

# **BOLIVIAN CUSTOMS ADMINISTRATION**

## **A SUCCESSFUL REFORM FOR A BETTER PUBLIC SERVICE**

Bolivia is a landlocked country located in the heart of South America, with borders stretching for 7,400 kilometers along Brazil, Argentina, Peru, Chile and Paraguay. Bolivia is also an empty country. With an extension of more than one million square kilometers, most of its 8 million inhabitants live in three urban centers. (La Paz, Cochabamba y Santa Cruz.) This means that our borders are far located and small.

Bolivia is also a poor country. Its GDP per capita is only slightly higher than \$us 1,000 and nearly half of its population lives with less than \$us 1 a day. It has exports of \$us 1.2 billion and imports represent more than \$us 1.8 billion a year. Smuggling of goods from neighboring countries is a prevalent activity, estimated to account for nearly 6% of total GDP. Therefore, smuggling has represented a permanent challenge to implement Customs reforms.

Since 1985, when Bolivia started a complex and far reaching economic reform process, it has been attempting to reorganize and modernize its Customs Administration with a view to optimize its tax collection capacity. All five efforts undertaken prior to 1999 failed, because of political interests and corruption, having spent in the process a sum in excess of \$us 10 million of tax-payers money. In a final bid to develop a proposal credible to the population, the Bolivian

Government asked for the help of the International Monetary Fund (IMF).

A high level mission was sent to La Paz Bolivia, early in 1998 to produce a diagnosis of the situation of the institution and outline a plan for its reform. The IMF diagnostic concluded that the Bolivian Customs Administration was:

- corrupt and politically driven,
- operating under a complex legal structure dating back to 1929,
- outdated in its practices and procedures,
- over-staffed and with more than 300 people working without being registered,
- lacking in information systems for monitoring and control of operations of foreign trade,
- lacking in basic infrastructure and equipment,
- totally devoid of a client oriented approach.

In essence, it was just the kitty box for political parties.

The IMF mission recommended the implementation of two plans: a contingency plan and a medium term plan. The Contingency Plan was devised as an answer to the most immediate and pressing problems, widespread contraband and employee corruption. In less than six months, at the beginning of 1999, two new and independent units of control were created and put into operation. An elite Customs Police, or COA, to fight contraband, and a well-trained auditing unit, or UTISA, to detect and investigate corrupt

officials. These two units, initially financed by the UN, are still in place and have been effective in increasing the risks associated to both illegal activities (contraband and corruption)

The medium term plan called for wide-ranging changes starting with the passing of a new Customs Law, at the end of July of 1999, which did, not only modernize and bring up to date all customs procedures in line with modern practices, but gave the institution financial and administrative independence from central government, effectively isolating it from political control and influence. A five member Board of Directors was elected for a period of five years by the President of Bolivia from candidates put forward and approved by the lower chamber of Congress by more than two-thirds of the votes. The task at hand was to reform the institution in line with national priorities and the IMF recommendations.

This new Board of Directors established a five point agenda for change, which required:

- to dismiss all the “ad honorem” personnel and change all political appointments for qualified individuals selected through competitive procedures undertaken by private sector firms specialized in mass recruiting,
- to develop new procedures for all customs operations, so as to give importers and exporters judicial security,
- to introduce state of the art information technology for customs administration and control of operations,
- to improve the infrastructure and equipment,

- to establish a client-oriented culture.

To undertake this reform a financial package of \$US 34 million was agreed with the international cooperation, at the beginning of the year 2000. This was distributed as follows: \$us 15 million from the World Bank, \$us 5 million from the Interamerican Development Bank, \$us 4 million from the Nordic Fund, \$us 2.5 million from the Japanese Government and \$us 7.5 million by the Bolivian Government. To develop the operational strategy and oversee the use of this funding the new Bolivian Customs Administration set up a special unit, known to us as PROMA, the program for reform and modernization of Customs.

After nearly three years of hard work and much political opposition, the results are there for all to see:

## **Personnel**

- 97% of all existing custom's personnel were hired through competitive processes run by mass recruiting private sector firms. For instance, the later competitive process was based on Web applications, which also brought information of each step to all applicants and the general public,
- the 630 available positions were selected from a pool of more than 15,000 applicants in three competitive processes (24 persons per available position),
- 445 customs employees have been, so far, recognized and incorporated into the new civil service program,

which guarantees their continuity of employment based on performance, even after changes in government,

- in-house training programs have been established to improve qualifications and skills,
- personnel evaluations are conducted regularly to assess performance and identify candidates for promotion or pay increases.

As a result, the new Bolivian Customs has a highly committed, efficient and, on the whole, a corruption-free workforce.

## **Procedures**

Before the reform, importers, exporters and other economic agents in the country had to contend with a legal framework for foreign trade that included 285 decrees, 321 Ministerial Resolutions and 215 Administrative Resolutions. Since the reform, there is a basic set of procedures, one each for all customs operations, such as imports, exports, transit, storage and handling of transport documents, which, additionally, were prepared with the participation of the private sector, so as to balance facilitation with control.

## **Information Technology**

With seven information systems co-existing at the same time, all developed in-house on different platforms and at various stages of the pre-reform years, an integrated control of external trade was difficult. In consequence, one of the first decisions taken by the Board of Directors was to search

for and purchase a readily available customs control software that could easily adjust to the peculiarities of the Bolivian custom legislation. After a great deal of research and consideration, the Board of Directors decided to acquire the ASYCUDA ++ or SIDUNEA ++, developed by the UNCTAD, mainly because of its flexibility and its record of implementation in other countries. Today SIDUNEA ++ controls on line 90% of all Bolivian exports and also 90% of all imports, with very few border controls still to be linked-up to the main network. Furthermore, all economic agents can process their import or export declaration over the internet.

## **Infrastructure and Equipment**

All the infrastructure of the new Customs Administration has slowly been refurbished and made more accessible to foreign trade operators, in an effort to facilitate and make more transparent the interface with customs officials. Additionally a new building was bought to accommodate the central office in La Paz and improve the corporate image of the institution. An extensive program for the provision of IT and other equipment was also put in place.

## **Ex Post Controls**

The others side of the coin of the facilitation procedures is the ex post controls. Consequently, the reform process required skilled personnel in this technical subject. Therefore, we implemented training programs to improve the

professional qualifications in ex post control and lately in auditing procedures.

## **Client Service**

Without doubt, one of the most important changes undertaken under the reform process has been the introduction of a client oriented service culture in the new Customs Administration. Some of the changes include:

- The creation of a special unit to deal with all the problems that foreign trade operators may have with the new customs procedures and practices.
- Internet link to process all customs declarations.
- A 24 hour/365 day a year help desk for ASYCUDA ++.
- Permanent training for private sector foreign trade operators.
- Immediate access to important customs information through the Customs Administration web page ([www.aduana.gov.bo](http://www.aduana.gov.bo))

What did we learn from the experience ?

First of all, that if one is committed enough, all things are possible. No one gave the new Customs Administration a chance three years ago and here I am receiving a prize for what we have accomplished.

Second, that political will is necessary but not sufficient. Independence, both administrative and financial are crucial.

Third, that institutional reform needs time. To be successful at doing it quickly requires a great deal of luck and we managed to get the right amount.

Fourth, that your financing needs to be flexible and accommodate itself to the uncertainties that a process of this kind always carries. You also need the support of the international cooperation and we got that aplenty.

Fifth, one needs to identify and cater for the opinions of your main beneficiaries and we managed, with care and attention, to have the endorsement of the main institutions that represent the importers, exporters and all the other foreign trade operators in the country.

Finally, it is important to invest in information and communication. One needs the support of the whole population. We are still working on this one, as we have been more successful outside rather than inside our country.

To finish. This type of achievements are not possible without the support of many people and institutions. And I feel obliged to thank the people at the World Bank, the Inter-American Development Bank, the Nordic Fund and the Japanese Government for their enormous contribution to making this award possible. It is also important to recognize the effort put in by the International Monetary Fund in the design and implementation of the reform program.

I have a big thank too for all the importers and exporters in the country, who have been very supportive throughout the implementation of the project.

Finally, my biggest thank you goes to members of the Board of Directors, specially to our Commissioner Mr. Bruno Giussani—who can not be here because of prior compromises—and all the new personnel at the Customs Administration, including the PROMA personnel, who through clever decisions and hard work have managed to secure a place for our institution as one of the most successful institutional reforms in Latin America.

Muchas Gracias.