YEM/03/009

IMPLEMENTATION OF ASYCUDA IN YEMEN

PHASE II

EVALUATION REPORT

Prepared by

Salim Balaa, UNDP Consultant
Poul Laugesen, UNCTAD Consultant
Nick Tranter, DfID Consultant (Team Leader)

YEMEN, December 2004

Table of Contents

Annexes:

1. Executive Summary

Three of the main project sites to be implemented under Phase II will be fully operational by the scheduled end of the project and provide YCA with 80 percent coverage of all Yemen foreign trade. Implementation at the remaining seven smaller sites under Phase II has been delayed as a result of the late delivery of the equipment at the start of the project. Further delay occurred as work on the renovation of the buildings in Aden was not started until after the equipment arrived. Despite these initial delays the installation work is now proceeding in a very satisfactory manner. The evaluation team is satisfied that, given a little more time, the national rollout can be fully completed.

It is anticipated that the rollout work should be completed by the middle of next year. However, work will still remain to take full advantage of certain ASYCUDA modules and to ensure the proper structures are in place at headquarters to maintain the system in the longer term. That is, for instance, that the ASYCUDA tariff file, being the backbone of the collection system, is still being maintained and updated by the Project Team, whilst this should, by now, be the responsibility of the Tariff Section at Customs headquarters. A start also has to be made to ensure that the use of the system by other headquarters sections, principally Risk Management (for selectivity) and Post Audit, is maximised. Both offer considerable scope for advancing the work done at YCA headquarters.

For the reasons given above it is recommended that the Phase II project be extended by ten months, that is, until 31st December 2005.

The replacement of equipment and the retention of key staff were identified at the time of the Phase I evaluation as critical to the success of the project. Although a Cost Recovery Mechanism, for equipment maintenance and replacement, was proposed more than two years ago and whilst all parties concerned appear to agree to this, it remains unimplemented. The evaluation team were very concerned that this is still not in place. It is therefore recommended that the decree is now signed as a matter of urgency and the scheme introduced from 1st January 2005. The team acknowledges that finding solutions to the staffing issues is more difficult but these remain critical to the success of the project and must continue to be pursued until appropriate solutions can be found.

Ownership of the project and high level support from senior management in Customs are key criteria for a successful completion of the project. The Evaluation Team has had some indications that commitment to the project is now more evident than earlier, for instance, it appears that top management in YCA do understand the need for more support to, and ownership of, the project. This positive approach needs to be pursued – also at the ministerial level.

As a result of the co-operation between YCA and CSO significant progress has been made towards the goal of publishing Yemen's Foreign Trade Statistics using the HS classification and other international recognised standards. However, many of the other key outputs identified in the project document cannot be realised until complete national coverage is achieved. For this reason the Evaluation Team recommends that full national coverage be achieved in advance of the implementation of ASYCUDA, by the introduction and use of the Statistical Data Input module (MODSDI). If possible, all non-ASYCUDA data from 1st January 2005 should be collected in this way. For the same reasons, the evaluation team also recommends the computerisation of the courier and passenger traffic at the major airports.

Whilst, generally, the training provided to the various parties concerned with the rollout, has been sufficient to start the new processes, the evaluation team consider that scope exists for this to be reinforced with further training for both Customs staff and the Trading community. Also suggested is the formation of a number of local committees, local Customs staff with Traders, Headquarters staff with data users (governmental departments and agencies), to improve communication and resolve issues of common interest.

The use of Direct Trader Input (DTI) has been adopted as the standard methodology for the capture of declaration data in Yemen and the evaluation team applaud and fully support this option. So far, 75 brokers in Sana'a, Hodeidah and Haradh have installed the broker's module of ASYCUDA, thus enabling them to undertake clearance electronically from their own offices. YCA need to continue promoting the use of this facility and ensure that they facilitate this methodology in all possible ways. Communication between brokers and Customs is always by electronic means, while communication between Shipping Agents and Customs for the present, takes place by the transfer of paper records. The absence of an electronic manifest system is a major obstacle to the efficient running of Customs operations at Seaports and Airports.

Shipping Agents are more than willing to cooperate with the introduction of e-manifests and this should be top of the agenda of further developments in the coming months. Although the main work of the UNCTAD IT Adviser will have been completed by the scheduled end of the project, it is recommended that his services be retained in Yemen until 30th June 2005 to undertake the work required to introduce e-manifests and other technical tasks.

At the end of the mission debriefings were held with YCA management, DFID, UNDP and UNCTAD. Further, the Evaluation team had the opportunity of presenting its' initial findings and outline recommendations to the ASYCUDA Advisory Committee on Thursday 16 December 2004.

2.   Nature and Composition of the Evaluation Mission

2.1   Background

The ASYCUDA Phase I project introduced ASYCUDA into the Yemen Customs Authority. The project team was identified and after receiving their initial training from UNCTAD, the system, specifically tailored to Yemen's own requirements, was built at Customs headquarters. Once tested, the system was installed at three pilot sites, an Airport, a Seaport and a Border Post. The first live implementation was made at Sana'a International Airport in June 2001. Following this, implementation was made at Hodeidah Seaport with live operation starting June 2002 and finally, at Haradh Border Post the system started in May 2003. An Evaluation of Phase I (March 2002) confirmed the YCA view that the project had been generally successful and that ASYCUDA met their needs and a second phase was proposed.

The ASYCUDA Phase II project was to rollout the system to all other major Customs sites in Yemen. Ten sites were identified by YCA as appropriate for full ASYCUDA implementations. These ten sites were grouped into four regions. DFID and UNDP agreed to support the Phase II project and ASYCUDA Phase II commenced on 1st September 2003. It is presently scheduled to finish on 28th February 2005.

2.2   Composition of the Evaluation Team

The Evaluation Team comprised the following participants:

> Nick Tranter, Team Leader, Consultant to DfID
> Poul Laugesen, Team Member, Consultant to UNCTAD
> Salim Balaa, Team Member, Consultant to UNDP.

2.3   Objectives of the Evaluation Mission

The Terms of Reference are set out in Annex 1.

2.4   Methodology

At the start of the mission the Evaluation Team was provided with relevant background documentation and the various members were given initial briefing by DfID, UNCTAD, UNDP and Yemen Customs Authority (YCA) officials. The mission proceeded through a series of visits and interviews. The sites visited, in addition to Customs Headquarters, include Sana'a International Airport and Hodeidah Seaport (implemented under Phase 1); Aden Seaport and Airport (Phase II implementation); Aden Free-Zone (Phase II implementation shortly); Hodeidah and Taiz Airports and Mokha Seaport (Phase II awaiting future implementation). The full schedule of meetings and visits is attached at Annex 2. At the conclusion of the mission debriefing sessions were held with all the parties mentioned above. The names and designation of individuals met are given at Annex 3

2.5   Acknowledgement

The Evaluation Team wishes to record its thanks for all the kind support and hospitality received from the Chairman, National Project Director (NPD) and Project staff of the Yemen Customs Authority and all other persons, who have shared their information with the team. In addition, the Team wants to thank local General Managers and their staff for great hospitality and assistance received during visits to the respective sites.

3.   Progress so far

The system is now operational at Aden Seaport and Aden Airport, where the system started live operations in late September 2004. The new building to house Customs staff at the Aden Free Zone site is nearly complete and ASYCUDA should be installed there by the end of the year. Although this represents only three sites out of the ten offices needing ASYCUDA, it should be stressed that the Aden region, in trade terms, is by far the largest of the four regions in Phase II. These three sites, together with the three sites implemented in Phase I, will mean that eighty percent of all Yemen's trade is now covered by ASYCUDA.

The project team will start to implement the system in Hadramout, the second region, in the New Year. Two of three sites, Mukalla Seaport and Rayan Airport should be operational by April 2005. This will increase the overall coverage of Yemen's trade under ASYCUDA from eighty to ninety percent. The remaining five sites to be implemented are all relatively much smaller and implementation in these should be much quicker.

It should be noted that the facilities for brokers at the ASYCUDA sites include Direct Trader Input (DTI), i.e. brokers can enter necessary data for clearance of their shipments by electronic means. Either the data can be transmitted through telephone lines using modems, or if the broker is not in possession of the equipment required, he can use a DTI office established in, or adjacent to, the Customs office. The YCA strategy to provide for DTI facilities right from the start of the new system has proved very successful and the brokers are very satisfied with this opportunity to save time and money.

Another positive result of the modernisation is it that the office renovation has provided an office layout preventing brokers and traders from entering offices where clearance documents are reviewed and assessed by Customs officers. This aspect is important because collusion or "bargaining" is thus avoided in this area. Other countries have seen major problems in their effort to exclude brokers from Customs offices and have not always been successful in this.

3.1   The progress made towards each of the outputs of the project document

The project document contains four "Intended Outputs", and progress under phase II will be assessed against the "Indicative Activities" and targets specified under each output in the Results Framework of the project document.

In the following a brief explanation is given to describe current status for each output:

6

Output 1   *Ten Customs offices refurbished, equipment installed and new automated procedures operational;*

Status

Refurbishment of project sites is funded by national resources and carried out by Yemen Customs Authority (YCA). Hence construction of new sites and renovation of existing buildings to accommodate computer equipment are subject to budget approval and release of funds by the Ministry of Finance as well as technical endorsement by Civil Works. The Ministry of Finance has approved the budget and released about 40 % of the funds needed for refurbishment under Phase II.

Region 1 - Aden: Renovation has been done at Aden Seaport as well as Aden Airport. Equipment has been installed and ASYCUDA is in operation in these two sites. A new building has been constructed in Aden Free Zone, equipment is on site and the system will go live shortly.

Region 2 - Mukallah: Buildings at Mukallah Seaport and Rayan Airport need minor renovation and the budget has been approved by the MOF, but the tender process has not yet commenced. The equipment has been delivered and currently is stored. Live operation is expected in April 2005. As for Shahan, a border post to Oman, work has not yet started due to its remoteness and difficult border procedures.

Region 3 - Mokha: Buildings at Mokha Seaport and Taiz Airport need only little renovation and installation of equipment. Funds have been approved for this purpose. Live operation is expected in May 2005

Region 4 – Hodeidah: While the system at Hodeidah Seaport was successfully implemented under Phase I, the airport at Hodeidah and the seaport at Salief are included in this second phase. The building at the airport needs only a little renovation and equipment is on site. Live operation is planned to begin May-June 2005. The volume of transactions processed at Salief Seaport does not yet justify a full system implementation at this site. A data capturing setup with just one computer is considered sufficient for the time being. A new building is proposed for Salief Seaport. Until this is completed it is suggested that data capture for Salief takes place using MODSDI. Data would then be transmitted and processed to the centre.

Output 2   *Staff capacities in Customs and private sector strengthened in the use of the new automated procedures;*

Status
Customs officers have been trained in the various modules of ASYCUDA and related procedures. This refers to the Aden region since this is the first region to be operational under Phase II. The number of courses held and the number of trainees are as follows:

- Awareness training   400 attendants from Customs and brokers in Aden
- ASYCUDA modules   93 staff from Customs

- Brokers Module (DTI)   85 brokers – private sector
- Technical courses   47 Customs staff
- Risk Man/Selectivity   62 Customs staff.

Annex 9 contains a full list of training courses held under Phase II.
Similar training courses for Customs staff and the private sector will be arranged prior to start of live operations in the other regions.

Output 3   *Capacity to exploit data for dissemination of timely foreign trade statistics, economic management, planning and monitoring of foreign trade enhanced;*

Status

National foreign trade statistics will only be available in a timely manner once ASYCUDA has been implemented throughout Yemen. For the present, the Central Statistics Organisation (CSO) is still limited time-wise by the last manually produced data to be received from the remotest border post.

The CSO is committed to producing its foreign trade statistics for the year 2004 using the HS classification. (Previous years were reported using the now obsolete SITC v2 classification.) New systems have been prepared and are in place to accept data from both the presently non-computerised Customs offices and from the ASYCUDA system. These will ensure compatibility and standardisation between the data from the two sources for the interim period until ASYCUDA has been implemented nationally. ASYCUDA data is already being passed on a regular and timely basis from YCA headquarters to the CSO headquarters for those sites that have been implemented.

Output 4   *Initiatives to ensure long term sustainability of ASYCUDA in Customs.*

Status

Cost Recovery Mechanism. The ASYCUDA project team has described the Cost Recovery Mechanism as a tool for long term sustainability, the scope being to recover costs with regard to the ongoing upgrade, replacement and maintenance of the system. A draft decree "Cost Recovery Mechanism under the Customs Reform Programme" was prepared and agreed by YCA management. Subsequently, the Chairman of YCA presented the proposal to the Minister of Finance, but the decree has still not been signed after nearly two years. The proposed text of the decree is attached, see annex 4.

IT Division: The creation of a special unit with capable staff in Customs to maintain and support the automated systems is essential, not only for a stable system to collect duty and taxes but also to ensure correct and timely data for CSO and other departments. For this purpose, the project team has prepared draft Terms of Reference for the proposed IT Unit, see Annex 5. However, this new and vital unit for IT sustainability has yet to be institutionalized by YCA. In discussions with the management it appears that the whole structure of the department is on the drawing board and hence has taken a long time to be adopted. Other units are also required for new procedures under ASYCUDA, e.g. risk managements and post audit units.

4.   Whether Inputs by Government, UNDP and UNCTAD were delivered on time

Inputs under this project are provided as follows:

UNDP TRAC 1+2	USD 245,000
UK Cost-sharing	USD 790,000
Government Cost/sharing	USD 250,000

Total budget   **USD 1,285,000**

Government contribution in kind   **USD   800,000**

The above contributions were to be delivered according to an agreed time table. Some were delivered on time while others were delayed. The delays seem mostly attributable to administrative complications partly in the government offices and partly at UNDP headquarters in New York.

So far, Government contributions in kind amount to an estimated YER 65,000,000 (USD 350,000) for renovation of buildings and construction of a new Customs building in the Free Zone at Aden, see Annex 10.

Two specific inputs, one relating to procurement of equipment, and the other to renovation of buildings, caused significant delays as explained in the following.

Equipment

The order for the first tranche of equipment for phase II was submitted in September 2003 and the equipment was due for delivery in December 2003. However, problems experienced within the Procurement section of UNDP resulted in the ordering process having to be repeated. It was not until May 2004 that the first tranche of equipment, for the Aden region, finally arrived in Yemen. UNDP recognised the need for a strengthening of the procurement procedures and brought a consultant in from IAPSO for several months in an attempt to rectify the problem. Nevertheless, the project experienced a six months delay as a result of the late arrival of the equipment. Whilst most of the delay can be attributed to the difficulties at UNDP a small part of the overall delay must be attributed to YCA who took the opportunity of the need to reprocess the order to change some specifications of their equipment.

The equipment was checked on arrival in the presence of a UNDP representative and apart from a few minor discrepancies, found to be complete and compliant with the order. This equipment is now installed and operational at the Seaport and Airport in Aden. The equipment for the Free-Zone remains boxed and in store until the building is completed which is expected to be before the end of the year.

The second and final tranche of the equipment arrived in Aden by sea in August and was again checked by YCA, in the presence of a UNDP representative, and found to be complete. This consignment was for the remaining seven offices to be computerised under Phase II. The equipment has been despatched to the various offices and remains boxed and in store for the time being.

Because representatives of both YCA and UNDP were present at the acceptance of all the Phase II equipment, problems with agreeing the inventory to be signed by the government at the conclusion of the project should be minimised.

Renovation of buildings.
The renovation work in Aden started only after the arrival of the equipment, thus delaying the project by a further 2-3 months at the Sea and Airports. As for the completion of the new building at the Aden Free Zone, the delay amounts to 4-5 months. The building is now virtually completed and will provide excellent working conditions for Customs staff.

5. **Whether results to date and expected end of the project achievements are likely to meet the needs of the Yemeni Government and provide appropriate support to Economic and Financial Management in Yemen**

Implementation of the system in Phase II covers ten of the main Customs offices in Yemen; three big offices were implemented in Phase I.

Status

As explained above, two offices in Aden are now operational and the third office about to start in a matter of weeks. When two additional offices, i.e. Mukallah Seaport and Rayan Airport, are automated in April 2005, the project will have achieved five of the ten offices included in this phase. Although this represents only half the number of offices to be implemented under Phase II, the volume of trade covered by ASYCUDA will by then represent 90 % of the total foreign trade for Yemen.

The ASYCUDA system generates an enormous amount of revenue and trade data based on Customs declarations registered at import and export. Once this data has been validated, analysed and compiled by the system, it represents a valuable and reliable basis for revenue control, trade statistics and economic planning. Therefore, such data should be transmitted to other agencies and organisations for their analysis and planning. Indeed, electronic links are in place for transmission of data to the Central Statistics Office for production of foreign trade statistics and to the Ministry of Finance for revenue control and economic planning. Also, the Presidents office and the Central Bank receive data from the system. So far, no contact has been made to the trade institutions with a view to using ASYCUDA data to analyse import and export patterns, market opportunities etc.

6. **The level of support provided to the project by Government, the Ministry of Finance, Customs senior management, affected government agencies and the trading community;**

Support from Government has been provided through the timely financial contribution of USD 250,000 and in kind provision for renovation of project sites and construction of new buildings. In addition, the Government has provided new furniture to sites where necessary. The total in kind contribution by Government so far amounts to an estimated USD 350,000.

Two years ago, a ministerial decree was drafted to legalise implementation of a Cost Recovery Mechanism as a vital element for replacement and maintenance of equipment. Although full support was forthcoming, no concrete action has been achieved. Delay in implementing this mechanism has resulted in a significant loss of revenue for replacement of equipment. Some equipment is now over four years old and funds for replacements will be needed in the near future.

Project implementation has taken place under auspices of three YCA Chairmen, all of whom have been very supportive of the project.

The Tax Authority and the CSO are already receiving ASYCUDA data as well as manual data from YCA. However, since the full benefits of the project can be realised only when Phase II has been completed, some other governmental agencies have yet to become partners to the project. The Ministry of Trade has formally requested YCA to provide data for analysis purposes.

7.   The impact of the project on those Government agencies and organisations;

Only when the project has been completed, can full impact be realised. CSO is already utilising data for trade statistics and the Tax Authority also receives data for their purposes. In both cases ASYCUDA data is transferred electronically. For further information, please refer to section 3.1, Output 3 above, and Recommendation 14 below.

8.   The structure of the project team as well as the level of efficiency of project management, international advisers and project team members;

The project is managed by the National Project Director, Mr Abbas Al-Hadi who, together with his project team, is working very hard to implement the ASYCUDA project in Yemen. Both the NPD and project team members are very committed to the project. The NDP is drafting implementation plans for reporting to and adoption by the AAC meeting and, at the same time, directing and coordinating the actual installation at project sites. The NPD has access to the YCA Chairman on a daily basis, so he is in an ideal position to undertake necessary preparation for and planning of project activities.

Under Phase I the project included a team for modernisation of procedures and another team to undertake technical development and installation of equipment. The structure has been adapted in Phase II to include one large technical team to reflect the need for a capacity to roll the system out to ten offices and support them thereafter. As each site is implemented a small technical group will remain on site to support the system and undertake further training of local staff.

Currently the technical team consists of 15 staff and a few more will be appointed to cover additional sites. The Evaluation Team is of the opinion that the technical staff members are fully capable of dealing with day-to-day issues, including rollout of the system to new sites. Annex 6a gives a description of the various technical tasks assigned to the team.

During Phase II, an international IT Adviser has been employed on the project team by UNCTAD. The Adviser is responsible for training the team on ASYCUDA technical aspects, database and network and development of more complex and sophisticated features, such as e-manifest, data centralisation mechanism through A++ gateway and coordinating data transfer to

other departments and organisations. YCA management and the NPD have expressed great satisfaction with the IT Adviser.

9.   **The transfer of skills and therefore the level of sustainability and 'ownership'**

Transfer of skills has clearly taken place at the technical level from UNCTAD to the project team and from the team to the technical staff undertaking installation and support at local level. This is demonstrated through the rollout and the fact that the system has now been running for more than three years at Sana'a International Airport without major problems.

The Project Team has also demonstrated a high degree of expertise through the upgrade of ASYCUDA to version 1.18, the latest release of the system.

In Annex 6a and 6b, the IT Adviser has described the tasks undertaken by technical team members and showed the level of training courses required.

10.   **The efficiency of the operation at Customs Offices, including reduction of time required for clearance of cargo, simplified procedures;**

The system has only been operational at Aden Seaport and Aden Airport since the end September 2004, and is still experiencing teething problems. It is therefore too early to assess the efficiency of the automated procedures or reduction in clearance times. However, simplified procedures, including DTI and the SAD document, have been implemented at all sites.

Judging on the experience from Phase I sites, the potential reduction in release time to four hours or less can be realised once Customs staff and the user community become familiar with the new environment.

11.   **The level of 'acceptance' by brokers and Customs staff who operate ASYCUDA;**

The Evaluation Team has met with brokers, traders and shipping agents in Sana'a, Hodeidah and Aden, and these users generally expressed satisfaction with reform of Customs procedures. Most of these Customs clients are interested in using the facilities for electronic lodgement of declarations from their own offices, i.e. remote DTI. This further demonstrates support and acceptance of the reform in Customs.

During interviews with Customs staff at the various sites, it appears that staff generally are supporting implementation and interested in the opportunities provided by the new automated environment.

12.   **The results of initial implementations in terms of modernisation, simplification and increased revenue returns**

As a result of the modernisation, office layout at project sites (Phase I and II) has deliberately been arranged in such a way that Customs officers and brokers have little opportunity for

interaction during the clearance process. This will no doubt simplify the process, bring down clearance time and potentially increase the revenue collected.

Another major achievement is that brokers and traders have access to using DTI facilities made available at all automated sites. Customs has assisted the brokers in setting up the equipment and network connection and also trained them in the use of the Brokers Module in ASYCUDA.

Please also refer to item no. 10 above.

13.   Whether the level of training provided meets the needs of the project;

Implementation of ASYCUDA requires training at three different levels, project team members, operational customs officers and the trading community. The Evaluation Team is able to confirm that adequate training of the project staff has been proved, enabling them to maintain and rollout the system to the sites concerned. Although initial training provided to Customs staff and the trading community was sufficient to launch the system in the new sites, the Evaluation Team is of the opinion that further training is needed in order for both categories to take full advantage of the automated environment. In Aden, the opportunity to reinforce training will occur with the impending implementation at the Free Zone. Staff and brokers from the Seaport and particularly the Airport would benefit.

14.   If the equipment purchased is appropriate and being productively utilised;

The equipment delivered in Phase II generally reflects the level of staffing at each office. The Evaluation Team noted that equipment delivered but not yet installed was stored in a secure environment at each site. Proper inventories were issued and signed by the parties involved at each site.

15.   Requirements for sustainable ASYCUDA operations beyond project termination;

The requirements for a sustainable environment were identified in the Phase I evaluation and incorporated into the Phase II documents. Principle components were the Cost Recovery Mechanism and measures to retain qualified IT staff. Although these issues were, and still are, fully embraced by YCA, they have yet to be finally addressed.

16.   Any other significant issues.

Status of the Evaluation of Phase I
An evaluation of Phase I was undertaken in March 2002 by a Joint Evaluation Mission (DFID, UNDP and UNCTAD). That evaluation concluded that by and large the project would achieve its objectives by end of that (extended) phase. The Evaluation Mission agreed on 32 recommendations to be taken into consideration in the design of Phase II. As part of this current evaluation a review has taken place to assess the status of these:

19 recommendations have been fully completed

7 recommendations have been partly completed

2 recommendations were transferred to Phase II

4 recommendations were not completed at all.

Those recommendations not completed have been taken up under this Phase II evaluation. They relate to Cost recovery, IT Division, Allowances and Customs Law.

Cooperation with UNDP

The Evaluation Team reviewed the relationship between the Project and UNDP. It should be noted that the Phase I Evaluation Report of 2002 detected friction between UNDP and the Project. In this current evaluation, interviews with both UNDP and Project staff indicate a significantly improved working relationship. Both parties demonstrate a better understanding of their responsibilities and obligations.

However, some administrative problems occurred in Phase II which were mainly caused by the implementation of ATLAS Budgeting system at UNDP. On occasions this system caused unnecessary delays in disbursements of project expenditure. The Evaluation Team recognizes the effort spent in adjusting to new automated systems, but urges UNDP to ensure that these will not impact further on project performance.

17. Recommendations by the Evaluation Team

The following recommendations have been prepared by the Evaluation Team on the basis of meetings with YCA senior management, discussions with the Project Team and visits to a series of project sites. Also the team has met with a number of high ranking officials from other ministries and departments. Finally the team has had extensive discussions with groups of brokers, shipping agencies and traders arranged at the various sites.

Each recommendation is explained in detail below, and a table with target dates and responsible parties is attached at Annex 7.

Recommendation 1:   YCA Management to take full ownership of ASYCUDA and show commitment to the modernisation process

Political will and commitment at the highest management level are crucial elements to achieve a successful modernisation process in Customs. This should be demonstrated by senior Customs management telling the staff and other stakeholders that the modernisation and reform is fully supported by the management in other words, the project is "owned" by YCA and used as a tool for modernising the entire organisation. This approach entails cooperation and transparency between managers and also with the other stakeholders to the project, i.e. government agencies and the trading community. The Evaluation Team encourages YCA senior managers to initiate meetings with managers and staff to explain reform plans and also to issue newsletters to the public, including press media. Perhaps a Reform and Modernisation Committee could be helpful in shaping a strategic programme and plan in this endeavour.

It is therefore recommended that YCA Management takes full ownership and commitment to the reform and modernisation of Yemen Customs.

Recommendation 2:   Equipment Sustainability - Cost Recovery Mechanism

Experience from other ASYCUDA projects clearly shows that financing of equipment is a major burden for developing countries. While the initial procurement of hardware usually is included and financed by donors, the subsequent maintenance and replacement will have to be financed by the government concerned. Amounts needed for the replacement of the hardware is unlikely to be added to the recurrent budgets of the department.

It was therefore suggested and agreed in principle by all concerned, that funds needed for this purpose should be raised through the introduction of a Cost Recovery Mechanism. A decree was drafted in 2001, and the Minister confirmed his intention to sign the document following the general election in 2002. To date this has not been done and therefore no funds are being accrued. The absence of the introduction of the mechanism remains one of the highest factors that could put computerisation and ASYCUDA at risk in the long term. The evaluation team believe that the introduction of the mechanism should not wait or be a part of the scheme to resolve the staffing issues.

It is therefore recommended that the decree be signed now by the Minister as a matter of urgency and the scheme implemented from 1st January 2005.

*Recommendation 3:   Staff Sustainability – Creation of an IT Division in Customs
                       Department*

IT development and maintenance of the system is a vital condition for implementation and smooth operation of any computer based project. As for ASYCUDA, technical staff in YCA have been systematically trained at specific technical courses during phase I and have been working under the guidance of an international IT-adviser from UNCTAD. The project team – in cooperation with local staff - is responsible for technical work relating to system roll-out to the offices included in the project.

The Evaluation Team recognises that the technical team has acquired a considerable knowledge of the ASYCUDA system, in particular, and in IT matters, in general. The staff are very skilled and capable of maintaining the system under the current project. However, the Evaluation Team does not feel confident that all team members will remain in Customs, should they be offered a better remunerated job outside Customs. It is therefore vital to address this problem before it is too late. In the view of the Evaluation Team, creation of an IT Division within YCA is the best solution, as has been done in most other ASYCUDA countries. A description of the main tasks for an IT Division is attached in annex 5. It is important that the IT Division be institutionalised within the organisational structure of the Department, so as to ensure its status vis-à-vis other divisions.

In order to strengthen the IT capacity and to retain IT staff within YCA, the Evaluation Team recommends Creation of an IT Division (headed by a general manager) with responsibility for all IT issues in YCA, including all IT systems, development, maintenance and training programmes.

Recommendation 4:   Staff sustainability – Allowances to IT staff

15

Discussions with the YCA Chairman and the NPD clearly demonstrate that remuneration of staff in the public service in Yemen is rather low and could potentially lead to the departure of staff able to find a better paid job in the private sector. This refers specifically to staff with IT skills working on projects such as ASYCUDA. Therefore, when the project comes to an end, UNDP contracts will no longer be available, project team members may be looking for job opportunities outside Customs. This situation has occurred in other countries and is likely to become critical in Yemen.

The problem stems from the fact that salaries generally are very low to public servants, and should ideally be gradually increased through programmes for modernisation of public sector services. Such improvement of Customs service is now underway in YCA through implementation of the current project. Although a proposal has been sent to the Minister, little or nothing has been done to ensure stability and improved payments to Customs staff. It is critical to maintain the IT staff at Customs, or the entire investment of USD 5-6 million could be wasted.

The Chairman of YCA has proposed allowances for IT staff to be financed through the Cost Recovery Mechanism, see Recommendation no 1 above. This, however, was strongly discouraged by the donors when this project was designed and agreed upon in 2003. The reason being that increased salaries/allowances to staff is the responsibility of the Government – not a project initiative. The Evaluation Team therefore has the view that other options should be explored by YCA, including a system with additional payments as applied by the Tax Authority.

It is recommended that YCA agrees on a scheme of allowances to IT staff directly involved with IT development and maintenance. This will include the staff in the IT Division and 1-2 staff in each of the computerised offices.

Recommendation 5:   Complete implementation of projects sites under Phase II

As mentioned above, it is likely that by the current scheduled end of the project in February 2005, only three of the ten sites will have been implemented. However, the Seaport and Free Zone in Aden represent a major percentage of Yemen's overall foreign trade and all the remaining sites to be implemented are significantly smaller. The greatest delay with the implementations in Aden was the absence of the computer equipment. With all the other Phase II sites procurement delays will not be a factor, as all the equipment is already available and being stored at each site.

Provided that no unexpected long delays occur in the renovation work at the other sites (funding for the necessary work at the next four sites has already been approved) implementation of the remaining seven sites should be achieved by the middle of next year.

It is recommended that the remaining seven sites be implemented by the end of June 2005.

Recommendation 6:   Ensure full national coverage of statistical data – captured through ASYCUDA database using MODSDI in sites where ASYCUDA has not been fully implemented

For the present copies of all manual declarations are sent to the Statistics Division in YCA, to the CSO and to the Tax Authority. At each point the data is extracted on computer systems, resulting in a triplication of work and a potential source of additional errors. These additional steps need to be removed as soon as possible and all data should come into the ASYCUDA database from where it can be automatically distributed to all three points. It is appreciated that full ASYCUDA

implementation at all the Phase II sites will not be in place by the start of 2005. However, it may be possible to collect all statistical data on the database through the use of the ASYCUDA Statistical Data Input module, MODSDI, at these sites on an interim basis. Additionally, this system should also be used at all the remaining small sites.

It is recommended that MODSDI is used to collect all non-ASYCUDA declaration data, nationally, from 1st January 2005.

Recommendation 7:   Institutionalise the Tariff Section to take over full responsibility for maintenance of the tariff, including handover and follow up support from the project team

The Evaluation Team met with staff in the Tariff Section at Headquarters in Sana'a. At present the Project Team is still performing the tasks of managing the Tariff and its associated components such as taxation rules, exemptions, trade agreements and others. In a modernised environment, this task should be integrated into the Tariff Section. This process will involve extensive training and follow up by the Project Team. A handover to the Tariff Section is critical for the sustainability of the system and will also help to ensure full ownership of ASYCUDA by customs staff.

It is recommended that Tariff maintenance be the responsibility of the Tariff Section.

Recommendation 8:   Institutionalise the Risk Management Section to take full responsibility for utilizing the Selectivity module of ASYCUDA

The Post Audit office has started to use some facilities of ASYCUDA, such as browsing registered declarations, extracting declarations for a particular trader or a commodity. This usage should be encouraged by YCA and more PCs and Printers should be allocated to this department.

The Post Audit Unit could - with proper training, IT equipment and resources - become a starting point for the introduction of Risk Management in YCA. The Evaluation Team encourages YCA and the project team to focus more attention to this unit as a starting point for a modern Customs Risk Management.

A strategic plan should be developed for the introduction of Risk Management methods in Customs clearance. The following concepts could be reviewed:

- Full use of the Selectivity Module in ASYCUDA and integration with post audit functions.
- Specialization in the Post audit department by Tariff instead of Mode of Transport, in order to start building Valuation skills.
- Providing mechanisms for exchanging information between Post Audit and Customs Offices. In other words completing the Risk Management Cycle.
- Considering the establishment of a special unit for Field investigation at Trader Premises for possible fraud, misclassification and under valuation. This unit would coordinate closely with the desk auditors to resolve investigations that require access to company financial or stock keeping records.

It is recommended that YCA institutionalises a separate Customs Risk Management and utilises the experience gained by the Post Audit section as a starting point.

Recommendation 9:   *Implementation of Electronic Manifest based on co-operation with Yemenia, Emirates and selected shipping agencies*

The Evaluation Team noted that the ASYCUDA's Manifest module MODCAR is operational in all automated offices. However the entry of Manifest data is still performed by Customs staff. Also in the case of Aden Seaport, the automatic write-off validation is not yet activated pending full system implementation.

The Evaluation Team met representatives from the shipping community in Hodeidah and Aden port and discussed the benefits from a fully running ASYCUDA Manifest module. In general, the interviewed agents provided a positive response to the idea of electronically providing Manifest data to Customs. Some reservations by the agents were voiced regarding the required technical capabilities for transmitting electronic manifest data received from their Head Offices into ASYCUDA manifest format. The Evaluation Team and project staff explained that extensive meetings and discussions will be organised between Customs and the agents, in order to agree on a standard format for exchanging electronic manifest data. Once the standard data format is agreed upon, agents will coordinate with their respective Head Offices for transmitting these messages (plain ASCII format) into ASYCUDA'S Manifest module. It should be noted that major international carriers provide these facilities to their regional / national representatives in order to simplify interactions with national customs authorities thereby benefiting from shorter and less costly clearance.

These modalities apply to both seaport and airport environments. In the case of airport environments; the implementation could benefit from the fact that the national air line YEMENIA handles over 95% of air freight in all Customs offices. This will greatly simplify the implementation of electronic manifest in Airport offices.

Recommendation: YCA should establish a taskforce composed of project team members and representatives of the shipping community to standardise electronic interchange of manifest data, organise training on MODCAR, trial runs and follow up on progress of Manifest implementation

Recommendation 10:   *Promote use of DTI remotely from brokers' offices, by removing any technical or administrative constraints*

The Evaluation Team noted that YCA have experimented with three modalities of DTI implementations:

- Local DTI managed by YCA: This was the initial modality whereby YCA would provide a data entry room with PC's and printers for brokers / traders to store declarations.
- Local DTI provided by private enterprises: Under this modality; YCA authorized private enterprises to provide data entry services in a prefab facility adjacent to Customs Offices. In Sana'a Airport two enterprises are operating, where as in Hodeidah the original Customs data entry centre was handed over to an enterprise. The Evaluation Team was informed that similar arrangement will be introduced in Aden Seaport. The service charge is priced at YR 500 per declaration plus YR 100 per line item (Hodeidah).
- Remote DTI from Broker/Trader Premises: In this modality the project team would provide authorized parties with a self-install CD containing MODBRK. The trader/broker can connect

via a dial-up modem to ASYCUDA servers and store declarations. The software automatically replicates to the client PC all necessary reference tables in order to keep it up to date. The client/user is assigned a login / password. The project team developed forms to be signed by broker/trader to define his roles and responsibilities as a remotely connected client.

Project staff are not obliged to install MODBRK in broker/trader premises. Instead a self-install CD is now available. The Evaluation Team has a high preference for adoption of the third modality (Remote DTI), since it empowers the client community and places all responsibility of data entry on the client side instead of Customs or a 3rd party.

Recommendation: YCA should promote the adoption of remote DTI and provide adequate facilities at Customs offices. The Project Team should undergo the necessary training to secure the environment.

Recommendation 11: Legalise the ASYCUDA system

The use of automated procedures provided by ASYCUDA, has not been formally legalised by law, although the system has been in operation since June 2001. A revised Customs Law has been presented to the Ministry of Finance, but formal passing of the law by Parliament has not yet taken place.

It is recommended that the YCA Chairman follows up with the Minister for Finance on this legal requirement.

Recommendation 12: Establish local Customs-Brokers-Traders Committees to ensure high level transparency and cooperation between all stakeholders

During field visits the Evaluation Team met several times with representatives from the private sector. The main objective was to listen to the views and proposals from "the other side". These meetings produced many valuable comments and ideas that have been taken into consideration in drafting this report.

It became apparent that the exchange of information between Customs and its "clients" could be improved through regular meetings and better cooperation between all stakeholders. Especially in a phase with introduction of new procedures, most resistance from the "client" side could be eliminated through an efficient flow of information and awareness sessions etc. Efficient cooperation would be beneficial to both parties and synergy would arise.

The Evaluation Team encourage YCA and General Managers to maintain a service minded approach in cooperating with the "clients" – by creating a forum for discussions and provision of awareness on new legislation and procedures etc.

It is therefore recommended to create committees at each of the main Customs offices to include representatives from all stakeholders, i.e. Customs, brokers, shipping agents etc.

Recommendation 13: *Include clearance of all courier and passenger consignments in the*
ASYCUDA procedures

At Sana'a Airport, the Evaluation Team noted a considerable volume of Express Courier consignments that were not currently being processed through the ASYCUDA system. The system provides for a special simplified declaration form which could be used for these consignments. The WCO has issued a recommended practice in a document "Guidelines to simplify clearance of express consignments", dated 12/10/99. Since such practice would ensure more reliable duty and tax collection, and also lead to more accurate trade statistics, the WCO guidelines should be used as a basis for integrating Express Courier Traffic in ASYCUDA's database. Using the simplified declaration form and a deferred payment scheme will align the courier procedures in Yemen with those used in most countries world wide. A copy of the relevant guidelines was handed over to the NPD.

At the same time cargo hand-carried by passengers should come under ASYCUDA procedures and thus secure collection of revenue at the airports.

It is recommended that all consignments imported by express couriers or by passengers be captured and processed by the automated system. Procedures should follow international standards as recommended by WCO.

Recommendation 14: *Establish Statistics Liaison Committee to resolve the data errors for*
2004 and institute broad validation range checks to improve future
statistics.

The ASYCUDA data is received in a timelier manner than was previously the case with the manual data and with some degree of improved quality. However, this data still contains a far too high error rate and further work still needs to be undertaken to improve the quality of the data, particularly for the Weight and Supplementary Units fields. It has been suggested that an additional series of validation checks on the upper and lower range of unit/price and weight per unit be incorporated into the ASYCUDA system. A significant improvement in the quality of data would result if this were done.

Until this has occurred, staff at CSO are faced with a difficult and time-consuming task of editing the data. Under the manual system much of the data editing took place in the CSO regional offices where access to the source data was more readily available. With the ASYCUDA data coming directly to CSO headquarters, the task of data editing using the source documents is more complex and alternative methods of correction will need to be considered. The Statistics Unit of YCA also face similar problems with data cleansing and it seems likely that the best solution for all concerned lies in forming a co-operation with the Post Audit section which holds copies of all declarations in its repository. The Evaluation team believe that a small committee, with representatives from the units concerned, should be formed to explore areas of common interest.

At the top of the agenda for the work of this committee should be agreeing the methodology for correcting errors identified in the 2004 data and the incorporation range checks on value, weight and supplementary units in ASYCUDA to limit future errors.

It is recommended to set up a liaison committee between CSO and YCA to tackle problems of common interest.

> ### Recommendation No. 15:   Establish cooperation with Ministry of Trade, Ministry of Finance and other ministries concerned to define requirements for transmission of trade and revenue data

Ministry of Trade

The Evaluation Team met with the Ministry of Trade, and high ranking representatives expressed strong interest in exchanging trade information with YCA. It was agreed that MOT should formally request YCA to transmit ASYCUDA data in a format to be agreed. This request has now been received at YCA Headquarters and will be acted upon swiftly.

Ministry of Finance

Cooperation on transmission of ASYCUDA data to the MOF has already started.

Tax Authority

The Evaluation Team also met with senior Tax Authority managers and discussed current coordination mechanisms. At the beginning of the project YTA provided YCA with a database of registered enterprises (TIN-Numbers), which was integrated into the ASYCUDA database. However, newly registered import/export companies have no corresponding records in ASYCUDA, and consequently were assigned occasional identification numbers so as not to delay clearance procedures. It should be noted that with time the number of occasional traders increased and according to YTA some trader abused this facility to disguise their activity.

In addition, YCA is providing YTA periodically with transactional trade data indexed by trader, commodity or Customs Office. YTA believes that its' IT staff require more familiarization with ASYCUDA in order to extract the required information.

The Evaluation Team encourages YCA and the Project Team to consider the following proposals:

- YTA and YCA to establish a co-ordination task force, which would meet on a monthly basis to address co-operation issues.
- YTA to provide YCA periodically with all newly registered enterprises. This will keep ASYCUDA up to date in all Customs Offices.
- YCA and YTA to issue jointly a memorandum to all Customs Offices to limit the use of occasional numbers. YTA assured the mission that Tax Identification Certificates can be issued in 12 hours and consequently will not slow down goods clearance. For newly registered Traders; Customs Officers can update the system based on the "Tax Certificate" issued by YTA
- YCA to provide YTA with basic ASYCUDA database table structures, user defined query and reporting facilities in order for YTA to carry out its audit functions.

The above are good examples of how productive co-operation can be achieved in a joint effort to exploit data from databases in the respective departments.

It is therefore recommended that similar arrangements to exchange data be agreed between YCA and other ministries, departments and organisations that can make use of the data.

> ### Recommendation No. 16:   Harmonisation of various user-defined management reports generated by ASYCUDA

One of the strong features of ASYCUDA is its ability to prepare management reports based on user defined requirements. Such reports enable management to receive information on workloads, revenue collected, staff involved and statistics on value, HS codes, weight, transport mode etc – on a daily basis or in a specific period. Many formats have been designed for various purposes - one Customs office operates up to 30 different reports, while other offices make limited use of the reporting facility. Using such reports as a tool empowers managements and provides a sense of ownership of the system.

It is recommended to harmonise user-defined reports in order to obtain a set of standard reports to be used as a tool for management at local level as well as at Customs Headquarters.

Recommendation 17:　　　　*Start preparation for implementing the GATT Valuation rules (reference to current WTO negotiations) and request WCO to undertake valuation training courses.*

Customs valuation is a major problem in Yemen, both for traders, brokers and Customs officers. This has been confirmed again and again during the field visits and in interviews with Customs staff. The legal basis for assessing the value for the purpose of duty and tax payment is unclear and definitely not available to either brokers or clearance personnel. Such conditions are clearly unacceptable to the trading community, as it is impossible for them to calculate duty and taxes in advance and thus estimate the cost involved in importation of the goods. It is also unsatisfactory in terms of collecting revenue and compilation of trade statistics. Perhaps more importantly, Customs valuation is a critical component of the requirements for accession to WTO, for which the Yemeni Government is currently negotiating. Annex 8 contains a list of important steps to be taken in preparing for the introduction of the WTO/GATT valuation principles.

It is recommended that YCA takes steps to prepare management, staff and traders for implementation of the GATT valuation rules as sponsored by WTO. Awareness courses and training could be arranged through WCO's regional office in Amman, Jordan.

Recommendation 18:　　　　*Strengthen training courses for staff and brokers prior to implementation of automated procedures*

Although initial training provided to Customs staff and the trading community was sufficient to launch the system in the new sites, the Evaluation Team is of the opinion that further training is needed in order for both categories to take full advantage of the automated environment. In Aden, the opportunity to reinforce training will occur with the impending implementation at the Free Zone. Staff and brokers from the Seaport and particularly the Airport would benefit.

It is recommended to reinforce training courses preceding implementation at project sites, including all three sites in Aden.

Recommendation 19:　　　　*A 10 month extension to the project be granted to allow for the completion of the Phase II implementation and related activities*

Procurement of equipment was always on the critical path of the project's work plan and the delay in the arrival of the first tranche of equipment set back the start of the project by

approximately six months. A further delay of 2-3 months occurred because the necessary renovation and new building work required in Aden was not completed on time. The main work of the project was only really started nine moths later than was originally planned. Whilst the project team may be able to recover some of this lost time it is clearly now not going to be able to complete all the work in the original time frame.

It is therefore recommended that the project is extended by ten months, until 31ˢᵗ December 2005, to allow time for the completion of the original programme of implementation and other essential activities.

Recommendation 20: Extension of the contract for the IT Adviser until end of June 2005 in order to cover e-manifest, remote DTI and other technical enhancements.

The evaluation team confirmed that a major constraint to the efficient working of local customs offices was the absence of an automated system for the transfer of manifest data from the Shipping Agent to Customs. At present hard copies of manifests (held on computer by Shipping Agents) are transferred to Customs offices where the data has to be recaptured into the ASYCUDA system by Custom Officers. There are a number of issues that need to be addressed before this procedure can be automated and a high level of technical involvement will be required in the initial stages.

It is recommended that the service of the UNCTAD IT Adviser is extended for a further four months, until 30th June 2005, to undertake major work on e-manifest, remote DTI and other technical enhancements.

Recommendation 21: Extension of contracts of national staff employed by the project

Local staff contracts should be renewed to reflect the extension of the project.

It is recommended that UNDP extends local staff contracts until end of December 2005.

Recommendation 22: Ensure the availability of maintenance arrangements for Phase II IT equipment in coordination with UNDP, IAPSO, and Vendors.

The IT equipment in Phase II was procured through UNDP via IAPSO. The hardware was sent from abroad and not through the local supplier. The tender documents include the typical after sale support and 3 year warranty. However, the responsibility for execution of these services requires clarification. The local vendors of the procured brands could potentially refuse maintenance since this equipment was not purchased from them.

YCA should require from UNDP and IAPSO to specify clearly how to request maintenance on IT equipment acquired for Phase II.

18.   Future Developments

As part of the ASYCUDA project many new facilities will be on offer to YCA, but it was never the intention that the conclusion of the project as such should be the end of the development of new procedures and processes. The implementation of ASYCUDA throughout Yemen will offer the chance to YCA to introduce Selectivity based on Risk Management, Post Audit, new valuation controls, credit accounts and other enhancements. During the life of the project it will be possible to have an insight into many of these facilities, but it will not be possible to fully introduce or utilise all of them.

The system also offers many possibilities for the development of management tools and statistics, which could be tailored to meet the specific needs of YCA. There will be other areas which YCA will wish to explore including, the possibility of the introduction of ASYCUDA World, the latest version of ASYCUDA based on Web capabilities. Whilst the main purpose of Phase II is the national rollout programme, a subsidiary part is to introduce staff to the range of possible options for the future and to enable them to decide on and utilise, possibly with further external assistance, those areas of particular interest to YCA.

19.   Lessons learned

Whilst the basic design of the project is sound and has been proven in many other countries, in hindsight there are a number of factors that would have been reconsidered if the project was now being redesigned from scratch. The main concern in the project was always whether political will and commitment would be easily forthcoming. Hence some benchmarking to measure that ought to have been included in the project. The signing of the ministerial decree to sustain the equipment served as such benchmark, but others could have been included and followed up.

One result the project offered was increased government revenues as a result of the introduction of ASYCUDA. Whilst this may be true, because of all the other external factors involved, it is never likely to be able to be quantified or proven that any increase is as a direct result of the introduction of ASYCUDA. This could have been made clearer in the project document.

The employment of some of the existing YCA staff on UNDP salaries and conditions, whilst being a short term expedient to retain trained key staff, has been a source of many problems. It has also probably had a tendency to remove the pressure on YCA management to resolve the underlying problem relating to low staff salaries in the public sector. The use of UNDP contracts for existing Government employees should be avoided on any similar future projects.

In the first phase, the equipment was purchased through UNCTAD in Geneva and was found by the evaluation (of Phase I) to be an area where improvement could have been made. In the second phase, therefore, the procurement of equipment was undertaken through the local UNDP office through the UN procurement agency IAPSO. In the event, at least for this project, the process of procurement through this agent proved no better. Nevertheless, the evaluation team remain convinced that procurement through a recognised and trusted international agency was the correct route for the amount of equipment being purchased.

20.   Glossary

ASYCUDA   Automated SYstem for CUstoms and DAta

CSO	Central Statistics Office
DfID	Department for International Development
DTI	Direct Trader Input
GATT	General Agreement on Tariffs and Trade
HS	Harmonised System
IAPSO	Inter Agency Procurement Services Office
IT	Information Technology
MoF	Ministry of Finance
NPD	National Project Director
RDBMS	Relational Database Management System
SAD	Single Administrative Document
SITC	Standard International Trade Classification
TIN	Tax (Trader) Identity Number
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
WCO	World Customs Organisation
WTO	World Trade Organisation
YCA	Yemen Customs Authority
YTA	Yemen Tax Authority

Annexes:

1. **Terms of References for the Evaluation**

2. **Timetable for the Evaluation**

3. **List of Individuals met**

4. **Cost Recovery Mechanism (draft decree)**

5. **Proposed structure for an IT Division**

6a. **ASYCUDA IT-staff**

6b. **IT Training Courses**

7. **Recommendation by the Evaluation Team (table)**

8. **Customs Valuation**

9. **Training Courses under Phase II**

10.   Renovation Costs

Annex 1

Terms of Reference – ASYCUDA Phase II Evaluation

1. Introduction

The overall aim of the project is to improve the economy of the country through an efficient Customs service to the trading community in Yemen. At the same time the Government of Yemen needs to balance this objective with an effective service for the collection of revenue, and to provide a statistical and trade monitoring mechanism of real quality.

The ASYCUDA Phase 1 project commenced on 1 January 2000 and concluded on 31 August 2003. During Phase 1 the system was built to meet the particular requirements of Customs in Yemen and implemented at Yemen Customs Authority's Headquarters (YCA) and three pilot sites, Sana'a International Airport, Hodeidah Seaport and Haradh Border Post. A project evaluation was undertaken in March 2002 by three consultants representing DfID, UNCTAD and UNCTAD. By the end of Phase I, YCA were confident that ASYCUDA could fully meet its needs and committed itself to use of ASYCUDA at all major Customs Offices throughout Yemen. The findings and recommendation of the Phase I evaluation were taken into account in the drafting of the project document for a Phase II national roll-out programme. Donors agreed to support this programme and the ASYCUDA Phase II project was started on 1st September 2003.

The planned duration of Phase II was eighteen months. During the time ASYCUDA was to be implemented at ten further Customs Offices which should, by the end of this phase, mean that some 95-98% of all Customs Declarations would be processed directly through ASYCUDA.

2 Scope of the Evaluation

Bearing in mind that the implementation of the project has not yet reached its final stage and thus the objectives cannot be fully achieved at this time, the evaluation team will evaluate the progress made so far. The team will present its findings, lessons learned and recommendations, which will serve as guidance for the remaining activities under the project.

The Evaluation Team will focus on the following points and any other issues considered important for the successful implementation of the project:

1) The progress made towards each of the objectives and outputs of the project document;

2) Whether Inputs by Government, UNDP and UNCTAD were delivered on time;

3) Whether results to date and expected end of the project achievements are likely to meet the needs of the Yemen government and provide appropriate support to Economic and Financial Management in Yemen;

4) The level of support provided to the project by Government, the Ministry of Finance, Customs senior management, affected government agencies and the trading community;

5) The impact of the project on those Government agencies and organisations;

6) The structure of the project team as well as the level of efficiency of project management, international advisers and project team members;

7) The transfer of skills and therefore the level of sustainability and 'ownership'
.
8) The efficiency of the operation at Customs Offices, including reduction of time required for clearance of cargo, simplified procedures;

9) The level of 'acceptance' by brokers and Customs staff who operate ASYCUDA;

10) The results of initial implementations in terms of modernisation, simplification and increased revenue returns;

11) Whether the level of training provided meets the needs of the project;

12) If the equipment purchased is appropriate and being productively utilised;

13) Requirements for sustainable ASYCUDA operations beyond project termination;

14) Any other significant issues.

5. Findings, Lessons Learned and Recommendations

Findings. The Evaluation Team will produce objective Findings that highlight the performance, success, failure, strengths and weaknesses of the project to date. Major problems and shortcomings should be prioritised in order of importance and viability to resolve. It is important to indicate the impact of the project on the national economic reform programme.

Lessons Learned should indicate main lessons that can be drawn form the project experience.

Recommendations should outline corrective actions required. They must also be objective, realistic, practical, understandable and forward looking.

6. Evaluation Methodology

The evaluation process must be carried out in accordance with the following methodology:

- Review the project documents, progress reports, reports of review meetings, workplans etc;
- Interview with all concerned parties, including brokers and other users;
- Discussions with the project officials, national and international staff;
- Questionnaires.
- Consideration and reporting

7. Evaluation Team and Timing

The Evaluation Team will comprise of two/three international consultants representing DfID (team-leader), UNCTAD (rapporteur) and UNDP.

The timing proposed for the evaluation is December 2004. The duration of the fieldwork is estimated at maximum 15 full working days.

In addition to meetings in Sana'a the evaluation team will make field visits to the Aden and Hadramont regions to review Customs Offices there and possibly to the Taiz region, if sufficient progress has been made there to warrant a visit.

A tentative evaluation plan is found in the annex.

8. Evaluation Report

The first draft will be presented to and discussed with the Government, Customs management and UNDP prior to the end of the mission. The initial outline findings will be presented to the ASYCUDA Advisory Committee meeting in Sana'a on Wednesday 16th December 2004. The final Evaluation

Report is to be produced and submitted to the Government, DfID, UNCTAD and UNDP in English at the latest, two weeks after the end of the mission.

The Team Leader will liaise closely with the other team members by e-mail, or phone whilst the Evaluation Report is being finalised.

Tentative Evaluation Plan

Monday 29th November – Arrival of Team Members in Sana'a

Tuesday 30th November – Pre-mission briefing with DfID and UNDP. Review ToRs.

Wednesday 1st December – Initial meeting at YCA with Chairman and NPD. Site visit Customs H/Q.

Thursday 2nd December – Full and frank discussions with Project Team and Advisers.

Friday 3rd December - Evaluation Team review of Outline Plan

Sunday 4th December – Sunday 5th December - Meetings with MoF, CSO and other users

Monday 6th December – Travel to Aden Region

Tuesday 7th December – Site visits Regional Office, Seaport and Free-Zone Port.

Wednesday 8th December – Site visit Aden Airport, Meeting with Chamber of Commerce.

Thursday 9th December – Travel to Hadramont Region

Friday 10th December – Internal Evaluation Team review of progress to date.

Saturday 11th December – Site visits Regional Office and Seaport

Sunday 12th December – Meeting Chamber of Commence and site visit Riyan Airport.

Monday 13th December – Travel to Sana'a; Analyse Findings

Tuesday 14th December – Discuss preliminary findings with DfID, UNDP, UNCTAD and YCA Chairman.

Wednesday 15th December – Present preliminary findings to AAC.

Friday 17th December – Departure of Team Members from Sana'a

Friday 31st December – Presentation of the Final Evaluation Report

Annex 2

Evaluation – Timetable

Tuesday Dec 30th	10.30 14.00	Briefing with DFID (Dominic O'Neill) Briefing with UNDP (Flavia Pasieri, and staff)
Wednesday Dec 1st		Initial meetings at YCA HQ with Deputy Chairman and Project staff
Thursday Dec 2nd Friday Dec 3rd		Initial drafting of report
Saturday Dec 4th	09.30	Visit to Sana'a International Airport, inc. Customs and Brokers
Sunday Dec 5th	09.00 11.00	Meetings at CSO (NT) and Min of Trade (PL) Initial meeting with YCA Chairman
Monday Dec 6th		Visit to Hodeidah Seaport, inc. Customs, Brokers and Shipping Agei Visit to Hodeidah Airport
Tuesday Dec 7th		Visit to Al Mokha Seaport,
Wednesday Dec 8th		Visit to Taiz Airport Visit to Aden Airport
Thursday Dec 9th		Visit to Aden Seaport, inc. Customs, Brokers and Shipping Agents Visit to Aden Free Zone
Friday Dec 10th		Evaluation team meeting and report drafting
Saturday Dec 11th	10.00	Meeting with Aden Traders
Sunday Dec 12th		Briefing with UNCTAD (Alioune Ciss) Meeting at YCA with Tariff, Stats and Post-Audit sections
Monday Dec 13th	09.00 11.00 11.00	Meeting with YCA Chairman and staff, Meeting with Tax Authority (SB) Meeting with CSO (NT)
Tuesday Dec 14th	14.00	Debriefing with UNDP Report preparation contd.
Wednesday Dec 15th	08.30 10.00	Debriefing with DfID (NT) Debriefing with YCA Chairman
Thursday Dec 16th	09.30 10.00	Meeting with Deputy Minster of Finance ASYCUDA Advisory Committee meeting
Friday Dec 17th		Departure of Evaluation Team

Annex 3

LIST OF INDIVUALS MET		
Ministry of Finance	Ahmed A Ghaleb	Deputy Minister, External Financial Relations
Yemen Customs Administration	Ali Ali Al-Zubaidi	Chairman,YCA
	A Al Marani	Adviser to the Chairman
	Ahmed Al-Sannabani	Deputy Chairman
	Abdulwali Al-Kadi	Assistant Deputy Chairman
	Yahia Y Mohammad	Project Co-ordinator, Customs Reform Project
	Intesar Atef	Manager Classification Department
	Nemib Al Hussen,	Manager, Statistics Department
	Mohammed Shawafi	Genera Director, Hodeidah/Taiz Region
	Fuad Sansan	Deputy Manager, Post-Audit Department
	Abass Al-Hadi	National Project Director, and Project Te.
	Mujahed Al Tohaif	General Director, Sana'a Airport
	Mohammed Shawafi	Genera Director, Hodeidah/Taiz Region
	Mohammed Abdel Ghani	General Director, Hodeidah Seaport
	Faisal Majam	General Director, Hodeidah Airport
	Mohamad Baouda	General Director, Mokha Seaport
	Kamel Mahmoud Sabri	General Director, Taiz Airport
	Jamil Nasser	General Director, Aden Region
	Yahya Al Kibsi	General Director, Aden Seaport
	Ahmad Ali	General Director, Aden Airport
	Ahlam Abdel Kareem	Deputy General Director, Aden Free Zone
Yemen Taxation Authority	Noaman Al Sohaibi	
Central Statistics Organisation		
Ministry of Trade	Ali Ahmaed Al-Saighi	Vice Minister
	Dr.Abdul Wahab Y. Al-Haddad	Undersecretary
United Nations Development Programme (UNDP)	Flavia Pansieri	Resident Representative
	Walid Baharoon	Programme Officer
	Jamil Khan	Security Officer
Department for International Development	Dominic O'Neill	Country Representative
UNCTAD	Alioune Ciss	ASYCDA Regional Coordinator
Various members of the Trading Community		

Annex 4

COST RECOVERY MECHANISM

UNDER THE CUSTOMS REFORM PROGRAMME

(Draft Decree - prepared by the ASYCUDA project team)

*Cost Recovery contributions applicable to Customs declaration
processing at Yemen Customs Authority*

<u>Scope:</u>   There is a need for Yemen Customs Authority to recover costs in regard to the on going upgrade, replacement and maintenance of their SAM (Simplified Automated Management) computerised cargo declaration processing system. Accordingly, to ensure long term sustainability the following amounts will apply, effective 1 June 2003:

A. A YR5,000 one-off payment due upon installation of the SAM Broker module (MODBRK) at the premises of Importers, Exporters and Clearance agencies, and

B. A fixed payment of YR500 to be levied and collected on each Customs declaration – import, export or transit. Personal effects accepted under Chapter 98 of the Yemen Customs tariff are not subject to this payment.

<u>Purpose:</u> The Cost Recovery Mechanism is designed to recover the costs of the SAM system associated with maintenance, replacement and upgrade of:
- computer hardware,
- computer software,
- local on site cabling and network, and
- employing local service contractors to support and secure the on-going operations of the SAM system

<u>Collection</u> :   The cost recovery amount mentioned under item B. above is calculated automatically by SAM and collected according to usual Customs payment rules.

<u>Administration</u> :
1. Proceeds from Cost Recovery contributions (items A. and B above), are to be lodged to a separate and special account monitored by the Ministry of Finance
2. That account is to be under the full responsibility of the Chairman, Yemen Customs Authority (YCA)
3. Expenditure from this special account can be used only for the purposes mentioned above and will be authorized solely by the YCA Chairman.
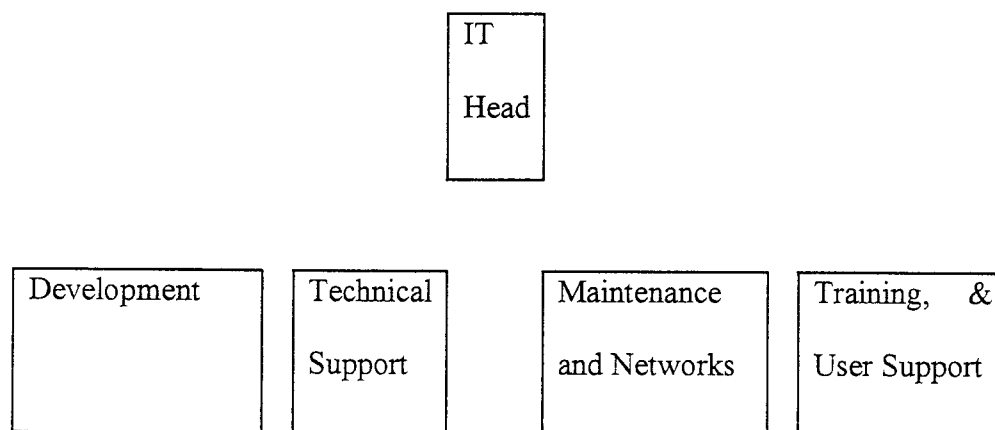
<u>Accountability</u> :
1. Every six months the Chairman, YCA will provide a statement of income and expenditure for this special account to the Steering Committee for review and transparency purposes,
2. The Central Department of Control and Audit will be responsible for conducting annual audits of this special account

Annex 5

Proposed Structure for an IT Department in Customs

The introduction of automated systems in Customs administrations, such as ASYCUDA, necessitates the establishment of specialized IT department. The Customs IT department should be adequately resourced to develop, implement, manage, and assist the organization in introducing IT systems.

In general Customs IT department reports directly to Senior management. The structure of IT

departments vary depending on the level of automation in the organization. However, the

following scheme is adopted with some variations.

```
        ┌──────────┐
        │ IT       │
        │ Head     │
        └──────────┘

┌─────────────┐  ┌─────────────┐  ┌──────────────┐  ┌──────────────┐
│ Development │  │ Technical   │  │ Maintenance  │  │ Training,  & │
│             │  │ Support     │  │ and Networks │  │ User Support │
└─────────────┘  └─────────────┘  └──────────────┘  └──────────────┘
```

The core activities of a Customs IT department is to:

- Assist Senior customs management in planning for automation
- Analyze alternative IT solutions for the organization
- Perform Cost Benefit analysis of an IT system including: Hardware, Software, LAN/WAN networking, Procedures and Human Resource requirements.
- Develop IT Systems
- Integrate ready made IT systems
- Assess System acceptability by the users, and perform / coordinate IT related training and capacity building
- Maintaining IT systems
- Perform IT associated functions such as Budgeting, System Specifications, Coordinating with IT suppliers, vendors and system integrators.

Annex 6a

Asycuda IT Staff

The Project:

The Asycuda project currently has five technical members with a national expert. These technicians are considered highly qualified and able to roll out and make necessary configurations for the system in the sites. Main activities of these technicians are:

- Installing and configuring the Asycuda servers and Unix operating system.
- Installing and configuring the Oracle Database.
- Installing and configuring the Asycuda system at the server side.
- Installing and configuring the Asycuda client PC's.
- Configuring and Maintaining the taxation rules and selectivity criteria.
- Developing the user defined reports and making necessary modifications for each site.
- Developing filter programs for the Asycuda documents needed by each site.
- Following up the network cabling and equipment installations at the sites.
- Supporting the technicians at the sites and giving necessary help for solving Asycuda problems.

HQ:

- There are around 5-7 technicians which are under training and they are currently resident at the HQ.
- These technicians accompany the Asycuda team in implementing the system in the sites and help in setting up the system and making necessary arrangements and configurations.
- These technicians were trained on installing the servers, Unix, Oracle and Asycuda system and have good background on some network installations.
- The main objective is to qualify these technicians in order to hold the system at the sites. When these technicians are ready they will be distributed to the newly Asycuda sites in order to maintain the system their.

The sites:

There are resident technicians at each Asycuda site to maintain, audit and manage the system and follow up any problems arises. These technicians are well trained and have the ability to solve technical problems and they are always in touch with the central technical team at the HQ in case they need any help. The technicians are distributed as following:

Airport/Sana'a   :   Three technicians.
Hodeidah Seaport :   Two technicians.
Harad   :   Two technicians.
Aden Airport   :   One technician.
Aden Seaport   :   Two technicians.

The activities done by the site technicians are:

- Maintaining the Asycuda servers and client PC's.
- Maintaining the network problems.

-   Solving client problems and configure any newly Asycuda PC for the officers and brokers.
-   Following up and installing the updates and patches on the client PC's.
-   Following up the taxation numbers added to the system.
-   Making necessary modifications to the Asycuda reports when needed.
-   Fixing printing problems.

Training Courses:

Since the Asycuda project is rolling out the Asycuda system to all customs sites, it needs to have qualified technicians to carry out and maintain the system. Therefore the project is intending to have training courses for the national staff in order to strengthen their technical knowledge for the required tasks.

Therefore more advanced courses on Unix, Oracle and Java language will be given to technicians and according to their qualifications.
The Asycuda team will be given advanced courses on Oracle DBA and Java language in order to maintain the Asycuda database and to install and develop sub programs when needed. The technicians at the sites will be given Introduction and Advanced Oracle courses. The newly assigned technicians at the HQ will take introduction to Oracle and Advanced Unix courses.
These courses will be financed by the project and the courses will be held in the coming stage.
Some of the technical staff are now taking courses in networking. These courses are financed from other sources.

Note:

The customs is planning to appoint more technicians for the Asycuda IT in the future and these also will be trained and distributed for the sites and some of them will stay at the HQ to maintain the system.

Annex 6B

Training courses for the Asycu
Technical staff

	Intro.	Adv.	ORACLE	ORACLE	ORA DBA2	ORACLE	JAVA	JAVA
	UNIX	UNIX	INT	DBA1	DBA2	TUNE	2	ENT
Cost ($)		4800	4320	3500	700	1800	2800	2800
Hours		40	40	40	40	40	48	60
Trainers		12	12	10	2	4	7	7
TOTAL		20720						
Privous Courses	19		10					
Future Courese								
Fadal Al Ban						X	X	X
Jalal Afori				X			X	X
Shaja Al ariani						X	X	X
Abdo Al Masbahi				X			X	X
Mohamad Al Aswadi				X			X	X
Abed Al Latif				X			X	X
Ahmed Sharf Al Den				X	X	X		
Kalid Al Mansod							X	X
Nabil Al Tehaf				X	X	X		
Jaber Abo Hatem	X	X	X					
Mohamad Hanash	X	X	X					
Tariq Jahaf	X	X						
Gasan Al Sanabani	X	X						
Nashwan Al Geili	X	X						
Adel Abo Hatem	X	X	X					
Mohamd Al Kadami	X	X						
Nabel AL Shibani	X	X						
Mohamad Kasem	X	X	X					
Adel Al Hababi	X	X						
Ali Al Mansob	X	X						
Ramzi Al Majdob	X	X						

Annex 7

ASYCUDA Phase II   RECOMMENDATIONS BY THE EVALUATION TEAM
December 2004

Rec. No.	Description	Responsible	Target Date	Status @ 15 Dec 2004
1.	YCA Management to take full ownership of ASYCUDA and show commitment to the modernization process.	YCA Management	1 January 2005	
2.	Equipment sustainability - Cost Recovery Mechanism Decree to be signed by the MOF and implemented by 1 January 2005	Minister of Finance YCA	1 Jan 2005	Decree drafted and agr(principle by MOF. Not
3.	Staff sustainability - Creation of an IT Division in Customs Department	YCA Chairman	30 June 2005	Proposal made for inclu new YCA structure
4.	Staff sustainability – Allowances to IT staff	YCA Chairman/ MOF	30 June 2005	Proposal was sent to M(months ago.
5.	Completion of the ASYCUDA implementation at projects sites under Phase II	YCA, NPD & Team	30 June 2005	Two sites implemented New building at Aden F be finished. Equipment all sites. Funding for rei work for four sites appr
6.	Ensure full national coverage of statistical data – captured through ASYCUDA database using MODSDI in sites where ASYCUDA has not been fully implemented.	NPD & Team Stats.Section	1 Jan 2005	Training on MODSDI i: for staff from regional c

Annex 7

ASYCUDA Phase II RECOMMENDATIONS BY THE EVALUATION TEAM
December 2004

Rec.	Description	Responsible	Target Date	Status @ 15 Dec 2004
7.	*Institutionalise the Tariff Section to take over full responsibility for maintenance of the tariff, including handover and follow up support from the project team*	Chairman & Project Team	1 April 2005	ASYCUDA Terminal alr(installed in the Tariff Sec more training needed
8.	Institutionalise the Risk Management Section to take full responsibility for utilizing the Selectivity module of ASYCUDA	Chairman & Project Team	1 July 2005	Proposal prepared by Y(for approval by MOF
9.	Implementation of Electronic Manifest based on cooperation with Yemenia, Emirates and selected shipping agencies	IT Adviser and Project Team	Trial: 1 March 2005 Impl. 1 July 2005	Trial to start with Yemen at Sana'a airport as pilot
10.	Promote use of DTI remotely from brokers' offices, by removing any technical or administrative constraints	Management /ProjectTeam at local offices	Ongoing	DTI in operation in Sana and Hodeidah Seaport. Training is undertaken a project site as implemen occurs.
11.	Legalise the ASYCUDA system	Chairman and MOF	1 April 2005	Draft Customs Law is wi'
12.	Establish local Customs-Brokers-Traders Committees to ensure high level transparency and cooperation between all stakeholders	Chairman to instruct local management	1 July 2005	

Annex 7

ASYCUDA Phase II RECOMMENDATIONS BY THE EVALUATION TEAM
December 2004

Rec.	Description	Responsible	Target Date	Status @ 15 Dec 2005
13.	Include clearance of all courier and passenger consignments in the ASYCUDA procedures	YCA, NPD and local offices	1 July 2005	
14.	Establish Statistics Liaison Committee to resolve the data errors for 2004 and institute broad validation range checks to improve future statistics.	YCA & CSO	1 April 2005	Form agreed with CSO a Project
15.	Establish cooperation with Ministry of Trade, Ministry of Finance and other ministries concerned to define requirements for transmission of trade and revenue data.	YCA and other ministries	1 July 2005	CSO and Tax Authorities already have access to AS data.
16.	Harmonisation of various user-defined management reports generated by ASYCUDA.	NDP and Project Team	1 October 2005	Three ASYCUDA offices already developed a rang useful reports.
17.	Start preparation for implementing the GATT Valuation rules (reference to current WTO negotiations). Request WCO to undertake training courses.	YCA	1 October 2005	YCA Chairman is in acc group on WTO negotiatic

Annex 7

ASYCUDA Phase II RECOMMENDATIONS BY THE EVALUATION TEAM
December 2004

Rec.	Description	Responsible	Target Date	Status @ 15 Dec 2004
18.	Strengthen training courses for staff and brokers prior to implementation of automated procedures	YCA and Project Team	Ongoing	Training needs to be stre (e.g. Aden)
19.	A 10 month extension to the project be granted to allow for the completion of the Phase II implementation and related activities.	AAC meeting and donors	AAC: 15 Dec. 2004 Donors: 15 January 2005	
20.	Extension of the contract for the IT Adviser until end of June 2005 in order to cover e-manifest, remote DTI and other technical enhancements.	UNCTAD	15 Jan 2005	
21.	Extension of staff contract for local staff		1 February 2005	
22.	Ensure the availability of maintenance arrangements for Phase II equipment in coordination with UNDP, IAPSO and Vendors		1 January 2005	No company in Yemen has accepted responsibili

Annex 8

Customs Valuation

Through the visits to a number of Customs Offices, it has become apparent that assessing the value for collection of duty and taxes is a major problem for declarants as well as for Customs staff. Existing valuation rules are unclear and not made public to the trading community.

For several reasons, this situation is neither satisfactory to traders, nor is it viable long term. Firstly, with the global increase of international trade, Customs regulation and rules must be very transparent to traders, and secondly, with Yemen's accession to WTO on the horizon, the GATT Valuation rules will become mandatory.

In order to improve valuation conditions for traders in Yemen, the Government should take steps to prepare for implementation of the WTO/GATT valuation rules within a timeframe of 1-2 years.

The matter of valuation would require the following steps:

- Adopting the WTO (GATT) valuation principles;

- Training of Customs staff and the trading community on these principles, specifically the "Transaction Value"

- Training of the trading community;

- Providing guidelines for on-line access to relevant data available on the Internet (price lists, catalogues, quotations, etc.);

- Ensuring that feed-back from the ASYCUDA Selectivity function is regularly updated and disseminated to relevant units inside YCA;

- Improving the quality of valuation data in ASYCUDA by adoption of and adherence to the WCO recommendations on supplementary units;

- As a solution the Selectivity module of ASYCUDA could be used for incorporating value ranges in the selectivity criteria.

TRAINING ACHIEVED DURING PHASE II

ANNEX 9

Type of Course	Date	Target audience	Attendees number	Training Centre	Conducted by
Selectivity Module	September 2003	Hodeidah seaport staff	20	Hodeidah seaport	Training Team
Network	September 2003	Project staff	10	HQ training centre	Training Team
Functional	September 2003	New engineers	10	HQ training centre	Training Team
Risk Management	October 2003	Customs staff from ,Sana'a airport, Hoeidah seaport, Haradh, Aden seaport, airport, freezone and HQ	30	HQ training centre	Experts from Jordan
Selectivity Module	December 2003	Haradh staff	12	Haradh	Training Team
Awareness training	January 2004	Aden customs staff and declarants	400	Aden	Project staff
A++ Gate	March 2004	Technical Team	17	HQ training centre	Technical Adviser
Tuning UNIX and ORACLE	April 2004	Technical Team	15	HQ training centre	Technical Adviser
ASYCUDA on version 1.18a	May 2004	Technical Team	15	HQ training centre	Technical Adviser
User training MODBRK	July 2004	Trading community	79	SEFM training centre/ Aden	Training Team
User training MODCBR, MODACC, MODCAR	July - August 2004	Aden seaport and airport staff	85	SEFM training centre/ Aden	Training Team
Use training MODCBR, MODACC,	November 2004	Haradh export department staff	8	Haradh	Training Team

Phase I and Phase II Renovation Cost
Annex 10

Name	Renovations	Refurbishment	Network	Printing materials	
Phase I					
HQ	7,600,000	3,900,000	-		
Sana'a Airport	5,400,000	5,600,000	-		
Hodeidah Seaport	35,500,000	24,500,000	-		
Haradh	82,500,000	37,500,000	-		
Total	**131,000,000**	**71,500,000**			
Phase II					
Aden Seaport	7,000,000	6,000,000	2,000,000	23,500,000	
Aden Airport	2,000,000	2,000,000	1,000,000		
Aden Freezone	25,000,000	15,000,000	5,000,000		
Total	**34,000,000**	**23,000,000**	**8,000,000**		