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FROM THE AMERICAN PEOPLE

TCB for Customs:

Lessons from Experience

Robert Holler
TCBoost Customs Specialist

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Lessons from Experience

- Common Customs issues
- Core issues we sometimes forget
- Potential pitfalls
- Four keys to success

Common Customs issues

- Automation of Customs Processes
- Modernizing Customs Processes
- Customs Valuation
- Risk Management
- Integrity
- Cost of Doing Business
- Supply Chain Security

Automation of Customs Processes

- Absolutely essential
 - Most Customs administrations are already automated
 - Many would like to upgrade
- USAID is at a disadvantage
 - CBP does not have an exportable automated system
 - No commercially available U.S. system in wide use
 - Alternative is usually ASYCUDA or local system
- Too many instances of automating poor practices
- Expensive, both initially and long term
- Current focus: Automated Single Windows

Modernizing Customs Processes

- Essential, but must be done right
- Revised Kyoto Convention provides the basis
- Most Customs administrations have made some effort
- Implementation often suffers due to the failure to involve stakeholders
- Often involves revising Customs legislation
- Must be accompanied by implementing instructions
- Training is vital

Customs Valuation

- Most Customs administrations have adopted the GATT Agreement on Customs Value (ACV)
- Compliance is another issue
 - Distrust of importers and specific exporting countries
 - Revenue targets
- Emphasis often on technicalities rather than processes
 - Usually taught by theorists rather than practitioners
 - Front end valuation is fertile ground for imaginative importers and equally imaginative Customs officers
 - Calls for audit based (or post-clearance) controls

Risk Management

- Focus Customs resources on high risk transactions, facilitate low risk transactions
- Selective controls
- Key Customs philosophy but easier said than done
 - Tends to initially focus on revenue issues
 - Slow to focus on other threats
 - Slower to focus on reducing risks
 - Often poorly implemented
- Requires mentoring, change management and constant monitoring

Integrity

- Initially addressed through oblique approaches
 - Automation
 - Procedures
 - Government-wide approaches
- WCO Takes a Direct Approach
 - 1993/2003: Declaration of the Customs Cooperation Council Concerning Integrity in Customs (The Arusha Declaration)
 - WCO Model Code of Conduct
 - WCO Integrity Development Guide
- USAID Customs Modernization Handbook: Establishing and Implementing a Customs Integrity Program

Cost of Doing Business

- How do motivate Customs and Finance Ministries?
 - International standards?
 - Best practices?
 - Revenue targets?
- The missing link, too long ignored
- Customs must understand impact on economy
 - Trading Across Borders Report
 - TCBaseline

Supply Chain Security

- An 800 pound gorilla lurking in the shadows
- New direction for most Customs Administrations
- Based on CBP response to 9/11
- “Pushing the borders outward”
- Adopted and adapted by the WCO
 - SAFE Framework of Standards
 - Commitments from 154 countries
- Impact on developing country exporters
- Authorized Economic Operator Programs

Core Issues We Sometimes Forget

- Institutional maturity
- Border management policy
- Compliance orientation
- Infrastructure

Institutional Maturity

- HRM including Performance Management
- Training and Development
- Planning and Program Management
- Integrity and Professionalism
- Public/Private Working Relationships

Border Management Policies

- Who's the driver?
- Conflicting priorities
- Interagency liaison and coordination
 - Ministry
 - Department
 - Local level
- Who's usually left out?
- Potential solutions
 - Form a committee
 - Reorganize?

Compliance Orientation

- Customs must focus less on catching violators and more on encouraging compliance
- Mutual distrust has to be replaced by effective working relationships
- Professional Customhouse brokers
- Professional trade organizations
- Service and ethics standards
- Authorized Economic Operators (AEOs)
- Trust, but verify: Audit Based Controls

Infrastructure

- Commercial processing model
 - Cargo cleared at border?
 - Cargo moved to inland inspection station?
- Non-commercial processing model
 - Separate agency inspectors
 - Cross-designated inspectors?
 - Linear processing?
 - Primary/secondary processing
- Facility design (GSA Border Station Center)

Potential Project Pitfalls

- Diagnosis and Prescription
- Commitment
- Management Capacity
- Accountability

Diagnosis and Prescription

- Treating the symptom rather than the cause
- Not establishing a comprehensive baseline
- Not facing corruption head-on
- Inconsistent evaluations

Lack of Commitment

- Inadequate mandate from above
- Failure to engage all the players
- Lack of coherent border strategy
- Inconsistent with overriding priorities
- Failure to integrate projects into Customs management processes

Overestimating Current Management Capacities

- Poor human resource management practices
 - Emphasis on academics rather than experience
 - Non-merit-based promotion practices
 - Ivory tower managers
- Inadequately trained personnel
 - Little to no internal training capacity
 - Emphasis on external short term training
 - Little to no managerial training
 - Lack of program management skills or experience
 - Little concept of change management

Lack of Accountability

- Accountability within Government
- Accountability within Customs
- Accountability to donors
- Accountability to the trading community
- Inadequate verification of declared results
- Lack of accurate baseline for comparison purposes
- Subjective rather than quantifiable results
- Lack of meaningful consequences
- Trust, but verify!

Four Keys to Success

- Meaningful commitment
 - Political mandate
 - Leadership
 - Buy-in
- Measurable objectives and consequences
- Moving toward a voluntary compliance philosophy
- Capacity building approach
 - Integration of advisors into management processes
 - Shared resource commitment
 - Co-location



Questions?