



## Fact Sheet - World Customs Organization

The World Customs Organization, established in 1952 as the Customs Co-operation Council, is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of Customs administrations.

With 150 Member nations, it is the only intergovernmental worldwide organization competent in Customs matters.

In order to fulfil this mission the World Customs Organization :

- Establishes, maintains, supports and promotes international instruments for the harmonization and uniform application of simplified and effective Customs systems and procedures governing the movement of commodities, people and conveyances across Customs frontiers ;
- Reinforces member's efforts to secure compliance with their legislation, by endeavouring to maximize the level of effectiveness of Members' co-operation with each other and with international organizations agencies in order to combat Customs and other transnational offences;
- Assists Members in their efforts to meet the challenges of the modern business environment and adapt to changing circumstances, by promoting communication and co-operation among Members and with other international organizations, and by fostering integrity, human resource development, transparency, improvements in the management and working methods of Customs administrations and the sharing of best practices.

The **WCO** is the only international organization dealing exclusively with Customs matters. It provides a forum where delegates representing a large variety of members can tackle Customs issues on an equal footing. Each Member has one representative and one vote.

It offers it's Members a wide range of Conventions and other international instruments. WCO Members can also take advantage of the technical assistance and training services delivered either directly by the Secretariat or provided with its involvement.

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September 1998.

# WORLD CUSTOMS ORGANIZATION

- 160 Members -

Albania	Ghana	Nigeria
Algeria	Greece	<b>Norway</b>
Andorra	Guatemala	Pakistan
Angola	Guinea	Panama
Argentina	Guyana	Paraguay
Armenia	Haiti	Peru
Australia	Hong Kong, China	Philippines
Austria	Hungary	Poland
Azerbaijan	Iceland	Portugal
Bahamas	India	Qatar
Bangladesh	Indonesia	<b>Romania</b>
Barbados	Iran (Islamic Rep. of)	Russian Federation
Belarus	Iraq	Rwanda
Belgium	Ireland	Saudi Arabia
Benin	Israel	Senegal
Bermuda	Italy	Sierra Leone
Bolivia	Jamaica	Singapore
Botswana	Japan	Slovakia
Brazil	Jordan	Slovenia
Brunei Darussalam	Kazakstan	South Africa
Bulgaria	Kenya	Spain
Burkina Faso	Korea (Rep. of)	Sri Lanka
Burundi	Kuwait	Sudan
Cameroon	Latvia	Swaziland
Canada	Lebanon	Sweden
Cape Verde	Lesotho	Switzerland
Central African Republic	Liberia	Syrian Arab Republic
Chile	Libyan Arab Jamahiriya	Tajikistan
China	Lithuania	Tanzania
Colombia	Luxembourg	Thailand
Comoros	<b>Macao</b>	The Former Yugoslav Republic of Macedonia
Congo (Dem. Rep. of the)	Madagascar	Togo
Congo (Rep. of the)	Malawi	Trinidad and Tobago
<b>Côte d'Ivoire</b>	Malaysia	Tunisia
Croatia	Maldives	Turkey
Cuba	Mali	Turkmenistan
Cyprus	Malta	Uganda
Czech Republic	Mauritania	Ukraine
Denmark	Mauritius	United Arab Emirates
Ecuador	Mexico	United Kingdom
<b>Egypt</b>	Moldova	United States
Eritrea	Mongolia	Uruguay
Estonia	Morocco	Uzbekistan
Ethiopia	Mozambique	Venezuela
Fiji	Myanmar	Vietnam
Finland	Namibia	Yemen
France	Nepal	Zambia
Gabon	Netherlands	Zimbabwe
Gambia	New Zealand	
Georgia	Nicaragua	
Germany	Niger	

## ORGANISATION MONDIALE DES DOUANES

- 150 Membres -

Afrique du Sud	France	Nepal
Albanie	Gabon	Nicaragua
<b>Algérie</b>	Gambie	Niger
Allemagne	<b>Géorgie</b>	Nigeria
Andorre	Ghana	<b>Norvège</b>
Angola	<b>Grèce</b>	<b>Nouvelle-Zélande</b>
Arabie Saoudite	Guatemala	Ouganda
Argentine	<b>Guinée</b>	<b>Ouzbékistan</b>
Arménie	Guyana	Pakistan
Australie	<b>Haiti</b>	Panama
Autriche	Hong Kong, Chine	Paraguay
<b>Azerbaïdjan</b>	Hongrie	Pays-Bas
Bahamas	Inde	<b>Pérou</b>
Bangladesh	<b>Indonésie</b>	Philippines
<b>Barbade</b>	Iran (Rep. islamique d')	Pologne
<b>Bélarus</b>	Iraq	Portugal
Belgique	Irlande	Qatar
Benin	Islande	Rep. arabe syrienne
Bermudes	Israel	Rep. centrafricaine
Bolivie	<b>Italie</b>	Rep. <b>tchèque</b>
Botswana	Jamahiriya arabe libyenne	Roumanie
<b>Brésil</b>	<b>Jamaïque</b>	Royaume-Uni
Brunei <b>Darussalam</b>	Japon	Russie (Federation de)
Bulgarie	Jordanie	Rwanda
Burkina Faso	Kazakstan	Senegal
Burundi	Kenya	Sierra Leone
Cameroun	Koweït	Singapour
Canada	L'ancienne <b>République</b> yougoslave	Slovaquie
Cap-Vert	de Macedoine	<b>Slovénie</b>
Chili	Lesotho	Soudan
Chine	Lettonie	Sri Lanka
Chypre	Liban	Suede
Colombie	Liberia	Suisse
Comores	Lituanie	Swaziland
Congo (Rep. <b>dém.</b> du)	Luxembourg	Tadjikistan
Congo (Rep. du)	<b>Macao</b>	Tanzanie
<b>Corée</b> (Rep. de)	Madagascar	<b>Thaïlande</b>
<b>Côte d'Ivoire</b>	Malaisie	Togo
Croatie	Malawi	<b>Trinité-et-Tobago</b>
Cuba	Maldives	Tunisie
<b>Danemark</b>	Mali	Turkmenistan
<b>Egypte</b>	<b>Malte</b>	Turquie
Emirats arabes unis	<b>Maroc</b>	Ukraine
Equateur	Maurice	Uruguay
Erythree	Mauritanie	Venezuela
Espagne	Mexique	Vietnam
Estonie	Moldova	Yemen
Etats-Unis	Mongolie	Zambie
Ethiopie	Mozambique	Zimbabwe
Fidji	Myanmar	
Finlande	Namibie	

# The Arusha Declaration

## DECLARATION OF THE CUSTOMS CO-OPERATION COUNCIL CONCERNING INTEGRITY IN CUSTOMS

### The Customs Co-operation Council

**NOTING** that Customs is an essential instrument for the effective management of an economy and that it performs simultaneously the vital roles of combating smuggling and facilitating the flow of legitimate trade.

**ACKNOWLEDGING** that:

☛ corruption can destroy the efficient functioning of any society and diminish the ability of the Customs to accomplish its mission:

☛ a corrupt Customs

- \* will not deliver the revenue that is properly due to the State,
- \* will not be effective in the tight against illicit trafficking, and
- \* will obstruct the growth of legitimate international trade and hinder economic development;

☛ the Customs has no right to public recognition or trust if its staff break the law habitually

**CONSIDERING** that corruption can be combated effectively only as part of a comprehensive national effort:

**DECLARES** that a top priority for all Governments should be to ensure that Customs is free of corruption. This requires a firm commitment at the highest political and administrative levels to maintaining a high standard of integrity throughout the civil service and particularly in the Customs.

**DECLARES** that a national Customs integrity programme must take account of the following key factors:

1. Customs legislation should be clear and precise. Import tariffs should be moderated where possible. The number of rates should be limited. Administrative regulation of trade should be reduced to the absolute minimum. There should be as few exemptions to the standard rules as possible.
2. Customs procedures should be simple, consistent, and easily accessible, and should include a procedure for appealing against decisions of the Customs, with the possibility of recourse to independent adjudication in the final instance. They could be based on the Kyoto Convention and should be so framed as to reduce to a minimum the inappropriate exercise of discretion.
3. Automation (including EDI) is a powerful tool against corruption, and its utilization should have priority.
4. In order to reduce the opportunities for malpractice, Customs managers should employ such measures as strategic segregation of functions, rotation of assignments and random allocation of examinations among Customs officers and, in certain circumstances, regular relocation of staff.
5. Line managers should have prime responsibility for identifying weaknesses in working methods and in the integrity of their staff, and for taking steps to rectify such weaknesses.

6. **Internal** and external auditing are essential. effective internal auditing being a particularly useful means of ensuring that Customs procedures are appropriate and are being implemented correctly. The internal auditing arrangements should be complemented by an internal affairs unit that has the specific task of investigating all cases of suspected malpractice.
7. The management should instil in its officers loyalty and pride in their service, an "esprit de corps" and a desire to co-operate in measures to reduce their exposure to the possibility of corruption.
8. The processes for the recruitment and advancement of Customs officers should be objective and immune from interference. They should include a means of identifying applicants who have, and are likely to maintain, a high standard of personal ethics.
9. Customs officers should be issued with a Code of Conduct, the implications of which should be fully explained to them. There should be effective disciplinary measures, which should include the possibility of dismissal.
10. Customs officers should receive adequate professional training throughout their careers, which should include coverage of ethics and integrity issues.
11. The remuneration received by Customs officers should be sufficient to afford them a decent standard of living, and may in certain circumstances include social benefits such as health care and housing facilities, and/or incentive payments (bonuses, rewards, etc.).
12. Customs administrations should foster an open and transparent relationship with Customs brokers and with the relevant sectors of the business community. Liaison committees are useful in this respect.

*Made at Arusha, Tanzania on the 7th day of July, 1993 (81st/82nd Council Sessions)*

For more info on the World Customs Organisation's Integrity related efforts please contact the Secretariat, Human Resources Development Services: 30, rue du **Marché**, B- 12 10 Bruxelles, Belgique  
Tel: +32-2-2099445, Fax: +32-2-2099496, or by e-mail: [janos.nagy@wcoomd.org](mailto:janos.nagy@wcoomd.org)

## THE WCO VISION

Customs is recognized as a critical institution to good governance, prosperity and the protection of society. The World Customs Organization was established to improve the efficiency and effectiveness of Customs Administrations. The **WCO** adds value to the national economic wealth and social protection of its Members by promoting an honest, transparent and predictable Customs environment within which legitimate international trade may flourish and effective barriers to illicit goods and illegitimate trade may be raised.

An environment marked by interdependent global financial markets, the globalization of international trade, corruption, security concerns arising from the activities of criminal enterprises engaged in transnational crime and cybercrime, the impact of new forms of electronic commerce on traditional patterns of trade and the increasing demand for information and transparency will increase the challenge for each national Customs administration to meet its government's policy objectives at the national, regional and international levels.

As the world centre of Customs expertise, the **WCO** will lead the quest for international trade and travel efficiency and effective societal protection through the development of durable synergistic partnerships among the Customs administrations of the world and the national and international communities they serve.

## WORLD CENTRE OF CUSTOMS EXPERTISE

As the world leader in the development of global risk management and trade compliance strategies, the **WCO** will work to enable Members to contribute to the efficiency of international trade and respond quickly and effectively to threats to their nation's revenue and security. This will be accomplished by :

- 0 simplifying, updating, promoting and seeking the uniform application of **WCO** international instruments, rules and procedures;
- 0 developing and promoting best practices, benchmarking and performance standards for Customs processes;
- ① building upon the **WCO's** position as the global forum on Customs issues to establish mechanisms that foster both co-operation and the exchange of information among its Members and external stakeholders;
- 0 arbitrating disputes on the interpretation of **WCO** administered instruments;
- 0 providing quality training and technical assistance:

- 0 spearheading the global drive for efficiency, effectiveness and economy in Customs administration by supporting Members' programmes of reform and modernization;
- 0 providing advice and assistance on integrity issues;
- 0 interacting with donors to broker the solutions sought by Members.

Underpinning this expertise will be the use of appropriate human resource policies within the WCO Secretariat that will recruit, develop and utilise necessary staff skills within a service based organizational culture that is focused on delivering useful solutions to Members.

information available to Members and interested parties will be maximized by the use of information technology and in all respects the WCO Secretariat will seek continuous improvement of its delivery mechanisms and efficient operation within budget.

## **INTERNATIONAL TRADE AND TRAVEL EFFICIENCY**

A globalized and rapidly changing international trade environment will benefit from greater Customs efficiency and will be nurtured by the uniform application of the international instruments administered by the WCO.

The flow of trade, travel and investment in the world will be improved and facilitated by the WCO :

- 0 identifying, establishing and promoting core standardized Customs processes, procedures and best practices which will assist Members in a tangible way to achieve their national policy objectives and meet their international obligations;
- 0 developing, maintaining, updating and promoting effective international instruments that provide predictability in determining the classification, value and origin of goods;
- 0 developing processes to ensure the accurate recording of trade statistics.

Holistic programmes of structural and operational reform will position Members to positively influence their national prosperity and international competitiveness. Customs reform and modernization will be a key element of WCO efforts to improve trade efficiency and inhibit or prevent corrupt practices.

To meet the emerging challenge of electronic commerce, electronic data interchange and information technology options will be essential to support high volume and seamless international trade transactions. The WCO will assist Members by being at the centre of the

development of standardized electronic messages and by giving emphasis and encouragement to the use of automation and information technology to process Customs transactions.

The **WCO** will provide guidance to international policymakers on the Customs implications of strategic developments in international trade and will assist Members to engage actively in the formulation and implementation of trade policy initiatives within their national governments.

## PROTECTION OF SOCIETY

There is growing international alarm at the increased incidence of **transnational** crime, including drug trafficking, commercial fraud and the trafficking in nuclear material and other emerging trade which damages or endangers the environment. The **WCO** will lead the international Customs response through the development of solutions which add value to Members efforts to protect their respective societies and secure compliance with national and international laws.

Effective working relationships will be at the heart of the solution. Co-operation with fellow international law enforcement organizations and other competent international agencies will be intensified. The special relationship that the **WCO** enjoys with the international trade community will offer opportunities for the development of solutions which simultaneously target areas of risk and improve facilitation for legitimate traders and travellers.

Members will also be supported by :

- 0 the provision of high quality strategic assessments and risk profiles relevant to frontline Customs operations;
- 0 the ongoing improvement of the legal framework for encouraging mutual information sharing and assistance between Customs administrations and the continued development of the necessary international communications infrastructure;
- 0 the promotion of methods of compliance measurement to help determine the effectiveness of Customs response to threats at a national level;
- 0 the **WCO** being at the leading edge of new Customs techniques and technological innovation in order to assist Members evaluation of the types of technology.

Benefiting from its strong and privileged partnership with key international agencies, the **WCO** will promote and reinforce the unique position and competencies of Customs in protecting national and regional economic, social and environmental interests.



## PARTNERSHIP

New challenges in international trade facilitation and societal protection will be addressed by durable and synergistic partnership arrangements based on close and structured contact with key public and private sector stakeholders at the national, regional and international level. These arrangements will be vital in assisting the **WCO** and its Members to :

- 0 determine future directions;
- 0 fight corruption and enhance integrity
- 0 enhance the effectiveness and efficiency of Customs;
- 0 promote transparency and openness in seeking solutions.

These critical external partnerships will assist the **WCO** in giving guidance to international policymaking organizations on the Customs implications of new economic and social initiatives.

The commitment to partnership at an international level will be exemplified by widening and continuously improving the use of memoranda of understanding and promoting their use at the national and regional levels.

## OUTCOME

By offering its Members key tools to improve the efficiency and effectiveness of Customs, the **WCO** will build on its position as an influential player with respect to both international trade and social protection issues. The adoption and implementation of the **WCO** instruments and best practices by Members; the close bilateral and multilateral co-operation amongst Members; and the **WCO** framework partnerships with international and regional intergovernmental and private sector institutions all provide immense benefit to Members.

Through this role, the **WCO** makes a profound and positive contribution to the achievement of good governance. Nations benefit through the significant contributions that this makes to national prosperity, the achievement of fair competition, stability, the attraction of direct foreign investment and the security of their citizens. Members who effectively implement the instruments, best practices and procedures developed by the **WCO** will be recognized by their Government as an asset in their nations' quest for a fair share of global prosperity and as an effective protector of their citizens against the destructiveness and exploitation of transnational crime.

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WORLD CUSTOMS ORGANIZATION  
ORGANISATION MONDIALE DES DOUANES

Established in 1952 as the customs Co-operation Council  
Créée en 1952 SOUS le nom de Conseil de coopération douanière

POLICY COMMISSION

42.375 E

-  
39th Session

C6-12

Casablanca

Brussels, 18 May 1998.

**REPORT ON THE WCO INTEGRITY FORUM**

(Item VII on the Agenda)

1. The 1998 WCO Customs Reform and Modernization Forum which this year focused on the issue of Integrity was held at the WCO Headquarters from 1 to 3 April. The Forum objectives were :
  - To provide Customs executives, international trade bodies, and international and regional lending agencies the opportunity to share best practices in achieving and maintaining transparent Customs administrations; and
  - To develop and adopt an action plan intended to help Customs administrations and relevant stakeholders to deal effectively with the issue of integrity in Customs transactions.
2. The Forum was attended by high-level representatives from 62 Member administrations, 12 international organizations and also representatives of the international trade and transport sector. Delegates were privileged to be addressed by such influential speakers as the Secretary General of OECD, Mr. D. Johnston, the Secretary General of ICC, Mrs. M. Livanos Cattai, the Secretary General of INTERPOL, Mr. R. Kendall and the President of Transparency International, Mr. P. Eigen.
3. The Forum was chaired by the Directors General of France, Hong Kong, China and New Zealand. Under their guidance, the three days of the Forum proved to be a stimulating, thought provoking and interactive experience. Four workshops facilitated by the Customs Attaches from Canada, Denmark, New Zealand and the Democratic Republic of Congo were very successful in analyzing the various elements that are impacting on the issue of integrity within the Customs environment and of the critical components that should be present within an ideal ethics infrastructure.

## Day

4. In his opening remarks to the Forum, the Secretary General highlighted the international prominence that is being given to corruption at all levels in society. He told delegates that the WCO is at the cutting edge of the international response to combat corruption within the international trade process and that the vision and foresight of the Arusha Declaration had laid the foundation for effective action. He challenged delegates to be equally imaginative in considering the way forward.
5. Globalization and rapid growth in international trade were issues that Mr. D. Johnston, **OECD** saw as having particular implications for Customs. He acknowledged that the work of Customs is becoming more complex because of the increasing requirement to **enforce a** range of trade agreements, restrictions and prohibitions. Crossborder traffic is increasing at an incredible rate and importers expect reduced clearance times and lower costs from Customs. Corruption impacted on the cost of trade transactions. Mr. D. Johnston outlined to delegates the OECD Revised Recommendation and the Convention on Combating Bribery in International Business Transactions, which had been adopted by all OECD members in 1997.
6. He drew Customs executives attention to the more extensive use of electronic commerce as one of the main challenges that will confront Customs around the beginning of the Millennium. The impact of electronic commerce will require a change in attitude, procedures and control mechanisms, but it will also give Customs the opportunity to increase effectiveness, lower the costs of controls and redirect resources to priority areas.
7. Mrs. M. Livanos Cattai, ICC made it clear that it is in the best interests of traders to make international trade transactions transparent. With respect to corruption at the Customs/Trade interface, Customs is not the problem but part of the solution. She also revealed that the transparent invoicing of transactions was an important mechanism and that any exchange of information on the contract value between Customs administrations of the exporting and importing countries will not hurt trade interests.
8. The balance of the business of the first day was focused on the integrity challenges for Customs administrations in a time of change. The Director General of Customs and Indirect Taxation of the European Commission and the Deputy Directors General from Australia and Ireland formed an expert panel and presented the subject to delegates from both a regional and national perspective.
9. The Chairman, Mr P.-M. Duhamel (France) summarized the key points in his concluding remarks :
  - the fight against corruption is a pre-requisite for credibility and existence - if Customs fails to perform **its** job in an effective and transparent way then others will take over its role:
  - corruption can only be fought globally. All sections of society must participate, and this requires education and training;

- combating corruption requires concerted action both within international and regional institutions and with the private sector;
- Customs is part of the solution. It contributes to the transparency of international trade.

10. Two workshops then examined the specific integrity challenges for law enforcement agencies ; the interdependence of fraud, money laundering and corruption and in the context of the increasing role of the private sector in Customs activities how the difference between the private and public sector can be ethically accommodated. An expert panel made up of the Head of Europol and the Customs representative from the French Central Service for the Prevention of Corruption led a discussion on the former subject and United Kingdom Customs and the Secretary General of the International Federation of Customs Brokers Associations were the panellists on the latter.

11. Mr. M. Danet (France) closed the first day by stressing the following five points :

- It is essential to co-ordinate the action of all parties involved in combating corruption within Customs administrations. The public and private sectors should be brought closer together.
- A climate should be created which is conducive to maintaining integrity. Measures for doing this include the introduction of clear and exact procedures, the use of automatic data processing and educating the public.
- Taking up the analogy that corruption is a cancer to be fought from the outset, it is vitally important to combat corruption vigorously and permanently.
- Corruption is a complex issue for which there is no single solution.
- Combating corruption requires the modernization of Customs administrations

### Day 2

12. The first keynote speaker was Mr. R. Kendall, Secretary General of INTERPOL who presented an overview of the problem of corruption from the perspective of the international Police community. In addition to the need for the existence of appropriate legal frameworks, he emphasized to delegates the importance to create high ethical standards throughout society. Mr. R. Kendall stressed that personal integrity is the key to organizational integrity but argued that it was important to have internal affairs services because somebody must have responsibility for "looking after the guards" themselves. He insisted that myths like corruption being part of the culture should be dispelled but accepted that it was not possible to regulate for every possible situation and that inevitably the appropriateness of action would in many cases be determined by the individual concerned.

13. The President of Transparency International, Mr. P. Eigen congratulated the **WCO** on the excellent job it had done in the field of integrity. He highlighted the importance of co-ordinated efforts from governments, the private business and the civil society. As a practical action he suggested the idea of integrity pacts - "islands of integrity" - which could be

adapted to the Customs environment. He also offered his organization's assistance to draft a Customs specific version of the T] Source Book to assist Member Customs administrations to address integrity issues.

14. Later, an expert panel representing the Inter-American Development Bank, the French Central Service on the Prevention of Corruption and Peruvian Customs introduced a discussion on the questions of effective accountability mechanisms; the roles of ethic co-ordination bodies and the importance of an active civil society; and the need for supportive public service conditions. The Chairman, Mr. L. Li (Hong Kong, China) shared with delegates the experience of his Administration on the issue of political commitment and the importance of an effective legal framework.
15. This was followed by a workshop which examined the complexity of fostering and sustaining an integrity culture in a Customs organization as well as the practical application of codes of conduct and service charters. The United States Customs Service and the Australian Customs Service served as panellists for this discussion. A second workshop aided by a presentation given by Philippine Customs discussed the modalities of closing windows of vulnerability by the increased employment of computerization and modern information technology and the use of effective Customs procedures and audit systems.
16. The Chairman Mr. L. Li (Hong Kong, China) in his summary of the second day concluded that :
  - political awareness of the problem of corruption is now evident;
  - action was now needed to ensure that effective legislation is in place;
  - Customs was fighting the battle in partnership with business and civil society;
  - a key solution was the development of a sustainable strategy;
  - the criminalization of all forms of corrupt practices was a precondition to effective action;
  - adequate conditions of service are critical element of a sound ethics infrastructure;
  - effective mechanisms at management level would support other tools.

#### **Dav**

17. The Forum tackled the issue of translating the Arusha Declaration into action. The representative from the International Monetary Fund drew the delegates attention to the macro-economic impact of corruption and the various actions already taken by his organization, the World Bank, OECD, Council of Europe, European Commission, Organization of American States and the United Nations. Following an intervention by the Director General of Cameroon, there was an exchange of views on the use of Pre-Shipments companies in the Customs environment. Following this, a representative from the Danish Shipowners Association explained the difficulties that the maritime industry had with

corruption within international trade. He also shed some light as to why Denmark is the least corrupted country on the current Transparency International's annual corruption perception index.

18. The **WCO** Deputy Secretary General gave a presentation on the **WCO** instruments and conventions and their value as anti-corruption measures through the transparency and predictability they bring to Customs processes and the importance of addressing integrity issues as part of Customs reform and modernization. He emphasized the value that the **WCO** CRM Programme was to establishing an effective framework to build integrity programmes.

19. Following discussion, the Chairman, Mr. G. Ludlow (New Zealand) summarized the key points to emerge from the Forum. He said that delegates had indicated that the **WCO** should :

- work at the international level with the private sector to find ways of improving integrity and administrations should also seek to build relationships with the private sector at a national level;
- continue to work with international organizations in the area of integrity;
- update the Arusha Declaration in accordance with the survey indications and the views expressed at the Forum

but that those measures in themselves were not enough. Mr. G. Ludlow then outlined a number of other suggestions that also needed to be considered. These suggestions were that the **WCO** :

- promote the Arusha Declaration and provide leadership in integrity matters;
- identify integrity as a key reform and modernization issue and promote integrity programmes as an integral element of the Customs Reform and Modernization Programme;
- encourage national administrations to promote integrity in terms of the principles set out in the Arusha Declaration;
- consider establishing a small Working Group to examine the integrity issue and draft specific actions that could be taken by the **WCO** to assist Members and improve Customs integrity;
- establish a permanent Forum in which the private sector should be encouraged to participate;
- encourage regional conferences where practical experiences can be discussed and shared.

**Conclusion**

2 0 . The Policy Commission is invited to :

- Note the information about the Integrity Forum given in paragraphs 1 to 18 above,
- Evaluate the suggestions made in paragraph 19 above. /

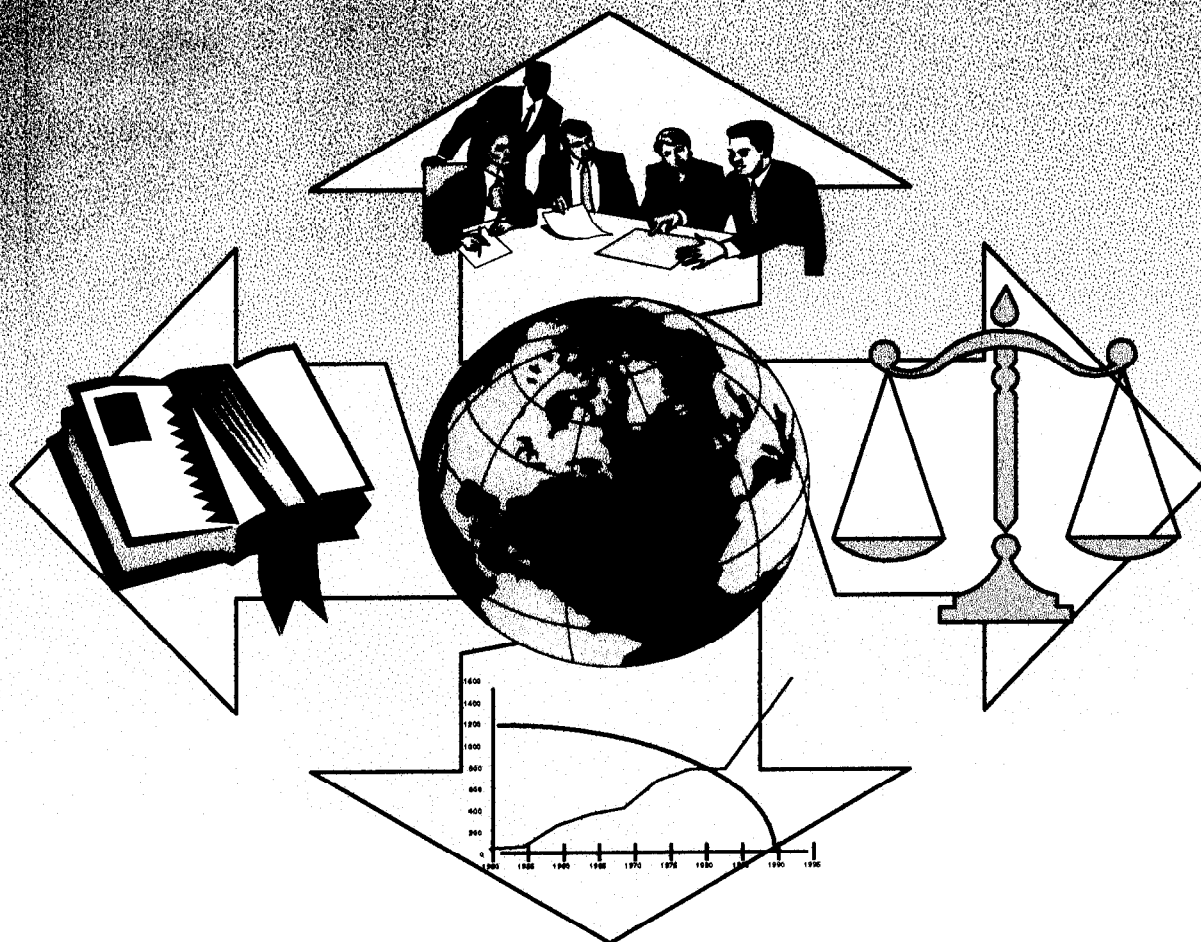
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World Customs Organization

# Customs Reform and Modernization

## Integrity Measures in Customs Administrations





# SURVEY OF INTEGRITY PRACTICES IN CUSTOMS ADMINISTRATIONS

## Purpose and Scope

This survey of Integrity Practices in Customs Administrations is the **second undertaken** in the framework of the WCO Customs Reform and Modernization Programme. **Its purpose** is to provide an up-to-date summary of current practices and initiatives being applied by Customs administrations world-wide in promoting, managing and maintaining integrity.

It is hoped that the results of the survey will benefit WCO Members in two ways. First, by pooling knowledge and experiences, Members will gain information that may be useful in the context of their own cultural, political and administrative environments. Second, the information will help the WCO Secretariat to direct any future work in Customs Integrity to the questions that are most relevant to Members.

The result is an analysis of the responses from 43 Members of the World Customs Organization from all regions, this **represents** about 30 % of the total membership. This is considered to be a sufficient valid sample from which to draw indicative conclusions. <sup>1</sup> We thank the following Members for their contributions :

Albania	Guyana	Nigeria
Australia	Hong Kong	<b>Norway</b>
Belarus	Hungary	Peru
Belgium	Japan	Poland
Bulgaria	Libyan Arab Jamahiriya	Singapore
Burkina Faso	Lithuania	Slovakia
Cameroon	Malaysia	Sweden
Canada	Maldives	Switzerland
Cape Verde	Malta	Thailand
Colombia	Mauritius	Tunisia
Cyprus	Mexico	Turkey
Czech Republic	Morocco	United Kingdom
France	Myanmar	United States
Germany	New Zealand	Uzbekistan
		Zambia

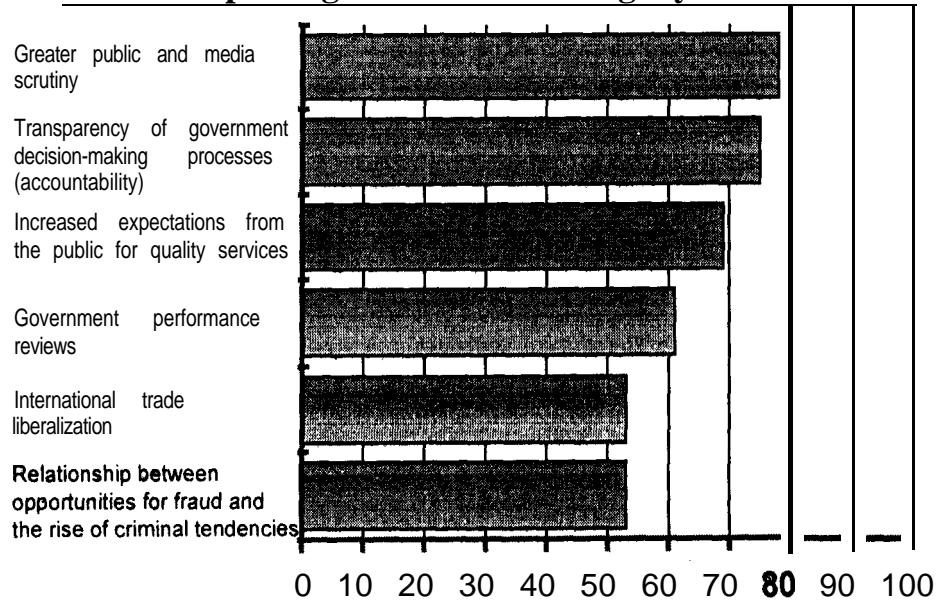
## Forces Impacting on Customs Integrity and Conduct

Customs administrations and their officials operate in an ever-changing world. They **arc** subject to greater public and media scrutiny, increased accountability and expectations about the quality of services they deliver. Their actions arc more visible and publiciscd as are their mistakes and misdemeanours. Moreover, Customs face pressures having to assume new functions and responsibilities in a context of limited resources, Globalization of trade and a changing public and private sector interface.

<sup>1</sup> The percentage of responses referred to in the charts are based on the first 36 responses received.

Chart 1

### Forces Impacting on Customs Integrity and Conduct



Greater public and media scrutiny, in some cases fuelled by national corruption scandals, is the driving force for an integrity enhancement programme, according to 75% of respondents.

An increasing number of Customs administrations have put in place mechanisms to report their actions, initiatives, performance and expenditures not only to the government but also to taxpayers and stakeholders.

For 68% of the respondents, the *increased* expectation from the public for quality **services** is a significant factor. The 1997 WCO Survey on Customs Reform and Modernization Trends and Best Practices indicated that for 93% of responding Customs administrations, improving service to customers is a major challenge at the eve of the next millennium.

In directing greater attention to Customs ethics and conduct, nearly 60% of respondents have been influenced by *Government performance reviews* and *changes in the operating environment*.

*International trade liberalisation* and booming trade volumes pose new challenges for 55% of the responding Customs administrations because of a changing client base with potentially different behavioural and ethical standards.

According to 55% of the respondents *there appears to be a strong and direct relationship between opportunities for fraud and the rise of criminal tendencies*

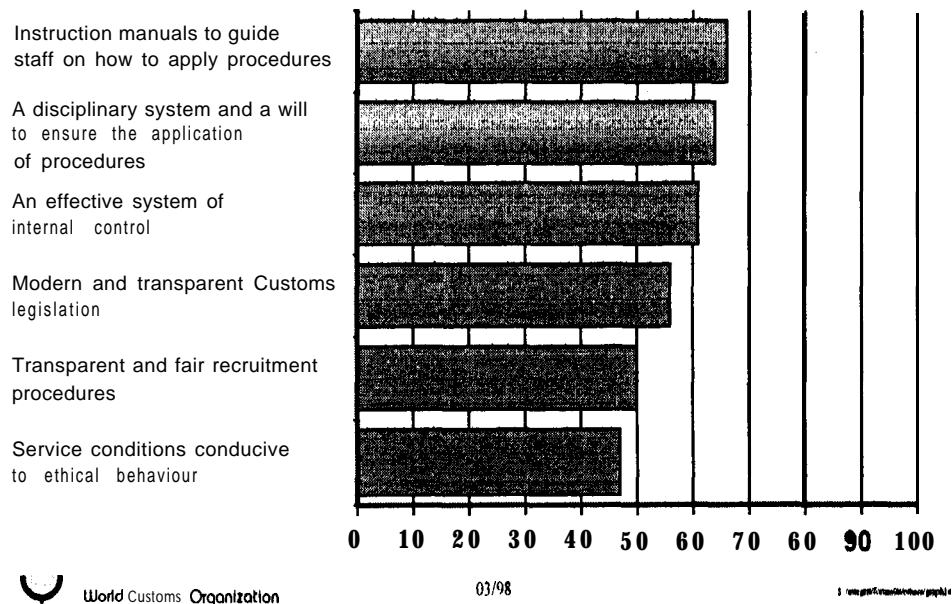
*Structural adjustment programmes* and the closely related *downsizing of government* have also created new ethical challenges for Customs administrations.

## Administrative Policy Elements Most Relied To Ensure Integrity

Over the years, Customs administrations have applied a range of administrative policies to regulate against undesirable behaviour and to provide incentives for good conduct. Members have emphasised different policy elements depending on whether they manage integrity primarily through guidance or through control and sanctions.

### Chart 2

**Administrative Policy Elements Relied on to Ensure Integrity**



It is the responsibility of Customs to put in place simple, easily understood procedures. According to 69% of respondents, providing guidance to staff on how to apply procedures through appropriate instruction manuals, contributes towards ensuring integrity.

Sanctions are an important factor in deterring corrupt behaviour. If penalties are not severe enough, and applied each time that inappropriate behaviour is detected, they will not be effective in reducing corruption. Some Members publish a table of discipline for breaches of integrity, security or conduct and take a swift action to punish violations.

A Disciplinary Review Board is a correlated element and key factor for equitable and consistent discipline.

60% of responding administrations have *built in an effective system of internal control* in all automated and manual system to prevent violations and to identify the violations that do occur. Frequently an independent audit review function, reporting directly to the head of Customs, has been established to monitor internal controls.

Complicated, inaccessible and out of date information on the exact legal basis for Customs requirements provides opportunities for irregular practices. 56% of respondents have introduced modern and transparent Customs legislation to make it clearer and more accessible to both Customs personnel and trade, and to eliminate ambiguities that could be exploited by dishonest officers.

More Customs administrations are working on the principle of informed compliance. They believe that if traders know exactly what they must do to comply with Customs requirements, and the consequences of not doing so, then they will be much better able to resist involvement in corrupt practices.

Public service employment and human resource management policies play an important part in creating an environment that is conducive to ethical behaviour.

50% of respondents rely on transparent and fair recruitment and selection of personnel. Members suggest that the recruitment system should include a variety of checks including finances, personal references, previous employment criminal checks.

*Public service conditions* conducive to ethical behaviour remain fundamental to maintaining integrity in Customs. Recognising that Customs deals with huge sums of money and a great quantity of prohibited goods such as drugs, temptations exist. Whilst poor pay and conditions do not excuse illegal or unethical behaviour, people can be open to corruption particularly when they are not able to support themselves and their families on what they earn.

Some Members cited that in the overall context of a government wide reform through the creation of a Revenue Authority, for example, they have been able to review the status of Customs staff and thus secure Customs officials a pay scheme appropriate to the environment.

Where Customs salaries formed part of the public service pay system, some Members reported incentive schemes such as bonuses on seizures and social benefits such as sickness insurance for officials and their families etc.

In Peru, where an extensive Customs reform programme was successfully implemented (and reported to at the 1997 WCO Forum on Customs Reform and Modernization) the three main thrusts were moralisation, modernisation and professionalisation. Initiatives under moralisation included service conditions such as: a redefinition of functions and requirements; a rigorous selection process; a change of the labour regime; and a new remuneration policy.

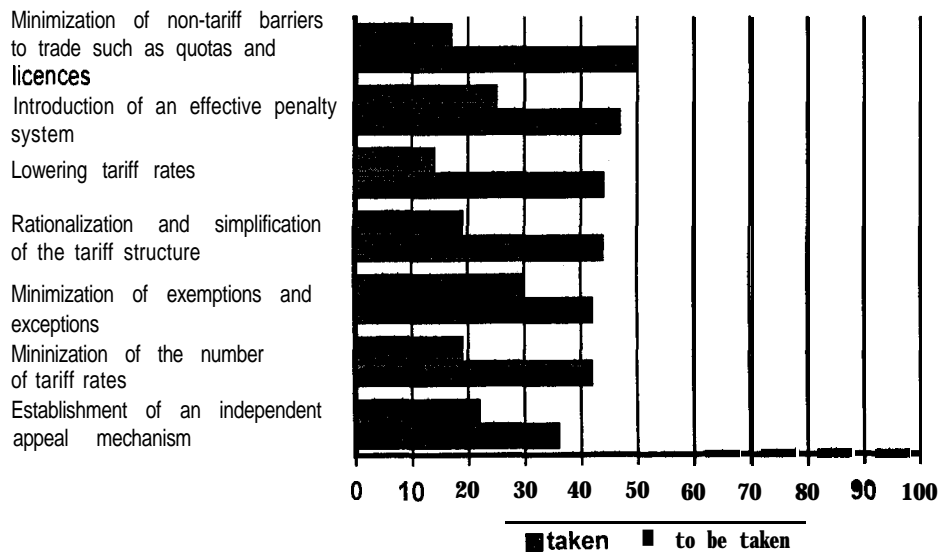
## **Trade and Tariff Policy Measures**

Whilst a number of respondents from developed countries have specified that the measures taken or to be taken in the area of tariff and trade policy have not been in the context of fighting against corruption, for a large proportion of WCO Members, they are still major tools in significantly reducing corrupt practices. The WCO Arusha Declaration on Customs Integrity makes trade and tariff policy measures one of its key elements as does the IMF under its economic restructuring programmes.

According to the International Express Courier Conference, duty shortfalls attributable to irregular Customs practices, have been assessed at rates up to 50% of national revenue. A country which depends on Customs duties for 50% of its revenue would therefore be losing up to 25% of its public finance.

**Chart 3**

**Trade and Tariff Policy Measures Taken or to be Taken against Corruption**



50% of the respondents have in recent years *eliminated as much as possible non tariff* restrictions on foreign trade in the context of trade liberalisation programmes. Another 17% intend to do so. The need for numerous approvals for foreign trade licenses and multi-agency authorisation to import and export, creates the opportunity and incentive to engage in corrupt practices.

The introduction of *an effective penalty system* as reported by 47% of respondents has provided Customs the ability to impose administrative penalties for minor offences. Serious cases, including the bribing of revenue officials should result in more serious actions including dismissal and criminal prosecution.

The rationalisation of the import tariff structure is not only good economic policy, but it also reduces complexity and unnecessary interpretation.

Responses under *rationalised and simplified import tariff structure (44%); reduction of the /evels of rates (44%); and minimisation of the number of rates (42%)*, indicated that changes to tariff rates and structure are considered very important. The reduction of the number of rates drastically reduces classification problems and opportunities for discretionary decisions and wrongdoing.

Many WCO Members, including several developing countries have diversified **their tax** base so that Customs tariff may be moderated. The new fiscal regimes not **only** include Value Added Tax but also new components in the Excise area which have **enabled** them to progressively reduce the rate whilst recovering or even increasing the overall revenue receipt.

*The minimisation of exemptions and exceptions* is the aim of 42% of respondents whilst an increasing number of countries (30%) are considering taking that measure.

36% of Customs administrations have, and another 22% intend to, establish an *independent* appeal mechanism in order to preserve the independence of officials and the integrity of procedures..

In New-Zealand, the Customs and Excise Act of 1996 extended the previous tariff classification mediation facility into a Customs Appeal Authority. Appeals may now be entertained against all decisions of Customs.

### **Guidance Available to Ensure that Customs Officials Know and Understand What is Expected from Them**

Customs officials need to know the basic principles and standards they are expected to apply to their work and where the boundaries of acceptable behaviour lie. The range of options extends from large codes designed to ensure compliance with rules, to more or less detailed guidelines and broad statements of aspiration designed to encourage the internalisation of high standards.

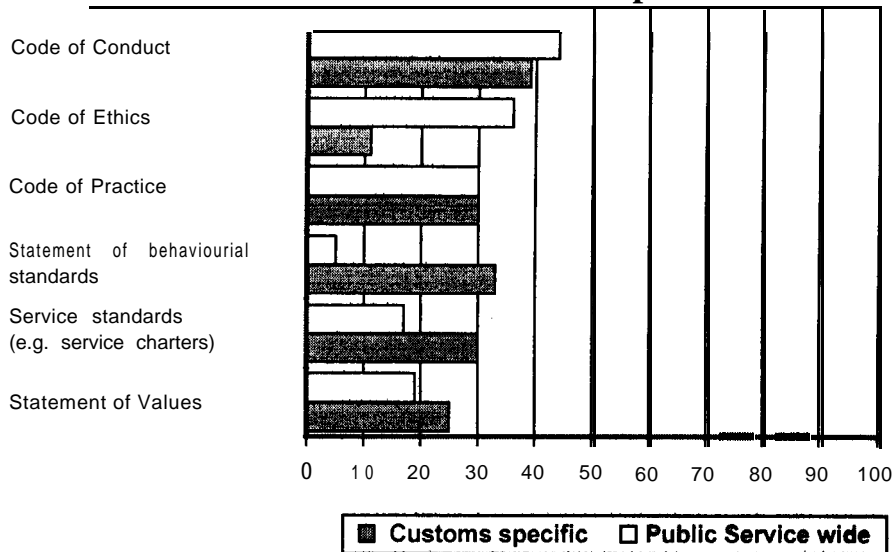
The terms "Code of Conduct", "Code of Ethics" and "Code of Practice" are often used interchangeably. However each basic code type has a different intent and purpose.

Codes of Conduct are statements of rules. Codes of Ethics are statements of values and principles associated with the purpose of the organization. Codes of Practice are interpretations and illustrations of corporate values and principles.

Customs Service Charters include service delivery standards which provide clients with a means of assessing Customs performance and the quality of service they provide. They can also include reference to the standards required by Customs of clients.

## Chart 4

### Guidance Available to Ensure that Customs Officials Know and Understand what is Expected of Them



World Customs Organization

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39% of the Members surveyed have a Customs specific code of conduct. This suggests that countries still see the need to define explicitly, although not necessarily in minute detail the behaviour expected of Customs officials. 44% of Members have a broad public service wide code from which individual agencies design a purpose-built code to reflect their particular objectives and mission.

An equal number of responding administrations have a Customs specific and Public service wide Code of Practice (30%)

Only 11% of the respondents have a Customs specific Code of Ethics compare to 36% for a public service wide. In some administration like Australia the Code of Ethics not only states the standards of behaviour that are expected of all Customs staff, but also seeks to enhance the partnership based on mutual respect between the organization and the business community and stakeholders which will withstand public scrutiny.

Customs specific Statements of behavioural standards (33%), Service charters (30%) and Statement of values (25%) are becoming most frequently in use.

In Australia, Customs has introduced four charters: travellers'; cargo; industry support; and excise.

In Ireland, the Revenue Commissioners 'Customers Charter of Rights' includes the following entitlements: courtesy and consideration; presumption of honesty; accurate and timely information; impartiality; privacy and confidentiality; independent review; compliance costs; and consistent administration.

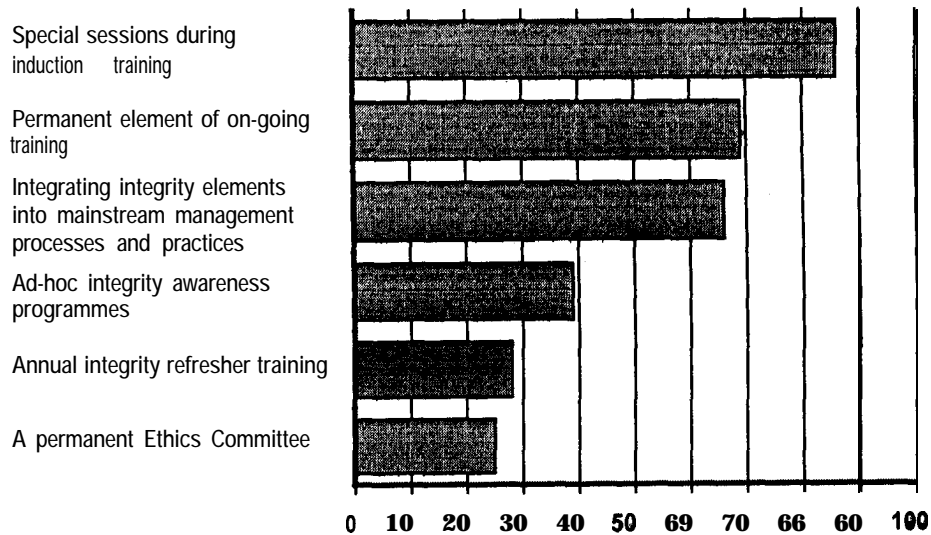
For some administrations like the United States Customs Service, the statement of values is inclusive in the organization's mission statement.

### How Ethical Values are Communicated

Communication and training can do much to ensure that Customs officials **internalise** basic values, understand integrity issues and develop the judgement and **skills** needed to deal appropriately with integrity problems. Effective training programmes provide employees with a good understanding of the integral role integrity plays within the organization as well in their long-term professional career.

**Chart 5**

### How Ethical Values and Standards of Conduct are Communicated



For most Members (86%) *training is the key element to making their organizational integrity programme successful*. Training is concentrated at *the induction stage*, but most administrations (69%) have an on-going programme of education and training. To this end many Members like Belgium have stressed the responsibility and accountability of managers for effectiveness, efficiency of their systems and the performance and integrity of their staff.

65% of respondents have reported *integrating integrity elements into mainstream management processes and practices*. Integrity is seen less as a separate and distinct activity, and more as an integral part of all management decision-making and planning.

38% of the respondents reported *running ad-hoc integrity awareness programmes* where senior officials from for example the Investigation Bureau of Corrupt Practices are invited to give talks.



Other delivery methods include periodic newsletter, *annual integrity refresher training* 28% or *through a permanent Ethics Committee* 24%

In Burkina Faso a service responsible for moralising the administration was created to promote integrity.

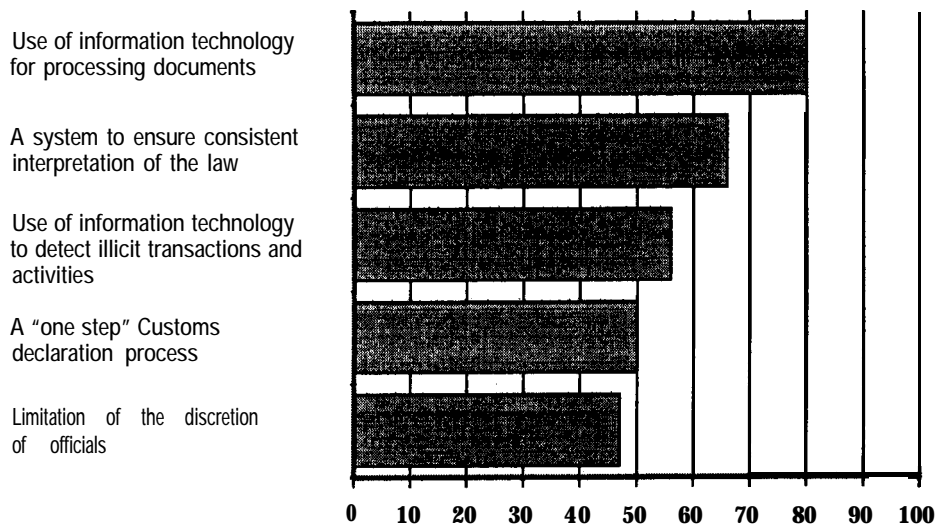
### Measures To Reduce Opportunities

Most Members cited three or four types of measures as the most effective to reduce opportunities for corruption thus referring to the importance of employing a range of integrated measures.

Specific elements of operational efficiency, such as information technology and risk assessment are seen as some of the most practical access points to higher standards of Customs behaviour.

### Chart 6

**Measures Most Likely to be Effective in Reducing Opportunities for Corruption**



For 80% of the Members surveyed, the *use of information technology for processing documents* is a powerful tool against corruption. More Members are striving to create a paperless environment in order to eliminate manual procedures. These tend to be an obstacle to trade and enhance the opportunity for indulgence in corrupt practices. Some Members have developed technology extensions which offer a substantial range of internal control opportunities and pro-integrity options such and random selection of declarations to appraisers.

In the Philippines the overall goal of the new Automated Customs Operating system is to create a *Paperless, Cashless, Queueless environment*.

66% of respondents see a system *to* ensure consistent interpretation of *the law* as an effective measure against corruption.

In Singapore, circulation of monthly help lists providing answers to commonly asked questions to traders. Members have also cited that Customs international Conventions such as the Harmonized System have in large measure contributed to ensure consistent of the law.

56% said that the *use of information technology to detect illicit transactions and actions* is an effective measure. Risk management provides an important tool for identifying areas most susceptible to corruption and monitoring integrity. The analysis of data on travel and trade can be an important asset in providing early warning to management that a problem exists in personnel integrity.

50% see value in a “one step” *Customs declaration* process where there is a single point of responsibility and Customs contact concerning any particular declaration.

In Tunisia, the newly created Customs Observatory automatically follows through the declaration process and stops the clearance process whenever there is any indication that complicity may exist between the owner or broker and a Customs official.

*Limitation of the discretion of officials* was considered by 48% of respondents as an effective measure.

In Mauritius, Customs have sent circular letter to all licensed Customs brokers **and** other operators to refrain from giving money to officers for services at Customs.

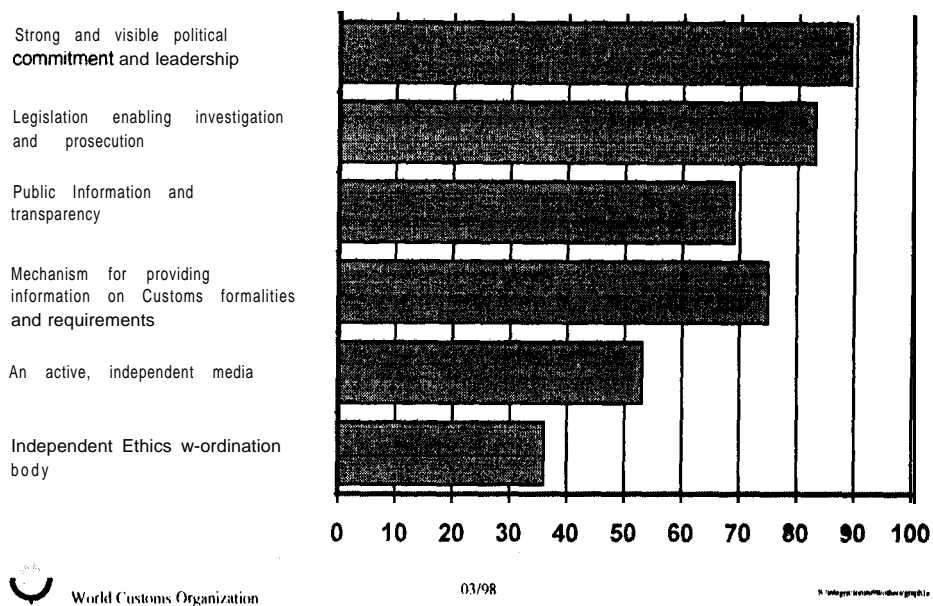
Another effective practice quoted is the rotation of Customs officials especially at border posts

### **The Future of the Arusha Declaration**

The WCO Arusha Declaration on Customs Integrity was adopted in 1993. Since then, numerous developments and initiatives have taken place at international, regional and national levels which the WCO Council might want to consider for incorporation into the Arusha Declaration. The following are six elements of the 1997 OECD Ethics Infrastructure and the 1994 Columbus Ministerial Declaration on Trade Efficiency not specifically covered in the Arusha Declaration.

## Chart 7

### Elements to be Considered for Inclusion in the Arusha Declaration



A striking 89% of responding Members indicated that a strong, visible political *commitment* is imperative for any reform to succeed. Without genuine political support and clear messages from government leaders that unethical behaviour will not be tolerated, initiatives to improve integrity in Customs will fall on a barren ground. Once the commitment has been given to address corruption problems, senior officials must take responsibility to lead the Customs administration by the example of their own strict adherence with the laws.

For 83% of respondents said that *an effective legal framework enabling investigation and prosecution is necessary to discourage and penalise wrongdoing*. While the law is an inflexible tool for the day-to-day management of integrity, it provides an important safety net.

75% said that *public information and transparency* are critical elements. It is important in this context to have in place a clear set of procedures for the public to find out what they are entitled to access in the realm of official information and for officials to be clear as to what they a duty to disclose.

69% indicated that to ensure maximum transparency Customs should provide the trading community with *the necessary information on Customs formalities and requirements*. Such information should be kept up to date and should be easily accessible.

In Hong Kong, China for example transparency of Customs regulations and procedures which are made available through the Internet, Customs pamphlets and consultation with Customs Customer Liaison Groups.

53% saw *an active independent media* as an important factor so that citizens can act as watchdog over the actions of Customs officials. Access to information provisions is **an** important factor in this function.

36% believe that an *independent Ethics co-ordination body* to perform both oversight and accountability roles, is another important element.

## **Evaluation Mechanisms**

While most countries have no regular evaluation methodology in place for assessing the effectiveness of integrity measures most described some form of monitoring or reporting. This suggests that Customs administrations are concerned about the effectiveness of integrity measures and aware of the need to evaluate them.

Types of evaluation include: periodic assessment as part of the routine of a government department and **decentralised** assessment at the local or organizational level through audit performance management mechanisms.

In the United States independent audits by the General Accounting Office and reviews oversight by the Treasury (Management inspections)

In Hong Kong, China integrity is measured against an analysis of the number of substantiated complaints, the number of convictions on corrupt cases and the number of breaches of internal guidelines and disciplinary cases.

In New Zealand, the measures themselves are not evaluated but the total outcome of these measures is subject to constant reappraisal though internal and 'external audit processes.

In the United Kingdom integrity is an integral part of performance appraisal and management and the effectiveness of integrity measures is evaluated through performance appraisal system review, risk assessment updates etc

## **New Initiatives and Sharing of Best Practices**

To quote Dr. Jon Quah from his article entitled **Bureaucratic Corruption in the ASEAN Countries: A Comparative Analysis of Their Anti-Corruption Strategies**, "*the acid test of government's sincerity in wiping out bureaucratic corruption hinges not only on the formulation of anti-corruption measures. Rather its credibility lies in the actual implementation of such measures and their **effects** on the behaviour of civil servants and the society at large.*"

# BEST PRACTICES

The following is a summary of integrity measures and best practices described by Members in their responses to the Survey Questionnaire

## Czech Republic

Division of Customs procedures and/or processes into separate segments and, as a control measure, assigning responsibility for each segment of the procedure or process to different officers.

## France

Several measures are being looked at to prevent irregularities in regard to retail export sales forms :

1. Change the procedure so as to break the link between Customs officer and duty evader : the possibility of having travellers compose the forms themselves under Customs surveillance is under study.
2. Intensify post-audit controls.
3. When training new recruits, stress information on this matter.
4. There are plans to sign agreements with traders in this sector, to combat these practices.

## Hong Kong, China

The establishment of an independent anti-corruption body responsible to the Head of the administration with clearly defined responsibilities to enforce clear and severe anti-corruption legislation.

## Japan

- Managers have to monitor their subordinates' performance on a daily basis to ensure that they are fulfilling their duties and to detect any indications of misconduct as soon as it occurs.
- Upon finding any wrongdoing managers have to make immediate report of the incident. As a matter of routine a manager has to prepare an annual report for each of his/her subordinates.

- Special inspecting units have been created in the Customs and Tariff Bureau and as well as in Headquarters of Regional Custom Houses. They are specifically responsible for supervising Customs officials to prevent misdeeds and to conduct investigation into any incidences of misconduct uncovered. Inspection of Custom Houses are made annually or as and when considered necessary.

## Malaysia

Establishment of an integrity committee at national and regional levels to plan, co-ordinate and implement programmes to promote, manage and maintain integrity.

## Malta

### A. Simplification of the Customs Clearance Process

- The Maltese Customs Department introduced risk analysis techniques which have helped the Department to make more flexible use of resources, achieve better targeting and introduce selectivity into the document processing and physical examination. The Asycuda System more easily generates statistical information which further facilitates the application of these techniques.
- Since 1995, the Maltese Customs Department publishes "The Integrated Tariff of Malta". This Tariff provides additional information such as requirements of other departments. This has simplified the work for importers and exporters which reduces incentive for unethical behaviour.

### B. Other

Co-operation between the Department of Customs and other enforcement agencies such as the police and the armed forces in various fields.

## Mauritius

Creation of a modern Customs administration using up-to-date methods of control such as risk analysis, intelligence, etc. achieves results with the least interference or intrusion on legitimate trade.

The removal of unnecessary regulations and bureaucratic tendencies which are a sources of undue power for Customs officials, reduces incentives and opportunities for indulging in corrupt practices.

Joint effort between Government and the local branch of the NGO transparency International culminated in a programme of national integrity, embracing all public sectors, in particular Police and Customs.

## **Mexico**

The Customs officers and officials, specially those agents placed at the borders, are regularly transferred to different stations.

## **New Zealand**

The New Zealand Customs Service has a range of management control systems which include :

- Internal reporting
- External reporting
- Self-review policy
- Internal assurance procedures (and poor review internal audit)
- External assurance procedures

These management control systems are complemented by human resource programmes, for example, code of conduct and performance management systems.

## **Norway**

A combination of several elements among others :

- Management through budget by frames and reports
- Internal and external audit systems
- A clear policy on publicity and a body to execute it
- An training programme which includes integrity issues

## **Slovakia**

1. Preparation and approval of the comprehensive Customs code and other regulations clear to all parties involved.
2. Harmonization of Customs procedures and documents.
3. Regular and solid in-service control in Customs administration.
4. Use of automation to improve the integrity of processes.
5. At the Joint Customs Border Posts with neighbouring countries we have introduced and use so called "control sheets" in which all services working at border posts indicate their involvement.

Many various measures taken.

## Sweden

In Sweden the standard of integrity is generally high through out the whole public sector. The concern in Sweden today is how to keep the standard up. Scandals in Swedish society have concerned misuse of credit cards in representation, etc. The most common situation when a Customs officer might find her/his integrity put in jeopardy is when offered a "gift" from e.g. a grateful customer. The rule is not to accept any gifts at all. The administration has a regulation with recommendations as a guideline for all employees. This regulation is to be updated as soon as possible.

## Tunisia

Four principal actions are worth mentioning :

Within the new organization of the Customs administration, establish a body called the "Customs Security Bureau", whose tasks will include respect for the principle of professional integrity.

The establishment of a special unit called "Customs Observation" for real-time surveillance of the computerized declaration circuit, with the power to intervene and stop the Customs clearance operation in the case of any suspicion of complicity between the declarant and the Customs official or of any other attempt to defraud the Revenue.

Through the Customs "mutual society", several social measures have been taken to improve the living conditions of Customs staff, including :

- \* free medical care at the military hospital
  - \* payment of medical insurance contributions
  - \* granting of real estate loans
  - \* granting of other assistance in the form of occasional grants.
- Application of a policy of motivation (material and moral) of Customs staff following revision of the Staff Rules.

## United Kingdom

- Personal and performance appraisal systems together with operational and staff risk assessment as part of management. Linked to and supported to the law, enforcement and disciplinary procedures.
- Integrity is also part of UK Customs strategy statement.



## Our values

To meet these challenges, we have to focus on maintaining our high standards of enforcement while meeting the needs of everyone we serve. This is a continuation of the direction in which we are moving already and builds upon our key values :

- Integrity
- Impartiality
- Courtesy
- Helpfulness

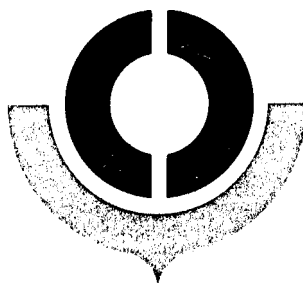
These values apply not just in our dealings with businesses and the public, but also in the way we treat each other in Customs and Excise.

## **United States**

Recently initiated programme entitled "One on One", it involves each new employee receiving a personal integrity briefing from one specific member of the Customs Internal Affairs Unit. The purpose is not only to ensure the new employee understands all previous integrity training, but also provides a forum where the employee can be advised of any unique and/or particular areas of integrity concern within his/her new post of duty. This forum also provides an opportunity for the Internal Affairs representative to become an "integrity mentor" for the employee during his/her tenure at this particular post of duty. It establishes avenues for employees to report future occurrences of wrong doing to someone he/she knows. The programme is relatively new so results are inconclusive at this time but the potential is promising.

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# Customs Reform and Modernization Programme



Policy Document



## **MISSION STATEMENT**

*“The World Customs Organization is an independent intergovernmental body with world-wide membership whose mission is to enhance the effectiveness and efficiency of Customs administrations in the areas of compliance with trade regulations, protection of society and revenue collection, thereby contributing to the economic and social well-being of nations.”*

# WORLD CUSTOMS ORGANIZATION

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## Executive Summary

Governments have to steer their economies through radical changes in public concern and global trading. Customs administrations must **manage** ever-increasing complexity and levels of transactions with static or **ever-**decreasing resources. Governments expect Customs, as essential instruments of national and international policy, to strike and maintain the right balance between control and facilitation by reforming and modernizing their management methods and operational procedures.

To focus and assist these improvements the World Customs Organization has included Customs reform and modernization as a key activity in its Strategic Plan. This has led to the development of the Customs Reform and Modernization Programme. It is made up of four stages with **inbuilt** flexibility to vary content and delivery according to the ascertained needs of the beneficiary. The four stages are:

- **Entry** – assessing the beneficiaries’ readiness to begin the programme, preparing them for the next stages and determining resources including funding.
- **Diagnosis and Planning** – applying **self-help techniques**, analyzing the beneficiary’s environment, objectives and problems; identifying solutions and internal and **external** assistance needs; and **setting** plans for improvements.
- **Implementation** drawing on the wide range of available financial, human and technical assistance, the beneficiary will implement plans based upon the identified needs from the previous stages.
- **Evaluation** – measuring the cost-effectiveness of the programme as applied in the three previous stages.

The benefits from each stage, which may take some time to appear, will include:

- better responses to government fiscal, trade and public protection policies;
- optimal use of technical assistance and training resources based on sound organizational needs analysis;
- improved revenue collection;
- increased detections, seizures and successful prosecutions; and
- simplified external trading through improved market access based on reduced costs and reliable, rapid deliveries.

# WORLD CUSTOMS ORGANIZATION

## Overview

### Introduction

- 1 WCO member countries are faced with an increase in volume and speed of international trade, advanced technology, rapidly changing national and world economies as well as the ever present threat from the illegal traffic in prohibited and restricted goods. Customs administrations in turn are faced with the expectation of their Governments to undertake more complex roles, accommodate ever-increasing transaction levels and do so in an environment of frozen or decreasing resources. Traditional values, systems and procedures must therefore be re-examined to reduce the costs of Customs interventions in the transactions of trade, industry and the public. Customs administrations must examine the need to reform and modernize so as to strike the right balance between the need to control and the ability to provide a service.
- 2 The World Customs Organization is spearheading the global drive for efficient, effective and economic Customs administrations through the Customs Reform and Modernization Programme (CRM Programme). This programme constitutes one of the six key activities identified by the WCO to implement its Strategic Plan.

### Background

- 3 The international trade, social and economic environments are changing. World economies and communities are becoming more reliant on co-operation, partnerships, understanding and harmonization. The conclusion of the Uruguay Round, the creation of the World Trade Organization (WTO) and the increasingly stringent scrutiny of funds usage by the World Bank and the IMF, are examples of pressures that are forcing reform and streamlined approaches.

# V

- 4 Customs functions, performed effectively, play a key role in assisting Governments to achieve their national and international policy aims. For most countries with an established market economy no other single Government body fulfils the essential role of collecting and protecting revenue and assisting with financial, trade and foreign policy while at the same time protecting society by combating smuggling and fraud.
- 5 The World Customs Organization's CRM Programme aims to assist its Members to become more self-reliant through: better use of resources; strengthening their management capabilities; and devising appropriate systems, processes and structures. This strategy ensures a cohesive and global approach to reform and modernization.
- 6 Adoption of the CRM Programme will lead to improvement in the overall performance at both policy and operational levels. It will lead to better targeted human, technical and financial assistance, based upon identified and agreed needs and measured to ensure optimum effectiveness and value for money.

## Problems and Opportunities

- 7 The CRM Programme addresses problems and opportunities faced by:
  - Customs Administrations
  - Donors and Beneficiaries

## ■ Customs Administrations

### External Environment

8 **Political** – shifting governmental priorities.

**Geographical** – impact on and from other countries.

**Economic** – increase in trade volume and demands of businesses.

**Technological** – sophisticated global data processing systems.

**Socio-cultural** – community and institutional pressures from different values **and** beliefs.

**Financial** – the need to collect the appropriate revenue; impact of exchange rate changes; fraud, smuggling and illegal funds transfer.

**Stakeholders and clients** – changing and more demanding expectations.

### Internal Environment

9 **Legal basis** – need for certainty and stability as a firm base for operations.

**Procedures and systems** – lack of uniformity in application.

**Organizational structure** – failure to achieve Mission goals; lack of co-ordination.

**Human resources** – pressure to down-size; industrial relations.

**Financial resources** – lack of effective financial management, planning and accountability.

**Technical resources** – ineffective allocation; no needs assessment.

**Management practices** – poor resource allocation and planning.

**Automation** – need for global information and speedy, accurate processing systems.

**Communications** – inconsistent application of **policy; lack of internal** and external support for programmes.

**Integrity** – lack of propriety and accountability.



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## ■ Donors and Beneficiaries

- 10 Many past interventions and missions have failed to take account of social, cultural and other factors which underscore the root causes of problems. Though usually technically sound they have been seen as driven from the outside with little or no ownership of the solutions within the organization.
- 11 In the past technical assistance and training have often been provided without any specific needs assessment.
- 12 Local management and implementation lose momentum and return to local standards when the mission or training course is over.
- 13 beneficiaries are not being fully involved in the identification of what is needed to help them improve their performance and are not taking full responsibility for reform and modernization.
- 14 Human, financial and technical resource assistance is being provided by different international donors with little co-ordination or strategic approach. This is leading to duplication, confusion and endless provision with little transfer of skills, management development or sustainability on the part of the beneficiary.
- 15 There is often a lack of strategic planning or financial and human resource management, resulting in limited long term improvement in overall efficiency.
- 16 Training and technical assistance are often not being measured for effectiveness or value for money.
- 17 Despite having considerable global recognition, the WCO's international Customs Conventions are sometimes not understood or implemented. This limits the opportunity for some Governments and Customs administrations to maximize their business potential in the areas of fiscal, trade and community protection policies.'

# WORLD CUSTOMS ORGANIZATION

## Solutions

- 18 Faced with these problems and the many significant global changes, the WCO intends to be at the forefront in assisting in the reform and modernization of Member Customs administrations. This will assist them to achieve efficiency, effectiveness and self reliance in handling the challenges of the modern and changing environment. The CRM Programme is the strategic vehicle through which to achieve that objective and is supported by the WCO's role as a broker of information on beneficiary assistance needs, donors and expertise.
- 19 In broad terms reform and modernization can be viewed as improving management, operations, accountability, integrity and planning and control systems.
- 20 The CRM Programme achieves reform and modernization through a strategic but flexible process, made up of a number of complementary components providing comprehensive coverage. This is a major breakthrough in the international arena moving away from shopping list based aid and assistance – with little value for money assessment – to a sound and realistic programme for change.

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## Target Population

- 21 Often the focus for the WCO has been perceived to be toward developing Member administrations, but the main thrust of reform can impact on all WCO Members. The WCO recognizes that there are different levels of Customs development within the membership. For that reason, there must be a flexible, rather than a prescriptive methodology associated with the CRM Programme, so that it can be used by administrations at any level of development. Nevertheless, those countries with greater needs, such as those with emerging economies and developing nations, will find particular benefit within the CRM Programme.
- 22 The responsibilities outlined and pursued within this programme are shared between donor and beneficiary alike.
- 23 In order to ensure success:
  - Senior policy makers must be committed to reform and be willing to implement the results of the planning process; and
  - the Customs administration must be engaged in, or planning, significant reform (eg major structural or procedural reforms, implementation of the GATT/WTO Agreement on Customs Valuation, Harmonized System etc); and it must be ready to subscribe to terms of reference in a Customs Reform and Modernization Programme Agreement.

## Strategic Aims and Tactical Objectives

24 The aims are to:

- ensure a more efficient, cohesive and global approach to the reform and modernization of WCO Member Customs administrations;
- assist them to achieve self reliance in handling the challenges of the modern and changing environment;
- improve the overall performance of their administrations at the policy and operational level; and
- ensure focused human, technical and financial assistance based upon identified and agreed needs and measured to ensure optimum effectiveness and value for money.

25 The objectives are to assist Members to:

- identify the need for reform and change;
- make better use of internal and external resources;
- strengthen management capabilities;
- devise appropriate systems, processes and structures;
- implement and manage improvement programmes; and
- measure changes in performance.

## ■ Entry

### Initial Assessment

- 28 This involves the assessment of a Member's realistic and appropriate requirements and agreement on the entry point of the programme. The beneficiary administration will need to identify the high level needs of the Government and Customs, with some assistance if appropriate.
- 29 This initial assessment sets the agreed direction for the individual CRM Programme. There may be a need at the outset for some training or development to equip an administration with the knowledge and the skill to be able to analyze problems and suggest solutions. This can take place prior to the diagnosis and planning stage.

### Customs Orientation Programme for Policy Makers

- 30 Any change programme needs top level support from the very beginning. This programme seeks to gain the support of senior policy makers who make decisions affecting Customs administrations and thereby lay the foundations for sustained Customs development.
- 31 If needed, the Customs Orientation Programme is used to provide policy makers with a clear picture of the modern Customs role and the part it can play in achieving national objectives in the areas of fiscal management, trade facilitation and community protection.



## ■ Diagnosis and Planning

### Diagnostic Study

- 32 This is the main vehicle for identification of an **administration's needs** and priorities. It is a practical management tool **for Customs** executives which enables them to make a self-analysis of their Customs administration and its operating **environment**.
- 33 The study is carried out by the top management of **the Customs** administration using a logical step-by-step approach, assisted and facilitated by an external team of experienced Customs Officers. The study considers:
- the role of the Customs administration;
  - **its expected outcomes;**
  - the challenges to be faced in the future from a **global** perspective;
  - the external forces affecting the Customs administration;
  - the internal mechanisms to achieve the organization's goals;
  - the problems facing the organization and their root **ⓂⓈ◆•Ⓜ•Ⓜ**;
  - the workable solutions to those problems;
  - the internal and external abilities to achieve those solutions; and
  - a Reform and Modernization Plan.

### Reform and Modernization Plan

- 34 This plan, created by the administration as a result of the **Diagnostic** Study, will identify problems and solutions, pinpointing training and technical assistance needs, as well as internal and external requirements **to** meet those needs. This plan will **also** form **the** basis for future evaluation and project management.

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## ■ Implementation

### Project Management

- 35 As with any change, design or improvement process, direction and purpose needs to be established at every stage and progress monitored to ensure achievement. This managed approach needs to be started at the implementation stage of any specific CRM Programme.
- 36 Management and implementation of improvements recommended as a result of the CRM Programme will remain the responsibility of the beneficiary. This concept of ownership of the problems and solutions is fundamental to reaching a successful outcome. To facilitate this process, however, project management assistance may be requested by the beneficiary administration and supplied by a donor under a technical assistance agreement.

### Technical Assistance and Training

- 37 Where the recipient country does not have the necessary technical or other expertise, it may seek the assistance of the WCO as a central reference point through the WIDEBAND database. In this stage, the WCO will help to locate and engage appropriate experts, trainers, advisers and training materials. Associated funding might also be negotiated through the WCO.

### Full or Modular Approach

- 38 The Initial Assessment, the Customs Orientation Programme for Policy Makers and the Diagnostic Study are designed for complementary use. However some administrations, after the Entry Stage, may not at that time wish to proceed or may not be ready to commit to a full diagnostic study of the organization.
- 39 It is therefore appropriate that the CRM Programme be delivered in the configuration most suited to the requirements of, and the potential benefits to be realized by, the beneficiary administration. This will be achieved without compromising the aims, objectives and quality of the CRM Programme.

# V

## ■ Evaluation

40 Evaluation is the process of identifying how successful the CRM Programme has been. It involves collecting and analyzing information to determine whether or not the aims, objectives and success criteria have been achieved, and making decisions about the future. The need to measure the effectiveness of the programme through value for money assessment and evaluation drives the way in which we analyze the requirement and implement the steps to reform.

41 The benefits of evaluation include:

- the opportunity to demonstrate that the programme ♦◊♦ worthwhile and has achieved its goals;
- feedback to the WCO, donor and beneficiary country about the return on the investment;
- information to help improve future programmes;
- encouragement of management involvement;
- direction of resources to meet the organization's priority needs;
- comparison between internally and externally provided assistance; and
- contribution to a larger survey of organizational and operational effectiveness.

42 Evaluation can only be thorough and meaningful if the programme has a clear foundation, based upon identified needs. Evaluation is not just a process which occurs during or after a CRM Programme but is an integral part of a quality approach.

### Measures of Success

43 The success of the CRM Programme may not be felt or seen in the short term. Improvement programmes and changing attitudes will take some time to gain acceptance, bed in and take effect. This strategy sets a foundation for long term planning and allows the objectives set to be sustained. To measure the improvements brought



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about by the programme, it is important to assess the position before the reform process begins and to monitor improvement through business and human performance measurement systems as the various programmes take effect.

44 The improvement indicators will be:

- Reform and Modernization Programmes will be driven by the beneficiary rather than by the supplier of expertise and assistance;
- greater efficiency and the successful implementation and application of Customs Conventions and instruments will greatly assist in the achievement of Governments fiscal, international trade and community protection policies;
- support and commitment from senior policy makers will be secured;
- provision of technical assistance and training will be based on sound organizational needs analysis and value for money;
- development of human resources will maximize and sustain improvements;
- greater compliance with the law and procedures;
- increased revenue yields;
- increased detections of prohibited and restricted goods and prosecution of offenders through improved controls and procedures
- better compliance with laws and procedures, leading to fewer offences;
- reductions in business overheads and easier access to markets through faster, more efficient scrutiny and clearance of goods and documentation;
- more efficient and effective management of goods under Customs control;
- more **accurate** and timely statistical and management information;
- and
- more efficient, effective and economic Customs administrations with better strategic planning, output definition and performance measurement.

# V

## Costs

- 45 The ongoing impact of the CRM Programme is cost neutral to **the** WCO. Existing resources within the WCO Secretariat will continue to **be** utilized for development and implementation of the programme.

## Conclusion

- 46 The WCO **Customs** Reform and Modernization Programme provides a logical and comprehensive blueprint for identifying changes that are needed and to plan for their implementation. It is not only the recipient Customs administration that benefits from this **approach**, **but** also the donors of funding and services, who will be better positioned to allocate their resources effectively and to measure success.