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# WCO news

**Sweeping away corruption  
through collective action**



World Customs Organization

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### Editorial note

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## Image format standardization: a revolution in the making

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NON-INTRUSIVE INSPECTION (NII) technology is now being used by Customs administrations around the world to increase the efficiency of their inspection capability, and speed up the clearance process. It consists of various technologies with different capabilities that are able to identify specific goods and materials during the inspection process. Among them are high-energy cargo scanning systems, which allow the screening of different modes of transport such as cars, trucks, railway wagons and sea containers, as well as personal luggage, packages, parcels and other mail through either X-ray or gamma-ray imaging systems.

Several technology providers currently compete on the market. They offer specific scanning equipment, with each machine producing proprietary data, which requires a specific workstation or software as well as specific training on how to use it. As a consequence, Customs administrations usually have a fleet of scanning equipment, each producing data which is not easily shareable.

In order to address the demands for more system interoperability capability and centralize the management of scanning operations, Customs administrations

have been demanding that technology suppliers use one specific format for the images and data produced by their equipment. This lack of standardization led to the WCO and NII suppliers – AS&E, L3, Leidos, Nuctech, Rapiscan, and Smiths Detection – taking the initiative to a global level, thereby chartering a mission to create an international standard for scanned images and associated metadata.

### Unified file format

Discussions on the development of such a standard had been ongoing for some time at the WCO, which led to an informal group of Customs and industry representatives being tasked with formulating a plan on how to proceed. This informal group evolved into the WCO Technical Experts Group on Non-Intrusive Inspection (TEG-NII), which first met in September 2016 with a mandate to develop a ‘unified file format’ (UFF).

The Group benefited from the efforts of Mr. Joris Groeneveld – Co-Chair of the TEG-NII – leading the initiative at Dutch Customs, a pioneer when it comes to scanning operations, which had already been working on a unified image format. NII industry representatives have, of course, also been instrumental in developing the standard, dedicating a lot of resources and time to ensure its success.

As part of the development process, the TEG-NII decided to break down the

deliverables into three phases of work with specific aims:

- Phase 1 – testing to determine whether the file format being used by Dutch Customs could be read by the user interfaces of other NII manufacturers;
- Phase 2 – generating a standardized, evolved version of the file format used during Phase 1 in order to develop a UFF that would become the standard electronic data interchange (EDI) output for the NII scanning industry, and testing the capacity of all industry leaders to handle the new standard uniformly and adequately;
- Phase 3 – generating an upgraded version of the format for use by all technology providers, which would continue to evolve as an ongoing, standardized industry-accepted format.

The project is currently in Phase 2. Right now, NII suppliers are developing the architecture of the UFF and the associated testing platform.

### Expected outcome

Countries wishing to centralize the management of scanning operations performed by various NII systems and the handling of inspections from a remote control centre will now be able to do it easily. The tool that is being tested will harmonize the format for the images and data that are being produced

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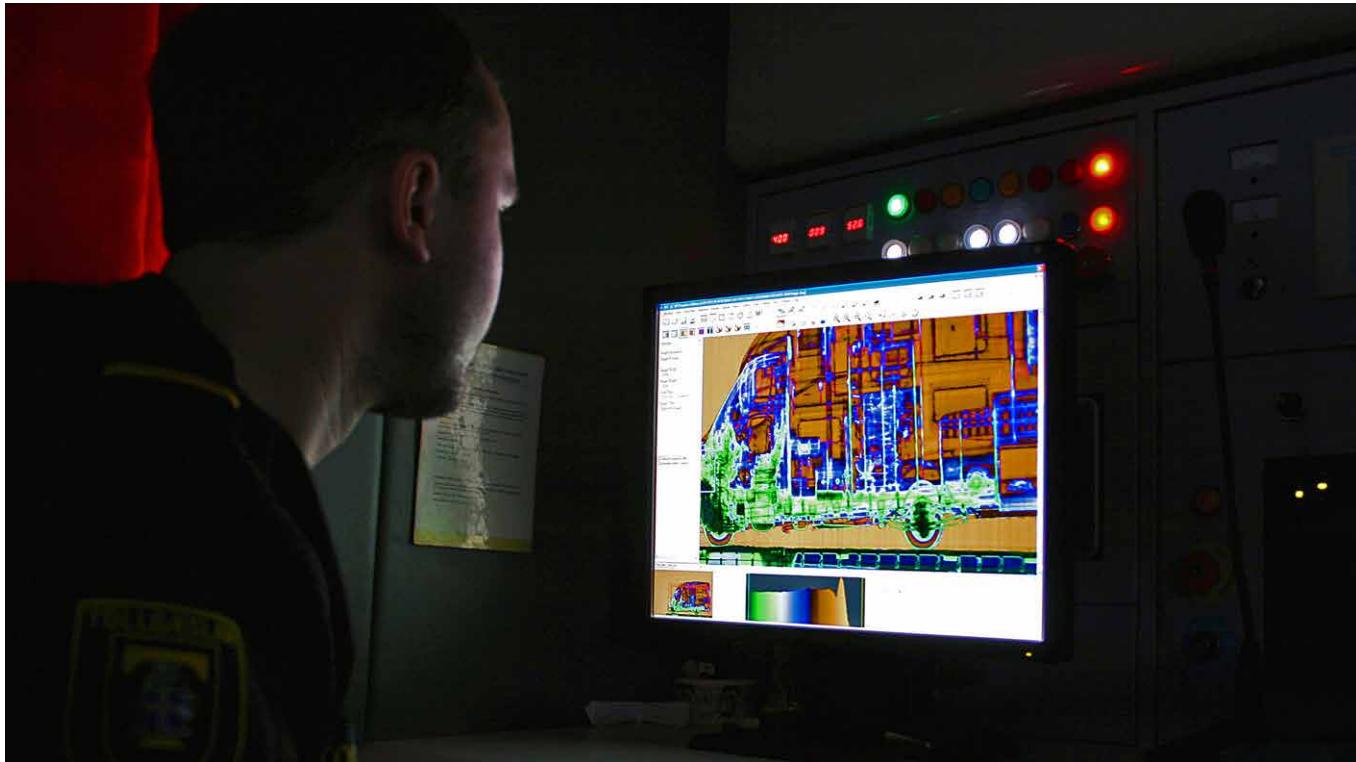


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by different NII systems. Moreover, the utility of such a system lies also in the capacity to exchange images between border posts and between countries.

Last but not least, standardizing the format of an NII image output would enable a huge database of scanned images to be created, not only collected from national Customs offices, but also from other Customs administrations, which could be used by all to train officers or program machines to recognize objects.

#### Join the discussion

Discussions at the TEG-NII are not limited to the UFF. Issues such as NII equipment and related topics such as the tendering process, post deployment service and maintenance agreements, as well as a training curriculum, have also been addressed.

Feedback from WCO Members gathered during the Group's meetings will enable the WCO Guidelines for the Procurement and Deployment of Scanning/NII Equipment to be enhanced, and possibly lead to the development of new tools or instruments that will assist Members in the deployment of their NII equipment.

The Group offers Customs representatives a unique opportunity to discuss issues openly and frankly with industry experts. The latest meeting in May 2017 had a great turnout, but the WCO would like to encourage even more administrations to attend future meetings as well as to suggest discussion items that can be added to the TEG-NII agenda.

Along with NII industry members, the WCO would like to encourage all its Members to participate in future meetings of the TEG-NII, to provide input on the further development of the global standard, and to fully support the initiative.

#### More information

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## Latest accessions to WCO instruments

#### Revised Kyoto Convention



**Angola**

Date of accession: 23 February 2017  
108<sup>th</sup> Contracting Party



**Kuwait**

Date of accession: 13 April 2017  
109<sup>th</sup> Contracting Party



**Sao Tome and Principe**

Date of accession: 8 May 2017  
110<sup>th</sup> Contracting Party

#### Harmonized System Convention



**Palestine**

Date of accession: 10 March 2017  
156<sup>th</sup> Contracting Party

#### Convention on Temporary Admission



**Kuwait**

Date of accession: 13 April 2017  
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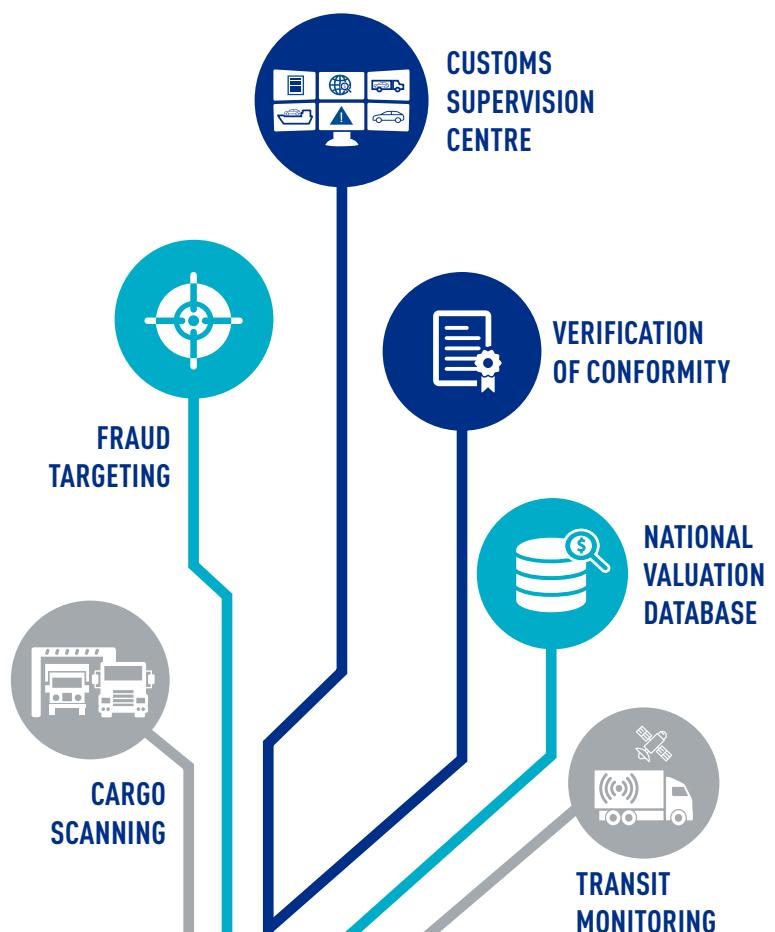
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# Sweeping away corruption through collective action



As a symbol of protest against corruption, close to 600 green brooms were planted in the sand at Copacabana beach in Rio de Janeiro, Brazil on Monday, 19 September 2011. Photo: Fabio Motta/Agência Estado



# Integrity: what we have learned and what we still need to learn

**By Kunio Mikuriya,**  
WCO SECRETARY GENERAL

BY THE VERY nature of their activities, Customs administrations are vulnerable to various sorts of corruption – from the payment of a bribe to large-scale fraud. Since the adoption of the Arusha Declaration in 1993, which was later revised in 2003, the WCO has developed several tools to help its Members identify or monitor corruption risks, implement relevant measures, and develop anti-corruption strategies.

Moreover, the WCO also carries out various types of missions at the request of its Members, such as integrity assessment missions, missions to provide guidance on the introduction of performance measurement systems, or ad hoc missions to provide support in revising a code of conduct, an integrity strategy, a training plan or the mapping of corruption risks.

In the dossier section of this edition of the magazine, we have chosen to focus on the use of ‘collective action’ to fight corruption, an expression which arose out of a concern to find an innovative approach to address integrity-related issues.

But before looking in more detail at what collective action is all about, I would like to share the results of the analysis carried out by WCO experts who have been providing assistance over the last five years to 26 countries around the world, in order to help them combat corruption and enhance integrity.

## Identified trends

Before looking at the new approach, let’s have a look at some of the ‘traditional’ measures aimed at fighting corruption. The WCO experts have reported several trends, remarks and thoughts on critical practices and policies, such as automation, performance measurement or clearance procedures, which are summarized below.

## Automation

Despite the establishment of automated Customs clearance systems in all the administrations visited, in most cases the automation is not complete: certain tasks are still being carried out manually, and many paper documents continue to circulate, since the technology in use does not allow them to be submitted electronically. This slows the process down, and increases contact between officials and users.

The other negative aspect is that all stages of a Customs clearance that do not leave a trail in the system cannot be verified or measured in the case of performance measurement projects. In certain administrations, two automated Customs clearance computer systems work in parallel, making controls more difficult, and an analysis virtually impossible. This also raises integrity and security problems.

#### ***Performance measurement***

It has been found that following missions providing performance measurement support, the behaviour of some officials very quickly changes irremediably when the hierarchy takes measures to stop certain identified bad practices.

However, even after years of implementing this approach, it is necessary to take stock and assess the situation constantly, in order to identify persistent problems and review the indicators in practice, as a means of rectifying the behaviour of individuals who seek to manipulate them in order to reinstate the bad practices. On this very subject, I invite you to read the article by Cameroon Customs on page 52 of this magazine.

What is interesting, though, is that, even when an administration does not regularly analyse data from the automated Customs clearance system in the context of performance measurement, data analysis can be used to inspect the services and to ensure internal auditing, thereby allowing behaviour and procedures to be analysed.

#### ***Procedures***

During visits to Customs offices at land or sea borders where WCO teams have monitored the Customs clearance process, it has been noted that certain stages of the Customs clearance are superfluous, and add nothing to the process other than an additional stage.

Sometimes for social reasons, certain obsolete duties are maintained so that jobs do not have to be cut, since the



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officials who perform these duties are not always capable of carrying out others. These additional stages or this multiplicity of border controls may help to generate opportunities for corruption.

#### ***Communication policy***

There is, in most administrations that have asked the WCO for assistance, an absence of a communication policy designed to ensure internal and external communication on decisions taken by the administration in connection with integrity building, particularly in relation to the sanctions taken and progress made in this area.

Out of the 26 countries covered by the analysis, only four have indicated that they have a Communications Service. A communication policy for the purposes of transparency, as recommended by the Revised Arusha Declaration, is useful, notably for giving users a positive image of Customs, and for providing information to staff.

#### ***Whistle blowing mechanism***

Most administrations have introduced a mechanism allowing officials and users to report acts of corruption. However, fear of reprisals and lack of (legal) protection has deterred whistle blowers from coming forward, even when anonymity can be guaranteed.

#### ***Salaries***

As the WCO has often pointed out in its publications, increases in salaries

are not necessarily a guarantee of respect for integrity unless they are accompanied by other reform measures. However, providing acceptable working conditions which foster ethical behaviour and do not place officials in extremely precarious circumstances is critical. Yet in some of the countries visited by a WCO mission, political changes have often resulted in Customs officials' salaries being reduced by half or even two thirds, which is not helpful.

#### ***Recruitment***

Even in cases where an administration has a recruitment system built, among other things, on job profiles that meet international standards, it is very often subject to political interference. This jeopardizes recruitment based on integrity tests, and can provoke frustration and conflicts within an administration.

#### ***Rotation system***

The absence of a transparent and balanced rotation system, designed to support human resource management, is a recurring theme, which more or less has a serious impact on integrity within an administration according to the extent of corruption in the country concerned.

#### ***Strategy***

Although most administrations have introduced anti-corruption measures, the absence of an anti-corruption

strategy is common to 90% of the countries that the experts studied.

#### **Awareness-raising**

When administrations have an integrity awareness-raising or training programme – which, in most cases, amounts merely to an induction session for new recruits – the emphasis is almost always placed on the implementation of the code of conduct, specific rules existing in this area, and penalties incurred in the event of non-compliance.

The incentives and explanations offered to persuade officials to respect integrity should not be restricted solely to the fear of penalties. It is just as important to highlight the advantages that exist for individuals and for an administration in demonstrating respect for integrity. An objective and wellfounded performance measurement policy and forums for exchanging views on integrity and corruption issues may be useful in this area. The objective should be to nurture a culture of integrity, supported by the provision of well-established career paths for Customs officers.

#### **Relationship between Customs and the private sector**

Eighty per cent of the countries visited by the experts have provisions for meeting and communicating with the private sector, which are more or less effective, but not always official, which results in a lack of rigour.

However, a clear improvement in the climate of confidence between the private sector and Customs has been noticeable over the years, particularly with the signature of individual memoranda of understanding with private sector partnerships in several Latin American countries, and also in relations between Customs and its partners, which the experts have witnessed.

#### **Collective action**

The WCO has always advocated partnerships to combat corruption and enhance integrity, particularly with the private sector, as set out in Principle 10 of the Revised Arusha Declaration. One

of the trends identified by an expert is the building of new or innovative partnerships with the private sector, which can fit into what is today referred to as ‘anti-corruption collective action.’

Collective action refers to the actions undertaken by individuals and/or groups towards a collective purpose or goal. As I explained at the beginning of this article, international organizations, the private sector and the civil society are now using the term “anti-corruption collective action” as an approach that seeks to combat corruption ‘differently’ – a measure referred to in response to the failure of certain piecemeal anti-corruption approaches. Such initiatives can include industry standards, multi-stakeholder initiatives and public-private partnerships.

You will learn from the selection of articles making up the dossier how collective action to combat corruption may apply in the Customs context. I hope it will inspire some WCO Members to look at the relevance and possibility of engaging in such forms of relationships or schemes. Unfortunately, there are still very few examples of Customs administrations having done much work in this field, meaning that we still have a lot to learn.

As WCO documents often stress, an imaginative multi-faceted approach must be adopted to enhance anti-corruption initiatives, rather than standard approaches alone. So, collective action may represent a broader application of the partnerships that Customs generally seeks, and which the WCO has long promoted.

By extending our multi-faceted approach to collective action, Customs will take the lead and strengthen its image in combating corruption. Even if such actions are launched by another party, such as representatives of the industry or another governmental agency, Customs administrations will, nevertheless, have every interest in taking part in such initiatives.

You will learn from the selection of articles making up the dossier how collective action to combat corruption may apply in the Customs context. I hope it will inspire some WCO Members to look at the relevance and possibility of engaging in such forms of relationships or schemes.

# Anti-corruption Collective Action: the logical next step for Customs

**By Gemma Aiolfi,**

HEAD OF THE INTERNATIONAL CENTRE FOR COLLECTIVE ACTION (ICCA), BASEL INSTITUTE ON GOVERNANCE

This article outlines the case for Customs

administrations to use ‘Collective Action’ to fight corruption and, by doing so, improve Customs policy and its implementation, increase duty and tax collection rates and support government anti-corruption efforts, while creating a fair business environment. This may all sound quite ambitious, but it is also arguably the logical next step for Customs.

THE WCO HAS long recognized the deleterious effects of corruption in Customs, and the imperative to take action to prevent, detect and deter its occurrence. To support these efforts, the WCO and other international organizations have produced a number of standards, tools and guidance that aim to practically support countries committed to tackling corruption.<sup>1</sup> By engaging in ‘Collective Action’ with the private sector, Customs authorities may invigorate their efforts in implementing these standards, and improve the effectiveness of accompanying reforms.<sup>2</sup>

**The problem of corruption in Customs**  
 Corruption in Customs affects international trade and is, therefore, an issue that influences the global economy. The effects of corruption in Customs services are well known and frequently cited as including reduced intake of revenue, economic damage through the reduction in revenue, unfair price

competition for local industries, undervaluation and/or misclassification of imports and some exports.

In addition, the hazards associated with illegal or dangerous substances and products being introduced into a country are concerning in many countries, and border corruption enables other crimes to flourish, such as terrorism, human trafficking and poaching, all of which can have devastating and long-term consequences.

The World Bank estimates that about 1 trillion US dollars is paid each year in bribes around the world, with the total economic loss from corruption estimated to be many times that number.<sup>3</sup> Estimates also indicate that about 2 billion US dollars in bribes occur in Customs administrations each year. Scholars have found a strong relationship between corruption, bribery in Customs services, and low GDP

growth.<sup>4</sup> Businesses have also identified corruption at the border as one of the main obstacles to cross-border trade.<sup>5</sup>

The multidimensional nature of Customs’ obligations represents a tension between facilitating the flow of goods on the one hand, and performing regulatory and coercive duties on the other. In many countries, Customs and other border agencies are equipped with powers that enable them to stop, search, control and seize goods, as well as detain persons, under remits that go well beyond those of other law enforcement agencies.

These powers are predicated on a wide range of laws addressing criminal activities as well as standards for health, safety and agriculture, including the collection of duties and taxes. The discretionary aspects of Customs combined with the locations where these functions are exercised, the handling of money (often cash) at borders, and the involvement of Customs brokers and agents acting as third parties for clients, all contribute to creating increased corruption risks for Customs services.

Research indicates that companies or their brokers that offer bribes, are motivated by the trade-off between time and the cost required to import goods,<sup>6</sup> and traders pay bribes in an institutional environment where they feel removed from the Customs service, which supposedly represents their interests as citizens and business. The legal regimes that permit so-called ‘facilitation payments’ by companies have probably exacerbated the practice and tolerance of bribes at Customs, though this may now be declining in acceptance.

1 For example: [WCO Revised Arusha Declaration](#) (2003), [WCO Revised Integrity Development Guide](#), [WCO SAFE Framework of Standards to Secure and Facilitate Global Trade](#) (2012), UN ASYCUDA.

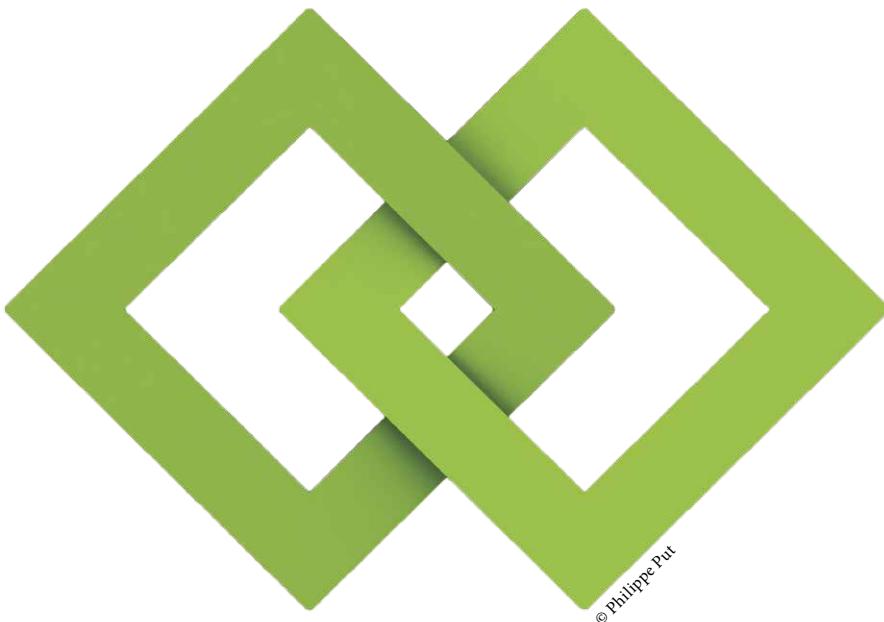
2 On the need for ‘big bang’ reforms in Customs, see Michael B, Ferguson F, Karimov A. (2010) Do Customs Trade Facilitation Programmes Help Reduce Customs-Related Corruption?

3 <http://www.worldbank.org/en/topic/governance/brief/anti-corruption>.

4 Michael B (2010).

5 OECD/WTO (2015), Aid for Trade at a Glance 2015: Reducing Trade Costs for Inclusive, Sustainable Growth, OECD Publishing, Paris, [http://www.oecd-ilibrary.org/development/aid-for-trade-at-a-glance-2015\\_aid\\_glance-2015-en](http://www.oecd-ilibrary.org/development/aid-for-trade-at-a-glance-2015_aid_glance-2015-en).

6 Michael B (2010).



## What is Collective Action and why consider it?

Collective Action has been defined variously as a “catch all term for industry standards, multi-stakeholder initiatives, and public-private partnerships”,<sup>7</sup> or it may be a distinct form of interaction: “a collaborative and sustained process of cooperation amongst stakeholders [that] increases the impact and credibility of individual action, brings vulnerable individual players into an alliance of like-minded organizations, and levels the playing field between competitors.”<sup>8</sup>

For the World Bank Institute, Collective Action against corruption can take the form of anti-corruption declarations, principle-based initiatives, business coalitions subject to certification, and integrity pacts.<sup>9</sup> The forms of Collective Action are distinguished from each other by the degree of enforceability of the participants’ joint commitments<sup>10</sup> and, perhaps, by the goals of the initiatives.

By any definition, Collective Action is neither a panacea for all corruption problems, nor easy to achieve, not least because it demands an active and participatory approach by the participants. Establishing such action may also require patience and persuasion; companies want to know the business benefits of joining any group, especially if they are suspicious of competitors’ motives. The public sector may also question the need for a participatory process when their mode of working thus far has been to determine standards and regulations without the need for consultation.

If Collective Action is challenging, why consider it at all in this context? Reasons to do so include addressing the aforementioned ‘tension’ between enforcement and trade facilitation in Customs. The fact that virtually all bureaucratic procedures and control practices are usually more or less ‘negotiated’ between government agencies and the business and logistics sectors, particularly in enclosed or strictly defined areas such as ports and airports,<sup>11</sup> might suggest that Collective Action focusing on preventing corruption and promoting integrity would be a logical and effective approach to tackle issues of joint interest to the public and private sectors.

### Initiating Collective Action

Engaging with the private sector can be a challenge in itself, particularly if there is a lack of tradition in consulting with economic operators, and a basic lack of trust between the public and private sectors. Taking steps to alter this premise often requires overcoming prejudices and deep-seated skepticism on both sides. It needs champions who can see the wider benefits, and who can

take leadership roles, particularly on the Customs side.

### Examples of Collective Action

A basic approach to anti-corruption Collective Action draws the public and private sectors in a dialogue that is structured, sustained, goal oriented, transparent, and supported by the Customs authority. For example, Canada, Russia and the United Kingdom have all set up Customs-related consultative committees that include industry stakeholders, who provide feedback on a variety of initiatives, policies and regulations, including some that relate to anti-corruption.<sup>12</sup>

A wider version of the consultative approach has been taken by Guatemala. The Customs authority leads a ‘whole-of-government’ approach based on an agreement that establishes a “Public-Private Sector Discussion and Cooperation Roundtable for Customs Affairs,” to which some 17 institutions have signed up to.

One of the main strengths of this initiative, perhaps lies in the realization

<sup>7</sup> Pieth M (2007) Multi-stakeholder initiatives to combat money laundering and bribery. In: Brutsch C, Lehmkuhl D (eds) Law and legalization in transnational relations. Routledge, Oxford, pp 81–100.

<sup>8</sup> World Bank Institute (2008) Fighting corruption through collective action, a guide for business, World Bank. [http://info.worldbank.org/etools/docs/antic/Whole\\_guide\\_Oct.pdf](http://info.worldbank.org/etools/docs/antic/Whole_guide_Oct.pdf).

<sup>9</sup> Ibid. World Bank (2008).

<sup>10</sup> Design and Enforcement of Voluntary Anti-Corruption Agreements in the Private Sector, a study commissioned by the G20 Anti-Corruption Working Group and prepared on behalf of the B20 Task Force, Draft 30 May 2013, p. 5 (on file with the author).

<sup>11</sup> Cantens T (2016).

<sup>12</sup> OECD (2016) Customs Integrity: Taking Stock of Good Practices, Responses to the G20 ACWG Integrity in Customs Self-Assessment Questionnaire.

that the public and private sectors can “all wake up and work together to the benefit of the country” according to one member. This method of working includes formalized meetings involving three groups that ensure information-sharing with the highest levels of government, coordination of activities, and a technical group that includes representatives from all stakeholders.

The goals of improving efficiency in Customs and business are being addressed systematically and transparently. The initiative has its weaknesses according to the private sector, such as the slow pace of reform and dealing with hierarchical structures in the public sector. While there remains much to be done, the approach is supported on all sides and led by Customs.

Other examples that embrace a whole-of-government approach include Brazil (Procomex) and Mexico (Customs Modernization and Competitiveness Board):

- In Brazil, the public and private sectors collaborate to map business processes to inform and drive key procedural changes. The process includes giving due consideration to both trade efficiency and implementing appropriate integrity controls;
- In Mexico, the public and private sectors work together through the Board to design and implement policies in seven areas, namely (1) open and two-way communication, (2) transparency, (3) collaboration, (4) inclusion of all stakeholders, (5) innovation to anticipate changes and challenges, (6) integrity, mutual trust and understanding, and (7) accountability and joint responsibility.

A different Collective Action that brings together civil society, Customs brokers

and the government is the Turkish Customs Broker Initiative. Set up in 2013, it is still a work in progress<sup>13</sup> and needs to resolve some outstanding issues, but has also made progress since its inception.

In 2013, The Ethics and Reputation Society of Turkey (TEID) convened 250 participants representing 8% of Customs brokers and 67% of all Customs clearances in five Turkish cities. Under the auspices of Turkish Customs, the brokers signed a Code of Ethics. They then had one year to implement the Code via a compliance programme to address bribery risks, after which they would receive the “Ethical Broker Logo” that would identify them as a broker capable of managing identified risks.

The Turkish initiative has a fully thought out governance structure that envisages committees to ensure transparent procedures to award the logo, remove it, and to manage the process. Even though not all of the original aims of the initiative have yet been met, the process is informative for others seeking to develop participatory approaches involving Customs brokers.

### **Conclusion**

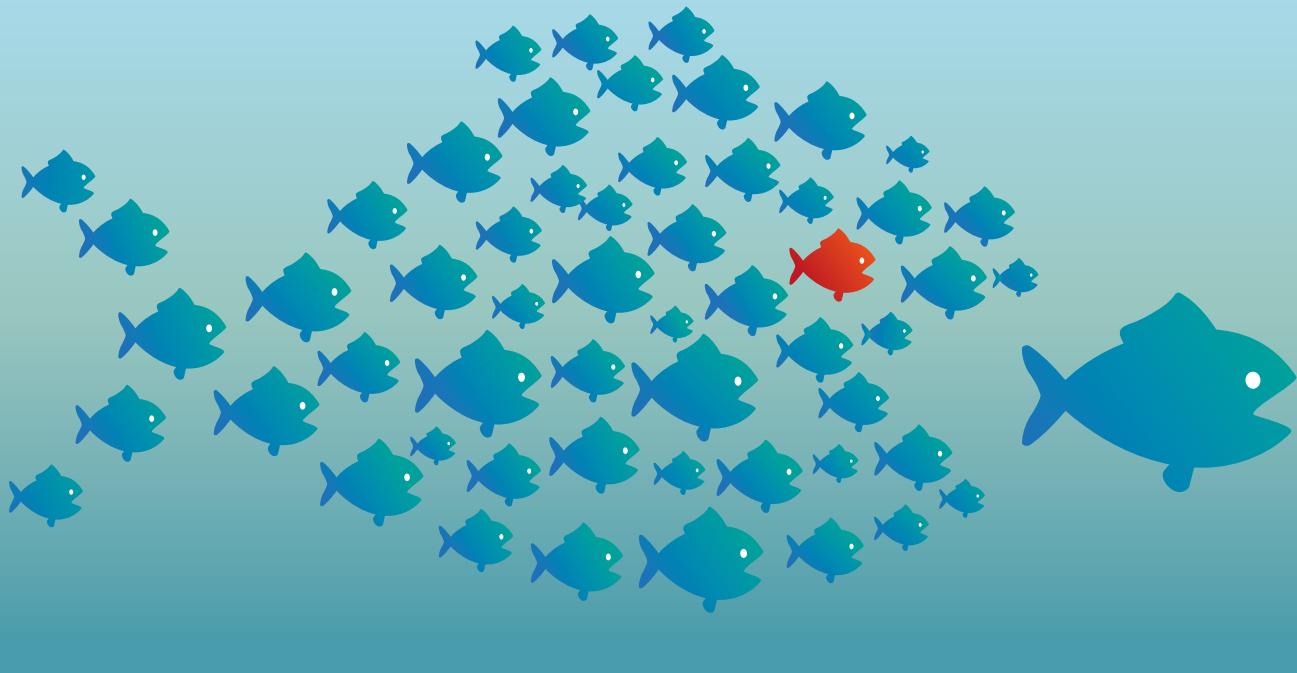
Combating corruption requires a multiplicity of approaches. Collective Action does not provide the only solution, but in combination with other legal, institutional and administrative reforms, multi-stakeholder engagement can lead to informed policy making and more effective implementation of processes that are fair and relevant to economic operators. At the same time, such engagement can assist in increasing the collection of duties and taxes, decreasing bribery, and facilitating trade.

### **More information**

[www.collective-action.com](http://www.collective-action.com)

**Engaging with the private sector can be a challenge in itself, particularly if there is a lack of tradition in consulting with economic operators, and a basic lack of trust between the public and private sectors. Taking steps to alter this premise often requires overcoming prejudices and deep-seated skepticism on both sides.**

<sup>13</sup> Remaining elements include: establishing a “Joint Committee for Combating Corruption in Customs” together with the Ministry for Trade and Customs along with other stakeholders; and addressing the position of ‘runners’ who handle the paperwork and assist physical Customs control procedures, but have the lowest wages and try to mitigate their low income with improper payments.



# Fighting corruption through partnership: the Uruguayan experience

**By Verónica Gómez,**

HEAD OF AUDIT OF PROCESSES, URUGUAYAN CUSTOMS ADMINISTRATION

IN 2008, A huge corruption scandal involving officials from the public sector and representatives from the private sector shook Uruguay's foreign trade community, as well as its international trading partners: 11 Customs officials working at Carrasco International Airport and 25 Customs brokers were found guilty of receiving and paying backhanders.

This event marked a watershed for the Uruguayan Customs Administration (DNA), publicly and starkly displaying its weaknesses as an institution. It dealt a heavy blow to the DNA's public credibility, forcing it to take a hard look at itself, and prompting Customs brokers and the private sector in general to accept their share of responsibility for the situation, which ultimately led to the implementation of a future solution.

Following the scandal, Uruguay Customs embarked on a modernization project with integrity constituting one of the key cornerstones of its reform policy. In

December 2010, the DNA commissioned a survey to capture and analyse the level of satisfaction of traders and DNA officials, as well as the perception of the wider public, about how the organization was being managed. The objective was to establish baseline levels of satisfaction, and to provide a snapshot which could be used as a starting point for assessing how Customs' modernization project was progressing.

The first survey confirmed something which had already been suspected, namely that the institution had low trust and approval ratings from both traders and citizens, and that there was a particular lack of trust regarding its integrity. So, it became clear that enhancing the integrity of Uruguay Customs would require a thorough review and expansion of the traditional model of control. As a result thereof, the Customs administration had to address three main areas:

- Decide whether the exercise of its traditional powers of internal and external control could be complemented and expanded by other working methods;

- Innovate in terms of the tools used to foster integrity and promote a change of culture;
- Step out beyond the organization itself to create partnerships with the private sector, other State bodies and with civil society.

Two key decisions were taken: first, to draw up a work programme containing specific objectives; and second, to include an item on 'Integrity and Transparency' in the Customs Strategic Plan, thereby formalizing the DNA's willingness to shape, implement and measure results in this domain. Thus, the topic of integrity was integrated into the DNA's agenda and into its modernization project, with terms such as 'integrity' and 'corruption' becoming part of the language of the organization.

Within the strategic planning process that started in 2010, the 'Belief System of the Customs Administration' was established. Since its first version, the problem of corruption has been established as a strategic objective: 'As Customs officials, we are proud of being civil servants that are professional and

efficient in fulfilling our tasks, honest, and will not tolerate corruption.'

Although this process was not easy for Uruguay Customs, taking both effort and a lot of perseverance, nowadays, the word 'ethics,' 'corruption' and 'integrity' can be heard across the organization. In addition, the topic is referred to almost naturally today in presentations, during training events, and in exchanges between internal and external players.

Three years of intensive work resulted in the formation of a comprehensive anti-corruption programme and, at the end of 2013, all the various integrity initiatives were brought together under a special project.

Although the whole Customs administration is now committed to fighting corruption, the units that are most closely linked to this matter are: Internal Audit; Audit of Processes; Inquiries and Administrative Investigation; and the Customs Response and Intelligence Group. However, it is planned to change the structure and organization chart of the administration with a view to creating a consultancy department to be known as 'Transparency and the Fight against Corruption,' which will report directly to the Director General of Customs, and will be in charge of such matters.

Following WCO guidance and recommendations laid out in the 'Declaration of the Customs Co-operation Council concerning Good Governance and Integrity in Customs' (Revised Arusha Declaration) and in the 'WCO Integrity Development Guide,' Uruguay Customs developed a Code of Conduct, and courses on integrity in the civil service and on the benefits of anti-corruption practices were provided to all staff.

Last but not least, Customs reached out to the private sector, signing Memoranda of Understanding (MOUs) on Integrity and Transparency with its key stakeholders. This is one of the milestones of the steps taken by the DNA and the one which will be considered in detail in the rest of this article.

The main objective of the MOUs signed with the private sector is to establish, in a coordinated manner, a system aimed at attacking all conduct that does not follow current regulations, or which could indicate that an act of corruption may have been committed, while making the biggest effort to combat such conduct, both in the public and private sphere.

#### **MOU implementation**

In practical terms, this involved drafting a standard letter which was sent by the National Director of Customs to each association, inviting them to join the project and sign an MOU on Integrity and Transparency. A meeting was later arranged with the management team of an association, during which a senior Customs representative was tasked with personally explaining the project's objectives, enabling any queries to be resolved on the spot.

It is important to highlight that, when promoting such MOUs, Customs was particularly careful to inform traders that subscribing to the agreement was completely voluntary, and that any agreement made was there to be kept.

However, the following must be borne in mind if a proposal of this type is to succeed: the trust and credibility of the person heading the Customs organization; the trust and credibility of the person heading an association; and the trust and credibility of the department in charge of the project.

To date, 11 associations have signed MOUs. The first one to do so was the Association of Customs Brokers. It was followed by the Chamber of Logistics, the Navigation Centre, the Association of Express Delivery Service Companies, the Association of Cargo Agents, the Chamber of Free Trade Zones, the Uruguay Chamber of International Road Transport, the Uruguayan Exporters Union, the Uruguay National Chamber of Commerce and Services, the Chamber of Duty Free Owners, and the Rice Mills Union.

Within the DNA, the Audit of Processes Unit, the Internal Audit Unit and the Customs Response and Intelligence Group (GRIA) are working collaboratively, and have the autonomy to investigate and identify acts of corruption. However, the responsibility for spearheading the delivery of the MOU project was given to the Audit of Processes Unit, which is responsible, inter alia, for monitoring the MOUs and for ensuring that existing rules are enforced by all employees, whether they are from Customs or a private entity.

In practical terms, monitoring the MOUs consists mainly of organizing and coordinating the meetings in which action plans are agreed, and then controlling the fulfilment of each of these plans.

Whoever is in charge of managing the project must have direct powers of control. Such power ensures prompt and timely intervention in the event of disclosures or alleged irregularities. Furthermore, it is advisable that the project manager also has a direct line of communication with senior management. This lends weight to decisions, and guarantees the necessary discretion and confidentiality.

#### MOU content

All MOUs share the same features in terms of structure and content. They open with a paragraph relating to the

contracting parties, which is followed by a section listing facts and statements that the parties recognize as true. The aim is for the parties to start from a realistic position and to admit their share of responsibility for the problem.

In the final part, the parties commit themselves, expressly stating what their immediate obligations will be and setting deadlines for each commitment. Although the commitments may vary from one agreement to the other, they essentially contain the following obligations:

1. The DNA must draft its Code of Conduct;
2. The DNA must, as part of its restructuring project, ensure that specific powers on integrity and

institutional transparency are put in place;

3. The private sector entity must commit to drafting or reviewing its own Code of Ethics within a specific period;
4. A Joint Committee, consisting of two representatives from each institution, must be set-up and tasked with drawing up an action plan, also within a specific period;
5. The Joint Committee must prepare a report, either twice a year or annually, to evaluate the implementation of the MOU.

#### Some features of MOU implementation

Once the MOU is signed, a Joint Committee is established, as agreed,

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and draws up an action plan with a view to meeting the objectives set out in the agreement. It is essential that those appointed to serve on the Committee – whether from Customs or an association – have a specific profile (a clean record) and qualities (discretion), and that they are exemplary in terms of integrity and transparency.

Milestones related to the integrity project, including information on the MOUs, are widely disseminated – appearing on Uruguay Customs' website and regularly communicated to media representatives.

### Results of the MOU project

Here are just some of the results of this initiative that have been realized thus far:

- The MOU signatories have been approved, updated or are currently working on their Codes of Ethics;
- Customs has approved its Code of Conduct;
- Criminal complaints presented by the DNA involving operators, and by operators involving the DNA, have been exchanged;
- Topics to be addressed with the private sector were identified, and the DNA and each association have agreed to work on one of the specific topics together;
- In 2013, the cycle of conferences on 'Getting to know the traders' was carried out, aimed at giving associations the opportunity to share their perspectives on, and experience with, the MOUs before an audience of Customs officials;
- Joint work with the 'Project of Procedure for Receiving Criminal Complaints' is being carried out;
- Training on ethics has been provided, both onsite and online;
- The subject of ethics has been included in the 'Customs control course,' given throughout the country;

- Customs and the Association of Customs Brokers carried out a joint Workshop on Ethics and the Fight against Corruption, aimed at students of the Professional Training Institute of Foreign Trade and Customs (CEA);
- Customs officials have been given guided tours by foreign trade operators;
- An annual activity plan is developed together with MOU signatories;
- A survey aimed at ascertaining which activities were vulnerable to corruption has been carried out, and an action plan has been designed to minimize them;
- Information requests presented by operators have been responded to, within the framework of the MOUs;
- Representatives from Customs and members of the associations have been invited to give talks and presentations in various national and international forums on their experience with the MOUs.

### Lessons learnt

The main points that Customs has learned thus far are as follows:

- Mutual trust is the bedrock of the project's success, but this trust is constantly put to the test, and maintaining it partly involves respecting confidentiality and being effective when it comes to taking action;
- Much of the project's credibility depends on providing a timely and fitting response, on confidentiality, and on tangible results, once the first disclosures are made;
- Initially, many Customs employees failed to believe in the project, and managers in signatory associations experienced the same feedback from their staff;
- The subject of integrity is taboo in some organizations and Customs is no exception, so managers and officials

spearheading the change need to demonstrate a great deal of tenacity in taking the project forward;

- Those involved in a project of this kind must be prepared to be the butt of constant criticism and to be scrutinized in the smallest detail;
- In some associations, fear of reprisals means that there is an underlying resistance to making disclosures which identify officials;
- For various reasons, some associations resist the drawing up of a Code of Ethics;
- Continuity and stability in the hierarchy are essential for instilling the necessary trust, so public and private representatives should remain in place at least until the project has been consolidated – the fact that the DNA Director has stayed in the position since 2010 has been very beneficial to the project.

### Needed improvements and actions

In looking at the project, Uruguay Customs has identified the following improvements and actions that need to be undertaken:

- Strive to win more support for the project from Customs officials and traders;
- Work towards a situation where the associations make disclosures involving their members;
- Set achievable objectives in the action plans and quantify results to provide a more effective steer for the action plans;
- Push harder to meet the deadlines set;
- Greater accountability in cases of non-compliance by the parties;
- Ensure that 100% of the associations have a Code of Ethics;
- Raise awareness among officials and traders on the opportunities offered by the MOU project;

### Conclusions

Regarding the concepts of ethics, transparency and the fight against corruption, the public and private sectors have a shared responsibility. In most cases, two parties are necessary for corruption to exist. The ethical action of civil servants must be accompanied by ethical action from all of society, and specifically on Customs matters, by all foreign trade operators.

In order to work jointly, the DNA went about signing MOUs with the private sector. The main objective of these agreements is to establish, in a coordinated manner, a system aimed at attacking all conduct that does not follow current regulations, or which could indicate that an act of corruption may have been committed, while making the biggest effort to combat such conduct, both in the public and private sphere.

In this article, the stages completed in reaching the conclusion of MOUs have been mentioned as well as the details of the agreements, and specific activities carried out within their framework. The DNA must continue working actively and make the best use of the MOU tool. In addition, both the public and private sectors must continue to report alleged acts of corruption, accepting only as business partners those that respect ethical principles.

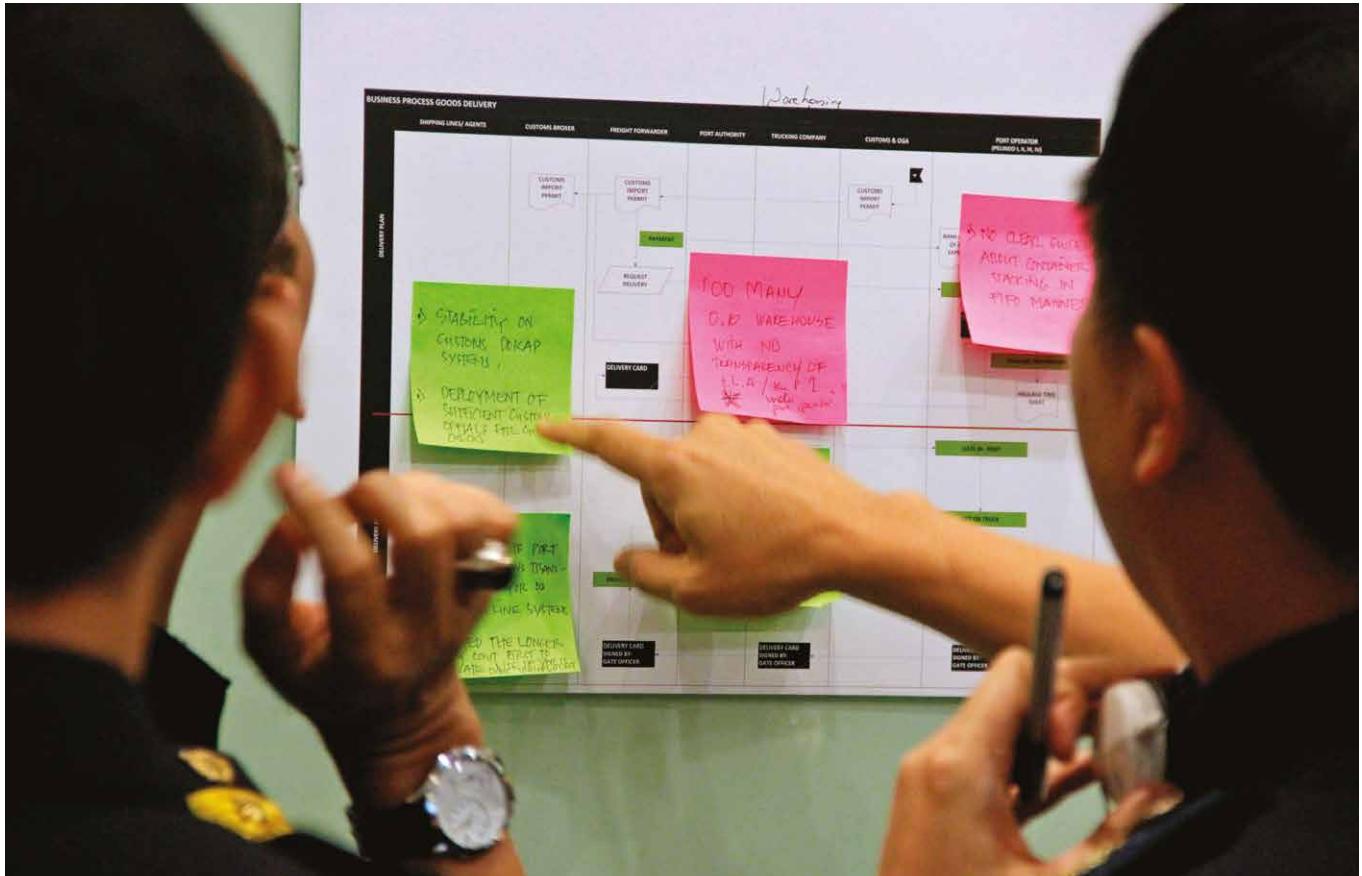
According to the survey results, the Customs Modernization Project as a whole, the actions taken on integrity, and the operations conducted by the GRIA – which led to 315 people being convicted, of which 135 were given no prison sentence and 180 imprisoned – have helped to improve the perception which traders and the general public have about the Customs administration.

Having embarked on a path of transformation, Uruguay Customs has changed completely. More importantly, when it comes to radically improving integrity, Customs has realized that a continued effort is vital.

### More information

[www.aduanas.gub.uy](http://www.aduanas.gub.uy)





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Stakeholders from the public and private sector undertake an exercise aimed at identifying risks across the clearance process

## Collective action to promote integrity in the maritime sector

**By Martin Benderson,**  
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COMPANIES OPERATING IN global supply chains face a number of systemic corruption issues, such as demands for ‘facilitation’ payments or extortion for bribes, when trading goods across borders. National anti-bribery legislation in many countries and extraterritorial regulations, such as the United States’ Foreign Corrupt Practices Act and the United Kingdom’s Bribery Act, have put pressure on international business to take a firm stance against corruption. However, any company that implements zero tolerance internal policies against bribery and facilitation payments risks losing business or facing delays unless their competitors institute similar policies. This ‘first mover’ disadvantage incentivizes companies to give bribes and facilitation payments instead of promoting a level playing field.

One approach that has emerged for companies to overcome such a stalemate is ‘collective action,’ which allows businesses to share information, coordinate actions, and engage governments and civil society without threatening their own competitive advantage and freedom to operate. Fortunately, a number of examples of collective action driven by businesses to tackle corruption have been initiated in recent years, with key public sector institutions such as Customs authorities playing a leading role.

One example of successful collective action is the Maritime Anti-Corruption Network (MACN). The network was established in 2011 as an industry-led initiative, working collaboratively toward the vision of a maritime industry free of corruption that enables fair trade to the benefit of society at

large. It comprises vessel owners and other companies within the maritime industry, including cargo owners and service providers. MACN currently has over 85 member organizations and is governed by a member-elected steering committee. The network is facilitated by BSR – a global nonprofit business network and consultancy dedicated to sustainability.

Since its formation, MACN has worked to strengthen the anti-corruption programmes of its member companies by providing systems, tools, policies, and best practices to help them – in particular, captains arriving in a port – to say no to facilitation payments. By promoting good corporate practices in the maritime industry for tackling bribes and facilitation payments, MACN seeks to build a culture of integrity among its members, ultimately ensuring that



all companies empower their captains to say no to demands for facilitation payments during port calls.

However, addressing only the behaviour of companies – the ‘supply side’ of corruption – is not sufficient to stop corruption in the maritime industry. Therefore, MACN actively engages and collaborates with government agencies to find ways to reduce the frequency and severity of demands for facilitation payments and bribe solicitations. Countries targeted are those where MACN members experience the greatest challenges, and where MACN finds the most viable opportunities to drive change in collaboration with local stakeholders, thanks to, for example, local political commitments to the anti-corruption agenda and to trade facilitation.

Fundamental to MACN’s collective action approach is that sustainable solutions to tackle corruption must be enabled by, supported by, and beneficial to key stakeholders. Dialogue with stakeholders is, therefore, a critical part of MACN’s collective action projects, securing commitment and buy-in from local stakeholders in specific countries and ports. Customs authorities are a key stakeholder in MACN’s collective action projects, as they play a central role in the clearance of goods through maritime ports worldwide.

To date, MACN has successfully partnered with Customs authorities in Nigeria and Indonesia to collaboratively implement a number of actions enhancing integrity and combating corruption risks in vessel and cargo clearance processes. The collective action projects implemented by MACN have demonstrated that a similar set of tools and approaches for improving transparency and integrity are relevant in all locations. Typical activities that

MACN has implemented in partnership with Customs authorities include:

- undertaking risk assessments – conducting integrity risk assessment of vessel and cargo clearance processes in collaboration with key stakeholders;
- promoting good governance – developing transparent procedures and regulations for vessel and cargo clearance in collaboration with key stakeholders;
- building capacity – implementing integrity and awareness training for public officials and the private sector;
- promoting accountability – improving accountability in the maritime sector by developing accountability mechanisms, such as whistleblowing systems for public officials and the private sector;
- promoting public-private sector dialogue – promoting a culture of integrity and knowledge-sharing between government stakeholders and the private sector through multi-stakeholder dialogue and awareness raising.

In the sections below, two case studies from MACN’s collective action projects in Nigeria and Indonesia respectively are presented, illustrating the results achieved in countries where MACN is collaborating with Customs authorities.

#### **Addressing corruption in the Nigerian port sector**

MACN launched its first collective action project in Nigeria in partnership with the United Nations Development Programme (UNDP) in 2012. Nigeria had been identified as one of the most challenging countries to do business in, with requests for facilitation payments posing a major risk to member companies, involving

cases of extortion and even threats of violence. MACN began with an integrity risk assessment in the port sector, identifying specific forms of corruption and its drivers, and possible solutions.

Key integrity risks for the Nigerian port sector included a lack of standard operating procedures, with officials wielding high discretionary powers, and weak infrastructure and capacity – both physical and procedural. Moreover, the assessment also identified bureaucratic ‘red tape’ in port operations as a potential bottleneck, creating ample opportunities for bribe solicitations: for instance, the study found that 142 signatures were required to process cargo at Lagos ports!

The integrity risk assessment exercise stressed the importance of participatory execution, and therefore recommended the training and certification of 70 local corruption risk assessors drawn from the public sector – at federal and state levels, and from relevant anti-corruption agencies – as well as from civil society.

#### **Impact to date**

MACN has successfully worked to implement the recommendations of the risk assessment, in collaboration with various stakeholders, including the Nigerian Shippers Council (NSC), the Nigeria Customs Service (NCS), the Technical Unit on Governance and Anti-Corruption Reforms (TUGAR), the UNDP, local non-governmental organizations (NGOs), and the Nigerian Ports Authority (NPA). The work to date has included best practice training workshops for Customs officials, the harmonization of procedures across ports, and the establishment of a grievance mechanism.

In addition, MACN supported the implementation by the NPA of an Electronic Ship Entry Notice (e-SEN) system that is expected to curb the



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Representatives from MACN, Customs & Excise, the Port Corporation Pelindo II, and the Corruption Eradication Commission who attended MACN's 'integrity champions' training in November 2016

corruption which characterized the manual system, and facilitated the implementation of a port sector accountability mechanism model hosted by the NSC, giving industry players and external stakeholders a reporting channel to escalate information about corruption demands. MACN plans to remain engaged in Nigeria, and to continue the successful collaboration established with the Nigeria Customs Service and other key stakeholders.

### **Building integrity in the Indonesian maritime sector**

In 2015, MACN launched a collective action project in Jakarta with support from the UK's Foreign and Commonwealth Office (FCO) and in partnership with three Indonesian authorities: the Directorate General of Customs & Excise; the Port Corporation Pelindo II; and the Corruption Eradication Commission (KPK).

MACN member companies had identified Indonesia as a corruption hotspot, noting that illicit facilitation demands were common and regulation ambiguous. Challenges like these motivated MACN to collectively take action. The project was also launched as a response to Indonesia's stated ambition to build a more competitive maritime sector, and actively tackle corruption. This ambition helped the project to receive buy-in and support from local government stakeholders.

The project targeted the port of Tanjung Priok, which currently handles over 50% of Indonesia's transhipment

cargo. The objective being to improve regulatory transparency, and to address integrity risks in the cargo clearance process. In partnership with public sector stakeholders, MACN conducted an integrity risk assessment, identifying risks across the clearance process. Then, MACN and the public sector stakeholders established key recommendations for mitigating the identified risks and challenges.

### **Impact to date**

Since 2016, MACN has been working with stakeholders to implement the recommendations from the risk assessment. The active support of Indonesia's Directorate General of Customs & Excise and their willingness to take ownership of many of the recommendations has been critical to sustaining the project and delivering impact. Key actions to date include:

- upgrading the container tracking system to improve the transparency of container tracking and to limit human interaction when tracking goods;
- moving toward the elimination of cash payments in the export permit process to limit human interaction and opportunities for cash requests;
- raising awareness about and integrating whistleblowing reporting into the existing business processes of companies exporting goods;
- implementing 'integrity champions' training in partnership with Customs & Excise.

Stakeholders involved in the project report that the initiative has improved the transparency of regulation for cargo clearance, and has also improved dialogue between the public and private sector. MACN plans to remain engaged in Indonesia, due to the fact that it is becoming an important maritime trading partner, and as a result of the keen support for MACN's work from the Directorate General of Customs & Excise and local stakeholders involved in the collective action initiative.

### **Call for action and collaboration**

MACN's collective action programme reflects a long-term commitment by MACN and its members to tackle corruption in the maritime sector in partnership with governments, civil society, and other businesses.

The network remains committed to pursuing its vision of a maritime industry free of corruption through a consistent, aligned, and collaborative approach between the public and private sector. Customs authorities will remain a key partner in helping MACN achieve its vision, and MACN is, therefore, keen to further expand and deepen engagements with Customs authorities across the globe.

*If you are interested in learning more about how you can get involved in MACN's collective action programme, please visit <https://www.maritime-acn.org> or send an email to [macn@bsr.org](mailto:macn@bsr.org).*

### **More information**

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# Renewing Guatemala's Customs service

**By Mgter. Werner Ovalle,**

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The year 2015 left an indelible imprint on Guatemala's history. Numerous senior officials were arrested over their alleged involvement in La Línea or "the line," the name given to a multimillion-dollar fraud scheme involving the country's top authorities, including the Superintendence of Tax Administration (SAT).

The 'supposed' priority given to the collection of duties and taxes led to an increase in the physical inspection of merchandise and this, in turn, induced importers to propose bribes either to avoid Customs duty or in exchange for reduced tariffs. These kickbacks were then shared among dozens of government officials.

ALTHOUGH THE SCANDAL negatively affected Guatemala's image, it also generated an opportunity for change, including changes within the SAT, where it triggered major reforms as well as the establishment of enhanced dialogue with the private sector.

**Regaining control and re-earning trust**  
Upon its appointment, the new SAT management team had one thing in mind: to regain control over the Customs service and to re-earn the trust of taxpayers. To achieve its two main objectives, the management team undertook a number of measures.

Procedures were reviewed and comprehensive cargo control plans were designed and implemented with the support of international organizations. The plans provide for:

- improved processes determined in coordination with the private sector and other agencies;
- effective and updated records of the shipments held by Customs and in Customs warehouses;
- implementation of control measures throughout the clearance process;
- protection of physical facilities – the development of a dashboard of indicators and statistics to enable better monitoring of physical controls on goods and of the different phases of the merchandise clearance process.

In addition, the SAT was restaffed with reliable and integrity conscious personnel. Following the corruption scandal, some Customs officers were

dismissed or arrested, while others are still being investigated with respect to their involvement in the La Línea scheme or in other illegal activities. All the administration's staff have been asked to undergo integrity checks of various forms.

SAT also reached out to the security and justice ministries to obtain support for their fight against smuggling and fraud, and that to make sure that violations of the law detected by Customs were prosecuted in an efficient manner.

Several bodies were also created within the SAT: an Internal Affairs Department, which is in charge of monitoring integrity and prosecuting corrupt officials; a Taxpayers Office, which seeks to enhance the services provided by the institution to taxpayers; and a Staff Training Department, which is tasked with building and developing the capacities of personnel.

Moreover, a new impetus was given to the Inter-institutional Council for the Prevention and Combating of Tax Fraud and Customs Smuggling. Chaired by the SAT, the Council gathers various public and private entities to discuss strategies and actions to combat fraud and illicit trade. Together, they developed a national policy in this area, implementation of which was entrusted to a newly created Department of Tax Fraud and Smuggling within the SAT. They also undertake joint operations in different parts of the country, such as checks on Customs offices, road checks, raids, and the destruction of goods.

**New dialogue and closer partnership**  
For the private sector involved in international trade, to have an agile, efficient and low-cost process to move cargo is essential. Therefore, any changes



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People participate in a demonstration in Guatemala City, August 2015

directly impacting the export and import process are monitored carefully. When a new government entered office in Guatemala in 2015, and, with it, new management teams at the head of the main national institutions, the representatives from the private sector were hopeful that things would change for the better.

When the new SAT authorities took office in March 2016, the private sector quickly realized that the revamped Customs service had an interest in adopting a more open and closer relationship with some private entities, besides the intention to improve the administration and its operating mechanisms in general. From the outset, the private sector representatives sought a way to expose their issues and concerns to the new service, which, although not new, needed to be addressed in a collective way.

In order to allow for all stakeholders to present their problems, visions and ideas without creating a burdensome consultation process, it was decided to set up a Committee for Dialogue and Cooperation between Public and Private Entities in Customs Affairs. Seventeen

institutions joined the Committee upon its creation, and two more joined at a later stage.

The central objective of the Committee is to provide a platform for public and private sector representatives to discuss potential improvements in areas such as procedures, processes, systems, and risk assessments, as well as to share the results of studies or proposals to improve trade facilitation and transparency in Customs management.

By participating in this Committee, all participants are able to demonstrate their goodwill and commitment to making things better in an environment characterized by respect and cooperation. In addition, ideas that emanate from this Committee are submitted to the SAT, who carefully analyses and prioritizes them. The Committee is composed of three groups:

- a High-Level Group, which comprises the most senior representatives of the participating entities, who meet twice a year to review progress made;
- a Technical Working Group, which meets at least four times a year to

discuss the work plan and how it has been executed;

- two Coordinating Groups, one managed by the Customs service and the other by the private sector entities, which discuss, at their respective level, issues reported by their members, and who meet as often as necessary.

It should be highlighted that Committee representatives recently worked together to evaluate a crisis, which had started in one of the main ports of the country. They also work jointly on developing training material and delivering training to Customs personnel, besides defining and developing actions that form part of the 2017 work plan.

#### **Overcoming obstacles by working together**

During this process, the Guatemalan Customs service has demonstrated its capacity for dialogue and openness when it comes to discussing improvements of its services. But, like any government institution, it suffers from one important flaw: a lack of agility. This is particularly apparent when implementing the priorities and developing the projects established as part of the common work

Although there is still a long way to go, beginning with the production of tangible results and improved indicators to better measure transparency and the ease of doing business, both the public and private entities participating in the dialogue are confident that they will soon be able to improve Guatemala's trading environment.

plan for 2017. Procedures, processes and work methodologies are not as flexible and efficient as they are in the private sector, mainly because of resource limitations and regulatory restrictions.

However, it is worth mentioning that although the views of the private and public sector may sometimes differ, often due to the fact that the central government has its own priorities, Customs and private sector representatives are still able to get ahead, overcome obstacles such as red tape, regulations and the lack of human and financial resources, and work together for the benefit of Guatemala.

#### **The road ahead**

As Customs is not the only agency involved in processing the international flow of goods, it soon became apparent that more State stakeholders needed to be invited to join the Committee. So, while coordination of the Committee's work will remain in the hands of the Customs service, other institutions will soon participate in its meetings.

The challenge now is to make the dialogue a sustainable and ongoing process. Although there is still a long way to go, beginning with the production of tangible results and improved indicators to better measure transparency and the ease of doing business, both the public and private entities participating in the dialogue are confident that they will soon be able to improve Guatemala's trading environment, which will contribute to the economic development of the nation as a whole.

#### **More information**

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## **Perceived corruption leads to actual corruption**

According to a survey conducted in a Latin American country on behalf of the Inter-American Development Bank (IDB), the perception of corruption leads to actual corruption.

The survey showed a 'statistically significant' increase in respondents' willingness to bribe a police officer after they were told that corruption was on the rise in their country.

Respondents were 28% more likely to bribe a police officer than the control group, who were not given such information as part of the experiment.

This supports the notion that corruption is a 'self-fulfilling prophecy,' where an individual's willingness to engage in a corrupt act depends on their perception of corruption in society.

While the experiment was not aimed at knocking Latin America, what it did do is show that the perception of increased corruption can spur individuals on to commit actual acts of corruption.

#### **More information**

IDB Working paper series

Corruption as a Self-Fulfilling Prophecy

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# WCO Mercator Programme: pioneering innovative partnerships

**By Nathan Taylor,**  
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DIRECTORATE, WCO

WITH THE ENTRY into force of the WTO Agreement on Trade Facilitation (TFA), some governments face a renewed urgency to modernize and reform their Customs administrations over the next few years. Fortunately, one of the main priorities for the international donor community is to ensure the effective implementation of the provisions of the TFA, providing a unique opportunity for these countries to access a wide range of technical assistance and capacity building support.

This support often comprises the undertaking of an analysis, in order to ascertain how a Customs administration is organized in terms of legislation, organizational governance, processes and systems. Having delivered sustainable and cost effective assistance to Customs for decades, the WCO reinforced its existing support towards enhanced trade facilitation through the launch of the Mercator Programme in 2014.

Designed to assist governments in implementing the Customs trade facilitation measures outlined in the TFA, the Mercator Programme provides capacity building for WCO Members on the basis of a comprehensive needs assessment and development plan, which is part of the new results-oriented Mercator Programme operating model. This article highlights the need for donor coordination when it comes to capacity building and the WCO's specific added-value when it comes to supporting Customs, and then provides details about the Programme operating model.

## Customs-to-Customs approach

With the coming into force of the TFA, combined with clear evidence that trade and trade facilitation generates economic growth and employment, while reducing poverty, it is not surprising that a wide

range of bilateral and multilateral development partners have prioritized support in this area. Given the benefits, most major development banks and development agencies are committing significant financial and human resources to trade facilitation, supporting capacity building, technical assistance and infrastructure programmes in developing countries.

The growing levels of support accorded to trade facilitation among a large and complex donor community present a familiar coordination challenge, where coordination is desired, yet 'being coordinated' is not always welcomed. One of the best ways to promote coordination in this environment is to understand and leverage each development partner's specific added-value, while building strong ownership and leadership at the national level.

The WCO's unique asset in this complex international donor environment is its 'Customs-to-Customs' approach. This approach supports the building of professional alliances between Customs officers and their administrations that are unlike the traditional expert-consultant models, widely used in trade-related technical assistance and capacity building. The approach has many merits, including its cost effectiveness, its ability to engender trust between partners, and most importantly, its foundations in international standards and norms established by the WCO.

However, this peer-to-peer approach is not without challenges. The WCO Secretariat has to balance requests from its Members for expert contributions, with the operational realities that WCO Members face every day. It must ensure a fair distribution of opportunities among its membership, while ensuring quality delivery that is consistent with WCO standards. In addition, it must remain engaged with its Members, despite not having a field presence at the level enjoyed by other development partners.

Taking this unique asset and the challenges in the context of the WCO's key objective of supporting its Members to become self-sustainable in the implementation of international standards, has led to a change in the WCO's approach to capacity building delivery. In 2016, there was a seismic shift from activity-based support – often measured in terms of the number of missions delivered – to results-oriented support. This new form of support is delivered under a more disciplined project management basis, with nationally defined, multi-year implementation plans monitored against identified results and performance indicators.

## Programme operating model

Given the heightened urgency for Customs reform and modernization as a result of the entry into force of the TFA, and in anticipation of an increase in requests from its Members for trade facilitation-related capacity building support, the WCO created a new pool of strategic advisors – Mercator Programme Advisors (MPAs).

They are experienced Customs managers who play a key role in supporting administrations to implement the TFA provisions on the basis of international best practices and standards. Besides their contemporary knowledge and experience, MPAs are also able to leverage the WCO's extensive range of instruments and tools to support their engagements. Thus far, MPA accreditation workshops have led to some 40 MPAs being fully accredited as of April 2017, with broad representation from developed, developing and least developed countries.

The Programme operating model adopts a specific national-level approach. This includes the assignment of a designated MPA to oversee the delivery of a multi-year development plan, while maintaining an ongoing dialogue with the beneficiary administration. This

approach has ensured a more strategic, orderly, consistent and higher tempo delivery of capacity building support.

Starting in 2016, this delivery methodology was piloted in Afghanistan, Ethiopia and Sierra Leone, with the generous support of MPAs from the South African Revenue Service, the Swaziland Revenue Authority and the Uganda Revenue Authority. This approach has resulted in much greater trust between the designated MPAs and the beneficiary administrations.

MPAs, through multiple in-country engagements, gain a thorough understanding of an administration's operating context, its key internal and external stakeholders, and the activities of other development partners. They provide a consistent WCO face – ensuring a more sustainable commitment to the reform and modernization process, while also presenting themselves as trusted colleagues from the global Customs community. The unexpected yet beneficial result of this operating

The WCO's unique asset in this complex international donor environment is its 'Customs-to-Customs' approach. This approach supports the building of professional alliances between Customs officers and their administrations that are unlike the traditional expert-consultant models, widely used in trade-related technical assistance and capacity building.

model has been the emergence of 'South-South Cooperation.'

For example, landlocked Afghanistan gained considerable inspiration for its modernization programme from similarly landlocked and developing Uganda, as part of the MPA engagement

between the two countries. Ethiopia, on the other hand, was convinced of the importance of investing in leadership and management development on the basis of Swaziland's experiences, which were effectively communicated by the designated MPA as part of a strategic conversation on organizational development.

The operating model is particularly powerful when the MPA's role is combined with perspectives from the WCO's pool of Technical and Operational Advisors (TOAs) and other recognized experts. MPAs bring a broad strategic understanding of the trade facilitation dynamics in a country, while TOAs provide focused technical advice on particular measures, such as risk management and the authorized economic operator (AEO) concept.

In fact, the engagement of the MPA ensures that technical advice is appropriately timed, pitched at the right level and integrated into a larger reform and modernization agenda.



More importantly, their understanding of the internal dynamics and personalities within a country's Customs administration provides an ideal framework where technical assistance can be most effectively delivered.

#### Member perspectives

From a WCO Member's perspective, engagement with the tailor-made track of the Mercator Programme requires stronger project management competencies, which are now provided for through a newly developed WCO project management training package that is available to all Members.

The challenge for National Contact Points (NCPs) will be integrating all donor support and national

initiatives into a comprehensive TFA implementation framework that is properly sequenced and strategically sound. MPAs will, therefore, continue to actively contribute to building the project management, coordination, monitoring and evaluation capacities of NCPs and local Customs modernization units.

For example, in Sierra Leone, close to a dozen experts with a wide range of expertise in strategic planning, valuation, risk management and post-clearance audit have supported the reform and modernization agenda of the National Revenue Authority (NRA). Collectively, the group is moving the country towards a more predictable and cost-effective trade facilitation

regime, taking into account the need to eliminate destination inspection fees, improve and automate risk selectivity systems, and facilitate movements for compliant traders.

The oversight and management role of the MPA in Sierra Leone has been critical in maintaining the WCO-NRA relationship, ensuring ongoing senior management engagement and buy-in, and contextualizing the WCO's support in the broader donor environment. At the same time, the NCP in the NRA is building his capacity to effectively manage WCO and other international inputs within the context of the NRA's Strategic Plan.

The importance of the collegial, Customs-to-Customs approach cannot be understated. With strong, collegial, trust-based relationships, there is a higher degree of honesty and frankness in terms of feedback, with respect to both WCO support and support delivered by other development partners.

With more established Customs-to-Customs relationships, WCO Members are more forthcoming about their specific technical needs. In this regard, the Mercator Programme offers further potential for the WCO to play an honest broker role, promoting adherence to international standards and Members' best interests, while ensuring the most efficient use of development partner resources.

#### The road ahead

As the global centre of expertise on Customs matters, the WCO is well-placed to deliver sustainable and cost effective assistance to its Members, while ensuring that they are in a position to make the best use of the broad range of assistance that is available through regional and international development partners.

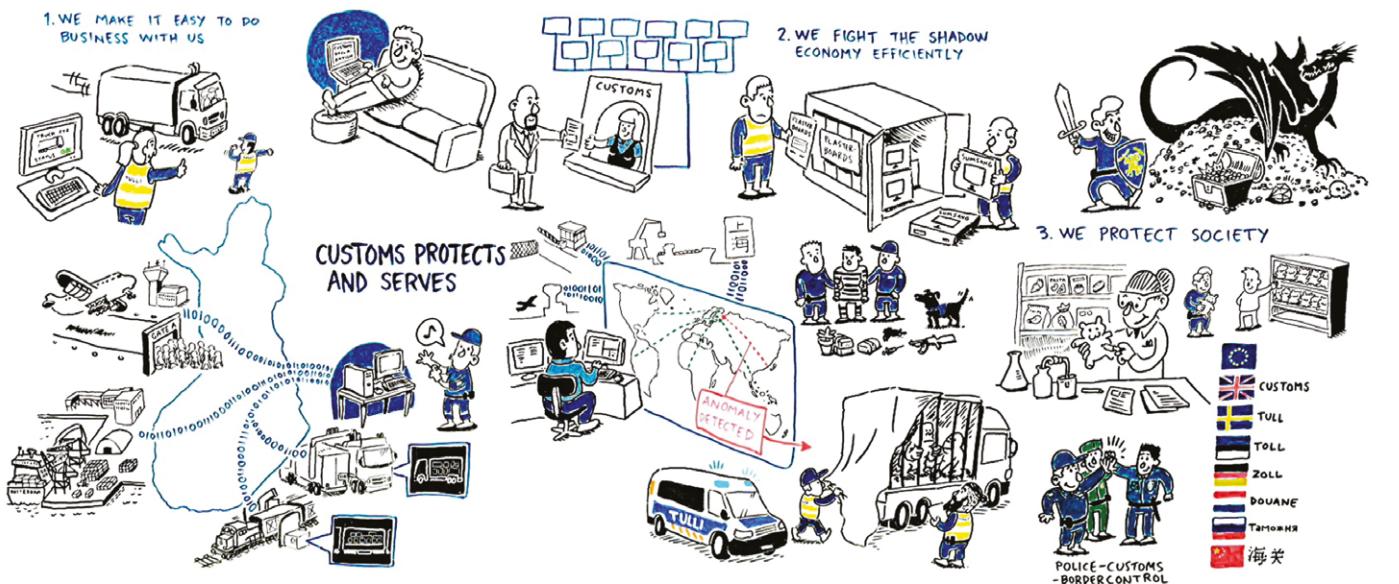
*Customs administrations seeking additional information or wishing to engage with the Mercator Programme are encouraged to contact the WCO Capacity Building Directorate.*

#### More information

[capacity.building@wcoomd.org](mailto:capacity.building@wcoomd.org)



© namtaf



Digitalization at Finnish Customs: <https://youtu.be/utW1Z9lhJ1o>

## 'Hackathon' innovation potential tested by Finnish Customs

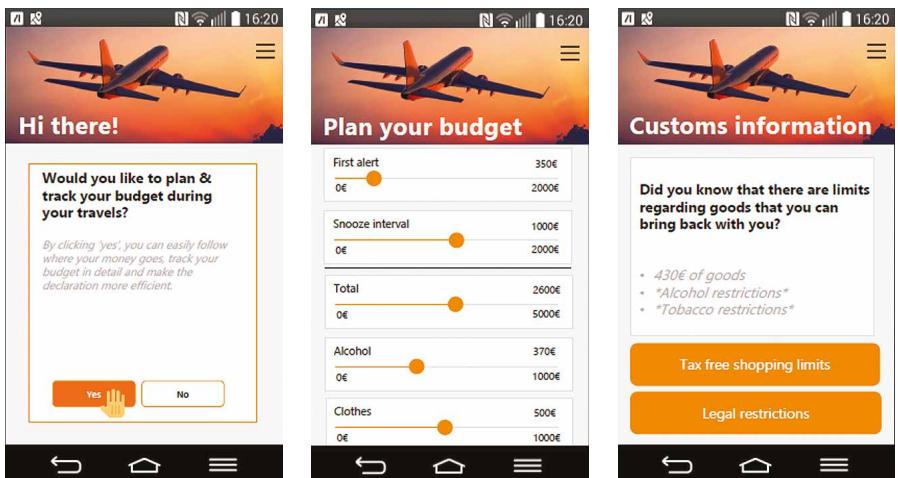
By Annukka Elonen,  
FOREIGN TRADE AND TAXATION DEPARTMENT, FINNISH CUSTOMS

Hackathons are no longer the exclusive domain of tech geeks. Several hundred big companies in other industries now organize them, including firms in industries as diverse as airlines, cars, telecommunications, beer and banking, as well as governmental and public institutions. Finnish Customs recently participated in a public service hackathon during which it challenged participants to imagine solutions that would make it easier to access information on Customs regulations and procedures. The experience ended up being extremely beneficial and allowed the organization to 'stretch' its thinking around what is possible.

FINNISH CUSTOMS HAS been a forerunner in developing digital services, introducing its first online service for intra-European Union (EU) trade back in 1999. Economic operators have subsequently been able to submit import declarations in electronic data interchange (EDI) format since 1992 and in XML format since 2009.

Currently, 90% of the services offered are digital and available 24/7, and Finnish Customs invests 15% of its operating budget on information and communication technology (ICT). The methodology underlying the development of ICT projects has been updated to make it leaner and more agile, and new job profiles such as product owners and service designers have been introduced.

In 2016, the Finnish Government decided to digitalize all public services. As a result, Finnish Customs started a programme to develop



Prototype of the 'Convenient Travelling' application

customer-oriented digital services the same year, which would be user-friendly while enabling to minimize interaction between its customers and Customs officers. In order to boost the development of such services, Finnish Customs recently participated in a public service 'hackathon' organized in the autumn of 2016 in the lead up to the Kick-off of the celebrations marking Finland's 100 years of independence.

### Hackathon in action

In an 'online country' like Finland, with 72% of the population using the Internet daily and 2,2 million mobile phones sold during 2015, hackathons are an exploding phenomenon. A contraction of two words 'hack' and 'marathon,' a hackathon is an event where teams (including developers, but sometimes designers and project managers too) collaborate on a computer project – usually the development of application software – over a very limited period of time (such as a week), with the goal of quickly coding something clever (hence the word 'hack') and doing it intensively, without stopping (hence the word 'marathon'). It is also often a festive competition at the end of which a jury chooses and rewards winners.

During the public service Hackathon, twenty-six multidisciplinary international university student teams tackled different digitalization challenges over a three-day period (the main event) presented by the Apotti Project, the Finnish Patent and Registration Office, the National Police Board, the Finnish Defence Forces, the Finnish Border Guard, the Ministry of the Interior and Finnish Customs. The organizations asked the students to develop solutions that would make it easier to use their services and which would increase the use of Internet and mobile services.

During the main event, the student teams had to develop prototypes of their solutions with feedback and guidance provided by coaches from participating

organizations. Once the hackathon had ended, they had two months in which to finalize the development of their solutions before presenting them in front of a jury. As the hackathon was also part of a university course, lectures on service design, presentation technique, process design, and project and change management were also offered during the event.

Finnish Customs' hackathon challenge concentrated on the following questions: when and how should customers interact with eCustoms, and how could the interaction be facilitated and minimized? The students were invited to invent solutions, with the help of six experts from Customs, that would help the service to better serve its customers when they were travelling, ordering items from abroad (web shopping), receiving gifts from abroad, or bringing items across the border. The solutions had to ease of the life of customers, be innovative and user-friendly, enable easy interaction with eCustoms, and showcase the possible look of a new, interactive and digital Customs service.

In seeking solutions, the Customs experts encouraged the student teams to find the right balance of interaction between Customs and the customer:

- Information and guidance should be available at the right time and place, with a Customs 'help desk' available when needed;
- Customs services should be easily reachable, but the need for interaction should be limited to a maximum;

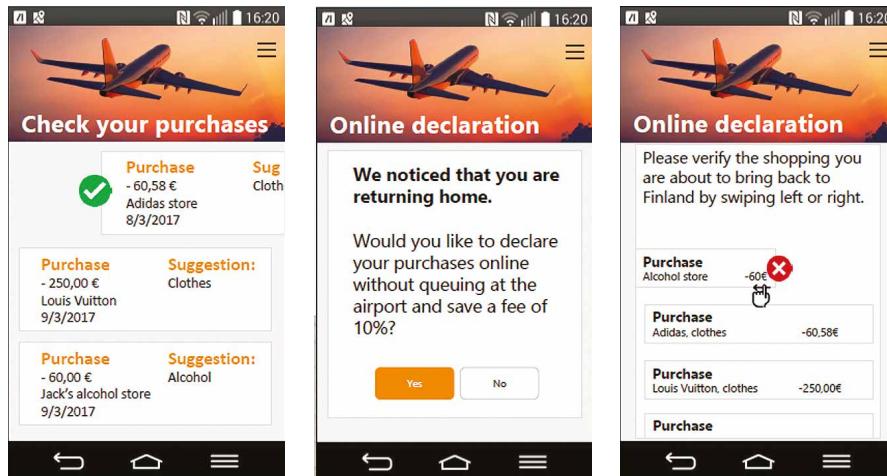
- A decrease in customer service contact should be achieved through user-friendly e-services and electronic exchange of information solutions, which might not necessarily be developed by Customs.

At the end of the main event, each team pitched their solutions for three minutes, and each participating organization then chose a winning team to compete in the finals. Coaches evaluated the solutions based on criteria such as feasibility, efficiency, impact, innovativeness and customer experience. Detailed descriptions of the benefits were presented in the teams' final reports. The teams also had to think about how these benefits could be tracked and assessed, establish implementation requirements, foresee risks, and plan budgets.

### Results

Participating organizations learned a new approach to producing customer-oriented services by combining service design, lean management and digitalization. Key words in this process were the re-use of data, the co-development of services and the relocation of services to where customers are and via media that they use. The ground-breaking principle was that organizations should not expect the customer to find them, but rather that they should know where the customer is operating from at a given moment.

The best team working on one of Customs' challenges was 'Team Convenient Travelling.' Their innovative solution automatically delivered tailor-made information on travelling rules and restrictions to passengers. The solution combined online declaration services



Using tracking and credit card payment data, the 'Convenient Travelling' application recognizes whether a user is travelling

to services such as budget tracking. The team chose a mobile banking application as the service delivery platform due to the increasing number of users of these kinds of services. In addition, the application could be integrated into other platforms such as travelling applications.

The application triggers – becomes interactive – when travellers begin their journey, suggesting the use of a budget tracking device and providing information on Customs restrictions. At destination, users can track their budget, and visualize the products that they have bought including related taxes. If the budget limitation is exceeded, the application sends an SMS alert to users. When returning home, the application will advise users, for example on their

return flight, whether it is necessary to submit a Customs declaration. Upon arrival, users pay any duties and taxes that may be due.

The solution creates a win-win situation. The traveller does not have to search for Customs regulations and gets access to a new service – a service provider can offer this new service to its customers with modest implementation costs. In addition, awareness of Customs compliance procedures and other regulations is increased, and taxes are collected in a reliable and efficient way, with no development costs to be borne by the Customs administration.

The hackathon's winning concept was the 'Ilona Service' designed for the Apotti

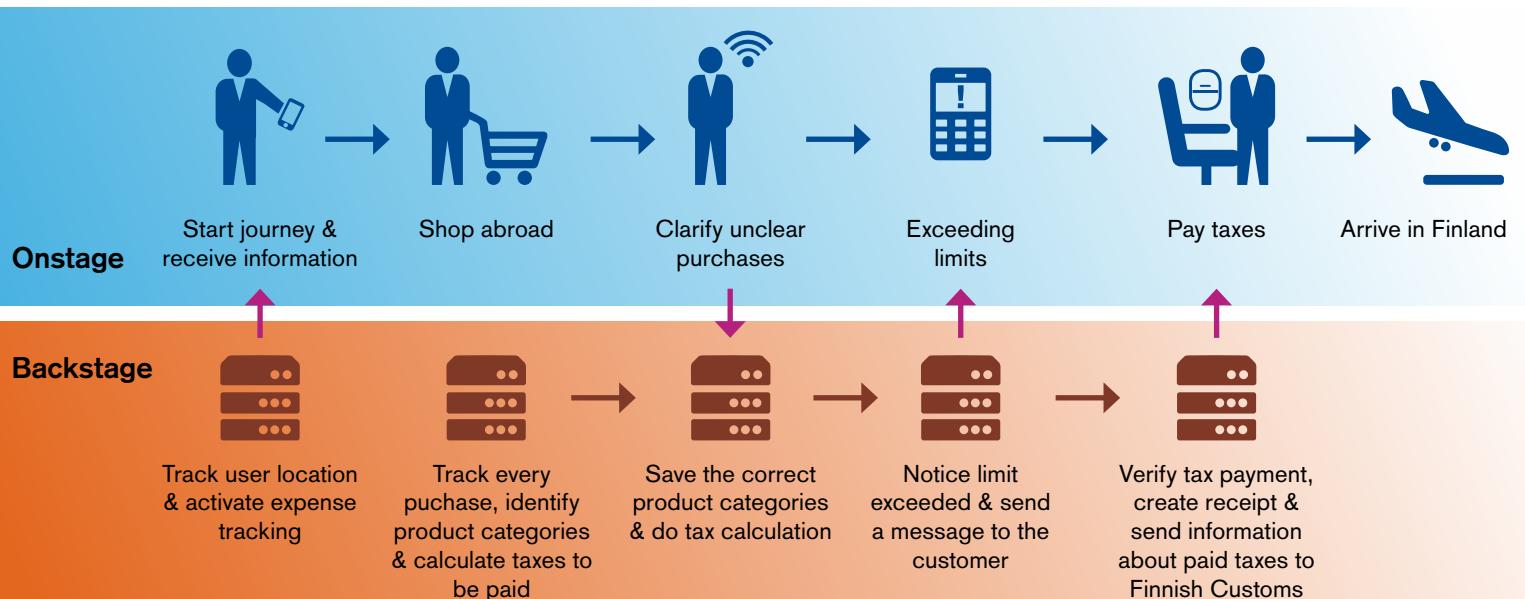
Project, an application which aims to improve the quality of life of persons who take care of a family member at home by connecting them to public and private service providers. Using 'artificial intelligence,' the application understands normal speech, collects and analyses data, and helps users improve their social life, for example, by suggesting different activities and arranging substitute carers.

### Way forward

A hackathon does not necessarily provide readymade solutions which can be implemented straight away. After the hype created by the event, obstacles came back to haunt the participating organizations, such as issues relating to legislation, ICT architecture, limited budget and resources, and silos in operations. Therefore, a small group of digitalization experts have been appointed to overcome these obstacles in order to execute the results of the hackathon.

The value of a hackathon lies in its multidisciplinary problem solving

## New Customer journey



technique and systematic approach in designing services in the digital age. It also gave participating organizations the opportunity to stop and ask themselves why they do what they do, and whether this is the only way. What was learned is that when developing new digital services, an organization must try to:

1. Be present on the application or website which a customer downloads or visits (banks, pharmacies, airports, aero planes, web shops);
2. Offer services via the media that a customer uses (mobile, e-services of other entities);
3. Know its customer's needs and practices (authentication, price comparisons including taxes and duties, payment methods);
4. Co-develop services with other operators (postal operators, airport operators, other ministries and government agencies, pharmacies);
5. Solve a customers' problems even before they realize that they have a problem;
6. Look good – make services visually attractive.

The hackathon experience inspired Customs to start integrating co-development platforms as well as searching for partners, and to move forward utilizing new possibilities while beginning to explore the use of technologies such as mobile authentication, chatbots, query wizards, gamification, and mobile services. In fact, launching agile, small-scale experiments instead of administratively burdensome large-scale and time-consuming projects requires courage and perseverance.

Finnish Customs believes that the innovations that will eventually revolutionize its services will be discovered by combining the expertise of Customs and other service providers. Thus, Customs administrations need to fully dive into existing digital ecosystems and cross-sectoral 'borders' in order to streamline the customer experience, and by doing so save resources, simplify processes and enhance compliance.

#### **More information**

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#pshack100

# Enhanced control of

**By Philippe Haan,**

REGIONAL CUSTOMS ATTACHE, FRENCH EMBASSY IN DAKAR, SENEGAL

ALTHOUGH THE TERM has not been defined in international law, it is commonly held that light aviation comes under the heading of general aviation, a generic term covering all civil aviation operations other than commercial transport, in other words sports and leisure aviation, aerial work and private aviation. Small aircraft, helicopters, gliders and microlight aircraft fall within this category.

Any deficiency in the management of this 'small-scale aviation' poses risks. On the one hand, there are tax risks, and care must be taken to ensure that the aircraft in question have been the subject of a Customs declaration and that the appropriate taxation regime has been applied. There are also risks associated with commercial fraud, illegal trade and safety, which implies a requirement to ensure that the aircrafts are not being used to transport prohibited items, or undeclared goods and passengers.

Aware of the low level of monitoring of light aviation traffic in their respective countries, several Customs administrations in West Africa have been engaged, since 2012, in a capacity building project for law enforcement agencies, focusing on the monitoring and control of light aviation and of operators of non-scheduled services, also known as "flights on demand," in their region.

Before this specific project is presented, it is pertinent to summarize the regulation of this form of transport, the risks it poses, and the various existing control strategies.

#### **Regulation**

To enable the administrative authorities to exercise effective control over international movements of aircraft within the realm of general aviation, national legislators generally require the following information to be communicated:

- the flight plan;
- documentation on the legal and fiscal status of the aircraft;



# light aviation in West Africa

- documentation on its freight;
- documentation on its passengers and their baggage.

International airports are subject to in-depth security and safety checks in the light of guidelines framed by competent national authorities and international bodies, particularly in the aftermath of the events of 11 September 2001, but what of secondary airfields?

## Risks and modus operandi

According to the authors of a recent study conducted in France by INHESJ, the National Institute for Advanced Studies in Security and Justice, there are various ways in which goods are imported fraudulently by means of light aircraft. In the case of narcotics, the study states that the commonest method involves drugs being carried, almost unconcealed, in sports bags; the pilot has no flight plan, the transponder is switched off, there is no radio contact, and the aircraft flies at daybreak or overnight at low altitude with no lights. These are extremely high-risk operations which require real handling skill on the part of the pilot and the use of night-vision technology.

In a contrasting modus operandi, traffickers exploit the advantages of business aviation, well away from the formalities that apply to commercial flights. According to the study, organizations that use business jets can hire an aircraft and a crew at very short notice. This freedom also makes

it possible to divide a journey into stages. A jet can travel thousands of miles and can easily cross the Atlantic. The pilots comply with aeronautical obligations and adhere to the rules of the air, with opening and closing flight plans. Business aviation is characterized by flexibility, one example being the possibility of changing destinations in flight. When that is done, it is very difficult for investigators to identify any illegal use of an aircraft and to foresee where it will land.

## Control procedures

Responses to this risk are manifold. Some countries monitor their air space by means of radar, which enables them to identify clandestine flights (transponder switched off) and suspect flights (discrepancies between filed flight plans and radar trajectory, or analysis of flight plan history), carrying out airborne interceptions where necessary.

Surveillance of airfields is also essential, but may be difficult to implement. To this end, a risk assessment may be carried out by means of risk mapping, focusing on various criteria such as accessibility and protection of infrastructure. Airfields and the aircraft based there have to be registered and checked. In the Netherlands, some secondary airfields are monitored with the aid of an automatic number plate reader, surveillance cameras, public address systems in buildings and hangars, and sound sensors for the identification of any night flights.

As for the checking of aircraft themselves, risk indicators have been defined and incorporated into Volume 2 of the WCO Customs Risk Management Compendium, which contains a section on air cargo risk indicators. The Airports Group, a forum within the Pompidou Group of the Council of Europe, has also compiled a list of some 20 risk indicators.

Work on international flights, moreover, involves enhanced cooperation with the authorities of neighbouring countries. This cooperation also serves to generate synergy between the bodies concerned – Customs, police, the gendarmerie and the airport authorities; it is also conducive to more efficient cooperation among the countries of the region.

## African Wings

While some countries, particularly the Andean and North American countries, have long histories of controlling light aviation, the countries of Africa are comparative novices in this field, despite the fact that the transport channel offered by light aviation is being used increasingly by criminal organizations, and that many aircraft do not comply with the applicable regulations.

Enabling inspection services to exercise their legal prerogatives in this domain and so building the capacity of countries in the region to oversee light aviation is the purpose of a project known as African Wings, which was initiated





A CESSNA 150, belonging to the Bamako Aero Club, seized by Mali Customs as its owner could not present a document to prove its legal importation

by French Customs in 2012, with financial support from MILDECA, the Interministerial Mission for Combating Drugs and Addictive Behaviours – a French agency under the authority of the Prime Minister which leads and coordinates French governmental activities designed to combat drugs and drug addictions.

It may be recalled that capacity building initiatives had previously been launched in Senegal and Mali and that Operation Senegalese Wings then Operation Malian Wings were mounted to test the feasibility and relevance of the project.

Once this test phase had been completed, it was a matter of launching training activities and providing several countries in the region with equipment in order to raise awareness among their operational airport services and build their crime detection capacities. All bodies with monitoring responsibilities within the airport structure – Customs, police, immigration authorities and bodies with a specific remit to combat the development of fraud at the airport – were involved, the objective being to enhance cooperation between authorities and, in particular, to establish systematic exchange of useful information, particularly regarding flight plans, landing times and flight records of particular aircraft, so as to enable Customs to exercise proper control.

Lastly, between 2014 and 2016, a series of operations, combining the Customs services in the region and the relevant security services, was launched by French Customs in close cooperation with the WCO and the United Nations Office on Drugs and Crime (UNODC). Three

operations, involving 10, then 15 and finally 18 countries, enabled participants to put their acquired knowledge to the test, and to gather information on light aviation movements within the West Africa region.

All of the procedures that were established for the first operation, including those relating to the collection of information, such as the content of flight plans, from airport authorities, were new to most of the participants. Today, those participants appear to have mastered the working methods and to have acquired the essential ability to respond instinctively.

#### **Identified frauds**

The inventory of airfields and checks that were made during the African Wings project and then incorporated into the routine practices of Customs services highlighted the non-compliance of numerous aircraft. Many planes were seized because of tax fraud and the infringement of Customs regulations pending payment of outstanding taxes and duties by their owners.

Customs also looked into the supply channels for fuel, crop-spraying, spare parts, aircraft stores and equipment for ground handling companies. In addition, Cargo items were seized: observation drones; arms; drugs; currency; and items regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

All players involved in airport operations benefited from the project. Airport authorities, for example, were able to

shed light on the question of aircraft parking locations, because some aircraft were being parked on military stands to avoid paying parking charges, or to obtain uncontrolled runway access.

#### **Database**

During African Wings operations, a common database is used to record all aircraft registered or observed at the targeted airports. Fed directly by the surveillance units, it lists aircraft by model and registration identifier, owner and activity, check date, and declared destination. Countries taking part in an operation can thus obtain a clear picture of the pool of aircraft in each country, which opens up new prospects for regional activity and cooperation, especially as regards temporary admissions.

The database, moreover, serves to improve the visibility of movements of small aircraft and to establish more exhaustive oversight of air traffic. The objective is to arrive at risk profiles that will enable all authorities working within the airport perimeter to refine their targeting and control methods.

#### **Conclusion**

A fourth operation is planned for 2017, the objective being to ensure that the progress achieved in building airfield control and targeting capacity will be sustained. It can already be confirmed that the African Wings project has served to strengthen the powers of the Customs services over this transport channel.

**More information**  
[enforcement@wcoomd.org](mailto:enforcement@wcoomd.org)

# New edition of the Harmonized System



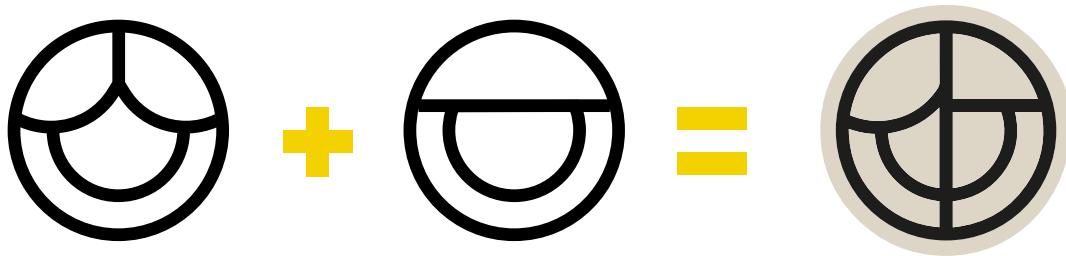
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The Equal Pay logo represents the very essence of the Equal Pay Standard, namely two different individuals being equal

## Gender equality through equal pay: Iceland Customs takes the lead

**By Unnur Ýr Kristjánsdóttir,**  
DIRECTOR HUMAN RESOURCES, ICELAND CUSTOMS

Gender equality is now a dominant theme throughout the world, and is being pursued in various ways by international organizations, governments and industry alike. The Customs world is no different as it tackles the issue, bolstered by 'gender mainstreaming' being part of the WCO's approach to gender equity. A sterling example is that of Iceland Customs, which has taken up the theme with vigor, and is now leading efforts to bring about gender equality with the recent implementation of an 'Equal Pay Standard' in 2016. In this article, they take us on the Standard's journey: from development to implementation to recognition of the certification process.

**Development and publication**  
Standard ÍST 85: 2012 - Equal Pay Management System - Requirements and Guidance, commonly known as the Equal Pay Standard, was published by Icelandic Standards in December 2012. The idea was to create a system that could confirm that women and men, working for the same employer, were paid equal wages and enjoyed equal

terms of employment for the same jobs or jobs of equal value.

But Iceland's journey on gender pay parity began much earlier. Collective agreements between the main parties in the private labour market already contained a clause on the development of a certification scheme for gender pay equality and this was followed by a

provisional clause, on the same subject, in the Icelandic Act on Gender Equality No. 10/2008.

What was lacking, however, was a standard that could be applied by all organizations across the board. This led, in the autumn of 2008, to Iceland's Ministry of Welfare, along with the Icelandic Confederation of Labour and the Confederation of Icelandic Employers, beginning work on the development of the Equal Pay Standard.

Icelandic Standards (IST) agreed to supervise the project, establishing a Technical Committee (TC) to oversee the work. The TC included the sponsors of the project, as well as representatives of the Centre for Gender Equality, the Ministry of Finance, the Federation of State and Municipal Employees, the Association of Academics, The Icelandic Association of Women Entrepreneurs, the Association of Local Authorities in Iceland, as well as a couple of private companies.

To take the project forward, the TC set up a working group, which was responsible for drafting the text of the Standard with the aid of experts in selected fields. The group decided to use the ISO's International Management System Standards – for example, ISO 9001 on quality management systems and ISO 14001 on environmental management systems – as models.

### **Equal Pay Standard explained**

The Equal Pay Standard describes the process that companies and institutions can follow in order to ensure equal pay within their organization. Moreover, the Standard aims at implementing effective and professional methods for pay decisions, as well as effective review and improvement mechanisms. It is applicable to all companies and institutions, regardless of their size, field of activity and staff gender composition.

Companies and institutions that implement the Standard, and obtain the necessary certification, can thus improve their human resource (HR) management and pay policies. In addition, the Standard can be used to prevent and eradicate all forms of discrimination, and improve an organization's image as a fair employer.

An organization adopting the Standard would start with an assessment of its current pay policies, classify jobs, according to equal value and conduct wage research on the basis of the classifications, as well as formalizing policies and processes related to pay decisions. These changes need to be reviewed regularly, checked and validated by management.

Once an organization has implemented the changes, it can apply for certification of its pay system based on the tenets of the Standard. Job classification plays a big part in implementing the Standard, and is useful in general HR management, particularly with respect to manpower analysis and planning, recruitment, job development plans, and performance appraisals.

The purpose of the Equal Pay Standard is to:

- create a system which ensures that women and men working for the same employer are paid equal wages and enjoy equal terms of employment for the same jobs and jobs of equal value;

- serve as a vehicle for the elimination of all forms of discrimination, as it forces employers to take a holistic view of their salary system;
- enable Iceland Customs to prove that it is fulfilling its legal obligations of paying equal wages for equal jobs;
- ensure equality, including labour market equality, which, in a broad sense, is an integral part of a just and fair society;
- act as a tool to fight gender-based wage discrimination.

As the Standard is new and no obvious models existed prior to its development and implementation, it was pioneering work – work that Iceland Customs took part in. Today, Icelandic authorities proudly view the Standard as a valuable contribution to the global gender equality and diversity dialogue, which Iceland Customs are happy to be a part of – given its firm commitment to a fair and equitable workplace.

### **Customs' implementation journey**

Iceland Customs first put together a project group consisting of HR specialists. The group's main tasks were to come up with preliminary definitions for job classifications, and criteria for job classifications.

Thereafter, a focus group comprising all top and middle managers was set up. They reviewed and later accepted the definitions and criteria, ensuring a common understanding of all the elements. What should, however, be noted here is that management buy-in is vital to the success of such a project.

When the job criteria and definitions were in place, the actual job classifications could be set up – a huge, but rewarding task. The classifications provided the working group with a broad overview of all jobs within Customs, and what their value was considered to be. It

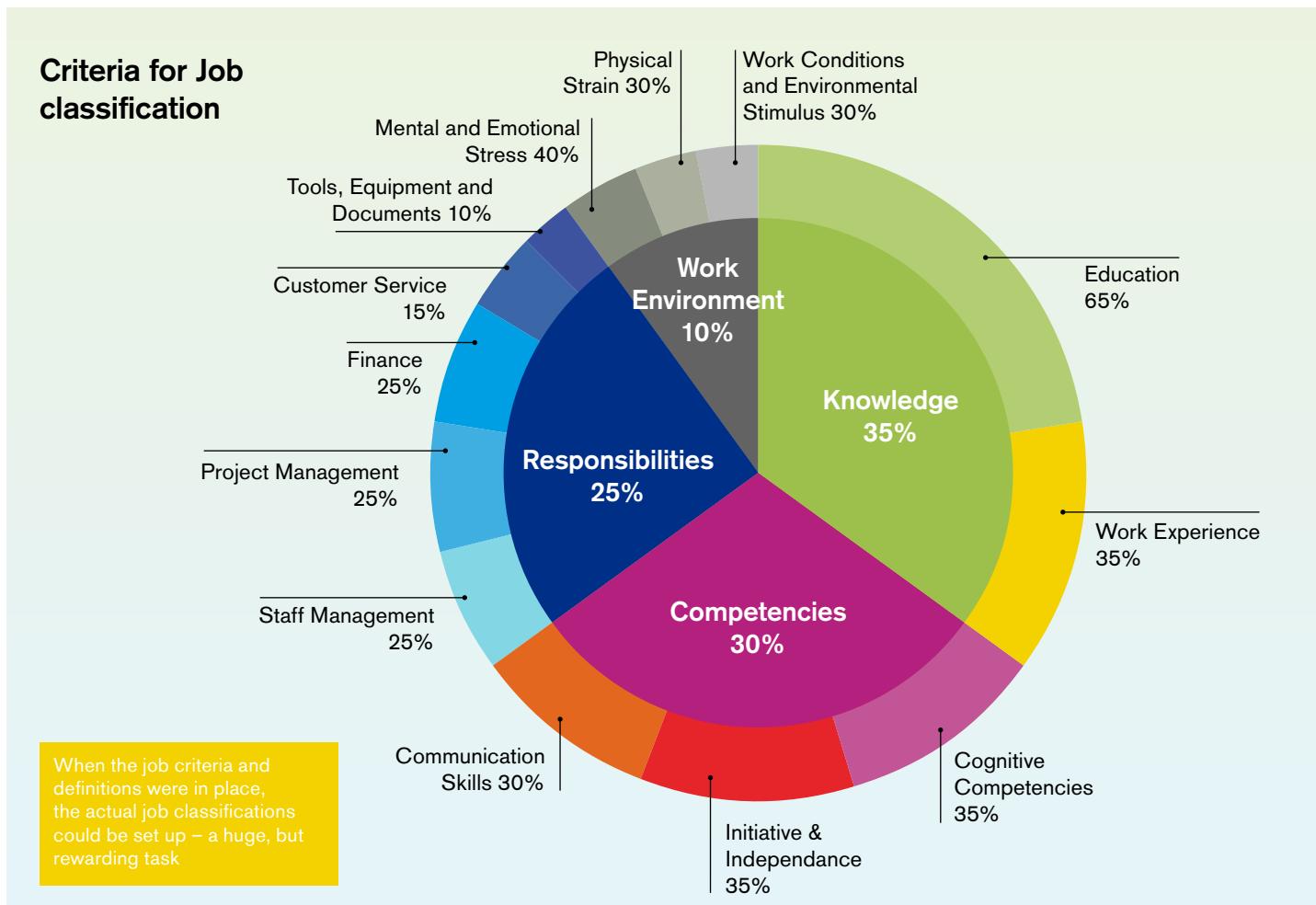
**By implementing the Standard, Iceland Customs has established the organization as a fair and equitable employer, resulting in employees now firmly believing that the wage system is transparent, predictable, and based on equality and fairness.**

is Important to remember that what is being evaluated and classified is jobs – NOT employees.

The final result was that all jobs were categorized in terms of their comparability and equal value. Implementing the standard was pure quality management. What this means is that in order to comply with the demands of the Standard, strategic and quality management working methods must be applied.

As part of the implementation process, Iceland Customs had to define and document an Equal Pay System as well as an Equal Pay Strategy and Equal Rights Strategy due to the fact that the Standard contains certain general equal rights, obligations which must be fulfilled, such as:

- an equality and equal pay strategy must be in place;
- an equal rights implementation plan must exist;



- an annual report by an equal rights officer on gender equality issues must be produced;
- the annual report must be accessible to all staff.

In order to facilitate the fulfillment of the obligations of the Standard and to promote the issue of equality even further, Iceland Customs appointed an equal rights officer whose responsibilities include monitoring and reporting on these issues.

As with other management standards, certification is done by an independent accredited third party institution. In order to receive certification, Iceland Customs had to undergo a thorough compliance audit, aimed at ensuring that it fully met the requirements of the Standard. This certification process was the first of its kind and was conducted in September 2016.

Iceland Customs is the first organization to be certified according to the Equal Pay Standard. Although implementing the Standard was time consuming, Customs regards its implementation as well worth the effort, having received a number of benefits, some of which include:

- a certified management system on salaries and equal rights of staff;
- more transparency and predictability;
- easier drafting of institutional contracts and job descriptions;
- an improved organizational culture – given the emphasis on transparency and trust;
- light is now able to be shed on issues such as the gender segregated job market and ‘gendered work-based behaviour’.

By implementing the Standard, Iceland Customs has established the organization as a fair and equitable employer, resulting in employees now firmly believing that the wage system is transparent, predictable, and based on equality and fairness. The Standard will also assist Customs in managing HR matters more effectively, especially recruitment.

The Standard is in the process of being translated into English, which means that organizations outside of Iceland will be able to access it more easily, and use it to assess their pay policies as well as equality issues. It is set up in such a way that it can be used by any company or institution, irrespective of location, size and field of operations.

#### Certification recognition

Early on during the pilot project, participants expressed a wish for some sort of recognition that they had been

certified. They wanted a logo or an award that a company or an institution could display, which would visibly demonstrate the equal pay ethic of the organization.

Therefore, in 2014, a competition was held in collaboration with the Iceland Design Centre for the design of an Equal Pay logo. There was record participation in Iceland with some 156 designs being presented for consideration, out of which the current Equal Pay logo was selected.

The jury, composed of three designers and two representatives of the Action Group on Equal Pay, were unanimous in their choice and said the logo represented the very essence of the Equal Pay Standard, namely two different individuals being equal. It went on, arguing that:

"In the image of the logo you can see a compass, a stamp, a runic representation and the smiling faces of two different individuals. In its shape, the mark represents a coin or a piece of money, thus showing that these two individuals were measured equally in terms of pay. The mark can be used internationally, being of a unique and descriptive purpose, while recalling its Icelandic origin".

The Equal Pay logo emphasizes the fact that the Standard can be used by any employer (one that employs women only, men only or is gender neutral), thus preventing all forms of discrimination, not only between men and women, but also on the grounds of origin, faith, sexual orientation, etc.

In addition, the logo can be seen as a 'smiley' or a stamp of quality and equality, usable anywhere in the world. Iceland hopes that the gender equality logo will be recognized internationally as a mark of equality that will be sought after by institutions and companies of all shapes and sizes.

As a mark of Iceland Customs having not only implemented the requirements of the Equal Pay Standard, but also being the first organization to obtain certification according to the Standard, the Ministry of Welfare awarded it the Equal Pay logo, which Customs proudly displays as a badge of honour to mark the fact that it is a fair and equitable employer.

#### **More information**

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# Border workforce well-being: Canada takes care of its employees

**By John Ossowski,**

PRESIDENT OF THE CANADA BORDER SERVICES  
AGENCY

THE HEALTH AND wellness of our workforce is critical to the success of modern border management organizations. While the operating environments differ between each of our countries – for example, some of us work in an armed environment, or within different legal frameworks – we all share a common purpose. We work to protect our country's security, while enabling prosperity within a complex range of border-related threats. To be successful, all of us must count on a strong and enabled workforce.

At the Canada Border Services Agency (CBSA), we work hard to support our employees and build a strong organizational culture. Our 14,000 employees deliver a wide range of border services with a dedication to excellence, professionalism, and service.

In our experience, building a strong organizational culture is not easy:

- It takes a concerted effort, and participation of leaders from all levels of the organization;
- It takes a plan that is supported by managers and employees;
- It takes engagement and motivation;
- You need communications that are accessible and consistent;
- Most of all, you need a strong commitment and focus over many years to make it work.

For the CBSA, there are three components to how we approached the well being of our workforce within the organization: the first is a plan to develop and support our employees

called the CBSA's People Strategy; the second is an initiative to raise awareness and remove the stigma associated with mental health; and the third is a tool called the Integrity Continuum that we use to create a balance between a values-based and a rules-based culture.

## CBSA's People Strategy

Launched in 2015, the People Strategy is the CBSA's roadmap for strengthening and reinforcing a commitment to our people. Its goal is to help focus efforts and ensure that the right people are working in the right places, with the best tools and training. This strategy sets the strategic direction for people management, and provides an overarching roadmap to guide leaders at all levels on how to invest in people and realize the Agency's vision for its workforce.

The strategy's three priorities are developing the workforce (training

employees so that they can achieve results for Canadians), supporting leadership (leading employees effectively to advance Agency transformation), and creating an enabling environment (providing effective tools and a healthy workplace for employees and leaders). It is supported through hundreds of activities at the Agency and local unit level. For example, under the strategy, the CBSA has:

- tailored training, development, coaching, and mentoring as top priorities;
- defined competency profiles for the workforce, and aligned recruiting practices to target those competencies;
- developed tools and mechanisms to support employee mobility within the Agency;
- developed a performance management programme that sets clear expectations, provides constructive feedback, and supports talent development;
- identified, assessed, and nurtured leadership potential;
- engaged employees in matters that affect their work, environment, and professional development;
- modernized the human resources services delivery model to reduce the administrative burden for managers;
- promoted awareness of values, ethics, and standards of conduct through training.

While the CBSA is starting to see results from this strategy and its associated activities, the goal is to have an efficient workforce that achieves results for Canadians, with outstanding leadership demonstrated at all levels, and in a workplace that is respectful, healthy, and efficient, where people strive to excel.

### **Creating a healthy and respectful workplace**

Years ago, mental health was not something people talked about. Today, we are working to break down the

barriers, reduce stigma, and create workplaces that promote and support employee mental health. Mental health in the workplace affects everyone, whether we are managers or employees.

One in five Canadians will personally experience a mental illness in his or her lifetime, and these statistics are similar all over the world. Mental illness affects all of us, whether personally or through a family member, a friend, or a co-worker.

The CBSA's Strategy to Support Mental Health was launched in July 2016. This strategy is organized around the themes of prevention, intervention, and support.

#### ***Prevention***

Under the theme of prevention, we promote understanding and awareness to reduce the stigma, and protect the psychological health and safety of employees and people in our care. We followed many other organizations in launching a campaign called 'Not Myself Today,' created by Partners for Mental Health, a national charitable organization accredited by Imagine Canada. This national campaign raises awareness and reduces stigma with respect to mental health issues across the country.

As part of the campaign, we engaged thousands of our employees and managers in a dialogue on mental health using a variety of communications tools, videos, and learning events. For example, we developed an internal communications network where employees can consult information, explore self-assessment tools, and find out where to seek help for themselves, their colleagues, and their family members. At the same time, we adopted mandatory online training for all employees on mental health awareness, and creating a respectful workplace.

#### ***Intervention***

Under the intervention theme, we began training our frontline officers on how to manage mental health issues within the public they serve. We used courses such as the Mental Health Commission of Canada's Mental Health First Aid Course. This course, developed using best practices from Australia, is

**Years ago, mental health was not something people talked about. Today, we are working to break down the barriers, reduce stigma, and create workplaces that promote and support employee mental health. Mental health in the workplace affects everyone, whether we are managers or employees.**

helping officers from CBSA to deal with travellers, clients, and people in its care who exhibit signs of mental health issues.

We are also adapting the scenario-based ‘use-of-force training’ to include the importance of communication with respect to mental health issues. These initiatives provide a comprehensive array of crisis intervention and de-escalation techniques to reduce conflict, and resolve crises with minimal or no use of force.

### **Support**

Under the support theme, we are considering mental health issues in the development of policy to ensure that any potential mental health implications are addressed upfront. We are developing a post-traumatic stress injuries action plan to promote prevention and early intervention through continued education, including additional support for care and treatment where an injury has occurred.

The CBSA is also developing training and support mechanisms to help our officers mitigate the risks of exposure to offensive material that they encounter as part of their duties. This includes research-based intervention tools that help disrupt the way memories of disturbing and traumatic sensory inputs are formed, which will strengthen officer resilience.

### **The Integrity Continuum**

Fostering a culture of workforce integrity is vital to the way we do business. We developed a tool called the Integrity Continuum, using best practices from the WCO, the Organization for Economic Co-operation and Development (OECD), and other international partners. The Integrity

Continuum is a way of looking at the range of approaches to managing the integrity of a workforce through a mix of compliance-based and values based strategies:

- Compliance-based strategies are detailed controls that are put in place to prevent misconduct through discipline, and include tools such as codes of conduct, mandatory reporting of misconduct, and disciplinary actions;
- Values-based strategies promote good behaviour and an ethical culture, and include tools such as values and ethics training, displaying leadership commitment, and raising awareness of the organization’s values.

In recent years, the focus at the CBSA has been on implementing values-based strategies to build on the robust compliance regime that is in place. A values-based approach is set by a strong leadership commitment. As leaders we have to set the tone at the top of our organizations, and model the behaviours we expect from our staff.

Once the tone is set, another important aspect in building an effective integrity management programme is raising awareness of the desired values through communication. Employees must be aware of the values expected of them, and need to feel like they are a part of the culture in the way that they uphold these values. Our internal approach is to promote integrity as an expectation at every opportunity, and ensure that messages reflect a theme of employee empowerment.

In collaborating with leaders of other Customs administrations

internationally, we have realized that our approaches to compliance strategies are largely similar. However, our organizations tend to take different approaches to the use of values-based strategies. In order to be truly effective at managing the integrity of our people, a governance approach that is balanced between the two ends of the spectrum is required. We all strive to build organizational cultures that reflect the highest level of integrity, but we must remain vigilant in striving for the right balance.

### **The border workforce of the future**

Border workforce well being is essential to modern border management organizations. A healthy and engaged workforce is achieved through a supportive organizational culture, and is built by adopting both formal and informal mechanisms to strengthen employee wellness and integrity. Culture is something that is built deliberately to not only reflect the history of an organization, but also the pride its employees will carry into the future.

The well being of our workforces is directly linked to our ability to provide integrated border services while safeguarding our economies and populations. To fulfil our mandates, we must all focus on building organizations that invest in people and care about their well being.

*John Ossowski was appointed President of the Canada Border Services Agency on 7 December 2016.*

### **More information**

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# China's latest initiatives to enhance Customs integrity and compliance

**By Libing WEI,**

POLICY ADVISER, INTERNATIONAL COOPERATION,  
CHINA CUSTOMS

CHINA CUSTOMS HAS rolled out a series of measures to enhance staff integrity at all administrative levels and to promote trader compliance across all sectors. Four of the latest initiatives introduced in this regard are described below, namely the extension of the functions of the Discipline and Integrity Monitoring Bureau, the use of automated random selections to decide on consignments to be controlled, the publication of business credibility statuses, and the undertaking of trader satisfaction surveys on Customs' service and procedural fairness.

## One case - two investigation teams

As a critical step, China Customs has reengineered its integrity monitoring mechanism by extending the power of the Discipline and Integrity Monitoring Bureau. The Bureau is an independent body which reports to both the seven members of the Directors' Board of the General Administration of China Customs (GACC) and the National Central Discipline Steering Committee – the latter entity monitors discipline in all government bodies and the governing political party.

Appointed by the National Central Discipline Steering Committee, the Bureau's top officials are selected from among the members of the very same Steering Committee. Officials operating at lower branches and at regional Customs offices, however, are selected by the GACC. Rich in anti-corruption investigation experience, the Bureau staff is tasked with reviewing the implementation of the Customs integrity strategy and action plan at all levels of the administration.

The decision to strengthen the Bureau's capacities, followed the uncovering of corruption cases in 2014, which brought to light the existence of collusion between frontline Customs officers

and smugglers in a southern coastal province. A considerable number of Customs officers, including some in charge of anti-smuggling, were found to have been engaged in illegal trade. They were 'facilitating' such trade, not out of negligence, but deliberately while on duty for the sake of seeking illicit gains. As a result, China Customs realized that there were loopholes in the system in place to prevent collusion and smuggling – revealing an information asymmetry between headquarters and the local offices in particular, and the existence of a spirit of 'comradeship' between officers.

In this context, it was decided to implement a new policy called "One Case - Two Investigation Teams." Under the scheme, each violation of Customs regulations, if found to surpass a certain threshold of Customs duty or which causes a considerable negative impact on supply chain security and ethical culture, will be subject to a joint investigation by the Anti-Smuggling Bureau and the Discipline and Integrity Monitoring Bureau. Previously, such cases were investigated solely by officers of the Anti-Smuggling Bureau of the local Customs office concerned.

The officials working at the headquarters of the Discipline and Integrity Monitoring Bureau provide instructions on how the investigation teams should be organized and which procedure they should follow according to the situation on the ground, the objective being to ensure that competencies related to law enforcement and the fight against corruption are well represented.

The joint investigation team employs an information and communication technology (ICT) system called "HL 2008" to report all data related to an investigation process. The system enables the Chinese Customs administration to have at its disposal all historical data on investigated cases and on corruption activities which it has revealed, and to

profile economic operators and Customs offices accordingly.

In practice, the new policy applied to all investigations enables all circumstances surrounding an incident to be examined and all the relevant facts to be documented, which assists in the making of an informed decision. It also helps to guard against possible corruption-related nepotism, while supporting the overall integrity of China Customs, which has proved successful in effectively addressing local issues related to compliance management. In 2016 alone, there were 2,633 smuggling cases investigated under this scheme, and close to 80,000 administrative violations identified and investigated nationwide.

## Dual automatic random selections

Since 2014, in addition to the existing three main methodologies used to select shipments and consignments to be controlled, namely pre-set risk targeting, sampling and improvised 'on the spot' targeting, China Customs uses what it calls "Dual Automatic Random Selections." Under this scheme, the automated risk management system randomly selects some shipments for inspection, and appoints inspection officers randomly as well to process the inspection. Its main purpose is to deter possible collusion between officers and traders, thereby ensuring a fair and just clearance process.

The selection process works along similar lines to that of pre-set risk targeting: targeting criteria such as increases or decreases in the percentage of screenings on certain industrial product or goods of a particular origin are predefined and entered into the risk search engine. It is, therefore, different from the usual random targeting process, which is based on discretionary judgment on the spot, as it takes advantage of computer rapid assessment and of information coming from a large network of regional offices that is shared through the integrated Customs clearance system.

The initiatives being implemented send a clear message – that China Customs is committed to strengthening integrity and compliance awareness by every possible innovative means, as existing approaches could be manipulated by non-compliant traders and officials for illegal gain.



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This new policy has proven to complement existing selection methodologies. Although the seizure rate following the inspection of a targeted shipment is not as high as the rates obtained through the implementation of the other three selection methods, the new scheme allows China Customs to demonstrate that it is focused on fairness and justice, and that it is committed to preventing the rent-seeking of public power.

According to the latest report issued at the end of March 2017, on a national basis, 95% of the shipments selected through this method were inspected, with a seizure rate of around 8.8%. In comparison, inspection rates on shipments selected through pre-set risk targeting, sampling and improvised on the spot targeting methodologies were 81%, 14% and 5% respectively, with seizure rates of around 10%, 3.9% and 20% respectively.

Equally meaningful in terms of compliance management, the new policy acts as a greater deterrent for potential illegal traders. Thus, the private sector is not able to speculate on which consignment will be subject to a control and who may be doing the inspection, and Customs officers do not know who will be chosen to inspect which consignment. Moreover, investigation results will ‘feed’ the risk engine, resulting in the improvement of the whole targeting system. Interestingly,

the method is widely acclaimed in preventing corruption and has been adopted by other regulatory departments in China.

#### **Publication of business credibility statuses**

China Customs and 32 other government departments signed a joint Memorandum of Understanding on Collective Punishment to Discredited Enterprises in March 2017. In line with the national strategy of “Awarding Credibility and Punishing Dishonesty” to build the trust of society, the Memorandum of Understanding (MOU) contains 39 articles related to the punishment of economic operators guilty of dishonest or illegal behaviour.

The MOU states that not only discredited entities, but also their legal representatives, board executives and senior managers shall fall under stricter regulation. It provides that discredited operators are either restricted in their actions or severely regulated wherever they intend to run a business – for instance, in terms of bank loans, investments, and the physical entry or exit of goods at borders.

In addition, the MOU requires all signatory departments to monitor business credibility, and publish evaluation and audit results through a “Single Window for the Publication of Companies’ Credibility Status.” Here, it may be mentioned, that China

Customs is already required by law – the Interim Regulations on the Categorized Management of Enterprises’ Credibility, i.e. the law regulating the Chinese authorized economic operator (AEO) programme – to verify the credibility of all enterprises registered with Customs and to publish the results of its assessment.

The credibility of companies is evaluated according to their historical business performance and compliance records as well as via controls and audits. Enterprises are placed in one of four categories:

- High Credible Authorized Operators (AEO companies);
- Credible Operators;
- Ordinary Operators;
- Discredited Operators.

High credible authorized operators and credible operators are respectively granted clearance facilitation permission, while ordinary operators will be subject to regular enforcement, and discredited operators subject to strict Customs controls.

**Trader satisfaction survey in combination with integrity building**  
Another initiative worth mentioning is the undertaking once a year of a satisfaction survey on Customs’ service

and procedural fairness. The Discipline and Integrity Monitoring Bureau is tasked with formulating the survey questions and coordinating the activities of the team in charge of analysing and compiling the results. This survey team is made up of private practitioners on the ground, mainly drawn from the Customs Brokers Association and its regional branches nationwide, based on the close Customs-business partnership already in place.

The survey questions, which are published on the websites of the GACC and the Customs Brokers Association, enable information to be obtained, not only on dishonest practices by traders and Customs officers, but also on the perceptions of traders with respect to Customs' performance and the effectiveness of its compliance instruments.

#### **Way forward**

China Customs is convinced that its latest initiatives to enhance Customs integrity and trader compliance are key to reducing information asymmetry, to combating corruption and to upholding the principle of "compliance for trade facilitation" in boosting business morale on a meritocratic basis. The initiatives being implemented send a clear message – that China Customs is committed to strengthening integrity and compliance awareness by every possible innovative means, as existing approaches could be manipulated by non-compliant traders and officials for illegal gain.

However, keeping an esprit de corps and fighting against Customs corruption is a long hard journey, particularly in the business context where large volumes of shipments are being cleared under more and more 'facilitated' measures, making it imperative for Customs officers to demonstrate high integrity and for trade practitioners to comply with the rules. These are two sides of the same coin in the course of building social trust, and in creating a working environment which is professional, ethical and fair.

#### **More information**

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# EAC Regional AEO programme: a model for regional integration and trade facilitation

**By Richard Chopra,**  
WCO-SWEDEN PROGRAMME DIRECTOR,  
**and Martin Ojok,**  
EAC REGIONAL PROJECT MANAGER

Partner States of the East African Community (EAC) have developed a Regional Authorized Economic Operator (AEO) programme with the support of the WCO and in partnership with the EAC Secretariat. Under this scheme, regional AEOs will be mutually recognized in all Partner States and receive uniform benefits. By implementing this specific regional programme together with sound data management, EAC Partner States' Customs services will be able to provide what businesses operating in their respective States are looking for in the least burdensome way while reducing the cost of doing business.

THE EAC COMPRISSES six countries, namely Burundi, Kenya, Rwanda, Tanzania, Uganda and more recently South Sudan, collectively representing a population of over 145 million. With the establishment in 2005 of a Customs Union, these States have been able to trade goods and some services with each other free of tariffs, in most cases. They have also synchronized and often reduced most of their external tariffs, which has lowered the transaction costs of international trade and decreased the likelihood of an East African nation engaging in a costly trade war with one or more of its neighbours.

During April 2012, EAC Partner States decided to set up a Single Customs Territory (SCT), described as a

stage towards full attainment of the Customs Union, which is achievable by removing restrictive regulations and/or minimizing internal border controls on goods moving between Partner States – ultimately realizing free circulation of goods. They also agreed in principle to adopt the 'Destination Model' for clearing goods, where assessment and collection of revenue is done at the first point of entry.

With this ultimate goal in mind and in order to secure and facilitate trade according to the provisions of the WCO SAFE Framework of Standards, which all EAC Partner States are committed to implement, several measures have been implemented by the Partner States' Customs services.

The benefits for the companies participating in the pilot were crystal clear: they reported savings ranging from 100 to 400 US dollars per consignment. This money is expected to be ploughed back into the companies' businesses, allowing them to expand and improve – leading to more jobs being created.

One of these measures is the deployment of AEO programmes at the national level – lest one forgets, under such programmes, economic operators receive various trade facilitation benefits, providing they can demonstrate that their Customs-related procedures and business practices are efficient and compliant, and that they meet minimum supply chain security standards.

In 2008, while working on the deployment of their national schemes, EAC Partner States also started developing a Regional AEO programme with the help of the EAC Secretariat and the WCO. Under the scheme, AEOs will be mutually recognized in all six Partner States, and receive uniform benefits.

The WCO has been providing support to EAC Partner-States under the Customs for Regional East African Trade (CREATE) Project. Funded by Sweden, as part of the WCO-Sweden Programme, the project aims at contributing to poverty eradication efforts in the East Africa region by fostering regional economic development through improved regional trade facilitation and more efficient controls.

#### **Implementation steps**

The Regional AEO programme was deployed in two stages. Under Phase I, which ran from 2008 to 2013, a team of experts from the EAC, supported by the WCO, undertook diagnostic studies and developed a Regional AEO pilot, which resulted in the accreditation of 13 AEOs from across the region.

The benefits for the companies participating in the pilot were crystal clear: they reported savings ranging from 100 to 400 US dollars per consignment. With more than 10,000 consignments being handled by these companies in a month, global savings estimates could be anything between 1 and 4 million US dollars per month.

- draft a Communication Visibility Plan to enhance awareness about the programme;
- initiate work on an AEO validation course, which will be based on WCO standards and integrated into the EAC Customs training curriculum as well as national training curricula;
- develop a strategic ‘dashboard’ to monitor the health and performance of the programme.

#### **The regional dimension**

As the AEO programme is a regional one, it has been mainstreamed by the EAC Secretariat and is now a standing item on the agenda of the EAC Committee on Customs. The management and implementation of the Regional AEO programme have been embedded in the work programme of the Partner States’ Customs services.

Last but not least, the AEO Working Group consisting of Customs and trade representatives from the region acts as a consultative body and contributes as such to the administration of the Regional AEO programme. In addition, ‘South-South Cooperation’ was encouraged during the project, with support being received from WCO experts from India, South Africa and Swaziland.

#### **Monitoring performance**

Rolling out a regional AEO programme embeds many complexities. To support decisions at every stage of the scheme (validation/rejection process, and monitoring post validation compliance) and to enable its impact to be assessed, emphasis has to be placed on data analysis. For this reason, a regional strategic dashboard which provides a quick report on the different aspects of the programme was developed.

It goes without saying that the sharing of quality information and trade

data on AEOs among EAC Partner States is a critical pillar that supports the programme. Such an endeavour requires willingness, diligence and operational capacity. While willingness and diligence are matters that can easily be agreed on and handled by EAC Partner States, the capacity to collect and analyse data requires a supportive IT infrastructure.

### Conclusion

Schemes like that of the AEO, which provide Customs administrations with some degree of certainty on actors in the supply chain, are seen as being part of the solution that enables Customs to offer trade facilitation benefits to reliable and compliant traders. By implementing a regional AEO programme that is supported by sound data management,

EAC Partner States' Customs services will be able to provide what businesses operating in their respective States are looking for: a transparent and predictable trading environment.

Even though it is still a relatively young programme, it has already generated some interesting results. Most telling is the fact that Regional AEOs now number 46 companies, accounting for about 5.6% of the transactions being made in the EAC in terms of value – about 1 billion US dollars per month. Another interesting fact is that inspections on AEO shipments or controls on their transactions have led to no contentious procedure so far.

Kenneth Bagamuhunda, the Director General of Customs and Trade at the EAC Secretariat, recently expressed his optimism towards the scheme: “The roll-out of the Regional AEO programme is one of the region’s priority Customs modernization initiatives, and has been fully mainstreamed into the EAC Strategic Plan. Based on the results obtained so far, I believe that the programme will be meaningful, and provide real improvements and facilitation gains to companies across the region.”

### More information

[capacity.building@wcoomd.org](mailto:capacity.building@wcoomd.org)

### Overview of the "dashboard" developed to monitor the health and performance of the programme

2017	Country
<b>AEO - Profile</b>	
Importers / Exporters	
Customs Brokers	
Warehouse Operators	
Transporters	
Nr. of regional AEOs	
<b>Regional AEO Programme - Trade and Revenue Impact</b>	
Volume of trade (nr. of transactions) in %	
Value of trade (value of transactions) in %	
Overall volume of trade in USD	
Value of revenue collected in %	
<b>Regional AEOs - Compliance Levels</b>	
Nr. of regional AEOs that committed an offence/infringement	
% of compliant regional AEOs	
<b>AEO on-going accreditation process</b>	
Nr. of new regional AEO applicants	
Nr. of regional AEO applicants put forward for accreditation	
% of applicants put forward for accreditation	
<b>AEO Programme - Benefits</b>	
Nr. of regional AEOs with a regional AEO identifier	
% of regional AEOs with a regional AEO identifier	
Regional AEO - Average Clearance Time - Road Consignments	
Regional AEO - Average Clearance Time - Maritime Consignments	
Regional AEO - Average Clearance Time - Air Consignments	
<b>AEO Working Groups - Engagement</b>	
National AEO Working Groups - Nr. of sessions	
Regional AEO Working Groups - Nr. of sessions	

# Going digital: a Tanzanian Customs broker shares his experience

**By Charles Bwaira,**

MANAGING DIRECTOR, TRINITY LOGISTICS (T) LTD

SIX HUNDRED CUSTOMS brokerage companies are registered in Tanzania. Given the size and population of the country, this relatively high number of Customs brokers is due to the fact that Tanzania has three maritime ports, namely Dar es Salaam, Tanga and Mtwara, which are also used by importers and exporters of neighbouring landlocked countries.

But this number may go down in the near future with the implementation of the Single Customs Territory (SCT), the final stage of the East African Community's (EAC) Customs Union. Indeed, with the creation of a SCT, a brokerage company licensed in any of the six EAC Partner States will be able to operate throughout EAC territory – a provision which is imposing a serious challenge to the industry, and threatening the survival of many Customs brokers in Tanzania.

Therefore, as the provisions of the SCT will place even more pressure on brokers, this highly competitive environment now requires brokers to:

- enhance their business management knowledge, and forces them to adopt modern working methods;
- ensure that they have suitably qualified staff, and set up a training programme to keep them updated on any changes in Customs regulations and procedures – for example, understanding how to lodge a declaration via the Tanzania Customs Integrated System (TANCIS) requires training and practice;
- use the latest information technology (IT) available to increase operational performance, and to facilitate the reinvention of the way they do business.

However, implementing such measures requires access to financial resources and being able to convince a financial institution that the business is sustainable, which is not an easy task for brokerage companies – some of which are small and medium size enterprises – whose licences need to be renewed every year.

As in many countries, Customs in Tanzania is the licensing authority for Customs brokers. In order to offer brokerage services, a company must have one of its directors and shareholders pass an examination as part of the licensing process. When it comes to renewing its licence, a brokerage company has to update its business information and pay a 400 US dollar licence fee.

## Creating a digital business

In January 2016, I set up my own brokerage company after being officially licensed by the Tanzania Revenue Authority (TRA). Being well aware of the level of competition in the market, I knew that my capacity to penetrate it would be determined by my ability to manage the business with maximum compliance and transparency.

After reading the February 2016 edition of the WCO News magazine with its 'Going Digital' main theme, a revelation came over me: I had to develop an IT solution that would digitalize all my business procedures, making it easier to manage staff, finances and customer relations. One of the functionalities of such a system should allow my customers to login to a web portal to view the status of their cargo, all their documentation, and any invoices due for payment.

My next step was to hire an IT expert to design and create the software. He had to understand how the company staff operates in order to digitalize our procedures, and we spent hours

mapping out processes and trying to find ways of improving and digitalizing them. Finally, after two months of hard work, "Clickers Auto Agent" was born – a web-based management software for Customs brokers.

The software automates all internal procedures, enabling us to inform our clients by email or text message on every stage of the Customs clearance of their shipments. As a manager, it helps me to keep track of my customers, save and track documents easily and systematically, and manage invoicing as well as finances such as day-to-day petty cash and balance sheets through an accounting package.

Every staff member has a profile and an account. They login to the system as soon as they start working, and are assigned duties by a supervisor to which they must report once their work is finalized. Managing workflow through such a system enables better visibility, including systematic performance rating that provides a quick analysis of what staff are doing and how well they are doing it.

Once the software had been developed, together with the developer, I reached out to other stakeholders and brokers to present our tool to them and to get their views on how to improve the system, including the possibility of making it available to them to use. During our marketing and outreach exercise, certain stakeholders suggested that we link our software to the TRA's TANCIS and the IT system of the Tanzania Ports Authority (TPA), in order to enhance the quality of the information collected by these systems.

We also had constructive talks with representatives from the Dar es Salaam Corridor about the possibility of interfacing our software with



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the software that they are currently developing, in their quest to improve the performance of the corridor, by better monitoring issues such as the cost of using the corridor, transit times, border dwell times, security, and safety. Representatives attending their workshops on the issue are drawn from both the public and private sectors, and include delegates from Customs and clearing and forwarding agents.

After I signed a sale agreement with the developer, the tool was made available to other brokers, and a good number of them are using the system at the moment. The system also provides an interface with transport companies and border posts, which can connect to it and access some information. The idea is to have it linked, in the near future, to TANCIS and the IT systems of other stakeholders such as the TPA, in order to facilitate operations, enhance transparency, and enable better compliance by providing direct access to data on commercial operators' transactions.

### **Boosting integrity**

In Tanzania, the Customs service is in charge of licensing and monitoring compliance by Customs brokers. However, talks are ongoing with regard to the setting up of an autonomous board, whose members will be chosen from among Customs brokers and which will oversee all the profession's requirements. The decision is motivated, among other things, by an aspiration to increase the professionalism and integrity of brokers.

Integrity has been an issue for so many Customs brokers and has cost them their businesses and operating licences. A good number of senior Customs officials have also lost their jobs for the same reason. With this in mind, I am convinced that digitalization will improve efficiency, encourage transparency, and boost integrity among Customs officers and brokers. For all these reasons, it is time to adopt modern working methods and business practices as the 21<sup>st</sup> century continues to unfold.

### **More information**

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**After reading the February 2016 edition of the WCO News magazine with its 'Going Digital' main theme, a revelation came over me: I had to develop an IT solution that would digitalize all my business procedures, making it easier to manage staff, finances and customer relations.**



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# Using basic mathematics to fight corruption and the realities of day-to-day practice in Cameroon

**By Marcellin Djeuwo,**

HEAD OF THE RISK MANAGEMENT UNIT, CAMEROON CUSTOMS

ONE OF THE difficulties in reforming African public administrations derives from the absence or weakness of proper instruments to monitor public action. There is a direct link between bad practices, corruption and a lack of results. For Customs, an improvement in governance automatically brings about an increase in budgeted revenue collections and trade facilitation.

The purpose of this article is to show how a public administration like Cameroon Customs, as part of a performance measurement exercise involving Customs clearance agents, has sustainably achieved a certain level of efficiency in border controls, by combating bad practices using basic mathematical techniques, such as addition, subtraction, multiplication

or division of figures extracted from its computerized Customs clearance system.

In parallel, this article explains how some Customs officials, such as frontline inspectors, whose behaviour should be overseen, attempt to bypass the system, and describes the measures taken by the performance measurement implementation team to prevent them from doing so.

## Instilling a results culture

In 2010, Cameroon adopted a system of performance contracts for appraising its staff, using statistical data together with various indicators. The appraisals are based on arithmetic, with statistical data that is simple to verify and easy to understand.

Indeed, in most African countries, poor communication, among other things, means that there is a serious asymmetry of information between managers and operational services in public administrations – managers do not always have a suitable means of ascertaining whether the reforms adopted are actually being implemented in practice.

If we consider this situation from the perspective of a Customs administration, it is easy to see that a Director General cannot reasonably know, in a relatively short term, whether, for example, risk analysis guidelines are being complied with, whether checks are being carried out properly, or whether an inspector is acting efficiently to combat fraud.



not structurally visible, how is it possible to instil a results culture in border controls? Answering this question is the challenge that has been taken up by Cameroon Customs, an institution itself suffering from serious negative bias among the general public.

Thus, since 2010, the Cameroon Customs Administration has been using figures extracted from its ASYCUDA information system to monitor how the public Customs clearance service is being carried out at the borders. Specifically, this means measuring the behaviour of officials against carefully selected performance indicators, with the aim of seeing them develop in a positive sense.

By persuading frontline inspectors, in line with pre-set targets, to gradually reduce administrative bad practices that can be conducive to corruption, or, on the other hand, encouraging them by the same token, to adopt better practices that make the working environment less prone to certain afflictions, Cameroon Customs has been able to improve revenue collections and trade facilitation.

The procedure consists of setting quantified targets for frontline inspectors, calculated from computer data on the basis of median values determined from historical data. This median is the reference starting point for an inspector's monthly and quarterly appraisal. The inspector is rewarded if his or her performance exceeds the median and penalized if it is below the median<sup>2</sup>. The thresholds at which an official may be regarded as very good, good, average or poor, are set out in a table. All this data is included in the

contracts signed between the inspectors and the Director General.

#### **The need to adapt performance indicators**

When the performance measurement procedure was introduced, some inspectors tried to find ways around it. Precise analyses and impact calculations are, therefore, carried out on an ongoing basis, in order to adapt the performance indicators to changes in the environment, or the behaviour of officials. This operation is essential, as may be seen from the following illustrative examples:

- For instance, certain inspectors meticulously studied the computerized system for the random assignment of Customs declarations. Given that, in a Customs office, declarations are allocated first to those with a low workload, they proceeded systematically to deal with the declarations they received, so as to draw in more and more files for themselves. In this way, they were seeking to increase not only their chances of being regularly involved in disputed claims, and thereby to boost their pay (an inspector who uncovers an instance of fraud receives a share of the monetary penalty imposed on the offender), but also their opportunities for contact with users (risks of corruption). A simple workload calculation revealed that certain inspectors were handling five times more declarations than their colleagues, or even more. A second calculation showed that, over a whole year, some inspectors were handling more than 80% of files from the same importers or forwarding agents, betraying the existence of some

In the same vein, in his communication entitled 'L'expérience du Cameroun en matière de gestion axée sur les résultats' [The experience of Cameroon in results-based management],<sup>1</sup> the Cameroonian Minister for the Public Service acknowledged very aptly that the country's system "has led to a paradox: that of an administration with a performance deemed to be well below average, but whose staff always have grades well above the average." This simply reflects the fact that, at the time, the staff appraisal system was lacking in relevance.

In an environment of this kind, where effort, or simply the absence of effort, is

1 Centre Africain de Formation et de Recherche Administratives pour le Développement [African Centre for Administrative Training and Development Research], Morocco, January 2013.

2 Op. cit.

collusion between them. They were penalized, and a new indicator was introduced with the aim of balancing workloads.

- Not all the Douala Customs offices were brought under contract at the same time. Hence, certain rogue operators diverted traffic normally placed with offices under contract to offices without a contract, so as to benefit from preferential treatment by certain officials serving there. Similarly, some offices under contract engaged in competition to attract traffic to themselves improperly. It is worth mentioning that in the port of Douala, the Customs offices specialize in particular types of traffic: one office for Customs clearance of goods imported in containers, another for goods imported in bulk or otherwise packaged, a third for goods in transit, a fourth for oil company imports, etc. The criteria for allocating files to the different offices are well known, and have been incorporated into ASYCUDA. But some officials found ways to manipulate the computer system to their own advantage, so that specific officials continued to deal with the files of certain forwarding agents, irrespective of the designated Customs office. Well-targeted analyses and calculations revealed this bad practice, described in the Cameroon Customs Administration as 'transhumance' of declarations. The culprits were penalized, and the practice ceased. A periodic monitoring exercise, again based on the analysis of figures extracted from ASYCUDA, is carried out to rule out a resurgence of this practice.
- It has also become clear that certain indicators very quickly become inoperative, because the people under contract have turned them to their advantage. For instance, an indicator had been provided to measure the processing time for declarations. Certain inspectors had adopted the habit of directing their declarations into the data circuit known as the 'green channel.' When this type of message was transmitted to ASYCUDA, it signified that the declaration had been released,

**The team responsible for monitoring the indicators also reviewed all the current indicators to check, by means of small calculations, that they still constituted relevant responses to the problems identified. This exercise made it possible to modify certain indicators, in particular those relating to enforcement against fraud, which, through their wording, should prioritize adjustments resulting in actual payment. New indicators were introduced, and existing ones were corrected.**

although in actual fact the user had not received the release warrant. In parallel, this kind of operation relieved pressure on the file processing time, and the officials concerned, then had sufficient time to 'negotiate' with the importer. When they were appraised in the light of the computer data, these inspectors appeared to be very efficient, although in reality they were not. All that was needed to unmask the deceit was to calculate, on the basis of onsite information, the rate of declarations placed in the 'awaiting green channel' status by inspectors. A new indicator was added to the contracts, and the practice gradually disappeared in favour of the number of declarations actually assessed.

The improvement of individual performance makes sense only if it has a positive effect on the performance of the service as a whole. Thus, on a quarterly basis, in parallel to the individual staff appraisals, an assessment is carried out on the impact of contracts on the overall performance of the Customs offices concerned, to ensure that the individual results and the results for the service as a whole are in line. Correlation

analyses have often raised the alarm and indicated avenues for rooting out bad practices.

#### **The need for dialogue to identify bad practices**

The supervision procedure presented above came to be seen as necessary, not only to detect and correct abuses, but also to anticipate more serious problems that could have discredited the performance measurement process. It thus became clear that it was essential to bring together all the stakeholders in the procedure from time to time, so as to examine progress and the difficulties encountered in implementing performance measurement: those who monitor the contracts from day to day, inspectors under contract and their managers, inspectors who have had experience of contracts, and people outside the administration, including Customs' regular partners, such as the WCO. With this in mind, a workshop was held from 15 to 19 February 2016 in Cameroon, in order to pursue this issue through the sharing of contributions from all those involved.

One of the major lessons learned on this occasion was that some inspectors take advantage of the shortcomings in the wording of certain indicators to develop bad practices. For instance, inspectors may reroute declarations from the facilitation channel to the control channel, but an indicator was introduced to calculate the percentage of these declarations giving rise to an adjustment. This precaution was designed to protect users against pressure that might be exerted on them by an inspector, using the authority to reroute declarations to his or her advantage. However, data analysis showed that certain officials made do with token adjustments, particularly as no minimum amount was required for the adjustment to be deemed valid. This practice made the precaution ineffective. To deal with the problem, a new indicator was introduced, setting a minimum acceptable adjustment level.

Another indicator obliges inspectors to attain a certain number of adjustments as a percentage of declarations received. To maintain plenty of room for manoeuvre,

allowing them to circumvent this requirement, some inspectors knowingly made adjustments to certain kinds of declarations that were not to be adjusted, since they related to importers with special status, such as diplomatic missions or the government. They knew that the computer system would credit them with this kind of adjustment, and that they would therefore be regarded as high-performing, whereas in fact they were burdening with charges people who were not required to pay them. Again from onsite feedback, a study backed up by figures brought the deceit to light, and the system was corrected.

The team responsible for monitoring the indicators also reviewed all the current indicators to check, by means of small calculations, that they still constituted relevant responses to the problems identified. This exercise made it possible to modify certain indicators, in particular those relating to enforcement against fraud, which, through their wording, should prioritize adjustments resulting in actual payment. New indicators were introduced (such as one on average return per declaration adjusted), and existing ones were corrected.

### Conclusion

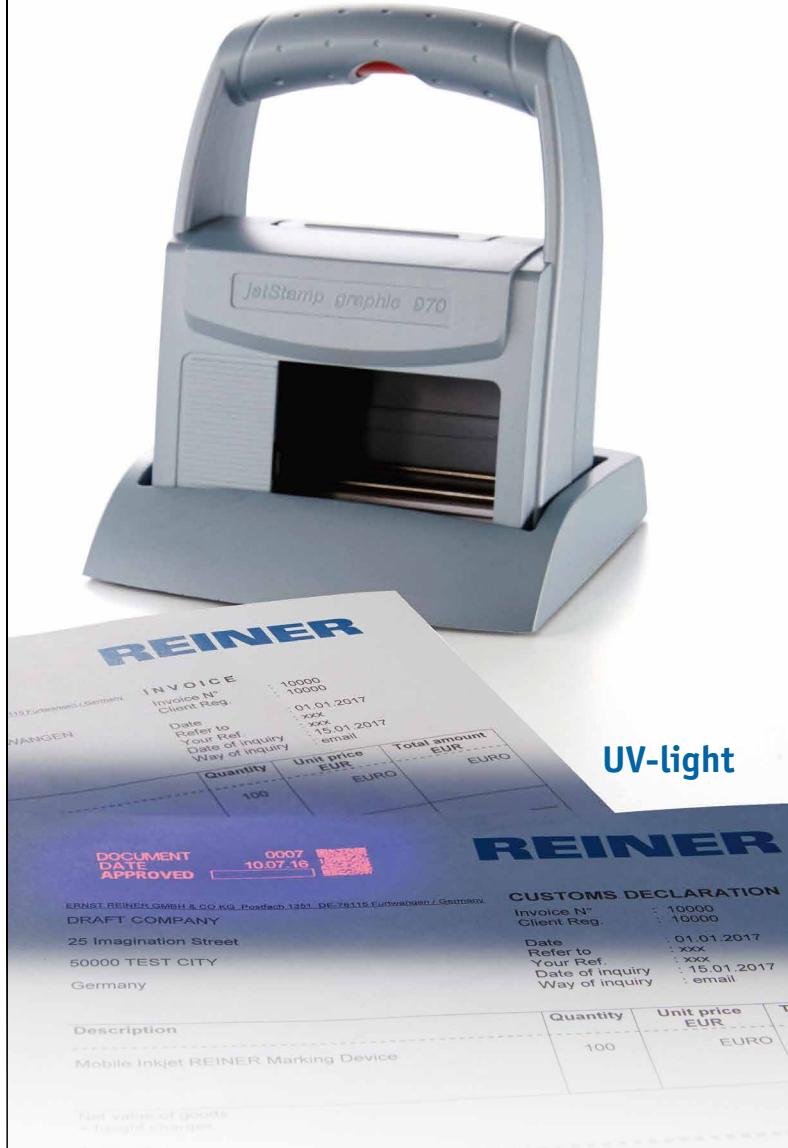
Almost 10 years ago, Cameroon Customs introduced a ‘figures culture’: figures are used as a performance measurement unit for people and organizational structures. This step made it possible to set up a results-based policy in a public administration. It met with internal and external resistance, and still does, but it also provides the means to overcome such resistance.

In the final analysis, the procedure continues to be a strategic steering tool for Cameroon. Almost 90% of declarations are assessed on the day on which they are lodged. Cameroon Customs is no longer, as it used to be, one of the 10 most corrupt administrations in the country according to a Transparency International ranking. Despite an exponential increase in the budget target assigned to the administration (approximately 114% in 12 years), the Directorate General of Customs has regularly achieved the results set.

The performance contract mechanism is still work in progress. A highly motivated team dedicated full-time to this task, responsible for the ‘research and development’ segment, is absolutely essential to anticipate problems that could hamper the implementation of this mechanism in the long term. It is all about constructing an environment conducive to the implementation of the performance measurement policy, and for that endeavour it is, of course, essential that political will should exist.

### More information

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## WCO Global AEO Conference: a focal point for security and facilitation discussions

Recognized as the largest WCO capacity building event, the WCO AEO Global Conference boasts the largest number of workshops held during an event, covering a variety of topics related to the security and facilitation of the global trade supply chain. The conference is organized by the WCO once every two years in partnership with a host Customs administration and provides a key platform for all players who have an interest in international trade.

THIS ARTICLE PRESENTS highlights from the three Global AEO Conferences that the WCO has organized to date, and takes a peek at the forthcoming conference that will take place in 2018. However, before looking at some of the outcomes of these conferences, the article provides a brief background on how the Authorized Economic Operator (AEO) concept came about, how an AEO programme operates, and what a business needs to do to achieve AEO status.

### Setting the scene

Following the terrorist attacks in the United States on 11 September 2001, there was a seismic shift in the way countries viewed security, including border security. To respond to this new challenge facing Customs administrations, the WCO developed the Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework), which was adopted in June 2005 by the WCO Council.

The SAFE Framework was designed to balance security and facilitation, and had one main aim: to act as a deterrent to international terrorism, secure revenue collections and promote trade facilitation worldwide. Included within the Framework was the AEO concept, as well as AEO Mutual Recognition Agreements/Arrangements (MRAs) between countries.

At the outset, the Framework was seen as 'living' document. It is updated and reviewed every three years in order to take new developments into account. Thus, in 2015, on the 10<sup>th</sup> anniversary of its adoption, a new version of the document was released that included key developments. The Framework and its associated tools and guidance were later brought together under one roof, known as the WCO SAFE Package.

### AEO in a nutshell

Although the AEO programme is primarily a security initiative, businesses that conduct foreign trade and wish to join a programme must meet minimum standards that secure the supply chain before being provided with a number of trade facilitation benefits. Examples

of these benefits include minimum intervention by Customs and faster cargo clearance times that enable AEOs to offer a more expeditious service, which is an asset to businesses operating in a 'just in time' environment.

To achieve AEO status, Customs undertakes certain checks that are aimed at verifying and validating the security policies and practices that businesses have in place. Although such programmes may vary according to the different business models in a country, they have fundamental similarities, with one basic aim: to allay border security concerns to the greatest extent without hindering the flow of legitimate goods, and to enable a State to continue reaping the economic benefits generated by global trade.

### **WCO takes the lead**

Spurred on by evidence that trade is an essential driver of economic prosperity, and that securing the global trading system requires collaboration between different parties in a spirit of partnership, the WCO decided to organize a Global AEO Conference. This decision was influenced by the fact that one of the best partnership examples existed between Customs and the private sector under the AEO programme, many of which were being implemented worldwide.

The Global AEO Conference, aimed at Customs administrations, the business community, government and multilateral policymakers, and legal and academic representatives, focuses on the successes and challenges of Customs and the private sector in implementing AEO programmes. The event is expected to enhance cooperation, while building capacity, in order to foster a global public-private dialogue.

### **First Global AEO Conference**

Hosted by the Korea Customs Service (KCS) in Seoul, Korea in 2012, under the theme "AEO, the Way Towards Secure and Competitive Growth," more than 800 participants from over 90 countries attended the conference. The event was packed with high-level panels, 49 workshops and a number of round table sessions. The delegates were briefed on security and facilitation in general, and

were given the opportunity to share their experiences on practical and operational issues. There were several outcomes, which included:

- the recognition that AEO programmes were a driver for modernization;
- the need to have the event every two years;
- the acknowledgment that AEOs are an important part of the supply chain, guaranteeing economic growth and competitiveness;
- the need to involve small and medium-sized enterprises (SMEs) in an AEO programme;
- the belief that there would be more benefit in regional rather than bilateral MRAs.

### **Second Global AEO Conference**

This conference was hosted by Spanish Customs, with support from the KCS, in Madrid, Spain in 2014, under the theme "AEO - Aligning Programmes and Inspiring Innovation Towards a Competitive Future." The event saw more than 900 participants attending. The conference included 45 workshops, a live non-intrusive inspection (NII) image workshop, a physical 7-point inspection of a container, and a demonstration of an inspection using a canine. Key outcomes included:

- recognition that building collaborative relationships with trusted traders is advantageous for governments facing the challenge of growing trade volumes and increased security requirements on the one hand, and the need to develop efficient cross-border processes that allow businesses to be more competitive on the other hand;
- the need to enhance inter-agency collaboration, including multi-agency recognition of the 'trusted trader status,' as Customs rules are not the only consideration at borders, and that controls by other border agencies could seriously compromise the benefits otherwise afforded to validated enterprises;
- it may be appropriate to use the WCO AEO model as a standard to develop the "Authorized Operator" scheme contained in Article 7.7 of the

WTO Trade Facilitation Agreement (TFA), as the use of AEO criteria to implement the Article will assist in ensuring a harmonized approach, and enable countries to achieve seamless mutual recognition.

The outcomes of this conference were incorporated into the 2015 SAFE Framework. In addition, the WCO AEO Compendium – which is updated annually and consists of a synopsis of all AEO and compliance programmes, AEO and compliance programmes under development, and MRAs signed and under negotiation divided by region – now includes the differences and similarities of the TFA's "Authorized Operator" and the SAFE Framework's "AEO Programme."

### **Third Global AEO Conference**

With the support of the KCS, Mexico's Tax Administration Service (SAT) hosted this conference in Cancun, Mexico in 2016, with the theme "The Evolution of Security in Global Trade: Great Partners, Innovative Technology and Smart Practices." Over 1,000 delegates from more than 80 countries gathered to discuss the dynamic developments in AEO programmes, which are widely acknowledged as a key driver for solid Customs-business partnerships.

The conference, which included 113 speakers, consisted of four panel sessions, three round tables and 42 workshops, together with three live demos of 17-point trailer inspections. The event helped to set the stage for the multilateral Pacific Alliance MRA, where an action plan was signed by its members – Chile, Colombia, Mexico and Peru – to mark the move towards a multilateral MRA. This in turn encouraged WCO Members in Central America to undertake something similar. Some of the main outcomes included:

- continuing acknowledgement that AEO programmes are a major facilitation tool, leading to the modernization of Customs and the enhancement of economic growth and competitiveness, whilst securing the supply chain;

- recognizing that AEO programmes are one of the successes of the Customs-to-business partnership programme;
- more discussions on Trader Identification Numbers (TINs) were needed, especially in the context of AEO MRAs;
- providing more benefits to AEOs, such as account-based instead of transaction-based processing, recognition of AEOs by other agencies, and plurilateral/multilateral MRAs;
- finalizing the AEO Validator Guide and training module, which will enhance the harmonization of AEO programmes and the signing of MRAs;
- reviewing and updating the SAFE Framework and other tools in the SAFE Package;
- continuing the promotion of WCO standards, in the light of the need for consistency, predictability, transparency and sustainability, while ensuring a certain level of country-specific customization;
- further institutionalization of the AEO concept as a new Customs management system, while improving risk management and increasing the capacity of Customs' human resources to tackle this change;
- identifying mechanisms for SMEs to participate directly or indirectly in AEO programmes that would allow them to obtain indirect benefits without having to be a contractual part of a programme;
- conducting empirical studies on the impact of AEOs on trade (measures and metrics);
- collating best practices on cyber security measures that can be used by Customs as they transition into greater utilization of digital technology;
- exploring the creation of an International Registry of AEO Members, and developing a list of 'efficiency' metrics needs for

utilization by AEO programmes as they transition into a digital platform.

Work is underway to incorporate key outcomes of the conference into the current review of the instruments, tools and guidance contained in the SAFE Package. The MRA Strategy Guide and the AEO Validator Guide have been completed, and discussions on the Trader Identification Number (TIN) continue. A document is also being developed that will list all possible benefits to AEOs. Other work being undertaken in the appropriate WCO working groups includes the finalization of the AEO Validator Guide training module, Advance Cargo Information (ACI) Guidance, and the review of matters relating to 'Digital Customs.'

#### **Key post-conference observations**

It is interesting to note that when the first conference was held in 2012, there were 45 AEO programmes in the world, and this number had increased to 73 in 2017, with many more under development. The number of MRAs concluded in 2012 was 17, and this number had risen to 47 in 2017. In 2012, 30 MRAs were under negotiation, and this number had increased to 46 in 2017, of which four are multilateral negotiations. Between 2012 and 2017, the percentage increase in the number of concluded MRAs is 176%, while the number of AEO programmes has increased by 62% and the number of signed MRAs by 135%.

After having organized three global events, the WCO acknowledges that there will always be challenges which cannot be totally avoided, but which could be mitigated in different ways. One of the main challenges is a mindset change: Customs and the private sector working together on other issues beyond the use of risk management and information technology (IT) systems; hence, the need for continuous sharing and exchange of experiences. This global event provides the ideal platform to do so.

#### **Looking towards the fourth Global AEO Conference**

The next conference will be hosted by the Uganda Revenue Authority in Kampala, Uganda from 14 to 16 March 2018, with the

theme "Promoting Mutual Recognition of AEOs to Strengthen and Secure Global Trade." This will be the 4<sup>th</sup> WCO region to host the event since its inception. Once again, the KCS will provide vital financial support for this event.

This conference will showcase AEO programmes and MRAs that have been successfully implemented. It will also focus on how MRAs can further secure global trade, while continuing to address the opportunities and challenges surrounding AEO/MRA issues. Delegates who attend the conference will have an opportunity to:

- participate in a large number of workshops, addressing a variety of international trade issues from different perspectives;
- discuss global supply chain security and facilitation, including how AEOs can enhance compliance and improve revenue collection;
- watch interesting live demonstrations, focusing on operational practices directly related to international trade;
- contribute to the future development of the SAFE Framework, ensuring that it remains an up-to-date and relevant document;
- witness the possible signing of a few more MRAs between African partners, encouraging other countries around the world to follow the same route.

The WCO would like to invite you to join us in Uganda at the 4<sup>th</sup> Global AEO Conference, where participants will have the opportunity to experience African hospitality, and take in the splendour of the country, known as the 'Pearl of Africa,' as well as the allure of the African continent and its world-renowned wildlife. Everyone is welcome at this upcoming global event. Please direct any enquiries to the email at the end of this article.

#### **More information**

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# Calendar of Events

## July

- 3 - 5 Private Sector Consultative Group
- 3 - 5 Policy Commission, 77<sup>th</sup> Session
- 6 - 8 Council, 129<sup>th</sup>/130<sup>th</sup> Sessions
- 10 - 11 WCO Global Transit Conference

## September

- 11 - 15 SAFE Working Group Sub-Groups
- 18 - 22 Data Model Project Team
- 25 - 26 Harmonized System Committee, Working Party
- 27 - 6 Oct Harmonized System Committee, 60<sup>th</sup> Session
- 26 - 28 PICARD Conference, Hammamet (Tunisia)

## October

- 10 - 13 Working Group on E-Commerce, 2<sup>nd</sup> Meeting
- 16 Agreement on Trade Facilitation Working Group, 8<sup>th</sup> Meeting
- 17 Joint Session of Agreement on Trade Facilitation Working Group and Permanent Technical Committee
- 18 - 20 Permanent Technical Committee, 217<sup>th</sup>/218<sup>th</sup> Sessions
- 23 - 24 Private Sector Consultative Group
- 23 - 27 Technical Committee on Customs Valuation, 45<sup>th</sup> Session
- 25 - 27 SAFE Working Group, 18<sup>th</sup> Meeting
- 30 - 31 Information Management Sub Committee, 11<sup>th</sup> Meeting
- 31 - 2 Nov Technology and Innovation Forum, Tokyo (Japan)

## November

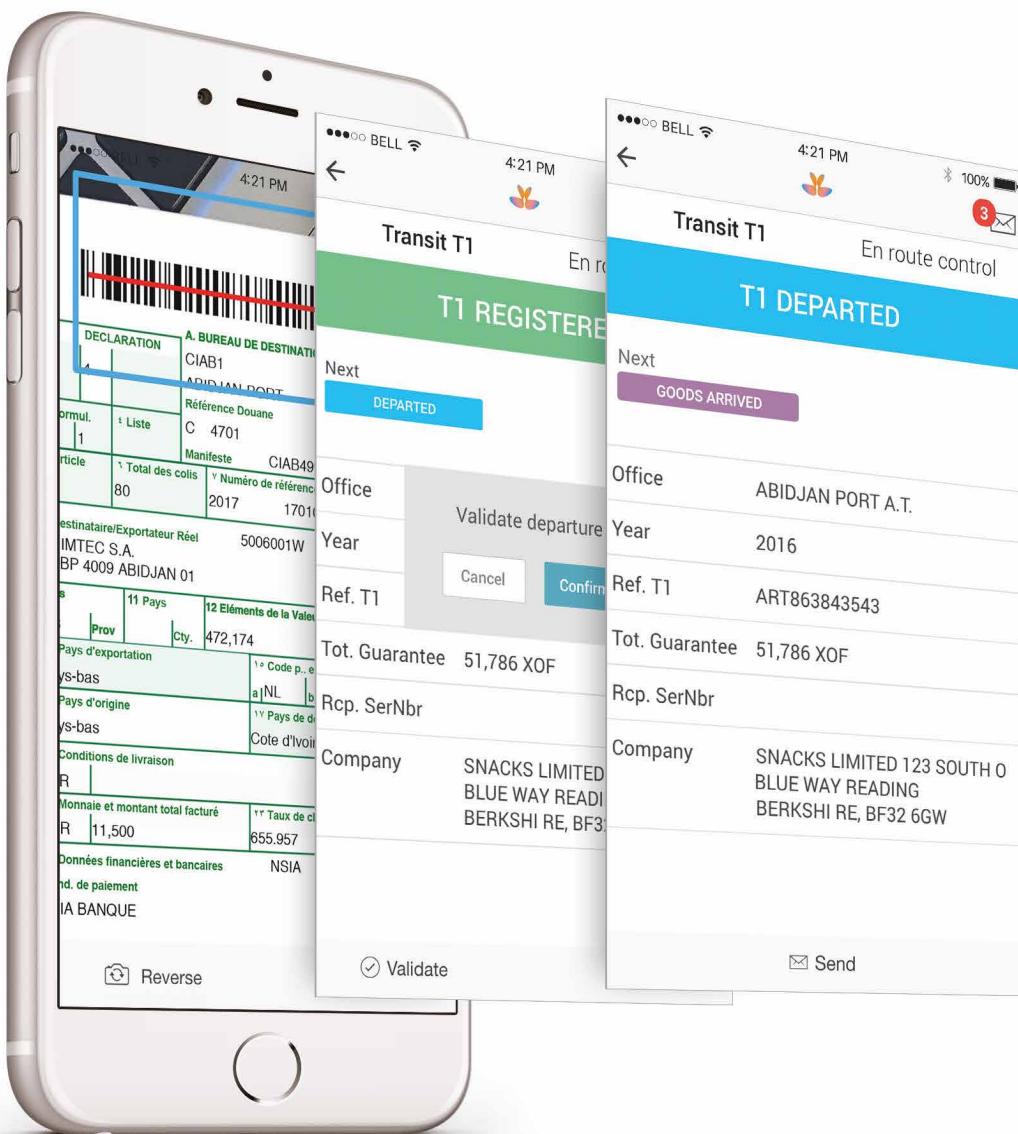
- 7 - 8 WCO-UPU Contact Committee, 37<sup>th</sup> Meeting, Berne (Switzerland)
- 8 - 10 Working Group on Revenue Compliance and Fraud, 4<sup>th</sup> Meeting
- 13 - 14 Revised Kyoto Convention Management Committee, 17<sup>th</sup> Meeting
- 15 - 17 WCO Counterfeiting and Piracy Group, 14<sup>th</sup> Meeting
- 27 - 29 WCO/IATA/ICAO API/PNR Contact Committee, 11<sup>th</sup> Meeting

## December

- 4 - 6 Policy Commission, 78<sup>th</sup> Session
- 7 - 15 Harmonized System Review Sub-Committee, 53<sup>rd</sup> Session
- 11 - 14 SAFE Working Group Sub-Groups

*It should be noted that WCO meetings are mentioned for information purposes and are not all open to the public. Unless otherwise indicated, all meetings are held in Brussels. Please note that these dates are indicative only and may be subject to change. The WCO meetings schedule is regularly updated on the WCO website.*

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