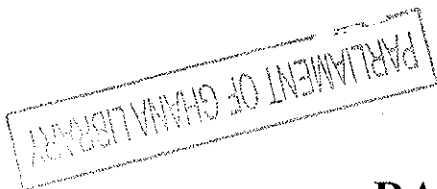


MEMORANDUM TO PARLIAMENT

BY

MINISTER FOR FINANCE

**ON THE INTERNATIONAL CONVENTION ON THE
SIMPLIFICATION AND HARMONIZATION OF
CUSTOMS PROCEDURES REFERRED TO AS
REVISED KYOTO CONVENTION**



DATE: 28TH JUNE, 2018

1. PARLIAMENT DECISION REQUESTED

Honourable Members are respectfully invited to consider, ratify and recommend for accession the International Convention on the Simplification and Harmonization of Customs Procedures informally referred to as the revised Kyoto Convention (RKC).

2. BACKGROUND

Customs administration plays an important role in the growth of global international trade and development. The efficiency and effectiveness of customs procedures can greatly influence and advance competitiveness and social development. Customs systems and processes must therefore be re-aligned to serve as an impetus to international trade and growth. In today's challenging world trade and investment will flow towards efficient, supportive and facilitative locations and move away from locations which are perceived to be bureaucratic, lacking good governance and synonymous with high cost by businesses.

The International Convention on the Simplification and Harmonization of Customs Procedures (as amended) informally referred to as the revised Kyoto Convention (RKC), originated from the Kyoto Convention adopted in 1973 at the World Customs Organization (WCO) Council Sessions in Kyoto, Japan, and entered into force in 1974. The Protocol of Amendment to the 1973 Convention was adopted at the WCO Council Sessions in 1999, and entered into force on 3rd February 2006. As of May 2017, the RKC had a total of 110 Contracting Parties who have acceded to the treaty.

The WCO revised and updated the Kyoto Convention to ensure that it meets the current demands of international trade. Since modern production and delivery systems linked with the dramatic potential of new forms of electronic commerce make swift and predictable customs clearance a prerequisite for national prosperity and economic development.

The RKC is an international agreement that provides a set of comprehensive Customs procedures to facilitate legitimate international trade while effecting Customs controls including the protection of Customs revenue and ensuring public safety. It deals with key principles of simplified and harmonized Customs procedures, such as predictability, transparency, due process, maximum use of information technology, and modern Customs techniques (e.g. risk management, pre-arrival information, and post-clearance audit).

The WCO has encouraged its Members to accede to the RKC, believing that more benefits would accrue as a result of early implementation of the Convention by more economies in a coordinated way. It is regarded as the blueprint for modern and efficient customs procedures in the 21st century and once implemented widely will provide international commerce with the predictability and efficiency that modern trade requires.

3. JUSTIFICATION FOR GOVERNMENT ACTION

The Benefits of Ghana's ratification and accession to the RKC are as follows;

- a. In the first instance RKC accession produces a positive "announcement effect" that an RKC Contracting Party is certified as having international Customs standards in place. Being an RKC Contracting Party gives traders and other stakeholders inside and outside the country's economy a firm message that the government promotes and maintains efficient and modern Customs procedures consistent with international standards, and ensures that legitimate trade is facilitated without compromising the Customs controls function. In addition, it assists an RKC Contracting Party to attract foreign direct investment (FDI).
- b. Accession to the RKC also ensures the Contracting Party's participation in making future standards. Article 6 of the RKC established the Management Committee, which is comprised exclusively of RKC Contracting Parties. The Committee developed the RKC Guidelines, an informative and non-binding document, to ensure uniform interpretation of the RKC provisions, as well as to provide examples of national practices. The Committee also considers possible RKC amendments to ensure that the RKC complies with up-to-date practices thereby ensuring a dynamic and living instrument.
- c. In addition, accession to the RKC makes it easier for RKC Contracting Parties to negotiate bilateral or regional trade agreements. The fact of sharing common definitions and Customs procedures in accordance with the RKC could enable an RKC Contracting Party to save time in negotiating Customs-related provisions. Moreover, if appropriate, certain provisions which go beyond the RKC could be agreed upon between the negotiating parties on the basis of the RKC principles.
- d. WCO Members that have expressed an intention to accede to the RKC have a greater likelihood of receiving capacity building related to the RKC measures, offered by the WCO, other international organizations, and donor countries. In addition, being an RKC Contracting Party is considered to be an important benchmark of successful achievement in capacity building programs. Many Customs reform and modernization programs are designed to introduce Customs procedures and techniques in accordance with the RKC, such as risk management and post-clearance audit systems. Because of the legally binding nature of the RKC, an RKC Contracting Party is able to announce that its Customs reform and modernization programs have been successfully implemented, and more importantly to emphasize that the reform and modernization process will not be backtracked which may lead to more government reform and modernization programs as well as attract additional assistance.

Benefits related to RKC implementation

- e. There are many tangible benefits of implementing specific RKC measures; Many RKC measures are expected to improve Customs release times. Faster release of goods at borders is beneficial directly and indirectly for both Customs administrations and

businesses. It enables Customs administrations to process more transactions without delay at borders, so that they can deploy their limited resources to high-risk cargos.

- f. Revenue collection remains the core mandate for many Customs administrations. RKC measures when implemented have the potential to strengthen the capacity of Customs administrations to improve revenue collection. Firstly, revenue could increase as a result of a larger tax base with the increase in imports, attracted by faster release of goods and lower trade costs as mentioned above. Also, a specific Customs technique such as post-clearance audit could enhance revenue collection and trade facilitation measures could reduce the incentives for smuggling.
- g. RKC implementation can promote protection of security, society and human health. Standardized information technology helps in the detection of movements of illicit goods or people across borders by enabling a Customs administration to coordinate in a timely manner not only with other border agencies and the private sector but also with international partners. Further, sound RKC implementation helps to facilitate inbound and outbound flows of goods and people in the event of natural disasters and other emergencies.
- h. The RKC presents a blueprint for modern and efficient Customs procedures in the 21st century to facilitate legitimate trade while not compromising the Customs control function. It provides a comprehensive and basic set of international Customs standards and tools and constitutes a benchmark for successful capacity building activities. In this regard, acceding to and implementing the RKC could be highly beneficial to the Customs Division of the Ghana Revenue Authority and the Ghanaian economy as a whole.

4. CABINET DECISION

Cabinet at its Thirteenth meeting held on Thursday, 3rd August, 2017, approved for the consideration and ratification of the RKC by Parliament.

5. SUMMARY OF THE CONVENTION

The RKC provides a comprehensive set of uniform principles for simple effective and predictable Customs procedures with effective Customs control. It therefore responds to the key needs of both modern day customs administrations and the demands of international trade by providing a balance between Customs functions of control and revenue collection and that of trade facilitation.

There are 600 standards, recommendations and practices contained in the RKC. The new structure of the RKC provides a comprehensive package of up to date Customs procedures but its content can be considered separately.

The Revised Kyoto Convention contains a General Annex and a number of Specific Annexes to make its structure more logical. The General Annex deals with the core principles for all procedures and practices to ensure that these are uniformly applied by Customs

administrations. The Specific Annexes cover the individual Customs procedures and practices. The General Annexes forms the basic core and roots while the Specific Annexes are branches that can be added at the pace desired or required by the customs administration.

The provisions of the General Annex also apply to the procedures and practices set out in the Specific Annexes. The Convention covers not only Customs procedures relating to import, export, transit, processing, etc., but also Customs practices concerning rules that are not necessarily applicable to goods but are required to regulate other matters such as Customs control, the application of information technology, appeals, offences or relations with the business community

The body of the convention relating to the procedures for its adoption and administration and the General Annex are binding on contracting parties and form the minimum requirement of the contract. This is essential to ensure harmonisation of procedures in all countries that become contracting parties. However any contracting party can choose which specific annexes or chapters to accept.

The General Annex is the nucleus of how a modern customs administration should operate. Its principles from clearance, duties and taxes, guarantees, controls, information technology, relationships with third parties information and decisions and appeals are common to every customs activity worldwide.

The structure permits a flexible choice of commitments by the contracting party. This makes it possible to take into account the peculiarities of each customs administration yet without losing sight of the final objective which is total accession to the convention.

There are new features such as the transitional standards and Guidelines to aid governments to meet the obligations undertaken and a management committee to give all Contracting Parties a voice in the future development and administration of the convention.

6. CONSULTATIONS

The Ministry of Finance has held consultations with the Ghana Revenue Authority and the Ministry of Trade and Industry in recommending this Memorandum.

7. IMPLEMENTATION PLAN

Amendments will be made to the Customs Act and Regulations. Customs officers will also be trained on the new procedures adopted after the amendment has passed.

There will be a sensitization workshop for stakeholders on the new procedures adopted after amendment of the Customs Act and Regulations.

8. FINANCIAL IMPACT

The anticipated financial impact will be the cost of implementation noting that there will be a corresponding increase in revenue.

9. COMMUNICATIONS

The Ministry of Finance and the Ghana Revenue Authority will meet with forwarding agents and brokers, courier companies and the business community to brief them on provisions of the Convention.

10. RECOMMENDATIONS

On the basis of the above, Honourable Members are respectfully requested to consider, ratify and recommend for accession the International Convention on the Simplification and Harmonization of Customs Procedures informally referred to as the revised Kyoto Convention (RKC).

Respectfully submitted.



KEN OFORI-ATTA
MINISTER FOR FINANCE