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Mini MBA Humanitarian Logistics and Supply Chain: supplying fast, well and fairly

Course handout · Week 8 : Importing: customs, exemptions, documents and lead times

A programme of exactly 3 months (12 weeks, 144 hours) to lead a humanitarian supply chain: mapping and landed cost, demand forecasting and safety stocks, procurement and competitive bidding, Incoterms and contracts, transport, warehouses and inventories, fleet and fuel, customs and exemptions, prepositioning and distributions, health products and the cold chain, performance, costs and the environment, constrained contexts and data protection. Corrected numerical exercises, three monthly exams with case studies, and a verifiable diploma from the Humanitarian Academy.

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Week 8 : Importing: customs, exemptions, documents and lead times

Objectives

- Understand the customs clearance procedure and the documents required for a humanitarian import.
- Calculate theoretical duties and taxes and defend an exemption on the basis of the host country agreement and national legislation.
- Reduce customs clearance lead times and costs, and anticipate items subject to special regimes.

The customs clearance procedure

On entering a country, all goods must be **declared** to customs, which check their nature, value, origin and tax regime. Typical steps:

- **Before arrival**: preparation of documents, request for an exemption or import authorisation, pre-declaration if the system allows it.
- **On arrival**: submission of the declaration by a customs broker (licensed clearing agent), with the documents.
- **Inspection**: documentary, and sometimes physical (green, orange or red channel depending on the risk analysis).
- **Assessment and payment** of duties and taxes, or application of the exemption.
- **Release**: authorisation to remove the goods; payment of port and storage charges.

Storage at the port becomes chargeable after a free period of a few days, and the **demurrage** charged by the shipping line for a container not returned adds up quickly: for example 75 USD per day per container after 10 free days.

The documents

A complete import file generally includes:

- **Commercial invoice** (or pro forma invoice for donations, marked "no commercial value" with a value declared for customs).
- Detailed **packing list**.
- **Transport document**: bill of lading, air waybill or road waybill.
- **Certificate of origin**, sometimes required for preferential regimes or donor rules.
- **Specific certificates**: sanitary and phytosanitary (food, seeds), authorisation from the medicines regulatory authority, fumigation certificate (wooden pallets treated in accordance with the ISPM 15 standard), licences for telecommunications equipment.
- **Exemption letter or decision** and the organisation's registration document.

> Half of customs clearance delays come from inconsistencies between documents: quantities, weights, descriptions or values that differ between the invoice, the packing list and the bill of lading. Check before shipment, not on arrival.

Duties, taxes and customs value

The **customs value** is most often the CIF value (cost of the goods + insurance + freight to the border). Customs duties apply to this value; import VAT generally applies to the customs value plus duties.

Example. Goods 80,000 USD, freight 9,000, insurance 1,000: CIF value 90,000 USD. Customs duties 20%: 18,000. Miscellaneous fees 2% of the CIF value: 1,800. VAT base: 90,000 + 18,000 + 1,800 = 109,800; VAT 18%: 19,764. Total duties and taxes: 18,000 + 1,800 + 19,764 = **39,564 USD**, i.e. 44% of the CIF value. A well-prepared exemption therefore represents a considerable saving, and the absence of an exemption must be provided for in the budget.

Most donors consider recoverable or avoidable duties and taxes to be **ineligible**: if the organisation could have obtained an exemption and did not request it, the cost remains its own.

Exemptions and legal frameworks

Exemptions rest on several possible legal bases:

- **Host country agreements** or establishment agreements signed between the organisation and the government.
- **International conventions**: privileges and immunities of the United Nations; the revised Kyoto Convention (specific annex J5 on relief consignments); the Tampere Convention for emergency telecommunications equipment.
- **National laws** on NGOs, disasters or customs codes.
- The **IDRL Guidelines** (international disaster response law) of the International Federation, which encourage States to facilitate the entry of relief.

Useful practices: obtain and keep registration documents up to date; know which ministries sign (often the ministry responsible for NGOs, then finance); anticipate lead times (2 to 6 weeks per request in many countries); request the exemption before shipment; keep a register of items imported duty-free, because their subsequent **disposal** (sale of a vehicle, for example) triggers payment of the duties.

Special regimes and items

Some items require specific attention:

- **Medicines and medical devices**: authorisation from the national regulatory authority, list of authorised medicines, minimum remaining shelf life (often 12 months or two thirds of the shelf life).
- **Food**: health certificates, compliance analysis, rules on GMOs in some countries.

- **Telecommunications**: radios, satellite phones, drones: import and usage licences.
- **Dual-use goods** or goods subject to export controls (certain electronic equipment, chemicals such as chlorine in large quantities, bulletproof vests): export licences from the country of origin and import licences from the country of destination.
- **Vehicles**: temporary or permanent import, number plates, conditions for resale.

Temporary admission makes it possible to import duty-free equipment that will be re-exported (for example an emergency team's equipment), against a guarantee or a re-export undertaking.

Reducing lead times and costs

Proven levers:

- A **qualified clearing agent** selected through competitive bidding, with a framework agreement specifying its fees and prohibiting any unofficial payment.
- **Document checks** before shipment (checklist per country).
- **Planning**: submit exemption requests for an entire procurement plan rather than case by case.
- **Coordination**: in emergencies, the Logistics Cluster and the disaster management authorities often set up fast-track procedures or one-stop shops.
- **Monitoring of storage and demurrage costs**, with an alert before the free days run out.

Example of the cost of a delay. 6 containers held 18 days beyond the free period. Storage: 40 USD per container per day; demurrage: 75 USD per container per day. Cost: 6 × 18 × (40 + 75) = 12,420 USD, generally ineligible if they result from a documentation error.

> "Facilitation payments" requested by an official to speed up a file are corruption: they are prohibited, even when small, even when presented as customary.

Exercise: a shipment of medical equipment

Situation. Sea shipment of medical equipment and medicines: value of goods 150,000 USD, freight 12,000, insurance 1,500. Duties 10%, fees 1.5% of the CIF value, VAT 18% on (CIF + duties + fees). An exemption is possible but takes 4 weeks; the ship arrives in 3 weeks. 4 containers; free period of 7 days; storage 40 USD and demurrage 75 USD per container per day. Some of the medicines have a remaining shelf life of 9 months whereas the authority requires 12 months.

Tasks. 1) Duties and taxes without an exemption. 2) Cost of waiting for an exemption that runs 10 days beyond the free period. 3) What should be done about the medicines with 9 months? 4) Recommendation.

Answer. 1) CIF = 163,500. Duties 16,350; fees 2,452.50; VAT base 182,302.50; VAT 32,814.45. Total ≈ 51,617 USD. 2) Arrival in week 3, exemption in week 4: 7 days of waiting, within the free period; but if the exemption takes 2 more weeks, 10 days beyond the free period cost 4 × 10 × 115 = 4,600 USD, far less than 51,617 USD in duties. 3) They will probably be refused: request a waiver from the authority before shipment, or have the supplier replace these batches, with the 12-month requirement stated in the order. 4) Submit the exemption request immediately; inform the clearing agent and the shipping line; do not pay the duties to "save time", as they would be ineligible; resolve the expiry date problem before loading.

Key takeaways

- Customs value = CIF value; VAT is often calculated on CIF + duties + fees.
- Documents consistent with one another, checked before shipment: the leading cause of delay is inconsistency.
- Request the exemption before shipment; avoidable duties = ineligible costs.
- Medicines, food, telecommunications, dual-use goods: special regimes to anticipate.
- Storage and demurrage add up quickly; any "facilitation" payment is prohibited.

Quiz

1. Goods 50,000 USD, freight 4,000, insurance 1,000. The CIF value is:
   A. 50,000 USD
   B. 54,000 USD
   C. 55,000 USD
   D. 51,000 USD

2. CIF 100,000, duties 10%, VAT 18% on CIF + duties. Total duties and taxes:
   A. 29,800 USD
   B. 28,000 USD
   C. 19,800 USD
   D. 18,000 USD

3. 3 containers held 12 days beyond the free period, at 100 USD per container per day in total. Cost:
   A. 1,200 USD
   B. 3,600 USD
   C. 300 USD
   D. 36,000 USD

4. The ISPM 15 standard concerns:
   A. Medicines
   B. Radios
   C. Vehicles
   D. The treatment of wooden packaging and pallets

5. An official offers to speed up a file for a "customary" 50 USD. You:
   A. Pay, it is the custom
   B. Pay and record it as clearing agent fees
   C. Refuse and report it: it is corruption
   D. Negotiate it down to 25 USD

Quiz answers : 1. C · 2. A · 3. B · 4. D · 5. C