



**Trip Report:  
Abolition of Pre-Shipment Inspection:  
Exit Strategy  
Maputo, Mozambique**

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**Travel Dates:  
February 12 - 15, 2008**

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The Services Group**

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**PURPOSE:**

- To follow-up on the USAID Report *Reducing Import and Export Processing Times in Mozambique* and work-out modalities for Abolition of Pre-Shipment Inspection in Mozambique

**OBJECTIVES:**

- Develop Pre-Shipment Exit Strategy for smooth transition after abolition of PSI
- Reduction in clearance times and improve the World Bank's *Doing Business* Indicators / ranking

**LOCATION AND DATES:**

Maputo: February 12 - 15, 2008

**HIGHLIGHTS:*****Meeting with USAID Bilateral Mission***

The first meeting was with Tim Born and Nelson Guilaze of the USAID Bilateral Mission who briefed us on the Mission's expectations in the light of the World Bank's *Doing Business Mozambique Report* and the USAID Report *Reducing Import and Export Processing Times in Mozambique*.

***Meeting with Mozambique Customs officials at Timar (Maputo the Sea Port)***

The Hub team accompanied by a USAID representative visited the Customs office at the sea port to gather information on the possible elimination of PSI by Mozambique. The Senior Customs officials advised that while they supported the abolishing of PSI, at the moment they still relied heavily on PSI for valuation and classification of imported goods.

***Meeting with Intertek***

The General Manager, Mr. Avelar da Silva, advised that his company offered the following services to Mozambique Customs under the current contract which expires at the end of June 2009:

- Pricing/valuation services
- Customs Support teams
- Training
- Consultancy services, and
- Post-clearance audit

In addition, the company was also looking at assisting Customs to set up a training school.

In discussions that followed, the team was advised that the company gave more priority to the provision of the above services compared to PSI. With regard to PSI, the GM advised that only 10% of imports into Mozambique were subjected to PSI, and of these, the company could only inspect 50% due to budgetary constraints and the fact that some of the imports were considered as low risk imports. Imports by Lever Brothers, for example, were cited as low risk. In 2007 for

example, the company processed 26 000 Pre-advices but only carried out 14076 inspections. Furthermore, while the agreement with Customs was that the company would inspect all used motor vehicles, in 2007, only 52% of imported used motor vehicles were inspected.

On destination inspection, the company advised that that option could be considered as an alternative to pre-shipment inspection at point of export.

### ***Meeting with ENACOMO Vice-President***

The team was advised that this private sector representative organization supported the total abolishing of PSI and its replacement with destination inspection, instead. However, the private sector was concerned that the Private - Public sector discussions / meetings that were initiated a few years ago were no longer taking place with the coming on board of the Revenue Authority of Mozambique.

According to the Vice-President of *Enacomo*, Mr. Kekobad Patel, there was no need to the abolish PSI in phases. What was required was to totally abolish PSI and ensure that Customs officers were empowered to enable them to carry out destination inspections. Such inspections would be carried out on a selective basis through the application of risk management techniques by Customs.

### ***Meeting with Customs South Regional Director***

The team met the Director in charge of the South Region, Mr. Goncalves B. Mandava, who supported the abolishing of PSI at point of export and its subsequent replacement with destination inspection, without loss of accrued PSI benefits, though. However, the Regional Director advised that the move to destination inspection would require authority from his superiors. The move would also entail the training officers in the following areas:

- Customs Valuation
- Tariff classification
- Risk management
- Post-clearance audit

In addition, there was need for assistance in development of a values database to facilitate the resolution of valuation disputes by the DPVA based at Head office.

### **ISSUES AND RECOMMENDATIONS:**

Following meeting with the USAID Bilateral Mission, the Hub Team and USAID Senior Policy Analyst, Nelson Guilaze, met various stakeholders, including Customs Authorities at Port of Maputo, Mr. Goncalves Mandava, Customs Director for South Region, Intertek General Manager, Avelar da Silva, Mr. Kekobad Patel and Mr. Jim LaFleur at CTA. The purpose of the meeting was to discuss the abolition of Pre-Shipment in Mozambique and what needs to be done in the transitional period in order to protect revenue.

## Findings

1. Mozambique only country in the region still conducting PSI. Malawi abolished PSI in June 2007 and Angola has virtually terminated PSI except for environmental reasons, whose PSI costs are born by the importer.
2. Intertek PSI Contract ending in June 2009, but contractual exit arrangements not clear (such as creation of data base, transfer of expertise etc)
3. Majority of imports not subjected to PSI. Only goods on the Positive List which account for 10% of goods entering Mozambique are targeted for PSI mainly for health and safety and for protection of local industry. Of this 10%, only 50% were subjected to PSI, which in effect means only 5% of goods imported are currently subject to PSI. The Positive List is attached as Appendix A & B (in English and Portuguese).
4. Intertek decide which goods in the 10% to be for PSI, and this is dictated by the budget given by Government. If the budget is low, no PSI, and Intertek efforts are in turn concentrated on local Pricing / Valuation Services, Customs Support Teams, Training, Post Clearance Audit, Consultancy Services, and whether vehicles are stolen or not. Intertek therefore have no statutory obligation to conduct PSI on all goods on Positive List.
5. The Customs Director, South Region is not aware of the role of Intertek on Training and Post Clearance Audit as this is not evident anywhere.
6. Private Sector Organizations are against PSI and want total abolition after three months' notice, and not staggered for any reason. Staggering the termination is discriminatory and importers in ports of entry not being piloted will divert imports to those where PSI will have been suspended.
7. The Customs Director, South Region and the Customs management at Timar, although appreciating certain benefits from PSI, want termination of PSI as the disadvantages outweigh the benefits. They cited high costs in maintaining PSI, bureaucracy of PSI which results in delays in release of goods (which is blamed on Customs) and retardation in career development of Customs Officers as most work on imports (valuation and tariff classification) is being done by Intertek without the expertise being passed on to local Customs Officers. The officials interviewed want the termination, but need assistance in establishment of Risk Management, Post Clearance Audit and Capacity Building in these areas and technical subjects.
8. The Customs officials interviewed have not indicated their preference whether to pilot or go for a one-off termination for all ports of entry, but it is recommended for consideration that the pilot be carried out at all ports of entry in the South Region , i.e. suspend PSI for all imports coming through South Region covering Maputo, Ressano Garcia and other Customs posts with South Africa and Swaziland since the World Bank *Doing Business Report* concentrated on the Port of Maputo.
9. Import Licences issued by Government Ministries (Health, Agriculture, Trade etc) should be the only legal documents to be used by Customs in denying entry of prohibited goods (expired, fake / counterfeited). No need to employ Intertek to do this.
10. Intertek spend time checking whether imported vehicles are stolen or not, this is not a Customs function and should be given to Police as in other countries and in terms of Police Agreements with other Interpol Members.

### **Advantages of Termination of PSI**

- The 15 days spent on PSI reported in the World Bank *Doing Business* will be eliminated and the 38 days taken to import goods will be reduced to 23
- The World Bank's *Doing Business* Indicators / Ranking will be improved as follows –
  - Trading Across Borders from 140 to 116;
  - Impact on the Ease of *Doing Business* from reforms from 134 to 132, due to the elimination of 15 days attributed to PSI.
- Faster clearance of goods at Customs and the 2 – 3 days taken by Customs to clear goods will drastically be reduced because there will be no need -
  - To defer clearance of goods pending receipt of *Documento Unico Certificado* when goods have passed successfully through PSI and the *Non-Negotiable Report of Findings* when they have failed to pass PSI
  - To refer valuation and classification confirmations to Intetek Customs Support Team
  - For Intetek to process the Certified Single Administrative Document *Documento Unico Simplificado* as importers and Despachantes will submit this Customs Declaration directly to Customs for processing
- Investment Incentive – as importation of raw materials will be predictable and less costly
- Cost saving – the costs of PSI paid by Government will be saved and used to build capacity in *Alfandegas de Mozambique* and purchase the necessary equipment
- Empower and use local Customs officers in valuation and tariff classification and in destination inspection through application of risk management techniques and post clearance audit.

### **Recommendations**

- Once a decision has been made to terminate PSI, the following draft PSI Exit Strategy listed in order of priority in Table 1 could be considered in order to smoothen the phase-out process and safeguard revenue. The Strategy involves specialized and advanced training in Customs Valuation, Customs tariff, rules of origin, the creation of risk management and post clearance verification units, enhancement of the TIMS Computer program, development of valuation data bases and the carrying out of destination inspections by local Mozambican Customs.
- Following termination of PSI, Intetek could be retained for a certain period to train / assist in locally dealing with fraud-sensitive goods (e.g. used motor vehicles) or cases which pose particular valuation problems for Customs.

**Table 1: PSI Exit Strategy**

Item	Component	Strategy	Activity	Output	Measurement Indicator
1.	PSI Phase-out Steering Committee	Set-up a PSI Phase-out Committee	Terms of Reference and Action Plan for Termination of PSI	Committee	Functional Committee
2.	Phase-out Process	PSI Exit Strategy	<ul style="list-style-type: none"> <li>○ Identify and Appoint Manager</li> <li>○ Appoint full time Project Team</li> <li>○ Approve Strategic Plan</li> <li>○ Identify Project Vehicle</li> </ul>	<ul style="list-style-type: none"> <li>○ Project Plan</li> <li>○ Project Team</li> <li>○ Approved Plan</li> <li>○ Vehicle</li> </ul>	Viable PSI Project Team and Action Plan
3.	Legislation	Obtain legal opinions	Legislative amendments as necessary	Legislation amendend	Done
4.	Capacity Building and transfer of skills	Staff Training & Attachment / Study tours	<ol style="list-style-type: none"> <li>1. Study tour to countries that have phased-out PSI.</li> <li>2. Develop policy on advance rulings</li> <li>3. Conduct training in <ul style="list-style-type: none"> <li>- Customs valuation,</li> <li>- tariff classification,</li> <li>- Rules of origin,</li> <li>- Risk management</li> </ul> </li> </ol>	Training delivered to Officers from DPVA, Customs entry/exit offices	No of officers trained

			<ul style="list-style-type: none"> <li>- Post Clearance Audit,</li> <li>- Commercial fraud</li> <li>- Investigative techniques</li> </ul>		
5.	Awareness	Sensitization Workshops	<ul style="list-style-type: none"> <li>• Workshop on Phase-out process to Staff</li> <li>• Conduct awareness workshop for public</li> <li>• Negotiate cost sharing with importers &amp; Despachantes</li> <li>• Meeting with other Government Departments</li> </ul>	<p>Informed Staff</p> <p>Informed Public</p> <p>Despachantes trained</p>	
6.	Price Reference Data Base	Automated Data Base	<p>Develop Data base software</p> <p>Collect valuation data</p> <p>Develop user and Valuation reference manuals</p> <p>Training of system users</p> <p>Full implementation of valuation data base</p>	<p>Data base developed</p> <p>Data</p> <p>Manuals developed</p> <p>Users trained</p> <p>Implementation report</p> <p>Evaluation Report</p>	Improved data base

			Asses performance of Price reference data base		
7.	Risk Management	Establishment / Strengthening of Risk Management Unit and appoint Manager and personnel	Risk Profiling – segmenting of importers and Commodities	Priorities for developing risk profiles	No of entries selected for inspection
8.	Post Clearance Audit	Establishment / Strengthening of Post Clearance Audit and appoint Manager and personnel	Develop audit plan and manual	Developed audit plan and manual	Additional revenue generated
9.	Quality control of Despachantes	Reduction of error rate	Develop policy for performance requirement and discipline  Discipline poor performance	Policy  Reduced error rate	Error Rate
10.	Purchase of essential equipment	Purchase of essential equipment		Equipment purchased	
11.	Automation	Upgrade of TIMS	Wide area network		

**APPENDIX A • POSITIVE LIST - English**

<b>CHAPTER &amp; Tariff Code position</b>	<b>EXCLUSIONS FROM PRE-SHIPMENT INSPECTION</b>
Chapter 2 PP 02.07.12; 02.07.14; 02.07.25; 02.07.27; 02.07.33' 02.07.36. Frozen Poultry	None
Chapter 11 PP 11.02 Flour	Quantities up to 20 Kgs
Chapter 15 PP 15.07; 15.08; 15.11; 15.12; 15.13; 15.15 Cooking Oil and Raw Cooking Oil	Quantities up to 10 litres
Chapter 17 PP 17.01 -Sugar	None
Chapter 25 PP 25.23 -Cement	Quantities up to 100 Kgs
Chapter 28 -Chemical products	None
Chapter 29 -Chemical products	None
Chapter 30 Medicines	Quantities considered reasonable for personal use
Chapter 34 PP 34.01 Soaps, products and active tension preparations, etc.	None
Chapter 36 PP 36.05 matches	None
Chapter 40 PP 40.11' 40.12 New tyres and used tyres	Quantities up to 5 tyres
Chapter 50 PP 50.07 material in silk or silk waste	None
Chapter 52 PP 52.08; 52.09; 52.10; 52.11; 52.12 -Cotton Materials (all)	None
Chapter 54 PP 54.07 material made of synthetic thread (except mosquito nets-5407.42.1 O) PP 54.08 -material made of artificial thread	None
Chapter 55 PP 55.12;55.13;55.14;55.15;55.16 - material made of broken synthetic fibres	None
Chapter 63 PP 63.09 Used clothes and shoes	Quantities up to 100 Kgs
Chapter 84 PP 84.15 -air conditioning equipment and machines PP 84.18 Fridges and Freezers	None
Chapter 85 PP 85.06 -Dry cell batteries, PP 85.07 Batteries	None
Chapter 87 Vehicles 87.01-87.05' 87.11	New vehicles which have never been registered at place of origin

## APPENDIX B • POSITIVE LIST - Portuguese

### ORDEM DE SERVICO NQ 43/GD/DGA/2006

Assunto: Actualiza~oda lista de mercadorias sujeitas it Ins~o Pre-Embarque

Sendo necessaria actualizar a lista das produtos constantes da Tabela Anexa ao Diploma Ministerial n.º 191/2003. de 19 de Fevereiro, a que se refere o n.º 1 do artigo 2 do mesmo diploma legal, relativamente as mercadorias passíveis de pré-embarque, interina-se a todos os funcionarios destes servicos, despachantes aduaneiros, Intertek, agentes economicos e demais interessados, que a lista das mercadorias sujeitas ao pré-embarque passa a ser a seguinte: *Capitulo e posicao pautal*, *Exclusões* CIs Infrapoco ~ ! Capitulo 2 Nenhuma PP 0207.12; 0207.14; 0207.25; 0207.27; 0207.33; 0207.36 -Carnes e miudezas comestiveis, congeladas, das aves da posicao n.º 01.05 . --. Quantidade ate 20kg Capitulo 11 PP 11.02 - Farinhas I Capitulo 15 Quantidade ate 20 kilos PP 15\_07; 15.08; 15.11; 15.12; 15.13; 15.15 - Alimentos alimentares e em bruto Capitulo 17 Nenhuma PP 17.01 -Açúcar Capitulo 25 Quantidade ate 100kg PP 25.23 -Cimento I Capitulo 28 -Produtos Quimicos Nenhuma Capitulo 29 -Produtos Quimicos Nenhuma Capitulo 30 -medicamentos Quantidades razoaveis para .....00 ~ ! Capitulo 34 Nenhuma ~ PP 34.01 -Sabões. produtos e preparações tenses activas Nenhuma Capitulo 36 Nenhuma PP 36.05 .• F6sforos Capitulo 40 Quantidade 5 pneus PP 40.11 -Pneus novos PP 40.12--Pneus usados Capitulo 50 Nenhuma --1PP 50.07 -Tecidos de seda ou de desperdicio de seda . Capitulo 52 Nenhuma PP 52.08; 52.09; 52.10; 52.11; 52.12 -Tecidos de algodao Capitulo 54 Nenhuma ; PP 54.07 -Tecidos de fios de filamentos sinteticos (excepto as redes mosquiteiras , -5407.42.10) PP 54.08 -Tecidos de fios de filamentos artificiais I Capitulo 55 Nenhuma PP 55.12, 55.13; 55.14; 55.15; 55.16 -Tecidos de fibras sinteticas descontnuas I Capitulo 63 Quantidade ate 45kg PP 63.09 -Roupa e calçado usado . Capitulo 84 Nenhuma PP 84.15 -Maquinas e Aparelhos de ar condicionado PP 84-18 -Refrigeradores e congeladores Capitulo 65 .---', Nenhuma PP 85.06 -Pilhas secas PP 65.07 -Baterias \_...- ...-Capitulo 87 - Viaturas Viaturas novas que n.º: a ledmal sD:J rmgjStadm; na origem . PP 87.01 a 87.05 -87.11 A presente Ordem de servico entra em vigor a partir de 1 de Julho de 2006. Direcção-Geral das Alfandegas, em apuro, aos 26 de Maio de 2006 • o DIRECTOR-GERAL Antonio Victor Barros dos santos III51

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