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The impact of reform carried out within Moroccan Customs

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Scope of Moroccan Customs' intervention

- Morocco is hemmed in by the Atlantic Ocean, the Strait of Gibraltar and the Mediterranean, with 3,500 km of coastline split between the Atlantic and the Mediterranean
- It is geographically very close to Europe
- There are **11** commercial ports forming a veritable port network, as well as a transshipment port, “Tangiers-Med I”, with a minimum capacity of **3.5** million containers (TEU) and potential expansion of the hub port between now and 2012 : estimated capacity of **8.5** million containers
- **15** international airports
- Foreign trade flows, essentially via sea freight, are growing at an annual rate of **15 to 20%**
- By dint of its geographical location and its accession to free trade agreements, Morocco is becoming a hub for re-exportation to diversified markets



Customs, the key player in Morocco's foreign trade, is fully active in creating conditions conducive to business development and in attracting direct foreign investment



Background to Moroccan Customs reform

- Strong desire to contribute to global objectives of growth and economic security
- Government policy approach in terms of the country's economic and social development
- The country's strategic choice to liberalize its economy and to win the globalization gamble
- Willingness to fall in with WCO and WTO recommendations and, more generally, with international standards
- Desire to support Moroccan businesses and far-reaching projects (offshoring, enhancing the industrial sector's competitiveness, promoting service-oriented activities, etc.)



A reform programme to establish a modern, effective and transparent Customs which helps to create conditions conducive to the smooth flow of trade and to the country's economic and social development



Main areas of reform

- Legislation and regulations
- Procedures
- Customs controls and global supply chain security
- Information system
- Partnership
- Governance



Main reforms implemented

Legal and regulatory framework

- Overhaul and revision of Moroccan Customs' legal arsenal (Customs Code and regulations)
 - Greater clarity and completeness
- Implementation of international instruments to which Morocco has acceded (Revised Kyoto Convention, WTO Agreement on Customs Valuation, etc.)
- Tariff reform



Key reforms implemented

Procedures

- Facilitation and simplification of procedures have been designated a continuing process (some hundred or so Customs formalities have been overhauled)
- Development of new products
 - Customs clearance warehouses (dry ports)
 - Clearance at the trader's premises
 - National duty deferment
 - Electronic payment
- Customs/Business partnership has been institutionalized
- Implementation of procedures to classify businesses
 - Over **108** businesses are now classified and almost **300** others have expressed an interest in joining this programme
 - This is an initial step prior to obtaining AEO status



Key reforms implemented

Customs controls

- Overhaul of the control mechanism
 - Preventive approach based on intelligence and risk analysis
 - Automatic selection of pre-clearance controls based on targeting of at-risk operations
 - Enhanced post-clearance controls (deferred controls)
 - Heightened efforts to combat smuggling, trafficking in cigarettes and drugs and other types of fraud and crime (reduction in the rates of smuggled cigarettes entering the country from **28%** to **11%** in the space of three years)



Key reforms implemented

Customs controls (continued)

■ Supply chain security

- Use of modern inspection technologies (scanners)
- Phased-in implementation of the Framework of Standards to Secure and Facilitate Global Trade
- Contribution to the national adoption of security standards relating to :
 - air transport : implementation of the National Civil Aviation Security Programme (PNSAC) and adoption of the concept of authorized security officer
 - maritime transport : adoption of the International Ship and Port Facility Security Code (ISPS Code)
 - co-ordination with the authorities involved in border controls or in the management of international trade



Key reforms implemented

Information system and modern inspection technologies

- Introduction of a new automated Customs clearance system (costing over **100 million Moroccan dirhams (MAD) / 9 million euros** – funded by the Moroccan Government)
 - Customs clearance via Internet
 - A step towards full electronic Customs clearance
- Purchase of scanners (**170 million Moroccan dirhams / 16.5 million euros** – funded by the Moroccan Government)
- Purchase of other scanners, communication equipment and movable equipment (**67.5 million Moroccan dirhams / 6.75 million euros** – funded by the EU / MEDA II Programme)



Key reforms implemented

Partnership & co-operation

- Study on reducing goods release times at Casablanca port : World Bank mission (ongoing)
- Co-operation with the European Union, resulting in the funding of some projects
- Twinning with Italian Customs (completed)
- Co-operation with French Customs (training, assistance and sharing experiences)
- Co-operation with US Customs and Border Protection
- Close co-operation with the WCO to build the capacities of Moroccan Customs (accession to the Framework of Standards and implementation of the Columbus Programme Action Plan)



Key reforms implemented

Governance

- Results-oriented project management
- Tried and tested mechanisms for effective project management (needs clearly identified, accurate estimate of allocated budgets, assessments and audits to ensure that projects run smoothly and are successfully completed)
- A human resource development plan (training, adapting profiles to new professional requirements, career management, etc.)
- An audit structure and internal monitoring mechanism (budget management, human resource management, careers, services offered to users)
- Quality service offered to users (availability of information on the Internet, paperless environment, transparency, correspondence and complaints processed within a reasonable time-frame, communication and an outward-looking approach, etc.)



Impact of reforms

- Reduction in the number of physical inspections against greater efficiency (**10% selectivity** rate at import and **15%** at export)
 - Several aspects of Customs procedures rendered paperless (over **10** key procedures, and the entire Customs clearance channel within the service)
 - Drastic reductions in Customs clearance times (from over **5½ days down to 2 hours** (excluding inspection constraints) over the course of ten years)
 - Value for money management
 - Reduction in tariff distortions
 - Enhanced security conditions for Customs operations
- ↳ **Establishment of a trust relationship with traders**



Impact of reforms (continued)

- An ever-growing partnership with the private sector
 - Greater equity and conditions ensuring fair competition
 - The business classification programme is taking off, demonstrating business enthusiasm (**100** classified businesses, with **300** others expressing an interest in the programme)
- Foreign trade is growing at a strong rate, bearing witness to the trust and satisfaction of foreign trade operators
(Between 2004 and 2007, the volume of trade recorded an average growth rate of over **14%** in value)
- Morocco has joined the ranks of major global offshoring hubs, thanks to the many assets it has to offer
- Foreign direct investment (FDI) is growing
(Between 2004 and 2007, FDI grew by an average of **45.8%**)



Outlook and requirements

- Ongoing implementation of the SAFE Framework of Standards (SAFE)
- Launch of Phase II of the Columbus Programme based on a targeted capacity building project :
 - data exchange platform,
 - procedural reform of controls, and
 - adoption of Authorized Economic Operator status.
- Continue to equip Customs offices with modern non-intrusive inspection equipment and communication equipment
- Permanent improvement of human resource skills (training, benchmarking, traineeships, etc.)



Outlook and requirements (continued)

- Upgrading and maintenance of the information system (annual cost of approximately **2.6 million euros**)
- Implementation of the Foreign Trade Single Window (project cost estimated at **10.5 million euros**, of which the first segment of almost **3.5 million euros** is being borne by the Moroccan State)
- Ongoing implementation of an Automated Integrated Enforcement System (SAIF)
- Continued improvements to post-clearance controls



Conclusion

- Morocco has climbed aboard the reform express
- These reforms, which have yielded tangible results, are receiving political support from the Moroccan Government given their economic and social significance and the high level of project governance



The contribution and support of donor partners are vital to hasten the pace of implementation of these reforms