



Special Series on Fiscal Policies to Respond to COVID-19

This is one of a series of notes produced by the Fiscal Affairs Department to help members address the COVID emergency. The views expressed in this note are those of IMF staff and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

Priority Measures for Customs Administrations

This note aims to guide customs administrations in their efforts to take urgent measures to sustain international supply chains and implement policies to handle the COVID-19 crisis. These measures focus primarily on operations related to mobilizing revenue, facilitating trade and safeguarding border security. It elaborates on the customs issues discussed in the IMF guidance note *Tax and Customs Administration Responses* (<https://www.imf.org/en/Publications/SPROLLs/covid19-special-notes>).

It is vital that customs administrations be proactive and contribute to addressing the fast-evolving pandemic that countries are currently facing around the world. The effectiveness of epidemiological, social, economic, and fiscal measures to combat the COVID-19 crisis depends not only on the specific measures that governments implement but also on their timeliness. Customs administration is an essential service to sustain people's lives by securing international supply chains, especially imports of essential goods including COVID-19-related items, as well as safeguarding tax revenue, the economy and other objectives.

This note identifies priority measures in three areas: (1) Business Continuity, (2) National Measures Against the COVID-19 Crisis, and (3) Control and Enforcement.

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I. BUSINESS CONTINUITY MEASURES

To ensure the smooth flow of vital international supply chain, customs needs to continue performing essential functions at a time when its workforce may be significantly reduced. In the light of current circumstances, focus should be on: (1) assigning management responsibilities and establishing clear reporting lines “upwards”, e.g., to the ministry of finance (MOF), and “downwards”, e.g., to regional customs offices; and (2) defining, classifying and prioritizing workstreams.

To prioritize crisis management, customs should create and empower a Response Team consisting of managers of appropriate rank and experts to take the necessary actions, as described in Box 1.¹

¹ Such teams should be set up at all levels, from the headquarters office to the regional office level, so that organizational directives are disseminated in a timely manner to staff, and staff situations (e.g., absence, infection, etc.) are monitored and reported.

Box 1. Responsibilities of the Response Team

- Taking the lead in coordinating response procedures at ports and borders, in collaboration with other government agencies acting at points of entry/exit and customs administrations of other countries.²
- Ensuring staff are aware of the protocols to be followed in case of potential infection and the support they can expect from the administration, including, insofar as possible, access to testing sites.
- Ensuring that critical support materials (e.g., means of transport and protective equipment) are available, in good condition, and provided to staff that need them, and that staff are informed of their proper use and maintenance.
- Communicating with staff and stakeholders regarding response procedures, facilities, and availability of equipment.
- Developing and putting in place staff delegation and office back-up policies and procedures.
- Dealing with the media, in collaboration with other corporate- or government-wide communication departments.
- Coordinating organizational arrangements to provide ports of entry with the resources needed to establish the response procedures as safely and efficiently as possible.

To prioritize workstreams diverse criteria could be considered, such as measures against the COVID-19 crisis, sustaining the smooth flow of supply chains, protecting society, and promoting staff safety. In addition, customs will need to cooperate closely with other government agencies, notably at the borders, to ensure that public services and processes support the smooth flow of goods. Annex 1 presents more specific examples of workstreams and anticipated resource changes by phase of the outbreak, to be considered in designing a Business Continuity Plan (BCP) for customs to face the COVID-19 crisis.³ Countries should consider the classification of workstreams and inputs based on their own needs and priorities. For example, customs management will need to give special consideration to border posts—non-essential border posts that have a very low volume of commercial trade and passenger activity may close, or certain functions may be concentrated into fewer border posts.

In addition, customs administrations should introduce staff safety measures in close consultation with health authorities and other stakeholders. Such measures will help increase early detection and, in suspicious cases, help take early countermeasures. Precautionary and protective measures include:

- Prohibiting or restricting traders and visitors from entering customs facilities with strict in/out controls, health checks, and recording each individual's name and time.

² Customs is the law enforcement agency responsible for authorizing (and prohibiting) the entry and exit of goods. In countries where it has the power to enforce immigration rules it also controls the entry and exit of persons.

³ The IMF note on Business Continuity for Revenue Administrations provides guidance on how revenue agencies can maintain the operation of the revenue system in different phases of the COVID-19 crisis.

- Introducing work shifts (splitting the workforce so that there are less people in the offices/customs premises at any one time—thus reducing their risk of exposure).
- Introducing physical distancing as much as possible.
- Insofar as possible, ensuring that staff wear the required protective equipment.
- If person-to-person contact is necessary, providing protective equipment.
- Maintaining daily reports on absence, staff and family health situations, and staff working logs (shift working hours, shift team, location, facility/equipment used, work from home (WFH) details, etc.)

II. NATIONAL MEASURES AGAINST COVID-19 CRISIS

Commonly observed national policies during a pandemic include: (i) social distancing; (ii) expedited and possibly reduced import taxation of essential goods and COVID-19 related imports; (iii) preparation of data critical to support the government's decision-making; and (iv) contribution to relief for companies in economic distress, including by further facilitating trade and reducing trade transaction costs.

Social distancing should be applied consistently to all persons, public officers, and traders present in customs-supervised ports, areas, and facilities. Customs administrations should consider suspending or significantly reducing non-essential in-person meetings and, if feasible, transitioning to online or virtual meetings. They should also explore options for creating a flexible environment that allows staff and traders to work remotely (i.e., not in the office or cargo site). Such measures typically include the following:

- Postponing or canceling training and other activities that require large gatherings and, if possible, changing modalities by using online tools.
- Supporting remote work for staff who do not need to be physically present in the office.
- Allowing customs declarations to be made in offices convenient to the traders regardless of the cargo's location.
- Allowing provisional release of cargo with customs security of disputed items and postponing dispute settlement/compounding.
- Establishing procedures for accepting supporting documents without signature/stamp.
- Introducing deferred submission of supporting documents with an extended due date.
- Conducting desk audits instead of on-site post-clearance audits.
- Giving high priority to IT support to maximize exploitation of current ICT systems, including electronic submission of all supporting documents (PDF format), e-payment of any customs-related liabilities and charges, and temporary acceptance of an e-declaration in those countries that require submission of a paper declaration to initiate electronic processing—all with a view to suspending in-person transactions.

Streamlined and possibly preferential tax treatment of essential goods and COVID-19 related imports should be adopted. Essential goods should: (i) be expedited using streamlined clearance processes, which can be similar to those of perishable goods and may provide immediate release; (ii) if exempted, be identified by their Harmonized System (HS) classification code and be on a list of exempted goods approved by the legal authority before customs applies any duty/tax exemption; and (iii) generate data which is collected and reported on a daily basis. For these measures, customs should identify, in conjunction with the health authorities, the main

pharmaceuticals and medical equipment needed to combat the outbreak. They should also identify legitimate importers and establish close coordination with them to facilitate the import of these goods without losing appropriate controls. The customs IT system's tariff table should be updated in a timely manner and written communication disseminated to relevant officers. Reference can be made to the indicative HS classification codes for medical supplies, as advised by the World Customs Organization⁴.

Regarding trade facilitation and reduction of transaction costs, Box 2 describes measures customs should consider easing the constraints on supply chains, particularly for essential goods and COVID-19 related items.

Box 2. Customs Measures to Facilitate Trade and Reduce Transaction Costs

- Review import/transit documentary requirements and procedures with a view to simplifying and streamlining them, focusing on what is essential (lean process).⁵
- Review and implement expedited import permits and license issuance processes at the relevant government agencies and establish a hotline with the Ministry of Health and other relevant agencies for a quick verification of such import licenses (many customs administrations already verify permits and licenses electronically but a hotline can be established as a contingency means).
- If the customs administration considers that other government agencies' permit and licensing procedures create bottlenecks (e.g., they require many layers of approval and are complex and time-consuming), in consultation with such agencies and MOF, consider applying deferred submission of such documents with flexible due dates, or temporary waiver of such requirements.
- Create a telephone/virtual service center for staff and traders to provide guidance and to address issues related to the response procedures.
- Create a group of potentially trusted traders (importers with good compliance records) to be granted expedited clearance based on their compliance history, including possible periodic declaration instead of transaction-based declaration.
- Insofar as possible, allow customs clearance procedures before the arrival of the goods, so that they can be released immediately upon arrival in the country and prevent bottlenecks at ports of entry.
- Allow flexible modality of payment.
- Facilitate the temporary admission, with conditional relief from import duties and taxes, of any equipment required by the parties approved by the health authorities and seek flexibility in applying customs' security (guarantee).
- Collaborate with the exporting countries' customs administrations in order to obtain export information to complete the documentary requirements.
- Ensure that service to the trade community is (as much as possible) not affected;
- Prepare daily reports of trade and fiscal data for the MOF, including foregone revenue due to duty/tax exemptions; some governments are also interested in obtaining data on unit prices from the perspective of price stabilization.

⁴ http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/natural-disaster/covid_19/hs-classification-reference_en.pdf?1a=en

⁵ Indeed, customs administrations would be well advised to take advantage of the crisis to simplify key procedures which could contribute to an overall simplification of procedures post-crisis.

At the same time, the trade facilitation process should still be subject to risk management based on an assessment of the overall risk level the trader presents; this will likely be more challenging in the COVID-19 crisis scenario. A key consideration will be to strike the right balance between facilitation and enforcement. The next section discusses the latter in more detail; annex 1 provides an example of a framework for developing a Customs Business Continuity Plan for the crisis with this balance in mind. Customs may also consider introducing more flexibility in the modality of customs' guarantees, e.g., extending eligible security to more instruments/goods (e.g., cars), or reducing the amount of the security for established low risk traders. Temporarily waiving non-essential fees and penalties for minor violations could be also considered.

III. CONTROL AND ENFORCEMENT

Maintaining the deterrent effect of customs control is essential, even in times of a pandemic. This does not mean that customs must (and can) maintain the same level of or even intensify its controls; these will be subject to workstream classification (as described in annex 1) according to national priorities. Thus, customs should consider adjusting the intensity and selectivity of its inspection activities to achieve a deterrent effect and help maintain compliance with customs rules, while ensuring a continuing smooth flow of goods. Effective communication will be critical to help maintain compliance.

Customs should sustain operations to monitor smuggling and fraud developments on a daily basis and address serious cases immediately; allocating resources to this task will be critical despite the constraints. Fraud-related customs risks are high during crises; these include smuggling and organized revenue fraud as well as trade in illegal goods. For example, cases of counterfeit, substandard products as well as stolen protective equipment have already been reported. Ensuring security of the flow of goods should remain customs' key objective, given the disruptive effects of serious breaches of the international supply chain. Because many customs administrations have scarce staff resources, risk-based operations to combat smuggling should be deployed in a targeted way.

With respect to COVID 19 crisis-related temporary duty exemption and suspension as well as other special clearance procedures, customs should monitor the operations and communicate to traders that post-crisis audits of benefits will take place.

Annex 1. Example of a Customs Business Continuity Plan (BCP) for a pandemic

1. Categorization of workstreams

Workstream		Focus of workstream activity	Example	Work regime ⁶	Resource implications
Essential workstreams	Enhanced/crisis operations	<ul style="list-style-type: none"> Workstreams with expected new/additional work due to the outbreak 	<ul style="list-style-type: none"> Passenger units of customs posts used by high risk (infection) passengers Contact points to the relevant agencies COVID-19 Response Teams at all levels Units in charge of preventive measures within the customs buildings Publication/ mass media units 	<ul style="list-style-type: none"> Shift working (splitting the workforce) when local community contagion starts Additional resources reallocated from other work stream (suspension/ reduced workforce) 	[Need for increased resources] Staff allocation for this workstream will be increased through staff reallocated from other parts of the organization.
	Maintaining core operations	<ul style="list-style-type: none"> Workstreams necessary to sustain the essential needs of population, without which there would be significant negative impact to residents' life, economic activity and basic state functions. Corporate support units to maintain essential work activities 	<ul style="list-style-type: none"> Passenger units of other (lower risk) customs posts Import/export clearance units, including warehousing and transit Building/facility maintenance units Accounting units Units related to information disclosure Other business as defined by regional customs head 	<ul style="list-style-type: none"> Shift working (splitting the workforce) when local community contagion starts If deemed necessary, additional resources reallocated from other workstream (suspension/ reduced workforce) Allow work from home (WFH) or work from convenient office as much possible 	[Slightly reduced] Staff number may be reduced as certain staff may not be able to work, but some operations will be strengthened by staff reallocation from other activities
Other workstreams (suspension/reduced workforce)		<ul style="list-style-type: none"> Workstreams for medium and long-term, not urgent work, which can be suspended or reduced for a certain period. Reduction/suspension of certain services may have a negative impact on commercial and economic activity, but they are lower priority in terms of resource allocation compared to other workstreams. 	<ul style="list-style-type: none"> Post clearance audit (PCA) units Authorized Economic Operator (AEO) units Customs broker surveillance units Trade statistics units (trade data continue collected by system) 	<ul style="list-style-type: none"> Reduce resources and reallocate them to essential workstream when enters in-country outbreak phase begins. If deemed necessary, introduce shift working Allow WFH or work from convenient office as much possible 	[Significantly reduced] Staff numbers will be reduced by staff reallocation to essential workstreams

⁶ In addition to the cross-cutting measures listed below, customs administrations should consider the following measures: (i) prohibiting customs staff from conducting trips to/from infected areas and their adjacent areas, including for inspection, (ii) requiring staff to wear masks when needed to meet visitors, including traders and forwarders, (iii) consider canceling external meetings, and (iv) advising staff of safer commuting means and routes so as to reduce risks to exposure.

2. Work inputs by outbreak phase

Workstream		1 st Phase Outbreak outside country	2 nd Phase Early stage of outbreak in the country	3 rd Phase Increase, expansion, slow-down stages of outbreak in the country	4 th Phase Stable with small number of infection cases
Essential workstreams	Enhanced/crisis operations	[120%]* <ul style="list-style-type: none"> • Launch of BCP • Special border measures 	[140%] <ul style="list-style-type: none"> • Full implementation of measures 	[150%] <ul style="list-style-type: none"> • Full implementation of measures 	[100%] <ul style="list-style-type: none"> • Reduce workforce and return to normal services
	Maintenance of core operations	[100%] <ul style="list-style-type: none"> • Launch of BCP • Preparation of shift working 	[90%] <ul style="list-style-type: none"> • Continuation of work • If possible, reduce workforce 	[80%] <ul style="list-style-type: none"> • Continuation of work • If possible, reduce workforce 	[100%] <ul style="list-style-type: none"> • Return to normal services
Other workstreams (suspension/reduced workforce)		[100%] <ul style="list-style-type: none"> • Launch of BCP • Preparation of suspension/significant reduction in workforce 	[20-80%] <ul style="list-style-type: none"> • Start suspending service and reducing workforce • Shift support to essential workstream 	[0-60%] <ul style="list-style-type: none"> • Suspend service and reduce workforce • Continue supporting essential workstream 	[80-100%] <ul style="list-style-type: none"> • Return to normal services

* Workforce in percent [%] compares the workforce devoted to crisis-related operations during the crisis to the workforce assigned to this workstream before the crisis, and is indicative only. Staff allocations to support crisis operations can be temporally increased by reallocating staff from non-essential tasks (including those undergoing training and working overtime) and if needed, from core operations.