



Roadmap for the Elimination of Pre-shipment Inspection (PSI)

Supporting the Policy Environment for Economic Development (SPEED+)

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ACRONYMS

ATM	Autoridade Tributária de Moçambique
CMS	Customs Management System
CTA	Confederação das Ashcakes Economics' de Moçambique
DAII	Directorate of Risk Management, Audit and Investigations
DIS	Destination Inspection Service
DSPV	Da Pauma, Valor e Regimes Aduaneiros (DPVA) (the Directorate of Customs Valuation and Tariff),
DUC	Documento Único Certificado – Single Certified Document
EDI	Electronic Data Interchange
GATT	General Agreement on Tariffs and Trade
IMF	International Monetary Fund
GOM	Government of Mozambique
INNOQ	Instituto Nacional de Normalizacao e Qualidade
INTERTEK	INTERTEK Government and Trade Services
MCNet	Mozambique Community Network
MPDC	Maputo Port Development Company
PAF	Pre-Advice Form
PSI	Pre-Shipment Inspection
SADC	Southern African Development Community
SeW	Single electronic Window
SPEED+	Supporting the Policy Environment for Economic Development
TCCV	WTO Technical Committee on Customs Valuation
TFA	World Trade Organization Trade Facilitation Agreement
USAID	United States Agency for International Development
WCO	World Customs Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

This report, commissioned under the Supporting the Policy Environment for Economic Development (SPEED+) project AID-656-TO-16-00005, presents an implementation roadmap for Mozambique to phase out of Pre-Shipment Inspection (PSI) over the next 18 months. Report findings are based on a literature review as well as interviews conducted by an SPEED+ team comprised of one expatriate customs/trade facilitation expert and a Mozambican trade facilitation expert. These interviews were held over the period from August 11 to August 25, 2017. The meeting list is found in Annex A.

In Mozambique, like many developing countries, import taxation represents a substantial portion of GDP. The Government of Mozambique (GOM) law mandates PSI for specific commodities. Mozambique Customs has historically supported PSI because they believe it increases revenue collection by aiding in the correct valuation of imported goods and helping to eliminate undervaluation of imports. Valuation however, is a legitimate Customs responsibility and Customs should address the problem of undervaluation directly on all imports. The current situation, relying solely on PSI for accurate valuation, is antiquated and inconsistent with modern Customs methods.

Levying import taxes is not simple. It requires among other things, the use of interconnecting processes and a trained staff. This report not only presents a transition strategy with timelines and specific procedures for the elimination of PSI but allow Customs to implement practices in keeping with World Trade Organization best practices. The strategy fulfils the following activity points:

- Identification of processes and capacity necessary for Customs to carry out PSI functions.
- Building inspection capability and capacity in Customs.
- Identification and help in funding specific new equipment and software needs to ensure knowledge transfer is possible including computers, software programs, and other inspection technology.
- Assisting the Director General in identifying what new legislation is required to enable the Customs administration to take over the PSI functions and implement new roadmap activities.

INTRODUCTION

ACTIVITY DESCRIPTION

The SPEED+ project AID-656-TO-16-00005 was awarded on August 24th, 2016. SPEED+ is a four-year project aimed at supporting economic and structural policy reforms across 4 components: (1) agriculture, (2) trade, business enabling environment, (3) power, water, and (4) biodiversity conservation.

Under Component 2, Trade, SPEED+ engaged two experts, one international and one Mozambican to development of a roadmap for the phase out of Pre-Shipment Inspection (PSI) over the next 18 months. To facilitate the transition, a responsible manager from Mozambique Customs was designated by the Director General to oversee the implementation of the phase out. The responsible manager was assisted by a task force of knowledgeable managers and officers, reporting to the accountable official, to ensure that capacity building needs, such as training, resource requirements, knowledge transfer and equipment requirements, were identified as early as possible in the transition process.

This report presents a transition strategy with timelines and specific procedures for the elimination of PSI by the end 2018. The strategy fulfils the following activity points:

- Identify processes and capacity necessary for Customs to carry out PSI functions.
- Build inspection capability and capacity in Customs.
- Identify and help fund specific new equipment and software needs to ensure knowledge transfer is possible including computers, software programs, and other inspection technology.
- Assist the Director General in identifying what new legislation is required to enable the Customs administration to take over the PSI functions (e.g., Decree, etc.).

BACKGROUND

Mozambique's economy is highly trade-oriented and dependent on imports and exports, which represent a large portion of GDP. In 2016, Mozambique ratified the Trade Facilitation Agreement (TFA) of the World Trade Organization. The elimination of PSI is a requirement under the TFA as shown in the box 1 below.

Box 1

TFA Article 10.5 – Pre-shipment Inspection

10.5.1 Members shall not require the use of pre-shipment inspections in relation to tariff classification and customs valuation.

10.5.2 Without prejudice to the rights of Members to use other types of pre-shipment inspection not covered by paragraph 5.1, Members are encouraged not to introduce or apply new requirements regarding their use.¹

¹ This paragraph refers to preshipment inspections covered by the Agreement on Preshipment Inspection, and does not preclude preshipment inspections for sanitary and phytosanitary purposes.

This provision of the TFA was classified as 'Category C' by the Government of Mozambique (GOM) during its ratification process, meaning technical assistance is required for implementation. The government does not wish to renew the contract of the private company INTERTEK Government and Trade Services (INTERTEK) which currently carries out PSI. The elimination of a contract with INTERTEK requires a change management plan and roadmap for the current goods subject pre-shipment inspection to be inspected upon arrival into Mozambique. The current contract expired December 31, 2016 but Customs indicated the contract was extended and the GOM and INTERTEK are in the process of initiating a contract through December 31, 2018. The contract reportedly contains provisions for INTERTEK to provide capacity building training and the transfer the INTERTEK valuation database to Customs. Additionally, the contract specifies that INTERTEK will provide Customs with a laboratory to enable the testing of imports as needed. Currently, Customs does not have a laboratory.

The GOM expects that the removal of PSI is expected to lead to improvements of Mozambique's Doing Business Rankings. The 2017 World Bank Doing Business Report ranks Mozambique at 106 out of 190 economies on the ease of trading across borders

FINDINGS

PRE-SHIPMENT INSPECTION

GOM law mandates PSI for specific commodities on the positive list. Some commodities on the list include used vehicles, chemicals, pharmaceuticals, selected fabrics and some food products.

Allowable maximum time frames for various steps of the PSI process are also mandated by law.

Many factors are outside of the control of the PSI company.

For example, while the law allows three days for the company in Mozambique to notify the counterpart office in the country of export of the need for the inspection and the law allows three days for the associated company in the country of export to notify the exporter of the need to schedule an inspection, there is no requirement for the exporter to make the merchandise available for inspection within a reasonable time. Accordingly, PSI may far exceed 15 days.

INTERTEK has been solely appointed by the GOM to carry out PSI on all “positive list” imports indicated in the Table I below.

Table I Imported goods subject to PSI, 2016

Item	Tariff heading	Exclusions
Frozen meat and edible parts of poultry of position 01.05	Chapter 2 02.07.12; 02.07.14; 02.07.25; 02.07.27; 02.07.33; 02.07.36	Quantities up to 10 units
Flour	Chapter 11 11.02	Quantities up to 20 kg
Cooking oil	Chapter 15 15.07; 15.08; 15.11; 15.12; 15.13; 15.15	Quantities up to 20 litres
Cement	Chapter 25 25.23	Quantities up to 100 kg
Chemical products	Chapter 28	None
Chemical products	Chapter 29	None
Pharmaceutical products	Chapter 30 30.01-30.06	Quantities for personal use
Cosmetics	Chapter 33 33.03; 33.04; 33.05; 33.07	Quantities for personal use
New rubber tyres	Chapter 40 40.11	Quantities up to 5 tyres
Used or retreaded rubber tyres	Chapter 40 40.12	None
Silk fabrics	Chapter 50 50.07	Quantities up to 10 metres
Cotton fabrics	Chapter 52 52.08; 52.09; 52.10; 52.11; 52.12	Quantities up to 10 metres
Synthetic fabrics	Chapter 54 54.07 (except 5407.42.10 (mosquito nets)); 54.08	Quantities up to 10 metres
Fabrics of synthetic staple fibres	Chapter 55 55.12-55.16	Quantities up to 10 metres
Dry batteries	Chapter 85 85.06	Quantities up to 10 units
Vehicles	Chapter 87 8701-8705; 8711	New vehicles which have never been registered in the country of manufacture

Source: OS No. 05/DGA/2016 of 27 April 2016. PSI requirements were first introduced in 1998. The governing legislation is Ministerial Diploma No. 19/2003 of 19 February 2003, as amended by Ministerial Diploma No. 244/2011 of 18 October 2011. These were viewed at: <https://www.mcnet.co.mz/leis/legislacao-aduaneira.aspx>. The list of items subject to PSI was updated in 2016 by OS No. 05/DGA/2016 of 27 April 2016.

The scope of the INTERTEK program includes physical inspection in the country of export to establish compliance with the order specification and assessment of price, customs classification and import duties payable.

Importers are required to complete a Pre-Advice Form (PAF) for all imports subject to inspection. Upon receipt of the PAF from the Importer, INTERTEK contacts the exporter and arrange inspection in the country of supply through their network of overseas offices. Upon satisfactory findings, INTERTEK issues a Documento Único Certificado (DUC) – Single Certified Document - to the importer. The DUC is available for collection from an INTERTEK office in Mozambique.

The GOM pays all inspection fees except Used Vehicle inspections, for which an exporter contribution of US\$265 plus VAT/Sales Tax (or equivalent) is payable to their local INTERTEK Office. In the event of used vehicles arrives in Mozambique without having been inspected, the importer will have to bear the full cost of a destination inspection as well as being subject to a fine equal to 10% of the value determined for customs purposes by INTERTEK.

It is the responsibility of the importer to inform the exporter of PSI requirements. If such imports have not been subject to PSI, they may not be cleared through customs. However, the importer may request customs to undertake a post-landing inspection, subject to a fine of 10% of the customs value of the merchandise imported.¹ The GOM covers the costs of PSI for all products except used vehicles. Since 2011, exporters of used vehicles have had to pay \$265 + VAT/Sales Tax (or equivalent) towards inspection costs.²

Mozambique Customs has historically supported PSI because they believe it increases revenue collection by aiding in the correct valuation of imported goods and helping to eliminate undervaluation of imports. Valuation however, is a legitimate Customs responsibility and Customs should address the problem of undervaluation directly on all imports. The current situation, relying solely on PSI for accurate valuation, is antiquated and inconsistent with modern Customs methods.

VALUATION

On June 13, 2005, the GOM notified the Under the World Trade Organization (WTO) Committee on Custom Valuation of the legislation of the Government of Mozambique (DEGREE Nr. 38/2002, dated December 11, 2002) implementing Article VII of the General Agreement on Tariffs and Trade (GATT) 1994 better known as the Agreement on Customs Valuation (ACV). The Agreement is intended to provide a single uniform system for the valuation of imported goods for Customs purposes. It recognizes that Customs valuation should, as far as possible, be based on the actual price of the goods based on the transaction value method while outlawing the use of arbitrary or fictitious Customs values.

Under the ACV customs cannot automatically determine dutiable value based on the prices recommended by a PSI company. The ACV provides a Customs valuation system that primarily bases the Customs value on the transaction value of the imported goods, which is the price actually

¹ Government of Mozambique online information. Viewed at: <http://www.portaldogoverno.gov.mz/por/Empresas/Comercio-Externo/Regime-Aduaneiro/Descricao-Geral>.

² Requirement as set out in Ministerial Diploma No. 244/2011. Intertek online information. Viewed at: <http://www.intertek.com/government/pre-shipment-inspection/exports/mozambique> and MCNet online information. Viewed at: <https://www.mcnet.co.mz/leis/legislacao-aduaneira.aspx>

paid or payable for the goods when sold for export to the country of importation, with certain adjustments.

Where the Customs value cannot be determined based on the transaction value, it will be

The lack of understanding of customs valuation and of its supporting procedures are two of the principal factors minimizing the efficiency of the customs administrations in many developing countries. The absence of effective customs valuation systems affects the outcome of a country's customs and trade policies, endangers its revenue mobilization performance, and aggravates integrity issues. Customs valuation systems have been the subject of international agreements because they can constitute barriers to trade. The World Trade Organization (WTO) Agreement on Customs Valuation (ACV) mandates the use of the ACV for all WTO members. The ACV establishes that the customs value of imported goods, to the greatest extent possible, is the transaction value, that is, the price actually paid or payable for the goods. Despite receiving substantial technical assistance (TA), many developing countries have not succeeded in adequately implementing the WTO valuation standard."

Adrien Goorman and Luc De Wulf, Customs Valuation in Developing Countries and the World Trade Organization Valuation Rules, World Bank Customs Modernization Handbook, 2005

determined using one of the following methods:

- The transaction value of identical goods
- The transaction value of similar goods
- The deductive value method
- The computed value method
- The fall-back method.

The above valuation methods must be used in hierarchical order.

PSI price verification concentrates on comparing the invoiced price with the price of identical or similar goods being offered for export from the same country of exportation at or about the same time. When such prices are not available, PSI companies draw on information from prices charged to different export markets (third-country export prices). However, as all WTO countries are committed to implementing the ACV, which prohibits the use of third-country export prices for customs valuation, such PSI information can only be used as test values or advisory opinions in checking the truth or accuracy of the importer's declared value. It has been noted that in some cases, there is a difference in the criteria used for valuation by Customs and INTERTEK. For example, Customs may agree with the importers declared value while INTERTEK refutes the same value, slowing down the clearing process. INTERTEK interventions appear to contravene the WTO Valuation system principles.

Impact Evaluation on Implementation of the WTO Valuation Agreement for Mozambique Regional Center for Southern Africa, U.S. Agency for International Development, Gaborone, Botswana - June 2004

When the PSI-verified price differs from the importer declared price, it may provide customs with reasons to doubt the accuracy of the declared value.³ This may be used as a risk indicator to question the applicability of the transaction value method of valuation and, following the procedures spelled out in the ACV, in dealing with cases of suspected undervaluation.

³ Customs-related transactions include: customs declarations, transit management, guarantees, customs valuations, collection of duties and fees, risk management, temporary imports/exports of vehicles, customs release, warehouse management, offence management, auction management, permit/license issuance, and port and freight terminal management. UNECE online information. Viewed at: <http://ftig.unece.org/cases/Mozambique.pdf>.

Effective organization for valuation requires the establishment of a central valuation office responsible for valuation policy, developing procedures, supervising the correct and uniform implementation by regional and local offices, ensuring adequate human resources and their training, monitoring international developments concerning valuation, serving as the importer's final internal appeal stage on disputed value decisions, and maintaining relationships with relevant institutions. Further, the central office should develop the value database and the risk management system. The complexity of the ACV and the control strategy (post-clearance audit) require valuation specialists trained in value legislation and procedures and auditing of company accounts.

Chapter 8, Customs Modernization Handbook, World Bank 2005 / edited by Luc de Wulf, José B. Sokol.

Mozambique Customs has an established centralized Valuation and Tariff Unit at Head Office in Maputo called the Da Pauta, Valor e Regimes Aduaneiros (DPVA) (the Directorate of Customs Valuation and Tariff), whose function is to support the regional Customs offices and entry border points with valuation and Harmonized Tariff Code classification issues. There are eight officers in the DPVA. Five officers are engaged in valuation and three in classification. Reportedly this has resulted in the uniform application of the ACV in all ports. All valuation officers in this section have received some training through the WCO and Southern African Development Community (SADC). The training was not in Portuguese which limited the value of the training.

MOZAMBIQUE CUSTOMS IMPORT CLEARANCES

Customs documentation requirements consists of the following: a customs declaration (*Documento Unico*), also available in abbreviated or simplified forms; the original invoice; transport documents; insurance certificate; phytosanitary certificate for products of plant origin; sanitary certificate for products of animal origin; certificate of origin in case of access to a preferential regime; or any other documents required to support a request for exemption from customs duties or taxes. Simplified customs procedures are available for (a) goods not subject to pre-shipment inspection nor requiring a sanitary or phytosanitary certificate and whose f.o.b. value is at or below Mt 37,000; and (b) visitors and returning residents with consignments whose f.o.b. value is at or below Mt 12,000. Customs does not provide advance rulings on classification or valuation of goods to be imported.

In 2011 a single electronic window (SeW) system was launched for customs processing and clearance operations. The SeW is used for both import and export operations and its use is mandatory. The SeW has two main pillars; the Customs Management System (CMS) and TradeNet. The CMS supports customs-related transactions and enables data mining and the generation of statistics. The SeW is managed by the Mozambique Community Network (MCNet), a public-private partnership in which the GOM has a 20% share.⁴ TradeNet is a platform for electronic data interchange between various parties (border control agencies, port authorities, freight forwarders, customs brokers, container terminal operators, shipping agents/lines, and commercial banks).

Risk profiling is built into the SeW, which largely determines through which customs clearance channel goods pass. There are four channels: green (whereby goods are immediately cleared); blue

⁴ Shareholders are: consortium of Escopil Internacional and SGS Moçambique (60% share); Government (20%) and Confederation of Trade Association (20%). USAID Speed Program, *Revised Diagnostic Trade Integration Study for Mozambique* (August 2015). Viewed at: <http://www.speed-program.com/wp-content/uploads/2016/02/Mozambique-Diagnostic-Study-on-Trade-Integration-in-National-Development-Policies-August-2015-EN.pdf>.

(for use by authorized economic operators (see below); yellow (involving document verification and/or scanning); and red (full documentary and physical inspection).

In 2016, a total of 261,196 customs declarations were processed. Twenty-five per cent were cleared through the green channel, 3% through the blue channel, 0.5% through the yellow channel and 72% through the red channel. Data for the period 2011 to 2016 is listed in Table 2.

Table 2, Total customs declarations processed per channel

Year	Green	Blue	Yellow	Red	Total
2011	36		1	30	67
2012	9,827		2,551	55,459	67,837
2013	47,532		7,070	196,707	251,309
2014	62,222	67	2,152	246,662	311,103
2015	56,296	5,983	1,427	238,339	302,045
2016	64,509	7,146	1,180	188,361	261,196

Source: WTO Trade Policy Review of Mozambique, WT/TPR/S/354, 29 March 2017

Customs officials indicated that while the SeW data showed that 25% of the declarations were processed through the green channel and 0.5% through the yellow channel, in reality except for the 3% processed through the blue channel, all shipments required presentation of paper documents and verification by Customs officials through the yellow channel. The explanation for this discrepancy was the feeling that 99.9% of the declarations were undervalued. Most of the document reviews are for valuation verification. In addition to providing value information on PSI declarations, INTERTEK provides information to Customs on many of the non-PSI shipments using the valuation database maintained by INTERTEK. INTERTEK is reimbursed by the GOM for this additional service.

The practice described appears to be a misuse of valuation databases known as “reference pricing”, prohibited by Article 7.2 of ACV that mandates the use of the ACV for all WTO members.

Article 7.2 of the ACV prohibits the use of several valuation methods, including:

- a) the selling price in the country of importation of goods produced in such country;
- b) a system which provides for the acceptance for Customs purposes of the higher of two alternative values;
- c) the price of goods on the domestic market of the country of exportation;
- d) the cost of production other than computed values which have been determined for identical or similar goods in accordance with the provisions of Article 6 of the CVA;
- e) the price of goods for export to a country other than the country of importation;
- f) minimum customs values; or
- g) arbitrary, fictitious values.

Customs valuation databases using reference pricing may serve as a helpful risk assessment tool. However, if these databases are used as minimum price lists, it is obviously contrary to the ACV. Using the data from the value database for other than risk assessment would be inconsistent with the ACV and unacceptable as a valuation system.

While Customs is concerned about assuming the clearance of positive list commodities, the main concern appears to be capacity building to assume and maintain the INTERTEK valuation database to use for the valuation of all importations to Mozambique. Clearly there is apprehension from Customs about their understanding of the ACV as they seem to have relied on INTERTEK for valuation decisions for not only the PSI positive list but for most imports.

If Mozambique retains any aspect of PSI, the two-week time frame will continue to be included in the calculation of the number of days required for import thus affecting the World Bank's Doing Business Ranking.

RISK MANAGEMENT

Within the context of Customs controls, Chapter 6 of the Guidelines on the General Annex to the Revised Kyoto Convention included the following definition of the concepts of risk assessment and risk management:

- **Risk assessment:** "The systematic determination of risk management priorities by evaluating and comparing the level of risk against predetermined standards, target risk levels or other criteria."
- **Risk management:** "The systematic application of management procedures and practices which provide Customs with the necessary information to address movements or consignments which present a risk."

In the context of Customs valuation, application of the above concepts requires that risk assessment mechanisms must be selective and targeted. It is not appropriate to apply simple statistical or price indicators to all imports on a comprehensive basis, to measure potential risk regarding the truth or accuracy of Customs value. The development and use of a valuation database must take account of the above-mentioned risk assessment and management procedures.

As indicated in the Mozambique Customs Import Clearances section of this report, risk profiling is built into the SeW, which largely determines through which customs clearance channel goods pass. There is a risk management unit in the Directorate of Risk Management, Audit, Intelligence and Investigations (DAII) with two officers in the risk management unit. The officers deal with developing risk for Customs transactions and internal taxes. The officers are responsible for maintaining the risk profiles in the SeW. Presently, valuation is not part of the risk criteria used in the SeW risk management application except targeting past undervaluation violators and goods with past valuation violations. Customs reports that a new risk management module with HTS, valuation and rule of origin criteria is in the early planning stages with McNet.

ADVANCE RULINGS

Advance rulings are a proven means of facilitating trade, promoting transparency and consistency in customs operations, and fostering the participation of small and medium sized enterprises in global commerce. Well-implemented advance ruling systems provide certainty to traders and their agents about how their goods will be treated at the time of import, promote consistent application of customs rulings and law, foster trust between customs and trade, and provide a transparent framework that encourages compliance. These benefits of advance rulings are consistent with the mandate of WTO Trade Facilitation Agreement which calls for "further expediting the movement, release and clearance of goods, including goods in transit." USAID Advance Rulings Guidelines, October 2011

Article 3 of the WTO TFA requires Members to issue advance rulings regarding the tariff classification and the preferential and non-preferential origin of goods in accordance with the provisions of that article. Members are also encouraged to issue advance rulings for other areas such as Customs valuation, requirements for relief or exemption from Customs duties, requirements for quotas and any additional matters where a Member considers it appropriate to issue an advance ruling.

Advance rulings enhance certainty and predictability of cross-border trade transactions. They reduce disputes with the customs authority on tariff headings, valuation and origin (influencing eligibility for preferential treatment) at the moment of release or clearance, and they consequently avoid delays.

Inconsistency of decisions is also a major source of dispute between customs officials and traders. Wrong decisions on valuation, classification of goods, or rules of origin may constitute a non-tariff barrier to trade if they are a de facto way to circumvent the official tariff schedule.

Providing importers with an advance ruling on valuation can also speed up the valuation procedure. Such a ruling can be obtained in advance when the importer submits transaction-related documentation to customs. Once granted a ruling, the importer notes the registration number of the ruling on his declaration at the importation stage, and no further valuation work needs to be undertaken, thus speeding up the clearance procedure.

In June 2016, a technical working group convened by the Ministry of Industry and Trade ‘categorization’ each provision of the WTO TFA into Categories A, B or C with the indicative timeframe Mozambique intends to implement the specific articles. Provision 3, ‘Advance Rulings’, was classified as Category C. There is currently no practice of the national customs services issuing advance rulings.⁵

LEGISLATION

Table 3 below outlines existing law covering Customs procedures. A review of these laws indicated new and amended provisions must be incorporated into the national legislation to eliminate PSI and ensure other Customs program areas presented in this report are codified.

Table 3

Sector	Law/Instrument
Customs tariff	Law No. 6/2009 of 10 March 2009 (<i>Customs Tariff Schedule</i>)
Customs valuation	Decree No. 38/2002 of 11 December 2002 (<i>Rules for Determining the Customs Value of Imported Goods</i>)
Customs procedures	Decree No. 34/2009 of 6 July 2009 (<i>General Rules for Customs Clearance of Goods</i>) Ministerial Diploma No. 16/2012 of 1 February 2012 (<i>General Rules for Customs Clearance of Commodities Regulation</i>) Ministerial Diploma No. 314/2012 of 23 November 2012 (<i>Authorized Economic Operator Regulation</i>) Decree No. 18/2011 (<i>Customs Clearing Agents' Regulation</i>)
Customs transit	Ministerial Diploma No. 116/2013 of 8 August 2009 (<i>Customs Transit Regulations</i>)
Import licenses and prohibitions	Decree No. 34/2009 of 6 of July 2009 (<i>General Rules for Customs Clearance of Goods</i>)
Pre-shipment inspection	Ministerial Diploma 19/2003 (<i>Regulation on Pre-Shipment Inspection</i>) as amended Ministerial Diploma No. 244/2011 of 18 October 2011
Sector	Law/Instrument
Technical standards and regulations	Decree Law No. 2/2010 of 31 December 2010 (<i>Metrology Regulations</i>) Decree No. 59/2009 and Decree No. 19/2010 (<i>Standardization and Conformity Assessment Regulation</i>) Resolution No. 51/2003 of 30 November 2003 (<i>Quality Policy and Implementation Strategy</i>)
Sanitary and phytosanitary measures	Decree No. 26/2009 of 17 August of 2009 (<i>Animal Health Regulations</i>) Decree No. 5/2009 of 01 June of 2009 (<i>Regulation of Phytosanitary Inspection and Vegetal Quarantine</i>) Decree No. 6/2009 of 31 March 2009 (<i>Pesticide Management Regulation</i>) Decree No. 11/2013 of 10

⁵ Republic of Mozambique -Trade Facilitation Agreement in Mozambique - Categorization and Next Steps - Final Report, June 2016

	April 2013 (Regulation on Fertilizer Management) Decree No. 12/2013 of 10 April 2013 (Seed Regulation) Decree No. 15/2006 of 22 June of 2006 (Regulations on Hygienic-Sanitary Requirements of Production, Transport, Trade, Inspection and Surveillance of Food)
Export prohibitions and restrictions	Decree No. 34/2009 of 6 July 2009 (General Rules for Customs Clearance of Goods)

Source: WTO Trade Policy Review of Mozambique, WT/TPR/S/354, 29 March 2017

Annex B contains results of the legislative review and presents draft legislation to assist the Director General of Customs in identifying what new or amended legislation is required to ensure the activities presented in the Implementation Roadmap take place and the transition occurs in an orderly and deliberate manner.

IMPLEMENTATION ROADMAP ACTIVITIES

PRE-SHIPMENT INSPECTION

1. Use the INTERTEK valuation database during the contract extension until the activities in this roadmap are implemented

The PSI contract between the GOM and INTERTEK expired December 31, 2016 but the contract was extended and the GOM and INTERTEK are in the process of initiating a contract through December 31, 2018. The contract reportedly contains provisions for INTERTEK to provide capacity building training and the transfer the INTERTEK valuation database to Customs.

INTERTEK has provided Customs with valuation information for PSI “Category A” products and many other products. A valuation database used as a source of information and guidance is compatible with ACV implementation if used as a risk assessment tool and not as a substitute value for imported goods or as a mechanism to establish minimum values.⁶ With this stipulation, Customs should use the INTERTEK valuation database during the contract extension until the activities in this roadmap are implemented. These activities include:

- establishing valuation control procedures based on selective checking,
- establishing and continual updating of valuation risk analysis criteria,
- staffing central and regional valuation offices,
- strengthened the legal framework,
- and specialized training

2. Communications

SPEED+ will develop a communication plan and present the final roadmap to Customs in Maputo, Beira and Nacala and the trade community a SPEED+ breakfast session.

3. Elimination of PSI

Determine an end date for Pre-shipment Inspection in relation to the end of the contract and the implementation of the above roadmap activities (not later than the end of the contract December 31, 2018).

⁶ WCO Guidelines on the Development and Use of a National Valuation Database as a Risk Management Tool

Valuation

4. Build the capacity of the DPVA valuation unit

Capacity building is needed to enhance a more focused and proper use of the ACV considering the misuse of the INTERTEK database. The DPVA needs to be responsible for valuation policy, developing current procedures, supervising the correct and uniform implementation by regional and local offices, ensuring adequate human resources and their training, monitoring international developments concerning valuation, and maintaining relationships with other GOM border agencies. Further, the central office should develop the risk management criteria value database to incorporate into the SeW.

The complexity of the ACV and the control strategy (post-clearance audit) require valuation specialists trained in value legislation and procedures and auditing of company accounts. This training should center around the ACV and include:

- understanding of the parties and nature of transactions;
- appreciation for the pricing effects of differences in business contract terms and conditions applied to sales; or
- conveying technical knowledge to the local ports where import declarations are reviewed.

RISK MANAGEMENT

5. Develop TA source to develop valuation risk management criteria in the SeW

Assistance is required to work with the DPVA valuation team, the DAll risk management team and McNet to build a valuation database designed to comply with WCO data models and guidelines on the development and use of a national valuation database as a risk assessment tool. The development of valuation as risk management criteria should include the Customs value for previous importations determined in accordance with the CVA. The data may also include the applicable method of valuation (for example, transaction value, computed value, etc.) and elements included in the Customs value (for example, assists, royalties, selling commissions, etc.). Other data from the import declaration, such as whether the parties are related, may also be included.

6. Risk management unit will establish dialogue with other regulatory agencies responsible for imports

The risk management unit will meet with the Ministry of Health to determine the importation requirements for some of the current “positive list” products (chemicals, cosmetics, pharmaceuticals) to determine licensing, import permit and inspection requirements for risk management criteria development. Further, the risk management unit will ensure importation requirements including licensing, import permit and inspection requirements for some of the current “positive list” products as well as other appropriate commodities controlled by other regulatory agencies are incorporated into risk management criteria.

ADVANCE RULINGS

7. Develop TA source to work with Customs to develop an Advance Rulings program

Assistance is required to work with Customs to develop and implement an Advance Ruling program. The development phase includes defining a detailed plan for institutional change for the creation of an advance rulings system, including a needs analysis in terms of human resources, training, computer equipment, etc. It will be particularly important that this plan provide procedural guidelines to define the flow of the advance ruling process from the time a request for a ruling is filed, through the technical decision-making process (including review, approval, and appeal), to the application of the ruling during declaration processing. A training plan will also be developed as part of the plan for institutional change. Customs should involve the private sector in designing and implementing the advance ruling process and should solicit input from the trade community to ensure its cooperation.

8. Present training on the Advance Ruling program to appropriate Customs staff

Training will be presented to appropriate Customs staff members on the procedural guidelines that define the flow of the advance ruling process from the time a request for a ruling is filed, through the technical decision-making process (including review, approval, and appeal), to the application of the ruling during declaration processing.

9. Present workshops on the implementation of the Advance Rulings program to the members of the trade

Workshops on the advance rulings program and guidelines will be presented to importers, exporters, and brokers, and trade associations. After the advance ruling program is launched, the private sector can also assist in educating traders.

LEGISLATION

10. Assist the Director General in identifying what new legislation is required

SPEED+ with an attorney from Customs will complete legislative review and present draft legislation to assist the Director General of Customs in identifying what new legislation and amended legislation is required to ensure the elimination of PSI, risk management criteria development, and the advance rulings program are decreed for an orderly transition and implementation.

EQUIPMENT

11. Solicit input from Customs and identify and cost any specific new equipment and software needs

SPEED+ will solicit equipment and software needs from Customs to:

- facilitate the elimination of PSI and transfer of the inspections to Customs,

- develop risk management valuation criteria in the SeW, and
- implement an Advance Rulings program.

CONCLUSION

The implementation roadmap is a transition strategy with timelines and specific procedures for the elimination of PSI and the implementation of activities in keeping with World Trade Organization best practices. Specifically, the roadmap activities include:

1. Use the INTERTEK valuation database during the contract extension until the activities in this roadmap are implemented
2. Develop a communication plan and present the final roadmap to Customs in Maputo, Beira and Nacala and the trade community
3. Determine an end date for Pre-Shipment Inspection in relation to the end of the contract and the implementation of the above roadmap activities
4. Build the capacity of the DPVA valuation unit
5. Develop TA source to develop valuation risk management criteria in the SeW
6. Risk management unit will establish dialogue with other regulatory agencies responsible for imports
7. Develop TA source to work with Customs to develop an Advance Rulings program
8. Present training on the Advance Ruling program to appropriate Customs staff
9. Present workshops on the implementation of the Advance Rulings program to the members of the trade
10. Assist the Director General in identifying what new legislation is required to implement the roadmap
11. Solicit input from Customs and identify and cost any specific new equipment and software needs

Mozambique Customs has historically supported PSI to increase revenue collection and help to eliminate undervaluation of imports. Implementation of the roadmap will allow Mozambique Customs to move ahead with modernization efforts in the valuation of goods, expansion of risk management and introduction of advance rulings – all aimed at maintaining revenue collection and stemming undervaluation.

While the implementation of the roadmap by the end of the INTERTEK contract is ambitious, it is achievable with the continuous support and communication by Customs leadership at all levels, effective intra-governmental coordination and the active participation and involvement of private sector stakeholders.

ANNEXES

Annex A and Annex B to be added

Annex: C Roadmap Activities

Pre-Shipment Inspection			
No.	Activity	Responsibility	Target Date
1	Use the INTERTEK valuation database during the contract extension until the activities in this roadmap are implemented	Customs	Dec 2018
2	Develop a communication plan and present the final roadmap to Customs in Maputo, Beira and Nacala and the trade community a SPEED+ breakfast session.	SPEED+ Customs	Nov 2017
3	Elimination of PSI	Customs	Dec 2018
Valuation			
4	Build the capacity of the DPVA valuation unit	SPEED+ Customs	Jun 2018
Risk Management			
5	Develop TA source to develop valuation risk management criteria in the SeW	SPEED+ Customs	Sep 2018
6	Risk management unit will establish dialogue with other regulatory agencies responsible for imports	Customs	Jan 2018
Advance Rulings			
7	Develop TA source to work with Customs to develop an Advance Rulings program	SPEED+ Customs	Feb 2018
8	Present training on the Advance Ruling program to appropriate Customs staff	SPEED+ Customs	Apr 2018
9	Present workshops on the implementation of the Advance Rulings program to the members of the trade	SPEED+ Customs	Jun 2018
Legislation			
10	Assist the Director General in identifying what new legislation is required	SPEED+ Customs	Nov 2017
Equipment			
11	Solicit input from Customs and identify and cost any specific new equipment and software needs	SPEED+ Customs	Jan 2018

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