by systems (systems and IT systems). While it is possible to solve the problem of individual incompetence through human resource development, the only way to prevent intentional violations of laws and regulations is to monitor them systematically. Strengthening internal audits is a possible countermeasure for intentional violations of laws and regulations.

**6) PCA** (Number of respondents with problems: 8 private companies, 0 government agencies)

Customs in all ASEAN member countries have introduced PCA. In many of these countries, the amount of customs duty collected is set as a policy target for customs, and some have pointed out that, from the point of view of importers, excessive PCAs are being conducted. Some countries, such as Japan, conduct PCAs while taking care not to stop the importer's operations, but this is still not practiced in ASEAN. This is due to the impact of excessive tax collection targets and there is room for improvement in the investigative capacity of customs officials. These issues have been pointed out by the private sector.

In order to solve these problems, it is essential to improve the investigative skills of staff, although tax collection targets are policy and therefore uncontrollable. In addition, sharing best practices will enable effective PCAs to efficiently handle the number of PCAs. In addition, enhanced risk management would allow for PCAs focusing on those with low tax awareness.

**7) Appeals system** (Number of respondents with problems: 3 private companies, 0 government agencies)

Our analysis has also shown that some developing country customs have not introduced a system for appealing decisions and dispositions made by customs. There are also cases where the system has been

introduced but has become empty and is not being used at all. These may be due to the fact that Customs has not been actively promoting the system and that the system has not penetrated the private contractor side.

The private sector has pointed out that there is no appeals system or that the system has become a well-known nuisance.

In order to solve this problem, it is thought that communication between customs and private companies should be made smoother so that there will be no future negative treatment for the companies even if a complaint is lodged, and that an environment should be created in which customs can easily point out mistakes even if they are made. In addition, as a fundamental reason, the background to the Customs' reluctance to accept the appeals system is the principle of public servant and infallibility. It is also important to raise awareness on the customs side.

**8) Informal fees** (Number of respondents with problems: 5 private companies, 3 government agencies)

Informal fees may be required by customs officials for a variety of reasons. This may be due to the fact that the salary level of customs officers is lower than that in the private sector, and they earn a living wage. On the other hand, there are examples of customs officers in developing countries who lead a more affluent life than ordinary citizens, and the circumstances vary from country to country. Since no receipt is issued for the payment of informal fees, clearing agents will charge the importer an additional cost, which will be at the importer's expense. Companies are unable to estimate the costs associated with informal fees, which has an attrition effect on firms' economic activity. The private sector has pointed out that informal fees that are not receipted should be eliminated.

To solve these problems, candy and whip measures such as increasing the salaries of customs officers while increasing the salaries of customs officers to solve the problem of informal fees, while officers who hypothetically received illegal fees would be severely punished, would be effective. Candy and whips are not a panacea, and one idea is to create an environment that reduces the opportunities for informal commission transfers.

**9) Deficiencies in the implementation of the Greater Mekong Sub-region (GMS) Cross Border Transport Facilitation Agreement (CBTA) system** (Number of respondents with problems: 2 private companies, 0 government agencies)

In the GMS, there are various trade facilitation agreements such as the CBTA and the ASEAN Framework Agreement on Facilitation of Goods in Transit (AFAFGIT). However, not all of them are fully implemented for reasons specific to each. In addition, inadequacies in the operation of the trade facilitation measures have been pointed out by the private sector in their implementation. With the introduction of Single Stop Inspection (SSI), the system now allows for a single border clearance. However, due to language differences and differences in customs systems in each country, the procedures have to be carried out twice, even though the buildings are the same.

According to the Survey Team's analysis, this is due to a number of reasons, including political reasons in each GMS country and the lack of a system in place to implement the system. In order to solve these problems, support for system implementation and human resource development are effective.

**10) Customs clearance system** (Number of respondents with problems: 18 private companies, 9 government agencies)

All customs in Southeast Asia have computerized customs clearance procedures. However, it has been pointed out by the private sector that some countries have not been able to operate the system smoothly due to the lack of user-friendliness of the system itself and the inability of customs officers and clearing agents to use the system.

The Survey Team's analysis shows that both hardware and software systems deteriorate over time (the need for upgrades and updates). Human resource development and systematic system renewal should be carried out based on a good understanding of the characteristics associated with system use.

**11) Regulations of other ministries and agencies** (Number of respondents with problems: 4 private companies, 0 government agencies)

Various regulations on imports and exports are enforced by other government agencies than Customs, including the well-known quarantine. This is a very common regulation, not only in developing countries, but also in developed countries. On the other hand, the private sector has pointed out that trade is being impeded by excessive regulation.

The Survey Team's analysis suggests that while the regulations themselves are a matter of course, efforts should be made to simplify the procedures and reduce the time required for processing. One possible approach is Single Window. As for Single Window, it is a customs modernization measure recommended in the WTO's TFA. It is an effective solution to facilitate the procedures of customs and OGAs. However, in order to implement Single Window, each procedure must be computerized. Most customs have computerized procedures, but OGAs are lagging behind in computerizing their procedures, and this is one of the challenges in introducing Single Window.

**(2) Private Sector-Related Challenges**

**1) Entry of foreign companies** (Number of respondents with problems: 0 private companies, 9 government agencies)

From the perspective of protecting their own companies, some countries place conditions on the entry of foreign companies. On the other hand, some countries are actively attracting foreign companies from the viewpoint of industrial development. Some Southeast Asian countries do not allow the establishment of completely foreign companies, but require joint investment with local companies, or in some cases, local companies spending 51% or more of their capital as a condition for establishment. In some cases, these barriers to entry have hindered the overseas expansion of Japanese companies.

### 3-2-2 Africa

#### (1) Customs and Other Ministry-Related Challenges

Interviews were conducted with 40 private companies and 48 government agencies.

**Table 3-3 Interviews in Africa**

Africa		Private companies	Government agencies
Number of interviews		40	48
(1) Customs and Other Ministry-Related			
1)	Informal fees	14	2
2)	Regulations of other ministries and agencies	4	1
3)	Mandatory pre-shipment inspection	2	0
4)	Initiatives for AfCFTA	7	26
5)	Customs clearance system	16	25
6)	Gap between system and operation	10	6
7)	Appeals system	1	0
8)	Operation of RECs	8	27

Source: The Survey Team

#### 1) Informal fees (Number of respondents with problems: 14 private companies, 2 government agencies)

As in Southeast Asia, informal fees may be required by customs officials in Africa for a variety of reasons. In comparison to ASEAN, some companies in South East Asia do not raise the issue of informal fees, while in Africa almost all companies raise this issue. The Survey Team's analysis suggests that the issue of informal fees is a major trade challenge in Africa. In West Africa in particular, it is common to pay for personnel to be placed in corruption-prone posts. It is not limited to customs; countries have an organized system of supranational payments, and political circumstances are also involved, so proposing effective policies and support from outside may require careful consideration.

To solve these problems, candy and whip measures such as increasing the salaries of customs officers while increasing the salaries of customs officers to solve the problem of unofficial fees, while officers who hypothetically received informal fees would be severely punished, would be effective. Candy and whips are not panaceas, and one idea is to create an environment in which informal commission exchange opportunities are proposed. For example, by adopting an independent accounting system, the Revenue Authority of Eastern Africa has increased the salaries of its staff by a factor of three to seven, and the public-private gap is closing. A seven-fold increase would be equivalent to a wage in a company with a Pre-shipment Inspection (PSI) management system, so the risk of losing a job would be higher.

#### 2) Regulations of other ministries and agencies (Number of respondents with problems: 4 private companies, 1 government agencies)

In Africa, as in Southeast Asia, there are frequent changes in import regulations, and there are demands from the private sector to the authorities regarding trade.



**3) Mandatory pre-shipment inspection** (Number of respondents with problems: 2 private companies, 0 government agencies)

According to our analysis, more countries in Africa require pre-shipment inspections than in Southeast Asia. In the old days, there were examples of low customs capacity for customs valuation and having consulting firms appraise the taxable value in the exporting country. Recently, in the name of preventing the inflow of low-quality cargo, pre-shipment inspections have become mandatory, requiring the exporting country to verify the quality of the cargo, as is the case with used automobiles.

**4) Initiatives for AfCFTA** (Number of respondents with problems: 7 private companies, 26 government agencies)

Although the AfCFTA has been concluded and its implementation from July 2020 has been postponed and was implemented from January 2021, EPA preferential tariff rates and rules of origin are still under negotiation and an early agreement is expected. In addition, there has been no progress in sharing information with the private sector and others, and there are many requests from the private sector to share information about the implementation of the project. Comments to the effect that the implementation of the AfCFTA will have a significant impact on trade promotion and facilitation in Africa were expressed by both the public and private sectors.

**5) Customs clearance system** (Number of respondents with problems: 16 private companies, 25 government agencies)

According to the analysis of the Survey Team, customs clearance systems have been introduced in many countries in Africa.<sup>13</sup> However, unlike in Southeast Asia, Single Window's efforts have been slow. This may be because many countries have implemented ASYCUDA and ASYCUDA is not compatible with Single Window. In this case, in order to convert to Single Window, it is necessary to develop a computer system to process procedures of other ministries and agencies and to connect it to ASYCUDA. There are other challenges in developing a computerized system to handle procedures of other ministries and agencies due to past practices and legal restrictions. There is a constraint in the Sub-Saharan Africa region that it is not possible to extend its own system (e.g. customs clearance system), which has been in operation for some time, to make it Single Window, as is the case in Southeast Asia.

Even with the shift to electronic technology, paperwork still remains, as it does in Asia, and paperless facilitation has not progressed. These issues were pointed out by many in the public and private sectors.

**6) Gap between international standard and its operation** (Number of respondents with problems: 10 private companies, 6 government agencies)

As in Southeast Asia, the private sector has pointed out that the operation of the system in the field is problematic. Our research team analyses that there is a simple lack of knowledge, but also that there are field staff who arbitrarily ignore the system for the purpose of transferring money.

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<sup>13</sup> WCO Annual Report 2019/2020

To solve this problem, as in Southeast Asia, human resource development is of course a must, but it can also be avoided through systems (institutions and IT systems). While it is possible to solve the problem of individual incompetence through human resource development, the only way to prevent intentional violations of laws and regulations is to monitor them systematically. Strengthening internal audits is a possible countermeasure for intentional violations of laws and regulations.

**7) Appeals system** (Number of respondents with problems: 1 private companies, 0 government agencies)

Some developing country customs have not introduced a system for appealing decisions or dispositions made by customs. In addition, the private sector has pointed out that even if a system has been introduced, it has become empty and is not being used at all.

These may be attributed to the fact that each customs official or department has a set target (quota) for the amount of tax revenue. A possible solution to this problem is to facilitate communication between Customs and the private sector and to provide opportunities for the industry as a whole to express its opinions, rather than individual companies taking individual actions. In addition, even if individual companies file appeals, there is a risk that they will not be considered important as individual circumstances.

**8) Operation of Regional Economic Communities (RECs)** (Number of respondents with problems: 8 private companies, 27 government agencies)

According to the analysis of our Survey Team, there are many movements of regional economic communities in Africa, apart from the AfCFTA mentioned above, and efforts are being made to introduce customs unions and joint currencies. However, some of the RECs have not been evaluated by the private sector. It is also a good idea to refer to some RECs (e.g., EAC) that are operating well as best practices for their operation. In addition, the operation of individual RECs could be improved through AfCFTA initiatives.

### **3-3 Changes in the International Trade Environment**

#### **3-3-1 Southeast Asia**

##### **(1) Customs and Other Ministries and Agencies**

###### **1) Computerisation of trade procedures**

The push for digitisation has also extended to trade procedures, with the digitisation of customs procedures underway. In addition to customs procedures, the digitisation of trade-related documents and procedures of other ministries and agencies is also underway. Customs has responded to these developments and is expected to continue to improve in order to accommodate them.

###### **2) Promotion of economic partnership agreements**

According to the Smart Customs Concept 2020 announced by the Customs and Tariff Bureau of the Ministry of Finance in June 2020, one of the environmental changes expected in the medium to long

term is the "conclusion of EPAs and expansion of the ratio of FTAs". It is said that trade with EPA signatory countries is expected to expand further in the future through the conclusion of new EPAs and the expansion of the FTA ratio.

The TPP11 entered into force on December 30, 2018, and the RCEP is expected to enter into force as soon as possible, having been signed by the 10 ASEAN member countries and their five FTA partners on November 15, 2020, at the 4th RCEP Summit. As the conclusion of these EPAs and the expansion of the FTA ratio progresses, the application of EPA tax rates to imported goods will become more standard than ever before. Therefore, the confirmation of origin and the procedures and work for this purpose will become more important in the future. For example, it is expected that there will be an increased exchange of information from the customs authorities of the exporting partner countries to confirm whether the goods are originating goods or not.

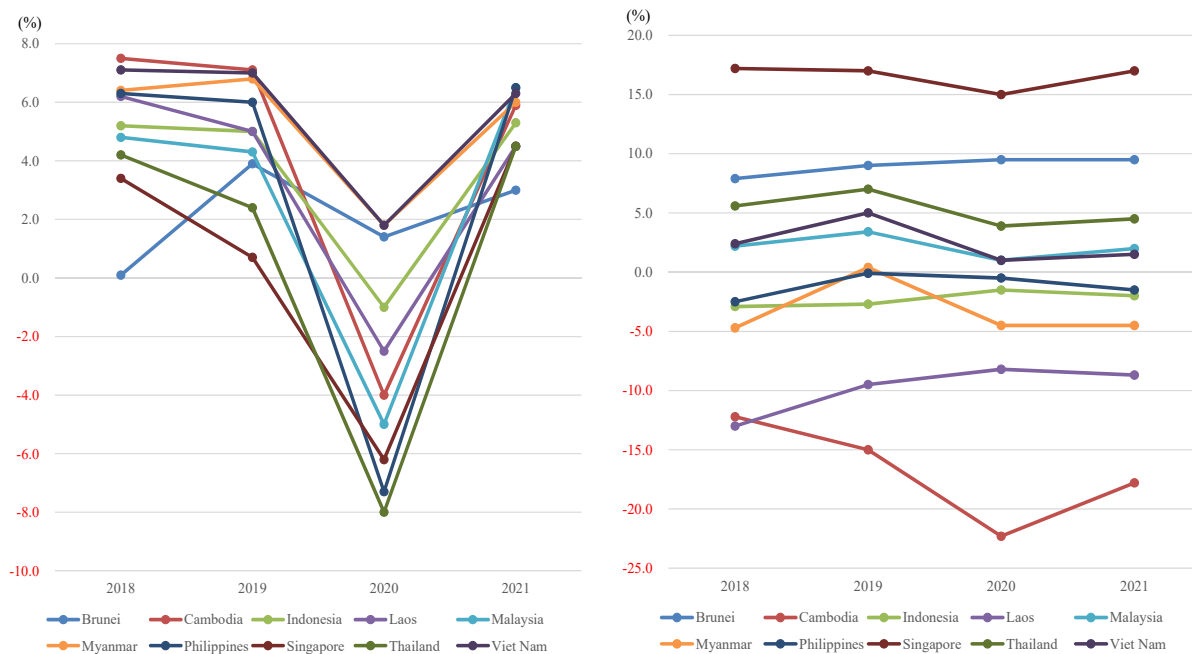
## **(2) Private Sector-Related Challenges**

### **1) Economic Outlook for Southeast Asia**

According to the Economic Outlook released by the Asian Development Bank (ADB) in September 2020, Southeast Asia was expected to have a real GDP growth rate of -3.8% in 2020 due to the impact of the COVID-19, and 5.5% in 2021 as a result of a V-shaped recovery from 2020. In December 2020, the forecast was revised downward, with a real GDP growth rate of -4.4% in 2020 and 5.2% in 2021. In particular, the prolonged presence of COVID-19 in Indonesia, Malaysia and the Philippines will have an impact. In 2020, with strong exports of Brunei's petrochemicals, Myanmar's processed agricultural products, and Vietnam's electronics, these three countries are expected to grow positively, while the rest are expected to grow at negative single-digit rates (Figure 3-12). A temporary deterioration in fiscal revenues is also expected due to reduced trade, economic activity and import customs duties.<sup>14</sup> The current account balance is also expected to worsen due to the impact of declining exports, a drop in tourism, and supply chain (SC) disruptions, with Southeast Asia's current account to GDP ratio expected to be 1.6% in 2020 and 1.8% in 2021. In 2021, exports to China are expected to recover, and Indonesia's exports such as industrial metals and other products are expected to increase.

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<sup>14</sup> Asian Development Update, ADB



Note: The economic outlook released in December 2020 did not include growth rate projections for each country, so the figure shows projections for September 2020.

Source: Asian Development Outlook 2020 Update, ADB

**Figure 3-12 Southeast Asia GDP Growth Rate Forecast and Current Account Balance to GDP Ratio Forecast**

## 2) Trade in COVID-19-related products

According to the OECD, the top exporters of COVID-19-related products in 2018 included Malaysia (39.1%), Thailand (20.1%) and China (9.7%) for surgical gloves, and Malaysia (59.3%), Thailand (14.1%) and China (8.4%) for other rubber gloves. In fact, Malaysia, the world's largest producer of rubber gloves, saw its exports of rubber products grow 94% in July 2020 compared to the same month last year, and Thailand also saw growth in exports of medical equipment and pharmaceuticals (Nikkei Newspaper, September 19, 2020). Thus, a recovery in overall export value is expected in Malaysia and Thailand due to increased exports of COVID-19-related products.<sup>15</sup>

### 3-3-2 Africa

#### (1) Customs and Other Ministry-Related Challenges

##### 1) Initiatives for AfCFTA

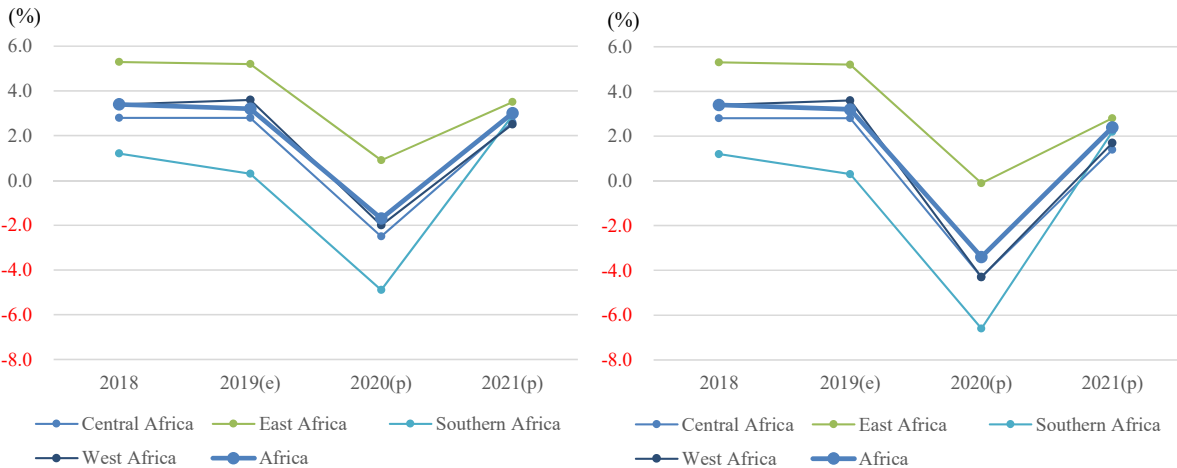
With the conclusion of the AfCFTA, it is expected that the form of trade will change in the future with the entire African continent as one economic zone. However, the efforts of regional economic blocs within the African continent have not shown much success. Under these circumstances, there is growing interest in the efforts of stakeholders to determine how to implement the AfCFTA in the future.

<sup>15</sup> Trade Interdependencies in COVID-19 Goods, OECD, May 2020

**(2) Private Sector-Related Challenges**

**1) Economic Outlook for Africa**

According to the African Development Bank (AfDB) Economic Outlook, Africa's real GDP growth is projected to be -1.7% in 2020 and 3.0% in 2021 in the baseline, and -3.4% in 2020 and 2.4% in 2021 in the worst case due to the COVID-19 (Figure 3-13). Within the African region, East Africa has been diversifying its industries and maintaining a trade structure that is not dependent on primary commodities, thus the economic slowdown is limited and a positive growth is expected: 0.9% in 2020 in the baseline. On the other hand, Angola (-3.1%), Equatorial Guinea (-9.2%) and Nigeria (-4.4%), which are oil-exporting countries, and Botswana (-5.5%), South Africa (-6.3%) and Zambia (-4.0%), which are other resource-rich countries, are the countries most affected by the fall in external demand for primary commodities. Mauritius (-7.5%), Sao Tome and Principe (-6.1%) and the Seychelles (-10.5%), which are all tourism-oriented countries, will also be significantly affected by the slowdown in tourism. Although a V-shaped recovery is predicted by 2021, it will take several years for the tourism and transport sectors to recover, and there are many challenges to achieving stable growth, affected by the volatility of commodity prices resulting from an economic structure which is highly dependent on primary commodities.<sup>16</sup>



Source: AfDB

**Figure 3-13 GDP Growth Projections in Africa, Base Case (Left) and Worst Case (Right)**

**3-3-3 Common change of South East Asia and Africa**

**1) Trade friction between USA and China**

The tariff rate hike triggered by the trade imbalance with China pointed out by former US President Trump is affecting the corporate activities of Japanese companies operating in China.

<sup>16</sup> African Economic Outlook 2020 Supplement Amid COVID-19

## **2) Britain's exit from the EU**

After a referendum on 23 June 2016, in which 51.9% of voters chose to leave the EU, the UK officially left the EU on 31 January 2020, albeit with three postponements.

<https://ja.wikipedia.org/wiki/2020%E5%B9%B4https://ja.wikipedia.org/wiki/1%E6%9C%8831%E6%97%A5>

## **3) Increasing complexity of trade transactions with the globalisation of the economy**

Not only large companies, but also small- and medium-sized enterprises (SMEs) are aiming to expand their business overseas, and trade transactions are becoming more and more complicated. The complexity of these trade transactions has not been kept up with by the customs authorities or the tariff system. It is increasingly difficult for customs authorities to cope with a complex trade environment in which laws and institutions have not kept pace.

## **4) Support for digitisation**

In addition to customs clearance information, a wide variety of other information is concentrated and accumulated at customs. The private sector is also moving forward with digitisation in order to improve operational efficiency. Customs is required to respond to such digitalisation. Alternatively, customs authorities are expected to ride the wave of digitisation.

### **3-4 Development of IT technology**

#### **(1) Customs and Other Ministry-Related Challenges**

##### **1) Computerisation of customs clearance procedures**

Customs procedures are electronic in almost all countries, and information technology is being used for trade facilitation, revenue collection and border control. In the future, it is expected that customs clearance procedures will be processed by the system more efficiently and effectively with the further development of IT technology.

As for ASEAN, officially, all countries are supposed to have realized NSW and the exchange of information through ASW has started in January 2020. However, ASW has many challenges and hurdles for aid agencies to support.

Indeed, ATIGA Form D is now being exchanged for information through ASW. However, with the introduction of the ATIGA Form D self-certification system in September 2020, third party certification and self-certification will be used together in the future, and information exchange through documents without third party certification or ASW will still remain, so there are three types of information exchange methods in operation. As of February 2021, the remaining two types of information in the ASW, namely ASEAN Customs Declaration Document (ACDD) (export customs clearance information) and SPS procedures, are not being exchanged through the ASW.

For ASEAN, it is desirable to support the ASEAN Business Advisory Council (BAC) initiative (Regional Digital Trade Platform). JETRO works closely with the ASEAN Business Advisory

Committee (ASEAN BAC) and has a detailed understanding of the needs of the ASEAN side. On the other hand, JETRO is not an aid agency, so it is not good at providing large-scale system assistance. Therefore, as described in 4-1 below, we believe that it would be useful to provide system assistance that combines the equipment provision scheme, which is a feature of JICA assistance, and JETRO's network with the local business community, in which JETRO excels.

For Africa, the implementation of customs clearance systems can be divided into three main types. Proprietary systems (customs system, NSW), ASYCUDA (versions vary; some countries are ++, some are World), not implemented. Although there are only a few countries that have not yet adopted the system, there are deep-rooted problems behind the lack of adoption. For example, South Sudan lacks the infrastructure of electricity and communications, and the basic conditions for introducing ICT are not in place. For the few countries, such as South Sudan, that have not yet introduced the system, it is realistic to introduce a very simple system, coupled with the low IT literacy of the users.

For countries that have implemented ASYCUDA, it is recommended that they upgrade to the World version. ASYCUDA ++ was developed in 1994 and is not suitable for the current trade environment as it is a 27 year old specification. ASYCUDA World was also developed in 2004, and although its specifications are undeniably outdated, basic customs procedures are covered, and it is essential to upgrade to ASYCUDA World first. ASYCUDA is a system developed by UNCTAD and does not fit in with JICA's assistance. It is appropriate for the World Bank or the IMF to provide assistance, as it has done in the past.

As for proprietary systems, some large countries (Kenya, Tanzania, South Africa, Nigeria, etc.) have adopted proprietary systems. Since the source code of ASYCUDA is not disclosed, in order to digitize individual systems of individual countries, and since ASYCUDA does not support single window, it is required to develop and implement its own system. There is a possibility of JICA assistance for the introduction of the original system. Since it takes time and effort to develop a proprietary system, JICA is well suited to provide hands-on assistance. At the same time, it is essential to implement a technical assistance project on institutional improvement. When the system and technical guidance are combined, the assistance effect is finally realized. There is a high risk of failure if only assisting the implementation of the system does not improve the capacity of the customs officers at the end of the line and clearing agent.

Some SW implementation projects take more than 10 years from start to finish. Technology that was up-to-date at the start of the project is outdated 10 years later. Therefore, it is important for customs and donors to manage, maintain and sustain the technology throughout the project period. At the same time as introducing new technology at the time, customs must prepare its administrative and organisational framework to accommodate future developments in technology. It must also explore what is required of the organisation to ensure sustainability, and constantly develop the organisation. It is also necessary to create a legal framework that anticipates the development of technology.

Projects that introduce ICT should be flexible. As soon as it is introduced, a new solution is introduced. The capacity of the government should be strengthened so that it can continuously evaluate and predict the next generation.

## **2) Introduction of information technology to border control and bonded cargo**

Information technology is being used to process people and goods quickly and efficiently at the border and to select sensitive policing targets. It is expected that more developed and completely new technologies will be used for border control in the future.

In Africa, where there are many land-locked countries, the development of economic corridors is being promoted. JICA is providing OSBP assistance to help improve the efficiency of land transportation. However, even if the introduction of OSBP has improved the efficiency of procedures, as in Namanga and Rusumo, there have been obstacles such as truck congestion at the border due to cargo volumes exceeding the hardware capacity. To remove these obstacles, it is vital to introduce information technology to assist the rapid passage of trucks at the border. Specifically, tracking by GPS and auto-gate by automatically reading truck license numbers are possible. However, as with customs clearance systems, there is a significant risk of failure if IT technology is introduced too quickly, so it is essential to carefully study local conditions and then plan assistance that will ensure reliable operation.

## **3) Training for customs officers in the implementation of new IT technologies**

When new IT technology is introduced, training for customs officers who are users of the technology is a challenge. There are individual differences in IT literacy and differences in the circumstances of each country, so ingenuity (e.g. training plans, consideration of training content) is necessary for appropriate operation.

## **(2) Private Sector-Related Challenges**

### **1) Development of IT in Trade Related Areas**

The private sector has been adopting new IT technologies ahead of the public sector. Some of the IT technologies introduced by the private sector can be utilised to improve trade procedures.

## **3-5 International Trade-Related Hard Infrastructure**

### **(1) Customs and Other Ministry-Related Challenges**

Customs procedures and other ministries (e.g. Immigration Bureau) are actively introducing equipment to speed up and improve efficiency in order to meet diversifying administrative needs with limited personnel. In order to cope with the increase in international mail due to the increase in electronic commerce, a comprehensive inspection is being conducted using X-ray inspection equipment. Efforts to use AI to analyse X-ray images are also being considered. In addition, electronic gates have been introduced to streamline and expedite passenger entry and exit procedures. Besides, a customs declaration smartphone application has been introduced to improve the efficiency of customs operations. In Phase 2 of the Customs Capacity Enhancement Project through the Introduction of the South Sudan Customs Code, a smartphone application to support HS classification has been introduced to provide operational support not only to customs officers, but also to clearing agent and importers and exporters for item classification.



## **(2) Private sector-related Challenges**

The logistics sector is also utilising Digital Transformation (DX) to improve its distribution bases and transportation services. The private sector trends that can be found from various press articles. In response to addressing the challenges of the logistics sector's labour shortage and manual-based operations, the companies are also building an open platform, rather than forging competition among companies, in an effort to raise profits for the industry as a whole.

### **3-6 Impact of COVID-19**

#### **(1) Customs and Other Ministry-Related Challenges**

##### **1) Impact on customs operations and customs procedures**

The impact on COVID-19 on customs operations and customs clearance is as negative as in daily life. Specifically, in countries where lockdowns were issued, customs officers were restrained from attending work, causing a significant stagnation in customs operations (Philippines, Malaysia, Indonesia, Kenya, Uganda, etc.). In addition, in order to prevent infection, additional inspection work such as the need to change into protective clothing during the inspection occurred (Myanmar).

At the land border, the additional quarantine procedures for truck drivers took time for trucks to cross the border, which had a negative impact on customs clearance procedures. At the airport, aircraft were temporarily suspended, which had a negative impact on passenger-cargo crossing the border.

Support for member countries of international organizations (eg, WCO) as a countermeasure against such impacts is as described in (3) below. Japan is also supporting developing countries. The response of the countries surveyed, including developing countries, is to incorporate communication using e-mail and online conferences.

##### **2) More efficient operations (non-contact, concentration and dispersion of operations)**

Due to the need to mobilize public finances for COVID-19 measures, customs in each country, including developed countries, are making efforts to keep the amount of tariffs collected as much as possible even when trade volume is declining. Due to the declining trade volume, it is difficult to secure the same level of tax withholding at the time of customs clearance, and some countries are focusing on PCA that has been cleared in the past.

##### **3) Further improvement of work efficiency (non-contact, concentration and decentralization of work)**

There is a possibility that the digitisation of customs clearance, which has been promoted so far, will be further promoted. One of the purposes of computerisation is to reduce opportunities for giving and receiving informal fees, and customs officers in each country have tried to prevent contact between customs officers and private companies such as importers as much as possible. This time, non-contact is required due to COVID-19. Although the factors are different, digitization is an available tool, so it is expected that further digitisation will progress.

## **(2) Private Sector-Related Challenges**

### **1) Impact on the supply chain (SC) of private companies**

Due to the effects of the COVID-19, the supply side of manufacturing components produced in China first became tight around January 2020, and factories in various countries began to be affected. This was followed by the spread of the infection around the world, which cascaded to affect many SC products in various countries. The entire SC upstream as well as downstream market has been disrupted and the demand has declined, forcing private companies to review their medium- and long-term business strategies and business models. As the spread of the COVID-19 has disrupted the flow of people and goods, logistics for both maritime and air transport has been disrupted, manufacturing components cannot be procured, and factories cannot operate due to the lockdown. This resulted in the suspension of production lines, a decrease in production volume, and a decline in sales.

### **2) Scenarios for SC review**

Companies are faced with the necessity to formulate Business Continuity Plans (BCPs), including SC reviews, based on the reflection of the fact that production of products was delayed due to the spread of the COVID-19. The following two scenarios are examined based on the results of interviews by the Survey Team and surveys conducted by JETRO, Nikkei Business and other organisations.

- Scenario 1: Change of SC (return to domestic production, expansion to new production bases)
- Scenario 2: Strengthening of SC (sales strategy, review of suppliers, etc.)

#### **① Scenario 1: Change of SC (return to domestic production, review of production bases)**

Among the companies interviewed by the Survey Team, some responded that they would consider returning to domestic production or review of production bases, and the trends will be discussed.

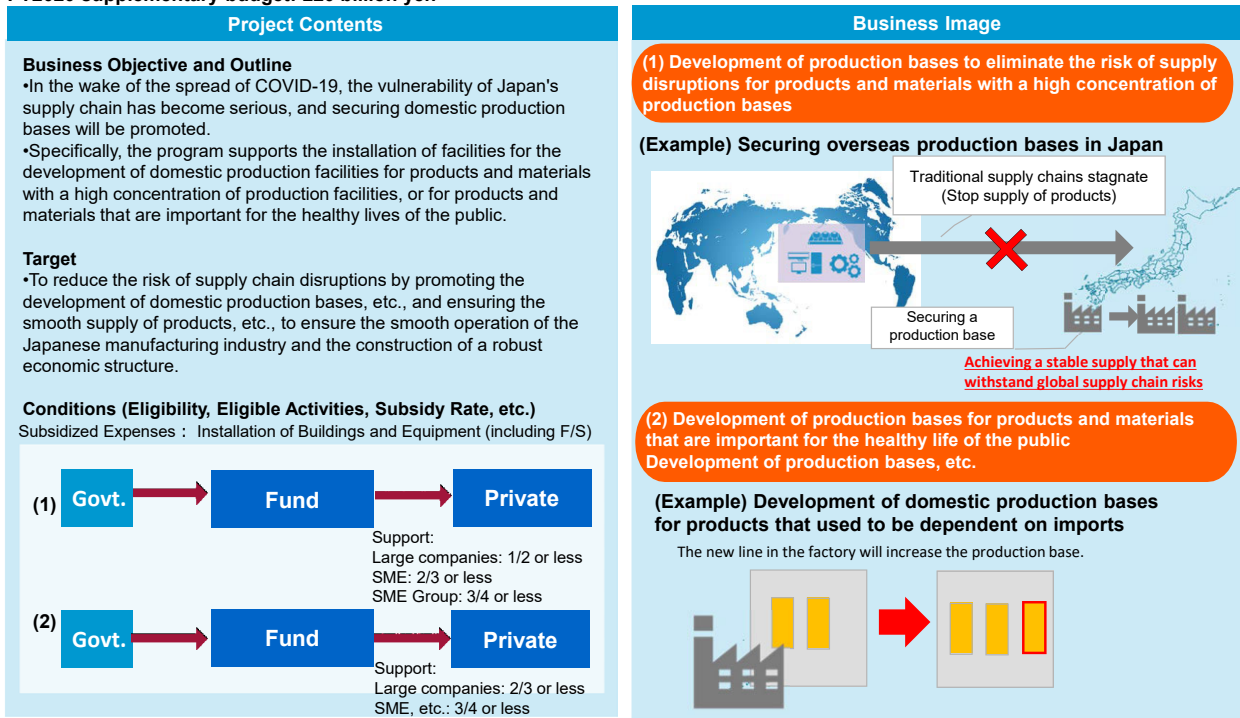
##### **(i) Return to domestic production**

- i) Subsidy for domestic investment promotion project for SC measures, Ministry of Economy, Trade and Industry

In April 2020, the Ministry of Economy, Trade and Industry (METI) announced a scheme to provide subsidies to companies that develop production bases and other facilities in Japan, based on the vulnerability of SCs that became apparent with the spread of COVID-19. The objective is to reduce the risk of SC fragmentation by promoting the development of domestic production bases and ensuring the smooth supply of products, with the aim of ensuring the uninterrupted operation of Japan's manufacturing industry and building a robust economic structure (Figure 3-14).

## Subsidy for domestic investment promotion project for supply chain measures

FY2020 supplementary budget: 220 billion yen



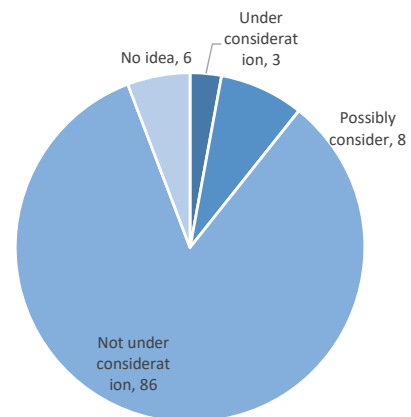
Source: METI FY2020 supplementary budget Project Outlines

**Figure 3-14 Subsidy for Domestic Investment Promotion Project for Supply Chain Measures**

A total of 57 projects worth 57.4 billion yen were awarded in July 2020, including medical-related projects such as Shionogi Pharmaceutical, which manufactures vaccines in Gifu Prefecture; Iris Ohyama, which manufactures masks in Miyagi Prefecture; and Sharp, which manufactures masks in Mie Prefecture, as well as manufacturing projects including Kanemitsu, which manufactures auto parts in Hyogo Prefecture. In November 2020, 146 projects worth approximately 247.8 billion yen were awarded, with the focus on (1) products and materials related to semiconductors and automotive batteries, where production bases are highly concentrated, and (2) products and materials related to medical care, which are important for people's lives.

### ii) Questionnaire survey results

On the other hand, according to Nikkei Business, when companies were asked about their intention to return to Japan, 83.5% (86 companies) answered that they did not consider it. This result is based on a questionnaire survey conducted in July 2020 among 103 companies that have their own factories overseas (Figure 3-15). Only 2.9% (3 companies) chose "considering". The results suggest that only a minority of companies are considering the option of returning to Japan.



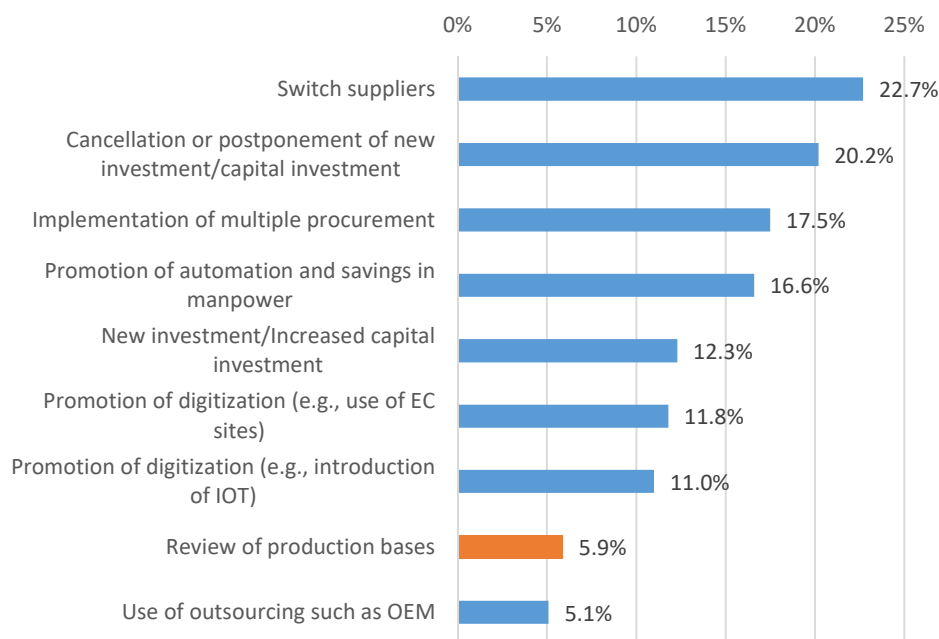
Source: Nikkei Business

**Figure 3-15 Responses to Consideration of Returning Own Factories to Japan**

(ii) Review of production bases

i) JETRO Survey

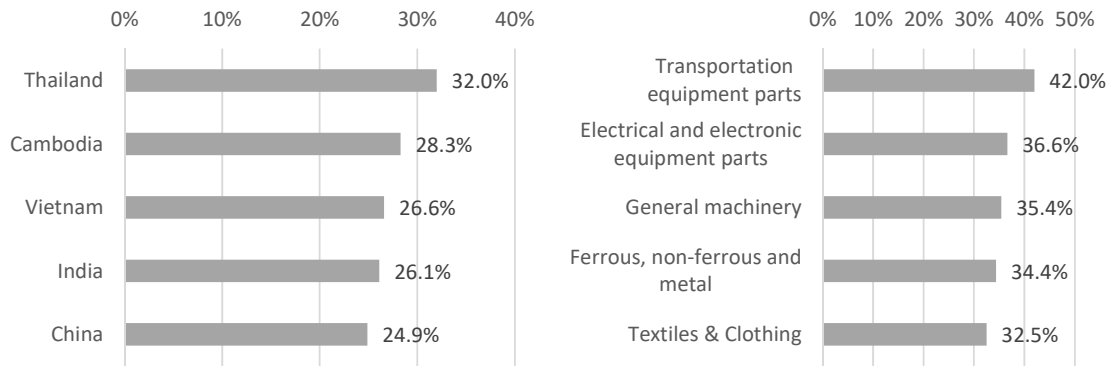
According to JETRO's FY2020 Survey of Japanese Companies Expanding Overseas (Asia and Oceania), 52.2% of respondent companies have reviewed or plan to review their local business strategies and business models in response to the spread of COVID-19. Out of the 2,955 companies, the largest percentage (53.8%) responded that they would expand the use of telecommuting and telework, followed by a review of sales partners (42.4%), rationalisation through personnel reductions (31.0%), and a review of products sold (25.5%). In terms of specific revisions to procurement and production strategy items, the largest percentage of respondents (22.7%) chose "switching suppliers", followed by "cancelling or postponing new investments/capital investments" (20.2%) and "implementing multiple procurement" (17.5%). It can be seen that the movement to reconsider procurement sources and strengthen SC is accelerating. On the other hand, only 5.9% of companies were considering major SC changes such as "reviewing production sites" (Figure 3-16).



Source: JETRO FY2020 Survey of Japanese Companies Operating Overseas (Asia and Oceania)

**Figure 3-16 Details of Review (Procurement / Production Strategy)**

By country, many respondents in ASEAN countries answered "switching suppliers" such as Thailand, Cambodia and Vietnam. A wide range of industries, transportation equipment parts and electric and electronic equipment parts, occupied the top items (Figure 3-17).



Source: JETRO FY2020 Survey of Japanese Companies Operating Overseas (Asia and Oceania)

**Figure 3-17 Switching Suppliers**

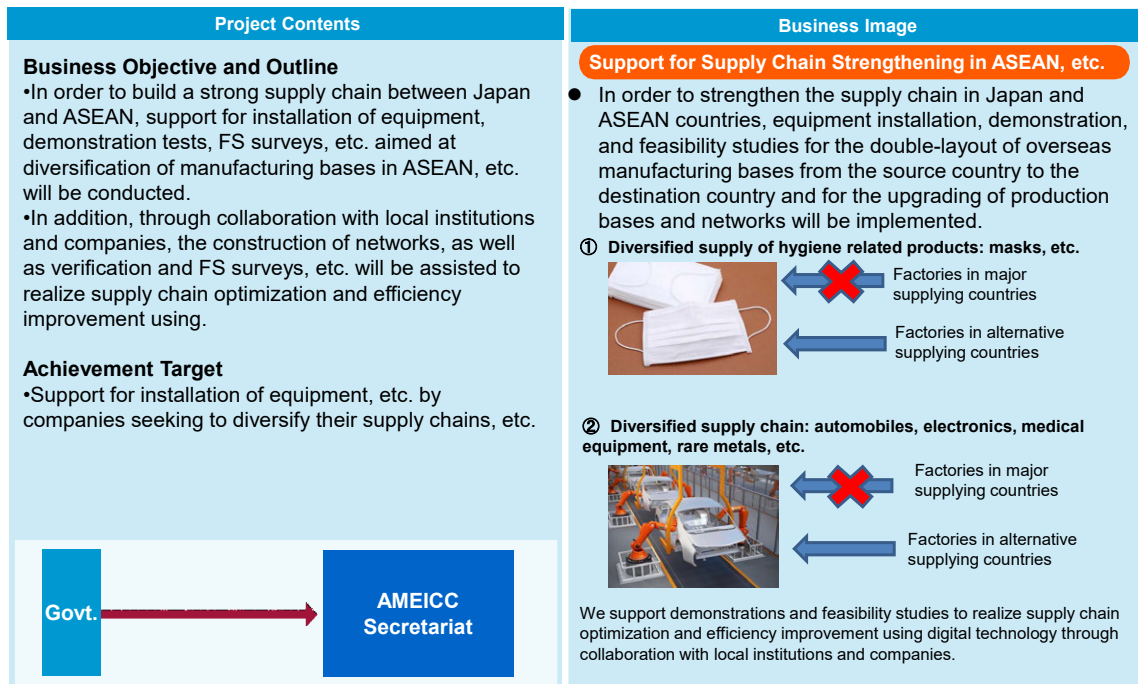
② **Scenario 2: Strengthening of SC (sales strategy, review of suppliers, etc.)**

i) “SC Diversification Support Project” by Ministry of Economy, Trade and Industry Overseas

The Ministry of Economy, Trade and Industry (METI) is also offering supportive measures for Japanese companies to expand into new production bases. In order to enhance the SC resilience of Japan and ASEAN, this project subsidises a part of capital investment, feasibility study (FS), and demonstration projects for the purpose of SC multilateralization in ASEAN and other regions, and aims to reduce the risk of SC fragmentation, establish a sustainable and responsible supply system, and strengthen the Japan-ASEAN economic and industrial cooperative relationship (Figure 3-18).

**Support Programs for Overseas Supply Chain Diversification**

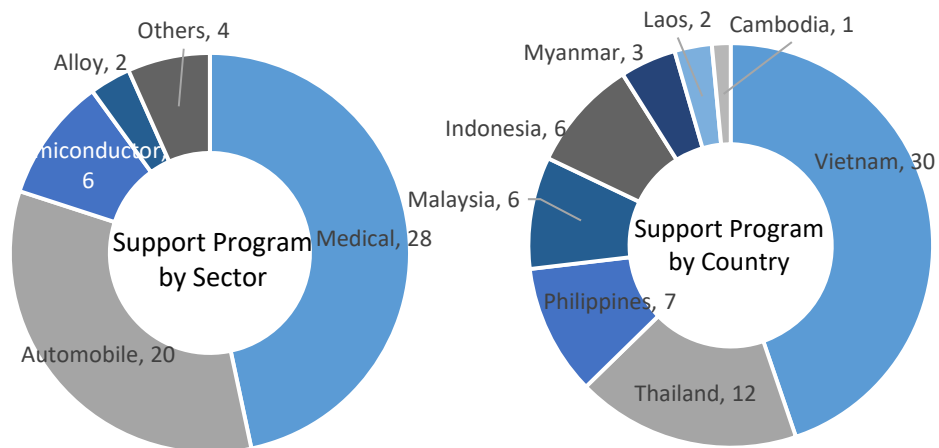
FY2020 supplementary budget: 23.50 billion yen



Source: METI FY2020 supplementary budget Project Outlines

**Figure 3-18 Support Programs for Overseas Supply Chain Diversification**

A total of 60 companies were selected for a support program in July and December 2020. In terms of supported business fields, medical-related products such as medical gowns and surgical masks and automotive parts such as transformers and wire harnesses accounted for 80% of the total, and Vietnam accounted for 45% of the total (Figure 3-19).



Source: JETRO

**Figure 3-19 Support Programs for Overseas Supply Chain Diversification by Sector and Country**

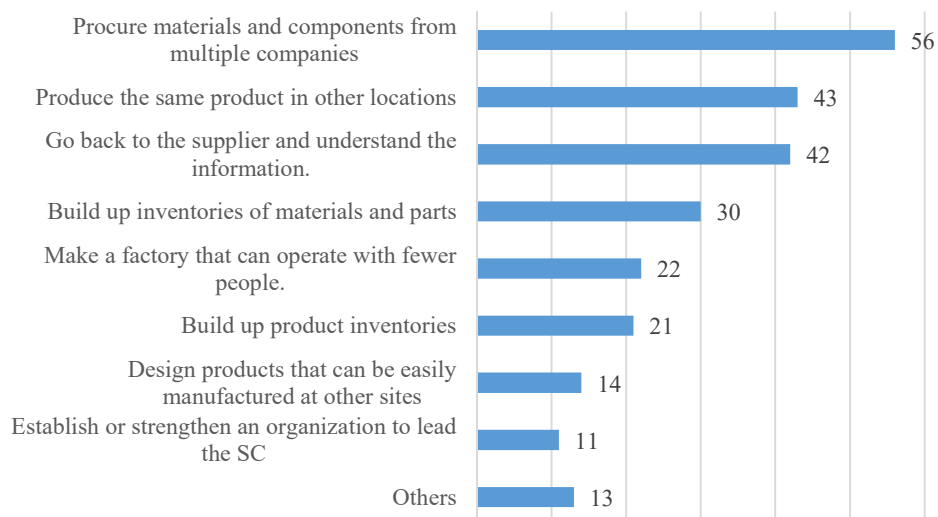
ii) Interview results

In the interviews, many respondents said that it would not be a change of SCs, but a review within existing SCs, and that production would be strengthened at bases other than China, such as Vietnam.

iii) Questionnaire Results of Nikkei Business Survey

According to the results of the aforementioned Nikkei Business survey, as many as 80.7% (88 companies) responded that they would review their SCs. As for the method of review, reflecting the confusion of SC during COVID-19, the largest number of companies (56) chose "procure materials and parts from multiple companies", followed by 43 companies that chose "produce the same products at other bases". Fourteen companies responded that they would "design products that can be easily produced at other locations", indicating the need for multiple lines of procurement and production (Figure 3-20).

In addition, 42 companies responded that they would "trace back to the supplier and grasp the information". Many companies were baffled by the fact that they could not find out the cause of the stoppage in the supply of parts from overseas, and a response to the visualisation of SC is required. It is thought that the digitalisation of SC will progress, along with the response of 22 companies to "make factories that can operate with fewer people".



Source: Nikkei Business

**Figure 3-20 Method of Reviewing the SC**

### 3) Consideration

In both Scenarios 1 and 2, the Japanese government as well as the private sector are currently working to review the SC, but many interview respondents stated that they have not decided a future policy at this time and cannot make a decision immediately. With the situation of the second and third wave of COVID-19 hitting the world, it is difficult to make a decision on whether to make changes to the SC or to proceed with strengthening the SC at this time.

With regard to Scenario 1: changes in SCs, there are many cases where domestic manufacturing of medical devices, masks, and other necessities for infectious disease control are being promoted under the leadership of METI. However, there is a risk considering that Japan is a disaster-prone country, and that short-term responses that are not based solely on economic rationality will lead to a decline in SC's competitiveness.

With regard to Scenario 2: Strengthening SCs, the following measures are being taken: "local production for local consumption", in which production is carried out within the country of entry and sold within the country or region; "decentralisation", in which production is not concentrated at a single site by dividing the previously limited number of suppliers into multiple locations; and "promotion of export" in which production is not carried out within the country of entry but is handled by exporting from neighbouring countries or Japan (JETRO Special Feature: Spread of COVID-19). In addition, more and more companies are expected to enter new business areas by adopting SC resilience through digitalisation.

### (3) International assistance efforts

#### 1) WCO Initiatives

Immediately after the outbreak of COVID-19, the WCO began working with WHO and others, as well as providing assistance to members. As part of this effort, the WCO issued guidelines on

communication between stakeholders during the COVID-19 pandemic to provide guidance to Members on COVID-19 compliance. The outline of the guideline is as follows.

Step 1: Establish a dedicated task force

Step 2: Findings of Fact

Step 3: Create a Crisis Communication Scenario for COVID-19

Step 4: Select the right communication tools/channels

Step 5: Communicate with Customs Officials

Step 6: Communicate with relevant agencies

Step 7: Disseminate plans for rescheduling meetings, etc.; consider tools for online meetings

Step 8: Prepare for media inquiries

Step 9: Ongoing evaluation of the communication process

Step 10: Prepare to restructure normal communication

In addition to the above guidelines, the WCO continues to provide assistance for the HS classification of COVID-19 related goods (relief goods, etc.) and assistance for the control of illegal trade in COVID-19 related counterfeit drugs.

## **2) Japan's assistance for developing countries**

Japan is assisting developing countries by announcing in June 2020 that it will assist WCO projects to build the capacity of customs administrations in developing countries to comply with COVID-19. The WCO's COVID-19 projects will develop WCO guidelines for Customs Administration on business continuity and incident response in dealing with the various disruption situations represented by COVID-19 and other similar emergencies based on best practices collected. In addition, taking into account the situation and needs of each country, through various assistance measures, including national and regional training, assistance will be provided for the introduction of relevant tools and instruments of the WCO, especially to the members of the WCO, including the Least Developed Countries (LDCs).

In order to ensure timely dissemination of information and expertise, the project will also further upgrade the dedicated WCO website, which will compile information on relevant WCO measures, tools, initiatives, databases, etc., and address various COVID-19 related issues faced by members and stakeholders.

## **3) Japan's efforts regarding COVID-19**

As COVID-19, Japan Customs has taken the following actions.

(i) Customs procedures related to relief goods, etc.

Priority will be given to import and export customs clearance of goods that require urgent customs clearance, such as relief goods related to COVID-19 and goods to secure lifelines. In addition, in the case of Grant Aid shipments, if it can be confirmed that the shipment will be provided by Grant Aid, the shipment will be exempt from customs duties and consumption taxes imposed on the shipment. Exports are also allowed to be declared in a simplified form.



(ii) Flexibility in customs procedures

Based on the "Basic Policy for Countermeasures against COVID-19 Infections" decided by the Japanese Government's Headquarters for Countermeasures against COVID-19 Infections on February 25, 2020, the following flexible measures are being taken with regard to import and export customs clearance procedures, etc., as telework is expected to be widely practiced by importers and exporters and clearing agent.

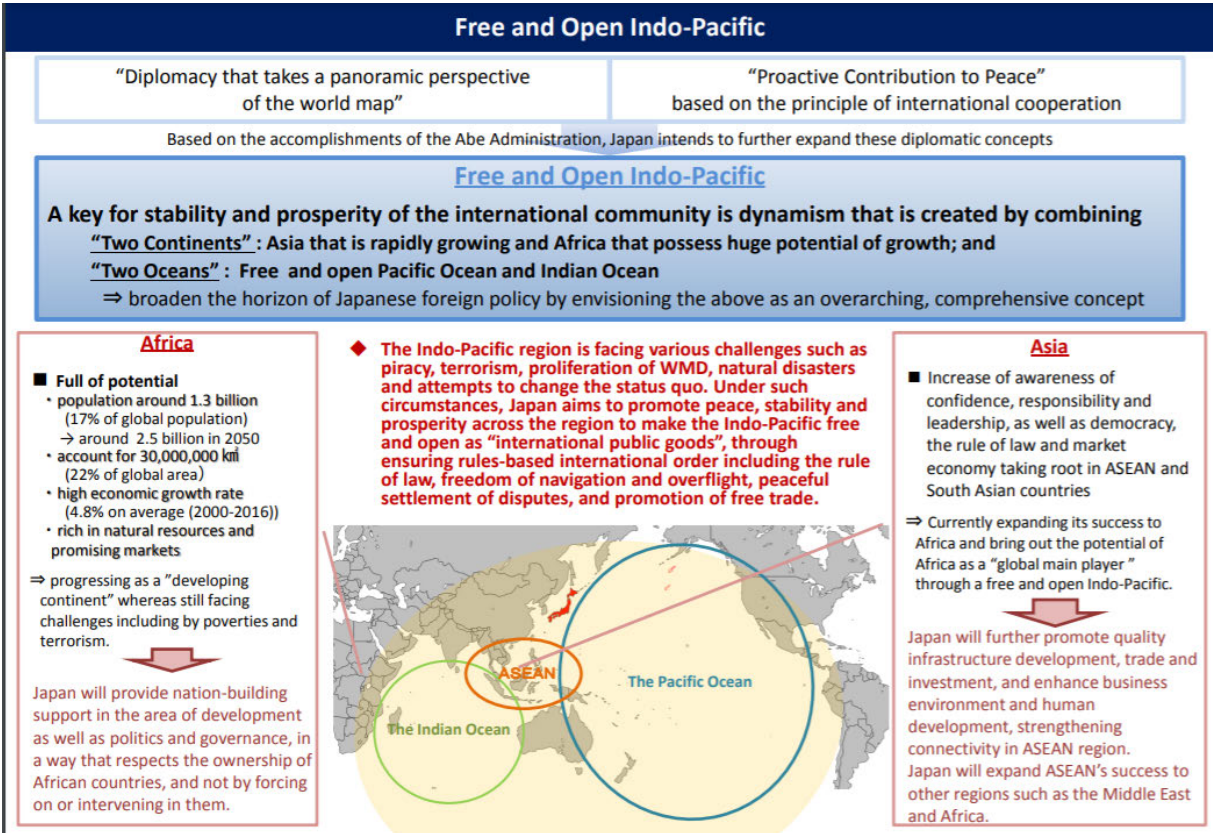
- i) Declarations at convenient customs offices
- ii) No stamp is required if the effect of COVID-19 makes it difficult to stamp.
- iii) Even if the original is required to be submitted or presented in writing, if it is difficult to submit or present the original due to the impact of COVID-19, the submission of an electromagnetic record is acceptable.
- iv) Allowing clearing agent to work from home, etc.
- v) Others (flexible operation of the deadline for deferment of submission of a certificate of origin, etc., flexible handling of collateral for extension of payment deadline, etc.)

# 4 Effectiveness of KPI and Validation of the Issue Diagnostic Matrix

## 4-1 Analysis of Future Issues in Light of International Trends in the Customs Field

### 4-1-1 Assistance Approach

Keeping in mind Japan's diplomatic policy of "Free and Open Indo-Pacific" (Figure 4-1), the role of customs in contributing to free trade, which is one element of this policy, is examined. The initiative focuses on improving connectivity in Asia, particularly ASEAN, and aims to promote trade and investment. As for Africa, in addition to development, governance is to be improved together with destination governments.



Source: Ministry of Foreign Affairs of Japan<sup>17</sup>

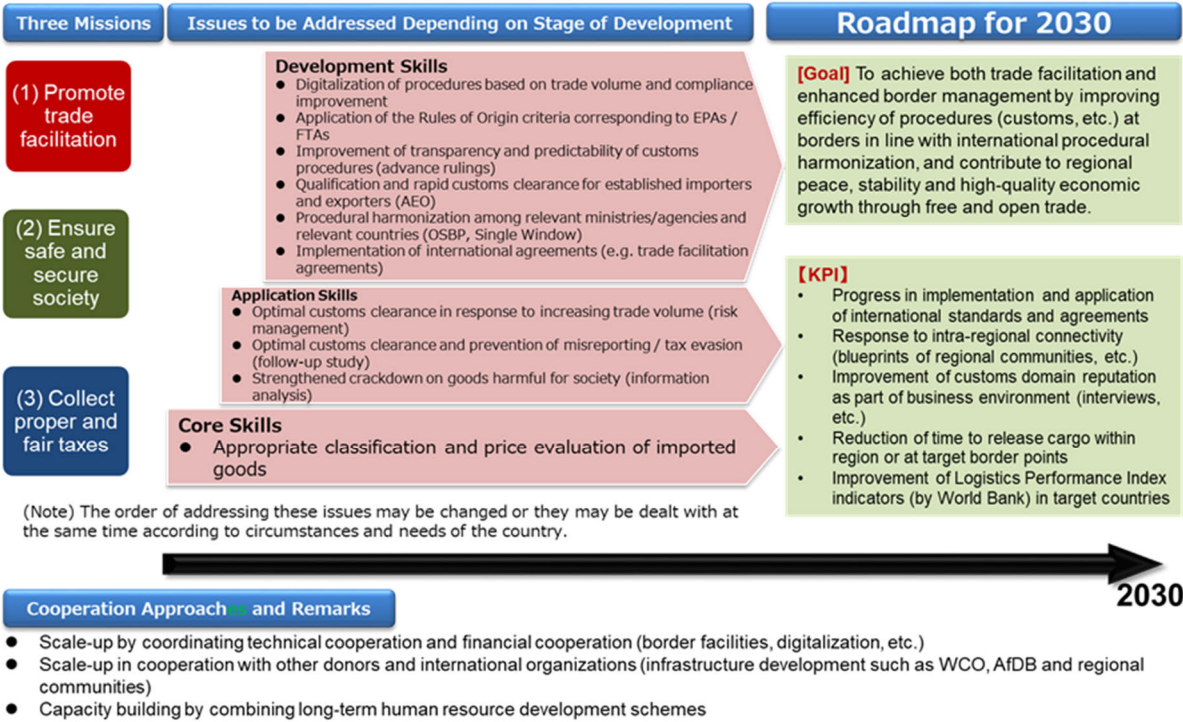
**Figure 4-1 "Free and Open Indo-Pacific" Concept**

Under the general framework of the above foreign policy and in accordance with the policy of the higher level Public Financial Management and Financial Market Development Cluster, the assistance approach on "Proper and Fair Collection of Tariffs and Trade Facilitation" was considered. The above policy as of May 2019 is shown in Figure 4-2 below. The current situations in the countries of Southeast Asia and Africa, which are the targets of this survey, were examined based on various reports collected in this survey, including the Annual Report compiled annually by the WCO, and the results of interviews conducted with private companies in the Southeast Asian and African regions (including local

<sup>17</sup> <https://www.mofa.go.jp/files/000430632.pdf>

companies in addition to Japanese companies). In order to achieve the goal of "proper and fair collection of customs duties and trade facilitation", which can be regarded as the vision of customs support, "current situation and issues", "strategies", "KPI", "areas of support (projects)" and "priority areas" are summarised in Table 4-1 for each target region (Asia and Sub-Saharan Africa) according to the three universal missions of customs. The statistical status is also summarised in Table 4-2 and Table 4-3.

## Principles on “Proper and Fair Collection of Taxes and Trade Facilitation”



(Note) The order of addressing these issues may be changed or they may be dealt with at the same time according to circumstances and needs of the country.

Source: JICA

**Figure 4-2 "Proper and Fair Collection of Taxes and Trade Facilitation"**

The so-called vision of "proper and fair collection of customs duties and trade facilitation" in the field of customs can be interpreted in more detail as "to promote the simplification and harmonisation of customs and other border procedures based on international standards; to improve regional connectivity and the business environment through more efficient procedures for the clearance of goods and the movement of people at the border; to stabilise the country and region through border control; to stabilise national finances by securing tax revenues; and to achieve regional peace and stability and high-quality economic growth through free and open trade by further promoting regional integration". Throughout this survey, as analysed in the previous chapters, it is reasonable to consider assistance approach according to the region, as the current situation is different in Asia and Sub-Saharan Africa.

### (1) Assistance approach for Asia regional customs

#### 1) Overview

As for the current situation and issues surrounding customs in the ASEAN, the main issue is related to trade facilitation in the three missions of customs. In addition, all ASEAN member countries have

concluded EPAs with Japan. In light of this situation, it is aimed to improve the business environment in order to strengthen ASEAN's connectivity. In addition, promoting the utilization of the EPA is consistent with the assistance needs and will be highly effective in terms of assistance.

## **2) Trade facilitation**

ASEAN has supported trade facilitation, taking into account the establishment of the AEC in 2015 and the GMS's efforts regarding the CBTA, as well as the ASW initiative assisted by USAID. The assistance will be provided to promote the use of existing TFAs and assist in overcoming the current situation and challenges of divergence between systems and procedures. The Time Release Study (TRS) is a useful KPI to measure the results of assistance. Improving the World Bank's KPI and TFA's progress rates is also an effective KPI.

## **3) Revenue collection**

In terms of assistance related to revenue collection, opaque revenue collection resulting from the existence of revenue collection targets has been noted in relation to PCA. Assistance is needed to ensure that transparent revenue collection administration takes place. Assistance in transparent revenue collection could include strengthening revenue collection capacity for departments involved in revenue collection.

On the other hand, unlike strengthening revenue collection capacity, assistance is also needed to ensure that unfair revenue collection does not take place. To ensure that unfair revenue collection does not take place, for example, the proper application of rules of origin may be considered. Assistance is needed to ensure that the rules of origin are applied appropriately, as certificates of origin, which should be recognized as originating, are denied, or more detailed descriptions than required by the agreement are required. A useful KPI to measure the results of these assistance is KPI, which focuses on revenue collection, discussed below.

## **4) Border control**

With broad emphasis placed on trade facilitation and revenue collection, border management has become a relatively low priority. It has been pointed out that smuggling of high tariff goods such as cigarettes and smuggling of counterfeit goods are problems in ASEAN. Smuggling of CITES violated goods has also been reported in Thailand and Vietnam. Assistance is needed to stop these smuggling operations. As for border management assistance, other donors, mainly international organizations, are actively implementing its assistance, and coordination with other donors is a possible assistance approach. Considering the advantage of JICA, risk management assistance is an effective method of assistance. The effective KPI would include the number of smuggling busts and increased taxes (e.g., trade fraud claims).

## **5) Approach of JICA assistance**

In providing customs assistance to ASEAN member countries, Japanese Customs officials were appointed as long-term experts in the past, and Japanese customs officials have been stationed at recipient customs authorities to ensure smooth assistance. It is a rational approach to provide trade

facilitation assistance while taking advantage of these features (strengths) of JICA assistance. The TRS is a useful KPI to measure the results of assistance. Improving the World Bank's KPI and TFA's progress rates is also an effective KPI.

## **(2) Assistance approach for the Sub-Saharan Africa regional customs administration**

### **1) Overview**

The issues surrounding customs in the Sub-Saharan Africa region are numerous. Assistance is needed for all three missions of Customs. Within the Sub-Saharan Africa region, the Southeast is relatively well developed, and the private sector has responded particularly positive about the South African Revenue Service. On the other hand, with regard to West Africa, the regional community has not been active, and although there are relatively large countries such as Ghana and Nigeria, development as a whole has been slow. Customs in Africa has a high level of government expectation and pressure on revenue collection, and there is a high level of interest in revenue collection, as the criteria for performance appraisal of individual customs officers and their organizations have incorporated those related to the amount of revenue collected.

### **2) Trade facilitation**

There are signs to shift the attention to trade facilitation, with the AfCFTA finally becoming operational in January 2021. Awareness of the AfCFTA among the private sector is variable, with some private sector companies showing little interest. On the other hand, some companies want to expand their business from the United States and Europe to the relatively large economies of Africa (Ethiopia and Kenya). Thus, if the AfCFTA can be successfully implemented, Africa has the potential to achieve high economic growth. In this context, the Survey Team believes that assistance for trade facilitation, especially focusing on the AfCFTA, would be effective. The approach of also assisting RECs through AfCFTA assistance is efficient. For Africa as a whole, this means AfCFTA assistance, but some RECs are not working, while others are working relatively well. Therefore, rather than considering AfCFTA assistance measures in a single step, the Survey Team will apply the assistance approach for preceding RECs with the understanding that the AfCFTA is an accumulation of RECs. Both the AfCFTA and other RECs have little recognition in the private sector, while they are recognized by the government agencies. Private sector traders (importers, exporters and forwarders) do not fully understand the AfCFTA and RECs system. Therefore, it is effective to assist activities to raise public awareness of the system. Another impediment to RECs is the protectionist moves and the setting of non-tariff barriers by certain countries. We believe that assistance to remove these disincentives would be effective. The effective KPI would include the TRS and the World Bank's KPI as well as ASEAN.

### **3) Revenue collection**

With regard to assistance with revenue collection, it is important to note that the corruption of customs officials are sometimes in collusion with clearing agent. As mentioned above, one of the criteria for performance evaluation is the amount of revenue collection, and in an effort to achieve the revenue collection target, the system is sometimes operated in a deviated way. On the other hand, there is also

an informal fee provided by private companies who want to keep the tax payment low due to severe revenue collection. In addition, there have been cases where clearing agent has colluded with customs officials to take advantage of importers' unfamiliarity with customs procedures. In addition to these circumstances, it is likely that customs will strengthen revenue collection in the future due to the decline in domestic tax revenues affected by the COVID-19 and as a reaction to fiscal stimulus. Assistance is required to ensure that the amount of revenue collected is adequate and necessary. Specific assistance may include non-contact procedures (digitalisation of procedures) as a measure against corruption, and selection of importers and exporters through risk management. A KPI, which focuses on revenue collection described below, is considered to be effective.

#### **4) Border control**

In terms of border control, security risks are high in many countries because of the instability of the security situation itself, including terrorist concerns in the first place. In addition, there is a numerous challenges, including the existence of illicit drug manufacturing countries, the rampant use of IPR-infringing goods (a wide range of counterfeit medicines and substandard hygiene products) associated with poverty, and the poaching and smuggling out of CITES violated goods. As for border management assistance, other donors, mainly international organizations, are actively implementing this assistance, and coordination with other donors is a possible assistance scheme. Considering the characteristics of JICA, risk management assistance is an effective method of support. The effective KPI could include the number of smuggling busts and increased taxes (e.g., trade fraud claims).

#### **5) Approach of JICA assistance**

One of the advantages of JICA's assistance to Africa, as a support organization, is that the assistance represented by the OSBP has been highly evaluated by the local community. However, one of the factors behind the success of the OSBP, especially the OSBP at EAC, is the success of the SCT-based customs union. The analysis shows that there is a synergistic effect between the development of hard infrastructure by OSBP, Grant Aid, and the strengthening of the capacity of SCT and the Customs Union, as well as Customs and clearing agents, who are the operators and users of the system. Another success factor is that, in the case of the South Sudan Customs assistance, the expert team responds to changes in the situation in a hands-on and flexible manner, and deals with small and large problems in a detailed and prompt manner. It is essential to consider individual assistance while taking into account these advantages of JICA assistance described in (3) below.

### **(3) Advantages of JICA assistance**

#### **1) Characteristics of JICA assistance**

JICA assistance was based on the concept of placing the goal of economic self-sufficiency of the partner country, emphasizing private sector development, and emphasizing infrastructure and human resource development as the foundation for such development. This approach differs from the mainstream view of aid as welfare that prevailed at the Development Assistance Committee of the Organization for Economic Cooperation and Development, and is one of the most distinctive features of JICA assistance.

Different aid objectives call for different policy measures. While many Western countries decided that aid should be Grant Aid in principle, JICA assisted the efforts of developing countries to become economically self-sufficient by providing a large amount of funds with good grant conditions for the recipient countries through the mechanism of yen loans in addition to Grant Aid.

The intellectual basis for JICA assistance was often based on its own experience. Looking at Japan's history from a macroscopic perspective, it can be said that it was a process of accepting superior things from outside and improving them through its own efforts and ingenuity, and the implicitly shared belief in the effectiveness of such models was at the root of JICA assistance.

Such experience-based aid in Japan has rarely relied on any particular theoretical system, including that of neoclassical economics. The policy making and specific implementation of JICA assistance has been fundamentally supported by technical government agencies, while responding to individual cases, rather than being conceived from a macroeconomic framework. JICA assistance was flexible and often useful in the sense that it was based on experience and not bound by a specific doctrine, but it also had a weakness in that it was rarely theorized and disseminated.

Another characteristic of JICA assistance is its tradition of emphasizing the "field," "tacit knowledge," and "people". The emphasis on capacity development was based on Japan's experience in developing its economy by focusing on the field, and it was an idea that formed the basis of JICA assistance. Moreover, the emphasis on South-South cooperation, which is mutual learning among developing countries, is also linked to it. Japan has fostered the mechanism of "triangular cooperation" to promote South-South cooperation, based on the belief that horizontal knowledge and experience sharing among developing countries is useful<sup>18</sup>.

## **2) Human Resource Development**

JICA's dispatch of Japanese customs officers as long-term experts to ASEAN customs is one of its features. Simple transfer of best practices and old-fashioned aid methods have been cited as reasons why Western aid agencies' assistance to immature African countries (e.g., South Sudan) has often been unsuccessful (Gregg Larson et al., 2013)<sup>19</sup>. In this respect, JICA support has been successful in staying close to the C/P, working to understand the C/P's issues, and considering and implementing support methods that meet the C/P's circumstances (see Chapter 3).

## **3) Equipment provision scheme**

One of JICA's assistance schemes is the provision of equipment. In the customs field, customs clearance systems to Vietnam and Myanmar, large X-ray inspection machine (Uzbekistan, etc.), surveillance boats (Eastern Africa, Cambodia, etc.), and inspection equipment to customs analysis laboratories (Indonesia, Maldives, etc.) have been provided. Equipment may be required as a prerequisite for human resource development and system building. Only JICA can provide equipment for Japan to assist foreign customs.

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<sup>18</sup> Dictionary of International Development, Hiroshi Kato, 2018, pp 514-515

<sup>19</sup> South Sudan's Capability Trap: Building a State with Disruptive Innovation  
[https://bsc.cid.harvard.edu/files/bsc/files/268\\_sudan-pdia.pdf](https://bsc.cid.harvard.edu/files/bsc/files/268_sudan-pdia.pdf)

#### **4) Joint assistance through the MOC with the WCO**

The WCO, which has jurisdiction over many of the international standards for customs, has accumulated knowledge on international standards. Japanese customs officials have also produced a number of WCO-certified experts, and the synergistic effects of working with WCO officials are significant. JICA has concluded an MOC with the WCO and can collaborate with WCO staff. In order to maximize the effectiveness of the said MOC, support using the MOC is effective (e.g. support for Eastern Africa).

#### **(4) Priority determination criteria**

##### **1) Common issues in the region**

As discussed in Chapter 3, there are two types of issues: 1) issues common to the region and 2) so-called individual issues of individual countries or some multiple countries. While it is of course important to address individual issues, common issues are higher in priority. This is because common challenges have a greater impact on assistance and because it is possible to use the knowledge of neighbouring countries that have overcome the challenges.

##### **2) Cost-effectiveness**

There is no doubt that there are challenges, but it is important to note that there are limited resources available to assist. For example, if there are only a limited number of beneficiaries, even if the expensive machines and systems are introduced, the priority will be low. On the other hand, even if it is expensive, assistance that will benefit the entire country and improve the overall trade environment, such as VNACCS, is a high priority. In addition, a rigorous assessment is essential when planning individual projects.

##### **3) Urgency**

A time-based perspective is necessary for the issue. If there are challenges, but their impact is minor and not urgent, then other, more urgent issues should be addressed. For example, the HS Code is revised in principle every five years, and the next revision will be implemented in 2022. Assistance for the revision of the HS Code should be provided before the revision, and priority should be given to issues such as this where time is limited for response.

##### **4) Commitments**

The Japanese government should give priority to those politically committed. In the context of Japan-ASEAN, for example, assistance in line with the policy set out at the Ministerial Meeting and the issues that Japan is supposed to assist in the TICAD discussions will be given higher priority.

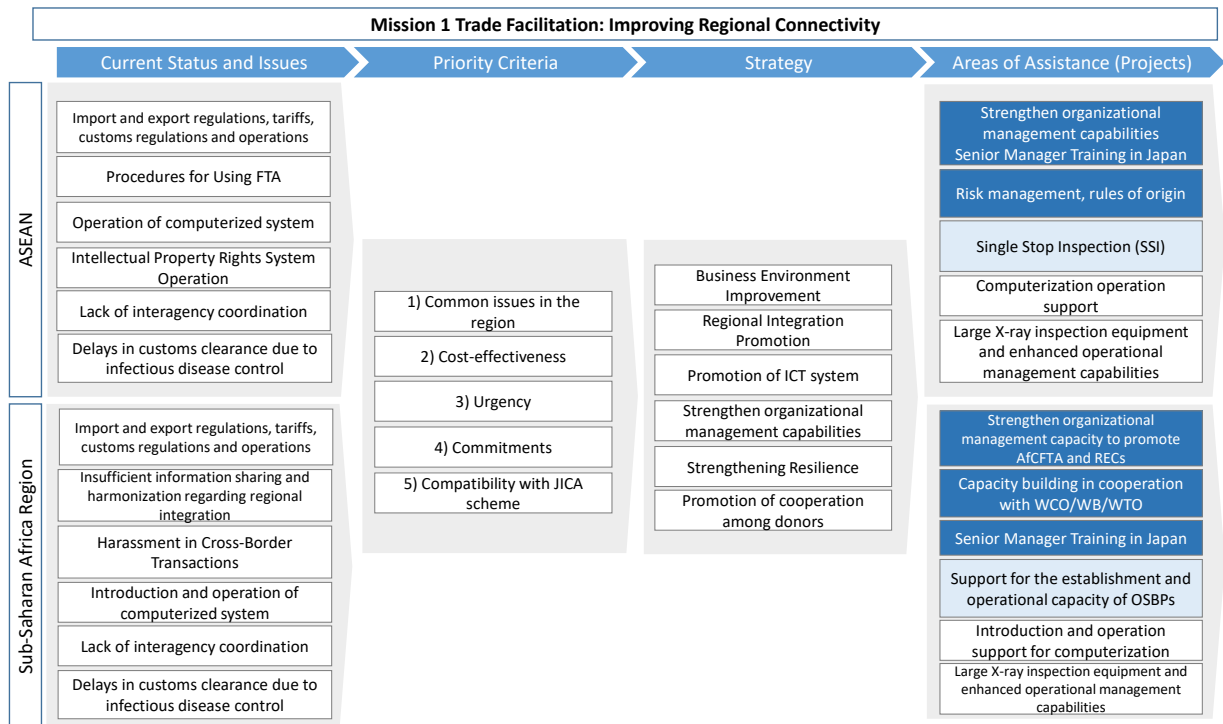
##### **5) Compatibility with the JICA scheme**

As mentioned in (3) above, JICA's assistance has a distinctive feature. Even if there is an issue, and the above factors make it seem like a high priority at first glance, if it is incompatible with JICA's scheme, the priority will be lower. On the contrary, those that seem to be somewhat low priority in



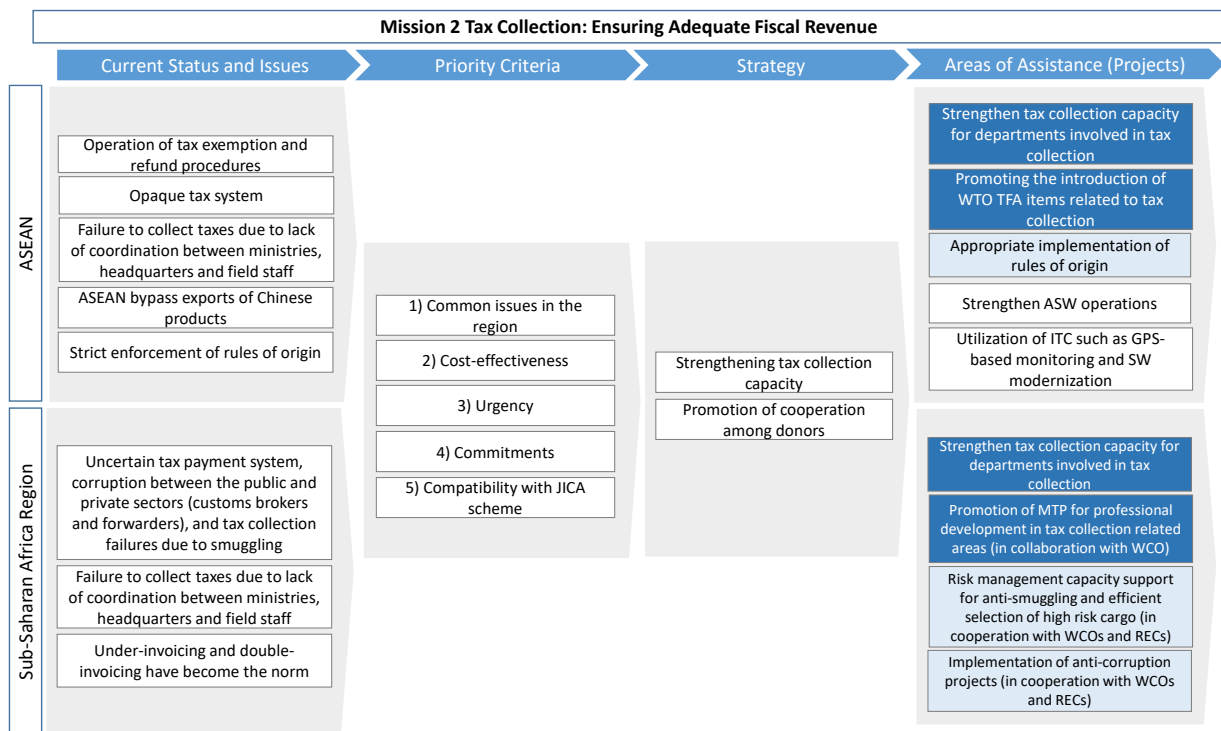
other factors, but are compatible with JICA scheme (e.g., equipment provision), can be said to be high priority.

Based on the above statements, the proposed assistance approaches for the three missions of the Customs Service are outlined in Figures 4-3 to 4-5, and the specific contents are summarized in Table 4-1.



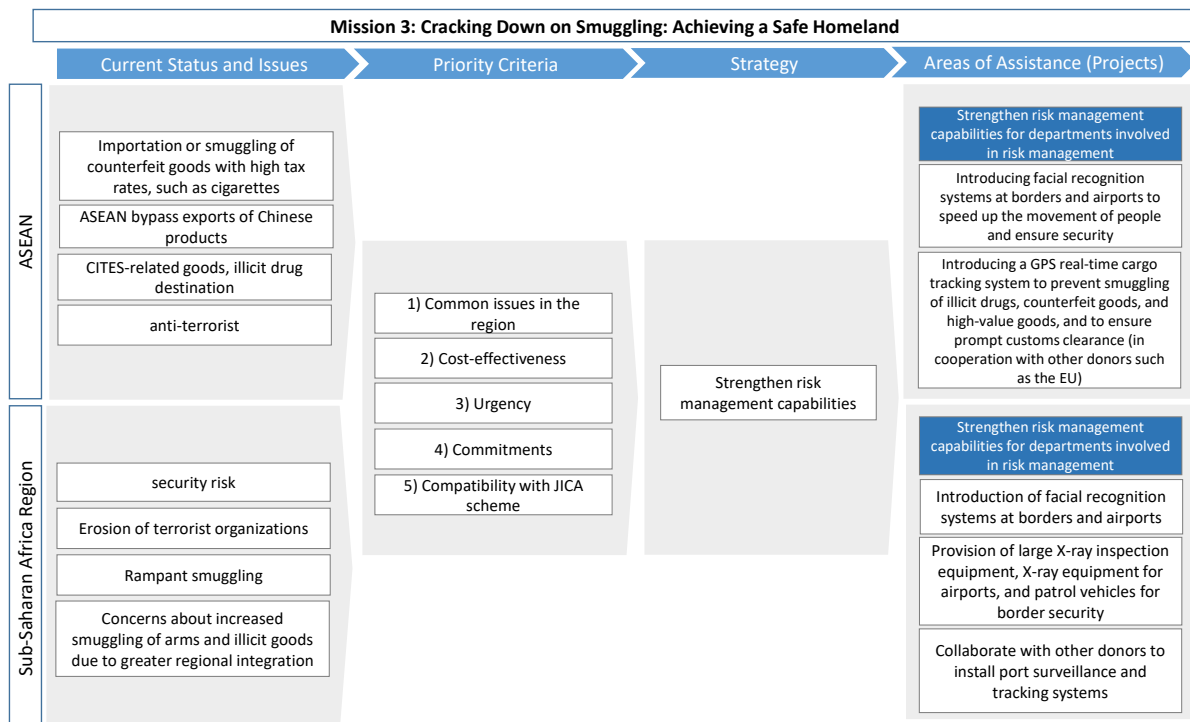
Source: The Survey Team

**Figure 4-3 Mission 1 Trade Facilitation: Improving Regional Connectivity Assistance Approach (Draft)**



Source: The Survey Team

**Figure 4-4 Mission 2 Tax Collection: Ensuring Adequate Fiscal Revenue Assistance Approach (Draft)**



Source: The Survey Team

**Figure 4-5 Mission 3: Cracking Down on Smuggling: Achieving Safety Assistance Approach (Draft)**

**Table 4-1 Proposed Assistance Approach**

Region	ASEAN	Sub-Saharan Africa Region
Mission One	Trade Facilitation: Improving Regional Connectivity	
Current Status and Challenges	<ul style="list-style-type: none"> <li>• The use of FTAs by Japanese companies is on the rise, but securing local procurement rates and responding individually to increasingly complex rules of origin are challenges that need to be addressed.</li> <li>• Although economic corridors are being developed, maritime transport is preferred over land transport due to logistics costs.</li> <li>• The following challenges were identified in relation to customs procedures:               <ul style="list-style-type: none"> <li>✓ HS classification</li> <li>✓ Advance ruling system</li> <li>✓ Rules of Origin / Certificate of Origin</li> <li>✓ Gap between system and operation</li> <li>✓ Follow-up (tracing) survey</li> <li>✓ Appeals system</li> <li>✓ Informal fees</li> <li>✓ Gap in the implementation of the GMS CBTA system</li> <li>✓ Customs clearance IT system</li> <li>✓ Regulations of other ministries and agencies</li> <li>✓ Delay in customs clearance due to infectious disease control of COVID-19 pandemic.</li> <li>✓ Delays in the development of laws and regulations related to e-commerce.</li> <li>✓ Computerisation has been promoted by donors, but paperless is not realised.</li> <li>✓ Gaps in the modernisation of customs procedures between the headquarters and border offices.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The agreement to establish the African Continental Free Trade Area (AfCFTA) entered into force in May 2019 and became operational on 01 January 2021. However, there are still negotiations to be held on the concession table and rules of origin, which will eliminate 90% of tariff rates on a tariff item list basis within five years, and the early conclusion of these negotiations is expected.</li> <li>• The following challenges were identified in relation to customs procedures:               <ul style="list-style-type: none"> <li>✓ Regulations of other ministries and agencies</li> <li>✓ Mandatory pre-shipment inspection</li> <li>✓ Initiatives for AfCFTA</li> <li>✓ Lack of ability of field staff to execute their tasks (HS classification, rules of origin, etc.)</li> <li>✓ Obsolescence of the customs clearance system, Single Window (SW) delays in implementation</li> <li>✓ Delay in customs clearance due to infectious disease control of COVID-19 pandemic.</li> </ul> </li> <li>• Even when various agreements are introduced, they are tarnished by corruption.</li> <li>• There have been moves to expand intra-regional trade liberalisation in the Eastern African Community (EAC) and the Southern African Development Community (SADC), but the negotiation and approval of tariff rate concession tables and rules of origin remain a challenge.</li> <li>• The Economic Community of West African States (ECOWAS) and the Economic Community of Central African States (ECCAS) are moving to expand intra-regional trade liberalisation, but the negotiation and approval of tariff rate concession tables and rules of origin remain a challenge.</li> <li>• e-Payment using smartphones, as represented by M-PESA in Kenya, is expanding and spreading rapidly.</li> <li>• Although economic corridor development is underway, harassment of women, especially in cross-border trade, is severe and hampers trade facilitation.<sup>20</sup></li> </ul>

<sup>20</sup> World Bank Blog: Women traders in Africa's Great Lakes  
<https://blogs.worldbank.org/trade/women-traders-africa-s-great-lakes>

Region	ASEAN	Sub-Saharan Africa Region
Strategy	<ul style="list-style-type: none"> <li>• All ASEAN member countries have concluded EPAs with Japan, and the use of these EPAs will be promoted, including the improvement of the investment environment.</li> <li>• The ASEAN Declaration on ASEAN Industrial Transformation to Industry 4.0 was issued during the ASEAN meeting, setting the response to the Fourth Industrial Revolution as a particularly important agenda, and promoting the response to the digital economy. ASEAN-BAC forms "legacy projects" every year, and Japan will strengthen its ties with legacy projects from 2019 onwards. The legacy business for 2019 is Regional Digital Trade Connectivity (RDTC) and will be aligned with the activities of this business.</li> <li>• Coordinate with other donors, with USAID providing support for ASW and the EU for transit cargo.</li> <li>• Promotion of Public-Private Partnerships</li> <li>• Introduction of a GPS real-time monitoring system for land transportation cargo to speed up and reduce costs.</li> <li>• Strengthen resilience, including the formulation of a BCP to deal with unforeseen incidents such as COVID-19 and political instability.</li> </ul>	<ul style="list-style-type: none"> <li>• The infrastructure development will promote connection with other corridors and at the same time, promote ICT infrastructure development and operational improvements.</li> <li>• Strengthen the implementation of the "customs union" for trade to facilitate regional economic integration and promote enhanced "intra-regional trade facilitation" (including harassment control) at borders, ports and corridors.</li> <li>• Since the AfCFTA Secretariat was established in Ghana and became operational in January 2021, the activities of the Secretariat and cooperation with it to support the introduction of the AfCFTA will be carefully monitored.</li> <li>• Implement capacity building for managers to strengthen their organisational management skills and ensure the smooth realisation of the three missions.</li> <li>• Strengthen resilience, including the formulation of a BCP to deal with unforeseen incidents such as COVID-19 and political instability</li> </ul>

Region	ASEAN	Sub-Saharan Africa Region
KPI	TRS for corridors and ports, etc., World Bank KPI (Doing Business, LPI), improvement of TFA progress rate	
Project	<ul style="list-style-type: none"> <li>• The following assistance is being provided to strengthen ASEAN connectivity, and a coordinated proposal will be made. <ul style="list-style-type: none"> <li>✓ The "Free and Open Indo-Pacific" Initiative</li> <li>✓ East-West and Southern Economic Corridors</li> <li>✓ Assistance in the formation of the ASEAN Maritime Economic Corridor</li> </ul> </li> <li>• Introduction of a GPS-based cargo monitoring system to expedite and promote the use of the East-West Corridor, South-South Corridor, and North-South Corridor.</li> <li>• Possible areas of assistance, methods of assistance, etc. are as follows: <ul style="list-style-type: none"> <li>✓ Single Stop Inspections (SSI) set up and operational support</li> <li>✓ Regional professional development in risk management through MTP implementation in collaboration with WCO</li> <li>✓ Large X-ray inspection equipment and enhanced operational management capabilities</li> <li>✓ Modernization of customs clearance system, including introduction of cloud-based SW, and support for its operation (linkage with ASEAN BAC initiatives (regional digital trade platform), utilization of private sector capacity, and cooperation with other donors)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The following assistance is provided for the purpose of proposing measures to revitalise the corridor with an awareness of industrial linkages and value chains, and proposals with linkages will be made. <ul style="list-style-type: none"> <li>✓ Assistance for the Development of the Northern Corridor in East Africa and the Central Corridor in East Africa</li> <li>✓ Nacala Corridor Development Assistance</li> </ul> </li> <li>• The following assistance is being provided to create a strategy that links the growth potential of coastal areas with inland areas, and a coordinated proposal will be made. <ul style="list-style-type: none"> <li>✓ West Africa "Growth Ring" Regional Development</li> </ul> </li> <li>• Possible areas of assistance, methods of support, etc. are as follows: <ul style="list-style-type: none"> <li>✓ OSBP</li> <li>✓ Computerisation of trade procedures and e-Payment</li> <li>✓ Customs system modernisation including introduction of SW (utilisation of private sector solution, cooperation with other donors)</li> <li>✓ Risk management</li> <li>✓ Large X-ray inspection equipment and enhanced operational management capabilities</li> <li>✓ Capacity building for the early entry into force of the AfCFTA (negotiation of FTA concession tables and rules of origin)</li> <li>✓ Capacity building to strengthen RECs capacity (especially OSBP)</li> <li>✓ OSBP assistance combination with SCT</li> <li>✓ Further promotion of MTP for training of experts in HS classification, customs valuation, etc. (in cooperation with WCO)</li> <li>✓ Introducing facial recognition systems at borders and airports to speed up the movement of people and ensure security</li> <li>✓ Conducted Leadership &amp; Management capability for executive staff (in collaboration with WCO)</li> <li>✓ ICT for administrative and HR functions</li> <li>✓ Introduction of a transit cargo monitoring system using e-seal and GPS (transplantation of the system in the EAC Northern Corridor in cooperation with TMEA)</li> </ul> </li> </ul>
Priority Area	<ul style="list-style-type: none"> <li>• Within the region, Cambodia, Lao PDR and Myanmar (CLM) and Brunei are high priorities for assistance, given their respective self-sustaining development potential. The other countries have their own capacity building systems in place, and the four countries mentioned above have relatively immature systems.</li> <li>• Compared with other regions, the trade volume with Japan is large, and the effect of the assistance is expected.</li> </ul>	<ul style="list-style-type: none"> <li>• Assistance will be provided mainly in Eastern and Southern Africa from the perspective of promoting a Free and Open Indo-Pacific strategy and the number of Japanese companies entering the region.</li> <li>• Corridor development is underway in both the east and south of the continent, and priorities are being considered in coordination with this effort.</li> <li>• South-eastern Africa is also supported by other donors, and the support needs of Central and Western Africa are relatively high.</li> <li>• Within the Central and West Africa region, priorities will be considered, taking into account the linkage with the "Growth Ring" assistance.</li> </ul>

Region	ASEAN	Sub-Saharan Africa Region
Mission Two	Revenue Collection: Ensuring Adequate Fiscal Revenue	
Current Status and Challenges	<ul style="list-style-type: none"> <li>• The amount of customs revenue collection is an important revenue collection source, and many countries have set revenue collection targets.</li> <li>• Because of the impact of the U.S.-China trade dispute, the bypassing of Chinese products to ASEAN (the origin of the cargo) has become a problem.</li> <li>• All member countries have concluded EPAs with Japan, and transactions with Japan basically have zero or low tariffs.</li> <li>• The operation of C/O as a requirement for the application of preferential tax rates is too strict.</li> <li>• The following issues were identified in relation to customs procedures: <ul style="list-style-type: none"> <li>✓ Opaque customs duty system</li> <li>✓ Strengthening of customs collection due to the decline in domestic tax revenue affected by COVID-19 pandemic.</li> <li>✓ Lack of coordination among ministries and agencies, revenue collection leakage due to manual work</li> <li>✓ Fraudulent refunds of VAT, etc. due to a high percentage of intra-regional transactions</li> <li>✓ Delays because of different decisions between headquarters and field staff</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• As an organisation, revenue collection is a high priority.</li> <li>• There is a failure to collect taxes due to corruption.</li> <li>• The amount of customs revenue collection is an important tax collection source, and many countries have set revenue collection targets.</li> <li>• Some countries are concerned about the loss of tax revenue from the implementation of the AfCFTA.</li> <li>• The following issues were identified in relation to customs procedures: <ul style="list-style-type: none"> <li>✓ Opaque tax system and failure to collect taxes due to corruption.</li> <li>✓ Strengthening of customs duty collection due to the decline in domestic tax revenue affected by the COVID-19.</li> <li>✓ Lack of coordination among ministries and agencies, revenue collection leakage due to manual work</li> <li>✓ Loss of revenue due to incompetence of customs officers</li> <li>✓ Revenue collection leakage due to rampant smuggling</li> <li>✓ Under-invoicing and double-invoicing are the norm</li> <li>✓ Rampant corruption, with the public and private sectors (clearing agent and forwarders) teaming up</li> </ul> </li> </ul>
Strategy	<ul style="list-style-type: none"> <li>• It is essential to solve the problem systematically by separating the accounts for revenue collection and refund.</li> <li>• Promote inter-ministerial cooperation, computerisation of trade procedures, and after-the-fact investigations to prevent revenue collection omissions</li> <li>• Promote the introduction of efforts in the WTO TFA related to revenue collection</li> <li>• Strengthen economic partnership through appropriate application of preferential tax rates</li> <li>• Strengthen tax collection capacity through enhanced connectivity by ASW</li> </ul>	<ul style="list-style-type: none"> <li>• It is essential to solve the problem systematically by separating the accounts for revenue collection and refund.</li> <li>• Promote inter-ministerial cooperation, computerisation of trade procedures, and after-the-fact investigations to prevent revenue collection omissions</li> <li>• Strengthen drastic anti-corruption measures, including improving the work environment and staff salaries.</li> <li>• Strengthen revenue collection capacity and improve smuggling detection capacity.</li> <li>• Implement capacity building for managers to strengthen their organisational management skills and ensure the smooth realisation of the three missions.</li> <li>• Promote computerisation and reduce opportunities for contact between the public and private sectors.</li> </ul>

Region	ASEAN	Sub-Saharan Africa Region
KPI	New KPI (On Revenue Collection KPI)	
Project	<ul style="list-style-type: none"> <li>• Assistance for the establishment of new departments related to revenue enhancement</li> <li>• Assistance activities for effective, efficient, and appropriate revenue collection</li> <li>• Assistance in the rapid implementation of mandatory provisions of the TFA related to revenue collection, such as the advance ruling system</li> <li>• Strengthen operational capacity of ASW</li> </ul>	<ul style="list-style-type: none"> <li>• Assistance for the establishment of new departments related to revenue enhancement and capacity building for staff to improve their PCA capabilities (e.g. establishment of a new PCA department)</li> <li>• Assistance activities for effective, efficient, and appropriate revenue collection</li> <li>• Further promotion of MTP for training of experts in revenue collection related fields such as product classification and customs valuation (in cooperation with WCO)</li> <li>• Risk management capacity assistance for anti-smuggling and efficient selection of high-risk cargo (in cooperation with WCO)</li> <li>• Conducted Leadership &amp; Management capability for executive staff (in collaboration with WCO)</li> <li>• Implementation of anti-corruption projects (in cooperation with WCOs and RECs)</li> </ul>
Priority Area	<ul style="list-style-type: none"> <li>• To develop and utilize regional experts using Thai and Malaysian customs officers.</li> <li>• Utilize ICT and digitization such as GPS-based monitoring and SW modernization.</li> </ul>	<ul style="list-style-type: none"> <li>• The share of revenues collected by customs as a percentage of revenue is an important factor when considering aid priorities.</li> <li>• The Midwest has a very high tariff as a percentage of revenue compared to other regions. It is a high regional priority because its aid impact is greater than in Southeast Africa.</li> <li>• The reduction or elimination of corruption among customs officials is the basis for all assistance and is a high priority for implementation in cooperation with the WCO, AU Secretariat, RECs Secretariat and others.</li> </ul>
Mission Three	Cracking Down on Smuggling: Achieving a Safer Homeland	
Current Status and Challenges	<ul style="list-style-type: none"> <li>• It is often neglected because of its emphasis on trade facilitation and revenue collection.</li> <li>• There is a lot of importation and smuggling of counterfeit goods with high tax rates, such as cigarettes.</li> <li>• Many Chinese products are being bypassed for export.</li> <li>• Destination of CITES-related goods (e.g., ivory)</li> <li>• Destination of illicit drugs (e.g., Golden Triangle)</li> <li>• Destination of CITES-related goods (e.g., rosewood)</li> <li>• Terrorism counter measurement</li> </ul>	<ul style="list-style-type: none"> <li>• Security risks are also high due to the high level of vulnerability and the fact that many countries have concerns about security and other issues.</li> <li>• Some countries are concerned that the implementation of the AfCFTA will also increase the smuggling of arms and illicit goods.</li> <li>• Countries bordering the Sahara Desert are at high risk of erosion by terrorist organizations from the north.</li> <li>• Smuggling has resulted in the omission of large amounts of customs duties, VAT, and other taxes that would normally be earned by the government.</li> <li>• The smuggling and importation of counterfeit medicines, substandard hygiene products (e.g. masks) and IP-infringing goods has increased under COVID-19.</li> </ul>

Region	ASEAN	Sub-Saharan Africa Region
Strategy	<ul style="list-style-type: none"> <li>• Improve risk management capabilities to prevent smuggling and diverted exports.</li> <li>• Prevent smuggling and trade in counterfeit goods by introducing the latest digital equipment such as facial recognition systems, inspection equipment, GPS tracking systems, etc. In addition, strengthen counter-terrorism measures.</li> <li>• Assistance in smuggling crackdown in cooperation with international organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Work with the WCO to improve the skills and capabilities (e.g. risk management) of counter-smuggling personnel.</li> <li>• Provide assistance for various operations conducted by the WCO and other international organisations (e.g. assistance in organising pre-seminars).</li> <li>• Improve the enforcement system and equipment at ports, airports and borders.</li> <li>• Prevent unloading, theft and smuggling of goods during bonded carriage from ports to inland countries.</li> <li>• Implement capacity building for managers to strengthen their organisational management skills and ensure the smooth realisation of the three missions.</li> </ul>
KPI	Number of smuggling seizures, number and number of seizures of IP infringing goods, additional tax income, Corruption Perception Index (CPI)	
Project	<ul style="list-style-type: none"> <li>• Introducing facial recognition systems at borders and airports to speed up the movement of people and ensure security</li> <li>• Introducing a GPS real-time cargo tracking system to prevent smuggling of illicit drugs, counterfeit goods, and high-value goods, and to ensure prompt customs clearance (in cooperation with other donors such as the EU)</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce facial recognition systems at borders and airports to speed up the movement of people and ensure security</li> <li>• Provide large X-ray machines, X-ray equipment for airports, and patrol vehicles for border security</li> <li>• Collaborate with other donors and others to implement port surveillance and tracking systems</li> <li>• Computerisation of customs clearance procedures, including the promotion of electronic exchange of customs information (cargo clearance information, manifest information, etc.) (in cooperation with international organisations such as WCO and WB, and the private sector)</li> <li>• Conducted Leadership &amp; Management capability for executive staff (in collaboration with WCO)</li> <li>• Standardise X-ray inspection images and inspection equipment using ICT, and centrally manage and control them in the region.</li> </ul>
Priority Area	<ul style="list-style-type: none"> <li>• Preventing smuggling by installing the latest inspection equipment and digital devices</li> </ul>	<ul style="list-style-type: none"> <li>• The importance of border control is high in Central and Western Africa due to the threat of terrorist organisations and rampant smuggling in the northern region.</li> <li>• The elimination of cargo backlogs and effective cargo management at major ports in the Central and West Africa region is of high importance.</li> </ul>

Source: The Survey Team



**Table 4-2 Status of ASEAN**

	Singapore	Brunei	Malaysia	Thailand	Indonesia	Philippines	Laos	Vietnam	Cambodia	Myanmar
GDP per capita (USD) (2017)	60,298	28,572	10,254.	6,578	3,837	2,982	2,424	2,366	1,385	1,250
Imports to Japan (thousand yen) (2017)	956,471	192,663	2,161,907	2,550,228	2,230,688	1,096,133	16,761	2,079,142	141,583	119,594
Exports from Japan (thousand yen) (2017)	2,540,554	9,520	1,431,252	3,349	1,502,174	1,247,977	13,030	1,688,086	40,168.	98,766
TRS implemented or not	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Computerisation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Type	TradeNet	ASYCUDA World	Customs Information System (SMK)	TCES (Thai Customs Electronic System)	CEISA Customs & Excise Information System and Automation)	e2m (Electronic-to-Mobile)	ASYCUDA World	VNACCS, VCIS	ASYCUDA World	MACCS
Import computerisation rate	100%.	n/a	100%	50%	100%	67%	n/a	98%	98%	53%
Export computerisation rate	100%.	n/a	98%	50%	100%	50%	n/a	99%	98%	73%
WTO accession	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Implementation of WCO standards	HS, SAFE	HS, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, SAFE
Tariffs as percentage of revenue (2018-2019)	0%.	N/A	2.60%.	4.10%.	3.00%.	3.00%.	N/A	N/A	10.30%.	9.50%.
Taxes collected by customs as a percentage of revenue (2018-2019)	13.10%.	N/A	23.60%.	22.30%.	29.70%.	22.30%.	N/A	N/A	52.30%.	38.20%.
Outward direct investment from Japan (billion yen) (2017)	67,020	N/A	15,915.	69,332	34,257	16,961	N/A	17,637	N/A	N/A
Number of Japanese-affiliated companies (2017)	1,199	15	1,295	3,925	1,911	1,502	135	1,816	309	438
FTA utilisation rate by Japanese companies (2017)	42.3%.	N/A	56.6%.	55.7%.	67.5	42.9 per cent	60.0	48.9 per cent	48.5	23.8%.

Source: Ministry of Finance Trade Statistics (2017), WCO Annual Report 2018-2019, CIA The World Factbook 2017, Bank of Japan Balance of Payments Statistics (2017), World Economic Indicators 2017, Ministry of Foreign Affairs of Japan Overseas Residency Survey Statistics (2017), JETRO FY2017 Survey of Japanese Companies in Asia and Oceania, Survey of Japanese Companies in Africa)

**Table 4-3 Status of South-eastern Africa**

	South Africa	Namibia	Angola	Kenya	Zambia	Tanzania	Rwanda	Uganda	Botswana	Burundi	Comoros	Djibouti	Eritrea	Eswatini	Ethiopia	Lesotho	Seychelles	Somalia	South Sudan	Zimbabwe	Mozambique	Mauritius	Madagascar	Malawi
GDP per capita (USD) (2017)	6,132	5,646	4,096	1,568	1,555	1,005	763	632	7,893	293	1,321	2,931	NA	3,953	768	1,227	15,684	309	N/A	1,602	461	10,485	515	357
Imports to Japan (thousand yen) (2017)	534,022	916	28,921	6,811	20,108	13,324	619	1,541	2,624	95	12	38	2	93	12,392	58	6,944	1,253	0	872	19,867	925	18,143	1,517
Exports from Japan (thousand yen) (2017)	281,968	2,439	3,463	85,595	5,708	34,933	1,310	31,486	2,514	553	267	5,845	323	1,265	12,726	997	1,779	421	393	2,079	11,306	13,818	1,605	2,443
TRS implemented or not		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Computerisation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Type	Integrated Customs Business Solutions	ASYCUDA World	ASYCUDA World	SIMBA 2008	ASYCUDA World	TANCIS	ASYCUDA World	ASYCUDA World	Customs Modernization System	ASYCUDA World	ASYCUDA World	ASYCUDA World	N/A	ASYCUDA World	ASYCUDA ++	ASYCUDA World	ASYCUDA World	na	na	ASYCUDA World	MCMS	CMISII	ASYCUDA ++	ASYCUDA ++
Import computerisation rate	56%	N/A	N/A	N/A	N/A	N/A	100%	100%	N/A	100%	N/A	100%	N/A	N/A	100%	98%	57%	N/A	N/A	100%	100%	100%	100%	100%
Export computerisation rate	52%	N/A	N/A	N/A	N/A	N/A	100%	100%	N/A	100%	N/A	100%	N/A	N/A	100%	100%	N/A	N/A	N/A	100%	100%	100%	100%	100%
WTO accession	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Implementation of WCO standards	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, SAFE	HS, SAFE	HS, SAFE	HS	HS, RKC, SAFE	HS, SAFE	HS, RKC, SAFE	na	safety	safety	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE
Tariff as a percentage of revenue (2018-2019)	4.00%	N/A	10.50%	N/A	7.30%	8.00%	6.60%	8.60%	1.30%	N/A	4.40%	N/A	N/A	1.20%	N/A	N/A	4.80%	N/A	N/A	N/A	8.40%	0.80%	1.60%	10.80%
Taxes collected by customs as a percentage of revenue (2018-2019)	17.50%	N/A	26.70%	N/A	34.30%	39.80%	31.10%	43.00%	14.40%	N/A	39.90%	N/A	N/A	12.50%	N/A	N/A	34.80%	N/A	N/A	N/A	35.80%	3.50%	47.10%	48.80%
Outward direct investment from Japan (billion yen) (2017)	6,999	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Japanese-affiliated companies (2017)	282	7	7	54	14	22	15	22	5	0	0	2	0	0	12	0	0	0	0	3	2	29	5	8
																								6

Source: Ministry of Finance Trade Statistics (2017), WCO Annual Report 2018-2019, CIA The World Factbook 2017, Bank of Japan Balance of Payments Statistics (2017), World Economic Indicators 2017, Ministry of Foreign Affairs of Japan Overseas Residency Survey Statistics (2017), JETRO FY2017 Survey of Japanese Companies in Asia and Oceania, Survey of Japanese Companies in Africa

**Table 4-4 Current Situation in West and Central Africa**

	Ghana	Nigeria	Côte d'Ivoire	Cameroun	Senegal	Guinea	Liberia	Burkina Faso	Cape Verde	chad	Gabon	The Gambia	Mali	Central Africa	Sao Tome and Principe	Togo	Congo people	Sierra Leone	Niger	Congo	Guinea-Bissau
GDP per capita (USD) (2017)	2,026	1,969	1,557	1,422	1,367	856	699	642	3,293	664	7,213	680	829	1,146	450	625	467	499	376	1,703	737
Imports to Japan (thousand yen) (2017)	21,551	88,326	1,491	458	2,335	156	85	4,510	14	11	7,471	2	128	19,904	80	334	420	224	37	179	0
Exports from Japan (thousand yen) (2017)	14,710	36,013	7,455	2,616	5,788	776	90,929	2,015	604	430	2,235	415	1,827	2,437	242	3,313	4,128	332	592	406	164
TRS implemented or not		✓	✓	✓				✓	✓				✓						✓		
Computerisation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Type	GCMS	ASYCUDA ++, NICIS 2	SYDAM World	ASYCUDA ++, C CIS	GAINDE	ASYCUDA ++	ASYCUDA World	ASYCUDA World	ASYCUDA World	ASYCUDA ++	ASYCUDA ++	ASYCUDA ++	ASYCUDA World	ASYCUDA ++	ASYCUDA World	ASYCUDA World	ASYCUDA World	ASYCUDA ++	ASYCUDA World	ASYCUDA World	ASYCUDA ++
Import computerisation rate	n/a	100%	n/a	95%	NA	96%	59%	n/a	100%	n/a	n/a	n/a	100%	NA	100%	NA	94%	NA	3.0%	NA	NA
Export computerisation rate	NA	100%	NA	95%	NA	96%	100%	NA	100%	NA	NA	NA	100%	NA	100%	NA	92%	NA	0.0%	NA	NA
WTO accession	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Implementation of WCO standards	safety	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, SAFE	HS, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, SAFE	HS, RKC, SAFE	safety	HS, RKC, SAFE	HS, SAFE	HS, RKC	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, RKC, SAFE	HS, HS, SAFE
Tariff as a percentage of revenue (2018-2019)	NA	NA	20.00%	2.50%	13.20%	20.40%	20.40%	NA	20.2%	NA	9.9%	NA	10.9%	NA	NA	NA	15.7%	NA	NA	NA	15.6%
Taxes collected by customs as a percentage of revenue (2018-2019)	N/A	N/A	71.20%	12.70%	35.00%	49.90%	41.80%	N/A	45.5%	N/A	21.7%	N/A	42.0%	N/A	N/A	N/A	47.6%	N/A	N/A	N/A	50.4%
Outward direct investment from Japan (billion yen) (2017)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Japanese company locations (2017)	44	40	12	7	15	6	4	2	0	0	1	0	1	1	0	0	5	0	0	0	0

Sources: Ministry of Finance Trade Statistics (2017), WCO Annual Report 2018-2019, CIA The World Factbook 2017, Bank of Japan Balance of Payments Statistics (2017), World Economic Indicators 2017, Ministry of Foreign Affairs of Japan Overseas Residency Survey Statistics (2017), JETRO FY2017 Survey of Japanese Companies in Asia and Oceania, Survey of Japanese Companies in Africa

## **4-2 Key Performance Indicators (KPIs)**

### **4-2-1 Examination of Existing KPIs**

#### **(1) Trade Facilitation-Related KPIs**

##### **1) TRS and its effectiveness as a trade facilitation KPI**

###### **① Background of TRS creation and current status of its utilisation**

In the latter half of the 1980s, the US trade deficit with Japan continued to grow, and trade friction became the biggest concern between Japan and the US. In order to resolve the problem, meetings called the "Japan-US Structural Talks" were vigorously held in both countries from 1989 to 1990 to examine structural issues aimed at reducing the US trade deficit, and the final report of the Japan-US Structural Talks was compiled in June 1990. One of the items discussed was the issue of delays in Japan's import procedures, and the customs authorities of both Japan and the US discussed the issue and decided to use a common method to measure the time required for customs clearance of import procedures in both countries in order to understand the actual situation. Based on this measurement method, two countries conducted a survey of the time required for import clearance procedures in both countries in 1991 and 1992. Noting the survey methodology, the WCO developed the TRS Handbook in 1994.

Since the implementation of the TRS is effective in identifying bottlenecks and improving the predictability of trade procedures in general, including customs procedures, the WCO adopted a more universal TRS Guide in 2001 based on the TRS Handbook, which can be used by WCO member countries. Since then, the environment of trade procedures has changed significantly, such as the need for high predictability and smooth flow of cargo as represented by the just-in-time approach to international logistics. To respond to these changes, the TRS Guide was revised as necessary in 2011 and 2018. Currently, the third edition of the TRS Guide is being actively used in WCO member countries for national and regional TRS.<sup>21</sup>

The objectives of the TRS are to identify bottlenecks in international trade; measure the efficiency of customs and other trade-related ministries and agencies and traders; evaluate newly introduced policies and schemes, electronic cargo clearance systems, etc.; identify baselines for trade facilitation; and improve the predictability of cargo clearance times for traders. However, it is not intended to be used for comparisons between or among customs administrations or countries.

In addition, in consideration of the purpose of the TRS mentioned above, Article 7.6 (Determination and publication of the average time required for offtake) of the WTO Agreement on Trade Facilitation (TFA) encourages the implementation of the TRS and publish the results on a regular basis, using tools such as the WCO's TRS Guide. It is encouraged to conduct TRSs and publish the results on a regular basis, and it is also believed that the implementation and publication of TRSs will increase in the future. However, since the Article 7(6) is not an obligatory provision, but only encourages

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<sup>21</sup> WCO Guide to Measure the Time Required for the Release of Goods (TRS Version 3)

implementation and publication of the results, the extent to which WTO members will implement the TRS is unpredictable. In addition, even in countries that have conducted the TRS, the number of countries that publish the results is currently limited. However, since the World Bank and the IMF have evaluated the effectiveness of the TRS as one of the KPIs in their hearings, it would be worthwhile to consider requiring donor agencies to share the TRS results or to conduct the TRS periodically as a prerequisite for their implementation of future capital building projects, in cooperation with the donor agencies.

## ② TRS Guide Methodology

The TRS Guide is based on the measurement of all the time required from the arrival of an import cargo (arrival) to the release of that cargo under customs control to the domestic market, and the amount of time required for each of the five main stages in the process from arrival to release. By clarifying all the time and the time taken at each stage, it is possible to identify bottlenecks in trade and to understand the efficiency of new systems and schemes, IT systems, inspection equipment, etc. introduced by customs and other trade-related ministries and agencies.

For example, the main stages in the import process include the following

- (i) Arrival (arrival of a ship or aircraft);
- (ii) Storage (carry-in arrival cargo to a bonded area or customs control area);
- (iii) Declaration (submission of import declarations to customs);
- (iv) Permit (issue of customs import permission); and
- (v) Release (carry-out of import permission cargo to the domestic market).

By accurately recording the date and time of each of these actions, the time required for each stage (arrival → storage, storage → declaration, declaration → permission, permission → release) can be clarified. In addition, the bottleneck in the trade procedure can be identified by identifying which trade-related parties are involved in the relevant stage and what procedures are being carried out. Key trade stakeholders at each stage and key issues that will be identified as a result of TRS implementation are shown in the table below.

**Table 4-5 Items Expected to be Identified by TRS Analysis**

Stage	Major related parties, etc.	Items expected to be identified by analysis of TRS results
Arrival ⇒ Storage	Port authorities, airport authorities, ship and airline agents, warehouse operators, CY operators	<ul style="list-style-type: none"> <li>• Infrastructures at ports, airports and land borders</li> <li>• Efficiency of management procedures for ports and airports, etc.</li> <li>• Efficiency of procedures in CY and warehouse</li> <li>• Efficiency of cargo management at CY and container depots</li> </ul>
Storage ⇒ Declaration	Importers, clearing agents or customs brokers, other ministries, (banks)	<ul style="list-style-type: none"> <li>• Efficiency of importers</li> <li>• Efficiency of clearing agents or customs brokers</li> <li>• Processing time and efficiency required by other trade-related ministries and agencies</li> <li>• Efficiency of various procedures introduced by other trade-related ministries and agencies</li> <li>• Efficiency of banking procedures (in the case of pre-declared payments)</li> </ul>

Stage	Major related parties, etc.	Items expected to be identified by analysis of TRS results
Declaration ⇒ Permission	Customs, banks	<ul style="list-style-type: none"> <li>• Efficiency of customs procedures</li> <li>• Efficiency of various facilitation procedures introduced by customs</li> <li>• Efficiency of electronic customs clearance system and SW</li> <li>• Processing time and efficiency of banking procedures</li> </ul>
Permit ⇒ Release	Port authorities, airport authorities, CY operators, warehouse operators	<ul style="list-style-type: none"> <li>• Efficiency of management procedures for ports authorities and airports authorities, etc.</li> <li>• Efficiency of collection of CY fees, etc.</li> <li>• Efficiency of CY and warehouse carry-out procedures</li> </ul>

Source: The Survey Team

As shown in Table 4-5, the time required from the declaration of goods to the issuance of permission is mainly consumed by customs. Therefore, the TRS result is used as one of the KPIs for assessing the efficiency and smoothness of customs procedures, the efficiency of various systems adopted by customs, and the efficiency of IT systems and various inspection equipment, including Single Window. By adjusting the questions on the TRS questionnaire, the time required for various internal customs procedures (e.g. examination time for HS classification and customs valuation, cargo inspection time, etc.) can be measured and utilised for the improvement of these operations.

### ③ Implementation status of TRS in each country

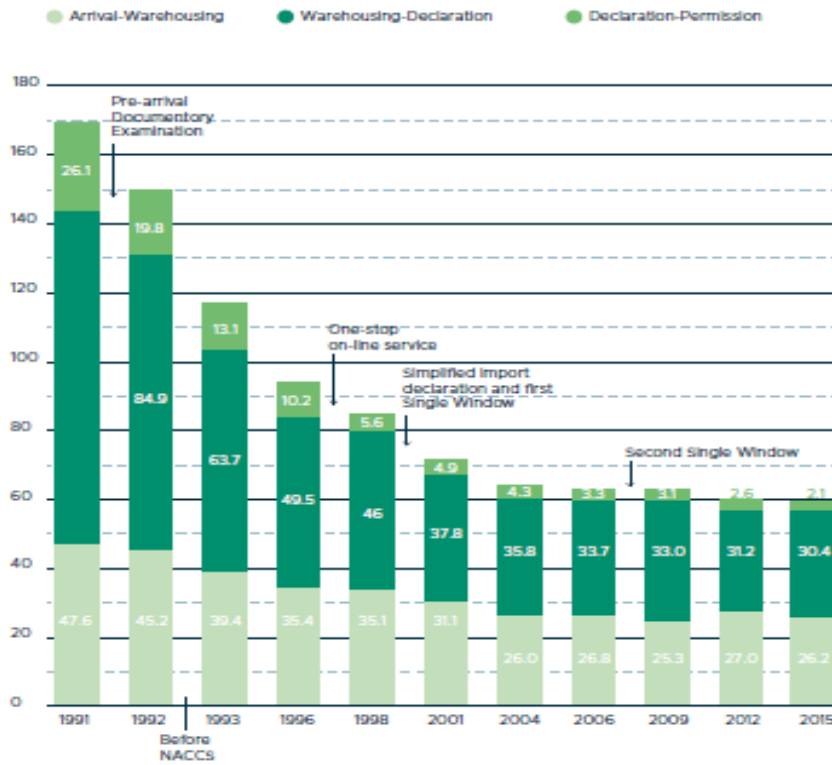
According to the WCO Annual Report 2019-2020, 74 countries – or about 40 per cent – out of the 183 WCO member countries have implemented TRS, a number that has been increasing in recent years. Nine out of 10 ASEAN countries except Brunei, and 21 out of 48 Sub-Saharan African countries have implemented TRS. The WCO's TRS Guide also includes implementation results from Australia, Cameroon, Chile, Georgia, India, Japan, Lao PDR, Mauritius, New Zealand, and Sudan as examples of member country implementation.<sup>22</sup>

Among the WCO member countries, Japan has been the most active in implementing the TRS. Japan has conducted 12 TRSs every two or three years since 1991, and the results are published on the Ministry of Finance website.<sup>23</sup>

The results of Japan's TRS implementation published on the Ministry of Finance's website include not only the results of past TRSs, but also the results of various analyses, such as a comparison of the time required depending on whether or not facilitation measures such as the AEO system and the introduction of the preliminary examination system adopted by customs are used, and a comparison of the time required depending on whether or not procedures of other ministries and agencies are included. The TRS results for Japan in the WCO's TRS Guide also reveal the effectiveness of the introduction of NACCS and NACCS-based Single Window by comparing the survey time before and after the introduction (Figure 4-6). Furthermore, the effects of facilitation measures such as the preliminary examination system and the immediate permission on arrival system are clarified by comparing the average time and the case of not using them (Figure 4-7). Thus, Japan's TRS implementation and analysis results are recognised as one of the benchmarks of TRS.

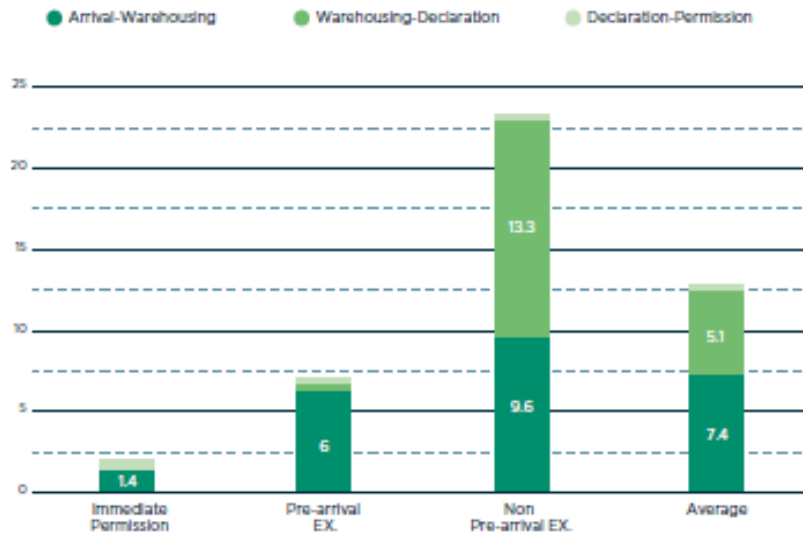
<sup>22</sup> WCO Annual Report 2019-2020

<sup>23</sup> Ministry of Finance website (The 12th Survey on the Time Required for Import Procedures).  
URL: [https://www.mof.go.jp/customs\\_tariff/trade/facilitation/ka20180706.htm](https://www.mof.go.jp/customs_tariff/trade/facilitation/ka20180706.htm)



Source: WCO TRS Guide

**Figure 4-6 WCO TRS Guide (Result of Japan's TRS and Trade Facilitation Measures Made by Japan Customs)**



Source: WCO TRS Guide

**Figure 4-7 WCO TRS Guide (Use of Preliminary Examination System and Immediate Permission Upon Arrival)**

#### ④ Implementation and results of the TRS in the countries covered by this Survey

The EAC and its member states are the most actively implemented the TRS among Sub-Saharan African countries, which are the subject countries in this Survey. The EAC member states have conducted several TRSs in the Northern Corridor (the corridor connecting the port of Mombasa in Kenya to Rwanda, Burundi and Congo via Uganda) under the auspices of the WCO and others.

The first TRS survey was conducted between 16 April and 05 May 2012, and the result revealed that it took 18 days for cargo to arrive at the port of Mombasa in Kenya, be transported by land, and be cleared by customs at Kampala, the capital city of Uganda for delivery to domestic market in Uganda. In particular, it was found that it took 10 days and 18 hours, equivalent to 60% of the total time, from the arrival of the cargo at the Port of Mombasa to the time it passed through the gates of the container yard at the Port of Mombasa with the permission of customs and the Port Authority. This revealed that there is a big room for significant improvement in the procedures of the Port of Mombasa Customs, other ministries and the Port Authority.<sup>24</sup>

Using the Study as a baseline, the EAC countries introduced a number of schemes, procedures and facilities for trade facilitation. For example, the EAC member states launched the Single Customs Territory (SCT) system in 2014 to reduce trade costs and facilitate trade through the simplification and standardisation of intra-regional trade procedures. The SCT included electronic transmission of sea cargo manifest information 48 hours in advance, electronic exchange of customs information, and the deployment of Ugandan and Rwandan Customs officers at the ports of Mombasa in Kenya and Darussalam in Tanzania to process cargo destined for both countries at the port where the cargo first arrives in the EAC region. In addition, at the Northern Corridor Summit in 2014, it was decided to introduce a Regional Electronic Cargo Tracking system (RECTS) to monitor the movement of cargoes in real-time from the port of Mombasa to arrival of destination in Uganda and Rwanda, and a common monitoring system for the three countries was introduced in 2017. The RECTS employed GPS and electronic seals, car number readers, smart gates, CCTV, a central monitoring centre and emergency response units. In addition, the OSBP, NSW, and AEO systems were introduced.<sup>25</sup>

The second TRS was conducted between 23 May and 18 June 2016, and the average time between cargo arrival at the Port of Mombasa and departure from the gates of the container yard at the Port of Mombasa did not change significantly at 7 days and 19 hours for general cargo. For SCT cargo, the average time decreased significantly to 4 days and 10 hours. The carriage of SCT cargo was reduced to 3 days and 14 hours from the time it left the gate at the Port of Mombasa to arrival at Kampala, the capital of Uganda, and it took about 7 days from the time the cargo arrived at the Port of Mombasa to Kampala, a reduction of about one-third compared to the 2012 survey.<sup>26</sup>

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<sup>24</sup> WCO presentation on Time Release Study, <https://www.unescap.org/sites/default/files/01-WCO%20Time%20release%20study-Toshihiko%20Osawa.pdf>

<sup>25</sup> EAC Single Customs Territory Procedures Manual

<sup>26</sup> WTO presentation, Time Release Study in Uganda, [https://www.wto.org/english/tratop\\_e/tradfa\\_e/8\\_katesh\\_dicksons\\_uganda\\_Customs.pdf](https://www.wto.org/english/tratop_e/tradfa_e/8_katesh_dicksons_uganda_Customs.pdf)



This has increased the truck utilisation rate (turnover rate), and while the limit was four round trips per month prior to 2012, as of 2019, eight round trips per month are now possible, significantly reducing transportation costs and improving transportation efficiency.

In ASEAN countries, several TRSs have been conducted in each country and region (Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), GMS) with the assistance of ADB and JICA, but none of them have been conducted on a regular basis and have not been analysed.

#### ⑤ Possible hypotheses as a result of TRS in Japan

The time required for customs clearance as revealed in the TRS is a simple average, including time outside of customs' working hours, such as weekends, holidays and night time. In Japan, 98% of imported cargo is processed by NACCS. When an importer makes a declaration, NACCS classifies the cargo into one of the following categories according to risk: Category 1 (immediate permission), Category 2 (document examination), or Category 3 (document examination + cargo inspection), and implements procedures based on each category. Therefore, the average time required for customs clearance from declaration to customs clearance can be expressed by the following formula.<sup>27</sup>

Average customs clearance time = (sum of customs clearance time for Category 1 + sum of customs clearance time for Category 2 + sum of customs clearance time for Category 3) / total number of declarations

Therefore, the following hypothesis can be made for the reduction of customs clearance time.

- Hypothesis 1: Since the time required for customs clearance per declaration increases in the order of Category 1 < Category 2 < Category 3, an increase in Category 1 or a decrease in Category 3 will reduce the average time.
- Hypothesis 2: If the percentage of each category does not change, the average time will be reduced due to the reduced processing time per declaration caused by the customs clearance system and the introduction of the new scheme.

With regard to Hypothesis 1, the percentage of each category is not disclosed because the operations are a key part of customs' risk management. However, if a system such as the AEO system is adopted, in which customs certifies importers and exporters as AEO businesses after examining their compliance level and security management status in advance, it is likely that the number of Category 1 businesses will increase. In addition, by improving the knowledge, skills and abilities related to risk analysis and the ability to collect and analyse information necessary for risk analysis, it will be possible to more precisely select declarations classified as low risk (Category 1) and declarations classified as high risk (Category 3), and it is estimated that the number of Category 1 declarations will increase as a result.

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<sup>27</sup> NACCS: The National Import, Export, and Port Consolidated System (NACCS) is a system for processing import, export, and other related operations, such as customs procedures and port procedures, as well as related private-sector operations, by linking customs, related administrative agencies, and related private-sector businesses online. (From the glossary of customs-related terms)

As for Hypothesis 2, the time required for customs clearance has decreased significantly with the introduction of NACCS and Single Window, as is evident from the TRS results graph for Japan in Figure 4-6 in the WCO's TRS Guide. The effectiveness of the facilitation measures is also demonstrated by a graph showing the difference in the time required for customs clearance depending on whether the pre-arrival declaration system is used or not.

However, in order to reduce the overall time required for customs clearance from the arrival of cargo to its release to domestic market in Japan, the following factors are considered to be mutually related and effective: the reduction of dwell time through the development of logistics infrastructure at ports, airports, and borders; the simplification and speeding up of procedures at trade-related ministries and agencies other than customs; the introduction of Single Window; and the introduction of paperless systems, including the electronic exchange of trade information. Therefore, it is important to conduct TRS to find out the obstacles to trade facilitation, and to conduct TRS continuously to understand the improvement status of such obstacles.

Based on the above, it is said that the WCO's TRS can be one of the most effective KPIs in promoting trade facilitation. However, as mentioned in (1) above, it is up to each country to decide whether or not to conduct the TRS, and it is important to work with the WCO, which developed the TRS methodology, and other donor agencies and donor countries to encourage implementation and publication of the results.

## **2) Effectiveness of Logistic Performance Index (LPI) and trade facilitation as KPI**

### **① Overview of LPI**

Logistic Performance Index (LPI) is a biennial survey on logistics conducted and published by the World Bank, and is expected to be utilised as a benchmarking tool to identify and improve logistics issues in international trade in each country. The first survey was conducted in 2007, followed by six more surveys in 2010, 2012, 2014, 2016 and 2018, with the latest 2018 survey covering 160 countries and territories worldwide.

Although there are two LPI surveys, one international and one domestic, only the international LPI will be used in this report to evaluate effectiveness as one of the KPIs in the area of trade facilitation. The survey method of the international LPI is conducted by using the internet to obtain responses from experts engaged in international logistics, such as international courier companies and freight forwarders, regarding the ease and difficulty of logistics in the field of international logistics.

Specifically, the following points are surveyed in each country and territory

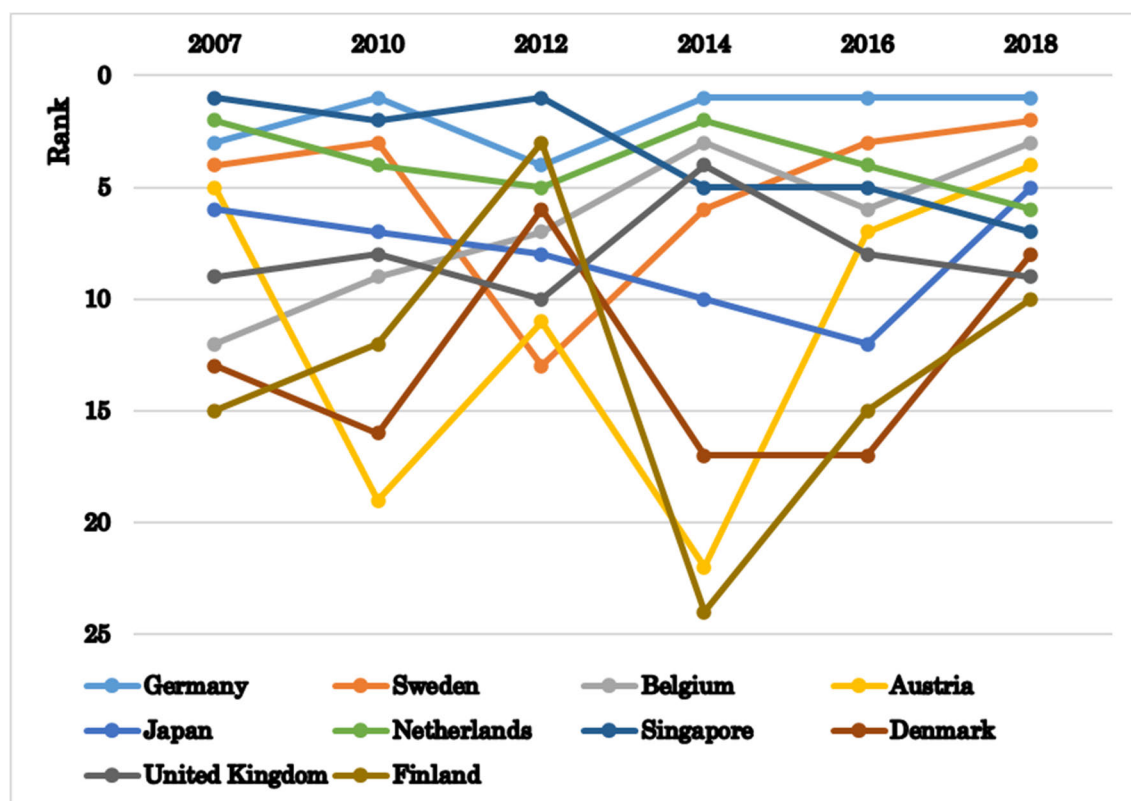
- Efficiency of customs and border control;
- Quality of trade and logistics infrastructure;
- Ease of procuring international freight transportation at competitive prices;
- Capacity and quality of logistic services;
- Traceability of cargo in transit; and
- Timely arrival of cargo to the consignee.

For each of the six areas, respondents answered with a score (minimum 1 to maximum 5) based on a perceptual evaluation. The responses are statistically processed and LPI scores of each area are developed. Finally, an overall evaluation point is developed using them.

## ② LPI score and trade facilitation

In order to facilitate international logistics, simplified and facilitated procedures of the ministries and agencies in charge of border control such as customs and other trade control ministries, well-developed logistics infrastructure such as ports and airports, use of warehouses and container yards at reasonable rates, punctuality of truck delivery and traceability of transported cargo, etc. need to be comprehensively developed. In this regard, a qualitative analysis will be conducted to determine whether the LPI is effective as KPI for trade facilitation, focusing on the overall LPI score created based on the scores of the six LPI fields mentioned above.

The top 10 countries in the 2018 overall LPI score are, in order from first to last: Germany, Sweden, Belgium, Austria, Japan, Netherlands, Singapore, Denmark, United Kingdom and Finland. Looking at the last six rankings of the top ten countries in 2018, it can be seen that there have been quite substantial shifts in the rankings, with the exception of Germany at the top, as Figure 4-8 shows.



Source: World Bank LPI

Figure 4-8 LPI 2018 Top 10 Countries in the Last Five Surveys

For example, Japan ranked 12th in the 2016 survey, its lowest ever, but 5th in the 2018 survey, its highest ever. Comparing the six areas of the 2016 and 2018 surveys for Japan, Table 4-6 shows that the score and rankings have improved significantly in three areas: efficiency of customs and border control, trade and logistics infrastructure, and quality and competitiveness of logistics services.

**Table 4-6 Indexes and Rankings for the 2016 and 2018 Surveys of Japan LPI**

Year	Overall		Customs		Infrastructure		International Transport		Quality of Service, etc.		Cargo Traceability		Timeliness of Delivery	
	Score	Order	Score	Order	Score	Order	Score	Order	Score	Order	Score	Order	Score	Order
2018	4.03	5	3.99	3	4.25	2	3.59	14	4.09	4	4.05	10	4.25	10
2016	3.97	12	3.85	11	4.10	11	3.69	13	3.99	12	4.03	13	4.21	15

Source: World Bank LPI

Of these three areas, with respect to customs and infrastructure for which public information is readily available, the team examined what improvements and reforms were made between 2016 and 2018. As shown below, both areas have seen significant institutional and system improvements and infrastructure development at ports, and it can be assumed that the introduction of trade facilitation measures is reflected in the LPI scores.

- (i) Customs: A major NACCS update was implemented on 08 October 2017, and the upgraded new NACCS system has been operated since then. On the same day, the liberalisation of customs declaration scheme for AEO businesses was introduced. As a result, the convenience of NACCS, which can be regarded as a trade infrastructure for those involved in international trade, has been improved, and the expanded degree of freedom of AEO operators (exporters, importers, clearing agents, warehousing companies, and transportation companies) is assumed to have contributed greatly to the improvement in the index and rankings.<sup>28 29</sup>
- (ii) Infrastructure: Container terminals for ultra-large container ships were constructed at Keihin Port and Hanshin Port, including the opening of container pier Y1 outside the central breakwater at Tokyo Port in November 2017, the opening of Honmoku South Pier MC3 at Yokohama Port in April 2015, the opening of the Yumeshima C12 extension at Osaka Port in February 2017, and the installation of large cranes at Rokko Island RC6 and RC7 in April 2017. On the other hand, airport infrastructure has been improved with the opening of the second runway at Kansai International Airport in August 2007, the opening of the fourth runway at Haneda Airport in October 2010, and the extension of the B runway at Narita Airport in March 2013, but there have been no major improvements since 2013. As a result, it is assumed that a series of container terminal developments at Keihin Port and Hanshin Port have contributed significantly to the significant improvement in rankings and indices in 2018.<sup>30 31 32 33</sup>

### ③ LPI score and ASEAN trade facilitation

Next, we look at the changes in the overall LPI score and rankings of the LPI for the 10 ASEAN countries included in this Survey.

<sup>28</sup> NACCS Press Release, "The Sixth NACCS Goes Live" (Oct. 8, 2017), <https://www.naccs.jp/news/data/20171008/20171008.pdf>

<sup>29</sup> Customs website: <https://www.Customs.go.jp/zeikan/seido/jiyuka.html>

<sup>30</sup> Tokyo Port Terminal Corporation <http://www.tptc.co.jp/guide/chubousoto/about>

<sup>31</sup> Yokohama City Website:

<https://www.city.yokohama.lg.jp/city-info/yokohamashi/yokohamako/kkihon/torikumi/minami/mhonmoku-index.html>

<sup>32</sup> Hanshin International Port Corporation Press Release (30 January 2017)

<sup>33</sup> Hanshin International Port Corporation Press Release (20 April 2017)

The overall LPI scores for ASEAN countries are shown in Table 4-7 below.

**Table 4-7 Changes in LPI Index and Ranking of ASEAN Countries**

Name of Country	2007		2010		2012		2014		2016		2018	
	Order	Score	Order	Score	Order	Score	Order	Score	Order	Score	Order	Score
Singapor	1	4.19	2	4.09	1	4.13	5	4.00	5	4.14	7	4.00
Thailand	31	3.31	35	3.29	38	3.18	35	3.43	45	3.26	32	3.41
Viet Nam	53	2.89	53	2.96	53	3.00	48	3.15	64	2.98	39	3.27
Malaysia	27	3.48	29	3.44	29	3.49	25	3.59	32	3.43	41	3.22
Indonesia	43	3.01	75	2.76	59	2.94	53	3.08	63	2.98	46	3.15
Philippines	65	2.69	44	3.14	52	3.02	57	3.00	71	2.86	60	2.90
Brunei Darussalam									70	2.87	80	2.71
Lao PDR	117	2.25	118	2.46	109	2.50	131	2.39	152	2.07	82	2.70
Cambodia	82	2.50	129	2.37	101	2.56	83	2.74	73	2.80	98	2.58
Myanmar	147	1.86	133	2.33	129	2.37	145	2.25	113	2.46	137	2.30

Source: World Bank LPI

Singapore has consistently maintained its position in the top 10 in the past six surveys and is ranked seventh in 2018, making it the country with the highest level of trade facilitation in the ASEAN region. Thailand (32<sup>nd</sup>), Vietnam (39<sup>th</sup>), Malaysia (41<sup>st</sup>), and Indonesia (46<sup>th</sup>) are in the second group, followed by the Philippines (60<sup>th</sup>), Brunei (80<sup>th</sup>), Laos (82<sup>nd</sup>), Cambodia (98<sup>th</sup>), and Myanmar (137<sup>th</sup>).

Compared to the first survey in 2007 and the sixth survey in 2018, seven countries have increased their overall LPI score, indicating that trade facilitation is progressing in the ASEAN region. In particular, Vietnam (+13%), Laos (+20%) and Myanmar (+24%) have shown significant growths.

VNACCS and MACCS, which were introduced with the assistance of the Japanese government and JICA, became operational in April 2014 and November 2016, respectively. It is hypothesised that the computerisation of customs procedures should have contributed significantly to trade facilitation and improved the LPI scores of both countries.

The LPI survey is conducted from September of the previous year in which the report is prepared until February of the relevant year. To test this hypothesis, changes in Vietnam's LPI index in 2014, 2016 and 2018 in terms of the overall LPI score and the customs score show that the overall LPI score changed from 3.15 to 2.98 (down 5.4%) to 3.27 (up 9.7%), while the customs score changed from 2.81 to 2.75 (down 2.1%) to 2.95 (up 7.3%). While the cause of the decline in the scores in the 2016 survey immediately after the introduction of VNACCS is unclear, it is assumed that both scores will have improved significantly in the 2018 survey. This is after VNACCS has been rolled out nationwide and the utilisation of the system by customs and private sector operators has taken off, and a certain period of time has passed for the utilisation rate to improve.

On the other hand, Myanmar's overall LPI score and customs score declined from 2.46 to 2.30 (-6.5%) and 2.43 to 2.17 (-10.7%) in 2016 and 2018, respectively. For Myanmar, if both scores improve in the 2020 survey, the same conjecture can be made as for Vietnam. In addition, it is expected that the omission of the submission of documents will be an issue for future consideration.

As a result, the hypothesis that the introduction of VNACCS and MACCS will have a facilitation effect

is not valid as far as the LPI scores immediately after the introduction is concerned. In addition, it can be said that it is necessary not only to introduce the electronic clearance system, but also to improve the procedures in parallel, such as the realisation of paperless trade using the system and the introduction of Single Window linked with other ministries and agencies.

**Table 4-8 Customs LPI Index and Ranking of ASEAN Countries**

Name of Country	2007		2010		2012		2014		2016		2018	
	Order	Score	Order	Score	Order	Score	Order	Score	Order	Score	Order	Score
Singapor	3	3.90	2	4.22	1	4.10	3	4.01	1	4.12	6	3.89
Thailand	32	3.03	39	3.02	42	2.96	36	3.21	46	3.11	36	3.14
Viet Nam	37	2.89	53	2.68	63	2.65	61	2.81	64	2.75	41	2.95
Malaysia	23	3.36	36	3.11	29	3.28	27	3.37	40	3.17	43	2.90
Indonesia	44	2.73	72	2.43	75	2.53	55	2.87	69	2.69	62	2.67
Philippines	53	2.64	54	2.67	67	2.63	47	3.00	78	2.61	85	2.53
Brunei Darussalam									57	2.78	73	2.62
Lao PDR	120	2.08	113	2.17	93	2.38	100	2.45	155	1.93	74	2.61
Cambodia	116	2.19	95	2.28	108	2.30	71	2.67	77	2.62	109	2.37
Myanmar	124	2.07	146	1.94	122	2.24	150	1.97	96	2.43	131	2.17

Source: World Bank LPI

#### ④ LPI score and trade facilitation in Sub-Saharan Africa

In the Sub-Saharan African region, countries in Eastern Africa, Southern Africa, and Western Africa where JICA has been providing assistance for OSBP development, etc. were selected from each region and examined in the same way as in ASEAN. Specifically, in Eastern Africa, the countries targeted for the EAC Northern Corridor are Kenya and Uganda; in Southern Africa, the countries targeted for the Nacala Corridor are Mozambique and Zambia; and in West Africa, the countries targeted for the development of the West Africa Growth Ring Corridor are Ghana and Burkina Faso.

**Table 4-9 LPI Index and Ranking of the Three African Corridor Countries**

Name of Country	2007		2010		2012		2014		2016		2018	
	Order	Score	Order	Score	Order	Score	Order	Score	Order	Score	Order	Score
Over All LPI												
Kenya	76	2.52	99	2.59	122	2.43	74	2.81	42	3.33	68	2.81
Uganda	83	2.49	66	2.82					58	3.04	102	2.58
Mozambique	110	2.29	136	2.29			147	2.23	84	2.68		
Zambia	100	2.37	138	2.28			123	2.46	79	2.74	111	2.53
Ghana	125	2.16	117	2.47	108	2.51	100	2.63	88	2.66	106	2.57
Burkina Faso	121	2.24	145	2.23	134	2.32	98	2.64	81	2.73	91	2.62

Source: World Bank LPI

The 2018 overall LPI score has improved in all target countries compared to 2007 (except Mozambique, for which no 2018 score is available). In particular, Kenya (+11.5%), Ghana (+19%) and Burkina Faso (+17%) have shown significant improvement. Other points of interest include the effectiveness of the LPI by looking at what measures were implemented between 2014 and 2016, as Kenya and Uganda's overall LPI scores improved significantly in 2016, which recorded the three points or more.

EAC member states launched the SCT initiative in 2014, and the 2016 TRS showed for a significant reduction in customs clearance times for SCT-eligible shipments (see TRS above). It is assumed that this has led to a significant increase in the LPI scores in both countries. On the other hand, in 2017, RECTS was launched to monitor transit cargo movements in real-time, but the scores for both countries in 2018 dropped significantly, and in Kenya, they are now the same as in 2014.

For reference, according to a report on the results of the Endline Time Measurement Survey a Rusumo Border Crossing conducted by JICA in 2017, the average transit time for all cargo at the Rusumo border has decreased from 8.42 hours in the baseline August 2014 survey to 2.2 hours as of the 2017 survey, achieving a 73% reduction in transit time. In particular, cargo subject to the SCT can cross the border in an even shorter period of time (1.52 hours) because only the cargo seal is checked. However, although the number of cargoes subject to SCT is gradually increasing, the results reported in the 2017 survey showed that only 34% of the cargoes were in use at the time of the survey, etc.

Similarly, at the Kenyan and Ugandan borders, OSBPs have been established, SCTs have been introduced, and constant monitoring of transit cargo using the RECTS has been implemented, so it can be assumed that border crossing times have been shortened. We believe that the significant decline in the LPI index according to the 2018 survey under such conditions needs to be verified by future surveys to see whether it is a problem with the LPI survey methodology or whether there were some special circumstances in trade relations between the two countries.

However, p17 of the LPI 2018<sup>34</sup> states that "Changes in the LPI scores reflect negative or positive private sector perceptions of logistics performance. The LPI score is not purely a metric of current performance. It incorporate expectations, trends, and the perceived pace of improvement. This can create a rebound effect from one survey to the next. For example, a country with large positive change in one survey may be adjusted downward the time because positive changes were perceived as happening more slowly than anticipated during the preceding survey". This may be the case for Kenya and Uganda, and this will need to be checked in the next survey results.

Comparing the average score of the LPI customs scores of the ASEAN countries, Eastern and Southern African countries, and Central and West African countries, the average score of the ASEAN 10 countries is 2.79 (the average figure of the nine countries excluding Singapore, where trade facilitation is well advanced, is 2.66), while the average score of the Eastern and Southern African countries is 2.34 (84.1% against ASEAN and 88% against ASEAN 9), and the average score of the Central and West African countries is 2.24 (80.3% against ASEAN and 84% against ASEAN 9). The scores indicate that further improvement of trade facilitation measures of Sub-Saharan African countries is required compared with the ASEAN countries. For the reference, the average score for all over the world is 2.67.

It should be noted that the LPI survey for countries in the Sub-Saharan Africa region, such as Ethiopia, Mozambique and Tanzania – which are considered important for this survey – are not available.

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<sup>34</sup> Logistic Performance Index 2018 report: [LPI2018.pdf \(worldbank.org\)](https://www.worldbank.org/lpi2018.pdf)

## **⑤ Evaluation of LPI score**

The aforementioned case of Japan shows that the facilitation measures introduced by the Japanese government have resulted in the improvement of the overall LPI score, customs score and infrastructure score. On the other hand, in the case of the ASEAN, it can be said that a certain period of time will be necessary to measure the effects of the introduction of VNACCS and MACCS in the overall LPI score and customs score, taking into account the proficiency of the public and private sectors and the expansion of the utilisation rate. Also, in the case of Kenya and Uganda, there are instances in which the facilitation measures lead to an improvement in the LPI score and cases where the improvement does not show up in the score.

As a result, we believe that it is possible to use the LPI score as one of the KPIs to understand the effect of the assistance measures by using both the overall score and individual scores for each sector such as customs and infrastructure. However, taking into account that it may take a certain period of time before the introduction of trade facilitation measures such as customs clearance system is reflected in the LPI scores, and that in addition to Japan's assistance, assistance from other donors and self-help efforts by recipient countries may also affect the scores. It would be possible to use the overall LPI score and the individual LPI scores for assistance areas as one of the KPIs to measure trade facilitation. In addition, it is considered important to use this information in conjunction with other KPIs in order to accurately grasp the status of trade facilitation.

## **3) Effectiveness of Doing Business and Trade Facilitation as KPI**

### **① Overview of Doing Business**

World Bank Doing Business survey (DB) is conducted by sending questionnaires in February every year, and based on the responses received, information is analysed from June and the report is published in October. Doing Business 2020 (DB2020) is an analysis of laws and regulations that enhance or restrict business activities in 190 countries worldwide as of 01 May2019 based on information provided by more than 15,000 experts.

DB is conducted in 12 areas: ease of starting a business; building permits; access to electricity; buying and selling of real estate; financing; protection of minority investors; payment of taxes; international trade; contracts; bankruptcy handling; employment; and government contracts. Since the purpose of the Survey is trade facilitation with focus on customs procedures, it is decided to examine whether the international trade matters in DB2020 can be used as KPI for trade facilitation. International trade in DB2020 examines the time and cost of exporting goods of comparative advantage and importing auto parts, respectively.

Among the top 20 countries in the DB2020 international trade sector, there are 16 countries that ranked first in the overall index of 100: Austria, Belgium, Croatia, Czech Republic, Denmark, France, Hungary, Italy, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia and Spain, all of which are EU members. With regard to international trade, a total of eight items were examined, including the time and cost required for compliance with export and import documentation, and the



time and cost required for compliance with cargo border crossings; six of these items were zero for the 16 countries mentioned above, suggesting that the movement of goods across EU land borders is reflected in the international trade sector.

Looking at the top 30, only Hong Kong (29<sup>th</sup>) and Bhutan (30<sup>th</sup>) are ranked outside of European countries. Even Singapore, which is said one of the most advanced countries in terms of trade facilitation, is ranked 47<sup>th</sup>, so it is important to keep this in mind when using the DB2020 international trade scores and rankings.

## ② ASEAN status on Doing Business

In terms of ASEAN, the time and cost of each item related to international trade and its overall score and rank are as shown in Table 4-10 below.

**Table 4-10 DB International Trade-Related Indexes for ASEAN Countries**

Name of Country	Export				Import				Score	Rank
	Border compliance (hours)	Documentary compliance (hours)	Border compliance (US\$)	Documentary compliance (US\$)	Border compliance (hours)	Documentary compliance (hours)	Border compliance (US\$)	Documentary compliance (US\$)		
Singapore	10	2	335	37	33	3	220	40	89.6	47
Malaysia	28	10	213	35	36	7	213	60	88.5	49
Thailand	44	11	223	97	50	4	233	43	84.6	62
Lao PDR	9	60	140	235	11	60	224	115	78.1	78
Viet Nam	55	50	290	139	56	76	373	183	70.8	104
Philippines	42	36	456	53	120	96	690	68	68.4	113
Indonesia	56	61	211	139	99	106	383	164	67.5	116
Cambodia	48	132	375	100	8	132	240	120	67.3	118
Brunei	117	155	340	90	48	132	395	50	58.7	149
Myanmar	142	144	432	140	230	48	457	210	47.7	168

Source: World Bank DB 2020

Malaysia was rated as high as Singapore and Laos, a landlocked country, was rated highly. Incidentally, Japan's overall index in the field of international trade is 85.9 points, ranking 57<sup>th</sup>.

In order to see how the implementation of VNACCS and MACCS is reflected in Doing Business, both the description of the DB report about Vietnam and Myanmar and the change in the scores from DB2015 to DB2020 are examined. In the DB2017 report, in the column of Vietnam's international trade, there is a description which states that "Vietnam made trading across borders easier by implementing an electronic customs clearance system". The index for the same period shows a significant improvement in the time spent on document compliance for both export and import procedures between the 2016 and 2017 surveys as shown in Table 4-11 below. As for the time difference that the VNACCS was introduced in April 2014 and the evaluation of facilitation as described in DB2017, which is the same as the LPI mentioned above, it is appropriate to know that it takes a certain period of time before users feel that they are enjoying the benefits of major facilitation measures introduced such as digitisation and the introduction of Single Window.

**Table 4-11 DB Index for Vietnam's International Trade**

Year	Export				Import				Score	Rank
	Border compliance (hours)	Documentary compliance (hours)	Border compliance (US\$)	Documentary compliance (US\$)	Border compliance (hours)	Documentary compliance (hours)	Border compliance (US\$)	Documentary compliance (US\$)		
2020	55	50	290	139	56	76	373	183	70.8	104
2019	55	50	290	139	56	76	373	183	70.8	100
2018	55	50	290	139	56	76	373	183	70.8	94
2017	58	50	309	139	62	76	392	183	69.9	93
2016	57	83	309	139	64	106	268	183	65.6	99
2015	60	83	309	139	64	106	392	183	65.6	75

Source: World Bank DB

On the other hand, with regard to Myanmar, there was no description of the customs system. MACCS, on the other hand, started its operation in November 2016. It is necessary to wait for the results of the survey for DB2021 and later, as a certain period of time was required before the introduction of the VNACCS and its effects were reflected in the DB indexes.

In addition, the time required for document compliance for both imports and exports and the cost of border compliance for exports have not changed at all since 2015, which raises questions about the reliability of the DB survey.

**Table 4-12 DB Index on Myanmar's International Trade**

Year	Export				Import				Score	Rank
	Border compliance (hours)	Documentary compliance (hours)	Border compliance (US\$)	Documentary compliance (US\$)	Border compliance (hours)	Documentary compliance (hours)	Border compliance (US\$)	Documentary compliance (US\$)		
2020	142	144	432	140	230	48	457	210	47.7	168
2019	142	144	432	140	230	48	457	210	47.7	168
2018	142	144	432	140	230	48	457	210	47.7	163
2017	144	144	432	140	232	48	457	210	47.4	159
2016	144	144	432	140	120	48	367	115	55.1	140
2015	144	144	432	140	120	48	367	115	55.1	103

Source: World Bank DB

### ③ The Sub-Saharan Africa Region on Doing Business

In order to examine the relationship between trade facilitation measures and Doing Business scores in the Sub-Saharan African region, scores of Kenya and Uganda were examined, where information is relatively easy to obtain and has been examined by LPI.

DB 2018 on Kenya's international trade states that "Kenya reduced the time for import documentary compliance by implementing its e Single Window system, which allows for electronic submission of customs entries".

**Table 4-13 Kenya's DB Index on International Trade**

Year	Export				Import				Score	Rank
	Border compliance (hours)	Documentary compliance (hours)	Border compliance (US\$)	Documentary compliance (US\$)	Border compliance (hours)	Documentary compliance (hours)	Border compliance (US\$)	Documentary compliance (US\$)		
2020	16	19	143	191	194	60	833	115	67.4	117
2019	16	19	143	191	180	60	833	115	68.1	112
2018	21	19	143	191	180	60	833	115	67.6	106
2017	21	19	143	191	180	84	833	115	66.4	105
2016	21	19	143	191	180	84	908	550	57.8	131

Source: World Bank DB

On the other hand, with regard to Uganda, DB 2017 states that "Uganda made trading across borders easier by constructing the Malaba OSBP, which reduced border compliance time for exports"; DB 2018 states that "Uganda reduced time for export documentary compliance and border compliance by allowing for electronic submission and processing of certificates of origin and by further developing the Malaba OSBP"; and DB 2019 states that "Uganda reduced the time needed for export and import by further implementing SCT, as well as by developing the Uganda Electronic Single Window and the Centralized Document Processing Centre". Those improvements can be seen in Table 4-14 below on Doing Business' international trade for Uganda: KPI.

**Table 4-14 DB Index for Uganda's International Trade**

Year	Export				Import				Score	Rank
	Border compliance (hours)	Documentary compliance (hours)	Border compliance (US\$)	Documentary compliance (US\$)	Border compliance (hours)	Documentary compliance (hours)	Border compliance (US\$)	Documentary compliance (US\$)		
2020	59	24	209	102	145	96	447	296	66.7	121
2019	59	24	209	102	145	96	447	296	66.7	119
2018	64	51	209	102	154	138	412	296	62.1	127
2017	71	64	287	102	154	138	489	296	58.9	136
2016	77	64	287	102	149	138	489	296	58.6	128

Source: World Bank DB

#### ④ Score of Doing Business and KPI of trade facilitation

The issues related to EU member countries described in the summary (16 of the top 20 countries receiving 100 points are all EU member countries) seem to be one of the issues raised by the WCO to the Bank. It should also be noted that the evaluation differs significantly due to differences in survey methodologies, such as the fact that Singapore, which is consistently ranked in the top 10 in the LPI, is ranked 47<sup>th</sup> in the DB2020 ranking on international trade.

With regard to the assessment of the operation of VNACCS and MACCS, it is appropriate to consider that the DB score will reflect the results after a certain period of time from the VNACCS case. From this perspective, the Survey Team believes that the effects of the introduction of MACCS will also be reflected in DB2021 or later surveys.

On the other hand, in the case of Uganda, various trade facilitation measures introduced by the EAC are described in the report and reflected in scores to some extent. As a result, it can be said that it is possible to use the DB index as one of the KPIs for trade facilitation on the assumption that a certain time axis is required for trade facilitation measures, such as the introduction of a customs clearance system to be reflected in the DB score.

However, as is clear from the above table for the four countries, there are some questions that should be kept in mind when using KPI. Some things to consider include the fact that many items in the index have not changed at all over the past five years, and that there has been no change in the index related to costs despite the fact that the processing time for documentation and border measures has been significantly reduced.

#### **4) Corruption Perception Index (CPI) and its Effectiveness as a Trade Facilitation KPI**

##### **① Overview of CPI**

When considering trade facilitation, it has been pointed out that corruption in customs and other trade-related ministries and agencies at the border increase cost and time. Therefore, the Team examined the possibility of using figures of the CPI of Transparency International, which conducts an annual international survey on corruption in various countries, as KPI for trade facilitation.

The CPI is an index of the state of corruption in the world based on the results of 13 surveys on corruption conducted by international organisations and various groups, including surveys of experts and business people. The latest is the CPI 2019 report published on 23 January 2020. The CPI 2019 survey covers 180 countries and territories around the world, rating them from the most corrupt country to the least corrupt, from CPI 0 to 100. The simple average of the score is 43, and two-thirds of the countries surveyed have a rating score below 50.

Although the CPI is not specific to border measures or trade-related issues, the CPI can be used as a measure to determine the overall picture of corruption among government officials at ports, airports, land borders, etc. in the country/territory concerned, because customs officials and other trade-related ministries and agencies cannot be considered to exist in a corruption-free state, deviating from corruption in the country/territory/society to which they belong.

Looking at the top 20 CPI 2019 countries/territories with the lowest corruption rates, we can see that there has been little change in the top 20 countries in terms of social corruption, with no country outside the top 20 in the last five years between the 2015 and 2019 surveys except Estonia, which has moved up from 22<sup>nd</sup> in 2015 to 18<sup>th</sup> in 2019.

It is hypothesised that if corruption in society is reduced, corruption in customs and other trade-related ministries at the border will also be reduced, which leads to facilitation of trade. To verify this, the Team examined the association between CPI and LPI for ASEAN, Sub-Saharan African countries and the world as a whole.

## ② CPI trends and LPI of ASEAN countries

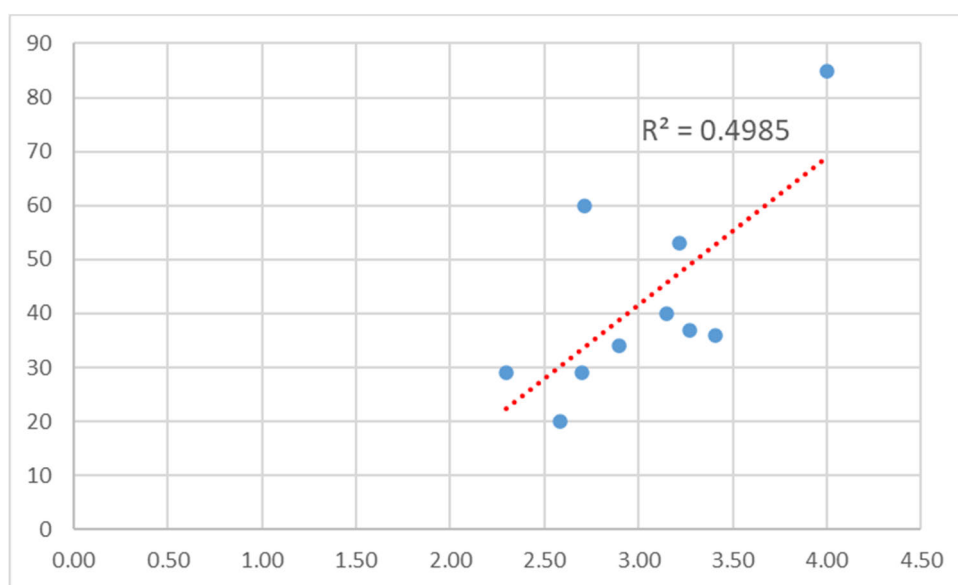
Looking at the CPI 2019 for ASEAN countries, only Singapore (4<sup>th</sup>), Brunei (35<sup>th</sup>) and Malaysia (51<sup>st</sup>) have a CPI score above the global average of 43, while the other seven countries have a CPI score below 40.

In terms of the extent to which the CPI has improved (and corruption has decreased) in the five years since the 2015 survey, improvements have been seen in five countries, with particularly large gains in Myanmar (+32%), Vietnam (+19%), Laos (+16%) and Indonesia (+11%). On the other hand, the CPI for Thailand, the Philippines and Cambodia declined by around 5%.

**Table 4-15 CPI of ASEAN Countries**

Country	Corruption Perception Index (CPI) Rank									
	2015		2016		2017		2018		2019	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Singapore	85	8	84	7	84	6	85	3	85	4
Brunei			58	41	62	32	63	31	60	35
Malaysia	50	54	49	55	47	62	47	61	53	51
Indonesia	36	88	37	90	37	96	38	89	40	85
Viet Nam	31	112	33	113	35	107	33	117	37	96
Thailand	38	76	35	101	37	96	36	99	36	101
Philippines	35	95	35	101	34	111	36	99	34	113
Lao PDR	25	139	30	123	29	135	29	132	29	130
Myanmar	22	147	28	136	30	130	29	132	29	130
Cambodia	21.0	150	21	156	21	161	20	161	20	162

Source: CPI

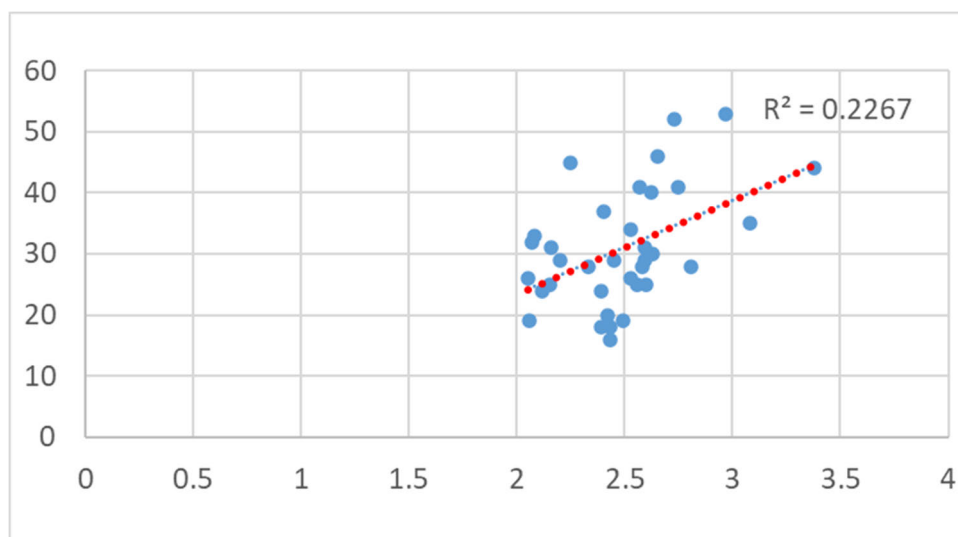


Source: CPI

**Figure 4-9 Relationship between the CPI and the LPI**

### ③ CPI trends and their relationship with LPI in Sub-Saharan African countries

Among the Sub-Saharan African countries surveyed, there are 35 countries for which both the CPI and LPI are available, and the average CPI score for the 35 countries is 30.9, well below the global average of 43. The average overall LPI score for the same 35 countries is 2.49, well below the global average of 2.87.



Source: CPI

**Figure 4-10 Correlation between the CPI and the LPI for Sub-Saharan African**

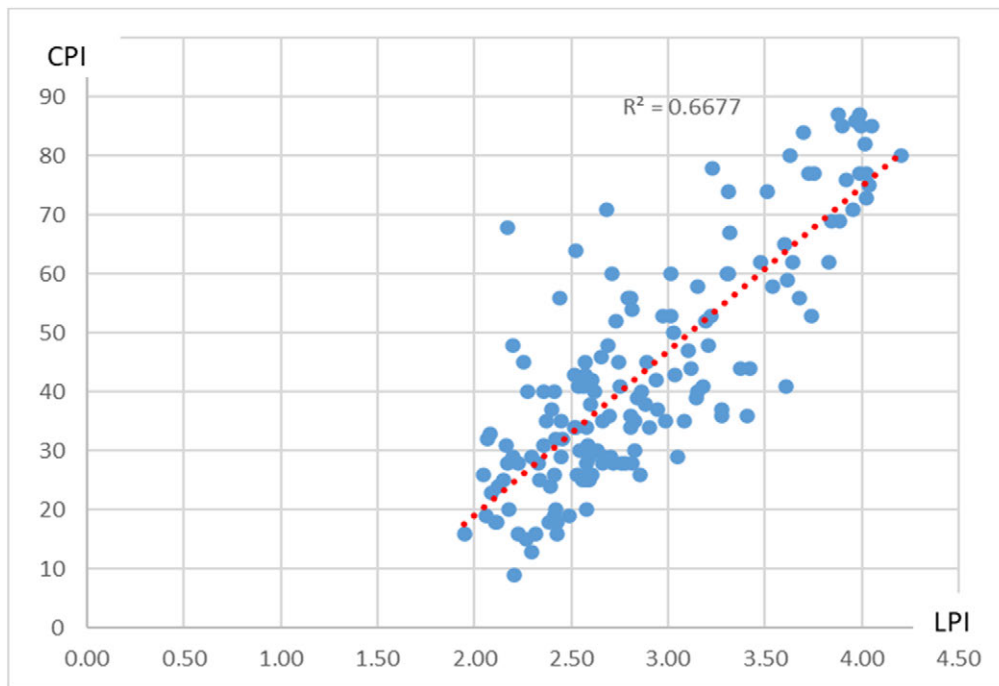
On the other hand, the nine countries where the 2019 CPI improved by more than 10% compared to the 2015 survey are Angola, Benin, Gambia, Guinea, Kenya, Sierra Leone, Sudan, Uganda and Zimbabwe, with three countries in particular – Angola (+73%), Gambia (+32.1%) and Sudan (+33.3%) – showing a significant improvement in the CPI and an improvement in the level of corruption in society. On the contrary, the countries where the score decreased by more than 10% and the level of corruption worsened are the Republic of Congo, the Democratic Republic of Congo, Djibouti, Ghana, Madagascar, and Mali. Looking at the LPI 2014 and 2018 scores for the same period, only three countries (Benin, Gambia and Sudan) saw an increase in the overall LPI scores along with an increase in the CPI, and only Ghana saw a decrease in the LPI score along with a decrease in the CPI, while the LPI scores for the Republic of Congo, Democratic Republic of Congo, Djibouti, Madagascar and Mali have improved.

The results suggest that there is no strong correlation between corruption and trade facilitation in Sub-Saharan African countries, where both CPI score and LPI scores are low.

### ④ Relationship between CPI and LPI across the world

When the CPI 2019 score is plotted on the vertical axis and the LPI 2018 score is plotted on the horizontal axis for the entire world, it can be said that there is a certain correlation between LPI score and CPI score as shown in Figure 4-11. However, as mentioned above, while a certain degree of correlation can be seen in ASEAN, many countries in Sub-Saharan Africa have kept both scores at low

levels. This raises questions about the use of the CPI as a measure of the degree of improvement in trade facilitation.

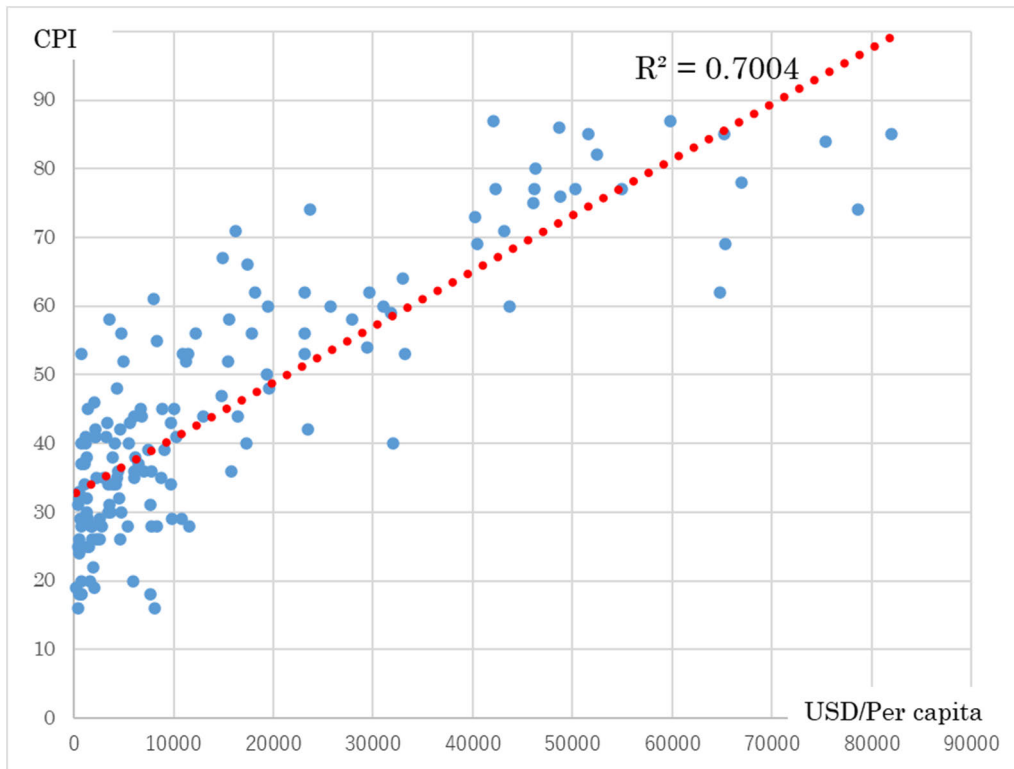


Source: CPI2019, LPI2018

**Figure 4-11 Correlation Between LPI and CPI Across the World**

However, when corruption is serious in a country or society as a whole, there is no doubt that corruption also infiltrates customs and other trade-related ministries and agencies. As a result, challenges arise in the speedy and proper transit of goods through the border. It is believed that using some corruption-related KPI as a reference KPI for trade facilitation is an effective means.

For reference, it is hypothesised that the problem of corruption will decrease if the income of the people increases and the society becomes more stable. Figure 4-12 shows a certain correlation between the CPI 2019 index and the latest figures of GDP per capita of each country. Therefore, as a result, the promotion of trade facilitation to revitalise international trade, which is one of the means of economic development and the improvement of the national income may lead to the eradication of corruption. However, it should be noted that many Sub-Saharan African countries are positioned in the lower left-hand corner.



Source: CPI2019, IMF

**Figure 4-12 Correlation Between GDP per Capita and CPI**

## (2) Revenue Collection-Related Index

The existing indicators related to revenue collected by customs mainly include the following indicators

- ① Customs duties as a percentage of imports, tax revenue, and GDP
- ② Revenue collected by customs as a percentage of total national tax revenue
- ③ Achievement rate of revenue collected by customs

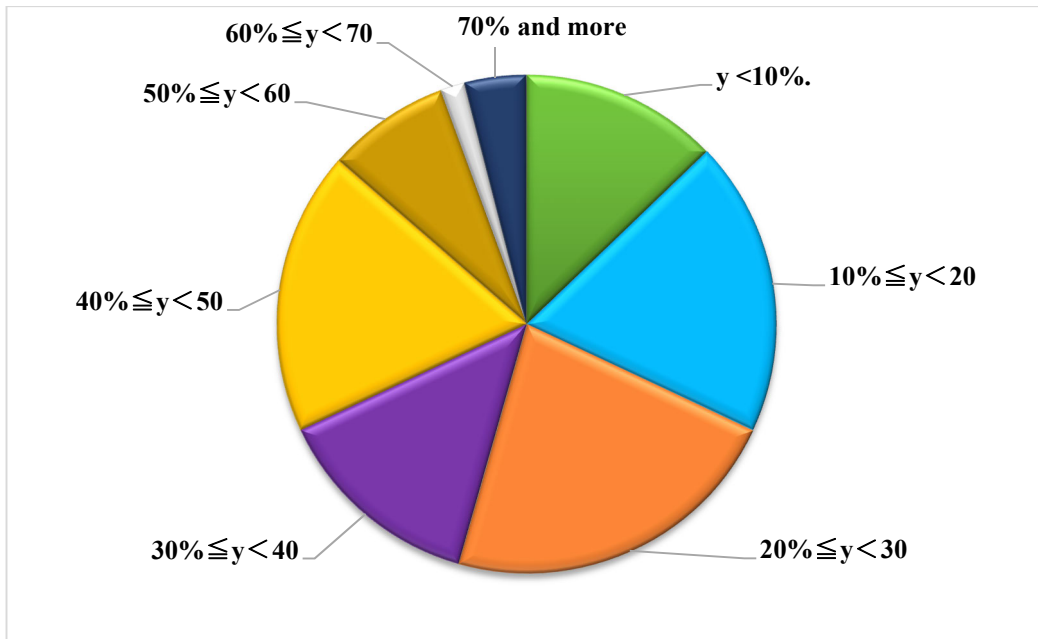
The trend of each country of ① is described in "3-1-2 Revenue from Customs Duties, etc.", and ② and ③ are described below.

### 1) Revenue collected by customs as a percentage of total national tax revenue

The WCO Annual Report is one that aggregates KPI related to tax collection by customs. The report provides a breakdown of the total amount collected by customs as a percentage of total national tax revenue (import duties, general consumption taxes (GST, VAT, etc.), individual consumption taxes (tobacco, alcohol, etc.) and export taxes, etc.) and its breakdown. It should be noted, however, that 58 countries and territories, or over 30% of the 183 WCO member countries and territories, do not provide the WCO with a customs collection percentage.

Of the 125 countries that reported to the WCO, about 45% of the total amount collected by customs accounted for more than 30% of total national tax revenue, indicating that customs is still an important tax collection agency for the stability of national fiscal revenue. In Japan, the total amount collected by customs accounts for 14.3% (2018) of total national tax revenue, and its importance as a tax collection agency is unquestionable.





Source: WCO Annual Report 2020

**Figure 4-13 Revenue Collection by Customs per Total National Tax Revenue**

It is hypothesised that the ratio of the amount collected by customs as a percentage of total national tax revenue will increase or decrease depending on the following factors:

- Decline in tariff rates due to conclusion of FTA/EPA (declining factor)
- A sharp decline of the price of natural resources such as crude oil (decrease factor) and a sharp rise in the natural resources (increase factor) (sudden change in the price of a natural resources with a large import value and the resulting increase or decrease in the amount duty and tax collected by customs will precede any subsequent increase or decrease in the amount of national tax collected.)
- Weakening of home currency (increase factor) and strengthening of home currency (decrease factor) (The US dollar or euro is used as the base currency for international transactions, and when the home currency weakens, the taxable value increases and the amount of tax collected increases; on the contrary, when the home currency strengthens, the taxable value decreases and the amount of tax collected decreases.)
- Increase in general consumption tax and individual consumption tax (increase factor) (where imports account for a large proportion of the domestic economy, the increase in consumption tax collection on imports exceeds the increase in domestic collection)
- Occurrence of a major global recession such as the Lehman Shock (declining factor) (The major recession led to a sharp decline in the amount of imports, which in turn led to a sharp decline in the amount collected by customs, which in turn led to a decline in the amount collected in Japan)
- Economic expansion (increase factor) (trade volume increases when the economy recovers from recession, and the amount of tariffs and consumption taxes collected on imported goods precedes the increase in the amount of corporate and other taxes collected)

Based on the case of Japan, it is examined whether or not the aforementioned factors of increase or decrease are reflected in the actual change in the tax collection ratio. The annual reports published by the WCO for the last four years, from the 2016-2017 edition to the 2019-2020 edition published in June 2020, show the customs collection of duties and other taxes as a percentage of the national tax collection of each country. The reports from Japan are summarised in Table 4-16. Since the basic information for the WCO Annual Report is collected every spring and released at the WCO Council Session in June, in the case of Japan, in relation to the fiscal year, the 2019-2020 report, for example, is expected to report figures for fiscal year 2018, which is the latest information available at the time of reporting.

The WCO Annual Report shows that the share of total revenue collected by customs in total national tax revenue decreased by 0.9% in 2017-2018 (from 14.3 to 13.4) and increased by 0.4% in 2019-2020 (from 13.8 to 14.2); the share of customs duty amount in total revenue collected by customs decreased by 0.3% in 2017-2018 (from 12.2 to 11.9) and decreased by 0.1% in 2019-2020 (from 11.9 to 11.8). In particular, it is noticed that in the 2019-2020 edition, the share of total revenue collected by customs in total national tax revenue has increased, but the share of customs duties in total revenue collected by customs was declined.

**Table 4-16 Transition of Percentage of Revenue Collection by Customs per Total National Tax Revenue**

Country		2016-17	2017-18	2018-19	2019-20
Japan	Customs Duties in Tax Revenue	1.7	1.6	1.6	1.7
	Revenue collected by Customs in Tax Revenue	14.3	13.4	13.8	14.2
	Customs Duty	12.2	11.9	11.9	11.8
	General Consumption Tax	72.9	70.8	72.0	72.8
	Special Consumption Tax	14.6	17.1	15.8	15.2
	Export Tax	0.0	0.0	0.0	0.0
	Other	0.3	0.3	0.3	0.3

Source: WCO Annual Report

It is important to check whether such phenomena as the aforementioned increase/decrease factors occurred during these periods. In other words, it is necessary to look at conditions such as the conclusion of EPAs between April 2015 and March 2019, changes in natural resource prices, consumption tax hikes, significant fluctuations in exchange rates, and the global Great Recession or recovery from the recession.

- ① EPAs in force: During the same period, three agreements –the Japan-Australia EPA (effective January 2015), the Japan-Mongolia EPA (effective June 2016), and the TPP11 (effective December 2018) – came into force and reduced tariff rates. The Japan-Australia EPA covers beef products, etc. which are high tariff rate products, so a certain degree of impact is possible. The impact on Mongolia will be insignificant, as its imports to Japan rank only 119<sup>th</sup> in total value. It is assumed that the impact of the TPP11 will be minimal because only Canada and New Zealand are newly covered by the TPP11, and because the TPP11 took effect from 30 December 2018, meaning that the effect of the reduction in collection will occur only in the fourth quarter

of fiscal 2018. Since the EPA tariff rates are reduced every year through staging, the tariff collection as a percentage of the total customs collection in Table 4-16 has been gradually decreasing for four years since the 2016-2017 edition. The tariff collection percentage in the 2019-2020 edition has also declined, partly due to the effect of tariff reductions by EPAs including the Australia-Japan EPA and TPP11.

- ② Fluctuations in natural resource prices: This section looks at fluctuations in the prices of natural resources such as crude oil, which account for a large share of Japan's imports. Since Japan imports most of its crude oil from the Middle East, changes in the Dubai crude oil price – which is the main reference price for Middle East crude oil – is checked. The annual average Dubai crude oil price is shown in Table 4-17, which has fallen significantly since 2015 and has picked up to some extent since 2018. Crude oil tariffs are duty-free, but the total value of imports is large and affects the amount of general consumption tax collected by customs. A detailed look at Dubai crude oil prices shows that the downward trend began in October 2014 and has been sluggish in 2015 and 2016 before starting to rise around November 2017. Japan's total imports value also decreased from 2015 to 2017 and increased in 2018. As a result, the full impact of the fall in crude oil prices on Japan Customs' collection of customs duties and general consumption taxes will be for three years starting from FY2015 and should be visible in the WCO Annual Report 2016-2017 to 2018-2019. Table 4-15 above shows that the percentage of the total amount collected by customs decreased in the 2017-2018 and 2018-2019 editions and improved in the 2019-2020 Annual Report, with a one-year time error. This may be due to the fact that contracts for natural resources, such as crude oil and natural gas, are based on the assumption of long-term contracts. As a result, based on fluctuations in the prices of crude oil – which has a large import value – and natural resources such as petroleum products and natural gas, it is estimated that the share of the amount collected by customs in the total amount of national tax revenue in Japan also fluctuates to a certain extent.<sup>35</sup>

**Table 4-17 List of Crude Oil Price, Import Value and Exchange Rate**

Year	USD/Barrel	Yen/Litre	Import Value (million yen)	Yen-Dollar Rate
2014	96.66	63.92	85,909,113	105.94
2015	51.18	38.96	76,931,665	121.04
2016	41.20	28.06	76,931,665	108.79
2017	53.12	37.49	75,379,231	112.17
2018	69.15	48.05	82,703,304	110.42
2019	63.18	43.35	78,599,510	109.01

Source: World Bank Commodity Market, IMF

- ③ Exchange rate fluctuations: As shown in Table 4-17, the yen depreciated significantly in 2015, appreciated in 2016, and depreciated slightly in 2017, but has not changed significantly since then. The impact of a weaker yen in 2015 should have shown up in the 2015 collections and be

<sup>35</sup> World Bank: Commodity Markets Outlook 2014-2020

listed as an increase in collections in the 2016-2017 report. The impact of a stronger yen in 2016 should have shown up in the 2016 collections and be listed as a decrease in collections in the 2017-2018 report. The 2015-2016 WCO Annual Report does not include figures related to customs levies and the increase or decrease is unknown, but the 2017-2018 report showed a 0.9% decrease from the previous year, which is in line with the hypothesis.

- ④ General consumption tax increase: The impact of the general consumption tax increase will be examined in the future WCO Annual Report, as the general consumption tax increase was implemented in October 2019.
- ⑤ Economic expansion and decline: The Cabinet Office announced on 30 July 2020 that the economy was in an expansionary phase from December 2012 to October 2018, and has been in a recessionary phase since November of the same year. However, according to the Nissay Research Institute, the average growth rate over the same period was only 1.1%. Therefore, the fact that there were no sudden changes in the economy during the period covered by the WCO Annual Report and that the economy was expanding slowly would not have a significant impact on the factors that increased or decreased the revenue rate collected by customs.

As a result, in the case of Japan, the ratio of the amount of customs duties, etc. collected by customs in the total amount of national taxes revenue is affected by complex factors such as the effect of EPAs, exchange rate fluctuations, and increases or decreases in the amount of imports due to fluctuations in the price of natural resources, etc. Therefore, it is difficult to utilise it as a KPI.

In order to understand the situation in the ASEAN and Sub-Saharan African countries covered by this Survey, it has been decided to look at the trends of major countries in ASEAN and Sub-Saharan Africa reported annually from the 2016-2017 Annual Report, and extracted figures for Thailand, Indonesia, Vietnam, South Africa, Uganda, Senegal, and Cameroon as well as Japan. As a result, it was found that there were problems such as cases where the same figures were reported for two or three years (for Thailand, Indonesia, and South Africa), and cases where it could be clearly assumed that the reported figures were incorrect (for Vietnam), and that it would be problematic to use the figures as they are as KPIs related to the collection of customs duties.

It should be noted that the following numerical changes in Uganda indicate that there were very large changes between 2017-2018 and 2018-2019, and it is necessary to verify these changes as it is assumed that policy decisions such as a significant reduction in tariff rates were made.

**Table 4-18 Uganda Case  
Revenue Collection by Customs per Total National Tax Revenue**

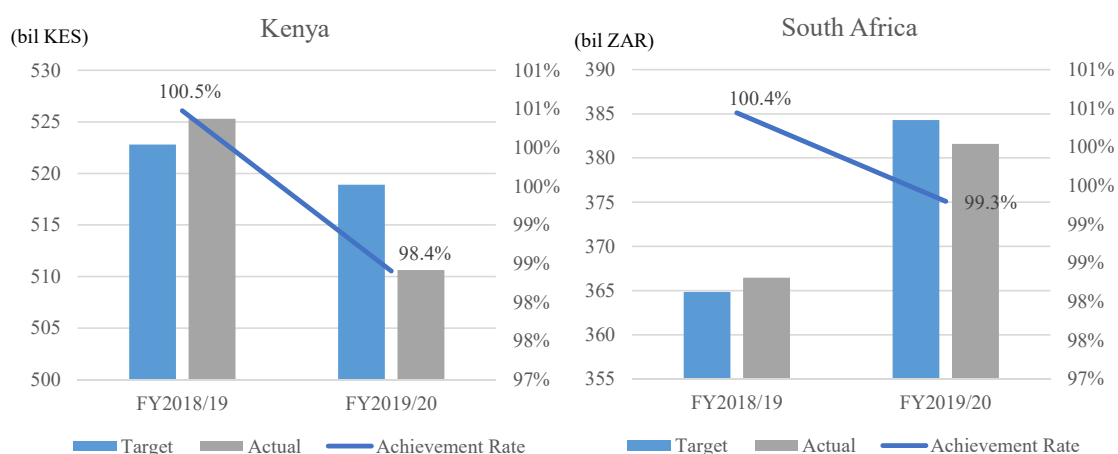
Country		2016-17	2017-18	2018-19	2019-20
Uganda	Customs Duties in Tax Revenue	43.1	43.1	8.6	8.3
	Revenue collected by Customs in Tax Revenue	75.6	75.6	43.0	41.4
	Customs Duty	57.0	57.0	19.9	19.9
	General Consumption Tax	23.0	23.0	38.9	38.7
	Special Consumption Tax	16.4	16.4	32.3	40.3
	Export Tax	0.0	0.0	0.2	0.3
	Other	3.6	3.6	8.8	1.1

Source: WCO Annual Report

In any case, it is believed that the ratio of the total amount of customs duties collected in the total amount of national taxes collected as stated in the WCO Annual Report alone cannot be used as a KPI for "fair and proper collection of customs duties, etc.", which is one of the three core functions of customs.

## 2) Achievement rate of revenue collected by customs

In many customs offices in developing countries, the achievement rate of revenue collected by customs against the target value announced by the Ministry of Finance has been used as the important KPI. The Kenya Revenue Authority (KRA) and the South African Revenue Service (SARS), interviewed for this Survey, also indicated that the achievement rate of revenue collected by customs was one of the most important KPIs. The achievement rates for Kenya and South Africa over the past two years are shown in Figure 4-14, and while both countries achieved above 100% in FY2018/19, the achievement rate was below 100% in FY2019/20, as customs revenue declined due to the weak global economy and domestic industry caused by the COVID-19.



Source: KRA, SAR

**Figure 4-14 Target, actual and achievement rates for customs revenue in Kenya and South Africa**

Both countries have confirmed through interviews and annual reports that they are implementing the following initiatives to achieve the targets.

(Kenya)

- Aiming for a 70% container scanning rate, additional container scanners are installed at border points and scanning operations are monitored remotely to prevent revenue collection leakage.
- Introduce the Integrated Customs Management System (ICMS) to prevent revenue collection leakage by eliminating manual procedure.
- Conduct staff training for those who are involved in customs revenue collection

(South Africa)

- Develop a system for conducting ex-post facto investigations and strengthen the tax collection system.

Thus, the achievement rate of customs revenue against the target is an important KPI for customs in developing countries, and it is possible to monitor the revenue collection function of each country's customs by updating the trends of KPI and efforts to achieve the target.

On the other hand, such KPIs can be analysed only for the country concerned and cannot be applied to international comparisons. The validity of the customs revenue targets set by the Ministry of Finance also needs to be carefully analysed. The private sector has pointed out problems such as customs classify goods as higher tariff bracket and raise the taxable value at the post clearance audit, and the possible background to these problems is thought to be related to arbitrary interpretation in order to achieve the target amount of customs revenue collection. Therefore, it is necessary to examine not only the achievement rate but also the validity of the target value.

### **(3) Customs Enforcement**

#### **1) Policy Evaluation and KPI in Japan**

The Ministry of Finance in Japan publishes an annual policy evaluation report that includes a section on "Policy 5-3-2: Stopping the Smuggling of Socially Harmful Goods", which states that the target is "an increase or the same level as the previous year", with no specific figures given. According to the report, 'Although it is difficult to set specific numerical targets, it is necessary to conduct strict control of prohibited items such as illicit drugs at the border (seaport or airport) in order to maintain order in international trade, and since actual figures have remained at a high level, the target has been set at 'increase or the same level as the previous year'.<sup>36</sup>

#### **2) WCO Illicit Report (WCO Illicit Report)**

The WCO Illicit Trade Report is a comprehensive analysis of the actual situation of illicit trade, including the smuggling of narcotics, cultural property and weapons, and the importation of goods infringing intellectual property rights, based on data voluntarily provided to the WCO by the member customs administrations.

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<sup>36</sup> Ministry of Finance Policy Evaluation, Performance Evaluation Report for Each "Policy Objective" (FY2049), Policy Objective 5 (Orderly and Sound Development of Trade), [https://www.mof.go.jp/about\\_mof/policy\\_evaluation/mof/fy2019/evaluation/2019hyouka11.pdf](https://www.mof.go.jp/about_mof/policy_evaluation/mof/fy2019/evaluation/2019hyouka11.pdf) (last accessed on 08 September 2020)

The report is published annually, with 137 out of the WCO's 183 member countries and territories reporting in the latest 2019 edition, down from 154 in the 2018 edition. The data provided by member countries and territories is limited to seizures by customs alone, or by joint customs and police forces and by other enforcement agencies with customs authority, and does not include seizures not involving customs. The data are collected in the Customs Enforcement Network (CEN) operated by the WCO and analysed and published by the WCO Secretariat.

The report addresses the following six areas of particular importance among the enforcement aspects of customs:

- ① Illegal trafficking of stolen or looted cultural objects that include both archaeological objects and works of art;
- ② Drug trafficking, including cultivation, manufacturing, distribution and sale of substances subject to drug prohibition laws;
- ③ Environment risks relating to trafficking of endangered species, hazardous and toxic wastes, ozone-depleting substances, and trading of indigenous or protected timber, etc. Cross-border trafficking in these areas threatens ecological balance and sustainable development;
- ④ IPR and health and safety risks relating to trade in counterfeit or fake goods, particularly products such as pharmaceuticals (including veterinary medicines), foodstuffs, toys and sub-standard items (such as electrical components and spare parts) which pose a serious threat to health and safety;
- ⑤ Revenue risks, including leakage through smuggling of highly taxed goods such as tobacco, alcohol and motor spirits, plus commercial fraud activities such as under-valuation, misuse of origin and preferential duties, misclassification and drawback fraud; and
- ⑥ Security risks, including terrorism, proliferation of weapons of mass destruction, trafficking of small arms and explosives, and diversion of dual-use goods.

Of the above-mentioned six items, it is examined whether or not the area related to "illegal drug trafficking", which has also been adopted in Japan's policy assessment item, is appropriate as a KPI.

Illegal drug trafficking is still a major financial source for criminal organisations, and customs, police and other law enforcement agencies in many countries are actively working to eliminate illegal trafficking, including the smuggling of illicit drugs, as one of their main policy objectives. Various types of drug clandestine laboratories have been established around the world, and the methods of smuggling are becoming more sophisticated every year. The WCO cooperates with international organisations such as the United Nations Office on Drugs and Crime (UNODC), the International Criminal Police Organization (INTERPOL), and the UPU to exchange information and conduct joint enforcement operations and training activities to help customs authorities in member countries strengthen their efforts to detect illicit drug smuggling.

In 2019, a total of 40,017 drug seizures were reported from 119 countries and territories. These include 15,177 cases of psychotropic drugs (37.9%), 10,168 cases of marijuana (25.4%), 6,005 cases of

cocaine (15%), 3,716 cases of new psychoactive substances (9.2%), and 2,795 cases of opium (6.9%). The total number of seizures decreased by 19.6% compared to the previous year, but the reasons for this are not clarified in the Illicit Trade Report. However, the analysis suggests that this may be due not to a decrease in smuggling activities themselves, but to the increasing sophistication of methods, changes in the efficiency of enforcement activities, and unreported cases under investigation.

The WCO report does not include the actual results of individual countries, and in addition, the increase or decrease in the number of seizures have such issues and background described above. Therefore, it is difficult to be utilised as a KPI.

### **3) UNODC World Drug Report**

The World Drug Report (WDR) 2020, published by UNODC, is composed of a six-part report on illicit drugs, from demand to supply. The supply of illicit drugs, including cultivation, smuggling and international trade is analysed in Part 3.

The WDR is an analysis based on reports of the number and volume of drug offences detected by law enforcement agencies such as police and customs in various countries. Approximately 7,918 tons of illicit drugs such as cannabis, methamphetamine and cocaine were detected worldwide in 2018. The third part of the WDR provides a detailed analysis of the cultivation and production of each drug and its smuggling routes by region.

However, while detailed basic data by country is published for cannabis, only major countries publish data on cocaine, methamphetamine, etc. In addition, the WDR includes the number and volume of domestic seizures, and does not distinguish between figures for seizures of smuggling, and therefore cannot be used as basic data for KPIs related to customs control.

## **4-2-2 Examination of New KPIs**

### **(1) Trade Facilitation-Related**

#### **1) UN Global Survey on Digital and Sustainable Trade Facilitation (UNTF SURVEY)<sup>37</sup>**

##### **① Background**

The Survey is jointly conducted every two years since 2015 by five UN regional commissions: the United Nations Economic Commission for Africa (ECA), the United Nations Economic Commission for Europe (ECE), the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), and the United Nations Economic and Social Commission for Western Asia (ESCWA). It aims to monitor the implementation of measures for sustainable digital trade facilitation. In addition to this Survey, there are other KPIs for monitoring the progress of trade facilitation, such as the WTO's Trade Facilitation Agreement Database and the OECD's Trade Facilitation KPI, but these show the progress of the Trade Facilitation Agreement KPI and do not cover e-commerce. Therefore, it can be said that

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<sup>37</sup> <https://untfsurvey.org/report>



this Survey is more responsive to the issues of the international trade environment.<sup>3839</sup>

## ② Methodology

The 2019 Survey included 53 trade facilitation measures categorised into four groups and nine subgroups covering 128 countries (Table 4-19). The first group, "General Trade Facilitation Measures", is divided into four subgroups: "Transparency", "Formalities", "Institutional Cooperation and Arrangement", and "Transit Facilitation", which includes many of the WTO's TFA provisions. The second group, "Digital Trade Facilitation Measures", includes "Paperless Trade" and "Cross-border Paperless Trade". The third group, "Sustainable Trade Facilitation Measures", includes three subgroups: "Trade Facilitation Measures for SMEs", "Agricultural Trade Facilitation", and "Women in Trade Facilitation". The fourth group, "Trade Finance Facilitation Measure", was introduced on a pilot basis in 2019.

The questionnaires were sent by the ESCAP Secretariat to trade facilitation experts (government agencies, private companies and research institutes), who responded to the questions as follows: 3: fully implemented; 2: partially implemented; 1: on a pilot basis; 0: not implemented.

**Table 4-19 UN Survey on Digital and Sustainable Trade Facilitation Questionnaire**

		Question Number		Trade Facilitation Measures Questionnaire	TFA Article
		2017	2019		
General Trade Facilitation Measures	Transparency (5 Measures)	2	2	Publication of existing import and export regulations on the internet	1.2
		3	3	Consultation with stakeholders on proposed new regulations (prior to finalisation)	2.2
		4	4	Advance publication/notification of new regulations before their implementation (e.g. 30 days prior)	2.1
		5	5	Advance ruling (on tariff classification)	3
		9	9	Independent appeal mechanism (for traders to appeal customs rulings and the rulings of other relevant trade control agencies)	4
	Formalities (8 Measures)	6	6	Risk management (as a basis for deciding whether a shipment will be physically inspected or not)	7.4
		7	7	Pre-arrival processing	7.1
		8	8	Post-clearance audit	7.5
		10	10	Separation of Release from final determination of customs duties, taxes, fees and charges	7.3
		11	11	Establishment and publication of average release times	7.6
		12	12	Trade facilitation measures for authorised operators	7.7
		13	13	Expedited shipments	7.8
	Institutional Cooperation and Arrangement (5 Measures)	14	14	Acceptance of paper or electronic copies of supporting documents required for import, export or transit formalities	10.2.1
		1	1	Establishment of a National Trade Facilitation Committee or similar body	23
		31	31	Cooperation between agencies on the ground at the national level	8
		32	32	Government agencies that delegate control to customs authorities	
	Transit Facilitation (4 Measures)	33	33	Alignment of working days and hours with neighbouring countries at border crossings	8.2(a)
		34	34	Alignment of formalities and procedures with neighbouring countries at border crossings	8.2(b)
		35	35	Transit facilitation agreement(s) with neighbouring country (ies)	
36		36	Customs authorities limit the physical inspection of transit goods and use risk assessment	10.5	
		37	37	Supporting pre-arrival processing for transit facilitation	11.9
		38	38	Cooperation between agencies of countries involved in transit	11.16

<sup>38</sup> <https://tfadatabase.org/>

<sup>39</sup> <https://sim.oecd.org/Default.ashx?lang=En&ds=TFI>

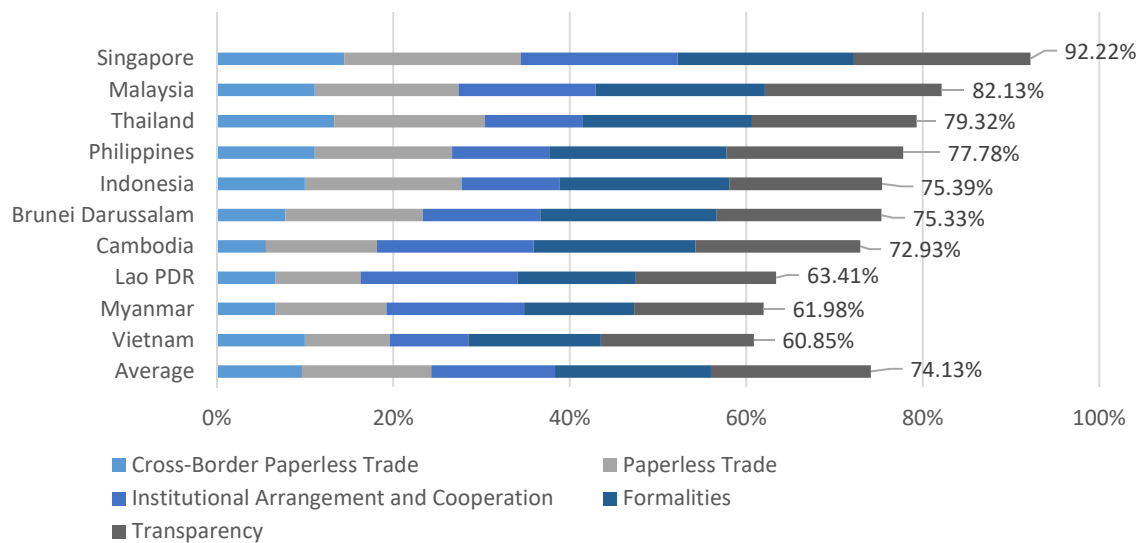
		Question Number		Trade Facilitation Measures Questionnaire	TFA Article
		2017	2019		
Digital TF Measures	Paperless Trade (10 Measures)	15	15	Establish an electronic/automatic customs system (e.g. ASYCUDA)	
		16	16	Internet connection available to customs and other trade control agencies at border-crossings	
		17	17	Electronic Single Window System	10.4
		18	18	Electronic submission of customs declaration	
		19	19	Electronic application and issuance of import and export permits	
		20	20	Electronic submission of sea cargo manifests	
		21	21	Electronic submission of air cargo manifests	
		22	22	Electronic application and issuance of Certificate of Preferential Certificate of Origin	
		23	23	E-Payment of customs duties and fees	7.2
		24	24	Electronic application for customs refunds	
	Cross-border Paperless Trade (6 Measures)	25	25	Laws and regulations for electronic transactions are in place (e.g. e-commerce law, e-transaction law)	
		26	26	Recognised certification authority issuing digital certificates to traders to conduct electronic transactions	
		27	27	Customs declaration electronically exchanged between your country and other countries	
		28	28	Certificate of Origin electronically exchanged between your country and other countries	
29		29	Sanitary and phytosanitary certificates exchanged electronically between your country and other countries		
30		30	Banks and insurers in your country retrieving letters of credit electronically without lodging paper-based documents		
Sustainable Trade Facilitation Measures	Trade Facilitation for SMEs (5 Measures)	39	39	Trade-related information measures for SMEs	
		40	40	Government has developed specific measures that enable SMEs to more easily benefit from the AEO scheme	
		41	41	Government has taken actions to make Single Windows more easily accessible to SMEs (e.g. by providing technical consultation and training services to SMEs on registering and using the facility)	
		42	42	Government has taken actions to ensure that SMEs are well represented and made key members of National Trade Facilitation Committees (NTFCs)	
			43	Other special measures for SMEs	
	Agricultural Trade Facilitation (4 Measures)	43	44	Testing and laboratory facilities are equipped for compliance with sanitary and phytosanitary (SPS) standards in your main trading partner	
		44	45	National standards and accreditation bodies are established for the purpose of compliance with SPS standards	
		45	46	Application, verification and issuance of SPS certificates is automated	
			47	Special treatment given to perishable goods at border-crossings	7.9
	Women in Trade Facilitation (3 Measures)	46	48	The existing trade facilitation policy/strategy incorporates special consideration of women involved in trade	
		47	49	Government has introduced trade facilitation measures aimed at women involved in trade	
			50	Female membership in the National Trade Facilitation Committee	
	Trade Finance Facilitation (3 Measures)		51	Single Window facilitates traders with access to finance	
		52	Banks allow electronic exchange of data between trading partners or with banks in other countries to reduce dependence on paper documentation and advance digital trade		
		53	A variety of trade finance services available		

Source: UNTF SURVEY

### ③ Result

The results for "General Trade Facilitation Measures" and "Electronic Commerce Trade Facilitation Measures" are available on the website, and the results for the 2018 Survey, of which the ASEAN and Sub-Saharan African countries covered in this Survey were included, are shown in Figure 4-15 and

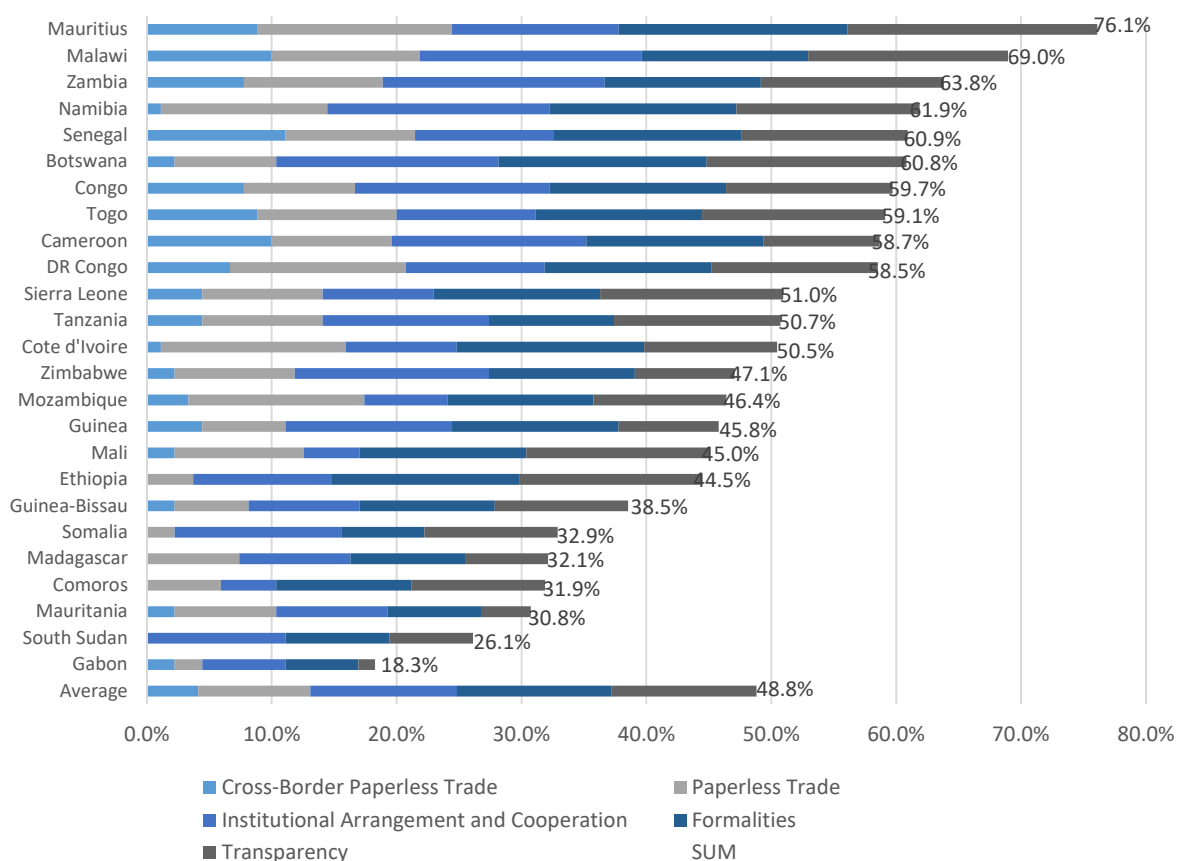
Figure 4-16 below. The results show that all five items were "fully implemented" in 100% of the cases, and 20% was allocated for each item.



Source: UNTFSURVEY

**Figure 4-15 Progress of Digital and Trade Facilitation Measures in ASEAN (2018)**

In ASEAN, the nation with the highest score was Singapore (92.22%) and the lowest was Vietnam (60.85%). The main items with low scores were cross-border e-commerce in Cambodia (5.56%), e-commerce in Vietnam and Laos (9.63%), and institutional cooperation and arrangement in Vietnam (8.89%).



Source: UNTFSURVEY

**Figure 4-16 Progress of Digital and Trade Facilitation Measures in Sub-Saharan Africa (2018)**

In the Sub-Saharan Africa region, the nation with the highest score was Mauritius (76.11%) and the lowest was Gabon (18.3%). Some items were rated as "not implemented", with 0% of cross-border e-commerce in South Sudan, Comoros, Madagascar, Somalia, and Ethiopia, and 0% of e-commerce in South Sudan.

The scores for cross-border e-commerce were lowest in ASEAN and Sub-Saharan Africa, compared with an average of 20%, ASEAN and Sub-Saharan Africa recorded 9.67% and 8.9%, respectively. The scores indicate that the most significant issues are the digitalisation of customs declarations, certificates of origin, and SPS certificates at the time of declarations.

#### ④ Assessment

Since this Survey covers items which are not included in the WTO Trade Facilitation Agreement, the Survey is more responsive to the current issues related to trade facilitation, and the KPI is important for monitoring the implementation of trade facilitation measures. On the other hand, the number of countries covered by the Survey is limited to 128, and data for South Africa, Kenya, and Nigeria, which are important economies in Africa, are not available.

## (2) Customs Duties Collection-Related Index

### 1) Customs duties and customs revenue

#### ① Japan

The customs collects not only customs duties but also domestic consumption tax, tonnage tax, special tonnage tax, etc. on goods declared for import, and all customs duties and other taxes become national revenue in the form of customs revenue.

It is not easy to confirm the customs revenue in statistics. In the case of Japan, Table 4-20 below shows the data of the Customs Bureau about customs duties and customs revenue. However, only customs duties and national tax revenue match with the data on tax revenue of the Ministry of Finance in Table 4-21, and it is not easy to find the breakdown of customs revenue in the data of the Ministry of Finance. The OECD and World Bank databases also contain data on customs duties, but not on customs revenue. On the other hand, since the collection of taxes other than customs duties is also important in assessing the functioning of customs, using the customs revenue as KPI is considered to be important.

**Table 4-20 Changes in Customs Revenue**

(Unit: 100 million yen)

	FY2013		FY2014		FY2015		FY2016		FY2017	
	Value	Year-on-Year (%)	Value	Year-on-Year (%)	Value	Year-on-Year (%)	Value	Year-on-Year (%)	Value	Year-on-Year (%)
Import duties	10,344	115.3%	10,731	103.7%	10,487	97.7%	9,390	89.5%	10,241	109.1%
Consumption tax and local consumption tax	41,930	115.4%	65,659	156.6%	62,550	95.3%	56,102	89.7%	61,900	110.3%
Other domestic consumption taxes	12,653	102.8%	12,413	98.1%	12,507	100.8%	13,528	108.2%	13,624	100.7%
Tonnage tax and special tonnage tax	224	101.4%	225	100.4%	223	99.1%	221	99.1%	222	100.4%
Customs revenue	65,151	112.7%	89,028	136.6%	85,768	96.3%	79,241	92.4%	85,988	108.5%
(Reference)										
National tax revenue	512,274	108.9%	578,492	112.9%	599,693	103.7%	589,563	98.3%	623,803	105.8%

(Note) National tax revenues are from the "Tax and Stamp Revenue Settlement Survey" released by the Ministry of Finance

Source: Customs and Tariff Bureau, Ministry of Finance

**Table 4-21 Tax and Stamp Revenue Settlement, Ministry of Finance**

Ministry of Finance  
(In millions of yen, %)

Tax item	Budget amount	Settled amount	Comparison with budget		
			Progress ratio	Change in value	
Income tax {	Withholding tax	14,874,000	15,627,121	105.1	753,121
	Self-assessment tax	3,074,000	3,254,444	105.9	180,444
	Total	17,948,000	18,881,565	105.2	933,565
Corporation tax	12,391,000	11,995,303	96.8	△ 395,697	
Inheritance tax	2,115,000	2,291,952	108.4	176,952	
Consumption tax	17,138,000	17,513,862	102.2	375,862	
Liquor tax	1,311,000	1,304,098	99.5	△ 6,902	
Tobacco tax	929,000	864,245	93.0	△ 64,755	
Gasoline tax	2,394,000	2,396,225	100.1	2,225	
Liquefied petroleum gas tax	8,000	8,228	102.9	228	
Aviation fuel tax	52,000	52,217	100.4	217	
Petroleum and coal tax	688,000	690,790	100.4	2,790	
Promotion of power-resources development tax	313,000	325,672	104.0	12,672	
Motor vehicle tonnage tax	370,000	377,834	102.1	7,834	
Customs duty	953,000	1,024,089	107.5	71,089	
Tonnage tax	10,000	9,875	98.8	△ 125	
Others	—	12	—	12	
Stamp revenue	1,092,000	1,051,520	96.3	△ 40,480	
Total for General Account	57,712,000	58,787,489	101.9	1,075,489	

(Reference)

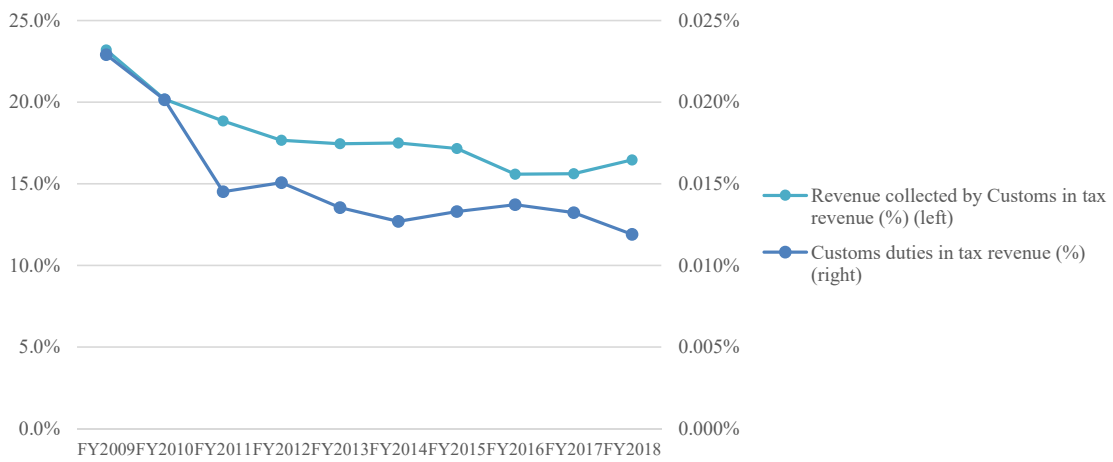
Local Corporation tax	643,900	653,892	101.6	9,992
Local gasoline tax	256,200	256,386	100.1	186
Liquefied petroleum gas tax (transferred)	8,000	8,228	102.9	228
Aviation fuel tax (transferred)	14,900	14,919	100.1	19
Motor vehicle tonnage tax (transferred)	253,900	259,323	102.1	5,423
Special tonnage tax	12,500	12,344	98.8	△ 156
Special Local Corporation tax	2,002,500	1,857,761	92.8	△ 144,739
Special tobacco surtax	143,700	133,712	93.0	△ 9,988
Special Income Tax for Reconstruction	376,400	393,905	104.7	17,505
Others	—	2,294	—	2,294
Grand Total	61,424,000	62,380,254	101.6	956,254

Source: Ministry of Finance

## ② Singapore

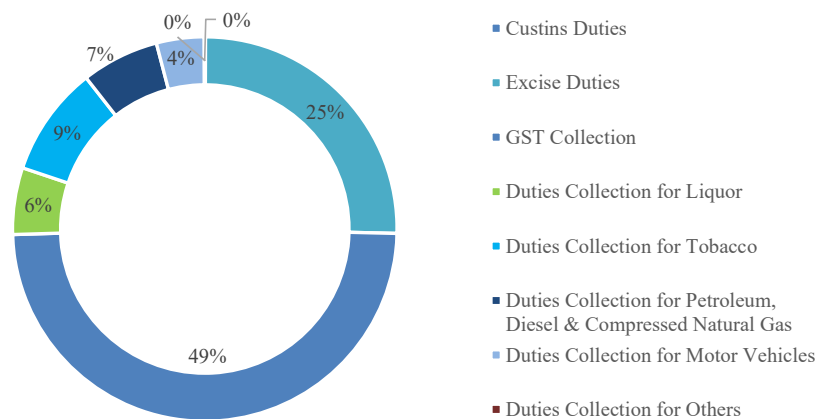
The tariff classification of Singapore as a country is examined, in which notable differences between the customs duties and the customs revenue are found. Singapore has been developed as a free trade country with no customs duties on imports and exports, and the customs duties accounted for only 0.012% of tax revenue in FY2018, the lowest level in the world. At the same time, customs revenue as a percentage of tax revenue was 16.5% in FY2018, which is higher than some developed countries such as Australia (4.5%) and Canada (12.7%) (Figure 4-17). Customs duties, excise duties, and goods and services taxes are the main components of the total amount collected by customs, and there are only four major categories of taxable import items: alcohol products, tobacco, automobiles, and petroleum products (Figure 4-18).

Thus, although Singapore has introduced an excise duty that is almost identical to the customs function, and has achieved almost zero customs duties as excise duties are not treated as customs duties, it is important to evaluate the function of customs by also focusing on the amount of customs revenue.



Source: Singapore Ministry of Finance, Singapore Customs

**Figure 4-17 Customs Revenue and Customs Duties in Singapore**

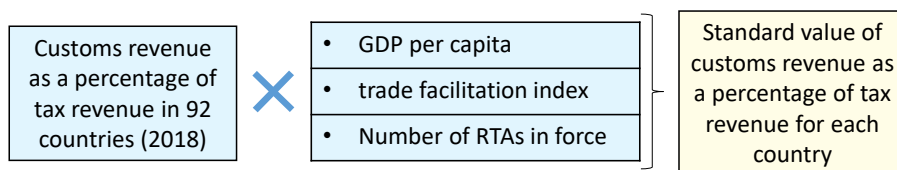


Source: Singapore Customs

**Figure 4-18 Breakdown of Customs Revenue**

**2) Correlation with customs duties**

As described in 3-1-2, there exists a relationship between the amount of customs duties and economic development, and the amount of customs duties in each country is considered to vary depending on the progress of trade facilitation and other factors.



Source: Survey Team

**Figure 4-19 Correlation with Customs Duties**

As shown in Figure 4-19, a causal relationship between i) GDP per capita (nominal USD), ii) trade facilitation indicators, and iii) the number of RTAs in force and the share of customs revenue in tax revenue are assumed, using data from about 100 countries in 2018, including developed and developing countries., the Survey Team calculated the standard values of customs revenue as a percentage of tax revenue for each country. Other variables such as the trade openness index and the LPI's customs efficiency index were also examined, but were not included in this analysis as they did not show sufficient correlation in the multiple regression analysis described below.

With regard to the customs duties, two options are available: (1) customs duties as a percentage of tax revenue, or (2) customs revenue as a percentage of tax revenue. As mentioned previously, the Survey Team believes that focusing on customs revenue is more effective in assessing the function of customs, and therefore using (2) customs revenue as a percentage of tax revenue has been decided. For (i) and (ii), data for each country are available from the WCO annual report, and the latest available 2018 data was applied.

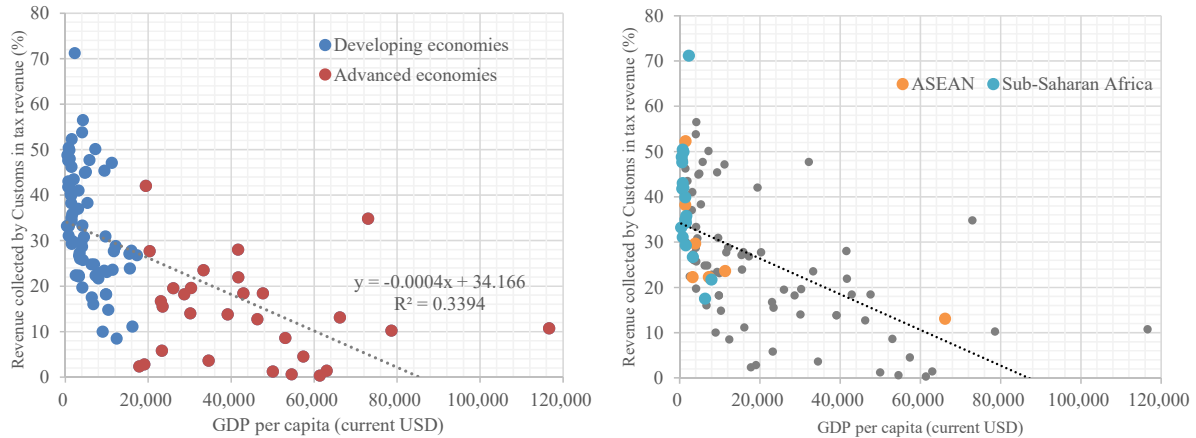
In the case where only ASEAN and Sub-Saharan Africa are selected, which are the target countries of the Survey, the number of samples is small, and it is necessary to analyse these regions in terms of their global positioning. Therefore, the following cases are presented: (1) divided countries into developed countries and developing countries, and (2) identify target countries for the Survey. For the classification of advanced and developing economies, the IMF's definition of advanced economies/developing economies were referred to.

#### ① Customs revenue as a percentage of tax revenue and GDP per capita

Figure 4-20 shows that the share of customs revenue in tax revenue decreases as GDP per capita increases. With the progress of economic development, the domestic tax system has been improved, and tax revenues that do not go through customs, such as personal income tax, corporate income tax, and domestic consumption tax, are expected to increase, changing the structure of tax revenues which leads to decrease in the share of customs revenue.

The results are striking in the classification of developed and developing countries on the left-hand side of the graph. Although developing countries have a large share of customs revenue in tax revenue and a small GDP per capita, which is concentrated on the left-hand side of the graph, the share of customs revenue in tax revenue becomes smaller as GDP per capita rises and the economy develops. Many of the ASEAN and Sub-Saharan Africa region, which are the target countries of the Survey, have a GDP per capita of less than US\$10,000. The share of customs revenue in tax revenue is concentrated in the range of 20% to 50% except for Singapore, which is outstanding with a GDP per capita of over US\$60,000, and the share of customs revenue is in tax revenue in the range of 10%. Côte d'Ivoire, with a GDP per capita of about US\$2,300, has 71.2 % of its tax revenue from customs revenue, the highest level in the world among countries for which data is available.





Source: WCO Annual Report, World Economic Indicator

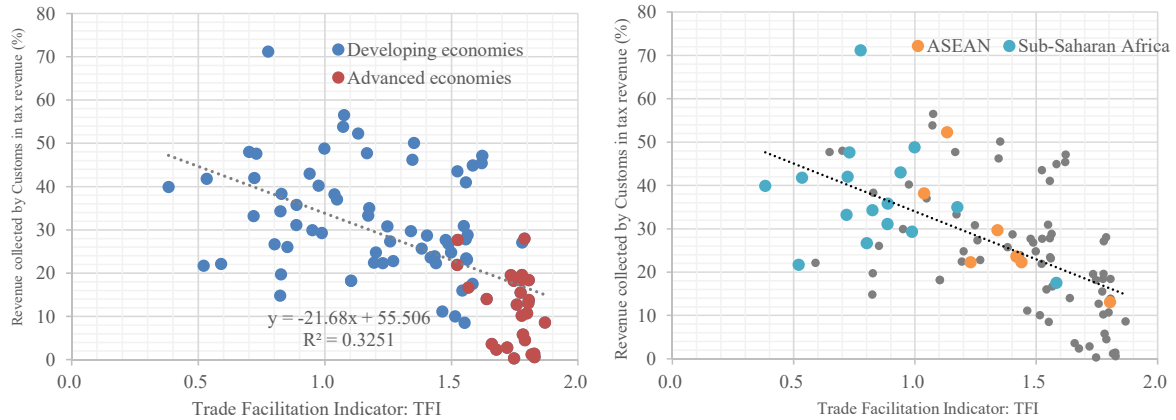
**Figure 4-20 Correlation Between Customs Revenue as a Percentage of Tax Revenue and GDP per Capita**

② **Customs revenue as a percentage of tax revenue and trade facilitation KPI (Trade Facilitation Indicator: TFI)**

The OECD Trade Facilitation KPI (TFA) shows the progress of the WTO's TFA and publishes KPI every two years, which conducts questionnaire surveys to the governments on how they can improve customs clearance procedures, reduce trade costs, increase trade flows and maximise the benefits from international trade. KPI is shown on a scale of 0 to 2, with 2 being the best rating. The survey covers 176 countries, which is more than the number of countries covered by UNTFSURVEY as described in (1) above. Therefore, it is possible to monitor the progress of TFA both in developed and developing countries.

Figure 4-21 shows that the higher the trade facilitation KPI, the smaller the share of customs revenue in tax revenue. Improvements in trade facilitation indicators, such as reductions in the costs of non-tariff trade transactions, are expected to reduce the share of customs revenue in tax revenues.

The classification of developed and developing countries in the left figure shows remarkable results: developing countries have lower trade facilitation KPI with a large share of customs revenue in tax revenue, while developed countries have higher trade facilitation KPI with a small share of customs revenue in tax revenue. Among the countries surveyed, Singapore's trade facilitation KPI was the highest at 1.804 and South Africa's at 1.538, resulting in customs revenue as a percentage of tax revenue being in the range of 10%.



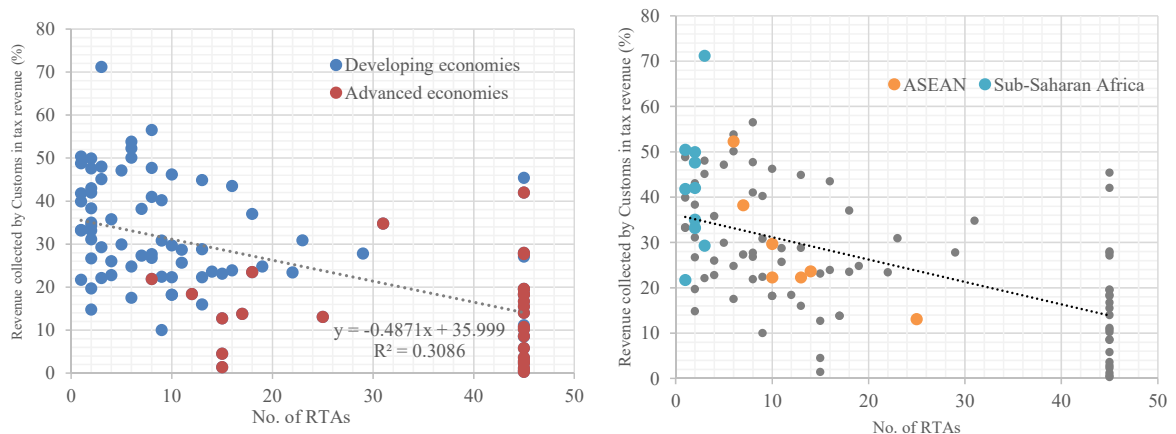
Source: WCO Annual Report, OECD TFI

**Figure 4-21 Correlation Between Customs Revenue as a Percentage of Tax Revenue and Trade Facilitation KPI**

③ **Customs revenue as a percentage of tax revenue and the number of RTAs in force**

Using the database of Regional Trade Agreements (RTAs) as defined by the WTO, the number of RTAs in force was assessed. Figure 4-22 shows that the ratio of customs revenue to tax revenues decreases as the number of RTAs in force increases. The increase in the number of RTAs in force is expected to reduce tariff rates and the share of customs revenue in tax revenue.

According to the classification of developed and developing countries in the left figure, the number of RTAs in EU member countries is 45, which is far more than other developed and developing countries. Even among developed countries, there are some countries that are not active in participating in RTAs. Israel (8) and New Zealand (12) have fewer RTAs in force than Chile (29) and Mexico (23), which are classified as developing countries. Among the target countries of the Survey, ASEAN is the most active in joining RTAs, with the respective number of RTAs in force: Singapore (25), Malaysia (14), Thailand (13), and Indonesia (10). On the other hand, RTA participation in the Sub-Saharan Africa region is limited, with South Africa (6) being the largest.



Source: WCO Annual Report, World Economic Indicator, WTO RTA Database

**Figure 4-22 Correlation Between Customs Revenue as a Percentage of Tax Revenue and the Number of RTAs in Force**

④ **Calculation of the standard level of customs revenue as a percentage of tax revenue for each country**

Based on the above, the multiple regression analysis was used to calculate a standard level for the ratio of customs revenue to tax revenue for 92 countries. The ratio of customs revenue to tax revenue is the objective variable  $y$ , and the three variables are the explanatory variables. GDP per capita (nominal USD) is  $x_1$ , trade facilitation KPI is  $x_2$ , the number of RTAs in force is  $x_3$ , and the following multiple regression equation is obtained:

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3$$

The results in Table 4-22 show a degree of freedom adjusted coefficient of determination of 0.43, which confirms a moderate compatibility. Also, the significant F is  $<0.05$ , which confirms the reliability of the regression equation. The P-value results show that  $x_1$ ,  $x_3$ , and  $x_2$  are highly correlated with the share of customs revenue in tax revenue. The multiple regression equation showing the partial regression coefficients was as follows:

$$y = 44.4 - 0.00023x_1 - 7.45 x_2 - 0.21 x_3$$

The "Standard Values", figures obtained by developing the multiple regression equation for the target countries of the Survey are shown in Table 4-23, and the difference between the actual customs revenue as a percentage of tax revenue is included in "Gap".

**Table 4-22 Results of Multiple Regression Analysis**

Summary Output

Regression Statistics	
Multiple correlation R	0.6754238
R Square	0.4561973
Adjusted R Square	0.4376585
Standard Error	11.05922
Observator	92

ANOVA

	df	SS	MS	F	P-Value
Regression	3	9029.0694	3009.6898	24.607796	1.182E-11
Residual	88	10762.959	122.30635		
Total	91	19792.028			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95%	Upper 95%
Intercept	44.427426	4.9889988	8.9050785	6.438E-14	34.512839	54.342013	34.512839	54.342013
GDP per capita (nominal USD)	-0.00023	7.302E-05	-3.153756	0.0022054	-0.000375	-8.52E-05	-0.000375	-8.52E-05
Trade Facilitation Index	-7.454697	4.6240707	-1.61215	0.1105101	-16.64407	1.7346714	-16.64407	1.7346714
Number of RTAs in force	-0.211347	0.1045044	-2.022374	0.0461741	-0.419027	-0.003666	-0.419027	-0.003666

Source: The Survey Team

**Table 4-23 Standard Values of Customs Revenue as a Percentage of Tax Revenue Using the Analysis Results**

	Customs revenue as a percentage of tax revenue	GDP per capita (nominal USD)	Trade Facilitation Index	Number of RTAs in force	Standard Value	Gap
Singapore	13.1	66,189	1.804	25	10.45	-2.65
Malaysia	23.6	11,373	1.418	14	28.28	4.68
Thailand	22.3	7,295	1.439	13	29.27	6.97
Indonesia	29.7	3,894	1.340	10	31.43	1.73
Philippines	22.3	3,252	1.229	10	32.40	10.10
Cambodia	52.3	1,512	1.132	6	34.37	-17.93
Myanmar	38.2	1,418	1.038	7	34.88	-3.32
South Africa	17.5	6,374	1.583	6	29.89	12.39
Angola	26.7	3,290	0.801	2	37.28	10.58
Zambia	34.3	1,556	0.825	2	37.50	3.20
Rwanda	31.1	783	0.887	2	37.21	6.11
Uganda	43.0	767	0.940	2	36.82	-6.18
Comoros	39.9	1,416	0.383	1	41.03	1.13
Zimbabwe	35.8	1,684	0.888	4	36.57	0.77
Madagascar	48.8	528	0.998	1	36.65	-12.15
Malawi	33.2	381	0.718	2	38.56	5.36
Côte d'Ivoire	71.2	2,303	0.776	3	37.48	-33.72
Cameroon	29.3	1,534	0.988	3	36.07	6.77
Senegal	35.0	1,466	1.175	2	34.91	-0.09
Liberia	41.8	677	0.534	1	40.08	-1.72
Gabon	21.7	7,957	0.521	1	38.50	16.80
Mariology	42.0	900	0.722	2	38.42	-3.58
Togo	47.6	679	0.730	2	38.41	-9.19

Source: The Survey Team

## ⑤ Assessment

The above analysis using the three explanatory variables to consider the degree of economic development, the progress of trade facilitation and trade liberalization allows to identify countries where customs revenue as a percentage of tax revenue are higher or lower than the standard value, and could serve as a tool to analyse the reasons for differences from the standard value (Table 4-24). In particular, it will be possible to monitor the progress of tariff reduction and trade facilitation through the implementation of the AfCFTA in the Sub-Saharan Africa. For countries whose customs revenue as a percentage of tax revenue are more than 10% higher than the standard value, it is suggested that the ratio of customs revenue to tax revenue can be reduced, taking into account the level of economic development and progress in trade facilitation and trade liberalization.

**Table 4-24 Countries With More Than 10% More/Less Customs Revenue as a Percentage of Tax Revenue Than the Standard Value**

Countries where customs receipts as a percentage of tax revenues are more than 10% higher than the norm	Countries where customs receipts as a percentage of tax revenues are at least 10% lower than the norm
Cambodia, Madagascar, Cote d'Ivoire	Philippines, South Africa, Angola, Gabon

Source: Survey Team

On the other hand, the above analysis has the following issues, and there is room for further improvement.

- The above analysis can be a tool for understanding the position of the share of customs revenue in tax revenues, taking into account the degree of economic development and the progress of trade facilitation and trade liberalization in each country, but it cannot be said to be applicable to all countries taking into account the specificity of each country.
- There is room to consider other variables mentioned above.

### (3) Investigation-Related Index

#### 1) Trade misinvoicing as a percentage of trade value

##### ① Background

The trade misinvoicing survey is conducted by Global Financial Integrity (GFI), a research institute based in Washington, DC in the US. GFI has announced the amount of trade fraud claims every year since 2008, covering 135 developing countries and 36 developed countries.

Trade misinvoicing occurs when importers and exporters deliberately falsify the stated prices on the invoices for goods they are importing or exporting as a way to illicitly transfer value across international borders, evade tax and/or customs duties, launder the proceeds of criminal activity, circumvent currency controls, and hide profits offshore.<sup>40</sup>

##### ② Methodology

GFI uses trade data from UN Comtrade to estimate trade fraud claims. For example, if Kenya declares that it paid US\$5 million for watches imported from Thailand in 2016, but the Thai side declares that it only exported US\$3 million, then the US\$2 million would be the "price difference", and the Egyptian side would be over-reporting its imports and the Thai side would be under-reporting its exports. Since it is not possible to specify which of the two countries is engaged in illicit misinvoicing, this survey reflects the price differences that can be ascertained from UN Comtrade. Trade fraud claims can be divided into four main categories as shown in Table 4-25.

**Table 4-25 Trade Misinvoicing Classification**

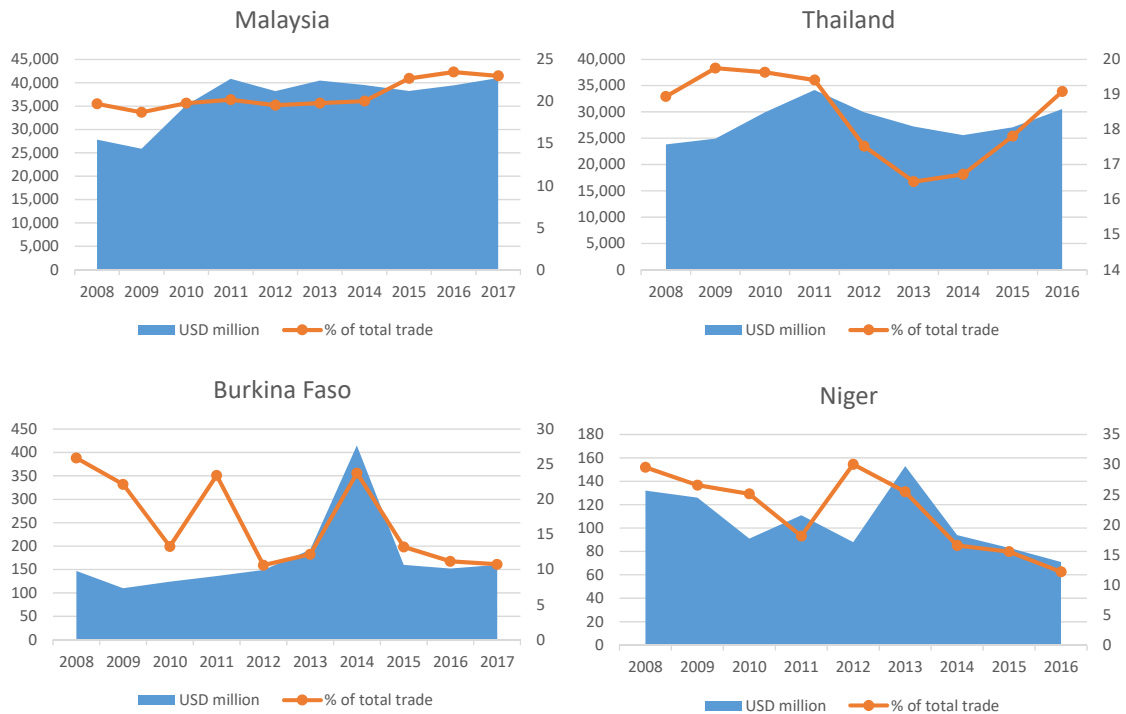
<b>Illicit Financial Outflows</b>	Import Over-Invoicing	<ul style="list-style-type: none"> <li>• To shift money abroad (evade capital controls, shift wealth into hard currency, etc.);</li> <li>• Overstating the cost of imported inputs to reduce income tax liability;</li> <li>• To avoid anti-dumping duties</li> </ul>
	Export Under-Invoicing	<ul style="list-style-type: none"> <li>• To shift money abroad (evade capital controls, shift wealth into a hard currency, etc.);</li> <li>• To evade income taxes (lowering taxable income levels);</li> <li>• To evade export taxes</li> </ul>
<b>Illicit Financial Inflows</b>	Import Under-Invoicing	<ul style="list-style-type: none"> <li>• To evade customs duties or value-added taxes;</li> <li>• To avoid regulatory requirements for imports over a certain value</li> </ul>
	Export Over-Invoicing	<ul style="list-style-type: none"> <li>• To exploit subsidies for exports;</li> <li>• To exploit drawbacks (rebates) on exports</li> </ul>

Source: GFI

<sup>40</sup> <https://gfintegrity.org/>

### ③ Results

Based on the data from 2008 to 2017, it can be seen that the percentage of misinvoicing claims as a percentage of trade value has increased in the target ASEAN countries, such as Malaysia and Thailand, while the percentage has decreased in the Sub-Saharan African region, such as Burkina Faso and Niger (Figure 4-23).



Source: GFI

**Figure 4-23 Misinvoicing Value and the Ratio of Misinvoicing Value to Total Trade Value**

### ④ Assessment

The results are not necessarily in line with the assessment of progress in TFA implementation. In the report, GFI pointed out the following problems with KPI: UN Comtrade only covers trade in goods and does not cover trade in services, which is expanding worldwide; and multinational companies do not show price differences when they make trade invoicing for the same amount of imports and exports between the two countries.

#### 4-3 Problem Diagnosis Matrix

##### (1) Overview of the problem diagnosis matrix

The Survey examined how to identify the current status of trade facilitation in the countries under the Survey, and what kind of materials should be used to clarify the future progress of facilitation in the countries under the Survey. Using the category notifications A, B, or C, the WTO members are obliged to report to the WTO Secretariat on the implementation of the facilitation measures stipulated in the TFA under the provisions of Articles 14 to 17 of the TFA. By grasping the contents of the reports, the

Survey Team considered that it would be possible to grasp the outline of the current status and progress of trade facilitation in the countries under the Survey.

Reporting under the TFA is not regular and is left to the member countries and territories, which report when they have made improvements or when they have decided when to introduce measures provided for in the articles of the TFA Agreement. For example, Tanzania made a Category A notification on 13 May 2015, followed by Category B and C notifications on 05 October 2020, and a notification on 02 December 2020 on access to information on laws and regulations under Article 1.4, etc. Another example is the case of Senegal, in which a Category A notification was made on 27 October 2014, Category notifications A, B and C call were made on 03 June 2019, followed by three updates on Category B notification in 2020.

Therefore, in order to understand the status of implementation of TFA measures and the needs for capacity building in each country, the Survey Team believes that it is necessary to obtain and accumulate information on a regular basis, about once a year, through the WTO website.<sup>41</sup>

(Summary of TFA Article 14 Divisions)

- Category A: Provisions that the member will implement by the time the Agreement enters into force (or in the case of a least-developed country, within one year after entry into force)
- Category B: Provisions that the member will implement after a transitional period following the entry into force of the Agreement.
- Category C: Provisions that the member will implement on a data after a transitional period following the entry into force of the Agreement and requiring the acquisition of assistance and assistance for capacity building.

## **(2) Items to be included in the problem diagnosis matrix**

The obligations related to trade facilitation to be implemented by WTO members are stipulated in Articles 1 to 13 of the TF Agreement, and it is expected that the following items should be adopted as items for matrix for knowing the issues of the countries under the Survey.

- Article 1: Publication and availability of information
- Article 2: Opportunity to comment, information before entry into force and consultations
- Article 3: Advance ruling
- Article 4: Procedure for appeal or review
- Article 5: Other measures to enhance impartiality, non-discrimination and transparency
- Article 6: Disciplines on fees and charges imposed on or in connection with importation and exportation and penalties
- Article 7.1: Pre-arrival processing
- Article 7.2: Electronic payment
- Article 7.3: Separation of release from final determination of customs duties, tax charges

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<sup>41</sup> WTO Trade Facilitation website: [https://www.wto.org/english/tratop\\_e/tradfa\\_e/tradfa\\_e.htm](https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm)

- Article 7.4: Risk management
- Article 7.5: Post clearance audit
- Article 7.6: Establishment and publication of average release times
- Article 7.7: Trade facilitation measures for authorised operators
- Article 7.8: Expedited shipments
- Article 7.9: Perishable goods
- Article 8: Border agency cooperation
- Article 9: Movement of goods intended for imported under customs control
- Article 10.1 ~ 10.2: Formalities connected with importation, exportation and transit
- Article 10.3: Use of international standards
- 10.4 Article. Single Window
- Article 10.6: Use of customs brokers
- Article 10.7: Common border procedures and uniform documentation requirements
- Article 10.9: Temporary admission of goods and inward and outward processing
- Article 11: Freedom of transit

### **(3) Analysis of the Problem Diagnosis Matrix**

#### **1) Analysis of ASEAN countries**

The average of the 10 countries is 69.5% in Category A, 11.0% in Category B, and 19.5% in Category C. Singapore, a developed country, notifies all items as Category A to the WTO. Following this, five countries – Malaysia with 94.1% in A (reporting B for express cargo and part of transit), the Philippines with 93.3% in A (reporting B for three items including inter-ministerial cooperation and C for Single Window), Thailand with 91.6% in A (reporting B for part of transit), Brunei with 91.6% in A (reporting B for part of objection and introduction of AEO system), and Indonesia with 88.7% in A (reporting B for risk management and part of animal and plant quarantine) – have committed towards immediate implementation of almost all items. In particular, Malaysia, Thailand, Brunei and Indonesia have no C-notification and are not considered to have a need for capacity building assistance. The third group is Cambodia, Lao PDR and Vietnam, where several B and C notifications are found, and Myanmar notifies 85% of the items as C.

Comparing this with the LPI 2018 scores, Vietnam ranks third in LPI within ASEAN and 39<sup>th</sup> in the world, and traders assess that trade facilitation is progressing. However, the Vietnamese government has made many B and C notifications to the WTO. On the contrary, Brunei almost has an A notification, but is ranked 80<sup>th</sup> in the overall LPI rankings, which is roughly in the middle of global ranking as a whole. Cambodia has a similarly high A-reporting rate of 82.8%, but its overall LPI score ranks only 98<sup>th</sup>.

Except for the three aforementioned countries, it is concluded that the WTO notification and LPI are largely consistent.



**Table 4-26 LPI of ASEAN Countries**

Country Name	Overall LPI Score	Overall LPI Ranking	LPI Customs Score	LPI Customs Ranking	WTO Category A	WTO Category B	WTO Category C
Singapore	4.00	seven	3.89	six	100	0.0	0.0
Thailand	3.41	32	3.14	36	91.6	8.4	0.0
Viet Nam	3.27	39	2.95	41	26.5	48.7	24.8
Malaysia	3.22	41	2.90	43	94.1	5.9	0.0
Indonesia	3.15	46	2.67	62	88.7	11.3	0.0
Philippines	2.90	60	2.53	85	93.3	5.0	1.7
Brunei Darussalam	2.71	80	2.62	73	91.6	8.4	0.0
Lao PDR	2.70	82	2.61	74	21.0	11.8	67.2
Cambodia	2.58	98	2.37	109	82.8	1.7	15.5
Myanmar	2.30	137	2.17	131	5.5	9.2	85.3

Source: WTO Trade Facilitation Database, World Bank LPI

## 2) Analysis of the countries in the Sub-Saharan Africa region

Of the countries in the Sub-Saharan Africa region, 40 countries have reported to the WTO, with an average of 31.3% in Category A, 25.8% in Category B, and 42.9% in Category C, respectively. More than 40% are in Category C, which is to be introduced after receiving a capacity building grant. This is far inferior to the ASEAN average. South Africa is the country with the highest level of adoption, with 90.3% of Category A notification, 9.7% of Category B notification, and 0% of Category C notification. The countries with the next highest Category A reporting are Benin with 65.5%, Mali with 65.5%, Mozambique with 65.5%, Mauritius with 57.1%, Sierra Leone with 55.9%, Senegal with 52.5% and Namibia with 51.3%. Category A notification exceeds 50% only in these eight countries mentioned.

Compared to the overall LPI score and ranking, South Africa (3.38, 33<sup>rd</sup>) has the highest rating, followed by Côte d'Ivoire (3.08, 50<sup>th</sup>), Rwanda (2.97, 57<sup>th</sup>), Kenya (2.81, 68<sup>th</sup>) and Benin (2.75, 76<sup>th</sup>). Senegal (2.25, 141<sup>st</sup>) has a lower rating. Thus, the correlation with the LPI appears to be low, with the exception of South Africa and Benin. As a result, it is conceivable that the system may not be operating smoothly at border crossing points and seaports and airports, although systems and schemes obliged by the WTO TFA have been introduced as laws and regulations in Mali, Mozambique and Senegal. There are two possible explanations: in Cote d'Ivoire, Rwanda and Kenya, the government may be cautious about WTO notification and avoid Category A notification, which commits implementation. In any case, in order to properly evaluate and understand the facilitation measures in the Sub-Saharan Africa region, it is believed that it is necessary to comprehensively judge the various KPIs.

**Table 4-27 LPI of Sub-Saharan Africa Countries**

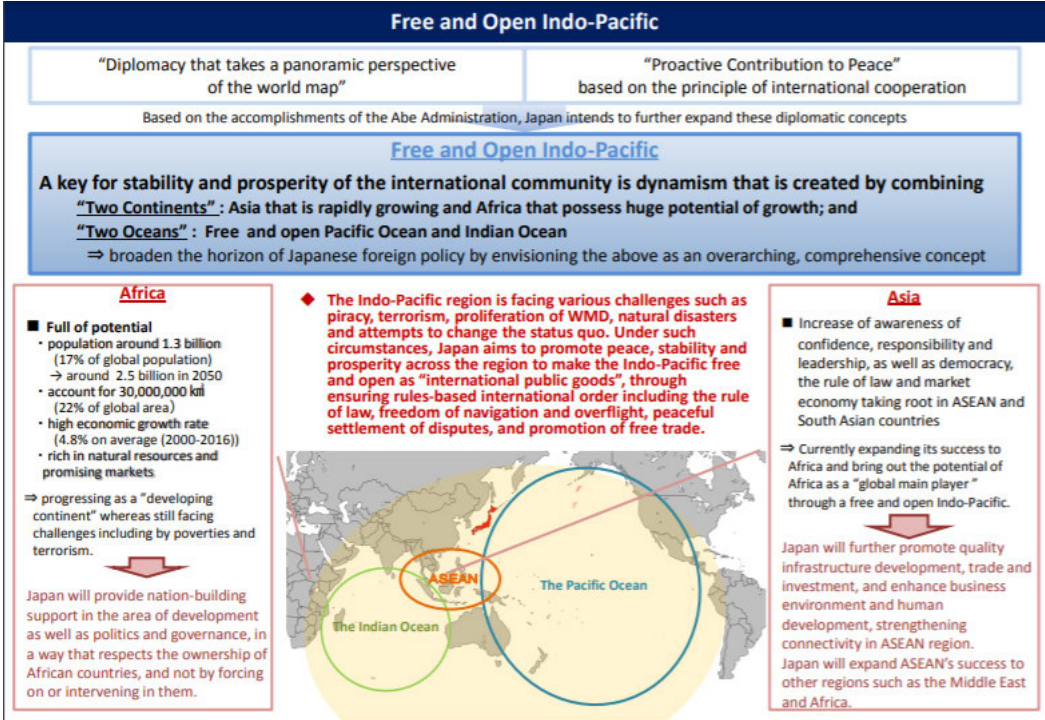
Country Name	Overall LPI Score	Overall LPI Ranking	LPI Customs Score	Customs Ranking	WTO Category A	WTO Category B	WTO Category C
Angola	2.05	159	1.57	160	22.7	55.9	21.4
Benin	2.75	76	2.56	82	65.5	21.8	12.6
Botswana					28.2	67.2	4.6
Burkina Faso	2.62	91	2.41	100	13.0	17.6	69.3
Burundi	2.06	158	1.69	159	35.3	29.0	35.7
Cabo Verde					37.4	16.8	45.8
Cameroon	2.60	95	2.46	90	1.7	45.4	52.9
Central Africa	2.15	151	2.24	126	26.9	8.0	65.1
Chad	2.42	123	2.15	134	34.5	30.3	35.3
Congo	2.43	120	2.37	108	22.7	50.8	26.5
Cote d' Ivoire	3.08	50	2.78	51	34.0	5.0	61.0
DR Congo	2.49	115	2.27	123	42.0	39.9	18.1
Djibouti	2.63	90	2.35	113	1.7	23.5	74.9
Eswatini					9.7	42.4	47.9
Gabon	2.16	150	1.96	148	13.9	21.4	64.7
Gambia	2.40	127	2.08	141	48.7	38.2	13.0
Ghana	2.57	106	2.45	92	9.7	17.2	73.1
Guinea	2.20	145	2.45	93	14.7	33.2	52.1
Kenya	2.81	68	2.65	67	7.6	23.9	68.5
Lesotho	2.28	139	2.36	110	11.8	24.4	63.9
Liberia	2.23	143	1.91	152	35.7	31.9	32.4
Madagascar	2.39	128	2.32	118	8.8	0.0	91.2
Malawi	2.59	97	2.43	94	63.0	10.1	26.9
Mali	2.59	96	2.15	133	65.5	17.2	17.2
Mauritania	2.33	135	2.20	128	39.9	4.6	55.5
Mauritius	2.73	78	2.71	59	57.1	36.3	6.3
Mozambique					65.5	10.5	23.9
Namibia					51.3	4.2	44.5
Niger	2.07	157	1.77	157	31.9	6.7	61.3
Nigeria	2.53	110	1.97	147	15.1	42.4	42.4
Rwanda	2.97	57	2.67	64	26.9	56.3	16.8
Senegal	2.25	141	2.17	130	52.5	10.5	37.0
Seychelles					55.9	27.3	16.8
Sierra Leone	2.08	156	1.82	155	0.8	19.7	79.4
South Africa	3.38	33	3.17	34	90.3	9.7	0.0
Tanzania					21.8	17.2	60.9
Togo	2.45	118	2.31	119	42.9	32.8	24.4
Uganda	2.58	102	2.61	76	8.4	27.3	64.3
Zambia	2.53	111	2.18	129	5.5	25.8	42.9
Zimbabwe	2.12	152	2.00	146	34.9	50.0	15.1

Source: WTO Trade Facilitation Database, World Bank LPI

# 5 Conclusion

## 5-1 Future Direction of Support

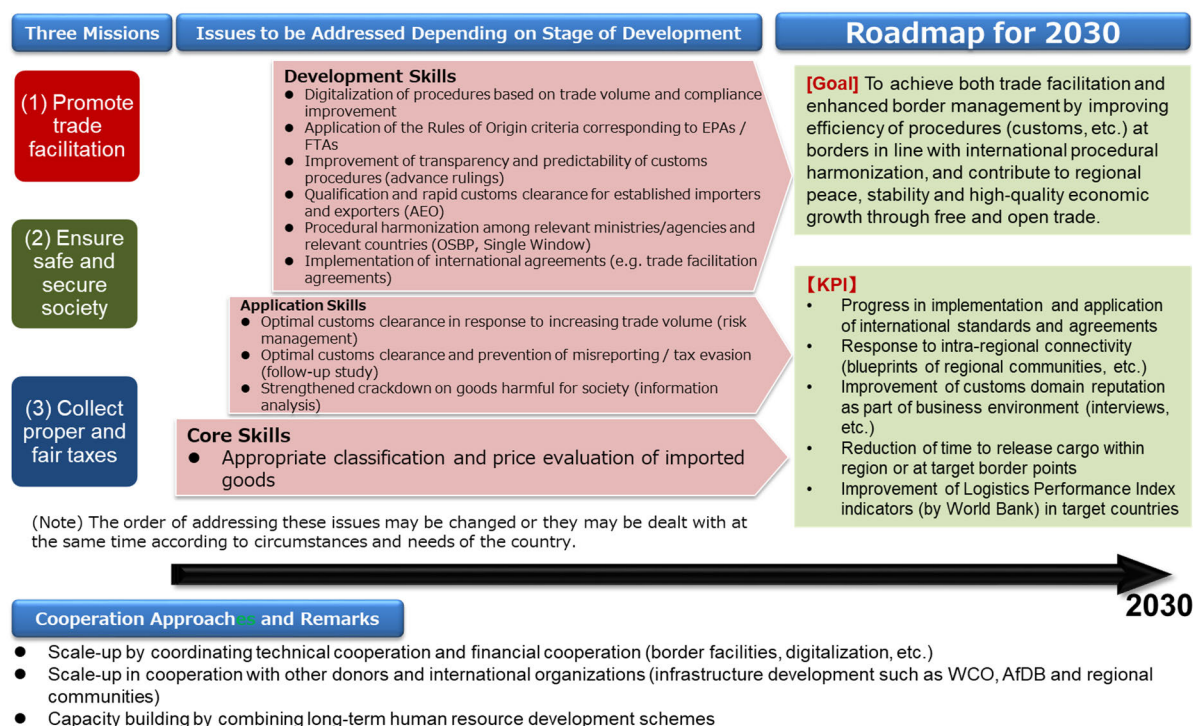
While Japan's foreign policy, the "Free and Open Indo-Pacific" concept (Figure 5-1), was the overarching concept, the direction of future assistance was considered in line with the "Initiative for Public Financial Management and Financial Market Development" (Figure 5-2), which was compiled in May 2019. As of April 2021, about two years after the compilation of the report, the JICA Survey Team has reached the conclusions described in 5-1-1 below as a result of this Survey.



Source: MOFA

Figure 5-1 Foreign Policy “Free and Open Indo-Pacific”

# Principles on “Proper and Fair Collection of Taxes and Trade Facilitation”



Source: JICA

**Figure 5-2 Direction of Support for "Proper and Fair Collection of Tariffs and Trade Facilitation"**

## 5-1-1 Changes in the international trade environment

### • Impact of COVID-19

The impact of COVID-19, which began at the end of 2019, was significant and caused trade disruptions, including an almost complete halt in logistics. Logistics have gradually recovered, but the impact of rising freight costs and other factors remains. As air and sea freight costs have soared and flights have been reduced, transportation by rail and truck has started to be paid attention in Asia and elsewhere. There is also a move to diversify logistics in order to prevent the spread of COVID-19 and to avoid situations in which the transportation of supplies necessary for treatment is delayed. Furthermore, each country is providing financial assistance to small and medium-sized businesses, which have been severely affected, and the government is assumed to strengthen revenue collection to recover the financial burden.

### • Flow of digitisation

In addition to customs clearance, Single Window has been developed, and with the exception of some African countries, customs clearance procedures have been digitalised. In Southeast Asia, ASW became fully operational in December 2019, and it is now possible to exchange certificates of origin electronically by all ASEAN member countries. In addition, private sector transactions (B to B) are also becoming more electronic, with freight and logistics management being

digitalised, especially by major companies in Southeast Asia that have the capacity to invest. On the other hand, Africa has been slow to digitise private transactions, except in the EAC.

- **Promotion of the Economic Partnership Agreement**

Economic Partnership Agreements and Free Trade Agreements are being promoted both in Southeast Asia and in the Sub-Saharan Africa region. Globally, the trend toward economic connectivity is progressing rapidly, and in addition to bilateral agreements, so-called mega-EPAs such as TPP11 and RCEP have recently been concluded. In Southeast Asia, EPA initiatives for trade facilitation are active. On the other hand, the AfCFTA will be implemented in Sub-Saharan Africa in January 2021, and it is expected to promote trade with the African continent as one economic zone in the future. However, some private companies mentioned that the activities of existing RECs are not sufficient. While the EAC and SADC were highly evaluated, some private companies mentioned that ECOWAS and other RECs were not implemented at all.

- **WTO TFA enters into force**

As for international discussions surrounding trade, there has been a growing interest in trade facilitation as four years have passed since the WTO TFA came into effect in 2017. The U.S.-China trade friction and the Brexit are examples of situations in which the decisions of one country have affected, or are feared to affect, multilateral trade. Fortunately, these cases have been partially affected due to the efforts of the parties involved, but the overall impact has been minimal, based on the results of interviews with private companies.

- **Trade and Gender**

One issue that has not been widely discussed is trade and gender. In the interviews with the private sector, there were few comments about harassment of women in trade. However, reports from the WTO and the World Bank have pointed out the importance of increasing opportunities for women's equitable participation in the domestic and global economy, as pointed out in a speech given by the Director General of the Customs and Tariff Bureau of Japan's Ministry of Finance at the conference of Japan Tariff Association in 2020.

### **5-1-2 Challenges in customs procedures**

Through this Survey, it was confirmed that there are challenges in customs procedures in both Southeast Asia and the Sub-Saharan Africa region. Some issues are common to both regions, while others have been identified as particular challenges in particular regions.

Regarding the gaps between institutions and operations, this is an issue common to both Southeast Asia and Sub-Saharan Africa. In response to the entry into force of the WTO TFA and so on, many countries have introduced international trade facilitation measures as a system, but due to the lack of capacity of their officials, the trade facilitation measures have not been implemented.

Regarding the appeals system, this is an issue common to both Southeast Asia and Sub-Saharan Africa. This may be due to the fact that the system has not been introduced, or even if it has been introduced,

the private sector has not been informed and it has become an unknown fact.

As for informal fees, this is an issue that is common to both Southeast Asia and Sub-Saharan Africa. It has been pointed out as a serious problem especially in Africa, except for some countries (such as South Africa and Ghana). Although there is an aspect of securing living expenses due to the low salaries of customs officers, customs officers in many countries are well-off and need to pay money internally to receive good treatment (promotion, training opportunities, etc.), and informal fees are collected to finance them.

Regarding the customs clearance ICT system, this is an issue common to both Southeast Asia and Sub-Saharan Africa. In Southeast Asia, issues such as frequent system outages in the Philippines have been identified. In addition, in Africa, many of them use ASYCUDA, and the problem of ASYCUDA which does not support Single Window has been pointed out.

Regarding the regulation of OGAs, this is an issue common to both Southeast Asia and Sub-Saharan Africa. It has been pointed out by the private sector that there are regulations of OGAs that are considered to be excessive and that the private sector has not been informed of the regulations themselves or of the revisions due to insufficient public awareness.

HS classification was pointed out as an issue, especially in Southeast Asia. HS codes have been introduced in all Southeast Asian countries, and there is a common ASEAN tariff schedule. However, it has been pointed out that the interpretation differs depending on the officer in charge or the customs office in charge of customs clearance. These factors could include a lack of capacity of individual staff or the intention to impose higher tariffs.

The advance ruling system was pointed out as an issue in Southeast Asia. This is the system that is supposed to be introduced in the WTO TFA. With regard to the operation of the advance ruling system, some respondents said that it took a long time from the application to the response and that they could not arrive in time for the arrival of the cargo, and others said that the advantages of advance ruling could not be utilized because of conflicts of opinion between the respondent of advance ruling and the section in charge of customs clearance. These factors may include lack of experiences of the staff in charge.

Tax payment was identified as an issue in Southeast Asia. In particular, it was pointed out that cargoes that are eligible for duty exemptions do not receive appropriate duty exemptions. This is due to the strong pressure being exerted on the customs department regarding tax collection.

Regarding rules of origin/certification of origin, this was pointed out as an issue in Southeast Asia. ASEAN complained that although a system for electronically exchanging certificates of origin has been introduced in the ASW, the reality is that this is not the case. The Survey Team believes that this factor is probably due to the awareness that they do not want to apply preferential tariff rates (i.e., they do not want to apply low or no tariff rates).

PCAs were pointed out as an issue in Southeast Asia. All ASEAN member countries have introduced PCAs, but there are indications that excessive PCAs are being conducted. Issues such as additional taxation due to misinterpretation of the law and stagnation of importers' operations due to prolonged

seizure of customs-related documents by customs have been pointed out. This may be due to the lack of capacity of the staff in charge, etc.

Inufficient implementation of the GMS CBTA system were identified as an issue in Southeast Asia. It has been pointed out by the private sector that not all of the systems under the Agreement have been implemented. As a background to this issue, the Survey Team believes that the above-mentioned system does not match the actual situation in each GMS country.

Mandatory pre-shipment inspections were pointed out as an issue in the Sub-Saharan Africa region. In the past, consulting firms were in charge of customs valuation on behalf of the customs authorities, which should have been done by the customs authorities, and it was pointed out that this arrangement did not improve the capacity of customs offices in developing countries. The objective has now changed to preventing the inflow of low quality cargo. In response to this, the private sector has pointed out that this is an excessive regulation.

Efforts related to the AfCFTA were noted as a challenge in the Sub-Saharan Africa region. As the preferential tariff rate schedule and rules of origin are currently under negotiation, there are many requests from the private sector for information sharing.

The operation of RECs was identified as a challenge in the Sub-Saharan Africa region. Some RECs, such as the EAC, have been assessed, but many have not. It has been pointed out by the private sector that some of the member states in the RECs are not complying with the system. As a background to this issue, the Survey Team believes that the above-mentioned system is not in line with the actual situation in the member states.

### **5-1-3 Development of ICT technology by the private sector**

As described in Chapter 3, Changes in the International Trade Environment Surrounding Customs (3-4 Development of Information Technology and 3-5 Hard Infrastructure Related to International Trade), ICT and other private sector technologies are contributing to the development and facilitation of trade. The introduction of customs clearance systems is one example. Other examples include the cloud sharing of trade documents and the electronic exchange of non-customs procedures (such as certificates of origin and permits under other laws). In addition, real-time information on cargo transport by shipping companies is provided, and real-time sharing of information on trucks in land transport, as is being addressed by the EAC, is also taking place. In addition, private-sector technologies to assistance procedures are also being developed, including the promotion of electronic exchange of trade documents using blockchain technology, automatic item classification using AI, and AI analysis of X-ray images for customs inspections.

“STUDY REPORT ON DISRUPTIVE TECHNOLOGIES”, compiled in June 2019 by the WCO, showcases the most innovative and up-to-date technologies available for customs operations. The technologies introduced are blockchain, IoT, AI and machine learning, biometrics, drones, VR etc., and 3D printers.

As for blockchain technology, it is considered applicable to trade and customs environments where participants in a transaction need to exchange information. In view of the potential of blockchain, the WCO has started to consider the use of this technology in the customs sector, primarily in terms of These include the use of blockchain technology for compliance, trade facilitation, and customs enforcement; regulatory challenges in the area of blockchain-based e-commerce; and the misuse of blockchain for fraudulent transactions, customs and VAT avoidance, intellectual property infringement, money laundering, and other financial crimes.

As for IoT, it is used to monitor the movement of things in real time. The examples include monitoring the location of containers to help optimize navigation. By using a dedicated app, shippers who receive goods can use a barcode reader to check whether the arriving package is suitable or not. On the other hand, the challenge is how customs and other border agencies can connect to this network and benefit from this information, based on the principles of supply chain management, while balancing trade facilitation and security. With the information available through IoT technology, customs authorities will have the advantage of being able to focus on using analytical tools to identify priority, high-risk and low-risk shipments and supply chains.

As for AI and machine learning, as the movement of people and goods across borders generates vast amounts of data, AI will help analyse this vast and ever-increasing data. AI technology is capable of taking all this data and detecting and predicting patterns more accurately than humans can. Visual search, facial recognition, behavioural and predictive analytics, which are already in use in other areas, are also expected to be further exploited for use in customs and border control. In customs practice, it is expected that AI will be used for the purposes including item classification, customs inspection, risk-based targeting, analysis of container images captured by X-ray scanners, logistics monitoring and control in customs warehouses and bonded areas, identification of high-risk passengers and vehicles using facial recognition and visual search at the border, and development of mobile apps at the border to provide customs self-payment services. Implementing chatbots in government offices can greatly enhance communication between government, businesses, and citizens. The use of AI with augmented reality (AR) and mixed reality glasses is expected to be implemented by customs for training purposes as well as for shipment inspection and detection of counterfeit and contraband goods.

With respect to biometrics, access to the biometric information of individuals involved in customs offenses could facilitate Customs' efforts to identify, investigate, apprehend, and prosecute these wrongdoers. In addition, customs authorities have long experience in coordination and interagency collaboration with respect to enforcing laws and regulations on behalf of OGAs that are partners.

As for drones, the use of drones in customs operations is no longer a "next generation" technology; some customs offices are already using them for surveillance and monitoring purposes. On the other hand, while there are budding opportunities in the use of drones as a means of delivery, there are also challenges. Clearly, Customs needs to monitor, analyse, and understand new developments in the use of drones and related regulatory developments. It is also necessary to change customs procedures and requirements as necessary, and to come up with appropriate policy responses. In addition, it should be



noted that drones could be used for cross-border smuggling of illegal and legal goods, and customs regulations should be considered to address current and emerging challenges.

As for virtual reality and the like, with respect to customs, it is possible to use augmented reality and mixed reality to project visual aids into the physical world. There are two possible methods of support by virtual reality, etc., when conducting in-kind inspections. The first method is to provide information to all staff in advance. It is also a way for the supervisor to assist the inspection officer in seeing what the customs officer is seeing in real time.

It can also be used to visualize big data. Mixed Reality allows data to be projected into the physical world as digital images and manipulated as real objects. In addition, virtual reality can be used for training of customs officers. It is also possible to create a variety of training environments that are difficult to reproduce in the physical world, such as the machinery room of a large container ship.

As for 3D printers, it is predicted that they could have a significant impact on customs operations in the future. Also, based on the current legislation, 3D printers may affect other ministries (tax authorities, police, etc.) more than customs. However, some argue that customs should be involved in monitoring the virtual supply chain and point out how this can be achieved, including whether existing legislation is sufficient to cover such responsibilities. In general, cooperation between customs and tax and other ministries is seen as important (perhaps as a new aspect of coordinated border management).

The WCO has highlighted the impact of 3D printing on origin, valuation, IPR and security, particularly the impact on VAT. It has also been pointed out that the term "goods" may need to be redefined in the future. There is also an overarching view in the customs community that the administration should play a key role in monitoring the cross-border movement of intangible goods.

#### **5-1-4 Future Direction of Assistance**

Looking ahead to 2030, the three missions of Customs are universal. New roles are added as times and society change, but the mission is universal. In such an environment, in order to achieve the goal of "improving the efficiency of border procedures (customs, etc.) in line with the harmonization of international procedures, and thereby contributing to regional peace and stability and high-quality economic growth through free and open trade, by achieving both trade facilitation and strengthening of border management," it is essential to provide support that takes into account the characteristics of JICA's assistance, and that is flexible enough to take into account the current situation and issues.

There are some issues in this Survey target area as described in 5-1-2 above. Based on the history of JICA's assistance to date, in order to address these issues in the period up to 2030, it is appropriate to assist the development of the business environment through trade facilitation assistance for Southeast Asia. With regard to the Sub-Saharan Africa region, it is necessary to take into account the current situation of the Sub-Saharan Africa region, which has challenges in customs procedures in general, while taking into account the history of JICA's assistance to date (target regions and areas of assistance). It would then be appropriate to provide detailed assistance for customs procedures in general, while narrowing down the target countries and regions for support.

### **(1) Southeast Asia**

Assistance for improving the business environment by supporting trade facilitation through strengthening ASEAN connectivity

- Strengthen organizational management skills (for senior managers)
- Risk management and rules of origin
- Strengthen tax collection capacity for departments involved in tax collection
- Promoting the introduction of WTO TFA items related to tax collection

### **(2) Sub-Saharan Africa Region**

Assistance for customs administration in general, while narrowing down the target countries and regions for assistance (\*Governance and development are lagging behind in all but a few countries, so detailed support is needed while paying attention to autonomy and sustainability)

- Strengthen organizational management capacity to promote AfCFTA and RECs
- risk management
- Capacity building in cooperation with WCO
- Strengthen tax collection capacity for departments involved in tax collection
- Promoting the introduction of WTO TFA items related to tax collection
- Promotion of MTP for professional development in tax collection related areas (in collaboration with WCO)

### **(3) Features of JICA Assistance**

As described in 4-1-1 above, JICA assistance has several characteristics. JICA assistance is characterized by its emphasis on assisting the economic self-sufficiency of developing countries, its variety of schemes ( Grant Aid, technical assistance, yen loans), and its emphasis on "on-the-ground", "tacit knowledge" and "people" capabilities. In particular, with regard to customs assistance, the Survey Team is providing tailor-made assistance to customs officers in developing countries by sharing Japan's experience with them. It also assists the modernization of customs offices in developing countries by providing equipment such as large X-ray inspection equipment and surveillance boats. In addition, the MOC with the WCO has made it possible to equalize the WCO's international standards with the customs of developing countries in the name of JICA assistance.

### **(4) Prioritization criteria for consideration of assistance measures**

As described in 4-1-1 above, priorities should be determined from the following five perspectives when considering future assistance. ① common regional issues, ② cost-effectiveness, ③ urgency, ④ Japan's commitment, and ⑤ compatibility with the JICA scheme.

- ① Common issues in the region: Some development issues in the customs sector are due to the individual circumstances of individual countries, while others are common to multiple countries (regions). Common issues take precedence over the issues of individual countries.

- ② Cost-effectiveness: In providing support, the inputs (people, goods, money, and time) and outcomes (outcomes) must be reasonable. Priority should be given to issues that are expected to produce greater outcomes with limited inputs.
- ③ Urgency: Priority should be given to issues that need to be resolved as soon as possible, rather than those that require more time to resolve.
- ④ Commitments: Priority should be given to assistance promised by Japan behind the scenes at various international forums.
- ⑤ Compatibility with JICA scheme: There are characteristics of JICA support described in (3) above, and priority should be given to support areas in which JICA excels.

## **5-2 Proposal**

### **5-2-1 Assistance Approach**

The current situation surrounding customs in Asia (ASEAN) and Africa (Sub-Saharan Africa), which are the target regions of this Survey, are not the same, and therefore, approaches should be taken according to the characteristics of each region. For ASEAN, it should be "support for the development of the business environment by supporting trade facilitation through the strengthening of ASEAN connectivity", and for Sub-Saharan Africa, it should be "assistance for customs administration in general while narrowing down the countries and regions targeted for assistance", since various support related to all three missions of customs is needed. It is also necessary to devise the characteristics of JICA assistance based on assistance needs.

#### **(1) Approaches to support customs in Asia**

As for the current situation and issues surrounding customs in the Asian region, the main issue is related to trade facilitation in the classification of the three missions of customs. There are many Japanese companies operating in ASEAN, and all ASEAN member countries have concluded EPAs with Japan. The Japanese government also expressed its support for ASEAN's trade facilitation and various GMS agreements in its "Japan's Cooperation to Realize ASEAN 2025 (Connectivity)" announced in 2016. In light of this situation, improving the business environment by supporting trade facilitation through strengthening ASEAN connectivity is consistent with the assistance needs and highly effective.

Possible assistance areas are described in 4-1 above, but in light of 5-1, the specific assistance areas that have the highest priority among them are "strengthening organisational management capacity (targeting senior managers)," "risk management and rules of origin," "strengthening tax collection capacity for departments involved in tax collection," and "promoting the introduction of WTO TFA items related to tax collection.

##### **➤ Strengthen organisational management skills (for senior managers)**

Purpose of support: To eliminate the gap between the system and the operation, it is necessary to establish the system and change business practices. Strengthen the leadership of senior managers (e.g., bureau chiefs), as their leadership is key to establishing the system and changing work habits.

Support will be provided to directors and deputy directors of customs offices in each country. Depending on the circumstances of each country, consideration will be given to targeting more junior, but promising, staff.

Note: Given that the executives are targeted, using e-Learning methods, short meetings in Japan (to introduce and share the management experience of Japan Customs), and suitable locations and opportunities for executive meetings within ASEAN will be considered. In addition, the WCO Leadership and Management Development Workshop conducted by the WCO will be used as a reference.

➤ **Risk management and rules of origin**

Objective of the support: To develop systems and human resources to ensure the appropriate application of rules of origin in order to stimulate trade between Japan and ASEAN. In addition, aiming at risk-based customs clearance, the risk of each declaration will be judged appropriately to enable prompt customs clearance.

Target of support: This program is targeted at the level of section chiefs and assistant section chiefs in the Ministry of Home Affairs, so that origin and risk management can be established as a system.

Note: Since the implementation status of risk management and rules of origin differs within ASEAN, support measures should be considered with a view to South-South cooperation. Bearing in mind the conclusion of the ASEAN-Japan Technical Cooperation Agreement, one idea is to make the preparation of the ASEAN Rules of Origin Manual one of the outcomes of the support by dispatching rules of origin experts to the ASEAN Secretariat. The dispatch of the experts will also contribute to supporting the so-called mega-EPA.

➤ **Strengthen tax collection capacity for departments involved in tax collection**

The objective of the support is to achieve balanced tax collection. All ASEAN member states have introduced PCAs. However, the implementation status of PCAs from Thailand, which has more than 20 years of ex-post facto investigation experience, to Myanmar, which has just started. Providing the most appropriate support for the current situation is expected.

Support will be provided to all ASEAN member states responsible for PCAs.

Note: Take into account that there are differences in the implementation status. In Thailand and other countries, PCAs have been established, therefore, support measures with a view to South-South cooperation will be considered.

➤ **Promoting the introduction of WTO TFA items related to tax collection**

Objective: To support areas of the WTO TFA where the implementation is lagging behind.

Target of support: Countries to be supported will be considered according to the contents of the report to the WTO.

Note: Consider support measures while paying attention to the status of support from international organizations.

## **(2) Assistance approaches to support customs in Sub-Saharan Africa**

The current situation and issues surrounding customs in the Sub-Saharan Africa region are numerous. Assistance is needed for all three missions of Customs. Within the Sub-Saharan Africa region, the southeast is relatively well developed. South Africa's customs have been highly evaluated by the private sector. On the other hand, as for Western Africa, the regional community has not been active, and although there are relatively large countries such as Ghana and Nigeria, development has been slow as a whole. Customs in Africa has a high level of government expectation and pressure on revenue collection, and there is a high level of interest in tax collection, as the criteria for performance appraisal of individual customs officers and their organizations have incorporated those related to the amount of tax collected.

The possible areas of assistance are as described in 4-1 above, but in light of 5-1, it is appropriate to focus on Southeast Africa in consideration of Japan's past assistance record and the interest of Japanese companies. The specific assistance areas that have been given high priority among the candidates for support are: "Strengthening organizational management capacity to promote AfCFTA and RECs", "Risk management", "Capacity building in cooperation with the WCO", "Strengthening tax collection capacity for sectors involved in tax collection", "Promoting the introduction of WTO TFA items related to tax collection", and "Promoting MTP to develop experts in tax collection related areas (in cooperation with the WCO)".

### ➤ Strengthen organizational management capacity to promote AfCFTA and RECs

Objective: To promote the AfCFTA and RECs, and to consolidate the AfCFTA and other systems (preferential tariff rates and rules of origin). Strengthen the leadership of senior managers (bureau chiefs, etc.), as their leadership is key to establishing the system.

Support will be provided to the Director-General and Deputy Director-General of each customs office in Southeast Africa.

Note: Keeping in mind that the executives are targeted, utilizing e-Learning methods, short meetings in Japan, and suitable locations and opportunities for executive meetings within Southeast Africa will be considered.

### ➤ Risk management

Objective: The revised Kyoto Protocol and the WTO TFA require the introduction of risk-based customs procedures.

Targeting all countries in Southeast Africa to ensure that risk management is entrenched in the Sub-Saharan Africa region, and that risk management is integrated into customs operations as an institution. In parallel, clearing agent, which represents declarations will also be supported.

Note: Except for countries that are comfortable with ICT for risk management but have their own customs systems, careful consideration should be given to whether an ICT system should be developed and introduced as a common risk management engine for countries that have implemented ASYCUDA.

Since the Cargo Targeting System (CTS) developed by the WCO is available at Grant Aid in any WCO member country, the introduction of the WCO CTS will require further study and consideration in the future.<sup>42</sup>

➤ Capacity building in cooperation with WCO and others

In order to address the issue of the gaps between systems and operations, the introduction and efficient operation of international standards, such as those of the WCO, will be a shortcut to the modernization of customs, and working with the WCO and others are expected to support the introduction of international standards whose introduction has been delayed.

Target: Countries that have been slow to adopt the WCO's international standards. Alternatively, countries that have introduced the system but are facing operational challenges will also be covered.

Note: The WCO trains certified professionals and utilizes the resources of the WCO. On the other hand, it is necessary to consider the method of support, bearing in mind that it will be difficult to see the interest of Japan.

➤ Strengthen tax collection capacity for sectors involved in tax collection, promote the introduction of WTO TFA items related to tax collection, and promote MTP to train experts in tax collection-related fields (in cooperation with WCO)

The purpose of the support is to enlighten taxpayers in Africa, as taxpayers' awareness of tax payment is low. In parallel, strengthen the tax collection capacity of customs' tax collection departments (e.g., PCA departments). The capacity as an organization and the capacity of the staff will be strengthened.

Target: clearing agent, customs officers, and organizational managers throughout the Sub-Saharan Africa region.

Note: It will take time to change the mindset of taxpayers. In order to change the mindset of taxpayers, it is essential to build a relationship of trust between customs officials and taxpayers. Building a relationship of trust is the key to successful support. As for MTPs, the post-survey MTP fostered by the Eastern Africa Project will be used as a best practice, and this will be expanded to other regions. They will be first expanded to Southern Africa, and then considered to be expanded to Central and Western Africa.

### 5-2-2 Verification Method (KPI)

The verification methods were analysed and discussed for the existing KPIs and new KPI. As a result, as an existing KPI, the Survey Team considers that TRS and LPI are effective as a verification method of JICA support, although there are some points to be noted. The Survey Team also believes that a multiple regression analysis combining customs revenue income amounts and some KPI would be useful, although there is room for further improvement as a new KPI.

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<sup>42</sup> <http://www.wcoomd.org/en/topics/enforcement-and-compliance/instruments-and-tools/cargo-targeting-system.aspx>

## **(1) Existing KPIs**

### **1) TRS**

The objectives of the TRS are to identify bottlenecks in international trade, measure the efficiency of customs and other trade-related ministries and trade officials, evaluate newly introduced policies and systems, electronic customs clearance systems, etc., identify baselines for trade facilitation, and improve the predictability of customs clearance times for trade officials. However, it is not intended to be used for comparisons between customs in other countries.

In addition, in consideration of the above-mentioned objectives of the TRS, Article 7.6 of the WTO TFA (determination and publication of the average time required for take-back) encourages the use of tools such as the WCO's TRS Guide to conduct the TRS on a regular basis and to publish the results, and the Survey Team believes that the implementation of the TRS and publication of the results will increase in the future. However, since this section is not an obligatory provision, but only encourages implementation and publication of the results, the extent to which WTO members will implement the TRS is unpredictable.

Furthermore, only a limited number of implementing countries publish the results. In the interviews with the World Bank and the IMF, the TRS was evaluated to be effective as one of the KPIs. Therefore, it is worth considering to share the TRS results with the donor agencies or to require them to conduct the TRS periodically as a prerequisite for the implementation of the Capability Building Project in cooperation with the donor agencies.

### **2) LPI**

As for the LPI index, the Survey Team believes that it would be partially effective as a KPI if both the overall index and individual indices for each sector such as customs and infrastructure were used though it should be taken into account that it is based on subjective assessments by traders and that measures with high expectations may be revised downwards due to negative effects. For example, in the case of Japan, the facilitation measures introduced by the Japanese government have been correlated with improvements in the LPI Composite Index, Customs Index and Infrastructure Index. On the other hand, in the case of the ASEAN case, the Survey Team understands that a certain period of time will be necessary to measure the effects of the introduction of VNACCS and MACCS in the LPI Composite Index and Customs Index, taking into account the proficiency of the public and private sectors and the expansion of the utilization rate. In the case of Kenya and Uganda, there are cases where the facilitation measures lead to an improvement in the LPI index and cases where the improvement does not show up in the index.

As a result, the Survey Team understands that it is possible to use the LPI index as one of the KPI to understand the effect of the measures supported by using both the overall index and individual indices for each sector such as customs and infrastructure. However, considering that it may take a certain period of time before the introduction of trade facilitation measures such as customs clearance system is reflected in the LPI index, and that in addition to Japan's assistance, assistance of other donors and

self-help efforts by recipient countries may also affect the index, it would be possible to use the LPI Composite Index and the LPI Index for Assistance Areas as one of the KPIs to measure trade facilitation. In addition, it is considered important to use this information in conjunction with other KPI in order to accurately grasp the status of trade facilitation.

### **3) Other KPIs**

#### **① Doing Business**

There are many challenges to using Doing Business effectively KPI. The WCO has raised with the Bank the issue of EU membership (all 16 of the top 20 countries with a score of 100 are EU member states). In addition, it should be noted that the evaluation differs greatly due to differences in survey methods, such as the fact that Singapore, which is always ranked in the top 10 in the LPI, is ranked 47th in the DB2020 ranking on international trade.

Regarding the evaluation of the operation of VNACCS and MACCS, there is an issue that there will be a time lag between the current situation and the results of the Doing Business survey, although the Survey Team understands that this will be reflected in the DB index after a certain period of time from the VNACCS case.

On the other hand, in the case of Uganda, various trade facilitation measures introduced by the EAC are described in the report and to some extent reflected in KPI. However, some questions exist, such as the fact that many items in the index have not changed at all over the past five years, and that there has been no change in the index related to costs despite significant reductions in documentation and border measures processing times.

#### **② Tax related KPIs**

##### **(i) Percentage of total amount collected by customs to total amount of national tax collection**

The WCO Annual Report is one that aggregates KPI related to revenue collection by customs. It should be noted, however, that 58 countries and territories, or just over 30% of the 183 WCO member countries and territories, do not provide the WCO with a customs collection percentage.

Of the 125 countries that reported to the WCO, about 45% of the total amount collected by customs accounted for more than 30% of total national tax revenue, indicating that customs is still an important tax collection agency for the stability of national fiscal revenue. In Japan, the importance of customs as a tax collection agency is unquestionable, with its total collection accounting for 14.3% (2018) of total national tax revenue.

As a result of the analysis and review, the Survey Team understands that it is difficult to utilize the ratio of customs duties collected to the total amount of national taxes collected as a KPI in the Japanese case because it is affected by multiple factors such as the effect of EPAs, exchange rate fluctuations, and increases or decreases in import value due to fluctuations in natural resource prices.



In order to understand the situation in the ASEAN and Sub-Saharan African countries covered by this survey, the Survey Team decided to look at the trends of major countries in ASEAN and Sub-Saharan Africa reported annually from the 2016-2017 Annual Report, and extracted figures for Thailand, Indonesia, Vietnam, South Africa, Uganda, Senegal, and Cameroon as well as Japan. As a result, there are problems such as cases where the exact same figures have been reported for two or three years (Thailand, Indonesia, and South Africa) and cases where it can be clearly assumed that the reported figures are incorrect (Vietnam), making it problematic to use them as is as a KPI for customs duties and other collections.

(ii) Achievement rate of revenue collected by customs

In many customs offices in developing countries, the achievement rate of revenue collected by customs against the target value announced by the Ministry of Finance has been used as the important KPI. The Kenya Revenue Authority (KRA) and the South African Revenue Service (SARS), interviewed for this Survey, also indicated that the achievement rate of revenue collected by customs was one of the most important KPIs. The achievement rates for Kenya and South Africa over the past two years showed that while both countries achieved above 100% in FY2018/19, the achievement rate was below 100% in FY2019/20, as customs revenue declined due to the weak global economy and domestic industry caused by the COVID-19.

Thus, the achievement rate of customs revenue against the target is an important KPI for customs in developing countries, and it is possible to monitor the revenue collection function of each country's customs by updating the trends of KPI and efforts to achieve the target.

On the other hand, such KPIs can be analysed only for the country concerned and cannot be applied to international comparisons. The validity of the customs revenue targets set by the Ministry of Finance also needs to be carefully analysed. The private sector has pointed out problems such as customs classify goods as higher tariff bracket and raise the taxable value at the post clearance audit, and the possible background to these problems is thought to be related to arbitrary interpretation in order to achieve the target amount of customs revenue collection. Therefore, it is necessary to examine not only the achievement rate but also the validity of the target value.

**③ Customs control KPIs**

(i) WCO Illicit Report

The WCO Illicit Trade Report is a comprehensive analysis of the actual situation of illicit trade, including the smuggling of narcotics, cultural property and weapons, and the importation of goods infringing intellectual property rights, based on data voluntarily provided to the WCO Secretariat by the customs authorities of WCO member countries.

The report is published annually, with 137 of the WCO's 183 member states and territories reporting in the latest 2019 edition. The data provided by Member States and territories is limited to seizures, seizures and seizures by Customs alone, by joint Customs and police forces, and by

other enforcement agencies with Customs authority, and does not include seizures and seizures not involving Customs. The data are collected in the Customs Enforcement Network (CEN) operated by the WCO and analysed and published by the WCO Secretariat.

The WCO report does not include the actual results of individual countries, and the increase or decrease in the number of reports is difficult to utilize as a KPI due to the issues and background described above.

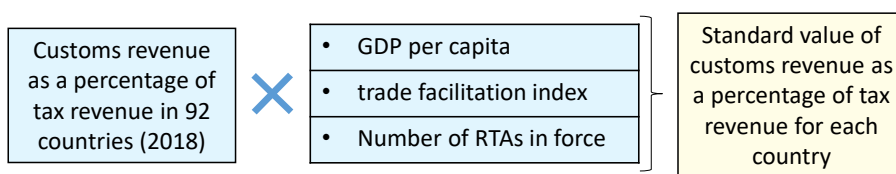
(ii) UNODC World Drug Report (WDR)

The WDR, published by the UNODC, is an analysis based on reports of the number and volume of drug offences detected by law enforcement agencies such as police and customs in various countries, with approximately 7,918 tons of illicit drugs such as cannabis, methamphetamine and cocaine reportedly detected worldwide in 2018. The third part of the WDR provides a detailed analysis of the cultivation and production of each drug and its smuggling routes by region.

However, while detailed basic data by country is published for cannabis, only major countries publish data on cocaine, methamphetamine, etc. In addition, the WDR includes the number and volume of domestic seizures and does not distinguish between figures for smuggling seizures, and therefore cannot be used as basic data for KPIs related to customs control.

**(2) New KPI**

Although there is room for further improvement as a new indicator, a multiple regression analysis combining the customs revenue amount and some other indicators would be effective. There is a relationship between the amount of customs duties and economic development, and the amount of customs duties in each country is considered to vary depending on the progress of trade facilitation and other factors.



Source: Survey Team

**Figure 5-3 Correlation with Customs Duties**

The multiple regression analysis was used to calculate a standard level for the ratio of customs revenue to tax revenue for 92 countries. The ratio of customs revenue to tax revenue is the objective variable  $y$ , and the three variables are the explanatory variables. GDP per capita (nominal USD) is  $x_1$ , trade facilitation KPI is  $x_2$ , the number of RTAs in force is  $x_3$ , and the following multiple regression equation is obtained:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3$$

The results show a degree of freedom adjusted coefficient of determination of 0.43, which confirms a moderate compatibility. Also, the significant F is <0.05, which confirms the reliability of the regression equation. The P-value results show that  $x_1$ ,  $x_3$ , and  $x_2$  are highly correlated with the share of customs revenue in tax revenue. The multiple regression equation showing the partial regression coefficients was as follows:

$$y = 44.4 - 0.00023x_1 - 7.45 x_2 - 0.21 x_3$$

On the other hand, the above analysis has the following issues, and there is room for further improvement.

- The above analysis can be a tool for understanding the position of the share of customs revenue in tax revenues, taking into account the degree of economic development and the progress of trade facilitation and trade liberalization in each country, but it cannot be said to be applicable to all countries taking into account the specificity of each country.
- There is room to consider other variables mentioned above.

## **APPENDIX 1: Survey Team and Survey Process (related to Chapter 1)**

### **1. Composition of the Survey Team**

The composition of the personnel and their roles were examined to ensure efficient, effective, and smooth investigation in their areas of responsibility within the specified period of time, and the following personnel composition was decided. The details are mentioned on APPENDIX 1.

### **2. Basic Policy on Survey Team Personnel**

#### **1) Assigning the expert who is familiar with the situation of WTO and WCO**

In this Survey, it is important to assign a member who is familiar with the situation of WTO, which is in charge of making rules on international trade, and WCO, which is in charge of formulating and enforcing international trade rules and providing technical assistance to customs.

In particular, WCO supports the implementation of WTO Trade Facilitation Agreement in cooperation with the WTO. Thus, we believe that it is important for this Survey to exchange views with WCO executives, including the Director General of WCO, on the possible shape of customs in 2030 and the nature of technical assistance to customs authorities in developing countries.

#### **2) Assigning experts with expertise in diagnosing issues and evaluating projects in the customs sector**

Issues in the customs field are often discussed in terms of real intentions and preconceived notions, and it is not possible to rely on what the subject of the investigation explained during the hearing. This does not mean that the subject of the investigation is giving false explanations, but they often explain only the *tatemaie* while hiding their true intentions. Customs and corruption are inseparable issues. Thus, it is necessary to have an expert who is experienced and knowledgeable in diagnosing issues in the customs field.

In addition, knowledge and experience in customs capacity assessment is required to consider the approaches for future assistance. Planning a project also requires knowledge and experience in Project Cycle Management (PCM). Thus, an expert in WCO certified diagnostic tool was assigned, and an expert with PCM knowledge and experience in project evaluation was assigned to the Team.

The main tasks assigned to the Survey Team are shown in Table 1 below.

**Table 1 Details of Work Assigned to Each Expert**

Name	Work Assignment	Description of Tasks
Mitsunori Numaguchi	Chief Adviser/Trade Facilitation	<p>(1) Work as a Chief Adviser/Trade Facilitation</p> <ul style="list-style-type: none"> <li>• Compilation of work plans (preparation, consultation, checking)</li> <li>• Compilation of information collection in Japan (hearing, analysis, and finalising)</li> <li>• Compilation of inception reports (preparation, consultation, and finalising)</li> <li>• Information gathering in Southeast Asia (interviews, analysis, and finalising)</li> <li>• Information gathering in Africa (interviews, analysis, and finalising)</li> <li>• Interview with the WCO (interview, analysis, and finalising)</li> <li>• Interview with the WTO (hearing, analysis, and finalising)</li> <li>• Interview with the World Bank and Asian Development Bank (interviews, analysis, and finalising)</li> <li>• Compilation of work progress reports (preparation, consultation, and finalising)</li> <li>• Compilation of studies for the strategic nature of the initiatives (preparation, consultation, and finalising)</li> <li>• Compilation of draft and final reports (preparation, consultation, and finalising)</li> <li>• Compilation of final reports (preparation, consultation, and finalising)</li> </ul>
Yuka Kato	Deputy Chief Adviser/Trade and Investment 1	<p>(1) Duties as Deputy Chief Adviser</p> <ul style="list-style-type: none"> <li>• Compilation of work plans (preparation, consultation, and finalising)</li> <li>• Compilation of information collection in Japan (hearing, analysis, and finalising)</li> <li>• Compilation of inception reports (preparation, consultation, and finalising)</li> <li>• Information gathering in Southeast Asia (analysis and finalising)</li> <li>• Information gathering in Africa (interviews, analysis, and finalising)</li> <li>• Interviewing with WCO (interview, analysis, and finalising)</li> <li>• Interviewing with WTO (hearing, analysis, and finalising)</li> <li>• Interviewing with the World Bank and Asian Development Bank (interviews, analysis, and finalising)</li> <li>• Compilation of studies for the strategic nature of the initiatives (preparation, consultation, and finalising)</li> <li>• Compilation of work progress reports (preparation, consultation, and finalising)</li> <li>• Compilation of draft and final reports (preparation, consultation, and finalising)</li> <li>• Compilation of final reports (preparation, consultation, and finalising)</li> </ul> <p>(2) Task as Person in Charge of Trade and Investment 1 (excluding overlap with tasks as Deputy Chief Adviser)</p> <ul style="list-style-type: none"> <li>• Preparation and discussion of the parts on responsibilities in the work plan</li> <li>• Gathering information in Japan related to the part of the project for which you are responsible (interviews and analysis)</li> <li>• Preparation and discussion of the parts on responsibilities in the inception report</li> <li>• Information gathering in Southeast Asia regarding the parts on responsibilities (analysis)</li> <li>• Information gathering in Africa regarding the parts on responsibilities (interviews and analysis)</li> <li>• Preparation and discussion of the parts on responsibilities in the progress report</li> <li>• Preparation and discussion of the parts on responsibilities in the draft final reports</li> <li>• Preparation and discussion of the parts on responsibilities in the final report</li> </ul>

Name	Work Assignment	Description of Tasks
Takashi Matsumoto	Customs Administration/Logistics	(1) Tasks as Person in Charge of Customs Administration/Logistics <ul style="list-style-type: none"> <li>• Preparation and discussion of the parts on responsibilities in the work plan</li> <li>• Information gathering in Japan regarding the parts on responsibilities (interviews, analysis)</li> <li>• Preparation and discussion of the parts on responsibilities in the inception report</li> <li>• Information gathering in Southeast Asia (analysis)</li> <li>• Information gathering in Africa (analysis)</li> <li>• Interview with WCOs</li> <li>• Interview with WTO and analysing</li> <li>• Interviews with the World Bank and Asian Development Bank, and analysing</li> <li>• Considerations for the strategy of the initiatives (prepared and discussed)</li> <li>• Preparation and discussion of the parts on responsibilities in the progress report</li> <li>• Preparation and discussion of the parts on responsibilities in the draft final report</li> <li>• Preparation and discussion of the parts on responsibilities in the final report</li> </ul>
Satomi Arai	Trade and Investment 2	(1) Tasks as Person in Charge of Trade and Investment 2 <ul style="list-style-type: none"> <li>• Preparation and discussion of the parts on responsibilities in the work plan</li> <li>• Information gathering of the parts on responsibilities in Japan (interviews and analysis)</li> <li>• Preparation and discussion of the parts on responsibilities part in the inception report</li> <li>• Information gathering in Southeast Asia (interviews and analysis)</li> <li>• Information gathering in Africa (interviews and analysis)</li> <li>• Analysis of the results of interviews with WCO</li> <li>• Analysis of the results of interviews with WTO</li> <li>• Analysis of the results of interviews with World Bank and Asian Development Bank</li> <li>• Considerations for the strategy of the initiatives (prepared and discussed)</li> <li>• Preparation and discussion of the parts on responsibilities in the progress report</li> <li>• Preparation and discussion of the parts on responsibilities in the draft final report</li> <li>• Preparation and discussion of the parts on responsibilities in the final report</li> </ul>

Source: The Survey Team

### 3. Schedule of Survey

From April to May 2020, the Survey Team identified the interview items by checking the existing reports related to the past JICA support achievements and by interviewing the people involved in the past JICA customs projects as well as major private companies. The team also collected the information about the target countries. The results of the home survey and the field survey plan were compiled and the Inception Report was prepared, briefed, discussed and finalised in May 2020. The content of the interview items was improved by reflecting on each piece of information collected.

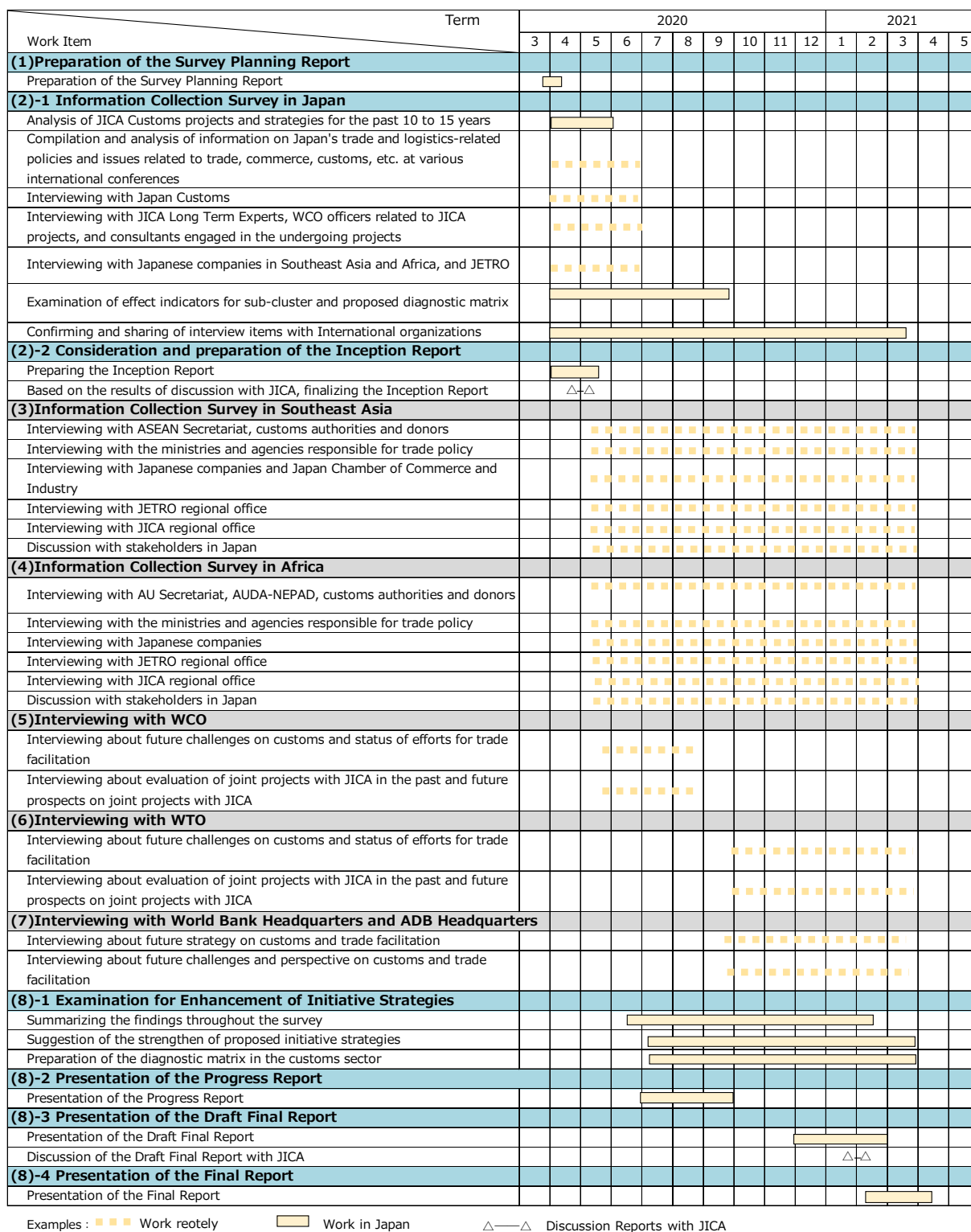
Since May 2020, information has been collected through interviews and confirmation of existing materials in the survey targets in Southeast Asia and Africa. In Southeast Asia, we collected information on "Trade and Customs Policies for Strengthening Intra-ASEAN Connectivity", "Status of Initiatives

for Trade Facilitation and Trade and Investment Promotion", and "Status of Latest Initiatives for Digital Governance/Digital Economy Related to Customs and Trade Facilitation". In Africa, we collected information on "future One-Stop Border Post (OSBP) and corridor support" and "the status of initiatives for trade facilitation". Immediately after the start of the Survey, the Survey plan was reconsidered based on the assumption that travelling to the target countries would resume in October 2020 in light of the impact of the global outbreak of the new coronavirus (COVID-19), and government agencies in the target countries were surveyed during their on-site visits. However, due to the previous continuation of the trend of global spread of COVID-19 after October 2020, it was decided that all field surveys would be conducted online. In particular, since the collection of information in Africa was inadequate, we outsourced the interview survey to a Kenyan consulting firm to strengthen our information collection in Africa. For Kenya, Ethiopia, and South Africa, local consultants were hired, which made it possible to conduct interviews with many local companies. In addition, although there were no instructions in the original special specifications, information was collected in West Africa (Ghana and Nigeria) by utilising contractors. We were able to obtain in-depth information on the local situation and trends which, together with information obtained from Japanese companies, contributed to a multifaceted analysis.

Interviews on "Future Issues in the Customs Sector and the Status of Measures for Trade Facilitation" and "Evaluation of JICA's Collaborative Projects and Future Development were held with the WCO via the web conference system. In particular, in September 2020, we exchanged opinions with Mr Mikuriya, Director-General of WCO, and others using the web conference system, and obtained valuable information on the state of customs toward 2030. With regard to the implementation of the Agreement on Trade Facilitation (ATF) of the WTO, we collected information on the implementation status and planned introduction of the ATF in each country through the WTO website. In January 2021, we exchanged views with the World Bank (WB) headquarters via the web conference system on the status of support for trade facilitation and customs, and the state of customs towards 2030. The ADB headquarters also held a hearing on "Future Strategies for the Customs Sector and Trade Facilitation", with particular emphasis on digital governance and efforts to address the latest technologies.

Based on the above findings of the field survey, we compiled the recommendations for strengthening the strategy of the proposed "Appropriate and Fair Collection of Customs Duties and Trade Facilitation Initiative" and the "Matrix for Diagnosis of Problems in the Customs Sector", and "prepared the Draft Final Report". After explaining and discussing the project with JICA, the Final Report was finalized based on the comments from JICA.

In response to the global spread of COVID-19, all local travels were cancelled and surveys of the target countries were conducted from within Japan using a web conference system. The Survey schedule is shown in Figure 1.



Source: The Survey Team

Figure 1 Survey Schedule