# Evaluation of the Duties Relief and Duty Drawback Programs: Executive summary

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## About the evaluation

This report presents the findings of a mid-term evaluation on progress made by the Duties Relief Program (DRP) and Duty Drawback Program [redacted]. The evaluation period covered fiscal years (FYs) 2018 to 2019 to 2020 to 2021. The report also provides a summary of the findings of an internal audit of the CBSA's response to recommendation 2.63 of the 2017 Office of the Auditor General (OAG) report on Customs Duties.

The evaluation was conducted using qualitative and quantitative research methods. Data was collected from multiple data sources, including legislative and program-related documents, administrative and program data, human resources data, and semi-structured interviews with Headquarter (HQ) and Regional staff involved in the Programs.

# Program description

The DRP is a regulatory, licence-based program allowing Canadian companies to import goods without paying duties and/or surtaxes on the condition that imported goods are subsequently exported. The program has two key activities: issuing licences to importers, and processing claims for relief of duties against licences. The Drawback Program has the same conditions and obligations as the DRP, but Canadian companies must pay the import duties first and, once the goods are subsequently exported, a drawback claim (refund) can be made. Senior officers, Trade Compliance (SOTCs) in the regions conduct compliance verifications, ensuring correct information has been provided by importers and that duties are relieved or refunded accurately and in accordance with current legislation. The DRP and Drawback Program contribute to the CBSA's mandate to provide integrated border services and support trade facilitation.

# Environmental factors

[redacted] there were a number of significant events affecting the DRP and Drawback Program, including the transition of supply-managed goods (SMGs) [1] into the Programs beginning in 2011; an OAG audit on Customs Duties in 2017 that found insufficient controls to ensure DRP duties were paid; and, the imposition of tariffs on steel, aluminum and other products by the United States (U.S.) in 2018. [redacted] there have been a number of major environmental changes affecting the Programs, including the end of the U.S.-Canada steel and aluminum trade dispute, the new approach to managing compliance risk across all trade incentives programs via the Culpability Framework, a significant increase in court challenges as a result of DRP verifications of SMG importers, and the COVID-19 pandemic. The external factors affecting the programs are important to bear in mind when considering the CBSA's progress [redacted].

# Findings

The report contains three major findings:

- Just under 60% of anticipated staffing was completed by the [redacted] target date of April 1, 2019; as of the end of last fiscal, three-quarters of positions had been filled. Staffing still lags in the key region of Ontario, and there has been very high staff turnover at HQ and in some regions.
- Challenges were encountered [redacted] to demonstrate progress towards realizing expected program outcomes, in particular augmenting compliance activities. None of the [redacted] indicators were considered adequate in this regard. Further, some [redacted] indicators have lost relevance as a result of the changing external environment, as well as due to the implementation of the Culpability Framework, which is built around incremental compliance interventions rather than relying on the full trade compliance verification.
- The CBSA responded to the OAG's recommendation 2.63 to explore the possibility of making licences renewable and requiring financial deposits.

# Conclusion and recommendations

In conclusion, the evaluation team found evidence that the CBSA has improved compliance. Sixteen verifications on high-risk SMG DRP importers have been completed since FY 2018-2019, covering hundreds of millions of dollars’ worth of duties and taxes assessments, and resulting in five DRP participants having their licences suspended or cancelled. The evaluation could not, however, demonstrate that program compliance has improved and that expected results are being achieved using the existing set of [redacted] indicators.

In response, the evaluation proposed the following three recommendations:

## Recommendation 1

A new set of [redacted] indicators should be developed for the DRP and Drawback Program. The FY 2017 to 2018 baselines and the values for FY 2018 to 2019 to 2020 to 2021 should be established, validated by the Program Evaluation Division of the Internal Audit and Program Evaluation Directorate, and published. The target date for completion is February 28, 2022.

## Recommendation 2

A new PMF should be put in place for the DRP and Drawback Program, which includes the following activities:

a. Revising the logic model and developing performance indicators [redacted];
b. Developing SOPs on how all performance indicators are calculated and reported on;
c. Instituting a process to regularly track and report on all performance indicators; and,
d. Developing a plan, and beginning to implement improvements to the quality and consistency of data entered into systems.

The target date for completion is March 31, 2023.

## Recommendation 3

Given the significant changes in the external environment [redacted] and the implementation challenges that the program faces, it is recommended that the program develop an action plan (roadmap) to optimize the use of [redacted] funding in support of strengthened program compliance. The target date for completion of the action plan is July 31, 2022.

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## Footnotes:

1 Dairy, chicken, turkey, and specific types of eggs.

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**Date modified:**
2023-04-26