

Logistics Review of Beira and Nacala Corridors

FINAL DRAFT REPORT

Beira, Mozambique
29TH June 2012



SOUTHERN AFRICA TRADE HUB



CUSTOMS CHAIN VALUE ANALYSIS

Agenda

- ❖ Introduction
- ❖ Legal and Regulatory Framework
- ❖ SADC Main Instruments
- ❖ SEWS In Mozambique
- ❖ Clearing Procedures
- ❖ Customs Clearance Costs
- ❖ Infrastructure, Management and Operations
- ❖ Recommendations

Introduction

Main Objective



Assess Customs Service Level

Methodology and Scope



- Review Regulations and Procedures
- Analysis of Compliance to SADC Instruments
- Determine Infrastructure Adequacy
- Assess Costs
- Propose Changes For Improvement



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Moz Legal and Regulatory Framework



Legislation

- Diploma 25/2012 (12/03)
- Diploma 16/2012 (01/02)



Customs Regime

- Local & Transit Cargo
- Local Imports & Exports



Targeted Activity

- User Fees on SEWS;
- Processes & Documentation; Standard Fees & Penalties



Moz Legal and Regulatory Framework



Legislation

- Decree 75/2009 (15/12) & Decree 10/2006 (05/04)
- Decree 34/2009 (06/07)
- Law 6/2009 (10/03)
-



Customs Regime

- Local & Transit Cargo
- Local & Transit Cargo
- Local Cargo



Target Activity

- Scanning of Goods
- Customs Clearance (Setting General Rules)
- Customs Tariff Structure



Moz Legal and Regulatory Framework



Legislation

- Diploma 21/2003 (19/02) & Decree 38/2002 (11/12)
- Diploma 10/2002 (30/01)
- Service Order 012/GD/DGA



Customs Regime

- Local & Transit Cargo
- Transit Goods
- Local Imports & Exports



Target Activity

- Setting of Merchandise Customs Value
- Defining Processes; Transit Bond; Documentation
- Setting Dates for SEWS Implementation



Moz Legal and Regulatory Framework



Major Legal Framework Issues

1. New Legislation not fully repealing instruments previously enacted, which leads to confusion.
2. Different interpretation of same legislation amongst Customs officers and agents involved in customs clearance.
3. New Legislation not fully repealing instruments previously enacted, which leads to confusion.





Main Instruments & Moz



Adherence












OBJECTIVES OF SADC INSTRUMENTS:

- ❖ Foster liberalization of intra-regional trade;
- ❖ Stimulate efficient production in the region;
- ❖ Establish improved conditions for investment ventures;
- ❖ Foster accelerated economic development, diversification and industrialization;
- ❖ Establish Free Trade Area



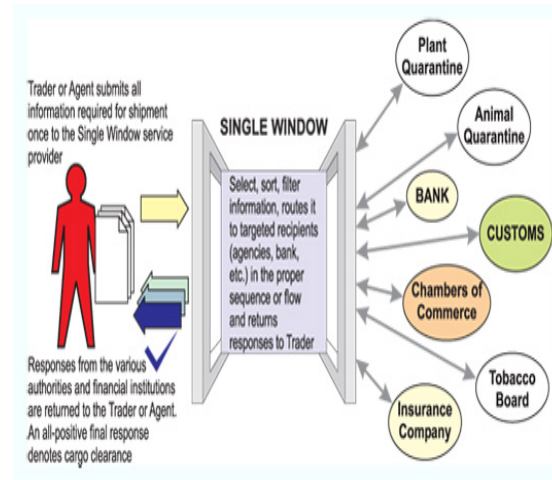


Instruments & Moz Adherence Status

INSTRUMENT	PURPOSE	STATUS
Rules of Origin	<ul style="list-style-type: none"> Goods Certification Criteria for Preferential Terms 	
Customs Tariff Nomenclature	<ul style="list-style-type: none"> Harmonization of Customs Tariff Nomenclature 	
SADC Transit Management System	<ul style="list-style-type: none"> Automated & Integrated Customs Declaration; Transit Bond Management 	
Regional Transit Bond	Single Transit Bond Through Corridors	
Harmonized System 2007	Deployment of Harmonized System Nomenclature	
World Trade Organization	Goods valuation System	
Customs Model Act	Standardized Customs Act Throughout the Region	
SADC Customs Documents	Standardized Declaration; Certificate of Origin and Transit Control Form	
Simplified Procedures	Goods Pre-Clearance; Post-Clearance Audit; Risk Management and Standardized Security Measures for Authorized Economic Operators	
SADC Integrity Plan	Adherence to Specific Code for Transparency and Honesty	
Customs To Business Partnership Forum	Continued Consultation and Communication Between Customs and Users	



The Implementation of SEWS In Moz



MAIN BENEFITS

- Reduced customs steps and lead time;
- Reduced need for hard copies and stamps;
- Harmonized and standardized clearing processes;
- Reduced need for multiple entry of data into different systems;
- Reduced risk of errors while filing customs declarations;
- High quality and centralized statistics



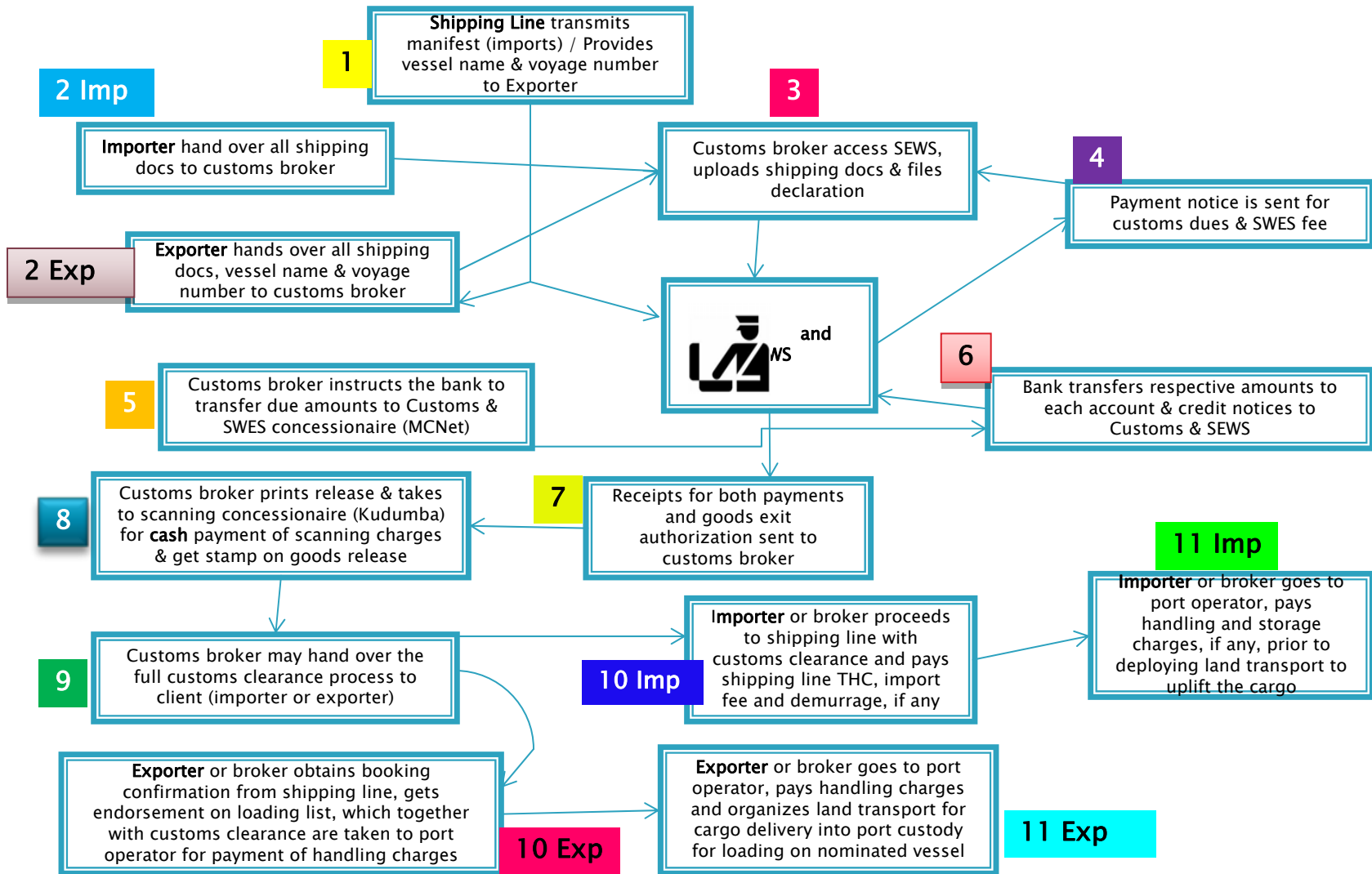
User Concerns on SWES Implementation Process in Beira and Nacala

Issues	Remarks / Consequences
Limited prior consultation with stakeholders	<ul style="list-style-type: none"> ➤ Limited lead time for training and no transition period ➤ Difficulties in synchronizing SWES and shipping line systems for transmission of manifests ➤ Lengthy manual transmission of manifest into SEWS at initial stage ➤ Increased risk of error while manually transmitting manifest ➤ Increased customs clearance lead time
Some key players such as port and scanning operators not yet in the system	<ul style="list-style-type: none"> ➤ Clearance operations not fully integrated in a SEWS as intended
Inadequate transition period from TIMS to SWES	<ul style="list-style-type: none"> ➤ Customs, users, including banks and other institutions not ready ➤ Slow down of clearance operations ➤ Increased shipping line demurrage and port storage costs
Imposition of high prerequisites for customs brokers assistants	<ul style="list-style-type: none"> ➤ Redundancy of various assistant customs brokers out of prerequisites ➤ Increased pressure on left customs clearing staff ➤ Increased costs for customs brokers related to highly qualified labour
No pre-clearance allowed due to requirement of vessel <i>contra-marca</i> (sequential entry number)	<ul style="list-style-type: none"> ➤ Non-adherence so SADC simplified procedures ➤ Possibility of high costs associated with port storage and shipping line demurrage ➤ Pressure build up on customs officers to clear goods on vessels arrival
High SWES usage fees	<ul style="list-style-type: none"> ➤ Increased costs to shippers ➤ Increased product costs in local markets ➤ Uncompetitive local commodity prices in international markets





Clearance Process Under SEWS



Costs for Clearance

TYPES OF CLEARING CHARGES

1. Customs Broker Fee
2. Clearing & Forwarding Agency Fee
3. Customs Charges
 - a) Documentation Processing Fee
 - b) SEWS Fee
 - c) Scanning Fee






Documentation Processing & Inspection Fee (USD)

Charge Classification	Imports	Exports	Transit & Transshipment	Remark
Standard Declaration (Unitized Cargo)	9.09 Flat Rate	9.09 Flat Rate	18.18 Flat Rate	Unitized Cargo Including Containers
Standard Declaration (Bulk Cargo)	9.09 Flat Rate	9.09 Flat Rate	0.004 / MT	Bulk Cargo
Customs Administration Fee	Not Applicable	Not Applicable	1.82 / Standard Declaration	Apply To All Cargoes
Attendance For Stuffing / Stripping	1.39 / Hour	1.39 / Hour	1.39 / Hour	Business Hours Only; Double Rate For Over Time
Customs Escort	45.45 / Day	Not Applicable	45.45 / Day	2xRate To Machipanda; 3xRate To Zóbue; 4xRate To Calómue & Cassacatiza; Usually Convoy of 3 Trucks
Cancellation Or Correction Of Declaration	1.82	1.82	1.82	Fees Introduced In Light of SEWS
Entry Or Exit From Bonded Warehouse	Not Applicable	Not applicable	0.004 / MT	Bulk And Break Bulk Cargoes



SEWS CHARGE

		Declarations Based On FOB Value (USD)			
 Regime	Less Than 500	From 501 To 10,000	From 10,001 To 50,000	Over 50,000	
Imports	5	24	64	0,85%	
Exports	24				
Transit And Other Regimes	24				



Scanning Fee \$ And Other Concerns

Major Issues And Potential Consequences



- High Fees
- Imposed on Full Consignment (But Less Than 30% Actually Scanned)
- No Transparent Criteria on Physical Inspection
- Cash Payment Only

Issues

Consequences

- Increased Domestic Prices of Goods
- Increased Prices of Local and Regional Commodities In International Markets
- Unfair Billing (For Services Actually Not Rendered)
- Potential For Corruption Practices
- Inconvenient And Time Consuming Payment Process



Infrastructure, Management System and Operations

Issues	Ports	Potential Consequences
Limited Space	<ul style="list-style-type: none"> ❖ Beira (Transit And Oil Terminal) ❖ Nacala (All) 	<ul style="list-style-type: none"> ▪ Inadequate archiving of documents ▪ low productivity
Spread Offices Locations Across Port Perimeter	<ul style="list-style-type: none"> ❖ Beira 	<ul style="list-style-type: none"> ▪ Frequent need to travel over 1 km to complete some clearing processes ▪ Increased clearance lead time
Constraining Location of Scanning Facilities	<ul style="list-style-type: none"> ❖ Beira ❖ Nacala 	<ul style="list-style-type: none"> ▪ Port congestion ▪ Traffic jam ▪ Increased port transit time, leading to shipping line demurrage, port storage and vehicle standby costs ▪ Increased risk of accidents
No Transit Bond Guarantee	<ul style="list-style-type: none"> ❖ Beira ❖ Nacala 	<ul style="list-style-type: none"> ▪ Risk of customs revenue loss ▪ Costs and pressure on customs staff for escort ▪ Increased costs for placing alternative bank guarantee along the corridors
Limited Opening Hours At Customs Physical Inspection Bay	<ul style="list-style-type: none"> ❖ Beira ❖ Nacala 	<ul style="list-style-type: none"> ▪ Increased demurrage and vehicle standby costs



Infrastructure, Management System and Operations

Issues	Ports	Potential Consequences
Lack Of Customs– Stakeholders Forum	❖ Beira ❖ Nacala	<ul style="list-style-type: none"> ▪ Inefficient communication ▪ Increased misunderstandings between users and Customs ▪ Difficulties when introducing new customs procedures ▪ Reduced speed in customs clearing processes
Limited Internet Connectivity	❖ Beira ❖ Nacala	<ul style="list-style-type: none"> ▪ Slow down or stoppage of clearing processes due to limitation or possible internet failure. SEWS is internet based, while related service is not fully developed to cope up with SEWS requirements ▪ Possibility of congestion as a result of customs declaration backlog
Occasional Power Outages	❖ Beira ❖ Nacala	<ul style="list-style-type: none"> ▪ Slow down or stoppage of clearing processes due to lack of alternative power supply ▪ Possibility of congestion resulting from customs applications backlog
Lack of Current Account for Payment System of Scanning Charges	❖ Beira ❖ Nacala	Increased time lead for customs clearance. Users have to get pro-forma invoices first, go back to offices for cheque issuance and then return for actual payment



Key Recommendations

Regulatory

1. Mozambique Government to clearly indicate which provisions of the previous instruments are transiting to the new legislation whenever this is enacted.

Regulatory

2. Mozambique Government to review legislation to allow pre-clearance of goods by repealing requirement to provide the sequential number of vessel entry (Contramarca) on import cargo clearance.

Regulatory

3. Mozambique Government to enact legislation providing for random scanning of goods, instead of full shipment, while also barring invoicing of scanning services not actually provided.

Regulatory

4. Mozambique Government to review the scanning fees in order to bring them to affordable levels.

Regulatory

5. Mozambique Government to introduce an affordable flat rate fee per declaration across all the customs clearance regimes on the use of SEWS facility.

Institutional

6. Mozambique Revenue Authority to establish with its concessionaire of scanning services a current accounts scheme especially for operators handling regularly large cargo volumes through the Ports of Beira and Nacala.



Key Recommendations

Infrastructure

7. Mozambique Revenue Authority to arrange for customs operations adequate and reliable power supply and internet service back up, in order to prevent interruptions on customs normal operations that can result in port congestion.

Infrastructure

8. CFM to establish two gates at both Beira and Nacala Ports, one exclusively dedicated for entry and another for exit only, to alleviate frequent traffic jams and congestion.

Institutional

9. USAID to assist Mozambique Revenue Authority to develop and update regularly a Standard Operating Procedures Manual on goods clearance for guidance to Customs Officers and agents involved in customs clearing.

Institutional

10. USAID to assist Mozambique Revenue Authority to establish a Customs–Users Forum through a permanent committee from all stakeholders involved in customs clearance, to regularly discuss relevant matters pertaining to the sector.

Institutional

11. Mozambique Revenue Authority to establish and publicize a toll free line for reporting incorrect practices.

