TRADE FACILITATION

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Abstract

The Customs Administration in Angola (Direcção Nacional das Alfandegas) is part of the Ministry of Finance. It has 783 working officials, of which 427 are in the Luanda region; the other 356 are in the Nort region (Cabinda), South Central region (Lobito) and the South region (Namibe). Plans are to transform the Custroms Administration into an Institute with independent legal standing and financial autonomy. Before September 2000, the Angolan Customs Administration lacked direction and was burdened with inefficient and ineffective systems and procedures. Its ability to collect revenue, detect fraud and evasion, and facilitate legitimate trade had been severely reduced. The public and private sectors alike considered the Customs Administration to be inefficient, ineffective, and poorly managed. A lack of confidence in Cutoms resulted in an increase in bureaucratic procedures that still failed to address the basic problem of controlling the movement of goods across the country's borders. Shortfalls in revenue collection were a particular problem. According to the port authorities and the customs administration, 80 percent of delays in clearing goods in the port of Luanda are now due to delayed payments from importers. At the airport this is about 60 percent. The incorrect completion of the Documento Unico causes delays in 7 percent of cases at the port, and in 14 percent of cases at the airport of Luanda.

Keys words: legitimacy trade, modernisation, custom legislation, incest in infrastructure, Angola custome, regulation, tariffs, export cystome

INTRODUCTION

Customs Administration

The government decided to implement the Customs Expansion and Modernization Program (CEMP) to rationalize the country's revenue administration. The main objectives of the program were to increase revenues while facilitating the clearance process and reducing transaction costs for both Customs and traders. An independent firm, Crown Agents, was awarder the five-year contract to manage operations of the National Directorate of Customs and support implementation of the CEMP. The Crown Agents technical assistance had the following main objectives:

- Develop the technical skills of customs staff at all levels
- Advise on improvements in customs legislation, systems, and procedures
- Implement a computerized customs processing and management information system
- Recommend improvements to terms and conditions of employment for customs staff
- Institute measures to increase accountability and transparency in customs operations
- Invest in infrastructure, tools, and equipment required by customs staff.

The Ministry of Finance established the Technical Unit for Customs Modernization to manage and monitor the CEMP. Ownership of the program remains with the Minister of Finance, and the unit reports to the office of the Ministry of Finance.

Before the CEMP, 119 customs-related laws developed by the Portuguese between 1931 and 1967 were still in force. The CEMP included the following components to modernize customs legislation:

- Redrafting into a consolidated Customs Code
- New legislation complying with WTO valuation requirements and the creation of a new Customs Code and its implementing regulations
- Transition from Brussels Definition of Value to WTO valuation methods
- Termination of the preshipment inspection scheme and the passing of responsibility for valuation back to Angola Customs
- Valuation training for customs staff and traders.

The new Customs Code complying with international regulations has been approved. It introduces many changes that affect customs operations and relations with business, such as a new method of valuation (consistent with the WTO Agreement on Customs Valuation), a dispute settlement mechanism, and better definition of customs offences.

Customs clearance procedures have been streamlined, simplified, and speeded up since 2000 through

- Introduction of a since administrative document – the first SADC country to do so according to Angolan authorities;
- Adoption of the Harmonized System of tariff classification;

- Implementation of a computerized processing system and the adoption of risk-based controls for selective physical examination;
- Clarification of customs legislation;
- Enhancement of skills and technical knowledge among customs staff; and
- Reduction in the opportunity for customs corruption.

Shipping agents, importers, and exporters have stated in interviews that the new customs procedures are workable and do not negatively affect the business environment.

Systems and procedures for the import and export of commodities have been made transparent and simplified. Flexible anti-smuggling teams have been selected and trained to detect commercial smuggling. These teams have developed intelligence systems to determine risk and identify potential under-declaration and smuggling. They do not operate from fixed customs points but from areas of greatest revenue risk so that their presence cannot be predetermined by local staff or trade interests. The element of surprise and unpredictability is a considerable deterrent to illegitimate traders.

Customs has ambitious plans to develop electronic clearance procedures. A new information technology system will be installed. The Technology Information Management System developed by Crown Agents is already in use in some areas, including the Airport Cargo Center at 4th February International Airport in Luanda. Much dissemination of information and training is needed for importers, exporters, clearing agents, and other inspection authorities to make efficient use of the information technology adopted by the National Directorate of Customs. Angolan Customs´ goal of operating a single window for clearing goods can be achieved only when the other participants in the process have the dame skills, attitude, and means and are willing to cooperate.

Registration and Documentation Requirements

Trade regulations

Angola is a member of the WTO and SADC. It recently agreed to adhere to the SADC Free Trade protocol that seeks to facilitate trade by harmonizing and reducing tariffs and establishing regional policies on trade, customs, and methodology, but is discussing ways to implement it gradually. It is reviewing the need to reduce tariffs and non-tariff barriers but is proceeding slowly. Targets are 85 percent of commodities with zero tariff in 2008 and 98 percent with zero tariff in 2012.

Importers and exporters established in Angola must register with and obtain a license from the Ministry of Commerce and have a valid taxpayer's card. Goods of more than US$1,000 in value must be cleared through an official forwarding agent.

The *documento unico* – single document – introduced by Grown Agents in 2002 has reduced the number of forms that Angolan customs requires and the time required for processing the paperwork from an average of 25 days to 5 days. However, the time spent by clearing agents (*despachantes*) providing the information can vary greatly and has a substantial impact on the time it takes for goods to clear customs. The role of the clearing agent is becoming outdated and a study of alternative methods for clearing goods is recommended.

For imports under $100, shipments are processed immediately, although Customs has the right to inspect the contents against the invoice if the value declared is felt to be insufficient. For imports over $100, Customs analyzes the paperwork and inspects approximately 30 percent of all imports on the basis of risk profiling.

There are no foreign trade zones or free ports in Angola. However, in 2002 the government established a bonded warehouse for basic foodstuffs where selected foreign traders who regularly import into Angola can deposit products to sell directly to the Angolan market. The plan is to spread this concept to other areas of the country.

Import procedures

Only individual persons or companies that have a license from the Ministry of Trade may import. They also must have certification of payment from the National Directorate of Taxes of the Ministry of Finance.

Most goods, depending on their value, are subject to preshipment inspection. Some goods require preshipment inspection regardless of value: yachts and other pleasure boats or vessels, sport vessels; goods imported by government institutions or public entities; scrap; radio telephone, radio telegraph, and television transmitters in some cases; and other goods specified by Customs.

The services of an Official Clearing Agent are required for goods with a value of more than US$1,000.

The following documents are needed for the clearance of goods:

- Customs clearing document – the "single document" – purchased at the *Imprensa Nacional* for about US$10 and normally completed by the Official Clearing Agent in the name of the importer
- Commercial invoice
- Proof of ownership, such as a bill of lading for sea-borne merchandise or an invoice for air freight
- Clear findings report for goods subject to preshipment inspection
- Various certificates depending on the type of commodity, such as sanitary certificate (meat products) and phytosanitary certificate (vegetables,

food products) such as a certificate of fumigation for used clothing.

- Certificate of the National Council of Shippers of Angola.

A clearance time of 48 hours is targeted. Goods may remain 30 days at the airport and 60 days in the port, after which an auction may be held to sell the goods. (Decreto Executivo conjunto 12/95 of April 28, 1995)
Various other taxes must be paid:

- General customs services (Decreto Executivo 11/01 of 23 November) evaluated as 2 percent of the total declared value (c.i.f.) for imports and 1 percent for exports.
- Stamp tax (0.5 percent)
- Personal customs services are taxed at varying rates according to the value of the shipment (1 percent for goods valued up to Kz. 700,000; a fixed tax of Kz. 1,800 for goods valued at Kz. 700,000 – 1,800,000; and 0.1 percent for goods valued at more than Kz. 1,800,000)
- Consumption tax of 2–30 percent
- Transport costs of up to Kz. 6,000.

Export procedures

With few exceptions, there are no controls on exports, but goods must be registered for statistical purposes. Antiquities and collectibles, diamonds, petroleum products, and other specific goods may require an export certificate. Export customs duties were abolished recently.

Trade Financing

A major constraint identified by importers and exporters is the lack of an efficient banking system and financing options. The high interest rates charged by local banks are a significant disincentive to potential borrowers and may be one of the biggest hindrances to business in Angola. The lack of a dedicated system for trade finance means that export businesses – and most other businesses – must rely on their own resources or on financing from outside of Angola.
The tax system includes some provisions to stimulate investment. The government lowered some taxes, including business taxes, customs duties, and excise taxes in 1999/2000, but the tax level remains high. The consumer tax (value-added tax) ranging from 2 percent to 30 percent is paid on goods manufactured and imported into Angola. Corporate profits are taxed at 35 per-cent while profits from agriculture activities are taxed at 20 percent. A 10 percent withholding tax is charged on dividends and royalties. Capital gains are taxed at 15 percent. Taxes on contracts are 3.5 percent for construction and 5.25 for all other contracts. Personal income tax ranges from 4 percent to 15 percent. Notary taxes and other fees remain high and are not clearly identified.

CONCLUSION

An assessment of commercial conditions by government-appointed lawyers in 2001 concluded that the absence of a transparent, objective tax system is a serious obstacle to attracting investment. The assessment notes that inefficient implementation of the laws and regulations aggravate the negative impact of the tax system. The government recently announced its intention to channel a significant portion of oil revenue (as much as 5 percent) through a newly constituted government development bank. While it is a good idea to direct oil earnings toward productive investments, it is not yet clears how investment decisions will be made in this financial entity, nor who will make them. The history of government-sponsored investment banks in other countries does not inspire optimism. Common problems include the inability of such banks to successfully channel funds to activities that have the highest returns given the political pressures to which they are inevitably subject. In addition, providing investment funds to such entities through the government budget deemphasizes saving mobilization and leads to dependence on fiscal transfers that militate against long-term financial sustainability. Angola's own experience with the *Caixa de Credito Agropecuario e Pescas* demonstrates the relevance of these observations for Angola itself.

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