

Customs Reforms and Modernisation in Nigeria

Towards a Comprehensive Vision

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CUSTOMS REFORMS AND MODERNISATION IN NIGERIA | TOWARDS A COMPREHENSIVE VISION



FOREWORD



ABDULLAHI D. I. CFR
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This is a time of transition and challenge for the Nigeria Customs Services (NCS) and for the 16,000 officers and men who serve in it. Proud of its 120 years of tradition, NCS has seen momentous changes in the last few years, and is looking forward to an era of modernisation under the leadership and guidance of President Goodluck Jonathan.

Modern information and scanner technology has been introduced. Customs procedures have been updated. In the all-important sphere of human resources, much has been done to undo the effects of past neglect: morale, pay and working conditions have been improved and the Service has undertaken a concerted recruitment and training effort. And vigorous measures have been taken to combat the scourge of corruption.

Now NCS is preparing to embrace a challenging future and make a worthy contribution to the realisation of Nigeria's "Vision 20: 2020"—the noble aim of ensuring our country its rightful place among the world's top twenty economies by the year 2020. For this, the Service is planning to mobilise all its potential for modernity in the service of economic growth, drawing on global best practice and on its own human and technological resources.

In this it will rely on automation, modern risk management techniques, streamlined organisational models and an approach stressing co-operation and trust towards partners of proven reliability. NCS will also refine its human resource policies, putting in place modern approaches to career development, assessing and rewarding performance, and ensuring integrity. The Service must—and will—achieve all this while adapting to an increasingly liberalised and competitive international trade context. And NCS must—and will—do all this without relaxing its vigilance against the manifold threats that beset our beloved Nigeria.

At this crucial juncture, the study contained in this volume is a timely one. It takes a realistic, even critical, look at the current situation. While giving due credit to what has been achieved, it makes clear what can—and indeed, what must—change. It fairly and intelligibly describes structures, technologies, procedures, problems and potential. It introduces the reader to modern Customs concepts and practice. And in doing so, it indicates the path our proud Service will tread in the next, crucial decade.

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Table of Contents

Introduction	8
Chapter 1: Executive Summary	12
1.1: Introduction	12
1.2: The Role of the Nigeria Customs Service	12
1.3: Trade Facilitation	13
1.4: The Customs Clearing and Forwarding Process	13
1.5: Human Resources and Organisational Management	14
1.6: Integrity in Nigerian Customs	15
1.7: ICT and Customs: Modernising Through Automation	15
1.8: Enforcement, Investigation, Inspection and Intelligence	17
1.9: Customs-Stakeholder Relations	18
1.10: Regional Integration	19
1.11: Legislative Reform	20
Chapter 2: The Role of the Nigeria Customs Service	24
2.1: Customs Services in the 21st Century	24
2.2: Gatekeepers Still Needed	26
2.3: The All-Seeing Eye, Looking Ahead	27
2.4: NCS: Yesterday and Today	30
2.5: Looking Forward: the Customs Service of the Future	32
Chapter 3: Trade Facilitation	36
3.1: Structural Limitations	37
3.2: Customs Efficiency	40
Chapter 4: The Customs Clearing and Forwarding Process	48
4.1: The Stakeholders	49
4.2: Modes of Transport	50
4.3: The Import Process	53
Chapter 5: Human Resources and Organisational Management	68
5.1: Organisational Structure	68
5.2: Human Resources: the Reforms	70
5.3: NCS Command and Staff College	76
Chapter 6: Integrity in Nigerian Customs	80
6.1: Introduction	80
6.2: Issues in Integrity	81
6.3: Addressing Integrity Issues	82
6.4: Positive Trends	84
6.5: Some Desiderata	85

6.6: The Wider Picture	87
Chapter 7: ICT and Customs: Modernising Through Automation	90
7.1: The purpose of ICT within Customs	91
7.2: Nigerian Customs Service ICT	92
7.3: Moving Forward	103
7.4: ICT and Scanning	105
7.5: Single Window and Co-ordinated Border Management	107
Chapter 8: Enforcement, Investigation, Inspection, and Intelligence	116
8.1: The Structure of Enforcement	117
8.2: Turning Policy into Implementation	118
8.3: The Customs Intelligence Unit	125
8.4: The Way Ahead	126
Chapter 9: Customs-Stakeholder Relations	130
9.1: Introduction: Authorised Economic Operators (AEOs)	130
9.2: Private Stakeholders	132
9.3: Government and State Bodies	138
Chapter 10: Regional Integration	144
10.1: ECOWAS	144
10.2: Customs Unions	146
10.3: Common External Tariff (CET)	148
10.4: Economic Partnership Agreement (EPA)	149
10.5: NCS' Role in Africa	150
10.6: WCO and Nigeria's Role	152
Chapter 11: Legislative Reform	156
11.1: Legal Framework	156
11.2: Funding	159
11.3: Relationship with Finance and Transport Ministries	160
11.4: The Presidential Committee on Customs Reform	161
11.5: Kyoto Legislation	162
11.6: Recommendations	163
Conclusion	166
Appendix A: NCS Organisational Chart	170
Appendix B: Progress Report on the Six-Point Agenda of the Comptroller General of Customs	174





Introduction

Introduction

This is a crucial time for the Nigeria Customs Service (NCS). The Service is in the middle of a long and challenging modernisation process. Great strides have been made in the last few years in introducing automation and modern information technology into NCS' operations. A 15-year hiring freeze was lifted in 2009 and an ambitious Six-Point Agenda initiated by incoming Comptroller-General of Customs (CGC) Abdullahi Dikko Inde. And the next few years will see massive progress in completing that modernisation, by pushing ahead with modern Customs practices such as intelligence-driven Risk Management and the Authorised Economic Operator regime, which make trust, co-operation and minimal intervention the basis of NCS relations with other stakeholders in the Customs process.

So this is an opportune time for considering where NCS has come from, how far it has come, where it is going and how far it must travel to get there. Hence this Report, *Customs Reforms and Modernisation in Nigeria: Towards a Comprehensive Vision*.

Commissioned in 2010 by CGC Abdullahi, the Report's aim is to reach out to stakeholders, assess the progress that has been made by NCS, and explore some of the challenges that face it, allowing more effective planning and helping to achieve a clear definition of the way forward. Since stakeholders are there not just to be



Containers at the Tin Can Island port, Lagos

persuaded but also to be consulted and co-operated with, the process of researching the Report also provided an excellent opportunity to make contact with stakeholders and find out their grievances, aspirations and recommendations.

The Report has been the responsibility of a special team led by the Deputy Comptroller-General of Customs for Strategic Research and Policy, Dr. Jatau, M. D. and including members of his department. The consultancy Global South Group provided research support.

The research process was an intensive one. There were visits to relevant sites all over Nigeria, including seaports, airports, border crossings and terminals of all sorts. No less than 100 interviews were conducted between November 2010 and January 2011, with interviewees including:

- ▶ Members of NCS staff all over the country;
- ▶ Various state agencies which have a close working relationship with NCS;
- ▶ Private sector branch associations;
- ▶ Firms involved as concessionaires or Service Providers—such as terminal operators;
- ▶ Firms involved in the logistics and clearance process—including shippers, customs agents, freight forwarders, and road transport firms;

- Firms involved as “consumers”—those dependent on imported goods for their sales or production processes; and
- The Customs agencies of neighbouring countries.

Interviews were frank, detailed, sometimes lengthy and always massively informative. NCS would like to thank all interviewees for their time and effort. It would also welcome their feedback and comments—and, indeed, those of any other stakeholders.

The production of this report has not been a goal in itself. Indeed, it is intended to be the beginning of a process, not an end. Since the future is one of co-operation, trust and responsiveness, NCS wants to listen closely to the needs of stakeholders, in order to respond to them better in future. So NCS will follow up this report with regular meetings with stakeholders to keep up the spirit of co-operation. NCS will also be following through with an intensified internal reform programme, guided by some of the recommendations made in this Report.

This Report has not been a “public relations” exercise designed to highlight the positives and focus on what has been achieved. Quite the reverse: it has involved a hard look at negatives, problems, and what remains to be done. This has made its preparation a beneficial process, since it has entailed serious reflection on the challenges NCS has faced, on those it still faces, and on the ways it can provide better service to stakeholders—and thus to the Nigerian economy as a whole.

It also highlights some of the more important aspects of modernisation—such as the Single Window and Co-ordinated Border Management—and reminds NCS of its duty to lead the way to these goals in future, being one of the most advanced agencies in Nigeria in respect of information and communications technology. Furthermore, it repeatedly underlines the importance of ever closer communication and co-operation, not merely with private sector stakeholders, but also with sister agencies such as the National Drug Law Enforcement Agency (NDLEA), the Standards Organisation of Nigeria (SON) and the National Agency for Food and Drug Administration and Control (NAFDAC), which are all partners in the common struggle to protect Nigeria's population from the purveyors of illegal drugs, substandard goods and dangerous substances. Finally, it has a clear message that the future lies with embracing modern technology and modern Customs methods, and letting both do their job to the maximum extent possible.

In short, this study conveys a message of hope. NCS is constantly striving to improve and transform itself in response to the changing character of international trade, to the increasingly complex needs of its clients, and to the need both to protect and to facilitate in a world of enhanced threats, new opportunities, and relentless competition. NCS has found the exercise of compiling this report instructive and stimulating. We hope stakeholders will find it both reassuring and a call to further co-operation and dialogue.



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Chapter 1: Executive Summary

Chapter 1: Executive Summary



1.1: Introduction

Aside from the Introduction and Conclusion, this study comprises thirteen chapters. This Executive Summary (Chapter 1) attempts to give some idea of the scope and content of the chapters that follow. For the reader's convenience, both the numbers and

the titles of sections within this Executive Summary will correspond to those of Chapters 2 to 11: thus, Section 1.2 will correspond to Chapter 2, Section 1.3 to Chapter 3, and so on.

1.2: The Role of the Nigeria Customs Service

NCS has a triple role. First, it collects revenue vital to Nigeria's finances. Second, it exercises security functions, combatting smuggling and, in co-operation with other agencies, ensuring standards and keeping out narcotics and illegal weapons. Third, it is the primary enforcer of trade policy, administering differential tariffs, quota restrictions, rules of origin, anti-dumping measures, valuation, and trade embargoes. This last is a role that NCS must fulfil with minimal disruption to international trade if Nigeria is to thrive in a globalised and highly competitive world.

The Customs role of "gatekeeper" has not, and will not, become obsolete. Multiple trends point to a growing and more challenging role for NCS.

International trade volumes are growing, entailing an increased workload. Trade liberalisation has created opportunities for illicit as well as legal trade. World Trade Organization (WTO) developments have created—and will continue to create—complex trade rules. Regional trade agreements are proliferating, requiring Customs Services to administer complicated preferential rules of origin. "South-South" trade is also on the rise. Global production specialisation means that goods entering Nigeria are, increasingly, assembled in multiple countries or destined for re-export, complicating rules of origin and spreading logistics

chains across multiple borders. New logistics and supply chain models exert pressure on Customs Services to process goods fast and efficiently. At the same time, crime and terrorism networks are becoming increasingly transnational, while Customs Services are called upon to implement international agreements controlling the international movement of harmful and dangerous goods.

All in all, NCS plays a critical role in the implementation of a range of trade, economic and social policies and contributes to the achievement of Nigeria's Vision 20:2020.

It is increasingly equipped to do so. Revitalisation of a partly demoralised Service has been underway since the appointment of Abdullahi Dikko Inde as Comptroller-General of Customs in 2009. And NCS has seen significant modernisation measures since 2004, including: introduction of a Destination Inspection Regime in 2006; various information and communications technology (ICT) upgrades including transition to ASYCUDA++; human resource measures including establishment of a Staff College, upgrading of the NCS' Training Colleges, a pay hike and the first recruitment of officers in 15 years; improvements in physical and ICT infrastructure; vehicle and other equipment procurements; and electronic processing developments.

The next few years will see the challenging process of introducing advanced international practices including: SingleWindow (allowing clients to deal with just one agency); Co-ordinated Border Management (concentrating border functions in a single organisation); Intelligence-Driven Risk Management (focusing efforts on cargoes and firms most likely to

be non-compliant); and the Authorised Economic Operator or AEO regime (use of track records and self-policing to allow Customs to dispense with interventions against the demonstrably trustworthy, or at any rate to confine intervention to a post-clearance audit).

1.3: Trade Facilitation

According to various surveys, Nigeria's logistics and trade facilitation performance continues to lag behind the country's overall economic performance and national clout—and behind its neighbours and other African states. This is so even though Nigeria has led the continent in multilateral trade agreements such as the ECOWAS ETLS, enjoys robust trade linkages with its neighbours, and is well-connected to international trade routes.

Much of the logistics process is not within the control of Customs. Poor port infrastructure, including roads, railways and electricity, explains much. Limited port capacity, in respect of overall volumes and the size of vessels that can be handled, also constrains Nigeria's ability to become a regional hub, though developments like the planned—and much delayed—Lagos Free Trade Zone initiative at Lekki could improve things and allow Nigeria to take advantage of growing container trade in the region. The operation of port concessions from 2006 has increased efficiency.

"Dwell time" (the number of days a given ton of cargo remains in the terminal) is the port indicator most relevant to Customs performance—though many non-Customs factors have an effect on it. Dwell times at Lagos average 22 days, far longer than in many other African ports. This encourages traders to use the Beninese port of Cotonou, trucking goods overland via Seme. For traders and their clients, dwell times increase costs of business in a variety of ways. Delays and restrictions also rob the state of vital revenue through diverted trade and a diminished tax base, with NCS is forced to divert more resources and manpower toward anti-smuggling efforts at Border Commands.

Nigeria's performance on the World Bank's "trade across borders" indicator is uneven. Sub-indicators include: "time to import" (where Nigeria's average of 39 days is longer than the corresponding periods for Benin, Cameroon, Ghana, Liberia, Senegal and South Africa); documents (in which Nigeria is inferior to Ghana and Senegal, but superior to Cameroon); and "cost to import" (in which Nigeria is cheaper than South Africa, Senegal, or Cameroon, though more expensive than Liberia, Ghana, or Benin). But vast improvements have taken place since 2006—thanks to ASYCUDA++ and other ICT factors—with time dropping from 53 days to 39 and documents needed from 13 to nine.

Complacency is not indicated, however: Nigeria must strive to compete not just with other African states but also with other regions of the world where clearance times are far shorter. The ultimate goal is 48-hour clearance, while shorter-term desiderata include reducing long clearance periods for small and medium enterprises (SMEs) and decreasing Nigeria's extremely high rate of physical inspection.

Constraints exist: the environment is generally non-compliant; the government's dependence on Customs revenues means high tariff rates that encourage evasion; weapons smuggling, violent terrorism, narcotics trafficking, and dangerously low-quality imports are all problems. So NCS must remain vigilant. Moreover, conditions at the ports make scanning and physical examinations unnecessarily time-consuming. However, automation, risk management techniques and movement towards an AEO regime mean that, in the long run, trade facilitation and revenue collection need not be in a zero-sum relationship.

1.4: The Customs Clearing and Forwarding Process

Various stakeholders other than NCS are involved in the Customs clearing and forwarding process, notably: the Authorised Dealer Banks that expedite payments; the Scanning and Risk Management Service Providers (SPs), contractors who generate Risk Assessment Reports (RARs) and operate scanners; the rather numerous federal agencies active in the ports; and the Terminal Operators who run seaport and airport terminals under concession (land border crossings are not concessioned and mostly lack modern facilities such as scanners).

Among modes of transport, sea freight accounts for most goods entering Nigeria, with the majority coming in the form of containerised shipments. Since Nigeria lacks international rail connections, land transport of freight is exclusively by lorry: Nigeria has long land borders and numerous entry points, though the majority of its international land trade is conducted through strategically-placed border communities such as Seme (on the Benin border) and Jibiya (on the northern border with Niger). Air freight relies on four international airports and is used mainly



Murtala Muhammed International Airport, Lagos

for high-value, time-sensitive or perishable cargo.

Regarding Customs procedures for imports, documents required in advance include the Certificate of Origin, the Combined Certificate of Value and Origin, the Pro Forma Invoice, the Packing List, Cargo Tracking Note, the Bill of Lading/Way Bill, the e-Manifest, standards-related and phytosanitary/veterinary certificates, and the clean report of inspection. As to the process of payment and of conveying the goods, Form 'M' and the Single Goods Declaration are the most important documents.

Procedural stages following the goods' arrival start with duty payment. This is followed by NCS processing, comprising initial "face vet", data capture, verification and data query, assessment, intervention, and

clearance. A system of "coloured" channels operates, with these channels determining levels of intervention, including scanning (light red), physical inspection (red), documentary review (yellow), and minimal intervention (green and blue). The SP-generated RARs include recommendations as to channels, while the Manufacturers' Association of Nigeria recommends firms for "blue channel" treatment.

Special arrangements also exist for storage or manipulation of dutiable goods while these are still within NCS jurisdiction. These are bonded warehousing (nowadays owned by private companies), processing under customs control and the new Manufacture-in-Bond scheme, which will involve the importation of duty-free raw materials for production of exportable goods.

1.5: Human Resources and Organisational Management

NCS is headed by the Comptroller-General of Customs (CGC) and several Deputy and Assistant Comptrollers-General. Key organisational units include: the Headquarters Office (and the Customs Intelligence Unit and Public Relations Unit that are supervised by it); the Legal Department; the HR department; the Department of Tariff and Trade; the Enforcement Department; the Strategic Research and Policy Department; the Support Department; and the Regional and Zonal Commands into which the Service is divided geographically.

Welfare and capacity building are key items in Comptroller-General Abdullahi's Six Point Agenda and serious practical measures have been undertaken on their basis.

On the capacity-building side, these include establishment of the Human Resources (HR) department and an intensification of training activities, with around half of NCS' 16,000 employees receiving training on a variety of topics since 2009. The Service has two Customs Training Colleges, offering a broad curriculum for NCS recruits in their six-month courses, though there are

suggestions of possible improvements regarding course length, staffing principles, class size, equipment and facilities. A new Staff College for mid-level and senior officers opened in December 2011w, serving regional as well as national training needs and partnering with foreign universities. The NCS personnel situation generally has improved with the recent lifting of a long-term hiring freeze.

On the welfare side, salaries have improved greatly since 2009 and payment has become regular, improving morale and motivation. Pensions, insurance and housing have also seen significant improvements. And officers' effectiveness and safety have been radically enhanced by procurement of a variety of vehicles, aircraft, boats and weapons in recent years.

However, several areas remain in which improvements are especially necessary. A firmly established risk management team needs to be developed. ICT capacities need enhancement in respect of numbers, scanner expertise, and maintenance capabilities of all kinds. Further, personnel turnover—arising from forced retirements

and frequent rotation—has had an adverse impact on management, with proper transition management urgently needed. Finally, performance management must be developed: no comprehensive system of assessing performance or linking it to promotion is

yet in place, though there are promising moves in that direction. Meanwhile, the experience of neighbouring Cameroon suggests that, even in the absence of such a system, quite limited pilot schemes can achieve a great deal.

1.6: Integrity in Nigerian Customs

Corruption is one of the biggest challenges facing the Customs Service of any developing country, including that of Nigeria. The integrity to which NCS aspires includes not merely effective anti-corruption efforts but also high overall expectations of the level of Service to be provided. It is pursuing this aim through a realistic and multi-faceted set of policies including realistic salaries, better promotion policies, a focus on discipline, preventive and investigative measures, an enforced code of conduct, and increased automation.

Low integrity can lead to serious problems of public trust, revenue loss, low staff morale, a reduction in voluntary compliance by other stakeholders, and an atmosphere of unnecessary barriers and obstacles, raising costs for businesses and consumers.

Since CGC Abdullahi took over, NCS has seen improved officer welfare, reducing pressures for “survival corruption”. In addition there has been a renewed emphasis on the Discipline Unit, creation of several new anti-corruption structures, and some notable successes reflecting increased NCS proactivity regarding investigations and prosecutions. Active support from the government and other agencies is needed, however.

Integrity is not just a question of detecting and punishing corruption, but also of reducing opportunities and temptations for it. In this respect,

the prospects for greater use of risk management, automation and simplified procedures are grounds for optimism in the next few years.

Several desiderata remain, however. The Prohibited Items List should be changed less frequently and communicated more effectively and transparently. Integrity should be emphasised in the processes of recruitment and advancement, and attention paid to this in key documents currently being drafted, which will define systems for career pathing and performance evaluation and reward. There need to be more effective rewards and penalties for stakeholders, for compliance and non-compliance. Modern management risk profiling and organisational controls should be introduced. Procedures must be made more transparent. Feedback mechanisms should be strengthened. The organisational principle of segregation of duties should be implemented. And serious consideration should be given to combining an amnesty for past misdeeds with a zero-tolerance approach henceforth, inaugurated by a high-profile anti-corruption drive.

The general atmosphere of national corruption is a problem for NCS efforts. Stakeholder willingness to engage in corruption is also a difficulty. Finally, a good communication strategy is needed, as well as concrete anti-corruption measures.

1.7: ICT and Customs: Modernising Through Automation

The necessary components of a modern customs information and communications technology (ICT) system include seven core functions: cargo control; declaration processing; payments and accounting; risk management; statistics and reporting; intelligence and enforcement; and a communications gateway.

ICT in NCS is provided by the Nigerian Integrated Customs Information System (NICIS), which comprises the ASYCUDA++ processing and risk management system, enhanced by a number of modules known collectively as Trade World Manager (TWM).

The basic design of ASYCUDA++ is founded on three main concepts: flexibility, independence, and open environment. A major benefit of the system is that it allows the Customs administration to configure it according to its own specific needs. Automation, in conjunction with use of Direct Trader Input (DTI) and EDI (Electronic Data Input), allows for information to be accessed in advance of goods' arrival, and therefore

cleared more quickly, greatly improving trade facilitation.

Of the various stages of ASYCUDA++ processing, cargo control is performed by the Import Manifest Module, whose features include data capture and registration, manifest discharge, status reporting and printing of the discharged manifest.

The ASYCUDA++ Declaration Processing Module goes through various steps, including data capture, data validation, and monitoring of customs regulations (which includes an under-used capability for assessing value and quantity credibility). The system's capabilities are impressive. It is able to deal with new suspense and temporary admission procedures, as well as with additional documents as requested by the NCS and other agencies. Its payment function can also handle prepayment and credit, though reasons external to NCS mean that neither is used in Nigeria at present.



Containers at the Apapa port, Lagos

Next is the ASYCUDA++ Risk Assessment and Selectivity module, linked to the “colour-coded” channels described above, though its operation is complicated by unnecessary duplication with SPs’ risk assessment efforts and the impact of other agencies’ inspection requirements. The final ASYCUDA++ function is Clearance, whose features include ability to prevent removal of goods until all requirements have been met and all payments made.

ASYCUDA++, in conclusion, has various useful features, including its capacity to give online help, DTI capability, the tariff and commodity-code information built into it, and its ability to generate statistics and management information.

The Trade World Manager (TWM) incorporates modules for e-Manifest; e-Payment; an electronic version of the pre-clearance document Form “M”; Risk Assessment Reports (RARs); and passenger declaration. Additions of an excise system, an e-currency form, an inward transit module, and a biometric module are also expected.

NICIS has considerable potential for interfacing with other government agencies and private stakeholders. Even though some agencies are not technically ready for integration, steps in this direction include a campaign by the Federal Inland Revenue Service for electronic tax PIN registration. Other developments currently being implemented include a pilot excise system, an electronic currency form, introduction of data mining across national data bases, and institution of an inward transit system—a development with obvious advantages, albeit dependent on road infrastructure that is outside NCS control.

While the NICIS system has great potential, considerable problems are presented by poor electricity and communications infrastructure at border posts and by stakeholder non-compliance with procedures. Various detailed improvements are also needed—for instance, regarding the impossibility of merging overlapping fields, the system’s inflexibility as to the place of payment, and

the incorporation of pre-2009 data. Besides this, several technical preconditions would need to be met for a fully automated approach to be achieved.

As to scanning operations, the present situation has several shortcomings, including the problems posed by software incompatibility both among SPs and between SPs and NICIS. Improvements are also needed regarding NCS officer training, the physical infrastructure surrounding scanning operations, and contract distortions that prompt strange behaviour on the part of SPs. NCS participation in any future contract negotiations would be highly desirable.

Closely connected with ICT development—and with the potential for customs efficiency and trade facilitation that modern ICT creates—are two modern customs concepts, Single Window and Co-ordinated Border Management.

A Single Window system is a cross-border, ‘intelligent’ facility that allows parties involved in trade and transport to lodge standardised information, mainly electronic, with a single entry point to fulfil all import-, export- and transit-related regulatory requirements, thus expediting and simplifying the flow of information between traders and government. Generally it is organised and led by a single agency, often Customs. Resource efficiency, greater effectiveness, faster clearance, decreased costs of importation, and a more predictable and transparent environment are among the benefits—as is shown by the experience of Nigeria’s neighbour, Ghana.

The types of Single Window include the Single Authority model, the Single Automated System model and the Automated Information Transaction System model. Each has its distinctive strengths and weaknesses, and various considerations would need to be taken into account in choosing the variant to be used: these include the degree of network security required by the model, its likely cost, its SME-friendliness, its conduciveness to minimising inter-agency rivalries and the acceptability of the power concentration it entails. International

experience shows, too, that there are many conditions for Single Window's successful introduction. These include: political will; a strong lead agency; partnership between government and trade; clear project boundaries and objectives; user-friendliness and accessibility; harmonisation with international standards; effective training and development of staff; astute identification of possible obstacles; clear decisions on the choice of financial model and on what payments should be possible through the system; vigorous promotion and marketing, and the right communications strategy.

Co-ordinated Border Management (CBM) is a coordinated approach by different border control agencies, in the context of seeking greater efficiencies in managing trade and travel flows while maintaining a balance with compliance requirements. It can be domestic or international or both. Its possible forms are numerous, including cross-training of officers from different agencies in multi-functional skills; common ICT systems for different agencies or neighbouring states; sharing of information and intelligence between agencies or countries; collaborative efforts in border areas; representation of several agencies at the

border by one agency; full integration of a country's border services under one department or agency; and operation of a single border post by two neighbouring countries (the One-Stop Border Post).

New Zealand's Border Sector Governance Group (BSCG) is an outstanding example of domestic CBM, while the efficiency of the One-Stop Border Post (OSBP) is demonstrated by the experience of the Nordic countries. However, the requirements for an effective OSBP are exacting ones, including co-operation in management, harmonised documentation, legal framework development and joint infrastructure maintenance and equipment use. In addition, OSBPs in a Nigerian context would involve linguistic problems, given that likely partners are Francophone. Though little progress has been made yet in this direction, one obvious candidate for an OSBP is Seme, which is already partially internationalised. The benefits would be numerous, including: increased efficiency; enhanced possibilities for strategic management, information sharing and economies of scale; and the potential for faster processing. So implementation of such a scheme as soon as feasible should be seriously considered.

1.8: Enforcement, Investigation, Inspection and Intelligence

The enforcement, investigation and inspection function has been enhanced both by the advanced technology now available to NCS, by its officers study of international best practices, and by efforts to enlist the business community in moving towards an AEO model.

NCS' Enforcement, Investigation, and Inspection Department comprises an Enforcement Unit (responsible for co-ordinating all anti-smuggling activities), an Investigation and Inspectorate Unit (responsible for conducting general investigations of Customs offences and inspecting all Customs and Excise Formations throughout the country), and a Federal Operations Unit (which enforces the integrity of the Service and its licensed stakeholders).

A recent development has been the establishment of a Presidential Task Force for 100% Inspection, within the framework of which the CGC has invited the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and Other Related Offences Commission (ICPC) into Nigeria's ports. The Task Force has fought hard against instances of under-valuation, under-declaration and concealment, and has registered notable successes.

NCS vigilance has led to a 90% physical inspection rate and a rising number of responses to alerts of false declarations. NCS has been much criticised for the delays that result from physical inspection and scanning, but there are several reasons to argue that these are, mostly, not NCS' fault. Problems include ignorance of, or non-compliance with, regulations on

the part of stakeholders; the HR problems entailed by transition to a Destination Inspection model and by a 15-year hiring freeze that ended only in 2009; the absurdities resulting from contracts that do not require SPs to share scanning information; inadequate provision by terminal operators for scanning and inspection facilities at terminals; inadequate road and electricity infrastructure at terminals; the inaccessibility of pre-2009 ASYCUDA data that might have been useful in risk-assessment activities; and the proliferation at terminals of agencies with a right to inspect cargoes—a proliferation that is widely deplored but that no-one seems able to check.

The introduction of e-payment, the e-manifest, and Direct Trader Input (DTI) have brought the goal of a Single Window System closer, and reduced clearance times further. The result has been more automation, less human contact, fewer steps, and faster clearance—once the consignments actually reach NCS. NCS efforts will continue. Others must try too.

The intelligence function is carried out by the Customs Intelligence Unit (CIU), a separate and independent branch of NCS that reports directly to the CGC. CIU's undercover officers use a network of informants and do their own investigative work, including surveillance, research, data and documentation analysis, and monitoring of other NCS personnel. CIU also uses contacts with other countries and the WCO's Regional Intelligence Liaison Offices (RILO) network, whose wealth of data helps CIU keep abreast of the latest smuggling methods, verify information, and track suspicious shipments.



CIU officers work independently, but cannot unilaterally decide on seizures. They are not recruited specifically for the CIU, but transferred to it from other NCS departments, which can create certain problems. Once in place, CIU personnel receive first-rate training both locally and through

foreign Customs programmes. Future priorities include intensified training, more specialisation through longer periods of CIU service, improved relations with other domestic border agencies, and access to more advanced surveillance and communications technologies.

1.9: Customs-Stakeholder Relations

NCS increasingly strives to enlist private-sector stakeholders as partners. The Authorised Economic Operator (AEO) model assumes a Customs-to-Business partnership predicated on trust, responsibility, and accountability, resulting in predictability and swift processing. De facto AEO relationships already exist, in the form of the “Fast-Track” (Blue Channel) programme in place for selected manufacturers and the system of Customs-Licensed Clearing Agents. A more comprehensive system would result in numerous benefits to AEOs, including low risk profiles, streamlined procedures and improved communications with NCS. They would have earned this through a track record of compliance, possession of the necessary management systems, proof of financial solvency and compliance with appropriate security and safety standards.

Among stakeholders, the Nigerian Shipping Council is a strong partner with a complex mandate and, broadly, a shared perspective on trade facilitation (though also an occasional lack of understanding for NCS revenue and security responsibilities). Relations with operators of air cargo terminals are difficult, in large measure because of flaws in contracts and in contract performance. Fragmentation among representative organisations is a problem in road transport, with an AEO regime still a distant prospect and road agents often suffering as unwitting accomplices of unscrupulous trucking firms.

Contract-related problems exist both with seaport Terminal Operators and with scanning Service Providers (SPs) and, while expiry of SP contracts in 2012 is likely to end some problems with the latter, NCS also needs to have more confidence in risk management and scanning procedures—and to take urgent measures to train scanner personnel. NCS has a fruitful relationship with ICT company Webb Fontaine, but the latter’s progress in upgrading ASYCUDA++ is stymied, at Border Commands, by shortage of computers and unreliable power supplies.

Among organisations representing industry and trade, the Manufacturers Association of Nigeria (MAN)—which co-operates in the NCS’ “Blue Channel” regime for fast processing—is an example of a strong partner able to advance progress towards an AEO system. The Association of Nigerian Licensed Clearing Agents (ANLCA) is also a positive example, with recent disputes at one of the Lagos terminals simply underlining the effectiveness of good communication policies at terminals where disputes were avoided. Relations with the fragmented freight forwarding industry are less satisfactory than with clearing agents: recent government moves to regulate this sector are therefore welcome.

Among government agencies with which NCS interacts, the Nigerian Export Promotion Council (NEPC), a federal body established to diversify the non-petroleum economy and correct the balance

of Nigeria's trade, is a body with a primary interest in trade facilitation. As to export promotion itself, the Government-defined import ban list is not serving as a good device for promoting import substitution and, eventually, export promotion: a balanced approach involving consultation with business is needed. Problems with processing of exports cannot be blamed on NCS, while a greater role for NCS in exports would need to be accompanied by financing principles that rewarded success in such processing. NCS-friendly financing principles are also needed in respect of Free Trade Zones, which in addition require a clear legal framework, since they are still unregulated by Customs law—problems that underlie strained relations with another government body, the Nigeria Export Processing Zones Authority (NEPZA).

1.10: Regional Integration

ECOWAS, the Economic Community of West African States, is the key to economic integration in West Africa. It was established in 1975, envisaging both a Common External Tariff (CET) and a Free Trade Area (FTA). A further agreement in 1993 aimed at accelerating the process of economic integration and strengthening political co-operation. ECOWAS' long-term goal is to create an economic and monetary union among all Member States, a distinctive feature being that monetary union is expected to precede economic union. Yet another agreement in 2000 sought to use the integration already achieved by a sub-set of ECOWAS countries, the Francophone West African Economic and Monetary Union (UEMOA), with UEMOA's CET to form the basis for an ECOWAS CET.

The West African Monetary Zone (WAMZ) is intended as a transitional arrangement for non-UEMOA members of ECOWAS, while there are plans for an eventual ECOWAS currency unit, the ECO—whose introduction has been repeatedly delayed and many of whose details are still unclear.

While there are target dates for the various stages of market integration—the latest envisage customs union by 2012, a common market by 2014, and full economic union by 2012—there has been a consistent tendency for these to be pushed back. Given the economic size of WAMZ relative to UEMOA—and of Nigeria within WAMZ—Nigeria is crucial to the success of any integration process. With poor logistics a key reason for a continuing low level of integration, Customs will have a similarly crucial role to play. On whatever time scale it is achieved, integration is vital for attracting foreign investment into the region.

A process of CET harmonisation in line with UEMOA rates, fast-tracked by ECOWAS, has been underway for some time. There is a four-category tariff scheme, with unweighted Average Tariff Rate (ATR) within ECOWAS a relatively low 12.1%. Nigeria has made several compromises over temporary protection of local

Regarding non-NCS agencies involved in inspections of cargo, the Service works in close partnership with the National Drug Law Enforcement Agency (NDLEA)—though attitudes to intelligence are sometimes undesirably competitive. co-operation is also close with the Standards Organisation of Nigeria (SON) and the National Agency for Food and Drug Administration and Control (NAFDAC), but some needless duplication of effort exists, slowing down the clearance process and reducing effectiveness. Movement towards a Single Window system is a way of improving efficiency, as well as a barrier to corruption.

Improved performance is needed on the part of those state agencies concerned with provision of road infrastructure in and around ports—and of electricity for all Customs facilities.

industries—for which a fifth tariff of 35% was agreed in 2010—and a CET arrangement will have consequences for the country's revenue and policy autonomy. NCS also has some way to go regarding capacity to apply the CET consistently.

A further element in the situation is the planned Economic Partnership Agreement (EPA) with the EU, whose roots are in the 1975 Lomé Convention. With its signing hoped for in 2011, the EPA will have an important role in furthering ECOWAS integration and opening up the region's trade with Europe.

Aside from trade agreements, the issue of borders within the region is also one that concerns ECOWAS, one of whose key principles—that of free movement—appears to be contravened by the frequent checkpoints that exist along Nigeria's borders and main highways. Facilitating cross-border co-operation is a key aim, with possible methods including the joint border post (JBP) and the transnational border market. JBP projects exist with Benin and Cameroon, while the Federal Government hopes to establish eight border markets, with Okerete Oyo State as a pilot project, four others identified so far, and the form seen as an effective tool for mainstreaming informal trade.

Nigeria is playing a key role within the World Customs Organization (WCO). Since 2010, Nigeria has been serving as WCO Vice Chair for the West and Central Africa Region, with Comptroller-General Abdullahi Dikko Inde clear from the outset that Customs agencies in Africa should be proactive and reform themselves. On Nigeria's watch, developments have been significant, with the WCO Region passing a measure addressing the financing of regional structures and approving a proposal for a third Regional Training Centre (in Nigeria). A key Memorandum of Understanding has also been signed, envisaging active promotion of the modernisation of Customs administrations in the ECOWAS region through adoption and implementation of WCO-sponsored or WCO-administered instruments and tools.



Containers at the Apapa port, Lagos

1.11: Legislative Reform

There are three basic problems with the legal framework in which NCS operates. First, the Service lacks a recognised existence in law, depending on provisions in the Customs and Excise Management Act (CEMA) for delegation of “assigned matters” to the Customs Board. This allows flexibility but leaves NCS vulnerable to being overridden by rules established by other departments. Second, the 1958-vintage CEMA, even as last revised in 2004, lacks provisions specific to the electronic age, so in technical terms it cannot require electronic acts: NCS use of modern ICT is, therefore, vulnerable to legal challenge. Third, CEMA does not provide a proper legal basis for applying the major international agreements signed by NCS, within WTO and WCO frameworks, on customs procedures.

The new Nigeria Customs Service Act—which already exists in draft—is expected to give a full legal basis for implementing modern Customs procedures, with key features likely to include provisions for: use of risk management; maximum use of ICT systems; mutual assistance agreements with other Customs administrations; simplified treatment for authorised traders; a Single Window system; and electronic payment. Three other provisions would also be desirable: penalty procedures should be updated; NCS should have unambiguous legal authority to approve (or withhold approval of) any new procedure impacting a customs-controlled area; and NCS should have power to act “on matters assigned”, thus simplifying relations with other agencies.

NCS funding is another important topic. It is currently based not on federal budget appropriations, but on a percentage of the revenue NCS collects (currently 7%). This arrangement has several shortcomings: it involves month-by-month financing which complicates management; it damages incentives for trade facilitation and export processing; and it creates long-term funding problems as trade agreements and FTZs lead to falling revenues. With some remedy required soon, the positive lessons of the South African model of budgetary funding should be borne in mind.

Relations with the Federal Ministries of Transport and Finance also require thought. Specific legal provision is needed to ensure NCS has a seat at any future negotiations on relevant SP contracts to be signed by the Ministry of Transport. NCS’ status as a Ministry of Finance department may entail pressure to prioritise revenue collection over security and trade facilitation: while no obvious structural remedy exists, the fact that NCS has all three functions should be taken into account somehow.

Important work is being done by the Presidential Task Force on the Reform of the Nigerian Customs Service (PTFRNCS), whose radical conclusion has been that the Import Prohibition list needs to be shortened and that such prohibitions do little good and much harm. Further modernising pressure will be exerted when Nigeria ratifies the Revised Kyoto Protocol and fulfils its obligations under it.



Senior NCS Officers



Containers at the Apapa
port, Lagos



Chapter 2: The Role of the Nigeria Customs Service

This chapter examines the role of the NCS in today's competitive and complex world. This includes revenue-collection, security and trade-policy functions. While the NCS is increasingly called up to facilitate trade, thus helping growth, its "gatekeeper" role is by no means obsolete. Multiple trends point to a complex and challenging role for NCS in the coming years. And NCS is readying itself. The last few years have seen dramatic advances in human resources, information technology and Customs processes, while the next few will see implementation of advanced concepts tested in international practice.

Chapter 2: The Role of the Nigeria Customs Service

2.1: Customs Services in the 21st Century

At its most fundamental, a Customs Service is the “gatekeeper of a nation.” For its 120 years of continuous operation, NCS has served as both a membrane and a barrier, serving the interests of the Nigerians by facilitating the legitimate commerce that enriches the nation, and steadfastly rebuffing the threats that imperil it.

Its core responsibilities include:

- ▶ Collecting and accounting for revenues from Customs and Excise.
- ▶ Anti-smuggling activities to safeguard the country from dangerous imports or exports.
- ▶ Playing a vital role in the economic development of the country.

Nigeria, like most developing countries, depends on import duties and related taxes for a significant proportion of its national revenue. Tariff duties are second only to rents collected on oil exports as a source of revenue for the Federal Government—and by extension, for State governments. This role as a revenue collector is reflected



Ship at the Apapa port, Lagos

in NCS' status as a department within the Ministry of Finance, alongside the Federal Inland Revenue Service (FIRS).

In its second, security agency role, NCS is responsible for far more than anti-smuggling efforts. Like Francophone Africa, Lusophone Angola and Cape Verde, or Anglophone Liberia and Namibia, Nigeria has retained its Customs administration within the civil service. NCS is a paramilitary organisation, run with military organisation and discipline. It works alongside other federal agencies such as:

- ▶ The Standards Organisation of Nigeria (SON) and the National Administration for Food and Drugs Administration and Control (NAFDAC), to ensure that imported goods are legal and safe for Nigerian businesses and consumers;
- ▶ The National Drug Law Enforcement Agency (NDLEA), to combat the scourge of illegal narcotics;
- ▶ The State Security Service (SSS), Nigeria Police Force, Military Intelligence, and others to combat the flow of



Ship at the Apapa port, Lagos

illegal weapons that can fuel criminality and terrorism in the homeland.

The NCS Coat of Arms, in fact, sums up the Service rather well. The all-seeing eye, under the national eagle and wreath of green and white, leaves no doubt as to the NCS' resolute mandate to uphold the national interest. A martial grey star and rifle warn the enemies of order that the NCS has the authority to enforce the defence of that interest. And the banner below it testifies that this power will be marshalled with "Justice & Honesty."

Lastly, the Customs Service is the Federal Government of Nigeria's primary enforcer of trade policy, responsible for administering differential tariffs, quota restrictions, rules of origin, anti-dumping measures, valuation, and trade embargoes. Not only must Customs carry out these duties. It must also do so effectively and with minimal interruption to international trade. In today's competitive globalised economy, volume and speed in international trade environment are critical.

As Nigerian President Goodluck Jonathan has put it, this role is "critical to the economic development of nations". And it is this role in which NCS has recently risen to meet the new challenges and responsibilities inherent in the Vision 20:2020. The traditional symbol of Customs Services worldwide has been the portcullis, or gate, emphasising what is *kept out*.

Indeed, it is "keeping things out" that is the most visible of Customs-type functions in the media, with spectacular headlines frequently proclaiming multi-million-dollar seizures of cocaine, weapons or life-threatening counterfeits. While other agencies scramble to upstage and shame each other in this quest to bag attention, NCS is there daily at the ports, airports and borders, the most vigilant of the sentinels and the most prudent of the stewards. Its victories are mostly unsung, its yearly improvements unrecognised, and its mission complex and protean. Ultimately, however, it is how wisely and

efficiently Customs *lets through* what is legitimate that best defends the national interest.

The world of commerce has changed, becoming rapid, globalised, and blindingly competitive. As it jockey for one of the coveted top twenty slots in the global economy—for membership of the "G-20"—Nigeria competes daily with nations of the developing and developed world alike. International trading partners, shippers, logistics firms, importers and exporters are a restive and hard-headed breed, scanning the economic landscape for the simplest, quickest, cheapest and most reliable way of getting goods into and out of their markets. They seek certainty, clarity, flexibility and timeliness in their dealings with governments. Driven by commercial imperatives, they search for the most cost-effective ways of doing business. And, if they aren't able to conduct business sustainably and profitably, they leave.

NCS is aware that Nigeria's market, its firms, and its people are in daily competition both with neighbours and with bustling markets on the other side of the globe. The stakes are high, as 154 million people hustle in the streets and world markets to earn the greatness due to the "Giant of Africa." Nigeria's economic growth has been impressive in the last few years, with import-dependent service sectors prominent among the "high fliers". Future growth will need to be more broadly based, with production and industry having a more prominent role, but this too will need to be achieved by emphasising facilitation rather than restriction. And globalisation is resulting in an increasingly complex world. The globe is interconnected by expanded flows of goods, people, capital, information and technology. It is becoming easier to conduct business internationally, to expand an Oando or Dangote from family business to regional powerhouse. This provides countries with the opportunity to fast-track economic growth and development through increased international trade, and for Nigeria to shine in West Africa and beyond.

2.2: Gatekeepers Still Needed

Does this mean that a modern world has no need for Customs gates and their gatekeepers? Far from it. A more connected world also means more competition of a darker kind. Openness across borders is a boon to legal trade—and *illegal* trade. Criminals are making use of more integrated markets and freer movement of people to move goods, people and money across borders. Terrorists move resources across and within borders to stage their violent designs. Cocaine invades Nigeria from as far as Bolivia; weapons from Iran.

International organised crime often makes use of legitimate trade and trade routes to give credibility to its operations. Smugglers infiltrate porous borders with ever more nefarious methods to rob the state of revenue and imperil consumers with false medicines, deficient products, and toxic e-waste. Even China, the emerging economic giant, must worry over the danger to its citizens and its image abroad that results from such fraud.

If anything, a more open world requires Customs' all-seeing eye now more than ever.

The range and complexity of the duties facing NCS in the 21st Century require a force that is modern, well-equipped, and professional. President Jonathan has called for such a force, and Comptroller-General Abdullahi Dikko Inde has worked tirelessly during his tenure to deliver it.



Customs flag flying at Customs office, Cargo terminal, Murtala Muhammed International Airport, Lagos



2.3: The All-Seeing Eye, Looking Ahead

The Comptroller-General's leadership has positioned NCS not only to meet the multifarious requirements of Customs and trade today, but also to prepare for the trends that will shape tomorrow's environment:

- ▶ **Growing international trade volumes.** Despite the brief dip caused by recent global recession, the overall trend has been for trade to continue growing globally. This growth means that NCS has to process more transactions and that the workload is increasing, usually with the same or less resources. World economic recovery will only compound the increase.
- ▶ **Trade liberalisation and reduced tariff and non-tariff barriers.** With the end of the Cold War, the focus shifted to the creation of open economies by removing barriers to trade and investment. The average tariff worldwide decreased from 26.1% in 1980 to 10.4% in 2002. Tariff reductions were complemented by the removal of non-tariff barriers and measures to facilitate legitimate trade, such as the reduction of border controls. These measures, of course, created opportunities not only for legitimate trade but also for illicit trade.
- ▶ **Emergence of new trade rules.** With the conclusion of the Uruguay Round and the establishment of the World Trade Organization (WTO) in 1995, countries committed themselves to new rules that had to be applied to international trade. These cover a wide range of issues such as valuation and the protection of intellectual property rights. International trade is now subject to a wider and more complex set of rules. The conclusion of the Doha Round of trade negotiations will result in additional trade rules and will improve and deepen WTO rules on trade facilitation.
- ▶ **Proliferation of Regional Trade Agreements (RTAs).** According to a recent WTO report, some 220 RTAs are estimated to be operational and nearly all WTO Members belong to at least one RTA, with an average of six RTAs per Member. The number of RTAs will likely continue to increase in coming years, considering the number of RTAs under negotiation and delays in concluding the Doha Round. The proliferation of RTAs means that less trade is administered on a Most Favoured Nation (MFN) basis and that more is subject to complex preferential rules of origin that are administered by Customs. Not only are these rules of origin complex, they are also unique to every RTA. The application of preferential rules of origin is also compelling Customs to have a good understanding of the domestic economy and extend its intervention in the supply chain from the border to the place of production. As a central member of ECOWAS—one of the initiators of the bloc's establishment and now host to its secretariat—Nigeria has an economic and political leadership role within the West African bloc that only continues to deepen.



Customs office, Nnamdi Azikiwe International Airport, Abuja



Cargo scanning at the cargo terminal, Murtala Muhammed International Airport, Lagos

- ▶ **The rise of the South.** The share of developing countries in world merchandise trade is now more than 30%, having increased from about 20% in the mid-1980s. Merchandise trade between developing countries—that is, “South-South” trade—has also significantly increased, growing at an annual average rate of 11% during the past decade, and around 40% of exports from developing countries are now destined for other developing countries. Though not yet “de-coupled” from the Western developed economies, trade amongst the emerging markets will continue to expand as these nations assume their rightful share of global economic leadership. ECOWAS’ Common External Tariff (CET) scheme is an important step toward developing inter-African trade both in the region and on the continent as a whole.
- ▶ **Changing trade structure.** Global production specialisation has advanced, in particular in manufactured goods. Firstly, the share of manufactured goods within world merchandise trade has grown significantly throughout the world. Secondly, the share of parts and components exports in total merchandise exports has greatly increased. Thirdly, exported goods contain a significant portion of imported intermediate inputs. This changing structure affects the types of transactions handled by many Customs administrations. Increasingly, goods entering Nigeria are assembled in multiple countries or destined for re-export, complicating rules of origin and spreading logistics chains across multiple borders.
- ▶ **New logistics and supply chain models.** New procedures such as Just-in-Time (JIT) distribution, low inventory retention, reverse logistics and multi-modal transport are resulting in innovative methods of moving goods across borders. These new procedures impact on freight logistics and put increased pressures on supply chains. The needs of modern international business exert pressure on Customs administrations to process goods effectively and efficiently and to minimise delays. Unnecessary delays increase international trading costs and erode the competitiveness of traders. NCS is responding to this need by partnering with private sector stakeholders as Authorised Economic Operators (AEOs) and slashing clearance times.
- ▶ **Emergence of transnational organised crime networks.** Transnational organised crime facilitates many of the serious threats to international peace and security. According to the UN, corruption, illicit trade and money laundering contribute to state weakness, impede economic growth and undermine democracy. Organised crime is increasingly operating through fluid, decentralised networks rather than through more formal hierarchies. This form of organisation provides criminals with diversity, flexibility, low visibility and resilience against enforcement. Connections among different networks became a major feature of the organised crime world during the 1990s, thus creating networks of networks. In the new millennium, transnational terrorism networks with their far-reaching finance, logistics and communications webs grabbed the notice of governments worldwide. The agility of such networks stands in marked contrast to the cumbersome sharing of information and weak co-operation in detecting and preventing crime between national law enforcement agencies and between states. NCS and other federal agencies have scored notable victories over international crime through close partnerships with international agencies such as INTERPOL. The dense and alarming networks revealed behind such seizures are testament to the enormity of the threat.

- **Rise of transnational security threats.** Nowadays, security threats recognise no national boundaries. Global economic integration means that a major terrorist attack in the developed world will have devastating consequences for the developing world, and vice-versa. Drugs, smuggling, criminality and terrorism form cross-cutting linkages with each other, thriving where there is chaos or complacency.
- **Growing health and environment concerns.** The international community has adopted a number of instruments aimed at controlling the international movement of harmful and dangerous goods. These instruments include the Convention on the International Trade in Endangered Species (CITES) and the Basel Convention on the Control of Trans-Boundary Movements of Hazardous Wastes and their Disposal. These and other international instruments are implemented by Customs administrations at national borders. In Nigeria, growing concerns about the environment are prompting closer scrutiny of

e-waste and other harmful detritus unscrupulously dumped onto the nation's soil.

These new and emerging strategic drivers have resulted in big shifts and significant changes for Nigeria and NCS alike. The traditional role of Customs restricted to mere revenue collection is changing and the NCS' mandate has expanded. A greater awareness is emerging of the contribution Customs makes to socio-economic development by, on the one hand, promoting the expansion and facilitation of legitimate trade and, on the other, protecting national economies and societies through the application of controls on the cross-border movement of goods. Customs plays a critical role in the implementation of a range of trade, economic and social policies and contributes to the achievement of Nigeria's Vision 20:2020. Without an efficient and effective Customs Service, Nigeria will not be able to meet its ambitious policy objectives for revenue collection, trade facilitation, trade statistics and protection of society in the new millennium.



Training program for Nigeria Customs officers

2.4: NCS: Yesterday and Today

The Nigeria Customs Service has a long and proud history. NCS traces its roots back 120 years, to 1891, when the British Colonial Administration appointed Mr. T. A. Wall as the Director-General of Customs for the Collection of Inland Revenue, for the Niger Coast Protectorate. The British legacy even includes the Customs law still in force—enacted in 1958—though this has since been heavily amended.

NCS has gone through numerous reorganisations, leadership changes, and changes of jurisdiction since independence in 1960. But its current form, in terms of structure, mission and technology, can be dated to the period following the restoration of democracy in 1999 and, in particular, following a final reorganisation of NCS in 2004. Structure, however, is one thing and vitality quite another: the process of reviving a partially demoralised and underpaid service, suffering from a long hiring freeze and years of underinvestment, can fairly be dated to the accession of the current CGC, Abdullah Dikko Inde. CGC Abdullahi has fought hard for the resources that the NCS needs to do its job and at the same time has set new, demanding standards of performance, integrity and self-respect for its officers. His approach is well summarised in the Six-Point Agenda he promulgated shortly after his appointment (see Box 1). And it must be said that the CGC has, so far, matched words with deeds and gives every sign of continuing to do so in the challenging years that follow.

NCS has seen significant modernisation in several respects in the years since 2004. These include:

- ▶ **A Destination Inspection (DI) Regime:** For over 20 years, the NCS had employed a Pre-Shipment Inspection (PSI) regime—in which consignments to be imported to Nigeria underwent inspections in the country from which they were being shipped. This had resulted in a lack of expertise in NCS with regard to basic Customs knowledge and skills. The new DI regime placed the onus for inspection and enforcement back on the shoulders of NCS. To meet the growing volumes of trade and increasingly diverse threats to compliance, the Federal Government issued contract concessions for electronic scanners to be placed at the seaport, airport and border command terminals. Three third-party firms were chosen to operate under Build, Own, Operate, and Transfer (BOOT) concession contracts signed in 2006. Their role is scheduled to end with transition to full NCS control in January 2012.
- ▶ **ASYCUDA++:** In the 1990s, NCS began to introduce the Automated System for Customs Data (ASYCUDA), an electronic system devised under the auspices of UNCTAD (the United Nations Conference for Trade



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Box 1

CGC Abdullahi's Six-Point Agenda

1. Maximising the potential of NCS through capacity-building;
2. Hastening the moral rebirth of discipline and integrity in the Service;
3. Rewarding productivity and ensuring an enhanced welfare package for officers and men of the Service;
4. Consolidating the current e-Customs initiative through ASYCUDA in line with international best practices;
5. Collaborating and partnering with stakeholders and international organisations;
6. Fostering understanding of the Service in the eyes of the general public using an intensified and a well co-ordinated public relations platform.

and Development). By the early years of the new century, the ASYCUDA 2.7 version of the system was in place. In 2006, an upgrade began to a significantly more advanced version, known as "ASYCUDA 3.0" or "ASYCUDA++". The upgrade was completed in 2010, and the procedures associated with the resultant system provide NCS with an efficient, integrated and automated control platform to monitor cargo travelling across borders within a framework of Customs clearance laws, regulations and processing. The period has also seen implementation of the Nigeria Integrated Customs Information System (NICIS) which, incorporating certain additional features as well as ASYCUDA++, provides the platform needed for a Single Window operation in the clearance process—even if, as yet, that system is not fully operational under NCS control.

- ▶ **Human capital:** Improvements in this sphere include the establishment of a Staff College at Gwagwalada in Abuja, designed to produce the same calibre of officer for the paramilitary Customs as the Kaduna Nigeria

Defence Academy trains for the country's Armed Forces. The Customs Training Colleges at Ikeja and Kano have also been renovated and equipped with modern teaching aids and equipment. Recent years have seen a 100% salary increase for all officers, the first recruitment of new officers in 15 years, and the training of no less than 8,000 of the NCS' 16,000 personnel.

- ▶ **Physical infrastructure:** At the same time, there have been important upgrades of the physical environment in which NCS works. Customs offices have been renovated in accordance with modern office standards. Customs Processing Centres (CPCs) now have open-space layouts while providing physical separation between declarants and Customs officers, which has considerably reduced human contact between officers and stakeholders. And a modern Corporate Headquarters, worthy of a first-rate service, is under construction.
- ▶ **ICT infrastructure:** NCS now operates a central server system at its Headquarters—the NCS Network. This enables warehousing of all import, export, excise, transit and transshipment data. It also provides interconnectivity with a wide range of agencies and organisations, including the Federal Ministry of Finance, the Central Bank of Nigeria (CBN), the National Bureau of Statistics, the National Agency for Food and Drug Administration and Control (NAFDAC), the Scanning Service Providers, and the Terminal Operators. All designated banks, declarants, cargo carriers, and DTI Café operators can now also connect to the central server. Moreover, a Wi-Fi technology system is being test-run at present to enhance declaration processing and connectivity further—though an internal “intranet” is a vital element of a truly modern command and control system that is still missing.

▶ **Equipment:** NCS has also benefitted in recent years from procurement of various specialised equipment needed to allow its officers to carry out their arduous and sometimes dangerous duties. Equipment procured includes aircraft, boats, vehicles, and also weapons and ammunition.

▶ **Operations:** NCS operations have also seen extensive improvement since 2004. A new workflow has been introduced to streamline processing of Customs clearance documents. Use of the new ECOWAS Common External Tariff (CET) has been enhanced. Destination Inspection is now firmly established, with the transition from PSI completed. The services of Scanning and Risk Management Service companies are better appreciated. The expertise of the World Customs Organization (WCO) has been enlisted, with a Diagnostic Mission recommending the development of an enhanced strategic plan for the NCS and a Training Needs Analysis and Time Release Studies also performed. The use of electronic rather than paper methods has also increased and now includes:

- ▶ Electronic payment through designated banks;
- ▶ Electronic submission to Customs of two key Customs documents, “Form M” and Risk Assessment Reports;
- ▶ Electronic submission from outside Nigeria of cargo manifests (the e-manifest);
- ▶ Submission by SMS to NAFDAC of information on regulated cargoes required for certification; and
- ▶ Electronic remittance on-line in real time from Duty-Collecting Banks to CBN.



Luggage being inspected at the Passenger Arrival Terminal, Murtala Muhammed International Airport, Lagos

2.5: Looking Forward: the Customs Service of the Future

But there is more to come. As will emerge in the chapters that follow, Nigeria's Customs system stands to benefit fully in the coming years from the application of the latest concepts and techniques in the world of Customs—from best practices that have only just begun to be used in Nigeria. Key among these are:

- ▶ **The Single Window:** a system that saves time and expense by ensuring that clients have to deal with just one agency rather than a multiplicity of them;
- ▶ **Co-ordinated Border Management (CBM):** the related principle of concentrating border functions—even those of more than one country—in a single organisation;
- ▶ **Intelligence-Driven Risk Management:** techniques that allow Customs and other border agencies to focus their efforts on those cargoes and firms which are most likely to be non-compliant, rather than wasting their own (and clients') time by indiscriminate inspections; and

- ▶ **The Authorised Economic Operator (AEO) regime:** a system under which track records and self-policing allow Customs to dispense or minimise with interventions against the demonstrably trustworthy—and concentrate on those who may warrant Customs attention more. This will be introduced, of course, in a form appropriate to the trading conditions prevailing in Nigeria. At the same time, NCS—with its 120 years of tradition—will be reaching out to deal with an increasingly internationalised and globalised economy and information environment. Not only will the Service be co-operating with its ECOWAS colleagues to bring about ever-closer integration of the West African region. It will also be co-operating with counterparts on the other side of the world in what promises to be a globally networked system of Customs. Old Mr T. A. Wall, one imagines, would have been proud.



Passenger Arrival Terminal, Murtala Muhammed Intl. Airport, Lagos



Nigerian Customs Office, Cargo terminal, Murtala Muhammed Intl. Airport, Lagos



Nigerian Customs Office, Cargo terminal, Murtala Muhammed Intl. Airport, Lagos



Ship at the Apapa port,
Lagos



Chapter 3: Trade Facilitation

This chapter examines the question of trade facilitation. Nigeria's performance lags, for reasons that are not all the fault of NCS, including poor port infrastructure and limited port capacity. Excessive "dwell times" are diverting traffic away from Nigeria's ports and the country compares poorly with its competitors on certain logistics indicators. This said, the time and documentation required for imports have been reduced significantly over the last few years. The high rate of physical inspection of cargoes is a constraint on much-needed further improvement. This reflects a genuine need for vigilance against a variety of threats. But automation and modern risk-management techniques mean that it should be increasingly possible to reconcile vigilance and more efficient processing.

Chapter 3: Trade Facilitation

A candid assessment must concede that Nigeria's logistics and trade facilitation performance continues to lag behind the country's overall economic performance and national clout. This emerges from various international studies:

- ▶ The World Bank-International Finance Corporation (IFC) *Doing Business 2011* survey ranks Nigeria 146th, out of 183 countries assessed worldwide, for ease of international trade. Benin, by comparison, ranks 127th, Ghana 89th, and Senegal 67th.
- ▶ The World Bank's 2010 Logistics Performance Index (LPI) ranks Nigeria 100th in the world, behind South Africa, Senegal, Uganda, Benin, the Democratic Republic of Congo, Tanzania, Togo, Guinea, and Kenya. And Customs is ranked by LPI as the weakest link in the overall Nigerian logistics chain.
- ▶ The World Economic Forum's *Global Enabling Trade Report 2008* ranked Nigeria 22nd out of 25 African economies—and 111th out of 118 ranked countries worldwide. Again, the efficiency of Nigeria's Customs administration is ranked poorly: 22nd out of 25 African nations.

However, the truth behind the numbers in Nigerian Customs and trade facilitation is more complex. Nigeria has



Ship cranes at the Apapa port, Lagos

led the continent in multilateral trade agreements such as the ECOWAS ETLs, enjoys robust trade linkages with its neighbours, and is well-connected to international trade routes (ranked 30th worldwide by the World Bank). And positives, as we will see below, include:

- ▶ Costs of importation and exportation that are lower than the African average;
- ▶ A serious reduction of import times over the last five years;
- ▶ Advances in the use of information technology that have reduced the administrative burden on importers and exporters;
- ▶ The facts that at least a start has been made on using three key features of modern Customs practice—the Single Window, Authorised Economic Operator (AEO) initiatives, and Risk-Management Analysis—and that preconditions are in place for making far greater use of them.

While Nigerian logistics have some way to go in helping realise Vision 20:2020, NCS' ongoing reform and modernisation efforts are an important component in improving the nation's trade competitiveness.

3.1: Structural Limitations

Logistics is a complex progression of processes, with Customs clearance only one stage. Today's multimodal transport chains are only as strong as their weakest link, and increased Customs efficiencies can often have limited effect on overall cargo delays. Ghana, Mozambique and Uganda, for example, have reduced their Customs clearance times from weeks to only a few days, yet other aspects of the logistics chain have not improved correspondingly.

In time-release studies, the experts talk of **ship turnaround time**—the period from the moment a ship arrives at a port to the point when the cargo is moved from storage to processing—and break this down into three distinct periods:

- ▶ **Time waiting for berth, or “berthing delay”** (the period during which the ship is lying off the port, waiting for a berth);
- ▶ **Time at berth** (the period during which the ship is berthed, but cargo is still on board the ship waiting to be unloaded); and
- ▶ **Time off the berth or “dwell time”** (the period during which the cargo remains in the terminal after unloading before being released into processing).

Obviously a good deal of this, especially in the first two categories, is not within the control of Customs. Various factors affect berthing delay and time at berth, including the volume of trade and of shipping relative to the terminal's capacity, the quality of the terminal's facilities, and the composition of the cargo itself. Shipping can be held up by general port congestion or by specific bottlenecks.

Dwell times in West Africa range from 12 to 15 days, double the international best practice of seven days. For shippers and traders, these delays can be devastatingly expensive. For example, in 2006, each extra day of dwell time incurred \$35,000 in port costs for a 2,200-TEU (20-foot equivalent unit) vessel.

Such congestions and long dwell times at terminals are largely a function of infrastructural deficiencies. According to the World Economic Forum's *Africa Competitiveness Report 2009*, Nigeria's most problematic factor for doing business is inadequate infrastructure. Nigeria's quality of port infrastructure was rated particularly poorly, at 120th out of 134 countries ranked worldwide. Roads and railways were ranked near the bottom as well, at 116th and 108th, respectively.

Most seriously, Nigerian power infrastructure was ranked near last in the world, at 132nd out of 134. Indeed, an electrical grid that only satisfies 25% of demand must inevitably impinge upon every economic activity, including port efficiency. According to the World Bank's Enterprise Surveys, whereas only 2% of firms operating in Nigeria rate Customs and trade regulations as the most serious obstacle to doing business, 63% identify access to electricity. Nigerian firms report an average of 26.7 power outages a month, compared to an average of only 5.3 in the rest of Africa. To compensate for spotty grid-supplied electricity, many firms are reliant on small-scale diesel generation, costing as much as \$0.40 per kilowatt hour to operate—twice the cost of power from typical coal- or hydropower-based grid systems. The outages are responsible for an average value loss of 8.9% of total sales. In order to bring the West African Power Pool (WAPP) up to capacity, \$8.2 billion in regional investment is required.



Cargo cranes at the Apapa port, Lagos



Cargo Terminal, Murtala Muhammed Intl. Airport, Lagos

The Federal Government of Nigeria seeks to meet its national capital investment needs through Public-Private Partnerships (PPPs), via the re-structured Nigerian Power Holding Company (NPHC).

Such infrastructural limitations have meant that, despite its large domestic market, regional clout, and strategic geography, Nigeria has not realised its potential as a location for a Regional Hub Port (RHP). The Port of Lagos is West Africa's most important seaport in terms of size and volumes; it alone accounts for 25% of ECOWAS trade activity. On most criteria, Lagos *should* be the main contender for a West and Central African RHP. However, currently Lagos is restricted to serving only Nigeria and its hinterland of Niger, Cameroon, and Benin—a reach far short of a full-fledged RHP. Abidjan, Dakar, Tema and Douala are all contenders for RHP status, while a good deal of West African business is in fact handled from *outside* the region: Maersk, for example, uses Algeciras in Spain and Tangier in Morocco as its hubs for West Africa.

One major limitation has been Nigeria's underdeveloped port capacity, which is seriously out of kilter with its trade volumes. Container capacity has developed impressively over the last few years: for instance, that of Nigeria's largest container terminal, Apapa, tripled within three years of the concession granted in 2006 to Netherlands-based APM Terminals (see below). Nevertheless, while the country is second on the African continent only to South Africa in respect of trade volume—and is expected by some forecasters to take first place in 2011—Nigeria's *national* container port capacity would seem to be less than half that of South Africa's biggest *port*, Durban, which has reached 3 million TEUs. Furthermore, the Port of Lagos is located in a "megacity" conurbation of 18 million people, limiting its capacity ceiling.

Another problem is that Nigeria is severely limited in the size of vessels it can handle. It has no ports that can

take "Panamax" vessels, that is, ships whose dimensions are the maximum able to fit through the Panama Canal. In this, it contrasts with its neighbours Benin—which processes Panamax ships at Cotonou—and Cameroon, which has Panamax-ready deep-water ports at Kribi and Lolabé. As to "Post-Panamax" and "Super-Panamax" ports (able to handle ships respectively 18 and 22 container rows wide), no ECOWAS port at all qualifies, but they exist at Tangier in Morocco and at Cape Town, Port Elizabeth, and Durban in South Africa (others in Africa include Alexandria, Damietta, and Port Said in Egypt and Port Louis in Mauritius).

The shallow ports of the region, therefore, can only attract smaller-scale shipping (mostly under 2,000 TEUs), preventing ECOWAS from capturing a competitive share of global traffic. Meanwhile, East African ports routinely host vessels in the 8,000–11,000 TEU range. As a result, West Africa only accounts for 1% of global container traffic, and 2% of all African traffic. However, containerisation has been growing in Africa at a pace of over 10% per year, and is expanding most rapidly in West Africa (13.8% annually). Nigeria is well-situated to capture this growth, provided it embraces the need for deepwater port infrastructure development.

The planned Lagos Free Trade Zone (LFTZ) initiative at Lekki would help meet that requirement. Located 60 km east of Lagos, the \$6 billion complex would have the capacity to berth the Panamax-grade shipping essential to global port competitiveness in the 21st Century. The LFTZ initiative would relieve the over-burdened terminals that make up the Port of Lagos, and fill the gap in national terminal capacity that hampers Nigeria's trade competitiveness. Unfortunately, delays have pushed the completion date past 2011.

Nigeria's over-burdened port capacity means that containers dwell in the seaports for a full week on average

before NCS even has access to them to begin clearance procedures. As global recession abates and trade volumes rebound, this delay will only be prolonged—exacerbated by ships berthing in the ports, waiting to be unloaded by overstrained port capacity. If infrastructure does not keep pace with rapid regional growth, congestion will only worsen.

Infrastructural shortcomings affect port congestion even after NCS and other agencies have cleared cargo, since poor roads and inadequate rail off-take increase transport delays. Due to inefficient logistics planning by importers, terminals are too often used as *de facto* storage facilities, congesting them further and creating bottlenecks for the processing of new consignments. For example, in early 2009, Lagos port congestion was so serious that the comptroller for Apapa Customs Area Command was forced to institute a temporary moratorium on ship berthing from February to March. Shockingly, it was revealed that, of 9,741 containers awaiting delivery to importers, 851 had already been cleared by NCS and were awaiting pick-up by importers. Clearing agents blamed a lack of trucks available for transit.

The limited capacity and low quality of port infrastructure directly impinges upon Nigeria's economic development. Data collected for the World Economic Forum's

Global Competitiveness Report, 2009-2010 reveals a direct linear relationship between the "Infrastructure Index" (quality of infrastructure) and GDP per capita.

However, in recent years, port infrastructure has improved. Despite complaints about imperfections in the concessioning process, according to the 2009 World Bank Africa Infrastructure Country Diagnostic (AICD), Nigeria's port efficiency has been improved by the transition from public management by the Nigeria Ports Authority (NPA) to private Terminal Operators (TOs) between 2004 and 2006. Overall, concessioned ports in Africa register an average of 16 moves per hour, compared to only 10 in unconcessioned ports. In this regard, Nigeria is current with global best practice, in a continent where 50-70% of trade traffic is still handled by inefficient public operators. Nigeria, like Ghana, has adopted a "landlord model," under which the NPA leases operational rights and responsibilities to the TO concessionaire. The NPA retains regulatory authority, as well as responsibility over the superstructure of the port (dredging, breakwaters, channels, etc.). And, broadly speaking, it has worked well—not least at Nigeria's biggest container port, Apapa (see Box 1). In utilising the landlord model, Nigeria and Ghana are unique in the ECOWAS region—and in the vanguard of privatisation on the continent as a whole.



Tarmac, Cargo Terminal, Murtala Muhammed Intl. Airport, Lagos

3.2: Customs Efficiency

Dwelling on the Difficulties

The measure of port efficiency that is most applicable to Customs is “dwell time,” or the number of days a given ton of cargo remains in the terminal. However, Customs cannot be blamed for everything even in this respect. Dwell time is in part the product of a variety of the same factors that affect waiting rate for berthing, including congestion at the port, the quality of terminal facilities, and the composition of cargo. In part, also, it reflects the operational efficiency of various actors in the process, including terminal operators, importers and their agents, and federal agencies involved in the cargo clearance process. And the NCS is just one of those agencies (see Box 3).

Dwell times in Sub-Saharan African ports are very high, compared to global averages. And Nigerian performance rates measure average-to-below-average in the continent. Dwell times at Lagos average 22 days, better than Tema in Ghana (25 days); but far longer than:

- ▶ Dakar, Senegal (7 days);
- ▶ Cape Town and Durban, South Africa (6 days); and
- ▶ Mombasa, Kenya (5 days).

Even more important, however, is the fact that Lagos dwell times are ten days longer than those of Cotonou in Nigeria's neighbour Benin. It is no wonder that importers often opt to divert their consignments to Cotonou, where they can be unloaded, trucked overland into Nigeria via the Seme border post, and arrive at their market a full week before a comparable consignment would even be cleared through the Port of Lagos. The scale of this diversion via Cotonou is estimated by some experts as equivalent to 15-30% of Nigeria's total import volumes, with as many as 75% of the containers unloaded in Benin destined for Nigeria.

For shipping lines, port efficiency is also a major consideration in choice of port and many prefer to use Abidjan or Tema. For traders and their clients, time is money, and dwell times increase costs of business in a variety of ways including:

- ▶ Demurrage charges;
- ▶ Terminal fees;
- ▶ Transit fees;
- ▶ Inventory-holding costs (including the need to maintain buffer stocks to ensure seamless supply);
- ▶ Manufacturing interruptions; and
- ▶ Depreciation in the case of time-sensitive products (spoilage or over-ripening of foods, expiry of medicines, etc.).



Crane at the cargo terminal of Nnamdi Azikiwe International Airport, Abuja

Nigerian manufacturers and retailers must factor these increased costs into their pricing, decreasing their global competitiveness and inflating costs for consumers. In many cases, high import costs and cargo delays imperil the very survival of Nigerian businesses and the livelihood of their employees.

Delays and restrictions also rob the state of vital revenue through diverted trade and a diminished tax base. The losses in federal revenue resulting from the routing of inbound trade via Cotonou could be as much as \$400 million per year. Furthermore, NCS is forced to divert more resources and manpower toward anti-smuggling efforts at Border Commands. Paradoxically, by encouraging smuggling, inefficient clearance procedure can create a vicious circle of non-compliance that further bedevils Customs' efforts to clear legitimate cargo more efficiently.

Doing Business Better

A complementary light is cast on things by another instructive measure: the batch of indicators grouped as “trade across borders” in the annual *Doing Business* reports of the World Bank and the International Finance Corporation (IFC). This deals with the import or export of a standardised cargo of goods by ocean transport, and its import aspect includes three variables:

- **Time to import**, defined as the number of days required from goods’ arrival in port to arrival at the importing company’s inland warehouse or premises (broken down into port and terminal handling, processing by Customs and border agencies, and inland transport);
- **Documents to import**, defined as the number of documents required for the import of goods; and
- **Cost to import**, defined as the cost, in US dollars, of importing a 20-foot container, not including ocean transport, tariff duties, Customs Agent fees, Terminal Operator fees, inland transport, or “unofficial” fees.

Time, Documents and Cost: Import Comparisons for Selected African Countries (2011)

Table 1

Country	Cost to import (\$ per 20-ft container)	Time to import (days)	Documents to import
Benin	1400	32	7
Cameroon	1978	26	12
Ghana	1203	29	7
Liberia	1212	15	9
Nigeria	1440	39	9
Senegal	1940	14	5
South Africa	1807	35	9

Source: *Doing Business 2011: Making a Difference for Entrepreneurs*, World Bank/International Finance Corporation. “Trading across borders” indicator.

How does Nigeria perform on this group of indicators? The answer is a complex one. Its average “time to import” is 39 days (which, incidentally, is broadly consistent with stakeholder estimates for import times ranging from one



Container being inspected



Cargo cranes at the Apapa port, Lagos

month to a month-and-a-half). This is five days more than the West African regional average and also compares unfavourably with East Africa's 35 days (though South and Central African averages of 42 and 57 days respectively drag up the Sub-Saharan average, making Nigeria about par for the continent). Regional averages mask considerable variations, however, with Benin, Cameroon, Ghana, Liberia, Senegal and South Africa all performing better—in some cases much better—than Nigeria (see Table 1).

Ghana and Senegal also make do with significantly fewer documents than Nigeria. However, Nigeria is superior to Cameroon in this respect and on a par with Liberia and South Africa. And, despite delays, Nigeria's average "cost to import" is only \$1,440 per 20-foot container, which is far lower than the African average of \$2,491, and not so far from the OECD average of \$1,106. That makes importing to Nigeria cheaper than to South Africa, Senegal, or Cameroon, though import costs for Liberia, Ghana, and even Benin are lower.

However, perhaps the most striking thing about the Nigerian figures—at any rate, those for time and documents—is how much things have improved in the last five years. In 2006, the average import time was 53 days, so there has been an improvement of 14 days over the period (see Table 2).

Import Times for Nigeria, 2006–2011¹

Year-a	2006	2007	2008	2009	2010	2011
Time to import (days)	53	45	46	42	41	39

Source: World Bank/IFC *Doing Business* reports, 2006–2011:
<http://www.doingbusiness.org>

¹ Year refers to year of report—i.e. "2011" means that figure is from *Doing Business 2011*

As to preparing documents, this is the most time-intensive aspect of the overall importing procedure. Nigeria requires nine documents: Bill of Lading² (BL), Cargo Release Order, Certificate of Origin, Collection Order, Commercial Invoice, Customs Import Declaration, Packing List, Technical Standard/Health Certificate, and Terminal Handling Receipts. Together, according to *Doing Business 2011*, this documentation takes an average of 19 days to prepare, at a cost of \$330. But if this sounds forbidding, it should be noted that documentation delay and complexity have been dramatically improved with the introduction of ASYCUDA++ and movement towards the Single Window in the form of e-payments, the e-manifest and other automation. In 2006, importers had to produce 13 different documents requiring a total of 71 signatures to get their goods cleared! Nowadays, only one or two signatures are required for the more moderate nine documents.

Another significant truth should also be recognised. In Nigeria as well as other countries, *the Customs clearance process itself is not the source of most import delays*. According to *Doing Business 2011*, "Customs clearance and technical control" averages 11.7 days in West Africa and 12 days in South and East Africa. The corresponding figure for Nigeria is 12 days, about average for the Sub-Saharan continent and only around a third of the total time to import.

That is no reason for complacency, of course: despite the continental and regional averages, the countries with which it is most meaningful to compare Nigeria within Africa—its neighbours and South Africa—all perform much better on this indicator (see Table 3). though in respect of the costs of this phase Nigeria outperforms some of them (see Table 4).

² Or Airway Bill in the case of air freight or Roadway Bill in that of road freight.

Duration of Import Procedures in Selected African Countries, by stage (Days)

Table 3

	Benin	Cameroon	Ghana	Liberia	Nigeria	Senegal	South Africa
Documents preparation	20	13	17	9	19	6	14
Customs clearance and technical control	4	6	5	1	12	3	4
Ports and terminal handling	5	5	4	3	5	3	14
Inland transportation and handling	3	2	3	2	3	2	3
Total	32	26	29	15	39	14	35

Source: World Bank, *Doing Business*: <http://www.doingbusiness.org/data/exploreeconomies/nigeria/trading-across-borders/> (and other corresponding country entries). Data reflects surveys in June 2010.

Cost of Import Procedures in Selected African Countries, by Stage (US\$)

Table 4

	Benin	Cameroon	Ghana	Liberia	Nigeria	Senegal	South Africa
Documents preparation	248	511	250	480	330	300	397
Customs clearance and technical control	250	670	250	355	360	360	75
Ports and terminal handling	320	500	248	127	450	720	349
Inland transportation and handling	582	297	455	250	300	560	986
Total	1400	1978	1203	1212	1440	1940	1807

Source: World Bank, *Doing Business*: <http://www.doingbusiness.org/data/exploreeconomies/nigeria/trading-across-borders/> (and other corresponding country entries). Data reflects surveys in June 2010.

Moreover, Sub-Saharan averages do not set a very high standard. Other regions of the world are doing much better, with Latin America boasting average clearance times of 7.08 days, East Asia even better with 5.57 days, and North Africa achieving 5.5 days. Eastern Europe exceeds even Western Europe with a world-beating 2.38 days. And this indeed is the standard to which NCS aspires: it has set itself the ultimate goal of a 48-hour clearance window.

Meanwhile, shorter-term goals should be given some priority. One is addressing the needs of small and medium enterprises (SMEs), which are the backbone of Nigeria's employment. World Bank studies suggest that administrative burdens hit small enterprises dependent upon imports the hardest. Whereas medium-sized firms enjoy Customs clearance times of only 10 days, and large firms 11.7 days, small firms report an average of 21.6 days to claim imports from NCS³. Measures to redress this balance would make good sense.

It should also be noted that one very significant reason for delays is physical inspection of cargoes. Given low compliance and under-use of risk-management procedures, no less than 67% of cargo, on average, is inspected in Sub-Saharan African terminals, compared to 31% in East Asia, and a mere 5% in OECD countries.

But Nigeria greatly exceeds even the sub-Saharan average in this respect, with rates of around 90%.

3 See *Putting Nigeria to Work: A Strategy for Employment and Growth* (World Bank, 2010).



Cargo cranes at the Apapa port, Lagos



Cargo ship at the Apapa port, Lagos

ously, NCS must operate in a market that is far less compliant than in OECD countries. Nigeria, like most developing nations, has a smaller tax base, and thus income taxes are a negligible source of government revenue. While around 90% of the federal government's revenue comes from rents collected on petroleum exports, the bulk of the remaining 10% is collected via import tariffs. Because of this revenue dependence, tariff rates are high relative to the OECD countries—encouraging tax evasion, smuggling and non-compliance. No matter how efficient port and clearance processes are, there will remain a significant incentive towards smuggling for this reason.

Complicating the NCS' role, also, is a contradiction between different elements of its mandate. On the one hand it must ensure revenue collection and national security. On the other, it must facilitate trade.

Given multiple threats such as weapons smuggling, violent terrorism, narcotics trafficking, and dangerously low-quality imports, NCS must remain vigilant. Last year was witness that such threats loom from all corners of the globe: Nigeria was the unwilling recipient of cocaine from Bolivia, weapons from Iran, sub-standard goods from China and "e-waste" from North America. And, as

noted above, Customs revenue is vital to the federal budget and therefore various types of central and state government spending.

In a non-compliant environment, surrendering vigilance in inspections would allow a dangerous volume of contraband into the country. For this reason, the Presidential Task Force on 100% Examination has been working since December 2010 to ensure that Red Channel items are indeed all examined sufficiently.

But such inspections—especially physical examinations—require significant time and resources. And under the conditions that prevail at ports, air terminals and Border Commands, NCS lacks the traffic management facilities and resources to conduct scanning and physical examination in the most efficient way possible.

Thus, unloading and reloading a container for physical examination at seaports takes a labour team six to eight hours. Without the forklifts and other equipment needed for heavy consignments, their inspection can prove prolonged, unsafe or simply impossible. It often takes up to a week even to get a container presented by the Terminal Operator for physical examination.

Box 2

Improving Apapa

Following a competitive tender held in 2005, as part of a broader programme of Public-Private Partnerships (PPPs) to improve port efficiency, Nigeria's Bureau of Public Enterprise awarded a 25-year concession to Netherlands-based APM Terminals (APMT) to take over operations at Apapa Container Terminal from the Nigeria Ports Authority (NPA). APMT assumed responsibility in March 2006, with NPA remaining as both landlord and regulator.

This Manage, Operate and Develop (MOD) concession is designed to bring about an eventual increase in container handling capacity from 220,000 twenty-foot equivalent units (TEUs) per year to 1.6 million TEUs.

But there were short-term benefits too. Within months, berthing delays decreased so significantly that shipping lines reduced their congestion surcharges from \$740 to \$105 per TEU (thus saving the Nigerian economy \$200 million per year).

And investment has been heavy, amounting to \$179 million in the first three years of the concession—out of \$250 million pledged for the concession period as a whole. By mid-2009, capacity had risen to 600,000 TEUs. Unsurprising, perhaps, given that APMT had bid no less than \$1.06 billion for the concession—a price that surprised many observers. The company would appear to mean business, and needs to boost volumes as quickly as it can.

Scanning teams suffer the same delays in placing containers for scanning, and the facilities available to them are small and ineffectively oriented. For instance, there is an allotment of a pitiful 420 square feet for all federal agencies combined in each of the major seaport terminals in Lagos, while transporting containers from their storage areas to the staging area for scanning is extremely difficult. This drags out what should be a 15-minute scanning procedure to two days in practice.

At Border Commands, moreover, power supply for scanning equipment and computers tends to be spotty. The ECOWAS One-Stop-Border Post (OSBP) at Seme suffers especially from insufficient facilities and infrastructural limitations outside of NCS' control, since it is located on Beninese soil. Additionally, officers report facing drivers who often purposefully present trucks too large for portable scanners.

However, increased security and regulatory enforcement need not exist in zero-sum competition with the free flow

of trade. Indeed, increased automation, stakeholder partnership and operational efficiencies have ensured "win-win" improvements for logistics performance and regulatory compliance. Automation of documentation has sped up processing times while improving risk-management to target likely threats. The upgrade to ASYCUDA++ from ASYCUDA 2.7 has armed NCS with computerised risk-management systems for the first time.

As compliance increases, NCS looks forward to a reduction in the need to conduct inspections—and a concurrent rise in trade facilitation. In keeping with the SAFE Framework, NCS has been expanding the AEO model to encourage more responsibility and accountability among private stakeholders and their professionalised representative associations. Co-ordinated Border Management (CBM), Single-Window procedures and ASYCUDA++ automation ensure more information sharing and enhanced risk-management capacities, targeting likely non-compliance and fast-tracking operators with clean track records.

Box 3

Merciful Release

It's easy to deplore long clearance times in general terms. But it's slightly more difficult to figure out in detail where the problem lies. Not impossible, however: the World Customs Organization (WCO) has a standardised methodology for doing precisely that.

Called a "Time Release Study" (TRS), this WCO procedure involves standard questionnaires and specialist online software that transmutes the answers into the pure gold of detailed time analyses—analyses that deal in hours and minutes rather than days, identifying which of the many steps in clearance are taking how much time. On the basis of these, those conducting the TRS talk to stakeholders, observe how things work on the ground—and then make their recommendations about how processes can be made more efficient.

And it's just such a TRS that was carried out for NCS between April and June 2010 by the USAID MARKETS Project, which has been busy studying Customs processes in Nigeria for some years. The study focused on Apapa Port and the Seme Border with the Republic of Benin, two high volume border crossings that are critical for Nigeria's trade flows.

A TRS covers the process all the way from the time when a clearing agent receives a cargo container's Bill of Lading (essentially marking its time of arrival) to the point when the container has exited the container terminal on the trailer of a truck. That averages 25 days, 23 hours, and 2 minutes in the case of the Port of Apapa, and just 2 days, 13 hours, and 23 minutes in that of Seme—in part reflecting different procedures, modes of transport, and cargo volumes.

The results were interesting. For instance, the process can be broken down into two phases or "zones": the "Trader Zone", in which the initial clearance paperwork takes place (which is primarily the realm of banks and agents); and the "Customs Zone", where NCS, terminal operators and scanning companies

process and inspect the cargo. And it is quite striking that the Customs Zone accounts for less than half of the total average clearance time at Seme (1 day and 6 hours) and, especially, at Apapa (11 days and 11 hours).

And interesting questions of detail were raised too. A crucial one concerns the NCS: why does it assign most cargoes to a time-consuming physical inspection process? But other stakeholders also seem to be responsible for puzzling delays. For instance, why do clearance agents wait nearly eight days before entering cargo data into the NCS system? And why do banks take an average of two days to notify Customs that they have received payments?

As to recommendations, there were plenty of those—twenty, to be precise. Some are quite ambitious and general: develop an Authorised Economic Operator programme, for instance, and implement a Single-Window system. Others are more down-to-earth: buy additional cargo handling equipment, repair roads, streamline terminal yard logistics, increase the space (and staffing) of the terminal processing office, and enforce truck safety standards. Yet others involve making use of available information technologies: use scanners more, transmit their image reports electronically, and work towards paperless clearance. A code of conduct should be put in place, and standards implemented, for those tardy clearance agents, say the experts. And one doesn't need to be an expert to appreciate the validity of another of their recommendations: penalties that actually deter non-compliance.

It was an exhaustive—and presumably an exhausting—study. But the thousands of questionnaires distributed, inputted and analysed will, eventually, prove to have been worthwhile. NCS now has a very clear idea where the problems are. And a future national rollout, covering all major borders, ports and airports, will mean a more efficient, speedier and lower-cost importing process. Which will be good news for Nigeria's consumers.



Cargo terminal of Nnamdi
Azikiwe International
Airport, Abuja



Chapter 4: The Customs Clearing and Forwarding Process

This chapter examines the Customs clearing and forwarding process. It describes the various stakeholders other than NCS that participate in the process and the modes of transport involved. It discusses the various documents required and gives a step-by-step account of the procedures involved, including those that determine whether freight is physically inspected, scanned or let through with minimal intervention. It ends with an account of special arrangements including bonded warehousing, processing under customs control and the new Manufacture-in-Bond scheme.

Chapter 4: The Customs Clearing and Forwarding Process

This chapter aims to give an account of the Customs clearing and forwarding process for non-petroleum imports in Nigeria. It will start out with brief remarks on the organisations, modes of transport and entry points involved. And it will proceed to a detailed, stage-by-stage description of the Customs clearing process, from start to finish.

Both the scope of this chapter and the limitations of this scope require some justification.

As to scope, the chapter has a dual purpose.

First, it serves as an introduction to the topic of Customs reform. It is impossible to understand how far Customs reform in Nigeria has come – and how far it is heading – without a detailed understanding of the Customs process itself. It is likewise impossible to understand Customs reform without seeing the Nigeria Customs Service (NCS) as part of a complex system and as a partner with stakeholders both public and private in ensuring the facilitation of trade, revenue for the state, and the security of the nation.

Second, it will serve a vital practical purpose for importers and exporters, for whom knowledge of NCS procedure is especially important. The onus is on firms to have the



Customs officer overseeing Cargo Terminal of Nnamdi Azikiwe International Airport, Abuja

necessary familiarity with, for instance, the structure of Nigeria's harmonised tariff system, the functioning of its ASYCUDA++ information systems, or the country's Destination Inspection Guidelines.

As to limitations, these are also two-fold.

First, dealing as it does with the NCS, the study does not touch on import and export of hydrocarbons – oil and gas – or “petroleum trade”. These are the province of the Nigerian National Petroleum Corporation (NNPC), not NCS, and are of course a significant omission, since petroleum trade accounts for 98% of export earnings.

Second, the chapter will concentrate on import rather than export procedures, since procedures in the two directions differ markedly. For instance, to encourage indigenous industry, Nigeria does not levy duties on exports. And Cobalt International Services Ltd acts as Pre-Shipment Inspection Agent for all exports, having been appointed to that role by the Federal Government of Nigeria (FGN) in 2004. This concentration on imports is not too restrictive, however. Not only are imports the NCS' main business, they also account for the overwhelming majority of Nigerian's non-petroleum trade.

4.1:

The Stakeholders

As noted above, stakeholders in the Customs process are numerous – indeed, given the salience of imports in the Nigerian economy, they include, in a sense, every one of the country's 150 million citizens. NCS itself is a key stakeholder, though perhaps not a single one, being divided geographically into Zonal and Area Commands (see Box 1). Aside from other obvious stakeholders including NCS officers, shippers/consignors, importers/consignees, transport companies – both domestic and international – and clearing agents/freight forwarders, the following deserve special mention as actors in the Nigerian Customs process:

- ▶ **Authorised Dealer Banks (ADB):** These play a key role in accessing the finance necessary for commercial payments, in information flows between consignees and consignors on the one hand and NCS on the other, and in generating the documentation involved in the Customs process.
- ▶ **Scanning and Risk Management Service Providers (SPs):** These are third-party contractors, three in number, which – at least till the contracts expire in early 2012 – have an important dual role. First, they receive documentation and on its basis generate Risk Assessment Reports (RARs) recommending intervention levels for consignments. And second, they operate the scanners in place at many of Nigeria's entry points.
- ▶ **Non-NCS federal agencies:** These are numerous at entry points – in ports, for instance, there are no less than 22 of them (see Box 2 for the most important) – and have the right to participate in the process of physical inspection of imports.
- ▶ **Terminal Operators (TOs):** The terminal is, simply, the point where imports are received or exports shipped. Once operated as well as owned by the Federal Government of Nigeria (FGN), many – though not all – port and airport freight terminals are now operated under concession by private companies (see Box 5, below).

Box 1

NCS Geography

Geographically, the NCS is organised into 25 Area Commands (ACs), split between four regional Zonal Commands (ZCs).

Zone A (HQ: Lagos) includes ACs in the country's **south-west**, namely those at:

- ▶ PTML;
- ▶ Apapa;
- ▶ Tin-Can Island (TCIP);
- ▶ Murtala Muhammed International Airport (MMA);
- ▶ Kirikiri Lighter Terminal (KLT);
- ▶ Lilypond;
- ▶ Lagos Industrial;
- ▶ Seme;
- ▶ Ogun;
- ▶ Oyo/Osun; and
- ▶ Ondo /Ekiti.

Zone B (HQ: Kaduna) includes the ACs in the country's **northwest and centre**, at:

- ▶ Kaduna/Katsina;
- ▶ Kano/Jigawa;
- ▶ Sokoto/Kebbi/Zamf;
- ▶ Niger/Kwara/Kogi; and
- ▶ Federal Capital Territory (FCT).

Zone C (HQ: Port Harcourt) includes the **southeastern** ACs, at:

- ▶ Anam/Ebonyi/Enug;
- ▶ Imo/Abia;
- ▶ Port Harcourt (1) and Bayelsa;
- ▶ Port Harcourt (2) and Onne;
- ▶ Edo/Delta;
- ▶ Cross River/Akwa Ibom.

Zone D (HQ: Bauchi) includes the **northeastern** ACs, at:

- ▶ Bauchi/Gombe;
- ▶ Borno/Yobe;
- ▶ Adamawa/Taraba;
- ▶ Benue/Plateau/Nasarawa.

Box 2

A Profusion of Agencies

Aside from the NCS, there are currently as many as 22 different federal agencies directly operating within Nigeria's ports. The most important of these are:

- ▶ The Nigeria Immigration Service (NIS)
- ▶ The National Drug Law Enforcement Agency (NDLEA)
- ▶ The Standards Organisation of Nigeria (SON)
- ▶ The National Agency for Food and Drug Administration and Control (NAFDAC)
- ▶ The Nigeria Ports Authority (NPA)
- ▶ The Nigeria Police Force
- ▶ The State Security Services (SSS)
- ▶ Plant Quarantine Services
- ▶ Veterinary and Animal Quarantine Services (VAQS)
- ▶ Port Health Services (PHS)
- ▶ The Directorate of Military Intelligence
- ▶ The Directorate of Naval Intelligence
- ▶ The Federal Environmental Protection Agency (FEPA)
- ▶ The Nigerian Air Force
- ▶ The Nigerian Maritime Administration and Safety Agency (NIMASA)

4.2: Modes of Transport

Nigeria's international trade is conducted via three modes of transport: sea, road, and air.

Sea Freight

Most goods entering Nigeria do so by sea. The country, facing the Atlantic at the Gulf of Guinea to the South, has no less than 26 sea ports (see Box 3 for the main ones), which are distributed between Zonal Commands A, B and C. But the majority of sea freight comes through one of the four major ports in the Lagos Port Complex – namely, Apapa, Tin Can Island Port (TCIP), PTML¹, and Kirikiri Lighter Terminal (KLT). These are all under the jurisdiction of Zonal Command A.

Goods coming into seaports are conveyed in four ways – namely, as containerised shipments, project cargo, roll-on/roll-off and bulk cargo shipments. In more detail:

- ▶ **Containerised shipments** – also known as “lift-on/lift-off” shipments – are conveyed in standard 40-foot (12.19m) or 20-foot shipping containers, known as “intermodal containers” or “freight containers.” A typical container has doors fitted at one end, and is constructed of corrugated weathering steel. These flexible, modular containers can convey a wide range of goods and can be loaded and sealed intact onto container ships, railroad cars, cargo planes, and semi-trailer trucks. The vast majority of goods shipped by sea to Nigeria are conveyed in containers. Plug-in refrigerated intermodal containers are employed for perishable items such as produce or medicine.
- ▶ **“Project cargo”** refers to heavy items – such as large pieces of machinery – which are indivisible and too large to fit into normal containers or onto conventional



Cargo cranes at the Apapa port, Lagos

transporters. Project cargo, by normal definitions, can weigh anything from 1 ton to over 1,000 tons and can have a width, length or even height of anything up to 100 meters, or even more. Project cargo is also sometimes referred to as “heavy lift” or “special” cargo.

- ▶ **Roll-on/roll-off (RORO) shipments**, in the Nigerian context, comprise wheeled cargo such as automobiles, trucks, semi-trailer trucks, trailers or railroad cars that are driven on and off the ship on their own wheels. In terms of value, these are the largest single class of imports into Nigeria. TCIP and PTML terminals handle the majority of vehicle imports into Nigeria, and have specialised layout and facilities to unload and store the large volume of new and used vehicles processed by NCS there. However, Apapa also has some vehicle-handling capacity. Legally speaking, the Lagos Port Complex is the sole receiving area for vehicle imports.
- ▶ **“Bulk cargo shipments”** refer to commodity cargo that is transported unpackaged in large quantities. This can include agricultural commodities (grain, cocoa, etc.), a mass of relatively small solids (e.g. coal), or liquids (petroleum, industrial chemicals). Bulk cargo is classified as “liquid” or “dry.” Bulk cargo is stored directly in the bulk carrier ship's hold, and is usually dropped or poured using a spout or shovel bucket. Much of Nigeria's bulk cargo is handled at the sea and offshore terminals in Delta Port Complex and Rivers Port Complex.

¹ “PTML” stands for “Ports & Terminal Multiservices Ltd”, which is the name both of the Special Purpose Vehicle set up by Grimaldi Lines in Nigeria in 2003 and of the RORO terminal it built under a 25-year Build Operate and Transfer (BOT) agreement signed with the Federal Government of Nigeria in 2005. Situated on a hitherto under-used part of Tin Can Island, PTML was the first terminal to be built in the Lagos area since TCIP itself was completed in 1977. It is almost always referred to by its initials.

Nigeria's Major Seaports

Lagos Port Complex – includes:

- ▶ Apapa;
- ▶ Tin Can Island Port (TCIP);
- ▶ PTML;
- ▶ Kiri-Kiri Lighter Terminal (KLT).

Onne Port Complex

Rivers Port Complex – includes:

- ▶ Port Harcourt Port;
- ▶ Okrika Refined Petroleum Oil Jetty;
- ▶ Haastrup/Eagle Bulk Cement Jetty;
- ▶ Kidney Island Jetty;
- ▶ Ibeto Jetty;
- ▶ Macobar Jetty;
- ▶ Bitumen Jetty.

Port of Calabar

Delta Port Complex – includes:

- ▶ Warri Port;
- ▶ Burutu Port;
- ▶ Sapele Port;
- ▶ Escravos Petroleum Oil Terminal
- ▶ Focados Petroleum Oil Terminal
- ▶ Pennington Petroleum Oil Terminal



Cargo ship at the Apapa port, Lagos

Motor Freight

Though Nigeria's 112-year-old rail system used to convey a large volume of goods, it had fallen into a state of disrepair in recent decades, and is currently undergoing a concerted rehabilitation and modernisation of its 4,332 kilometers of track. As a result, the vast majority of land trade both between Nigeria's component states and within each state is currently conveyed via motor freight, on 18-wheeler lorries. As to international land trade, all of it is via motor freight, since Nigeria has at present no functioning international rail lines.

Nigeria has 4,047 km of land borders, with Benin, Niger, Chad and Cameroon. There are dozens of land terminals dotted along these borders, spread across the jurisdiction of all four ZCs. But the majority of Nigeria's international land trade is conducted through strategically-placed border communities such as Seme (on the western border with Benin) and Jibiya (on the northern border with Niger).

- ▶ The 1,497 km-long border with **Niger** in the **north** – falling under the jurisdiction of Zones B and D – has meant high volumes of land-based trade and smuggling alike. Jibiya is an important link with Nigeria's northern neighbour, providing landlocked

Niger with both food security and access to international markets.

- ▶ The **eastern** border with **Cameroon** – falling under the jurisdiction of Zones C and D – is the longest at 1,690 km. Nigeria's leadership in the UN Cameroon-Nigeria Mixed Commission has led to internationally-lauded efforts toward the peaceful resolution of border disputes and regional co-development of a once remote and contentious region. More favourable conditions have meant growing volumes of overland trade, though this border's share of the Nigerian total is still quite small.
- ▶ The **western** border with **Benin** is 773 km long, and stands astride the path of the strategic Abidjan-Lagos Corridor running from Lagos through Cotonou, Benin, following the West African coast to Abidjan, Côte d'Ivoire. It falls under the jurisdiction of Zones A in the south and B to the north.
- ▶ Nigeria shares a tiny, 87-km land border with **Chad** on the **northeast** coast of Lake Chad in Borno State, which has witnessed a regrettable traffic of both refugees and smugglers through the border town of Gamboru-Ngala in recent years. It falls under the jurisdiction of Zone D.

One of the main strengths of intermodal containers is their ability to transition seamlessly from a container ship to the back of a lorry or rail car. Containerised cargo, after being cleared and forwarded at its point of arrival in a seaport, is usually moved onto a lorry for transit to the consignee's premises. In the same way, items intended for export are often transported by lorry to the relevant airport or seaport.

Many goods are transported solely by lorry, however. In theory, the procedure for Customs clearance is the same at border communities as at sea and airports. In practice,

however, logistical and infrastructural shortcomings constrain this process somewhat: whereas international air freight is conveyed through only four airports, motor freight arrives through dozens of border posts – of which, in contrast to seaports and airports, only a few have state-of-the-art facilities.

Most overland trade is containerised, though some food commodities are transported as bulk cargo by road to Nigeria's neighbours, especially land-locked Niger. Vehicle imports by land are prohibited by law.

Air Freight

Nigeria has four international airports handling air freight cargo – namely:

- ▶ Lagos' Murtala Muhammed Airport (MMA);
- ▶ Abuja's Nnamdi Azikiwe International Airport (ABV);
- ▶ Kano's Mallam Aminu Kano International Airport (KAN); and
- ▶ Port Harcourt International Airport (PHC).

Of these, MMA is in Zone A, ABV and KAN in Zone B, and PHC in Zone C. Zone D is the only ZC without an international airport cargo terminal.

Air cargo, unlike land and sea cargo, arrives mostly in pallets – a pallet being, usually, a wooden platform

supporting a unit secured with strapping, stretch wrap or shrink wrap. A scaled-down version of an intermodal a Unit Load Device (ULD), is also employed, as a more modular and efficient medium of conveyance. Perishable items such as produce or flowers can be conveyed in refrigerated ULDs.

Air freight costs more to convey than sea or motor freight, and is usually high-value, time-sensitive, or perishable cargo. Domestic manufacturers who rely on the predictable importation of consignments to meet "Just-in-Time" delivery schedules depend on NCS to process air freight as quickly as possible. Therefore, NCS has set a goal of clearing all air freight cargo within 48 hours.



Tarmac, Cargo Terminal, Murtala Muhammed Intl. Airport, Lagos

4.3: The Import Process

Documents in Advance

A variety of documentation is required for imports to Nigeria – most of it well in advance of the consignment's arrival in the country (see Box 4). Two crucial documents – Form 'M' and the Single Goods Declaration (SGD) – are generated by the NCS system itself, on the basis of inputs from exporters and importers. These are dealt with below (see Paying and Conveying). First we will briefly describe the other documentation required.

Certificate of Origin (CO)

The CO verifies where the goods in a consignment were produced – usually meaning that at least 50% of the product in question originated in the Country of Origin indicated. The CO must be completed by the exporter at the Port of Disembarkation. This certificate is especially important in verifying whether imports are eligible for discounted duty rates under the ECOWAS Common External Tariff (CET).

Combined Certificate of Value and Origin (CCVO)

The CCVO combines the CO with a Certificate of Value. It outlines details about labour and packing costs, royalties or commissions (if applicable), freight charges and any overseas insurance costs. The CCVO also provides an exporter's declaration and statement about the value and origin of the goods.

Pro-Forma Invoice (PFI)

The PFI is an abridged or estimated invoice sent by a seller to a buyer in advance of a shipment or delivery of goods. It notes the kind and quantity of goods, their value, and other important information such as weight and transportation charges. The PFI is factored into the Single Goods Declaration (SGD – see below) to quote the value of the consignment.

Packing List

The Packing List is an extension of the Commercial Invoice, indicating the shipping space required for the conveyance of the consignment. Customs uses the Packing List as a checklist to verify the contents of the consignment.

Cargo Tracking Note (CTN)

Since January 2010, every commodity loaded or unloaded in Nigeria – or with Nigeria as the final destination – requires a Cargo Tracking Note or an International Cargo Tracking document from representatives¹ of the Nigeria Ports Authority prior to shipment. All Bills of Lading (see next item) must be accompanied by a CTN number. Tariff fees for the CTN are assessed at a standard rate set by NPA.²

BOX 4

Documents Please

The following documents are needed in advance for imports to Nigeria:

- ▶ Certificate of Origin (CO)
- ▶ Combined Certificate of Value and Origin (CCVO)
- ▶ Pro-Forma Invoice (PFI)
- ▶ Packing List
- ▶ Cargo Tracking Note (CTN)
- ▶ Bill of Lading (BL)/Airway Bill/Roadway Bill
- ▶ e-Manifest
- ▶ SONCAP and Product Certificates (for certain classes of product)
- ▶ Clean Report of Inspection/CPI (for Indian pharmaceuticals)
- ▶ Pre-shipment information (for non-Indian pharmaceuticals)
- ▶ Phytosanitary/veterinary certificate (for plant/animal products)

In addition, the Customs application process requires the following forms to be completed and submitted in advance by the consignor:

- ▶ Form 'M'
- ▶ Single Goods Declaration form – completed after Form 'M' is accepted.

¹ The sole authorised managing agent representative in Nigeria is Belgium-based Transport and Ports Management System (TPMS) Ltd (TPMS Ant aser Afrique). In Ireland and the UK, the authorised country representative is Dolphin Movers Ltd.

² Twenty-foot containers are €50, and forty-foot containers €100. RO/RO vehicles are €50 (less than five tons) or €100 (more than five tons). Bulk or break-bulk cargo is €0,10/ton. Conventional/groupage cargo is €5/ton.

Bill of Lading (BL)/Airway Bill/Roadway Bill

The Bill of Lading is a document issued by an exporter to a shipper, acknowledging that specified goods have been received on board as cargo for conveyance to a named place for delivery to the consignee. In other words, the BL gives the shipper temporary permission to be in possession of the goods being conveyed to the importer. The BL must include: the shipping company's name, the ship's flag of nationality, the shipper's name, the order and notify party, a description of the goods, and the CTN. For air and road freight, the terms "Airway Bill" and "Roadway Bill" are used instead of "Bill of Lading", but the requirements are the same: "BL" will henceforth be used to mean all three.

e-Manifest

The BLs of a shipment are aggregated together as the manifest, which gives a detailed summary of all BLs issued by a carrier for a particular voyage. The electronic version of the manifest – or e-manifest – allows carriers and shippers to submit their information electronically to a border terminal prior to their arrival. NCS agents are then able to process this information and make inspection decisions in advance. As a result, carriers do not have to wait at the border to have paperwork inspected and answer questions, since NCS already has this information.

The e-Manifest is registered at the point of origin of the goods conveyed and should be submitted to NCS 24 hours before the vessel arrives. It is very important for the carriers and consignees to document the e-manifest correctly, because a majority of documentation discrepancies leading to Customs clearance delays stem from the e-manifest.

SONCAP and Product Certificates

For various classes of product, required documentation also includes two quality-related certificates, regulated by SON, the Standards Organisation of Nigeria. These are the relatively long-term Product Certificate and the consignment-specific SONCAP Certificate – required, respectively, for the opening of a Form 'M' and the clearing of a consignment through Customs. For products affected and procedural details, see Box 6.

Clean Report of Inspection

A Clean Report of Inspection (referred to as "CPI") reflects an inspection of the goods to be shipped at the Port of Departure. Such an inspection used to be required for most goods, but the emphasis in recent years has shifted to inspection at the Port of Arrival. Nowadays, a CPI is required only for pharmaceutical products coming from India.



Cargo Terminal of Nnamdi Azikiwe International Airport, Abuja

Phytosanitary Certificate

Import/export permits are required for the import or export of all animals and animal by-products: these are issued by the National Veterinary Quarantine Services (NVQS), a division of the Federal Ministry of Agriculture and Natural Resources. All food (and drug) imports also require a Clean Bill of Inspection, the inspecting body being the National Agency for Food and Drug Administration and Control (NAFDAC).

Plant materials – whether for planting, consumption or industrial use – must be covered by a phytosanitary certificate of the country of export, certifying that the plant material was inspected and found free from pests and, where applicable, that the materials have received treatment in line with the International Plant Protection Convention of the United Nations' Food and Agriculture Organization (FAO). Veterinary certificates, also from the country of origin, are required for the import of live animals, as well as of fresh, chilled or frozen animal products.

Terminal Operators

The terminal is the point where imports are received or exports shipped. Formerly, terminals were owned and operated by the Federal Government of Nigeria (FGN).

As part of its commitment to infrastructure development via privatisation, the FGN initiated one of the most ambitious infrastructure concessioning programs ever attempted, under the Public Enterprises (Privatisation and Commercialisation) Act of 1999. This bold act realised the FGN's vision of increasing efficiency in operations, decreasing the cost of port services to stakeholders, reducing the cost to government of supporting a viable port sector, and attracting private sector participation so as to free public resources for public services. By July 2006, 20 of Nigeria's 26 ports had been concessioned via a competitive bidding process run by the Bureau of Public Enterprise (BPE) – with the remaining six in progress. The concessionaires, referred to as "Terminal Operators" (TOs), are in charge of the maintenance and management of the concessioned ports. Concessions are 25-year leases, allowing the concessionaires to collect port fees directly from port users.

They fall under the auspices of the relevant federal agency, which acts as a regulator and "landlord." In the case of **seaports**, that agency is the Nigeria Ports Authority (NPA), which is statutorily mandated to perform three functions: landlord, operations and regulation. Under the concessioning system, the NPA authorises the TO to carry out its operational functions, while continuing to exercise its functions as landlord and regulator of technical and safety standards. Thus, the NPA is still charged with coastal and channel management, pilotage, port infrastructure (quay walls, breakwaters, jetties, road and rail access), vessel traffic regulation, port security and safety, and compliance monitoring.

The terminals concessioned out at Lagos Port Complex include:

- ▶ Terminals A and B, to Apapa Bulk Terminal Limited (a subsidiary of Flour Mills PLC);
- ▶ Terminals C and D, to ENL Consortium Limited;

- ▶ Terminal E, to Greenview Development Nigeria Limited (a subsidiary company of Dangote Group);
- ▶ Container Terminal, to AP Moller Apapa Terminal Limited APMT (a subsidiary of Danish shipping giant Maersk/AP Moller Group).

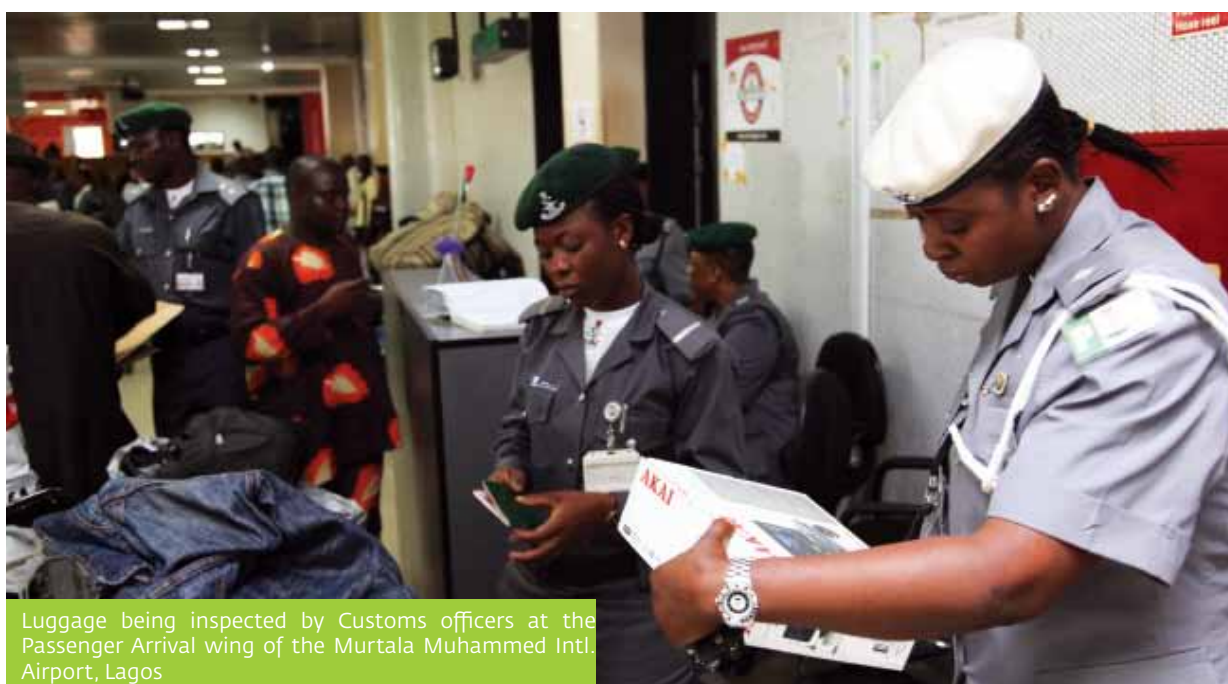
As part of their concession agreement, TOs are charged with providing facilities for the benefit of shippers and federal agencies alike. In exchange for port fees, the TO maintains the operational port infrastructure (transtainers, gantry cranes, grapple lifts, reach stackers, etc.) and provides warehousing and storage space for consignments. Contractually, the TO must provide office space and facilities for the NCS and other federal agencies directly engaged in the terminal, including labour teams to support the physical inspection of cargo.

Similar concessioning arrangements operate at some of the country's **airports**, where it is the Federal Aviation Authority of Nigeria (FAAN) that regulates TOs and other service providers. At MMA, Nahco Aviance and SAHCOL are the concessionaires operating as TOs.

Concessioning has not extended to the management of **land border posts**. Facilities are owned and operated by NCS, with one notable exception: the post at Seme Border Command is actually located on Beninese territory and the facilities there are owned, not by NCS, but by ECOWAS. In most cases, land border commands lack the facilities of air and sea freight terminals: for instance, Destination Inspection (DI) electronic scanners are located at only four Border Commands, namely:

- ▶ Seme (operated by Global Scan);
- ▶ Idiroko (operated by SGS);
- ▶ Jibiya (operated by Cotecna);
- ▶ Banki (also Cotecna).

Consignors are usually in charge of the conveyance of the consignments all the way to the consignee. When required, the motor freight consignors drive the container or cargo to the scanning or inspection site.



Luggage being inspected by Customs officers at the Passenger Arrival wing of the Murtala Muhammed Intl. Airport, Lagos

Paying and Conveying

It is at this stage – still before the consignment is conveyed – that two crucial documents come into the Customs process. These are Form 'M' – on the basis of which both risk assessment and commercial payment takes place – and the Single Goods Declaration (SGD).

Form 'M'

Before the shipper conveys the consignment, he must complete Form 'M' in conjunction with his Authorised Dealer Bank. Form 'M' – and the various documents accompanying it – is designed to give the Scanning and Risk Management Service Provider (SP) the information needed to make a price analysis, perform Customs classification, and generate a Risk Assessment Report (RAR). Form 'M' is also the basis for procurement of the foreign currency needed to finance the imports in question and serves as a declaration of the shipment's total value. For the information and procedures involved, see Box 7.

Commercial Payment

Upon the acceptance of Form 'M', the consignee (importer) procures the foreign exchange necessary for the deal through his bank, and alerts the exporter to arrange for the shipment of the consignment. The former process involves submission of Form 'M', via the importer's ADB, to the Central Bank of Nigeria (CBN) – without which step the application for forex cannot be entertained. Since 1994, all imports have been by letter of credit (L/C), aside from certain specified exceptions in the agricultural and manufacturing sectors where open account and bills for collection are permitted financing

methods. All imports over US\$1,000 in value must also be supported by an import duty report (IDR) and a clean report of finding (CRF).

The assessed value on the RAR generated by the SP is considered to be the amount payable. Where there is excess remittance, the difference must be repatriated within two weeks, failing which the consignee faces appropriate sanctions.

Single Goods Declaration (SGD)

The next step in the process is to generate a Single Goods Declaration or SGD. The client submits information from Form 'M' on an SGD form, along with other relevant documents – for instance, NAFDAC or SON certifications if those are required. NCS then inputs this data into ASYCUDA++, the country's Automated System for Customs Data, generating an SGD (see Chapter 7 for details of ASYCUDA++).

For this, an ASYCUDA++ import number is needed for the consignment: regular importers obtain this from the NCS Headquarters, while non-regular importers apply for it from the Customs Area Controller at the terminal point of entry. At this stage, also, the regular importer is required to provide NCS with his Corporate Affairs Commission R.C. Number – the unique identification number given to Nigerian businesses on incorporation – while non-regular importers provide an international passport or driver's licence.

Conveyance

Upon acceptance of Form 'M', the SP provides the consignor with "relevant details from the accepted Form 'M'." The consignor then ships – or "conveys" – the goods.

Box 6

SON and SONCAP

Since 2005, the **Standards Organisation of Nigeria (SON)** has implemented the **Nigerian Product Conformity Assessment Programme (SONCAP)**, to prevent the importation and dumping of unsafe, sub-standard and counterfeit products. Products regulated under SONCAP include:

- ▶ Food products
- ▶ Drugs
- ▶ Medical Products (other than equipment and machines)
- ▶ Chemicals used as raw materials
- ▶ Military ware and equipment
- ▶ Aviation-related products
- ▶ Industrial Machinery for manufacturing
- ▶ Used products (other than automobiles)
- ▶ Completely Knocked Down (CKD) bicycles, motorcycles, and automobiles for *bona fide* manufacturers/assemblers

Third-party Certification Bodies (such as Intertek or SGS) are appointed by SON to conduct offshore assessments of SON-regulated products intended for importation in to Nigeria

to verify conformance with Nigerian Industrial Standards and/or approved International Standards. This offshore assessment can include laboratory testing, manufacturer's factory verification, product sampling, or documentary-based verification.

Two types of certificate are issued for approved products:

- ▶ A **Product Certificate** is issued for each type or model intended to be exported to Nigeria, and is valid for up to three years. To secure a Product Certificate, the exporter submits a completed Request for Product Certification (RFPC) Form, in combination with a Laboratory Test Report, a Product Technical Data Sheet and/or photographs of the product (where applicable).
- ▶ A **SONCAP Certificate** is issued for each shipment of goods covered by a Product Certificate. To secure one, the exporter submits a Request for SONCAP Certificate (RFSC) Form completed on the basis of the seller's final invoice for the shipment. This must be accompanied by that invoice itself (with a detailed goods description matching the Product Certificate), the Packing List, and the Manufacturer's Test Certificate.

Form 'M'

Form 'M' is issued by the Central Bank of Nigeria (CBN) and completed by the exporter in conjunction with his Authorised Dealer Bank (ADB) – the exporter's bank in his own country – using the pro-forma invoice (PFI) and other required documents (specific licences, insurance certificate, etc).

The PFI must be complete and highly detailed in order for the SP to complete price analysis, perform Customs classification, and issue an accurate Risk Assessment Report (RAR). The "proper description of the goods" required on Form 'M' and the PFI by the Ministry of Finance includes:

- ▶ Generic product name, i.e. product type, category
- ▶ Mark or brand name of the product, where applicable
- ▶ Model name and/or model or reference number, where applicable
- ▶ Description of the quality, grade, specification, capacity, size, performance, etc
- ▶ Quantity
- ▶ Packaging and/or packing

In addition, Form 'M' must also include:

- ▶ Detailed description of the goods, including commercial name for each item, make, whether new, used or refurbished, and the standards adopted.
- ▶ Their quantities and/or measurements.
- ▶ Unit cost of goods.
- ▶ Freight cost.
- ▶ Mode of transportation (i.e. by air/sea/road).
- ▶ Details of shipment (i.e., whether Full Container Load (FCL), Low Container Load (LCL), Bulk, Loose, etc).
- ▶ Other charges reflected on Form 'M' (if any).
- ▶ Country of Origin.
- ▶ Country of Supply.

- ▶ Pro Forma Invoice with details of physical address and telephone and/or fax number of the supplier and e-mail (where available).
- ▶ Other documents such as certificate of registration with NAFDAC, Pharmaceutical Board of Nigeria, etc;
- ▶ Any additional documents that might be prescribed by any relevant government agency.

Form 'M' must be duly marked "Valid" or "Not Valid" for foreign exchange, according to whether forex will be used in the transaction.

In this procedure:

- ▶ The **ADB** is responsible for ensuring that relevant documents accompanying the completed Form 'M' are actually provided and – via "Know-Your-Customer" (KYC) due diligence – must also be satisfied that they are genuine.
- ▶ The **consignee** (importer) shares this responsibility with the ADB and is also charged with ensuring that the supplier makes the PFI available in accordance with Nigerian import procedures and without ambiguities in the description of the goods.
- ▶ The **supplier** (exporter) is responsible for making three copies each of the CCVO, relevant Transport Document and Packing List available to the ADB. Also, the supplier must forward these documents through the ADB to the Nigerian ADB of the consignee.
- ▶ The **ADB** must provide the relevant SP with associated paperwork within five days of starting the procedure for opening Form 'M'. The SP then approves or rejects the Form 'M' submitted and informs the ADB of its decision. Rejection is possible on the grounds that the information contained in the form is incomplete, contradictory or implausible.
- ▶ If the Form 'M' is rejected, the **SP** returns it to the supplier's ADB, which can resubmit it after correction. If, on the other hand, the Form 'M' is approved, the SP retains one copy, and sends a copy each to the respective Customs Area Command (CAC) and to Customs Headquarters.

In doing so, the consignor must ensure that all consignments are covered by an appropriate Form 'M' and that the Form 'M' number is reflected in the BL/Airway Bill/Road Way Bill for the goods in question. An e-Manifest must be made available to the SP and NCS within five business days after shipment of consignments by sea (or two business days in the case of land or air freight).

Depending on the detail of the contract between the consignor and the conveyor (shipping/logistics company), the legal bond between the two parties covering the goods lasts either till the unloading of the consignment at the terminal or, if the conveyor is responsible for handling the clearance process, till the goods have been cleared. Then the consignment is delivered into the care of either the consignee or his representative (the clearing or forwarding agent).

Either way, upon arrival in an airport or seaport, the consignment will have been warehoused or stored on the

terminal premises, in facilities provided by the Terminal Operator (TO).

Forwarding

Consignments must be received by the importer or his agent at the terminal. Any consignments left in the terminal un-claimed are liable for seizure by NCS.

Once the consignment has arrived in the terminal, the consignee usually leaves it to the care of a clearing agent or freight forwarder, who acts as a knowledgeable agent of the consignee during the clearance process. The consignee must complete Form Sale 123 if he intends to obtain the services of a clearing/forwarding agent or Form Sale 124 if he wants self-clearance. The Form 'M' must be completed and signed by the importer (or the Director of the company importing the goods).

Box 8

A Clear Difference

The terms “clearing agent” and “freight forwarder” are sometimes used as if they mean the same thing. Indeed they are related. But there is an important difference.

- ▶ A **freight forwarder** is a *third-party logistics provider*. The forwarder is responsible for organising the entire process of transportation for the consignment before it is shipped (in the case of exports) or after arrival (in the case of imports). The forwarder will help the client warehouse the consignment if necessary, and is responsible for finding the best and most effective route of conveyance.
- ▶ A **clearing agent**, on the other hand, has a more limited role, confined to *handling documentation*. The documents in question relate to the clearing of the consignment through Customs, to payment of all duties and taxes, and to the transportation of the consignment thereafter.

The two categories are also represented by different industry associations:

- ▶ Clearing agents are affiliated with the **Association of Nigerian Licensed Customs Agents** (ANLCA), which

includes all such agents holding a Customs licence. Another relevant body is the **National Council of Managing Directors of Licensed Customs Agents** (NCMDLCA), which comprises the managing directors of ANCLA chapters.

- ▶ Freight forwarders, on the other hand, are represented by a variety of industry associations, chief among them being the **National Association of Government Approved Freight Forwarders** (NAGAFF). Attempts at streamlining, registering, accrediting and regulating the freight forwarding industry are ongoing under the auspices of the **Council for Regulation of Freight Forwarders of Nigeria** (CRFFN) created by the CRFFN Act of 2007.

Clearing agents and freight forwarders do, however, share a licensing authority: both are licensed by the NCS under the provisions of the Customs and Excise Management Act (CEMA), which was most recently amended in 2004. This is an effort to regulate the industry and rid the terminals of unlicensed operators, known colloquially as “touts.”



Customs officers inspecting cargo at the tarmac, Cargo Terminal, Murtala Muhammed Intl. Airport, Lagos

Proper Channels

As noted, imports are – electronically speaking – routed through “Channels” differentiated by colours and corresponding to different levels of intervention, associated with different risk assessments:

- ▶ The **Green Channel** corresponds to the lowest risk level and to zero intervention. For goods routed through the Green Channel, the assigned Customs officer simply issues a Clean Report of Inspection (CRI) and Release Order (RO). The consignee then presents the RO to the Port Terminal Operator (PTO) and pays port charges. After this, the consignment is released.
- ▶ Routing through the **Blue Channel** also means zero intervention at least during the Customs clearing process, since a consignment going through this channel is “fast-tracked” to be examined, if necessary, at a later time via a post-audit at the consignee’s premises. The Blue Channel is used for manufacturers importing homogeneous cargo and its use is determined by nomination – of consignees

rather than individual consignments – by the Manufacturers Association of Nigeria (MAN). The Association in effect vouches for the consignee in question and, in practice, NCS always concurs with a Blue Channel recommendation from MAN. If NCS’ own risk assessment indicates documentary review or physical inspection is needed, that takes place after clearance. It should also be noted that the Blue Channel is not a recommendation that an SP can make.

- ▶ Routing through the **Yellow Channel** means that the consignment in question is scheduled for a documentary review.
- ▶ If a consignment is routed through the **Light Red Channel**, it is scheduled for electronic scanning.
- ▶ Routing through the **Red Channel**, finally, means that the consignment will be physically inspected. ASYCUDA++ automatically routes *all* vehicle imports through the Red Channel.

Though the terms “clearing agent” and “freight forwarder” are often used interchangeably, they are in fact distinct categories (see Box 8).

On Arrival

Post-Arrival Documentation

Once the Form ‘M’ submitted has been approved by the SP, the goods can be shipped. Having done so, the exporter then submits final documents via his ADB for SP approval: what these are depends on the consignment, but they include NAFDAC and NEPA licences, SONCAP paperwork, Insurance Certificates, and similar documents.

If the SP *rejects* these final documents, they are returned to the ADB for rectification. The onus is then on the ADB to notify the exporter and arrange for rectification.

If, on the other hand, it *approves* final documents, the SP generates a Risk Assessment Report (RAR) on the basis of:

- ▶ the seller’s final invoice;
- ▶ the Combined Certificate of Value and Origin (CCVO)¹;
- ▶ the Packing List; and
- ▶ the Transport Document (BL, Air Waybill or Road Waybill).

The RAR must be generated within five days for sea shipments and within two days for air or land shipments. Each of the three SPs is in charge of its own particular

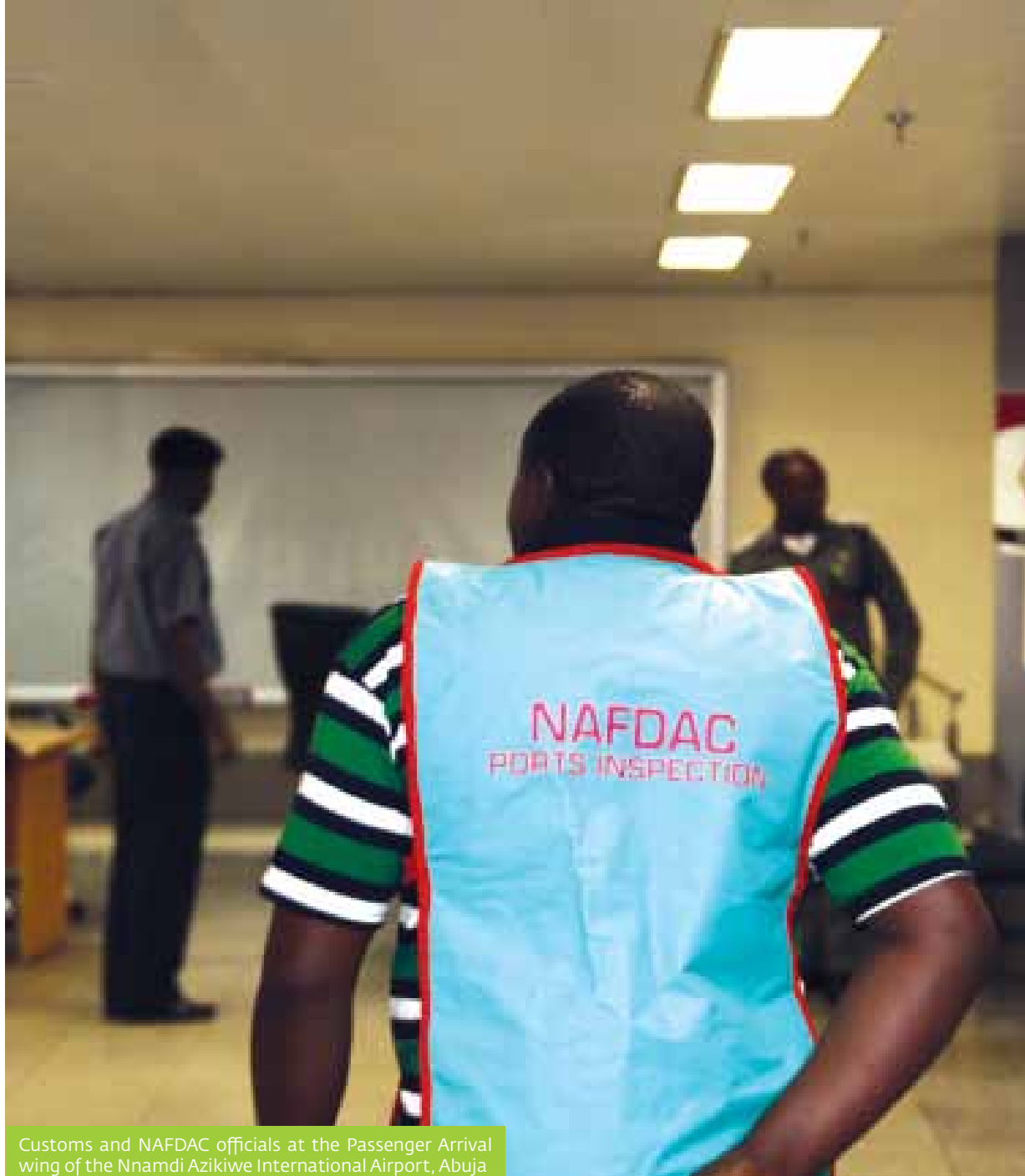
RARs, having no contractual obligation to share them with other SPs. This can present problems if cargo is diverted from one terminal to another where scanning is performed by a different SP.

The RAR includes the SP’s ruling on the proper Customs classification for the consignment, on its valuation and on the recommended intervention level for the consignment. There are four such levels, each corresponding to a “channel” (of an electronic rather than a physical character: see below for explanation). These are:

- ▶ Green Channel: no inspection;
- ▶ Yellow Channel: documentation check;
- ▶ Light Red Channel: scanning by SP;
- ▶ Red Channel: 100% physical inspection by NCS.

The RAR is both produced in hard-copy form and introduced into the ASYCUDA++ system via Electronic Data Transfer (EDT). One hard copy is sent to the NCS Area Command at the appropriate point of entry. Another – the consignee’s (importer’s) copy – is sent to his ADB: this hard copy must be submitted to NCS by the importer, along with the SGD, for import clearance.

¹ As per Form C.16



Customs and NAFDAC officials at the Passenger Arrival wing of the Nnamdi Azikiwe International Airport, Abuja

Table 1

Also Payable....

Other Levies and Taxes Payable at Time of Duty Payment

Name of tax/levy	Imported goods liable	Rate/Amount	Remarks
Port Development Levy	All goods	7% of total duty paid	Legality challenged in Senate, but in force at time of writing
ECOWAS Trade Liberalisation Scheme (ETLS) tax	All goods imported from outside ECOWAS sub-region	0.5% of CIF value	
Sugar Levy	Sugar	5% of CIF value	
Rice Levy	Rice	50% of CIF value	
National Automotive Council (NAC) levy	Vehicles and parts	2% of CIF value	
Cigarette levy	Cigarettes	100% of CIF value	
Comprehensive Import Supervision Scheme (CISS) charge	All goods	1% of FOB value	
Value Added Tax (VAT)	All goods	5%	
Cargo Tracking Note (CTN) scheme levy by National Ports Authority	Containerised goods covered by CTN scheme	\$50,000 per TEU	Payable in foreign currency

Duty Payment

The consignee or his agent then calculates the duties and taxes payable on the consignment. This is generally done in Naira, and is on the basis of:

- ▶ The consignment's CIF¹ value – using the exchange rate prevailing at the time Form 'M' was opened – and
- ▶ Its product classification according to the country's most recent standards – those of the 2008-2012 *Nigeria Customs and Excise Tariff Book*² – to which will correspond a tariff number based on the Harmonized Tariff Schedule of the World Customs Organization (WCO).

Aside from Customs duty, assorted other levies and taxes are payable at this stage (see Table 1 for a current list, though others can be determined by the Federal Government of Nigeria).

Having calculated what is due, the consignee or his agent must fill out a Payment Schedule accordingly and make the payment at his local bank, which in turn transfers the money to the central or local office of the Central Bank of Nigeria. (NCS itself does not act as a revenue-collection agency, instead receiving financing from the government in the form of a percentage of what is paid to CBN.)

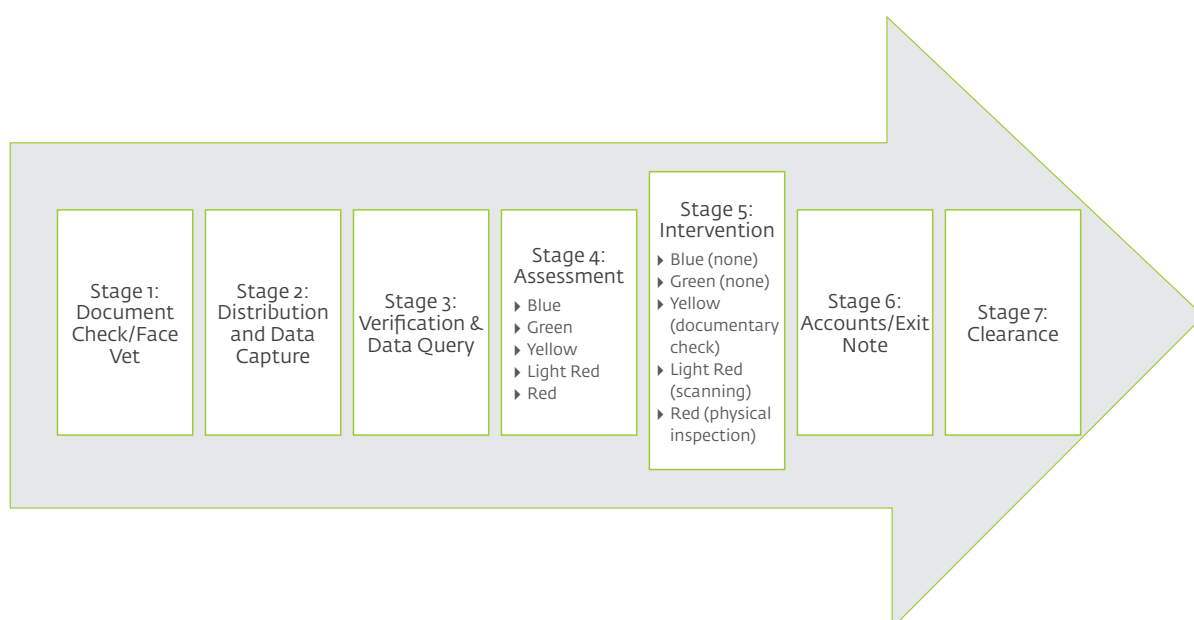
Proof of payment is shown by the Revenue Receipt issued by the local bank. This allows the Payment Schedule to be stamped by NCS with its oval (Accounts) stamp to acknowledge that duties have been paid (see next item).

In recent years, e-payment has allowed for an instantaneous proof of payment to be sent to NCS, with a receipt sent automatically to ASYCUDA++, and payment sent directly to CBN. In this case no Customs stamping is necessary.

NCS Processing

Once duty and taxes have been paid, the consignment enters the NCS processing phase. This involves a clearance process which is optimally completed within 48 hours. This phase consists of either six or seven stages (see Figure 1), depending on whether the declarant has chosen to

participate in the Direct Trader Input (DTI) scheme (see above): DTI allows data capture to proceed immediately the SGD has been submitted to ACYSUDA++, allowing the Data Capture stage to be skipped during NCS processing.



¹ Cost Insurance and Freight

² Nigeria conforms to the World Customs Organization (WCO) Harmonized System (HS) of Classification, an international product classification system comprising approximately 5,000 article descriptions and a corresponding coding system.

Stage 1: Document Check/Face Vet

The process starts with the consignee or his agent submitting the SGD to the Face Vet Officer at the Customs Processing Centre (CPC), with the following documents attached:

- ▶ Importer's copy of Form 'M'
- ▶ Bill of Lading (BL)/Airway Bill/Roadway Bill
- ▶ Risk Assessment Report (RAR)
- ▶ Original Attested Invoice duly endorsed by the bank that opened Form 'M'
- ▶ Insurance Certificate
- ▶ Packing List
- ▶ Form Sale 123 or 124
- ▶ Permit (where applicable)
- ▶ Bank pay-in slip
- ▶ Customs Revenue Receipt

The Face Vet Officer checks basic SGD details, the presence of required documents and duty payment receipts – also verifying the latter. If data or documents are missing or defective, the Face Vet Officer returns relevant documents to the declarant for correction or completion. Checked SGDs and other documents are then passed on by the Face Vet Officer to the Technical Supervisor.

Stage 2: Distribution and Data Capture

The Technical Supervisor then routes the SGDs and other documents to Data Capture, streamlining the flow. Once received, the documentation is captured by ASYCUDA++, which involves Data Capture inputting the SGDs and manifest details into the respective ASYCUDA++ modules and registering the declarations in ASYCUDA++.

Data Capture then prints the ASYCUDA++ declarations and refers the entries it has made to the Verification & Query Seat.

As noted above, this stage can be skipped if the declarant is participating in DTI.

Stage 3: Verification & Data Query

Having received the entry and the documentation, the Verification & Query Seat first checks details of the ASYCUDA++ SGDs against the attached documents, with particular attention to the goods' values and commodity codes.

Stage 4: Assessment

ASYCUDA++ then chooses the Customs Channel through which the consignment is to be routed. The various Channels (or "lanes"), identified by colours (see Figure 1) correspond to particular levels of intervention.

Even before the consignment arrives in Nigeria, the SP's recommendation on this will have been received in the form of an e-RAR sent to ASYCUDA++. But this has no more than advisory status. Ultimately, NCS' own Risk Management Unit at the Service's HQ in Abuja determines the intervention level for each consignment. And it is this unit's assessment – requested on ASYCUDA++ by the Verification and Query Seat – that now triggers the system's selectivity, determining a consignment's routing *automatically*. At this stage also, ASYCUDA++ automatically assigns a particular inspector to examine the given consignment.

The Verification & Query Seat then:

- ▶ Processes, routes, retains and/or stamps the documents according to the Customs Channel that has been chosen for the consignment (see Box 10)
- ▶ Stamps the ASYCUDA++ SGD with the selected lane and the name of the assigned inspector.

BOX 10

Directing the Documents

Once ASYCUDA++ has decided on the appropriate Channel for a consignment, the Verification & Query Seat has a little pointing to do – and a little printing. First its ASYCUDA++ officer does the following:

- ▶ For *green- or blue-lane* consignments, simply assesses the declaration so that payment detail can be inputted by Accounts Officers at CPC, prints the Release Order, and attaches it to the SGD.
- ▶ For *yellow-lane* consignments, retains documents until they have been verified (and until tax and duty payments have been cleared by the bank).

- ▶ For *red- or light red-lane* consignments, refers documents to Sorting.

Then comes the printing of SGDs: as many as eight hard copies are required.

The Verification & Query Seat then sends the documents – and the SGD print-outs – to the Sorting officer, who distributes them as appropriate. For Red Channel consignments, four copies of the SGD go to the terminals (via Dispatch), one copy each to Accounts, Valuation and the Central File, and one (via the Paging/Importer Copy Seat) to the Declarant. For Light Red Channel consignments, copies go to the Customs Area Command at the scanning site. And in the case of consignments routed to the Blue or Green channels, no copies are needed by terminals.



Internet cafés for clearing agents (DTI) at the Cargo Terminal, Murtala Muhammed Intl. Airport, Lagos

Stage 5: Intervention

The consignment then receives the intervention corresponding to its assigned Channel. As described in Figure 1, routing through either the Green or the Blue Channel means that there is only a minimal level of pre-clearance intervention, and CAC Officers at the terminal are notified to start release procedures at once. Such a consignment will only require a single NCS signature for clearance. The Customs officer issues a Clean Report of Inspection (CRI) and Release Order (RO). The consignee presents the RO to the Port Terminal Operator (PTO) and pays port charges. And the consignment is then released.

Routing through the Yellow Channel entails only a documentary review, with release procedures starting once that review is complete and documents have been verified.

Routing through the Light Red and Red Channels, however, means inspection, and this demands more detailed description.

Light Red Channel: Scanning

This inspection consists of scanning in the case of consignments routed to the Light Red Channel. At present, NCS partners with three third-party contractors or “DI Service Providers” – Cotecna, SGS and Global Scan – to implement its DI Scheme at various seaports, airports and border posts (see Box 11 for details). As noted above, these are also the firms that have provided the relevant RARs.

The procedure is as follows:

- ▶ Consignments routed to the Light Red Lane are loaded on trucks in accordance with NPA procedures, then head to the dedicated scanning site;
- ▶ The NCS officer at the site issues an Authorisation to Load for Scanning (ALS);
- ▶ Scanning proceeds – with both NCS officers and SP personnel participating – and images are checked against the RAR and other documentation for discrepancies;

- ▶ The findings are entered in the ASYCUDA++ Inspection Report by the Assessment Officer at the scanning site and routed to the Green Channel for assessment.

If scanning has revealed *no* discrepancy, NCS issues a Release Order (RO) and the consignment is cleared.

If, on the other hand, discrepancies *are* revealed, then the following procedure applies:

- ▶ A physical inspection takes place, normally at the scanning site;
- ▶ The Officer in Charge of the Customs Office at the scanning site issues a Demand Notice/Assessment Notice (AN) of additional payments (duties, taxes and penalties);
- ▶ The additional payments are made by the consignee or his representative via the consignee's ADB;
- ▶ The additional charges owing to the TO are also settled;
- ▶ Once all this has been done, and scanning cleared with no remaining discrepancies, the RO is printed and attached to the declaration, and the consignment is cleared.

Red Channel: Physical Inspection

If, on the other hand, consignments are routed to the Red Channel, the CAC Officers at the terminal commence the physical examination procedure.

Of NCS staff, only Resident Customs Officers are allowed to conduct such physical examinations. These inspections are carried out:

- ▶ in the presence of the consignee or his representative; and
- ▶ often jointly with the officers of other relevant federal agencies.

Such agencies are numerous – as noted above, as many as 22 are present in ports – and any of them has the right to participate in an inspection. In practice, however, it is the National Drug Law Enforcement Agency (NDLEA),

the Standards Organisation of Nigeria (SON), and the National Agency for Food and Drug Administration and Control (NAFDAC) that are the most frequent participants.

The findings of the physical inspection are entered in the Inspection Report of ASYCUDA++ by the Assessment Officer at the terminal, then re-routed to the Green Channel and assessed. An exchange of messages follows with the Account Officers at CPC, where payment details are inputted into ASYCUDA++.

If the physical inspection reveals *no* discrepancy from documentation, an RO is issued, printed and attached to the declaration, and the consignment is cleared.

If discrepancy is revealed in a physical inspection, there are two possible consequences:

- ▶ If the cargo is an illegal import or contraband, NCS seizes it and then either destroys it or sells it at auction;
- ▶ Otherwise, an AN is issued – as above, except that, where inspections are not at the scanning site, ANs are issued by the Officer in Charge of the terminal.

If an AN is issued, NCS will issue an RO and clear the consignment only after additional charges have been paid.

Stage 6: Clearance

Finally, once the RO has been issued, NCS issues the Exit Gate to allow the consignment to leave the terminal into the care of the consignee or his agent



Cargo scanners

BOX 11

The Scanners

At present, NCS implements its Destination Inspection (DI) Scheme in partnership with third-party scanning contractors – or “DI Service Providers” (SPs).

Scanning contractors operate under the *Import Guidelines, Procedures and Documentation Requirements Under the Destination Inspection Scheme in Nigeria*, published by the Federal Ministry of Finance in 2006. They are charged with the provision, maintenance and operation of the scanning machines, in co-operation with the NCS.

There are contracts with three DI Service Providers at present: Cotecna, SGS, and Global Scan. All three contracts expire at end-2012.

Cotecna operates:

- ▶ Two stand-alone Dual View 9 MeV Fixed X-Ray Scanner Complexes, one at each of Apapa and Tin-Can Island ports (the first of their kind on the African continent);
- ▶ Seven 3.8 MeV mobile scanners, also at the ports of Apapa and Tin-Can Island; and
- ▶ Hi-Scan pallet scanners, at both Kano and Abuja Airports.

SGS deploys 3.8 MeV mobile scanners at:

- ▶ Onne seaport;
- ▶ Port Harcourt Seaport;
- ▶ Port Harcourt Airport; and
- ▶ Idiroko Border Post.

Global Scan deploys:

- ▶ One pallet scanner at Lagos airport;
- ▶ 3.8 MeV mobile scanners at Warri port, Calabar port, and Seme Border Post.



Cargo scanners

Bonding

Apart from straightforward Customs clearance, there are arrangements for storage or manipulation of dutiable goods while these are still within NCS jurisdiction:

- ▶ **Bonded warehousing** is a warehouse, building or other secured area, used by consignees, in which dutiable goods may be stored, manipulated, or undergo manufacturing operations without payment of duty. In this case, the consignee enters into a bond with the proprietor of the warehouse while the goods are stored. Bonded warehouse proprietors are nowadays private companies (see Box 12). A Warehousing Entry must be lodged at the Customs Processing Centre (CPC) before the goods are transferred to the bonded warehouse. Consignments intended for re-export are exempt from duty if stored in a bonded warehouse. Those for Nigerian consumption are liable for duty only when they leave it.
- ▶ **Processing under Customs Control** allows goods to be used in operations which alter the nature or state of goods, without their being subject to import duties or commercial policy measures. It also allows the products resulting from such operations to be released for free circulation at the corresponding rate of import duty.
- ▶ The **Manufacture-in-Bond scheme** will involve the importation of duty-free raw materials for production

BOX 12

A Fine and Private Place

In Nigeria, bonded warehouse proprietors used to be state-owned entities. No longer, for they have been privatised under the auspices of the federal agency that acts as the "landlord" of the terminal in which they are located. In the case of airports, this is the Federal Airports Authority of Nigeria (FAAN), in the case of seaports, the Nigerian Ports Authority (NPA). These authorities also regulate the warehouses' operation.

Take Murtala Muhammed Airport (MMA), for instance. Two companies now provide bonded warehousing solutions for freight there. One is the Nigerian Aviation Handling Company PLC (Nahco Aviance), now a fully privatised concern jointly owned by private Nigerian stockholders, Air France, British Airways, and Lufthansa. The other is Skyway Aviation Handling Company Limited (SAHCOL), a subsidiary of the Sifax Group. These two service providers, as terminal operators, provide for the management of the terminal.

of exportable goods, on the basis of a Bond, issued by a first-class bank, which guarantees that all the end products will be exported. The performance bond will be discharged after evidence of export and repatriation of the resultant foreign exchange has been produced. One notable feature of this scheme is that it could allow the import of raw materials that are otherwise under import prohibition.



Construction of New NCS
Headquarters, Abuja



Chapter 5: Human Resources and Organisational Management

This chapter examines human resource and organisational management aspects of the NCS. It describes the Service's departmental and regional structure. It notes the advances that have been made in both welfare and capacity-building since Abdullahi Dikko Inde became Comptroller-General in 2009. The chapter also notes areas in which improvements are needed, including development of risk management and ICT capacities, attention to proper transition management, and development of a proper system for assessing and rewarding performance.

Chapter 5: Human Resources and Organisational Management

5.1: Organisational Structure

NCS is a large agency, with over 16,000 officers, agents, and staff located throughout the country. While the Customs process is becoming increasingly automated, the officers still form the vital backbone of the agency and its competencies. Understanding NCS' Human Resources is therefore a critical component in assessing the agency's drive towards modernisation.

The NCS headquarters is located in Abuja. Officials based there include the Comptroller-General (CG) and his management team, led by the Assistant Comptroller-General of Headquarters, as well as five Deputy Comptrollers-General (DCGs), the Legal Department, the Risk Management Unit, and the Intelligence Unit. Also reporting directly to the CG's office—though not based in Abuja—are the four Assistant Comptrollers-General (ACGs), who head the four regional Customs Zones.

Each of the five DCGs serves as a member of the **Nigerian Customs Service Board (NCSB)**, the body which determines overall policy for NCS and which includes some members representing non-NCS agencies. Each

DCG oversees a key **NCS Department**, the five in question being those for:

- ▶ Human Resources Development (a department created as part of the reform process);
- ▶ Tariff and Trade (dealing with trade management);
- ▶ Enforcement (Anti-Smuggling);
- ▶ Strategic Research & Policy;
- ▶ Support Services (which deals with ICT and other forms of support)

Another key department is the **Headquarters Office**, which is directly attached to the Comptroller-General's Office. This office is headed by the ACG of Headquarters and handles the internal administration of the Comptroller-General's Office. All enquiries, complaints, appeals, and petitions directed to the Comptroller-General both by the general public and by NCS officers are passed through this office. On behalf of the Comptroller-General, Headquarters Office also supervises:



Nigeria Customs Service Office, Murtala Muhammed Airport Command, Ikeja, Lagos

- ▶ The Public Relations Unit;
- ▶ The Secretariat of the Customs Management; and
- ▶ NCS' Customs Intelligence Unit.

The **Customs Intelligence Unit (CIU)** gathers and compiles all intelligence relevant to the activities of the Service, submitting reports on its basis which go to the Comptroller-General via the Headquarters Department.

The **Public Relations Unit** is responsible for information management. Among other things, the unit produces the weekly TV programme ("Customs Duty") that is aired on the Network Service of the Nigeria Television Authority (NTA). There are also Public Relations Officers (PROs), located in every Area Command.

The NCS' Legal Adviser heads the **Legal Department** and serves as the principal legal counsel to the CG and to the officers and employees of NCS. This department provides legal services to NCS on issues regarding the statutory functions of the Service. It has a Headquarters located in Abuja and field structures where Assistant Legal Advisers provide legal advice and representation services in courts on behalf of the Area Commands in the field. The Legal Adviser is a member of the NCSB. The Legal Department derives its powers from those conferred on the Attorney General and Minister of Justice, who is the Chief Law Officer of Nigeria.

The DCG of **Human Resource Development (HRD)** reports directly to the Comptroller-General. This DCG and the HR department oversee those aspects of NCS activity related to officers' welfare, but are also particularly active in promoting capacity building within the service. Two Assistant Comptrollers-General report to the DCG, one in charge of HR and the service's two Training Colleges, and one who heads the NCS Staff College in Gwagwalada.

The **Department of Tariff and Trade** oversees and is directly responsible for trade management, the Service's two valuation units, imports and exports, excise, post-clearance audits, and ASYCUDA and scanner policy. Two ACGs report to the DCG of Tariff and Trade, one focused on trade, the other on the exaction of duties.

The DCG of the **Enforcement Department** is responsible for the oversight of Federal Operations Units (FOU) and for the Investigation and Inspectorate sub-department, each of which has an ACG overseeing it.

The DCG in charge of the **Strategic Research and Policy Department** oversees provision of the research and strategic thinking needed to inform the vision of the NCS. The purview of this department includes research and planning, economic relations, international and regional relations, and risk management.

The **Support Department** and the corresponding DCG are in charge of ICT support services to NCS officers, the Service's administrative and financial establishment, and technical services and logistics.

Geographically, NCS is divided between four regional **Zonal Commands**—headquartered in Lagos, Kaduna, Port Harcourt and Bauchi respectively—which, between them, encompass 25 NCS **Area Commands**. Each Area Command is headed by a Customs Area Comptroller (CAC), who reports directly to a Zonal Co-ordinator—the ACG for the zone in question. The ACG in charge of each zone is responsible for:

- ▶ Communicating with headquarters in Abuja regarding policy, procedures, and ongoing concerns;
- ▶ Ensuring that policies and procedures are implemented as instructed and are communicated effectively to all Area Commands.



Customs officers on training at the Nigeria Customs Service Abuja office

5.2: Human Resources: the Reforms

Background

When the current Comptroller-General, Alhaji Dikko Inde Abdullahi, was appointed, one of his first acts was to institute his Six-Point Agenda. This agenda, described in more detail in a previous section (see Chapter 2, Box 1), illustrates Mr Abdullahi's emphasis on Human Resource issues, since two of the six points are directly related to the performance and welfare of his officers:

- ▶ Point One focuses on maximising the potential of the Customs Service through capacity building, particularly through the training and continued education of officers;
- ▶ Point Three concerns the welfare of NCS officers—a topic that had too long been overlooked by Mr Abdullahi's predecessors.

And it is in these two areas that CG Abdullahi's modernisation efforts have yielded especially significant and tangible improvements, well received both by NCS officers and by other stakeholders.

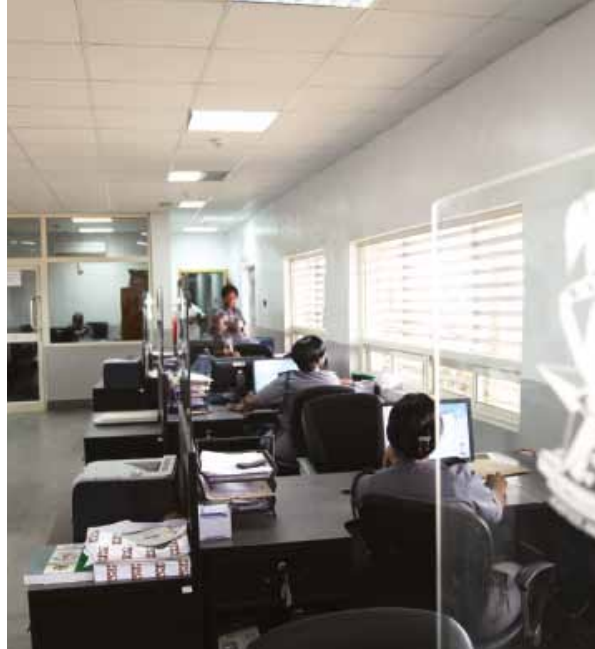
Capacity Building

Workshops and Training

HRD's efforts have been impressive. Since the department was set up, about 8,000 of the 16,000 NCS staff members have received training. This number includes a large number of senior and junior officers, as well as other staff members. And many more are currently undergoing training or are scheduled to receive training. Topics covered in these courses, trainings and workshops include:

- ▶ ASYCUDA++;
- ▶ Enforcement and Drugs;
- ▶ Tariff and Trade;
- ▶ Accounts and Audit;
- ▶ Medical subjects (first aid);
- ▶ Technical (non-ASYCUDA++ ICT);
- ▶ General Office Administration; and
- ▶ Human Resources.

Officers have also received more specialised training in—or attended international meetings on—the following subjects:



Nigeria Customs Service Office, Murtala Muhammed Airport Command, Ikeja, Lagos

The task of capacity building has been approached under Abdullahi's leadership in two main ways. The first was the creation of a new Department of Human Resources Development (HRD), a welcome and necessary move that had been recommended by the WCO in 2006. The second was promotion of further training and re-training of NCS staff through a variety of programmes, workshops, and courses, both locally and internationally. This training has greatly enhanced NCS staff's professionalism, productivity, and efficiency. The two developments are interconnected, for it is HRD that has been active in promoting the training effort.

- ▶ The strengthening and positioning of staff of Accounts/Internal Audit of NCS (attended by 220 officers in different offices throughout the country);
- ▶ National trade facilitation and trade policy (held in Nigeria);
- ▶ Counterfeiting and piracy (CAP)—a training organised by the WCO in Brussels;
- ▶ The Technical Committee on Rules of Origin (ROO) in Brussels;
- ▶ Risk Management Strategy and Customs Legislative Reforms (courses organised by USAID in Lagos and Abuja);
- ▶ Trainings carried out at the Meeting of the Negotiating Group of Trade Facilitation at the WTO Secretariat in Geneva.

These are just a few of the ongoing specialised initiatives in which NCS officers are participating. For a complete list of workshops attended, see Appendix B.

The participation of NCS officers in such events yields not only immediate benefits in terms of job-related skills, but

also improved collaboration and communication with other stakeholders. By participating in many of these workshops, officers gain a better perspective on issues within the local community, and have the opportunity for networking with other Customs administrations to discuss best practices, policies, and implementation. For example, about 50 officers and men of the Provost Unit of the NCS—the Customs Service’s internal police force—were trained in security and related issues at the Army School of Military Police. As a result, the NCS has become a participant in that School’s Security Enhancement Programme.

Customs Training Colleges

There are two Customs Training Colleges, one located in Lagos and the other in Kano. At the head of each Training College is a Commandant with a seniority equivalent to that of a Customs Area Comptroller. As NCS is a paramilitary organisation, the Training Colleges provide a mixture of academic and physical training.

NCS does not actively recruit its officers or agents, but rather receives applications through its website. In order to be admitted to a Training College for future NCS officers, the applicant must be a Nigerian citizen, no older than 25 years of age, with a university degree and medical clearance, and must have interviewed successfully and passed a rigorous background check. Furthermore, all applicants are considered within the system of mandatory per-state quotas. (The same requirements apply to those interested in becoming NCS agents, except that these need only be secondary school graduates and have passed the corresponding exam.)

BOX 1

The NCS Curriculum

The following courses are currently taught at NCS Training Colleges:

- › History of the NCS;
- › Enforcement General;
- › Classification;
- › Background and History;
- › Import Procedures;
- › Export Procedures;
- › Excise Control and Procedures;
- › Parcel Post;
- › Returns and Statistics;
- › Valuation;
- › Computer Appreciation;
- › Risk Assessment;
- › Bond;
- › International Trade;
- › International Conventions and Protocol; and
- › Commercial Fraud.

In addition, the following courses are under consideration at present:

- › Narcotics Identification;
- › Inter-departmental relations; and
- › Hydrocarbons and gases (with a view to a possible future NCS role in this sphere).

The academic curriculum at the Lagos Training College covers a wide range of subjects, including all the competencies and knowledge necessary for performance of NCS duties. Training also includes instruction by Webb Fontaine in both general ICT and the specifics of ASYCUDA++, in accordance with requirements laid down by NCS Headquarters. The physical training



Nigeria Customs Service Training School, Ikeja, Lagos

offered by the Training College includes both physical fitness and weapons instruction. The Training Colleges provide officers with a generalised training, in line with the Service's philosophy that all NCS officers should be capable of serving in any capacity.

At the Training College, NCS officers receive six months of training through coursework, followed by a single final exam covering all fourteen courses. Roughly 500 officer candidates are enrolled at the college for training at any given time, and around 90% of students pass the exam. Those who are identified as distinguished students with exceptional capabilities are given special assignments; otherwise graduates are sent to offices where they shadow and learn from specific senior officers to whom they are assigned. Since Training College exposes students only to the basics of being an NCS officer, assignments immediately after graduation are not sensitive jobs.

There's some expert consensus that certain improvements are needed at the Training Colleges.

First, some consideration is needed of how long the training period should be. Opinions are divided. Some think that a longer period—of at least nine months—would be desirable, for two reasons. One is that a period of attachment to an NCS office during training is needed so that students have some practical experience, rather than being confined to theory. Another is that there are already too many courses to fit into a six-month period: 14 are already offered at present, while the Commandant of the Lagos college has proposed three additional new courses that are currently under review. Others, however, believe that a shorter training period can be equally effective if it is followed by rigorous on-the-job training and frequent follow-up courses after graduation (a model currently used in Sweden).

Second, staffing principles may need some review. The Lagos Training College currently has 14 full-time professors, mostly senior NCS officers, teaching one course each (with the Commandant, in accordance

with tradition, teaching one course himself). None of the professors is permanently assigned to the College: as with other NCS posts, they rotate into the College, generally serving there only for a year. More effective staffing methods are under consideration and, at the recommendation of the WCO, one innovation being introduced is a system of part-time instructors.

Third, class sizes of 30-35 students are generally recognised to be too large: smaller classes are needed to encourage greater student participation and more contact between professors and students.

Fourth, computers are in very short supply. The Lagos college only has 25 computers for training, where at least 100 are needed. This is especially critical as NCS moves towards an e-Customs platform and the automation of processes, creating a requirement for ICT skills.

Fifth, physical infrastructure is sadly deficient. At the Lagos campus, hostel facilities are not up to international standards—though some attempts are underway to correct the situation. The electricity supply in classrooms and buildings is often inadequate for such computers as are available. Computers, in addition, are sometimes not properly maintained. The library is both dilapidated and stocked largely with very out-of-date books. And a lecture hall and auditorium construction project has been started but, unfortunately, not completed.

Recruitment

Till recently, recruitment had been a serious weak point for the NCS. In theory, recruitment was supposed to take place every year. In practice, there was no regular recruitment for many years. The NCS was affected by a freeze on hiring by all government agencies until 2006, and the effects of this meant that there was a critical shortage of trained officers at posts throughout the country up to 2009. However, the lifting of this freeze, together with NCS' subsequent focus on hiring more highly qualified individuals, has radically eased these personnel problems.



NCS Command and Staff College, Gwagwalada

Customs Staff College

Besides the training colleges and attention to workshops, the service has completed construction and organisation of its Command and Staff College at Gwagwalada in the Federal Capital Territory. The Staff College has excellent facilities and staff and is devoted to advanced training and re-training of officers both from Nigeria and from countries across West and Central Africa. It focuses specifically on management training for middle- and senior-level officers. The Staff College plans to partner with universities affiliated to WCO-PICARD (the World Customs Organization's Partnership in Customs Academic Research and Development). The NCS set up the curriculum through the use of tours of similar institutions, both national and international.



NCS Command and Staff College, Gwagwalada

Improvements in Staff Welfare

Benefits

One of the major successes of efforts to modernise the NCS has been the improvement of the welfare of the Service's officers and staff. Extremely low pay had been a severe problem: officers' salaries were often not enough to cover even their basic needs and this undermined the effectiveness and efficiency of the NCS. Besides this, salary payment was irregular and often late.

Hence, improved salaries have been a key element in modernisation. Since 2009 there has been a 100% increase in salaries and allowances to staff; also, all salaries have been paid on time since May 2010. Better pay is improving morale and motivation, providing an environment less conducive to corruption, and at last allowing NCS to compete with the private sector for graduates. Many governmental and private stakeholders have commented favourably on these measures and on the improvement in operations experienced since they were put in place.

Benefits also include insurance and pensions elements. An NCS insurance scheme was instituted in 1992 and has since been expanded into three schemes. In return for contributions of 5% of their annual salary, NCS officers are entitled to:

- ▶ In the event of death, a benefit for their dependents to the value of three times the officer's annual pay (in addition to ₦80,000 for burial expenses);
- ▶ On retirement, a pension equal to 60% of their salaries;
- ▶ Interest payments, during their retirement, on their accumulated contributions, in addition to their pension.

According to the Mohammed Ibrahim, the Service's DCG for Welfare, at least 435 retired NCS officers and the relatives of 135 others benefited from this insurance policy during 2009.

Though the NCS is a self-accounting service, it has also been involved in a Group Personal Accident (GPA) policy since 2005: this enables claims of between ₦2 million and ₦6 million to be paid to the dependents of officers



Blood pressure test machine at the Nigeria Customs Service office, Abuja

who have their lives in violent circumstances in the line of duty. Premiums of ₦800 million was secured for this scheme during 2010, with claims for more than 40 officers settled, according to DCG Ibrahim.

Finally, there is a compulsory Group Life Assurance policy, as defined under Nigeria's Pension Reform Act of 2004. This entitles an officer's dependents to a minimum payment that is three times his annual total emolument in the event of a work-related death while in service, payable into his Retirement Savings Account (RSA).

Housing has been another area in which attention has been paid to improving welfare. For instance, 150 three-bedroom duplexes have been built to house officers in the Goodluck Ebele Jonathan Barracks in Kuje (Abuja). The NCS has also been working with the Federal Mortgage Bank on a housing loan scheme: this involves a monthly contribution of 2.5% into the National Housing Fund (NHF), deductible from individual officers' monthly salaries, to facilitate decent accommodation for officers. This is a much-needed step since housing provision has, historically, been inadequate in both quantity and quality. Improvement helps officers to feel more secure, enhancing their work performance.

Resources provided to NCS officers

NCS has also ensured that its officers should benefit from better resources for use in the line of duty. A common complaint among field officers had been a lack of the equipment needed for both physical security and effective operation. The situation has been radically improved in this respect by purchases including:

- ▶ 250 patrol vans;
- ▶ New Peugeot 407 saloon cars for officers of Comptroller level and above;
- ▶ Over 33,000 AK-47s for the Service's armoury;
- ▶ Improved supplies of ammunition;
- ▶ Four armoured personnel carriers;
- ▶ Two patrol helicopters;
- ▶ Twenty Almarine/John Holt water bus boats for marine operations.

Continuous upgrading is intended in future, too. There has also been an increase in NCS capital investment, including upgrading and rehabilitation of various Customs barracks.



Nigerian Customs Senior Officers Quarters, Dr. Goodluck Ebele Jonathan Barracks, Kuje, FCT



Hilux vehicles for Nigeria Customs Operations (Nigeria Customs Service Training School, Ikeja, Lagos)



Customs Food Centre at the Nigeria Customs Service Training School, Ikeja, Lagos

Organisational Management

NCS has recognised the need to devise and implement policies to develop specialists in a variety of fields, notably risk management and assessment, ICT, change management, project management, and resource management.

Risk Management

Risk management is particularly important as NCS continues its paradigm shift from a revenue collection agency to one emphasising trade facilitation. As has been discussed in other chapters, many issues to do with risk management are not within NCS control, but the sooner the administration develops a firmly established Risk Management team with demonstrable expertise, the sooner NCS will be able to take full advantage of modern techniques in this area and co-ordinate and assist other government agencies' risk management activities.

Development of ICT Specialists

NCS is one of the more modernised and automated of Nigerian government agencies in respect of ICT. The importance of ICT will increase as the Customs process becomes more automated and technology-reliant. And NCS must maintain its rightful place in the ongoing development of Nigeria's e-trade platform. For these reasons, it is important to develop and keep ICT specialists and to have technical staff on-hand capable of dealing with issues at all offices. The NCS already has many excellent specialists who are credited with some of Nigeria's most advanced ICT work. However:

- ▶ Greater numbers are needed;
- ▶ It is also necessary to go beyond ASYCUDA++ and standard IT to scanning: Service Provider contracts terminate in 2012 and it is vital that, by then, there should be a cadre of trained NCS staff capable of dealing with scanning, maintenance and interpretative issues alike;
- ▶ Regarding maintenance issues generally—even for equipment as simple as cars—there is a definite lack of trained mechanics and technicians.

Change Management

Another crucial requirement for the NCS is effective change management. The Service has experienced a lack of leadership stability at all levels in recent years as a result of policies of forced retirement and of rotating officers frequently between Customs posts to minimise opportunities for corruption. This has hindered proper management in at least three ways:

- ▶ First, it has frustrated modernisation efforts: even when excellent policy has been made, the reform-minded officers tasked with overseeing its implementation are often not around long enough to do so.
- ▶ Second, it has meant that practices and interpretations of rules and procedures at any given location can change frequently according to who is in charge, which can be very confusing for importers.
- ▶ Third, it has even led to an absence of basic personnel information, with the NCS having difficulty in tracking how many officers have retired and how many are still in service.

Some measures are being taken to remedy this situation. For instance, one advantage of the biometric modular add-on to NICIS—on which NCS and Webb Fontaine are already working—is that it helps with the tracking of officers. But more is required. One need is for greater personnel stability. This should gradually become possible at lower and middle levels of with NCS as the effects of recent recruitments to—and rejuvenation of—the Service are progressively felt. More deliberate measures may be needed at higher levels, however, since age structure, seniority practices and mandatory retirements mean that officers tend to reach their most senior posts just a year or two before retirement. Another requirement is for the application of internationally tested practices for ensuring smooth transition when key personnel are changed.



NCS Command and Staff College, Gwagwalada

5.3: NCS Command and Staff College

On assumption of office in August 2009, the Comptroller-General of Nigeria Customs Service, Abdullahi, D.I., CFR presented the Six-Point Agenda with the aim of transforming and reforming NCS into a modern, efficient and professionally run organisation that would serve as a beacon of excellence for Federal public service. On top of the Agenda was capacity building for officers in the service in line with global standards. The idea of a Staff College had already been conceptualized for a decade prior to the assumption of office of the new Comptroller-General and construction had started in 2005 but was abandoned due to lack of funding. However, with the new administration of NCS in place, installing top class facilities and educating a new crop of highly professional Customs officials and staff became a paramount priority.

Funding plans started almost immediately. The funding system instituted was a cost of collection system, which allowed NCS to withhold an approved percentage of revenue collected. Nonetheless, it was barely adequate to meet the requirements of building a globally competitive Command and Staff college. In 2010, however, Comptroller-General Abdullahi requested that the President, H.E. Dr. Goodluck Ebele Jonathan, GCFR, support NCS in making up the shortfall. This resulted in the approval of a special intervention fund by the President, providing a much-needed impetus

in continuing the project to the highest standards as envisioned by the Comptroller-General.

The profile of Nigeria in the activities of the World Customs Organization has been on the rise lately and the construction of the Command and Staff college has helped to cement the position of the country on the global Customs map. In 2010, Nigeria was unanimously elected Vice-Chair of the West and Central African Region, comprising 24 Customs administrations. Comptroller-General Abdullahi, D.I., CFR, has been instrumental in driving the implementation of the WCO's policies and ensuring conformity to its provisions. In February 2011, during his first working visit to Nigeria, the World Customs Organization secretary-general, Kunio Mikuriya, commended NCS management for the staff college initiative and discussed the possibility of designating the college as a regional training centre for west and central Africa. Four months later, in June, a Memorandum of Understanding was signed between NCS and the WCO designating the college a Regional Training Centre for West and Central African region at the conclusion of the 66th Session of the Policy Commission meeting of the WCO held at Brussels, Belgium from 20th - 22nd June, 2011. This adoption will enable the Nigeria Customs Service to benefit more than ever before from various capacity building programmes of the WCO. Plans

are already advanced to ensure that programmes at the Staff college is in line with best practices globally. The technical accreditation process began in October 2011 when the Capacity Building Department Staff from the WCO visited NCS and the college. A curriculum has been designed based on the Customs management norms developed by WCO, the Picard Standards.

The Command and Staff College located in Gwagwalada, Abuja boasts a main auditorium, four lecture theatres and 16 classrooms, all equipped with digital audio-visual systems on serene eco-friendly grounds. Other facilities include administrative blocks, a hostel for students, an ultra-modern e-library, living quarters for the college principal officers, shopping complex, medical facility, sports complex, a religious facility for Christian and Muslim adherents and an officers' mess. Power is assured through a 1000KVA generator and boreholes provide a steady water supply. Recreational facilities include tennis, squash and badminton courts

H.E. President Goodluck Ebele Jonathan, GCFR inaugurated the Command and Staff College on December 10, 2011. Other luminaries present were World Customs Organization Secretary General Kunio Mikuriya, who planted a ceremonial tree at the inauguration along with the President, Comptroller-General Abdullahi, D.I.,

CFR, and other top government functionaries and Royal Fathers.

The College is a training school for the 24 member states in the region, envisioned to produce middle and senior-level Customs managers for Nigeria Customs Service and Customs administrators from Mauritania to Angola. It is also a facility for technical assistance meetings and for other Customs related events. In addition, it would serve as a centre to run national and international training programmes aimed at training NCS's middle-cadre management. Other security agents, importers, customs agents and varied stakeholders will potentially benefit from training programmes organized by the College, including a set of speaker lectures intended for the trading community and relevant agencies. It is envisioned that 80% of all training at the Customs and Staff College will be undertaken by well-qualified NCS trainers/officers; a further 15% to be exclusively outsourced to Nigerian institutions and hosted inside the College so as to keep costs down.

In fulfillment of one of the Six-Point Agenda outlined by the Comptroller-General and in-line with the modernization plans of the Service, the Command and Staff College of the Nigeria Customs Service is poised to be a beacon for Customs capacity building within and outside the country.



NCS Command and Staff College, Gwagwalada



Quality Excellence training
at the Nigeria Customs
Service Training School,
Ikeja, Lagos



Chapter 6: Integrity in Nigerian Customs

This chapter deals with the crucial topic of ensuring integrity in NCS. Corruption is a serious problem, and one that can have many negative consequences. Welfare and enforcement improvements in the last couple of years have had a serious impact, while risk management, automation and simplified procedures should reduce opportunities for corruption in the years to come. The chapter suggests a variety of concrete steps and approaches that might contribute further to solving the problem. But it also notes that NCS alone cannot achieve everything: a general atmosphere of corruption and stakeholder willingness to indulge in dishonest practices are problems too.

Chapter 6: Integrity in Nigerian Customs

6.1: Introduction

Corruption is one of the biggest challenges facing the Customs Service of any developing country and NCS makes no claim to be any exception. NCS has acknowledged the importance of improving integrity in the service and has, moreover, redefined the concept of integrity in a more demanding way. The integrity to which NCS aspires includes not merely effective anti-corruption efforts—crucial though these are—but also high overall expectations of the level of service to be provided. And it is pursuing this aspiration, not through idealistic declarations, but through a hard-headed, realistic and multi-faceted set of policies including:

- ▶ The increase of salaries to realistic levels;
- ▶ Better promotion policies;



Comptroller, at the Nigeria Customs Service Office, Nnamdi Azikiwe International Airport Command, Abuja

- ▶ A renewed focus on discipline;
- ▶ Preventive and investigative measures;
- ▶ An enforced code of conduct; and
- ▶ The increased automation of the Customs process.

The drive against corruption—and towards integrity—in the NCS is of course part of a broader process in Nigerian society. The Federal Government of Nigeria (FGN) has in recent years stepped up its support for building integrity and combatting corruption throughout the country. Staunch allies in this effort have been the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and Other Related Offences Commission (ICPC), while the authorities have also worked closely with the United Nations.

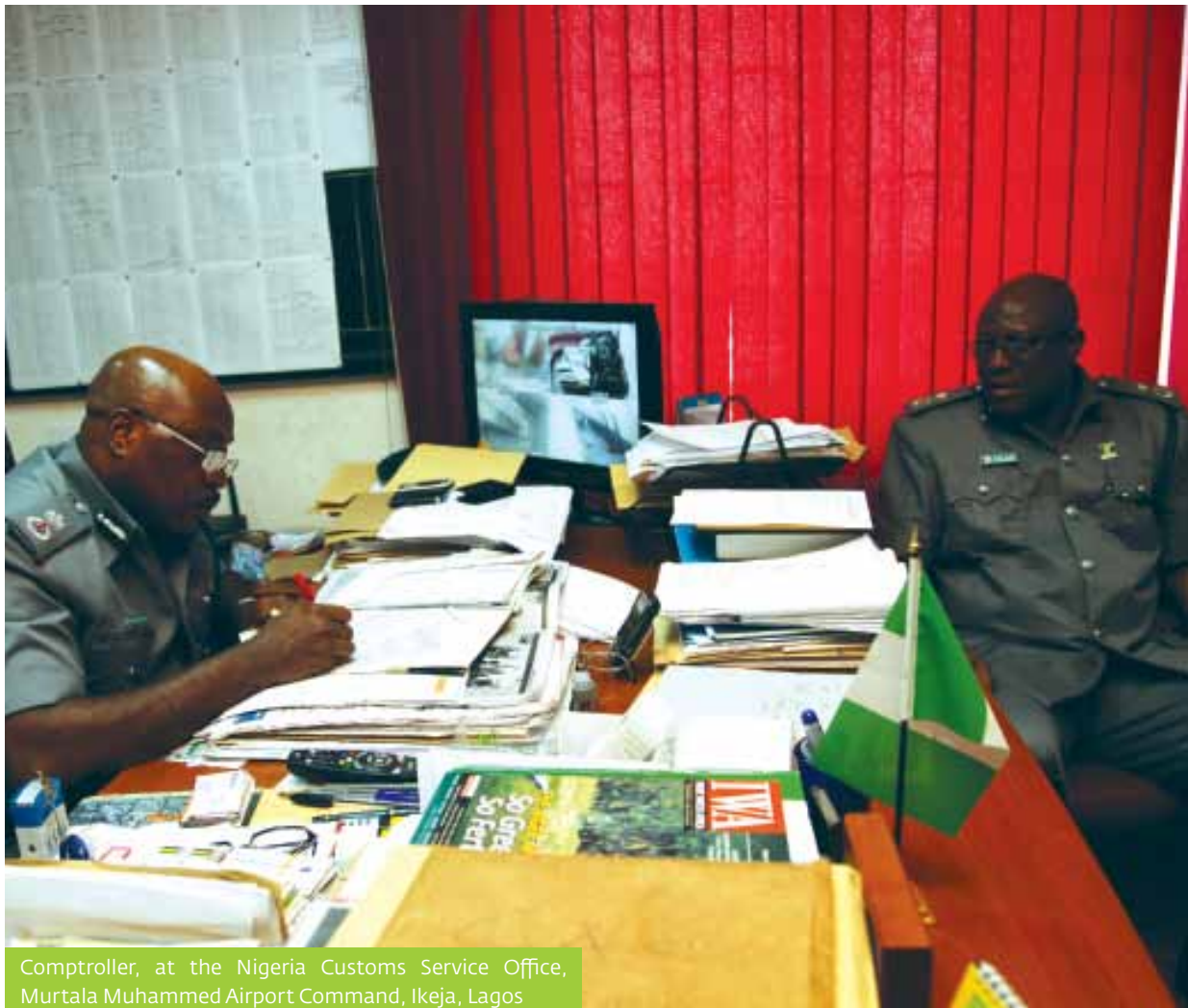
6.2: Issues in Integrity

The issue of low integrity in NCS is a serious one, for it can lead to a number of negative consequences. As NCS is a highly visible federal agency, problems there can lead to a significant decrease in public trust in the Nigerian government as a whole. As Customs is an important source of money for the federal budget, dishonesty there can also lead to significant revenue leakage. And as NCS staff are human beings sensitive to what their fellow citizens think of them, low integrity in the Service—real or even perceived—can lead to low staff morale. That in turn can lead to even lower standards of behaviour, ensnaring NCS in a vicious circle. As officers and agents become more vulnerable, their misconduct and weakness pose a serious threat to the national security of Nigeria.

A belief that NCS is corrupt can also lead to a reduction in voluntary compliance by other stakeholders—even those who are basically well-intentioned. A belief that no-one else is following proper procedures can lead people to think that it is unnecessary, or even foolish, to follow those procedures themselves. Furthermore,

many traders view it as easier and quicker to engage in corruption than to follow the proper procedures.

A “culture of corruption” can also create an atmosphere of unnecessary barriers and obstacles. Since it is easiest to engage in corruption during a human interaction, those in NCS and other government agencies with corrupt intent may feel it is to their advantage to create barriers to the flow of normal procedures in order to create occasions for such interactions. They create problems in order to profit from providing solutions. This drastically slows down trade, harming Nigerian businesses as well as damaging international businesses’ perceptions of Nigeria. The costs are more often than not borne not just by traders, but by others in Nigeria, both in the business community and among the citizenry at large. And, unfortunately, these costs tend to fall disproportionately on those who can least afford them, including small and medium-sized enterprises, as well by as poor consumers who must suffer the increased prices that result from delays in the import process.



Comptroller, at the Nigeria Customs Service Office, Murtala Muhammed Airport Command, Ikeja, Lagos

6.3: Addressing Integrity Issues

Since taking over leadership of the NCS, Comptroller-General Abdullahi has been vigorous in implementing measures relevant to improving integrity. The Six-Point Agenda he promulgated at the beginning of his tenure included two Points especially relevant to Customs integrity. And the Comptroller-General has acted on both of them.

Point Three focused on **improving the welfare of officers**—an issue whose negative impact before 2009 it would be absurd to deny. The 100% salary rise given to NCS officers—as well as the fact that, since May 2010, salaries have been paid on time—has certainly reduced tendencies to “petty” corruption, even “survival” corruption (see Box 1 for some definitions). Corruption is never excusable and should never be tolerated, much less condoned. Nor is it, in today’s NCS. But it would be naïve to suppose that the authorities’ failure to pay its Customs officers a living wage was without consequence: the diagnostic mission of the World Customs Organization (WCO) to Nigeria in 2006 found a pervasive feeling among junior NCS officers that they had no choice but to engage in petty corruption.

Point Two of the Six-Point Agenda is “**Moral Rebirth for Discipline and Integrity**”. Again, this has been reflected in important practical measures.

One effect of these measures has been a noticeable improvement in outward discipline. Officers are more punctual, neater, and more prone to observe the formalities and respect due to rank. And the Provost Unit enforces the Uniform Code more strictly. The impact of this on morale, on self-image, and on discipline in a deeper sense should not be underestimated.

Another expression has been organisational. NCS has renewed emphasis on its Discipline Unit, by which a total of 111 pending disciplinary cases left over from previous years have been addressed and brought to a conclusion. Several new structures have also been created, including:

- ▶ An Anti-Corruption and Transparency Agency;
- ▶ The CGC’s Task Force on Anti-Smuggling Activities;
- ▶ A Rapid Response Squad; and
- ▶ A Customs Duty Investigation Team (CDI).

These have been active: for instance, since it was set up, CDI has recovered over ₦9 billion of revenue that had not previously been collected from importers. And NCS has been more proactive in carrying out investigations and prosecutions. For instance, January 2011 alone saw the arrest of three Customs officers responsible for clearing 23 contraband containers of textiles—the three were subsequently prosecuted for economic sabotage—while



Customs officers at the Nigeria Customs Service Headquarters, Abuja



NCS ASYCUDA Officers in the new Ultra-Modern ICT Wing at NCS HQ

16 senior Customs officers were transferred from Apapa and Tin Can Island ports in connection with alleged irregularities.

In short, NCS is taking concrete measures. And its leadership is not merely giving serious attention to integrity issues, but is seen to be doing so. But others must “do their bit” too. That includes the other government agencies with which NCS must interact. And it includes the government itself. The country’s political leadership must be seen to be giving active support to NCS efforts, making it clear:

- ▶ That Customs’ disciplinary and investigative actions will be backed;

- ▶ That NCS will be supported in conflicts with other agencies with a less strict approach to integrity issues, and that the government will not allow NCS decisions to be overruled; and

- ▶ That the legislative measures needed to bring about improvement will be forthcoming.

Finally, it is essential that leadership within NCS communicate directly and frequently with the Federal Government on the subject: the country’s political leadership must know what NCS requires in order to do its job of combatting corruption.

Box 1

A Lexicon of Corruption

Corruption can come in many forms. In terms of what corruption buys, it can be routine, fraudulent, or criminal. In terms of scale, it can be petty or grand. And it can take the form of nepotism or misappropriation as well as bribery. Here are some definitions.

- ▶ **Routine corruption:** Importers or associated agents pay bribes to guarantee an expedited completion of normal Customs procedures.
- ▶ **Fraudulent corruption:** The importer or his agent pays a Customs or other government officer to ignore illegal doings by the importer, allowing a reduction on the tax and duties paid on imports.
- ▶ **Criminal corruption:** Criminals persuade government officers to act in an illegal fashion by facilitating criminal enterprises, such as drug trafficking or arms smuggling.
- ▶ **Petty corruption:** Junior officials take small amounts of money in return for favours. Often this happens because these official salaries are not enough to support them and their families—in which case it can also be called “**survival corruption**”.
- ▶ **Grand corruption:** More senior officials take larger amounts of money in return for favours.

- ▶ **Bribery:** Money is paid to secure favourable treatment from an official.

- ▶ **Nepotism:** Individuals or groups are selected, transferred, or promoted on the basis, not of merit, but of some relationship. This may be a family relationship, but need not be. The individual placed or promoted may be a friend, a friend’s friend, a member of a political party or ethnic group, or someone to whom a favour is owed. The person exercising influence may be a politician or a trader, as well as someone within the organisation. And career contacts may lead to relations of “patronage” between senior and junior officials, in which the advancement of the latter is often dependent on their links with the former—and on patrons’ continued goodwill. The problem with nepotism is not just that the individuals promoted are not necessarily the most able, but also that patrons *tend to expect payback*: their protégés are expected to return the favour by acting in corrupt ways.

Misappropriation: Goods are stolen, money embezzled, or paperwork falsified in such a way as to cause a loss in revenue for the authorities.



Customs officers at the Nnamdi Azikiwe International Airport, Abuja

6.4: Positive Trends

Promoting integrity is not just a question of detecting and punishing corruption, but also of reducing opportunities and temptations for it. These arise at various stages of the Customs process (see Box 2). At least three factors which are already operating—or for which, at any rate, the potential already exists—will tend to have this effect in the next few years:

- ▶ **Risk management:** The desire to avoid processing delays is a frequent motive for paying bribes. And personal interactions represent an opportunity to offer and accept them. By reducing both delays and personal interactions, the use and further development of risk management will decrease both motive and opportunity, thus promoting integrity. This, as well as their positive effects on trade facilitation, is a reason why modern risk management techniques need to be applied more confidently and whole-heartedly in the future.
- ▶ **Automation:** The tendency to automate and computerise processes also reduces the need for personal interactions and means less reliance on

human discretion. At the same time, automation makes it easier for senior officers and control authorities to supervise transactions. The potential for this already exists: all that is necessary for the achievement of tremendous progress is a commitment to full implementation of ASYCUDA++ and to allowing the system to work as it can, providing an almost fully automated procedure for Customs clearance. And further enhancement of the Service's ICT and its computer reliance in future will only intensify this benign effect.

- ▶ **Simplification of procedures:** The more complicated and intransparent procedures are, the more temptation there is for dishonest stakeholders to try to circumvent them by bribery and the more opportunity there is for dishonest officers to create problems which they can then “solve”. NCS efforts to simplify procedures will therefore contribute to reducing corruption. This said, it should be noted that there are limits to what NCS can achieve by itself. NCS enforces the rules, but does not make them. Some co-operation from government is necessary.

Where Corruption Happens

There are all sorts of situations that give opportunities for corruption—or, to put it a little more broadly and a lot more politely, “low-integrity behaviour”. In a Customs context, however, **seven core Customs functions** can be said to be especially susceptible:

- ▶ **Processing of declarations:** Corruption at this stage can be used in a number of ways: to expedite the processing of the necessary documents, for instance, or to ensure that undeclared or mis-declared goods are ignored, that fictitious exports are certified, or that goods in transit to other countries are released domestically.
- ▶ **Assessment of origin, value, and classification:** Corrupt officers can permit the under-invoicing of goods, or accept declarations that classify goods under a lower tariff than is appropriate or give a false country of origin.
- ▶ **Physical examination and release of goods:** Here money can buy an accommodating inspection officer, or else ensure that the inspection is bypassed or expedited, or that its outcome is favourable.
- ▶ **Administration of special import regimes:** For instance, if goods have entered the country under suspense or temporary regimes, corrupt officers can allow them to be released on the domestic market. Or release of a bond can be permitted. Or, in the case of an arrangement allowing duty-free import of inputs intended for export production, the importer can be allowed to claim excessive quantities of such imports—or to claim benefits for export goods that were not in fact produced or exported. With such special regimes on the rise in Nigeria, this could be a growing problem.
- ▶ **Conduct of post-clearance audits:** Low-integrity behaviour in this context can consist in ensuring the desired outcome of post-clearance examinations.
- ▶ **Issuance of import licences, warehouse approvals, and favourable exemptions:** Corrupt officials can allow importers to obtain licences and certificates without proper paperwork or justification.
- ▶ **Fast-track consignments:** Even with “blue-channel” consignments, it is still possible for preferential treatment to ensure a faster clearance time.

6.5: Some Desiderata

Eight other desiderata—some only partially under NCS control—might be mentioned:

- ▶ **The Prohibited Items List:** The import ban list set by the government is subject to frequent changes. This makes it more difficult both to enforce the rules and to communicate them to stakeholders. The confusions and uncertainties so created also increase both temptations and opportunities for corruption involving illicit admission of items on the list. More stability in the list itself would be useful. At the same time, the NCS itself needs to be more adept, transparent and timely in communicating changes in the list to stakeholders.
- ▶ **Personnel policy:** International best practices should be followed in selecting and promoting Customs officers not only for their specific skills and technical competence, but also for their character and incorruptibility. With salaries more attractive than they used to be, NCS can afford to be choosy. More generally, NCS human resource policies are in transition at present, so now is the time to get things right. A comprehensive Code of Conduct is in the pipeline, and it is important that it should be very clear and explicit in its guidance to officers as to what is expected of them and as to what will and will not be tolerated: this means adequate treatment of issues including personal responsibility, compliance, public relations, acceptance of gifts, avoiding conflicts of interest, politics, fiscal matters, confidentiality and privacy, misuse of official property, and work environment. Moreover, NCS is working at present both on a Comprehensive Officers’ Performance Plan (including a clear definition of goals and roles) and a Framework for Management Entry, Promotion and Development. Integrity needs to be a central consideration in the system of recruitment, reward and advancement that emerges.
- ▶ **More effective rewards and penalties for stakeholders:** The structure of incentives for compliance at present is ineffective. Penalties for false declarations are negligible, while under-use of risk management means that a track record of compliance yields few benefits in terms of faster processing. This needs to change.



Luggage being inspected by Customs officers at the passenger arrival wing of the Nnamdi Azikiwe International Airport, Abuja



Luggage being inspected by Customs officers at the passenger arrival wing of the Murtala Muhammed Intl. Airport, Lagos

- ▶ **Management risk profiling and organisational controls:** These include integrity checks at both a systemic and an individual level, and are accompanied by management checks and controls to minimise the risk—a particular case of the broader principle of having effective managers applying organisational controls within their area of responsibility. Methods are well established in international practice: they should be applied vigorously in Nigeria.
- ▶ **Transparency of procedures:** If precise details of the procedures and processes involved in the routine clearance of goods and people are not publicly known, the uncertainties involved can be manipulated by dishonest officers for their own gain—not to mention entailing the delays involved in incorrect declarations. These problems will be greatly reduced as these procedures are published either physically or—as ICT develops—electronically. This will address not just issues of information, but also those of trust. And lack of trust is an important factor in the still rather problematic relations of NCS with the private sector. One common and damaging—and not entirely unjustified—perception among stakeholders is that NCS application of rules and procedures differs from office to office. If all relevant laws, regulations, procedures and guidelines were not only public but easily accessible, that perception would be testable—and uneven application more readily detected and combatted.
- ▶ **Feedback mechanisms:** Building a relationship with the public and with stakeholders also means the capacity to receive, acknowledge, process and act on negative feedback about corruption. This is a weak point for NCS at present: the Nigerian office of UNODC¹

has quite accurately described the existing public feedback system as “inadequate”. The situation needs to change, in terms of procedures, communications strategy, and readiness to take practical measures in response to feedback.

- ▶ **Segregation of duties:** This is a well-established organisational principle that works mainly by ensuring that no single person has responsibility for documentary scrutiny, inspection, acceptance of payment, etc. Segregation can occur through separation of these functions or by means of second-party authentication, whether physical or electronic. Since segregation can sometimes be in conflict with simplification, it is important that the correct balance is struck between the two goals.
- ▶ **Amnesty plus zero tolerance:** One final measure would probably be controversial but should certainly be considered. A line needs to be drawn under the past. Corruption has been too pervasive, and too obviously rooted in conditions where officers were underpaid and stakeholders unable to do business cleanly, for a hardline approach to all past misdeeds to be fair or feasible. A temporary amnesty would deal with this problem. But it should be coupled with an immediate, tough and clearly communicated integrity campaign, involving zero tolerance, tougher penalties, vigorous investigation, and maximum publicity—both within the service and outside it—for convictions and punishment both of corrupt Customs officers and of errant stakeholders. It must be made crystal clear that the past is past, but that the present is another country. And that we do things differently here.

¹ The United Nations Office on Drugs and Crime.

6.6: The Wider Picture

A final point needs to be made on integrity issues. While the NCS recognises that it must put its own house in order—and is busy doing to—three things must also be acknowledged.

- ▶ The **first** is that one of the biggest challenges facing NCS in its efforts to increase the level of integrity throughout its ranks is the *general national atmosphere of high corruption*. In 2010, Nigeria ranked 134th out of 178 countries worldwide in the Corruption Perception Index published by the Transparency International, a non-governmental organisation that specialises in this subject. In other words, there is an ingrained problem that goes far beyond one institution, and it will require a far-reaching effort by all concerned citizens to improve the level of integrity.
- ▶ The **second** is that the issue of integrity is not a one-way street. Just as it proverbially “takes two to tango”, corruption by definition involves at least two parties. A lack of integrity among stakeholders, at varying levels of dishonesty, is just as damaging as any integrity issues within NCS. Addressing this issue must be a co-operative effort.
- ▶ The **third** is that there is a problem of perception as well as of reality. Within the country, NCS is viewed as a organisation that has low standards of integrity. This has consequences. It affects the self-esteem and morale of NCS officers. It also affects the expectations of the less honest individuals among them as to what is acceptable and feasible. Finally, it affects the perceptions of stakeholders as to what is acceptable and what is needed to do business effectively. The most effective way to change this perception, in the long run, is of course to change reality by raising the standards of integrity. But effective communication is necessary too.



Cargo scanning at the cargo terminal, Nnamdi Azikiwe International Airport, Abuja

Smiths

Smiths Helmann

MA/P&M/SCAN/003

Cargo scanner



Chapter 7: ICT and Customs: Modernising Through Automation

This chapter explores the topic of information and communications technology (ICT) in NCS. After explaining the functions served by ICT in Customs systems generally, it describes the ASYCUDA++ system in use in NCS, as well as the various enhancements known as Trade World Monitor. It considers the potential of the ICT already in place, as well as the obstacles that, for the moment, prevent the full realisation of that potential. It also explores the shortcomings of the current situation as regards scanning operations. It ends by discussing the potential for implementing two modern Customs concepts that are closely connected with ICT development—namely, Single Window and Co-ordinated Border Management.

Chapter 7: ICT and Customs: Modernising Through Automation

This section examines the use and potential of the Information and Communications Technology (ICT) systems currently employed by NCS and its use of advanced scanning technology.

It will begin by describing ICT's role in modern Customs systems in general and the Nigerian system in particular. The core of the chapter is a stage-by-stage account of the operation of ASYCUDA++, the basic processing and risk-management system in place at NCS. This will be followed



Cargo cranes at the Apapa port, Lagos

by a description of Trade World Manager, the collection of add-on modules that supplements ASYCUDA++. Then there will be some observations on the system's potential, on the obstacles to that potential's realisation, on the steps forward that are actually in prospect, and on the question of technical infrastructure. Next will come the topic of scanning and how to improve it. And the chapter will end with a discussion of two interconnected topics in which questions of ICT and of organisation overlap—the Single Window and Co-ordinated Border Management.

7.1: The purpose of ICT within Customs

What is ICT for, within a modern Customs system? This question can be answered by reference to the seven core functions that are the necessary components of a modern Customs ICT system. These are: cargo control; declaration processing; payments and accounting; risk management; statistics and reporting; intelligence and enforcement; and a communications gateway.

What these terms mean is described in Box 1. ICT that fulfils these functions provides Customs with the ability to:

- ▶ Facilitate trade;

- ▶ Strengthen operational efficiency;
- ▶ Strengthen Customs management and control;
- ▶ Standardise and simplify forms, documents and procedures for the Customs clearance process;
- ▶ Accelerate the completion of procedures; and
- ▶ Collect, collate and share information.

An ICT system that is capable of performing these functions well—and that is used in such a way that this potential is realised—is central to the success of a modern Customs administration.



Servers at the Nigeria Customs Service office Abuja

BOX 1

The Seven Pillars of Customs ICT

For any modern Customs administration, seven core functions must be fulfilled by its ICT system:

- ▶ **Cargo Control** is used to monitor all movements of imported, exported and transit goods and ensures that all goods are properly cleared before their release.
- ▶ **Declaration Processing** is the capture and processing of data for the assessment and collection of relevant duties and taxes.
- ▶ **Payments and Accounting** is, simply, that function which records and accounts for payments made by traders.
- ▶ **Risk Management** is the process by which a consignment, transaction or person is assessed for the level of risk it poses to the country – from the standpoints of revenue, social protection and security – and by which the appropriate control action is determined. The importance of risk management in modern Customs practice cannot be overstated: it is a key management area, crucial not just to the physical and economic security of the country, but to increasing efficiency and facilitating international trade.
- ▶ **Statistics and Reporting** is the collection and collation of accurate data on border movements/transactions for dissemination throughout government and business, including foreign trade statistics and data on transportation and immigration. The efficient and accurate collection of statistical data is necessary for the formulation and implementation of fiscal and trade policy objectives. This function also makes it easier for government to produce management reports, since it records all activities within its database.
- ▶ **Intelligence and Enforcement** is the recording and dissemination of data for risk management, compliance management, and enforcement. This function can concern not only the country's Customs rules and regulations, but also goods seeking to evade duty and tax, those affected by trade policy (free-trade agreements, quotas etc), illegal goods (narcotics, firearms, pornography, items prohibited on environmental or heritage grounds, etc), and indeed goods affected by any other regulatory mandate.
- ▶ A **Communications Gateway**, finally, is what provides efficient and effective electronic access to Customs procedures for all stakeholders. Such access involves the ability to input data and file documentation, seek information and communicate with Customs in an effective and helpful manner. A Communications Gateway may also allow for access to instructions and guidance and provide information on the clearance status of goods.

7.2: Nigerian Customs Service ICT

Such are the roles played by ICT in modern Customs systems generally. How are these functions fulfilled in the Nigerian Customs system specifically?

ICT in NCS is currently provided by the **Nigerian Integrated Customs Information System (NICIS)**. This system is made up of the **ASYCUDA++** processing and risk management system, enhanced by a number of modules which have been developed by NCS in association with Webb Fontaine and which are known collectively as **Trade World Manager (TWM)**. TWM at present includes modules for risk assessment, e-manifest, e-payment, Form 'M' (a pre-clearance document) and passenger declaration.

The roll out of NICIS, as a replacement for the previous ASYCUDA 2.7 system, commenced in 2006. The system was fully implemented as of February 1, 2010, on which date self-assessment and implementation of duty were introduced. The clearing process was divided into two distinct phases or "zones", the self-facilitated **Trader Zone**, and the **Customs Zone**, which deals with core Customs functions. Enhancement continues, with further TWM modules for excise, transit, e-currency and biometrics currently under development. The roll out of NICIS also permitted the development of a WAN (Wide Area Network) facility for use in individual terminals.

All in all, the development of NICIS and its TWM modules enables Nigeria and NCS to move towards an e-trade system.

The basic design of ASYCUDA++ is founded on three main concepts:

- ▶ **Flexibility:** The design is flexible in that it can handle any range of transactions of any scale, all while maintaining a user-friendly interface.
- ▶ **Independence:** It is an independent system because it was designed and developed as a modular system, so it is not reliant on proprietary software. This gives the development team the option of altering a software platform without having to program changes throughout the system; only the layer of functions that interact directly with the application software would require conversion.
- ▶ **Open Environment:** The open environment character of the software's design means that the gateway module can allow for an automatic exchange of information between servers, either between those of sub-systems (regional offices) within NICIS or between those of the system and those of other stakeholders.



Servers at the Nigeria Customs Service office Abuja

A major benefit of the ASYCUDA++ system is that it allows the Customs administration to configure it according to its own specific needs.

The introduction of ASYCUDA++ and increased automation have brought tremendous benefits to the Customs administration. It provides more accurate data and increased revenue collection because of the more uniformly applied code. It has improved integrity through increased transparency in the system and a higher predictability in decision-making. Declarations are received more quickly through the use of DTI (Direct Trader Input) and through the creation of the two distinct zones—trader-driven and NCS-driven. The automation of the process in conjunction with use of DTI and EDI (Electronic Data Input) allows for information to be accessed in advance of goods' arrival, and therefore cleared more quickly, greatly improving trade facilitation. The average time of clearance has gone from over 30 days before the introduction of ASYCUDA++ to less than two weeks now, and NCS continues to work towards meeting its goal of 48-hour clearance for all goods.

A detailed breakdown of the operation of NICIS (ASYCUDA++, TWM) follows.

ASYCUDA++

Import Manifest Management

Cargo control is the first step undertaken by a country's Customs service and its aim is to ensure that all goods arriving within that country comply with its laws and Customs regulations. Cargo control requires the receipt of transport documents by Customs from the trader. **Within the NCS ASYCUDA++ system, this cargo control phase is referred to as the "Manifest module"**, which provides for the support of all transport documents. It is within this phase that the various documents are entered. The system supports all the documents that are possible during this phase, including bills of lading (BLs), airway bills, road transport documents, transit documents, and the e-manifest.

Data Capture and Registration

Prior to the goods' arrival in Nigeria, ASYCUDA++ captures the details of the manifest header and inputted documents, as well as forcing input on mandatory fields and editing input on all fields. Because the data is validated as it is entered, ASYCUDA++ forces the user to input valid data. If the input is invalid, the system will help the user by opening a window containing valid codes that can be entered. And the e-Manifest which the system uses mandates that the manifest must be entered electronically prior to the arrival of the ship.

The data captured are the manifest identity, the means and methods of transport and the transport documents.

- ▶ **"Manifest identity"** refers to the list and description of goods contained in the vehicle/vessel.
- ▶ **"Means and methods of transport"** refers to how the goods arrived—by air, sea, or land—and the identity of the vehicle/vessel that delivered them.
- ▶ **"Transport documents"** includes necessary information such as the embarkation point, where the conveyance was loaded, the transport document reference, the shipper, the consignee, the marks and numbers of the

shipped packages, the types of goods being shipped, and their weights.

There are two steps in the recording of this data, the storage stage and the registration stage.

- ▶ The **storage stage** comprises inputting and storage of the e-Manifest, Bills of Lading (BLs), and transport documents.
- ▶ The **registration stage** legally puts the imported goods under the control of NCS once they have arrived in Nigeria and the system has validated its correct completion. It is at this stage in the clearance process that the importer or his representative must produce a declaration to NCS for the items listed on the manifest.

The data can now only be modified by NCS and only at the written request of the importer (or the importer's representative).

After registration, the technical supervisor (T/S) at each Customs Processing Centre (CPC) may make changes to the manifest and BL, although this does not often happen. These changes can be made when:

- ▶ A declarant enters a figure based on Naira but enters the currency as US dollars. Since the system does not allow for a downward amendment, the T/S must in this instance make the changes manually;
- ▶ There is a consolidated BL that needs to be legitimately divided; or
- ▶ The cargo has been registered in tons but needs to be in kilograms, or vice versa.

All changes to the manifest after registration are automatically captured by the system to serve as a record for future possible audits.

Upon registration, ASYCUDA++ automatically produces a registration number (or, more rarely, is configured for NCS to allocate that number itself).



Servers at the Nigeria Customs Service office Abuja

Manifest Discharge by Customs Declaration

ASYCUDA++ then moves on to “**manifest discharge**”. “Discharging” a consignment’s line in a manifest essentially means confirming that the presence of the goods referred to in that line have been accounted for. The most straightforward—and the usual—way this can happen is that it corresponds to the goods specified in the Customs declaration. ASYCUDA++ verifies this by a cross-check.

Manifest Discharge by Automatic Storage

Sometimes things are not so straightforward, however. Another way in which a manifest can be discharged is by the goods being put into **special storage**. This can happen in two circumstances:

- ▶ First, if prohibited goods listed on the manifest are not declared—or are found upon receipt or unloading—these may be put into special storage by NCS with a view to eventual confiscation and/or disposal (if undeclared goods that are not prohibited are on the manifest or discovered, these are simply declared and the trader is fined).
- ▶ Second, goods can also be put into special storage if a declaration has not been submitted within a specified period after the goods’ arrival (this period is theoretically 28 days, but in practice much longer because storage space is limited).

Goods can also be put into storage if they have been cleared but not removed.

If goods are put into storage, NCS notifies the consignee. Except if the goods are destined for confiscation, the

consignee can then remove the goods. If he has not done so within (theoretically) 14 days, the goods may be sold at auction or disposed of as NCS sees fit.

Status Reporting

The status reporting function within the system allows for on-line questions and update features accessible to NCS officers. A full set of reports should be available—that is, both stored and capable of being accessed by officers—and ASYCUDA++ is capable of printing a list of all outstanding consignments on a daily basis, allowing necessary measures to be taken. Theoretically, NCS has a full view of the cargo situation and the status of every single consignment at all times.

Printing the Discharged Manifest

The discharged manifest is printed automatically (with all events and all documents) when a full entry declaration is lodged against a transport document or when a returned transit document is registered—the latter marking the fact that goods moving through Nigeria to another country have passed through Nigerian Customs at that country’s border.

Declaration Processing

The **declaration processing module** of ASYCUDA++ provides the ability to input declarations for every Customs regime (import, export, transit, etc.). At the discretion of NCS, the declarations have been subdivided using numerical Customs Procedure Codes (CPCs) for individual categories of goods, to help in identifying imports that are subject to special procedures and/or are partially/fully exempt from duties.



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Declaration processing involves several steps:

Data Capture

There are three different types of authorised input of declarations: those by NCS officers in NCS offices; those by declarants at DTI and EDI cafés; and those made on public work stations located in the Customs house. The validation of the entries occurs both during and after the input of the declaration. The system is dynamic in that it displays all possible declaration types to the user, who then selects the appropriate one.

It should be noted that the CPC can be entered on a per-item basis. Most usefully for the declarant, this allows processing within the same SGD of declarations covering end-use exemptions (notably for imports to be used in manufacturing export products) and even “normal home consumption” (import for the use of a single household). The subsequent processing is determined by the CPCs and the duties payable are calculated according to this choice.

An image of the declaration—called a Single Administrative Document (SAD)—is displayed, while the user moves through the 56 fields, along an entry path designed for maximum user friendliness. Within the form, mandatory, optional and prohibited fields are indicated. The dynamism of the system allows for a user to receive on-line help, or a list of valid codes for specific fields, in a separate window, meaning that there is no need to navigate away from the declaration when guidance is needed. This allows for control by the user and provides increased accuracy, efficiency and uniformity.

The other costs that are associated with the calculation of the Customs duty, such as freight or insurance, are captured by input into fields at the header level. The advanced nature of the system automatically spreads the costs against individual goods within the declaration according to weight/volume or value as needed. Furthermore, the costs may be entered in whatever currency is necessary and automatically converted by the system. ASYCUDA++ will also compare the duties against individual goods with the final invoice amount.

Data Validation

Validation of data is crucial to preserving the integrity and validity of the Customs processes. In this respect, there are two levels of control, primary edits and authentication.

Primary edits (inputting of client data) are dealt with by the clients themselves at DTI cafés and are subject to three tiers of control within the system. These edits occur prior to the registration or assessment of the declaration. The main controls are:

Completion Controls. These require the user to input all data required by NCS into the system, and prevent continuation if a mandatory field has not been filled in.



IT infrastructure at the Nigeria Customs Service office Abuja

► **Validity controls.** These ensure that any codes entered into the fields are existing codes. The system automatically rejects an invalid code and will not allow the user to continue until a valid code is entered. To assist the user, the system will display a list of the possible valid codes.

► **Consistency controls.** These cross-check items and data against each other to prevent any inconsistencies.

Authentication by the user takes place after the completion of data input to the declaration. It involves the user choosing one of three options—check, registration or assessment. At this stage, declarants are allowed to keep incomplete declarations within the system so as not to lose the data captured.

Monitoring Customs Regulations

The system includes an integrated tariff regulation function, which incorporates a capability for assessing value and quantity credibility. It references the inputted commodity code against the national tariff files, which hold all necessary duties and taxes, as well as preferential rates. Partial or full exemptions are cross-referenced against the CPC master file. By checking the declared value against the value file, ASYCUDA++ can determine over- or under-valuation. Declarations that are not within the proper value range trigger the system's selectivity—the function which determines what “channel” the cargo goes through (see below)—and are sent for either examination or a documentation review.

The system contains the proper valuations for all commodities, but this function is currently being ignored. At present, there is a lack of trust among NCS personnel in their system's own valuations: instead they tend to refer to values provided by the Service Providers who provide Risk Assessment Reports (RARs, see "Risk assessment and selectivity" below). This is unfortunate since, although SPs draw on a large pool of data, they do not disaggregate categories of goods sufficiently, which leads to inaccuracies. For example, ASYCUDA++ distinguishes between the prices of different types of tyres—motorcycle, small car, large truck—while RARs treat them all as one.

Suspense procedures and Temporary Admission procedures—allowing delayed payment of duties or none at all—will be implemented within the next two to three months. These will be usable in three different ways:

- ▶ For **import of new vehicles**, which will be performed under bond, allowing the vehicles to bypass the normal clearance process and be released to dealers before payment.
- ▶ For **temporary imports**, such as those of construction equipment for building roads.
- ▶ For the **Free Trade Zones**, into which raw materials or components can be imported to be used to make a finished good which is then exported.

There are two checks against the manifest file, one to validate the document numbers reported on the declaration and one to check the declared quantity against the received quantities.

ASYCUDA++ allows for the use of additional documents as requested by the NCS and other government agencies. These can include, for instance, certificates of origin or quality and sanitary certifications, and are used to fulfil specific government regulations as declared by the relevant agencies. The system's use of criteria submitted by a given agency triggers selectivity (choice of channel) on behalf of that agency, usually the Standards Organisation of Nigeria (SON) or the Nigerian Agency for Food and Drug Control (NAFDAC). It is at this phase of the system's processing that the requirements imposed by other agencies are applied to the goods imported.

Storage, Registration, Assessment and Payment

The validation of a declaration consists of four stages: storage, registration, assessment and payment. This path is monitored by the ASYCUDA++ system, along with the status of each declaration as it proceeds along the path:

- ▶ The **storage** function eases the declaration process for importers in two important ways:



ASYCUDA project servers at the Nigeria Customs Service office Abuja

- ▶ It allows data that has been entered but *failed a validation check* to be kept in the system while the declarant awaits for the resolution of the dispute with NCS.
- ▶ It can also be used as a means of *pre-entry*, allowing the declaration to be completed prior to the arrival of the goods, so that NCS can use the pre-entered declaration upon arrival, with the consent of the declarant.
- ▶ The dynamism of the system allows the declarant to change or delete the data without any restrictions.
- ▶ Formal **registration** takes place once the goods have arrived and the data has been inputted and validated. At this stage, the system repeats all the data control checks that have been performed previously. After the registration full legal status is given to the goods.
- ▶ **Assessment** calculates duties, taxes and fees according to the parameters entered by NCS, including CPC, commodity code, country of origin, preferential rate, weights, values, etc. The parameters

of the taxation module are completely integrated into NCS' tariff files and the ASYCUDA++ system. Once these calculations are done, the assessment function indicates the total amount of duties and taxes due.

- ▶ The **payment** function, unsurprisingly, checks whether payment has been made. Only if this check is positive is the assessment issued.

After assessment of the declaration, the system prints the assessment notice, which the importer then takes—along with Form 'M' and other necessary documents—to the bank that issued its Form 'M' (see Customs Clearance Procedure section). When the bank notifies NCS that the proper payment has been received, a receipt is issued. The payment is then registered in the accounting file, and automatically noted in the declaration file, on ASYCUDA++.

The NCS officer in charge of the file now reviews the declaration path. If all steps have been carried out, he instructs the system to issue the "removal note"—authorising the importer or his agent to take the goods. If the consignment is still undergoing or awaiting inspection, the payment is noted and the removal note can be issued once inspection is completed.

In this connection it should be noted that the payment options that are technically available under ASYCUDA++

greatly exceed those that are actually used at present. In practice, the only form of payment available for traders within Nigeria now is "cash payment" through an authorised bank (a concept which includes transfer of funds from a non-credit account). ASYCUDA++ can support both a pre-payment system and a credit system, but neither in fact operates for a variety of reasons:

- ▶ A **pre-payment** system is not practicable because the Ministry of Finance treat pre-payments as money received, rather than money to be held in reserve, insisting on accounting for all money at all times.
- ▶ As to **credit**, cards are hardly used in Nigeria because of infrastructure issues and nationwide fear of fraud, while the government simply refuses to allow post-clearance payment (except in the limited case of bonded vehicle imports).

Another unexploited capability of ASYCUDA++, incidentally, is collection of payments on behalf non-NCS government agencies within the ports.

The system accumulates overall accounting data broken down into daily and monthly accounts. At the end of each day, the cash paid by the importers is remitted through the Nigerian Inter-Bank System, and the transaction data are provided to NCS. Once in receipt of these figures, the accounting department reconciles all of the data.



ASYCUDA project servers at the Nigeria Customs Service office Abuja

Risk Assessment and Selectivity

ASYCUDA++ also has its part to play in the process of assessing the risks of non-compliance and deciding what intervention is needed in the light of this assessment. Currently the selection of consignments for further documentary or physical examination is a joint responsibility between NCS and private sector Service Providers.

NCS Procedure

There are five tracks, or channels, towards clearance within the selectivity function of ASYCUDA++. These are:

- ▶ **Red:** The consignment has been determined to be at high risk of being non-compliant and must be physically examined by an NCS officer. This requires the unpacking of the container, to enable the NCS officer and other port-based government agencies to search through the container and all of the individual goods within the container. When the inspection occurs representatives of all government agencies with a presence in the port must in theory be in attendance—and frequently are even in practice! The two other agencies most likely to search a consignment are NAFDAC (the National Agency for Food and Drug Administration and Control) and SON (the Standards Organisation of Nigeria)
- ▶ **Light Red:** *Either* due to a determination by the selectivity module *or* through the process of random screening, the consignment must be scanned before being released. The company that produced the Risk Assessment Report is the company that must scan the consignment.
- ▶ **Yellow:** There are issues within the documentation that must be resolved before the cargo can be released. If the inspecting officer is not satisfied by the resultant documentary check, the cargo is redirected to either red or light red for examination. In Nigeria, one of the more common problems that results in cargo being sent to the yellow track is a discrepancy in stated values.
- ▶ **Blue:** This track is reserved for large corporations with an excellent track record of compliance. To be eligible to have its cargo go through the blue track, a company must be on a list submitted by the Manufacturers Association of Nigeria. In this case, control over the import process is exerted by NCS in a post-clearance audit if it deems necessary.
- ▶ **Green:** There is no issue with paperwork or the RAR, and the cargo is to be released without any examination.

The Risk Assessment Report (see “The Service Provider Role”, below) is the first priority in determining what



Image analysis at the Cargo Terminal, Nnamdi Azikiwe International Airport, Abuja

track a consignment is entered into, but there are other parameters set by NCS that factor into the colour assigned.

When going through selectivity, the system first checks for the parameters indicating that a consignment should be sent to red. If those are absent, it checks for light red, then for yellow, then for green. Only if a consignment does not violate any of the parameters may it proceed. The parameters are built using a number of criteria that will send a consignment to examination. These parameters include, but are not limited to:

- ▶ the commodity;
- ▶ the origin of shipment;
- ▶ the manufacturer;
- ▶ parameters defined by national intelligence information requirements; and
- ▶ parameters defined by requests from government agencies, particularly NAFDAC and SON.

From NAFDAC, NCS has a list broken down into three sections, which help determine the selectivity parameters. These are:

- ▶ commodities NAFDAC insists on physically examining itself;
- ▶ commodities which may be scanned; and
- ▶ commodities which may be examined in the physical examination area.

If NAFDAC performs its own examination, a separate set of inspection and lab fees is charged to the importer.

From SON, NCS has a list of all commodities SON wishes to have physically examined. This is also true of other agencies on a lesser scale. And it is important to note that such a request from any single agency means that NCS must send a consignment to examination—even if the RAR, all other parameters and all other agencies indicate no examination. The precedence given to other agencies and their policies requires that items that would normally be cleared by NCS must still move into the red or light red lane, for either physical inspection or scanning, if another agency has requested it.

The Service Provider Role

Under contracts negotiated by the Ministry of Finance, NCS receives Risk Assessment Reports (RARs) from three different Service Providers: Cotecna, SGS, and GlobalScan. Cotecna and SGS are major global scanning and risk management companies, and use their wealth of data on trade statistics and valuations to provide RARs for NCS. RARs are prepared in Nigeria but not automatically generated for each consignment: rather, employees from the Service Providers prepare each report manually.

The companies use their own valuations and classifications to determine the likelihood of an incorrect declaration, whether there is a more generally suspicious issue involved in the consignment, or whether it should be automatically cleared.

Each consignment is given a number between zero and three on the RAR, indicating which track the consignment is designated to:

- ▶ A **zero** (0) indicates that the consignment should be placed within the green track, and that there are no issues with any of the documentation, nor any reason to suspect that any sort of extra clearance is necessary;
- ▶ A **one** (1) indicates that the SP believes it should be sent to the yellow track;
- ▶ A **two** (2) indicates that the consignment should be put within the light red track;
- ▶ A **three** (3) indicates that it should be placed in the red track.

(No number is assigned for the blue track, as that involves companies that are fast-tracked and receive a post-clearance audit, and is not a recommendation that can be made in a RAR.)

Inspections

The Examining Officers

ASYCUDA++ provides for particular declarations to be assigned for examination to particular officers on a random and automatic basis. By doing so it aims to prevent collusion between officers and traders. However, such random assignment is in practice non-existent: officers are often transferred from office to office at very short notice and the system is generally not up to date as to which officers are available, so if an examination is necessary the head of the section in practice always assigns it manually.

This officer assigned is then entered into NICIS. To ensure the highest level of integrity, security, and management, the system limits access to a variety of reports on past and active declarations to specific officers. Such access makes it possible to check who performed specific actions regarding particular consignments and when. The system allows for detailed management reports on the entirety of the declaration process and can be easily archived.



Image analysis at the Cargo Terminal, Nnamdi Azikiwe International Airport, Abuja



Image analysis at the Cargo Terminal, Nnamdi Azikiwe International Airport, Abuja

Inspection Findings

ASYCUDA++ allows for a two-way interaction between the system and the examining officer, allowing the officer to see why a consignment was sent to be examined. Inspections may be re-directed—sent to a lane other than that recommended in the RAR—but this requires the approval of a supervisor. A release note can only be issued after assessment and payment, and is done through ASYCUDA. Amendments can be made to the record only at the formal request of the declarant and with the approval of a supervisor. Changes may not be made at the documentation check or within the local office, but must be carried out at the zonal headquarters.

The results of these inspections are recorded by the system. After the inspection the officer writes a report and, if satisfied, sends the consignment to green as cleared.

Removal of Goods

The imported goods may be released to the designated consignee following authorisation by the **clearance function**. This authorisation involves a verification that all controls have been carried out, that all requirements have been met and that payment has been received.

Internal controls within ASYCUDA++ will not allow premature release. The consignee or his agent, upon receiving notification that the consignment has been cleared, goes to the terminal operator for the release of his goods. It is the responsibility of the terminal operator to check that everything has been paid and that the consignment is in fact in the green track. The release note is then printed and given to the declarant to be used for the removal of goods from their storage area. It is also used to finalise the manifest file.

Since there is insistence on triplication in hard copy, agents often produce forgeries to convince terminal operators that they have received clearance when in fact they have

Box 2

ASYCUDA Appreciated

As will be evident from our step-by-step account, ASYCUDA++ has some pretty useful features. A few capabilities might be mentioned here:

- **On-line help:** Within the program, the system provides on-line help by opening up help windows when users encounter difficulty. This is carried out without the user having to navigate away from the necessary page. It helps users ensure the entry of valid codes, appropriate commodity codes, and compliance with NCS regulations, as well as providing text on specific regulations.
- **DTI:** In an attempt to increase transparency, Direct Trader Input (DTI) was introduced in 2008. To deal with issues of Internet connectivity, DTI cafés were created around Nigeria's ports. These are open areas with access to the system to enable traders to make a declaration. The procedure for DTI input is as follows. Importers are given a number that enables them to log in to the system and access a document whose 56 fields they must then fill out, entering the details first of the manifest and then of the SGD. By doing so, the traders can call up the CPC or CPCs for the goods in question, assess the amount owing, pay that amount, and then receive validation. This requires two distinct phases of DTI: first the manifest must be entered and then the SGD. Once validation is received, it triggers the selectivity function within ASYCUDA++, determining the Customs lane to which the consignment is allocated.
- **Tariff and Tables:** ASYCUDA++ has Nigeria's Customs Tariff and Tables built into it, integrating all the necessary information including country-specific commodity codes and tariffs. Hence, all calculations are fully automated, which eases the burden on NCS staff considerably. *Two desiderata should be mentioned, however.* First, as the philosophy of ASYCUDA++ is one of accessibility, it is recommended that copies of tariffs be available at all offices for consultation during the process of declaration, so that declarants can check these automatic calculations as they wish. Second, some work remains to be done on the HS commodity code: the Nigerian tariff is still not detailed enough to take advantage of certain distinctions captured by the HS system.
- **Trade statistics and management information:** Finally, the ASYCUDA++ system allows for data compilation, data extraction, and data security. Data is compiled at all levels throughout NCS offices, and is used to further the organisation's goal of providing reliable and accurate statistics on revenue, on foreign trade, and on performance and strategic management within NCS itself.

not. All terminal operators' warehouses are bonded and, therefore, terminal operators are responsible for paying duty on the goods to NCS on any consignments that have been prematurely released.

Trade World Manager (TWM)

ASYCUDA++, as previously discussed, is a system developed by UNCTAD. NCS hired Webb Fontaine to oversee the implementation, rollout, and development of the system, as well as the creation of the country-specific features. These features, which were developed as modular add-ons, are collectively called Trade World Manager (TWM).

ASYCUDA++, in combination with TWM, forms NICIS (the Nigerian Integrated Customs Information System). It is through the use of this system that Nigeria and NCS are moving towards an e-trade system.

TWM's modular add-ons aim at increased efficiency, transparency and trade facilitation. Those incorporated into the NICIS system so far include modules for:

- ▶ e-Manifest;
- ▶ e-Payment;
- ▶ an electronic Form "M" (see next section);
- ▶ Risk Assessment Reports (RARs); and
- ▶ Passenger declaration.

The ongoing NICIS development programme will result in the addition of an excise system, an e-currency form, an inward transit module, and a biometric module.

Form 'M' and RAR

Form 'M' is a pre-clearance document that is not specific to NICIS, but pre-dates the introduction of ASYCUDA++. It is part of the Nigeria Pre-shipment Inspection Program that is required by the Central Bank of Nigeria (CBN) for all importers. The form is unique to Nigeria, and thus the inclusion of an electronic Form 'M' within the system was essential. The new system includes such a form, reducing delays between the CBN, NCS, the Agent and the Service Providers.

After the scanning company has prepared the RAR, it submits it along with the Form 'M' to NCS and it is automatically entered into the system. This is supposed to be done before the arrival of the vessel. When the importing agent electronically submits the Single Goods Declaration (SGD), during the declaration stage, he must reference the Form 'M' and RAR numbers, allowing the system to do the necessary comparisons.

Other possible developments

One of the great potential benefits of NICIS is its ability to interface with other government agencies and private stakeholders. An irony of NCS' position in the forefront of public sector automation in Nigeria, however, is that



Cargo Terminal of Nnamdi Azikiwe International Airport, Abuja

many agencies are not ready to integrate their systems with NICIS as they are still working on automating them.

Nevertheless, many agencies are working towards upgrading their systems in ways conducive to eventual creation of a fully integrated e-trade platform. For instance, the Federal Inland Revenue Service (FIRS) is in the midst of a campaign requiring traders to register electronically for a tax PIN (Personal Identification Number), which will allow NCS and FIRS to share information automatically: in future, when this PIN is entered into the SGD on ASYCUDA++, the relevant information will be shared with FIRS.

Other developments currently under consideration or being implemented on a pilot basis are:

- ▶ An **excise system** that is being piloted by NCS with tobacco and breweries located within Nigeria;
- ▶ An **electronic currency form** that is being instituted by NCS;
- ▶ The introduction of **data mining** across national databases; and
- ▶ Institution of an **inward transit** system.

An “inward transit” system is one that involves movement of cargo from a seaport or border crossing to an inland container depot, with clearance taking place *at the latter*. In ICT terms this requires mechanisms for both tracking the cargo and authorising its movement without releasing it. NCS is at present implementing two pilot programs for such a system—involving transit, respectively, from Apapa to Ibadan and from Seme to Badagry. Development of an inward transit system has the declared support of many high-ranking NCS officers, as well as private stakeholders, since it has obvious advantages. It would:

- ▶ provide better control on existing inland warehouses (and potential new ones); and
- ▶ make it easier for goods to be moved inland prior to full clearance, thus greatly reducing congestion in the ports and borders and improving efficiency.

A key problem, however, is that the success of an inward transit system depends crucially on the condition of the roads—a variable which is not within the purview of NCS.



NCS ASYCUDA Officers

7.3: Moving Forward

The Potential

The potential for future benefits from ASYCUDA++ and TWM is clear. With the increased automation introduced by NICIS has come the potential for greatly increased use of risk management and a greatly reduced need for physical examination of goods—even if only a fraction of that potential has been realised so far. And there is certainly potential for streamlining clearance even further by separating the payment of duties and taxes from physical clearance (for instance by a deferred payment scheme or by weekly or monthly payment coupled with a post-clearance audit).

The indirect benefits that could result from a proper application of the system are also enormous. Increased reliance on automation will lead to better and faster economic decision-making, an optimisation of available HR resources, and an easy aggregation of data at an international level. It will also lead to Increasing revenue from other sources such as income, corporate and consumption taxes, since ASYCUDA++ data on what has been imported and who has imported it can be cross-referenced and referred to by the agencies responsible for collecting such taxes.

ASYCUDA++ also has potential because it has both the functionality and the sophistication to be used in Customs transit. Such use will both improve the clearance process and facilitate regional trade using Nigeria as a hub. Nigeria is a major entry point for goods in transit to other countries—the Jibiya corridor to Niger is a prime example of this. The system has a function to facilitate such trade and transit. It includes forgery-

The Problems

Meanwhile, there is still some way to go in rolling out the system fully. ASYCUDA++ has been installed down to all of the headquarters and major regional stations within Nigeria. But there are numerous border posts in which the system has yet to be installed, largely because the necessary electricity supply and communications infrastructure is lacking. This is a serious problem. Not only does it mean that all work in these border posts has to be done manually. The effectiveness of the system as a whole is also reduced if some posts are not operating on it. It is critical that these border posts should come on-line in the not too distant future. However, NCS has recognised the importance of making sure that all Customs offices are connected and, in conjunction with Webb Fontaine, is taking steps to provide connectivity to even the most remote locations.



proof electronic documents, electronic signature, and registration of all transactions. The re-entry of data is not required for the carriers or at border crossings. This allows for the complete integration of national transit procedures into the NCS clearance process.

Another major concern for NCS is a non-compliance by stakeholders which slows down ASYCUDA++ systems. This problem manifests itself in a number of ways and for a number of reasons:

- First, data is not always inputted properly. This is sometimes just a matter of honest mistake on the part of importers or shipping lines. But it can also be deliberate, in the case of certain agents: declaring two different values on various documents is often used as a way of triggering physical inspections and avoiding scans. This is done for two reasons. One is that irregularities are far more likely to be picked up by scanning—which detects every object, “sees” inside every object, and can discern properties like density. The other is that physical inspection allows for human interaction and thus makes “persuasion” easier.

- ▶ Second, there is currently little positive incentive for compliance, because compliance now does not make for an easier time in future. In *ICT* terms, NICIS is not currently dynamic enough to recognise a history of compliance or non-compliance. And in *terms of institutional practice*, NCS' own "default setting" appears to be an assumption of non-compliance. On both

grounds, you'll be flagged in future whether or not you're found to be non-compliant now. So there is no reason *not* to try to under-declare.

- ▶ Third, the fine for intentional non-compliance is only ₦600—around US\$4! So the cost of being caught is not high enough to deter dishonest brokers.

Improvements in Prospect

NCS officers have acknowledged the tremendous improvement that has occurred with the installation of NICIS. But they also point to the need to make specific improvements in the system.

One improvement needed concerns the impossibility of merging overlapping fields in the current system. For instance, if a firm is importing several different consignments, it must enter its business name and address anew for each consignment. Often, names or addresses are entered incorrectly—a tendency reinforced by NCS officers' frequent failure to enforce proper usage. In this case, it is difficult to "clean up" the system—with multiple names or addresses for the same firm remaining on file without any automatic correction mechanism—and impossible to create a comprehensive view of the firm in question.

Another concerns a certain inflexibility of the system as to where payment can be made. Given the nature of shipping and the close proximity of ports in the Lagos area, ships are often re-routed to nearby ports. If the goods arrive at a port different from the one originally listed on the documentation submitted, they cannot be paid for there, but only at the original destination. Payment, that is, must be made to a specific NCS office. This is remediable, not an inherent feature of ASYCUDA++. Technically, at present only the NCS office in the port for which the goods were destined can access the relevant declaration within NICIS. And this technical decision

also reflects organisational factors: revenue targets are given to specific ports, not to entire Zones—which also increases competition between ports, hampering the trade facilitation process. But a technical adjustment could quite easily solve the problem.

This access limitation is also a potential problem for another reason. If a consignment re-routed between ports is "yellow-tracked" by NICIS selectivity, the NCS field officers doing the resultant documentary check cannot modify the information from their own office. If they discover an issue, it must be referred to the Zonal office, where it will be corrected manually.

A final problem is that, when the upgrade to ASYCUDA++ was made in 2008-2009, the history of previous transactions was not transferred. This has meant that it is difficult to distinguish between frequent importers with a history of compliance and others whose record might warrant more suspicion—and a closer examination of their documents and container. This lack of accumulated history prevents more informed decisions in RARs, which in turn hinders trade facilitation efforts. Again, the problem is not insoluble. It will be gradually diminished automatically as history from the "ASYCUDA++ era" accumulates. But even pre-ASYCUDA++ history is not entirely inaccessible: Webb Fontaine is technically capable of installing a new module that will allow its addition. It is a matter of policy whether this in fact happens.

Technical Infrastructure

Full use of ICT is a necessary component of any Customs modernisation strategy. This is true not just of the clearance process, but also of administrative details. With the work carried out with ASYCUDA++, TWM and the associated LAN and WAN developments, NCS has moved a considerable way forward in achieving this goal. There is currently enough bandwidth, and more importantly the system is backed up to ensure that data is secure and future development can continue.

For a fully automated approach to be finalised, however, it will be necessary to:

- ▶ Eliminate the duplication of the automated processes by manual ones;
- ▶ Increase the number of computers available within NCS;
- ▶ Ensure high-ranking officers and managers have real-time access to management information;
- ▶ Provide a secure power supply;
- ▶ Acquire a reliable radio communications system;
- ▶ Develop a proposal for the use of CCTV, licence-plate readers and other surveillance equipment.

7.4: ICT and Scanning

Aside from NICIS and the associated hardware, the other main element in the ICT “arsenal” of the Nigerian Customs system is scanning. The use of X-ray scanning to examine consignments—for instance, to determine what is in a given container—is a key element in modern Customs

practice and, given modern scanning technology, a highly effective method, generally superior to physical inspection. And yet, for a variety of reasons, its potential is far from fully realised in the Nigerian Customs process.

Current Operations

Under the NCS’ overall contracts with Cotecna, Global Scan and SGS there is a BOOT (“build, own, operate and transfer”) contract with each company for the provision of fixed and mobile scanning services on behalf of NCS. Scanning equipment operated by Service Provider staff, with an NCS Officer present, is currently provided at all major ports and frontier posts. The contracts commenced in 2006 and are due to end in January 2012 with ownership and operations then transferring to the NCS (see comments below)

The scanners currently use X-ray technology and, during scanning, provide high-resolution images giving a clear picture of what is in the container. With the current software, it is possible for the scanning technicians to determine when liquids or solids of different densities are mixed together, thus indicating a need for physical examination.

As the scanning of a container occurs, an NCS officer is present to watch over the scan. The officers have received rigorous training and, with the input of the technician, make a decision as to whether or not the container may be cleared. Unfortunately, the report of the scan is not then passed on into NICIS: the only information inputted is what decision the NCS officer made. This robs the system of a more nuanced look at what actually took place. Furthermore, the scanning companies do not share the images of the scans with each other, for proprietary reasons: the images are saved not as JPGs or in any other common format, but in formats exclusive to each company. Nor have SPs expressed any desire to share images. Should any scanning contracts be negotiated in future, top priority must be given to avoiding such anomalies in them.



Mobile cargo scanning equipment

Improving Scanning Operations

Several improvements might be suggested if scanning is to assume its proper place in Nigerian Customs practice. These concern training, physical infrastructure and the position of the Service Providers that, at present, furnish Risk Assessment Reports as well as running scanning operations.

Trained NCS Officers

There is currently no NCS department responsible for the scanning machines, nor any personnel trained in their maintenance. This will be a serious issue when NCS takes over responsibility for the machines in 2012. NCS *must* begin training officers and staff immediately to ensure they have both the knowledge necessary and the opportunity to practice the maintenance skills whilst the Service Providers remain in support. Moreover, it must be sure to retain them in relevant positions once they are trained.

Improved Physical Infrastructure

Increased effectiveness of scanning operations also requires certain improvements in physical infrastructure to facilitate use of scanners. These are:

- ▶ Provision of more space for the examination area;
- ▶ Establishment of a proper inspection area for those containers determined by scanning to be in need of physical examination; and
- ▶ A more reliable power supply.

Scanning Companies and RARs

There are also issues in the relationship between the scanning companies and NCS which are not simple procedural matters, but stem from commercial firms' need for both profit and repeat business to survive. This is a global problem, in particular with BOOT contracts. Commercially it is in the interest of the service provider to highlight shortcomings in the local Customs' ability to operate systems and procedures effectively. In Nigeria, it is hard to avoid the conclusion that, given SPs' vested interest in remaining in the country's ports and border entry points, at least some of their work is skewed towards making NCS look bad. For example:

- ▶ The scanning companies are given the government's list of banned import items and of items requiring physical inspection. They know that the NCS is required by law to inspect the latter class of goods physically. And yet, in issuing RARs, the SPs often send consignments containing such goods to scanning, knowing that, legally, NCS must ignore the recommendation. This allows the scanning companies to turn around and say that NCS does not want change, does not want to facilitate trade, and prefers physical examination.



Cargo scanning at the Cargo Terminal, Murtala Muhammed Intl. Airport, Lagos

- ▶ Under the current SP contracts, the company that produces the RAR for a given container—in advance of its arrival—is the only SP entitled to do the actual scanning. If the container is re-routed to a different port where scanning is operated by a different SP, it therefore cannot be scanned, and thus must be physically inspected.
- ▶ Also, because dubious importers are aware that contraband is more likely to be discovered through scanning than through physical inspection, they often purposely submit information that will cause the RAR to send them to physical inspection rather than scanning.

Furthermore, the contracts signed with the SPs generally either lack detailed criteria on which actual performance can be measured, or else set targets that favour the SPs rather than NCS or traders—a problem highlighted in previous studies by the WCO and USAID. For instance, SPs have five days to produce a RAR from receipt of information, a period of delay in processing that would not be acceptable in any modern Customs or border management organisation. The problem should resolve itself at the end of the contract, but if any extension or new contract is proposed then it is strongly recommended that Nigeria engage a BOOT contract expert to represent it in negotiations and ensure that acceptable clauses are included.

7.5: Single Window and Co-ordinated Border Management

This chapter ends with consideration of two concepts in modern Customs practice that are closely connected with ICT development and with the potential for Customs

efficiency and trade facilitation that modern ICT creates. These are the “Single Window” and CBM—Co-ordinated Border Management.

Single Window

A Single-Window system is defined by the World Customs Organization as: “A cross-border, ‘intelligent’ facility that allows parties involved in trade and transport to lodge standardised information, mainly electronic, with a single entry point to fulfil all import, export and transit related regulatory requirements.”

The practical goal of Single Window is to expedite and simplify the flow of information between traders and government, in a way that results in significant gains for all parties. A Single-Window system is generally organised and led by a single agency, on the basis of a border-management strategy developed jointly between appropriate authorities and agencies. It enables the relevant authorities and agencies to have access to all information for their purposes.

Customs administrations are often regarded as the natural leaders of Single-Window developments, since they are usually the largest and most broadly aware of the relevant agencies, thanks to their responsibilities for revenue, social protection, trade management, information and facilitation of business activities. This does not mean that a Single-Window system must necessarily be owned or run by Customs. But it does mean that Customs must be at least a key stakeholder in such an effort.

Single Window: the Benefits

Technically speaking, Single Window does not have to mean the implementation and utilisation of advanced ICT. But the use of such technology greatly improves the capabilities of a Single Window system. And since high-level ICT is already in place in Nigeria, implementation of a Single Window system would in this particular case involve the adaptation of such ICT.

There are numerous benefits to a Single-Window system, both for the government and for the private actors (see Box 3 for the case of Ghana). For the government, the employment of a Single-Window system means there is a more effective and efficient deployment of resources, as well as a correct (and usually increased) revenue yield. Besides the financial benefits to the government, the Single-Window concept also leads to an increase in trader compliance, enhanced national security, and an increase in the integrity and transparency of the systems.

For the private sector, the Single Window will lead to a faster clearance and release of goods, which in turn leads to a decrease in costs of importation by reducing delays. Single Window will also produce a better business environment by yielding a predictable application and explanation of rules, a more effective and efficient deployment of resources, and increased transparency.

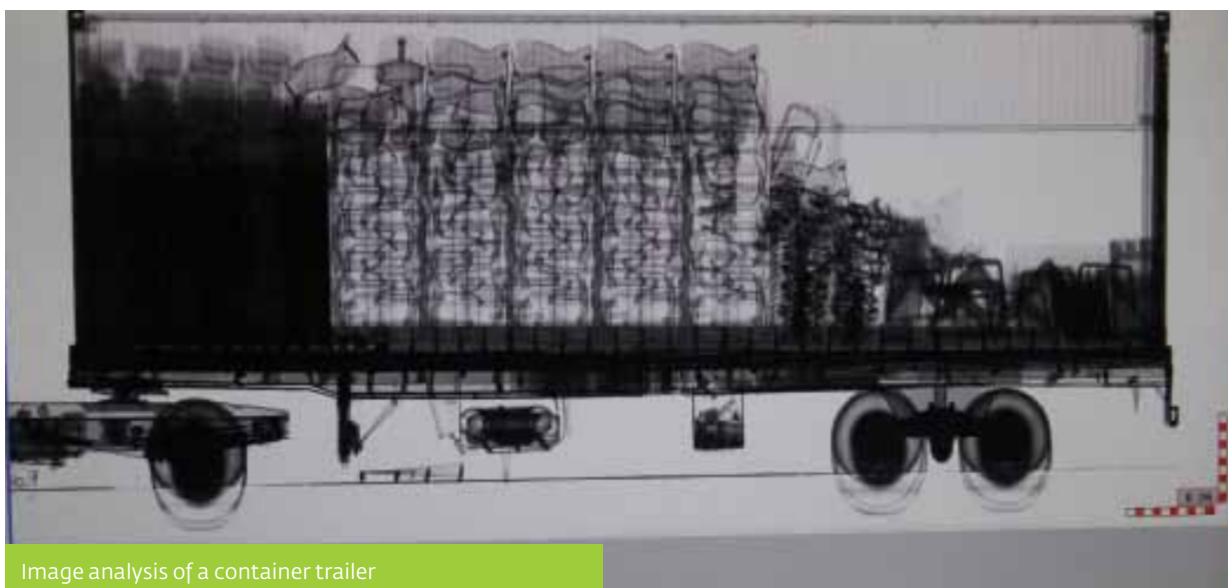


Image analysis of a container trailer

Box 3

Ghana's Single-Window System

Ghana is an excellent example of how the introduction of modern ICT to Customs procedures and processes can dramatically improve a Customs regime's capabilities. Even without a comprehensive reform effort, Ghana was able to make tremendous strides in both revenue collection and cargo clearance simply by introducing a Single Window platform.

In the late 1990s, unsatisfied with the lack of FDI following trade liberalisation measures, Ghana launched a new export promotion strategy. At its centre were operational changes implemented by Ghanaian Customs, but it was spearheaded by the Ministry of Trade and Industry (MTI). Using a platform called TradeNet, MTI created a community-based EDI trader system which, when combined with a Customs Management software (GCMS), became Ghana Community Network (GCNET). A public-private partnership was created to implement the change to a Single Window system, operating initially under a service contract.

It took almost four years to implement GCNET in Ghana's ports, but costs were more manageable than initially expected, while performance successes far exceeded expectations. GCNET's first production process took place just two years after the decision to implement GCNET, with the first live declaration processed in November 2002. Within the next year 95% of sites (border posts, airports and seaports) had implemented GCNET, with the remaining 5% doing so in the following year. Once in place, GCNET's Single Window provided access to necessary documents for all the relevant stakeholders—notably shipping lines, Ghana Ports and Harbours Authority, the national Shipping Council, the country's Customs, and the Ministry of Finance.

The results were dramatic:

- ▶ By 2004, average clearance times at Kotoka International Airport (KIA) had dropped from three days to four hours, while most Customs document reviews, which had taken up to 24 hours before GCNET, were taking just minutes.
- ▶ At the port of Tema, clearance times have been reduced from a week on average to days: 14% of goods are cleared on the

same day, 30% take one or two days, and 45% three to five days, while only 11% of goods (usually problematic cargo) take over five days.

- ▶ The review of Customs documents nowadays takes 15 minutes—instead of 24 hours before GCNET—while bank payments now take only 10 minutes.
- ▶ In 2005, GCNET processed 100% of roughly 6,000 manifests handled by Ghanaian Customs and 350,000 Customs declarations, or 98% of the total (the other 2% being accounted for by small or remote land border-posts).

As of end-2010, Ghana's Single Window system handles over one million Customs transactions a year while connecting over 800 users throughout the country. Those users include 700 clearing agents, 55 shipping lines, and 28 government ministries and agencies. The system increased government revenue from Customs by 50% in 2004, GCNET's first year of operation, compared with 2003, while growth has averaged 23% in the following years. GCNET has also allowed implementation of a transit tracking system that allows the tracking of transit consignments in near-real time. This allows Customs to monitor transit to ensure full compliance.

For traders, the Single-Window system has led to faster clearance times, increased transparency and predictability in the clearance process, and less bureaucracy. Ghanaian Customs has benefited in various ways: working conditions have improved thanks to the infrastructure upgrades that were required by the system's introduction; professionalism has been enhanced by GCNET's introduction; and of course Customs revenue has increased.

One key factor in GCNET's continued success is that the system is constantly reviewed and updated to improve the service. GCNET was customised and deployed in stages, starting with a pilot program. Customs officials were trained over 12 months, using the "train-the-trainer" method. And other users were given free week-long workshops over a period of 18 months, with each workshop targeting a specific stakeholder group.

Single Window: the Types

There are three basic variants of the Single Window system: the Single Authority model, the Single Automated System model and the Automated Information Transaction System model. All of them concern the receipt, distribution, use, and archival of all data related to international trade. The differences lie in how, precisely, this is done:

- ▶ In the **Single Authority** model, one designated agency receives information—either on paper or electronically—and distributes that information to all relevant government authorities, at the same time co-ordinating procedures and processes to ensure a smooth flow of trade without any unnecessary interference or obstacles. A prime example of this occurs in Sweden, where the national Customs Service performs this function on behalf of various government agencies, in a system known as the Virtual Customs Office.

- ▶ In the **Single Automated System** model, traders submit data electronically once on the system and that data is sent automatically to the relevant government agencies. There are three ways of setting up the Single Automated System. In an **integrated** system, the data is processed centrally, not just classified for forwarding. In an **interfaced** system, by contrast, processing is decentralised: data is just sent to the relevant agency, which does the processing itself. In a **mixed** system, finally, there is a combination of the integrated and interfaced principles according to the needs of the particular country. An example of the Single Automated System is the one operating in the USA, under the auspices of the US Customs and Border Protection Agency, which uses the integrated system variant.
- ▶ An **Automated Information Transaction System**, finally, is one that allows traders to submit all information electronically to every relevant party individually if they wish, but also allows for that same

information to be processed, and approval received, in a single application. In this system, the trader receives electronic governmental approval directly on his own computer. One example of this system's use in international practice is Singapore's TradeNet, which is used to calculate all applicable fees, taxes and duties and deduct them from the traders' bank accounts, all automatically. The Singapore system necessitates the use of pre-identification and verification of all identities for every relevant transaction.

Each of these has its distinctive features, strengths and weaknesses that determine appropriateness in the context of a particular country.

For instance, the Automated Information Transaction System allows (at least theoretically) for instantaneous payment, which is in itself very positive. But this would require increased network security—perhaps to an extent that is beyond Nigeria's current capabilities. Such a system, and the network security demanded by it, would also probably require extremely heavy investments and it is not clear that these would be feasible or justified by the resultant gains, at least in the short-to-medium term.

The Single Authority model might be thought helpful for three reasons. First, it allows for paper submission, which would be good for poorer SME-type traders who may not have regular access to the internet or be able to afford the associated fees. Second, it reduces the number of agencies jockeying for position—often a serious obstacle to progress in implementing ICT schemes. Third, by setting up what is in effect a “one-stop shop”, it would reduce the number of documents that need to go to various places and would streamline procedures in the ports. But there are drawbacks too. For one thing, there might be political objections to putting too much power in the hands of one institution. For another, the “paper submission” argument has two sides to it: some would say that, in Nigeria's case, the system involves too much paper and too much reliance on duplication of automated processes by paper ones.

In conclusion, one thing should be stressed. Putting a Single Window system in place is no easy matter, and a variety of preconditions and choices are needed if the exercise is to succeed (see Box 4). Nigerian decision-makers would do well to bear these in mind if they decide to adopt this promising option.



ASYCUDA IT infrastructure at the Nigeria Customs Service Office, Murtala Muhammed Airport Command, Ikeja, Lagos

Window of Opportunity

With Single Window systems set up in a variety of countries across the world, there has been a good deal of thought on what is needed to implement an effective system successfully. Experts at UNCTAD and the UN have identified a number of conditions. Here's a summary of their conclusions:

- ▶ **Political will:** Single Window won't happen unless people really *want* it to happen. That means both government and the private sector. Both will benefit from Single Window. But both need to be unwaveringly committed to it.
- ▶ **A strong Lead Agency:** There must also be an organisation that has *responsibility* for making Single Window happen. This must be a strong organization with vision, legal authority, political support, financial and human resources, links to the business community, and the ability to work with other key stakeholders. And within that organisation, there must be an individual to take responsibility for the project and promote it. What the appropriate organisation is will vary from country to country. Usually it's the Customs Service—given its unique position at the borders. But not always. Indeed, sometimes it may not be a government agency at all: Mauritius successfully used a public-private partnership (PPP) to establish its Single Window.
- ▶ **Partnership between government and trade:** As Single Window is used by both the public and private sector, it makes sense for the two sectors to work in partnership in its development, implementation, and operation. Representatives from all relevant stakeholders must participate in its development from the very beginning. This participation and partnership in the management of the project must be spelled out in legal documents, whether these are Memoranda of Understanding or Service Agreements.
- ▶ **Clear project boundaries and objectives:** There's no "one size fits all" solution in Single Window. So the project must be preceded by a careful and in-depth analysis of the needs, desires, and resources of all relevant stakeholders. It must also take into account the current infrastructure and system of data submission and distribution. Finally, the project must be considered within the context of trade facilitation efforts.
- ▶ **User-friendliness and accessibility:** The ability of all stakeholders to use the Single Window system is critical for its long-term success. Its design must keep in mind the country's ICT capacity—not just that of the government, but also that of private stakeholders. It should be developed with *both* the short *and* the long term in mind, allowing for maximum utility right from the moment it is launched, but also allowing for the fact that ICT capabilities and infrastructure will expand dramatically over time. Straightforward and easily understood user instructions and guidelines should be established. And a Help Desk and support services should be developed, as well as user training.
- ▶ **A legally enabling environment:** The necessary legal framework must be established. One important feature is a *legal requirement* for firms and other actors to implement the system and use it properly. Another is legislation to facilitate electronic data submission and especially the exchange of information between relevant authorities. Yet another is a clear and legally defined structure determining what powers are delegated to what agencies.
- ▶ **International standards and recommendations:** A Single Window system requires the harmonisation of relevant documents and data in accordance with international standards—vital if the system is to facilitate trade.
- ▶ **Effective training and development of staff:** Since all staff will be working with Single Window, all must receive the training needed for such work. But specialists will also need to be trained, especially for ICT functions and maintenance. This is top priority. Single Window just won't work unless both types of training are in place.
- ▶ **Identification of possible obstacles:** Change is never universally welcome. And change to a Single Window system is no exception. There will be opponents, on financial, legal and design grounds. There will also be those who don't openly oppose the system but, for their own reasons, fail to comply with it once it is in place. The trick is to identify and anticipate concerns, so that they can be properly considered and evaluated in the context of local needs. Properly done, this can make for a *better* system, an inclusive Single Window that meets the needs of all its diverse users. One especially important issue will be cost, which will require the balancing of current concerns with the long-term benefits of a properly planned and executed system.
- ▶ **Financial model:** More than one financial model is possible. Single Window can be government funded, privately funded, sustainably self-financing, or achieved through PPP. What's important is that there should be a clear decision on this and that it should be taken as soon as possible. A clear financial model helps to build stakeholder support.
- ▶ **Payment possibility:** It is also important to be clear at the beginning how ambitious a Single Window system is to be in respect of the payments that can be carried out through it. Single Window can be set up in such a way as to allow for payment of all government fees and charges. This is enormously helpful in facilitating trade, and is especially important when the system is used to generate revenue. However, it needs to be recognised that this option increases the time and money that need to be allocated to the project, because of harmonisation and security requirements. So a clear decision is needed whether this additional cost should be absorbed.
- ▶ **Promotion and marketing:** A Single Window system doesn't just need to be put in place. It needs to be "sold" to stakeholders. A promotion and marketing campaign is critical for a number of reasons—to gain support for the project, to ensure feedback from future users, and to provide information on what exactly it will mean for the trading community. By stressing the beneficial change Single Window will bring to stakeholders, such a campaign helps foster support while also allowing actors to make plans for when the system is in place. A clear implementation timetable is also important in this respect, as it helps market the plan and allows for better planning by users.
- ▶ **Communications strategy:** A final "must" for successful implementation of a Single Window system is constant communication between all relevant stakeholders. Everyone must be informed and updated on goals, objectives, targets, progress—and setbacks. This leads to a better working relationship through trust and co-operation, while avoiding misunderstanding. In communicating with stakeholders, it is critical to manage expectations properly, not creating unrealistic ideas about how much can be achieved how soon. At the same time, one very important way of communicating is to deliver something: offering simple and pragmatic solutions will generate much goodwill among stakeholders—and help overcome the obstacles that the process is bound to encounter.

Co-ordinated Border Management

Co-ordinated Border Management (CBM) is related to the Single-Window concept—and, indeed each works best in conjunction with the other—but differs from it conceptually in important ways. CBM is a co-ordinated approach by different border control agencies, in the context of seeking greater efficiencies in managing trade and travel flows while maintaining a balance with compliance requirements. Or, as the Global Facilitation Partnership for Transportation and Trade puts it, CBM is “the organization and supervision of border agency activities to meet the common challenge of facilitating the movement of legitimate people and goods while maintaining secure borders and meeting national legal requirements.”

There are two distinct aspects to CBM:

- ▶ **Domestic**—co-ordination within and between government agencies belonging to the same country; and
- ▶ **International**—co-ordination between different countries and the agencies of their respective governments.

As to the forms that CBM can take, these vary greatly in both character and elaborateness. They include:

- ▶ Cross-training of officers from different agencies in multi-functional skills;
- ▶ Common ICT systems for different agencies;
- ▶ Common ICT systems for neighbouring states;
- ▶ Sharing of information and intelligence between agencies or countries;
- ▶ Collaborative efforts in border areas;
- ▶ Representation of several agencies at the border by one agency;
- ▶ Full integration of a country's border services under one department or agency; and
- ▶ Operation of a single border post by two neighbouring countries (the One-Stop Border Post—see below).

Among **domestic** forms of CBM, the New Zealand model of border co-operation and collaboration is worth noting. This involved creation of the Border Sector Governance Group (BSCG). This includes three agencies with 'border control authority' powers (Customs, Forestry, and Agriculture), and three other agencies with interests in the border—the Ministry of Transport, the Department of Internal Affairs, and the New Zealand Food Safety Authority. This device has helped ensure harmonisation

of standards throughout the country and simplified processes at the border.

Among **international** forms, the One-Stop Border Post is the most obvious example. As the name implies, this is a post on a border between two neighbouring countries that necessitates only one stop for exit and entry through that border. Such a border post can be operated either jointly or by one country acting not only for itself but on behalf of its neighbour. An outstanding example is the border arrangement between Sweden and its neighbours Norway and Finland (see Box 5). As this Nordic instance shows, enormous benefits can result. It should, however, be noted that the operation of such a scheme requires:

- ▶ Co-operation in the post's daily management;
- ▶ The harmonisation of the documentation requested;
- ▶ The development of a legal framework for mutual recognition of controls and the exchange of data;
- ▶ Joint maintenance of infrastructure; and
- ▶ The joint use of non-intrusive inspection equipment.

Nigeria has made a little progress towards domestic CBM: co-ordinated physical inspections by various government agencies represent at least a first step in that direction. No obvious moves have been made towards international CBM, however. And, in addition to the requirements listed above, there is also a linguistic barrier to the co-operation that would be needed in this case: Nigeria's official language is English, while its neighbours are Francophone. This said, one very obvious candidate for a One-Stop Border Post exists: the Seme border post is operated by Nigeria on the territory of Benin and in connected buildings.

Progress in CBM would, however, be highly desirable, for it offers a number of benefits to governments, traders and travellers. Thus:

- ▶ The reduction of contradictions and redundancies between agencies at the borders would yield a more effective service;
- ▶ The consolidation and co-ordination enabled by CBM would permit the government to take a more comprehensive approach to strategic management;
- ▶ CBM would bring about fiscal savings through economies of scale in common development and use of ICT systems, cross-training and pooling of resources;
- ▶ A CBM approach would both facilitate and force the sharing of information and intelligence between agencies, allowing more efficient risk management

and thus more efficient delivery of the various services provided by the border agencies;

- Increased government efficiency at the border would result in fewer interventions and, through a joint risk management approach, interventions that are more focused and targeted at high-risk shipments and passengers. Fewer physical interventions, in turn, would mean less time spent at the border—and therefore decreased transport costs and waiting time—and less money needed for infrastructure, since the examination areas, bays, and parking lots needed for inspections would be less numerous and less extensive.

In short, as with Single Window, the potential for CBM is huge but its realisation will take some time and much effort. And, as with Customs procedure generally, realising that potential will, in large measure, amount to realising benefits for Nigerian Customs and the Nigerian economy that are already quite feasible on the basis of existing technologies.

Box 5

The Nordic Countries—One Stop Wonder

Sweden uses *both* a Single-Window system *and* Co-ordinated Border Management (CBM) in its effort to facilitate trade. The CBM takes the form of the **one-stop border post** it operates in conjunction with neighbouring countries Finland and Norway.

The one-stop border post is a type of CBM that is underused, internationally, considering its potential for fiscal and human resource efficiency. Its essence is that the border agencies of a particular country are permitted to provide services, and act as a legal authority, on behalf not only of their own country, but also of neighbouring states. This means that all checks and procedures are carried out in a single spot, and not duplicated on both sides of the border. That in turn means it is not necessary to establish offices or deploy officers on both sides of the border. Which saves a lot of money.

In the Nordic case, for instance, along the Swedish-Norwegian border, Swedish Customs is authorised to enforce not only its own, but also Norwegian, Customs regulations. As long ago as 1995, when a study calculated the costs associated with double posts as opposed to those of the one-stop border, it turned out that extraordinary savings were being realised. If Norway were not engaged in this form of CBM, it emerged:

- Ten new Customs offices would need to be opened on the Norwegian side;
- At least 100 more officers would have to be employed by the Norwegian Customs;
- As a result, considerable additional costs would result for the Norwegian Customs for new buildings and extra salaries, including one-time costs of around US\$8 million and annual expenditures of another US\$8 million;
- The additional costs for traders and other private stakeholders, arising from longer waiting times and duplication of processes, would be US\$40 million a year.



Image and document analysis





Inspecting cargo and documents at the Nnamdi Azikiwe International Airport, Abuja



Chapter 8: Enforcement, Investigation, Inspection, and Intelligence

This chapter discusses the enforcement, investigation, inspection and intelligence functions in NCS. After an account of the Service's Enforcement, Investigation, and Inspection Department, it notes the achievements of the recently established Presidential Task Force for 100% Inspection. It goes on to explore the reasons for the delays that result from physical inspection and scanning. These are widely blamed on NCS, but it is argued that the blame mostly lies elsewhere and that automation within NCS has contributed to reduction of delays. The chapter ends with a discussion of the work of the Service's Customs Intelligence Unit.

Chapter 8: Enforcement, Investigation, Inspection, and Intelligence

Since Abdullahi Dikko Inde took over as the Comptroller-General of NCS in August 2009, the Service has moved forward impressively. Not least in respect of its Enforcement, Investigation, and Inspection Department, whose strategies, capacities and performance have been enhanced both by means of new cutting-edge information technologies and by the CG's measures to bolster officers' morale and capabilities.

While a consignment is still en route, today's NCS officers are already studying its electronic manifest (e-Manifest), processing ASYCUDA++ Single Goods Declarations (SGDs), tabulating electronic payments (e-payments), and readying some of the African continent's most advanced X-ray scanners to reveal even the best-hidden contraband within it. Officers have been dispatched world-wide to study the best practices of colleagues from Canada to China, from the United States to the United Arab Emirates. And the Service has put into effect studies and strategies from the World Customs Organization (WCO), America's USAID, Britain's DFID and the World Bank.

Hardly less significant is the process of enlisting the business community itself as an ally. Risk-management



Inspecting cargo and documents at the Nnamdi Azikiwe International Airport, Abuja

systems and powerful technologies coupled with close working relationships enable officers to distinguish the undoubtedly law-abiding from the suspect. The implementation of the WCO's SAFE Framework—the Framework of Standards to Secure and Facilitate Global Trade—and the professionalisation of stakeholders are ushering in a full Authorised Economic Operator (AEO) model of relationship-based assessment (obviously, in a variant appropriate to the trading conditions prevailing in Nigeria). Aside from the AEO model, the full implementation of the SAFE Framework would involve:

- ▶ Intelligence and Full Risk-Management procedures;
- ▶ Implementation of a Single-Window system for the borders; and
- ▶ Closer international and regional integration.

Under this model, the compliant will be able to proceed with minimal scrutiny or delay, leaving the NCS to focus overwhelming force on areas of highest risk. Ultimately, that is, Customs will fulfil its mandate from the people through a partnership with the people.

8.1: The Structure of Enforcement

The **Enforcement, Investigation, and Inspection Department** is one of five specialist Departments in the NCS' organisation. It consists of the Enforcement Unit, the Investigation and Inspectorate Unit, and the Federal Operations Unit. The Department is headed by a Deputy Comptroller-General, who oversees the work of the Assistant Comptroller-General for Enforcement and Drugs and the Assistant Comptroller-General of Investigation and Inspectorate. In fulfilling its mandate, the Department draws on:

- ▶ Actionable information from the Customs Intelligence Unit;
- ▶ Technology support from the ASYCUDA/Computer Unit; and
- ▶ Statutory guidance from the Legal Department.

The **Enforcement Unit** is responsible for co-ordinating all anti-smuggling activities—including those concerning drug trafficking, money laundering and other financial crimes—in collaboration with the National Drug Law Enforcement Agency (NDLEA). Though many other agencies have a presence at terminals, NCS—and the Enforcement Unit in particular—exercises a lead, co-ordinating function among them in the effort to collect duties and taxes, clear people and goods, and guard against smuggling and contraband at all international airports, seaports, and land border stations. The Enforcement Unit employs patrol boats, surveillance aircraft, patrol vehicles, computer technology, gamma-ray scanners and seasoned know-how to detect threats

and violations. The division also enforces paramilitary discipline within the Service.

The **Investigation and Inspectorate Unit** is responsible for conducting general investigations of Customs offences in accordance with the provisions of Customs & Excise Management Act (CEMA) Cap 45, Law of the Federation of Nigeria, 2004 and Customs & Excise Notices. It is also responsible for inspection of all Customs and Excise Formations throughout the country to ensure that approved procedures are being applied. The Unit oversees inspection of both Customs Licensed Agents' premises and Excise Traders' records of production. It is also responsible for co-operating and liaising with other agencies inside and outside Nigeria, including Interpol and NCS' own Customs Intelligence Unit, in detecting noncompliance proactively. Within the Investigation and Inspectorate Unit's purview, too, are:

- ▶ The updating of Service Codes and books of instructions;
- ▶ The design of various service forms;
- ▶ Publications of Quarterly Order;
- ▶ The inspection of parcel post depots throughout Nigeria; and
- ▶ The jerquing (search for unentered goods) of ships and aircraft.

The **Federal Operations Unit** (FOU) serves to enforce the integrity of the Service and its licensed stakeholders—which, recently, has included a determined crack-down on fraudulent activities among NCS officers and agents.



Luggage being inspected by customs officers at the Passenger Arrival wing of the Nnamdi Azikiwe International Airport, Abuja



Customs officer on patrol at the cargo terminal, Murtala Muhammed Intl. Airport, Lagos

8.2: Turning Policy into Implementation

A recent development (in December 2010) has been the establishment of a **Presidential Task Force for 100% Inspection**, within the framework of which the Comptroller-General has invited the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and Other Related Offences Commission (ICPC) into Nigeria's ports as NCS' partners in combatting breaches of integrity and achieving maximum collection of import duties. At the head of this Task Force is the former Customs Comptroller of PTML' Command, Mr. Charles Edike.

The Task Force has fought hard against instances of under-valuation, under-declaration and concealment,

as part of a general effort to diversify and expand the Federal Government's revenue base. According to Comptroller Edike, the aim of the Task Force is to ensure that revenue within the ports increases, that contraband goods do not enter, and that there is 100% examination of all cargoes chosen for physical inspection. The Task Force operates in all regions of the country, functioning in the North as Operation Chinakah. Within little more than a month of its establishment, the Task Force had achieved the seizure of 33 containers with an estimated Duty Paid Value (DPV) of about ₦1 billion, while a Debit Note amounting to ₦100 million has also been received for these containers—and a substantial part of it paid.

Inspection

Risk-management procedures determine which consignments are high-risk or low-risk, and sort them into five channels, respectively: Green, Blue, Yellow, Light Red, and Red. Green-Channel items are not inspected, Blue-Channel items are marked for "fast-track" post-clearance auditing, Yellow-Channel items require a documentation check, Light Red-Channel items are marked for scanning, and Red-Channel items require full physical examination. Though NCS has final discretion over the risk profile of consignments, their judgement is informed by the RARs provided by Destination Inspection (DI) scanning contractors and the scrutiny of the SGD provided through ASYCUDA++. NCS has the authority to scan and/or physically examine all cargo considered suspect. These inspections are carried out in conjunction with the consignee or his agent and representatives of all other relevant federal agencies.

In practice, due to a highly noncompliant environment—and in the light of recent high-profile seizures of weapons and narcotics—no less than 90% of items are physically examined, on average. All imported vehicles must be both scanned and examined. The Task Force has been vigilant in enforcing the 100% physical examination of consignments routed through the Red Channel. The combination of high-performance scanners and meticulous physical examination has greatly increased the likelihood of detection and seizure of fraudulent goods.

One indicator of increased effectiveness is the rising number of responses to alerts of false declarations: in the first two months of 2011, there were 335 of these, 38.7% of the number for the whole of 2010, with the goods recovered as a result amounting to ₦281 million (or 30.3% of the previous year's total).

¹ Ports & Terminal Multiservices Ltd

Table 1

NCS REVENUE 2005-2011 (BILLION NAIRA)

Year	Federal account	Non-Federal account	Total
2005	226.96	122.10	349.06
2006	189.79	155.21	344.99
2007	238.48	174.93	413.41
2008	275.07	194.69	469.76
2009	303.97	210.00	513.97
2010	317.89	100.79	418.69
2011 (Jan-Feb)	59.37	42.72	102.09

Source: NCS

Table 2

SUMMARY OF ANTI-SMUGGLING ACTIVITIES (2005-2009)

Year	Number of seizures	Value (million Naira)	Duty (million Naira)	DPV (million Naira)
2005	3,114	7,614	5,199	12,813
2006	2,914	5,788	1,606	7,575
2007	3,646	5,461	1,277	6,738
2008	2,786	3,627	894	4,521
2009	2,895	4,225	1,019	5,252

Source: NCS

Examination Hold-ups

All this vigilance has not been uncontroversial, however: NCS has been subjected to a good deal of criticism for it. Consignees and their agents have complained that scanning and physical examination lead to delays, disrupting their logistics chains, incurring demurrage charges and, in extreme cases, resulting in spoilage or expiration of time-sensitive cargo. And indeed it is true that, if Nigeria's industries are to compete in a global market of efficient logistics chains and Just-In-Time delivery, prompt clearance is essential.

In terms of the World Bank's composite Logistics Performance Index (LPI) for 2010, Nigeria out-performs much of the continent, ranking twelfth among 36 countries rated, with a score of 2.59 on a scale of one to five (see Table 3). However, this masks some variation in how well Nigeria performs in respect of the individual indicators that make up the LPI (see Table 4). For instance, Nigeria is sixth in respect of two indicators: in infrastructure quality it is outranked only by South Africa, Senegal, Madagascar, Ghana and Benin; and in "international shipments"—defined as "ease of arranging competitively priced shipments"—it trails South Africa, Mauritius, Madagascar, Uganda and Rwanda.

On other indicators, however, it performs less impressively. **Conspicuous among these is the Customs indicator.** This is defined as "efficiency of the clearance process (i.e. speed, simplicity and predictability of formalities) by border control agencies, including Customs." And on this indicator, Nigeria ranks only 18th

on the continent, with a score of just 2.17, and lags behind most of its ECOWAS neighbours.

Stakeholders have often been quick to blame Customs, largely owing to the fact that NCS is the lead enforcement agency in the ports. This criticism, however, is not entirely fair, for at least seven reasons.

Problem 1: Compliance Shortcomings

The **first** of these is that many delays reflect either ignorance of, or non-compliance with, regulations on the part of stakeholders. False or faulty declarations create delays if the importer or his agent must alter documentation or duty payment, or if suspicious cargo must be examined. And non-compliance can lead to seizure of goods. NCS is working hard to increase outreach and partnership with stakeholders, building on initiatives involving successful collaboration with clearing and forwarding agents at Apapa Port and KiriKiri Lighter Terminal (KLT)—where weekly scheduled meetings between NCS and agents have helped improve understanding and information flows. By relying more heavily on self-policing, licensed industry associations and AEOs, NCS has increasingly been able to foster a trust-based enforcement model. It is hoped that a combination of incentives and disincentives will increasingly encourage a more compliant environment, and thus reduce a key cause of clearance delays. Barring outside delays, Green Channel and Blue Channel items can now be cleared within mere hours.

Table 3

Sub-Saharan Africa: International LPI and “Customs” Indicator⁴

International LPI			“Customs” indicator		
Country	LPI score	LPI rank	Country	Customs score	Customs rank
South Africa	3.46	1	South Africa	3.22	1
Senegal	2.86	2	Uganda	2.84	2
Uganda	2.82	3	Mauritius	2.71	3
Benin	2.79	4	Congo, Dem. Rep.	2.60	4
Mauritius	2.72	5	Senegal	2.45	5
Congo, Dem. Rep.	2.68	6	Tanzania	2.42	6
Madagascar	2.66	7	Togo	2.40	7
Tanzania	2.60	8	The Gambia	2.38	8
Togo	2.60	9	Benin	2.38	9
Guinea	2.60	10	Ghana	2.35	10
Kenya	2.59	11	Madagascar	2.35	11
Nigeria	2.59	12	Guinea	2.34	12
Cameroon	2.55	13	Liberia	2.28	13
Niger	2.54	14	Chad	2.27	14
Cote d'Ivoire	2.53	15	Gabon	2.23	15
The Gambia	2.49	16	Kenya	2.23	16
Chad	2.49	17	Burkina Faso	2.22	17
Congo, Rep.	2.48	18	Nigeria	2.17	18
Ghana	2.47	19	Sierra Leone	2.17	19
Comoros	2.45	20	Zambia	2.17	20
Gabon	2.41	21	Cote d'Ivoire	2.16	21
Ethiopia	2.41	22	Ethiopia	2.13	22
Liberia	2.38	23	Cameroon	2.11	23
Botswana	2.32	24	Botswana	2.09	24
Mozambique	2.29	25	Mali	2.08	25
Zambia	2.28	26	Niger	2.06	26
Mali	2.27	27	Congo, Rep.	2.02	27
Angola	2.25	28	Sudan	2.02	28
Burkina Faso	2.23	29	Comoros	1.96	29
Sudan	2.21	30	Mozambique	1.95	30
Guinea-Bissau	2.10	31	Guinea-Bissau	1.89	31
Rwanda	2.04	32	Angola	1.75	32
Namibia	2.02	33	Namibia	1.68	33
Sierra Leone	1.97	34	Rwanda	1.63	34
Eritrea	1.70	35	Eritrea	1.50	35
Somalia	1.34	36	Somalia	1.33	26

Source: World Bank: <http://info.worldbank.org/etools/tradesurvey/Mode1a.asp>

4 Note:

(a) “LPI” is “Logistics Performance Index”, a composite index derived from the following indicators: Customs, Infrastructure, International Shipments, Logistics Competence, Tracking & Tracing, and Timeliness.

(b) Score is on a scale of 1 to 5.

(c) “Rank” is rank among Sub-Saharan African countries.

Table 4

Nigeria: Logistics Performance Index And Its Components⁵

	Score	Rank in Sub-Saharan Africa	Rank worldwide
Total LPI	2.59	12	100
Customs	2.17	18	109
Infrastructure	2.43	6	80
International shipments	2.84	6	74
Logistics competence	2.28	10	95
Tracking and tracing	2.89	22	116
Timeliness	3.10	14	107

Source: World Bank: <http://info.worldbank.org/etools/tradesurvey/Mode1a.asp>



Inspecting cargo and documents at the Nnamdi Azikiwe International Airport, Abuja

⁵ Note:

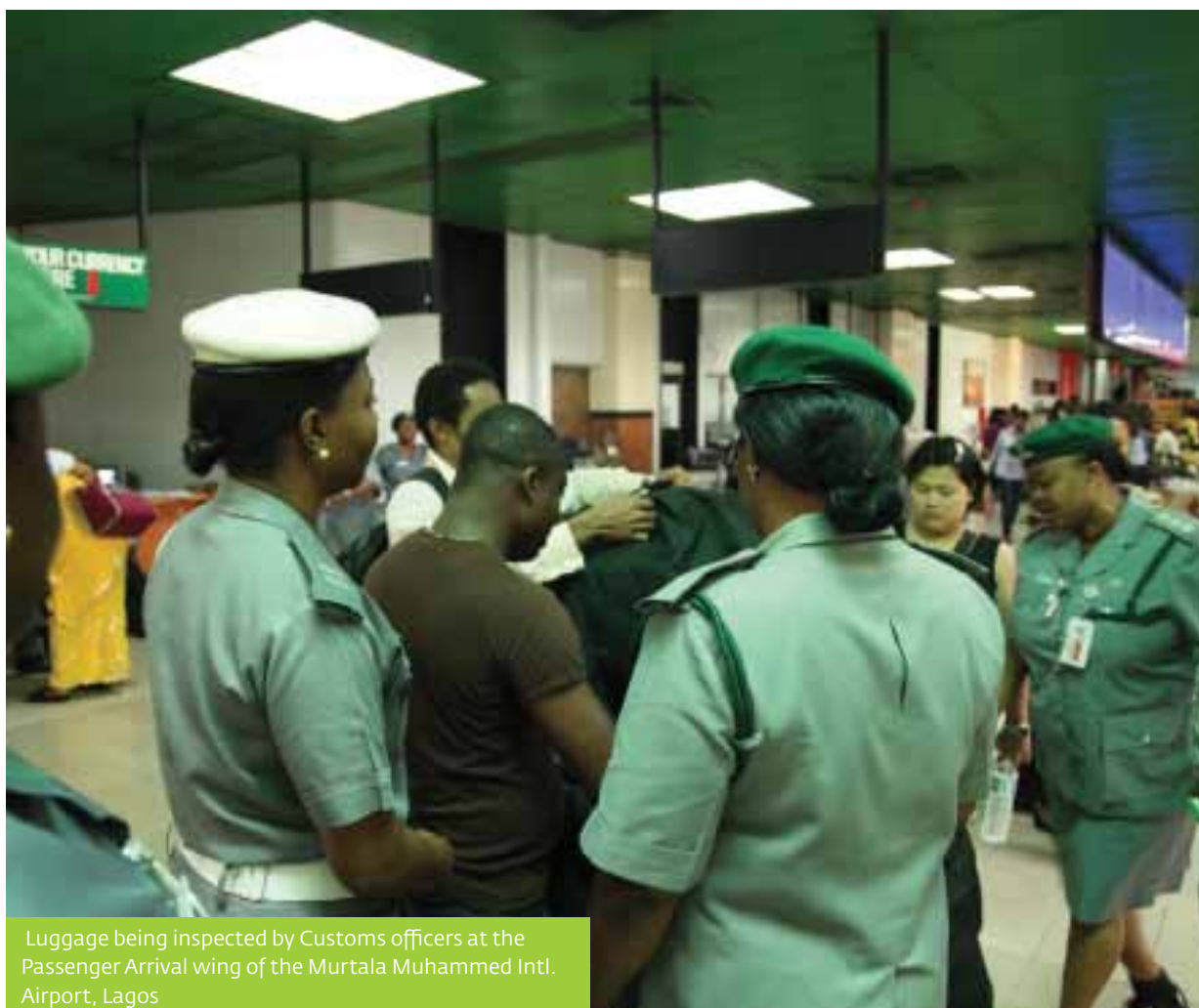
(1) Score is on a scale of 1 to 5, where 1 is the lowest possible score and 5 the highest.

(2) "Rank in Sub-Saharan Africa" is among 36 countries.

(3) "Rank worldwide" is among 155 countries.

(4) Definitions of indicators:

- ▶ Customs: efficiency of the clearance process (i.e. speed, simplicity and predictability of formalities) by border control agencies, including Customs.
- ▶ Infrastructure: quality of trade- and transport-related infrastructure (e.g. ports, railroads, roads, information technology).
- ▶ International shipments: ease of arranging competitively priced shipments.
- ▶ Logistics competence: competence and quality of logistics services (e.g. transport operators, customs brokers).
- ▶ Tracking and tracing: ability to track and trace shipments.
- ▶ Timeliness: timeliness of shipments in reaching destination within the scheduled or expected delivery time.



Luggage being inspected by Customs officers at the Passenger Arrival wing of the Murtala Muhammed Intl. Airport, Lagos

contractors. NCS officers cite the redundancy of having three types of RAR (one from each contractor), on top of the risk-management assessments conducted by NCS' Risk Management Unit and ASYCUDA++. Even more troublesome is the refusal of scanner contractors to share their RARs with each other. Since the RAR is produced prior to the arrival of the consignment, and since the contractor scheduled to conduct the eventual scanning on a particular consignment must produce its own RAR, it is a disaster when a consignment is re-routed to a terminal other than the one originally intended: since RARs are not shared, such re-routing can mean that goods can be held up for weeks, for want of the necessary RAR. NCS has pressed the scanning contractors to exchange data, but the SPs maintain that they simply are not contractually obliged to do so. This is true, but it is not the fault of NCS, which was not party to the negotiation of these contracts, despite a clear stake in their outcome. Luckily, this issue will be resolved when the SPs hand over full responsibility for the scanners to the NCS in January 2012.

Problem 4: Terminal Defects

A **fourth** source of delays is that Terminal Operators (TOs) do not provide logistics or staging areas adequate for scanning and physical inspection, in terms of size

or accessibility. Like SPs, TOs justify this by referring to contractual requirements. And negotiations for the concession contracts in question—like those for the scanning contracts—were concluded with no input whatever from the NCS.

The consequences have been dismal. Stakeholders and NCS officers report that it can take between one and two weeks for a container even to be positioned for examination by the TO at the various terminals of the Lagos Port Complex.

Though the TOs provide labour teams for inspections, they are ill-provided for. Generally, for instance, they lack special safety clothing (such as shoes or gloves). Re-purposed shipping crates sometimes serve as lockers and "lounges" for dozens of workers. They must conduct physical searches in squalid and cramped conditions wherever the TO happens to have squeezed consignments together—since TOs generally favour "efficient use of space" over ease of access. They must often work 10- or 12-hour days because of the volume of inspection business. And repeated requests for forklifts and other equipment necessary for unloading consignments have met with silence and delay.

Moreover, the areas cordoned off for scanning are small and difficult to access, leading to long entry queues.

Since truck-borne containers must all be scanned before they can leave the staging area, there are long exit queues for scanner areas too. The lack of reliable grid electricity or generators (the responsibility of NPA and the TOs), prevents NCS from conducting any business in the ports after dusk. Due to these logistical constraints, scanning can take an entire day for a queue of a dozen containers—in many cases forcing the consignee or his agent to rent the lorries necessary to transport the containers to the staging ground overnight (i.e. for two separate days), increasing the time and cost of clearance.

Problem 5: Inadequate Infrastructure

A **fifth** problem is that infrastructure in general is woefully inadequate.

Unreliable **electricity** supply restricts not just NCS operations but all terminal activities to daytime hours, handicapping productivity compared to other countries where terminals can consistently operate 24-hours-a-day without risking safety or security. Eventual remedies seem to be in hand. All stakeholders look forward to the Federal Government's vigorous energy privatisation scheme under the revamped Power Holding Company of Nigeria (PHCN) to improve the sorry state of grid capacity nationwide. In the meantime, NPA officials have stated that they will make it a priority to install more diesel generators and back-up generators in the ports. It is to be hoped that the relevant authorities actually follow through on both short- and long-term measures.

The abysmal state of **roads** in and around the ports is another infrastructural constraint on the efficient operations of terminals and clearance. Despite frequent criticisms from a variety of stakeholders, governmental and private, the NPA has conspicuously failed to live up to its responsibility to provide usable roads within its port jurisdictions. This restricts movement of goods within the terminals, and can make transportation between them near-impossible. The road leading from KLT to Tin-Can Island and Apapa is so treacherous that there have been cases of lorries being upended and of containers capsizing, shutting down traffic on this two-lane access road.

But these problems are nothing compared to the logistical nightmare at **Seme Border Command**. As the Command itself is actually located on ECOWAS property within Beninese territory, NCS officers have almost no control over their operational environment. Though Global Scan has deployed a 3.8 MeV mobile scanner at Seme, computers are scarce, electricity supply intermittent, and communication near-impossible. Infrastructural difficulties are compounded by ill intent: smuggling and drug-running are rife on this border, while NCS officers report that motor freight conveyors often arrive in lorries that are intentionally too tall for the scanners. Given these difficulties, it is little short of miraculous that Seme Border Command is in fact performing well: in 2010, it

exceeded revenue targets, consistently cleared motor freight within hours, and grabbed headlines with a series of impressive seizures.

Problem 6: Risk Assessment

The **sixth** source of delay concerns risk assessment. As described elsewhere, an upgrade of the ICT system used by NCS has taken place since 2006, with ASYCUDA 2.7—in place since 1999—being replaced by ASYCUDA++. Though the upgrade has been generally welcomed, one weakness has been that data from ASYCUDA 2.7 has not been transferrable (forward compatible) into the new system. This is because ASYCUDA 2.7, unlike ASYCUDA++, had no colour-channel risk-management sorting system based on assessed risk. This means that NCS lacks access to several years of ASYCUDA data—and several decades of pre-ASYCUDA manual data—on stakeholder compliance that could have informed risk-management assessments and improved their accuracy. It will take some time to constitute this record.

Meanwhile, NCS continues to work toward the implementation of the WCO Framework of Standards to Secure and Facilitate Global Trade (SAFE) by developing the capacity for risk-management via an Authorised Economic Operator (AEO) model. Thus far, NCS operates a partial AEO regime:

- There is a licensing system for agents, with NCS thus determining access to membership of the Association of Nigerian Licensed Customs Agents (ANLCA): ANCLA, in turn, exercises a measure of self-policing while also serving as a conduit for better communication of NCS policies to members.



Declarations being made at the Passenger Departure wing of the Murtala Muhammed Intl. Airport, Lagos



Inspecting cargo and documents at the Murtala Muhammed Intl. Airport, Lagos

- ▶ NCS has also encouraged ongoing negotiations to professionalise the freight forwarding industry under a unified, licensed industry body.
- ▶ The Manufacturers Association of Nigeria (MAN) has the responsibility for selecting “fast-tracked” Blue Channel manufacturers.

For now, there is no record or tracking of non-Blue Channel importers. However, the full implementation of SAFE (see above) would finally make importers “known entities”, enabling NCS to replace the current transaction-based approach with a relationship-based model. A fully fledged AEO regime will allow all compliant stakeholders to reduce clearance delays significantly by making use of a comprehensive risk-management system: till that regime is in place, however, NCS will no doubt continue to be criticised for delays that reflect its absence.

Problem 7: Too Many Agencies

But the **seventh** contributor to clearance delays is perhaps the most serious. In recent years, government agencies have proliferated and many of them have headed for the country’s ports. At the latest count, there were 23 different agencies directly involved within terminals—above all, those of the country’s seaports (see Chapter 4, Box 2). Responding to the public outcry over this proliferation, government studies have recommended—and leading officials have promised—a winnowing of agencies directly involved in the ports. But the number has only grown.

Delays stemming from the proliferation of agencies have reflected the duplication of procedures and examinations. Every federal agency directly involved in the terminals retains the right to examine consignments deemed to fall within its purview. In practice, poor co-ordination,

lack of information-sharing, and a culture of inter-agency rivalry have exacerbated this duplication. Though NCS is required to conduct joint inspections of cargo, partner agencies are often unreachable or show up late for the examination. Other times, agencies will resort to “scooping” each other by withholding intelligence on fraudulent activities to claim the glory for a seizure. Regrettable examples of this behaviour have been well documented in the press.

Following recommendations from the WCO, NCS has explored options for a Single-Window System, enabling stakeholders to submit regulatory documents at a single location and/or to a single entity. A fully-evolved Single-Window system can designate a lead agency which conducts inspections on behalf of other agencies.

An example of this is the United States’ Customs and Border Protection (CBP), which conducts enforcement activities on behalf of 43 other federal agencies. For example, the U.S. Food and Drug Administration (FDA), pursuant to authority granted under the Bioterrorism Act² of 2002, has the right to commission other federal officers and employees to conduct examinations and investigations. The FDA signed a Memorandum of Understanding (MOU) in December 2003 to commission CBP officers to conduct examinations on FDA’s behalf at ports. It has since commissioned 9,900 CBP officers to aid its investigations.

Enhanced information-sharing and synergy would allow the NCS to co-ordinate more closely with—or even operate on behalf of—any and all relevant agencies, thus reducing the current problems of duplication and delay. Measures to this effect, moreover, can be introduced in a phased manner: a “clean sweep” approach is neither necessary nor desirable. But a start should be made as soon as possible.

² Public Health Security and Bioterrorism Preparedness and Response Act

8.3: The Customs Intelligence Unit

The NCS Customs Intelligence Unit (CIU) is the intelligence branch of the service, charged with gathering information for the purposes of increasing revenue and fighting illegal smuggling operations. CIU is a separate and independent branch of the service that reports directly to the Comptroller-General, through the Assistant Comptroller-General of Headquarters (HQ).

CIU's undercover officers serve throughout the country in every port and customs office, utilising a variety of resources to gather intelligence. These intelligence officers have a network of informants and do their own investigative work. The work includes surveillance, research, analysing data and documentation, and monitoring the work of other officers and agents within NCS. CIU and its officers also use the contacts they have developed with other countries and their border agencies, as well as the WCO and its Regional Intelligence Liaison Offices (RILO) network.

Worldwide, the RILO network comprises eleven different offices covering the WCO's six regions. The individual offices serve as regional centres for compiling emerging trends, methods, routes, and significant cases, for analysis and distribution to appropriate agencies. NCS taps into this wealth of information through CIU, allowing the Service to keep abreast of the latest methods used to subvert customs procedures. This network of offices uses the Customs Enforcement Network (CEN), a worldwide database created by the WCO. The Customs Intelligence

Unit uses CEN and the RILO network to spot new ways of smuggling, as well as verify information received from other sources. It also helps track movements of suspicious shipments and co-ordinate efforts to find not only the goods, but the perpetrators as well.

CIU officers, in collecting data and information, work independently with their carefully cultivated contacts, but may not unilaterally decide upon the seizure of a particular shipment. The decision to seize a shipment is made only after careful consultation with HQ and with the CAC of the port in question. However, CIU will often let contraband pass through without being seized, so that it can continue its intelligence work without alerting the perpetrators. This allows CIU to build stronger cases with more substantive information, and leads to arrests of the masterminds of illegal operations as opposed to just the middlemen.

Officers are not recruited specifically for CIU roles, but rather are transferred to it, as to any other department. While this allows them to make use of their pre-existing contacts within the Service, it presents the department with a few problems. It makes it more difficult for officers to go undercover, it decreases the valuable specialisation and knowledge developed by experienced officers, and it even poses a disincentive to rooting out corruption, since the practice of rotating officers through different posts make it possible that a CIU operative will be working tomorrow alongside an officer he is investigating today.



Patrol vehicles at the Nnamdi Azikiwe International Airport, Abuja FCT Area Command

While CIU officers have not been groomed specifically for their role, they are given excellent training both in NCS workshops and in training programmes with foreign Customs officials. In particular, CIU has developed a close relationship in enforcement with UK Customs Agents, who have contributed a great deal of expertise as well as valuable knowledge to NCS. The two agencies have in fact worked closely together to make important drug seizures.

The Comptroller-General and the ACG heading the Intelligence Unit aim to increase the professionalism of the CIU, through workshops, certificates for completed training, and a policy of increased specialisation and

dedication to intelligence work, especially through longer tenures in CIU. While CIU enjoys a good relationship with the WCO and foreign agencies, it looks to build a better relationship with other domestic border agencies and UNODC. Increased communication and information sharing is a priority for the unit, and will only serve to strengthen its work. Furthermore, while CIU enjoys access to information, it still relies on outdated technology, in respect of both surveillance and communication equipment. A lack of sophisticated technology means that CIU sometimes lags behind the smugglers it is trying to catch and that its communications are not always safe.



Customs officer on patrol at the Cargo Terminal, Murtala Muhammed Intl. Airport, Lagos



Inspecting cargo and documents at the Nnamdi Azikiwe International Airport, Abuja

8.4: The Way Ahead

In its role as trade facilitator, NCS has set the ambitious target of 48-hour clearance of all consignments. Stakeholders have unanimously lauded the full rollout of ASYCUDA++, count the current Comptroller-General's administration as the most responsive in recent memory, and warmly approve NCS' treatment of trade facilitation as a priority equal to security and revenue-collection. The introduction of e-payment, the e-manifest, and Direct Trader Input (DTI)

have brought the goal of a Single-Window System closer, and reduced clearance times further. The result has been more automation, less human contact, fewer steps, and faster clearance—once the consignments actually reach NCS. Clearly there is much to do to achieve the 48-hour window, but NCS through its own reforms alone has been able to reduce clearance times significantly. Its efforts will continue. Others must try too.



Officers of the Nigerian Immigration and Customs service at the Nnamdi Azikiwe International Airport, Abuja



Chapter 9: Customs-Stakeholder Relations

This chapter discusses the relations between NCS and the various stakeholders involved in the Customs process in Nigeria. It begins by explaining the Authorised Economic Operator (AEO) model, based on trust and responsibility, to which NCS aspires and elements of which are already in place. It proceeds to discuss relations with organisations that represent branches of transport and with private-sector partners including scanning contractors and terminal operators, and with representatives of manufacturers, freight forwarders and customs clearing agents. Discussion of relations with various government agencies raises the questions of: whether import bans are good for development; what adjustments are needed to make Free Trade Zones work smoothly; how inter-agency co-operation on inspections might be improved; and what needs to be done about road and power infrastructure to improve port operation.

Chapter 9: Customs- Stakeholder Relations

9.1: Introduction: Authorised Economic Operators (AEOs)

Given the high trade volumes and diverse threats that face a 21st Century Customs Service, NCS cannot afford to fulfil its mandate alone. Since the institution of the Destination Inspection (DI) Regime in 2004, NCS has striven to perform its assigned tasks most effectively by working in partnership with public-sector stakeholders in border security at the federal, state, and local level. The next step has been, increasingly, to recruit *private-sector* stakeholders, not merely as recipients of agency services, but as fully fledged partners in their own right, enforcing the security and efficiency of a legitimate marketplace for international trade in Nigeria that serves development of the nation as a whole.

The World Customs Organization's SAFE Framework Standards widen the scope of stakeholders involved in supply-chain security and international movement of goods to include *all legitimate parties to the Customs*

transaction, known collectively as Authorised Economic Operators (AEOs). A full AEO Regime thus includes:

- ▶ Manufacturers;
- ▶ Importers;
- ▶ Exporters;
- ▶ Customs Licensed Agents;
- ▶ Carriers;
- ▶ Consolidators/De-consolidators;
- ▶ Terminal Operators (TOs);
- ▶ Bonded Warehouse Operators; and
- ▶ Transporters.

The AEO Regime concept assumes a Customs-to-Business partnership predicated on trust, responsibility, and accountability. By making private stakeholders



Nigeria Customs Service, FCT Area Command, Abuja office

responsible partners, NCS enlists thousands of allies in preserving the integrity of information, staff, and facilities.

A needlessly adversarial Customs-to-Business relationship, by contrast, harms the interests of all stakeholders, exposing the marketplace to unpredictability, delays, crime, hazards, and loss of business and customer loyalty.

Logically, therefore, NCS continues to work toward improved relationships with stakeholders, public and private, through a transparent and responsive customer-service approach. *De facto* AEO relationships already exist, in the form of the “Fast-Track” programme in place for selected manufacturers and the system of Customs-Licensed Clearing Agents. Once a more comprehensive system is in place, stakeholders with AEO status will be able to realise many more benefits from relationship-based transactions. Thus, the holder of an AEO Certificate, being a “known entity”, will be able to:

- ▶ Earn a lower risk profile, incorporated into NCS’ Risk-Management Assessment. This will mean less documentation, fewer inspections, “fast-tracked” Customs clearance procedures, and significantly faster release of consignments;
- ▶ Enjoy first priority in inspection for those consignments selected for further examination and flexibility in respect of where inspections are carried out—including the possibility of post-clearance inspections or audits.

- ▶ Benefit from streamlining of procedures for homogeneous cargoes;
- ▶ Rely on NCS proactiveness in notifying them of any delays due to further control or inspections (AEOs being registered entities, NCS will know where to find them);
- ▶ Enjoy improved relations with NCS and officers through designated Service contacts, whose duty it will be to address their questions or concerns;
- ▶ Enjoy reputations with clients as recognised safe and secure logistics partners, a status essential for market share in a highly competitive globalised market.

AEO status and its accompanying advantages will, however, have to be earned. Stakeholders will need to take their responsibilities in ensuring a compliant marketplace seriously and will, in particular, need to fulfil the following criteria:

- ▶ A record of past compliance with NCS regulations and procedures;
- ▶ Possession of the necessary systems for managing commerce and NCS controls—including timely, accurate, complete, and verifiable records relating to import and/or export activities;
- ▶ Proof of financial solvency; and
- ▶ Appropriate security and safety standards.



Nigeria police and Nigeria Customs officer on inspection at the cargo terminal, Murtala Muhammed Intl. Airport, Lagos

9.2: Private Stakeholders

Conveyers

Shippers

Sea-borne transport is the primary means of cargo conveyance into Nigeria, which means that relationships between NCS and shippers are essential. The Federal Government of Nigeria (FGN) liaises with stakeholders in shipping through the **Nigerian Shippers' Council (NSC)**, under the Ministry of Transport. Additionally, the nation's indigenous shippers maintain the **Indigenous Shippers Association of Nigeria (ISAN)** to act as an advocate for their interests.

The NSC, as a public liaison body for the private shipping sector, both domestic and international, has a complex mandate:

- ▶ It provides shippers with **information** through circulars, books, reports, seminars and workshops on legal and regulatory policies, trade contacts, shipping positions, inland container depots, vessel and cargo location, shipping routes, and commodity and client sourcing.
- ▶ It acts as an **advocate** on behalf of shippers, issuing communiqués and also providing arbitration services, to resolve disputes without resort to litigation.
- ▶ To reduce risk for shippers, it also provides **support services** such as its Cargo Defence Fund, legal/technical advice, litigation/arbitration loans, foreign legal representation, and risk-management consulting and provision.
- ▶ In keeping with the spirit of the AEO Regime, the NSC maintains a **Registered Shippers List**, currently including over 100 firms, domestic and international.
- ▶ The NSC maintains close **dialogue** with the NCS through such forums as the Nigerian Shippers Conference (last held in Abuja in December 2010).

In policy terms, the NSC agenda is for a reduction in the delays and enforcement burden on shippers conveying goods to and from Nigeria. The NSC and its constituents thus support:

- ▶ A Single-Window System;
- ▶ The sharp reduction in federal agencies directly involved in the ports;
- ▶ Reduced incidence of physical inspection of cargo; and



Cargo ship at the Apapa port, Lagos

- ▶ Continuing progress toward the Customs Service's declared goal of a 48-hour window for cargo-clearance.

Cargo Airlines

Nigeria has four major international air cargo terminals, at:

- ▶ Lagos' Murtala Muhammed Airport (MMA);
- ▶ Abuja's Nnamdi Azikiwe International Airport (ABV);
- ▶ Mallam Aminu Kano International Airport (KAN); and
- ▶ Port Harcourt International Airport (PHC).

Between them, these process a much smaller volume of goods than Nigeria's seaports. Unfortunately, at MMA especially, air cargo-clearance activities have been beset by controversy among private stakeholders.

Generally, air cargo terminals suffer from antiquated facilities, insufficient space, inefficient logistics, and lapses in security. Specific complaints include claims that:

- ▶ Air packet scanners are awkwardly placed, and suffer bottlenecks;

- ▶ Cargo warehouses are poorly ventilated, overcrowded, and chaotic;
- ▶ Security in the terminal areas is lax, with little control of human traffic around the premises;
- ▶ Clearance delays are frequent, with air cargo subject to less delay than sea-borne but the 48-hour window still far off and valuable, time-sensitive cargo often not released as quickly as necessary;
- ▶ Integrity breaches often occur, with cargo often tampered with, gleaned from, or pilfered entirely, and many airlines saying that cargo is missing from the majority of consignments;
- ▶ Officers sometimes inspect cargo after hours and under false pretences, even though electricity lapses prevent the regular inspection of cargo after hours.

Grievances are diverse and not all can be laid at NCS' door. Conditions at terminals are largely a matter of performance by TOs—and of the more or less flawed contracts that govern that performance. And providing for security in the air cargo terminals is the responsibility of the Federal Aviation Authority of Nigeria (FAAN). But the NCS must address those aspects of terminal activity that are its responsibility: and it can be expected that, in parallel with the increased vigilance and discipline demanded of the service, the reduction of human contact through increased automation and the expansion of the AEO Regime should alleviate many such concerns.

Road Transport Operators

Road transport operators—or “truckers”—interact with NCS in two contexts: first, in moving cargoes around seaport and airport terminals; and, second and more important, at the Customs Service's land Border Commands (BCs). Relations at the latter can be a little problematic.

One difficulty is that the land transport sector does not have as much formal organisation as its sea or air equivalents. The truckers are represented by a patchwork of professional associations, of which the main three are:

- ▶ The National Association of Road Transport Owners (NARTO);
- ▶ The Road Transport Employers Association of Nigeria (RTEAN); and
- ▶ The Road Transport Owners Association of Nigeria (RTOAN).

None of these associations has recognition as the overarching authority over the road transport sector in Nigeria, nor do any of them have the level of organisational capacity needed to formalise the sector and enforce standards of professional conduct or compliance among members. As a result, the road transport sector is far from having the potential for the establishment of an AEO Regime. Specific complaints by NCS and by other stakeholders include the following:

- ▶ Customs agents at the BCs complain that consignments conveyed overland are often haphazardly packed, making efficient inspections extremely difficult;
- ▶ Many truckers operate 18-wheel vehicles that are larger than the standard size, rendering it impossible to scan them with the mobile electronic scanners posted at the BCs;
- ▶ Since transport agents are not “known entities,” investigations following incidents of noncompliance can be difficult to carry out;
- ▶ Road transport agents, for their part, complain that they are often detained by NCS following such incidents of noncompliance, for which they were not to blame.

Indeed, road transport agents are often victimised as unwitting accomplices by unscrupulous traders or shippers. Because of the difficulty in tracing the interconnected actors in the logistics supply chain, NCS often has no choice but to detain the “messenger.”

Much could be done to solve this problem by tighter accountability over all levels of the logistics supply-chain, with every stakeholder recruited as a “known agent” AEO. The road transport sector would, however, seem to have some way to go before this becomes feasible.



Cargo container trucks at the Apapa port, Lagos



Travel documents being inspected by the Nigeria Immigration Service and Customs officers at the passenger departure wing of the Murtala Muhammed Intl. Airport, Lagos

Terminal Operators (TOs)

APMT

APM Terminals (APMT), a division of Danish shipping giant A.P. Moller-Maersk Group, is the largest Terminal Operator in Nigeria, operating the largest container port in West Africa at Apapa Port Complex, which is responsible for the processing of the majority of container cargo processed in Nigeria. APMT's activities as a TO are regulated by a Build, Operate and Transfer (BOT) concession contract that was neither concluded with NCS nor significantly influenced by NCS in its negotiation.

APMT's activities are controversial among both private stakeholders and public agencies, including NCS. Due to the inadequacy of facilities allotted to NCS and its partner agencies, serious limitations prevent NCS from realising its mandate fully, efficiently and effectively.

This is partly a matter of the BOT agreement which, for instance, allocates NCS and other federal agencies in the terminal a paltry 400 square feet of office space between them.

But it is partly also that the BOT agreement is not honoured. Despite repeated petitions, NCS has been unable to convince APMT to fulfil its obligations to provide for the equipment and staff necessary to conduct either scanning or physical examinations. Thus:

- ▶ NCS has petitioned for years for a forklift to unload heavy cargo from containers—a request that has gone unheeded, imperilling the safety of labour teams and officers and impeding the efficient conduct of clearance procedures.
- ▶ Labour teams are themselves overworked and consigned to miserable working conditions without proper facilities, tools or safety equipment.
- ▶ Scanning suffers from debilitating bottlenecks due to APMT's refusal to provide for an adequate space or access to the scanning staging area.

As a result, delays are chronic. Nevertheless, both parties are committed to dialogue and NCS is working closely with APMT on finding a solution.

PTML

Ports and Terminal Multiservices Limited (PTML) is a subsidiary of Grimaldi Lines, and its Lagos Port contract places it in charge of one of the leading Roll-On/Roll-Off Terminals in West Africa, on Tin-Can Island. PTML's relationship with NCS is generally an excellent one, and its stewardship of its RO-RO port (also called PTML) is a model of efficiency—helped, no doubt, by the fact that the terminal is of very modern design, having come on stream as recently as 2006 and been built to the specifications of PTML itself.

Service Providers

Scanning Contractors

Scanning contractors are Service Providers (SPs) who work closely with NCS at various Customs Area Commands (CACs). They are contractually obliged, under the Build-Own-Operate-Transfer (BOOT) concessions that define their work, not only to provide for and operate the scanning equipment, but also to work alongside NCS to prepare for the full transfer of the scanning setup to the control of Customs by January 2012.

Though they have a close and productive overall relationship with NCS, the SPs have found some aspects of the BOOT concession unsatisfactory.

One problem is that, under the concession agreements with the Terminal Operators (TOs)—which were negotiated without NCS input—not enough staging ground was provided for in the ports. The scanning areas are either too small or too disconnected to provide for their efficient and effective operation. This is a complaint against the TOs supported by NCS itself, and will continue to be a problem upon the full transfer of scanning activities to NCS in 2012.

Another, as SPs and NCS officers alike have complained, is the senseless duplication of effort and operational inefficiencies involved in Risk Assessment Reports (RARs). The SPs are contractually obliged to produce individual RARs for each consignment but, apparently, not to make these RARs available to other scanning contractors. If a consignment is diverted to another terminal where another scanning Service Provider operates, this lack of RAR-sharing can cause major delays—since RARs must be available for scanning to proceed. Three different types of RAR exist, one produced by each of the SPs—in addition to the risk-management assessments produced by ASYCUDA++ and the NCS Risk Management Unit—and they are neither modular, nor interchangeable.

Further, SPs complain that they don't see the point of producing their own RARs at all, since NCS ultimately makes its own risk-management assessment. More often than not, NCS' assessment is more conservative than that of the SP, leading to 90-100% physical examination. Even items marked for scanning are often physically examined later anyway. This, argue the SPs, is a misinterpretation of the theory of risk-management, which is designed to target the highest-risk cargo for examination.

After the BOOT cycle is completed, and transfer of scanner control to NCS finalised, this duplication will no longer be a problem. NCS' Risk Management Unit will be the judge of each consignment's risk profile. However, two problems will still need to be addressed.

First, the scanning process needs to be allowed to do its work. Scanning is designed to reduce clearance



APM Terminals Office, Apapa

times dramatically by examining a consignment in minutes rather than the 6-8 hours required for physical examination. It makes sense as a replacement for physical inspection, not as an addition to it. If, for a given consignment, *both* scanning *and* physical examination must be performed, the duplication can actually cause clearance times to be longer. NCS is working towards its original target of scanning a third of goods, and reducing the necessity for 90-100% physical examination: it must be resolute in pursuing this.

Second, the SPs are concerned that NCS may not be ready to shoulder full responsibility for scanning once the BOOT cycle is completed. Many of the first class of NCS agents trained by the SPs—at great expense—were transferred to other duties afterwards, thus wasting capacity-building efforts. And the experience with similar BOOT agreements in the past, and in other environments, suggests that maintenance of high-tech equipment is often the weakest link for the post-BOOT sustainability of a programme. Providing NCS with the most advanced scanners on the continent means little if they cannot be properly maintained and promptly returned to service after equipment failure.

Webb Fontaine

While Webb Fontaine's DI-operation, system-management and system-development functions are likely to be transferred to NCS in due course, it should be noted that its co-operation with the Service has been successful. Webb Fontaine has done good work on establishing and improving Nigeria's ASYCUDA++ systems. It also has the use of a very modern, technologically advanced and secure facility at NCS' headquarters in Abuja. Webb Fontaine's efforts are also bearing fruit at NCS Area Commands, which have been outfitted with enough computers and Internet/Intranet connectivity to continue to support the universally anticipated rollout of the next generation of ASYCUDA.

Where Webb Fontaine's ASYCUDA progress has been stymied is at the NCS' Border Commands, whose facilities are generally insufficient. Border Command CACs lack sufficient computers, reliable electricity and other facilities needed to make full use of the potential of ASYCUDA++ in conducting clearance procedures. Some Border Command, especially, suffers from very poor infrastructure.

Traders

NCS has made great strides towards realising the goals of the SAFE Framework, especially in instituting an AEO regime. Compliance requires the participation of the private sector itself and this is being achieved by its organisation into professionalised self-policing associations. Ultimately, the best guarantee of legitimate trade will be a shift in the relationship between NCS and the private sector from an adversarial and regulatory one to a co-operative partnership based on mutual respect. Unfortunately, the suitability of private sector organisations as partners for NCS varies somewhat. The Manufacturers Association of Nigeria (MAN) and the Association of Nigerian Licensed Clearing Agents (ANLCA) are two very positive examples. Certain other associations are perhaps less so.

NACCIMA

NACCIMA (the Nigerian Association of Chambers of Commerce, Industry, Mining and Agriculture) is, in theory, the umbrella organisation for the private sector as a whole. As such, it has in recent years been the beneficiary of capacity-building grants and programmes from the Centre for International Private Enterprise (CIPE), a body funded by the US Government. However, NACCIMA has some way to go before it can fulfil its mandate as an advocate for Nigerian business. Its voice nationwide has nowhere near the authority that the national chamber of commerce of such a dynamic economy should have. The Federal Government of Nigeria should encourage all efforts to build up NACCIMA's capacity to represent the private sector effectively. Once NACCIMA has become as robust as Nigeria's business community, it can be a vital partner of NCS in ensuring trade facilitation and compliance.



Officers of the Nigerian Immigration and Customs service at the Nnamdi Azikiwe International Airport, Abuja

Manufacturers Association of Nigeria (MAN)

MAN's partnership with NCS, by contrast, is an ideal example of how a full-fledged AEO regime can function and thrive. MAN, unlike NACCIMA, has impressive capacity and has successfully fulfilled a dual mandate, representing the interests of Nigeria's manufacturers and, via professionalisation, encouraging the manufacturing community to uphold high standards. MAN is the sole agent which nominates manufacturers for "fast-track" Blue Channel designation in the risk-assessment scheme of the Customs Service's ASYCUDA++ system. In exchange for a track record of compliance, "fast-tracked" manufacturers enjoy reliable clearance times of less than 48 hours—perfect for Just-In-Time manufacturing processes.

Clearing and Forwarding Agents

Association of Nigerian Licensed Customs Agents (ANLCA)

As part of its transition towards an AEO regime, NCS has been working in partnership with ANLCA to ensure compliance and efficiency in clearing and forwarding. Relations with ANLCA are generally excellent, and rated as such by both sides. However, certain differences have arisen.

The recent ANLCA strike at one port in the Lagos complex showed up significant problems. The local ANLCA chapter was protesting against a hike in a fee payable by importers and their agents. The hike itself was quite legitimate, being a long-overdue and legally mandated inflation-linked adjustment of an existing fee.

There were two problems, however. First, the fee threatened to increase clearing agents' costs of doing business, since their contract rates with consignees are

generally set at fixed amounts. Second, the ANLCA's local chapter argued, the fee was not being applied uniformly, but rather decided arbitrarily at Customs Area Command (CAC) level, creating an unpredictable business environment and putting some localities at a competitive disadvantage.

This is a common perception among private stakeholders, summed up in the sayings that “it’s people who matter, and not institutions” and that “problems arise not in policy, but in implementation.” The local ANLCA chapter, therefore, objected not so much to the law, but to the irregularity of its application. It was widely alleged by private stakeholders that clearing goods at certain terminals was cheaper, “depending on your arrangement with the Customs Area Command.” NCS takes this perception seriously, and has partnered with the EFCC and ICPC under the aegis of the Presidential Task Force to combat the unequal application of regulations and duties.

Tellingly, when the local chapter of ANLCA attempted to foment unrest in the neighbouring CACs, it failed. The reason was that the local ANLCA chapters in those ports were satisfied with their relationship with their respective CACs. They felt that policies were communicated to them effectively, and that their concerns were taken into account by the CAC leadership.

This contrasted sharply with the local chapter's complaints about facing an NCS office that was officious and uncommunicative. In the midst of the crisis, in fact,

the CAC shut its gates and would neither answer the concerns of stakeholders outside, nor hold discussions with the disgruntled ANLCA members. The members of ANLCA and NAGAFF in neighbouring ports—who enjoyed an impressively cordial relationship with the local CAC—argued that the difference was “all about communication.” Indeed, both neighbouring CACs held regular scheduled meetings with local stakeholders—unlike their counterpart.

At its best, thus, NCS endeavours not only to communicate effectively with stakeholders, but also to bring them into an active working dialogue to ensure smooth operations and high levels of voluntary compliance.

Freight Forwarders: NAGAFF and CRFFN

Unlike clearing agents, who are licensed by NCS via ANLCA, freight forwarders operate under a rather untidy patchwork of different professional associations, the most important among them being the Nigerian Association of Government Approved Freight Forwarders (NAGAFF). A regulatory body, the Council for the Regulation of Freight Forwarding in Nigeria (CRFFN), has been set up by law in an effort to register and professionalise the freight forwarding industry to the same level as has been achieved for clearing agents. The NCS supports this initiative, seeing it as a welcome move to widen AEO partnerships and encourage voluntary compliance.



Web Fontaine consultants at work on the ASYCUDA project

9.3: Government and State Bodies

NEPC and Export Promotion

The Nigerian Export Promotion Council (NEPC), a federal body established to diversify the non-petroleum economy and correct the balance of Nigeria's trade, has a primary interest in trade facilitation. Nigeria is worryingly dependent upon extractive industries such as oil and mining, which by themselves do not have the capacity to provide for widespread employment and prosperity. This has been a major priority of the Federal Government of Nigeria (FGN) and also of NCS—which, NEPC is convinced, has an important though nuanced role in promoting growth and exports. It seems that a balanced understanding of the role of state policy in this field has finally emerged.

The Import Ban List

The Government-defined import ban list, for example, has been designed to foster a viable export economy using the same import-substitution strategies that famously fuelled the rise of the “Asian Tigers” in the 1970s. Unfortunately, Nigeria's once-vibrant agricultural and manufacturing sectors have flagged over the past decades for a variety of reasons, unable to rebound even given such protective measures.

Take textiles, for instance. In the 1970s and the first half of the 1980s, Kano was the manufacturing hub of West and Central Africa, boasting over a hundred independent textile manufacturers, which gainfully employed over 50,000 Nigerians and produced world-class goods. Now only seven firms remain. And the longstanding ban on textile imports has done nothing to stem the decline.

Manufacturers blame inadequate power supplies, which force factory owners to run generators on expensive diesel fuel day and night, greatly increasing their costs and impairing their competitiveness.

What industrialists need is not simple protection but a business-friendly environment, with import bans at best a delicate instrument and one method among several. Import bans alone cannot achieve import substitution and foster exports. In many cases, Nigerian exporters are importers as well, sourcing their business inputs abroad when a suitable local alternative is not available. Both FGN and NCS understand this and are promoting a balanced approach to liberalisation. In partnership, they have been adjusting the import ban list dynamically, to achieve the best balance of freedom and protection to meet the needs of both producers and consumers. The lifting of the ban on furniture imports, in January 2011, is an example: office furniture is a significant cost of doing business for many Nigerian firms, even though it is also a product made by some Nigerian manufacturers.

The key approach regarding import bans is to collaborate with Nigerian business and consumers to tailor them to the interests of the nation as a whole. At the same time, it is important to remember that, in cases where an outright ban is not warranted, an import tariff can still be used to provide protection for Nigerian producers from unfair, below-cost “dumping” while keeping enough goods on the market to meet demand, if domestic capacity is limited.



Inspecting cargo and documents at the Murtala Muhammed Intl. Airport, Lagos

The Export Clearance Regime

Quite as important as specific import measures may be the speed with which exporters can get their goods out of the country and heading to foreign markets. In this connection, NEPC has voiced the concern of some Nigerian exporters that the export clearing regime inadvertently discourages the quick clearance of indigenous goods. The main reason for this perception is that, since Nigerian exports are duty-free, exported goods are assumed to receive lower priority than imported goods in the clearing process.

With the re-introduction of the Pre-Shipment Inspection Regime in 2004, Cobalt International Services Limited was designated by the FGN as the sole Pre-Shipment Inspection Agent, with authority to issue Clean Certificates of Inspection (CCIs). NCS and other relevant agencies then work through the Inspection Agent to examine goods. Much of the primary responsibility for clearing activities, then, lies with Cobalt. Should policy-makers decide to give NCS a greater role in export clearance; they need to remember that the problem of revenue and incentives identified above must to be addressed if things are to work properly.

Priority Sectors and Free Trade Zones

NEPC has been working with FGN and NCS in moves to single out and foster industries in which Nigeria has a competitive advantage globally, though relatively little has been done as yet to translate this into concrete export promotion measures.

Free Trade Zones (FTZs), however, are an area of special interest and are the latest FGN measure designed to promote competitiveness. Their main relevance in their present context is that, if export production facilities are sited within FTZs, they are able to process imported inputs intended for use in export goods without involving the manufacturers in time-consuming and costly import procedures. NCS obviously has a crucial role in administering FTZs in such a way that their potential for efficiency and competitiveness is realised without allowing unscrupulous operators to take advantage of them for purposes of fraud and abuse. FTZs are an as yet untested tool, however, and it remains to be seen whether NCS' efforts in conjunction with the Nigeria Export Processing Zones Authority (NEPZA) will have succeeded in creating a market that is *both free and safe*.

For now, NEPZA's relationship with NCS is not without problems. Specifically, NEPZA has expressed dissatisfaction with the perceived inflexibility of NCS in accommodating FTZs' special circumstances into the Customs Service's regulatory activities. NEPZA appears to have two reasons for this.

- **First**, it points out that the legal framework within which NCS operates—updated most recently in the



Cargo container truck at Apapa terminal, Lagos

amendments to the Customs and Excise Management Act passed in 2004—lacks a stipulation for the new, duty-free FTZs which were introduced considerably after 2004. This is true, but it is hardly the fault of NCS, and it simply underlines what is also clear on many other grounds: that the legal framework for Customs urgently needs updating.

- **Second**, there seems to be a perception at NEPZA that NCS is hostile to the FTZ scheme in general because it reduces NCS' potential revenue: since NCS is dependent upon revenue capture for its own budget and for annually increasing revenue targets, the argument goes, the Customs Service has no incentive to support a duty-free scheme. NEPZA has on occasion complained of "over-aggressive" policing on—or even inside—FTZ borders by NCS officials.

NCS officers can hardly be blamed for vigilance, nor for caution in a legally uncertain situation. Nor is it at all clear that the supposed interest of NCS has in fact led it to oppose FTZs. However, NEPZA's second argument likewise points to a wider problem that urgently needs to be solved. Unlike most Customs Administrations worldwide, NCS is funded not through appropriations but through a small share of the duty revenue it collects. This cannot continue: revenues will be reduced not only by FTZs—and as many as 25 of them are planned—but also by liberalisation of trade within ECOWAS (by the ETLS¹) and between ECOWAS and the EU (via the EPA²). These factors must be taken into account in determining both NCS revenue targets and the NCS funding formula. An arrangement that does otherwise—threatening NCS finances to the extent that NCS succeeds in trade facilitation—is simply not a viable one.

1 The ECOWAS Trade Liberalisation Scheme

2 The Economic Partnership Agreement

Other Agencies

National Drug Law Enforcement Agency (NDLEA)

The relationship between NDLEA and NCS is an extremely important one. Generally speaking, NDLEA and NCS act in close partnership in inspections, with NCS voluntarily ceding primary responsibility over the investigation of narcotics-related noncompliance to NDLEA.

However, the media coverage attending some high-profile drug busts in 2010 illustrated the need for partnership to be still closer. Too often, federal agencies, operating with the CACs under the overall leadership of NCS, have given higher priority to getting credit for seizures than to co-operating to achieve common goals. In one notable case, NDLEA allowed NCS to physically examine and clear a consignment before themselves swooping in to reveal the narcotics that had been skilfully hidden inside. As in many cases of drug seizures, NDLEA had been operating on the basis of intelligence—in this case, European intelligence—which they had not shared with NCS. Boasting about one's own achievements and deriding a partner's failures is not a constructive approach to partnership. In cases like this, intelligence sharing is essential for a co-ordinated response that will simultaneously seize prohibited cargo, track down those responsible, and ensure the safety of both agents and the public.

SON, NAFDAC and Joint Inspections

NCS works closely with the Standards Organisation of Nigeria (SON) and the National Agency for Food and Drug Administration and Control (NAFDAC). However, there is some needless duplication of effort, which both slows down the clearance process significantly, and hampers the agencies' effectiveness in carrying out their shared mandate to protect the public interest and foster legitimate trade. Both interviews with private stakeholders and past time-release studies strongly suggest that duplication of examinations by agency after agency—often including agencies with no discernible mandate or reason for involvement—is a major reason for significant delays in clearing goods.

As part of the SAFE Framework, the FGN aims to move towards a version of the Single Window system. This means the automation of paperwork, the reduction of redundant processes and a single "window" for stakeholders to engage with. Much of the delay in clearing goods from the terminals stems from the undue proliferation of federal agencies directly involved in the clearing of goods. Though all agencies have an essential role to play in ensuring compliance with federal regulations, increased trust, co-operation and information-sharing are essential to shortening clearance times and ensuring the efficient application of the law.



Cargo trucks at the cargo terminal, Murtala Muhammed Intl. Airport, Lagos

Joint inspections are designed to bring all relevant agency stakeholders to the consignment at the same time to avoid duplicating inspections. Since unloading containers for physical examination can take an entire business day, such duplication can be disastrous. Some co-ordination between agencies is necessary if duplication is to be avoided, however: at the most basic level, if several agencies are to participate in an inspection, representatives of all of them need to turn up! NCS is working to improve collaboration with other agencies to make sure the relevant partners are present at such examinations.

It should finally be noted that a Single Window system is also a barrier to corruption. Private stakeholders interviewed have argued that such a system would not only save time but also increase transparency and decrease the incidence of "unofficial fees". As one put it: "More agencies in the ports mean more open hands."

Transport-Related Agencies

Nigerian Shippers' Council (NSC)

The Customs Service and private stakeholders alike have a somewhat ambiguous relationship with the Nigerian Shippers' Council (NSC). This partly reflects NSC's hybrid character as both industry advocate and industry regulator. It also reflects Customs' dual nature, as both a facilitator and a gatekeeper concerned with revenue-collection and security. The Nigerian Shipping Council does not have to worry about the latter concerns, but simply aims to facilitate and liberalise trade, to ensure

the smooth flow of maritime transit, and to represent the interests of conveyors of maritime cargo, Nigerian and otherwise. Hence it is often critical of Customs—recently, for instance, accusing NCS of an “antiquated order-and-security mentality”! NSC does, however, share NCS enthusiasm for further implementation of the SAFE Framework through the Single Window and automation: it has praised the successes of ASYCUDA++ and supports further automation efforts via e-payments, e-manifests, etc. NSC also agrees with Customs—and with most private stakeholders—that there are far too many federal agencies at Nigeria’s ports nowadays.

Other Agencies

Those acquainted with the industry are unanimous that any reform efforts by NCS must be mirrored by wholesale reform among other agencies essential to transport and trade. Poor infrastructure of various sorts—and not Customs—accounts for the difficulties cited most frequently by businesses.

Poor transport infrastructure, both inside and outside the terminals, is a major impediment to efficient and effective operations. Stakeholders bemoan the wretched state of roads within ports, which makes the conveyance of consignments difficult, delays scanning and inspection, and, in many cases, endangers the safety of goods and personnel. There is a widespread—and justified—perception that NPA has failed in its duties to provide for proper port infrastructure. But responsibility extends also to other authorities. One is the Lagos State Traffic Management Authority (LASTMA), which has

responsibility for roads within the Lagos Port Complex, but outside individual terminals. Another is the Federal Road Management Agency (FERMA), which is the roads authority beyond the limits of the Lagos metropolitan area. It can take a consignment of goods longer to be trucked from Lagos to Kano than the time spent shipping it from Europe to Lagos, for example, thus increasing delays and cost of business. There have been several major highway corridor initiatives, notably regarding:

- ▶ The Lagos-Kano-Kongolam section of the Trans-Sahara Highway;
- ▶ The Dakar-Lagos Trans-West African Coastal Highway;
- ▶ The Lagos-Ibadan Expressway;
- ▶ The Lekki-Epe Expressway; and
- ▶ The 10-lane expansion of the Lagos-Badagry Expressway.

These have served to improve a system suffering from decades of neglect. However, much more work must be done to improve logistics efficiency.

In addition, like Nigeria as a whole, ports, border crossings and NCS facilities are victims of Nigeria’s notoriously deficient electricity system. Grid supply is inadequate and unreliable, hampering security and safety at terminals and offices, subjecting operations to multiple outages, and limiting activities to daylight hours. Urgent improvement in the situation is vital. Accordingly, NCS supports the Federal Government’s initiatives to open electrification investment to the private sector via the Power Holding Company of Nigeria (PHCN).



Cargo trucks at the Apapa port, Lagos



Meeting of the West and
Central African Heads of
Customs Administrations
in Abuja



Chapter 10: Regional Integration

This chapter outlines the regional integration arrangements in which Nigeria is involved. It discusses the history and prospects of ECOWAS, the Economic Community Of West African States. It describes the Francophone West African Economic and Monetary Union (UEMOA), whose integration is being used to further that of ECOWAS as a whole. And it introduces the West African Monetary Zone (WAMZ), in which non-UEMOA members of ECOWAS participate. Schedules for market integration are discussed, as are the processes of tariff harmonisation and the planned Economic Partnership Agreement (EPA) with the European Union. The chapter touches on the issue of borders within the region, noting plans for joint border posts and transnational border markets. Finally, the role of NCS within the World Customs Organization (WCO) is discussed – and especially its activism since Nigeria became the WCO's regional Vice-Chair in 2010.

Chapter 10: Regional Integration



Meeting of the West and Central African Heads of Customs Administrations in Abuja

10.1: ECOWAS

The key to regional integration in West Africa – and the most significant economic club to which Nigeria belongs – is ECOWAS, the Economic Community Of West African States.

ECOWAS was established on May 28th 1975, with the signing of the Treaty of Lagos. Present at the conference were the heads of state of the original member nations, namely Benin, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo, and Upper Volta (now Burkina Faso). Two changes have happened since: Cape Verde joined in 1977, Mauritania left in 2002.

The creation of ECOWAS had as its main objective the promotion of trade, co-operation and self-reliance. The text of the original ECOWAS treaty provided for the following long-range goals:

- ▶ Elimination of non-tariff barriers to trade among members;
- ▶ Establishment of a common external tariff structure and a common commercial policy towards non-member states;
- ▶ Elimination of obstacles restricting the free movement of persons, services and capital between member states;
- ▶ Harmonisation of agricultural policies; and
- ▶ Promotion of common projects in the member states, notably in the field of marketing, research and agro-industrial enterprises.

In terms of a general typology of forms of economic integration (see Box 1), what the ECOWAS heads of state agreed to in 1975 was *both* a Common External Tariff (CET) *and* a Free Trade Area (FTA). The Treaty of Lagos was revised in 1993 to accelerate the process of economic integration and strengthen political co-operation. The long-term goal of ECOWAS is to create an economic and

monetary union among all Member States. The treaty envisages the traditional steps, as outlined below, in the progress towards the creation of the economic union. In contrast to the normal process, however, ECOWAS hopes to introduce and create its monetary union *before* the economic union, the reason being that this will facilitate integration of the real economy.

Despite this revised agreement, little headway was made. In order to bring renewed pressure for integration, the ECOWAS leaders signed a new agreement in December

2000. This sought to use the integration already achieved by a sub-set of ECOWAS countries as a basis for furthering integration in ECOWAS as a whole. The sub-set in question was the mainly Francophone West African Economic and Monetary Union (UEMOA, in its French acronym), which had already achieved a CET. The ECOWAS leaders agreed that UEMOA's CET would form the basis for an ECOWAS CET. Those ECOWAS countries that were not members of UEMOA had therefore to prepare for harmonisation.

Box 1

Types of Integration

When forming economic partnerships with other countries, there are numerous possible levels of integration. While ECOWAS strives towards a fully integrated Customs Union, there are several other possible forms of integration:

- ▶ **Preferential Trade Agreement:** This simply calls for lowering trade barriers amongst participating nations. Those not privy to them face higher barriers. This is the most basic and loosest form of economic integration.
- ▶ **Free Trade Agreement (FTA):** Under this form of integration, all barriers to trade are removed among signing parties, but each party retains its own barriers with non-parties. It is under this arrangement that Rules of Origin become necessary, to protect against the possibility of routing of goods produced by non-parties through countries that are party to the FTA.
- ▶ **Customs Union:** This form of integration exists when members have no tariffs or other barriers to goods produced

by other members, while having a common external tariff (CET) that is imposed on imports from the rest of the globe by all members. The CET is usually the lowest rate that pre-dates the forming of the union. ECOWAS is not a full Customs Union yet, but will logically need to be one, at the latest, at the time of final negotiations for, and signing of, the Economic Partnership Agreements (EPAs) with Europe, since uniform Customs rules and tariffs will have to be in place by then.

- ▶ **Common Market:** This form, finally, has all the characteristics of a Customs Union, but with a few extra features. No trade restrictions at all must be in place among members; trading standards and practices must be harmonised; so must the monetary and fiscal policies of member nations. Finally, a Common Market allows for free factor mobility and has a shared competition policy. The European Union achieved the Common Market in 1993.



ECOWAS (Economic Community of West African States) Secretariat

10.2 Customs Unions

UEMOA was created as a means to promote integration between the seven Francophone West African countries that had the French-backed CFA franc as their common currency. These were Benin, Burkina Faso, Cote D'Ivoire, Mali, Niger, Senegal, and Togo. These had already had a common currency for some time. What UEMOA added was a Customs Union (independent of ECOWAS), greater economic competition within the seven-country bloc, a Common Market, and co-ordination of fiscal, industrial and economic policies. The treaty, signed in May 1994, was updated in May 1997 to include the Lusophone Guinea Bissau – the bloc's only non-Francophone state.

Given the previous existence of UEMOA, the ECOWAS move in 2000 was accompanied by encouragement of the bloc's non-UEMOA members to form a club of their own, the West African Monetary Zone (WAMZ). The WAMZ was to be made up mainly of Anglophone states, namely Nigeria, Gambia, Ghana and Sierra Leone, along with the Francophone Guinea (Liberia, though not a founder member, has expressed interest in joining). Once the WAMZ is a fully operational monetary union it will merge with UEMOA to create the ECOWAS monetary union. Meanwhile, these countries are to introduce a new currency unit, the ECO. Its introduction has been delayed three times, however, the latest target date being 2015: the last, December 2009, was missed because only one WAMZ state – namely Gambia – broadly met all four of the readiness criteria that had been set, namely:

- ▶ Maintaining constant price levels;
- ▶ Stabilising public finance;
- ▶ Controlling and limiting monetary financing of public debt; and
- ▶ Strengthening gross foreign exchange reserves.

Meanwhile, details of what the ECO's introduction will mean in practice are a little hazy. It is not clear whether the ECO will be an actual currency or a "virtual" one (similar to IMF Special Drawing Rights). Nor is it known whether it will be pegged to another currency, or how the French connection to the CFA franc will be dealt with. One of the few things that is clear is that, unlike the CFA franc, the ECO will not be backed by an EU nation.

ECOWAS in its entirety is, to date, neither a Free Trade Area nor a Customs Union. UEMOA is a Customs Union, but WAMZ has not fully liberalised its internal trade policy, and the trade flows between the two blocs have not yet been liberalised either. The main functions of ECOWAS integration will be those of intra-regional trade liberalisation, featuring:



Declarations being made at the passenger departure wing of the Murtala Muhammed Intl. Airport, Lagos

- ▶ Strict rules of origin;
- ▶ The CET of UEMOA (which WAMZ will eventually adopt); and
- ▶ A 0.5% tax on imported goods from non-member countries.

While UEMOA may be relatively integrated, WAMZ has the advantage of being big: in 2009, its combined GDP outweighed that of UEMOA by around four to one. And within WAMZ, Nigeria is the core economy because of its enormous economic potential: it accounts for around 75% of WAMZ population and 86% of its GDP.

So the success of any regional or sub-regional integration process depends on Nigeria's policies and on its continued development. ECOWAS has wanted a companion monetary union since it was founded, but it was not until Nigeria committed itself to the effort that WAMZ was born. Nigeria can also play a major role in facilitating integration through leading by example and working with a Francophone power, such as Cote d'Ivoire, to move toward common goals and help overcome the language divide.

Although UEMOA is already both a Customs Union and a Common Market, it has not come close to reaching its full integrated potential, with poor logistics a major obstacle to this. It is within this framework that Customs can make a particular difference in promoting regional integration, particularly as WAMZ and ECOWAS as a whole move forward. Confusing and redundant Customs procedures, as well as excessive fees and checkpoints, are a significant part of the logistical problem.

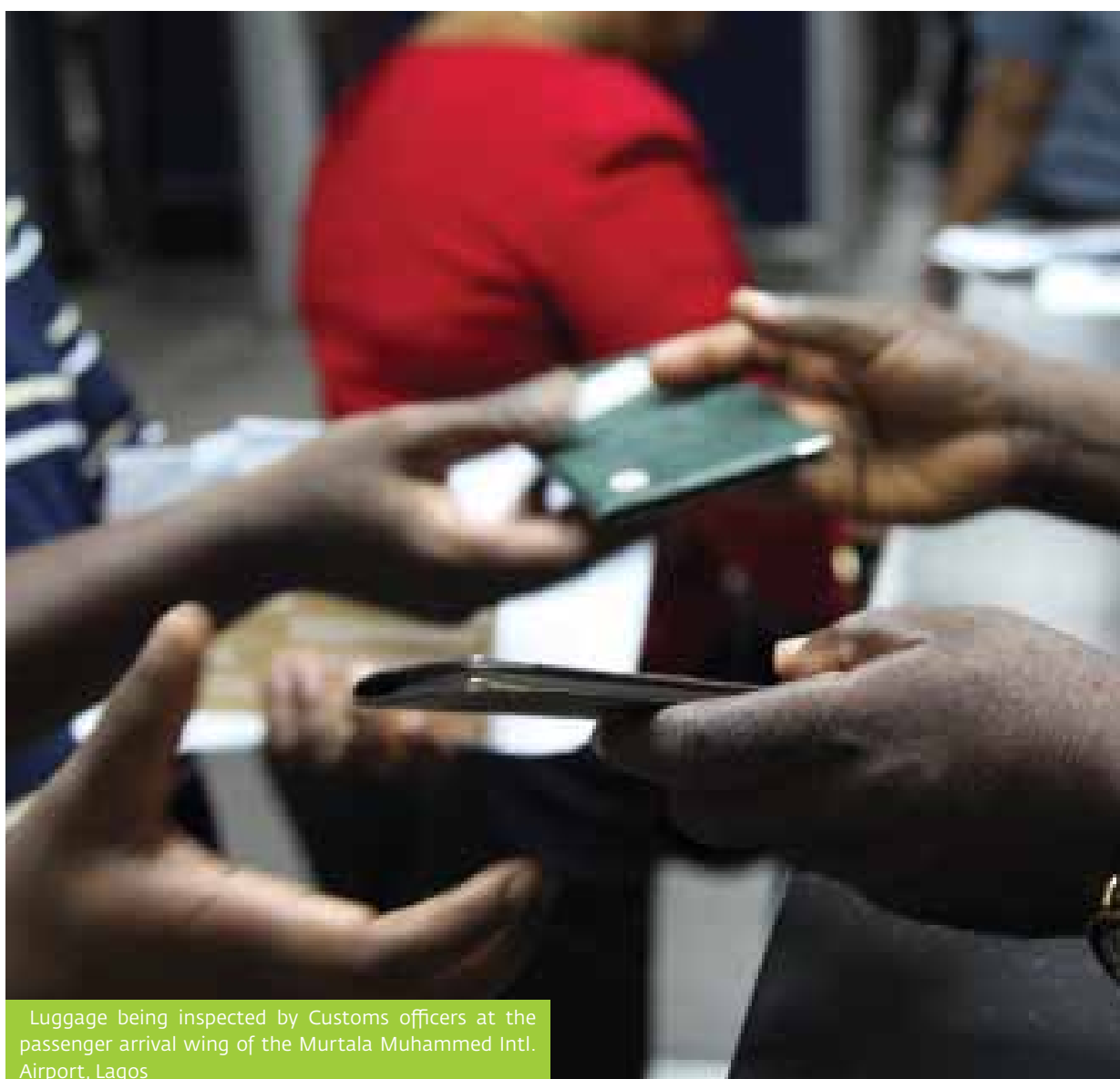
The average time for trading a container across a border in the ECOWAS region was 32.1 days to import and 27.9 days to export, as opposed to 11 days and 10.5 days for OECD states. According to a study by the International Finance Corporation (IFC), these delays in clearance have a major impact on national economies. For each delayed day of export, the IFC argues, the average country suffers a 1% reduction in its export volumes.

ECOWAS has been aggressive in establishing target dates on its path to full integration of the regional market – though somewhat less aggressive in implementing them. The latest statements indicate that the EPA (see below) will be agreed upon this year (2011), a Customs Union by 2012, and an ECOWAS common market two years thereafter, in 2014. All this will be done in the hope of establishing full economic union among all fifteen ECOWAS states by 2020. Unfortunately, the deadlines keep being pushed back – with many of them now on their third or fourth target date – so it remains to be seen how this will be implemented.

However quickly or slowly it happens, however, it cannot be doubted that the integration of ECOWAS is one of the necessary conditions for promoting the region to external investors. The benefits likely to accrue from harmonisation of regional investment policies into a Community Code include:

- ▶ Increased investment inflows into the region;
- ▶ Enhanced productivity;
- ▶ Employment generation;
- ▶ A reduced incidence of corruption;
- ▶ Facilitation of trade by removing non-tariff barriers; and
- ▶ Help in providing a variety of effective frameworks to promote healthy competition and, thus, overall economic growth.

The simplification and harmonisation of policies – fiscal, economic, regulatory and Customs – into a single framework will not only eliminate needless complexities, but will also limit national governments' ability to reintroduce cumbersome or unnecessary requirements.



Luggage being inspected by Customs officers at the passenger arrival wing of the Murtala Muhammed Intl. Airport, Lagos



Luggage being inspected at the passenger arrival wing of the Murtala Muhammed Intl. Airport, Lagos

10.3: Common External Tariff (CET)

ECOWAS has adopted a fast tracking of CET harmonisation in line with the UEMOA rates.

The UEMOA CET can, broadly speaking, be broken into four tariff categories:

- ▶ 0% for essential social goods;
- ▶ 5% for essential/basic raw materials, capital goods and specific inputs;
- ▶ 10% for intermediate products; and
- ▶ 20% for finished consumer goods.

The unweighted Average Tariff Rate (ATR) within ECOWAS is 12.1%. This is a rate rather similar to those of middle-income countries and significantly lower than, for instance, the 18.4% ATR of Central African countries. And the maximum tariff rate of 20% is expected to reduce the incentive to smuggle goods.

In addition to the four broad categories, the ECOWAS heads of state concluded in January 2006 that some products required special protection in addition to duties, including a regressive protection tax, an import tax, and other measures.

In February 2004, the Federal Government of Nigeria (FGN) had announced that Nigeria would comply with the ECOWAS CET, but made an exception for a 30% tax for temporary protection of domestic industries. FGN later made a request for a fifth ECOWAS CET tariff band

of 50%, in addition to the current four-band CET, citing the need to protect "infant industries". It did so after an extensive process of research, analysis and stakeholder consultations that apparently had not taken place before its 2004 acceptance. The idea of a 50% top tariff in itself represented something of a concession by Nigeria, since it was charging a tariff of 150% on some goods.

In the end, however, FGN compromised further: early in 2010, Nigeria agreed to a fifth, top band of 35%, applicable to "specific goods for economic development". These are to be local products that individual countries, and the region as a whole, hope to protect with a view to promoting economic growth through diversification. It will also help protect these industries from dumping. To date, 311 products have either been classified as fifth-band or proposed for such classification.

Final CET entry will have significant consequences. One of these will be fiscal: an ECOWAS study has estimated that the CET arrangement will lead to a decrease of around 2.5% in government revenue. Another will concern policy autonomy: once Nigeria enters into a CET arrangement, it will not be possible to alter its tariff lines and rates without reference to, and the agreement of, ECOWAS.

It should finally be noted that NCS' ability to uphold the CET has proved uneven. The bands are often not applied at all or else are applied incorrectly. This needs to change. The CET must be applied consistently, while officers need to be re-trained in the new CET.

10.4: Economic Partnership Agreement (EPA)

In 1975, after its formation, ECOWAS signed the Lomé Convention. This was an agreement between the EU and less developed countries (LDCs) that promoted trade and the integration of LDCs into the global economy. It had 71 signatories throughout Africa, the Caribbean and the Pacific (ACP).

When the WTO came into existence, the Lomé Convention came into conflict with WTO rules, first because of the preferential access it offered to signatories and, second, because not all states were offered access to it. The EU and ECOWAS received waivers, but a revision of the Lomé Convention – the Cotonou Agreement in 2000 – stipulated that the agreements would be renegotiated so as to be in compliance with WTO rules. The target date was January 2008, but that has since been pushed back, with a hope that it will be completed this year (2011).

This new agreement will be known as an Economic Partnership Agreement (EPA). ECOWAS countries participating in the EPA are to liberalise imports and investment sequentially at two levels: first, that of regional groups (as evidenced by the move towards

the CET); and, second, in negotiating market access arrangements between the group and the EU. The agreements are negotiated on a regional basis, so ECOWAS will be the negotiating partner for the region. Three complications might be mentioned, however:

- ▶ First, despite the ECOWAS role, UEMOA will also be negotiating in its own right;
- ▶ Second, there is an apparent difference in perspective between the WTO and ECOWAS. The WTO has mandated that Free Trade Agreements must address all trade and be implemented over a “reasonable length of time.” ECOWAS, however, is taking a broader approach to the negotiations, hoping that, beyond its primary responsibility of promoting trade, the EPA will also provide development aid and “an enhanced political aspect.”
- ▶ Third, Nigeria is experiencing something of an administrative disconnect, as EPA negotiations are with the Ministry of Industry and Commerce, while CET talks are with the Ministry of Finance.



Customs officers at work at the Nigeria Customs Service Office, Murtala Muhammed Airport Command, Ikeja, Lagos

10.5: NCS' Role in Africa

Borders

The frequent checkpoints along Nigeria's borders violate a basic protocol of ECOWAS, that providing for the free movement of persons and the right of residence and establishment, which seeks to achieve a common market and the regional integration of member states. According to the Lagos liaison officer of ECOWAS, Philip Ojeme, Nigeria is the only state that has refused to adhere to this protocol, which it signed as long ago as 1979: the only approved checkpoints are the entry and exit points at the Seme border, Ojeme insists.

The road from Seme to Lagos is, nevertheless, a stretch that is especially notorious for such checkpoints. While NCS is only one of many agencies that station themselves along the routes, its central role means that it is vital that it should strive to co-ordinate with other agencies to ensure that there are fewer interruptions and violations of ECOWAS policy. NCS has cited enforcement and security as the basic issue behind this, arguing that it is poorly equipped to handle the land surrounding the border checkpoint. NCS says that this makes it easy for smugglers to cross freely into Nigeria and that the sole way to combat this is by setting up checkpoints along the only road. While NCS is addressing a genuine security issue, its method of doing so strongly disrupts and deters any attempt at trade facilitation.

Border Posts

There are a number of ways to facilitate cross-border co-operation, but one of the most practical is the **joint border post (JBP)**, in which neighbouring countries work together to facilitate trade via the route that passes through that point. Nigeria has recently become involved in two such projects, one with Benin and the other with Cameroon.

Benin Joint Border Post

The JBP project with Benin is located at the Seme-Krake border, an extremely busy transit point and a stop along the Lagos-Abidjan Corridor highway. It is one of seven planned posts in the ECOWAS region, and the only one of the seven located on the Nigerian border. The JBP came about as a result of an agreement between the European Union, ECOWAS and UEMOA.

The projects are being funded from the 9th European Development Fund from a €63-million grant under the Fund, part of which will also go towards supporting the development of railway infrastructure and capacity building.



Declarations being made at the passenger departure wing of the Murtala Muhammed Intl. Airport, Lagos

The JBPs are considered a fundamental step towards achieving the objectives of facilitating border crossings by speeding up formalities and, eventually, reducing duplication. Longer term, they are seen as creating the enabling conditions for the eventual lifting of borders and, thus, the creation of a borderless ECOWAS region.

With formalisation of the project in March 2011, it is expected that the selected contractors will finish within 15 months and be ready to hand over the JBP by June 2012.

Cameroon Joint Border Post

The JBP project between Nigeria and Cameroon is a result of their multinational highway transport facilitation programme. It is expected that the contract for construction of the JBP will be awarded in July 2011.

Nigeria and Cameroon both signed a Memorandum of Understanding for the facilitation programme, which provides for the establishment of two committees – a 21-member Joint Technical Committee and a 14-member Project Steering Committee. Cameroon, Nigeria, ECOWAS, the Economic Community of Central African States (ECCAS) and CEMAC (the Monetary and Economic Community of Central Africa) have representation on both committees, while donors have a seat only on the steering committee. ECOWAS is the overall co-ordinator for the project.

The construction of the post, and the rehabilitation and construction of the Bamenda-Mamfe-Abakaliki-Enugu road corridor linking the two countries – including infrastructure related to trade facilitation – are two of the three key projects under the programme. (The third is construction of a 230-meter long border bridge in Cross River State.)

Donors and the two participating countries are contributing about US\$455 million in loans and grants to finance the development and reinforcement of this road corridor. ECOWAS had received a grant of US\$16.16 million from the African Development Bank to finance studies, designs, supervision and co-ordination of the programme.

Transnational Border Market

Africa's national borders are, historically speaking, rather arbitrary. They were largely determined in the 1880s by European politicians with a love of colonial domains and of straight lines, who knew little and cared less about African specifics. This means that territorial boundaries quite often do not coincide with the borders between long-standing ethnic and tribal enclaves.

This in turn means that large communities – and sometimes even families – are divided by national boundaries and that borders are frequently crossed by those affected. Because of the lack of proper infrastructure – and the perceived difficulties of using proper procedures to cross borders – many citizens of Nigeria, Benin, Cameroon and Niger enter and exit Nigeria through unofficial routes. From one perspective, this is a logical saving of time and expense for those who simply wish to get on with their lives despite the inconvenience of the international border. From an administrative standpoint, however, it poses a number of challenges.

In September 2008, the Nigerian newspaper *Vanguard* published an interview with a senior labour department official, who admitted that around 90% of new jobs in Nigeria were within the informal economy. Quoting an unnamed survey, the official added that the sector was possibly responsible for nearly 80% of non-agricultural employment and 60% of urban jobs. The figures are regarded as fairly credible. However, given that Nigeria seeks to accelerate its economic development, it is vital that much of this sector be brought into the formal economy.

While border activity obviously does not account for the majority of this informal activity, such areas surely

account for a significant amount of it. Furthermore, with the likely decrease in Customs revenue as regional integration approaches, helping to formalise border trade will help both to legitimise jobs and to provide additional funding for the public purse. For this reason, the Federal Government, through the Ministry of Commerce and Industry, is looking to establish eight transnational border markets in the six geo-political zones of the country. The first such project is the Okerete Trans-National Border market, which will be sited in the Saki West Local Government Area of Oyo State.

Okerete will be used as a pilot project, and the hope is that it will serve as a market place for small business operators from Benin and Nigeria to exchange their goods and services. Mr. David Adejuwon, permanent secretary of the Director of Trade, said that transnational trade has been identified as one of the most effective tools for mainstreaming informal trade into the national and regional agenda, as well as a means of enhancing regional economic integration.

Aside from Okerete, the technical committee set up to advise on the establishment of these Border Markets has so far recommended that they be built in:

- ▶ The North East Zone, at Gamboru Ngala, Borno state;
- ▶ The North Central Zone, at Bambana, Niger State;
- ▶ The South South Zone, at Mfun, Cross River State; and
- ▶ The South East Zone, at Lokpanta, Abia State.

Both through the pilot market at Okerete, and in subsequent projects, the government will collaborate with stakeholders to develop the policies, plans and programmes necessary for the success such Border Markets. The Oyo State government has also been involved in the project and, in conjunction with the Federal Government, is seeking to bring in foreign business partners with the technical expertise to assist in the building of the Okerete market.



A market in Lagos

10.6: WCO and Nigeria's Role

Brief History

The World Customs Organization (WCO) was founded in 1952 as the Customs Co-operation Council, adopting its current name in 1994. Its early attempts at simplifying and harmonising Customs procedures resulted in the Kyoto Convention of 1973, which was put into force in the following year. Due to the rapidly changing circumstances of global trade – including shifting trade patterns,

globalisation, and constantly evolving technology – the WCO revisited the Kyoto Convention in 1999. Taking into account said changes, as well as the best practices derived from the experience of WCO members, the WCO and 114 member countries adopted a Revised Kyoto Convention (hereafter simply “the Kyoto Convention”) in June 1999.

Nigeria's Involvement in WCO

Since its election to the post in 2010, Nigeria has been serving as WCO Vice Chair for the West and Central Africa Region, with the Comptroller-General of NCS occupying the seat in question on Nigeria's behalf. The post makes Nigeria an automatic member of the WCO Council, the organisation's policy-making body. To maximise the efficiency of Nigeria's role at the WCO, the Comptroller-General has created an Office of the Vice Chair, led by the Deputy Comptroller-General for Strategic Research & Policy, to co-ordinate NCS' regional initiatives.

Following Nigeria's election, Comptroller-General Abdullahi Dikko Inde clearly set out his standpoint that Customs agencies in Africa should be proactive and reform themselves, rather than having reforms pushed on them. “We should embrace reforms *by* Customs and not reforms *for* Customs,” as he put it.

On Nigeria's watch, developments have been significant. For instance, the WCO Region has passed a measure addressing the financing of regional structures, as well as approving a proposal for a third Regional Training Centre – to be built in Nigeria. A very significant

Memorandum of Understanding (MoU) has also been signed by the President of the ECOWAS Commission and the Director-General of the World Customs Organization, during the latter's visit to Nigeria. The MoU envisages active promotion of the modernisation of Customs administrations in the ECOWAS region through the adoption and implementation of Customs instruments and tools sponsored or administered by the WCO, within the mandate sanctioned by the revised ECOWAS Treaty. Among other topics, the MoU covers:

- ▶ Capacity building and training;
- ▶ Nomenclature and tariff;
- ▶ Customs automation;
- ▶ Customs procedures;
- ▶ Trade facilitation;
- ▶ Supply chain security; and
- ▶ Rules of origin.

Also, both parties agreed to co-ordinate joint training activities for Customs officers from ECOWAS member states.



World Customs Organization secretariat in Brussels, Belgium



Policy Commission meeting at the WCO secretariat in Brussels



Containers at the Apapa
port



Chapter 11: Legislative Reform

This chapter examines the topic of reforming the legal framework in which NCS operates. Modernisation is urgently necessary to give a proper legal basis to NCS itself, to modern electronic operations and to the application of international agreements to which Nigeria is a party. A new Nigeria Customs Service Act is in the pipeline, and this chapter discusses various features which it will (or should) have. The issue of NCS funding is also touched on: the current arrangement, by which NCS is financed by a percentage of the revenue it collects, is not viable in the long term. After a discussion of relations with the Federal Ministries of Transport and Finance and of the work of the Presidential Task Force on the Reform of the Nigerian Customs Service, the chapter ends with an account of Nigeria's position under the Revised Kyoto Protocol.

Chapter 11: Legislative Reform

11.1: Legal Framework

The Status Quo

The Nigeria Customs Service (NCS) currently operates under the Customs and Excise Management Act (CEMA), as last revised in 2004 and as supported by the Laws of the Federation CAP 84. CEMA is currently being revised.

At first sight surprisingly, NCS does not have any recognised existence in law: CEMA did not create a Customs Service, with NCS existing only as a division of the Ministry of Finance. However, the Nigerian Customs Service Board Act provides for the administration of the NCS by this Board.

This is in fact not an unusual approach to “authority legislation” in international practice. In the case of NCS, it is linked to the paragraphs on “assigned matters”—arrangements for assigning particular tasks to particular bodies—in the original CEMA. The major benefit of this approach is that it is very flexible and allows additional tasks to be allocated to the Board at the discretion of the President and/or the Federal Government. One foreign parallel is the British case: in the UK, the Board of Customs is technically responsible to the Queen, not Parliament,

which gives the Board considerable power, even though it is under *de facto* control by Parliament.

The powers of NCS are derived from the power of the Customs Service Board to dictate how assigned matters are managed. NCS can operate by statutory instrument and regulation rather than requiring primary legislation. This provides a tremendous advantage in that it has enormous flexibility, which would be especially important in the event that NCS moves towards Co-ordinated Border Management and the Single Window system.

The negative side of this “non-existence” is that NCS acts with very little actual authority and power, but rather on a *de facto* or “default” basis. One consequence is that a number of decrees issued by other government agencies and departments can be used either to override NCS rules or to establish additional rules, enterprise zones, or free zones. For instance, additional requirements have been established by the National Agency for Food and Drug Administration and Control (NAFDAC), the Nigerian Drug



Nigeria Customs officers at the Nnamdi Azikiwe International Airport, Abuja

customs officers

Legal Enforcement Agency (NDLEA), and the Nigerian Ports Agency (NPA). This severely hampers NCS control both of the Customs process and of the specially created areas.

Another problem is that CEMA is radically out of date. It became law in 1958, while Nigeria was still under British rule.

This means that NCS lacks the proper legal foundation for carrying out its core activities using modern technologies, processes and procedures. Even as subsequently amended, in fact, CEMA has no provisions specific to the electronic age, so in technical terms the legislation cannot require electronic acts. It therefore cannot cope with various demands of the electronic age, such as the capacity to use and accept electronic signatures, the ability to submit data electronically, the capacity and requirement to submit advanced information, and the concept of “critical information”. Obviously, NCS nevertheless uses modern ICT. But because most of the procedures currently in use are not authorised under CEMA, the NCS is subject to legal challenge—and has

in fact been so challenged by stakeholders in the past. Opposition to these procedures slows trade, reduces revenue and security, and makes NCS’ job more difficult.

In addition, CEMA does not provide a proper legal basis for applying the major international agreements signed by NCS on Customs procedures. Over the course of CEMA’s existence, Nigeria has been a signatory to various such agreements, but cannot fulfil the obligations laid down in them through lack of provisions for implementation within CEMA. The major agreements of this sort, within the frameworks of the World Trade Organization (WTO) and the World Customs Organization (WCO), are:

- ▶ Agreement on Customs Valuation (WTO);
- ▶ Agreement on Trade Related Aspects of Intellectual Property Rights, or “Trips” (WTO);
- ▶ Agreement on Import Licensing (WTO);
- ▶ Agreement on Pre-Shipment Inspection (WTO);
- ▶ Harmonized System Nomenclature (WCO);
- ▶ SAFE Framework of Standards (WCO); and
- ▶ Revised Kyoto Convention (WCO).

The Need for Modern Customs Legislation

Outdated Customs laws limit social and economic progress by functioning as trade obstacles. They hinder NCS in carrying out its three main functions of collecting revenue, facilitating trade and protecting national security. CEMA must be thoroughly revised or replaced if NCS is to modernise and re-orient its priorities successfully. Relevant legislation is in the pipeline, in the form of the Nigeria Customs Service Act which, as of 2011, already exists in draft.

Even in the context of increasing trade liberalisation and falling duty rates, international experience suggests that the new organisational structure, procedures, and penalties authorised by this draft will substantially increase revenue to the Federal Government while still allowing Customs to fulfil its other key obligations. The proposed new legislation, that is, will boost revenue

while still promoting trade facilitation and enhancing the protection of national security.

World Bank economists estimate that each day by which the shipment time can be reduced increases exports between 1% and 7%. According to USAID, the full adoption of new Customs procedures—consisting essentially in letting the system work without interference and allowing smoother co-operation between all port agencies—would improve Nigerian export shipment times by 10 days, potentially increasing non-petroleum exports by anything from 10% to 70%. Analogous improvements in import procedures, according to USAID, would roughly halve shipment times to 22 days, which could increase imports by between 19% and 133%. Reduced shipping time for both imports and exports would drastically reduce the cost of shipping, making



Nigerian National Assembly Building Abuja

imports cheaper for Nigerian citizens—and the exports of Nigerian firms more competitive.

The new legislation is, in fact, expected to give a full legal basis for the implementation of modern Customs procedures. Key features are likely to include provisions for:

- ▶ Use of risk management;
- ▶ Maximum utilisation of ICT systems;
- ▶ Post-clearance audits;
- ▶ Mutual assistance agreements with other Customs administrations;
- ▶ Requirements for most traders to provide financial guarantees to ensure that their Customs debts will be paid;
- ▶ Special, simplified treatment for authorised traders allowing for use of the fast-track process;
- ▶ Close co-operation with traders including consultation with trade groups;
- ▶ Use of a Single Window system;
- ▶ Electronic payment; and
- ▶ Prohibition of both pre-shipment inspections and destination inspections by private contractors after the expiration of the current contracts.

Three other features of new legislation that are likely or desirable—or both—might be noted.

- ▶ First, **penalty procedures** will almost certainly be updated on the basis of international best practices. The current situation is seriously flawed. Legislation provides strong penalties for smuggling (a criminal offence), yet the penalties for administrative offences—such as intentionally under-declaring—are inadequate, providing zero incentive for traders to provide accurate and timely documentation and

information for processing. This problem needs to be addressed if a “compliance culture” is to be developed.

- ▶ The second concerns **“power of approval”**, a legal concept that in this context means a requirement that approval should be obtained from the Customs Board, by any agency wishing to operate within a Customs-controlled area, for the persons, locations and procedures that are to be involved. Such power of approval already exists in current legislation, but in a rather weak form that means it is in practice very under-used. The new legislation should give NCS *unambiguous* legal authority to approve (or withhold approval of) any new procedure that impacts a Customs-controlled area. At present, other government agencies have the ability to issue decrees without consideration of whether NCS is capable of enforcing them or whether they contradict NCS rules. This not only undermines the role of the NCS but is non-transparent, creates suspicion amongst the trading community and public, and leads to unjustified accusations of corrupt practice.
- ▶ The third relates to actions **“on matters assigned”**. In the developed world, it is normal to have a paragraph within Customs legislation that deems the national Customs service to be legally allowed to act “on matters assigned” (the limitation being imposed because neither Customs legislation and nor Customs services deal with policy). There ought to be such a provision in the new law. If one existed, NCS would not have to review non-Customs legislation and the regulations of other agencies (such as SON or NAFDAC) in order to determine its own obligations in terms of carrying out those agencies’ functions. This could, instead, be achieved—far more effectively—through the use of inter-agency Memoranda of Understanding, service agreements, and decrees allowing NCS to work on behalf of the other agencies.



Central Bank of Nigeria Headquarters, Abuja

11.2: Funding

One other problem that will need to be addressed very soon is NCS funding. At present it is based, not on an allocation from the federal budget, but on a percentage of the revenue NCS collects—set at 7% in 2006. While NCS does its budget planning annually, moreover, the actual allocation of these funds is done on a monthly basis and depends on month-by-month revenue collection. The difficulties entailed by this situation are obvious:

- First, the month-by-month nature of financing can result in monthly shortfalls that have a serious impact on fiscal management.
- Second, while it gives NCS an obvious interest in performing well at one of its tasks—revenue collection—it could be detrimental to another, namely trade facilitation. An interest in extracting the maximum possible amount in Customs duties could entail an over-emphasis on inspections and lengthy procedures at the expense of speed.
- Third, it could also dispose NCS to neglect processing of exports, which under the current system yield no revenue whatever.
- Fourth, it creates a problem given the long-term trends in the sphere of Customs—those of trade liberalisation at a regional and a global level, and of export-promotion devices like free trade zones (FTZs). These imply a general tendency of Customs revenues to decline, undermining finances that are based on a percentage of those revenues. They also mean that, if NCS does its job by helping liberalisation along and co-operating to make FTZs work, it is going against its own financial interests.

It would be absurd to suggest that the way NCS—or any other state agency—does its job is driven *simply* by considerations of departmental finances. But it would be equally naïve to assume that an organisation persistently beset by financial shortages can function as it should. And it would be even more so to think that a situation

in which an organisation is systematically penalised for conscientiousness is a viable one in the long term.

Detailed adjustments might conceivably achieve something. The problem of long-term trends might be offset by a rising revenue percentage. That of exports might be tackled by tying some NCS revenue to export values without actually charging exporters. Whether all problems could be solved at once under the present framework is doubtful, however.

Luckily, foreign experience suggests that there are other, perfectly serviceable ways of ordering matters. Take South Africa, for instance.

The South African Revenue Service (SARS)—which deals with Customs and Excise as well as taxation—has been an agency independent of the Department of Finance since 1997, but receives its main funding through a transfer from that Department. Ultimately, most of that money is appropriated annually by Parliament for the services of SARS; the amount is calculated in accordance with income and expenditure estimates; and, once appropriated, it must be paid to SARS in amounts determined in accordance with an agreement between SARS and the Minister—though provisions for review and adjustment in certain circumstances exist. Incidentally, SARS may also charge state institutions for specific services, at an agreed rate. And SARS enjoys both operational and capital budgets.

The advantages of having a budgeted amount are tremendous. It means SARS has the capability to plan long-term projects and investments. SARS already has an estimated budget for the fiscal year 2013-2014, which provides sufficient predictability to allow planning of both operational and capital costs. It allows SARS to put aside funding for the future as opposed to having to worry constantly about the ability to cover its own costs.



Federal Ministry of Finance Headquarters, Abuja

11.3: Relationship with Finance and Transport Ministries

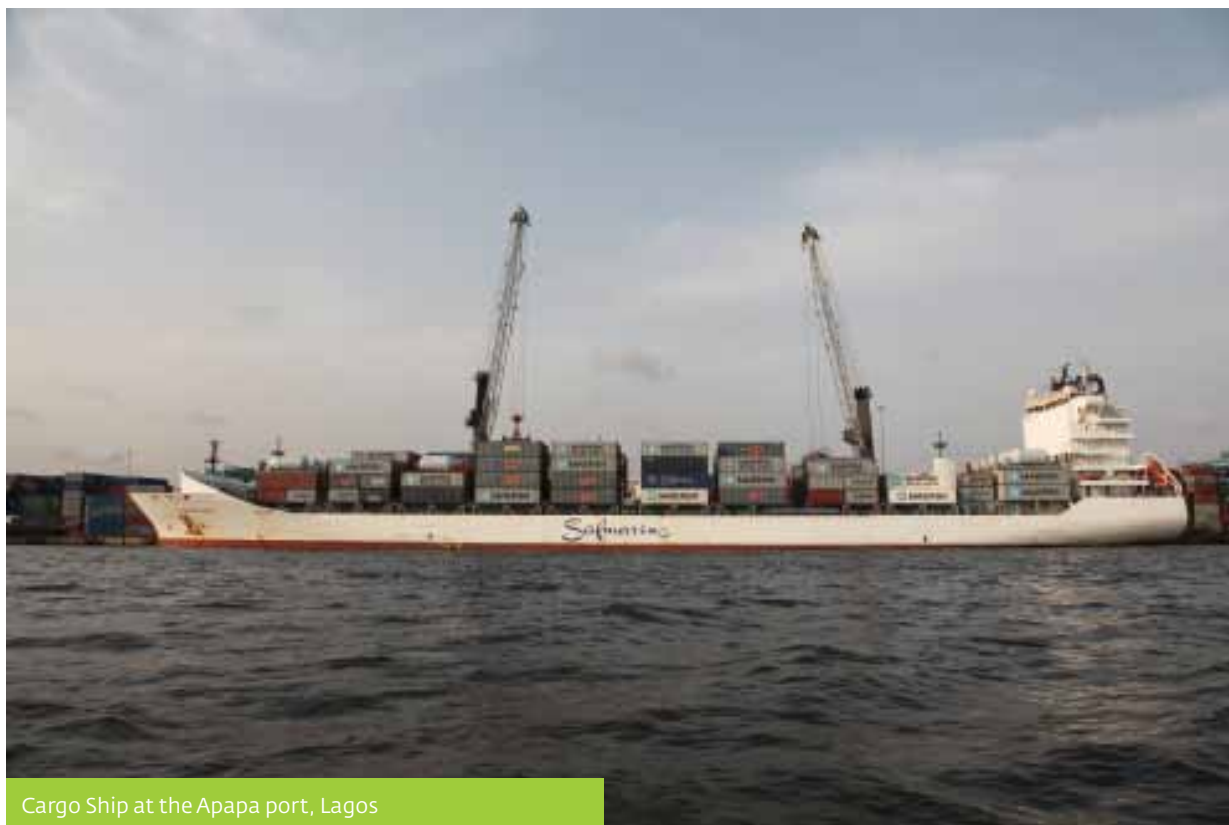
The topic of NCS relations with other state bodies has already been mentioned. Two in particular might be highlighted.

The first is the Federal **Ministry of Transport** (MoT). Relations with the MoT are especially sensitive, since it is the MoT that controls the Nigerian Ports Authority (NPA). This means that the physical aspects of the port—including scanner contracts—are within the MoT's domain. The consequences have been unfortunate: NCS has not been granted a seat at the table in contract negotiations, with the result that the contracts have ignored elementary requirements like space, accessibility and lifting equipment. Future legislation must give NCS the ability to be a party to talks for Service Provider Contracts.

The second is the Federal **Ministry of Finance**. NCS is a government agency located within that ministry. This leads to certain problems, which incidentally compound the problems entailed by the arrangements for funding NCS. Although NCS has a tripartite role in providing revenue collection, trade facilitation, and national

security, its position within the Ministry of Finance tends to mean that the primary focus of the agency is revenue collection. This focus is reinforced by the fact that, in working within the Ministry of Finance, NCS is also obliged to collect taxes and other payments at the borders for other agencies.

Quite what the solution should be is not clear. Transferring NCS to the jurisdiction of another ministry—some have suggested Industry and Commerce—might increase the focus on trade facilitation, but might also produce another sort of one-sidedness. The Finance Ministry, moreover, certainly has a legitimate interest in what is, after all, the second largest source of revenue for the central government. It is perhaps early to talk of South African-style detachment from ministerial structures. And the fact that NCS is, directly, administered by a Board gives its relations with the Finance Ministry at least some “arm’s length” quality. Nevertheless, it would be prudent to allow for some organisational expression of the fact that NCS wears not one “hat” but three—and that it is in the business of optimising, rather than just maximising.



Cargo Ship at the Apapa port, Lagos

11.4: The Presidential Committee on Customs Reform

Another significant partner for NCS is the Presidential Task Force on the Reform of the Nigerian Customs Service (PTFRNCS). This was inaugurated by the Minister of Finance in August 2010. It comprises eleven members and is chaired by Dr. Ochi Achinivu, a former Federal Permanent Secretary. Its goal is to work towards a 48-hour clearance time for goods, as well as the decongestion of ports. PTFRNCS has focused on implementation, as well as writing a report on its findings. It has asked that the Federal Government review trade policy, which the Task Force has found to be excessively restrictive to trade facilitation.

This Task Force follows an earlier committee of the same name which was ended for non-performance. The disbanded task force had been set up with fairly specific terms of reference, but after two years it had only produced one interim report, in January 2010. The Ministry of Finance felt that the lack of progress was due in part to a lack of cohesion and co-operation. Upon starting the new Task Force, the authorities mandated a completion of all its duties within three months—though, as of March 2011, PTFRNCS is still operating.

The Task Force has worked predominantly on trade facilitation, mostly through attention to the import prohibition list. It has urged the Federal Government to abolish what it described as “punitive and prohibitive tariffs, levies and charges at the nation’s entry point”, to allow free and unhindered movement of import and export goods, noting that such banned items should be limited to “items and goods that are clearly harmful to health and society.”

Under the new import regime which was announced by Finance Minister Olusegun Aganga in late 2010, as a response to the Task Force recommendations, textile fabrics, cassava, toothpicks, energy drinks and furniture were removed from the import prohibition list. The government also imposed a 20% import duty and a 20% levy on all the items removed from that list.

One key aspect of the new import policy is the decision to raise the age limit of imported “fairly used” cars from 10 to 15 years. Another is a ban on importation of rice via Nigeria’s land borders: rice can now enter the country only through its seaports.

Aganga explained that the government had taken the decision to discourage the growing activities of smugglers, which were costing the nation a huge loss in revenue. The decision, according to him, was arrived at after findings showed that many of the items on the import prohibition list were still finding their way onto the Nigerian market, via importers who used seaports in neighbouring West African countries and smugglers who exploited Nigeria’s porous borders. He explained that all revenue realised from the import duties and levies raised from hitherto prohibited items would be used to provide infrastructures for the survival of the local industries.

The import prohibition list is still under review, as a result of PTFRNCS findings. The Task Force’s conclusion on the subject was that import prohibitions had neither led to increased local production nor saved or created Nigerian jobs, but only served as an incentive for smuggling. The ban, said the Task Force, had robbed the nation of huge sums and created fertile ground for corruption in import administration.



President Goodluck Ebele Jonathan with the Comptroller General of the Nigeria Customs Service

11.5: Kyoto Legislation

The Revised Kyoto Convention includes an exhaustive list of more than 600 standard and recommended legal provisions that, between them, provide the basic principles for all Customs procedures and practices. These provisions include Standards, Transitional Standards, and Recommended Practices.

According to this Convention, principles to be applied uniformly by all Customs Regimes include the following:

- ▶ Standardisation and simplification of goods declarations and supporting documents;
- ▶ Application of the minimum necessary control;
- ▶ Risk management and audit-based control;
- ▶ Fast-track procedures for authorised persons and entities;
- ▶ Co-ordinated interventions with other agencies;
- ▶ Maximum use of ICT;
- ▶ Transparency and predictability;
- ▶ Availability of an appeals process.

The last of these is, incidentally, also a requirement of GATT (Article X of the 1994 treaty), under which "Members must 'maintain or institute judicial, arbitral or administrative tribunals or procedures for the purpose, *inter alia*, of the prompt review and correction of administrative action relating to Customs matters' providing for uniform, impartial, and reasonable administration of laws, decisions, and rulings affecting import and export."

Nigeria has signed the Revised Kyoto Convention, but has not yet ratified it. With accession, the country will be committed to implement and enforce a number of the Convention's standards, transitional standards, and recommended practices. Standards must be implemented within 36 months of ratification, while Transitional Standards have a 60-month implementation period. Reservations are permitted to Recommended Practices in specific areas. These are not necessarily restricted to Customs legislation, but can also apply to other instruments such as notifications, charters, and decrees.

After ratification, Nigeria's national legislation must include at least the basic rules from the General Annex, with a plan for implementation outlined in specific detail.

In addition to the General Annex, there are ten Specific Annexes, dealing with:

- ▶ Arrival of goods in a Customs territory;
- ▶ Importation;



ASYCUDA project servers at the Nigeria Customs Service office Abuja

- ▶ Exportation;
- ▶ Warehouses;
- ▶ Transit;
- ▶ Processing;
- ▶ Temporary admission;
- ▶ Offences;
- ▶ Special procedures; and
- ▶ Origin.

Nigeria is not obliged to accept all of the Specific Annexes, though the WCO feels that it is crucial for all contracting countries to sign those on importation, exportation, warehouses, transit and processing. In addition, the Recommended Practices contained in the Revised Kyoto Protocol are not legally binding. However, in signing the Convention, Nigeria does subscribe to two driving principles, the simplification and harmonisation of Customs procedures.

11.6: Recommendations

In July and August 2006, the WCO made a number of recommendations on Nigerian Customs in a draft report to the President's office¹. Though some relevant changes (mainly regarding the amendment or replacement of CEMA) are in the pipeline, these recommendations still hold good. The following draws on them:

- ▶ Codification in law of the requirement for electronic submission of Customs information;
- ▶ Delegation to the Comptroller-General of Customs (CGC), as a necessary operational control, of the power to approve points of entry for Customs purposes (at present this is the prerogative of the Customs Board);
- ▶ CGC input into the decision-making process in the award of concessions for, or at, points of entry;
- ▶ Customs Board power to determine the Service Providers at points of entry where the service in question is a Customs procedure;
- ▶ Minister-level responsibility to ensure that NCS is consulted before policy changes and decrees made by other government departments, as well as in the case of concessions—or negotiations for privatisation—in any Customs-related process (ensuring NCS ability to advise on the feasibility and likely effectiveness of policies);
- ▶ Above all, legislative provision to give NCS the legal authority with which to act, as well as enshrining modern international best-practice Customs procedures and processes in the code of law.



Cargo truck to be scanned and inspected

¹ The Columbus Programme Draft Report to the Office of the President of Nigeria on the World Customs Organization Diagnostic on the Implementation of SAFE.



Nigeria Customs Service
Command and Staff
College, Gwagwalada"



Conclusion

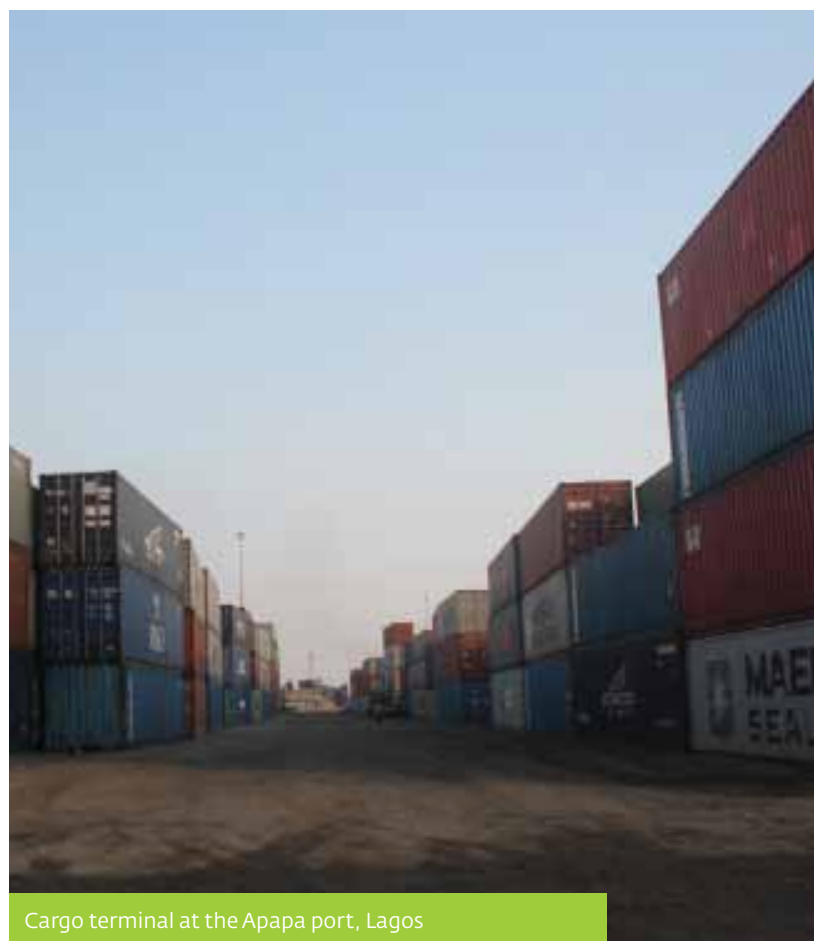
Conclusion

This Report has covered much ground, both chronologically speaking and in terms of subject matter.

The report began from the origins of NCS under old Mr T.A. Wall in 1891 to the high-tech presence of ASYCUDA++ and state-of-the-art scanners. The report also looks forward to a not-so-distant future where modern Customs methods. And it has looked forward to a not-so-distant future where modern Customs methods and principles will be fully deployed—methods and principles like Intelligence-Driven Risk Management, Co-ordinated Border Management, the Single Window, and the Authorised Economic Operator Regime.

It has dealt with human resources (HR) and integrity; with the details of information and communications technology (ICT) and clearance procedures; with international and regional frameworks and with national legislation; with trade facilitation and with those factors that hinder the smooth and efficient functioning of Customs clearance. And it has explored the constructive and tricky role that Customs must play in a world of increasingly complex trade arrangements and logistics chains, of increasingly fierce globalised competition, and of increasingly transnational terrorist, criminal and environmental threats.

Summary is difficult. But a few themes have emerged consistently from the foregoing chapters.



Cargo terminal at the Apapa port, Lagos

The **first** is that the preconditions are already largely in place for a truly modern Customs system, and that what remains now is a matter partly of “filling in the gaps”, but partly also of having faith in what is already tested and feasible.

Thus, modern risk management methods and scanner technology are, generally speaking, more effective than physical inspection and must be allowed to do their job.

Thus again, the NICIS ICT system in place at NCS—a combination of ASYCUDA++ and World Trade Manager—is, broadly, sufficient to support a process that is considerably more automated than that which prevails currently, and to perform functions that are not within NCS’ remit at present. Add a few modules, amend a few procedures, and—admittedly more difficult—remedy some infrastructural shortcomings and much could be achieved.

Thus, similarly, modern Customs concepts are well established in international practice and the preconditions for their introduction in Nigeria are at least partly in place. Risk-management capabilities are incorporated in ASYCUDA++ and indeed, in some cases, duplicated in arrangements with Service Providers, and yet are largely unused and mistrusted. Improving relations with some stakeholders—and a drive to promote the professionalisation of others—mean that

progress towards an AEO regime could be quite fast. And NICIS has the potential to serve as the basis of a Single Window system, provided other agencies can catch up technologically and be brought on board.

The **second** theme that emerges is that *not everything depends on NCS*. Other stakeholders and other agencies must do their part in ensuring the modern, streamlined Customs process that Nigeria needs and deserves now the 21st Century has entered its second decade. And those in authority must ensure that agencies perform and that appropriate laws and policies are in place. Port transport infrastructure must be improved. So must electricity supply. The proliferation of agencies at ports must be checked and the inspection process streamlined. More space and facilities are needed for the processes of scanning and physical inspection. Service Provider (SP) contracts for scanning and risk assessment reports must be appropriate, providing for compatible formats, scan images that can be transmitted to ASYCUDA++, and reports that can be shared by different SPs. And so on.

And the **third** theme is this: the next two or three years will see numerous decisions crucial for the future of Nigerian Customs, so *now is the time to get things right*.

In the legislative field, new Customs legislation will be replacing a law that dates from British colonial days and still fails to provide a valid legal framework for modern ICT. In the HR field, the NCS is at present formulating a Comprehensive Code of Conduct, a system for assessing and rewarding performance, and a framework for career advancement within the Service, not to mention the new ultra-modern Staff College with an international curriculum. The complex question of the Single Window is on the agenda, with an appropriate choice of model to be made and careful preparations then required to ensure its smooth adoption. The position of free-trade zones (FTZs) must be regularised in a way that makes them fit comfortably into the system of streamlined trade facilitation over which NCS will preside. And the issue of Customs financing can surely not be delayed much longer, as trade liberalisation and free-trade zones make the funding of NCS via a revenue percentage an increasingly untenable arrangement.

In short, the next few years will be an interesting and challenging time for NCS, as it will for government, other agencies and other stakeholders in the Customs process. All must rise to the challenge. The Nigeria Customs Service relishes the prospect.



Female customs officers at the passenger arrival wing of the Murtala Muhammed Intl. Airport, Lagos

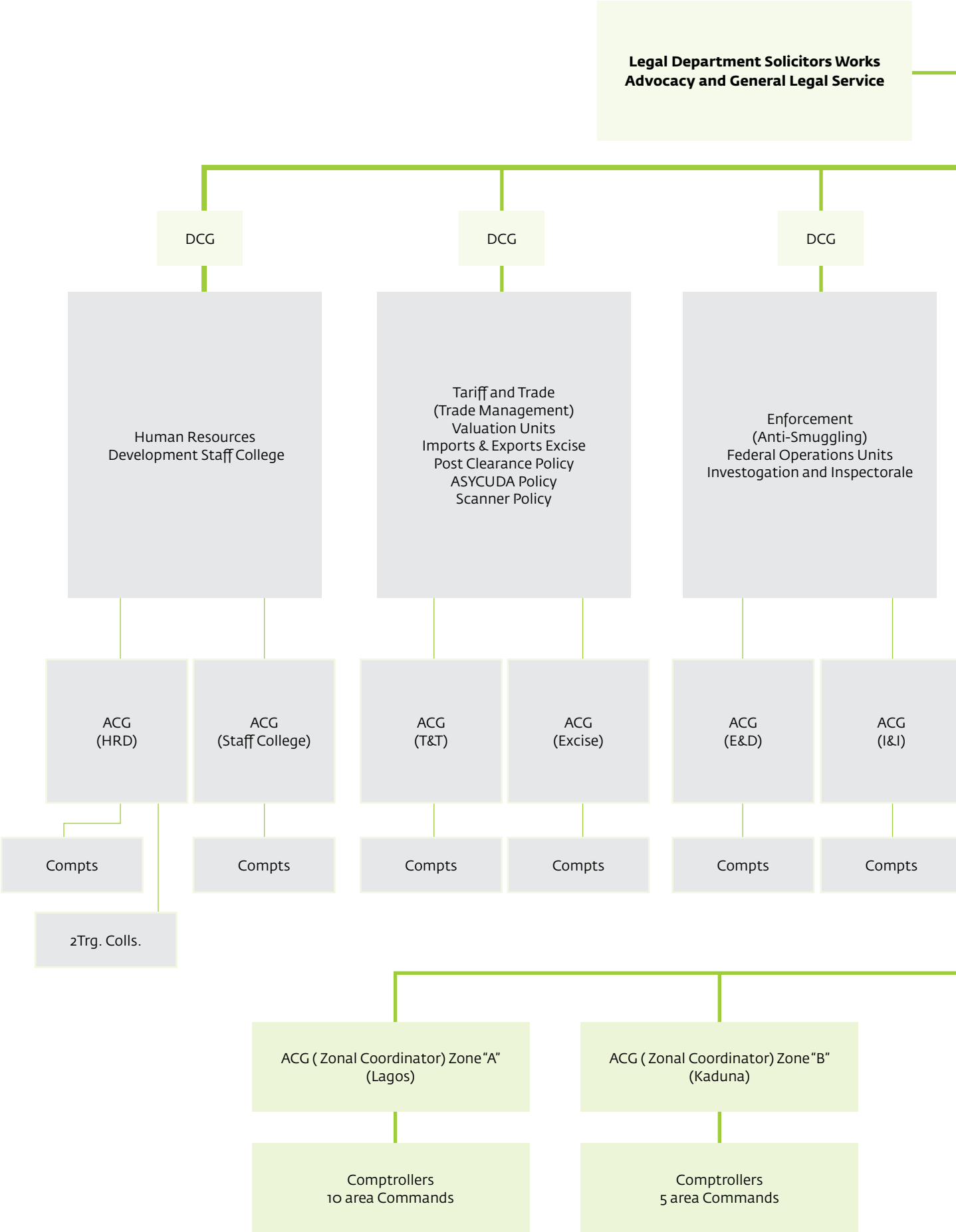


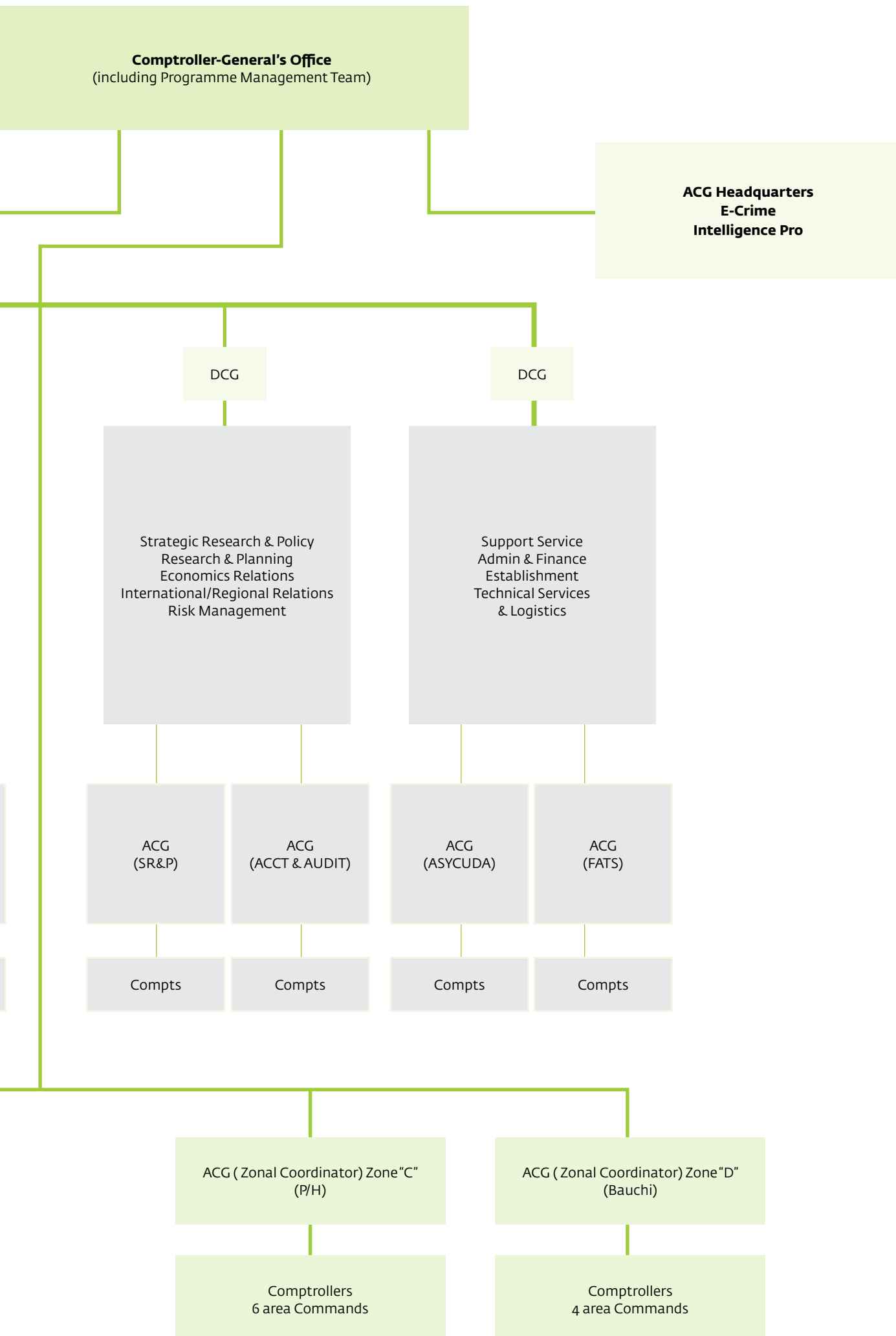
The opening of the Dr.
Goodluck Ebele Jonathan
Barracks at Kuje, FCT Abuja



Appendix A: NCS Organisational Chart

Appendix A: NCS Organisational Chart





Course Manual

Federal Government Of Nigeria
Federal Ministry Of Finance
Customs Service (NCS)



Quality
Excellence and
Performance

Quality Excellence training
at the Nigeria Customs
Service Training School,
Ikeja, Lagos



Appendix B: Progress Report on the Six-Point Agenda of the Comptroller General of Customs

Appendix B:

Progress Report on the Six-Point Agenda of the Comptroller General of Customs

	Date	Subjects	Attendees	Country
1.	July-Dec. 2009	Training of over 5,600 recruits in eight centres	5,600	Nationwide
2.	August, 2009	Image analysis	8	Lagos, Nigeria
3.	September, 2009	Specialised Int'l training for Mgt. staff	12	USA
4.	Sept-Dec. 2009	Price verification, classification and valuation	9	Lagos, Nigeria
5.	Sept-Oct. 2009	Seminar on Stop, boarder post for African countries	3	Japan
6.	October, 2009	Customs procedures	48	Lagos, Nigeria
7.	October, 2009	Valuation course on ACV	80	Kano and PHC
8.	October, 2009	Facility visit to Switzerland	2	Switzerland
9.	October, 2009	Inaugural meeting of WCO	1	Brussels
10.	Nov. 2009	Internal retreat on effective organisational leadership, strategic planning and Risk Management techniques	4	USA
11.	Nov. 2009	Anti Illicit trade	2	South Africa
12.	Nov. 2009	1 st WCO RWG. meeting on ethics and good governance	2	Ghana
13.	Nov. 2009	3 rd Quarter Audit inventory of accounts	2	Brussels
14.	Nov. 2009	Ministerial conference	1	Geneva
15.	Nov. 2009	India International. Trade Fair	3	Geneva
16.	Nov. 2009	Harmonized system review sub-committee	3	Brussels
17.	Nov. 2009	Five (5) days workshop	4	Hong Kong
18.	Nov. 2009	Scanner operations and image analysis	153	Lagos, Abuja and Kano
19.	Dec. 2009	Computer appreciation course	3,000	Most Area Commands
20.	January, 2010	Commercial fraud	2	Brussels
21.	January, 2010	Secondment training (SSS)	12	Lagos, Nigeria
22.	January, 2010	Fixed Scanner operations	52	Lagos, Nigeria
23.	February, 2010	Negotiation group	1	Geneva
24.	February, 2010	African Tax Forum	2	South Africa
25.	February, 2010	Maintenance training and Recheck Duties	55	Lagos and Kano
26.	February, 2010	African Tax Forum	3	South Africa
27.	Feb-March, '10	Valuation courses	78	PHC. and Kano
28.	March, 2010	Change Management courses	78	PHC. and Kano
29.	March, 2010	Top Management Development training	20	Abuja, Nigeria
30.	March, 2010	Conference of Directors General of Customs	13	South Africa
31.	March, 2010	Value Quest and Web Services	19	Lagos, Nigeria
32.	March, 2010	Basic Provost course	47	Zaria, Nigeria

	Date	Subjects	Attendees	Country
33.	March, 2010	Global Scan In-house training	9	Lagos, Nigeria
34.	March, 2010	WCO Inter-governmental Negotiating body on protocol on Illicit trade in Tobacco	3	Geneva
35.	March, 2010	International anti-money laundering conference	3	Florida, USA
36.	March, 2010	15 th Conference of Directors General of Customs of WCO region West/Central African	4	Mali
37.	13th-17th March, 2010	5 th Annual International Anti-money laundering	3	Florida, USA
38.	April-May, '10	Management Development course	70	Lagos, PHC and Kano
39.	April-May, '10	General Scanner/Image Analysis	20	Katsina, Nigeria
40.	April, 2010	Strengthening and positioning of officers of Accounts and Internal Audit	272	Abuja, Lagos, PHC. and Kano
41.	April, 2010	National Risk Management training	32	Lagos and Abuja
42.	April, 2010	Training Techniques	25	Lagos, Nigeria
43.	April, 2010	VCC Incubator training (Valuation and Classification)	15	Abuja, Nigeria
43.	April, 2010	Introduction to Risk Management principles	15	Lagos, Nigeria
44.	April, 2010	International Airport interdiction	7	USA
45.	April, 2010	New WCO capacity building committee/Annual session of integrity sub-committee	8	Brussels
46.	17th-23rd April, 2010	1 st Session of new capacity building committee/Annual session of integrity sub-committee	3	Brussels
47.	May-June, '10	Computer Skills/NICIS training	237	Lagos, PHC and Kano
48.	May-Aug. '10	Secondment training (SSS)	9	Lagos, Nigeria
49.	May, 2010	International Seaport interdiction	10	USA
50.	May, 2010	Professional Development Programme	17	Canada
51.	May, 2010	18 th Session of the United Nations Commissions on sustainable development	1	New York
52.	May, 2010	Sanitary and phyto sanitary measures for food security/international trade	2	Zaria, Nigeria
53.	24 th April-6th May, 2010	Sanitary and Phyto sanitary measures for food security and international trade	2	Zaria, Nigeria
54.	3 rd - 14 th May, 2010	Invitation to participate at the eight session of the United Nations Commission on sustainable development	1	USA
55.	17th-21st May, 2010	Training workshop on investment promotion	1	Switzerland

	Date	Subjects	Attendees	Country
56.	May-Aug. 2010	Secondment training (SGS)	9	Lagos, Nigeria
57.	May, 2010	Joint Ecowas/Venwa	1	Ghana
58.	May, 2010	Closure of foreigners shop	1	Ghana
59.	May, 2010	Harmonized system review sub-committee 40 th session	3	Brussels
60.	June, 2010	Training Techniques	37	Lagos, Nigeria
61.	June, 2010	Valuation/classification	15	Abuja, Lagos
62.	June, 2010	In-house training with Global Scan Systems	10	Lagos, Nigeria
63.	June, 2010	WCO Risk Management Forum	2	Brussels
64.	June, 2010	Preparatory session of the United Nations arms trade treaty	1	New York
65.	July, 2010	Training Techniques (Train the Trainer)	60	PHC, Nigeria
66.	July, 2010	International Aids conference	3	Vienna
67.	19th-30th July, 2010	Safe Search training	24	Lagos, Nigeria
68.	June-Aug. '10	VCC Incubator training (Valuation and Classification	15	Abuja, Nigeria
69.	Aug. 2010	Training Techniques (Train the trainer)	60	Kano, Nigeria
70.	Aug. 2010	Modern budget tracking techniques and strategic planning and leadership workshop	2	Ghana
71.	Aug. 2010	The African Union technical working group on harmonisation of transit procedure	2	Zimbabwe
72.	9th-20th Aug. 2010	General Scanner, Image Analysis and recheck duties	20	Lagos, Nigeria
73.	23rd-27th Aug. 2010	General Scanner, check-in operator, Receptionist operator, check in/out Agents duties	20	Katsina, Nigeria
74.	4th-5th Aug. 2010	Stakeholders Analysis and Management	16	Lagos, Nigeria
75.	16th-17th Aug. 2010	Value Quest	15	Abuja, Nigeria
76.	Aug 2010	Value Quest	15	Abuja, Nigeria
77.	Sept. 2010	Overview of International Best practice in Customs Administration for Top Management Team	10	Overseas
78.	Sept. 2010	Classification course	60	Port Harcourt, Nigeria
79.	Oct . 2010	Classification course	60	Kano, Nigeria
80.	Nov 2010	International Trade Procedure-Issues & Solution	7	Accra, Ghana
81.	Nov.2010	Classification Course	60	Lagos, Nigeria
82.	Dec. 2010	Training Techniques (Train The Trainer)	7	Lagos, Nigeria
83.	Dec. 2010	2010 International Leadership MGT. Conference	12	Ontario, Canada

	Date	Subjects	Attendees	Country
84	Jan. 2011	General Scanner Operations, Image Analysis and Recheck Officer Duties		Lagos, Nigeria
85	April. 2011	SGS. Price verification, Classification and risk Management		Lagos, Nigeria
86	Feb 2011	General Scanner Operations and Assistant Maintenance officer		Lagos, Nigeria
87	Feb. 2011	Module Writing Workshop		Abuja, Nigeria
88	Feb .2011	ATS/Module writing		Abuja, Nigeria
89	Feb. 2011	Enforcement Strategies		Abuja, Nigeria
90	Feb.2011	Cotecna Valuation and Classification	15	Abuja, Nigeria
91	Feb. 2011	Six Sigma quality Excellence and Corporate performance score card	40	Abuja, Nigeria
92	Feb.2011	General Operations and Assistance Maintenance		
93	Feb-March 2011	Train the Trainers Techniques	30	Abuja, Nigeria
94		Globalscan in-house Training Programme		Lagos, Nigeria
95	Mar. 2011	Conference of Director General of Customs of West and Central Africa	7	Congo
96	Mar. 2011	General Scanner Operations, Image Analysis and Recheck officer duties	15	Lagos, Nigeria
97	March	Corporate Performance Score card and six Sigma Quality Excellence	70	Lagos, Nigeria
98	Apr.2011	Corporate Performance Score card and six Sigma Quality Excellence	40	Port Harcourt, Nigeria
99	Mar-may 2011	SGS. Price Verification, Classification and Risk Management	15	Lagos- Nigeria
100	Mar-Apr. 2011	International Advanced Risk Management	10	Accra, Ghana
101	April 2011	Value Quest	15	Abuja, Nigeria
102	April 2011	General Scanner Operations, Image Analysis and Value Quest Course	20	Abuja, Nigeria
103	April. 2011	Refresher and Computer Appreciation Course	50	Kano, Nigeria
104	April. 2011	Refresher and Computer Appreciation Course	52	Bauchi, Nigeria
105	May. 2011	WCO Capacity Building Committee and Integrity	10	Brussels
106	May-June 2011	Refresher and Computer Appreciation Course	100	Lagos, Nigeria
107	May. 2011	Post Clearance Audit	30	Kano, Nigeria
108	May. 2011	Valuation and HS Classification course	15	Abuja, Nigeria
109	May. 2011	General Scanner Operations, Image Analysis and Recheck officer duties-(1st Batch)Scanning Managers	7	Lagos, Nigeria
110	May. 2011	Post Clearance Audit	30	Kano, Nigeria
111	May. 2011	Breakthrough training Programmed	40	Abuja, Nigeria

	Date	Subjects	Attendees	Country
112	May. 2011	Leadership training for senior officers at the University of Pittsburg, USA	19	Pittsburg, USA
113	May. 2011	General Scanner Operations, Image Analysis and Recheck officer duties-(2nd Batch)Scanning Managers	7	Lagos, Nigeria
114	May. 2011	Effective Anti- Smuggling and forty eight hours cargo clearance	50	Lagos, Nigeria
115	May. 2011	Breakthrough training programme	40	Kano, Nigeria
116	May. 2011	Revenue Generation and Attitudinal Change	40	Abuja, Nigeria
117	May. 2011	Research Techniques and Policy Analysis	30	Abuja, Nigeria
118	May. 2011	Breakthrough training programme	40	Lagos, Nigeria
119	May-June. 2011	Supervisor's management skills- pilot course 1 and 2	15	Lagos, Nigeria
120	May-June 2011	Supervisor's management course- six batches	90	Lagos, Nigeria
121	May 2011	Post clearance and online Audit	30	PHC, Nigeria
122	May- June 2011	General Scanner Operations, Image Analysis and Recheck Duties	20	Kano, Nigeria
123	May-June 2011	Anti- Smuggling and Forty eight Hours cargo clearance	50	Kano, Nigeria
124	June. 2011	Breakthrough Training Programme	40	PHC, Nigeria
125	June .2011	Anti- Smuggling and Forty eight hours cargo clearance	50	PHC, Nigeria
126	June. 2011	Leadership and Communication Skills	60	Abuja, Nigeria
127	June. 2011	Secondment on Cotecna Scanner, Ops. & Analysis	46	Abuja, Nigeria
128	June. 2011	Secondment on SGS Price verification, Classification and Risk Management Unit	20	Lagos, Nigeria
129	June. 2011	Anti-Smuggling and forty eight hours cargo clearance	50	Abuja, Nigeria
130	June. 2011	WCO policy Commission and Council Sessions	8	Brussels
131	July. 2011	Human Capital Development course	10	Lumpur, Malaysia
132	July 2011	Effective Anti-Smuggling and forty eight hours cargo clearance	50	Bauchi, Nigeria
133	July 2011	Advanced Strategic intelligence Analysis Course	2	South Africa
134	July. 2011	2011 Transformation initiatives leadership training	37	Brampton, Canada
135	July. 2011	Inter personal skills, Customers Relations and Excellence in Service	30	Port Harcourt
136	July. 2011	2011, leadership management conference on Airport security, Border patrols & interception of Hazardous Materials	16	China
137	July. 2011	Risk Management in Customs Operation	25 officer	Gombe
138	Aug. 2011	Refresher and computer Appreciation Course	50	Kano, Nigeria

	Date	Subjects	Attendees	Country
139	Aug. 2011	Anti-Smuggling and forty eight hours cargo clearance	50	Bauchi, Nigeria
140	Aug. 2011	Computer Appreciation course	500	Sokoto, Nigeria
141	Aug. 2011	Computer Appreciation course	1,500	Lagos, Nigeria
142	Aug. 2011	Risk Management Training Programme	60	Lagos, Nigeria
143	Aug. 2011	Risk Management Training Programme	30	Port-Harcourt
144	Aug. 2011	General Scanner Operations, Image Analysis and Recheck Duties	20	Abuja
145	Sept- oct. 2011	Secondment of officer to SGS price verification	20	Lagos, Nigeria
146	Aug. 2011	Risk Management Training Programme	30	Abuja, Nigeria
147	Aug. 2011	General Scanner Operations, Image Analysis and Recheck Duties	20	Lagos
148	Aug. 2011	Inter personal skills, Customs relations and excellence in service	30	Kaduna
149	Aug- sept 2011	General Scanner Operations, Image Analysis and Recheck Duties	20	Lagos
150	Sept- Oct. 2011	Valuation and HS Classification	15	Abuja
151	Sept. 2011	Inter Personal Skills	30	Lagos
152	Sept. 2011	General Scanner Operations, Image Analysis and Recheck Duties	20	Lagos
153	SEPT. 2011	Executive session of the 8th National seminar on Economic Crime	5	Abuja
154	Sept. 2011	CISS local training for Operator	8	Lagos
155	Sept. 2011	Technologies to teaching, Research, Info communication and administration (AICTTRA 2011)	4	Ile- ife
156	Sept-Oct 2011	General Scanner Operations, Image Analysis and Auditing	12	Lagos
157	Oct- Nov. 2011	Regulatory, Compliance and enforcement Strategies	160	Kaduna
158	Oct. 2011	Mobile Scanner Maintenance	10	Idiroko, Ogun
159	Oct. 2011	Leadership and Management Training Programme	25	Kano
160	Oct. 2011	Leadership and Management Training Programme	25	Lagos
161	Oct. 2011	Modern techniques for Senior Customs Manages	30	Abuja
162	Oct. 2011	General Scanning Operation and Assistant maintenance Officers Training Programme	17	Lagos
163	Oct. 2011	Purchasing and Supply, Store keeping and Professional Procurement in Practice	71	Lagos/ Enugu
164	Oct-Nov. 2011	Modernization Techniques for senior Custom Manager	30	Abuja

	Date	Subjects	Attendees	Country
165	Nov. 2011	Mobile Scanner Maintenance Training programme	10	Idiroko-Ogun state
166	Oct. 2011	LEADERSHIP and Management Training programme	25	PHC
167	Dec. 2011	Price Verification and Classification Training	20	Lagos
168	Oct-Nov. 2011	General Scanner, Image Analysis And Recheck Duty Officer	20	Lagos
169	Nov. 2011	Modernization Techniques for senior Custom Managers	30	Abuja
170	Nov. 2011	General Scanner, Image Analysis Etc.	20	Lagos
171	Nov. 2011	Value Quest Training Programme	15	Abuja
172	Nov. 2011	Intelligence Gathering and Process	8	Hangisha, Lagos
173	Nov 2011	Leadership, change management, work Ethics Attitudinal Change and Value Re-Orientation	200	Lagos
174	Dec. 2011	General Scanner, Image Analysis	15	Maiduguri
175	Dec. 2011	Risk management Training Programme	25	PHC
176	Dec. 2011	Technical and Economic Cooperation Training	38	India
177	Dec. 2011	Risk Management and Surveillance profiling	25	Kano
178	Dec. 2011	Risk Management and Surveillance profiling	25	Lagos
179	Jan. 2011	Modernization Techniques for Senior Custom managers	51	Abuja
180	Dec. 2012	Joint Interrogation and Detection	7	Lagos
181	Dec. 2012	Leadership, Change Management, work Ethics Attitudinal; Change and value Orientation	200	Abuja
182	Dec. 2011	Custom and Border police officer	8	Italy
183	Dec. 2011	NCS DI teams, Valuation, Classification and Risk Management	80	Lagos
184	Jan- Feb.2012	Cotecna Scanner Operations and Maintenance Officers	17	Lagos
185	Jan. 2012	Cotecna Training Programme on two Month Secondment	55	Abuja
186	Feb. 2012	Value Quest and Web Service	6	Lagos
187	Feb. 2012	Scanner Maintenance Training Programme	15	Lagos
188	Feb- match. 2011	Cotecna Modern tools and price database for Valuation and his Classification	15	Abuja
189	Feb. 2012	Leadership, change management, work Ethics, Attitudinal Change and Value Orientation	200	PHC
190	Feb. 2012	Advanced Training Skills	60	Abuja
191	Apr. 2012	Modern Customs Management Techniques	120	Abuja

	Date	Subjects	Attendees	Country
192	Mar. 2011	SGS Scanner Classroom Maintenance training programme	10	Idiroko
193	Mar. 2012	General Scanner operation and Technical Manager Duties	8	Lagos
194	Mar. 2012	Customized Relations, From "M" Processing Document verification, Risk Profiling, HS Classification, Valuation and rules of origin, Etc	10	Lagos
195	Mar. 2012	Asycuda trainers Workshop/NICIS Application	11	Abuja
196	Mar. 2012	General Scanner, Image Analysis for senior officer	10	Abuja
197	April. 2012	Policy, Strategic and Leadership course (NIPSS)	4	Kuru, Jos, Nigeria
198	Mar. 2012	Intelligence Surveillance Course	50	Abuja
199	Mar. 2012	DI Scanner site maintenance transaction teams	21	Abuja
200	Mar. 2012	Leadership development and capacity building workshop	20	Abuja
201	Apr. 2012	Effective Procurement training programme	100	Abuja
202	Mar. 2012	Cotecna Secondment	5	Abuja
203	Apr. 2012	Value quest	6	Abuja
204	Apr. 2012	Middle Manager Management skills workshop	16	Abuja
205	May. 2012	Leadership Development and capacity Building	20	Abuja
206	May. 2012	Information /Document Handling and Security	150	Abuja
207	Apr-May. 2012	Training Conference	2	California
208	Apr-May 2012	Middle Manager Management Training Programme	66	Abuja
209	May 2012	Training workshop on skills Development		ABUJA
210	May. 2012	Training workshop on skills Development		Kano
211	May. 2012	Workshop on Airport security, Boarder patrols and Interception of Hazardous Materials	45	Abuja
212	May. 2012	Workshop on building improved competencies in the Management of trade, Legal and operational matters in Nigeria Shipping Industry	90	Nigeria
213	May. 2012	Cotecna General Operations and Deputy Scanner Managers	20	Lagos, Nigeria
214	May. 2012	Leadership, Change Management, work Ethics for Senior Offices	392	Kano, Bauchi, Nigeria
215	May. 2012	National executive Women in Leadership and Administration Conference	100	
216	May. 2012	Training Workshop on Skills Development		
217	May. 2012	Training workshop on Skills Development		

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