



**World Customs  
Organization**

# Customs Procedures and Control in Free Zones

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Frameworks for the Development and Operationalization  
of New-Generation Special Economic Zones in Africa

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# The World Customs Organization – Who we are?



The World Customs Organization represents **186 Customs administrations**, responsible for processing **98% of world trade**.



## **Mission:**

The World Customs Organization develops international standards, fosters cooperation and builds capacity to facilitate legitimate trade, to secure a fair revenue collection and to protect society, providing leadership, guidance and support to Customs administrations.

# WCO Instruments & Tools on Free Zones



- Chapter 2 of Annex D of Revised Kyoto Convention
- Practical Guidance on Free Zones



- 1. Customs violations in Free Zones**
- 2. RKC - Chapter 2 of Annex D**
- 3. WCO Practical Guidance on Free Zones**
- 4. Updating Practical Guidance on Free Zones**

# 1. Customs violations in Free Zones



More than 7,000 FZs in 145 economies



## **Economic incentives:**

Lower corporate tax, no import duty, lighter regulation on financing, ownership, labor and immigration, etc.



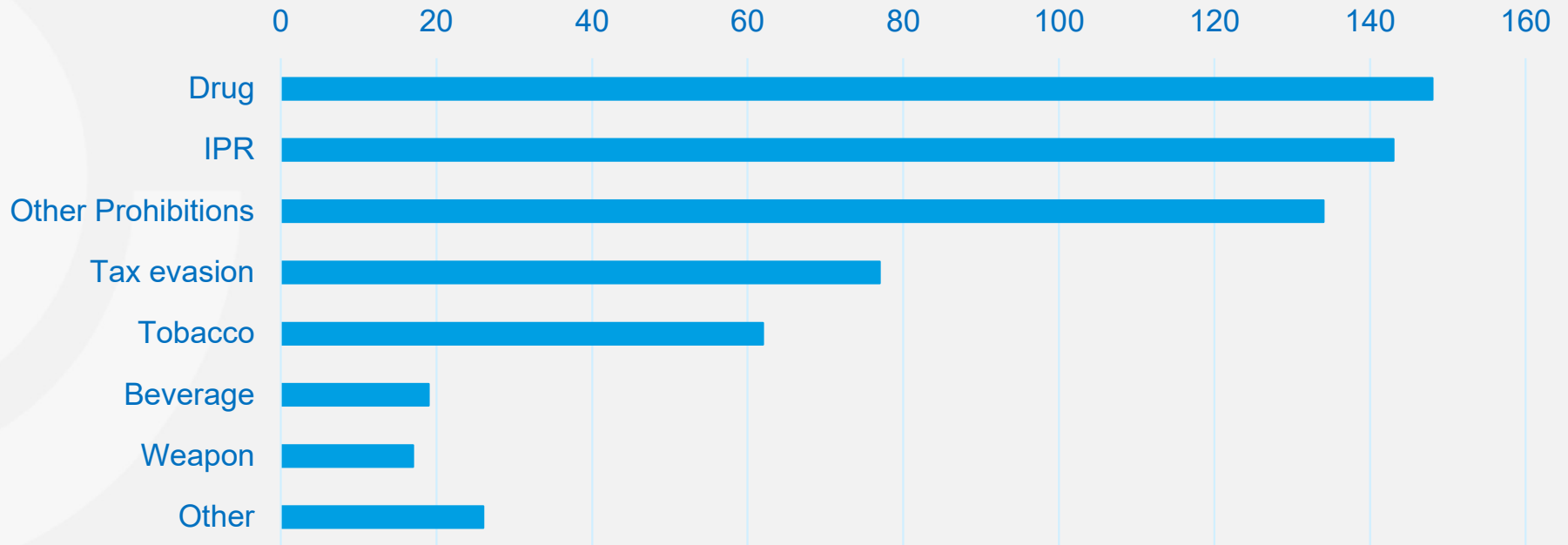
## **Risks:**

Lack of monitoring, oversight and transparency on activities

# 1. Customs violations in Free Zones



## Number of Seizures in Free Zones (CEN database 2011-2018)



1. Customs violations in Free Zones
2. **RKC - Chapter 2 of Annex D**
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## 2. RKC - Chapter 2 of Annex D



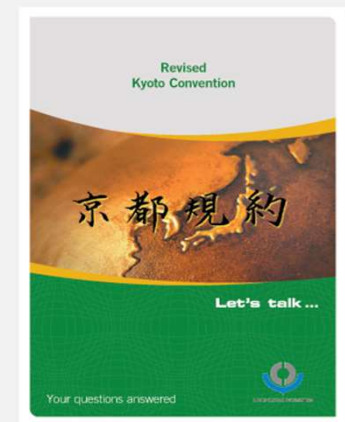
### Revised Kyoto Convention

*The International Convention on the simplification and harmonization of Customs procedures (as amended)*

Blueprint for modern and efficient Customs procedures in the 21<sup>st</sup> century

- Number of Contracting Parties: **137**
- Chapter 2 of Annex D accepted by: **34**

↳ **Free Zones**





### Definition

“free zone” means a part of the territory of a Contracting Party where any goods introduced are generally regarded, **insofar as import duties and taxes are concerned**, as being outside the Customs territory.



- **FZ itself falls within the Customs territory**
- Goods located in FZs are considered as being outside the Customs territory **only for duty/tax purposes**

### 21 Standards and Recommended Practices

#### Establishment and control

##### **Standard 3:**

*The Customs shall lay down the arrangements for Customs control including appropriate requirements as regards the suitability, construction and layout of free zones.*

##### **Standard 4:**

*The Customs shall have the right to carry out checks at any time on the goods stored in a free zone.*

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## 3. WCO Practical Guidance on Free Zones










### WCO Practical Guidance on Free Zones

- Need of Customs control & surveillance for healthy development of FZs
- Provides practical guidance to help Customs administrations enhance Customs procedures & control in FZs
- 7 core elements



# 3. WCO Practical Guidance on Free Zones



-  Territoriality aspect of FZs
-  Full Customs involvement in FZs
-  Customs involvement in company approval process & AEO
-  Reporting to Customs / Use of data & IT systems
-  Customs audit in FZs
-  Customs control and surveillance in FZs
-  Cooperation



### *Full Customs involvement in FZs*

- Customs should be a crucial player in the general development of national policies related to FZs, the establishment of each new FZ, and the approval of FZ tenant companies
- Customs should establish basic construction standards and other standards to be implemented in FZs for Customs control:
  - Customs checkpoints, inspection areas
  - enclosed fencing, video surveillance systems
  - Non-intrusive inspection (NII) equipment, etc.



### *Customs control and surveillance in FZs*

- 1. Authority to detect / seize illicit goods in FZs**
  - Any kind of illicit trade in goods should be prohibited
- 2. Authority to enter FZs for on-site checks and inspections**
  - Authority to conduct on-site checks and inspections on companies' premises, both periodically and at any time when considered necessary by Customs
- 3. Use of technology for inspections in FZs**
  - NII equipment and other advanced technologies



### *Cooperation*

#### **Cooperation with the private sector and OGAs**

- Establish and maintain cooperation mechanisms with operators and companies (periodic dialogue, reporting, information sharing, training, etc.)
- Customs, the private sector and other governmental agencies should work together to solve any issues and challenges in FZs
- Encourage the business community to conduct business with “clean FZs” only



### 3. WCO Practical Guidance on Free Zones



- Legislation governing FZs
- Centralized government-operated database
- Record keeping and submission to Customs
- Strict control of high-risk goods
- Customs inspections, audits, interventions



- Responsible for enforcing all applicable laws and regulations
- Customs must approve activation of FZs
- All products arriving in FZs must be accounted electronically in advance to Customs
- Access to FZs, compliance reviews and audits

# Recommendations



Customs ex-officio power to inspect cargo in FZs



IT systems, data exchange and risk management



Customs audit to examine and control movements of cargoes



Strengthen dialog and information sharing with FZ stakeholders



Strengthen cooperation among Customs administrations

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## 4. Updating Practical Guidance on Free Zones



WCO Members request...

**Guidance on AEO**

**Seizure case**

**Best practices**

**Guidance on  
Rules of Origin**

## 4. Updating Practical Guidance on Free Zones



Territoriality  
aspect



Customs  
involvement



Company  
approval  
process &  
AEO



Use of data &  
IT systems



Customs audit



Customs  
control and  
surveillance



Cooperation



Annexes



**World Customs  
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**Thank you**

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