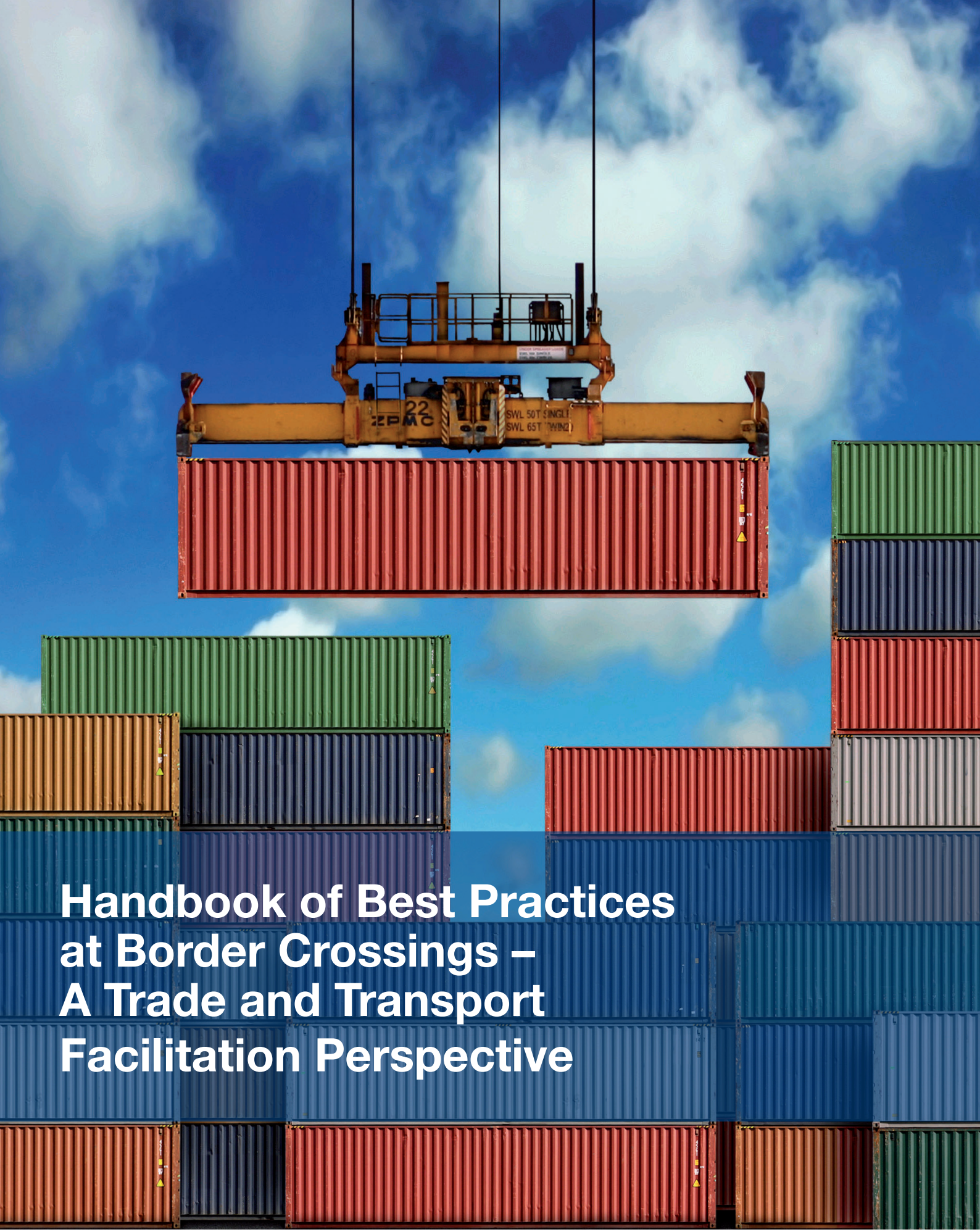

Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective

OSCE Organization for Security and Co-operation in Europe

UNITED NATIONS
ECONOMIC COMMISSION FOR EUROPE

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About the OSCE

With 57 participating States in Europe, Central Asia and North America and 11 Asian and Mediterranean Partners for Co-operation[1], the Organization for Security and Co-operation in Europe (OSCE) is the world's largest regional security organization. It offers a forum for political negotiations and decision-making in the fields of early warning, conflict prevention, crisis management and post-conflict rehabilitation. It has a unique network of 15 field operations across South-Eastern Europe, Eastern Europe, the South Caucasus and Central Asia. The OSCE takes a comprehensive approach to security that encompasses the politico-military, economic and environmental, and human dimensions. Since 2004 the OSCE and the UNECE have been linked by a Memorandum of Understanding (MoU) that provides for close co-operation, particularly – as exemplified by the present publication – in the field of economic and environmental affairs.

1 Afghanistan, Algeria, Australia, Egypt, Israel, Japan, Jordan, Morocco, Republic of Korea, Thailand and Tunisia.

About the UNECE

The United Nations Economic Commission for Europe (UNECE) is one of five regional commissions of the United Nations. Its principal aim is to promote pan-European economic integration, which it pursues by bringing together 56 member States from the European Union, non-EU Western and Eastern Europe, South-Eastern Europe and the Commonwealth of Independent States (CIS), and North America. Under the aegis of the UNECE, these countries engage in dialogue and co-operation on economic and sectoral issues. Drawing on the fruits of this common endeavour, the Commission provides analysis, policy advice and assistance to governments and, in co-operation with other global players and key stakeholders, notably the business community, gives focus to the United Nations global mandates in the economic field.

Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective

Table of contents

Foreword

We are very pleased to present the *Handbook of Best Practices at Border Crossings: A Transport and Trade Facilitation Perspective*, which has been jointly produced by the Office of the Co-ordinator of OSCE Economic and Environmental Activities (OSCE Secretariat) and the Transport Division of the United Nations Economic Commission for Europe (UNECE). Both our organizations recognize that facilitating legitimate trade and transport across borders is among the key factors in the advancement of economic development, which in turn contributes to the promotion of regional stability and co-operation. Furthermore, securing cross-border transport networks and ensuring international transport development are vital to the task of meeting such regional challenges as lack of access to the open sea, dependence on transit services of neighbouring countries, and other difficulties related to market access. This is the context in which we have decided to pool our respective and complementary competencies to produce this unique and timely resource.

The main purpose of the present Handbook is to assist the 56 OSCE participating States/UNECE member States in the development of more efficient border and customs policies through the promotion of existing best practices in this field. While we hope that the publication will become in the first place a reference document for national policymakers and senior customs and border officials, it is also aimed at representatives of transport agencies, the business community and civil society. Our intention is that it should contribute to further dialogue and be used for reference by those drafting border management policies aimed at facilitating legal trans-border commercial movement while paying due attention to the necessary demands made by security. It is to provide concrete examples from across our region and beyond on how border crossing points can be made increasingly efficient and secure, thereby facilitating smooth trade and transport operations while at the same time reducing the possibilities for corruption, illicit trafficking, and transnational crime and terrorism. It pays particular attention to road border crossing points but also touches upon border crossing points along railways and at sea ports. The publication aims to compensate for the fact that the negative economic impact of inefficient border crossings is not always given the consideration it deserves. Cumbersome procedures at borders increase the costs of transport operations and hamper international trade and foreign investments. This is the Handbook's underlying rationale.

Border management issues have been on the OSCE agenda for years. At the 2005 Ministerial Council in Ljubljana, the participating States adopted the Border Security and Management Concept, BSMC (MC.DOC/2/05), which offers a political framework for enhanced co-operation on border-related issues in the OSCE's three dimensions. According to the BSMC, the main challenge is to find ways of raising border security to a level proportionate to the threats of illegal cross-border activities, while still facilitating legitimate travel and commerce, protecting human rights, and promoting human contacts. The OSCE's involvement in transport goes back to 1975 and the adoption of the *Helsinki Final Act*, in which the OSCE participating States formally considered the improvement of transport conditions to constitute one of the essential factors in the development of their mutual co-operation.

The OSCE's commitment to transport was strengthened in 2003 with the adoption of the *Strategy Document for the Economic and Environmental Dimension* at the Maastricht Ministerial Council. In the Strategy Document, the OSCE participating States identified transport as a priority area for co-operation and encouraged the "development of transport networks in the OSCE region which are efficient and integrated, free of avoidable safety and security risks and sensitive to the environment."

The UNECE's active engagement in the transport field goes back even further. The organization was set up in 1947 with a mandate to rebuild post-war Europe and strengthen economic relations within the region and beyond. The same year saw the foundation of the *UNECE Inland Transport Committee* to facilitate the international movement of persons and goods. Over the years the Committee became the centre of nearly all the United Nations inland transport conventions, including its multilateral agreements on border crossing facilitation. With the advent of the twenty-first century, the Inland Transport Committee recognized that the significance of borders had changed. Entering another country had become a complicated process with a number of contemporary issues such as longer waiting times at borders and more layers of bureaucracy – resulting in additional costs and slower economic growth.

In recent years, transport-related themes have been quite high on the agenda of the annual OSCE Economic and Environmental Forums traditionally supported by the UNECE. In 2006, 2008 and 2010, under the Chairmanships of Belgium, Finland and Kazakhstan, the Forums were dedicated to the following themes: "Transportation in the OSCE area: Secure transportation networks and transport development to enhance regional economic co-operation and stability" (2006); "Maritime and inland waterways co-operation in the OSCE area: Increasing security and protecting the environment" (2008); and "Promoting good

governance at border crossings, improving the security of land transportation and facilitating international transport by road and rail in the OSCE region" (2010).

The subject of the 19th Economic and Environmental Forum held in 2011 under the OSCE Chairmanship of Lithuania was: "Promotion of common actions and co-operation in the OSCE area in the fields of development of sustainable energy and transport".

The original idea behind the present Handbook, however, stems from 2006, when the 14th Forum, at that time still known as the OSCE Economic Forum, was held under the Chairmanship of Belgium. In that year the Forum highlighted the need to assist participating States with the implementation of legal instruments for the promotion of integrated border management and legitimate trade flows across borders. It was decided that a Pilot Project should be designed, consisting of two seminars and aimed at capacity-building and training activities for the public and the private sectors. The *UNECE International Convention on the Harmonization of Frontier Controls of Goods* of 1982 was chosen as a test case, on the grounds that it was the first facilitation agreement of its kind to have provided for harmonized and simplified border procedures, single window application and overall smoother transactions. With its 55 Contracting Parties, it remains a major source of efficiency gains for participating countries and their businesses.

The 2006 Forum also saw particular attention being drawn to the special needs of OSCE/UNECE landlocked developing countries. Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan issued a joint statement (EF.DEL/51/06) highlighting the "indivisible link between trade and transport" and emphasizing the fact that "the absence of territorial access to the sea and high transit costs" imposed serious restrictions on their socio-economic development. At the same time, it was also noted that cumbersome border-crossing procedures placed an additional burden on their trade potential. Among the consequences of the 2006 OSCE Economic Forum was the adoption in December of the same year, in Brussels, of Ministerial Council Decision No. 11/06 on Future Transport Dialogue in the OSCE.

On the basis of the Decision's provisions, the OSCE has ever since given its full support to the implementation in the OSCE area both of the United Nations *Almaty Declaration* and of the *Almaty Programme of Action*[1]. Work in this field is co-ordinated with the UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLLS) in New York.

For the past five years, the OSCE has also provided continuous political and practical support to the UNECE's Euro-Asian Transport Links Project, Phases I and II, and to the Trans-European Motorways and Trans-European Railway (TEM & TER) projects. Various OSCE-supported Euro-Asian Transport Links Meetings have been organized across the region.

The UNECE, having early on identified an urgent need for transport facilitation in Europe, has become a focal point for regulatory and technical intergovernmental development in transport facilitation for inland transport modes. In particular, the UNECE has developed and administers many international legal instruments in this field, including the TIR Convention (1975) and the aforementioned Harmonization Convention (1982). Our organizations have co-operated closely on offering countries tailor-made technical assistance, with numerous technical assistance seminars being organized in our region's countries over the years.

The development of this joint Handbook now offers an excellent opportunity to further strengthen our common and shared engagement in this field. In addition to facilitating political and technical dialogue – our traditional strengths – we actively disseminate existing standards and best practices and thereby provide our participating States/member States with practical reference tools.

The present Handbook has been developed in the knowledge that there is a great wealth of expertise available in the OSCE/UNECE region and beyond. In recent years, a number of our participating States/member States have made significant and tangible progress in facilitating border-crossing for legitimate cargo, in implementing comprehensive border management measures, and in making procedures more efficient and less time-consuming – while at the same time making their borders more secure. The Handbook is expected to contribute to the wider dissemination of such knowledge and expertise, offering the opportunity to countries both in and beyond our region to learn from each other's experiences of striving to overcome problems and rise to challenges. Concrete policy recommendations are provided on the basis of existing international legal instruments and input from the private sector. Much of the useful material was collected during two preparatory meetings of regional stakeholders that were held at the outset of the project

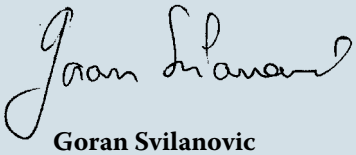
1 Full title: Almaty Programme of Action of the 2003 International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation.

in the autumn of 2008 and brought together relevant customs, border guard/police and transport officials from Eastern and Central Europe in Minsk and from Central Asia and the Southern Caucasus in Bishkek.

The Handbook should be seen as a natural consolidation of OSCE and UNECE activities in the areas of border management and transit transport facilitation. It assumes that the situation at border crossings would be greatly improved by more intensive national and international efforts to harmonize existing procedures and regulations, improve inter-agency co-operation, and draw attention to the need to apply best practices and internationally accepted norms and standards. The Handbook aims to raise awareness amongst policymakers of the range of instruments at their disposal for promoting and supporting better border management policies, whether related to security or to facilitation. On the basis of concrete evidence and case studies, it aims to draw the attention of government officials and the private sector to existing best practices in legislation, policymaking and implementation. It takes account of the experience both of advanced and of less advanced market economies from all around the globe. By focusing on relevant examples from economies in transition, the Handbook also sheds light on how border management policies and structures can be reformed.

We at the OSCE and the UNECE are committed to promoting good governance at border crossings, simplifying customs and other border procedures, and reducing additional costs to transport operators. It is thus our sincere hope that the present Handbook will facilitate exchanges of experience and best practices and pave the way to solutions that will result in faster and smoother operations at border crossings. We trust that it will prompt our countries to adjust existing legislation in order to simplify international trade and enhance global economic development. The inter-linkages between effective border procedures and the development of a fully fledged market economy are emphasized throughout the publication.

For ease of use, case studies are presented in boxes. Let us end by emphasizing that this publication is very much a starting point rather than an end in itself. In the coming years, on the basis of national requests from relevant authorities in OSCE participating States/UNECE member States, we plan to organize practical, tailor-made training seminars both at regional and at national levels. In so doing we plan to make full use of OSCE/UNECE resources already available such as the newly established OSCE Border Management Staff College in Dushanbe. We sincerely hope that the Handbook will inspire further dialogue and co-operation among national authorities and other stakeholders, and stimulate the exchange of information and good practices among States in the OSCE/UNECE area and beyond. Ultimately, the aim of the Handbook is not only to develop trade corridors, but also to develop corridors of civilization.



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Overview

The *OSCE/UNECE Handbook of Best Practices at Border Crossings: A Trade and Transport Facilitation Perspective* is intended for use as a practical guide both for government agencies and for the private sector bodies that are the "users" of border crossing points. Throughout the Handbook, pragmatic advice regarding the development of new border-related policies and the introduction of new best-practice procedures and technologies is complemented with actual operational examples. While not every element will be appropriate for all OSCE participating States/UNECE member States, all Customs authorities will find a number of recommendations that will improve their work and will facilitate trade and cross-border transport.

Although best practices are offered as "guidelines", the Handbook cannot be used simply as a "checklist" as the policies, processes and technologies described have to be integrated and adapted to the particular needs of each OSCE participating State/UNECE member State. While every effort has been made to ensure that the Handbook is as comprehensive as possible, some areas of border control have inevitably received less detailed treatment than others. The Handbook covers the following topics: relevant legislation, legal issues, the role of international organizations, comprehensive border management, participation of and collaboration with users from the private sector, trade facilitation and security, freight-processing and goods control policies, risk management, border design, information and inspection technologies, human resource management, financial management, and, finally, performance indicators and benchmarking. The group of contributors has made every effort to ensure that all factual information contained in the Handbook is correct at the time of publication.

As the Handbook is intended for use as a practical reference guide by the administrations and agencies of OSCE participating States/UNECE member States, it is foreseen that multiple copies will be in use within single agencies or at single locations. The Handbook has been translated into Russian and several other languages.

The Structure of the Handbook

The Handbook is divided into nine chapters.

Chapter 1, "Trade and Customs: The International Legal Framework", provides an overview of the existing legal framework surrounding international trade, Customs and border management. Firstly, the chapter briefly introduces some of the key conventions and arrangements that make up the international legal framework in this field, including the World Trade Organization (WTO) Agreements, the WCO's Revised Kyoto Convention and SAFE Framework of Standards, and the UNECE International Convention on the Harmonization of Frontier Controls of Goods. Consideration is then given to trade agreements such as preferential trade agreements and free trade agreements, with a number of existing multilateral and bilateral examples.

Chapter 2, "From Domestic to International Co-operation", starts by noting that increases in cross-border transactions and in the importance of global trade for national economies are compelling present-day governments to develop more efficient border management processes. Increasingly, border agencies are developing mutual co-operation and partnerships in order to rise to the new challenges posed by globalization. The chapter presents the OSCE's Comprehensive Border Management Concept, looks at domestic co-operation issues, and then moves on to examining aspects of international co-operation. Also discussed are the concepts of Integrated Border Management (also known as "Coordinated" or "Collaborative" Border Management), the "Single Window", the Single Administrative Document (SAD), and the one-stop border crossing.

Chapter 3, "Balancing Security with Trade and Transport Facilitation and Developing Partnerships with Private Industry", emphasizes the need for governments to find a better balance between security and trade facilitation. Currently, many countries are tailoring and implementing measures to secure their borders. However, if the closing of borders to illegal traffickers also entails their being closed to legitimate traders and businesses, such measures have a negative effect. Governments must therefore find a better balance between securing their borders and facilitating lawful trade. The chapter describes a number of border security measures currently in use, and then examines several methods for facilitating trade and establishing partnerships between trade and government. As a whole, the chapter offers a comprehensive and integrated "whole of government" approach to border crossing point management methods and policy development.

Chapter 4, "Processing of Freight: Policies for Control, Clearance and Transit", starts from the assumption that operations at borders are shaped by policies concerning controls, clearance and transit. According to the policies that are followed, there can either be long queues and delays at a border, or cross-border transactions can be fast and safe. This has an impact on overall trade levels. Inefficiency and out-of-date procedures not only prevent effective revenue collection and pose a risk to security:

they also discourage foreign trade. In a competitive international business environment, the international private sector is discouraged from conducting business or investing in a country where goods cannot move safely and quickly across borders. Effective controls, clearance and transit can link national industries to the global supply chain and constitute an attractive feature for direct foreign investment. After a brief introduction to the legal framework, the chapter looks at some best practices with regard to controls, clearance and transit.

Chapter 5, "Risk Management and Selectivity", makes a strong case for Customs and other border management agencies stepping away from their traditional transaction-per-transaction document checks and physical inspection techniques and, instead, adopting a risk-based management approach. Risk management is a tool for distinguishing compliant and legitimate businesses from potentially non-compliant traders. It allows Customs and border agencies to focus their resources on the latter and on transactions that possibly pose a risk. The chapter examines the nature of Customs risk, describes the risk management process, and finally looks at methods for developing and implementing risk management.

Chapter 6, "Options for the Design of Border Crossing Points", starts with the assertion that the ideal border crossing point (BCP) should provide for efficient processing of lawful traffic, have facilities for detecting violations, but at the same time offer a good image of the State it is representing. While there is admittedly no universally applicable best-practice design for BCPs, the chapter provides an overview of the layout, construction, renovation, repair and maintenance practices followed in various countries, and also offers design layout options for BCPs both large and small.

Chapter 7, "Information and Communication Technology and Non-Intrusive Inspection", first looks at the role of ICT (information and communications technology) in border management and then considers the international environment in terms of regulation and standards. It then narrows its focus to look at national challenges and specificities, before considering software packages and describing some of the hardware and software available. Additionally, the chapter introduces the WCO Data Model, the Single Window, and other data technologies available today. After a section devoted to detection equipment, scanning and non-intrusive inspection, the chapter concludes by outlining a strategy for automating border management.

"People are an organization's greatest asset" is an assertion constantly heard in all areas of life today. **Chapter 8, "Human Resource Management"**, shows how relevant it is to organizations operating at border crossing points. After defining human resource management (HRM), the chapter shows how it can be put into practice. Gone are the days when the work of Customs and border agencies consisted primarily of manually inspecting vehicles, cargo and vessels. Now, in a shift involving new technology and skills, the focus is more on information management. The chapter is structured around the first five of a six-step process for developing an HRM strategy. Within each step are shown examples of issues to be addressed and, where possible, best practices and case studies from the Customs/border agencies field. The sixth step, "Assessing and sustaining organizational competence and performance" is dealt with in Chapter 9 on performance measurement and benchmarking.

Chapter 9, "Measuring Border Agencies' Performance: Possibilities for Benchmarking", asks the question: "How are you doing at your border crossing points?" If you as a border authority were asked this question, would you be able to answer it? The question implies that you have a level of knowledge about your border operations that goes beyond a simple awareness of the processes being carried out. Both performance management and benchmarking processes must be in place if the question is to be answered effectively. Chapter 9 aims to help border authorities by presenting some best practices in the implementation of performance management and benchmarking.

At the end of the publication, Annex 1 provides basic definitions of certain terms used in the Handbook, ranging from *border*, *border zone* and *border station* through to *inland waterway* and *customs territory*.

Annex 2 provides an overview of the vast number of organizations that are involved in the business of operating a border crossing point.

1 Trade and Customs: The International Legal Framework

CONTENTS

1. Trade and Customs: The International Legal Framework

Introduction

The legal framework surrounding international trade, border management and customs is a tangled web. In the present chapter we will attempt to disentangle this web and present the situation in an easily understandable fashion. The chapter is not intended to be a study in law. Rather, it has been written to illustrate the interconnection between the various entities concerned with international trade law.

The chapter briefly introduces the conventions and arrangements that make up the international legal framework in this field, which include: the World Trade Organization (WTO) Agreements, the WCO's Revised Kyoto Convention and SAFE Framework of Standards, and the UNECE International Convention on the Harmonization of Frontier Controls of Goods. Finally, it will look at a number of bilateral, multilateral and regional trade agreements.

1.1 World Trade Organization (WTO)

1.1.1 WTO Agreements: The structure

The WTO Agreements are the central legal instruments of international trade.

These agreements cover principles for the liberalization of trade in goods and services and for the protection of intellectual property. They include lists of areas and sectors in which States have made commitments to open their markets and reduce customs tariffs and trade barriers. They provide a mechanism for settling disputes. Developing countries are provided with special treatment. Under the WTO principles, member States must have transparent trade policies and must notify the WTO of new trade laws and measures. Trade policies are regularly audited by a peer-review system, which produces Trade Policy Reviews.

The majority of the Agreements are the result of the Uruguay Round of Multilateral trade negotiations (1986-1994) and were signed at the Marrakesh Ministerial meeting in April 1994. The signing of the Agreements brought the Uruguay Round to a successful conclusion and resulted in the creation of the WTO.

The creation of the WTO is covered in the "Final Act embodying the results of the Uruguay Round of multilateral trade negotiations" signed at the 1994 meeting. Usually called the "Final Act", it is described by the WTO as the "cover note" to which all other agreements are attached.

The top-level agreement is the Agreement Establishing the WTO (also called the WTO Agreement or the Marrakesh Agreement), which the WTO refers to as an umbrella agreement. It consists of about sixty agreements, annexes, decisions and understandings. However, for the sake of clarity, before looking at these agreements in detail, note should be taken of the difference between the WTO and the General Agreement on Tariffs and Trade (GATT).

GATT was initially two things:

- An international agreement on international trade in goods that was signed in 1947 and entered into force in 1948;
- The international organization created to support this agreement.

GATT as an international organization no longer exists. As a result of the Uruguay Round, it was replaced by the WTO on 1 January 1995.

Although the GATT agreement still exists, it has been updated extensively as international trading systems have evolved since the Uruguay Round. The old version is referred to as "GATT 1947", and the updated agreement as "GATT 1994".

GATT 1994 consists of:

- GATT 1947;
- Some protocols and decisions that entered into force under GATT 1947 but before the WTO Agreement;
- Some understandings on the interpretation of certain articles;
- The Marrakesh Protocol to GATT 1994.

GATT 1994 is part of Annex 1 A of the WTO Agreement, along with agreements specifically related to certain subjects. However, since GATT mainly deals with goods, the WTO Agreement introduces areas that were not part of GATT's original text, including:

- Services: General Agreement on Trade in Services (GATS) (Annex 1B);

Table 1.1 The WTO Agreement

Umbrella Agreement	Agreement establishing the WTO		
Annexes	Annex 1 A	Annex 1 B	Annex 1C
Area covered	Goods	Services	Intellectual Property
Basic Principles	GATT 1994	GATS	TRIPS
Additional details Extra agreements and annexes covering specific requirements, sectors or issues	Other agreements on goods and annexes	Services annexes	
Market access commitments This is a detailed list of commitments made by countries to allow foreign products/services access to their market.	Countries' schedules of commitments	Countries' schedules of commitments (and most-favoured-nation exemptions)	
Annex 2	Understanding on Rules and Procedures Governing the Settlement of Disputes		
Annex 3	Trade Policy Review Mechanism		
Annex 4	Plurilateral Trade Agreements (not signed by all members)		

- Intellectual property: Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) Annex 1C).

It also provides mechanisms for:

- Dispute resolution (Annex 2);
- Trade policy review (Annex 3);
- Plurilateral Trade Agreements (Annex 4).

Negotiations since the Marrakesh meeting have produced additional legal texts, such as the Information Technology Agreement, as well as services and accession protocols.

The market access commitments are long and detailed lists provided by each State showing which products or services they have agreed to allow access to their market, and under what conditions. At the time of accession to the WTO, these commitments are usually spread over time. These commitment schedules not only indicate the industries and products a State is opening its market to but they also, most importantly, indicate when this will happen. Traders use such commitment schedules to prepare for the expected opening of markets for their products or services. They can also be used by border agencies to anticipate increases in the movement of certain products.

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1.1.2 Relevant WTO Agreements

Certain provisions of the WTO Agreements are of particular interest for border agencies in general. These will be presented in the following sections. However, for customs organizations, given their role of managing international trade, it is likely that the entire set of Agreements will be of relevance.

Trade in Goods

Annex 1: A Multilateral Agreement on Trade in Goods

1 - GATT 1994:

1.1 - GATT 1947

Article I – General Most-Favoured-Nation Treatment

The core principle of the WTO agreement is based on the Most-Favoured Nation concept, by which "any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties."

Article V – Freedom of transit

This article states (Section 2) that there must be "freedom of transit through the territory of each contracting party, via the routes most convenient for international transit, for traffic in transit to or from the territory of other contracting parties."

It also covers the need for facilitating transit at border crossings (Section 3): "except in cases of failure to comply with applicable customs laws and regulations, such traffic


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coming from or going to the territory of other contracting parties shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or other charges imposed in respect of transit."

Article VI – Anti-dumping Duties

This article allows, under certain circumstances, parties to levy an anti-dumping duty (ADD) on dumped products and countervailing duties on subsidized products.

This article is strengthened under GATT 1994 with a specific agreement on anti-dumping duties (see below).

Article VII – Valuation for Customs Purposes

The objective is to introduce a fair, uniform and neutral system for valuating goods for customs purposes. GATT 1994 adds a specific agreement, the "WTO Valuation Agreement", which provides six methods for calculating customs values (see below).

Article VIII – Fees and Formalities connected with Importation and Exportation

This article states that the fees and charges for cross-border transactions under Section 1(a) "… shall be limited in amount to the approximate cost of services rendered and shall not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes."

Under Section 1(c) the article introduces the need for simple cross-border requirements. It states that member States must "… recognize the need for minimizing the incidence and complexity of import and export formalities and for decreasing and simplifying import and export documentation requirements."

Also covered, in Section 3, is the treatment of minor non-compliance with customs regulations: "No contracting party shall impose substantial penalties for minor breaches of customs regulations or procedural requirements. In particular, no penalty in respect of any omission or mistake in customs documentation which is easily rectifiable and obviously made without fraudulent intent or gross negligence shall be greater than necessary to serve merely as a warning."

Finally, Section 4 extends trade facilitation requirements to a large number of border agencies as well as government departments and bodies: "The provisions of this Article shall extend to fees, charges, formalities and requirements imposed by governmental authorities in connection with importation and exportation, including those relating to: (a) consular transactions, such as consular invoices and certificates; (b) quantitative restrictions; (c) licensing; (d) exchange control; (e) statistical services; (f) documents, documentation and certification; (g) analysis and inspection; and (h) quarantine, sanitation and fumigation.

Article IX – Marks of Origin

This article requires that States shall accord "products of the territories of other contracting parties treatment with regard to marking requirements no less favourable than the treatment accorded to like products of any third country." It also states that measures protecting consumers against fraudulent or misleading indications should be taken and that barriers for commerce and industry should be kept to a minimum.

Article X – Publication and Administration of Trade Regulations

This article requires that countries publish their trade and other cross-border regulations. "Laws, regulations, judicial decisions and administrative rulings of general application, made effective by any contracting party, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes or other charges, or to requirements, restrictions or prohibitions on imports or exports or on the transfer of payments therefore, or affecting their sale, distribution, transportation, insurance, warehousing inspection, exhibition, processing, mixing or other use, shall be published promptly in such a manner as to enable governments and traders to become acquainted with them."

Section 3(b) makes the following requirement: "Each contracting party shall maintain, or institute as soon as practicable, judicial, arbitral or administrative tribunals or procedures for the purpose, inter alia, of the prompt review and correction of administrative action relating to customs matters." The section also specifies that these structures must be independent of customs organizations.

Article XXIV – Territorial Application – Frontier Traffic – Customs Unions and Free Trade Areas

This article recognizes (Section 4) voluntary agreements regarding freedom of trade between countries as well as Custom unions and free trade areas, as long as these do not raise barriers to trade with other contracting parties.

Section 8 provides definitions of Customs Unions and Free Trade Areas, which will be covered in detail below.

These articles should be read in conjunction with the notes and supplementary provisions in the Agreement's Annex I, as well as the relevant Understandings, which offer additional information.

Agreements

Agreement on Technical Barriers to Trade

Article 2 – Preparation, Adoption and Application of Technical Regulations by Central Government Bodies

Section 2.2 specifies that technical barriers to trade, such as technical regulations, norms and standards, should not be used to create obstacles to international trade.

Section 2.4 requires that countries use international standards such as standards produced by the International Organization for Standardization (ISO), if they exist, as the basis of their technical regulations.

Article 3 extends these requirements to local government bodies and non-governmental bodies.

Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Anti-dumping)

This agreement states that anti-dumping duties (ADD) are not to be used as trade barriers. It provides a precise definition of ADD, as well as a set of procedures for investigating anti-dumping, and for introducing, implementing and collecting ADD.

Article 5 Initiation and Subsequent Investigation

Section 5.9 states that "An anti-dumping proceeding shall not hinder the procedures of customs clearance."

Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (Customs Valuation)

This is a critical agreement for customs and tax authorities. It is important for revenue collection since it directly affects the amount of duty charged and collected. This is not only relevant for Customs authorities, but also for tax administrations in general. Other taxes, such as Value Added Tax, are often collected at borders and these are also calculated on the basis of valuation rules.

This agreement provides a set of six valuation rules covering several specific situations, and it also clarifies the original GATT article in more detail.

The technical work and management of the WTO Valuation Agreement is done by the Committee on Customs Valuation of the WCO.

Agreement on Pre-shipment Inspection

This agreement provides, under Article 2, "Obligations of User Members", a list of requirements for pre-shipment inspections in the following areas: non-discrimination, governmental requirements, site of inspection, standards, transparency, protection of confidential business information, conflicts of interest, delays, price verification, appeals procedures and derogation.

Agreement on Rules of Origin

This agreement covers only non-preferential rules of origin. Non-preferential rules of origin are employed by countries to determine the origin of the goods for use in non-preferential commercial policy instruments. These include: most-favoured-nation treatment, anti-dumping and countervailing duties, safeguarding measures, origin-marking requirements, discriminatory quantitative restrictions or tariff quotas, and government procurement and trade statistics.

Although the rules of origin are a WTO instrument, most of the technical work in this regard is done by the Technical Committee on Rules of Origin (Technical Committee or TCRO).[1]

Agreement on Import Licensing Procedures

Article 1 – General Provisions

Under Section 5, this agreement states that "Application forms and, where applicable, renewal forms shall be as simple as possible."

Section 6 makes the following requirement: "Application procedures and, where applicable, renewal procedures shall be as simple as possible … Applicants shall have to approach only one administrative body in connection with an application. Where it is strictly indispensable to approach more than one administrative body, applicants shall not need to approach more than three administrative bodies." It also specifies the acceptable period for submission and the possibility of extension.

Section 7 deals with errors: "No application shall be refused for minor documentation errors which do not

1 Established in 1995 by Article 4.2 of the WTO Agreement on Rules of Origin, the Technical Committee is a WTO body operating under the auspices of the WCO. The WCO Council exercises supervision over the Committee with regard to administrative matters only. It is open to WTO members. WCO members that are not members of the WTO may be represented by a delegate. The purpose of the Technical Committee is to take responsibility for the Harmonization Work Programme and to bear certain permanent responsibilities such as examination of specific technical problems, providing advisory opinions, and preparing and circulating Periodic Reports.

alter basic data contained therein. No penalty greater than necessary to serve merely as a warning shall be imposed in respect of any omission or mistake in documentation or procedures which is obviously made without fraudulent intent or gross negligence."

Trade in Services

Annex 1B – General Agreement on Trade in Services (GATS)

This annex has less impact on border management, as it focuses solely on services.

Part VI – Final provisions – Article XXVIII Definitions

This article provides a list of definitions referring to the service sector that may be useful for border agencies.

Intellectual Property

Annex 1C – Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

The agreement on intellectual property (IP) defines all categories of IP covered by the text, including copyrights and trademarks.

The parts of this agreement most relevant to border agencies are:

Part III – Enforcement of Intellectual Property Rights

Section 4 defines special requirements related to borders, including measures covering procedures for investigation, suspension of goods and securities.

Article 51 – Suspension of Release by Customs Authorities

This article requires that countries adopt procedures that enable an owner of IP rights who has valid reason to suspect that counterfeited or pirated products might be imported to request that their release into free circulation be suspended by Customs authorities.

Article 52 – Application

This article specifies that the owner of IP rights must provide adequate evidence of infringement.

Article 54 – Notice of Suspension

The importer and the applicant shall be promptly notified of the suspension of the release of goods according to Article 51.

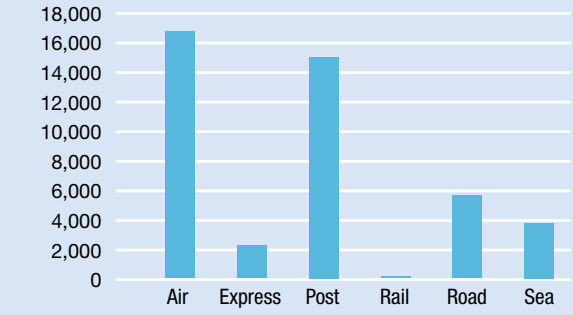
Part VII – Institutional Arrangements; Final Provisions

Article 69 – International Cooperation

"Members agree to cooperate with each other with a view to eliminating international trade in goods infringing intellectual property rights. For this purpose, they shall establish and notify contact points in their administrations and be ready to exchange information on trade in infringing goods. They shall, in particular, promote the exchange of information and cooperation between Customs authorities with regard to trade in counterfeit trademark goods and pirated copyright goods."

Table 1.2 presents the number of cases in 2009 in which EU Customs authorities intervened, according to means of transport.

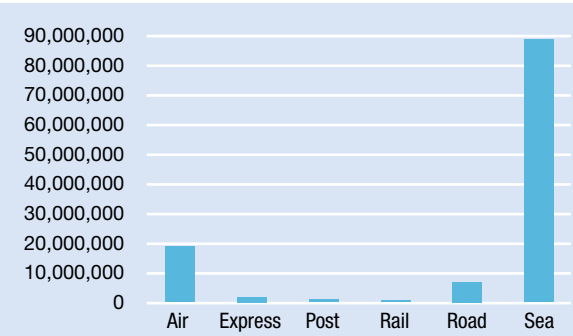
Table 1.2 Customs intervention



Source: EU Taxation and Customs DG 2009.

Table 1.3 presents the number of articles detained by EU Customs authorities in 2009, according to means of transport.

Table 1.3 Detained articles



Source: EU Taxation and Customs DG 2009.

Dispute Settlements

Annex 2 – Understanding on Rules and Procedures Governing the Settlement of Disputes

Border agencies may have to change their policies and activities as a result of decisions made by the WTO Dispute Settlement Body.

Although the impact on border agencies by the Dispute Settlement Body may not be direct, there may be indirect effects, as, for instance, when the Body allows a particular State to introduce additional duties. In such a case, border agencies have to examine whether their resources for additional control or collection are adequate.

Trade Policy

Annex 3 – Trade Policy Review Mechanism

Trade Policy Review, although not affecting border agencies directly, does examine border processes with regard to their efficiency.

Enforcement of WTO obligations

Generally, the WTO Agreements have been translated into domestic legislation that is then enforced. During the accession process to the WTO, the domestic legislative landscape of individual States may have to be modified in order to provide a legal framework that is compatible with the WTO Agreements.

1.2 World Customs Organization (WCO)

The World Customs Organization (WCO) is particularly active in developing global standards for the movement of cargo across international borders. Furthermore, it is the only international intergovernmental organization that deals with customs procedures governing trade between countries. In terms of customs procedures related to trade and transport facilitation, the Revised Kyoto Convention is its core instrument.

At the end of 2012 the WCO has 179 members, including the separate Customs territories of Bermuda; Curaçao; Hong Kong, China; and Macau, China. The European Union has status akin to WCO membership.

1.2.1 Revised Kyoto Convention (RKC)

The WCO's International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention) entered into force in 1974. In order to reflect changes in global trade, both for governments and trade partners, it was updated in 1999 and is now known as the Revised Kyoto Convention (RKC). As most large trading nations have signed the convention, it is an international standard for modern customs procedures.

The Revised Kyoto Convention, consists of:

1) The Body of the Convention
2) The General Annex
3) The Specific Annexes

Table 1.4 Countries that have acceded to the Revised Kyoto Convention (as of 19 November 2012)

POSITION AS REGARDS RATIFICATIONS AND ACCESSIONS (As of 19 November 2012)		
International Convention on the simplification and harmonization of Customs procedures (as amended) (Revised Kyoto Convention) (done at Kyoto on 18 May 1973, amended on 26 June 1999)*		
CONTRACTING PARTIES	**Dates of signature subject to ratification (1999-06-26 / 2000-06-30)**	**Dates of signature without reservation or of deposit of Instruments of ratification or accession**
ALGERIA	-	26-06-1999
AUSTRALIA	18-04-2000	10-10-2000
AUSTRIA	-	30-04-2004
AZERBAIJAN	-	03-02-2006
BAHRAIN	-	31-05-2012
BANGLADESH	-	27-09-2012
BELARUS	-	10-01-2011
BELGIUM	-	30-04-2004
BOTSWANA	-	26-06-2006
BULGARIA	-	17-03-2004
CANADA	-	09-11-2000
CHINA	-	15-06-2000
CONGO (DEM. REP. OF THE)	15-06-2000	-
CROATIA	-	02-11-2005
CUBA	-	24-06-2009

* The revised Kyoto Convention has entered into force on 3 February 2006.

Table 1.4 Countries that have acceded to the Revised Kyoto Convention (As of 19 November 2012)

CONTRACTING PARTIES	Dates of signature subject to ratification (1999-06-26 / 2000-06-30)	Dates of signature without reservation or of deposit of Instruments of ratification or accession
CYPRUS	-	25-10-2004
CZECH REPUBLIC	30-06-2000	17-09-2001
DENMARK	-	30-04-2004
DOMINICAN REPUBLIC	-	28-06-2012
EGYPT	-	08-01-2008
ESTONIA	-	28-07-2006
EUROPEAN UNION	-	30-04-2004
FINLAND	-	30-04-2004
FIJI	-	26-01-2010
FRANCE	-	22-07-2004
GABON	-	15-11-2012
GERMANY	-	30-04-2004
GREECE	-	30-04-2004
HUNGARY	-	29-04-2004
IRAN	-	20-07-2011
INDIA	-	03-11-2005
IRELAND	-	30-04-2004
ITALY	-	30-04-2004
JAPAN	-	26-06-2001
JORDAN	-	08-12-2006
KAZAKHSTAN	-	19-06-2009
KENYA	-	25-06-2010
KOREA (REP. OF)	-	19-02-2003
LATVIA	15-06-2000	20-09-2001
LESOTHO	-	15-06-2000
LITHUANIA	-	27-04-2004
LUXEMBOURG	-	26-01-2006
MADAGASCAR	-	27-06-2007
MALAYSIA	-	30-06-2008
MALI	-	04-05-2010
MALTA	-	11-05-2010
MAURITIUS	-	24-09-2008
MONGOLIA	-	01-07-2006
MONTENEGRO	-	23-06-2008
MOROCCO	-	16-06-2000
MOZAMBIQUE	-	11-07-2012
NAMIBIA	-	03-02-2006
NETHERLANDS	-	30-04-2004
NEW ZEALAND	-	07-07-2000
NIGERIA	-	28-06-2012
NORWAY	-	09-01-2007
PAKISTAN	-	01-10-2004
PHILIPPINES	-	25-06-2010
POLAND	-	09-07-2004
PORTUGAL	-	15-04-2005
QATAR	-	13-07-2009
ROMANIA	-	22-02-2011
RUSSIA	-	04-04-2011
RWANDA	-	21-11-2011
SAUDI ARABIA	-	04-05-2011
SENEGAL	--	21-03-2006
SERBIA	-	18-09-2007
SLOVAKIA	15-06-2000	19-09-2002

Table 1.4 Countries that have acceded to the Revised Kyoto Convention (As of 19 November 2012)

CONTRACTING PARTIES	Dates of signature subject to ratification (1999-06-26 / 2000-06-30)	Dates of signature without reservation or of deposit of Instruments of ratification or accession
SLOVENIA	-	27-04-2004
SOUTH AFRICA	-	18-05-2004
SPAIN	-	30-04-2004
SRI LANKA	26-06-1999	26-06-2009
SUDAN	-	16-08-2009
SWEDEN	-	30-04-2004
SWITZERLAND	29-06-2000	26-06-2004
SWAZILAND	-	31-10-2012
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	-	28-07-2009
TURKEY	-	03-05-2006
UGANDA	-	27-06-2002
UKRAINE	-	15-06-2011
UNITED ARAB EMIRATES	-	31/05/2010
UNITED KINGDOM	-	30-04-2004
UNITED STATES	-	06-12-2005
VIETNAM	-	08-01-2008
ZAMBIA	26-06-1999	01-07-2006
ZIMBABWE	26-06-1999	10-02-2003
Number of Contracting Parties: 85		

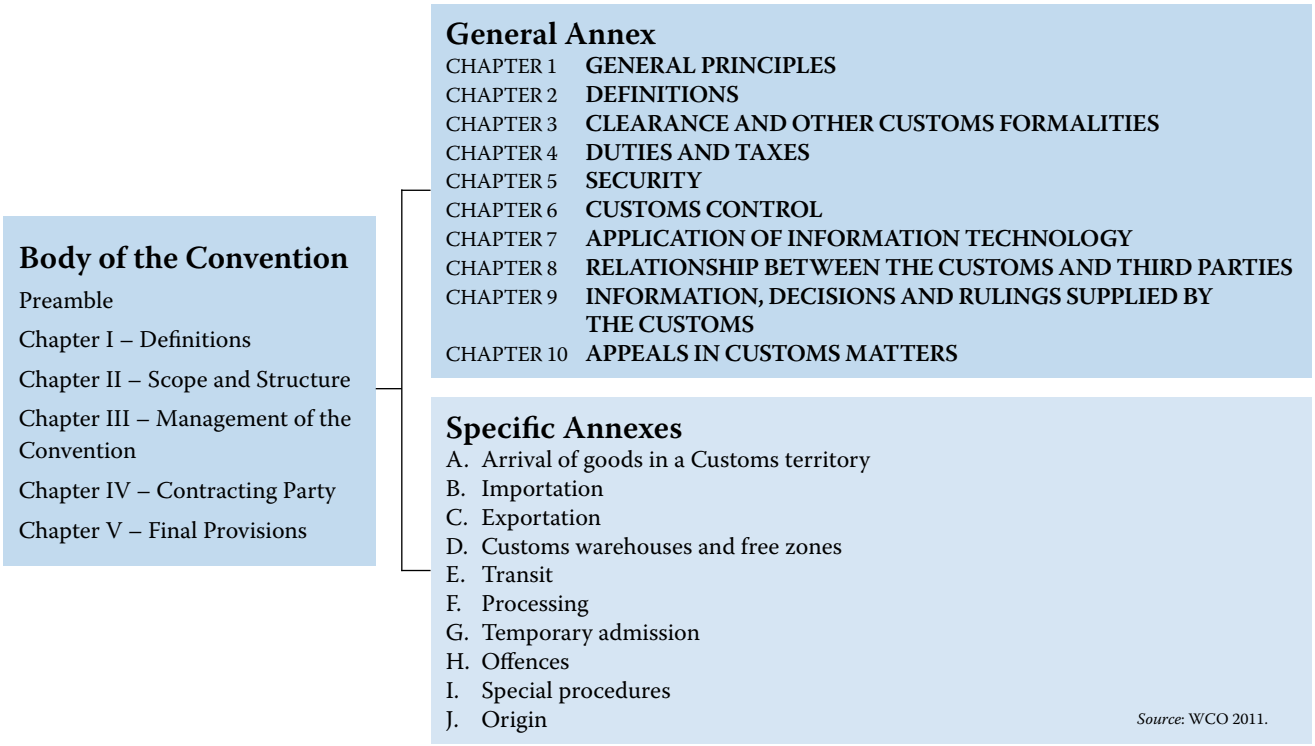
Source: WCO 2012.

The Body of the Convention and the General Annex are mandatory.

The Specific Annexes are optional and may be accepted or rejected. In addition, each Chapter contained therein can be accepted or rejected.

This variability allows the Convention to establish a minimum of standards, while introducing a certain degree of flexibility. This flexibility is particularly important since not all customs organizations are at the same stage in their modernization processes. It has therefore been deemed useful to allow countries time to update their procedures and modernize their operations, at their own pace and within their own constraints.

Figure 1.1 The structure of the Revised Kyoto Convention



Source: WCO 2011.

WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES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The WCO Revised Kyoto Convention discusses all modern elements of customs, including:

- Standards, procedures and practices
- Continuous improvement mentality
- Maximum use of information and communications technology (ICT)
- Customs/trade partnerships
- Pre-arrival information
- Risk management techniques
- Automated systems
- Targeted examinations
- Co-ordinated interventions
- Information on customs requirements, such as laws, rules and regulations
- Systems of appeals

The Convention pays particular attention to the principles for trade facilitation in customs as follows:

- Simplifying formalities and procedures
- Standardizing documents used in international trade and transport
- Using risk management techniques and information technology in customs
- Moving from transaction-based controls to audit-based controls
- Introducing legal frameworks for trade facilitation

The General Annex

The Convention's General Annex lays out the core provisions and definitions that are generally applicable to all customs procedures. These core provisions are present in other chapters within the General Annex, but do not appear in the other annexes. The General Annex contains only standards. It is not possible for contracting parties to have any reservations to the General Annex.

Chapter 1: General principles

Chapter 2: Definitions

Chapter 2 provides an extensive listing of relevant definitions.

Chapter 3: Clearance and other customs formalities

Among other things, Chapter 3 lays down that "Customs shall designate the Customs Offices at which goods may be produced or cleared. In determining the competence and location of these offices and their hours of business, the factors to be taken into account shall include in particular the requirements of trade." It also foresees that at common border crossings, joint customs controls are to be conducted whenever possible. Additionally, it provides detailed guidelines on the definition and responsibilities of declarants, the goods declaration format and contents, the lodgement, registration and examination, as well as verification competences of Customs authorities. It also specifies the criteria that need to be met in order for Customs administrations to release goods.

Chapter 4: Duties and taxes

A. Assessment, collection and payment of duties and taxes

This provision stipulates, among other things, that only national legislation shall define the circumstances in which liability to pay duties and taxes is incurred, as well as the time frame, conditions and modalities within which this needs to take place.

B. Deferred payment of duties and taxes

This provision states that if national legislation provides for the deferred payment of duties and taxes, it should clearly specify the conditions under which such a facility is allowed.

C. Repayment of duties and taxes

This provision specifies that repayment shall be granted where it is established that duties and taxes have been overcharged as a result of an error in assessment. It also clearly defines the conditions and modalities that apply in such situations.

Chapter 5: Security

Chapter 5 specifies, among other things, that national legislation shall enumerate the cases in which security is required and shall specify the forms in which security is to

be provided. It also is to specify the amounts of security as well as dischargement conditions.

Chapter 6: Customs control

Chapter 6 specifies that "all goods, including means of transport which enter or leave the Customs territory, regardless of whether they are liable to duties and taxes, shall be subject to Customs control." It also states that "Customs control shall be limited to that necessary to ensure compliance with the Customs law" and that maximum use should be made of risk management (supported by a compliance measurement strategy) when customs control is being applied. The chapter also specifies that "Customs shall seek cooperation with the trade and seek to conclude Memoranda of Understanding to enhance Customs control."

Chapter 7: Application of information technology

Chapter 7 makes the following specification: "Customs shall apply information technology to support Customs operations, where it is cost-effective and efficient for the Customs and for the trade." Among other things, revised national legislation shall provide for "electronic commerce as an alternative to paper-based documentary requirements."

Chapter 8: Relationship between the Customs and third parties

Chapter 8 specifies, among other things, that "persons concerned shall have the choice of transacting business with the Customs either directly or by designating a third party to act on their behalf." And furthermore, "National legislation shall set out the conditions under which a person may act for and on behalf of another person in dealing with the Customs and shall lay down the liability of third parties to the Customs for duties and taxes and for any irregularities."

Chapter 9: Information, decisions and rulings supplied by the Customs

A. Information of general application

"The Customs shall ensure that all relevant information of general application pertaining to Customs law is readily available to any interested person." If amendments are needed, customs shall ensure that revised information is readily available sufficiently in advance of the entry into force.

B. Information of a specific nature

"At the request of the interested person, the Customs shall provide, as quickly and as accurately as possible, information relating to the specific matters raised by the interested person and pertaining to Customs law." In addition, they shall also provide other pertinent information necessary for such interested persons. It is also specified that information shall either be made available free of charge or at the approximate cost of the services rendered.

C. Decisions and rulings

"At the written request of the person concerned, the Customs shall notify their decision in writing within a period specified in national legislation. Where the decision is adverse to the person concerned, the reasons shall be given and the right of appeal advised."

Chapter 10: Appeals in Customs matters

A. Right of appeal

"National legislation shall provide for a right of appeal in Customs matters."

B. Form and grounds of appeal

"An appeal shall be lodged in writing and shall state the grounds on which it is being made." A time limit shall be fixed for the lodgement of an appeal, and a reasonable time for the lodgement of supporting evidence shall be allowed.

C. Consideration of appeal

"The Customs shall give its ruling upon an appeal and written notice thereof to the appellant as soon as possible." Where an appeal is dismissed, "the Customs shall set out the reasons therefore in writing and shall advise the appellant of his right to lodge any further appeal."

Each chapter of the General Annex of the Revised Kyoto Convention contains detailed implementation guidelines. The time frame for implementing the standards is 36 months. More time (60 months) is granted to implement transitional standards.

The Specific Annexes

There are ten individual Specific Annexes, each one containing chapters that address different procedures. Each Contracting Party may accept or reject any particular Specific Annex or chapters contained within them. If a Specific Annex is accepted, it becomes binding to the Contracting Party, as do the standards of the respective Specific Annex. A Contracting Party may put forth reservations on the recommended practices in the Specific Annexes.

The Specific Annexes include the following topics:

A: Arrival of goods in a customs territory (included in the chapters "Formalities prior to the lodgement of the Goods Declaration" and "Temporary storage of goods");

B: Importation (included in the chapters "Clearance for home use", "Re-importation in the same state" and "Relief from import duties and taxes");

C: Exportation (included in the chapter "Outright exportation");

D: Customs warehouses and free zones;

E: Transit (included in the chapters "Customs transit", "Transhipment" and "Carriage of goods coastwise");

F: Processing (included in the chapters "Inward processing", "Outward processing", "Drawback" and "Processing of goods for home use");

G: Temporary admission;

H: Offences (included in the chapter "Customs Offences");

J: Special procedures (included in the chapters "Travellers", "Postal traffic", "Means of transport for commercial use", "Stores" and "Relief consignments");

K: Origin (included in the chapters "Rules of Origin" and "Documentary evidence of origin").

Each Annex contains detailed implementation guidelines, which contain detailed information concerning the implementation of provisions in the Annexes, including simplified procedures, and methods of application. The guidelines are not part of the legal text. The guidelines can be seen as current "good" or "best" practices.

There are a number of benefits to be gained by governments, civil society and national economies for properly implementing the revised Kyoto Convention. These include:

- Lowering the costs of production and importation, and thus possibly prices for consumers
- Increasing economic competitiveness
- Attracting international trade and investment
- Increasing national revenues

There are also benefits to the trading community, including:

- Transparent procedures
- Greater facilitation for compliant traders
- Lower business costs
- Enhanced competitiveness
- Clear guidance on rights and obligations

The benefits to Customs authorities include:

- More efficient use of customs resources
- Faster, predictable and efficient customs clearance
- Enhanced customs control
- Increased trade facilitation

The RKC is closely linked with the WCO data model, which provides an international standard for the exchange of data between Customs authorities and between customs and the trade. It is also linked with the WCO Kyoto ICT Guideline, which provides support for the implementation of the WCO data model. Both the WCO data model and the Kyoto ICT guidelines are covered in detail in Chapter 7, "Information and Communications Technology and Non-Intrusive Equipment".

1.3 Other relevant conventions and instruments

1.3.1 The International Convention on the Harmonized Commodity Description and Coding System

The Convention was signed in 1983 and came into force in 1988. The Harmonized System is used by more than 200 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics. It not only provides guidance for determining customs tariffs worldwide, but it is also used for many other applications, including transport statistics, quota controls and economic research.

1.3.2 The Convention on Temporary Admission (Istanbul Convention)

The Convention on Temporary Admission defines the ATA system, which allows the free movement of goods across borders under a single document and their temporary admission into a customs territory with relief from duties and taxes. The single document in question is known as the "ATA carnet" and is secured by an international guarantee system. The term "ATA" is a combination of the initial letters of the French words "admission temporaire" and the English words "temporary admission". With this system the international business community enjoys considerable simplification of customs formalities. The ATA carnet serves as a goods declaration at export, transit and import. In addition, given that internationally valid security has been established by the national associations issuing the ATA carnets, no import duties or taxes are collected for the temporary importation of goods covered by the system. The national associations concerned are approved by customs and are affiliated to an international guaranteeing chain administered by the ICC World Chambers Federation (ICC/WCF). The ATA carnet is now the document most widely used by the business community for international operations involving temporary admission of goods. The ATA system is an integral part of the WCO's ATA and Istanbul Conventions.

Other relevant conventions are the TIR Convention and the Customs Convention on Containers, 1972 (the latter one administered jointly by the WCO and the UN).

1.3.3 The WCO SAFE Framework of Standards to Secure and Facilitate Global Trade

Following the events of 9/11 the World Customs Organization (WCO) developed a framework of customs cross-border security standards with the objective of improving the security of the international supply chain,

across all modes of transport and without impeding the flow of legitimate trade. In June 2005, the WCO published the first version of the SAFE Framework of Standards to Secure and Facilitate Global Trade, commonly referred to as the SAFE Framework. The SAFE Framework is voluntary in nature and focuses on the adoption of international standards in the following four areas:

1. Harmonizing the advance electronic cargo information requirements on inbound, outbound and transit shipments;

2. Committing to employing a consistent risk management approach to address security threats;

3. Requiring that at the reasonable request of the receiving nation based upon a comparable risk targeting methodology, the sending nation's Customs administration will perform an outbound inspection of high-risk containers and cargo, preferably using non-intrusive detection equipment such as large-scale X-ray machines and radiation detectors;

4. Defining benefits that Customs will provide to businesses that meet minimal supply chain security standards and best practices (e.g., Authorised Economic Operator or AEO programmes).

The Framework was subjected to two major reviews in 2007 and 2011, with implementation tools and capacity-building assistance being developed to assist Customs administrations and business sectors in meeting and implementing the standards foreseen. Until 2011, 165 WCO members had signed the letter of intent to implement the requirements of the SAFE Framework. As WCO members come to fully implement the requirements of the SAFE Framework, its global status will gain in significance, contributing not only to enhanced security but also to more predictability and trade facilitation for legitimate trade, including transport operators.

1.3.4 The UNECE International Convention on the Harmonization of Frontier Controls of Goods

The United Nations Economic Commission for Europe (UNECE) International Convention on the Harmonization of Frontier Controls of Goods, generally known as the "Harmonization Convention", was signed in Geneva, Switzerland, on 21 October 1982. There are 45 Contracting Parties to the Convention and 10 additional countries that have signed with some reservations.

The following are the most important implications of the Convention for the Contracting Parties:

- The Convention is binding;
- It provides a formal method for arbitration;
- Articles 15 to 21 deal with responsibilities.


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UNECE headquarters at the Palais des Nations in Geneva.

Table 1.5 Contracting Parties to the UNECE Harmonization Convention

Contracting Parties		
Albania	Greece	Poland
Armenia	Hungary	Portugal
Austria	Iran (Islamic Republic of)	Romania
Azerbaijan	Ireland	Russian Federation
Belarus	Italy	Serbia
Belgium	Jordan	Slovakia
Bosnia and Herzegovina	Kazakhstan	Slovenia
Bulgaria	Kyrgyz Republic	South Africa
Croatia	Lao People's Democratic Republic	Spain
Cuba	Latvia	Sweden
Cyprus	Lesotho	Switzerland
Czech Republic	Liberia	The former Yugoslav Republic of Macedonia
Denmark	Lithuania	
Estonia	Luxembourg	Tunisia
European Union	Republic of Moldova	Turkey
Finland	Mongolia	Ukraine
France	Montenegro	United Kingdom of Great Britain and Northern Ireland
Georgia	Netherlands	
Germany	Norway	Uzbekistan

Source: UNECE 2011.

The goal of the Convention is to improve the international movement of goods, principally through the harmonization of frontier controls without impairing their purpose, their proper implementation, or their effectiveness. The Convention applies to all goods that are being imported or exported or are in transit, and that have crossed a land, sea or air border.

The Convention can be summarized by the core set of commitments agreed to by the contracting parties. These commitments are:

- Co-operation and co-ordination between Customs and other services for monitoring goods;
- The provision of qualified personnel with the necessary equipment at the place where the controls are to take place, and of official instructions to officers for acting in accordance with international agreements;
- Co-operation with the competent international bodies in order to facilitate new multilateral or bilateral agreements;
- Arrangements for the joint control of goods and documents by neighbouring countries that share a border; this includes synchronizing opening hours of frontier posts, categories of goods, modes of transport and international customs transit procedures;
- The exchange of information required for controls to be effective;
- Documents aligned on the United Nations Layout Key.

These commitments are contained in Articles 1 to 26 of the Convention's general text.

In addition to the general text, the Convention contains several annexes, which give more specific instructions to Customs authorities regarding the controls that are to take place. It also ensures that the laws and regulations in force at borders are respected. The Annexes deal with the following matters:

Annex 1: Harmonization of Customs Controls and other Controls. Article 1, "Principles", reads as follows: "As the Customs are present at all frontiers and as their interventions are of a general nature, other controls shall, as far as possible, be organized in a harmonized manner with Customs controls." And continues: "In application of this principle, it is possible if appropriate to carry out all or part of these controls elsewhere than at the frontier, provided that the procedures used contribute to facilitate the international movement of goods."

Annex 2: Medico-sanitary inspection. This annex covers controls of perishable goods undertaken to prevent contamination and protect human life.

Annex 3: Veterinary inspection. This annex covers controls undertaken to evaluate animals and animal products, including inspection aimed at preserving endangered species.

Annex 4: Phyto-sanitary inspection. This annex covers controls undertaken to protect local flora and fauna, including measures aiming at preserving endangered plant species.

Annex 5: Control of compliance with technical standards. This annex deals with the requirement that controls shall comply with local and international law and regulations.

Annex 6: Quality control. This annex ensures that controls adhere to the minimum international standards.

Annex 7: Rules of procedure of the administrative committee referred to in Article 22 of the Convention. This annex elaborates on the rules regarding the introduction of amendments to the Convention.

The first seven Annexes were part of the original Convention of 1982. Annex 8, dealing specifically with road transport, came into force in May 2008. This is the first time that an annex to the Harmonization Convention deals with a particular mode of transport, in recognition of the fact that the road transport industry should be considered one of the main beneficiaries of the Convention's facilitation measures.

The new Annex 8 covers the following subjects:

- Facilitation of visa procedures for professional drivers (Article 2);
- Operational measures to speed up border crossing procedures for goods, particularly for urgent consignments, such as live animals and perishable goods (Article 3);
- Harmonized technical provisions relating to faster controls of road vehicles (technical inspections) and equipment used for transport of goods under controlled temperatures;
- Standardized weighing operations and procedures to avoid, as far as possible, repetitive weighing procedures at border crossings (Article 5);
- Minimum infrastructure requirements for efficient border crossing points;
- Monitoring provisions designed to facilitate appropriate implementation of the Annex by all Contracting Parties to the Convention.

Annex 8 also contains two appendices that address specific issues of road transport.

Appendix 1, which entered into force on 27 January 2001, covers the International Technical Inspection Certificate in accordance with the Agreement Concerning the Adoption of Uniform Conditions for Periodical Technical Inspections of Wheeled Vehicles and the Reciprocal Recognition of such Inspections (1997). It standardizes the format, content and script (Latin characters) of the International Technical Inspection Certificate, clarifies which language should be used, and allows for the use of certain periodical inspection reports.

Appendix 2 covers the International Vehicle Weight Certificate (IVWC) and introduces a standard form. The objective of the IVWC is clearly stated in Article 1: "... to facilitate border crossing procedures and, in particular, to avoid repetitive weight measurements of goods road vehicles en route in the Contracting Parties. Duly filled-in certificates, accepted by the Contracting Parties, shall be accepted as bearing valid weight measurements by the competent authorities of Contracting Parties. Competent authorities shall refrain from requiring additional weight measurements apart from random checks and controls in the case of supposed irregularities." The appendix also covers weighing stations and their instruments, as well as the need for qualified personnel. It also specifies maintenance, verification and calibration requirements.

The new Annex 9, which came into force in November 2011, deals with rail transport and the facilitation of rail border crossings and controls of goods through the reduction, harmonization and co-ordination of procedures and paperwork. This objective will be achieved through the introduction of minimum requirements for border (interchange) stations, co-operation at these stations, the moving of controls from borders to stations of departure or destination, reductions in the time required for controls, the elimination of paper documents and the

When implemented correctly, the new Annex 9 of the UNECE Harmonization Convention is expected to significantly streamline railway border crossing point procedures.

BOX 1.1

Border management and gender

As BCPs have a different impact on men and women, gender perspectives have to be integrated into border management policies and procedures. Border security, immigration and customs services are the primary actors in managing what goods and people move across borders. When governments and stakeholders incorporate a gender perspective into border management, they become more effective by virtue of improving the prevention and detection of human trafficking and smuggling, of strengthening the protection and promotion of human rights, of creating more gender-balanced and representative border management institutions, and of enhancing local ownership, oversight and collaboration.

Key international instruments supporting the necessity to focus a gender lens on border crossings include:

- The Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime (2000)
- The Convention on the Elimination of All Forms of Discrimination against Women (1979)
- United Nations Security Council Resolution 1325 on women and peace and security (2000)

Key Recommendations for Incorporating a Gender Perspective in Border Management Reform:

International community

1. Call for the inclusion of women, gender experts and representatives from women's organizations in the assessment, design, implementation, monitoring and evaluation of border management reform processes;

2. Support the mainstreaming of gender issues and increased recruitment, retention and advancement of women in all border management reform processes;

3. Undertake capacity-building programmes to enhance the ability of women's and other civil society organizations to engage in the effective monitoring of border guard, customs and immigration services.

Government

4. Review and revise border management policies, procedures and protocols to incorporate gender issues and ensure service-oriented policies;

5. Create and enforce comprehensive codes of conduct that explicitly address sexual harassment and gender-based violence;

6. Ensure the existence of participatory reform processes and border management agencies;

7. Develop institutional mechanisms to ensure the integration of gender issues;

8. Implement and evaluate gender training for border management personnel;

9. Increase the recruitment, retention and advancement of female personnel;

10. Develop and implement specific initiatives to combat human trafficking.

Source: Mackay, 2008, pp. 2 and 18.

use of the CIM/SMGS common consignment note as customs documents. Chapter 4 of the present Handbook, "Processing of Freight: Control, Clearance and Transit Policies", elaborates in more detail on the use of the common consignment note.

1.4 Trade agreements and Customs unions

Border agencies and trade face the challenge of dealing with the multitude of existing agreements. There are several different types of customs unions and trade agreements, including:

Common markets
Common markets establish free trade in goods and services between trading partners and set common external tariffs. Within a common market, there is free mobility of capital and labour across countries.

Economic union
An economic union, as a common market, establishes free trade in goods and services, sets common external tariffs and allows the free mobility of capital and labour. In addition, in an economic union, some regulatory and spending responsibilities are delegated to a supra-national body.

Free trade areas
Free trade is defined by the World Bank Glossary (2011) as follows: "International trade, which is neither restricted nor encouraged by direct government intervention." The Glossary goes on to make the following statement: "In principle, economists consider free trade to be desirable for maximizing overall economic efficiency. However in reality international trade is usually heavily influenced by import tariffs, import quotas, and export subsidies. Free trade agreements between two countries and free trade areas including several countries are often used to remove or reduce such tariff and non-tariff barriers to trade." In a free trade area, a number of countries agree to eliminate tariffs between themselves, but maintain their own external tariff on imports from the rest of the world. In a Customs Union, on the other hand, a number of countries agree to eliminate tariffs between themselves and to set a common external tariff on imports from the rest of the world.

Trade agreements are legally binding and are usually enforced by border agencies, in particular Customs authorities.

Trade agreements are sometimes considered to be contrary to the GATT principle of non-discrimination. As defined in Article I of GATT, Article II of GATS, if two or more countries entering a trade agreement grant more favourable trading conditions to each other, then they must grant the same conditions to other WTO members.

They can however still enter into individual trade agreements under the following rules:

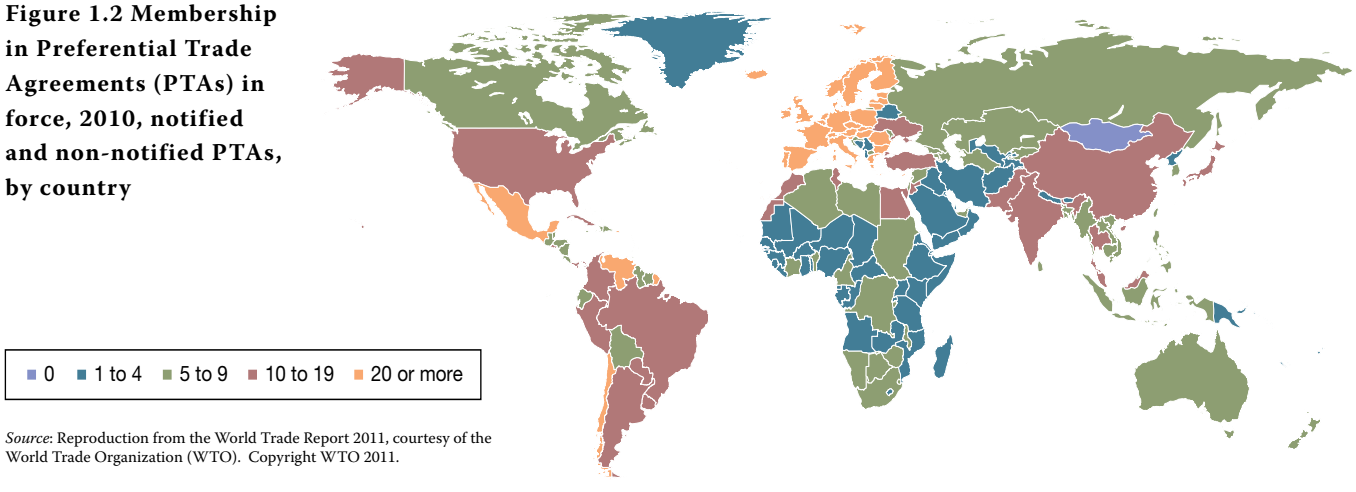
Customs union or free trade area
Sections 4 to 10 of Article XXIV of GATT (as clarified in the Understanding on the Interpretation of Article XXIV of the GATT 1994) on the formation and operation of customs unions and free trade areas covering trade in goods.

Preferential Trade Agreement between developing countries
The Enabling Clause (i.e., the 1979 Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries) referring to preferential trade arrangements in trade in goods between developing country members.

Regional Trade Agreements
Article V of GATS governing the conclusion of Regional Trade Agreements (RTAs) in the area of trade in services, for both developed and developing countries.

Non-generalized preference schemes
Non-generalized preferential schemes, for example non-reciprocal preferential agreements involving develop-

Figure 1.2 Membership in Preferential Trade Agreements (PTAs) in force, 2010, notified and non-notified PTAs, by country



Source: Reproduction from the World Trade Report 2011, courtesy of the World Trade Organization (WTO). Copyright WTO 2011.

The definition of geographical and other groupings in this report does not imply an expression of opinion by the WTO Secretariat concerning the status of any country or territory, the delimitation of its frontiers, nor the rights and obligations of any WTO member in respect of WTO agreements. The colours, boundaries, denominations and classifications in this map do not imply, on the part of the WTO, any judgement on the legal or other status of any territory, or any endorsement or acceptance of any boundary.

ing and developed countries, require members to seek a waiver from WTO rules.

WTO member States must notify the WTO of any RTAs which they participate in or join. As of 31 July 2010, some 474 RTAs had been notified and 283 agreements were in force.

A number of regional trade agreements have become trading blocs.

Box 1.2 below is adapted from the website of the Commission of the Customs Union (2011).

BOX 1.2

The Customs Union between Belarus, Kazakhstan and the Russian Federation

Since 1 July 2011, and owing to the formation of the Customs Union of Belarus, Kazakhstan and the Russian Federation, the old system of co-ordinated State clearance on the crossing of the internal borders of the Customs Union has been discontinued.

The Kazakh-Russian section of the border no longer carries out phyto-sanitary, veterinary, sanitary-quarantine, transport (automobile) control functions, customs operations and all functions of customs clearance of goods and vehicles in transit. Only the border control function is still carried out.

The Belarusian-Russian section of the border no longer receives notifications at the specialized notification points, and has stopped carrying out certain transit clearance functions for goods from third countries, and also transport (automobile) clearance. The above notification points are to be closed down.

Functions related to the co-ordinated State control of goods and vehicles entering the territory of the Customs Union will be carried out by authorized bodies of Belarus, Kazakhstan and the Russian Federation, including functions at check points on the external border of the Customs Union.

The Customs Union is a customs territory shared for mutual trade operations under a single customs tariff, exempt from customs duties and economic restrictions, except for special protective, anti-dumping and compensatory measures.

1.4.1 Various configurations of trade agreements

The configurations of Regional Trade Agreements are quite varied and, as a result of increases in trade, create complex landscapes in which the various types of agreements are interwoven with each other at subregional, regional and international levels.

The simplest trade agreement configuration is the bilateral trade agreement (BTA) formed between two parties. Plurilateral and multilateral agreements are formed between three or more countries. An element of complexity is added when further agreements are formed between plurilateral groups, or between a plurilateral group and two or more other countries. Such agreements reflect a consolidation of trading relationships.

The expression Regional Trade Agreement (RTA) is used by the WTO to refer to both types of agreements, even if the involved States are not in the same geographic region. A "multilateral agreement" (MTA) involves all WTO member States.

"Non-generalized preference schemes" are agreements by which, among other things, developed countries unilaterally grant access to their markets to developing countries.

These configurations are based on the WTO classification and terminology in accordance with GATT and cover all trade agreements.

1.4.2 Various types of trade agreements

There are several types of trade agreements, including Free Trade Agreements, Customs Unions and Partial Scope Agreements.

Customs Unions and Free Trade Areas are defined by GATT in Part III – Article XXIV – Territorial Application – Frontier Traffic: Customs Unions and Free Trade Areas, where Section 8 states that for the purposes of GATT:

(a) A customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that:

> (i) Duties and other restrictive regulations of commerce (except, where necessary, those permitted under Articles XI, XII, XIII, XIV, XV and XX) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and
>
> (ii) Subject to the provisions of section 9, substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union.

(b) A free trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Articles XI, XII, XIII, XIV, XV and XX) are eliminated on substantially all the trade between the constituent territories in products originating in such territories. In most cases, Partial Scope Agreements are trade agreements concluded between developing countries.

1.4.3 Scope and content of trade agreements

In addition to differences in configuration and type, trade agreements also vary in their scope. In some cases they are limited to a small number of products; in other cases their scope of application goes beyond the traditional role of duty reduction.

For instance, trade agreements between developed countries, or to which developed countries are party, increasingly include provisions such as investment, standards, competition, intellectual property, labour and environment.

Furthermore, States signing trade agreements grant each other certain forms of preferential treatment with regard to their markets that are not granted to other States. These often take the form of reduced tariffs for particular products. Since such agreements are the result of trade negotiations between trading partners, it is thus understandable that they specifically reflect these

BOX 1.3

The Economic Cooperation Organization's Transport and Trade Facilitation Agreement (TTFA)

The Economic Cooperation Organization (ECO) is an intergovernmental regional organization established in 1985 by the Islamic Republic of Iran, Pakistan and Turkey for the purpose of promoting economic, technical and cultural co-operation among its member States. In 1992, the Organization was expanded to include seven new members, namely: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan.

In May 1998, in Almaty, then still the capital of Kazakhstan, the member States of ECO signed the Transit Transport Framework Agreement (TTFA). The ECO TTFA and the projects that followed its signature can be considered as best practices for border crossing facilitation. The TTFA consists of 45 articles, many of which refer to transit and border-crossing facilitation. Article 29, entitled "Simplification and Harmonization of Customs Procedures", contains the following statement: "The Contracting Parties will take measures to simplify the Customs control means of transport, goods, luggage and passengers passing through their territories."

Concrete outcomes/achievements:

The Islamabad–Tehran–Istanbul container train. The inauguration of the train took place in Pakistan in 2008. Since 2010, the train has been carrying out one eleven-day run between the three countries each week. The initial travel time of fifteen days has been reduced to eleven thanks to facilitation work by the ECO, notably in:

- Reorganizing the time schedule;
- Identifying unnecessary stopovers along the route and trying to eliminate them;
- Reducing or eliminating time spent at border crossings;
- Reducing trans-shipment time in the Zahedan trans-shipment point (border between Iran and Pakistan);
- Facilitating customs processes (Pakistan is not a party to the International Conventions).

There were no rail connections between Iran (Islamic Republic of) and Pakistan before this rail service, mainly because of the missing link between the Zahedan and Bam stations in Iran. This train was not only the first to connect the two countries; it was also the train that moved the majority of the humanitarian aid to Pakistan after the catastrophic floods of 2010.

The Almaty–Istanbul container train. The first demonstration container train departed from Istanbul for Almaty via Tashkent on 20 January 2002. The first pilot run of the international passenger train on the Almaty–Tashkent–Turkmenabad–Tehran route was completed between 14 and 21 March 2002, thus opening international passenger traffic on the Almaty–Tashkent–Turkmenabad–Istanbul route. Containers moving on this section are using the ECO-CIM, which indicates the use of facilitation measures decided upon for the operations of this specific train. These special tariffs only apply to containers moved along the specific rail corridor Almaty–Istanbul.

The Islamabad–Istanbul Caravan. The International Road Transport Union (IRU)-ECO Silk Road Truck Caravan 2010 "Driving Progress from Islamabad to Istanbul" aimed to further develop Euro-Asian road transport and strengthen trade and economic co-operation within the region and with the rest of the world. The objective was to drive progress and prosperity by helping landlocked economies on the Euro-Asian landmass to reap the full benefits of globalization. The proven feasibility of the 11,000 km journey from Pakistan to Turkey via Afghanistan demonstrates that road transport can drive trade, economic growth and social progress throughout the ECO region, provided it is appropriately promoted and facilitated.

The main objectives of this public-private partnership were to:

- Promote road transport facilitation across the ECO region;
- Promote and monitor the implementation of the ECO Transit Transport Framework Agreement;
- Collect data en route, such as border waiting times, customs procedures and road charges, as well as visa requirements in the ECO region;
- Examine the infrastructure along the ECO road network.

Preliminary results indicate that the Caravan has achieved its set objectives and that the main non-physical barriers, notably at borders, mostly stem from the inefficient implementation of the key United Nations multilateral trade and road transport facilitation instruments.

Source: UNECE, Alexopoulos, 2011 / ECO website, 2011.

negotiations. As a consequence, the contents of most agreements are different.

This results, for instance, in a range of duty rates in domestic tariffs for the same product, depending on the origin of the goods. There are standard rates for non-WTO members, a most-favoured-nation (MFN) tariff for WTO members, and various preferential rates according to other trade agreements.

The scope of a trade agreement affects border agencies. If it includes more than duty reduction, it may involve a joint effort on the part of several agencies and not only of Customs authorities.

1.4.4 Consequences of proliferation of trade agreements

As a direct consequence of the many trade agreements and their great variability, different trade rules often coexist within a single State. This is particularly acute with rules of origin. Studies have demonstrated that, worldwide, the diversity of trade agreements results in a lack of uniformity with regard to preferential rules of origin regimes.

To determine whether a product is eligible for the preferential treatment provided by a particular trade agreement, it is necessary to determine its origin. To benefit from preferential treatment, a product must originate from a country that is a Contracting Party to that trade agreement. For this to be the case, the product must comply with the rules of origin as specified in the trade agreement.

It is important to note that preferential rules of origin used to determine whether a product can benefit from preferential treatment are different from non-preferential rules (also called "most favoured nation" or MFN rules), which are used to determine the country of origin in order to apply restrictions or quotas.

Trade agreements usually contain a general set of rules of origin that are applicable to all products. However, they often also contain a list of product-specific rules of origin that are able to be supplemented by additional provisions.

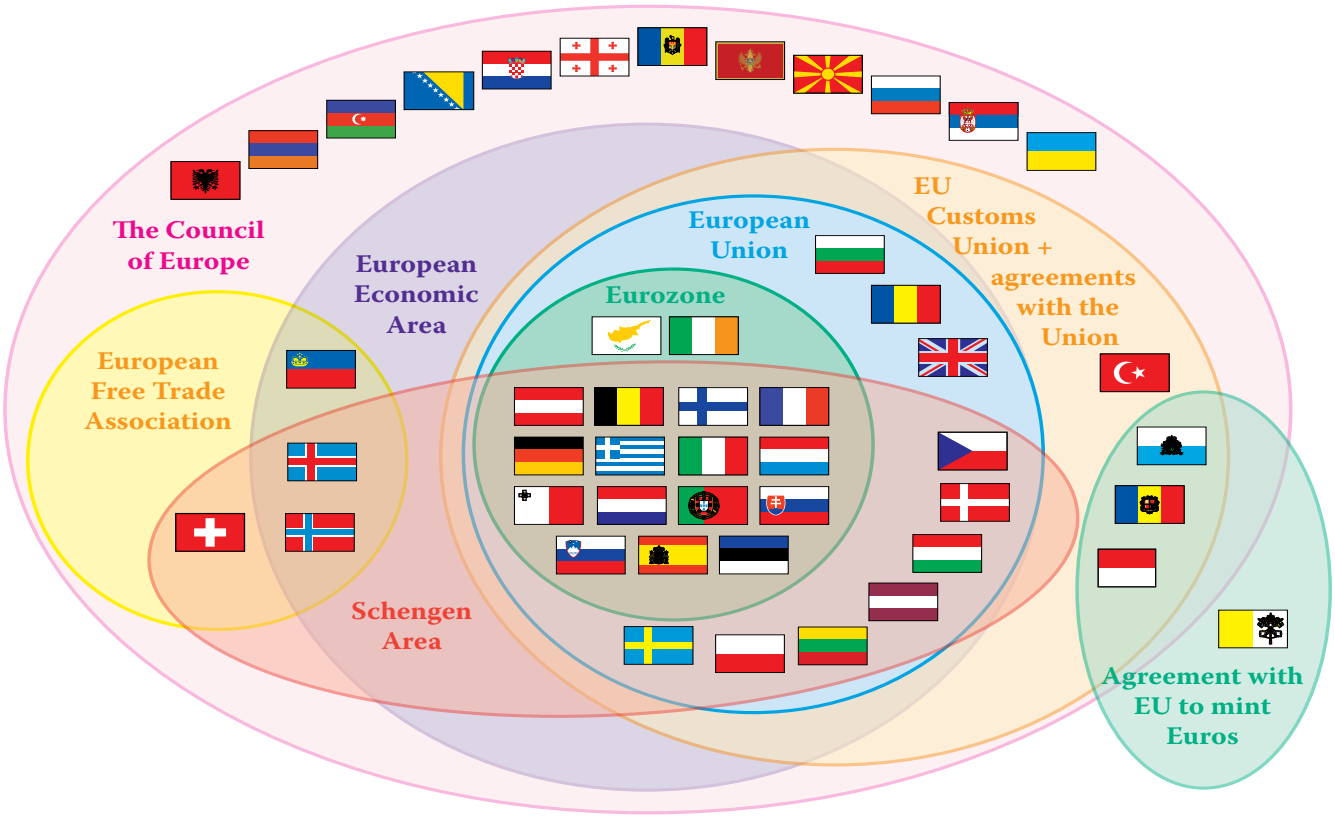
The proliferation of trade agreements has resulted in a certain amount of overlapping, which in Europe is sometimes referred to as the "spaghetti bowl" effect, or in Asia the "noodle bowl" effect.

For border agencies, the multiplication of agreements and the maze of rules of origin increases the cost of administering trade agreements. It also can result in duplications when maintaining tariff schedules. The administrative challenge is even more complex for States that are party to multiple trade agreements, especially if these agreements cover not just goods but also services.

A few years ago, the EU started a programme for harmonizing rules of origin: the "pan-European" (PANEURO) system. It provides a single set of rules of origin for EU trading partners.

Central Asia and the other countries of the former Union of Soviet Socialist Republics (USSR) are now members

Figure 1.3 Examples of European agreements



Design: RHNC 2012

of the free trade agreement of the Commonwealth of Independent States (CIS). A Customs Union has been created between Belarus, Kazakhstan and the Russian Federation (see Chapter 2). In addition, Central Asia is following the global trend of multiplication of agreements, with a large number of bilateral trade agreements being concluded across the region.

Trade policy is a dynamic environment framed by international legal instruments that introduce predictability and standardization. As countries adopt these instruments, the trading environment becomes more harmonized.

Tables 1.6 and 1.7 are adapted from WTO Regional Trade Agreements Information System (RTA-IS) available on the WTO website, 2011.

Table 1.6 Examples of Eastern European, South Caucasus and Central Asian trade agreements

RTA Name	Coverage	Type	Notification
Armenia – Kazakhstan	Goods	FTA	GATT Art. XXIV
Armenia – Republic of Moldova	Goods	FTA	GATT Art. XXIV
Armenia – Russian Federation	Goods	FTA	GATT Art. XXIV
Armenia – Turkmenistan	Goods	FTA	GATT Art. XXIV
Armenia – Ukraine	Goods	FTA	GATT Art. XXIV
Common Economic Zone (CEZ): Belarus, Kazakhstan, Russian Federation, Ukraine	Goods	FTA	GATT Art. XXIV
Commonwealth of Independent States (CIS): Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyz Republic, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan	Goods	FTA	GATT Art. XXIV
Economic Cooperation Organization (ECO): Afghanistan, Azerbaijan, Islamic Republic of Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan, Uzbekistan	Goods	Partial Scope Agreement	Enabling Clause
Georgia – Armenia	Goods	FTA	GATT Art. XXIV
Georgia – Azerbaijan	Goods	FTA	GATT Art. XXIV
Georgia – Kazakhstan	Goods	FTA	GATT Art. XXIV
Georgia – Russian Federation	Goods	FTA	GATT Art. XXIV
Georgia – Turkmenistan	Goods	FTA	GATT Art. XXIV
Georgia – Ukraine	Goods	FTA	GATT Art. XXIV
India – Afghanistan	Goods	PSA	Enabling Clause
Kyrgyz Republic – Armenia	Goods	FTA	GATT Art. XXIV
Kyrgyz Republic – Kazakhstan	Goods	FTA	GATT Art. XXIV
Kyrgyz Republic – Republic of Moldova	Goods	FTA	GATT Art. XXIV
Kyrgyz Republic – Russian Federation	Goods	FTA	GATT Art. XXIV
Kyrgyz Republic – Ukraine	Goods	FTA	GATT Art. XXIV
Kyrgyz Republic – Uzbekistan	Goods	FTA	GATT Art. XXIV
Ukraine – Azerbaijan	Goods	FTA	GATT Art. XXIV
Ukraine – Belarus	Goods	FTA	GATT Art. XXIV
Ukraine – the former Yugoslav Republic of Macedonia	Goods	FTA	GATT Art. XXIV
Ukraine – Kazakhstan	Goods	FTA	GATT Art. XXIV
Ukraine – Republic of Moldova	Goods	FTA	GATT Art. XXIV
Ukraine – Russian Federation	Goods	FTA	GATT Art. XXIV
Ukraine – Tajikistan	Goods	FTA	GATT Art. XXIV
Ukraine – Uzbekistan	Goods	FTA	GATT Art. XXIV
Ukraine – Turkmenistan	Goods	FTA	GATT Art. XXIV

Table 1.7 Examples of free trade areas

FREE TRADE AREA	SIGNATORIES
EEA (European Economic Area)	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
ECUZ	30 EEA members + Andorra, San Marino, Turkey
CEFTA (Central European Free Trade Agreement)	Albania, Bosnia and Herzegovina, Croatia, Republic of Moldova, Montenegro, Serbia, the former Yugoslav Republic of Macedonia, United Nations Interim Administration Mission in Kosovo (UNMIK)
NAFTA (North American Free Trade Agreement)	Canada, Mexico, United States of America
EU–CARICOM (EU–Caribbean Community)	27 EU member States + Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago
CAFTA–DR (Dominican Republic–Central American Free Trade Agreement)	Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, United States of America
LAIA (Latin American Integration Association)	Argentina, Plurinational State of Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay, Bolivarian Republic of Venezuela
ECOWAS (Economic Community of West African States)	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo
CEMAC (Economic and Monetary Community of Central African States)	Cameroon, Central African Republic, Chad, The Democratic Republic of the Congo, Equatorial Guinea, Gabon
EFTA–SACU European Free Trade Agreement + Southern African Customs Union	Iceland, Liechtenstein, Norway, Switzerland; Botswana, Lesotho, Namibia, South Africa, Swaziland
CISFTA (Commonwealth of Independent States Free Trade Agreement)	Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyz Republic, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan
SAFTA (South Asian Free Trade Agreement)	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
APTA (Asia Pacific Trade Agreement)	Bangladesh, China, India, the Lao People's Democratic Republic, Republic of Korea, Sri Lanka
ASEAN+3	10 ASEAN States (Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam) + China, Japan, Republic of Korea
ASEAN–Australia–New Zealand Free Trade Area	10 ASEAN States + Australia, New Zealand
SPARTECA (South Pacific Regional Trade and Economic Cooperation Agreement)	Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, New Zealand, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu

Conclusion

International trade is governed by various levels of legislation. Global harmonization is being delivered by international agreements such as the WTO's GATT and conventions such as the WCO Revised Kyoto Convention and the UNECE Harmonization Convention. However, these agreements and conventions need to be reflected in regional or domestic legislation in order to deliver predictability to the trade community and government agencies. Sometimes all that is required for this to happen is a decree; sometimes overall reforms are needed. The degree to which domestic legislation fits the international trade legal environment has a dramatic impact on trading potential. If countries are to realize their ambitions in international trade, they simply have to modernize their customs laws and regulations.

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2 From Domestic to International Co-operation

CONTENTS

2. From Domestic to International Co-operation

Introduction

The two facts of the increase in cross-border transactions and the importance of global trade for national economies are compelling governments to develop more efficient border management procedures. As the role of Customs authorities is changing from purely looking after a country's fiscal revenue to playing a more important role in managing international trade, outdated working practices can restrict the efficiency of Customs organizations and other border agencies. To meet the new challenges raised by globalization, border agencies are increasingly co-operating and developing partnerships. The present chapter starts by presenting the OSCE Border Security and Management Concept; having done so, it first looks at domestic co-operation issues and then moves on to examining aspects of international co-operation. It also discusses, among other things, the concepts of Integrated Border Management (also referred to as "Coordinated Border Management" or "Collaborative Border Management"), the so-called Single Window, the Single Administrative Document (SAD), and the one-stop border crossing.

2.1 OSCE commitments on comprehensive border management

The OSCE Border Security and Management Concept (OSCE, 2005)

The OSCE Border Security and Management Concept (BSMC, or "the Concept") is the core document upon which the OSCE participating States shape their commitments to comprehensive security in the areas of trade and transport facilitation, border checks (whether of persons, vehicles or cargoes), and emerging transnational threats and their implications throughout the OSCE area. The Concept is comprehensive in that it is cross-dimensional, that is to say, it reflects the three dimensions inherent in the OSCE's approach to its work: the politico-military dimension, the economic and environmental dimension, and the human dimension.

While the Concept is not an international instrument as such, it nevertheless constitutes a commitment on the part of the OSCE participating States to pursue open and secure borders. It reflects their consensus that the way to respond to the fact of the increasingly cross-border nature of the OSCE area is to strive to co-operate on applying a common and comprehensive border management strategy.

The OSCE Border Security and Management Concept does not embrace the totalities of either Integrated Border Management or Coordinated Border Management, although it does contain elements of both insofar as they apply to the 56 participating States. Furthermore, the Concept holds true to the standards of intra-agency, interagency and international co-operation.

History: The OSCE's Border Security and Management Concept was adopted in December 2005 in Ljubljana at the Thirteenth Meeting of the OSCE Ministerial Council. The OSCE participating States thereby committed themselves to promoting open and secure borders and to enhancing mutually beneficial inter-State co-operation, notably by undertaking efforts to promote the sharing of experiences and good practices. The Concept and its related activities are intended to assist participating States in addressing transnational threats such as terrorism, organized crime, illegal migration, and illicit trafficking in weapons, drugs and human beings.

The core objectives of the Concept are:

1) To promote free and secure movement of persons, goods, services and investments across borders, in conformity with relevant legal frameworks, international law and OSCE commitments, inter alia, through enhancing the security of travel documents and encouraging, as appropriate, circumstances that could allow liberalization of visa regimes ...;

2) To reduce the threat of terrorism, including by preventing cross-border movement of persons, weapons and funds connected with terrorist and other criminal activities;

3) To prevent and repress transnational organized crime, illegal migration, corruption, smuggling and trafficking in weapons, drugs and human beings;

4) To promote high standards in border services and competent national structures;

5) To promote dignified treatment of all individuals wanting to cross borders, in conformity with relevant national legal frameworks, international law, in particular human rights, refugee, and humanitarian law, and relevant OSCE commitments;

6) To create beneficial conditions for social and economic development in border territories, as well as for the prosperity and cultural development of persons belonging to all communities residing in border areas, with access to all opportunities;

7) To foster prospects for joint economic development and help in establishing common spaces of freedom, security and justice in the OSCE area;

8) To ensure the security of the international transport circuit for supply of commodities.

The Annex "Possible OSCE Contributions", reproduced below, gives an outline of the role of the Organization in realizing the aims of the Concept.

Upon the request of interested participating States and where they can provide comparative advantage and added value, the contributions of the OSCE, based on lessons learned from border-related programmes, could take, inter alia, the following forms:

A. Facilitation:

1. Political dialogue between participating States on border-related issues, including OSCE good offices;
2. Confidence-building measures in border areas, as referred to by relevant OSCE documents, as well as by decisions elaborated by the Forum for Security Co-operation;
3. Technical dialogue between national border services and competent national structures, through exchanges of information at all levels;
4. Possible mobilization and co-ordination of assistance.

B. General forms of contribution:

1. Technical assistance in the development and implementation of national strategies and action plans, based on the vision of national authorities and their existing commitments, if a State so requests;
2. Technical assistance in development, adaptation and harmonization of relevant legislation;
3. Technical assistance in enhancing the effectiveness of border structures through the sharing of best practices;
4. Technical assistance in the development and implementation of training plans and programmes through the sharing of good practices and international exchanges;
5. Overall information sharing by creating, inter alia, an awareness of resources that comprise all available international experience, including new technologies and know-how, for example on rapid but effective border controls, border checkpoint construction, etc.;
6. Identification of sources for available equipment and supplies appropriate to border services, with the aim of their possible mobilization.

C. Possible specialized assistance in the following fields:

1. Combating terrorism, transnational organized crime, illegal migration and illicit trafficking in nuclear, biological, chemical and conventional weapons and their means of delivery and related materials, hazardous wastes, drugs and human beings:

   (i) Strengthening of international exchange networks and information-sharing on the above-mentioned threats and challenges to security;

   (ii) Crime-specific training for border services and competent national structures;

   (iii) Identification of sources for crime-specific equipment and supplies and, if possible, mobilization of available resources;

   (iv) Technical and non-technical means of detection of illegal or false documents aiming at improving the security of travel documents and visas;

   (v) Encouragement for the conclusion and implementation of agreements on cross-border co-operation;

   (vi) Promotion of the implementation and development of multilateral international norms and practices, in conformity with international legal frameworks, regarding extradition and other forms of legal co-operation on criminal matters related to terrorism and other serious crimes, on aspects related to border security and management;

   (vii) Enhancement of co-operation aimed at preventing and countering the threat of illicit trafficking in drugs.

2. Free and secure movement of persons:

   (i) Technical assistance and expert advice on exit and entry procedures, including on simplification of visa procedures, as appropriate;

   (ii) Expert advice on enhancing the security of travel documents;

   (iii) Facilitation of free and secure movement of persons across borders;

   (iv) Promotion and expert advice by the OSCE structures and institutions on the rights and development interests of persons belonging to all communities living in border areas without prejudice toward persons belonging to national minorities;

   (v) Awareness-raising on the rights of migrants and asylum seekers.

3. Economic and environmental field:

(i) Sharing of best practices on border-crossing and customs procedures for import, export and transit, in particular to ensure the security of the international transport circuit;

(ii) Promotion of economic cross-border co-operation and facilitation of local border trade;

(iii) Fostering of cross-border co-operation on environmental issues that have an impact on local community development;

(iv) Facilitation of cross-border co-operation in case of natural disasters or serious accidents in border zones;

(v) Ensuring of the security of the international transport circuit for the supply of commodities, including through the establishment of a system for providing preliminary information on goods and vehicles transferred across borders.

2.2 The impact of border inefficiency on trade and customs

Lack of co-ordination between the government departments and agencies involved in controlling cross-border transactions encumbers trade. Trading parties often must adapt not only to different types of information being requested but, more critically, to the same information being requested in different formats or at different times. For instance, at the time of import, one agency may request information in paper form, while another will request the same information entered into their system electronically. Again, at a later date, it may be necessary to electronically report the same to yet a third agency that has a different system. This fragmentation of requirements increases not only the risk of mistakes but also the cost of transactions. Moreover, the effectiveness of border agencies is also reduced if the same information is collected several times by different organizations.

Box 2.1 is based on an interview conducted by Catherine Truel (2011).

BOX 2.1

Border crossings: The view of a logistics expert

According to Sandro Rugel (2011), Senior Vice-President of the supply chain management company ISC Global, the scope of work for Customs has changed consistently in recent decades. Customs duties and other tariff trade barriers have been diminished or even abolished by increasing numbers of bilateral, multilateral and unilateral agreements (GATT/WTO). While it is widely accepted that duties on imports protect national production for a short time, in the long term they prevent or at least do not encourage national industries to invest in newer, more advanced products and production processes. This makes their products less competitive on international markets. As a result, Rugel sees the necessity for a number of changes.

From a logistical point of view, it is crucial that border procedures on goods transiting two or more countries be incorporated and become an integral part of a smooth supply chain process. This requires uniform and internationally accepted documents that can be transmitted electronically through existing IT systems. In addition, the integrity of this documentation along the entire supply chain must be guaranteed through an extremely high standard of security. It must be virtually impossible to make any unlawful changes whatsoever along this process.

It is crucial that modern Customs organizations should at all levels be staffed by highly trained and well-paid specialists who are aware of their important role within the supply chain. It is furthermore of fundamental importance that the laws and regulations of all countries should be stable and that the supply chain players should be able to expect a durable and sustainable application of the various customs legislation and import/export procedures.

In recent years, however, non-tariff barriers have become a generally accepted phenomenon which does not apply to such matters as security, threats of terrorism, health and sanitary issues, and trafficking in human beings. Many of these require expensive and time-consuming processes as well as physical examinations at border crossing points (BCPs). If these examinations cannot be performed on a "no exception" basis, there will be room for errors, as well as possibilities for unlawful behaviour on different levels.

Both national and international authorities must collaborate and co-operate to address these issues at a very high level. Efficient and workable counter-measures must be found and enforced. Efficient and well-trained Customs and other border management agencies automatically and necessarily play a significant role in this process.

Rugel sees global economic growth as a crucial pillar upholding national economic growth and social peace. For the global economy to grow there must be an unobstructed flow in the international supply chain.

Example of a logistics centre.

According to a UK document *Simplifying Trade Across UK Borders* (December, 2009), it is estimated that the cost of trade procedures, including customs and border crossing procedures, amounts to between 2 and 15 per cent of the value of the goods being traded. According to the European Commission, halving the cost of bureaucratic trade procedures could result in worldwide savings for traders of approximately 300 billion euros a year. In the UK alone, a saving of just one per cent in the value of goods traded across UK borders would be worth almost 6 billion pounds sterling annually. A study has shown that in all regions of the world, tariff equivalents (costs arising from import delays) exceed the costs of trade tariffs. Each day more in transit for fruits and vegetables is the equivalent of lowering their prices by 0.9 per cent.

It is thus clear that co-operation between the agencies operating at borders would lead not only to better processing efficiency, but also to substantial financial savings. However, co-ordinating government border activities requires the combining of many different functions, cultures and organizations. Such co-ordination measures have been initiated between some countries. The concepts that in their experience have proved to work well can be regarded as "best practices".

2.3 Introducing a culture of co-operation

The requirements and the basis for border agency co-ordination and co-operation are reflected in high-level instruments such as the World Trade Organization's GATT agreement discussed in Chapter 1, "Trade and Customs: The International Legal Framework".

BOX 2.2

GATT

Discussions on border agency co-ordination and co-operation have been based on GATT 1994, Article VIII — Fees and Formalities connected with Importation and Exportation, in which Paragraph 1(c) recognizes "the need for minimizing the incidence and complexity of import and export formalities and for decreasing and simplifying import and export documentation requirements".

Of all the agencies operating at borders, it is Customs authorities who are most often responsible for introducing border co-ordination activities. In some countries, however, this role is taken up by agencies other than Customs. The concept of "Integrated Border Management" (IBM) is commonly used by the European Union. Others such as the World Customs Organization prefer the term "Coordinated Border Management" while the World Bank often refers to "Collaborative Border Management". As noted in section 2.1, the OSCE uses the term "Comprehensive Border Management", which does not embrace the totalities of either Integrated or Coordinated Border Management, although it does contain elements of both as they apply to all 56 participating States.

2.4 The concept of Integrated Border Management (IBM)

The *European Commission Guidelines for Integrated Border Management in the Western Balkans* (EC, 2007) define the concept as follows: "IBM covers co-ordination and co-operation among all the relevant authorities and agencies involved in border security and trade facilitation to establish effective, efficient and integrated border management systems, in order to reach the common goal of open, but controlled and secure borders."

According to the Global Facilitation Partnership for Transportation and Trade, Integrated Border Management is defined as follows: "Integrated Border Management is the organization and supervision of border agency activities to meet the common challenge of facilitating the movement of legitimate people and goods while maintaining secure borders and meeting national legal requirements."

Integrated Border Management aims at facilitating the movement of legitimate goods and people while maintaining secure borders and meeting national legal requirements. It is implemented through the

Border crossing near Neštin, Serbia.

improvement of co-operation and co-ordination among all the relevant authorities and agencies involved in border management, such as border guards, Customs, veterinary and phytosanitary inspection administrations, ministries of transport and migration authorities.

There are two categories of IBM, namely domestic co-operation between border agencies within one country, and international co-ordination between neighbouring countries. The interagency co-operation between different border agencies is the core element of IBM, and a politically mandated and powerful agency to lead such co-operation is needed.

The World Customs Organization expands upon this as follows: "Complementary to, and of paramount importance to, Integrated Border Management is the implementation of a Single Window, whether or not it is computer based. The Single Window concept and guidelines to its implementation have been developed by the United Nations Centre for Trade Facilitation and Electronic Business and have been published as UN/CEFACT Recommendation 33. ... The implementation of the Single Window [should be considered] when implementing an Integrated Border Management System." (WCO, 2008)

2.4.1 Categories of Integrated Border Management

According to the European Commission guidelines for Integrated Border Management (EC, 2007), IBM primarily involves the co-ordination and co-operation of border activities, while ensuring that legal requirements are met. There are essentially three pillars of co-operation:

1) Intra-service co-operation

2) Inter-agency co-operation

3) International co-operation

Intra-service co-operation

Intra-service co-operation is to be understood as internal co-operation and management of processes, information and resources, conducted within a ministry or agency that is responsible for a specific set of tasks.

There are two ways that this can function (EC, 2007, pp. 19–20):

a) Between local, regional and central authority levels (vertical co-operation). This covers intra-service co-operation between the ministries or high-level bodies at the central level and agencies located at the border. This can be illustrated by a downward flow of information such as new regulations or instructions emanating from a ministry or central authority to be implemented by officials at the border.

b) Between different units at the same level (horizontal co-operation). This covers co-operation between different

units representing the same authority including at inland clearance depots. This can be characterized by co-operation between agencies such as the services of the department of agriculture both at the border and inland.

Inter-agency co-operation

Inter-agency co-operation is to be understood as co-operation that is conducted at the local level, for instance, at borders. This is the horizontal co-operation and co-ordination between officers of different services within various levels of hierarchy.

This is conducted:

a) At both the regional and central levels;

b) Between ministries or State bodies with different tasks related to border management.

In practice, this type of co-operation can have various degrees of formality. It can entail daily informal exchange of information or formal co-operation at the border, as well as regular inter-agency planning or long-term co-operation strategies. It is important that procedures are in place to identify the respective responsibilities and authorities in order to avoid overlap and duplication.

In practice, the interactions and requirements for co-operation and integration are often complex. Government agencies can be faced with multifaceted situations that demand expertise outside their field.

According to the European Commission guidelines for Integrated Border Management there are three types of inter-agency co-operation at the border and within the country (EC, 2007, p. 21):

- Co-ordinated processing at border crossings. Controls and procedures, including their sequence, should be clear for all parties, as should the division of responsibility for the different tasks between the respective authorities;
- Integrated information technology systems and risk assessment;
- Awareness-building and joint responsibilities finally leading to shared responsibilities between agencies in the medium term.

The New Zealand Institute of Policy Studies has examined processes of co-operation between government agencies nationally and internationally. In their discussion document, they have mapped out the way agencies work together and found a continuum from co-existence to collaboration.

FIGURE 2.1

The example of New Zealand: Intra and inter-governmental co-operation and integration

Relationship Description	Coexistence	Communication	Cooperation	Co-ordination	Collaboration
Relationship Formality	Informal	⟷			Formal
Relationship Support	N.A.	Broker	Revolving Secretariat	Network Secretariat	Formal Secretariat
Relationship Characteristics	Self Reliance	Shared Information	Shared Resources	Shared Work	Shared Responsibility
	No Formal communication	Informal meetings e.g. web exchanges	Formal e.g. Face to Face meetings	Sharing on a regular formal basis	Formal partnership
	Policies & services developed in isolation	Irregular exchange of practices	Regular exchange of staff, info. practices	Regular exchanges & specific undertakings	Shared policies & or practices
	Autonomy emphasised	Autonomy retained	Autonomy attenuated	Autonomy further attenuated	Autonomy further attenuated still
	May have common concerns	Getting together on common interests	Getting together on common projects	Working together on shared projects	Working together to common goals

Source: *Better Connected Services for Kiwis*, Institute of Policy Studies, New Zealand, July 2008, p.14.

Box 2.3 is based on a document of the Ministry of Transport and Communications of Finland (Alaluusa, 2009).

BOX 2.3

Co-operation between Finland and the Russian Federation

In the case of Finland and the Russian Federation, an attempt has been made to realize a balance between border security and trade facilitation. This has involved a number of steps.

Through discussion and co-operation between relevant Finnish and Russian Federation border agencies, supported by their respective Ministries of Transport, the following results have been achieved:

- Border crossing point (BCP) co-operation at the BCP management level;
- Integration of BCP and customs infrastructure, and co-operation on logistics;
- Electronic information exchange between Finnish and Russian border agencies using GSM (Global System for Mobile Communications) information exchange equipment;
- Increasing inter-operability (such as pilot tests between eight Finnish trucking companies and their Russian counterparts);
- Use of common interfaces to enable interoperability of e-documents and ICT systems;
- Automatic identification of traffic flow and transport fleet movement locating using Radio-frequency Identification (RFID).

A "best practices" pilot project has been conducted in order to integrate information for transparency in the supply chain, to access pre-arrival information using the EU Customs Code, and to make real-time transport data from different actors available to Customs brokers in the Russian Federation.

Future plans for co-operation include:

- Electronic tracking of intermodal transport, including vehicle guidance and tracking based on mobile solutions;
- Operations models for logistics centres and goods terminals to use electronic information exchange and automatic identification in the supply chain;
- Information system communicating with authorities, such as the pre-arrival information required by the EU Customs Code.

Russian customs officers examine customs declarations.

International co-operation

International co-operation involves (EC, 2007, pp. 21–22):

a) Co-operation at the local level between officials on either side of a border. Such co-operation may aim, for example, at improving day-to-day operational processes;

b) Co-operation between neighbouring States. This can include various issues, such as border demarcation / delimitation, border management, organization of joint patrols, or the organization of mutual contact offices to enhance information exchange;

c) Co-operation at the multinational level. This deals with transnational concerns and threats, such as trans-border crime, illegal migration, trafficking in human beings, terrorism and the smuggling of goods. It can, for example, include sharing information with border security and management agencies from various countries on criminal activities, developing common security programmes, negotiating mutual recognition agreements, etc.

Box 2.4, which describes the Canada-U.S. Smart Border Declaration and Action Plan, presents another example of the implementation of international co-operation in border management.

BOX 2.4

The Canada-U.S. Smart Border Declaration and Action Plan

Since 2001, stronger border co-operation between Canada and the United States has been developed through the Smart Border Declaration and its accompanying Action Plan. The vision was a twenty-first century border that advanced facilitation of movement as well as security. It is founded on the principle that national security and economic security are not objectives that compete. The Declaration was put into practice through the implementing of a 30-point Smart Border Action Plan. Internationally, this Action Plan has served as a model for successful border management and co-operation. The success of the Smart Border process has also become widely recognized by the public, industry and other governments.

The Smart Border Action Plan has four pillars:

Secure the flow of people
Separating low-risk travellers from those who are high-risk, and facilitating the movement of the former, is a major aspect in the secure flow of people. For example, Canada and the U.S. have established NEXUS, a voluntary programme for facilitating low-risk movement and people. NEXUS is in place at eleven high-volume border crossings, and will be extended to air travellers through the implementation of NEXUS-Air.

Secure the flow of goods
The secure flow of goods is organized around a similar principle. In partnership with the private sector, advanced information and technology are used to identify and expedite low-risk shipments across the Canada–United States border. For example, the Free and Secure Trade (FAST) programme facilitates the cross-border movement of low-risk, pre-approved commercial goods and truck drivers. FAST is now operational at the twelve highest-volume commercial border crossings. It is complemented by the bilateral Container Security Initiative.

Investing in secure infrastructure
The Canadian government is investing 665 million Canadian dollars to protect and improve its air, marine and land gateways. The U.S. Transportation Efficiency Act for the 21st Century also funds transportation projects along U.S. corridors and at border points along the Canada–United States border. The two countries continue to enhance border infrastructure to better support programmes like NEXUS and FAST, as can be seen by the scheduled expansion of dedicated FAST lanes to the Pacific Highway and the Ambassador Bridge.

Co-ordination and information-sharing in the enforcement of these objectives
Canada and the U.S. have established Integrated Border Enforcement Teams (IBETs) that jointly investigate cross-border criminal and terrorist activity. IBETs are now operating in fifteen regions along the border.

Source: Public Safety Canada, 2008.

Canadian customs at the border between the United States and Canada.

2.5 Coordinated Border Management

The definitions of Coordinated Border Management (CBM) quoted below are taken from the WCO Research Paper No. 2 "Coordinated Border Management – A concept paper" (Aniszewski, June 2009).

"The term Coordinated Border Management (CBM) refers to a co-ordinated approach by border control agencies, both domestic and international, in the context of seeking greater efficiencies over managing trade and travel flows, while maintaining a balance with compliance requirements. While many organizations refer to this as 'Integrated Border Management', the World Customs Organization prefers 'Coordinated Border Management' as it gives prominence to the principle of co-ordination of policies, programs and delivery outcomes whilst avoiding any perception of favouring a single solution." (Aniszewski, June 2009, p. 6)

"Coordinated Border Management represents an approach to managing borders involving public service agencies working across portfolio boundaries in a co-ordinated manner to achieve a shared goal thus providing a cohesive government response to the challenges of border management." (Aniszewski, June 2009, p. 8)

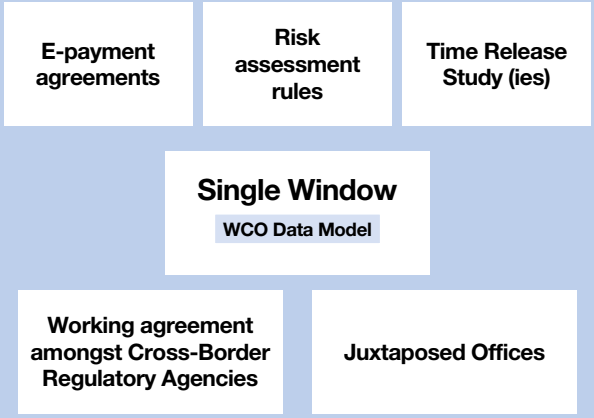
Like IBM, CBM consist of two different dimensions: a domestic border management system (including intra-service co-operation and inter-agency co-operation) and an international border management system.

It brings about key advantages that are felt both at the government and individual border agency level. In addition to government stakeholders, CBM is also beneficial to the private sector (most notably freight forwarders, carriers, and industry and business associations).

The WCO figure illustrates the key elements of a CBM system. Some of these elements will be described in detail either below in this chapter or in subsequent chapters.

FIGURE 2.2

Coordinated Border Management



Source: WCO, 2011.

2.6 Collaborative Border Management

While traditionally the role of Customs and other border management agencies has been the "gatekeeper of the border", the World Bank's "Collaborative Border Management" concept is based on the premise that, in the current global economic context, border agencies and the international trading community need to work together to achieve common aims that benefit all parties (Doyle, 2010, pp. 15–16).

"Collaborative border management features the concept of a 'virtual border' encompassing the entire transport and supply chain where goods and passengers can be assessed for admissibility and clearance in advance of arriving at the physical border," (Doyle, 2010, p. 16). Principles of "customs segmentation", "intelligence driven risk management" and the "trusted clients" such as Authorised Economic Operators play an important role in this concept (Doyle, 2010, pp. 16–17).

Key components of the Collaborative Border Management concept include the following ones adapted from the World Customs Journal, vol. 4/1 (Doyle, 2010, pp. 18–19):

- Policies should be designed on the assumption that the vast majority of travel and trade is legitimate. This implies, among other things, enhanced intergovernmental and inter-agency networking arrangements;
- Processes should be conducted based on "outcome-based" indicators such as increased level of customs compliance, export competitiveness, etc., rather than focusing on "outputs" such as the volume of transactions checked against compliance;
- Border management staff should be well equipped with the necessary skills, knowledge and behaviour needed to manage the new process;
- The use of IT is recommended in order to meet increased expectations for interaction and information exchange both nationally and internationally;
- The upgrading of infrastructure and facilities is an important step in improving the effectiveness of regulatory control and trade facilitation processes.

The political mandate for improved co-operation and co-ordination efforts in border management is something that is highlighted by all three aforementioned models (2.4 -2.6).

In order to implement both domestic and international co-ordination, a clear and strong political mandate is absolutely necessary. The requirements are as follows:

- Political support from the highest levels (i.e., the Prime Minister's office or a similar entity with authority over other relevant government organizations);

- Design of domestic legislation and regulations that allow for IBM to be implemented;
- Appointment of a lead agency;
- Design of Memoranda of Understanding (MoUs) with other agencies and government actors.

2.7 Policy development required for domestic co-operation

In practice, a border is a busy area where many government organizations have a presence. Some have a physical presence, while others delegate their activities to Customs authorities. For instance, in its study of the UK security environment, SITPRO has identified a series of government stakeholders and divided them into two groups: those with executive authority directly responsible for controlling the cross-border environment, and others with a policy development role. Among these organizations, some have a presence at the border, such as Customs, while others are only represented at the central government level, such as the department of trade. Some are represented at both levels.

All these organizations operating at borders have different strategic objectives, requirements, documentation, processes and IT systems. This potentially creates a mass of paperwork and duplication. Because these organizations have their own means of vertical reporting, they tend to work independently, thus opening up the risk of overlapping activities. Lack of co-ordination can also result in conflicting instructions and requirements.

Table 2.1 is adapted from the *UK Review of Security Initiatives in International Trade,* SITPRO (Table 3, p. 8).

Table 2.1 Government stakeholders

Executive	Policy
• Her Majesty's Revenue & Customs (HMRC) • Port Health Authorities • Department for Business, Innovation and Skills (former BERR) • Civil Aviation Authority • Health and Safety Executive • UK Border Agency • HM Treasury • Maritime and Coastguard Agency • Medicines and Healthcare products Regulatory Agency • Plant Health and Seeds Inspectorate • Police • The Traffic Commissioner/ Department for Transport • Vehicle and Operators Services Agency • U.S. Customs: export controls at UK ports • U.S. Food and Drug Administration: authorising food exports	• Her Majesty's Revenue & Customs • Department for Transport • Home Office • Department for Business, Innovation and Skills (former BERR) • Department for Environment, Food and Rural Affairs (DEFRA) • Food Standards Agency • Health and Safety Executive • HM Treasury • Plant Health and Seeds Inspectorate • State Veterinary Service

A border police officer stationed in Bitola, the former Yugoslav Republic of Macedonia briefs his colleague on identifying fake documents.

2.8 Policy requirements for international co-operation

International co-operation can take place between the Customs organizations of neighbouring countries, but also between territories that are geographically distant from one another. Between non-neighbouring States, international co-operation can arise through international agreements or the ratification of conventions.

The International Conventions listed below all contain elements of international co-operation. The most relevant ones are described in greater detail in Chapter 1, "Trade and Customs: The International Legal Framework".

- WCO International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention, 1974)
- UNECE International Convention on Harmonization of Frontier Control of Goods (Geneva, 1982)
- Customs Convention on the International Transport of Goods under cover of TIR Carnets (TIR Convention, 1975)
- International Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offences (Nairobi, 1977)
- International Convention on the Harmonized Commodity Description and Coding System (Brussels, 1983)
- WCO Convention on Temporary Admission (Istanbul, 1990)
- Convention on the Contract for the International Carriage of Goods by Road (CMR; Geneva, 1956)

2.9 The Single Window

There are a number of practical tools designed to improve co-operation and co-ordination both domestically and internationally.

The creation of a "Single Window" is something that is supported by the majority of border management models. The WCO defines a Single Window as follows: "An intelligent facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfil all import, export and transit related regulatory requirements." (WCO, 2010)

Box 2.5 is adapted from the *Assessment and Monitoring Mission (AMT) Report: Strengthening Integrated Border Management in the Western Balkans and Turkey* (International Organization for Migration/IOM, 2010, p. 59).

BOX 2.5

Single Window project of the former Yugoslav Republic of Macedonia

The Single Window project EXIM came into operation in the former Yugoslav Republic of Macedonia in November 2008. This system is a part of the Single Window/One-Stop Service (SW/OSS) system, which is still being developed. It currently links sixteen State agencies. The EXIM system, which is available twenty-four hours a day, has an online interface that allows economic operators to electronically apply and receive all documents required for import and export licences and tariff quotas. The licences and quotas are granted in accordance with a "first come first served" principle. The system also allows for the electronic tracking of payments of administrative taxes and other fees. The EXIM system has introduced the first phase of the so-called Single Window System for Export and Import Control and One Stop Shop Control, which reduces the time for crossing the border as well as the procedures for the control of persons and goods. The institutions involved in EXIM recognize that there is potential for further refinement and simplification of procedures, as well as for the expansion of the project's scope. In the second phase, the system will be integrated into the new Customs Data Processing System (CDPS), IBM system, Veterinary IT-system, Transport IT systems, and will include the other required certificates needed for import and export. Customs security controls are carried out at BCPs, while Customs clearance of cargo is conducted inland after commercial and fiscal checks have been carried out. Customs is very proficient at applying risk assessment and selectivity on commercial trade and transactions. This has partly been achieved through significant developments in the risk-based selectivity criteria set in the ASYCUDA system, which are then applied to import declarations. A system of integrated risk management is in place and a Risk Analysis Department within the Sector for Control and Investigations is responsible, at both the central and national levels, for implementing risk analysis and selectivity as well as for developing risk profiles and indicators to be used throughout Customs. A centralized database for risk analysis has been set up. It is updated daily through the collection of information from various sources, especially customs declarations.

Box 2.6 is adapted from the UNECE Repository of Single Window Case Studies, 2009.

BOX 2.6

A Single Window experience: Sweden

Approximately 12,000 companies and 7,000 citizens use one or more of the Single Window services provided by Swedish Customs. The main clients are importers, exporters and customs brokers.

The Single Window was initially financed with dedicated funds from the Swedish Government. When new services are designed and implemented today, financing takes place under existing budgets allocated to each respective public service. Some ongoing initiatives use private-public partnerships for the development of new and more complex systems.

The introduction of a Single Window environment in Sweden led to the following benefits: seamless processes, higher quality/fewer errors, the reuse of information and quicker handling from the public services. Less time, and hence money, has to be spent on submitting the same information twice to different public services. This means that compliance costs have been dramatically decreased, by an estimated figure of between 20 and 50 per cent depending on the prerequisites of the individual operator. Electronically shared information also means less errors and higher quality, which in their turn mean greater fluidity and seamlessness in the processes.

For the Swedish Government, the introduction of the Single Window meant that less time had to be spent on tasks requiring lower skills and allows the allocation of resources to processes or procedures that are more complex or not possible to computerize. One example is the Single Window for export refunds where Swedish Customs has decreased its time spent on documentary controls by 50 per cent, the Swedish Board of Agriculture has cut its processing time by 40 per cent and customers receive the subsidies in half the time this took before the Single Window went into operation.

According to the UNECE a "Single Window" can be described as "a system that allows traders to lodge information with a single body to fulfil all import- or export-related regulatory requirements." In practice this means that a Single Window offers one "entrance" (of a physical or electronic nature) for the handling of all procedures, data and requirements related to the release and clearance of an international trade transaction. The whole process is overseen by one agency which co-ordinates with other agencies and takes the lead of combined controls (UNECE, 2003, p. 2).

International traders have to prepare and submit ever-increasing amounts of information to various governmental controlling authorities. These extensive procedural requirements can become a serious impediment to businesses and can hinder the development of international trade. For border security and management agencies, putting a Single Window facility in place allows for expedited and simplified information flows between trade and government agencies. The Electronic Single Window is discussed in detail in Chapter 7, "Information and Communication Technology and Non-Intrusive Inspection".

2.9.1 Conditions for creating a Single Window environment

The following conditions need to be met in order to implement a Single Window environment (UNECE, 2003, p.3):

- Legal data requirements related to trade should be minimized and data sets harmonized;
- The use of ICT in order to maximize data flows, resulting in faster, easier and lower costs to international trade;
- Use of the WCO Customs Data Model, which is

Box 2.7 is adapted from the UNECE Repository of Single Window Case Studies, 2009.

BOX 2.7

A Single Window experience: Finland

At the beginning of the 1990s, up to seven different forms could require completion when a ship arrived in a Finnish port. The forms' content was 80 to 90 per cent the same, only the layouts were incompatible. The content was rather basic, containing information on identification, the expected time of arrival (ETA) or expected time of departure (ETD), cargo and dangerous goods (DG) details on a statistical level. Thus, a lot of work done was considered unnecessary and expensive.

The first task was to convince the different authorities that reform was needed and to realize one common paper form. An initial estimate of costs showed a potential saving of several hundred of thousands of euros on a national level. The process began in 1991, and the first electronic system was set up in 1993–1994; initially on an IBM mainframe with a RB2 database and dumb terminals. The present PortNet system has been up and running since 2000, having replaced the old mainframe-based system. Several upgrades have been made in the past ten years.

The user (normally the ship agent or terminal operator) can input the following information and perform the following functions:

- Port arrival notice, containing ship ID, ETA, destination port, previous port(s), detailed dangerous cargo notice, cargo notice (initially on a statistical level, going in the direction of a general cargo declaration, accepted by the Customs office), passenger list, ship provisions;
- Port departure notice, similar to the above, but less complete at this time (new development ongoing);
- Issue of a single common customs reference number for the ship call, valid throughout the whole duration of the visit;
- Paid fairway dues and authority decisions on the exemption of fairway dues;
- List of exemptions for line ships that have a contract with a local ship waste handling company;
- A request to the port to allow some particular DG into port and as a response the decision from that port on that matter;
- International Ship and Port Facility Security Code (ISPS) notice (security notice, prescribed by the International Maritime Organization;
- Terminal notice regarding containers;
- Ship database, with relevant basic information on all ships having previously visited Finland;
- A restricted set of the International Maritime Dangerous Goods (IMDG) code database;
- UN LOCODE database, including port areas;
- Database on ID and contact data on all agents using the system;
- Database on ID and contact data for ports;
- To order port services, like towing, water electricity, telephone (a very little used feature);
- Six IMO FAL forms produced automatically from the information are available.

In the pre-computer era, ship agents submitted separate paper documents to all the authorities either by fax or by hand. One documented case reveals that the number of annual faxes was reduced from 50,000 to 365. The old regime did not encourage agents to correct mistakes by sending new faxes or manual documents. It was simply not done. The data about the ship had to be accurate even if the agent did not have the information. So the agents invented what they did not know. For line vessels, there is the obvious benefit of copying the old notice into a new notice and only modifying the changed parts. Additionally, port authorities may and frequently do import PortNet information into their invoicing systems for automatic invoicing.

a collaborative effort between government and trade. It provides an effective framework for data simplification and harmonization. At the heart of international co-operation is the exchange of data. Clearly, it is much easier to co-operate if the partners concerned are using information that is of the same quality, quantity and format. The WCO data model standardizes not only data collected by Customs agencies but also the format in which it is collected. This is an excellent basis for future developments in co-operation.

2.9.2 Advantages of introducing a Single Window

There are a number of advantages if a Single Window system is introduced (UNECE, 2003, p. 3).

For traders: cost savings through faster clearance and release, higher predictability and transparency of government regulations, as well as better and more efficient use of available resources.

For governments: higher levels of compliance, opportunity to use risk management techniques for control and clearance purposes, better and more efficient use of available resources.

The course of time has seen the development of a number of Single Window programmes, which are now implemented effectively all over the world (UNECE, 2003, pp. 3–4):

- A *single authority* is in place in Sweden and the Netherlands, in which Customs performs tasks and enforces all border related controls as assigned by other governmental authorities;
- A *single system* is in place in the U.S., where there is a pilot programme that allows traders and businesses to input standardized data once. The system then directly distributes this data to the competent agencies;
- An *automated system* is in place in Singapore and Mauritius. This system allows traders to submit electronic declarations to the various authorities for processing and approval. The approved permits are then sent back automatically to the applicant's computer. In the case of Singapore, the fees and duties due are automatically charged against the applicant trader's bank account.

Additionally, an *Internet-based system* with a Customs portal has been introduced by the Korean Customs Service (KCS). From this portal, traders can access no less than 162 administrative services. The portal has evolved into a Single Window that connects 14 different government agencies. In 2008 this generated savings totalling over 3.5 billion United States dollars. (Asia Pacific Customs News, 2009)

2.10 The EU Single Administrative Document (SAD): A tool for harmonization

The SAD is the EU-wide customs declaration (EC, DG Taxation and Customs Union, 2006a). It was introduced in 1988 to modernize data collection for EU customs declarations. It is used within the EU framework of trade with third countries and for the movement of non-EU goods within the EU.

In the European Union, the implementation of a Single Administrative Document (SAD) has the following aims:

1. To ensure openness in national administrative requirements. This openness constitutes the basis for progress and simplification;
2. To rationalize and reduce administrative documentation (including statistical, tax, transport and exchange-control documentation);
3. To reduce the amount of information and to standardize required data;
4. To create one language comprehensible in all the member States. This eases linguistic problems with documents drawn up in different countries, and thus, establishes common codes and harmonizes data likely to be transmitted from one member State to another.

The European Free Trade Association (EFTA) States have also used the EU SAD since its introduction in 1988. The EU and the EFTA countries have moved towards "expanding" the Convention Concerning the Simplification of Formalities in Trade in Goods. A mechanism has also been set up that, under certain conditions, allows third countries to become contracting parties to this Convention and the EU SAD. All EU candidate countries were (are) obliged to introduce and use the SAD prior to EU accession as well as be fully prepared operationally, legally and technically for the common transit system. Other countries have also shown interest in the SAD and some have introduced it on a national basis.

2.11 Co-operation agreements

There are a number of types of co-operation agreements that can be used.

2.11.1 Memoranda of Understanding

Memoranda of Understanding (MoUs) are instruments commonly used to define the relationship between several parties. Among other things, they can be used to define the relationship between different departments within a government. They can also be used to define the roles and

responsibilities of the various agencies at a border. MoUs can be legally binding instruments, but only if they include legal elements covering issues such as the obligations of each party, arbitration and mutual consideration. MoUs are also often used to modify existing treaties without a full rewriting of the original treaty. One advantage of MoUs is that they do not require the approval of the legislative branch of a government and hence can be relatively easily concluded and implemented. As has been mentioned above, the introduction of a border management model such as IBM or CBM is often accompanied by all relevant agencies concerned concluding an MoU.

Box 2.8 describes the U.S. Container Security Initiative with texts adapted from the U.S. Customs and Border Protection publication *Container Security Initiative: 2006-2011 Strategic Plan* and the U.S. Homeland Security website. Further explanations of the CSI can be found in Chapter 3, "Balancing Security with Trade and Transport Facilitation and Developing Partnerships with Private Industry".

BOX 2.8

The U.S. Container Security Initiative

The U.S. Container Security Initiative (CSI) addresses the threat to border security and global trade posed by the potential terrorist use of maritime containers to deliver weapons. The CSI proposes a security regime designed to ensure that all containers posing a potential terrorism risk are identified and inspected at foreign ports before they are placed on vessels destined for the United States. U.S. Customs and Border Protection (CBP) has stationed multidisciplinary teams of U.S. officers from both CBP and Immigration and Customs Enforcement (ICE) to work together with their counterparts in foreign governments. Their mission is to target and pre-screen containers and to develop additional investigative leads related to terrorist threats to cargo destined for the U.S. Through the CSI, U.S. Customs authorities work with host Customs administrations to establish security criteria for identifying high-risk containers. High-risk containers are screened through non-intrusive inspection (NII) and radiation detection technology before they are shipped to U.S. ports.

A cargo container is sealed during the inspection process.

2.11.2 Bilateral agreements

At the border, the implementation and visibility of bilateral agreements will depend on the agreement and how they have been translated into domestic legislation. Normally, this will only result in new internal procedures and documentation. However, in some cases it can be highly visible, as for instance in the U.S. Container Security Initiative (CSI), which involves a U.S. Customs officer being detached to a foreign port, which makes the agreement between the U.S. and that country very obvious (See Box 2.8). As Customs increasingly needs to monitor compliance along the supply chain and not just at border crossing points, such international co-operation becomes a necessity. The multiplication of trade agreements, for instance, particularly when affecting sectors with high duty rates, demands sound international co-operation.

2.11.3 Multilateral agreements

Multilateral agreements are, by nature, rarely directly applicable at borders. To be implemented, they usually need to be translated into domestic legislation. This is the case with WTO agreements, for instance, in which "Most Favoured Nation" tariffs are the basis for domestic tariffs that are used at the border to collect duties and taxes. Various multilateral agreements and international conventions are discussed in detail in Chapter 1, "Trade and Customs: The International Legal Framework".

2.11.4 Co-operation with neighbouring countries

Co-ordinating the activities of various government agencies of a single State at a border is challenging in itself, but co-ordination with agencies of another State introduces still more elements that must be considered. Co-ordination has a number of benefits. Fast border crossing between two countries allows traders to serve customers on both sides of a border, and thus, to extend the region in which they conduct business. It also allows Customs authorities of different States to realize economies of scale by combining resources at their common border crossing point. Customs authorities currently use several methods to co-ordinate their border management activities.

"One-stop" border crossing points (BCPs)

Although there is no all-encompassing global definition of "one-stop" BCPs – the basis for their legal status can vary from MoUs to bilateral agreements – a WCO publication lists the following features (Kieck, 2010):

- Offices of both States are located in close proximity so that only "one stop" is needed for border crossings;
- A control zone (or zones) is/are defined within which officers from both States conduct controls in accordance with their respective laws;
- The control zone comprises offices, inspection areas

and related facilities and is usually located within the national territory of only one State;
- Immigration and import and export formalities are handled as a seamless transaction between the two countries;
- Inspections and searches of cargo or vehicles are generally conducted in the presence of officers from both States.

There are several advantages to one-stop BCPs, both as regards enforcement and as regards economic benefits. The fact that border authorities of two countries work side-by-side increases overall efficiency through the sharing of intelligence and better use of available resources (joint use of infrastructure, scanners, personnel and the like). In addition, communication tends to be easier, and waiting times and costs are significantly reduced.

Box 2.9 is quoted from an UNCTAD press release that was issued on 4 February 2011 and can be accessed on the official UNCTAD website.

BOX 2.9

Bilateral co-operation: The Afghanistan-Pakistan Transit Trade Agreement

In mid-February 2011, Afghanistan and Pakistan began operations on a new agreement intended to ease the flow of trade between and through the two countries. The agreement, signed in October 2010, reflects long-standing UNCTAD recommendations on using trade-facilitation arrangements to spur economic development in these two nations.

The Afghanistan-Pakistan Transit Trade Agreement (APTTA) succeeded the Afghanistan Transit Trade Agreement (ATTA) signed in 1965 between Pakistan and Afghanistan to facilitate the transit of goods exported from and imported to Afghanistan using the Pakistani port of Karachi. The current agreement permits the use of more ports and more carriers – including Afghan trucks – and increases the number of border crossing points. It also provides for Afghan exports to India using the land border between Pakistan and India. The pact also envisages the use of Afghan territory for trade between Pakistan and Central Asian countries.

UNCTAD has long advocated the potential benefits that improvements in transit arrangements can bring to Afghanistan and Pakistan. For Afghanistan, among the main benefits is improved access to overseas markets through Pakistan's ports. For Pakistan, it is particularly important to obtain better access to Central Asian markets. In addition, transit trade – goods travelling through both countries to and from other nations – can generate income through the expanded use of transport logistics services in Afghanistan, a landlocked country, and from greater use of ports in Pakistan. Although Afghanistan is a landlocked country, its geographic position gives it a potentially large role as a gateway for trade to the Central Asian interior. In Pakistan, it is above all the terminal in Karachi, as well as Pakistan's importers and exporters, that can benefit from economies of scale that additional traffic from and towards Afghanistan can generate. In the long term, the economies of scale of higher trade volumes help to reduce transaction costs for all traders. Lower transaction costs then help to further expand international trade – what economists refer to as a "virtuous circle".

Trucks crossing the border into Afghanistan.

In both countries, UNCTAD is currently implementing World Bank-financed trade-facilitation projects, which include measures to increase the efficiency of the bilateral transit regime between Pakistan and Afghanistan. To achieve the objective of bringing Pakistan's foreign trade into line with international standards, the Government's Ministry of Commerce, in collaboration with UNCTAD, initiated a National Trade & Transport Facilitation Project in 2001. Among several other achievements, this project successfully contributed to creating a National Trade and Transport Facilitation Committee (NTTFC) and to introducing a Single Administrative Document for goods entering and/or leaving the country. The Goods Declaration now in use applies the Single Administrative Document to facilitate trade. UNCTAD collaboration with the NTTFC and the Ministry of Commerce is continuing under the Trade and Transport Facilitation Project 2, which began operation in 2010. One of the objectives of the second project is improving international transit, including the implementation of APTTA, and other steps intended to expand Pakistan's access to Central Asian markets.

In Afghanistan, UNCTAD has been collaborating with the Ministries of Finance and Commerce since 2004. Its project Emergency Customs Modernization and Trade Facilitation includes the implementation of UNCTAD's Automated SYstem for CUstoms DAta (ASYCUDA), as well as support for Afghanistan's accession process to the World Trade Organization. It also provided assistance in preparing the negotiation of the APTTA and will provide assistance for its implementation.

More importantly, as the International Network of Customs Universities noted in a recent article (Kieck, 2010, p. 7): "The one-stop concept can be used to combat fraud by facilitating the clearance of goods on the basis of a single customs declaration, thereby preventing the substitution of one set of documents with another."

The one-stop concept typically requires all border control functions to be relocated to a one-stop facility. However, during a transition phase two Customs administrations might, in principle, agree to conduct joint Customs controls, while other functions such as immigration control continue to be conducted in the two-stop manner. At some border crossing points, even such minimal intervention may translate into significant time savings and efficiency gains. Over time, it should be possible to implement the one-stop concept to all border control functions.

Box 2.10 is adapted from the *Assessment and Monitoring Mission (AMT) Report: Strengthening Integrated Border Management in the Western Balkans and Turkey* (International Organization for Migration/IOM, 2010, p. 23).

BOX 2.10

Albania's implementation of the "one-stop" control principle

In Albania, joint standard procedures for the practical implementation of the "one-stop" control principle have been adopted, and common Integrated Border Management teams comprised of Customs and border management post officers have been established at all major BCPs. Risk analysis is carried out on the basis of a legal act that has been approved by the Ministry of the Interior, the Ministry of Finance and the Ministry of Agriculture, Food and Consumer Protection. This act defines co-operation modalities for information exchange between all border agencies that are linked to joint risk analysis. The relevant Albanian authorities have taken a number of steps toward implementing the "single window concept", including the signing, in January 2009, of an agreement between Albanian Customs and the Border and Migration Police for implementing a pilot project for passengers and goods at the borders with the former Yugoslav Republic of Macedonia and Greece. At present, it is in an experimental phase.

Box 2.11 is based on information provided by the State Customs Committee of the Republic of Belarus (2011).

BOX 2.11

One-stop clearance procedures at Belarusian border crossing points

The one-stop border clearance process in Belarus gathers together at one single location all the types of controls required, that is to say, controls for customs, border, veterinary, health, and other clearances. This has the useful result that no party has to stop at the checkpoint more than once, apart from any stops at traffic signs within the checkpoint area itself.

The new clearance system at the checkpoint works as follows:

- The necessary clearances for people, the vehicles they drive and/or any goods they may be transporting are carried out in one place, normally with no need for anyone to alight from their vehicle;
- Officials from the various State control authorities make their way to the parked vehicle and carry out the requisite clearance procedures (questioning of persons, inspection of the vehicle) together;
- The necessary paperwork is completed by being handed over directly from one State authority official to the next.
- The benefits of the one-stop procedure are as follows:
- Total clearance time for physical persons at checkpoints has been reduced (to 2–3 minutes for green line clearance and to 15 minutes for red line clearance);
- Border-crossing has been made easier (no need to get out of the vehicle).

Box 2.12 is adapted from Kieck, 2010, pp. 6–7.

BOX 2.12

A case study: Co-operation between Norway and Sweden

At BCPs between Norway and Sweden, officers of one State are authorized to apply the controls on behalf of the other State in addition to their own controls. This variation of the one-stop arrangement requires a high degree of harmonization and especially, trust between all parties.

"One-stop" border crossing points bring many benefits.

Joint border crossing points (BCPs) and extra-territorial jurisdiction

One-stop agreements carefully define the application of extra-territorial jurisdiction (Kieck, 2010, p. 10). Among the issues that must be addressed are:

- The clear demarcation of the border/border zone;
- The sequence of controls;
- The powers of officers, including jurisdiction in case of offences, and immunities of foreign officers;
- The limiting of the execution of controls to designated control zones;
- Finalization of the exit country's formalities prior to work being started on those of the entry country;
- Clarity on the transfer of revenue collected from a control zone in one country to another country of entry; and on the transfer of detained and seized goods.

Boxes 2.13 and 2.14 are quoted from the UNCTAD Trust Fund For Trade Facilitation Negotiations, Technical Note No. 14, January 2011 (Rev.3), accessible on the UNCTAD website.

BOX 2.13

Advantages for trade: A one-stop border post between Zimbabwe and Zambia

Trade in Africa received a boost in December 2009 with the completion of the latest phase of a road infrastructure overhaul.

The One Stop Border Post between Zimbabwe and Zambia halved waiting times for haulers carrying goods across the continent, helping to improve the business and investment climate.

The border post is part of the North-South Corridor (NSC) upgrade. The NSC is one of the main trading routes in Africa, transiting Tanzania, the Democratic Republic of Congo, Zambia, Malawi, Botswana, Zimbabwe, Mozambique and South Africa. Waiting times at borders between countries increase costs for businesses, which must pay haulage firms whose drivers sit idle for up to three days while paperwork is processed. It also reduces the incentive for global firms to trade within Africa as cargoes can take weeks for journeys which in Europe would take merely a couple of days. For example, a single cargo of copper from the copper belt in the Democratic Republic of Congo could take two to three weeks to reach the southern ports but the equivalent journey in Europe would take just 48 hours. The new border crossing point will streamline the border-checking process as those passing through it will now only have to submit their documents once.

BOX 2.14

The South Africa-Mozambique border and other examples of joint BCPs in West Africa

In September 2007, after several years of preparation, the Presidents of South Africa and Mozambique signed a bilateral agreement on the establishment of a joint BCP on their border. South Africa has agreed to finance the major infrastructure installation, and the two countries are in the process of setting up the necessary bilateral working groups to undertake the preparatory work. These technical working groups will deal with the following matters: legal framework, infrastructure, information and communications technology, operational procedures, human resources and training, safety and security, and border management. In addition, a communications unit has been created to keep all stakeholders – public as well as private – informed on progress and to solicit advice.

In West Africa, joint BCPs are planned on the border between Ghana and Burkina Faso, on the border between Burkina Faso and Mali, and on the border between Senegal and Mali. These initiatives have been undertaken in the context of corridor developments financed by the national governments, the EU, the African Development Bank, and the World Bank. Most of the preparatory work has been undertaken by the Commission of the West African Economic and Monetary Union. Progress is well advanced towards a model agreement on the legal and operational framework, and on infrastructure and border post management.

2.11.5 Regional co-operation

In a customs union, a group of countries agree to eliminate tariffs between themselves and to set a common external tariff on imports from the rest of the world. A customs union is a far-reaching form of regional co-operation. A number of examples are provided below.

When several countries share common borders, it is often the case that they find regional co-operation desirable. This is the case between the EU and its neighbours.

In addition engaging with its Eastern neighbours, the EU is also involved in disseminating best-practice policies beyond its neighbourhood region. Its engagement with Central Asia provides another example.

Box 2.15 is adapted from the brochure "EurAsEC Today" (2011), which can be accessed on the EurAsEC official website.

BOX 2.15

Regional customs co-operation under EurAsEC

The formation of EurAsEC took effect in October 2000. The Contracting Parties comprised Belarus, Kazakhstan, Kyrgyzstan, the Russian Federation and Tajikistan. Uzbekistan was accepted as a member in 2005 (having had observer status until then, together with Armenia, the Republic of Moldova and Ukraine). However, in 2008 Uzbekistan decided to suspend its membership. The aim of EurAsEC was, among other things, to promote the economic integration of the member States through, among other things, the formation of a regional customs union and a common market.

Accordingly, in November 2009, the heads of the member States signed an agreement for a Customs Code of the Customs Union. On 1 January 2010, legal documents governing the Customs Union between Belarus, Kazakhstan and the Russian Federation were enacted, including provisions for commodity classification and Customs tariff, rules on tariff preferences, import restrictions and limitations. The Customs Union Code came into effect on 1 July 2010, at which point Customs clearance and control procedures at the Belarus/Russian Federation and Kazakhstan/Russian Federation borders were abolished.

The Customs Union resulted in the territories of the three States becoming an integral Customs zone, with unified Customs regulations, procedures and practices, common tariff regulations and common non-tariff regulations.

EurAsEC has also embarked on developing a Single Administrative Document for trade documents as well as a Single Window environment. The Common Commodities Nomenclature of Foreign Economic Activity of EurAsEC, which is based on the Harmonized Commodity Description and Coding System (HS), and the use of ten-digit commodity classification codes have been in place since 2003.

Box 2.16 has been adapted from the EUBAM website, (EC, 2010 a-c).

BOX 2.16

The European Union Border Assistance Mission to the Republic of Moldova and Ukraine (EUBAM)

The EU Border Assistance Mission to the Republic of Moldova and Ukraine (EUBAM) is a good example of an assistance mission aimed at raising the efficiency of border and Customs services.

EUBAM was launched on 30 November 2005 at the joint request of the Presidents of the Republic of Moldova and of Ukraine. The EUBAM is fully owned and funded by the EU. It is an advisory, technical body with no executive powers. The Mission seeks to make a sustainable contribution to good quality border and Customs services and to facilitate contacts and trade for the citizens and companies of the Republic of Moldova and of Ukraine. The Mission is implemented by the UNDP, which provides administrative and logistical support.

EUBAM has the following goals and objectives:

- To work with the Republic of Moldova and Ukraine to harmonize their border management standards and procedures with those prevalent in EU member States;
- To help enhance the professional capacities of the Moldovan and Ukrainian Customs and border guard services at the operational level;
- To develop risk analysis capability;
- To improve co-operation and reciprocity between border guard and Customs services, and between these and other law enforcement agencies;
- To promote cross-border co-operation.

How EUBAM carries out its work:

- Assisting and advising on border-related standards and best practices;
- Delivering on-the-job training and coaching;
- Building risk analysis capability;
- Performing visits and inspections, including spot checks.

Box 2.17 has been adapted from the EU BOMCA official website (EC, 2009b).

BOX 2.17

The Border Management Programme in Central Asia (BOMCA)

The European Union's Border Management Programme in Central Asia (BOMCA) represents an effort to provide support for border management in Central Asia. One of the largest European Commission (EC) assistance programmes in Central Asia, BOMCA was initiated in 2002 following a suggestion from the Central Asia Border Security Initiative (CABSI). It has been implemented for the EC by the UNDP under the leadership of the UNDP Country Office in Bishkek. For the 2003–2010 period the BOMCA was allocated 27.7 million euros, of which 25.7 million euros were provided by the EC.

BOMCA aims at introducing European "best practices" in Integrated Border Management (IBM) in Central Asia. The programme comprises three components:

- Policy advice and legal and institutional reform: BOMCA has established inter-ministerial commissions and inter-agency working groups in each of its countries to familiarize decision-makers with options for IBM implementation and to initiate the legislative and regulatory reforms necessary to institutionalize the IBM framework;
- Strengthening national training capacities: BOMCA is renovating and equipping training centres for border agencies in all of its member States, introducing IBM components to national training curricula, and establishing national training capacities through a "training-of-trainers" approach that utilizes the best of European expertise;
- Pilot site trials in IBM: BOMCA is providing infrastructure, equipment and "on-the-job" training in key skills to border agency staff at selected airports, seaports and stretches of borders in Central Asia. This is done with a view to having national governments run IBM trials at these pilot sites in future stages of its programme.

In its seventh phase launched in January 2009, BOMCA continued to give assistance in the following areas of intervention:

- Supporting institutional reform in Kazakhstan, the Kyrgyz Republic and Tajikistan by assisting in the revision of existing border management strategies or in the preparation of new ones;
- Assisting Tajikistan in securing the Tajik-Afghan border: While the Russian border guards withdrew from the Tajik-Afghan border in June 2005, infrastructure on the border remains inadequate and the working and living conditions of border guard personnel needs to be improved in order to allow for adequate border security;
- Strengthening infrastructure capacities along trade and transit corridors: More efficient management of cross-border and interregional trade is vital to the economic development of landlocked Central Asia. However, at the same time illicit trafficking should be prevented.

Conclusion

Quite apart from the imperative of controlling illegal activities, the great variety of goods crossing borders today demands an increasing amount of expertise ranging from veterinary services to expert understanding of dangerous goods. The knowledge required to manage this wide range of challenges, while possibly found in various government departments, is unlikely to be found in one single agency. Co-operation among various government bodies and with the trade community (who are after all the main users of BCPs) is therefore central to efficient border management. Co-operation should extend to neighbouring countries, not only in order to control common borders but also to facilitate legitimate trade across these borders. Co-operation should be further intensified by international partners, through, for instance, the conclusion of mutual recognition agreements and the building of long-term relationships.

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3 Balancing Security with Trade Facilitation and Developing Partnerships with Private Industry

CONTENTS

3. Balancing Security with Trade Facilitation and Developing Partnerships with Private Industry

Introduction

Worldwide container traffic was expected to grow from 104 million containers in 2005 to an estimated 400 to 460 million containers in 2010, while in 2006 it was projected that it would grow by 2015 to between 510 and 610 million containers (EC Taxation and Customs Union, 2006, p. 1). All countries are thus facing ever more security challenges with regard to containers, both on arrival at land or seaport border crossing points and also along the entire supply chain. As a result, many countries are tailoring and implementing various measures to secure their borders. However, if the closing of borders to illegal traffickers also entails their being closed to legitimate traders and businesses, such measures have a negative effect. Governments must therefore find a balance between securing their borders and facilitating lawful trade. The present chapter will describe a number of border security measures in use today, and then will examine several methods for facilitating trade and establishing partnerships between trade and government. As a whole, the chapter is intended to offer a comprehensive and integrated "whole of government" or "all of government" approach to border crossing point management methods and policy development.

3.1 The trade and transport security environment

3.1.1 The security challenges

Recent years have seen a variety of new risks evolving in the field of trade and transport. While security measures were traditionally instated to protect trade and cargo, today it is often the trade or cargo itself that is deemed the security risk. In some cases, even means of transport have become weapons, not only carriers of cargo. As a result, many countries have instated relevant security precautions.

Criminal sophistication coupled with technological innovation results in technology-enabled crime, which has been identified in a wide spectrum of activities. New technologies enable organized crime groups to effectively operate across international borders and to move goods over large distances and between countries.

According to a paper published by the Geneva Centre for the Democratic Control of Armed Forces (Marenin, 2010), threats to security can be classified into five general categories:

1. "Normal" criminal acts that involve the crossing of borders (e.g., car thefts on one side of a border and "chop shops" on the other side);
2. Technical violations (e.g., lack of proper papers; irregular or illegal migrants in search of work);
3. Transnational organized crime (of various forms and types: smuggling of cars; illegal trade in small arms and light weapons; narcotics and other commodities; trafficking in human beings; illegal transfer of nuclear materials; illegal transnational disposal of dangerous materials such as radioactive or other forms of waste);
4. Terrorist threats;
5. Threats to the integrity of border management (corruption and abuse of power).

At border crossings points, physical inspection and/or non-intrusive inspection methods (X-ray or gamma ray scanners) may reveal drugs, explosive materials, or nuclear and chemical weapons. However, carrying out inspections only at border crossing points may be insufficient. Security measures are not only relevant when a shipment arrives at a border; they are also important at loading points and along the entire supply chain.

Activities such as dangerous items being loaded into containers along the supply chain will not be detected if the agencies concerned, including border guard/border police, immigration, anti-narcotics and anti-trafficking

Containers stored in a restricted customs area.

teams, work in isolation without access to all the available information and intelligence. To respond to such risks, Customs and other controlling agencies need security management approaches in addition to detection and intervention methods.

Border controls rely on the relevant border security and management agencies being presented with information and declarations by traders, carriers, agents and all other supply chain intermediaries. Logistical assets, such as trains, trucks, ships as well as basic infrastructure, are often owned by private sector entities. In order to secure borders, it is thus important to develop some form of co-operation among all supply chain stakeholders.

3.1.2 Stakeholders in border security and trade facilitation: A UK case study

The number of different government agencies involved in developing and enforcing policy and controls and procedures is not as important as how they exchange information. Also important is whether they work separately or are integrated using a "whole of government" approach. In the UK, executive powers and policy making are kept separate, creating layered security controls and procedures.

Logistics staff verify cargo documents.

Each security control and procedure relies on businesses declaring and presenting information to relevant border crossing control agencies. When controls are focused on physical inspections, they rely on businesses presenting their goods for examination. Businesses involved in international trade can be placed into one of three categories.

1. Traders
2. Transport and related services
3. Facilities and infrastructure

The various types of businesses involved are listed in the following table (SITPRO 2008a, p. 9).

Table 3.1 Business stakeholders using border services

Business stakeholders
1. Traders • Small and medium-sized enterprises • Large and multinational enterprises • Foreign companies and investors • Exporters/importers: operating within one industry • Exporters/importers: operating across industries • Distributors and retailers • Agents for buyers and sellers • Foreign companies exporting from developed countries • Foreign companies exporting from less developed countries
2. Transport and related services • Shipping lines • Ferry operators • Airlines • Trucking and haulage companies • Railway companies operating international routes • Logistics service providers • Freight forwarders • Customs brokers • Banks and finance companies • Insurance companies
3. Facilities and infrastructure • Seaports • Ferry ports • Airports • International rail terminals • Inland container ports • Port operators and stevedores • Cargo handlers and handling agents • Warehouse operators • Transit shed operators • Port community system providers • IT service providers • IT system developers

The challenge for Customs and other border agencies is to stop threats while at the same time facilitating legitimate trade and transport across borders.

3.1.3 The regulatory environment for security

Recent years have seen a dramatic increase in security regulations. Regulatory control in trade concerns revenue collection, safety and security, environment and health, consumer protection and trade policy. In recent years, the addition of new security initiatives has added many regulatory burdens to businesses (SITPRO 2008a, p. 5; UKTradeInfo).

Although there are many security initiatives affecting BCPs, not all are specifically relevant to Customs authorities. Other agencies also operate at borders: for example, the police, agencies for the interior or counter-terrorism agencies, and administrative bodies responsible for food, drugs, and veterinary or phyto-sanitary matters. Furthermore, Customs authorities may also find themselves being required to implement security measures on behalf of other such agencies.

SITPRO, for example, examined UK sea borders and supply chains and discovered that in recent years no less than 37 new and existing security-related procedures and controls had been put in place (SITPRO 2008a, p. 7).

Table 3.2 UK international trade security procedures and controls

1. Authorised Economic Operator (AEO)
2. Container Security Initiative (CSI)
3. Secure operator
4. Known Shipper (air freight)
5. ISPS Code and SOLAS Convention (maritime)
6. ISO 28000
7. U.S. Customs and Trade Partnership Against Terrorism (C-TPAT)
8. Transport Asset Protection Association Freight Security Requirements (TAPA-FSR)
9. Multi Agency Threat and Risk Assessment (MATRA)
10. Export controls (precursor drugs)
11. Import licenses (carcinogenic substances)
12. Rough diamond certificate
13. Export controls (end use and destination)
14. Export controls (technology, dual-use and military)
15. Medical equipment licensing
16. Medicines and drugs licensing
17. Animal health controls and licensing
18. Plant health controls and certificates
19. Food and hygiene controls
20. Bio-terrorism controls for USA
21. Secure freight initiative: 100% freight screening
22. Customs pre-notifications: security
23. Using additional scanning equipment such as X-ray scanners scanning for radioactive materials and explosives and chemicals
24. Immigration passenger controls
25. Immigration vehicle operator controls
26. Financial crime and financing of terrorism; restrictions and controls
27. Pre-ship notification
28. Road operator licensing
29. Immigration outward proposed under eBorders
30. Dangerous goods declarations: air
31. Dangerous goods declarations: rail
32. Dangerous goods declarations: sea
33. Dangerous goods declarations: road
34. Compliance with specified health and safety procedures for handling goods
35. Formal co-operation agreements between businesses and executive agencies including MoUs
36. Due diligence activities such as contracts, guarantees, letters of credit, reference requests, credit checking and other
37. Commercial insurance

Source: SITPRO, 2008.

3.1.4 National security initiatives

Drawing further on the UK security experience, the UK regulatory environment is a good example of the wide range of measures that can be undertaken with regard to global trade. Included are supply chain security, anti-terrorism, crime, food security, bio-security, prohibitions and restrictions, fiscal security and anti-smuggling, money-laundering, immigration control, public safety, safety of staff and the safety of critical infrastructure. These wide-ranging security objectives can be grouped into four categories (SITPRO 2008a, p. 5):

1. Umbrella: aimed at security risks in their broadest sense;
2. Goods-specific: aimed at risks specific to particular types of goods;
3. Control-specific: aimed at meeting narrowly specified control objectives;
4. Safety-specific: concerning the safety of staff and the use of critical infrastructure.

Security initiatives are not always imposed upon trade in a top-down approach by governments. For example, many intermediaries in the supply chain use self-regulation, as is shown by standards agreed upon by the industry. In addition, businesses apply their own commercially driven layers of protection from unforeseen risks, including due diligence practices such as collecting references, credit checking, signing contracts and specification of guarantees and insurance instruments.

UK e-Borders

The aim of the UK e-Borders is to enable freight to be selected for intervention on the basis of electronic intelligence. Electronic pre-arrival information, in forms such as manifests, is compared with suspect lists and profiles, making it possible for high-risk freight movements to be identified prior to arrival in the UK.

The UK Cyclamen programme

Cyclamen is a counter-terrorism initiative jointly managed by the UK's Home Office and HM Revenue & Customs. It seeks to prevent the illicit import of radioactive material into the UK by means of routine port entry screening using equipment operated by Customs authorities. The programme is used at most of the UK's airports, seaports and ferry ports, where goods and passengers are screened for radioactive materials.

Table 3.3 lists in more detail the categories of security objectives (SITPRO 2008a, p. 6).

Table 3.3 UK security categories and objectives

Category	Objectives
1. Umbrella	Supply chain security: identify risks before moving goods; Anti-terrorism: ability to build intelligence, and to identify and respond to threats; Crime intervention: build intelligence, prevent, interrupt and stop criminal activities.
2. Goods-specific	Food security: ensure that food is available and safe for consumption; Bio-security: prevent harmful diseases and substances from threatening UK life and welfare; Prohibitions and restrictions: ensure that sensitive or dangerous goods and technologies are only traded and handled within pre-specified criteria and only by licensed operators, traders and individuals.
3. Control-specific	Fiscal security and anti-smuggling: collect revenues, prevent and stop smuggling; Money laundering: identify illegal financial transaction; Immigration control: identify people; Pre-notifications and summary declarations: collection of regulatory information in advance of subsequent declarations.
4. Safety-specific	Public safety: welfare and safety of the public consuming or using goods; Staff safety: welfare and safety of people handling and moving goods; Safety of critical infrastructure: ensuring that critical infrastructure is protected; that contingency plans are in place should infrastructure and systems fail; Business security: ensuring that risks associated with business and international trade are managed within companies, through for example due-diligence, insurance instruments and memoranda of understanding.

3.1.5 Multilateral security initiatives

Strategic export controls

Strategic export control is usually defined in international conventions and treaties such as the Treaty on the Non-Proliferation of Nuclear Weapons, the Biological and Toxic Weapons Convention, the Chemical Weapons Convention, the Wassenaar Arrangement, or UN Security Council Resolution 1540.

In the EU, strategic goods needing export licences fall into three categories:

1. Goods, technology and software for military use;
2. Goods, technology and software for dual use, such as those intended for civil purposes that could be used for military purposes;
3. Goods on the EU's Human Rights list, including items used for capital punishment or torture.

The list of goods falling into these categories is frequently updated and amended in order to accommodate changes in perceived threats and risks. As the list often changes rapidly, traders have to keep up to date and check the list regularly.

Regional security initiatives

Regulatory security frameworks can also originate from the regional dimension. A few specific examples are described below.

Ishkashim is the southernmost border crossing point between Tajikistan and Afghanistan.

The OSCE Border Security and Management Concept (BSMC)

Core objectives of OSCE border security and management:

1) To promote free and secure movement of persons, goods, services and investments across borders, in conformity with relevant legal frameworks, international law and OSCE commitments, *inter alia*, through enhancing the security of travel documents and encouraging, as appropriate, circumstances that could allow liberalization of visa regimes;

2) To reduce the threat of terrorism, including by preventing cross-border movement of persons, weapons and funds connected with terrorist and other criminal activities;

3) To prevent and repress transnational organized crime, illegal migration, corruption, smuggling and trafficking in weapons, drugs and human beings;

4) To promote high standards in border services and competent national structures;

5) To promote dignified treatment of all individuals wanting to cross borders, in conformity with relevant national legal frameworks, international law, in particular human rights, refugee, and humanitarian law, and relevant OSCE commitments;

6) To create beneficial conditions for social and economic development in border territories, as well as for the prosperity and cultural development of persons belonging to all communities residing in border areas, with access to all opportunities;

7) To foster prospects for joint economic development and help in establishing common spaces of freedom, security and justice in the OSCE area;

8) To ensure the security of the international transport circuit for supply of commodities.

The OSCE BSMC is presented in more detail in Chapter 2, "From Domestic to International Co-operation".

OSCE commitments and mandates on container and supply chain security

The following excerpts from decisions and statements of the OSCE Ministerial Council provide an overview of the OSCE's commitments and mandates on container and supply chain security.

Sofia 2004: Ministerial Council Decision No. 9/04

"The Ministerial Council ... decides that OSCE participating States will act without delay in accordance with their domestic legislation, and necessary resources available, to ensure container security, based on best practices and on norms and standards to be agreed internationally."

Ljubljana 2005: Ministerial Council Decision No. 6/05

"The Ministerial Council ... decides:

- That all OSCE participating States should take measures recommended in the WCO Framework of Standards to Secure and Facilitate Global Trade, as soon as possible.
- That in taking measures foreseen by the Framework of Standards to Secure and Facilitate Global Trade, the OSCE participating States will in particular aim to promptly incorporate into their national procedures and regulations the Seal Integrity Programme for Secure Container Shipments, contained in the Appendix to Annex 1 of the Framework;
- That all OSCE participating States will inform each other on the measures taken to implement the above commitment;

Tasks the Secretary-General to facilitate, as appropriate and within existing financial resources, technical assistance in this field by the WCO and other relevant international organizations to requesting participating States;

Tasks the Secretary-General to promote, through and within the OSCE's existing organizational and logistic abilities, co-operation with the WCO and other relevant organizations in their efforts to enhance understanding of the objectives of the WCO Framework of Standards to Secure and Facilitate Global Trade."

TIR carnets being processed in the Brest Customs terminal, Belarus.

Madrid 2007: Ministerial Statement on Supporting the United Nations Global Counter-Terrorism Strategy

"The OSCE will continue its activities aimed at promoting supply chain security, especially by supporting and facilitating the capacity building work of the World Customs Organization in implementation of the Framework of Standards to Secure and Facilitate Global Trade, and will endeavour to serve as a platform for co-ordination and co-operation between relevant international organizations and national authorities for the development and application of an integrated approach to supply chain security."

Madrid 2007: Ministerial Council Decision No. 5/07

"The Ministerial Council ... decides to task the Secretary-General and OSCE institutions to continue to promote the involvement of the private sector (civil society and the business community) in their counter terrorist activities, where relevant and appropriate."

European Union border security

The European Union defines security at its external borders as the capacity of these borders to constitute a barrier, or at least a reliable filter, for its member States against threats to (EC, 2007, pp. 6–8):

1. The effectiveness of checks and surveillance;

2. Compliance with EU or national regulations;

3. The level of internal security in the common area of freedom of movement;
4. Law and order of the national security of EU member States, except with regard to the military defence of the EU's external borders against aggression in cases in which one or more third countries openly commit aggression or claim responsibility for it.

Security of the pre-frontier area of the EU involves countries of origin and transit. This is part of the EU's frontier model for border control. The model, which is part of the Schengen Catalogue of good practices for border control, states that effective controls must (EC, 2007. p. 6):

1. Already start in pre-frontier areas;
2. Then continue by means of international border co-operation;
3. Then involve border control at actual borders;
4. Finally include inland controls within the territory of the Schengen States.

Security is also clearly an issue in non-Customs areas of trade-related regulatory activity. The European Commission Directorate-General for Mobility and Transport, works to enhance protection for all European freight transport against possible terrorist attacks. Other sets of legislation are the EU security provisions specific to aviation (300/2008/EC), including the "known shipper" concept, and provisions for the maritime and port sector (725/2004/EC) (Grainger, 2008, p. 3).

EU Customs Security Programme

In addition to the Security Amendment to the EU Customs Code, the EU Customs Security Programme includes pre-arrival and pre-departure information and trade facilitation and risk assessment for the Community's external borders. These measures are aimed at enhancing security by improving Customs controls and maximizing the combined impact of controls carried out by different authorities. They include:

- Trade facilitation: a common system for recognizing traders by means of unique identification numbers;
- Enhancement to the New Computerised Transit System (SITPRO 2008b, p. 17): a means for Customs to acquire information for risk analysis on transit shipments. In addition, a development in the Anti-Fraud Transit Information System (ATIS) enables the system to forward copies of transit movements, including those of sensitive goods, to OLAF (the European Anti-Fraud Office);
- The EU Customs Risk Management System (CRMS), which enables the rapid, direct and secure exchange of risk information for supporting and targeting consignments for Customs controls. Using the CRMS, the European Commission disseminates information concerning EU-wide threats. The CRMS is a Customs tool. It helps compliant traders by providing them with the benefits of better-targeted controls.

The FAST programme: A cross-border security initiative

The Free and Secure Trade (FAST) programme is a voluntary initiative designed to ensure safety and security while expediting legitimate trade across the Canada-U.S. border. It is a joint initiative between Canada and the U.S. aimed at enhancing border and trade chain security while making cross-border commercial shipments simpler and subject to fewer delays. All FAST programme participants (drivers, carriers and importers) must undergo a risk assessment. FAST-approved participants are identified as low risk, which enables border authorities to focus their resources and security efforts on travellers of high or unknown risk.

3.1.6 Goods-specific security initiatives: Controls, prohibitions and restrictions

Subjecting goods to extra controls, including prohibitions and restrictions, contains an underlying security objective. Each type of goods-specific control has its own regulatory institution. Customs authorities, local authorities and port health authorities are normally responsible for customs and other types of control (notably veterinary, sanitary and phyto-sanitary controls), while a wide range of government departments are responsible for developing licensing and regulatory policy. Some of these measures could be seen as taking the form of trade protection mechanisms, such as import quotas and anti-dumping duties.

The EU enforces a wide range of trade-related prohibitions and restrictions related to the following and other matters: controlling goods with military applications (1334/2000/EC); stopping trade in instruments of torture (1236/2005/EC); conflict diamonds (2368/2002/EC) and materials used in the manufacture of illegal drugs (273/2004/EC); creating marketing standards, such as the "organic" label (2092/91/EEC; 94/92/EEC; 1788/2001/EC); and controlling counterfeit and pirated goods (1383/2003/EC). All EU member States and many other countries around the world have committed themselves to implementing these controls.

The Bioterrorism Act

In 2002 the U.S. Congress passed the Bioterrorism Act, the aim of which is to reduce the possibility of international terrorists carrying out terrorist attacks in the U.S. by contaminating imported foodstuffs. The Act requires that the U.S. Food and Drug Administration (FDA) receive prior notice before food gets imported or offered for import

into the United States. The Act also requires non-U.S. food exporters to register with the FDA. The requirement to register extends to owners, operators, as well as agents in charge of facilities that manufacture, process, pack or hold food for human or animal consumption.

3.1.7 Transport-specific security initiatives

The Container Security Initiative (CSI)

The Container Security Initiative (CSI) uses risk assessment criteria to preselect high-risk containers destined for the U.S. prior to their being loaded onto vessels at international seaports. Created after the terrorist attacks of 11 September 2001 to prevent the use of legitimate container trade for acts of terrorism, it initially focused on the twenty largest international maritime seaports that have a high level of commerce with the U.S. The CSI now includes over fifty seaports. The main characteristic of the CSI is the "24-hour rule" according to which carriers must give U.S. Customs and Border Protection (CBP) consignment information using an electronic manifest at least 24 hours before containers are loaded. U.S. Customs has teams of Customs officers tasked with supporting the CSI programme working at a number of seaports. They pre-screen goods on the basis of advance information and, where risk is deemed high, work with national Customs officers to do more in-depth investigations, using X-ray scanners and other means. In the UK, U.S. CBP officials spend most of their time at UK seaports working alongside officials of HM Revenue & Customs, but they are formally attached to the U.S. Embassy and do not have executive powers (SITPRO 2008a, p. 17).

The Secure Freight Initiative (SFI)

The U.S. Secure Freight Initiative, co-sponsored by the U.S. Department of Homeland Security and the Department of Energy, is aimed at building upon existing seaport security measures, such as the CSI, in order to prevent terrorists from using nuclear or other radiological materials to attack the global maritime supply chain and from using cargo containers to export resources for such an attack to the U.S. The SFI enhances the U.S. Government's ability to scan containers for nuclear and radiological materials in other countries and to better assess the risk of inbound containers, through the deployment of next-generation tools, integrated systems, and other proven technologies for the scanning of maritime container cargo (U.S. Department of Homeland Security, 2011; Secure Freight Initiative, 2011).

Importer Security Filing (ISF)

The ISF rule is aimed at helping U.S. border control officials to screen incoming ocean containers for security risks. The title "10+2" is derived from the number of data elements importers (10) and ocean carriers (2) must give to the CBP before a U.S.-bound container is loaded onto a vessel. Containers not intended for import into the U.S. but being diverted to a U.S. seaport by shipping lines are also subject to ISF reporting. Transiting containers must also be ISF-registered.

As described in *DC Velocity* (Gooley, 2010), there are several challenges to using ISF for importers and their agents. One of the biggest is having the required information concerning the sources and intermediate handling of their products. Import transactions often involve a complex chain of unrelated businesses and shipments are sometimes resold while en route. Even if accurate information exists, it is not always available as early as required by U.S. Customs and Border Protection. Another challenge for the ISF 10+2 mechanism is that many U.S. imports originate in regions where access to technology is limited, export/import processes are quite informal, and buyers depend on intermediaries to bridge language and cultural gaps.

3.1.8 Security schemes introduced by specific industries

The Transported Asset Protection Association (TAPA)

TAPA is an association of stakeholders in high-tech industries, including large multinational manufacturers and freight carriers. The association's objective is to reduce losses and theft in the supply chain by promoting security standards and best practices.

TAPA operates in Europe, the Middle East, Africa, North and South America and Asia. It has developed security requirements that are globally recognized as the industry standard for transport security. Two initiatives are the FSR and TSR.

Workers take inventory in a warehouse.

FSR (Freight Security Requirements)

These requirements introduce processes and specifications for suppliers to implement security standards for goods travelling through the supply chain. They also provide a method for maintaining these standards. TAPA members are expected to request a TAPA certification from their suppliers.

TSR (Trucking Security Requirements)

TSR is a compliance programme and is carried out by a self-assessment programme. It covers processes and specifications to obtain the TAPA compliance.

TAPA also provides its members with an "Incident Information Service" that captures and shares data on cargo crime to allow traders to protect their goods in transit by avoiding risky routes. It is also a tool for information-sharing with the police and other law enforcement agencies.

The International Organization for Standardization (ISO)

The ISO 28000 is an international security standard for supply chains. A voluntary scheme that is applicable to all businesses along supply chains, it details the requirements for a security management system. Taking the approach that security management is linked to business management, it covers all activities that impact on supply chain security. It is applicable to organizations of all sizes, regardless of whether they operate in manufacturing, service, storage or transportation, and this at any stage of the production or supply chain. It helps organizations to:

- Establish, implement, maintain and improve a security management system;
- Assure conformance with stated security management policy;
- Demonstrate such conformance to others.

Table 3.4 Operational practices for improving cargo security

Practice	Comments and recommendations
Develop an industry-wide computer-assisted cargo profiling system that can be integrated into air and sea carriers' and freight forwarders' reservation and operating methods.	• Develop a known-shipper database; • Make the database available to participating air carriers and freight forwarders; • Define whether participation is voluntary.
Improve the oversight of and enforcement pertaining to air and sea carriers and freight forwarders.	• Allocate personnel for cargo inspections.
Use an identification card system to verify individuals authorized to enter cargo-handling facilities.	• Require checks for individuals entering certain areas of seaports and airports; • Determine requirements for identity checks at cargo facilities that are located off seaport or airport property according to the security plans of the individual facilities; • The use of technology such as smart cards can make this process more efficient and reliable.
Conduct background checks on all individuals who convey and handle sea and air cargo and who have access to cargo areas and documentation.	• Require background checks for certain airport workers; • Individual employers, in accordance with their security plans, determine requirements for background checks on other individuals who carry and handle air cargo.
Collect and disseminate information concerning cargo security, including threat-related information, to sea and air carriers, forwarders and government agencies.	• Disseminate general threat information to the industry in security directives and information circulars.
Establish written policies and procedures and training programmes for employees of companies that convey and handle cargo.	• Require sea and air carriers that transport passengers to have security programmes.
Employ a sufficient number of qualified security officers at cargo facilities to provide physical security.	• The use of security officers at cargo facilities is determined by the individual facilities in accordance with their security plans.
Use physical barriers such as walls and fences to guard against unauthorized access to cargo areas.	The use of physical barriers at cargo facilities is determined by the individual facilities in accordance with their security plans

Source: U.S. General Accountability Office/GAO, 2002.

Table 3.5 Technical methods for improving cargo security

Technology types	Description	Benefits and drawbacks
Technology screening objects for threats	Technologies capable of detecting explosives and WMD, including radioactive, chemical, and biological agents. These include: • Gamma ray • Pulsed fast neutron analysis • Thermal neutron activation • X-ray, including bulk EDS • Radiation detection • Threat detection • Vapour detection • Use of canines	Benefit: Ability to indicate potential presence of threat objects without opening packages and containers; canines are considered the best means to screen air cargo because they have the fewest drawbacks. Drawbacks: Some technologies (pulsed fast neutron analysis, thermal neutron activation) can take an hour or more to screen each object; some technologies (pulsed fast neutron analysis, bulk explosive detection systems) are very costly; some technologies (X-ray, gamma ray) do not identify specific threats; some technologies (X-ray, gamma ray) cannot distinguish between different materials in high density cargo; some technologies (bulk EDS, pulsed fast neutron analysis) require building modifications to accommodate equipment; all technologies have difficulty identifying biological threats.
Seals and other intrusion detection technology	Technology that can be used to determine whether a container or conveyance has been tampered with by visual inspection, or by emitting an alarm or notifying a central control station. Includes tamper-evident tape that shows "void" when tampered with, tamper-evident seals and locking devices, and electronic seals that emit radio signals when they have been tampered with.	Benefit: easy and inexpensive way to verify tampering with a container or other conveyance. Drawback: all types of seals are known to be vulnerable to tampering, given the appropriate tools, time and opportunity. There is no worldwide standard for radio frequency identification (RFID).
Blast-hardened containers (air cargo only).	Technology to harden cargo containers to control the damage caused by an explosion by confining it to the container.	Benefit: Designed to protect aircraft from catastrophic structural damage or critical system failure caused by an in-flight explosion. Drawback: Containers are expensive and heavy, resulting in increased fuel costs.
Access control and authentication	Technologies to identify and authenticate individuals or vehicles allowed into a restricted area, or to authenticate a driver or individual loading goods. This technology includes picture badges, biometrics and "smart cards".	Benefits: Ensures only authorized persons are handling cargo; creates a record of access to controlled areas. Drawbacks: Does not protect cargo shipments from access by persons who are not authorized to access cargo and cargo handling areas.
Tracking systems	Technology such as global positioning systems and bar codes that can be placed on cargo and used to identify freight being shipped or to track the shipment. One example: radio frequency identification (RFID).	Benefits: Tracks cargo throughout transport. Drawback: Does not protect the cargo shipments from tampering; technology only tracks cargo location.
Closed-circuit television (CCTV)	Video camera monitoring and storing images. CCTV can be used to record loading containers onto ships or aircraft and the container can be inspected by viewing the archived video.	Benefits: Improves cargo surveillance by reducing time and costs. Drawback: Video screens require continuous monitoring; CCTV does not protect cargo shipments from tampering.

Source: U.S. General Accountability Office/GAO, 2002.

3.1.9 Overlapping standards and methods

A SITPRO survey of security measures for international trade in the UK has concluded that business authorizations and standards such as Authorised Economic Operator (AEO), ISO 2800, TAPA, "known shipper" and "secure operator" overlap in their requirements for data, including those related to Customs declarations, goods subject to additional licences and pre-notifications. There is also overlap within physical controls and checks undertaken by Customs, the border guard/police, Port Health, Immigration, as well as U.S. and UK export controls. Accordingly, SITPRO has come to the conclusion that security and international trade in the UK contain many levels of counterproductive and wasteful overlap (SITPRO 2008a, p. 21), creating a situation that has been likened to a "bowl of spaghetti" (Grainger 2007, p. 11).

In many other countries, private industry users have also complained about overlapping and inconsistencies in regulations. They have cited duplication within jurisdictions and across various levels of government. Private industry users have also complained that in large companies, compliance issues consume up to a quarter of the time of senior management and boards of directors. Still larger is the impact on small and medium sized enterprises (Australian Government Regulation Taskforce 2006). Thus, while maintaining effective border controls, the regulatory burden of existing laws and rules as well as new laws needs to be benchmarked and carefully monitored by governments so that private industry users are not unnecessarily disadvantaged. This issue will be covered in this Handbook in more detail in Chapter 9, "Measuring the Performance of Border Agencies: Possibilities for Benchmarking".

3.2 Partnerships with private industry

Because of the increasingly high volume of trade crossing borders and the increasing number of security measures and requirements that have been put in place (described above), it is difficult for traders and border agencies to co-operate well if cross-border processes rely on multiple paper documents, stamped approvals and signatures. In a globalized and interconnected economic environment, traders and border agencies must work together to strengthen their efficiency. Security and trade facilitation are two sides of the same coin, yet concerns remain that this is often not appreciated by government bodies with border security and management responsibilities. The contribution that could be made by Customs to the smooth flow of legitimate trade should not be underestimated. Ultimately, a vital economic role is played by the speeding up and simplification of Customs procedures and the controls concerning legitimate trade exercised by Customs and other border agencies.

The following sections will therefore present the concept of a global and interconnected supply chain and will elaborate in more detail on trade facilitation. The various forms of partnerships between trade and Customs and other border security and management agencies will be examined, first from the viewpoint of traders, and then from that of border agencies. Finally, various examples of partnerships will be presented in greater detail.

3.2.1 Becoming part of a global and interconnected supply chain

Supply chain management involves the supervision of multiple networks of relationships across the supply chain.

Supply chain management has been defined as the integration of key business processes. These processes begin with the original suppliers, who provide products, services and information, and proceed to the end user, adding value for customers and other stakeholders along the way.

An important role in supply chain management is played by logistics, which has been defined as the part of the process that plans, implements and controls the efficient and effective flow and storage of goods, services and related information. This is done right from the point of origin to the point of consumption.

Part of logistics is the integration of transport services with other services. These include inventory management, warehousing, packing, product labelling, insurance, banking, international transport and border facilities. If well integrated, this results in improved services for

Trader reviews warehouse shipment.

clients. Essential good practice methods in transport management include flexibility, speed and reliability. It is not enough to get the right product to the right place. It must also get there at the right time, using the right mode, at the right price for the client, and at the right level of profit for the producer and the transport or logistics service provider.

Providers of logistics services work on behalf of manufacturers, distributors and shippers. They choose the best possible logistics or supply chain alternatives, and expand upon existing good practice management solutions. These include economies of scale, integration, the simplification of procedures, measuring costs and benefits in response to clients' needs, the reduction of uncertainty, and other means of decreasing time and costs.

In practice, end users are linked through global supply chains to producers of raw materials, intermediary products, finished goods, spare parts and accessories. These chains cross the economies of many countries: raw material is extracted in one country and shipped to another for processing, resulting in intermediary products. Using supply chain management, these products are then shipped to yet other countries for assembling, before being despatched to customers' markets. This "global factory" leads, among others, to Foreign Direct Investments (FDI). However, to enjoy the benefits this brings, countries must enter the global supply chain.

To enter this chain, businesses need to work with the set of standards used by their suppliers and customers. Countries therefore need to ensure that they are not isolated from global trading standards. Governments wishing to help national companies benefit from international trade and international inter-operability need to align their trading standards with other countries. The United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) is a source of help.

The UN/CEFACT is the United Nations organization responsible for supporting trade facilitation and e-business standards, recommendations and tools. The UN/CEFACT has eighteen technical business groups focusing on different international trade and supply chain issues. It is a forum for government and national industry groups and organizations representing banking, shipping, express couriers, software developers and port operators. Reporting regulatory trade information best practice includes UN/CEFACT standard weights and measures, location codes, terms of trade, messaging standards, standard commercial documents and dangerous goods classifications.

From the international customs community's perspective, as is illustrated by the WCO SAFE Framework, "Customs administrations recognize that the international trade supply chain is not a discrete identifiable entity. Rather, it is a series of *ad hoc* constructs comprised of players representing varied trade industry segments. Some 'supply chains' possess a degree of permanence in that the same cast may play recurring roles on a long-term basis on behalf of a regular importer of goods into a given country. In other 'supply chains', participants either change frequently or are assembled for the purpose of executing a single import transaction. Regardless of either the regularity or the temporal nature of any particular supply chain, Customs does appreciate that it does not own any portion of the trade supply chain. The global supply chain is 'owned' by the multitudes in the private sector who operate as part of any chain. It is for this reason that the support and participation of private sector business interests is fundamental to the success of the SAFE Framework concept." (WCO, 2006, p. 1)

3.2.2 What is trade facilitation and why is it important?

Trade facilitation is related to a wide range of fields such as customs procedures, private industry logistics service providers, supply chains, data processing, transport, and transit and transport corridors.

The World Trade Organization (WTO) has defined trade facilitation as those measures that are undertaken to simply harmonize, standardize and modernize trade procedures. Trade procedures are the activities, practices and formalities involved in collecting, presenting, communicating and processing the data needed for the movement of goods in international trade (BIS; Dee and Findlay, 2006; WTO website, 2011; World Bank, 2010).

According to a study undertaken by the Organisation for Economic Co-operation and Development (OECD, 2003), there are, from a trader's perspective, a number of costs associated with cross-border transactions. Such transaction costs can be direct, such as those related to preparing and submitting information, the purchase of IT systems, or the effort involved in physically presenting goods to executive agencies. These costs can also be indirect, such as those related to delays at border crossing points, which include missed business opportunities or competition from businesses operating in less complex regulatory environments.

Individual companies in the clothing and footwear sector have reported examples of regulatory costs for various companies as follows (HM Revenue & Customs, 2009):

2 million United States dollars = annual cost of compliance with trade regulations for one major retailer;

960,000 dollars = annual cost of customs declarations for one company;

160,000 dollars = amount one company saved each year by doing its own customs declarations rather than employing a freight forwarder;

160,000 dollars = major retailer's annual courier costs for sending origin certificates;

24,000–48,000 dollars = extra cost each year incurred by one company filling in details for origin certificates at the tariff line rather than the header level;

960,000 dollars = annual cost to one retailer for bank fees for duty guarantees;

24,000 dollars = annual cost of Intrastat returns for a specialist retailer;

1.92 dollars = cost per invoice of Intrastat returns for one company.

However, the regulatory side of trade operations is also complex. Trade activity is governed by a wide range of control regimes and customs procedures. Trade facilitation measures are therefore critical for the acceleration of border crossings and reduction of transaction costs.

The table below shows the extent to which trade facilitation policy actions have been able to reduce import Customs clearance times. The reductions are dramatic; in some cases clearance times have been decreased from several days to less than an hour.

Table 3.6 Average Customs clearance times for imports through trade facilitation (hours)

Economy	Before trade facilitation	After trade facilitation
New Zealand	240	0.2
Singapore	48-96	0.25
Greece	5-6	0.5
Republic of Korea	2.8	0.75
Costa Rica	144	02-1.9
Peru	360-720	2-24

Source: UNECE, 2003, p 67.

Truck at a warehouse loading bay.

Reducing clearance time leads to significant savings for companies. The following estimate was made by the International Monetary Fund: "Each additional day that a product is delayed prior to being shipped reduce[s] trade by more than one per cent. Put another way, each additional day is equivalent to a country distancing itself from its trading partners by one per cent, or about 85 km," (Djankov, 2006).

Efficient customs operations thus offer a competitive advantage. The World Bank "Doing Business" and "Trading Across Borders" rankings show that best-practice countries "have efficient Customs, good transport networks and fewer document requirements." Trade facilitation is critical to a country's good position in international league tables.

3.2.3 Stakeholders in trade facilitation

Private industry user participation and collaboration is a driver for improving trade facilitation and competitiveness. Trade facilitation is a multi-faceted and continuous process that affects a number of economic conditions and factors, including human resources development, competitiveness of transportation services, taxation, simplification of customs procedures, security, infrastructure development, application of modern technology and IT, as well as intra-governmental co-operation.

Given the fact that trade is integrally related to the availability and efficiency of transport services and infrastructure, transport facilitation is a key component in the broader process of trade facilitation; the two are interrelated and interdependent.

The commitment and participation of the public sector in initiatives for trade facilitation is a necessary precondition for their success. The authority for introducing and implementing reforms always lies with the State. Nonetheless, in the process of implementing trade facilitation, active input from private industry is just as important, given the practical experience of the business community with obstacles, not to mention the fact that it usually has innovative approaches to problem-solving.

Table 3.7 Users from private industry

Private industry user types	Private industry users and roles
Clients	Buyers, payers, consignee, importers
Suppliers	Consignor, payee, seller, manufacturer, exporter
Intermediaries	Bank, customs broker, transport operator and carrier, warehouse operator, credit checking company, credit insurer, commission agent, export agent, freight forwarder, import agent, insurer, inspection company, railway wagon operators, logistics centre operators

Source: adapted from Grainger, 2007, p. 7.

3.2.4 How to introduce trade facilitation

Balancing border security and trade facilitation requires a strategy that also includes implementing action plans. Such strategies need defined aims, objectives and indicators. The European Commission Customs Blueprints include supply chain security strategies that can serve as a best practice guide.

Developing a strategy that includes several projects might need legislative reform within the import and export environment. Customs and other border security and management agencies might start by reviewing relevant legislation. The aim should be near-term modernization and the simplification of procedures by implementing provisions for a revised risk management framework.

Customs administrations might consider paperless trading and Customs controls that aim at better trade facilitation and decreases in regulations for industry. This may require a whole-of-government standardized data set. This should provide a framework upon which other initiatives can take place.

The increased ability of importers to monitor shipments throughout the supply chain presents a challenge to Customs if it becomes necessary to intervene covertly, i.e., without telling an importer that it is being targeted by Customs or other law enforcement agencies.

The possibility of covert intervention must be incorporated into any government-sponsored supply chain monitoring method. Both short-term and long-term measures are needed if a country wants to keep pace with its trading partners, strengthen international trade competiveness, and at the same time provide efficient and effective government services. Through closer co-operation with international Customs administrations and foreign governments, risk assessment activities can be placed earlier in the international supply chain.

3.3 The case for a paradigm shift in border crossing management

Despite the many modern means of communication and transport, global trade remains a highly risky activity. Long lead times between purchase orders and deliveries, high value transactions, long chains of intermediaries, and cultural and language differences are all great incubators in which risks can hide and breed. If something goes wrong, this can have an extremely serious impact on business. Just one example is that of the problems caused by delays. Delays can have operational consequences, such as damage to perishable goods or the halt of a production line waiting for an urgent spare part. They can have legal consequences, such as litigation for breach of contract. Delays can also have strategic consequences, such as the loss of access to a market. And in any case, they have financial consequences, such as damage to the cash flow or even penalties.

Thus, in order to prepare for, budget and mitigate risks of this type in particular transactions, it is critical that traders be able to identify them as early as possible. To do this, trade needs predictability. This is why supply chain management and good logistics practices are essential for international investors and their logistics service providers. One place where a normally fast and predictable supply chain begins to be delayed and becomes unpredictable is at border crossings. For this reason, better management at BCPs and improved Customs services help the exporting and importing activities of both national and foreign companies. Allowing this requires a paradigm shift that affects many aspects of how BCPs are managed.

The range of management methods used by Customs administrations is wide. At one end, compliant private industry users are allowed to import and export cargo with minimum Customs intervention and oversight. At the other extreme, administrations employ control, suspicion, high levels of inspection, rent-seeking and paper documents, as well as multiple stamps and signatures.

There are a number of different interactive participation and collaboration models that progressive Customs and other border agencies might use. Each model has different characteristics. The factors on which these depend are many and various: national and regional differences, historical and cultural legacies, the level of economic transition, historical and traditional developments, the level of maturity of public administration and private industry users, the level of public administration and private industry training, the level of exposure of management staffs to international good practice, or finally the level of involvement of Customs and other border crossing agency management staffs with international bodies, councils, working groups and forums. Table 3.8 on the next page (adapted in part from Doyle 2009) compares some of these various management models.

Another element in the paradigm shift described above is that of Customs and other border agencies ceasing to have an adversarial relationship with private industry users such as exporting and importing traders and intermediaries such as freight forwarders, truckers, customs brokers, or insurance, banking, railway and seaport managers and operatives. To achieve mature private industry user co-operation, methods featuring formal participation and collaboration need to be introduced. The management policies and procedures listed in Table 3.8 contrast non-reformed and traditional practices of Customs administrations with transparent and modern methods. Such modern, international good-practice border crossing management methods allow Customs administrations to become progressive and leading participants in national and regional trade competitiveness and trade facilitation.

The European Commission has prepared a Customs Blueprint for its 27 member States, which includes guidelines on how Customs administrations can achieve trade facilitation, improve relations with business and enhance private industry user participation and collaboration (EC, 2007, pp. 31–33).

The aims of trade facilitation and relations with business include developing and implementing trade facilitation mechanisms that minimize costs, data and documentation needs, and the time necessary to complete Customs and other border formalities. This increases the security of the supply chain. The aims envisage Customs administrations pursuing close partnerships with the trading community, as appropriate, through transparent and effective procedures.

The strategic objectives of the trade facilitation and business relations guidelines include (EC, 2007, p. 31):

- Establishing legal preconditions that consider the legitimate needs of the trading community when new agreements, Customs legislation, policies and procedures are developed and introduced;
- Developing trade partnerships ensuring that the organization and working methods of Customs take account of the needs of legitimate trade;

Table 3.8 Paradigm shifts in border crossing management

Traditional border crossing management	International good-practice border crossing management
Focus on control using inherited traditional procedures	Balance and optimization between trade facilitation and control
Transaction based procedures, with focus on goods and high levels of physical inspection	Intervention by exception, with simplified procedures and a shift to audit-based control
Output-based functional model	Outcome-based process model
Focus on identifying non-compliance	Focus on exchanging and using information, and balance between compliance and non-compliance
"One size fits all" single treatment for all clients and limited customer segmentation	Flexible solutions for different user clients, with a service culture
Mistrust of supply chain partners	Constructive partnership with traders and their intermediaries
Limited use of information communication technology (ICT) and lack of professional cargo and truck inspection methods and equipment	Extensive use of information communications technology
Limited incentives for compliance	Strong incentives for compliance
Limited co-operation and communication with neighbouring border agencies	Extensive co-operation and information exchange with neighbouring border agencies
Use of paper documents, multiple stamps and signatures	Focus on virtual border crossing point controls
Limited operational statistics, performance indicators or audited BCP benchmarking	Clear BCP performance indicators
Limited BCP strategy and action plans	Clear BCP and Customs vision, policies, strategies and action plans
Competition between border crossing agencies	Trusted collaboration between border crossing agency partners, with single submission agency collaboration
Individual trader interaction with multiple agencies	Single trader submission distributed to multiple agencies
Limited commitment, and lack of willingness to change current border crossing management methods, structures or policies	Evidence-based commitment, and willingness to make changes to border crossing point management procedures
Limited knowledge about modern international good practice customs management methods	Single window systems, professional staff training, public relations departments, implementation of risk management, mobile customs teams, use of export and import pre-alert methods and binding tariff information methods
Adversarial relationship with traders and intermediaries	Extensive collaboration and sharing
Standard training, mainly administrative	Capability modelling that is both commercial and administrative, building supervisory capability into generic systems
National silo-based organizations (with a high degree of departmental fragmentation)	Regionally integrated solutions

Source: adapted in part from Doyle 2009.

Table 3.9 is quoted from the European Commission's *Customs Blueprints: Pathways to Modern Customs* (EC, 2007, pp. 31–33).

Table 3.9 Trade facilitation and business partnership: Key indicators and best practices

Key indicator	Trade facilitation business partnership issues, best practice tasks and activities
Legal basis	The views of the trading community are taken into account in the process of drafting new Customs legislation and administrative regulations; Trade obligations are spelt out clearly in legislative procedures and administrative regulations and international agreements; Legislation and procedures are in line with international legal instruments, international standards and commitments, including World Trade Organization (WTO) rules on trade facilitation, and are based on relevant international standards, notably those of the World Customs Organization (the customs tariff, for example, is to be based on the most recent WCO HS System / Combined Nomenclature); National legislation provides for the right of appeal against Customs decisions; Rules and regulations are available and communicated to the trading community and their appropriateness is regularly reviewed; Where possible and appropriate, the required documents and information from trade are submitted to Customs electronically.
Processes and procedures	A legal procedure exists for advance rulings on tariff classification; Simplified procedures for traders with good records of compliance are applied; Procedures for pre-arrival and pre-departure processing of documentation are in place, so as to expedite the clearance of goods; When performing Customs control, including post-clearance control, commercial documentation and records (including computer records) already available to Customs are used to the maximum extent possible; Any mandatory requirements for pre-shipment inspections, consular fees, and customs brokers are eliminated.
Organization and working methods	The importance of trade facilitation and partnership with business is made clear at all levels of the organization and is an integral part of the overall business plan produced as part of a Customs administration management strategic plan and included into organization structure department mandates; Procedures are in place ensuring that all relevant Customs personnel are kept fully up to date with significant national and international trade developments; Customs procedures are uniformly applied; Clear roles, responsibilities and levels of authority are established for Customs personnel and publicised to trade as appropriate; Traders are subject to proportionate controls that do not impose an unnecessary burden. Any solution to regulate Customs clearance and co-operation establishes and maintains an adequate balance between Customs / security and trade facilitation; Customs controls are based on risk analysis; Mechanisms are in place for the public to give information to Customs about irregularities relating to Customs matters; The mission and role of Customs are regularly emphasized to the public and the trade through the use of brochures, films, workshops and the media.
Co-operation	The conclusion of memoranda of understanding, or equivalent instruments, between Customs and the trading community is given high priority; Co-operation between Customs and other relevant governmental authorities is promoted, for example through enabling the trading community to submit information and data to various authorities through a single access point and enhancing practical co-operation models; Co-operation forums such as Customs Consultative Committees, comprising representatives from Customs, trade organizations or representative groups from private industry users and governmental bodies, are in place and meet on a regular basis; Mechanisms are in place ensuring that Customs working methods and IT systems are where appropriate, developed in co-operation between Customs and trade.
Service	The working / opening hours of Customs are flexible enough to meet the reasonable needs of the trading community. The working / opening hours are co-ordinated with other BCP management agencies, as far as possible, ensuring smooth traffic flow; Customs clearance is performed with a minimum delay and a system in place to monitor and reduce waiting times; Fees and charges for Customs services are in line with international standards (e.g., WTO, WCO), are made public, do not exceed the costs of services rendered and are not calculated on an *ad valorem* basis; The development of Customs declaration processing systems makes provision for traders to submit declarations and other required documents electronically; Electronic data systems that are used ensure that information is to be submitted only once and is stored and used for Customs purposes in line with relevant data protection standards and regulations; Up to date and clear information on Customs tariffs, procedures and requirements is provided to trade through appropriate means of communication such as the Internet, brochures, leaflets and other methods; Consultation on Customs procedures and technical support on Customs IT systems are made available to trade by means of e-mail, telephone or personal contact, through such means as contact centres.

- Creating and developing strategies, procedures and methods for co-operation between Customs, other relevant governmental authorities and trade, to facilitate trade flows and avoid duplication of work;
- Establishing a service-orientated approach towards trade by means of transparent and predictable procedures, regulations and control methods, allowing the trading community to be fully aware of their rights and obligations and to correctly anticipate any requirements arising from international trade operations, while ensuring transparency, openness, mutual trust and respect between Customs and trade.

3.4 Examples of and rationales behind partnerships between Customs and trade

There are many factors that speak compellingly in favour of the introduction of Customs-trade partnerships. In some cases, such partnerships are the result of developments in security policy, such as a Customs administration committing to implement an international instrument like the WCO SAFE Framework or working to establish an Authorised Economic Operator (AEO) programme. The objective of the WCO SAFE Framework is to provide security for the supply chain while at the same time facilitating legitimate trade.

Excerpt from the WCO SAFE Framework

Standard 1 – Integrated Supply Chain Management

"Customs administrations should follow integrated Customs control procedures as outlined in the WCO Customs Guidelines on Integrated Supply Chain Management (ISCM Guidelines)."

Due to increased criminal sophistication, if there is no or low interaction between Customs and private industry users, serious negative consequences result. Management methods to counter this are being provided by a growing number of international security programmes such as AEO (Authorised Economic Operator), CSI (Container Security Initiative) or C-TPAT (Customs-Trade Partnership Against Terrorism), to mention only three. In mandatory trade partnerships, Customs and other border agencies can benefit greatly from such security initiatives.

However, security is not the only reason for creating partnerships with trade. Partnerships can provide Customs authorities and border agencies with a wide range of other benefits, which will be discussed in the following sections.

Improvements to a country's trading environment

International logistics companies provide businesses with global door-to-door cargo services. They use best-practice methods to lower costs and provide more predictable and faster deliveries. In connection with procedures such as international data exchange, supply chain security and trade facilitation, collaboration with border agencies and trade policymakers can provide both sides with more transparent working methods and better resource allocation.

Secured warehouse facilities.

Box 3.1 Trading environment

Reasons for more and better participation	Negative impact of zero or low participation level between border agencies and private industry users
Globalized trading, international growth of trade and free trade areas	• Non-realization of faster clearance at border crossings • Lack of international standards

Improvements to a country's competitiveness

It is often said that competition is no longer between companies, but between supply chains. If a given national manufacturer needs several days to export a product, it is difficult for it to compete with a manufacturer in a neighbouring country who can export the same product in a single day.

Box 3.2 Competitiveness

Reasons for more and better participation	Negative impact of zero or low participation level between border agencies and private industry users
On-time supply chain management, ensuring maintenance of competitiveness with foreign exporters.	• Loss of orders for national exporting companies • Rising unemployment • Emigration of skilled workers – "brain drain" • Downward cycle in competitiveness of national industries

Figure 3.1 The WCO SAFE Framework

Customs-to-Customs Standards	Customs-to-Business Standards
1. Integrated supply chain management 2. Cargo inspection authority 3. Modern technology inspection equipment 4. Risk-management systems 5. High-risk cargo or container 6. Advance electronic information 7. Targeting and communication 8. Performance measures 9. Security assessments 10. Employee integrity 11. Outbound security inspections	1. Partnership 2. Security 3. Authorization 4. Technology 5. Communication 6. Facilitation

First core principle: Standardization of advance electronic cargo information requirements for inbound, outbound, and transit shipments.

Second core principle: Commitment to the use of a consistent risk management approach to address security threats.

Third core principle: Performance of outbound inspection of high-risk containers and cargo by nation from which the cargo is shipped at reasonable request of receiving nation, preferably using nonintrusive inspection equipment.

Fourth core principle: Adoption of customs-to-business partnership program (such as the C-TPAT program).

Source: U.S. Government Accountability Office, Report GAO-08-538, p.18 / WCO, 2011.

Linking a country's logistics infrastructure to the global supply chain

If national transport and warehousing companies are as efficient as their foreign competitors, they are in a better position to maintain their links to the global supply chain infrastructure.

Box 3.3 Logistics

Reasons for more and better participation	Negative impact of zero or low participation level between border agencies and private industry users
International logistics service providers can use modern supply chain management methods and information exchange to meet their clients' demands for lower costs and faster delivery.	• Isolation of national transport and warehousing companies from modern international good-practice methods • Zero or low level of international logistics company market entry – market protectionism • Outdated equipment • Outdated management methods by Customs and other border crossing control agencies, State transport organizations, and private industry users • Lack of market-driven solutions and services • State and private market monopolies • Transport cartels • Formalities (paper documents, stamps, signatures), leading to rent-seeking and integrity issues

WCO SAFE Framework – Balancing security and trade facilitation

The World Customs Organization's Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework) is a holistic approach to balancing supply chain security and trade facilitation. It sets forth principles and standards on advance cargo information, risk management, equipment for non-intrusive inspection (NII), the Authorised Economic Operator (AEO) concept, and on integrating supply chain management into a single coherent instrument.

The main objectives and principles of the SAFE Framework are:

- Establishing standards that provide supply chain security and facilitation at a global level in order to promote certainty and predictability;
- Facilitating integrated supply chain management for all modes of transport;
- Enhancing Customs' role and functions and strengthening its ability to meet the challenges and make the most of the opportunities of the twenty-first century;
- Strengthening co-operation between Customs administrations to improve their ability to detect high-risk consignments;
- Strengthening co-operation between Customs and business;
- Promoting the seamless movement of goods through secure international trade supply chains.

Customs accreditation programmes

Customs accreditation programmes are usually voluntary. A number of such programmes are listed below.

Authorised Economic Operator (AEO)

The status of Authorised Economic Operator (AEO) was introduced by the EU in the wake of an initiative of the World Customs Organization that encouraged Customs authorities in all member countries to adopt supply chain security measures. AEO programmes aim to increase supply chain security whilst offering advantages in terms of improved efficiency, resulting in lower costs. The European Union accreditation programme came into effect on 1 January 2008 and is valid throughout the territory of all 27 member States of the European Union.

An Authorised Economic Operator is defined in the WCO SAFE Framework as "a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. Authorised Economic Operators include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses and distributors". Being a central part of the SAFE Framework, the AEO concept is introduced in the "Customs to Business Pillar". A trader becomes an Authorised Economic Operator after submitting a successful application to its national Customs administration, in which the trader must demonstrate:

- Compliance with Customs requirements;
- A satisfactory system for management of commercial records;
- Financial viability;
- Ability for consultation, co-operation and communication;
- A sufficient level of awareness based on training and education;
- Capacity to ensure information exchange, access and confidentiality.

Each requirement is explained in detail in the SAFE Framework, as traders must embed these standards into their business routine and procedures. Authorization is granted by a national Customs administration after the fulfilment of AEO conditions and requirements has been confirmed. After this has been done, a business must establish a self-assessment process to manage and monitor its performance. This includes nominating a person from the management team who is responsible for communication with Customs administrations and for the maintenance of the business's standards. AEO authorization then remains valid unless it is suspended, revoked or withdrawn.

A container unloaded for customs inspection purposes.

AEO benefits

The Private Sector Consultative Group (PSCG) was established in 2006 to advise the World Customs Organization on the progress and issues relating to implementation of the SAFE Framework. Its membership is composed of 30 companies and associations from different areas of the world that represent a variety of international trade interests. Membership is limited to private sector associations and companies with a financial or ownership interest in the manufacture or delivery of goods.

While the PSCG fully accepts that, for a variety of reasons, it is not possible for all Customs administrations to offer exactly the same benefits, it nevertheless believes that it is imperative to establish a core set of internationally accepted trade facilitation benefits that could be provided to AEOs under all relevant national programmes.

Such benefits should be transparent and meaningful to the extent that they not only justify the additional costs sustained by economic operators in meeting prescribed AEO requirements, but also bring those operators real improvements and facilitation gains over and above those enjoyed by non-AEOs.

The PSCG believes that benefits for AEOs should be "meaningful, measurable and reportable", as stated in Chapter 5.3 of the SAFE Framework. Indeed, not only should the measurable benefits be reportable, they should be reported to AEOs on a regular basis.

In addition, accredited AEOs can enjoy the trade facilitation benefits listed below. While this list does not establish a required set of benefits that all administrations must offer, it is an indicative list of sample benefits. They are subject to the consideration and approval of specific Customs authorities. The PSCG hopes that the following list of AEO benefits will provide useful guidance to Customs administrations when implementing AEO programmes.

Box 3.4 is adapted from the European Commission's *Guidelines for Authorized Economic Operators* (EC, 2007).

BOX 3.4

Authorised Economic Operators

There are three types of AEO certificates in the EU:

AEO C – Customs simplifications

AEO S – Safety & security

AEO F – Full (both customs simplifications & safety/ security)

1. Preparing for the audit:

Customs enters the application data onto the European Community database for consultation by other member States. This must be done within five working days of receipt of the application. For example, France is divided into 40 Customs regions, each having an office called the Economic Action Centre (EAC). Once an application has been initially accepted, Customs designate the relevant EAC to carry out the audit

2. The audit:

An auditor does not need to visit all the operators' sites, particularly if the internal procedures are similar at each site. Any relevant certifications or authorizations (such as ones granted by ISO, TAPA, etc.) are taken into account, as are the results of any audits that have already been undertaken in order to obtain these.

An "audit table" is used by customs auditors. This shows:

- Relevant questions in the self-assessment questionnaire;
- The audit's objectives;
- Suggestions for further information required or matters to be checked during the audit;
- The relevant sections of the AEO Guidelines.

3. Criteria:

- A satisfactory and accessible accounting system;
- A logistical system that distinguishes between EU and non-EU goods;
- If applicable, satisfactory management of licences / authorizations;
- Satisfactory systems for archiving and protecting data;
- Appropriate IT security measures;
- The general ability to trace the entire process of a transaction through records relating to customs operations;
- An internal control system to detect irregularities or fraud;
- A system for making employees aware of the risk of irregularities or fraud, and an established procedure for informing Customs when difficulties in complying with Customs requirements arise;
- The general ability to identify satisfactory internal controls and related corrective measures;
- Proof of financial solvency during the previous three years.

4. Additional criteria for the AEO S and AEO F certificates:

- Buildings constructed with anti-intrusion materials, and with secure and supervised access;
- Security of goods and freight units at delivery, storage and despatch;
- Security checks on trade partners (security declaration);
- Security checks on new employees in sensitive security posts;
- Participation of staff in security awareness programmes.

5. The final checks:

The auditor sends a preliminary report of the audit to the Customs administration and a summary report of his audit to the operator, pointing out any matters that require attention. Customs can:

- Ask the operator for a signed declaration that it will, for example, take appropriate steps to correct or improve certain procedures;
- Refuse certification.

The total period from receipt of the application to certification or rejection must be no longer than 90 days.

6. Granting the certificate:

When Customs are satisfied, they issue an AEO certificate and place it on the EU database. The certificate takes effect ten working days after it has been awarded.

Certified operators are allowed to use simplified procedures in any given member State on the basis of a certificate awarded in another member State.

A certificate remains permanently valid unless there is an important change in EU legislation, or the operator commits a serious infraction or no longer meets AEO criteria.

Customs therefore have to monitor the AEO's compliance with AEO conditions and criteria. A newly established AEO must be monitored during the first year after issue of the certificate.

7. Suspension:

An AEO certificate can be suspended if:

- AEO conditions and criteria are no longer met;
- The AEO commits a serious Customs infringement leading to criminal proceedings;
- The AEO requests suspension.

An AEO may appeal against suspension.

8. Revocation:

An AEO certificate can be revoked if the AEO does not carry out the measures prescribed by the certificate suspension.

While an AEO may appeal against revocation, if the appeal is not won the operator cannot submit another AEO application for a further three years.

The benefits include the following:

- Mutual recognition of AEO status by Customs administrations;
- Expedited processing and release of shipments, supported by regular "time required for release" studies;
- Financial guarantee waivers, reductions or rebates;
- Notification of intention to release prior to goods' arrival, i.e., pre-clearance;
- Pre-qualification for simplified procedures, including possibilities for a single-step process, or a two-step process for release/clearance purposes, according to the importer's preference;
- Establishment of economic operator-based profiles, and of audit-based controls as opposed to transaction-based controls;
- Priority of inspection and use of non-intrusive inspection equipment whenever physical examination is required;
- Priority processing by Customs during a period of elevated threat conditions;
- Priority treatment in post-incident resumptions and trade recovery programmes;
- AEO status should be a significant factor in determining the administrative settlement of a Customs offence (consistent with Annex H, Chapter 1, Standard 23 and Standard 3.39 of the revised Kyoto Convention);
- Self-assessment when Customs automated systems are not functioning.

The U.S. Customs-Trade Partnership Against Terrorism (C-TPAT)

One of the first responses of the U.S. government following the 9/11 terrorist attacks in 2001 was to reflect the new security environment by building upon and adjusting existing Private Partnership Programmes that until then had focused on drug trafficking. These efforts resulted in the creation of the Customs-Trade Partnership Against Terrorism (C-TPAT). In a manner similar to that displayed by the AEO concept, participating private sector operators have significant benefits. Research has shown that C-TPAT importers are four to six times less likely to incur a security or compliance examination. Since examination rates have increased by 68 per cent since 2002, being exempted from such examinations is of great value for the private sector. At the same time, C-TPAT brings significant benefits to public agencies operating at borders, which are enabled to focus their resources better and to improve detection. (C-TPAT, 2007)


Fotolia

Cargo unloaded for further inspection.

Mutual recognition

Mutual recognition is a central concept within the WCO SAFE Framework. Mutual recognition agreements establish the compatibility between the accreditation programmes of two different countries. In such agreements, each country accepts the security status of accredited members of the other country. The objective is to avoid having the supply chain fragmented by a series of differing security programmes. It promotes end-to-end supply chain security as well as facilitation at the global level. The EU has agreed on AEO mutual recognition with Japan and the USA and (partially) with Switzerland and Norway.

Another example of national and international partnership and co-operation is the "Golden List" programme initiated by the Customs Department of Jordan.

BOX 3.5

Jordan's "Golden List" programme

The "Golden List" programme of the Customs Department of Jordan started as a pilot project. In 2010 it reportedly had 32 participating Jordanian companies that were audited and approved. Jordanian companies carry out a self-assessment using a checklist provided by the Jordan Customs Department. This checklist helps identify a company's levels of compliance with the Jordan Customs Law and Customs Rules as well as with factors related to supply chain security. Jordan companies complete a written Compliance Manual that is then audited by the Customs Department to determine compliance levels. Companies passing the Customs Department audit are accepted as Golden Plan members and enjoy a number of privileges. In 2008 Jordan signed a Mutual Recognition Agreement with the U.S. Customs Department.

Source: Tomczyk, 2011.

One difficulty with mutual recognition is the fact of frequent substantial differences between accreditation programmes. For instance, the EU AEO covers both imports and exports, while the U.S. C-TPAT covers only imports. In addition, the EU AEO covers all modes of transportation, while the C-TPAT covers only sea freight.

3.5 Introducing consultation mechanisms between Customs and trade

Achieving participation and collaboration between Customs and private industry users is challenging for a number of reasons. In some regions, Customs administrations have inherited the legacy of being in the position of making changes and decisions, and then of being free to tell private industry users what to do. In such circumstances, private industry user compliance often becomes inconsistent. In some regions, government civil servants do not communicate with or consult industry users because of the lack of a participatory government. In such cases, Customs and private industry users find

Table 3.10 Customs and users from private industry: Reasons for greater participation and collaboration

Reasons for more and better participation	Negative impact of zero or low participation level between Customs and private industry users
Use by international logistics service providers of modern supply chain management methods and information exchange because their clients demand lower costs and faster delivery.	• National transport and warehousing companies isolated from modern international good practices; • Zero or low level of international logistics company market entry – market protectionism; • Outdated trucks and equipment; • Outdated management methods in Customs, other border security and management agencies, and in transport administrations and private industry user groups; • Lack of market-driven solutions and services; • State and private market monopolies; • Transport cartels; • Paper document, multiple stamps and several signatures leading to rent seeking and integrity issues.
Just-in-time supply chain management used by competitive economies, giving foreign exporting competitors advantages over national exporters.	• Loss of orders for national exporting companies; • Rising unemployment; • Skilled workers emigrate – "brain drain"; • National industries become less competitive – vicious downward cycle scenario; • National exports take extra days to get to market, compared with competitive country exports.
Globalized trading economies, international trade growing and growth of free trade areas	• Pressure for faster BCP clearance and other control procedures not realized; • Lack of international standards.
Need for modern international standard supply chain infrastructure such as wharves, airport cargo terminals, logistics centres, freight villages and high-speed rail networks	• Old and non-maintained roads; • Slow rail freight train speeds; • Transport time delays; • Lack of international railways and seaport good practice management methods and procedures; • Competitors using larger, more modern container vessels and aircraft; • Competitors using high-speed rail networks, both night and day; • Extremely slow product inventory because of unpredictable transport and Customs procedures.
Container traffic forecasted to grow each year between 5-6%, increasing to 70% by 2015	• Not using containers results in national economies getting left behind; • Not using containers places unjustified extra burden on Customs and other border agencies owing to lack of security, lack of tracking and tagging, and loss of revenue.
WCO Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework)	• Increased criminal sophistication; • Management methods concerning the growing number of international security programmes such as AEO, CSI and C-TPAT and others not getting fulfilled by national exporting companies.

Source: Compiled by Tomczyk 2011.

creating and using formal communication channels difficult. Private industry users hesitate to be seen or heard complaining about policies, procedures, delays or bureaucracy. For some Customs and other border security and management agencies, the idea of private industry users contributing to border crossing point operations has been an alien concept. But while it is difficult, it is nevertheless not impossible for Customs and other border security and management agencies to deal with private industry users by applying differentiated management methods, such as risk management selectivity and user risk profiles, instead of "one-size-fits-all" methods.

Why should Customs administrations and other border agencies pursue private industry user participation and collaboration? The table below lists some of the reasons.

3.5.1 Challenges to overcome

The first challenge in tapping into the benefits of a partnership with trade is a cultural one. Achieving participation and collaboration between Customs or other border agencies and private industry users can be challenging for a number of reasons, as described above.

As part of effective border management, co-operation, facilitation, participation and collaboration need to be introduced by governments in order to reduce control and suspicion. The following are priority areas of activity in this process:

- Focusing on exchanging and using information;
- Broad use of ICT;
- Creating constructive partnerships with the trade using proactive consulting methods;
- Making Customs and other border agencies part of the solution for trade competitiveness rather than part of the problem;
- Professional training of staff and management in modern Customs training centres, – colleges or academies;
- Maintaining public relations departments with trained staff and managers, public hotlines, websites, regular press releases, and meetings with the media and private industry;
- Maintaining border crossing point task forces, with participants from all relevant agencies and private industry, including freight forwarding associations, TIR associations, Customs brokers associations, trucking associations, Chambers of Commerce, and industry and exporting associations;
- Creating binding tariff information methods;
- Evidence-based commitment and willingness to make changes in border crossing point management procedures, organization, training and policies, and furthermore to provide performance, revenue, security and client satisfaction.

These kinds of changes in management concepts can take several years. Committed senior guidance is needed to prepare and fulfil such policies, which may in the short term might not show perceptible benefits or rewards. A profound cultural change or change of mindset is involved. The paradigm must shift from an adversarial relationship between Customs and border agencies and the trade community to a spirit of co-operation, developed through methods based on mutual participation and collaboration.

3.5.2 Benefits of having consultation mechanisms in place

Obtaining feedback from experts and practitioners

A forum where trade representatives can freely voice their concerns and opinions concerning border management processes can provide border agencies with valuable feedback about their performance, whether regarding border control procedures or Customs management. Trade partnerships also give border agencies a pool of experts to consult during preparations for trade negotiations or regarding policy matters, one notable example of which is the likely effects of new regulations.

Through trade partnerships, early indications of difficulties for exporters, such as non-tariff barriers, can be identified. Moreover, it is common for trade partnerships to create contacts between border agency officials and large multinational corporations, whether domestic or foreign, giving such officials insight into the operation patterns of global supply chains.

In an ideal case, in which proper and clearly understood representation exists for all involved private sector communities, the private sector and public sector agencies engage in constructive dialogue. Concrete recommendations are provided and the need for improvement is acknowledged. However, as can be expected, in most contexts this does not happen immediately. The beginning of such efforts should be considered a learning process for all involved parties.

Possible delegation of certain functions to the trade

Some Customs administrations use good practices in Customs management to obtain increased levels of private industry user participation, thus enabling compliant traders to import and export cargo with minimum Customs intervention and oversight. For instance, introducing simplified procedures can lead to the trade employing self-calculation for duty, or self-assessment of compliance. For Customs, this allows resources to be reallocated.

Overall promotion of a country's trading environment

Another reason for participation and collaboration is to develop a positive image of a country's trading environment. Global supply chain management is dependent upon all the connecting links in the chain using modern, international good practices. Long queues of trucks at a border reveal supply chain weaknesses and a lack of international good practice in supply chain management. For potential foreign direct investors, such scenarios indicate that a country is not yet ready to compete in the globalized trading environment. They create concerns among traders that their exports and imports might get delayed at the border.

A whole-of-government approach is a best-practice tool: border control agencies can work together and communicate. In emerging economies, there often seems to be evidence of "turf" protection amongst border control agencies. This has been described by experts and officials as difficult or impossible to change because of vested interests and conservative bureaucracies.

BOX 3.6

The private industry's view on co-operation

There are two common outcomes when representatives of the private sector initially meet public sector agencies. The first is no real interaction. Written statements are read that, in most cases, do not include any concrete recommendations, but are full of platitudes about the value of and need for change. This is often the case in States where the idea of actual representation of private sector communities is relatively new. Matters that reinforce such behaviour include:

- No previous experience of such processes;
- Fear of retribution by particular agencies;
- Absence of a representation system in which individuals are appointed by State bodies.

The second is the misuse of the forum. The private sector uses it for voicing grievances against the State, but does not address its own shortcomings. Meetings quickly turn into tirades against State agents, in which everything is wrong and must be fundamentally altered, but with no concrete recommendations being offered.

It is clear that neither scenario leads to any real improvement. In some settings, however, such initial attempts reveal that if the process were administered properly, a sustainable and productive interaction might eventually develop, with identifiable and measurable results.

BOX 3.7

The public sector's view on co-operation

It is clear that no public official enjoys being informed about their organization's failings and shortcomings, or, worse still, about corrupt or unprofessional behaviour, particularly when such revelations come from individuals, companies or associations that a public agency controls and often perceives as "criminal". The most common responses of the public sector to collaboration initiatives are:

- Participation for a brief period and then gradual disengagement: If there is no legal obligation to participate, civil servants often gradually diminish the value of a structure until it is dissolved, or becomes so insignificant that it stops meeting;
- If there is a legal framework and participation is obligatory, a common "technique" for disrupting the process is rotation. If there is no continuity there is no real dialogue. Thus, some public agencies rotate their representatives, sending a different person to each meeting.

It is not an easy task to create an environment in which public sector representatives feel comfortable with the process of dialogue. Ideally, the public sector should feel that it gains from the interaction and that the interaction helps them to perform their duties better. Leadership within public sector agencies is extremely important for the process to be successful. If there is no real commitment at the top, the "engagement" is certain to fail.

BOX 3.8

Australia: An example of continuous development in trade facilitation

The Government of Australia uses a best-practice "whole-of-government" approach to balance its border security and safety with trade facilitation and with the cultivation of links and connections to the global trading community. A whole-of-government approach is essential in the effective handling of emerging issues and the negotiation of international agreements, especially in the current international security environment. Governments using a whole-of-government approach to reporting makes it easier for private industry users to submit information to multiple government agencies. Failing to do this burdens and disadvantages private industry users.

External drivers of "connected government" include the recognition of the complexity of the current trading globalizing environment and of challenges such as security and counter-terrorism. This is why governments and private industry users employ international best-practice technology and new methods such as time-to-market analysis for delivering services that improve efficiency and effectiveness.

Australia started applying the whole-of-government approach in 2005, when its Customs Service introduced a Standardised Data Set (SDS) that brought together 41 agencies across two tiers of government. In 2007, Australian Customs introduced the International Trade Cluster as part of its Treasury's Standard Business Reporting (SBR) Programme. The Australia Customs Service admits that much still needs to be done to streamline reporting, and to increase interoperability and reuse of information. The task not only involves Customs but also all border agencies and trading associations.

Australia Customs Service (2005) has developed strategies to keep ahead of the drivers of change, and has created a vision of how it would like to function in 2015. The strategy includes a number of projects to ensure that Australia continues to lead the world in trade security and facilitation. The projects described below form the Enhanced Trade Solution (ETS). They are examples of international best practices that will give better and faster border crossing point clearance.

The following table presents Australia's vision of the key elements and benefits to be gained by 2015 from its "whole-of-government" approach.

Benefit	Description
1	Identify the opportunities for co-ordination and "connected government", allowing government to present a unified approach to industry and reduce costs by removing inefficiencies.
2	Identify the government direction for the trade environment to the year 2015, including both a vision and a road map to achieve it. This will give business certainty regarding industry and government.
3	Capture the future vision for industry members, international trading partners and representative bodies, for incorporation into a whole-of-government strategy.
4	Identify strategies to improve the quality of the information that the government uses for a range of macro- and micro-economic policy purposes and to protect the borders, as well as supporting legitimate trade while reducing the burden on industry.
5	Provide strategies for improving supply chain security and strategies for collective management of international borders.
6	Demonstrate the potential to enhance the user's experience when dealing with government in the context of the trading environment.
7	Identify international best-practice border management techniques and policies and outline how government can incorporate these in future planning, to take advantages of the work of other governments and reduce national development risks.
8	Highlight the government's performance in managing border regulation in comparison with trading partners.

Source: adapted from a report prepared by the Australian Public Service Commission (2004).

3.6 Customs and trade: Models for participation and collaboration

There are a number of interactive participation and collaboration models that progressive Customs and other border agencies can use. Each model has characteristics that are dependent on various factors. These include:

- National and regional differences;
- Historical and cultural legacies;
- Level of economic transition;
- Historical and traditional development;
- Level of maturity of public administration and private industry users;
- Level of training of public administration and private industry;
- Level of exposure of management staffs to international good practice;
- Level of involvement with international bodies, councils, working groups and forums.

Lobbying

Industries and trade sectors tend to form groups and organizations to promote their interests. On behalf of their members, these organizations can, among other things, commission research, organize training or issue publications. They often work with relevant government departments and agencies, bringing issues to the attention of policy makers in order to convince them of their positions.

Customs consultative committees

Customs consultative committees are groups formed by Customs officials, industries, logistics providers, transport specialists, consultants and any other actor within the supply chain. They can also have members coming from other government departments with a particular interest in Customs matters. Often under the chair of Customs, they are a forum for the trade to openly discuss any issue arising from Customs operations. They provide the opportunity for Customs to receive feedback on their operations. They can also provide information to the trade about the introduction of new requirements or regulations, and provide a forum to discuss the difficulties or advantages that such changes might bring.

Working groups

Working groups are set up with a very specific objective. Members come from public and private organizations, and are usually selected according to the objective to be reached.

UNCTAD National Trade and Transport Facilitation Committees (NTTFCs)

Although usually a trade facilitation tool, UNCTAD's National Trade and Transport Facilitation Committees are also useful for partnerships between border agencies and trade representatives. The UNCTAD model recognizes partnerships between public and private stakeholders as being essential to the facilitating of efficient international trade and transport. NTTFCs are consultative mechanisms serving as national forums to propose, discuss, consult and seek consensus between the essential parties on facilitation measures to improve international trade and transport.

The UNCTAD model recognizes that partnership between three key players is essential in the facilitation of efficient international trade and transport. These three players are:

- Government agencies: Those responsible for regulating international trade and transport, usually ministries of trade, commerce, transport, or finance, including Customs;
- Providers of trade and transport services: Those that supply market-oriented support services to the trading community, including carriers, freight forwarders, multimodal transport operators, Customs brokers, commercial banks, and insurance companies;
- Traders: Exporters and importers who stand to benefit from an improved trading environment created by institutional reforms and greater efficiency in services, and whose trade volumes would increase if advantage were taken of improved conditions and reduced transaction costs.

It is important to note that the second and third groups mainly comprise organizations from private industry. However, State organizations are often among transport operators or carriers and other trade service providers, such as railways and State-owned trading banks, insurance companies and freight forwarding companies. Thus the basic partnership between these three main entities usually extends over the public sector/private industry user divide.

What distinguishes the UNCTAD model from other proposals for national trade and transport facilitation mechanisms is UNCTAD's particular attention to private industry users, who are seen as playing the leading role in the initiatives taken by the three parties to the consultative process. UNCTAD basically sees NTTFCs as consultative mechanisms that serve as national forums in which facilitation measures for the improvement of international trade and transport are proposed and discussed, with extensive consultation and consensus-seeking. As is the case with most committees, the NTTFCs proposed by UNCTAD have no executive authority but, rather, are viewed as advisory bodies. These bodies can and should reach consensus on facilitation measures, which then can be undertaken voluntarily by member bodies that have the executive authority to implement them.

PRO committees

PRO (procedure) committees are trade facilitation committees that provide forums for customs and trade. In the early 1970s, recognizing the importance of trade facilitation and the prospect of introducing a single market within the European Economic Community involving the free movement of people and goods, most Western European countries created national trade facilitation committees such as the *Office de développement par l'automatisation et la simplification du commerce extérieur* (ODASCE) in France, the Danish Electronic Data Interchange Council, AUSTRIAPRO (part of the Austrian Federal Economic Chamber) and SWEPRO (the Swedish Trade Procedures Council).

Some countries do not have consultative or PRO committees but, rather, rely on lobbying by private industry user associations and large exporting and importing companies. For example, Turkey has a mature and extensive network of chambers of commerce and industry associations. The Istanbul Chamber of Commerce is involved with export initiatives, and communicates with the government in Ankara. Industry associations representing such sectors as construction materials, fruit and vegetables, machinery, nuts, and textiles are involved with lobbying the government on export issues. Trade associations such as UTIKAD (the Turkish Freight Forwarders and Logistics Service Providers Association) and TOBB (Union of Chambers and Commodity Exchanges of Turkey) lobby the government on freight forwarding and TIR issues. TOBB finances the building of new Turkish border crossing points.

To develop private industry user participation, Customs administrations and trade agencies might consider using the UN/CEFACT Recommendation 4 on establishing trade facilitation bodies. The aim of the original recommendation was to encourage governments to "establish and support national trade facilitation bodies with balanced private and public sector participation."

The overall aims were to:

- Improve dialogue between different bodies involved in trade and international transport;
- Define solutions to remove impediments to trade and transport at the operational level;
- Identify issues affecting the cost and efficiency of their country's international trade;
- Develop measures to reduce the cost and improve the efficiency of international trade;
- Assist in the implementation of those measures;
- Provide a national focal point for the collection and dissemination of information on best practices in international trade facilitation;
- Participate in international efforts to improve trade facilitation and efficiency.

Box 3.9 National Trade and Transport Facilitation Committees (NTTFCs)

Some examples	Characteristics
EU, UK, APEC	• Formal at both the national and regional level • Example: The UK's International Trade Facilitation Committee • Membership by invitation • Non-elected leadership • Appointed secretariats with administrative and logistics staffs • Office accommodation, office resources and budgets • Written terms of reference • Possibility of several subcommittees or working groups • Closed session forum meetings • Subcommittee meetings often open to outside expert contribution • Subcommittees able to invite and arrange outside expert studies • Subcommittee members submit verbal and written evidence and studies • Public administration uses the Trade Facilitation Committee as a proactive consulting body, submitting draft legislation, draft rules and instructions and draft programmes to the Trade Facilitation Committee before presenting drafts to government departments or parliamentary committees. • Extensive subject agenda, as evidenced by the APEC website list of meetings • Subject to audit and government oversight • Annual reporting, with reports freely available to the general public on the web • Issue their own press releases and hold press conferences • Arrange conferences and forums

The recommendation stresses the importance of national trade facilitation bodies as forums that allow private industry managers, public sector administrators and policy makers to work together towards effectively implementing jointly agreed facilitation measures. It is recommended that such committees include representatives of all companies and institutions participating in international trade transactions, including manufacturers, importers, exporters, freight forwarders, carriers, banks, insurance companies and public administrations.

The recommendation emphasizes trade facilitation and, specifically, the need to implement measures reducing costs and improving the efficiency of international trade. It was proposed as the basis for creating NTTFCs or PRO committees.

UNCTAD, as part of its technical assistance programmes in the field of facilitation of international trade and transport, has been actively involved in the creation of NTTFCs in a number of countries. The UNCTAD model extends the traditional scope of such committees, placing a stronger emphasis on transport facilitation and giving an increasingly prominent role to members from private industry.

Listed below are examples of different types of such committees. The first, as it is funded by private industry, does not comply with UNCTAD recommendations, which are based on public-private partnership.

It is important to understand the limitations of these committees and the difficulties that are faced when developing countries attempt to emulate these models. The French example requires active membership from private industry users. They must provide steady financial contributions for the association to remain operational. At the same time, there are no guarantees that public sector bodies will be willing to participate in an exchange. To be effective, such committees must be supported equally by the public sector and by private industry. In addition, they should act on the bilateral, multilateral, regional and international levels. While working in close co-operation with private industry bodies, they should be integrally connected to Customs authorities and relevant government organizations.

Box 3.10 PRO Committees

Some examples	Characteristics
AFPRO / Afghanistan ARMPRO / Armenia AUSTRIAPRO / Austria AZERPRO / Azerbaijan BiHPRO / Bosnia and Herzegovina BULPRO / Bulgaria CROATIAPRO / Croatia GEOPRO / Georgia HELLASPRO / Greece MAKPRO / the former Yugoslav Republic of Macedonia MOLDPRO / Moldova MONPRO / Montenegro ODASCE / France ROMPRO / Romania SWEPRO / Sweden SITPRO / UK* * In September 2010 SITPRO ceased operations with responsibilities being assumed by the UK Department for Business, Innovation and Skills.	• Organized formaly at national and regional levels • Also known as National Trade and Transport Facilitation Committees (Cambodia, Lao People's Democratic Republic, Thailand, Viet Nam and others) • Also known as National Transit Facilitation Committees (China, Mongolia and others) • Private industry user associations invited to join • Voluntary elected officials chaired by private industry user representatives • Governed by elected boards • Participate with governments on trade facilitation and on customs-related and border crossing point management issues • Collaborate with governments and private industry users by reviewing and reporting on draft legislation, draft rules and instructions, and draft programmes; for example, SITPRO was involved for four years with the UK Revenue & Customs changes to Single Administrative Documents. • May have several subcommittees • Structures include several policy subcommittees, each making recommendations and holding meetings with private industry users and government officials during committee sessions. • Paid secretariats, office accommodations and budgets • Can fund studies • Officials attend international conferences and forums • Written mandates • Government officials from relevant trade and finance ministries can be seconded to PRO Committees. • Act as first "trip wires" on new ideas regarding trade facilitation, customs-related and border crossing point management issues • They contribute to promoting high levels of private industry user understanding and compliance with changes to laws and rules

BOX 3.11

The UK International Trade Facilitation Committee (HM Revenue & Customs)

The International Trade Facilitation Committee of the United Kingdom's HM Revenue & Customs includes high-level officials from government departments with an interest in border procedures, such as HM Revenue & Customs (HMRC) itself, the Department for Business, Innovation and Skills (BIS), the Department for the Environment, Food and Rural Affairs (Defra), the Department for Transport (DfT), and the UK Border Agency (UKBA), together with UK Trade and Investment (UKTI) and the (former) body SITPRO. This committee looks at trade facilitation with a view to co-ordinating policy and overseeing new initiatives to streamline UK border procedures while minimizing unnecessary regulation.

The Committee's action plan is to:

- Make a real difference in reducing border regulatory burdens on business and making trade easier;
- Achieve long-term, active participation of the business community in assessing regulatory practices at UK borders and in enabling an ongoing process of improvement and reform;
- Ensure recognition by the UK government and its agencies of the importance of trade facilitation and promote its key role in the delivery of regulatory objectives;
- Secure ongoing improvement in the standing of UK border procedures against leading international indices, such as The World Bank "Doing Business Report"(World Bank, 2009) .

Formerly, SITPRO helped with trade facilitation dialogue by producing the 2009 report "Keeping Goods Moving" (World Bank, 2009) and enabled its website to receive feedback on border regulation and practice.

Source: adapted from the HM Revenue & Customs/BIS study *Simplifying Trade Across UK Borders: A Plan of Action* (December 2009), p. 4.

BOX 3.12

Office de Développement par l'Automatisation et la Simplification du Commerce Extérieur (ODASCE), France

The ODASCE was created in July 1972 as a non-profit association. The board (Conseil d'Administration) of the ODASCE consists of up to sixteen members, who are elected at the organization's annual general assembly. Appointments are unremunerated and rotate every four years. The day-to-day decision-making and direction of the permanent staff are carried out by the "Bureau" of officers (President, Vice-President, Treasurer, etc.), who are elected by the board. The organization has three permanent staff members based in Paris.

Membership:

- Over 100 companies, ranging from very large (e.g., Renault) to one-man operations;
- Over 1,500 associate members, who subscribe for access to training courses.

Key activities:

- Training courses;
- Production of "Position Papers" on French facilitation issues, via the ODASCE Facilitation Committee;
- Seminars ("Club-Clé Douanes") on subjects of interest to members, held 4 or 5 times annually;
- Conferences ("Colloques"), held every 2 to 3 years with invited foreign guests and representatives, dealing with customs, trade and indirect tax issues;
- Ad hoc advice to members on customs and trade issues, sometimes involving mediation with the French government on their behalf.

Positive aspects:

- Independence, not reliant on government grants;
- Close to business and member-driven;
- Small and efficient, having to live within its commercially driven means.

Source: Partially adapted from the ODASCE website (2011).

BOX 3.13

True public-private partnerships (PPPs) in South-Eastern Europe

Under the Southeast European Cooperative Initiative (SECI) and in co-operation with the UNECE and the European Commission, a number of States in South-Eastern Europe have created National Trade and Transport Facilitation Committees (NTTFCs) to address multiple trade and transport facilitation issues faced at both the national and regional levels. These committees include the characteristic component "PRO" in their names, placing an emphasis on procedures as non-tariff barriers to trade. They are equally supported (institutionally, politically, and financially) by the public and the private sectors, and act at the bilateral, multilateral, regional and international level. They are integrally connected to Customs authorities and relevant governmental organizations, but also work in close co-operation with private sector bodies. Today there are ten national PRO committees within the SECI region.

In most cases, national Chambers of Commerce serve as the base of operations for these committees, and the participation of State agencies is guaranteed through relevant legal acts. Each committee has two co-chairs, one representing public sector agencies (usually at the deputy minister level) and the other representing the private sector. Most work is undertaken by a core group composed of no more than ten individuals, who meet on a regular basis and address issues that are purely technical in nature. The average annual cost of operation of each committee does not exceed 25,000 United States dollars, which includes funds for public outreach and information campaigns.

Positive aspects:

- True public-private partnerships, with equal roles for all involved;
- Small and efficient, not needing the creation of an additional State mechanism;
- Agenda frequently driven by everyday concerns of the business community;
- Guaranteed participation by all State agencies through relevant legislation;
- Use of existing communication channels developed by national chambers.

Negative aspects:

For the process to be effective, there must be a vibrant and truly representative structure.

Source: adapted from a number of different sources including information provided by external consultants as well as the UNESCAP document entitled "Study on National Coordination Mechanisms for Trade and Transport Facilitation in the UNESCAP Region" (UNESCAP, 2007, pp. 31–32) and a SECI report entitled "Accomplishments of SECI Projects in the Field of Economic Development and Security" (2001).

BOX 3.14

SWEPRO: The Swedish Trade Procedures Council

SWEPRO was established by the Swedish Government in 1975 to promote simplification and efficiency in international trade procedures through active participation in central international forums.

It was formed in accordance with Recommendation 4 on National Trade Facilitation Organs of 1974, which was replaced by the Recommendation on National Trade Facilitation Bodies in 1999.

Membership:

SWEPRO consists of a consultative body of private sector managers and public sector administrators and policy makers. Its members represent business and public authorities, notably the Swedish Bankers' Association, the Swedish Trade Council, the Swedish Alliance for Electronic Commerce, the National Board of Trade, the Swedish Federation of Trade, the Swedish International Chamber of Commerce, the Confederation of Swedish Enterprise, the Swedish International Freight Association, Swedish Customs, and the Swedish Ministry of Foreign Affairs.

Administration:

SWEPRO is supervised by the Swedish National Board of Trade, which is a government administrative body dealing with foreign trade and trade policy.

Tasks and activities:

The primary role of SWEPRO is to provide a forum for discussion and information regarding trade facilitation issues. The forum ensures that facilitation activities are approached in a co-ordinated manner to guarantee that problems are solved effectively and efficiently. It monitors the implementation of jointly agreed facilitation measures. SWEPRO has undertaken some important surveys and studies on trade facilitation issues such as data interchange in international trade and the impact and benefits of trade facilitation. SWEPRO also discusses international work in the field of trade facilitation. It co-ordinates and participates in projects conducted within the framework of the United Nations, the World Trade Organization (WTO), the World Customs Organization (WCO), the Organisation for Economic Co-operation and Development (OECD), and the European Union (EU). SWEPRO has also co-operated with certain developing countries to promote trade facilitation. In Sweden, SWEPRO is also the discussion forum for international work dealing with simplifying trade procedures. SWEPRO participates in intergovernmental work in the United Nations and the EU to simplify and harmonize procedures and information flow, including electronic means international trade.

Source: adapted from the SWEPRO website (2011) and partially quoted from a publication entitled "Study on National Coordination Mechanisms for Trade and Transport Facilitation in the UNESCAP Region" (UNESCAP, 2007, pp. 30–31).

3.7 Training and public outreach for Customs-trade partnerships

Once the formal process of establishing a partnership between border agencies and trade is completed, there are two extremely important "tools" that serve as a unifying force for the public and private communities engaged in the process. These are training and public outreach.

3.7.1 Training

Training is a fundamental tool for implementing changes or increasing efficiency in existing practices. Expert observation at a number of different border crossing points has resulted in the conclusion that some of the commercial vehicle delays are related to drivers and transport company staffs not having prepared all the documents and certificates. Sometimes, the necessary documents needed to fulfil import procedures might also be missing (Tomczyk, 2011). For this reason, it is essential that NTTFCs provide transparent and easily accessible information on the subject. On the other hand, as public sector employees are also faced with constantly evolving fields of procedures and regulations, it is also important that they are well prepared to provide services and aware of what is being asked from their "counterparts" in the private sector.

Under Trade and Transport Facilitation Southeast Europe (TTFSE), programme training has become a fundamental tool, not only for providing information but also for gradually changing the dominant perception in State agencies about the nature of the service they are providing. From 2001 to 2006, the World Bank TTFSE Trade Facilitation Component trained and certified a large number of professionals, targeting both public and private audiences and using the same curriculum for both.

Public and private sector participants during an OSCE-WCO workshop on risk management in customs, Astana, October 2011.

3.7.2 Public outreach

Designing and implementing a public outreach campaign is essential, as it assists the partnership transformation process in many ways. Users from the private sector are often sceptical of proposed changes, fearing increased costs linked to new procedures and disturbances to their business practices. On occasion, public sector employees are apprehensive about the possibility of radical changes in their working environment. The importance of providing a constant flow of information about proposed changes and a clear view of what is to be expected in the future cannot be overestimated.

However, the target audience should not be limited to the two groups in question here, but should also include the general public. The need for improved conditions and the costs of non-action should be highlighted. This is not an easy task, since transport and trade facilitation are not usually topics that attract a high level of media attention. Many of the issues that need to be addressed are quite technical, and there is rarely a clear image of what conditions are like for people working at borders. There are several ways to address this. In South-Eastern Europe, for example, national chambers of commerce regularly publish non-technical articles on the subject, utilizing both internal publications and links to the media.

Sending journalists to selected BCPs under the auspices of PRO structures has been quite successful. The Bulgarian and Romanian PRO committees have successfully maintained interest in the subject by frequently organizing bus trips to borders for journalists. At times such trips have been combined with cross-border meetings with journalists from the other side. Such activities help journalists and other non-technical experts to realize the extent of the problems being faced and to see the need for cross-border co-operation and good practice solutions.

However, the impact of communication within the "global" trade community is ultimately limited by language. International traders, investors and journalists often do not speak local languages. Even best-case studies published on a well-designed website will not be noticed if they are presented only in the national language. Some Customs administrations facilitate access to information for their country's international clients and suppliers by providing English versions of their websites. This is perfectly illustrated by the Customs websites of the People's Republic of China and the Russian Federation, both of which are available in English.

3.7.3 Addressing issues linked with corruption

One of the most challenging issues in public-private sector dialogue is addressing problems linked to corrupt practices. Although this is often perceived as an issue

to be addressed solely by State agencies, the very nature of such transactions means that it is also an issue in the private sector: corruption requires two parties. It must be discussed openly. Private sector interests and individual citizens clearly also have a role in an environment in which corruption plays a part; and on many occasions it is they who initiate questionable transactions such as bribing.

Without citizen participation, any effort to address this issue will fail. Reform processes must be accompanied by well-designed public awareness programmes. Otherwise, exposure of corrupt practices or arrests could give the impression that the situation is getting worse rather than better. This can make the political risk unmanageable.

Many issues addressed in this section relate directly to the degree of trust between the involved parties. Questions asked by traders might include: Is there a transparent process for reporting incidents? Will I be targeted in the future if I speak out? If no safeguards are in place, it is doubtful that private sector operators will provide input with regard to corruption.

BOX 3.15

Hotlines

Telephone numbers that are clearly marked as a means of reporting corruption or questionable practices seem to have a positive effect in providing a degree of security for reporting parties. These hotlines are usually linked to a command centre in a country's capital, thus moving the reporting process away from BCPs themselves.

Fotolia

Corruption is one the most challenging issues in public-private sector dialogue.

3.7.4 Benchmarking trade facilitation

Each country uses its own set of measurements to evaluate its progress in terms of trade facilitation. For international comparisons, the WCO Time Release Studies can provide good feedback on how a country's border management performs in comparison with regional or international competitors. Chapter 9, "Measuring Border Agencies' Performance: Possibilities for Benchmarking", goes into this subject in greater detail.

BOX 3.16

Time Release Studies

Time Release Studies (TRSs) are a technical tool used for gaining baseline data concerning trade facilitation. The collection and analysis of empirical data is essential if Customs administrations and others are to avoid making inaccurate pronouncements. The WCO's solution to this is the TRS. The TRS is described in the *WCO Guide to Measure the Time Required for the Release of Goods* as follows:

"One of the methods used for the review of clearance procedures is to measure the average time taken between the arrival of the goods and their release. This enables Customs to identify both the problem areas and potential corrective actions to increase their efficiency. The use of automation and other sophisticated selectivity methods can allow Customs to improve compliance and at the same time improve facilitation for the majority of low risk goods.

Measuring the time taken for the release of goods also meets the concerns of trade circles regarding long delays in Customs clearance. It helps Customs to respond to trade requirements where the operators need to plan ahead for the movement of goods across borders in order to meet tight production schedules and just-in-time inventory systems that require forward planning.

The time required to release goods has also increasingly become a measure by which the international trading community assesses the effectiveness of a Customs administration. Therefore it is important to provide guidance to Customs administrations on the best way to apply this method of internal review."

Although TRSs are highly technical, they have the advantage of not having to be conducted by WCO officials: they can be undertaken by Customs administrations themselves. The WCO continues to support the notion that measuring clearance time is the best way to enhance trade facilitation, because it provides a precise picture of the existing state of affairs and identifies bottlenecks.

Source: WCO, 2002.

Conclusion

In recent years, both border agencies and trade have been faced with increasing demands as regards security. While the interest of the border agencies is to secure the border, the representatives of trade want to secure the supply chain. Over the years they have both had to adapt to a wide range of new security measures, some introduced through legislation and some introduced by traders themselves. Out-of-date security practices at borders create bottlenecks and result in delays. Modern security measures such as the WCO SAFE Framework have been designed with elements aimed at facilitating trade, such as accreditation programmes. By creating partnerships between traders and Customs authorities, such measures deliver security and trade facilitation along the supply chain.

Border agencies and traders both profit greatly by having a closer relationship and developing partnerships. Traders can develop compliant processes in accordance with government requirements and obtain faster clearance with less red tape. Border agencies can maximize their resources by incorporating best practices and latest developments in supply chain management. These partnerships can take many forms and are suited for all borders agencies, regardless of their stage in a modernization process. Furthermore, they can evolve and co-exist. Ultimately, sound partnerships between the managers and the users of borders provide benefits for both sides.

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4 Processing of Freight: Policies for Control, Clearance and Transit

CONTENTS

4. Processing of Freight: Policies for Control, Clearance and Transit

Introduction

Operations at borders are regulated by control, clearance and transit policies. According to the policies that are followed, there can either be long queues and delays at a border 'deterring international trade', or cross-border transactions can be fast and safe. Inefficiency and out-of-date procedures do not only prevent effective revenue collection and pose a risk to security: they also discourage foreign trade. In a competitive international business environment, the international private sector finds it highly cumbersome and discouraging to conduct business or invest in a country where goods cannot move safely and quickly across its borders. Effective controls, clearance and transit can link national industries to the global supply chain and can be an attractive feature for direct foreign investment.

After a brief introduction to the legal framework, the present chapter will look at some best practices on controls, clearance and transit.

4.1 The legal framework

The rising volume of cross-border transactions has put pressure on Customs administrations in many countries to modernize their legislation. New requirements for security and revenue collection and the increased insistence of traders on faster, safer and more reliable services have necessitated the introduction of modern processes, which in turn has often required the modernization of customs laws. An effective legal framework delivers transparent, predictable and rapid customs procedures. The entire supply chain – from traders and carriers right through to front-line Customs officers – must not only understand the customs laws, they must also be able to use them. Therefore, to enable all parties to work with the same instrument, such laws must be clear and simple.

However, an efficient clearance and transit environment is not only a best practice choice: for all WTO members it is a fundamental legal requirement. Slow and obscure clearance practices have been identified as potential barriers to trade, as have cumbersome transit procedures. This issue has been resolved by the General Agreement on Tariffs and Trade (GATT 1994), which contains a number of specific provisions in this area. Article V on transit, Article VIII on fees and formalities, and Article X on publications and appeals all deal with transit and clearance, as does the Agreement on Implementation of Article VII of GATT 1994 (WTO Valuation Agreement). All these are mandatory requirements for WTO members.

Implementing these requirements has been greatly simplified by the WCO Revised Kyoto Convention (RKC). In addition to its role as the depository of best practices from national Customs administrations around the world, the RKC contains WTO requirements and therefore serves the implementation of the customs-related principles that have been developed by the WTO. The WCO RKC is covered in greater detail in Chapter 1 of the present Handbook, "Trade and Customs International Legal Framework".

4.2 Border control policies

4.2.1 Various misconceptions about border control

There are many common misconceptions with regard to border controls, the following being just three notable examples.

It is logical to only carry out controls at border crossing points. In practice, this is seldom the case: other means of control are often used within countries, such as inland police checkpoints, weighing stations, and even locations where epidemiological control equipment is used. Final clearance for Customs often takes place within a country's territory (inland clearance). The border crossing point (BCP) is not necessarily the end of the story for commercial users.

Borderline control is an activity not connected to Customs. In some transition economies, customs controls are not linked to borderline patrolling. This is probably because in recent history, with the exception of approved crossing points, the borders of such countries were closed. Border

A French Customs motorcycle patrol on a French motorway. Officers select vehicles for inspection and escort them to a lay-by, where a mobile X-ray scanner has been temporarily located.

patrolling was a policing activity, carried out by border troops. Its obligation was to prevent people from crossing. However, this situation has changed rapidly.

The trend in many developed countries is to allow people and non-commercial traffic to cross borders freely without the need for a BCP facility, as long as no prohibited or dutiable goods are being carried (e.g., EU/Schengen). This is also a historical practice, as in former times it was unfeasible to build a Customs building on every road crossing a border. Indeed, free border crossings were in practice within the EU long before the Schengen Agreement came into force. Nevertheless, controls were and still are conducted by Customs and Immigration Police, whose occasional presence verified and verifies that travellers are not abusing the system.

Freer border crossing also evolves naturally for populations living in enclaves and whenever a border straddles a single social or economic community (as for example in the case of border markets). In such cases, it is also a best practice.

BOX 4.1

The International Road Transport Union's border waiting times observatories (BWTOs)

To help governments and national competent authorities informing the wider public, including the transport operators, of the waiting times at their borders the International Road Transport Union (IRU) has developed the Border Waiting Times Observatory (IRU BWTO), a state-of-the-art web-based application which enables registered authorities to report on border waiting times, free of charge, anywhere in the world (www.iru.org/index/bwt-app).

Benefits of the IRU BWTO are threefold (IRU, 2011).

For the trade and transport community they include:

1. Improvement in daily operational support:
   - Systematic route planning;
   - *Ad hoc* route adjustments (by driver or company management).
2. Inducing governments to take appropriate policy measures to further facilitate trade and road transport:
   - By identifying problematic border crossing points (BCPs);
   - By identifying the major source of problems, whether procedural or other.

For national economies and society they include:

1. Reducing the cost of transport and goods, hence reducing missed business opportunities;
2. Alleviating the environmental impact of congested borders;
3. Curbing criminality and public health problems.

For border control authorities they include:

1. Assistance in meeting legal obligations as laid down in Annex 8 of the UN International Convention on the Harmonization of Frontier Controls of Goods; revised Kyoto Convention; GATT and GATS (WTO), etc.
2. Improving daily operational support with respect to:
   - Adjusting control staff numbers as needed, even on a daily basis;
   - Opening/closing reserve traffic lanes if available;
   - Provision of reliable and regular information on waiting times to senior management to redirect traffic to less congested BCPs.
3. Demonstrating to competent governmental bodies the need to invest in procedures or infrastructure at their BCPs:
   - By identifying problematic border crossing points;
   - By identifying major source of problems, whether procedural or other;
   - By identifying long-term staff requirements.

How does the IRU BWTO work?

The IRU BWTO is simple to use both for data-providers (national competent authorities) and for users (authorities and fleet operators).

The data in the IRU BWTO application gives information on the waiting times in hours, from a vehicle's arrival at the end of a queue in country A to the vehicle's release from border control in country B.

1. Data input (by competent national authorities, e.g., Customs or Ministry of Transport):
   - Input via a simple e-interface;
   - Input by any appointed national body (e.g., government authorities, border control staff or road transport association);
   - Several data inputs per day possible (thus approaching real-time reporting);
   - Time data can be supplemented by a short textual note on causes of delay.
2. Data use (by authorities and fleet operators):
   - Data search by traffic mode (trucks or coaches) and direction (entry or exit);
   - Data visualization on a daily, weekly, monthly, yearly basis, or any other selected period; graphical presentation of statistics;
   - Access to textual information on specific causes of long waiting times.

Source: adapted from the IRU website (2011).

Unhindered border crossing reduces congestion at BCP facilities. It is actually an extension of the green channel concept.

In countries belonging to the Schengen space, a joint patrol system is gradually being introduced. Specially trained customs and border police officers of adjacent countries carry out mixed surveillance missions within a specified border zone, combining their respective powers and sharing operational intelligence.

Inland enforcement checks are unnecessary. On the contrary, downstream checks provide a "safety net" and facilitate more relaxed BCP controls. In some cases, inland enforcement checks uncover fraud that has been overlooked by front-line verification officers, or even reveal collaboration between corrupt officials and importers. If irregularities are discovered inland, border authorities should be informed.

4.2.2 Environmental controls at borders

Increasingly, border control involves intercepting environmental crime. According to the "Green Customs Initiative", this form of crime earns criminal organizations an estimated 20–30 billion United States dollars annually. Environmental crime involves exploiting and trafficking protected natural resources and illegal trade in "environmentally sensitive" commodities such as ozone-depleting substances, toxic chemicals, hazardous wastes, endangered species or living-modified organisms.

The Green Customs Initiative (see UNEP, 2008) was established to prevent illegal trade in environmentally sensitive commodities, while allowing legitimate trade in the same to prosper. Partners in the Green Customs Initiative comprise the secretariats of relevant multilateral environmental agreements (Basel, Cartagena, CITES, Montreal, Rotterdam, Stockholm), Interpol, the Organization for the Prohibition of Chemical Weapons, the United Nation Environment Programme and its Office on Drugs and Crime, and the World Customs Organization.

BOX 4.2

Controlling hazardous waste: The Basel Convention

Hazardous waste results not only from chemical toxic waste but also from electronic waste such as computers or mobile phones. These products often contain substances that are dangerous for humans and the environment, such as lead, cadmium, beryllium or mercury. At least 8.5 million tons of hazardous wastes are moved from country to country annually as a result of growth of global trade in hazardous waste.

The *Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal* is the most comprehensive international agreement in the field of the environmental protection regulating transboundary transportation of hazardous and other waste.

The Convention, with 172 Contracting Parties, entered into force in 1992. The Parties share the common goal "to protect, by strict control, human health and the environment against the adverse effects which may result from the generation and management of hazardous wastes and other wastes."

The Convention's secretariat is administered by the United Nations Environment Programme (UNEP). In addition, several initiatives have been developed by the OSCE to support countries in implementing the Convention. These include training workshops, train-the-trainer workshops for transferring knowledge, and the institutionalization of the relevant training in the curricula of customs institutions for professional training and capacity-building.

In June 2010, at the OSCE Border Management Staff College in Dushanbe, the OSCE held a *Joint Training Seminar on Prevention and Detection of Illegal Transboundary Waste Transportation and their Disposal*.

The seminar had the following four objectives:

- To raise awareness on the part of the various authorities of specific facets of the Basel Convention such as the Stockholm Convention on Persistent Organic Pollutants and the Montreal Protocol on Substances that Deplete the Ozone Layer. This included examining ways for improving security with regard to the transportation of hazardous waste, persistent organic pollutants, and of ozone-depleting substances;
- To improve inter-sectoral co-operation;
- To increase the capacity for the prevention and detection of illegal transports within the OSCE participating States, thus supporting the implementation of the respective conventions and protocols in the OSCE area;
- To draft recommendations for the developing of a curriculum for further training activities with regard to the control of transboundary waste shipments.

Another OSCE initiative was the publishing of Waste(s) Watch Cards (for Belarus, Republic of Moldova and Ukraine), which provide a quick reference for border management authorities in charge of detecting and preventing transboundary waste trafficking.

Source: Basel.int, 2011 / OSCE, 2011.

4.2.3 Multiplicity of border control agencies

The role of the great number of agencies involved in border controls is often justified by the claim that they guarantee a particular part of cross-border security. While this may be so, a critical examination of these multiple border agencies reveals that improvements could make controls more economical and smoother.

It is far from justifiable to claim that all such agencies should be represented on a permanent basis. In some cases, their work is highly specialized and involves expertise that is only rarely needed. The constant representation of such an agency leads to a waste in resources. In other cases, the checks or procedures carried out by a specialized agency are very simple (e.g., weighing trucks) and could easily be taken over by Customs or the border police. Since weight is a particularly important element in customs declarations, Customs might indeed be the better choice; nevertheless,

A French Customs officer, acting on behalf of the French Ministry of Transport, reading a truck's tachograph disk during a roadside control. He is checking driving and resting times, but the tachograph also provides useful information about the driver's itinerary and pattern of driving. It can be a useful targeting tool for further inspections of the truck.

BOX 4.3

Multiple agency co-operation: The example of Sweden

The online manual *Introducing the Swedish Customs* contains the following passage: "At national level, Swedish Customs works closely with the Swedish Board of Agriculture, Swedish Tax Agency, National Food Administration, National Board of Trade, chambers of commerce and others. As a frontier authority, Swedish Customs is mandated to check the accuracy of documentation required by other authorities when crossing the border (…) Our aim is for companies and private individuals to be able to deal with their customs-related business all at once without having to contact several authorities. Swedish Customs also works closely with trading companies, forwarders, agents, shippers and others involved in trade with countries outside the EU. Between us, we aim to simplify the processes associated with customs procedures and make them more efficient. For example, the Stairway customs system has been developed by Swedish Customs in co-operation with private enterprise and trade organizations."

Virtual Customs Office

"Through the application of customer-orientated development strategies, Swedish Customs rapidly reached the conclusion that not all customers have similar needs, competences or even prerequisites. However the Virtual Customs Office's overall objective was availability for every user and offering the same level of service at all times. The solution had to focus on availability 24/7 throughout the year and also offer eServices that would add value for the customers regardless of their level of competence and prerequisites. The challenge and short-term objective was to make available services of high quality for all users of the Virtual Customs Office. The approach used was to create different segments of customers and then develop tailor-made solutions for each of the segments based on the customer feedback (…) The long-term objective for the Virtual Customs Office is to enable seamless electronic processes covering the full value chain through use of sophisticated eServices giving total mobility. In order to achieve this, tailor-made electronic and web-services according to the needs of each of the customer segments are made available for free in the areas Information, Communication, Tools and Transactions."

Stairway Initiative

"Stairway" is a business-government partnership launched by the Swedish Customs agency in 2000. It has brought a number of benefits to Customs and trade. Stairway works as a simple accreditation model. Before crossing the border, the type of cargo being transported is declared to Customs via SMS, vehicles being thereby automatically identified, and their commodities and crossing verified. Low- and high-security risks with regard to cargo can be easily identified, which aids in preventing crime and smuggling.

Stairway combines risk management and quality management to save time and money, while enhancing security in cross-border transit. Stairway is beneficial: for three mid-range companies it has reduced annual administrative costs by 150,000 United States dollars. IKEA alone has saved 50 per cent of its annual costs by applying Stairway (Swedish Customs, p. 10). Because vehicles do not have to stop at the borders, border-crossing time has been decreased by twenty minutes per transport, which has constituted two thousand saved logistical hours annually for producers, freight forwarders and transporters. This has also had a positive effect on the environment, and thus, Stairway can be considered a "green customs" scheme. The simple SMS system provides predictability, which has increased trust and mutual understanding of processes.

Source: quoted from Swedish Customs, 2011, p. 10.

border police often enforce transport regulations, and thus could also carry out weight checks.

Another weakness is that these many agencies often operate in isolation without sharing their information, which inevitably results in duplicate checks being carried out. This increases queues and delays. This problem might be improved if all border agencies were to exchange their information, capturing data in a streamlined, automated and integrated way, and if they were to co-ordinate their checks as far as possible.

BOX 4.4

Delegation: The example of the United States

In 2003, the U.S. introduced the "One Face at the Border" (OFAB) initiative to unify the functions of immigration, Customs, and agriculture controls at U.S. land, sea, and air ports of entry under the umbrella organization Customs and Border Protection. This aimed at developing a unified border inspection process.

When the Customs and Border Protection (CBP) administration was first formed, the tendency was to prepare every officer to do all jobs. New employees were trained in Customs, immigration and agriculture controls. Employees already working for one agency were required to take cross-training courses to learn the duties and responsibilities of the other two agencies.

As shown by the report published by the Migration Policy Institute, the merging of these border-related agencies resulted in several improvements:

- A single contact point for persons entering the U.S.;
- A reduction in duplicative efforts;
- The ability to allocate more resources to facilitating trade and travel, and also to anti-terrorism efforts;
- Unified alert level and guidelines for entry ports;
- A single policy with regard to the use of force, firearms, kenneling of canines, and personal searches;
- Enhanced clarity of the border mission;
- The ability for individual CBP officers to integrate immigration, Customs, and agriculture authorities in their inspections, rather than being limited by their particular mandate;
- Consolidated technology, resulting in better incident-reporting, data management, automation, and travel and payroll systems.

Initially, there was widespread concern that the various agencies would lose their expertise, both at headquarters and in the field. Among the concerns cited was the fear that specialized skills would be lost through attrition. Indeed, the CBP management has come to realize that specialists are still needed in the border environment. If someone is an expert in insects, they should work in that area and not be checking passengers. In the end, the CBP has realized that there are limits to extensive delegation of powers across agencies.

Source: adapted from Meyer, 2005.

4.2.4 Corruption as an obstacle to effective border operations

Corruption is often blamed for poor border operations, with Customs receiving more than their fair share of the blame, largely on account of their (erroneously) being equated with all border operations. If corruption exists, this should not affect the delegation of border responsibilities, but needs to be factored into the design of procedures and the layout of facilities.

There are a number of factors that facilitate or even encourage corruption.

Queues, bureaucracy and delays encourage the payment of bribes. If processing is streamlined, goes quickly, possibly at a point away from the border, there are far fewer opportunities for rent-seeking. However, the fair-seeming solution of multiple checks and balances, as represented by the practice of separating processing between different agencies, is not always effective. In some countries, advance declaration schemes have been introduced. However, if the advance declaration processing and filing procedures are faulty, this results in new reasons for bribes.

Fraud or bribing in customs processes is proportional to their complexity. The more duplication of clerance procedures the more likley corruption is to occur. Also, when drivers do not have all the data and documentation for the transit declarations necessary at a border, and especially if such declarations are complex or feature final clearance documents, bribing is especially common.

Not reporting trucks remains a common form of fraud. Border guards/police and/or Customs officers are often paid large amounts of money to ignore certain entering vehicles. While in some cases such vehicles are merely overweight, this form of corruption can also open borders to major shipments of illegal drugs.

Inter-agency co-operation sometimes facilitates corruption. While Customs officials are not necessarily the most corrupt, they often collect bribes and share them with other agencies. Customs officers may think they have a free hand for extorting bribes if they consider themselves partners with border police or guards. Not only does a chain of corruption reap more profit than an occasional facilitation payment, but it is also the case that if agencies co-operate, the chances of getting caught are more remote.

Most of these types of corruption can be easily avoided by using computerized and automated data systems (see Chapter 7, "ICT and Non-Intrusive Inspection"), better border crossing point layout design, and downstream roadside checks (see Chapter 6, "Options for the Design of Border Crossing Points").

Vesting the role of keeper of ethics in a single agency (by definition, the border guard/police) may or may

not be effective. If a police force is known for integrity, this approach may work, but an act of delegation of this kind may affect the credibility of other agencies, particularly Customs, and may not encourage full support between agencies. As experience shows that even highly professional police officers can become contaminated in a corrupt environment, it is perhaps better to introduce an outside unit to investigate and curb corrupt practices. Investing in a general ethics programme is often a good practice. However, while corruption in border security and management agencies is an important issue, the fact that it requires greater in-depth discussion places it beyond the scope of the present publication.

BOX 4.5

The new Super Green Lane Plus

The Philippine Bureau of Customs has found a way to reward importers who adhere to ethical business practices. The incentive comes in the form of exclusive access to priority and hassle-free Customs clearance lanes called Super Green Lane Plus (SGL+). According to a Customs commissioner, what makes it different and better are its two complementary features, namely, the expansion of privileges accorded to the project adopters, and the establishment of an association whose membership is limited to port users who have earned the right to be classified as first among equals. SGL+ is a Customs facility that assures qualified importers a simplified, prompt and efficient Customs clearance process.

In addition to enjoying a shorter lead time in Customs clearance processing, exemption from document and physical examination of regular importation, and available pre- clearance processing, SGL+ association members are given a three-year exemption on Customs post-entry audits, a five-year Customs accreditation and the privilege to import articles not included in their list of regular importations. SGL+ association members are also exempt from the Customs Selectivity System. In cases where physical examination of imported goods is imperative, it may be conducted at the importer's premises. The SGL+ association currently has 32 member companies. These were given automatic membership because of their excellent records of transaction with the Philippine Bureau of Customs. The SGL+ is an application-based facility, meaning that those who would like to avail themselves of its benefits must apply with the association, which in turn undertakes a thorough evaluation of the application, upon which it makes a formal recommendation to the Bureau of Customs. The applicant must satisfy the following basic requirements: a good reputation based on a verifiable track record, engagement in a specific business, and non-involvement in illegal or irregular transactions.

Source: adapted from Philippine Department of Finance, Bureau of Customs, 10 January 2011.

4.3 Control procedures

The WCO Revised Kyoto Convention (RKC) provides a number of control procedures. As a basis, it states that all goods entering or leaving a Customs territory are under the control of Customs, including the means of transport (RKC 6.1), and that if necessary, control can extend beyond a border to a trader's commercial systems (RKC 6.10).

However, control needs to operate in a manner that does not create bottlenecks at the border. A range of modern customs techniques coupled with technology allows the Customs body to clear legitimate shipments more speedily, while implementing appropriate and even enhanced controls for higher-risk transactions. Techniques of this kind, which are covered elsewhere in this Handbook (see Chapter 5, "Risk Management and Selectivity" include initiatives such as the development of ICT systems, the introduction of risk analysis and risk management, and the use of audit-based control. These are augmented by co-operation with traders and with Customs administrations from other States, particularly those sharing a common border. Such initiatives help Customs to move away from 100 per cent examination of documents and shipments and toward more selective and focused controls.

4.3.1 Compliance and enforcement

There are two types of checks: "compliance checks" and "enforcement checks". "Compliance checks" are carried out in order to establish whether a given shipment (or its vehicle and documentation) conforms to the relevant laws and Customs rules. The term "enforcement" relates to those actions that encourage or force compliance, including prosecution of offenders leading to fines or imprisonment.

Compliance checks are applied to all forms of traffic, but are limited and selective. Their purpose is: 1) to discourage fraud by carrying out unpredictable verifications, 2) to test the reliability of economic agents and travellers, 3) to encourage professional performance by users, 4) to penalize violations, and 5) to reveal the need for more detailed checks and the updating of risk profiles.

Enforcement checks are designed to detect fraud, or at least irregularities. As such, they also have a deterrent effect. Enforcement checks have the tendency to be more systematic than compliance checks.

These two categories overlap widely. Indeed, if no offence is detected, all enforcement checks are compliance checks. In some sense, compliance checks postulate by default that everyone is honest, whereas enforcement checks are based on the likelihood of general fraud. Compliance checks are risk-based. They rely on risk strategies, policies and intelligence, and are often aimed at likely types of fraud. If used randomly, they have a destabilizing factor. In the early phases of implementing risk management,

random checks have often proven more effective than targeted checks. While on the one hand the purpose of compliance checks is to detect irregularities, they can on the other hand be used to update the risk profiles of users or types of transaction.

In cases where goods need to be examined, this should occur shortly after their declaration has been registered (RKC, Chapter 3, "Clearance and other Customs formalities", Standard 3.33). Examinations should be prioritized to allow precedence to live animals and perishables (RKC, Chapter 3, Standard 3.34). Other types of products might be also prioritized in urgent cases, for example, that of a spare part required for a large production line that would otherwise be shut down. Taking samples of goods is sometimes necessary to establish their characteristics, but samples should be as small as possible. During sample analysis, it is possible to release the rest of the goods to the trader in return for some form of security. For instance, if there is a classification dispute, pending a final decision this type of security might take the form of a payment that takes into account the shipment's duties and taxes.

4.3.2 Mutual recognition of data and findings

Most of the data collected at a border is straightforward or standardized. Furthermore, data on transit documents and licence plates do not change, at least in theory. It should therefore be possible to capture standard data only once, preferably using automatic collection techniques (document scans, optical recognition technology for reading licence plates, automated weighbridges), and then to make this data available to all relevant agencies at both sides of the BCP. Sharing data between border agencies is central to trade and transport facilitation. And sharing data between countries is essential for security programmes. These topics are covered in the following chapters of the present Handbook: Chapter 2, "From Domestic to International Co-operation"; Chapter 3, "Balancing Security with Trade and Transport Facilitation and Developing Partnerships with Private Industry"; and Chapter 7, "ICT and Non-Intrusive Inspection".

In terms of clearance processes and practices, mutual recognition of data and findings is critical for certain kinds of customs procedures, above all those that often have an economic impact on the global supply chain. For instance, parts can be specifically imported for assembly and then re-exported as finished products. Or a product might be imported for repair before being returned to the owner. To manage this type of clearance and allow the functioning of a drawback mechanism in which duties are suspended or refunded, data collected at import must be compared with data presented at export. Having such data easily available to all agencies is essential in fast-moving industries. When, for example, an imported faulty product enters by road but the exported repaired product is shipped by air, two different border points require access to the same information for matching and comparison. Access to information of this kind is also needed for inland clearances or audit-based controls.

4.3.3 Enforcement

The enforcement power held by Customs varies between countries. In some countries, Customs agencies have the power to search premises, while in others they have to rely on other border agencies to undertake searches. Such powers are not static: they can evolve. For instance, under certain circumstances Customs officials are allowed to access a trader's commercial records, for example, during an AEO accreditation process. National legislation should clearly specify the scope and methods of enforcement that are delegated to their Customs administration in order to avoid unscrupulous practices and promote predictability.

In EU countries, when a law defines an offence, the same law often enumerates the agencies responsible for its control, investigation, detection and prosecution. Legislators often take advantage of a particular mandate and the powers of a specific administration, entrusting

A targeted roadside check of a transit truck on a motorway lay-by in France.

these with responsibility for specific offences. This approach might be incorporated effectively into the legal system of many countries.

The WCO's Working Group on Commercial Fraud has made the following recommendations concerning the enforcement powers that should granted to Customs:

- Examination (to check compliance with the Customs law);
- Right of search (for illegal importation and exportation);
- Sampling;
- Seizure;
- Right to access documents;
- Post-import and post-export auditing;
- Detention or arrest;
- Charge;
- Prosecution;
- Restraint of assets;
- Exchange of information inquiries on behalf of other Customs administrations.

A model is needed for weighing the costs and benefits of either stricter or less strict regimes of compliance. Such a model should include traffic volumes, average time for release, levels of control and rates of detection. An additional input would be the number of cases with regard to 1) targeting, 2) intelligence, 3) random selection, 4) documentary or other background, and 5) multi-agency involvement. Comparisons between border stations and over time provide a broad model of compliance and facilitation, thereby highlighting the costs or benefits of individual detections. Such a model can be further refined to include different categories of violations (ranging, for example, from minor errors of documentation, formalities or negligence through to more serious offences and criminal activities).

The RKC provides a number of best practices for enforcement. On the one hand, enforcement should generally be the result of incentive measures designed to develop traders' compliance, for example, access to authorization and trade and transport facilitation. On the other hand, enforcement should include disincentives such as the withdrawal of authorizations or the levelling of sanctions such as penalties.

Enforcement legislation should describe the process to be undertaken following the discovery of a breach of Customs law (RKC, Annex H, Chapter 1, Standard 9), including the measures available, such as seizure.

When goods are detained or seized, Customs should inform the trader of the reason for the action, also providing a description of the goods that are affected, their quantity, and the nature of the offence (RKC, Annex H, Chapter 1, Standard 13). In some cases, such as offences relating to valuation, goods can be released to a trader against security pending resolution of the matter (RKC, Annex H, Chapter 1, Recommended Practice 14). Furthermore, an offence may only relate to a part of a shipment, in which case the part of the consignment not subject to the dispute may be released to the trader (RKC, Annex H, Chapter 1, Standard 12).

Moreover, the same offence can appear in various degrees of seriousness. For instance, incorrect information on a goods declaration may stem from a typing error or inaccurate information, or it may be the result of gross negligence or intention to commit fraud. Account should

Box 4.6 reproduces a UK Customs document (HM Revenue & Customs, 21 April 2010) released in reaction to the ash cloud resulting from the eruption of the volcano Eyjafjallajökull in Iceland in April 2010.

BOX 4.6

UK Customs reacting quickly to the ash cloud incident

Tariff Preference: Icelandic volcanic ash

Customs Information Paper (10) 29

Who should read: All involved with importing goods

What is it about: Due to the exceptional circumstances, the procedure for accepting scanned/faxed preferential proofs of origin has been temporarily changed

When effective: Immediately

Extant until/expires: 31 May 2010

Tariff Preference: Icelandic volcanic ash

1. Introduction

Due to the extra ordinary circumstances caused by the volcanic ash cloud, air mail and air courier mail into the UK is currently cancelled and is likely to be delayed until further notice.

2. Temporary measures on preference claims

Importers who have consignments waiting at port for release to free circulation, for which the required original proof of preferential origin has not yet arrived due to the volcanic ash problem, HM Revenue & Customs (HMRC) will exceptionally accept a claim to preference supported by either a faxed or a scanned copy of the original preference certificate (GSP Form A, EUR1, EUR-MED or ATR Movement Certificate) concerned.

The Customs import entry must therefore indicate in Box 44 that the necessary proof of preferential origin is held, together with the serial number of the faxed/scanned certificate and its relevant document code. Failure to include the appropriate document status code will result in a security requirement.

Once the situation has resolved itself, the original document(s) must be obtained and held by the importer for presentation to HMRC as and when required.

be taken of whether the declarant has taken "reasonable steps" to provide appropriate information (RKC, Annex H, Chapter 1, Standard 24). Procedures should be available in cases of inadvertent errors and minor offences. These should not be subject to heavy penalties (RKC, Chapter 3, Standard 3.39). It should also be taken into account that an offence may have occurred as the result of a *force majeure* (RKC, Annex H, Chapter 1, Customs offences, Standard 25).

In the case of a Customs offence, the party concerned must have the right to appeal to an independent authority (RKC, Annex H, Chapter 1, "Customs offences", Standard 27). When an offence has been identified, goods should, if possible, be released to the trader against security pending resolution (RKC, Chapter 3, Standard 3.43).

Enforcement best practices include consistency, transparency and fairness while providing rapid resolution. These are all important criteria for building predictability in the trading environment and limiting disruptions of the global supply chain.

4.3.4 Security

Despite the fact that security-based checks are imposed or highly recommended as international standards, they are reluctantly accepted by users. Supply chain security (SCS) is a concept that appeared in the aftermath of the September 2001 attacks. SCS is defined by the World Bank as follows: "Supply chain security (SCS) is the concept which encompasses the programs, systems, procedures, technologies and solutions applied to address threats to the supply chain and the consequent threats to the economic, social and physical well-being of citizens and organized society," (Donner 2009, p. 8). SCS is an enforcement approach based on detecting specific forms of criminality in commercial transactions. It is not possible to achieve 100 per cent compliance and/or security. Some models suggest that the more controls there are, the less effective they are at preventing major security breaches.

Pre-registration programmes

Truck drivers and their vehicles should be able to pre-register with and be pre-identified by immigration and Customs authorities. Subject to security clearance, they can thereby benefit from fast-track processing at borders. The benefits of such systems include the following: 1) Data can be collected and verified much more efficiently when there are no time constraints (i.e., before the person or shipment is actually crossing the border); 2) Applicants are more likely to be compliant if they know there is a benefit directly linked to pre-registration (and know they will lose this benefit if they commit a violation); 3) Control staff can be better specialized and deployed to deal with segmented populations of users; and 4) Use of technology can be optimized.

Accreditation programmes

While traders are not required to adhere to accreditation programmes, those who do are offered benefits in exchange. The EU's non-compulsory (but highly recommended) Authorised Economic Operator (AEO) designation offers reliable traders significant trade and transport facilitation benefits. However, some European countries feel that they have already awarded so much in terms of trade and transport facilitation that it is difficult to offer more in return for reinforced security requirements.

These programmes not only require adequate technology, which is readily available to many countries, but also an extensive network of communication, capacity for intelligence-sharing and auditing, and also the ability to identify reliable operators (and regularly assess their integrity). However, these sophisticated intelligence and risk management tools may not always be available or effective in countries that have had to cope with transition and with the rapid emergence of an (untested) private sector; in their legislation, organization and attitudes, such

BOX 4.7

Radiation detectors

Many countries have invested large amounts of money in radiation detection equipment and training. In the U.S., for example, virtually 100 per cent of arriving sea containers are scanned by radiation portal monitors. Also each Customs and Border Protection officer is required to wear a personal radiation pager. However, such equipment is not always used effectively.

At Long Beach, California, the busiest container port in the U.S., there are about 450 Customs inspectors. One third of these monitor and mitigate radioactivity alerts. The average traffic is 32,000 containers per day, generating about 600 alerts. In many countries where Customs have radiation control responsibilities, false alerts occur all the time. As a result, Customs officers often tune down the sensitivity of their equipment. Customs managers (or whoever has radiation control responsibilities) must make adjustments in their staffing, and assignment processes to accommodate the changes in work caused by the acquisition of new equipment.

Rotterdam seaport traffic amounts to about 20,000 containers per day, with 200 alerts. However, the Customs in Rotterdam do not take action in every case. They have a list of commodities that give off high levels of radiation, such as floor tiles or cat litter. If a manifest states that such commodities are in a container, Customs let it enter. To avert the risk of such commodities being used for smuggling – for example, surrounding a nuclear device with floor tiles – background risk management is carried out. This, however, negates the entire rationale behind having radiation detectors.

Source: compiled by the team of contributors.

countries typically still operate very largely on the basis of legacy systems. While their private sector organizations are publicly committed to voluntary compliance schemes, daily experience shows that their members often take advantage of gaps and weaknesses in the control chain.

Furthermore, different regions have different work environments. In EU countries, the U.S. and Canada, border security is largely seen as a matter for Customs; this phenomenon is historically determined, as Customs existed before border police or similar immigration authorities were granted border powers. There is also a fairly high level of inter-agency co-operation, which in many other regions is not the case.

4.4 Customs clearance policies

4.4.1 Clearance processes

The ways in which goods are cleared (either at the border or inland) may have significant consequences in terms of delays, transit management and potential fraud.

A Customs import clearance process typically consists of a number of distinct steps:

- *Cargo declaration by carrier to Customs*: The carrier declares the goods in his custody to the local Customs office. This is traditionally done upon the arrival of the goods. However, following the introduction of advance declarations, carriers are now able to provide this information upstream in the supply chain.
- *Temporary storage of arriving goods*: Goods are stored pending clearance.
- *Customs import goods declaration*
- *Preparation and submission of the goods declaration* by the importer/broker: The importer or agent submits a goods declaration, either on paper or by electronic means. In a modern Customs environment, this is done before the goods arrive.
- *Validation and acceptance of the goods declaration*
- *Automated risk management/channelling*: The risk management system weighs the risks, and the selection module channels the declaration to the red, orange or green channel.
- *Checking the goods declaration and supporting documents*: Documentary verifications are carried out if necessary, a typical example being the verification of the certificate of origin.
- *Assessment of the goods declaration*: carried out by a specialized Customs officer (optional).
- *Physical inspection* of the goods (optional): This can take the form either of a non-intrusive inspection with equipment such as X-ray, or of a manual inspection.
- *Collection of duties/taxes* by Customs (optional, by commercial banks): Except where there is a specific agreement of deferring payment, duty and taxes must be paid to enable the goods to enter free circulation.
- *Release of the goods* by Customs: Customs authorizes the release of the goods.
- *Delivery of the goods* to the importer: The importer gains access to the goods.
- *Post-clearance auditing* of importer by Customs (optional): Customs conduct an audit of a particular transaction, or of several transactions over a period of time.

In pre-shipment inspection regimes, shipments are inspected before export to establish factors such as value or quantities. This is then used as a basis for the goods declaration upon import.

4.4.2 Clearance at the border

Traditionally, shipments were cleared at the border. This corresponded to the objective of placing goods in compliance with national legislation as soon as they entered the Customs territory. This was fairly easy to implement in times when there was relatively little movement and when clearance operations were simple. Smuggling was easier to identify. This also meant that Customs did not need to establish an inland network of Customs houses. In the days when transport time was long, it did not much matter if goods spent one or several additional days at a border. Some countries retained this model for a long time (such as the U.S.), but border clearance time is rapidly decreasing.

When goods are cleared at a border, the importer is seldom present. This is usually because the goods are destined for use at an inland facility. It is usual for a clearing agent to take care of all formalities. If there is a difficulty, a need

Containerised cargo is processed.

for clarification or further documentation, or if additional formalities are required, the clearing agent interrupts the clearance process and contacts his client. This has a price, and also creates delays.

A clearing agent may be fined if he/she makes a mistake in a goods declaration (an event not unheard-of). The natural tendency is to pass the fine on to the importer, something that is easier to do when the importer is far away. While this does not mean that clearing agents are necessarily unscrupulous, they do have better leverage when they are operating from a border and are at a distance from importers. This is why clearing agents were initially reluctant to move towards the inland clearance model.

However, inland clearance policies have not created as many problems as were initially feared. The reasons for this are threefold. Firstly, the services of clearing agents have become better integrated through mergers with freight forwarders, and they now often offer door-to-door services. Secondly, most enterprises still require their services, despite the shift to inland clearance houses. For traders, establishing in-house clearance capacities is not easy, and quite often the costs are much higher than corresponding brokerage fees. It is often more economical to outsource. Clearing agents have also had a tradition of dealing with Customs, which allows them to make the interface between Customs and business smoother. Lastly, in a "broker-less" environment, Customs must provide extensive training and advice to importers, scrutinize the work done by importers in more detail, and devote more resources to routine company audits.

Operating hours

Border crossing points do not always operate around the clock. This may well not be necessary, particularly if the overall volume of freight traffic is low, or if drivers are reluctant to drive at night for security reasons. There may also be seasonal changes, based on cross-border movement patterns. However, the movement of some types of goods should be allowed outside working hours, notably in the case of perishable produce.

Although it may appear obvious that stations on both sides of a border should operate during the same hours, it does sometimes happen that the opening hours between parallel border crossing stations do not coincide. Different time zones have also generated co-ordination problems, as have differences between countries' public holidays. In most cases it seems that such problems have been solved, and larger facilities usually operate round the clock. Nevertheless, this implies a co-ordinated effort between the national administrations of the countries on either side of a border.

The following is an excerpt from the list of border crossing information of the Republic of Hungary, including opening hours and the typical type of traffic.

Table 4.1 The Hungarian-Ukrainian border

Barabás-Koszino	7 a.m. – 7 p.m.	Passenger traffic (except buses)
Beregsurány-Luzsanka	24 hours	Passenger traffic
Lónya-Zvonkoje	8 a.m. – 4 p.m.	Passenger traffic (except buses)
Tiszabecs-Vilok	24 hours	Passenger traffic
Záhony-Csop	24 hours	Goods and passenger traffic; Veterinary and phyto-sanitary border inspection post; Transport of dual-use products and technologies, cultural valuables, drugs and psychotropic materials, and dangerous waste.

Source: adapted from the Hungarian Customs and Finance Guard website, "Border Crossings".

Although legislation often specifies the Customs office where goods can be cleared (RKC, Chapter 3, Standard 3.1), generally legislation should not force traders to import or export certain types of goods via a particular Customs point (RKC, Specific Annex A, Chapter 1, Standard 3).

Standards and certification

The objective of standards is to reach some form of international, or at least regional, harmonization. The main source for standards in terms of clearance is the Revised Kyoto Convention. Other standards relevant to the clearance process, such as computer-messaging, are covered by the WCO data model. A multiplicity of standards can be a challenge unless they are coupled with harmonization, which provides for the acceptability of other countries' documents, certificates and findings. When applied to processing at borders, this leads to major improvements.

This applies in particular to the weight of freight vehicles. Vehicles crossing a border – are sometimes weighed up to four times. If the standards in one country are acceptable in the other, however, a single weighbridge reading will be sufficient. Integration efforts of this type are already practiced at the Polish-Belarusian and Polish-Ukrainian borders, where Polish weight tickets are informally used by Belarusian and Ukrainian authorities. Systematizing this approach is a good policy.

In 2001, the UNECE introduced an international weight certificate based on the certification of weighing equipment in the country of departure (Accredited Technical Inspection Centres). While the certificate is supposedly accepted by all signatory countries, its implementation nevertheless still seems to present difficulties.

This weight certificate is part of the UNECE International Convention on the Harmonization of Frontier Controls

of Goods (UNECE, Geneva, 21 October 1982). As stated in Article 2, it is aimed at "reducing the requirements for completing formalities as well as the number and duration of controls, in particular by national and international co-ordination of control procedures and of their methods of application." In addition, Annex 8, "Facilitation of border crossing procedures for international road transport", provides tools for harmonization. Among other things, it describes weight certificates: "Weight certificates shall be accepted as bearing valid weight measurements by the competent authorities of the Contracting Parties, and competent authorities shall refrain from requiring additional weight measurements apart from random checks and controls in the case of supposed irregularities."

A truck is weighed at the Brest-Koroszcyn border crossing point between Belarus and Poland.

4.4.3 Inland clearance

Inland clearance started to be standard in Europe in the 1960s, when Germany and France decided that border clearance should be the exception and not the rule. Germany introduced simplified clearance procedures for large importers and no longer required a separate import declaration for each shipment. France, which introduced a similar simplified scheme, also wanted to end the monopoly of border clearing agents and to eliminate the large border bottlenecks at points of entry, especially at Common Market borders.

Inland clearance has a number of benefits:

- Clearing at destination means that contact between

Box 4.8 is quoted from the website of the Swaziland Railway (Swaziland Railway, "Matsapha Inland Clearance Depot"). The text dates from 2007 and describes the implementation of an inland clearance depot and its benefits.

BOX 4.8

Inland clearance depots: The example of Swaziland

The worldwide growth of containerization as a mode of transporting goods and the expansion of Swaziland's export industries made the establishment of an inland container depot a logical development.

Following a feasibility study which took place in 1988 under the auspices of Southern African Development Coordination Conference, the Matsapha Inland Clearance Depot (ICD) was established in April 1993 at Matsapha Industrial Site.

The objective was to meet the needs of importers and exporters, which included streamlined services that are both time- and cost-sensitive. It also aimed to broaden Swaziland Railway's revenue base.

The depot has served its objective. It is effectively a dry port (an international satellite port) and ideal for a landlocked country such as Swaziland as it incorporates all the services associated with a sea port.

These include:

- Handling equipment from 3m, 6m, and 12m containers;
- Road trailers and vehicles to run a door-to-door service for clients;
- Customs clearance facilities, facilitating the issue of through bills of lading between overseas origins/ destinations and Swaziland;
- Computerized tracking of containers;
- Temporary storage of containers.

This is augmented by a dedicated team of staff members.

These containers are moved by road to the ICD, then by rail to the seaport and then transferred to ships. Over the years, container traffic increased quite rapidly. In order to continue running the ICD efficiently it became necessary to upgrade its infrastructure and facilities.

In 2002, the stacking area of the ICD was upgraded to a sturdier and harder surface. A reach stacker was purchased capable of stacking empties 5-high and loaded containers 3-high, with a safe working load (SWL) of 45 tonnes. This made the ICD safer, allowing easier and more effective movement of traffic, which has become critical in the ICD's daily operations.

From initial container traffic growth of an average of 2500 TEUs (twenty-foot equivalent units) per annum (pre-2002) to an average of 10,000 TEUs per annum the growth has been substantial. The rapidity of the growth in traffic has already made the current stacking area relatively small for its purpose.

To further serve clients the following additional on site services are available:

- Port charges are collected by Swaziland Railway on behalf of South African Port Operations (SAPO);
- Customs offices for clearance of goods are located within Swaziland Railway Matsapha premises;
- Agents of shipping lines, among others MSC Logistics, Safmarine or Cross Country, are accommodated in the same station building as the Swaziland Railway administration personnel;
- Some clearing and forwarding agents have offices within Swaziland Railway premises and others are within Matsapha Industrial Site.

Customs and importers is more direct, thus facilitating requests for additional information, clarification, or even simply the collection of penalties;
- Importers can set up their own clearance unit within their own company, which can benefit from Customs guidance. If they choose to use the services of clearing agents, the contact is more direct;
- The fact of simpler formalities expedites traffic at the border;
- Goods are cleared where they are consumed, thus eliminating the need for repeated unloading and reloading. Inland clearance reduces the number of stops and waiting time and hence, the cost of imports upon delivery.

There are also a number of technical reasons why inland clearance is more practical.


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Container terminal.

Clearance is now a complex process, requiring Customs officers to have specialist skills. They must be able to classify sophisticated goods using the Harmonized Code, to access exemptions based on Rules of Origin, and to

Box 4.9 is adapted from the document *The World Bank in Afghanistan: Country Update*, available on the World Bank website (The World Bank, 2007).

BOX 4.9

Inland clearance in Afghanistan

The debate about BCP or inland clearance also applies in Afghanistan. Traditionally, all goods entering Afghanistan were cleared at the first point of entry (border), but duties collected at the border were often diverted by the provincial authorities, to the detriment of the State budget. The system was characterized by revenue losses, inadequate control, and a high level of corruption.

An inland clearance scheme was introduced, with duties being collected in major cities where accounts were easier to control. State Customs revenue increased significantly.

The scheme was supported by a World Bank Emergency Customs Modernization and Trade Facilitation Project. Its aims included the following:

- Supporting Afghanistan's efforts to increase Customs revenue;
- Reducing transport-related trade costs;
- Stimulating trade;
- Reducing corruption;
- Streamlining border procedures.

The project focused on and supported:

- The development of physical infrastructure at border crossing stations;
- Inland clearance depots such as the Kabul Inland Customs Depot (ICD);
- Transit checkpoints;
- The Customs facilities at Kabul airport;
- Policy changes;
- Strengthening the Government's administration of the customs and transit systems, including communications and the introduction of computerization;
- Providing technical advice on trade and transit agreements;
- Assisting in establishing the authority to set the environment for Standard, Metrology, Testing and Quality in Afghanistan.

The results of the project have included:

- Implementation of the ASYCUDA Transit Module, supported by extensive training of Customs officials, brokers and traders;
- All Customs locations being equipped with radio equipment for use in enforcement activities and improving communications. Vehicle registration links with borders for Kabul and Heart Traffic Police have also been established;
- Establishment of a Training Co-ordination Unit by the Customs Training Institute, which has initiated a fast-track training project;
- Development of an Afghan Customs Department website on which Customs tariffs, codes, procedures and clarifications are available;
- Progress on infrastructure delivery, with more than 56 facilities being constructed or repaired and functionally improved;
- The formation of the national Afghan Freight Forwarders Association (AFCO), which has gained membership in the FIATA (International Federation of Freight Forwarders Associations);
- Developed by UNCTAD of training courses for forwarders;
- Assistance provided through UNCTAD to the AFCO for determining a legislative framework and review of Transit Trade Agreements (ATTA) with neighbouring countries;
- Establishment through presidential decree of the Afghan National Standards Authority (ANSA).

assess Customs values using WCO valuation methods. Officers must judge whether metrology and standards laboratory analysis and sampling is needed, and whether a shipment should be referred to specialized Customs units. All of this is more convenient in a major city than at distant BCP sites. It is not realistic to install Customs laboratories at all BCPs, and it is both uneconomical and ineffective to post highly specialized valuation or origin officers at borders. This is because it is rare for such expertise to be regularly needed at a specific BCP, and because such specialists work better in teams that can pool their experience and skills.

Another benefit of large centralized locations for Customs clearance as opposed to remote BCPs, is better control over potentially corrupt officials, who thus become more accessible to auditors.

Additionally, when clearance is performed in centralized locations, it becomes easier to ensure policy consistency. Customs administrations all over the world encounter the problem of different locations interpreting Customs rules and procedures differently. This obviously has an impact on revenue collection and also results in the distortion of trade patterns due to "port shopping".

4.4.4 Border or inland?

When deciding upon the best policy, several issues need to be taken into consideration.

The size of the country and its geography are important. Waiting at the border of a large country represents a smaller fraction of overall transport time than waiting at the border of a small country. Inland clearance makes more sense in smaller countries and is thus the preferred practice in the EU. However, the location of major economic centres is also a factor. Border clearance is often sufficient if a major city is near the border. However, if border stations are far from a major city, it may be better to clear inland.

Policies regarding traffic flow need to be taken into account. In theory, inland clearance reduces border bottlenecks. If the priority is to keep roads open and clear, then it is better to clear inland. However, if traffic volumes are low, clearing goods at the border is sufficient. Indeed, there may also be other reasons for stopping traffic at the geographical border.

ICT resources are important. When computerized data is used for border procedures (preferably captured automatically), and if that record is properly audited, lack of consistency in procedures or duty shortfalls can be better controlled with inland clearance.

Dual procedures should be eliminated. Clearance processes that are formally conducted inland are often preceded by border procedures that are just as extensive. In such cases, there is a large measure of duplication. Clearing inland then amounts to clearing the goods twice (or even three times when detailed advance notification is required). Such policies should be changed.

A reliable transit system is a necessity for inland clearance. Although cross-border commercial traffic is covered by international transit arrangements, policies remain to be made concerning bilateral road traffic. A distinction may be made between various transit regimes for deciding who is required to clear at the border and who is allowed to proceed inland.

Regionalized revenue target issues may also affect clearance policies and impinge on importers' freedom to clear wherever preferred. This results from individual Customs houses trying to retain their own revenue-generating users.

Box 4.10 is adapted from an EU Customs Union document on Customs procedures and policy (EU Customs Union, 2010).

BOX 4.10

EU Customs procedures and policy

EU legislation, entered into force on 1 January 2011, requires an entry summary declaration (ENS) to be lodged electronically before the arrival of goods in the Customs territory of the Community or before loading containerized cargo in deep sea traffic.

The deadline for lodging the ENS varies according to the transportation mode:

- Containerized maritime cargo (except short sea containerized shipping): At least twenty-four hours before commencement of loading in each foreign load port, if at least one call of the vessel is foreseen at a port in the Customs territory of the Community;
- Bulk/break bulk maritime cargo (except short sea bulk/break bulk shipping): At least four hours before arrival at the first port in the Customs territory of the Community;
- Short sea shipping (movements between Greenland, Faroe Islands, Ceuta, Melilla, Norway, Iceland, ports on the Baltic Sea, ports on the North Sea, ports on the Black Sea or Mediterranean, all ports of Morocco and the Customs territory of the Community except French overseas departments, the Azores, Madeira and the Canary Islands): At least two hours before arrival at the first port in the Customs territory of the Community;
- Rail and inland waterways: At least two hours before arrival at the Customs office of entry in the Customs territory of the Community;
- Road traffic: At least one hour before arrival at the Customs office of entry in the Customs territory of the Community;
- Combined transport: The deadline for the means of transport that enters the Customs territory of the Community (for example, for a truck on a ferry in short sea traffic, the time limit is at least two hours before the ferry's arrival at the first port in the Customs territory of the Community).

4.4.5 Pre-clearance and advance information

In a well-organized and well-managed environment with functional cross-border ICT links and interconnections between agencies and their ICT systems, it should be possible to follow a shipment, both physically and administratively, from its point of origin through to its destination. The location of the clearance point would then be irrelevant, since clearing would be done according to the data available before departure and duty would be paid at some point during the transport chain. This is the approach that is recommended by the World Customs Organization in the SAFE Framework. Under such arrangements, stops at the border and the point of destination can be kept minimal for the majority of shipments.

In accordance the SAFE Framework, many Customs organizations require traders to supply advance information before goods arrive at the border. This gives Customs additional time for risk analysis, and accelerates the release of traders' goods. Such requirements have various names, such as Advance Commercial Information or Advance Cargo Information.

BOX 4.11

Finland's border management method

The Finland border management method provides a model of functional integration within a specialization-by-agency framework.

Finnish Customs consider their job to be the management of borders, wherever these may be, including within the territory, with a virtual border concept translating into suspense regimes and inland clearance. This is based on where the risk starts more than where goods actually enter the territory.

A Finnish government decree has established total inter-connectivity between Customs, the police and the border guards, all of whom work together on a basis of equality and most immediate competence.

Customs have a responsible attitude towards the impact that border processing has on trade, and have streamlined border processing to the best extent possible by means of computerization and the piloting of new EU tools such as the pre-alert Export Control System.

Finnish border facilities are jointly managed by the border guards and Customs, with a control room in which a border guard and a Customs official jointly decide on traffic management, the opening or closing of lanes, the specific surveillance of certain types of traffic, and the assignment of resources from one or the other agency. At the border with the Russian Federation, the underlying principle is to rationalize traffic flows to reduce Russian queue overspill onto Finnish territory. Daily traffic at the Nuijamaa land BCP (the second most important border crossing with the Russian Federation) represents over 700 trucks, 1,656 cars and 4,500 passengers (with an average time of five minutes for processing and checking trucks, and very occasional, targeted X-ray scans). Procedures are computerized and web-based. When Finnish Customs needs to check the weight of an incoming truck, it often relies on the Russian weight ticket. Customs also use automatic vehicle registration number plate-readers (scanners) for traffic-monitoring and control purposes. Border line checks are also accelerated because of the ability of Finnish Customs to carry out downstream checks anywhere on national territory.

Source: T. Kivilaakso, Eastern Customs District of Finland, Presentation at an OSCE seminar in Minsk, 2008.

4.4.6 Clearance formalities

The RKC provides clear guidelines for clearance formalities. According to the RKC (Chapter 3, Standard 3.12), "The Customs shall limit the data required in the Goods declaration to only such particulars as are deemed necessary for the assessment and collection of duties and taxes, the compilation of statistics and the application of Customs law." However, traders may not always have this information at the time of clearance and may lodge a provisional declaration (Chapter 3, Standard 3.13), thereby obtaining the release of the goods upon payment of duties and taxes; all with the necessary security (Chapter 3, Standard 3.14). The same principle should apply to supporting documents (Chapter 3, Standards 3.16 and 3.17). Customs can also permit lodging the goods declaration at any Customs office and by electronics means (Chapter 3, Standard 3.20 and 3.21). Such facilities increase the predictability of the clearance process and the clearance time for compliant traders. It gives national traders the possibility of using logistics methods commonly used by their international competitors, such as "just in time".

For authorized traders (Chapter 3, Standard 3.32), such as those traders participating in an AEO programme, the release of the goods can be against the provision of a small amount of information, with the trader being required to provide a final goods declaration later. Customs can allow clearance to be done at the trader's premises and with periodic submissions instead of the goods declaration being submitted on a transaction basis. For example, a monthly goods declaration can be submitted, containing all the imports and exports in the respective month. Traders can also be allowed to use their own commercial records for self-assessing duties and taxes, and to ensure they are compliant with the applicable rules and regulations. Here, the trader is delegated the tasks of compliance and revenue collection by Customs. Traders obtain thereby fast clearance, control over compliance, and relief from Customs brokers' costs.

Duties and Taxes

Compliant traders expect to pay duties and taxes and factor these costs into their budget structures accordingly. As

Customs usually aim for predictability and transparency, various means and terms of payment are provided. The various means include cheque, bank transfer, credit card or bank draft, while the available terms may be payment upon clearance of the goods, or on account.

Payment upon clearance allows the goods to be released to the trader once duty and taxes have been paid. However, for regular importers this can be cumbersome. For instance, a large manufacturer may receive several shipments coming from various suppliers on a single day. This might be the result of a "just in time" management technique. To simplify the collection of duties and taxes, both for Customs and traders, some Customs authorities offer the possibility of paying due amounts periodically, rather than on the basis of each transaction. In this case, the trader has an account with Customs, and duties and charges are deferred (Chapter 4, Standard 4.15) for an agreed period of time. At the end of this period, the trader receives an account transaction statement and notification of the amount due. Such accounts should have a credit limit and be secured by a guarantee, such as a bank security. When traders import goods that incur more duties and taxes than the maximum allowed on the account, the usual agreement is to have the difference paid at the time of the transaction, which is a condition for the release of the goods.

Box 4.12 is quoted from a United Nations Public Administration Network document, Case 820.

BOX 4.12

The integrated duty and tax system of Polish Customs

When it became clear that Poland was joining the European Union, Polish Customs began preparatory work on overcoming significant challenges. For example, 260 different applications, technologies and IT platforms were being used within the Customs service, with security often insufficient or totally lacking.

The implementation of an integrated Customs duty and tax system for Polish Customs was undertaken. This comprised several discrete projects, covering activities such as ZEFIR, a budget accounting and tax/Customs settlement system, and CELINA, a declaration processing system including validation and risk analysis modules, a reference data sub-system, and a data warehouse and Customs government gateway.

The current system is well established, operates on a large scale over the whole country and offers extensive functionality in supporting all Customs procedures and documents, as well as the financial processes relating to collection, settlement and justification of Customs duties and taxes due. In addition, it supports the budgeting and accounting functions of all Customs department activities and provides a well-used means for electronic data interchange with traders.

It is very important to note that the integrated Customs duty and tax system has been audited by European Union experts, who have confirmed that it is ready to support Customs processes on the new eastern border of the European Union.

Impact: This programme provides significant benefits for all its users and for the country. It shortens and automates the financial accounting process, streamlines document flow and makes comprehensive and up-to-date data available for audit and analysis. It has been nominated several times for the eEurope Awards for eGovernment.

4.5 Customs clearance procedures

The Revised Kyoto Convention also contains guidelines for clearance procedures in the ten Specific Annexes that cover individual customs procedures and practices. Although voluntary, the WCO recommends that contracting parties accept at least some of the Specific Annexes such as, for instance, import, export, warehousing or transit. The provisions of the RKC can be used as a checklist for a point-by-point comparison between best practices and what currently exists in a country's customs code.

Cumbersome clearance procedures and practices are likely to create bottlenecks at borders and discourage traders and foreign investors. A competitive advantage is gained by efficient clearance processes. This is a relatively new sales argument for attracting businesses to countries. However, it is a good indication of the growing importance of efficient clearance. In recent years, many countries have set up government agencies specifically for attracting foreign direct investment. Their role is to promote the country's business environment and convince potential investors to settle in the country. These agencies usually have an internet presence with an "invest in ..." website where they present the assets their country can offer to investors. In the global competition to attract businesses, Customs administrations, when efficient, are increasingly cited by these agencies as an asset for industry, ultimately separating countries with efficient border processes from those that do not have them. Efficient clearance processes are a sales argument and an efficient Customs administration is a competitive advantage.

The implementation of the various RKC annexes aligns the import and export clearance process with international standards. The efficiency of these procedures is indispensable for national manufacturers wishing to enter the global supply chain, offering one further example of how good Customs administrations support trade.

4.5.1 Customs procedures that facilitate trade

Again according to RKC guidelines, there are a number of procedures that Customs can undertake to encourage international trade. Many of these involve waiving or deferring the payments of duties and taxes.

Re-importation into the same State should be allowed, under appropriate circumstances, even if only part of the previously exported consignment has been returned (RKC Specific Annex B, Chapter 2, Standard 2), if the initial exporter is different from the importer (RKC Specific Annex B, Chapter 2, Standard 3), or if the goods have been used or damaged (RKC Specific Annex B, Chapter 2, Standard 4). This procedure can apply to goods under other customs procedures (RKC Specific Annex B, Chapter 2, Standard 6), such as Customs warehousing. Goods should only be required to return through the customs point from which they were exported if this facilitates the re-importation procedure (RKC Specific Annex B, Chapter 2, Standard 9). This might include, for instance, the part number or the serial number of a product. International companies usually produce their invoices through commercial systems from which such data are easily available. For them, if the requirement is clearly specified, it is thus quite easy to meet. Delays are caused by situations such as the serial number being required upon import, but the part number being requested at export.

Drawback: The cases in which drawback is available should be specified by the customs regulations (RKC Specific Annex F, Chapter 3, Standard 2), as this can be used in a wide range of situations. Traders need to know in advance whether they can rely on drawback, as it will affect their budgeting. Regulations should also specify, among other things, whether imported goods, when then exported, can be replaced by equivalent goods (RKC Specific Annex F, Chapter 3, Recommended Practice 3). This may be the case when imported goods that are damaged or beyond economical repair are received at a repair centre and a replacement must be returned instead.

Temporary admission allows for goods to be admitted temporarily with total conditional exemption from import duties and taxes (Specific Annex G, Chapter 1, Standard 3). It is granted in a number of circumstances listed in customs regulations (Specific Annex G, Chapter 1, Standard 2). Under a temporary admission procedure, it should be possible to re-export goods from a different office than the one used for import (Specific Annex G, Chapter 1, Standard 17), and in more than one consignment (Specific Annex G, Chapter 1, Standard 18). If a cash deposit is paid as security at import, this should be repaid at the office of re-exportation, even if the latter is different from the import point.

A truck is unloaded at a customs warehouse.

A container is loaded.

Customs warehouses: As Customs warehouses have a wide variety of critical functions in the global supply chain, their efficient operation is thus important for international distribution. Any type of goods can be admitted to public warehouses (Specific Annex D, Chapter 1, Standard 6), provided they do not contravene customs laws. However, for private warehouses customs should specify which type of goods can be stored. When goods are entitled to reimbursement of duties and taxes upon exportation, entering the customs warehouse should immediately qualify them for reimbursement (Specific Annex D, Chapter 1, Recommended Practice 7), provided they are subsequent-

ly re-exported. Customs warehouses are widely used by traders to delay the tax point for duty and taxes, which helps improve the business cash flow. In some countries, goods can be re-valued in Customs warehouses. This is an advantage for industries with seasonal products, such as the fashion industry, in which goods lose their value as the season advances. Customs warehouses are sometimes used as a purchasing strategy, in which benefits can be had from low interest rates in the purchasing currency. They are also an important link in the global supply chain, as they can customize generic products close to the consumer market. For instance, products packaged in unmarked boxes or cans can have labels in the local language applied in Customs warehouses.

In many countries, Customs administrations have gone further than just implementing procedures to facilitate trade. Many have reorganized their structure to deal with large traders, using measures such as introducing account managers. Hotlines have been set up to answer trader enquiries and provide advice, and seminars and training sessions have been organized. Such activities help increase the level of compliance in the vast majority of traders who are willing to comply but are unsure about compliance requirements. Such support of compliant traders is another competitive advantage that can be part of a country's policy of making itself attractive to foreign investors.

4.5.2 Customs procedures used to promote a country's economy and attract investors

Countries usually compete to attract investments that create jobs and trade opportunities for sub-contractors. However, for such an advanced logistics process to operate, host countries need modern, transparent, predictable and efficient customs processes, as Customs is a critical link in the supply chain. Here, two other useful customs procedures are introduced.

Inward processing: This is a complex procedure that is used, for instance, by repair centres or contract manufacturing. Traders import raw materials, parts or products with a relief of duties and taxes based on the condition that the finished product is re-exported. This allows traders to develop economies of scale by using

Box 4.13 is quoted from the Osec Business Network Switzerland website (Osec, "Customs and excise", 2011).

BOX 4.13

Customs as a service organization: The example of Switzerland

Although Switzerland has been a member of the Schengen Area since the end of 2008, it is not part of the European Customs Union. As a result, customs controls remain in place. The most important document for customs clearance is the customs declaration, which must be accompanied by the exporter's invoice (indicating the weight) and confirmation of origin. A certificate of origin is required if one wishes to benefit from preferential duty rates or if the goods are to be re-exported.

Unlike most other countries, Switzerland uses a system of customs clearance based on weight. This specific customs duty is therefore levied on products from non-EU/EFTA countries on the basis of weight. As a result, Swiss customs duties are usually lower than those of other countries. This favours the importation of high-quality technical components, which weigh very little but are extremely valuable.

In line with other countries, Switzerland levies taxes and duties at its borders, such as the mileage-related heavy vehicle toll (MRHVT), the tobacco excise tax and the CO2 levy. At a standard rate of 7.6%, VAT is much lower than in neighbouring countries (Germany: 19%, France: 19.6%, Austria: 20%, Italy: 20%).

Goods that are only intended to be held in Switzerland temporarily in intermediate storage can be stored without customs clearance and duty unpaid in bonded warehouses. The goods are therefore in transit between the border and the bonded warehouse. The subsequent exportation of the goods is then subject to the customs tariff of the importing country. The goods so stored may not be processed, or they become liable for normal customs clearance. Bonded warehouses are public facilities. They are operated by private warehousing companies and are open to all interested parties. There are bonded warehouses on all key transport routes, at major freight depots and airports, and in particular in border areas. Open bonded warehouses, meanwhile, are used for storing goods that have not been cleared through customs on a company's own premises. They are usually operated by shipping companies and are becoming increasingly important. There are now over 150 open bonded warehouses.

The used household effects of persons moving to Switzerland that are intended for their continued personal use are exempt from customs duty. At the time of importation, the completed official form must be submitted to the Swiss customs office. Clearance of household effects must take place during customs office opening hours.

The Swiss Federal Customs Administration sees itself as a service organization. It provides information for customers on simplified procedures and rules and advises on practical issues such as proof of origin, processing arrangements and VAT at the time of importation.

Fotolia

a single manufacturing plant to produce products for a larger geographical region. Inward processing is among the best practices listed in the RKC. To use inward processing, a trader must obtain an authorization describing the process and details of the operation to be permitted (RKC Specific Annex F, Chapter 1, Standard 9). Applications can be punctual (in the sense of dealing with a single consignment) or general, as in the case of a trader regularly using inward processing (RKC Specific Annex F, Chapter 1, Recommended Practice 11). Inward processing regulations should specify the requirements related to the identification of the goods (RKC Specific Annex F, Chapter 1, Standard 14). The procedure is generally terminated by exportation, either in one or several consignments (RKC Specific Annex F, Chapter 1, Standard 20). More importantly for land borders, it should be permitted for the compensating product to be exported through a different Customs office from the one through which the goods were initially imported (RKC Specific Annex F, Chapter 1, Standard 19).

Outward processing: This has many formalities that are similar to inward processing. Outward processing involves half-finished products being exported for completion, whereupon the products are re-imported to be sold on the home market. This is usually subject to authorization, although prior authorization should be limited as much as possible (RKC Specific Annex F, Chapter 2, Standard 4). Identification requirements should be laid down in regulations (RKC Specific Annex F, Chapter 2, Standard 7) in order to ensure consistency between border points. As in the case of inward processing, it should be possible to import the compensating product from a different Customs office than the one through which the initial product was exported (RKC Specific Annex F, Chapter 2, Standard 10), and it should be possible for the re-imported product to arrive in one or several consignments (RKC Specific Annex F, Chapter 2, Standard 11).

Both procedures demand a high level of information management from Customs, with the information having to be processed centrally and well communicated to border points. Such procedures cannot be handled manually, at least not in any large volume. They need both speed and also accuracy and availability of information.

4.6 Customs transit

The term *transit* is used to describe goods that are being moved from one Customs location to another. Transit can be *international* (or external) – between two Customs territories, implying the crossing of a border – or it can be *national* (or internal) – between Customs locations within the same Customs territory.

From the perspective of a country's Customs administration, transit operations essentially cover:

- Determining whether a loaded vehicle entering the country complies with the requirements for external transit, and ensuring that the completion of the transit at a point of exit is duly documented. If not, proceedings must be launched against the transport operator.
- Doing the same for transit of vehicles from a border to an inland Customs house or vice versa. Internal transit essentially shifts the border to another, more convenient location, whereupon Customs processing is often split with another agency.

At border stations where it is possible, vehicles meeting a set group of conditions should automatically qualify for the "green channel" or "fast track".

Box 4.14 is based on information provided by the State Customs Committee of Belarus (2011).

BOX 4.14

Belarus: A single format for transit declarations

In January 2011, the Belarusian Customs authorities and their colleagues in Kazakhstan and the Russian Federation adopted a simplified customs clearance procedure for transit within the Customs Union of Belarus, Kazakhstan and the Russian Federation using a single format transit declaration valid throughout the Union.

This type of simplified "through"-transiting provides not only for a single-format transit declaration, but also for a unified system of guarantees. When crossing territories of the Customs Union member States, carriers no longer need to have a new national transit document processed, nor do they need to worry about having a new guarantee of customs duty payment and taxes issued at each crossing.

Thus, for example, having processed a transit declaration in Belarus for any cargo coming from Europe and going on to China, the carrier can take that declaration through the territories of Belarus, Kazakhstan and the Russian Federation without the need to have any new documents issued.

BOX 4.15

The need for transit: The example of Afghanistan

In Afghanistan, until 2005 all clearance was carried out at the border. Clearance was characterized by revenue losses, inadequate control and a high level of corruption. A policy was then adopted for all traffic that could be sealed to be cleared at the point of destination. This required better control over transit, which was provided by using the ASYCUDA transit module. After clearance was shifted to inland locations, revenue went up immediately, as did the volume of reported trade.

However, the system has not been used to its full capacity. First, many trucks crossing the border could not be sealed, and thus had to be cleared immediately instead of at an inland clearance facility. Secondly, no border-to-border transit system was introduced, which implied that goods coming, for example, from Pakistan and destined for Tajikistan first had to be cleared for import when entering Afghanistan, and then again for export when subsequently leaving the country for Tajikistan.

4.6.1 The TIR regime

One good example of a best-practice transit policy is the TIR regime. The "Transports Internationaux Routiers" (International Road Transport – TIR) system is the only regime designed for global international transit – although to date, the countries using it are still limited to Europe, Central Asia and parts of the Middle East. All the same, its principal advantage is that it is actively used today by some 57 countries, along with the well-developed European trucking market.

The United Nations Economic Commission for Europe (UNECE) administers the TIR Convention, which was established in 1959 and extensively revised in 1975. At present, it has 68 Contracting Parties. The TIR Convention provides for an internationally recognized procedure to facilitate the cross-border transportation of goods in transit through the use of a standard, internationally recognized customs document – the TIR Carnet – which also serves as proof of an internationally valid guarantee.

Specifically, the TIR regime rests on five "pillars":

- Goods should travel in Customs-secure vehicles or containers;
- Throughout the journey, duties and taxes at risk should be covered by an internationally valid guarantee;
- Goods should be accompanied by an internationally accepted customs document (TIR Carnet), opened in the country of departure and serving as a customs control document in the countries of departure, transit and destination;
- Customs control measures taken in the country of departure should be accepted by all countries of transit and destination;
- Access to the TIR procedure for national associations to issue TIR Carnets and for natural and legal persons to utilize TIR Carnets is subject to authorization by the competent national authorities.

BOX 4.16

A case of a non-sealed truck

This truck would presumably not qualify for the TIR system. The internationalization of transit systems has often involved improving the state of national road fleets. In the below example, the method of placing a secure tarpaulin over the load which could be sealed may enable this load to be acceptable for international transit.

Source: Tomczyk, 2011.

Transit documents.

4.6.2 The eTIR project

Many users of the TIR system complain that the TIR Carnet is still a paper document, preferring instead an electronic replacement. This issue has still to be resolved by the TIR Contracting Parties. The "eTIR-project" is being undertaken with this goal in mind.

Background

The following text is quoted from the UNECE website, which describes the introduction process of the eTIR system.

"For many years the TIR Convention proved to be an efficient facilitation tool. However, with the progress in technology, the use of the paper TIR Carnet is increasingly becoming archaic, in particular when it comes to linking it to the electronic procedures applied by national Customs administrations. At some border crossings, Customs officers are faced with the additional work of having to key in up to 50 data elements into their national electronic Customs system. In addition, the current situation does not enable Customs authorities to effectively apply risk management procedures based on advance cargo information, as demanded by an increasingly more security-conscious environment.

Pending the introduction of a fully fledged computerized TIR system at the international level, various contracting parties to the TIR Convention have already started introducing national requirements regarding the delivery and the processing of TIR Carnet data in their national computerized customs systems.

In 2003, the contracting parties to the TIR Convention launched the so-called eTIR Project, aimed at providing an exchange platform for all actors (Customs authorities, holders, i.e., persons authorized under the provision of the TIR Convention to use the TIR system, guarantee chains) involved in the TIR system, which is known as the "eTIR international system". The eTIR international system aims to ensure the secure exchange of data between national customs systems related to the international transit of goods, vehicles or containers according to the provisions of the TIR Convention, and to allow Customs to manage the data on guarantees, which are issued by guarantee chains to holders authorized to use the TIR system.

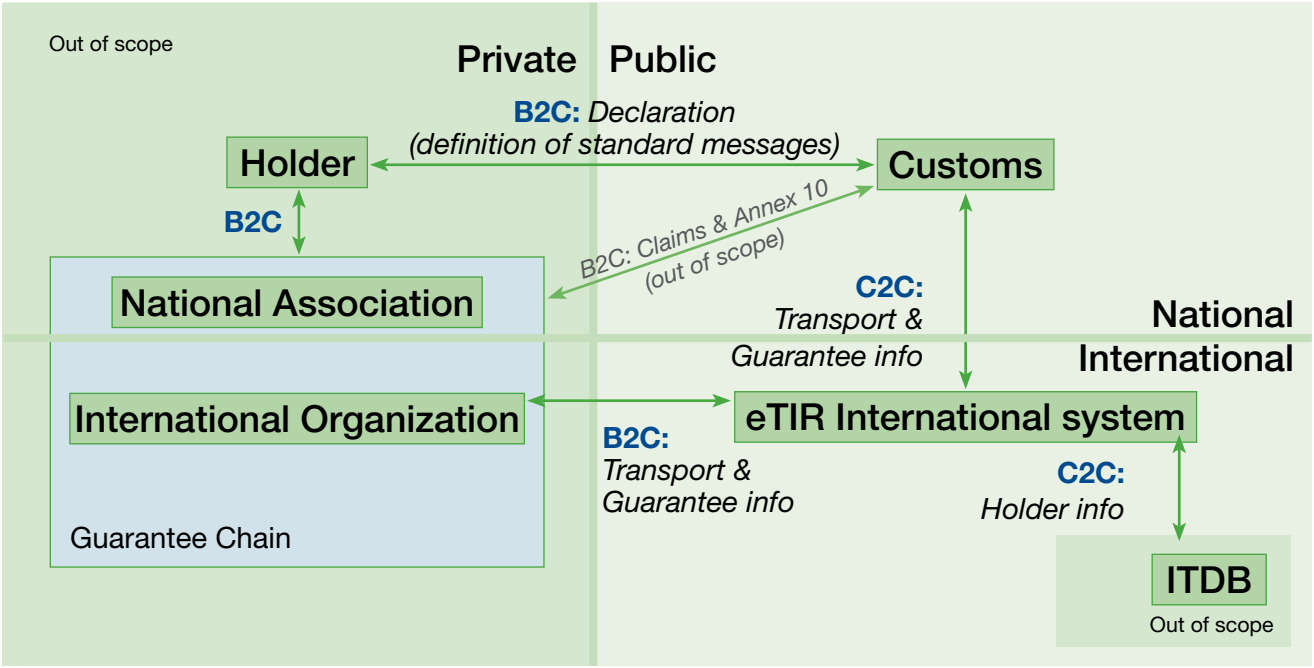
Diagram 4.1 below gives a graphic representation of the information exchange between the actors in the eTIR system. It shows that only a part of the information flow required for the functioning of the TIR procedure passes through the eTIR international system. It also shows that the eTIR international system does not extend to the submission of a TIR declaration by the holder. At the request of the TIR contracting parties and the industry, the technical realization of electronic declaration systems will be left up to initiatives at the private or national level. However, the eTIR Project will define the content and format of the national declaration messages.

The eTIR system depends on parallel efforts between the contracting parties and the guarantee chains to develop or update and interconnect with national and private systems.

An example of an eTIR transport

In the eTIR system, a holder first requests a guarantee from a guarantee chain to perform a given TIR transport. If the request is granted, the guarantee chain provides the holder with a guarantee reference number. The guarantee chain then registers the issued guarantee with the eTIR international system. In the next step, the holder sends

Diagram 4.1 Information flow between actors in the eTIR system



a standard advance cargo information message (i.e., all information contained in the declaration) to the Customs authorities of the office of departure, using a national declaration mechanism, allowing them to perform any required risk assessment procedures. Then the holder presents vehicle, goods and guarantee reference at the Customs office of departure for the purpose of lodging the declaration, which is based on the advance cargo information message already available in the national Customs system. Customs inspect vehicle and goods according to the results of the risk assessment and verify the status of the guarantee with the eTIR international system. If all checks are in order, Customs accept the declaration and forward the relevant TIR transport data (declaration data, results of the checks, seals numbers, etc) to the eTIR international system. The eTIR international system provides all Customs administrations involved in the TIR transport (according to the itinerary as declared by the holder) with the TIR transport information, thus serving as advance cargo information for the subsequent Customs authorities. The guarantee chain, which has issued the guarantee concerned, will be notified of any change in the status of the guarantee and can consult, at any time, the eTIR international system on the status of guarantees issued by it.

Upon arrival at a consecutive Customs office of entry, the procedure is repeated, based on the advance cargo information available through the eTIR international system and the risk assessment performed by the Customs authorities involved. Specific steps are foreseen in the event of the TIR transport consisting of multiple places of loading or unloading.

Each time the TIR transport reaches a Customs office of exit or destination, the Customs authorities inform the eTIR international system of the termination of the concerned TIR operation. The same procedure applies for the notification of the discharge of each TIR operation."

Border checks are often carried out on trucks operating under the TIR system, as they are often seen as being a potential and convenient means for transporting illegal goods, although in theory, TIR consignments are not inspected at borders. In the picture above, a sniffer dog is being used to search for drugs. Using dogs is an effective way to avoid breaking seals.

Benefits and challenges

The eTIR system offers benefits to all actors involved in the TIR system. First, it brings additional security and risk management opportunities, thus reducing the risk of fraud. Second, advanced international co-operation allows all actors to reduce their administrative burden significantly and to maximize the benefits of integrated supply chain management. Finally, the provision of advance cargo information and the real-time information exchange speeds up the TIR procedure.

However, before an eTIR system is established, a number of steps need to be undertaken. In particular these include:

- The finalization of the eTIR Reference Model, which defines requirements, concepts and envisages technical solutions;
- The adoption of amendments to introduce eTIR into the legal text of the TIR Convention;
- The establishment of a Customs-to-Customs exchange platform.

Other electronic TIR systems already in place

Since the early seventies, the International Road Transport Union (IRU) has developed close to 50 TIR-IT applications and has set up dedicated infrastructure to computerize the TIR System in co-operation with Custom Authorities and National Associations. The following are notable examples of the applications currently in operation (IRU, 2011):

- The Worldwide Customs Database for TIR Data system: (CUTE-Wise), providing TIR Carnet Status information;
- SafeTIR data transmission: CUTE used in 23 countries, CUTE PAD, GasKit and, until recently, TIRCUTEWeb (a new web-based application aimed at replacing former application versions until all Customs authorities will have been enabled to implement RTS, which is the ultimate objective);
- Real-Time SafeTIR (RTS): web services to upload, query and request/reply SafeTIR data, presently used in 8 countries;
- TIR-Electronic Pre-Declaration (TIR-EPD): web application enabling the submission of advanced cargo information to Customs Authorities through Business-to-Customs (B2C) and Customs-to-Business (C2B) web services, presently operational in 15 countries;
- TIR Carnet Management applications for National Associations: ATIRS98 and AskTIR, deployed in 34 countries; also AskTIR Web, a new application in the

process of development (aimed at replacing former versions in order to further enable and empower associations);
- TIR Carnet Management applications at the IRU Headquarters in Geneva: Carneting, Charisma, BriruTools, Dispatch, Issue & Return.

4.6.3 The EU's Community/Common Transit system[1]

The EU's Community/Common Transit (CT) system applies to any goods imported into one of the 27 EU member States and four 4 EFTA countries (Iceland, Liechtenstein, Norway and Switzerland) from outside this area, as well as exports in the reverse direction. "Community" refers to trade between EU members and third countries, while "common" refers to trade between EU and EFTA countries, which is under essentially the same rules. Imports are subject to duty in the country of destination in accordance with the EU Common External Tariff and to VAT in accordance with national tax rates. Exports are subject to VAT refunds.

The CT system also applies to goods traded between two EU countries that transit through non-member States (such as a Greek firm importing from Hungary transiting through Serbia and the former Yugoslav Republic of Macedonia).

The CT system differentiates border control procedures according to the standing of the transporter or other principal (the party responsible for the vehicle). It sets a so-called "regular procedure" for transporters entering international markets for the first time, who have no track record with CT Customs, and for companies registered outside the EU. Such firms command less trust and therefore imply a higher risk. Customs require them to provide guarantees for the full amount of duty and VAT at stake, and may require them to follow a specified transit route and complete their transit within a certain time. Companies known to Customs, having established a satisfactory track record and having thereby proven themselves trustworthy, are eligible for "simplified" procedures, with less demanding guarantees and greater flexibility in routing and timing.

Like transporters, consignors and consignees can also be "authorized" (RKC Annex E, Chapter 1, Recommended Practice 5) in the sense that they are formally recognized by Customs as low-risk on the strength of their repeatedly completing business in good order.

With regard to procedures and guarantee requirements, the CT system also differentiates goods that have a greater risk of fraud than other categories. Such goods include not only alcohol and tobacco, but also meat and dairy products because they are eligible for substantial EU subsidies under the Common Agricultural Policy.

The CT system gives every consignment a "movement reference number" that serves as a unique identifier. The principal must also file a transit declaration that triggers the process as well as a Transit Accompanying Document (TAD). Since 2005, it has been mandatory to file the transit declaration, the TAD, guarantees and other documents with Customs electronically, in conformity with the so-called New Computerised Transit System (NCTS). This system allows consignors to file their documentation for an import or export shipment directly from their home premises to the Customs at the start of the transit, as well as to Customs of countries through which their goods will pass. The main benefits of the system are the following:

- Consignments can be pre-cleared before a truck arrives at the relevant Customs post, shortening the time it has to spend at the border;
- Consignors and consignees communicate directly with Customs, without having to go through Customs brokers or other intermediaries;
- The communications required to end a transit and discharge a guarantee are automated, and therefore more rapid and more secure, reducing the risk that guarantees or cash deposits will be frozen for weeks or months (as was common when the system was entirely paper-based);
- Customs has a strengthened ability to prevent and detect customs fraud.

4.6.4 Other regional transit guarantee regimes

Other regions have implemented guarantee systems of their own that apply the same concepts as the TIR system. Regions with their own transit regime include:

Economic Cooperation Organization (ECO) Transit Framework Agreement (formed by Afghanistan, Azerbaijan, Islamic Republic of Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan);

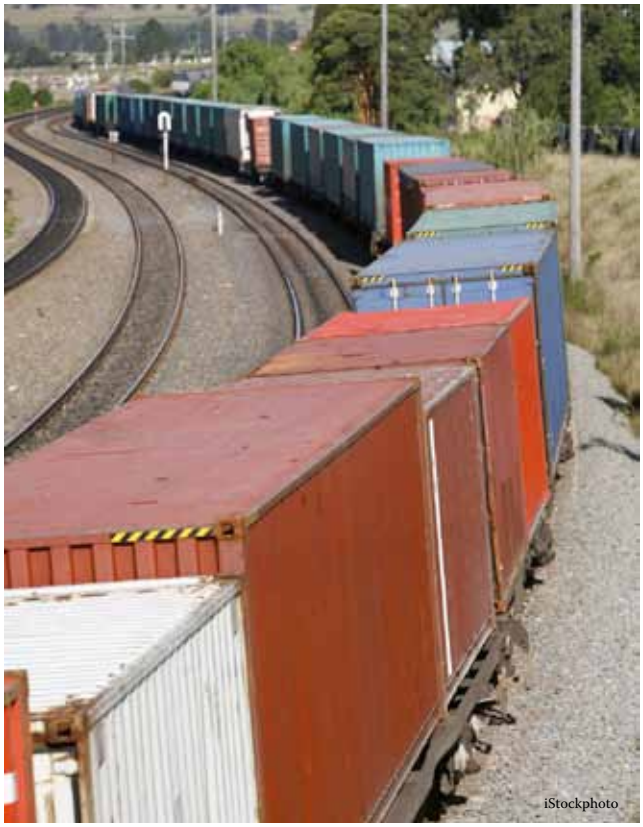
Southern Cone countries of South America: Brazil, Uruguay, Paraguay, Argentina and Chile (International Land Transport Agreement, known by its Spanish initials ATIT);

Common Market for Eastern and Southern Africa (COMESA) agreement on a single administrative document;

Association of Southeast Asian Nations (ASEAN) Framework Agreement on the Facilitation of Goods in Transit;

Greater Mekong Sub-region (GMS) Agreement for Facilitation of Cross-Border Transport of Goods and People (CBTA).

1 References: ec.europa.eu/transport/air/security/security_en.htm; ec.europa.eu/transport/maritime/security/security_en.htm; ec.europa.eu/taxation_customs/customs/procedural_aspects/transit/common_community/index_en.htm



Container cargo travels inland from the port.

In some Middle Eastern countries, notably Jordan and the Syrian Arab Republic, Customs officers attach a GPS-based tracking device to each truck entering their territory for transit. Since these devices allow the exact location of the vehicle to be monitored at all times, some observers question whether a transit bond or guarantee is still warranted. However, a bond's continuing advantage is that it allows virtually automatic recovery of duty and taxes if called, since if a truck strays from the intended transit route, it must be apprehended, culpability must be established, and legal proceedings launched.

4.6.5 A railway transit regime

The CIM/SMGS Consignment note and the accompanying CIM/SMGS Consignment Note Manual and Annex 22 of the SMGS for international freight traffic by rail became available for widespread use by customers and carriers on 1 September 2006. The CIM/SMGS Consignment note is recognized as a Customs transit document by the European Union and EFTA member states and also by the Customs authorities of Belarus, the Russian Federation and Ukraine. It can also be used by customers for documentary credit operations. (Evtimov, CIT, 2011)

Electronic CIM/SMGS consignment note

Work on the creation of the electronic CIM/SMGS consignment note began in April 2007, with a group of experts preparing its functional specifications, and a legal group preparing its legal specifications. After the final revision of the functional and legal specifications at the beginning of March 2009, they were issued as recommendations by the CIT and the Organization for Cooperation of Railways (OSJD) in English, French, German and Russian. RAILDATA and the OSJD are now preparing the technical specifications (data catalogue and message catalogue) with the assistance of the CIT General Secretariat.

CIM/SMGS Wagon and Container lists

A CIM/SMGS Wagon list and a CIM/SMGS Container list were developed to allow further simplification of international freight traffic by rail. The CIM/SMGS Wagon list is to be used for block trains and groups of wagons carrying conventional traffic and containers that are consigned using a CIM/SMGS consignment note. Because there are not (yet) any relevant instructions for Container lists in the SMGS area, the use of a CIM/SMGS Container list requires an agreement between the customer and the carrier/railway. A precondition for this is that, unless otherwise agreed upon, the consignment consists entirely of goods of the same type.

The rapid implementation of the common CIM/SMGS single consignment note in Central Asia and China reinforces the need for a uniform railway transport law, as does the new positioning of railways in the Eurasian zone. A CIM/SMGS steering group therefore mandated the CIM/SMGS legal group to finalize proposals for harmonized CIM/SMGS liability in the relationships between customers and carriers and also amongst carriers. Approval was also given to the work on a new Annex 10 to the CIM/SMGS handbook, which realizes this harmonized liability in the relationship with customers. The regulation that has been developed is limited in the initial stage to the harmonization of liability for loss of or damage to goods. This places customers in a better position than they are with regard to the current CIM, is and consistent with the SMGS.

Practical implementation of the common CIM/SMGS Consignment note in the various railway corridors

More than 50 traffic axes are successfully served by the common CIM/SMGS consignment note along five trans-European railway corridors. For example, several hundred of block trains have been run from Mladá Boleslav in the Czech Republic and Vel'ká Ida in the Slovak Republic to Kaluga 1 (south of Moscow) and back since November 2008. The transit time for the movements has been significantly reduced, with the movement from Mladá Boleslav, for example, now amounting to only four days (formerly twelve).

Since the beginning of 2009 until the end of 2010, CIM/SMGS traffic has continued to increase, with over 40,000 twenty-foot containers in the westward direction and ap-

proximately 20,000 in the eastward direction. In the first half of 2009, some 13,000 common CIM/SMGS consignment notes were used for westward-bound consignments and approximately 11,000 for eastward-bound.

Wagonload traffic is running regularly without significant problems from Grosuplje in Slovenia to L'viv in Ukraine. The latter is currently negotiating movements with customers along the northern axis of Corridor V between Ukraine and Austria.

Transcontinental axes between Europe and Asia via Kazakhstan and China

The use of the common CIM/SMGS consignment note is becoming increasingly important for transcontinental movements between Europe and the Central Asian countries. Currently, the Kyrgyz Republic is the only Central Asian country that is fully ready to apply the CIM/SMGS Consignment note. In addition, trial movements to and from Kazakhstan and to and from Uzbekistan are being planned. To complete the network, increasing account is being taken of ferry services in the Caspian and rail routes in the Caucasus.

To further the use of the common CIM/SMGS consignment note for transcontinental traffic between Europe and Asia/China, the use of Chinese in the CIM/SMGS manual is planned. Subsequently, suitable traffic axes over which trial movements can be organized and run will be defined.

Trial movements to Mongolia are planned. Russian Railways (RZD), in conjunction with the Ulan Bator Railway (UBZhD), will give special permission for the use of the common CIM/SMGS consignment note on the TransSib and on other sections in Mongolia for this traffic.

Europe's largest rail switching yard is in Maschen, Germany.

Beneficial evolution of traffic in Europe

Transit traffic (wagons and containers) through Poland using the common CIM/SMGS consignment note in the first half of 2010 accounted for over 50 per cent of the total. More than two thirds of this traffic was container movements; the proportion of single wagonload traffic is below 1 per cent, which also serves to confirm the general trend of falling figures for single wagonload traffic within European rail freight operations.

In the parallel case of traffic via Ukraine, over 63 per cent are running using the common CIM/SMGS consignment note, though it should be emphasized that the entire container traffic to and from Ukraine is also operated using the common CIM/SMGS consignment note.

BOX 4.17

Adoption of a common CIM/SMGS consignment note in Belarus

Two of the largest Pan-European transportation corridors, Corridor 2 and Corridor 9, run through the territory of Belarus. Europe uses two different rail transportation waybills: the CIM and the SMGS waybill. This means that when goods are transferred from a CIM waybill system territory to an SMGS waybill system territory, which occurs when goods are transported over the Belarusian-Polish border, the CIM waybill is replaced by a SMGS waybill and vice versa. This is inconvenient for carriers, senders and addressees alike as it complicates formalities at the border crossing and requires additional time.

Over the last decade, transportation and customs professionals from several countries, including Belarus, have worked to develop a system to simplify goods transportation by rail. As a result, they have developed a uniform CIM/SMGS waybill format with no paperwork reprocessing required at border crossings.

Belarus has used the unified common CIM/SMGS consignment as a transit declaration since 2006. With the 21 May 2010 Agreement between the Governments of Belarus, Kazakhstan and the Russian Federation on Customs Transit of Goods Moved by Rail across the Customs Territory of the Customs Union and with the Customs Code of the Customs Union of these countries, the common CIM/SMGS consignment note has now been adopted.

Benefits of the new single format:

The adoption of the common CIM/SMGS consignment note by the Belarusian Customs authorities as a transit declaration makes it possible to:

- Simplify paperwork formalities;
- Reduce the time required for border-crossing;
- Reduce errors arising from changeovers between CIM and SMGS waybill systems;
- Reduce the risk of corruption.

Source: based on information provided by the State Customs Committee of Belarus (2011).


iStockphoto

Container terminal Mainz, Germany features rail connections.

From Slovakia, as country of departure, 30 per cent of traffic is generated using the common CIM/SMGS consignment note. (Evtimov/CIT, 2011)

Supported by these positive and practice-oriented experiences, the project sponsors CIT and OSJD recommended the planning, organization and carrying out of pilot transport movements from the Urümqi region in western China to Europe/Germany. As is well known, a new industrial centre is being built in the west of China that is close to the Kazakhstan border and located approximately 5,000 km from the nearest Chinese port. This means that exports from this region to the Russian Federation and Europe may choose an overland route.

On 27 October 2010, the Mongolian Ministry of Transport made the use of the common CIM/SMGS consignment note possible over the entire railway network. As a follow-up to this, Kazakhstan Railways (KZH) advised of pending approval for the transit routes and other important traffic axes for imports. Rail freight traffic in transit through Kazakhstan constitutes the shortest link with western China. The future expansion of the area of application of the common CIM/SMGS consignment note to Tajikistan, Turkmenistan and Uzbekistan is also to be expected. Moreover, the common CIM/SMGS consignment note could in the future also be used for multimodal consignments, thereby better integrating railway and maritime transportation.

Conclusion

The TIR system offers best practices for a transit regime. Best practices with respect to Customs control, processing, clearance and transit are found in the Revised Kyoto Convention. This Convention allows countries to meet their WTO commitments while designing procedures that match their country's specificities. In addition to legal requirements, the RKC can be used as a guide when a country is improving its customs operations or modernizing in order to become more strategic. Ultimately, a Customs administration can become a vital link in the global supply chain if it eliminates redundant formalities, reduces delays, and introduces higher degrees of transparency and predictability.

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5 Risk Management and Selectivity

CONTENTS

5. Risk Management and Selectivity

Introduction

Traditionally, Customs administrations manage border crossing points (BCPs) by performing either document checks or physical inspection, or both. Whichever method is chosen, traditional customs clearance operates on a transaction-per-transaction basis. Consequently, if trade volume increases, it follows that there is an increase in the number of transactions to be processed at borders. Increasing numbers of transactions are complicated by multifarious trade requirements such as rules concerning origin. In addition, the transactions are complicated further if there is reason to suspect fraudulent behaviour or illegal trafficking. The smooth flow of legitimate trade despite high volumes requires either border crossing points to have large staffs or some aspects of the customs process to be automated.

One means of automating part of the process is risk management. Risk management is a tool for separating compliant and legitimate businesses from potentially non-compliant traders. It allows Customs and border agencies to focus their resources on non-compliant traders and on transactions that possibly pose a risk.

The present chapter first examines the nature of customs risk, then describes the risk management process, and finally looks at methods for developing and implementing risk management.

The red channel at the Terespol passenger border crossing point between Belarus and Poland.

5.1 Customs risk and customs risk management

The usual definition of risk is a combination of the probability of an event and its consequences (ISO, 2009).

Border agencies, in particular Customs authorities, must manage a wide range and variety of risks: commercial fraud, counterfeiting, the smuggling of highly taxed goods (especially cigarettes and alcohol), drug trafficking, stolen motor vehicles, money-laundering, electronic crime, the theft of intellectual or cultural property, trafficking in endangered species of plants or animals, not to mention the smuggling of arms, nuclear materials, toxic waste or weapons of mass destruction.

While physical inspection was formerly the main method of control at BCPs, it is not always the most effective means when faced with such threats. It is now more common to identify and manage risk. In fact, global trade organizations today generally see risk management as an essential part of trade and transport facilitation measures. Insofar as border checks are focused on transactions that pose a risk, they also contribute to facilitating legitimate trade. When dealing with commercial fraud and potential loss of revenue, for example, audit-based controls based on risk management are more effective. However, the fact of goods being released and cleared does not necessarily mean that the correct amount of duty has been paid or that compliance has been achieved. Consequently, border checks are followed up with audit-based controls: post-entry auditing on trader premises. This is a Customs

BOX 5.1

Risk management in Azerbaijan

Azerbaijan acceded to the Revised Kyoto Convention on 3 February 2006 with the intention to implement the WCO's New Framework of Standards. Since this date, work has aligned the Azerbaijan Customs Code with the Convention. Introducing risk management procedures to accelerate customs clearance was one of the objectives of a joint project between the Azerbaijan State Customs Committee and the United Nations Development Programme (UNDP). In 2005, the creation of an automated risk management system was approved as well. The risk management system is based on selectivity criteria related to aspects such as tax-exempt goods, country of origin and customs valuation.

Source: ADB, 2006, p. 4.

administration best-practice method for checking compliance as well as a good example of effective risk management.

In a post-entry audit, Customs authorities who are on site have access, through a business's computer system, to a wide range of information, including inventory movement, valuation and payments. Auditing of this kind can identify missing duties, allowing the imposition of financial penalties for non-compliance. One benefit of audit-based controls is that traders and their intermediaries often develop and implement internal compliance management programmes to ensure that they pass post-import audits. In return, traders experience advantages in their supply chains, such as fewer inspections at borders. Compliance management programmes, which include trader and intermediary self-assessment, are effective because they lower the risk of a business being faced with unexpected duty bills, or even losing profits or its long-term viability. From the point of view of Customs administrations, such programmes also help to control and check revenue collection.

The World Trade Organization (WTO) sees introducing risk management techniques in customs procedures a means for expediting the clearance of goods. The General Agreement on Tariffs and Trade (GATT) of 1994 states that there is a need "for minimising the incidence and complexity of import and export formalities and for decreasing and simplifying import and export documentation requirements," (GATT, Article VIII, paragraph 1 [c]). Risk management is the cornerstone of the Revised Kyoto Convention and is a condition for accession. It is also a basic part of the WCO Framework of Standards to Secure and Facilitate Global Trade (the SAFE Framework).

The WCO defines risk management (WCO, 2010) as the systematic application of management procedures and practices that provide Customs authorities with the necessary information for addressing risk. To ensure effective decision-making at all levels, and also ownership of risks and their mitigation, the WCO considers it essential for all organizations to develop and implement an own intelligence-based risk management framework and to establish a solid culture of risk management both at the corporate level and on the front line.

According to the World Customs Organization (WCO 2010, p. 4), the following are some principal benefits of risk management:

- Support of strategic and business planning;
- Promotion of continuing improvements;
- Fewer shocks and unwelcome surprises;
- The ability to quickly grasp new opportunities;
- Enhanced internal and external communication;
- Reassurance for stakeholders;
- Help for focusing on organization programmes.

From the perspective of governments and other stakeholders, additional benefits of risk management include:

- A better balance between Customs control and trade and transport facilitation;
- Enhanced focus on "high-risk" movements of goods and passengers;
- Improved compliance with laws and rules;
- Reduced release times;
- Lower transaction costs;
- The creation of a more level playing field for business;
- Improved co-operation between traders and customs bodies;
- A better foundation for efficient revenue collection.

The World Bank has also provided clear methods for implementing risk management, both for Customs administrations and users from private industry (WB, 2006, pp. 47–50). The purpose of these particular best-practice methods is to balance the need for trade and transport facilitation with security at border crossings.

BOX 5.2

The customs risk management system in India

Since 2005, a risk management system (RMS) has been implemented in 23 major customs ports/airports in India, covering about 85 per cent of India's international trade (India Customs, 2009). It has revolutionized the customs import clearance process by drastically cutting down clearance times. Instead of routine assessment and examination of all cargo, only selected consignments are taken up for scrutiny and examination. This has been widely appreciated by the trade. Importers have benefited greatly due to reductions in waiting time and transaction costs, which has improved their competitiveness. There has also been a considerable reduction in the need for physical interaction between importers and Customs officers. Clearances without assessment and examination and the facility of direct delivery of cargo have been given to eligible Accredited Clients of Customs. Importers today are able to plan their logistics and supply chain according to global standards and to follow "just in time" principles.

Due to their RMS, in 2008–2009 Indian Customs also collected extra revenue of over 2,000 billion rupees. The RMS project was designed and developed in-house by a small team of Customs officers at the Risk Management Division, Directorate General of Systems, Mumbai, together with a leading ICT company. Thanks to remote filing using the internet web portal of Indian Customs, the facility of e-payment and the RMS, Indian importers are today able to clear their goods within a few hours. Due to these efforts, Indian Customs now provides higher standards of service to the trading community.

Source: India Customs, 2009.

There are various methods involved in risk management and balancing trade and transport facilitation with security at border crossings. They include:

Pre-arrival lodgement and data-processing

Such pre-arrival processing is done up to three days in advance. For example, the U.S. Container Security Initiative (CSI) provides for the submission of manifests twenty-four hours before a vessel sails. The International Maritime Organization's Convention on Facilitation of International Maritime Traffic (IMO FAL) allows such manifests to be sent electronically to the Customs administration in the port of destination.

Separating release from clearance of goods functions

Such separation allows goods to be released before all customs formalities have been completed.

Simplified procedures for Authorized Economic Operators (AEO)

Another method to help maintain an appropriate balance between control and facilitation is to implement simplified or special customs procedures for certain pre-approved parties known as Authorised Economic Operators (AEOs) who have been deemed highly compliant and low-risk. This is discussed in detail in Chapter 3, "Balancing Security with Trade and Transport Facilitation and Developing Partnerships with Private Industry".

Security for duties and taxes

This method involves accepting single blanket security from compliant operators instead of mandatory individual security for each import transaction.

Audit-based controls

As mentioned above, the later clearing of a trader's records and written procedures is more efficient and effective than time-consuming physical examinations at border crossing points. Customs valuations, tariff classifications and origins can be checked on site by Customs officers at the trader's office premises.

As mentioned above, the WCO has pointed out that risk management involves not only good processes being followed by Customs administrations but also a shift in Customs administrations' thinking, a shift that enables them to be proactive rather than merely reactive in their day-to-day management operations. When compared to traditional methods, it is an inherently different manner of doing things (WCO 2007, p. 11). Thinking proactively is part of a "wider strategic management" for modern Customs administrations that is concerned not only with avoiding or minimizing losses and harm but also with identifying and dealing positively with opportunities.

5.2 The risk management process

There are many different processes and methods of risk management. The Customs administrations of the EU apply risk management according to the EU Standardised Framework for Risk Management (EU Commission DG Taxation and Customs Union, 2007). This EU framework describes risk management as an interactive process, not a static one, in which information is continually updated, analysed, acted upon and reviewed. It sees the process of risk management as comprised of the following four elements. Each element is directly connected to the risk management strategy:

- Context
- Risk analysis
- Treatment
- Monitoring

5.2.1 Risk management context

As each State and each border crossing point operates in its own unique context, the risks that can arise are different. The customs environment of the Afghanistan Customs Department is different from that of Turkish Customs or Moldovan Customs, and so forth. Time is also a context factor. Risks are likely to fluctuate over time, in response to seasonal activity, for instance, such as increased trade during the Christmas period due to inventory boosts. The varying intensity of risk is also part of its context, with some types of risk being less serious than others. Other factors influencing context include stakeholders, tasks, objectives and the process itself.

Risk level and type are determined within the context of national and international priorities, according to how they have been set for Customs administrations. The context of strategic risk management can be defined by asking what the respective Customs administration is expected to achieve. In some cases, Customs administrations have mission statements or long-term visions and priorities based on strategic objectives. Such documents describe the management and resource investment direction for a Customs administration, which in turn determines how it organizes its risk management.

5.2.2 Risk analysis

"Risk analysis" is a procedure used to optimize the use of customs resources, both human and financial, while minimizing risks. This is achieved through a number of steps: identifying risks, assessing their level or degree, formulating them, and allocating resources to target them.

For Customs personnel who are not acquainted with using such management methods, carrying out risk analysis may be challenging. As risk analysis can be a complex task, a step-by-step approach is often recommended. Different Customs administrations use different processes for risk

management, and some can be considered best-practice leaders.

The process of risk analysis is characterized by three subparts (European Commission Taxation and Customs Union, 2011):

- Identifying risk data
- Analysing risks
- Weighing or ranking risks

Identifying risk data

Any information can be a potential source of risk data. After evaluation for accuracy, relevant information should made available to Customs staffs and managers. Such information may often be valuable for the legal departments of Customs administrations: it can help their staffs respond to legislation changes. Sources of information in which risk data may be found include trade flows, declarations, on-time payments, on-file debts, and new and changed legislation. The operating staff's experience is also a source of information, as are the results of their control activities. Information such as that found in the Integrated Tariff of the European Commission (TARIC) (EC, 1987) and laboratory reports (e.g., those to determine a product's composition) are also important.

Analysing risk data

After risk data is collected, it must be analysed. According to Lordache and Voiculet (2007), there are two best-practice approaches: analysing proven risk and analysing potential risk.

Proven risk is that which has a historical and judicial record. Customs organizations have records of incidents of irregularity and of the related court decisions. By comparing such data with the customs environment and context, similar risks may be identified. This type of analysis may help in assessing the likelihood and consequences of the risk being repeated.

Potential risks, on the other hand, have not yet been identified but are suspected. For example, owners of intellectual trademarks may be examined for intellectual property rights or theft; or labels on cigarette packets may require proof that excise duties have been paid or checked for counterfeiting. Such risks need to be analysed by comparing risk data with other relevant data. If there is evidence of risk, the consequences must be evaluated and an action plan determined.

Information can also be acquired through the exchange of risk information with Customs administrations of other States. This is an important best practice as the use of similar controls by different Customs administrations may enable them to counter emerging threats more quickly.

In analysing risk, the best-practice approaches include estimating how likely an event is to happen, and when and where it is likely to happen. Estimating its potential consequences is also an important part of this process. Combining these elements creates a means of weighing the estimated level of a particular risk. (Lordache and Voiculet, 2007)

Weighing or ranking risks

There are various methods for weighing or ranking risks. Regardless of the method chosen by a Customs administration, in risk management there should be consistent methods for weighing risks. In order to minimize subjectivity in the course of decision-making, the definitions of "likelihood" and "consequences" should be based on common criteria, concepts, methods and procedures.

Ranking methods often use the terms *high*, *medium* and *low*. One best-practice method for establishing risk levels is a risk level table that examines the intersections between likelihood and consequences. (Lordache and Voiculet, 2007)

In the risk management process, the process of weighing risks should result in a list of priority risks, together with a description of response actions for officials.

High risks are those that are likely to have severe effects. High-risk response actions should be highly visible to senior management and have agreed plans of control. If a control plan is not carried out, the reasons for this should be documented and made available to those tasked with assessing risk.

Moderate risks are those that are less likely to arise or that have less severe effects, although not necessarily both. In medium risk, it is also recommended that the reasons for

Table 5.1 Risk levels

	Extreme	Very high	Moderate	Low	Negligible
Almost certain	Severe	Severe	High	Major	Moderate
Likely	Severe	High	Major	Significant	Moderate
Moderate	High	Major	Significant	Moderate	Low
Unlikely	Major	Significant	Moderate	Low	Very low
Rare	Significant	Moderate	Low	Very low	Very low

Source: Lordache and Voiculet, 2007.

Box 5.3 is adapted from a study entitled *Standardised Framework for Risk Management in the Customs Administrations of the EU* (EU/DG Taxation and Customs Union, 2007).

BOX 5.3

The French approach to defining risk: Actual risk and potential risk

The French Customs authorities distinguish between two types of risks: *actual risks* and *potential risks*. Both types can apply to companies as well as to products.

The first type of risk is *actual risk* of fraud, which in turn, has two aspects: the subject of dispute and information.

Subject of dispute

For companies, this involves analysing first the frequency with which checks have already been carried out on a company and their results, and second, the history of any disputes (type, number, degree of seriousness of breaches observed). Such analysis is normally carried out by examining databases.

For products, this involves analysing first the number of irregularities noted on a particular product or product sector (through statistical analysis) and second, the types of fraud observed for particular products and their seriousness.

Information

This involves targeted operational information that is likely to result in material declaration of fraud. This information can come from various national or external sources: Customs officers, advisors or other authorities, or such bodies as the European Anti-Fraud Office (OLAF), Commission mutual assistance in cases of fraud (AM cases).

The second type of risk is *potential risk*.

With regard to a company or operator, potential risk of fraud is related to general data about the company and its activities. General data includes:

- The company's commercial structure: Whether it is a monopoly, a quasi-monopoly or in competition, whether it is in personal name or belongs to a national or multinational group, whether it is a marketing company, a broker, a producer, an onward processor, a manufacturer under foreign licence or another form of company;
- The company's financial structure: Its balance sheet (fixed assets, inventory, debts, cash assets), its taxable income (profits and losses);
- The company's business organization: Its methods of supply, logistics and service location, the division of responsibilities within the company, the reliability of its internal management system, how documents are circulated and various departments are linked, the level of qualification of the company's customs representatives, its goods accounting;
- The company's trade structure: The significance of its trade with foreign countries in comparison to its national activity, how its imports and exports are handled (whether they pass through a subsidiary company, involve changes in tariff classification or in declared values, etc.), the ratio of duties and taxes paid in comparison to the value of purchases abroad, the amount of aid paid by the European Agricultural Guidance and Guarantee Fund (EAGGF) in relation to the turnover of exported agricultural products, its usual methods of transport and contract (Cost, Insurance, and Freight; Free on Board; or another), its type of financial security (overall, flat-rate, etc.);
- The company's customs strategy: Customs clearance procedures used (common law, domiciled, simplified), the customs clearance conditions for products (time slots, etc.), changes in location for customs clearance (single, multiple, frequently altered), customs procedures used (direct imports, imports subsequently being put into free circulation in another EU member State, Common Agricultural Products (CAP) leaving the European Community by another member State, inward or outward processing, usage of warehouses, etc.);
- Any changes in a company's behaviour following changes in regulations affecting imported or exported products: changes of suppliers, of countries, of tariff classification, etc.

With products, establishing the risk of fraud involves looking for weaknesses in regulations on:

- Particular products: Effect of changes in regulations on flows (tariff slippage, etc.), financial interests involved, nature of the goods (sensitive products such as cigarettes, alcohol, textiles or mineral oils, or certain agricultural products, in particular those subject to a transit prior notification system);
- The procedures and regimes used: Community transit, TIR, common law customs clearance procedures or simplified procedures, economic regimes;
- The product-country pairing in imports and exports: Analysis of regimes linked to import or export (quotas [quantity and duration], preferential tariff systems [reduced or zero rates of duty], various prohibitions), and of possible tariff slippage in view of the amount of financial interests concerned (customs duties, anti-dumping duties, export refunds, etc.),
- Tax differentials between EU member States for a product: When exporting to a country with lower tax rates, the risk of increasing the quantities registered on the accompanying administrative documentation with fraudulent payment of the market difference for the State of origin; or risk of substitution of lightly or non-taxed products for highly taxed products, for example, mineral oils;
- The amounts transported: If excessively large, there is a risk of fictitious deliveries;
- The transport time: If the destination requires a long transit time, there is risk of the same documentation being used for several trips.

Determining potential risks for fraud can also be derived from general information, such as suspicion based on questioning by a Customs officer, an advisor or another national or foreign governmental department, or on non-Customs information found in, for instance, the media or on the Internet.

not carrying out response actions be documented.

Low risks are those that are considered acceptable in the risk management plan of a Customs administration. Low risks can be assessed using standard or routine procedures. (Lordache and Voiculet, 2007)

Best practices in categorizing risks are necessary for their identification and assessment. The consistent use of input, including criteria, procedures and data, supports the production of comparable output. Identified risks can be prioritized according to a common scale of measurement.

At a border crossing point, risk levels may be determined as follows (UNCTAD, 2008):

Dynamic parameters: Profiles based on information from various sources, such as Risk Information Forms (RIF), which can be introduced into clearance methods;

Fixed parameters: A mathematical selection based on pre-determined risk values for procedure codes, country codes, product codes and company numbers;

Random selection: Customs officers must be able to carry out random checks on consignments that have not been pre-selected. Such checks should use computer-based statistical random selection, or use a manual, pre-defined technique that eliminates subjectivity on the part of Customs staff or managers.

Risk analysis and risk assessment are analytical processes used to determine which risks are the most serious and should be prioritized with respect to method of use and/or corrective follow-up. (UNCTAD, 2008)

5.2.3 Risk profiling

A "risk profile" is an item of paper or electronic documentation that is tailored to regional and/or local traffic and used by a Customs office for risk analysis. This documentation identifies known risk areas, actual incidents and corresponding risk indictors. It also estimates the degree of a risk, establishes an action plan of checks to be carried out and allocates available resources.

"Risk areas" are customs regimes, procedures and other areas in which Customs authorities exercise their responsibilities. These also apply to traders. "Risk indicators" are factors related to a given risk that, taken together, increase or reduce the degree or level of the risks inherent in particular risk areas. (HM Revenue & Customs, 2011)

Risk profiles encompass a number of indicators, such as type of goods, known traders and their compliance records, goods value, applicable duties, countries of destination and origin, and transport modes and routes. Profiles are created by documenting the characteristics of unlawful consignments.

The formating of risk profiles should be carried out in a manner that is easy to computerize. The various

Box 5.4 is adapted from the website of the Aqaba Special Economic Zone Authority, 2011.

BOX 5.4

The risk-based system of Jordanian Customs

The risk-based system used by the Aqaba Special Economic Zone Authority of the Hashemite Kingdom of Jordan assesses the risks associated with known or potential food hazards.

The risk management process takes into consideration the nature of the hazards and the severity of their impact on the consumer.

Controls are exercised through the computer Selectivity Module of the UNCTAD's Automated System for Customs Data (ASYCUDA). Foods entered into the ASYCUDA system are labelled with an HS (Harmonized System) code for specific treatment by food control officials in clearance procedures according to the category of the food.

There are three risk categories for food: public health risk that is high, moderate, or low. High-risk foods are monitored using sampling and analysis at the highest level of surveillance (100 per cent). Moderate risk products are monitored at a lower level of surveillance (50 per cent). Low risk products are monitored at the lowest surveillance level (10 per cent).

This system allows resource allocation to be clearly devoted to the most important area of consumer protection. It enhances the effectiveness of the control measures by having a predetermined plan of what entries will be sampled and what they will be tested for, and by avoiding expending precious resources on entries that have little or no impact on the health of the consumer.

Based on risk metrics, a truck is taken aside for physical inspection.

parameters should be codified according to a declaration data format, which includes origin, classification and operator identification. Also to be defined are the data ranges within which a profile is active, as for example in the case of imports of a certain value.

A risk profile should, according to the Global Facilitation Partnership for Transportation and Trade (GFPTT) 2005, include the following elements:

- Description
- Period of validity
- Data range
- Additional comments

Developing profiles relies on the gathering, charting and analysis of intelligence. The WCO has developed various tools to assist member countries in managing intelligence collection and creating profiles. The WCO Customs Enforcement Network (CEN) database can, for example, provide useful intelligence for creating risk profiles.

There are various difficulties involved in creating risk profiles. Customs administration staff, when developing risk profiles, may be challenged by vested interests. Ideally, risk profiles should not be excessively general. An example of this would be classifying as a risk all imports from one country or all imports of a single commodity. It is clear that if an importer has been involved in a case of proven fraud, all subsequent imports by the same importer should be considered a risk. However, too many risk profiles may result in all imports being placed in the risk category.

To conclude, a risk profile should include the risk area, a risk level assessment, countermeasures, an activation date and review dates, as well as a means for measuring effectiveness. "Risk assessment" means estimating the degree of risk inherent in a particular customs activity so that priorities for carrying out checks may be defined. The WCO considers it important to distinguish between the expressions "risk management" and "risk assessment". These two expressions are sometimes confused with one another. (WCO 2007, p. 12)

5.2.4 Selectivity

"Inspection selectivity" is the application of risk profiles to declarations, operations, individuals or transactions. (UNCTAD, 2006)

Risk profiles drive inspection selectivity programmes through which declared data is analysed on the basis of identified risk parameters and consignments. Depending on the selected risk level, goods and persons are routed through different channels of customs control. (UNCTAD, 2006)

The UNCTAD ASYCUDA (Automated System for Customs Data) was initially developed in the early 1980s to automate the operations of Customs administrations. It

Table 5.2 The ASYCUDA customs control channels for risk management

Green channel	Immediate release without examination
Yellow channel	Document check
Red channel	Physical examination of goods and documents
Blue channel	Examination at a later date using post-audit inspection method

Source: UNCTAD, 2008.

Box 5.5 is adapted from a entitled *Assessment and Monitoring Mission (AMT) Report: Strengthening Integrated Border Management in the Western Balkans and Turkey* (International Organization for Migration/IOM, 2010 pp. 59-60).

BOX 5.5

Risk management in the former Yugoslav Republic of Macedonia

In the former Yugoslav Republic of Macedonia, the Customs administration operates the ASYCUDA computerized declaration clearance system at all major Inland Clearance Stations and BCPs. It is used by both internal and external users (declarants as well as audit and inspection authorities). The system provides for the application of valid customs procedures, tariffs and legislation required for the efficient and effective undertaking of customs procedures. The BORDER System, a computerized system for locating shipments transiting the country, is also in operation. A new Customs Declaration Processing System (CDPS) is under implementation, which will allow for the paperless submission of customs documents. Application of digital signatures is envisaged for the CDPS. CDPS will represent a basis for EU compatibility and interconnectivity. In addition, the Customs administration is in the process of completing all the necessary procedures for applying the computerized European Union Transit System (NCTS).

Furthermore, the Customs administration's law enforcement department is planning to implement a web-based border control risk management system to replace paper-based data management. The focus will be on the technical and functional requirements for publishing risk indicators and profiles on an intranet, thus improving the process of border risk management. Data collected from this application will provide real-time reporting services. These feed into future analysis and development of the risk management system, as well as into effective feedback to and from BCPs. Aims of the new system include: improving selectivity; enhancing customs controls on the basis of analysis and risk assessment; assisting Customs officers (BCP management, law enforcement department) with a real time risk management system; allowing Customs officers to manage central and local risk indicators; and introducing proactive risk analysis.

is now in operation in 84 countries. The software includes a selectivity module. The ASYCUDA selectivity module (MODSEL) uses data from the goods declaration, the manifest and various other internal databases to identify transactions that may pose a risk, whether to security or revenue collection.

The programme identifies transactions according to their state of processing: channelling them to the Green lane for those that do not need further processing and can be released; the Yellow lane for documentary checks; the Red lane for physical checks; and the Blue lane for possible post-clearance audit.

The system allows information to be treated on an automated basis. An efficient risk management system requires that collected data be quickly compared to a wide range of resources, using tools such as data analysis or pattern recognition. These collected data can also feed the system for future reference, such as patterns on certain commodities. Customs authorities can thus progressively build a national database of all transactions, which in turn strengthens their risk management system.

ASYCUDA has a wide range of functions in addition to selectivity and risk management. These are covered in Chapter 7 of the present Handbook, "ICT and Non-Intrusive Inspection".

BOX 5.6

The Montenegro Customs Administration's Operational Centre

The Montenegro Customs Administration has established a fully equipped "Operational Centre" (OC), which acts as the nerve centre for analysis and dissemination of information and intelligence to other Customs offices, including operational teams. It includes a Risk Analysis Unit, an intelligence capacity with its own central database, a Customs hotline known as the "Stop Smuggling Openline" manned by operators, and a Lloyds Maritime-Automated Information System (AIS) network, which allows for enhanced selectivity and targeting of maritime traffic. Such OCs assist in risk analysis, targeting and selectivity. They are linked to regional intelligence liaison officers, who are responsible for business continuity, planning liaison, and inter-agency and international exchange of information and intelligence. A corresponding OC has been established by the Customs Administration of Serbia.

Source: adapted from EC, 2007, p. 55.

5.2.5 Treating risks

To treat risks, Customs administrations should follow a number of steps. The EU Common Integrated Risk Analysis Model (CIRAM) is one possible method. It includes (EU Frontex 2011):

- Relating risk elements to declaration data and supporting documents;

Based on risk management intelligence analysis, a vehicle is inspected during an OSCE training course at the Turkmen-Uzbek border, involving officials from both countries.

- Additional comments;
- Charting fraud patterns;
- Anticipation, using a "what if?" approach;
- Using commercial information;
- Using risk profiles from other agencies;
- Monitoring and reviewing through the testing of risk profiles and the risk management process.

Relating risk elements to declaration data

A customs declaration has several information fields, each describing different parts of a transaction, including the parties to the transaction and financial information. The challenge is to identify risk on the basis of one or more of these information fields. For example, companies registered for less than one year might be considered high-risk. The recent registration of a company can be identified by matching the company's identification number with a file of importers. Other declaration-supporting documents, such as carriers' documentation, manifests, invoices, bills of lading, certificates of origin, etc., provide additional transaction-related information that may also point to risk elements. For example, documents showing evidence of indirect routes might point to the likelihood of en route cargo manipulation. Ideally, such documents should be computerized.

Charting fraud patterns

Using past cases of detected fraud and court case records, Customs authorities can identify fraud patterns by a process of progressive refinement that combines and compares information about importers, classifications and origin.

Using a "what if?" approach

"What if?" approaches are useful for helping Customs offices identify deliberate manipulation in declarations, for example, the manipulation of tariff classifications, import values or country of origin. Some countries use the notion of "risk countries" to determine risk profiles, with shipments from certain countries automatically

designated as high-risk. Thus, to avoid controls, importers might manipulate origin declarations. Manipulation might also be suspected, for instance, if listings for relatively similar commodities contain two different tariff classifications, with different duty rates, or two different countries of origins. In such cases, closer scrutiny is needed for verification.

Using commercial information

The work of Customs authorities includes identifying major importers in terms of revenue and the types and amounts of commodities imported. Offence reports and judicial cases need to be monitored by Customs staff if they are to become aware of commonly counterfeited or smuggled commodities, with such commodities being listed according to tariff classification and importers. By using records of past imports, Customs officials can identify deviations from usual patterns, such as sporadic importing, or imports inconsistent with an importer's usual activity.

Box 5.7 is based on an article in *WCO News* (Ots 2010, pp. 32–33).

BOX 5.7

Bosnia and Herzegovina: Joint risk analysis on cross-border traffic

Between 2006 and 2009, the International Organization for Migration (IOM) led an EC-funded project to help Bosnia and Herzegovina design and implement a national strategy and action plan on integrated border management. As a reflection of the authorities' awareness of the need for effective controls despite the limited resources of each relevant agency, risk analysis was one part of the project. The project's stakeholders, which included the Indirect Taxation Authority, Border Police, State Veterinary Office, State Plant Health Protection Agency and Service for Foreigners' Affairs, reached an early consensus that inter-agency co-operation would significantly improve the process of risk analysis.

After visiting several border crossing point sites in Europe, it was decided to centralize and partially merge the analytical activities of the various border management agencies into a single Joint Analysis Centre (JAC). An inter-agency MoU was agreed upon, which created the JAC as a department within the Border Police, staffed by personnel from all agencies on a secondment basis.

The objective of the JAC is to supply participating agencies with actionable, operational-level information, as well as with strategic-level cross-border traffic trends and development information. The JAC work plan is periodically agreed upon by the participating border management agencies. The agencies give the JAC an updated copy of their corporate data through each agency's Local Analysis Centre (LAC) data warehouse.

The analysts at the JAC are never given the names, addresses or telephone numbers of persons being examined; they only receive data codes that match various databases. Nor do risk profiles include such information. If a link is decided to be of operational significance, the authorized investigators may then request the release of the corresponding personal information from the relevant agencies. This may result in an entry being updated on a watch list, or even a proposal for an agency operation.

In addition to software for data mining, the JAC is equipped with industry standard software for risk analysis in law enforcement environments.

Box 5.8 is adapted from a study entitled *Standardised Framework for Risk Management in the Customs Administrations of the EU* (EU/DG Taxation and Customs Union, 2007).

BOX 5.8

The risk management monitoring method of Danish Customs

In Denmark, an "intelligence unit" at the Customs Control Office (which consists of eight centres) carries out risk analysis. After transactions have passed through customs and risk analysis, high-risk transactions are selected for control using physical examination and/or audit. After a high-risk control, Customs officers record the control event and its results in an IT system. All data concerning customs declarations, risk analysis and control results are saved in a "data warehouse", which later allows preparation of reports and statistical overviews.

This system provides the following reports for the intelligence unit:

- Control result reports;
- Reports on dynamic parameters inserted by Customs Centres or the customs administration;
- Reports on those sectors that are marked as high-risk;
- Reports on the number of transactions received in any one period by the Customs Centres;
- Reports on physical checks that have been run in relation to the total number of transactions.

These reports are used by the various Customs Centres to actively monitor the risk management system, continually evaluate control results, and implement responses.

For this purpose, electronic records need to be maintained by Customs offices for all importers and exporters, freight forwarders, customs brokers, transport companies and other intermediaries. The compliance of these various bodies needs to be ranked on the basis of past records, and findings need to be cross-checked with tax administrations and other relevant agencies.

Using risk profiles from other agencies

Best practice includes customs authorities receiving copies of the risk profiles of other agencies. Memorandum of Understanding (MoU) may be needed to provide the necessary authorization for different agencies to exchange their risk profiles. For example, Bosnia and Herzegovina, using an inter-agency MoU, created a Joint Analysis Centre to carry out joint risk analysis on cross-border traffic.

Monitoring and reviewing

Monitoring risk management includes determining the effectiveness of a particular risk management strategy and how accurately risk profiles have been prepared and applied. Changes to procedures and controls need to be reviewed and improved. The purpose of monitoring is to ensure that all pertinent information underlying postulations and decisions is accurate, up to date, and relevant. The review process must generate feedback for updating analyses and prioritizing control tasks. Using IT to support such a monitoring review is important. The experiences of Customs administrations that use IT risk management monitoring are valuable for those Customs administrations that are newly planning and computerizing their own risk management procedures.

5.3 Developing and implementing risk management

To develop a risk management strategy, a comprehensive and well-documented plan is necessary. Typically, such a plan should provide policy guidance and procedures on the everyday work of an organization. However, if not properly implemented, good strategies and operational plans alone will not guarantee efficient risk management. It is important that Customs managers and staff understand the plan and the desired outcome, and that they are committed to both. It is through understanding and active involvement, as well as appropriate decision-making, that risk management can develop into an organizational norm at all levels.

To prepare and implement risk management, Customs administrations need willingness, commitment and resources.

Preparing and implementing customs risk management has been part of recent customs reforms and modernization

Using commercial information, cargo is inspected at a customs warehouse.

Box 5.9 is adapted from a report entitled *Assessment and Monitoring Mission (AMT) Report: Strengthening Integrated Border Management in the Western Balkans and Turkey* (International Organization for Migration/IOM, 2010 p. 46).

BOX 5.9

Computerized risk management efforts in Croatia

The Customs Information System (CIS) of Croatia is fully computerized and is supported by an integrated database. The system supports the basic functions of the customs administration, including control and fiscal collection of customs and tax duties. In January 2008, the Croatian Customs administration introduced a "Risk Selection System" into their CIS, which is linked to all customs offices. A strategy for inter-operability and inter-connectivity was updated in February 2009, and is fully in line with the EU standards in the area of CISs. The development and implementation of the NCTS is progressing well. Steps have also been taken to simplify customs procedures in line with EU standards, and the roles, responsibilities and links between the central and regional offices have been defined. The Customs Department for Risk Management is responsible for the operation and development of two systems, one for "risk selection" and the other for "targeted detection of customs fraud". The goal of these two systems is to assist in the risk selection and targeting process of commercial goods and non-commercial traffic, while at the same time facilitating the flow of both. Phase I saw the Risk Selection System being set up within the CIS to set parameters for the risk selection of goods using a red, yellow and green routing system. During the test phase, this was introduced at four pilot BCPs that cover all types of sea, air and road traffic. In addition, risk assessment has been applied by non-electronic means at the port of Rijeka, where pre-arrival risk analysis is carried out on cargo manifests. These arrive by e-mail one or two days before the vessel. After the pre-arrival analysis, all collected data is fed back into the system for further routine risk analysis; declarations are fed into the CIS, which then determines the level of check on the basis of various parameters. As part of the risk assessment process, other law enforcement agencies databases are also checked, for example, police criminal records and the court register of the Ministry of Justice.

processes in a number of States, including Azerbaijan, Georgia, Kazakhstan and Serbia. These reforms have been funded by multilateral donor agencies as well as national budgets. In addition, the States ascending to the EU have changed their approach to risk management in order to conform to the Standardised Framework for Risk Management in the Customs Administrations of the EU.

The WCO's "Customs in the 21st Century" strategic policy (WCO, 2008) identifies intelligence-driven risk management as one of the ten key building blocks of a forward-looking customs strategy. The WCO offers several tools for its members to help their Customs administrations implement risk management, and has also produced customs-related risk indicator guides. It is currently producing risk indicator documents and manuals for air, sea and BCPs based on different logistical stages (pre-arrival, arrival and port arrival).

5.3.1 Preparing for risk management

Some Customs administrations use traditional control methods inherited from previous regimes and sometimes used because there was no obligation to change and modernize listed in the customs mandate. In some Customs administrations preparing for risk management might entail changing the corporate culture from a "control mindset" to "compliance facilitation" or "informed compliance", using a change management programme (Asian Development Bank 2006, p. 1). Various of the defensive and "control mindset" responses to changing customs management methods while preparing and implementing risk management are summarized in Table 5.3 (Asian Development Bank 2005, p. 4).

BOX 5.10

Risk management in Kazakhstan

Risk management in Kazakhstan has been implemented in two phases, firstly by developing and applying the selective use of customs control measures, simplified customs procedures, and clearance and control technologies to law-abiding and bona fide traders and their representatives, and secondly by developing detection, analysis and risk evaluation systems. A unified electronic information database was developed for tracking and efficiently detecting violations of customs codes and procedures. A selective control and risk management information system was completed in 2006. Risk management is applied to bulk exports and import clearance, particularly on goods that have preferential treatment. Measures have been introduced for minimizing risks, including pre-clearance notification, electronic seals, container scanning and spot-checking. The guidelines on risk management for airports were prepared together with experts from EuroCustoms. Risk management is being carried out within customs modernization initiatives, such as automated clearance procedures, integrated databases and the creation of e-Customs. According to the Asian Development Bank, Kazakhstan has expressed its intention to fully implement the WCO SAFE Framework of Standards.

Source: ADB, 2006, p. 4.

Selectivity, targeting, profiling and risk analysis and management both enhance security and facilitate cross-border trade. Photo taken at the Serbian border near Mehov Krs.

5.3.2 Cultural changes

In some cases, it is difficult to introduce risk management. There are various reasons for this, for example, fears of fraud being undetected or the notion that quasi-systematic inspections and controls constitute a deterrent. Such arguments have often, if not always, been proved wrong. Two other reasons are described by the GFPTT risk management guidelines (GFPTT, 2005). "Honest officers are afraid to let imports go through a no-control channel, because they could be accused of negligence, whereas dishonest officers oppose the system, because it could reduce their opportunities for gain."

Table 5.3 Responses to introducing risk management

Responses to creating risk management methods	Answer	Comment
We need equipment to do controls; then we will introduce risk management.	Wrong	Equipment such as X-ray scanners and other expensive non-intrusive tools and equipment have nothing to do with risk management. Equipment helps carry out inspections. If a good risk management method is being used, equipment is used only if a risk is detected.
You should see the crooks we deal with.	Not entirely wrong	This does not rule out risk management. Using good risk management has an effect on the rates of control.
If we do not look at everything, we will have the police, border guards, the public prosecutor's office, and a government audit on our back.	A problem with a solution	If police and border guards consider that Customs officers are corrupt, they may re-inspect what Customs has already released. If they do find something irregular, such as an under-valuation, a customs officer might be fined or even jailed. The solution lies with laws and rules which clearly state that Customs need not inspect everything. A government must provide strict rules and instructions to Customs and other border crossing control agencies. In addition, Customs must demonstrate that they get better results using risk management methods.
If we do not look at everything, someone else will.	Correct to some extent	With good training, co-operation and a "whole of government" approach between different border control agencies, this can be corrected.
If we do not look at everything, people will cheat on declared values.	Wrong	Customs values are rarely ascertained by means of physical checks but, rather, through documentary reviews and audits. If a category of goods is under-valued on several occasions, nothing prevents Customs from creating a risk profile.
Detection rates will go down.	Doubtful	Customs administrations should keep performance statistics. If Customs officers say they have "many" detection cases, they should be able to prove their statement. Regular comparisons between the number of detection cases and the total number of import declarations, perhaps once a month, will reveal performance rates. Anything below 1 per cent is poor performance. Airport security officials may have different detection rates from those at land border crossing points.
Examining everything is a deterrent.	Probably not	Blanket control is expensive and ineffective. In no society are all criminals or smugglers caught. The higher the control levels, the higher are the chances of bribery. Post-release methods provide reliable safety nets.
You want us to open our borders and let terrorism in.	Certainly not	Risk management is not about opening border crossing points to terrorists. It is about reducing the number of physical inspections of routinely imported goods by reliable traders. Well-trained Customs officers are able to detect smuggling or illegal immigrants using a range of management methods and tools, including risk management. Physical inspection/examination should take place at an inland customs depot, not at border crossing points.
We need training.	Correct	Risk management is a mindset that needs to be accepted by an entire Customs administration, including its management and staffs. If all parts of a Customs administration do not use risk management, the concept will not be systematized. Traders and their intermediaries in the supply chain need training in the use of risk management as well, because if a supply chain is not safe, goods moving across a border crossing point compromise its security and safety.
We shall introduce risk management after we get a computer system.	Not necessary	Most Western countries already used forms of risk management, even before computerization of their customs operations and management methods. While acquiring modern computers and risk management software plays a significant role in introducing the mindset of a customs corporate culture, preparing risk profiles can be carried out in parallel to computerization.

Source: adapted from ADB, 2006, p. 1.

Box 5.11 is adapted from the World Bank publication *Celebrating Reform* (Den Otter, 2009).

BOX 5.11

Cross-border trading reforms in Serbia

Customs reforms began in Serbia in 2001. The reforms included the introduction of risk management practices and the use of electronic methods, as well as the increase of co-operation between various agencies.

There were a number of challenges. The computer system of the Serbian Customs administration was outdated, and thus no electronic customs clearance system had been implemented. Physical examinations and resultant delays were common. Communication gaps existed between Customs, the tax administration and other agencies, as well as private industry users. Trade-related agencies carried out their work separately, which also resulted in long delays and corruption. Nevertheless, the annual costs for the Customs administration's outdated computer system were about 1 million United States dollars. In addition to this, delays caused by the antiquated system were costly for both traders and the government. They undermined Serbia's competitive edge and reduced revenue income. According to a survey carried out in 2002, Customs was one of the most corrupt agencies in Serbia.

Two teams, one from the World Bank's Trade and Transport Facilitation in Southeast Europe programme and the other from the EU Customs and Fiscal Assistance Office, worked with Serbian Customs to prepare and implement reforms. New procedures included selectivity and risk analysis, fewer customs documents, direct trader input and electronic submission of customs declarations. These standards were aligned with EU standards and practices.

A number of internal obstacles were faced by the Customs administration. Some personnel at the Customs headquarters expressed doubts and concerns about the changes being implemented. As one official stated, "Initially, no one wanted change. Officers were afraid to lose their jobs when more efficient computer systems were installed. Anxious [about] making a mistake with the data entry in the new computer system and being held responsible, staff resisted the upcoming change. They were also fearful that they would be fined if they did not inspect all the cargo." The reform taskforce responded by assuring officers that no one would lose their job and that making mistakes was considered a natural part of the learning process. Private industry users were included in the reform process. An Electronic Data Interchange (EDI) system was installed over 2002 and 2003 and was operational by 2005.

In addition to the EDI system, the Customs administration implemented a new risk management method. Previously, all cargo had been physically inspected, with Customs officers examining every container and truck crossing the border. They considered this an important part of their job. Following the new risk management method, only 15 per cent of cargo was inspected, with trucks selected randomly using the new computer system. Since the implementation of the reforms, four officers work together at each border crossing point: one police officer, one Customs officer and two officers from the inspection agencies for agricultural products and meat.

Prior to the EDI system, it had taken a day for traders to clear Customs, but after the new system was implemented, clearance was reduced to two hours or less. The project leader described the process and the result: "All that needed to change was the mindset of the Customs officers. They needed education and explanation. Now they cannot imagine doing their work in any other way."

By 2006, the total time for processing exports had been reduced from 32 to 11 days, and import time from 44 to 12 days. These reforms have paid off: there have been substantial gains for both the government and the private sector.

5.3.3 Regulatory changes

Customs administrations and other border agencies need to examine their customs laws, rules and internal instructions to ensure that they have the legal provisions to fulfil risk management requirements. Customs laws and rules should include articles and instructions on the control and management of import and export declarations, supporting documents and goods verification. The legal provisions affecting the customs field should also provide for post-release verification of import declarations. However, risk profiles should not be defined within customs law and rules nor should they be made public.

A best-practice example can be found in the EU Customs Code (Council Regulation [EEC] No. 2913/92 of 12 October 1992), which reads as follows:

"For the verification of declarations which they have accepted, the Customs authorities may (a) examine the documents covering the declaration and the documents accompanying it. The Customs authorities may require that the declarant present other documents for the purpose of verifying the accuracy of the particulars contained in the declaration; (b) examine the goods and take samples for analysis or for detailed examination."

If changes are made in customs laws and rules for accommodating risk management provisions, Customs

Box 5.12 is adapted from the GFPTT Risk Management Guidelines (GFPTT, 2005, p. 5).

BOX 5.12

Examples of poor texts in customs law

- "For the purpose of establishing the truthfulness of a declaration, Customs officers shall inspect the declared goods."

  Comment: This results in every shipment being opened.

- "Customs will apply principles of risk management in examining documents."

  Comment: This eliminates physical inspections, which in some cases are indeed necessary.

- "Using risk management techniques, Customs only inspects parts of shipments."

  Comment: Despite appearing to limit inspections by Customs, this also results in every shipment being opened.

- "Customs authorities examine passengers and goods"

  Comment: Requirements and techniques for examining passengers and goods should not be mixed because the means and purposes are different. Risk-profiling of passengers and goods are also different.

- "Customs applies principles of risk management when dealing with non-compliant traders."

  Comment: This is a poor text for describing provisions for risk management in a customs law, because the principle of risk management is to detect, assess and regularly evaluate compliance, not the opposite.

administrations may need to change internal instructions or training centre materials. In addition, professional staff may need special skills to carry out post-clearance checks, since they are transaction-based. It is also insufficient for Customs staff and managers to only know about their own customs laws, rules and internal instructions; international trade transaction methods must also be known.

5.3.4 Preparing a risk management strategy

Risk management strategies should have clear and achievable aims, means, and measures of performance. Many aspects are involved: legal provisions, a harmonized model, measures for determining high-risk areas, a risk management process, co-operation and internal communication, defined relations with the public and trade, as well as facilities, equipment and computerization.

The EU Customs Blueprints publication *Pathways to modern customs* (EU Commission 2007, pp. 45–47) is a risk management best-practice strategy model. It aims to help the Customs administrations of EU member States develop appropriate techniques for systematic risk identification and implement the measures needed to limit exposure to risk. It also helps in implementing international and national strategies, in accordance with relevant legislation, in collecting data and information, in analysing and assessing risks, in prescribing action, and in monitoring outcomes in order to facilitate, improve and streamline control procedures.

A Polish customs official assesses risk management information on his computer screen.

5.3.5 Creating a risk management structure

The development of a risk management structure requires a number of modifications to the internal structure of a Customs administration. This often includes creating a

Table 5.4 Risk management organizational structure

Structural level	Actors	Duties
Strategic	A small number of personnel (ministers, a director general, and vice-ministers and advisors) to develop and draft political positions for national and international strategies.	Designation of risks to the goals and objectives of customs, including prohibitions and restrictions, social or economic risks, risks to health, revenue or the environment.
Tactical	Staff and managers responsible for finances, risk analysis, equipment, operating procedures, legislation and rules, logistics, training, and human resource management. They would ensure that the risk management strategy is incorporated into the organization, with a risk management context ready for testing and operational delivery.	Decisions and action plans on measures for dealing with assessed risks, deployment of resources, monitoring and review.
Operations	Staff and managers to carry out the tactical daily tasks using best-practice methods, procedures and equipment, and meeting the objectives in the risk management strategy.	Dealing with immediate situations, working within set parameters according to approved procedures.

Source: adapted from a study entitled *Standardised Framework for Risk Management in the Customs Administrations of the EU* (EU/DG Taxation and Customs Union, 2007).

risk management committee. Such a committee should include representatives from various customs departments, both regional and local. Its objective is to discuss and agree on new risk criteria.

Customs administrations need legal instruments or directions mandating them to introduce risk management, adapt their organizations, and allocate the resources for staffing and managing the programme.

The creation of a risk management unit, with the written mandate, is a possible initial step. Such units should staff resources for first preparing and introducing risk management and then managing it.

A risk management strategy needs senior managerial planning and technical experts who understand and can assess the organization's current skills and ability to deliver the strategy's objectives. The strategy must take into account the need to balance costs, benefits and opportunities, as well as resources and equipment. Senior managers also need to assess whether they are in a position to measure the strategy's effectiveness. Risk management performance might be measured on the basis of improvements in compliance levels or increases in the number of detections. Acquiring risk management performance indicators first needs an audited performance benchmark. Risk management organization structures might follow the best-practice model presented in Table 5.4 on the previous page.

5.3.6 Risk management organization issues

According to the *Standardised Framework for Risk Management in the Customs Administrations of the EU*, some experts recommend the creation of risk management units, sometimes called targeting centres. These should report to a deputy director of Customs administration, or another senior member of the Customs administration.

Box 5.13 is adapted from a published proposal of the Australian Customs Service (Australian Government, March 2008).

BOX 5.13

The future of risk management: The example of Australia

The Australia Customs Service adopted a risk assessment framework so that by 2015, it can deal with and treat risk before it becomes concrete and enable its staff to accurately identify the cargo of low-risk importers. This should lead to trade and transport facilitation and to improvements in border security and safety.

Some of the management methods and operational tools that are planned for use are specialist targeting teams, real-time entity-based risk assessment, Authorised Economic Operators (AEOs), advance export data, and tracking of cross-border shipments.

Part of the Australian programme has the objective of improving the ability of Customs to identify those people and cargo consignments posing significant threats at the border. Concurrently, the impact on legitimate people and goods crossing its borders should be minimized. By investing more effort in identifying high-risk cargo, Customs can focus on those cargo consignments that need intervention. Several specialist targeting teams will be created, each having a different high-priority focus, including criminal networks, online purchasing, financial transactions, communications analysis, and terrorism.

Together with the specialist targeting teams, a real-time entity-based risk assessment project will deliver risk assessments that are more proactive and in real time, thus enhancing the analysis and management of entities of interest. The project aims to improve border protection using real-time entity-based risk assessment by increasing capabilities for developing and refining risk indicators.

This best-practice model of risk assessment requires moving beyond the dependency that Customs has had until now on specific data fields collected by cargo-reporting. From a risk assessment perspective, the data provided by cargo documents, i.e., the specific fields that they contain, is less important than the relationships between the information in the fields and the behavioural analysis trends they demonstrate across time and information sources. The conceptual starting point for Australian Customs is that the activities of criminal entities and networks will contain anomalies that are not present for legitimate importers. To maintain border security, Australian Customs plans to direct the majority of its risk assessment effort and resources at a small pool of high-risk entities.

Specifically, Australian Customs plans steps to:

Have a complete picture of trade patterns. This will be accomplished through behavioural pattern analysis, using a wider analysis of risk indicators in order to develop additional behavioural pattern-matching. In this way, it should be possible to identify abnormalities easily;

Have a comprehensive historical picture of all importers. Australian Customs has commenced a client history project that collects import information on the top 3,000 or more importers. This project will be continued and developed to create an on-going historical record of all importers;

Have a secure system by which companies are accredited and reviewed. To create a strong system of securing vetting and assessment, various relevant projects have been completed, including Authorised Economic Operators (AEOs);

Have the ability for covert intervention. Importers are increasingly able to monitor shipping movements throughout the supply chain, which presents a challenge to Customs when intervention needs to be carried out covertly. Any government-sponsored method for supply-chain monitoring needs this capability.

Preferably, such units should not be under the jurisdiction of IT, investigative or internal affairs departments. These departments should, instead, provide information and other resources to those responsible for risk management. Risk management is not to be considered a separate activity; it should be an integral part of the customs process.

One of the first tasks of a risk management unit should be the drafting of a risk management policy for its Customs administration, followed by the drafting of risk assessments and risk profiles for testing. The unit may be tasked with preparing and delivering draft risk management training curricula, training agenda and training materials, in consultation with the Customs administration's human resource management or its training centre managers.

A risk management unit's staff and managers should include experienced BCP and headquarters personnel who can identify risks and threats, and who have the skills for preparing reports for senior management. The staff should include valuation and tariff experts, post-clearance audit advisers, and investigations and intelligence experts. Putting together such a team might be challenging, as in some cases experts are rare or needed by other departments or sections of Customs.

Participants during an OSCE-WCO workshop on risk management in customs, Astana, October 2011.

5.3.7 Training risk management staffs and managers

For a general understanding of new procedures, awareness courses for entire Customs organizations can be beneficial. In addition, specialized technical courses should be arranged for the staff directly involved in implementing and operating risk management procedures.

In 2011 the World Customs Organization published a new Risk Management Compendium, which gives

Box 5.14 is adapted from a publication of the International Finance Corporation of the World Bank Group (Beruashvili and McGill, May 2010).

BOX 5.14

Automating a risk management system: The example of Georgia

The Georgia Business Climate Reform (GBCR) project was undertaken from 2005 to 2009. Implementation was systematically expanded to all customs clearance offices, and by July 2008, risk-based cargo selectivity was fully operational throughout Georgia.

Prior to the project, all imports and exports, regardless of the risk they represented, were subject to physical inspection. Because everything was inspected superficially, very little was accomplished and there were many opportunities for corruption. Electronic submission of documents was impossible, and a complicated, ambiguous, and conflicting legal framework made clearance documents and procedures unclear. Customs officials could demand 23 different documents from traders. It was not possible for importers to determine in advance what documents would be required or how much they would have to pay. The World Trade Organization's Customs valuation rules were not followed. In addition, there was no mechanism for facilitating meaningful reform, such as the possibility of communicating or sharing feedback between the private sector and the Georgian Customs administration.

The Government took the decision to replace all physical inspections with a risk-based cargo selectivity system. Introducing risk management in customs significantly reduced petty corruption and, in combination with sensible laws and procedures, enabled traders to comply voluntarily with revenue laws. The system has included:

Customs Risk Management: Today, 90 per cent of all shipments are only subject to document review ("yellow channel"), which has reduced the time needed to clear most shipments by several days. The remaining 10 per cent undergo physical inspection ("red channel"). Selection is based on a combination of risk criteria that have been programmed into the ASYCUDA;

Authorized Economic Operators "Gold List" Programme: As part of the Customs risk management system, the "green channel" (no physical or document checks) has been implemented for "Gold List" Programme importers. The Gold List programme provides simplified import procedures for high-value/high-volume traders (5 million Georgian Lari [GEL] import value) who have a demonstrated history of compliance. Simplified procedures include: (a) immediate release of goods, which circumvents cumbersome formalities; (b) post-payment (up to thirty days) of Customs duties; (c) electronic submission of declarations with no attached documents required; and (d) advance declaration filing. Since November 2009, no Customs guarantee is required for Gold List members. The number of companies taking advantage of the Gold List programme has grown tremendously, from four companies in a pilot group to over two hundred today. The largest hundred importers in

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Georgia account for more than 40 per cent of the volume, value and number of import declarations filed.

By implementing comprehensive reforms, the following results were gained and lessons learned:

Trade volume revenues increased. Georgia gained international publicity when it rose from number 112, in 2005, to number 11, in 2010, in the World Bank's Doing Business "ease of doing business" ranking;

Technical help should be combined with procurement. The GBCR project reserved 2.5 million United States dollars of its 13 million four-year budget for procurements to support implementation of the reform initiatives it supported. This was crucial to the reform's success, particularly in the early days of automating business processes. As revenues rose, the Government adjusted its budget priorities and the project substituted technical assistance for procurement activities. Implementation of risk management occurred only after numerous customs business processes had been revised and streamlined. Clearance procedures were simplified to include advance declarations, immediate release of goods for low-risk traders, etc. The Customs authorities' physical inspection procedures were optimized and automated;

Transactional efficiency produces dramatic increases in transaction volumes and values. This could be seen through the examples of increases in total trade, in value-added tax revenues, and in the number of commercial trucks transiting Georgia;

A mechanism for public-private dialogue was created. The GBCR project worked with AmCham Georgia to convene a public-private task force on customs issues. The Customs working group surveyed businesses in order to determine the problems they had encountered, identify the causes and propose solutions that were then incorporated into amendments to the customs code and secondary legislation. The private sector thereby became a vigorous advocate for reform. Trade partners, who were initially distressed by constant change, became a champion and enabler for reform, providing literally hundreds of recommendations.

Aggressive incrementalism reduces the time required for far-reaching reforms. Georgia rose from 149th to 30th place on the Doing Business "Trading Across Borders" indicator in four years by undertaking multiple small reforms. Hundreds of changes were made to laws, regulations and business processes. Each incremental change made the next easier.

Transaction-based reforms build capacity faster. If regime change is implemented top-down, it requires huge external resources. This frustrates local partners, because the benefits seem remote and controversial. Transaction-based reform produces larger results sooner. The principles are easier to understand and apply to diverse situations.

With GBCR support, the capacity and professionalism of the Georgian Revenue Service in streamlining, automating, developing and implementing its customs risk management programme increased dramatically. GBCR also provided specialized training and mentoring in certain areas, such as a new risk analysis unit that was focused on transactional principles. Senior management has increasingly relied on middle-range management, and has delegated greater authority to them, which has made business processes smoother and more efficient;

It has been possible to monetize the benefits of each reform. Monetizing early and often helps popularize customs reforms, and provides results that customs reformers can present to senior officials who complain about lack of progress. GBCR attempted to monetize the savings – both for traders and government – that came from the newly implemented customs reforms. Annual savings from customs reforms for which benefits could be monetized were about 388 million United States dollars. For example, in September 2006, the project calculated the reforms' savings for traders to be a reduction of the time it takes for a commercial truck to cross Georgia's border by one day. The cost of operating a commercial truck per day, 288 United States dollars, was multiplied by the 139,000 truck crossings of the prior 12 months, which produced an estimated annual savings of 40 million United States dollars. Two years later, the volume of truck transits had grown to over 600,000 annually, generating an additional 133 million United States dollars in annual savings. The GBCR used the Standard Cost Model developed by the Dutch Government to measure the costs to business due to administrative burdens resulting from information reporting needs. In addition, it included direct financial impacts on the government and private sector that are not related to information requirements, such as reducing or eliminating fees. This was also estimated as a monetary time value.

Conclusion

The dramatic reductions in clearance times produced by streamlining customs procedures and introducing risk management in Georgia between 2005 and 2009 directly reduced the cost of doing business, both for traders and for the revenue service. These reductions were accompanied by similarly dramatic increases in trade turnover, from 3.4 billion United States dollars in 2005 to 5.5 billion United States dollars in 2009, and in VAT revenues (60–65 per cent of which are collected at the border) from 1.3 billion GEL to 2.5 billion GEL in the same time period.

Key benefits included the following:

- The risk management system reduced physical inspections to 10–15 per cent for imports and 13 per cent for exports;
- The time required for release of goods decreased from three days or more, to an average of two hours;
- About 90 per cent of all shipments are now cleared through the yellow channel, requiring only documentary checks;
- The goal of implementing risk-based inspections and post-clearance audits encouraged the streamlining of customs procedures. Such streamlined procedures have been introduced for various customs regimes, including customs warehousing, inward processing relief, outward processing relief, temporary importation, export, re-export and returned goods relief;
- Documentation requirements have been clarified and dramatically reduced in number. Today, only two documents are required for export and three for import.

The simpler systems have made it easier not only for businesses to comply, but also for the government to detect evasion. Risk-based inspections now identify nearly 100 per cent more violations than physical inspections did in the past.

WCO members a framework for implementing risk management. The Compendium contains instructions, methods and examples of how to apply risk management and risk assessment in a Customs administration.

Conclusion

An efficient approach for detecting and treating risks is to use risk management, which presupposes selective inspections. Customs administrations using 100 per cent traditional control methods might want to change their approach. This may remain a short-term challenge while Customs and other border control agencies develop a customs strategy with risk management especially in the current context of restrained budgets plus train staffs or managers for risk management. Customs administrations need to modernize and implement the latest risk management best practices.

According to an UNCTAD risk management publication (UNCTAD, 2008), bodies intending to use modern risk management should consider the following important steps:

- Staff and management must recognize the added value and effectiveness of risk management. This can be accomplished by a risk management policy and a strategic management plan, which can highlight the objectives and priorities and explain the reasons why a new system is being introduced;
- Awareness courses for the entire organization can increase the understanding of new procedures. Specialized technical courses should be arranged for staff directly involved in the implementation and operation of new procedures;
- The internal structure of a Customs administration must be adapted to the reforms being undertaken, notably through the creation of a risk management committee with representatives from both regional and local Customs departments. The objective of such a committee is to discuss and agree on new risk criteria;
- A separate unit in Customs should be created that is responsible for maintaining and operating the risk management process. This unit can gather, chart and analyse information data on importers and carriers, with the information coming from relevant sources such as the WCO CEN database, national seizure reports, or other administrations acting under various agreements;
- Customs laws and rules need to be reviewed to assure that the risk management techniques being implemented lie within legal boundaries;
- Customs administrations need to consider using electronic manifests that are aligned with international standards in order to provide for advance identification of high-risk shipments.

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6 Options for the Design of Border Crossing Points

CONTENTS

6. Options for the Design of Border Crossing Points

Introduction

A border crossing point (BCP) should provide for efficient processing of lawful traffic, have facilities for detecting violations, and offer a good image of the State represented.

As is the case with any other type of infrastructure, building and designing BCPs involves many issues and each country often has its own standards. The BCP design layout options presented in the present chapter are intended as best-practice examples, even though they do not necessarily represent the standards of individual OSCE participating States/UNECE member States.

The Chapter will describe how different BCP administrations have designed, built, renovated, repaired and maintained their BCPs.

From an economic/trade perspective, an essential feature of a well-functioning BCP is fluid traffic flows. In case of congestion, priority should nearly always be given to expediting the traffic flow. Other controls can be established downstream, for example, at inland clearing depots.

Traffic at border crossing points has increased significantly in recent decades. However, the buildings in which border authorities work every day are often several decades old and designed for much lower traffic levels. At these older BCPs equipment is often outdated or even non-existent. The infrastructure is often not optimal for the large number of tasks border authorities must carry out today, many of which are related to security and trade facilitation.

The present Chapter will list some best-practice approaches to BCP design options that may help border agencies create better work environments, which in turn will help them improve the job performance of their staffs. Sample equipment lists likely to help Customs and border guard offices and managers fulfil their responsibilities are included.


iStockphoto

Cars line up to enter the US from Tijuana, Mexico.

BOX 6.1

Measuring border crossing point delay and crossing times: An example of best practice

A U.S. Department of Transportation Federal Highway Administration study on delay and crossing times at the BCP El Paso–Ciudad Juarez Bridge of the Americas provides a best-practice example for using technologies that: (a) can easily and precisely measure commercial and passenger vehicle crossing times, and (b) are readily transferable to other BCPs.

The first part of the project evaluated Radio Frequency Identification (RFID) technology. The second part of the project included six tasks:

- Contacting project stakeholders
- Evaluating technologies
- Developing an implementation plan
- Demonstrating the technology's effectiveness
- Evaluating results
- Preparing a final report

Task 1: Contacting project stakeholders

The first step was to identify project stakeholders and their needs, and to assess impediments for collecting cross-border travel time data. In this case, stakeholders included truck transport companies, State and local transportation planning and operations agencies, U.S. and Mexico Customs, and the Federal Highway Administration.

Task 2: Evaluating technologies

A test was developed to demonstrate RFID capability in calculating travel time in a real-world setting.

Task 3: Developing an implementation plan

RFID readers were installed on the Mexican side of the border and at the exit of the BCP facility on the U.S. side of the border. An on-site test was carried out using RFID tags issued by U.S. Customs and Border Protection as part of the Free and Secure Trade (FAST) programme. It was proven that an RFID-based system can be used to calculate travel times for commercial vehicles at a BCP.

Tasks 4, 5 and 6 (final steps) included:

Funding was provided in 2009 to install permanent measuring sites directly on the Bridge. Other locations were added as funding became available. Communication, manipulation and data storage issues are being examined, as is the question of data dissemination. The final two tasks involve evaluating the results of the data collection and preparing a final report.

Source: U.S. Department of Transportation Federal Highway Administration, April 2009.

BOX 6.2

An example of the necessity of modernizing a road border crossing point

The USAID report of the Mongolia Economic Policy Reform and Competitiveness Project describes a survey carried out in April 2008 on 550 truck drivers crossing the Mongolian border. The survey discovered the following average waiting times at the road border crossing point between Zamiin Uud (Mongolia) and Erlian (People's Republic of China):

- 23.5 hours to inspect trucks with non-uniform loads
- 28.5 hours to scan uniform loads
- 135 hours to transfer non-uniform truck loads to rail
- 34.2 hours for trucks waiting in the People's Republic of China to reach the Zamiin Uud BCP in Mongolia

The road BCP was clearly congested and no longer efficient. An improvement plan was devised in which the physical infrastructure was upgraded in the following ways:

- Expansion of the inspection area to ease inspections and improve truck circulation;
- Segregation of commercial truck traffic from passenger traffic;
- Segregation of truck cargo by load type: uniform truck loads going directly to a fixed tunnel X-ray scanner, non-uniform loads going to an inspection area.

The resultant cost-benefits at the BCP were then analysed. Infrastructure investment had been 2.5 million United States dollars. According to the Economic Internal Rate of Return (EIRR), with the average daily cost of operation for trucks being 37 United States dollars per day and the daily cost of inventory 7 United States dollars, the benefits were estimated at over 200 per cent.

Source: USAID, 2008, p. 1.

Designing and building new BCPs, or renovating old ones, is a multi-faceted procedure. It is, however, essential for the goal of trade facilitation and for the task of fulfilling security and safety needs.

6.1 Goals and objectives in border crossing point design

In order to determine the design goals of a border crossing point, a strategy concerning national borders must exist (See Box 6.3). Only then can border agencies begin to decide on design criteria, choose which BCPs should be renovated or expanded, or locate where new BCPs should be built. Border strategies must include principles concerning national borders and must identify the risks and threats that are present at particular borders.

For example, a BCP might need to be built because of smuggling in a particular region. It should not be forgotten that BCPs also play a major social role for cross-border communities.

Security and safety at BCPs should be balanced with the need for trade facilitation measures, such as reducing export and import time delays. BCPs can also be included in government initiatives for increasing exports, raising employment levels and reducing poverty.

If new border crossing points are to be built or existing facilities renovated and modernized, overall designs and guidelines for building and maintenance must be prepared. In many countries, Customs administrations approve BCP infrastructure projects and even supervise design and construction. BCP infrastructure is also often decided upon by ministries of the interior or ministries of public works, which then also carry out building and

BOX 6.3

The United Kingdom's border strategy

As described in a document published by the London Institute for Public Policy Research on border security in the United Kingdom of Great Britain and Northern Ireland , since 2007, the UK border strategy has aimed at "exporting" the border by carrying out as many border controls as possible in other countries. It also aims at improving the "integrity" of border control documents (using, for example, biometrics) and making better use of data as a border management tool by means of the "e-Borders" programme. The strategy lists five principles of effective border security and management:

- Act early;
- Target efforts;
- Manage bottlenecks;
- Maximize depth and breadth of border protection;
- Reassure and deter.

The UK border strategy is based on a risk management process, because 100 per cent effective border controls are impractical both physically and legally (due to EU requirements), and because the UK's economy draws benefits from and depends on the freest possible movement of people and goods.

The UK strategy identifies five risk areas that need to be addressed:

- Weaknesses in immigration controls;
- Losses through tax evasion at borders (border revenue accounting for about 5 per cent of UK tax intake);
- Organized international crime, such as drug trafficking;
- Terrorism;
- The area related to the need to exclude prohibited goods and maintain controls on restricted goods.

Source: Gregory, 2009, p. 6.

pavement maintenance. Detailed outlines of such work plans will be described later in the present Chapter.

A best-case example of BCP design can be found in the *U.S. Land Port of Entry Design Guide* (See Box 6.4) It describes the design objectives for U.S. BCP architecture, which is based on the following four elements:

- Respect for image
- Respect for function
- Respect for the environment
- Respect for the economy

In the United States, architecture deemed appropriate for BCPs does not allow any one of these elements to dominate, but gives each element it proper weight and emphasis.

When designing a best-practice border crossing point, the objective is to establish the needs of the new site and to take account of these when building efficient, economical and flexible facilities. The design must reflect the function of the BCP as well as its operations. It should also incorporate the normal division of tasks and the flow of activities, the organization and work groups within the facilities, as well as a definition of minimum acceptable performance standards. The design should also include typical generic models for those elements that are common to all BCPs.

However, although it is clear that BCPs have certain features in common, there is no prototypical BCP and no universally applicable design solution. The type of traffic, traffic volume and site constraints all result in different physical requirements. As with the design of any other type of building, professionals doing the planning must explore and develop a programme and design solutions that respond to the specific needs and constraints found at that particular BCP.

Border crossing point between the US and Canada.

BOX 6.4

Attributes of buildings at border crossing points: A U.S. example of best practice

The Whole Building Design Guide, a programme of the U.S. National Institute of Building Sciences, lists the five objectives in BCP design as found in the *U.S. Land Port of Entry Design Guide*:

- *Aesthetics:* A BCP facility should express a cordial welcome, but should also be distinguished and businesslike, reflecting its official status and serious law enforcement function. It should be compatible with regional and local styles, incorporate the Art-in-Architecture programme, and be sensitive to existing historic structures and to the local environment;
- *Functional and operational:* The construction of a BCP facility should be planned so that operations can continue uninterrupted and will accommodate long-term growth. Clear circulation patterns for both traffic and staff should be provided. The visual impact upon persons approaching the facility should also be considered; it should be ensured that the public can clearly see staff members, and that signs are well integrated. Border crossing facilities should also provide for inspections of the four basic traffic types: pedestrians, non-commercial vehicles, commercial vehicles, and buses;
- *Productive:* A productive building design includes five fundamental principles. It should promote health and well-being and provide a comfortable environment. It should incorporate possibilities for changes in ways of working. In addition, it should integrate technology effectively and ensure that the working space is reliable, with building systems, equipment and tools that function consistently and are maintained;
- *Secure and safe:* While necessary security features must be in place, it is desirable to minimize the image of a border crossing as a "fortress". Rather, public areas should be welcoming and approachable. Uncontrolled areas should be minimized, and inspectors should be able to monitor traffic and individuals visually, with inspection activities positioned so that they can be easily seen by a number of staff members;
- *Sustainable:* In most cases, a BCP is never closed: it is a seven-day, 24-hour operation. Its equipment must meet the highest industry standards and need little maintenance. The facility should be energy-efficient and environmentally responsible. The effects of exhaust fumes, particulate pollution and heat from idling vehicles should be mitigated. Use of daylight in buildings and natural ventilation should be maximized, and water consumption minimized.

Source: Conway, 2010.

BOX 6.5

Border crossing point design options: the need for documents and standards

When planning new BCPs, renovating and modernizing existing ones, or carrying out maintenance and repairs, it is best practice if design guide documents and standards exist. In the U.S., for example, the General Services Administration (GSA) and its contractors must comply with the *U.S. Land Port of Entry Design Guide* as well as with a number of national standards. These standards include:

- *Facilities Standards for the Public Buildings Service* (FSPBS). This document describes building codes, federal regulations, and standards of the National Fire Protection Association (NFPA) and the American Society for Testing and Materials (ASTM) as required for all federal buildings under GSA purview. It covers general building construction, systems, finish and quality, as well as compliance with building codes, accessibility standards, historic buildings, energy conservation, lead based paint, sustainable design, recycled materials, indoor air quality, abatement of asbestos, radon mitigation, environmental policy act, metric standards and life cycle costing. The FSPBS provides guidance concerning quality in design for site planning and landscape design, architectural and interior design, structural engineering (including seismic design), mechanical engineering, electrical engineering, fire protection engineering as well as submission requirements for design and construction;
- *Development studies, facility programmes or feasibility studies.* Such documents define the specific scope of work that has been approved for individual BCP construction projects, including space requirements, project budgets, time schedules, and specific requirements unique to individual projects;
- *GSA PBS Pricing Desk Guide (PDG).* This document presents polices used by the Public Building Service to price real estate and related services to federal tenant agencies;
- *Standards for Rehabilitation and Guidelines for Rehabilitating Historic Structures.* This document defines the procedures and requirements of federal agencies when dealing with historic structures;
- *Architectural/engineering contracts.* These define the scope of individual projects and their responsibility for services. Such contracts also specify the various points that must be complied with. The list may include the following categories: building code compliance, accessibility requirements, energy conservation compliance, environmental policies and regulations, GSA requirements, metric requirements, design excellence, computer-aided design, the American Institute of Architects Master Spec System, hazardous waste management, partnering, and the concept of art in architecture;
- *State Department of Transportation Standards.* Roadway design must comply with the local State Department of Transportation requirements. All traffic circulation and routing signage must follow the criteria contained in the Manual on Uniform Traffic Control Devices (MUTCD), which is administered by the Federal Highway Administration;
- *Local codes* where applicable. Policies for compliance of federal buildings with building codes are addressed by the FSPBS;
- *Uniform Federal Accessibility* Standards (UFAS) and Americans with Disabilities Act Accessibility Guidelines (ADAAG). BCPs must be designed to provide accessibility for disabled individuals as prescribed by the UFAS or the ADAAG. Compliance of federal buildings with accessibility standards is addressed by the FSPBS.

Source: US GSA, 2011.

BOX 6.6

An example of work plan tasks for the modernization of a road border crossing point

The project report of the Mongolia Economic Policy Reform and Competitiveness Project describes the following tasks that were carried out in modernizing a road BCP between Mongolia and the People's Republic of China:

- An audit of available existing maps, information, statistics, national and international standards, national architectural guidelines;
- Obtaining copies of international best-practice BCP design;
- Data collection, site surveys and tests to verify existing data, establish a suitable improved modern BCP layout, and list BCP layout criteria in order to help prepare and deliver architectural and engineering drawings;
- Preparation of a preliminary design of the BCP layout, including the location of new connecting access roads based on national and international contracting and engineering standards;
- Preparation of acceptable procurement methods for constructing the BCP, complete with draft-bidding documents, technical specifications, and a list of civil engineering works;
- Identification and attempts to solve administrative needs that might delay the project's progress, including permission certificates, approvals, land acquisition, utility provisions and relocation, an environmental impact assessment, and needs related to historical preservation laws and site preservation.

Source: USAID, 2008, p. 6.

In the U.S., the agencies of the Federal Inspection Services who utilize BCPs are consulted at the initial stages of any new project. They are included as equal partners in the design process to assure the appropriate application of the criteria contained in the U.S. Design Guide.

Not all countries have guides specifically directed at BCP design. Nevertheless, civil engineering companies, building contractors, and companies for highway, electrical and water engineering must comply with national standards for building, repair and maintenance. There should be a record of national standards at a ministry of public works. This will allow an analysis of the current situation and the identification of gaps in any BCP design guide that is created or exists. Creating a guide is an on-going process. Box 6.6 describes some of the tasks that were involved in the modernization and improvement of a road BCP between Mongolia and the People's Republic of China. This might provide a guide for other modernizing projects in the region.

A design guide must define objectives both for small and for large BCPs. These objectives must include functional and operational issues, productiveness, security requirements, and questions of sustainability. The present Chapter will discuss objectives in designing BCPs in more detail below.

The staffs of border agencies are not qualified civil engineers, site surveyors, plumbers or electricians, and they should not be expected to pick up a paint brush and paint the walls, or carry out maintenance and repairs. Designing, building and maintaining BCP buildings and equipment can be based on various models. In the

Customs sign at a border crossing.

BOX 6.7

Border crossing point modernization programmes: An example of best practice

This example of best practice relates to a land BCP modernization programme carried out by the United States of America using funds allocated by the United States Congress under the American Recovery and Reinvestment Act of February 2009.

Modernizing plans included:

- Improving technology and modernizing the infrastructure of the U.S. land BCPs;
- Helping meet the U.S. Customs and Border Protection's mission to secure the border while facilitating legitimate travel and trade.

A total of 420 million United States dollars was allocated to fund:

- The designing and building of multiple new land BCPs;
- The repairing and alteration of existing land BCPs.

A method called Strategic Resource Assessment resulted in:

- A strategic plan for the modernization of existing facilities and recommendations for future facilities;
- The conclusion that funding totalling over 6 billion United States dollars would be needed to recapitalize the BCP inventory;
- A list of priority capital project needs based on objective criteria. Various locations were rated with regard to their need for modernization, with priority rating scores of 83.3 to 100 being categorized as "critical", scores of 66 to 83.29 "urgent", and scores of 50 to 66 as "high". Examples of necessary renovations included leaky roofs, poor wood foundations, water damage, asbestos, and decaying infrastructure incapable of supporting today's equipment.

Driving forces behind these modernization plans included:

- The rapid evolution since 9/11 of the Customs and Border Protection mission and its operational needs;
- BCP facilities being on average 40 years old, some more than 70 years old, without any modernization since their construction;
- Strained existing facilities due to increasing traffic volumes and staff levels;
- The inability to adapt existing facilities to handle developing inspection technologies;
- Heightened inspection needs requiring better secured operational spaces.

The contracting for this modernization had three aims: to infuse funds into the economy, to adequately modernize the U.S. BCPs, and to include small business participation. Contracting was carried out with the U.S. Army Corps of Engineers, the U.S. General Services Administration and directly with small businesses.

Source: U.S. Customs and Border Protection, June 2009.

U.S., for example, the federal agency providing facility management services at most BCPs is the U.S. General Services Administration (GSA).

Valuable lessons can possibly be learned by examining how BCP assets are managed by the border agencies of other countries and how they solve their individual challenges. It is also helpful to compare the best practices used in similar working environments. Each country needs to find its own path to better BCP strategies. BCP design guides and standards need to be created, strategies for technology development designed, and means for funding found.

Box 6.7 on the previous page shows the U.S. Customs and Border Protection programme for modernizing land BCPs. It has entailed new legislation that authorizes the modernizing of land BCPs and that releases funding.

It is also recommended practice that BCPs should be planned and built in partnership, with border agencies from both sides of the border in question being involved. An example can be seen in the partnerships that have been created between the U.S. and Canada (See Box 6.8), and between the U.S. and Mexico. These have been the result of the North America Free Trade Agreement (NAFTA), which was enacted in 1994 and eliminated many trade barriers between the U.S. and its neighbours. These partnerships have resulted in a number of useful studies, for example, an analysis of short-term low-cost ways to solve road infrastructure and traffic management bottlenecks that slow the movement of people and goods at the U.S.-Mexico border. Such initiatives are useful for any border agencies suffering from traffic management bottlenecks at their BCPs.

In 1968, the Vienna Convention on Road Signs and Signals was drawn up by the United Nations Economic and Social Council. It is an international treaty designed to increase road safety through internationally standardized sign systems used on roads.

The international road sign indicating a road BCP is a red-bordered white disk with a horizontal red bar. The word "Douane" and its translation in the language of the respective country are usually placed above and below this bar. Although the word "Police" sometimes appears instead, BCPs are often generically referred to as "Customs" points or posts. This sometimes results

BOX 6.8

Border crossing point modernization: co-operation between neighbouring countries

A study jointly undertaken by the U.S. Department of Transportation's Federal Highway Administration and the US-Mexico Joint Working Committee on Transportation Planning showed that the value of freight shipments moving between the U.S. and Canada and Mexico has risen 170 per cent since 1990, increasing by an average of 8 per cent a year. In 2003, there were 13.3 million crossings at the U.S.-Canada border and 4.2 million crossings at the U.S.-Mexico border. In 1994, a Memorandum of Understanding was signed between Mexico's Secretariat of Communications and Transportation and the U.S. Department of Transport, creating a Joint Working Committee on Transportation Planning (JWC), which has since co-ordinated the planning and programming of intermodal projects along the U.S.-Mexico border. In 2000, the United States Department of Transport and Transport Canada signed a Memorandum of Cooperation creating the U.S./Canada Transportation Border Working Group (TBWG).

U.S.-Mexico

The JWC's main focus is to plan overland transportation and facilitate efficient, safe and economical cross-border movement of people and goods. Its goals include promoting cross-border communication between the Mexican and U.S governments as well as between the ten U.S. and Mexican States on either side of the border, developing co-ordinated plans for land transportation, and evaluating current and future impacts of traffic demand on transportation infrastructure. A JWC committee meets twice a year, once in each country. A study carried out by the JWC in 1998 examined the two countries' border transportation infrastructure, trade flow processes for commercial vehicles, transportation planning processes, and ability to handle expanding trade flow across the border. One important result of the study was the creation of a databank that is maintained at the FHWA and the Mexican Transportation Institute and contains information on trade and traffic flows at BCPs, socio-economic data for border areas, and data on existing and planned BCP and border infrastructure improvements.

U.S.-Canada

The main focus of the TBWG has been to solve the need for increasing the degree and speed of communication between the U.S. and Canada Departments of Transport, as well as the need to exchange information on border transportation issues of mutual concern. Members of the TBWG include nearby city planning organizations, chambers of commerce, stakeholder coalitions and private industry. Participating U.S. agencies include the FHWA, the departments of transportation of the States along the border, Customs and Border Protection (CBP), the U.S. Department of State, and the General Services Administration (GSA). Canadian participants include Transport Canada, provincial and territorial governments, Foreign Affairs Canada, the Canada Border Services Agency and the Canadian Food Inspection Agency.

Source: Hochman 2005, pp. 1–14.

in ambiguity about the function of BCPs. Despite the BCP international sign, the function of a BCP is border management. This is conducted by several different institutions or border agencies, not only Customs. These might include, to mention just three notable examples:

- Ministry of Transport: Check-weighing vehicles, collecting road taxes, enforcing transport permits and licences, checking entry permit quotas;
- Ministry of Agriculture: Limiting spread of infections by means of quarantine or disinfection;
- Ministry of Health: Phyto-sanitary checks, checks of valid food quality certificates.

In some countries, immigration checks are carried out by Customs authorities. The U.S. has a "One-Face-At-The-Border" policy in which all initial document checks are undertaken by Customs officers, who then pass on any problems, discrepancies or special needs to the appropriate agency (See Box 6.9). This speeds up the flow both of commercial and of passenger vehicles.

BOX 6.9

Agencies typically located at U.S. road border crossing points (land ports of entry)

As listed in the U.S. General Services Administration (GSA) website *(Agencies Typically Located at LPOE),* land ports of entry (BCPs) house the following agencies:

General Services Administration (GSA), Public Buildings Service: The GSA, through its Public Buildings Service, is responsible for the design and construction of BCPs, as well as for the leasing of some BCPs. The GSA also provides general management of BCPs, and takes care of various tasks such as maintenance and repair;

U.S. Customs and Border Protection (CBP): The CBP facilitates legitimate trade and travel, while also being concerned with protecting and defending the United States as a whole. Generally, the CBP inspects goods and people seeking entry into the U.S. at BCPs. The U.S. Border Patrol is part of the CBP, but does not participate in inspections at BCPs;

The Department of Transportation's Federal Highway Administration (FHWA): The FHWA works with State, federal, and international partners to ensure the safe and efficient movement of people and goods across borders. With its counterparts in Mexico and Canada, the FHWA creates joint working groups aimed at improving mobility and security at BCPs;

U.S. Food and Drug Administration (FDA): The FDA conducts inspections to control the import of foods, drugs, cosmetics, medical devices, biological products, animal feeds and drugs, and radiation-emitting instruments;

U.S. Fish and Wildlife Service (F&WS): The F&WS regulates the importing of birds and wildlife that are protected by the Convention on International Trade in Endangered Species (CITES) and the Wild Bird Conservation Act of 1992 (WBCA);

Department of Justice's Federal Bureau of Investigation (FBI) and Drug Enforcement Agency (DEA): The law enforcement branches of the DOJ, including the FBI and DEA co-ordinate with the CBP and Bureau of Immigration and Customs Enforcement (ICE) agents when their investigations involve immigration violations;

Centre for Disease Control (CDC): The CDC develops and implements strategies to monitor for diseases in people, animals, cargo, and conveyances arriving at United States BCPs. The CDC reviews operations to ensure the effective application of scientific data to programmes used to monitor the importation of quarantinable and other specified diseases;

Bureau of Immigrations and Customs Enforcement (ICE): The ICE's mission is to detect and prevent terrorist and criminal acts by targeting the people, money, and materials that support terrorist and criminal networks. Unlike the CBP, whose jurisdiction is confined to law enforcement activities along the border, ICE special agents investigate immigration and customs violations in the interior of the United States. The ICE is also responsible for the collection, analysis and dissemination of strategic and tactical intelligence data pertaining to homeland security, infrastructure protection, and the illegal movement of people, money, and cargo within the United States;

Transportation Security Administration (TSA): The TSA was created as a direct result of the events of 9/11, and is charged with protecting U.S. air, land, and rail transportation systems to ensure freedom of movement for people and commerce;

U.S. Border Patrol (USBP): The USBP enforces U.S. immigration law and other federal laws between official BCPs both along the border and also in the interior of the United States. As currently comprised, the USBP is the uniformed law enforcement arm of the Department of Homeland Security. Its primary mission is to detect and prevent the entry of terrorists, weapons of mass destruction, and unauthorized aliens into the country, and to interdict drug smugglers and other criminals;

Department of Agriculture (USDA): The USDA establishes the agricultural policies that CBP inspectors execute. Among other things, the USDA implements stray animal control policies, provides inspection services for imported animals after importation, and assists with notification of livestock movement to receiving States;

Central Intelligence Agency (CIA): The CIA is an important player in the efforts to keep terrorists and other foreign agents from entering the country. The CIA informs INS officers of potential terrorists, including possible operatives, trying to enter the United States.

Source: US GSA, 2011.

The Rainbow Bridge at Niagara Falls connects the United States and Canada.

At BCPs with low traffic levels, it is not reasonable to maintain staff from many agencies. Here, it might be useful to train Customs officers to carry out not only immigration and passport control methods, but also other types of control ("multi-skilling").

When planning a new BCP or renovating and modernizing an existing BCP, account must be taken of which border agencies are to be working at the facility. At typical BCPs in the U.S., for example, about twelve different agencies are represented.

6.2 Infrastructure and resources for small border crossing points

Security, safety and the need for trade facilitation is as much a priority at a small border crossing point, with 50 vehicles a day, as it is at large BCPs with 5,000 vehicles an hour. A prototype for small BCPs has been created in the United States, which has about fifty small BCPs along its northern border with Canada. This has reduced not only the efforts needed for planning and designing new facilities of this kind but also the time needed to execute such projects. Some of the best practices described below might help border agencies or ministries of public works of other States in developing their own small BCP prototype.

6.2.1 Layout designs for small border crossing points

The following section presents various design layouts for small BCPs, thus offering design options that can be used for remodelling existing BCPs or for designing new BCPs. The design options are useful for BCPs where vehicle and people volumes do not justify investing large sums of money. They include segregated vehicle and pedestrian exit and entry lanes, since for security and safety reasons people crossing the border on foot should ideally be kept separated from vehicles. It is important that border agency staffs be able to carry out primary and secondary vehicle and cargo inspections without being distracted by large numbers of pedestrians.

Diagram 6.1 on the next page shows a suggested layout for a low-traffic road BCP where the number of import and export trucks varies between 50 and 100 a day, with segregated export and import traffic flows. People crossing the border on foot do not have access to the BCP zones used by vehicles.

In this layout, the Customs administration and other border agencies' offices are located in a central, shared building. In this small BCP design, truck drivers must park and proceed to a Customs building to carry out formalities.

Vehicles undergoing document checks, both exit and entry (export and import), park in the "herringbone" (angled) manner so that they do not block the movement of other vehicles, even if a particular vehicle check needs more time. These parking areas must have enough space to accommodate a mobile truck X-ray scanning machine, so that Customs authorities are able to carry out random vehicle scanning. If Customs or other border agencies decide to conduct a more extensive physical inspection of goods and/or a vehicle, ideally there should be a secure inspection area to which the vehicle can move. In addition, it should be possible to turn away vehicles whose goods or vehicle documents are not ready or are incomplete without causing congestion at the BCP. Any sort of vehicle parking needs to be located at least one kilometre from the BCP, so that the BCP zone does not become a parking lot and rest spot for drivers.

Diagrams 6.2 and 6.3 on page 150 provide two designs for BCPs with still lower traffic volumes, in this case less than 50 vehicles a day. Both examples take into account possible restricted site areas such as river embankments or sites near bridges. These designs are adaptable for both rural and urban areas.

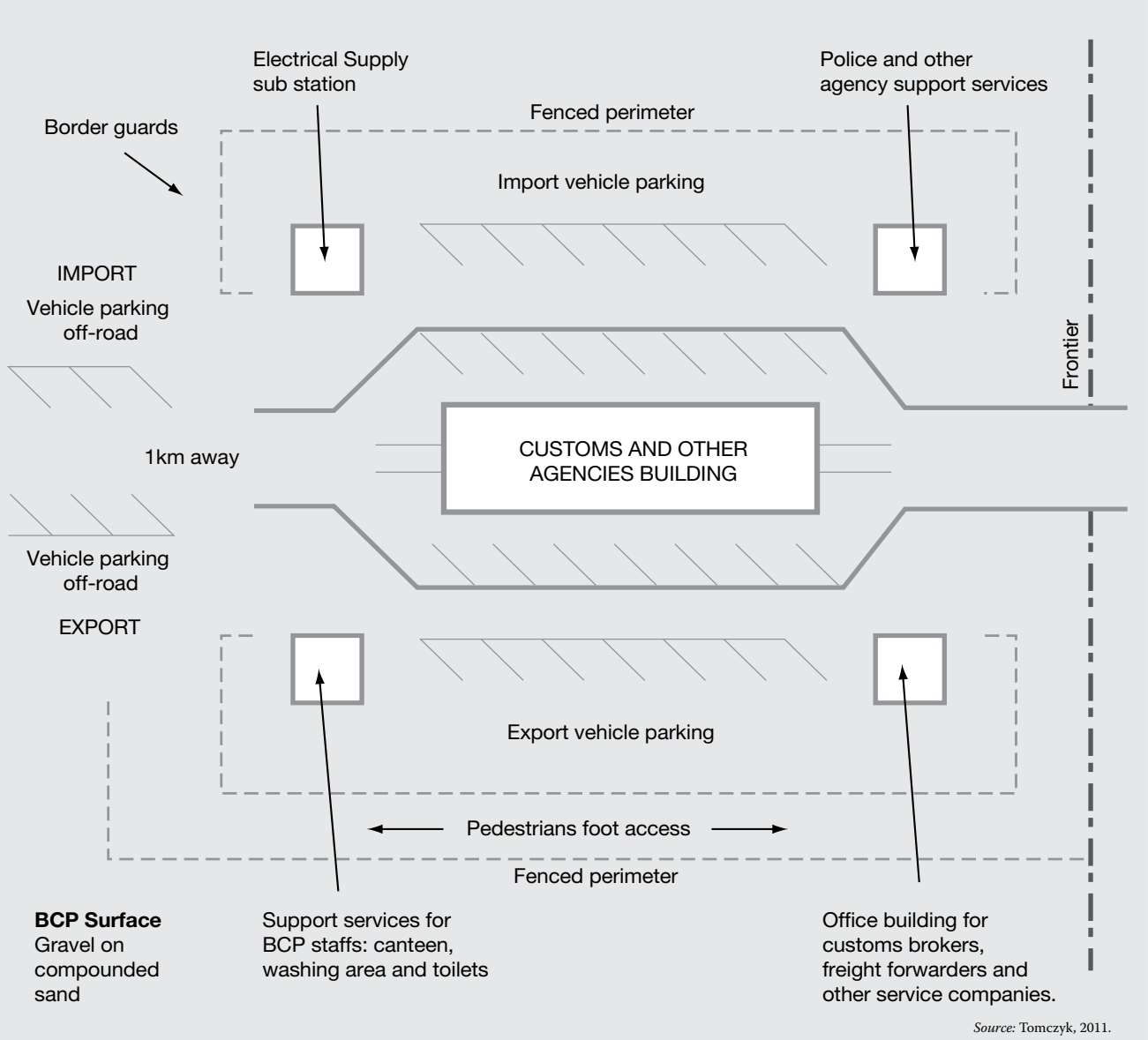
Both design options segregate import and export vehicle movements and locate vehicle parking outside the perimeter of the Customs control zone. People crossing the border on foot must have their own access and control lane with a border guard and/or police checkpoint.

All these design options segregate import and export vehicle movements and locate truck parking outside the perimeter of the Customs control zone/BCP area. People crossing the border on foot are segregated from vehicles, having their own access and control lane.

Building materials are another aspect of BCP design that must be considered, especially when costs are limited. Concrete or brick provides permanent buildings, although construction is comparatively expensive. A less costly option is that of portable modular buildings such as converted freight containers. The limited traffic at small BCPs means that the surrounding grounds and the entry and exit roads can be surfaced using local gravel or stones. Fencing can be a combination of wire chain link and barbed wire.

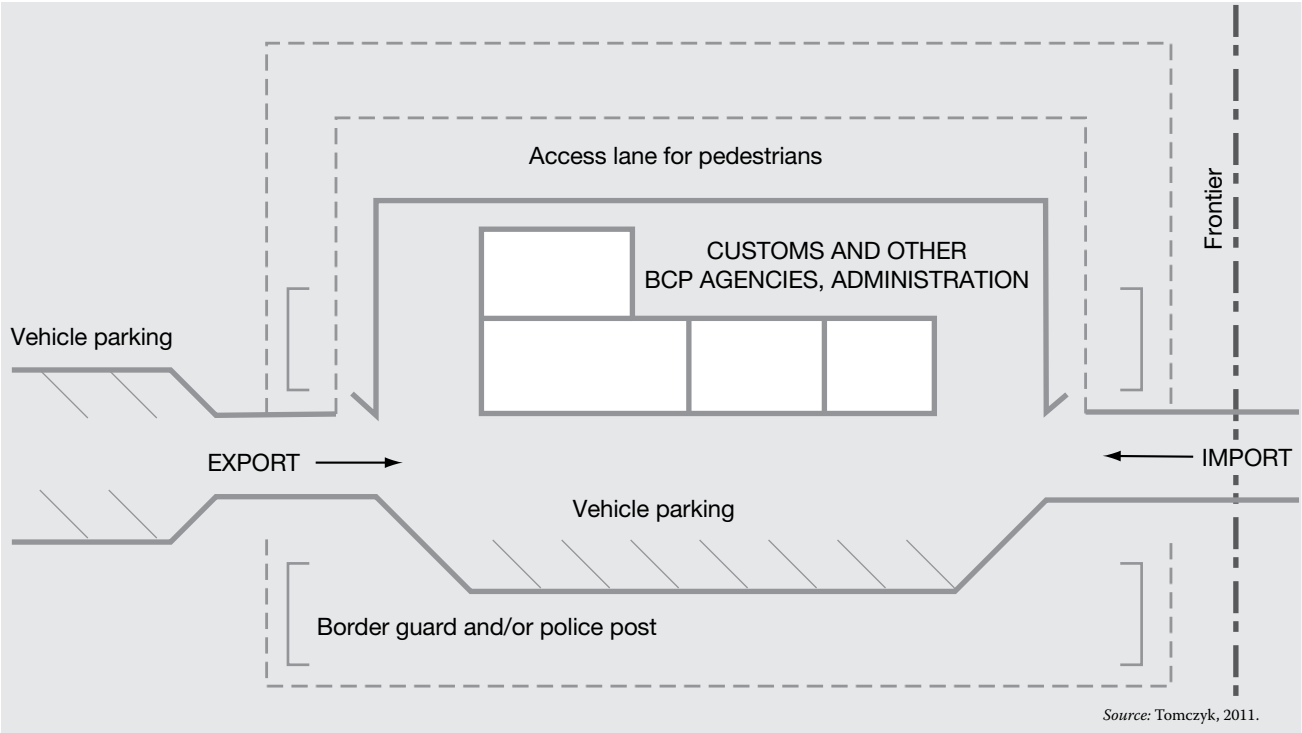
Whatever the construction type, the administration building at a small BCP should, depending on the particular needs, have enough space for: 1) passport control, 2) health inspections, 3) agricultural inspections, and 4) Customs export and import procedures. Ideally, there should also be space for a computer system and telephone and radio communications, for secure storage for confiscated items, for offices both for the BCP/Chief of Customs and other senior border security and management officials and their staff, for a canteen with kitchen, and for toilets. Other needs might include rooms for staff accommodation and washing, a meeting and training room, stores for food and medical supplies, and a backup generator.

Diagram 6.1 Basic layout for a small border crossing point (up to 100 vehicles a day)



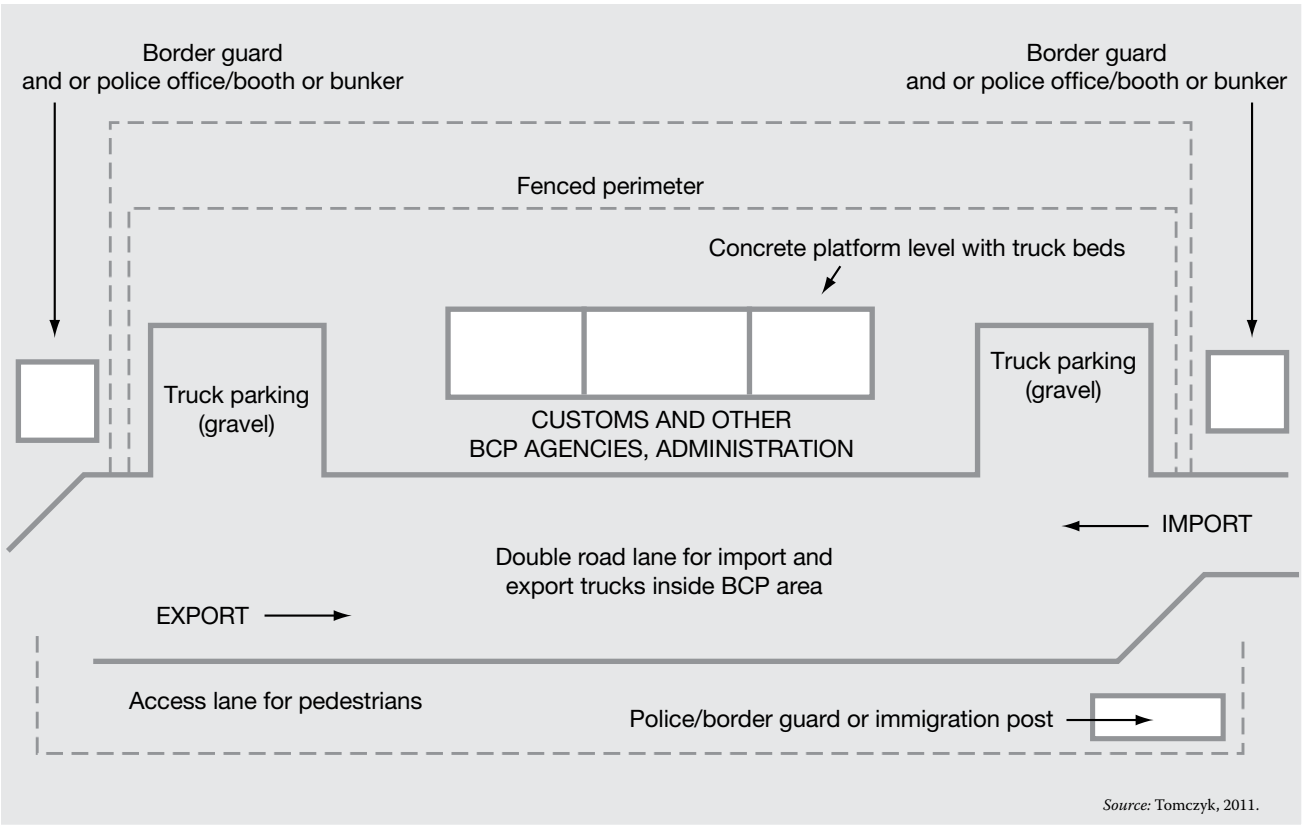
Source: Tomczyk, 2011.

Diagram 6.2 Layout for a border crossing point with low traffic level (up to 50 vehicles a day)



Source: Tomczyk, 2011.

Diagram 6.3 Layout for a border crossing point with low traffic level (up to 50 vehicles a day) near a river embankment or bridge



Source: Tomczyk, 2011.

6.3 Infrastructure and resources for large border crossing points

As mentioned above, guidelines need to be created when new large border crossing points are being designed or existing large BCPs renovated and improved. While some of the issues involved will be the same as those applicable to small road BCPs, large road BCPs have additional tasks to fulfil. Large BCPs, by definition, process large numbers of vehicles on a daily basis. In order to do this efficiently, quickly and smoothly, the needed amount of equipment is appreciably more than what is needed at small BCPs. The inspection process also has various steps, each needing a special set of resources. These steps are described below.

6.3.1 Best-practice criteria for large border crossing points

Many of the criteria for best-practice management of large BCPs are the same as those for small BCPs. In both cases performance will be enhanced and delays reduced by certain management-related features and practices, notably:

- High-quality working conditions for staff;
- BCP building and ground design conducive to a fast flow of export and import traffic;
- Simple export and import traffic lanes with constant-flow design;
- Risk management using vehicle and cargo selection and a risk assessment databank;
- Fast-track lanes for pre-alerted/pre-declared commercial vehicles and buses;
- Secure BCP buildings and zones;
- Single window system (SWS);
- Joint BCP policy for Customs, immigration and other relevant agencies;
- Joint inspections by Customs, immigration and other relevant agencies;
- Modern ICT and radio and satellite communications;
- Customs computer systems such as WAN or ASYCUDA;
- Space for bonded warehousing;
- Regular analysis of BCP performance indicators.

The Batrovci border crossing point between Serbia and Croatia.

6.3.2 Security inspection equipment and procedures for the primary inspection lane

There are a number of recommendations on primary inspection lanes. Organization of primary inspection lanes should allow vehicles to approach BCP traffic lanes without long queues or long waiting times for entry barrier gates to be lifted. Nevertheless, primary inspection lanes need methods for slowing vehicles before they reach inspection booths, such as lanes with speed bumps and concrete diversions. This gives security staff added time to react in case of physical threats.

In order to stop identified or suspected threats, primary inspection lanes need a range of detection equipment. Vehicles, drivers and passengers posing a threat must not gain entry into the zone beyond the primary inspection lane. In some countries, blast protection may be needed at BCP entry gates.

To stop vehicles, drivers or passengers that pose a threat, an adequate number of trained staff is needed at each primary inspection lane. BCPs need areas into which vehicles, drivers and passengers can be rerouted and held. Such holding areas need to be securely segregated from the rest of the BCP.

To identify threats, the following equipment and information are needed:

Radioactive scanning equipment

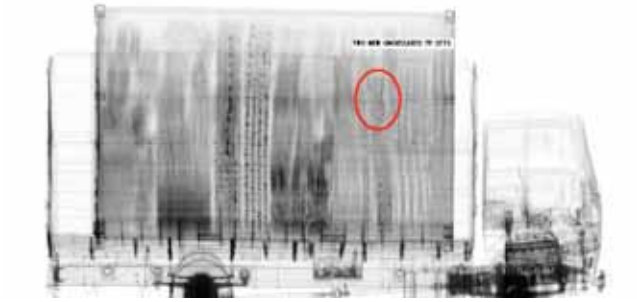
Radioactive scanning equipment is needed for each primary inspection lane; scanning results need to be archived.

Cars, trucks or buses that trigger radioactive scanning equipment need to be quarantined in areas with security fencing and closed circuit television (CCTV) for surveillance.

The potentially dangerous vehicles that trigger radioactive scanning equipment need to be segregated from the rest of the BCP. The BCP staff must keep away from the quarantine area.

Vehicle licence plate-reader (LPR) equipment

Each primary inspection lane needs a vehicle licence plate-reader or -scanner (LPR) that should be IT-linked



A vehicle scan reveals undeclared goods.

to Customs, security and border guard/police. These in turn, need linkage with a National Vehicle Registration Databank (NVRD). In the U.S., for example, vehicle licence plates scanned at BCP primary inspection lanes are compared with information at the U.S. Treasury Enforcement Communications System (TECS) and National Crime Information Centre (NCIC) databases for potential matches with suspected criminals. LPRs consist of infrared detectors, a compact strobe illuminator system, a video camera, processor, and a protocol converter allowing the LPR to interface with the TECS and NCIC databases (Conway, 2010).

Information on stolen vehicles and other important information on particular cars, buses or commercial vehicles needs to be entered into the NVRDs.

Vehicles triggering an alert must be quarantined in a secure area. A separate, secure waiting area away from the vehicles must be provided for their drivers and passengers, who should not have access to vehicles that are undergoing alert inspections.

Explosive detection equipment

Up-to-date explosive detection equipment, calibrated to discriminate between organic and inorganic substances, is needed at each BCP primary inspection lane. Security services may also use sniffer dogs at entry gates. Explosive detection equipment technology continues to develop and improve, requiring regular reinvestment, not only in the technology but also in staff and manager training.

Narcotics detection equipment

First checks can be carried out at each primary inspection lane using narcotics detection equipment and trained sniffer dogs.

IT advance information

Customs and security management at BCPs should receive advance electronic notice concerning vehicle and consignment information from known (or "trusted") traders, freight forwarding and transport companies. For more information about pre-alert methods, see Chapter 5, "Risk Management and Selectivity". Regular information of this type improves the efficiency of BCP facilities. Information from "trusted" freight forwarders and transport companies can include registration numbers, consignment or load information, and the driver's name and licence number, and nationality and passport number.

With pre-alert information, Customs and security management staff can decide which vehicles can undergo fast track export and import processing, and Customs staff can begin risk assessment processes. Ideally, large BCPs need fast track export and import lanes for commercial vehicles owned by transport and freight forwarding companies that are recognized as low-risk.

Security, Customs and other agency staffs also need pre-alert information about expected hazardous and chemical consignments (HAZCHEM). BCP staff can plan inspection and processing management in advance of the arrival of trucks carrying HAZCHEM materials and substances. HAZCHEM trucks need separate lanes and isolated parking areas.

6.3.3 Equipment and procedures for cargo inspection after the entry gate

X-ray cargo inspection equipment

Customs administrations should consider investing in several static scanning machines at large BCPs. Also known as fixed tunnel cargo X-ray equipment, these machines need a great deal of electricity, which restricts their use.

Risk management methods should be used to determine which vehicles are X-ray scanned. X-ray inspection of 100 per cent of the vehicles increases clearance time, results in high trade costs and creates additional safety and control challenges for BCP staff.

Non-intrusive truck and container X-ray scanning technology continues to develop and improve. Customs administrations must decide which technology best meets their security and safety requirements. In addition, with increased traffic volume, the volume of container X-ray inspection equipment needs to be increased accordingly, which constitutes a long-term budget consideration. Today, container inspection equipment typically includes X-ray and gamma ray detectors using back scatter technology. Some X-ray scanners can process between 50 and 80 trucks an hour, depending on how well the truck approach line is managed. Staff training for the use of scanners is needed. Also, a management method must be developed in which the results of each scan are entered into a security and Customs database, which can analyse the data according to various criteria.

BCPs need a second inspection area for vehicles undergoing extensive physical inspection or second line inspection. Fixed tunnel X-ray machines need to be located

A Russian mobile cargo inspection unit at work.

where there is sufficient parking for trucks waiting in line not to block other trucks in the BCP area.

Vehicles that have been through X-ray inspection can be moved to the Customs document and management area. To expedite movement, while vehicles are waiting for X-ray inspection, Customs can collect consignment or empty-truck documents from drivers.

Mobile cargo inspection equipment

The several companies that manufacture mobile X-ray scanning machines continually improve the technical specifications. Customs administrations should budget for regular replacement, maintenance and operating costs.

Other aspects of border crossing point security equipment

Border agencies must decide which technical specifications are needed for their security inspection equipment. They must develop multi-agency response drills for cases in which alarms are set off when such equipment is being used.

The BCP inspection equipment listed below is intended as a guideline. The choices made will depend on the size and operating environment of each BCP.

Table 6.1 List of equipment and tools for large border crossing points

Item
Walk-through metal-detector
Scanner for primary documents such as passports, and examination instrument for visa and currency
Secondary document and currency examination instrument
Hand-held equipment for tracing explosive and narcotic vapour
Stationary instrument for detecting chemical, explosive, biological and narcotic traces
Portable instrument for infrared analysis
Walk-through detector for traces of explosives and narcotics
Booth equipment, including document-readers, bio data collection readers, iris- scanner, and fingerprint and face image equipment
Bio data card equipment
HF radio base station and antenna
HF radio quad bike station and antenna
Electricity generator(s) 35KVA
Computer work station (country-enabled)
Contraband-detector
Digital camera
Hand-held distance meter
Fixed tunnel X-ray scanner(s) for trucks and container trailers
Mobile X-ray scanner(s) for trucks and container trailers
Stationary vehicle number plate-scanner(s)
Stationary radioactive scanning equipment
EDI/RFID readers and tags for trucks and containers

Source: compiled by Tomczyk, 2011 and adapted from EU BOMCA, 2011.

Box No. 6.10 has been adapted from the website of the Federal Customs Service of the Russian Federation (2011).

BOX 6.10

New advanced customs control systems at BCPs: The example of the Russian Federation

In the Russian Federation, border checkpoints are being equipped with modern tools to detect and identify fissile and radioactive materials and thus prevent their illegal movement.

The Yantar radiation control system has been installed at about 97 per cent of all the facilities while portable radiation control devices are available at about 85 per cent of Customs stations.

In 2010, the Yantar system uncovered numerous legal offences: the customs clearance of goods and vehicles was suspended in 765 cases, and in 170 the import into the Russian Federation of goods contaminated by radioactive substances was prohibited.

The use of new non-intrusive scanners at checkpoints provides a quick X-ray of a container, vehicle or the goods without any opening or unloading, significantly improving the technical standards of customs clearance operations.

In 2010, 52 such detectors (42 mobile units and 10 stationary) were operating at checkpoints on the border of the Russian Federation. These made an impressive 809,000 customs inspections of goods and vehicles. As a result, three cargoes of illegal drugs with a total weight of 56 kg were stopped by the customs on the border of the Customs Union and in 140 cases, the import of goods and vehicles was prohibited. Through the discovery of breach of customs rules, 2,278 administrative and 41 criminal proceedings were initiated.

Detectors of this kind significantly raise the standards of customs control and optimize customs clearance procedures, help officials to rapidly identify breaches in customs laws, and reduce the operating costs (including time) of foreign trade operators. The greatest difficulty here has always been clearing the contents of large-sized cargoes and vehicles, that is to say, airborne, seaborne and railway containers, refrigerators and trucks, which previously required labour-intensive and lengthy unloading and loading operations. Parts and units inside vehicles can also be used as hiding places for smuggled goods. In only a few minutes, IDK detectors obtain an X-ray image of large-sized cargoes and proceed to examine the image thoroughly for any suspicious items.

In 2010, the Russian Customs authorities acquired a total of 491 units of customs control equipment of various classes and functions. Among them were X-ray and TV units, portable X-ray and fluorescent metal analysers, complete kits for the customs inspection of aircraft, portable units to identify deciduous and coniferous timber, complete sets of technical video scopes, electrochemical analysers for the identification of jewels and precious metals, etc.

6.3.4 Other services at large border crossing points

Private industry, vendors and other services are often found at large road BCPs that are in the proximity of cities, towns or villages. Such services can include:

- Customs brokers;
- Banks and money exchange;
- Duty free shops;
- Cafeterias;
- Consular institutions;
- Hotels;
- Parking lots;
- Automobile repair services;
- Freight forwarding and transport companies.

Some countries allow commercial vehicle drivers to obtain visas at their BCPs. Visa services may also be provided to passengers and bus passengers if a BCP's ICT equipment and systems are able to support the procedure.

Despite the advantages that a border situation may have for local socio-economic development (long vehicle waiting times provide a captive public that is good for the business of restaurants and cafeterias), private industry services need to be balanced with security requirements and the need to process cargo efficiently. Commercial services at BCPs often facilitate informal cross-border activities and uncontrolled movement of individuals across a border boundary, or encourages activities such as bribing of officials by commercial operators to keep traffic waiting as long as possible. Some BCPs have shops and bazaars close to the BCP buildings. Shoppers at the warehouses and bazaars lead to vehicle congestion, leading to security, safety and control challenges for border agency staffs. A best practice would be either moving such public warehouses or bazaars, or building a new BCP. In general, the presence of such commercial service providers should be limited at BCPs.

6.3.5 Layout designs for large border crossing points

A large road BCP reflects a country's image and thus should be welcoming and user-friendly. Amongst the most notable aspects of efficient layout design are traffic flow management, criteria for road paving, secure inspection areas, and adequate lighting. Vehicle parking should not hinder BCP efficiency. A major point in best-practice design is the careful use of various types of vehicle lanes. This will be examined in a separate section.

Designs providing sufficient space for traffic flows require a prior calculation of the daily number of vehicles crossing the border (also covering holiday fluctuations) and forecasted traffic flows. These factors determine how many primary traffic lanes are needed. Ideally, any layout plan should also include land for future expansion, and also provide for extra internal building space.

BCP traffic flow management

A first step in traffic flow management is clear signposting in all relevant languages of the border region. Road signs should begin at the main highway junction before the BCP and should also be found on all BCP access roads. Signs that are needed include:

- On the approach to a BCP, a twenty-kilometre signpost, a one-kilometre signpost, and a final signpost telling drivers which lane they should enter;
- Signs indicating maximum allowable speed;
- Signs indicating required traveller documents, as well as allowances, provisions and legal requirements;
- Primary lane management indicator signs: green and red lanes, local traffic lanes, diplomat lanes, fast-track lanes for valid members of low-risk diligence programmes or TIR Carnet trucks;
- HAZCHEM signs (a warning plate system often used for vehicles transporting hazardous substances) and signs for fuel truck lanes;
- "No public access" signs.

Cross-border co-operation is also important for the maintenance of traffic flow. Even if a BCP is well designed, with a sufficient number of traffic lanes, primary inspection lane booths, and secondary inspection areas, it will remain ineffective if the BCP on the other side of the border cannot handle the same capacity. Reducing BCP congestion requires close co-operation and agreements with neighbouring countries relating to BCP facilities, technology and procedures.

Vehicle parking

Border agencies must calculate the area needed for secure parking of commercial and passenger vehicles undergoing inspection procedures, and provide for its segregation. In addition, a fenced secure area must be provided for parking the personal vehicles of Customs and other border agencies staff and managers.

As mentioned above, any other parking areas should ideally be located at least one kilometre from the BCP entrance.

There are a number of problems associated with public parking lots near BCPs. Truck drivers often use them to

Traffic backs up at a border crossing point.

BOX 6.11

Traffic flow management: An example of best practice

As outlined in a report by the US-Mexico Joint Working Committee on Transportation Planning, after the US-Canada Transportation Border Working Group (TBWG) was formed, a plan entitled "*Border Infrastructure Compendium 2003 and Beyond*" was developed. This compendium included descriptions of BCP ownership and physical layout, information about yearly traffic and trade, and descriptions of current and planned projects for supporting BCPs. A total of 224 projects were proposed to improve infrastructure and inspection operations at or near the U.S.-Canada border, at a cost of about 13.4 billion United States dollars. The TBWG updates the study yearly as a support to interagency efforts for planning, co-ordination and funding. The Federal Highway Administration, together with the TBWG, has created the *Northern Border Noteworthy Practices Reference Guide,* a compilation of best practices helping the movement of goods and people across the border. The guide describes approaches used by Federal, State and local agencies for carrying out day-to-day activities. Some of the best practices described in the guide include:

- Installing trailers for detecting vehicle queues along access roads to BCPs. When a queue is detected, the system automatically activates portable variable message signs displaying pre-programmed messages alerting approaching drivers to expect delays;
- Preparing a booklet for commercial drivers crossing the U.S.-Canada border. Many long-distance truck drivers cross the border infrequently. This information booklet allows truck drivers to familiarize themselves with the layout of the BCP and lists the documents required;
- Holding monthly classes to familiarize truck drivers with policies and BCP procedures. Training truck drivers has helped reduce the time taken to release cargo.

Together with provincial and interested State partners, the TBWG and the organization Transport Canada have carried out surveys on heavy trucks. The data is used to help decide what future transportation infrastructure investments Canada will make at its borders.

Other BCP joint working groups have undertaken the following projects: Sharing technology across borders; Freight in the FAST Lane; Modelling BCP traffic flows using "Border Wizard"; and Creating Information Architecture.

Sharing technology across borders

The Border Technology Exchange Programme (BTEP) is a partnership complementing the work of the TBWG and the JWC (Joint Working Committee) for the U.S.-Mexico border. Its mission is to improve the knowledge and skills of transportation personnel in the border regions by exchanging technology, information and technical training, in order to help the safe, efficient and secure movement of people and goods.

The programme helped start six technology transfer centres, plus a centre at each of the Mexican universities near the border and one at a U.S. university. These centres serve as hubs disseminating information such as transportation standards and best practices, and also provide training for transportation professionals and technicians.

Freight in the FAST lane

The Free and Secure Trade (FAST) programme, a joint initiative involving the U.S. Customs and Border Protection (CBP) and agencies in Mexico and Canada, gives expedited processing for cross-border truck traffic to importer carriers and truck drivers who satisfy the programme's security requirements. Under the programme, shipments for approved companies transported by approved transport carriers using registered drivers are cleared across border with greater speed. The programme has created traffic lanes at BCPs with large signs reading "OPEN TO FAST TRUCKS ONLY" for FAST programme trucks and drivers. Dedicated FAST lanes have reportedly reduced processing time for truck shipments from between three and four hours to minutes. The FAST lane programme allows BCP agencies to redirect staff and managers to those trucks needing attention.

BCPs with FAST lanes are equipped with technology and antennae that read transponders attached to the windshields of participating trucks, enabling Customs staff members to access computerized information on the truck quickly.

Modelling BCP traffic flow using "Border Wizard"

"Border Wizard" is computer-based model simulating cross-border traffic flows of trucks, buses, cars and pedestrians. It also simulates all government inspection activities, such as Customs, immigration, transport and security procedures. It can be applied to any BCP to determine particular needs regarding infrastructure, facilities and operations. Improving BCPs can thus be based on a model, not on a best guess. The CBP has used Border Wizard to evaluate proposed inspection methods and commercial routing at BCPs. Data is collected at all large BCPs to evaluate inbound and outbound inspection methods and assess the impacts of security changes. Border Wizard can also run simultaneous studies on a number of BCPs in order to compare how they affect one another. Such studies are useful for analysing proposed BCP developments, and for determining when a region has reached capacity and needs a new BCP.

Creating an Information Architecture

According to the FHWA Office of Freight Management and Operations, many border agencies are planning or implementing technology and information systems to help them carry out their work. Nevertheless, they often lack co-ordination and collaboration, which may result in deploying technology that is not interoperable or compatible, is redundant or is an impediment to efficient operations. To eliminate interoperability problems, the U.S. and its neighbours are collaborating to develop information architectures that promote data-sharing and co-ordination among multiple border agencies, as well as increasing the interoperability of the technologies used to support their operations.

Source: adapted from Hochman 2005, pp. 5–11

wait for documents or spare vehicle parts, repair tyres, or wait convoy creation. All waiting and longer-term parking of vehicles near a BCP can be detrimental on the efficient processing of people and cargo.

Boxes No. 6.12 and No. 6.13 below have been adapted from the website of the Federal Customs Service of the Russian Federation (2011).

BOX 6.12

A new border crossing point at Ludonka on the Russian-Latvian border

November 2010 saw the launch of the Ludonka International Cargo and Passenger Automobile Customs Station in the region Pskov Oblast on the Russian-Latvian border. The new terminal's capacity allows for the processing of 380 cars, 100 trucks and 20 buses in 24 hours. The checkpoint operates four lanes for entry into the Russian Federation, one each for cars, buses, and trucks, and one reserve lane. The same number of lanes operates for vehicles leaving Russian territory. The launch of the new up-to-date station promotes the development of Russian foreign trade with Latvia and the European Union as a whole and helps to avoid traffic congestion on the Russian-Latvian border.

BOX 6.13

A new border crossing point on the Russian-Polish border

In December 2010, the region Kaliningrad Oblast saw the launch of the new land transport BCP Mamonovo II International on the Russian-Polish border. The construction of the facility began in 2006 and was financed from the Federal Budget of the Russian Federation and by the European Union under the TACIS investment programme.

The infrastructure of the new checkpoint includes buildings for passenger and cargo clearance, boxes for the thorough inspection of cars and trucks, a sniffer dog service building, pavilions for border and customs control, a site for a mobile customs inspection complex, and weighing equipment.

In 2010, the Mamonovo II station held a number of meetings with executives of the Russian Customs Service and of the Customs Chamber of the town of Olsztyn (Republic of Poland), with the purpose of co-ordinating customs clearance procedures to be used at Mamonovo II.

The capacity of the new facility is 4,000 vehicles in 24 hours, made up of 2,600 cars, 1,250 trucks and up to 150 buses. Eight lanes operate for cars (four each for entrance and exit), two for buses (one in each direction) and 14 lanes for trucks (seven each for entry and exit).

Simultaneous with the launch of Mamonovo II, Poland opened the Gzhehotki-Mamonovo Customs station on its side of the border.

More customs and logistics terminals will be commissioned in the immediate proximity of Mamonovo II in areas close to the border of the Russian Federation.

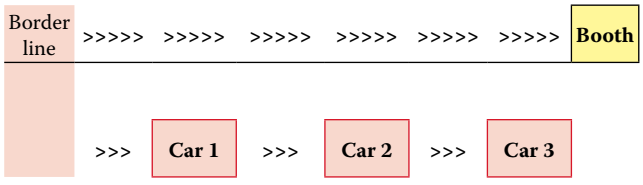
6.3.6 Vehicle lane design

Given that efficient and quick vehicle processing at road BCPs is directly related to the design of vehicle lanes, lane design is a major factor in transportation facilitation at borders. The importance of good BCP infrastructure is discussed in a 2009 policy brief "*Gateways to Europe" – a friendly border?* (Kindler, 2009), which describes various problems related to vehicle lane design.

Linear vehicle lanes for primary inspections are not an efficient vehicle management method. Modern BCP management best practice for reducing vehicle waiting times includes using several primary vehicle inspection lanes, with some lanes dedicated to passenger cars and buses and others to commercial vehicles. Inspection in these lanes is undertaken at booths staffed by BCP officials. In addition, linear primary inspection lanes need to be supplemented with vehicle waiting or secondary inspection bays (parking) using the angled "herringbone" design concept. In the four diagrams below a traditional linear inspection lane with no herringbone parking bays is compared with linear primary inspection lanes supplemented with herringbone waiting bays. It should be noted that the use of herringbone bays is a good practice but not necessarily the only correct one.

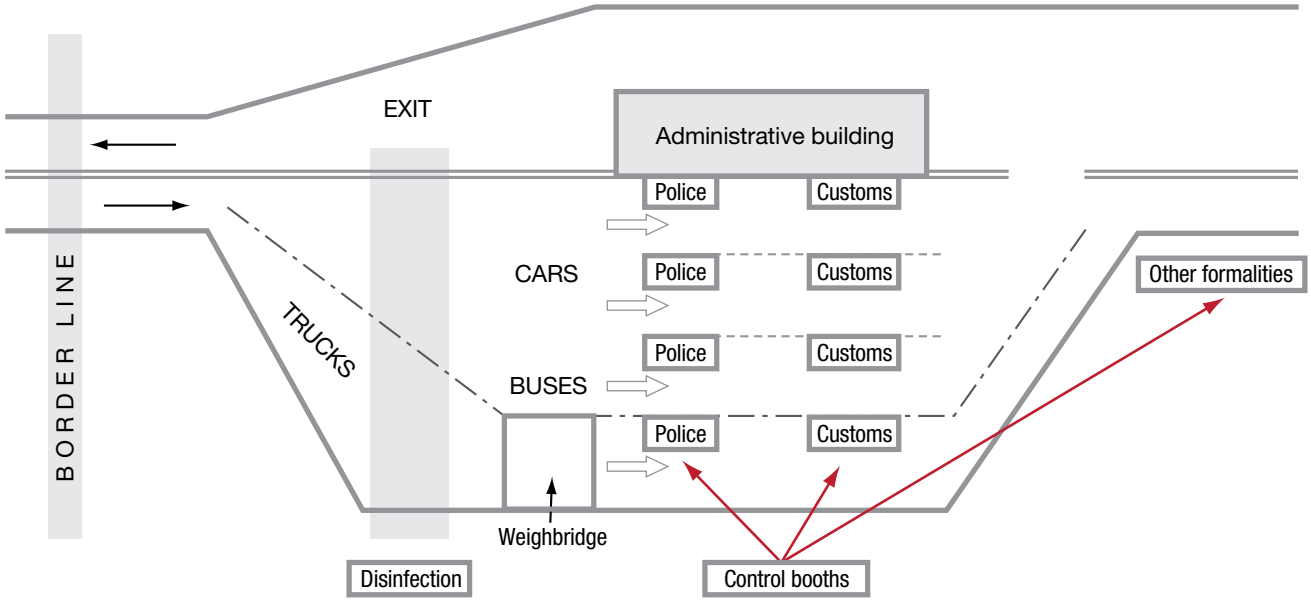
As shown in Diagram 6.4 below, in a traditional linear primary inspection lane design, cars 1 and 2 must wait until car 3 has completed all border control agency processing. If there is any delay, cars 1 and 2 cannot leave the lane and the control area. All vehicle traffic moves at the pace of the vehicle undergoing the longest control.

Diagram 6.4 Traditional linear design of the primary inspection lane



Trucks line up at a Serbian cargo border crossing point near Batrovci.

Diagram 6.5 Primary inspection with multiple linear lanes (World Bank, 2004)

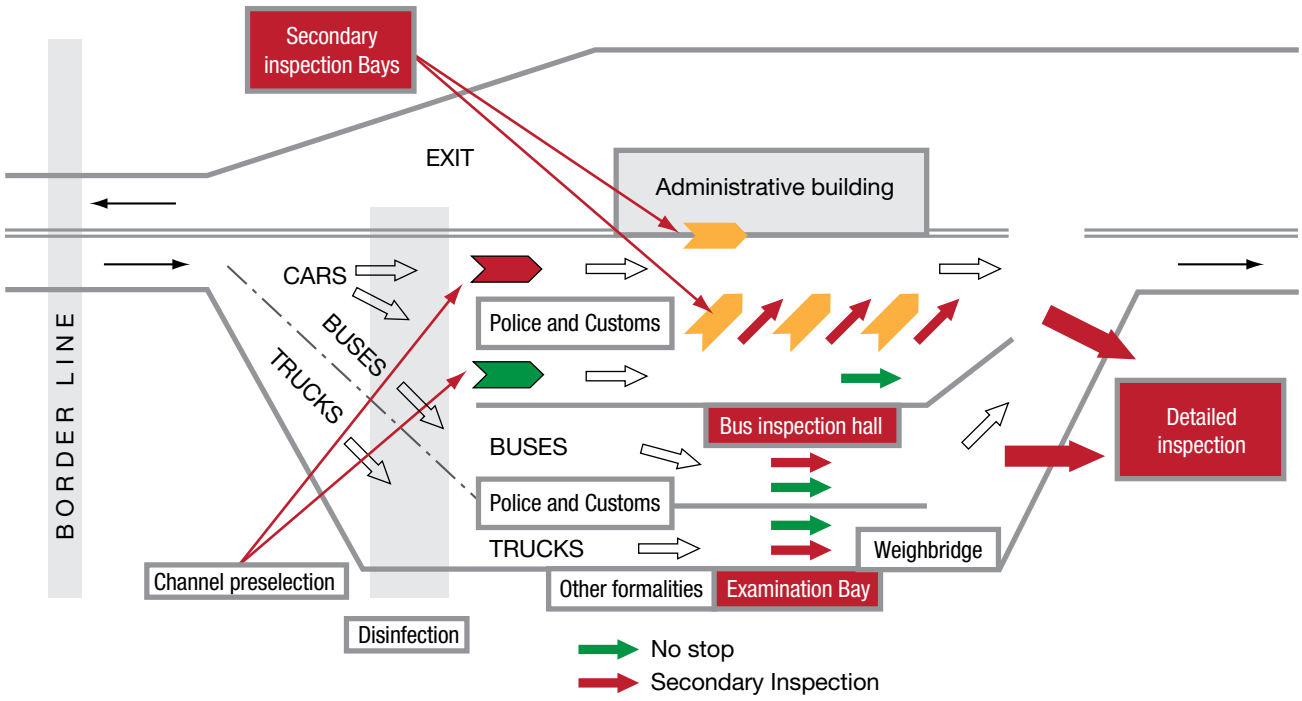


One solution is to increase the number of vehicle lanes to enable vehicles to enter the appropriate primary inspection lane for them (Diagram 6.5). However, a multiple linear lane primary inspection layout does not change the basic structure described above and has several other problematic aspects. Construction and operation of multiple vehicle lanes is expensive, as it calls for larger border agency staffing. Crossing such a facility on foot is difficult and potentially dangerous. Furthermore, when choosing a queue, drivers cannot judge how long the clearing process will take.

As these examples show, congestion and time delays are the result for all vehicles when secondary vehicle and driver inspections are carried out in primary inspection lanes at a BCP.

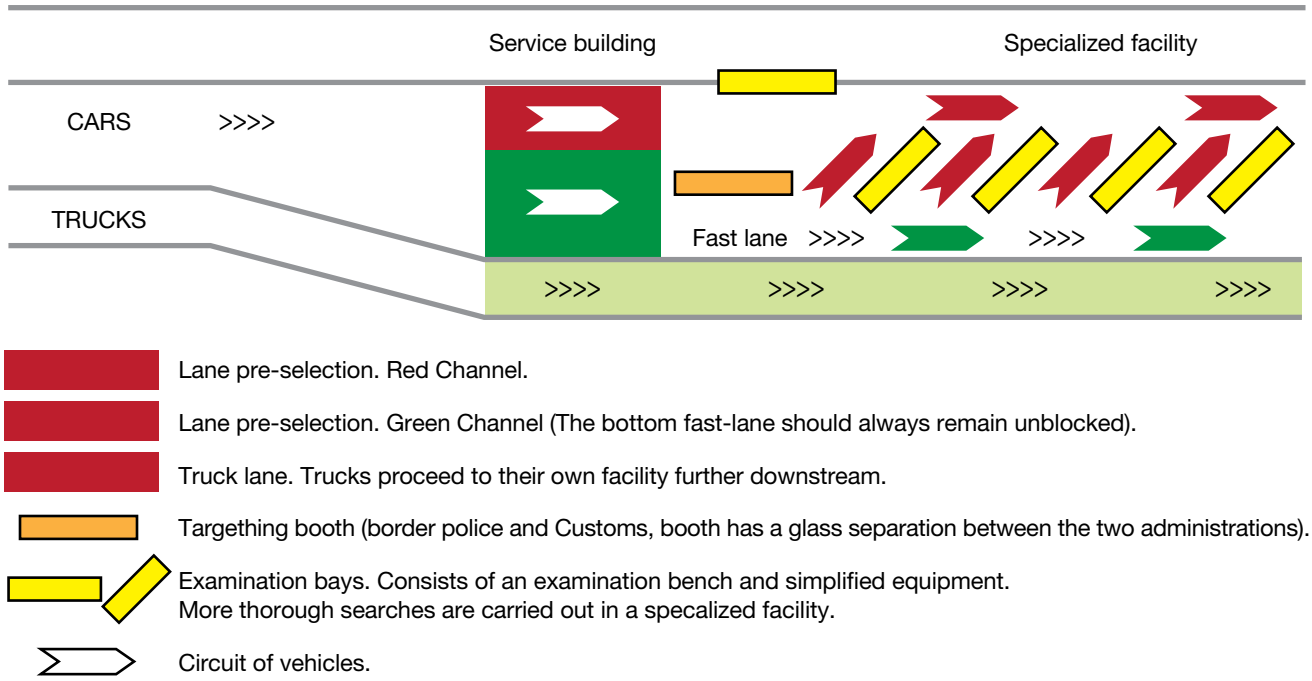
In Diagram 6.6, drivers entering the primary inspection vehicle lanes select either a green or red channel. Vehicle

Diagram 6.6 Border crossing point with several linear primary inspection lanes and herringbone vehicle parking bays (World Bank, 2004)



*This process can be seen in more detail in Diagram 6.7.

Diagram 6.7 Simplified large border crossing point with linear lanes supplemented by herringbone vehicle parking bays (World Bank, 2004)



traffic moves faster because vehicle checks do not affect the by-pass ability of the green channel. Police or Customs can re-direct vehicles to other lanes as needed. The inspection bays are angled ("herringbone"), so that vehicles occupying them do not block the main traffic flow. Even if all these bays are occupied (with several controls being carried out simultaneously), traffic can still proceed and leave the BCP. Commercial vehicles can be processed in a similar manner. When best-practice herringbone waiting or inspection bays are being used, traffic is not delayed even if one vehicle needs extra inspection or the clearing process is slow for other reasons.

A car passes through the Terespol passenger border crossing point between Belarus and Poland.

These border crossing point examples show that BCP layouts need bypass vehicle lanes that allow restricted vehicles to turn round and go back to the other side of the BCP, and allow vehicles identified for secondary physical inspection to move to the secure secondary inspection building/facility without needing to wait for other vehicles to finish primary inspection.

When primary inspection includes document and seal check by Customs and border guard staffs, cargo is cleared at an inland clearance depot (ICD). Primary inspection may feature Customs staff in the booth checking for valid phyto- and sanitary certificates; in cases of discrepancy, the appropriate specialist should be called for. In some cases Customs staff also scan driver's passports. However, this scenario assumes that ICT methods will enable the truck to get an internal transit document (such as a T1) reasonably quickly. When freight forwarders, customs brokers and transport operators pre-alert Customs to the import, export and transit trucks, Customs staff at BCPs are helped to prepare internal transit documents more rapidly.

Secondary inspection includes moving the truck to a safe and secure inspection building where trained Customs and border guard staffs can subject the truck and cargo to physical inspection. This assumes that BCP control staff use risk management and risk profiling to identify a risk instead of assumed personal discretion. Secondary

inspection may include fixed-tunnel X-ray scanning. In some Central Asian BCPs, commercial vehicles entering their current single or two lane import lanes may create congestion inside the customs control zone. Currently truck drivers leave their trucks and enter BCP administrative buildings to have their documents checked and to obtain transit documents while border guards at the BCP entry gate restrict the number of commercial vehicles entering into the customs control zone. All this creates vehicle congestion outside the BCP. The Customs administration of Azerbaijan is planning to reduce vehicle congestion at the Red Bridge BCP with Georgia by building commercial vehicle parking areas complete with one-stop-shop facilities.

When BCPs are renovated or when new BCPs are built with several vehicle lanes each with a booth, extra Customs and border guard staffs may be needed, which increases budgets, recruitment and training. Good practice vehicle lane management includes the appropriate deployment of staff during daily peak times and during busy holiday periods.

Many Customs, border guard and other border control staff in Central Asia currently work at small BCPs with sub-optimum working conditions and without IT links. The situation is slowly improving depending on the availability of funds. However, rebuilding BCPs using a traditional two- or three-lane configuration does not greatly improve BCP management efficiency and may not increase vehicle throughput.

Road BCP manual barrier entry gates

Some countries continue to use the traditional manual metal barrier entry gates, which are often located at the interface between the road and the BCP zone. Such gates restrict access to BCP primary inspection lanes. Furthermore, at busy road BCPs these traditional gates may result in congested access roads and time delays for imports, exports and transit cargo. One solution, as described above, would be using several primary inspection lanes.

Primary inspection lanes

As in small BCPs, separate fenced lanes must be provided for the entry and exit of people crossing the border on foot.

The number of primary inspection lanes should be determined by a BCP control management analysis that has examined existing and estimated future traffic flow. Even with an optimum number of primary inspection lanes, congestion may still occur during daily peak usage times or during holidays.

There should be a few traffic lanes, segregated from those for cars and buses, for commercial trucks only. Depending on traffic volume, one lane should be a "FAST" lane for TIR or ATP trucks.

Modern facilities at the Serbian crossing point near Batrovci.

BCPs with high traffic flow that cannot have several primary inspection lanes because of site restrictions should use "bays" for document-checking. Here too, herringbone (angled) parking is recommended, with enough space being provided for passing vehicles.

When BCP design guide is being prepared, the size of commercial vehicles and buses, especially tourist buses, must be calculated and herringbone bays built accordingly. The Revised Kyoto Convention recommends that drivers stay in vehicles, with border agency booths at the height of the driver cab of commercial trucks.

A U-turn lane must be provided for rejected vehicles.

When new BCPs are being built or existing ones renovated, consideration must be given to the following needs for commercial vehicle lanes:

- Number of primary inspection lanes, each with a booth; for example the new Sarpi BCP between Turkey and Georgia will have 15 vehicle lanes;
- Automated control gates for each primary inspection lane at each booth. Here, instead of the one BCP entry gate common at many Central Asias border crossing points, each lane has a gate operated by border guard staff from the booth;
- Staff control booths or office buildings;
- Width and length of primary inspection lanes;
- Green and red lanes;
- Vehicle turning circles;
- Herringbone-type vehicle parking, several primary inspection lanes are not possible;
- Number and location of multi-lingual signs;
- Exterior lighting;
- Location and number of security cameras;
- Consideration to be given to a new BCP management control office where vehicle lane usage can be monitored and vehicles rerouted to vacant lanes, with staff being moved to busy lanes or to secondary vehicle inspection when necessary.

Needs related to passenger car and bus passenger lanes include:

- Number, length and width of primary inspection vehicle lanes;
- Location and number of multilingual signs;
- Primary inspection lane exit gates controlled from each primary inspection lane booth, or booths located next to herringbone-style parking areas;
- Passport and immigration control hall when BCPs do not have several vehicle lanes;
- Security control in passenger hall;
- Passenger and luggage inspection X-ray equipment;
- Exterior lighting;
- Location and number of security cameras.

Secure vehicle inspection

Ideally, vehicles identified as contravening Customs laws/rules or other laws need to be moved to a secure inspection area. These areas should ideally be roofed or with canopies to allow comfortable searching of vehicles or opening of containers. However, at some small BCPs, traffic flow does not justify such an investment. Under risk management procedures, Customs administration staff and managers use existing intelligence to assess and identify high-risk trucks and cargo prior to arrival, and call on specialist inspection staff in advance if necessary or divert such trucks, under escort, to another BCP with adequate inspection equipment and trained staff.

Security is increased when these areas are segregated from other BCP areas. This may not always be possible at some constricted BCPs. Nevertheless, border agency staff must minimize contact between the public, passengers, and truck drivers, and also any form of unauthorized access to secondary inspection areas.

Lighting in inspection and parking areas

BCPs must consider their lighting needs and compare these with lighting standards. BCPs are 24-hour, 7-day-a-week operations. Staff, managers and users are entitled to receive the best lighting standards available. If national lighting best practices and standards do not exist, these should be created. However, the example in Box 6.15 illustrates some of the difficulties in creating standards for adequate lighting for staffs at BCPs.

BOX 6.14

The border crossing point design process: An example of best practice

The following study on BCP physical security system design practices by the U.S. Sandia National Laboratories, describes the design layout of the San Ysidro BCP at the U.S-Mexico border, which is the world's largest BCP for people and passenger vehicles, with over 2 million passing through each month. The Ysidro BCP design layout was created using the Physical Protection System (PPS) method of three steps: 1) Determine the system's objectives; 2) Design the system; and 3) Analyse the system.

Determining the system's objectives

The first step in determining the system's objectives is defining threats and identifying what sort of contraband the BCP facility is seeking to target. First, a threat definition must be made that considers the following questions:

1. What class of adversary is under consideration? In the case of a BCP, the adversary may be anyone: from a sophisticated drug dealer to an undocumented migrant seeking a better way of life.

2. What is the range of the adversary's tactics? The adversary's tactics may range from coy deceit to the use of advanced technology. The adversary's motivation level must also be considered.

3. What are the adversary's capabilities? The adversary's capabilities may include training and financial support from a criminal organization, or may be based on a single, dedicated individual using deception.

Secondly, the system must perform target identification in order to identify and prioritize what the system seeks to prevent (the "target"). The target is often contraband, which typically enters or leaves the U.S. carried by vehicles or pedestrians. Typical items of contraband entering the U.S. include illegal drugs, undocumented personnel from Mexico and other foreign countries, or agricultural products. Typically, contraband leaving the U.S. is largely takes the form of illegal amounts of cash (more than 10,000 United States dollars), but also includes stolen vehicles, other crime-related items, and fugitives from the law.

The system must also characterize the process. This task is to understand the BCP's objective. A description of the processes, operational conditions, and the integration of legal policy requirements within the facility must be fully understood.

Designing the system

The system must include three functions: detection, delay, and response. These must be integrated and performed within a limited time that is less than that needed by the adversary to complete his/her illegal task.

Detection is discovering an adversary action, including sensing covert or overt actions. Detection sensing at a BCP uses X-ray equipment, licence plate-readers, trained drug-sniffer dogs and enforcement personnel. Entry control is also a detection function, in which authorized personnel

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and vehicles are allowed entry, while unauthorized personnel, vehicles and materials are not. The effectiveness of entry control can be measured by means of throughput, impostor pass rate, and false rejection rate:

- Throughput is defined as the number of authorized personnel allowed access per unit of time, assuming that all personnel who attempt entry are authorized entrance;
- Impostor pass rate is the rate at which contraband or false credentials succeed entry;
- False reject rate is the frequency at which valid personnel and material are rejected access through the BCP.

Communication and assessment are also important elements in detection. At a BCP, mobile radios and video cameras serve as communication and assessment tools.

Delay is the second function of this system. Delay is the slowing down of an adversary's progress. In the case of a BCP, delay is built into the process through the layout of the pre-primary, primary, and secondary inspection areas. Delay can be accomplished by the use of barriers, activated delays and protective forces. However, although an adversary may be delayed prior to detection, this delay is of no value to the effectiveness of the system, since it does not provide additional time to respond to the adversary. Security personnel, spiked vehicle barrier strips, and concrete rails are examples of delay means at a BCP.

Response consists of actions taken by the enforcement force, such as interruption and neutralization, to prevent adversary success. Interruption is defined as a sufficient number of response force personnel arriving at the appropriate location to stop the adversary's progress. It includes the necessary communication to response personnel of accurate information about adversary actions, and also response personnel deployment. The measure of response effectiveness is the time between the response force becoming aware of adversary action and the act of neutralizing the adversary. Neutralization is the act of stopping the adversary before his goal is accomplished. At a BCP, neutralization can occur throughout the control process. A challenging situation for the response process is the case of a BCP runner, in other words, a person who aggressively drives through the primary inspection area.

Description of the Ysidro BCP :

Vehicles entering the BCP from Mexico

Vehicles attempting to enter the U.S. from Mexico undergo the following procedure. When vehicles cross the geographic border line, drivers proceed into a queue to approach the manned inspection booth area: this is called the "pre-primary" area. In this area, there are 24 inbound U.S. vehicle lanes with metal posts separating them. These barriers not only separate the lanes, but also prevent vehicles from turning around in the vehicle queue. Here, the vehicle queue provides delay, allowing Customs personnel and drug sniffer dogs, periodically manoeuvring between vehicle lanes, to inspect vehicles for illegal contraband. Using personnel profiling, vehicle profiling, and intelligence information (i.e., threat assessment), Customs inspectors in the pre-primary area observe and question suspicious drivers and passengers in order to detect possible illegal activity. Parallel to this activity, Customs Canine Enforcement Officers use trained drug-sniffing dogs to search for scents emitted from vehicles within this area.

Following the pre-primary area, vehicles next approach the "primary" area, which contains Customs or Immigration and Naturalization Service (INS) inspectors in booth enclosures. These inspectors have access to a law enforcement database. While a vehicle is queued in this primary area, licence plate readers have time to detect whether the vehicle is stolen or has been involved in suspicious activities.

If a vehicle or driver requires further analysis owing to a database computer alert, also defined as a "hit" in the pre-primary or primary areas, the vehicle driver and passenger(s) are either directed or escorted to the "secondary" area, where a more extensive evaluation can take place. Concrete barriers in a serpentine configuration just beyond primary area provide delay, for example, to a vehicle that might attempt to circumvent Customs procedures, such as a BCP runner. Following the assessment and communication of suspected contraband, Customs inspectors in the secondary inspection area carry out an extremely thorough response.

Vehicles entering the BCP from the U.S.

Vehicles attempting to enter Mexico from the U.S. undergo the following procedure. Vehicles are manually requested to stop by Customs inspectors (note: not by border guards) as they approach the BCP. Stopped vehicles provide a delay barrier to vehicles behind them. Spiked barrier strips located between vehicle lanes also provide delay for vehicles that might attempt to circumvent this procedure. On the basis of Customs agent profiling, a vehicle and driver may be requested to have his/her possessions inspected for illegal contraband by a portable X-ray unit. The last procedure before entering Mexico is to pass through a six-lane kiosk plaza manned by the Customs service. Following the assessment and communication of a threat condition, Customs agents and Mexican enforcement authorities provide response beyond the BCP's secondary area.

Source: adapted from Wagner, 2011.

BOX 6.15

Exterior lighting for border crossing points

A case study entitled *Broader Border Thinking* (Frazier 2009, pp. 1–3) has illustrated the type of challenges border agencies encounter in applying United States national lighting standards. In the U.S., current exterior lighting at BCPs ranges from high-pressure sodium and even mercury at older stations, to ceramic metal halide and LED at newer BCPs. In theory, they all comply with the lighting requirements documented in two publications outlining U.S. lighting standards. These are the *Facility Standards for the Public Building Service, P100-2005 (P100)* and the *U.S. Land Port of Entry Design Guide 2006 (Design Guide),* both published by the General Services Administration (GSA) and updated periodically. They are distributed to design teams working on new BCP projects and remodelling old ones. The goal of these documents is to facilitate the design of the best possible facilities for accurate and efficient processing of vehicles and people crossing borders.

According to *Broader Border Thinking,* these requirements for exterior lighting have been written and revised piecemeal over many years, and much is unsupported or even incorrect. The guides encourage excessive energy use and practices that encourage glare, and lack references to good lighting principles.

The study evaluated the problem through various means, including surveys at existing BCPs, interviews with inspecting officers, reviews of current research, and an analysis of the application of specific visual tasks at certain facilities while carefully observing the visual tasks that officers needed to perform. What the researchers found was that BCP officers considered lighting good if there was adequate vertical luminance and good uniformity. While the officers frequently expressed the need for more light in critical situations, they were also aware of how glare and lack of uniformity interfered with their ability to see. The need to be able to see approaching vehicles and pedestrians across the site was an important point for them, though it was not addressed in any of the standards. There is a growing body of evidence that light in the white-to-blue range of the visible spectrum provides better night-time visibility. The lessons learned and recommendations for BCP design teams included the following:

- Designers need to understand the visual and physical tasks that will be performed at a BCP in order to make recommendations; thus, descriptions of the tasks in each functional area need to be included in a BCP's lighting design;
- Adequate light depends on vertical illumination and uniformity;
- The highest required light levels are not necessary at all times; controls for switching on and off and dimming should be installed to allow for various lighting levels as needed;
- Because the visual environment is so critical at BCP facilities, a professional lighting designer should be involved in BCP design.

Source: adapted from Frazier, 2009, pp. 1-3.

Cars wait to enter the United States from Mexico at the border crossing near Lukeville, Arizona.

iStockphoto

6.4 Buildings and infrastructure for road border crossing points

The types of buildings and areas needed are determined by the tasks undertaken at the border crossing point in question. The buildings and areas in question include:

- Public waiting areas;
- Places for public and staff interface, i.e., booths and/or offices;
- Areas for customs brokers and freight forwarding agents;
- Offices for Customs staff;
- Offices for border guard/police/immigration staff;
- Offices for senior management of the BCP;
- Meeting rooms;
- Toilet facilities;
- Kitchen facilities;
- Canteens;
- Changing and locker facilities;
- Detention and police cells;
- Police interview rooms;
- Interrogation or second-line document inspection offices;
- IT and communication offices (may be separate for all the services);
- Training rooms for personnel.

As mentioned above, the *U.S. Land Port of Entry Design Guide* is one best-practice example.

BOX 6.16

Content of border crossing point design guides: An example of best practice

The U.S. National Institute of Building Sciences lists the types of spaces that land BCPs (land ports of entry) should have, as found in the *U.S. Port of Entry Design Guide*. These include:

- Queuing, processing and inspection areas for pedestrians and bus passengers
- Queuing, processing and inspection areas for commercial and non-commercial vehicles, including areas for animal and agricultural inspection and quarantine
- Counter/work areas
- Offices
- Laboratories
- Cell/detention areas for holding detained travellers
- Private toilet facilities
- Automated data-processing centre mainframe space needs
- Automated data-processing centre
- Storage areas
- Outside vehicle parking areas (referral, visitor, staff and service parking should be separated)
- Fitness centre
- Dog kennels
- Impoundment areas for seized vehicles and large items
- Light industrial areas
- Warehouse
- Residences for inspectors living on shift work schedules or overnight stays of inspectors

Source: adapted from Conway, 2010.

A new Tajik border customs terminal is built near a bridge over the Piandj river on the Tajik-Afghan border.

6.4.1 Administration buildings

The main purpose of these buildings is to support the export and import processing taking place in the traffic lanes. No private company services should be located inside border crossing point's administrative buildings.

Ideally, large BCPs should have a single building for all of its active border agencies to allow sharing (meeting rooms, cafeteria, toilet facilities, entrance area).

When customs revenues and fees are normally collected at inland clearance terminals, customs clearance may not terminate at road BCPs. However, some Customs administrations, such as those in Afghanistan and Nepal, do collect Customs duties, fees and other charges directly at their BCPs. In these cases, the cash collected needs to be stored safely. Banking facilities should be in close proximity to the Customs clearing and duty payment office in order to facilitate rapid payments. A single payment method is recommended, as it reduces waiting times and relieves BCP vehicle congestion. One best-practice method involves Customs brokers and or importers having Customs payment cards. This enables duties and fees to be paid electronically to the Customs account. In this case, administrative buildings must be designed to enable electronic payments.

The following questions must be asked when a new BCP administrative building is being planned or an existing one is to be renovated:

- What are the opening and closing times for the BCP?
- Is there a continuous flow of vehicles entering the BCP?

- Does the BCP staff clear vehicles in batches?
- How many staff members will be working at the BCP? What are their functions? Which agency do they belong to and what are their job descriptions? Where are the staff currently located?
- Is the BCP at a remote location? In such cases, permanent and temporary BCP staff members need housing, and access to facilities such as shops, schools and a clinic. How are the BCP staff managed? Are staff members rotated during working hours? Do they have different BCP functions?
- Are extra staff needed during holidays? Does demand vary from season to season?
- How do the staff and managers of the various agencies communicate inside the building?
- Is it possible for different border agencies to share toilet facilities, conference rooms and reception area?
- How much space will be allocated for each staff member?

When building new BCP administrative buildings or renovating existing ones, national building space standards need to be applied. The following table gives the average space allocation recommended in EU countries for staff in large office buildings.

Table 6.2 Average EU office space allocation

Number of occupants in one office	Total m²	Average m² per official	Remarks
1	9	9	Single occupant offices are rare at BCPs
2	12	6	Common type of office space at BCPs
3	21	7	Marginal increase in space per person
4	32	8	Can accommodate extra staff and visitors
5	45	9	Can accommodate extra staff and visitors

Source: World Bank, 2004.

Customs facilities at a car ferry terminal in Stockholm, Sweden.

Below is the typical EU space allocation for preventive and enforcement officers, including the office of a commanding officer and a secretariat:

Table 6.3 Space allocation for preventative and enforcement officers

Description	Surface (m²)	Remarks
Commanding Officer	13	
Deputy	12	
Archives	2.15	
Archives	2.15	
Secretary	18	
Archives	3	
Changing room (male)	27	A modular design allows changes in the respective areas if the number of female staff increases.
Changing room (female)	19	
Toilets	16	
Briefing room	21	
Transmissions	6	
Body search	4	
Samples analysis	3	
Recreation	21	
Alternate commanding officer	21	
Deputy	14	
Secretary	21	
Interview room	9	
Conference room	50	
Cells	10.50	3 cells of 3.5 m² each
Access and corridors	62	
Total	354.8	Average between 3.5 m² to 4 m²
Total office space	106.3	7 officers, average 15.18 m²
Total archives	6.95	
Total Changing rooms	45.52	Average 0.5 m²
Total space for non office-bound staff	169.53	Average 1.7 m²

Source: World Bank, 2004.

6.4.2 Border crossing point infrastructure

The following infrastructure features must be considered when designing a new BCP or rebuilding an old one:

Water supply for:

- Toilets/sanitation/washing facilities
- Cooking
- Drinking water as well as technical water pipelines

Box 6.17 is based on information provided by the Customs Committee of the Republic of Belarus, 2011.

BOX 6.17

An example of a one-office border crossing point

In the last few years, the Republic of Belarus has upgraded and improved its checkpoints on transportation corridors. One main component of the improvements has been the switchover to a single office system.

Under this new system, all clearance services are housed under one roof. The aim is to have documents processed and goods cleared there by all the regulatory authorities operating at the checkpoint. Carriers are saved time on moving from one authority's building to another and are also helped with all the necessary procedures to clear the goods (e.g., for transit). This system has reduced clearance time at checkpoints, cutting down on border-crossing time.

Box 6.18 is adapted from the website of the State Customs Committee of the Republic of Belarus (December 2006) and from the newspaper *Rossiiskaya Gazeta* (Valentina Kozlovich, March 2008).

BOX 6.18

The Mokrany border crossing point in Belarus

According to the budgets of Belarus and the Russian Federation, the Mokrany BCP costed 243.8 million Russian roubles to build. Although the checkpoint is on the Belarusian-Ukrainian border, its role for the Russian Federation-Belarus Union State is quite important. Mokrany lies on the busy Brest–Kishinev–Odessa route crossing the second Trans-European transport corridor Paris–Berlin–Warsaw–Minsk–Moscow. After reconstruction, station capacity has increased by 150 per cent with up to 640 cars, 140 trucks and 45 buses processed in 24 hours.

Before the renovation, the Mokrany Station was insufficiently equipped to regularly stop smugglers. The station now has the latest technologies and facilities, including a narcotics and explosives detector. Specially trained sniffer dogs easily find forbidden substances, which are instantly identified by the new equipment. Fibre-optic high-speed lines instantly transfer information to the State Customs Committee. Forged documents, of even the highest quality, are not a problem for the latest special equipment.

Mokrany has a new office building with rooms for truck and passenger clearance, tents for border and customs clearance of cars and buses, and boxes for special and more thorough vehicle inspections. These major infrastructure changes have made it possible to create convenient conditions both for those crossing the Belarusian border and also for officials conducting clearance procedures.

Waste water and sewage (including the number of toilet facilities needed) for:

- Office staff;
- Inspection facilities;
- Canteen;
- Public areas.

Septic tank design, including:

- Size;
- Construction;
- Maintenance.

Electric power supply, including the following considerations:

- Requirements for the working staff ;
- Requirements for the BCP zone;
- Requirements for security when the BCP is closed;
- Requirements for communications;
- Requirements for IT systems (for example, 200KV ASYCUDA and other types of customs IT systems);
- Power of load cables and distribution grid;
- Location of sub-station(s);
- Location of nearest electricity power station;
- Backup power generators in case of power outages.

Communications considerations related to:

- The national communications network;
- Equipment needed;
- Supporting infrastructure required (e.g., power).

Building and pavement maintenance.

6.4.3 Border crossing point site assessment

Site features

When designing a new BCP or rebuilding an old one, the following site features must be assessed:

- Topography: ground survey, including soil tests, chemical composition, load-bearing, and propensity to saturation; in mountainous areas, assessment of the danger of mud slides; if near a river embankment, assessment of safety based on civil engineering inspection and evaluation standards;
- Environmental impact survey complying with national environmental impact legislation;
- Existing land use at site;
- Existing land use surrounding site;
- Seasonal characteristics, including rain, wind, humidity, temperature, roof snow depths and weight;
- Water table depth and extent, furthermore river levels in spring and existing flood plains;
- Existing road conditions and layout;
- Any nearby commercial activity, for example, industrial areas, markets, bazaars or free trade zones;
- Potential impact on neighbouring settlements;
- Utility manhole cover plan;
- Waste disposal;
- Proximity of local bus terminal(s).

Space assessment

The following information is needed when assessing space needs. Information is needed on existing use, as well as anticipated short-, medium- and long-term use:

- Quantity of commercial vehicle truck traffic, including container and non-container (open top) trucks as well as other type of commercial vehicles, such as local pick-up trucks or bullock- or horse-drawn carts;
- The type of goods being carried according to truck type;
- Quantities of international and domestic transit;
- Numbers of pedestrian traffic, i.e., local people crossing the border on foot;
- Quantity of car traffic;
- Quantity of tourist and passenger bus traffic;
- Necessary car parking for administrative and management staff, and others;
- Seasonal and holiday variation patterns.

Engineering information

The following engineering assessments are needed:

- Soil tests and load-bearing analysis (see above);
- Electrical load;
- Well-hole boring results.

Boundaries

The following provisions are needed for BCP boundaries:

- Demarcation of border agency activities outside fenced area;
- Fencing;
- Lighting that does not create shadow areas;
- Gates and gate protection (i.e., blast protection);
- Shaded and bunkered sites for border guard, police or in some cases army vehicles.

6.4.4 Financing border improvement projects

There are three general methods for financing border improvement projects: internal financing, financing from lending institutions, and public-private partnerships. The three methods will be discussed in turn in the following sections.

Internal financing

"Internal financing" takes place when a State government pays for improvements directly, with the funds coming either from the national annual budget allocation (Customs budget) or from a special national budget allocation for the border infrastructure improvement project. In either case, projects can be financed in two ways: out of regular State revenues such as income tax, or through fees collected at border crossing points, either general fees charged for crossing the border or particular fees imposed for the use of border crossing point equipment such as X-ray scanning machines.

It may be noted that wealthier, more developed countries are more likely able to afford internal financing and less likely to need financing from lending institutions or donors.

Loans

There are quite a number of lending or donor institutions and providers of technical assistance that can help to finance border infrastructure improvement projects. Among these are the World Bank, the IMF, USAID, EuropeAid, the Asian Development Bank (ADB), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, and the African Development Bank (ADB).

The border crossing point near Sarpi, Georgia in 2010, prior to the creation of separate truck, car and bus lanes.

A dedicated truck traffic lane at the border crossing point near Sarpi, Georgia. Control booths for customs and border control staff are built to the height of the vehicle's window to allow drivers to remain in the truck.

Private-public partnerships

Finally, border crossing point improvement projects can be financed by means of a public-private partnership (PPP), in which a private company or consortium funds a border crossing infrastructure improvement project in return for specific privileges. Such privileges usually come in two forms:

1. Concessionaire: The private company receives sole rights to conduct business at the BCP (restaurants, shops, petrol stations and the like). The company is allowed to operate for a predetermined length of time, after which the control of the concession area is returned to the government. Typically, in the case of a concessionaire PPP, the actual operation of the border and that of the concession areas are separate, with government authorities managing the actual BCP;
2. Operator: When this is the case, a private company operates part of the actual BCP. Common examples are private port operators or private firms operating scanning equipment for a Customs administration. Typically, such arrangements end with the transfer of the equipment to the Customs administration after a certain period of time.

An example of such a partnership is presented in Box 6.19, which gives a brief description of how the Government of Turkey partnered with a private firm to modernize its BCPs. Box 6.19 has been adapted from the Gümrük ve Turizm Işletmeleri Ticaret A.Ş website.

The IRU Model Highway Initiative (IRU MHI) is another interesting example in this regard. It was conceived as a means of realizing an exemplary international section of road, designed, financed and built jointly by national governments, international financial institutions, international organizations and the business community as a demonstration of the economic potential and attractiveness of the reopened Silk Road.

In more practical terms, the IRU Model Highway Initiative comprises (IRU, 2011):

- International investments in the ancillary road infrastructure (modern petrol stations, motels, safe parking lots, etc.);
- Harmonised customs procedures in line with international conventions and best practices; and
- Road transport border crossing points meeting state-of-the-art procedural, infrastructural and technical requirements.

BOX 6.19

Private-public partnership for modernizing border crossing points in Turkey

In 2005, Gümrük ve Turizm Işletmeleri Ticaret A.Ş [Customs and Tourism Enterprises Co. Inc.] (GTI) established the framework of a partnership between the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and 137 Chambers and Commodity Exchanges. Since that point it has been modernizing Turkey's BCPs on the basis of the "build-operate-transfer" model. Starting its activities with the modernization of the Habur BCP, GTI swiftly completed the reconstruction and renovation of the Cilvegözü, Sarp, Hamzabeyli, and Kapıkule BCPs, and a number of others besides.

Food and beverage stores, banks, souvenir shops and duty-free stores are being built to meet passenger needs. In this framework, GTI operates only the commercial areas; any administrative processes and procedures such as Customs clearance and travel documents inspection are undertaken by government institutions and bodies.

Administrative and commercial buildings, entry-exit control units, search hangars, contraband storages, platforms, weigh bridges, social facilities and truck park areas have been built within the scope of the reconstruction and renovation work. X-ray vehicle scanning systems, card pass systems, closed circuit camera and security systems have all been put into operation. All of these investments have been realized with GTI's own resources.

In addition to taking over the high financing burden of the modernization projects, GTI has also created additional tax revenue and has contributed to developing foreign trade by increasing trade and traffic flows through BCPs. Waiting times at the border, which used to be reckoned in hours, have been substantially decreased and queues have been limited. Vehicle and passenger passing time has been sped up by a factor of four. Turkey's BCPs now serve 3.5 million vehicles and more than 10 million passengers annually.

The main objectives of these projects, carried out by the Union of Chambers and Commodity Exchanges of Turkey and GTI, are:

- To facilitate and accelerate traffic flows at BCPs;
- To allow for the further facilitation of Customs procedures in accordance with international standards;
- To improve public opinion concerning BCPs.

The technical improvements that accompanied this modernization of BCP infrastructure has also made an effective contribution to the fight against smuggling and human trafficking.

At the end of the concession period, the modernized facilities will be transferred back to the public sector.

→

Before and after pictures:

SARP BORDER CROSSING POINT (Turkey - Georgia)

CILVEGOZU BORDER CROSSING POINT (Turkey - Syria)

The future of BCP modernization:

- Investments in technology and infrastructure will increasingly come from the private sector, with no burden on the public budget.
- Tax revenues will go to the government; only the commercial facilities (shops, etc.) will be operated by the private sector. Government agencies can focus their attention on their main business of carrying out checks and controls and further eliminating procedural barriers.
- TOBB/GTI increasingly promotes the Joint Border Crossing Model (one border gate with two inspection teams from adjacent countries), as for instance employed at the Sarpi-Sarp BCP (on the Turkish-Georgian border).

Source: GTI, 2007-2010.

Conclusions and recommendations

Among other things, it might be advisable to:

- Use several primary inspection lanes to increase efficiency at BCPs, including a dedicated FAST lane for TIR commercial trucks;
- Create additional by-pass lanes for vehicles identified for secondary (detailed) physical inspection so that they can proceed to the secondary inspection building without blocking or delaying other vehicles
- Put in place at BCPs with restricted site territories, "herringbone" (angled) parking bays on each linear primary inspection lane;
- Have both at primary inspection lanes as well as secondary inspection areas, joint inspection teams of Customs and border guard staff;
- Install non-intrusive detectors for radioactive materials, narcotics and illegal chemicals alongside BCP access roads;
- Install vehicle registration number plate-readers (scanners) at the entrance to each primary inspection lane;
- Move vehicles that pose a security or safety threat, or where there is a legal infringement suspected, immediately to safe secondary areas;
- Task BCP management to prepare border infrastructure strategies using 5-year strategies with annual action plans, allowing them to find and allocate sufficient resources and funds;
- Design a BCP design guide incorporating national standards to be developed and continuously up-dated;
- Co-operate with neighbouring countries also on the development of BCP infrastructure and equipment strategies;
- Consider carrying out small BCP infrastructure layout design and equipment list pilot projects (particularly relevant to border crossing points with small amounts of daily pedestrians, cars, buses and commercial vehicles, but also possibly beneficial to larger BCPs);
- Consider creating a national agency specializing in BCP design, building, maintenance and procurement.

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7 Information and Communications Technology and Non-Intrusive Inspection

CONTENTS

7. Information and Communications Technology and Non-Intrusive Inspection

Introduction

One of the professed goals of computerization was to make our society paperless and more efficient. Border security and management is just one of many areas in which the concept of paperless business is being actively pursued.

The present Chapter first looks at the role of information and communications technology (ICT) in border management and then considers the international environment in terms of regulation and standards. The Chapter then narrows its focus to look at national challenges and specificities, before considering software packages and describing some of the hardware and software available. After a section on detection equipment, scanning and non-intrusive inspection, the Chapter concludes by outlining a strategy for automating border management.

7.1 The role of ICT development in border management

It can be shown that increases in workloads at borders are directly related to growth in international trade. As customs clearance is usually done on a transaction-by-transaction basis, an increase in the number of transactions particularly affects the management of customs operations. At a basic level, efficient ICT systems help alleviate the burden of border management staffs, making their day-to-day activities easier.

Improved ICT also makes Customs management more efficient. By using ICT systems effectively and automating certain functions, a Customs organization can reduce the actual workload. One example is the use of ICT to conduct risk assessments in order to identify high-risk consignments that require physical intervention. This can allow an organization to make better use of its human resources, keeping its headcount down while maintaining efficiency.

A Customs broker clerk enters data into the Afghanistan Customs ASYCUDA system at the Torkham border crossing point with Pakistan.

Complexity is another concern. Operations at border crossings are now more multifaceted than they have ever been before. The management of such complex systems requires modern tools.

Managing the huge amount of data that is generated today can be difficult even in the best-run organization. Without ICT, this challenge inevitably becomes overwhelming and insuperable.

Developments in regulatory requirements also may demand a new or updated system. When the border management system of some countries was originally installed, these countries may not have been party to international, bilateral or multilateral agreements that require efficient and effective ICT systems. If they have now signed such agreements or are planning to enter agreements in the future, border security and management systems should be flexible enough both to satisfy the current needs and also to deal with any eventuality.

Even if there are no severe shortcomings in a current ICT system or a country's border policies and procedures, the overall picture may have changed since the system was installed. Many factors can lead to an ICT improvement project being needed: staffing, increased workloads, legal requirements, intensification in complexity, or the abandoning of an old "legacy system", to mention only a few.

Last but not least is the factor of the system itself. While a given system may have been state-of-the-art when it was installed, it may now be far from the best on the market. The pace of change in ICT is high. What was the best even a year and a half ago may well not satisfy today's requirements. Furthermore, sometimes only a short period of time elapses before a system is no longer supported by its original vendor. Especially in the case of legacy systems, maintenance can be a problematic issue, with replacement parts and technicians willing to service the system gradually becoming difficult to find.

The potential of an ICT improvement programme to increase efficiency and effectiveness of border management requires all the individuals involved to recognize the need for improvement; only so can a consensus be formed from the highest level down to the lowest. However, even though there may still be reservations about changes, improvements can certainly be made if those involved have a common understanding of the overall problem and agree on shared goals.

7.2 The global ICT environment

ICT requirements are often embedded in high-level programmes and international agreements. ICT projects thus have to comply not only with these international instruments but also with international technical standards.

7.3 International instruments

7.3.1 ICT aspects of the Revised Kyoto Convention

The Revised Kyoto Convention (RKC) provides the general background for the introduction of ICT into border management operations. Although the RKC does not make any comments on the specifics of the application of ICT, it does state clearly that use should be made of ICT. It also includes some general statements regarding its applicability.

The RKC prescribes the minimum requirements for an efficient and effective Customs administration and contains elements relevant to ICT. Amongst the key principles listed in the Preamble of the Revised Kyoto Convention (WCO, 1999, p. 3) is "... the adoption of modern techniques such as risk management and audit-based controls, and the maximum practicable use of information technology."

Contracting parties to the RKC have to comply with the Convention's General Annex, which includes the transitional standards 3.18 and 3.21 requiring Customs to permit the lodging of goods declaration by electronic means.

Chapter 7 of the RKC, "Application of Information Technology", is more specific about the introduction of ICT. It consists of four standards that constitute the core of the Convention's treatment of this subject. These four standards are presented in Box 7.1.

In addition to the standards listed in this Chapter, the RKC contains several other standards that are applicable to the introduction of ICT, both for Customs services in particular and also for border management in general. They include Standards 3.11 and 3.12 and Transitional Standard 6.9, which deal more specifically with certain aspects of customs work, including goods declarations, protection of information, electronic declarations and customs controls.

BOX 7.1

Revised Kyoto Convention, Chapter 7: "Application of Information Technology"

7.1. Standard

The Customs shall apply information technology to support Customs operations, where it is cost-effective and efficient for the Customs and for the trade. The Customs shall specify the conditions for its application.

7.2. Standard

When introducing computer applications, the Customs shall use relevant internationally accepted standards.

7.3. Standard

The introduction of information technology shall be carried out in consultation with all relevant parties directly affected, to the greatest extent possible.

7.4. Standard

New or revised national legislation shall provide for:

- Electronic commerce methods as an alternative to paper-based documentary requirements;
- Electronic as well as paper-based authentication methods;
- The right of the Customs to retain information for their own use and, as appropriate, to exchange such information with other Customs administrations and all other legally approved parties by means of electronic commerce techniques.

7.3.2 ICT aspects of the WCO's SAFE Framework of Standards

Like the RKC, the World Customs Organization's SAFE Framework of Standards to Secure and Facilitate Global Trade also contains key concepts associated with ICT.

While international trade is a key factor in the economic prosperity of any country, all States are confronted by threats in many forms, notably illegal immigration, organized crime and terrorism, and the avoidance of Customs duties. Nevertheless, it is unacceptable to take measures and implement programmes at borders that place an excessive burden on either the public or the private sector. It is in practical terms impossible and indeed unnecessary to inspect every shipment. There is thus a clear need for a programme which is calculated to counter threats but which at the same time allows the legitimate flow of business to carry on unimpeded.

This was the general scenario that prompted the World Customs Organization (WCO) to create the SAFE Framework as an instrument of international trade facilitation. It was unanimously adopted by the WCO member States in June 2005. The SAFE Framework is an instrument of indisputable relevance to ICT systems and ICT improvement.

As part of Pillar 1, "Customs-to-Customs" (WCO 2005, Chapter 3), Standard 1 on Integrated Supply Chain Management (pp. 9–18) introduces various tools including the Unique Consignment Reference (UCR, 1.2.5), the WCO Data Model (1.3.7), and the Single Window (electronic) (1.3.8).

Standard 4 on Risk Management Systems (p. 18) starts with the following imperative: "The Customs administration should establish a risk-management system to identify potentially high-risk containers and automate that system."

Standard 6 (p. 20) specifies at the outset: "The Customs administration should require advance electronic information on cargo and container shipments in time for adequate risk assessment to take place." This standard covers a wide range of ICT subjects, including:

- Need for computerization (6.1);
- Revised Kyoto Convention ICT Guidelines (6.2);
- Electronic data exchange standards (6.4);
- The WCO Data Model (6.5);
- ICT security (6.6);
- Digital signatures (6.7);
- Data privacy and data protection (6.9).

Standard 8 (p. 23), entitled "Performance Measures", opens as follows:

"The Customs administration should maintain statistical reports that contain performance measures including, but not limited to, the number of shipments reviewed, the subset of high-risk shipments, examinations of high-risk shipments conducted, examinations of high-risk shipments by Non-intrusive inspection technology, examinations of high-risk shipments by Non-intrusive inspection and physical means, examinations of high-risk shipments by physical means only, Customs clearance times and positive and negative results. Those reports should be consolidated by the WCO."

7.3.3 International data standards

While international instruments harmonize ICT procedures, processes and some best practices worldwide, there is a risk of each country developing its own set of data and thus raising incompatibility barriers. Handling data raises several questions:

- What kind of information should Customs collect from the trade?
- What format should be used to collect this data?
- When data has to be coded, how should this be done?
- How will data be exchanged?

It is critical that Customs organizations harmonize their responses to these questions, not only in order to facilitate collection of information from the trade, but also to be able to exchange information with one another in a fast and reliable manner.

Recognizing that there is a need to be more specific about introducing ICT, the WCO has produced several instruments that can be useful to national governments when they embark on a programme of change. In some ways, these instruments can be seen as implementation guides for the broader standards of the RKC.

7.3.4 The Kyoto ICT Guidelines

The Kyoto Convention Guidelines on the Application of Information and Communication Technology, which were prepared in 2004 by the WCO (2004a, p. 6), are introduced as follows: "The purpose of these Guidelines is to focus the attention of Customs administrations on the impact of Information and Communication technologies on their business. They outline how Customs can use these technologies to enhance programme delivery and plan improvements in their services to clients and trading partners." The Guidelines thus focus on the elaboration of the RKC with respect to ICT. More specifically, they are intended to provide guidance in the implementation of the Convention's Standards and Recommended Practices.

The Guidelines are not binding to the Contracting Parties to the RKC, but are intended to assist decision-makers in the process of incorporating ICT into their operations. Although they are only concerned with Customs operations, the advice and insights they contain can be useful to any government considering a project for introducing or upgrading their ICT capabilities for border management. Furthermore, strong corollaries can be drawn for the other operations being carried out at borders. For example, principles for more effective Customs controls can easily be used for making police controls more effective. ICT improvements can also bring benefits to border staff seeking to deal with illegal immigration and international crime.

The ICT Guidelines cover a broad range of operational, technical and strategic topics, notably: the decision to computerize, the system development process, the main application areas, the interfaces between IT applications, information exchange, and e-commerce and Customs.

7.3.5 The WCO Data Model

The WCO Data Model is a global standard data set for Customs operations. Devoted to the subject of single window data harmonization, it defines a set of standardized data for electronic data exchange amongst Customs administrations and between Customs administrations and trade operators.

Scope of the WCO Data Model (WCO, 2008):

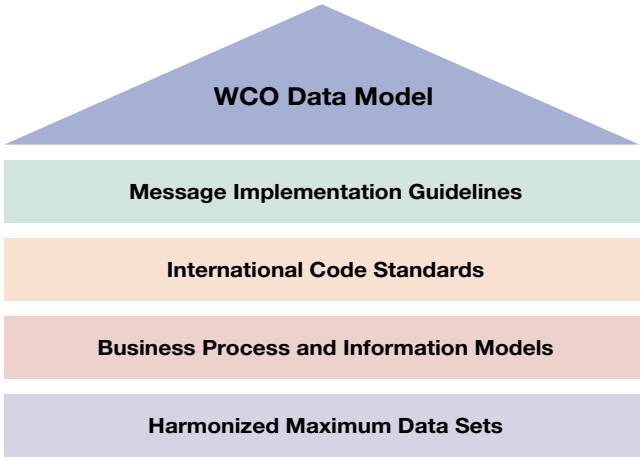
- Deferred data maintenance requests that remained from Version 2.0;
- Reviewing and the resolution of inconsistencies;
- Customs, transit and e-TIR;
- Cross-Border Regulatory Agencies Response messages;
- The ongoing alignment with CEFACT CCTS, UNTDED and the engagement of trade/transport;

- The regulatory required information necessary for partner Cross-Border Regulatory Agencies;
- Processes directly related to the release of goods, means of transport and crews, health and agriculture (national and international).

It should be noted that licence/permit/certificate application/request/approval processes are not included.

Diagram 7.1 gives a graphic illustration of the WCO Customs Model (adapted from Matsumoto 2006, p. 5).

Diagram 7.1 The WCO Data Model



7.3.6 The Unique Consignment Reference (UCR)

The UCR, which is part of the SAFE Framework, is a reference allocated to each import or export consignment by a Customs freight trader with authorization for the use of simplified procedures. It can be used to trace a consignment through all the trader's records. The Unique Consignment Reference (WCO, 2004b, p. 3) is described as follows:

"The main objective of the UCR is to define a generic mechanism that has sufficient flexibility to cope with the most common scenarios that occur in international trade. The basis of the UCR is to maximize use of existing supplier, customer and transport references.

It is also a reference number, primarily for Customs use and may in future be required to be reported to Customs at any point during a Customs procedure. The UCR should be:

- Applied to all international goods movements for which Customs control is required;
- Used only as an access key for audit, consignment tracking, information, and reconciliation purposes;
- Unique at both national and international level;
- Applied at consignment level;
- Issued as early as possible in the international transaction;
- Used in all relevant communications by all parties involved in the entire supply chain with regard to Customs and all other relevant regulatory agencies.

Underpinning the UCR concept is the fundamental need for Customs authorities to facilitate legitimate international trade, while, at the same time, providing effective controls. In this respect the UCR would provide Customs with an efficient tool to exchange information between enforcement agencies."

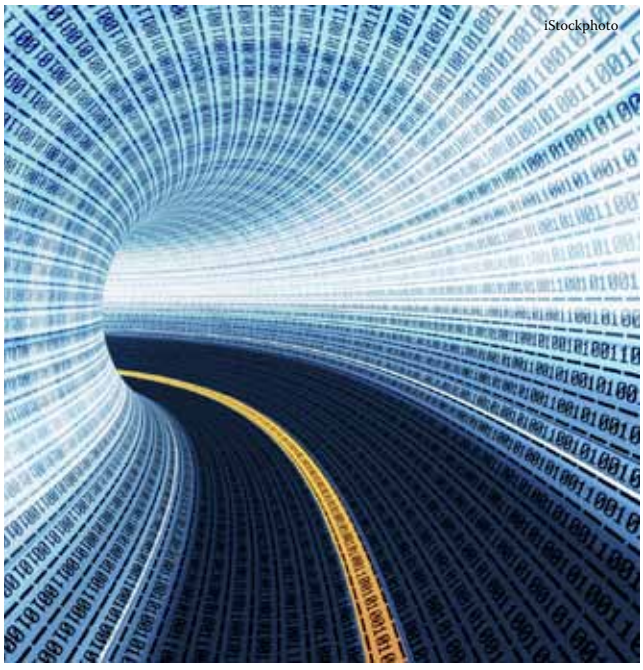
The document goes on to quote a leading international trade organization describing the UCR as follows: "Like an electronic staple designed for e-commerce, a UCR binds information together – all the bits of data about a trade transaction, from initial order and consignment of goods by a supplier, to the movement of those goods and arrival at the border, through to their final delivery to the importer."

7.3.7 Advance electronic cargo information

Advance electronic cargo information (ACI) is an integral part of the first of the "four core elements" of the WCO SAFE Framework, which, to quote its own words (WCO 2005, p. 6), "harmonizes the advance electronic cargo information requirements on inbound, outbound and transit shipments."

The provision of ACI by all the actors in the supply chain via the shipping lines allows Customs authorities to screen imported containers, make informed targeting and intervention decisions, and concentrate resources on high-risk issues and cargoes.

The following are some of the most relevant programmes based on ACI: the United States 24-Hour Rule and 10+2 requirement, the EU Pre-arrival and Pre-departure Declarations, China's 24-Hour Advanced Manifestation Rule, Mexico's 24-Hour Rule, and Japan's ACI.


iStockphoto

Box 7.2 is adapted from the website of the Federal Customs Service of the Russian Federation (2011).

BOX 7.2

Online customs declarations in the Russian Federation

As part of the effort to process electronic documents, the Federal Customs Service of the Russian Federation has certified that all of its customs posts have been authorized to accept customs declarations via the Internet. The adoption of advanced customs IT is considered one of the main focuses for raising operational standards. Customs clearance procedures currently rely actively on the following advanced information technologies of electronic data exchange via the Internet:

- Early notification of Customs authorities;
- Electronic declaration of goods;
- Remote customs clearance using e-declaration.

The switchover to electronic declarations largely depends on foreign trade operators and their interest in using new information and communications technology. Today, Internet declarations are used by more than 20 per cent of foreign trade operators.

Early electronic notification of Customs authorities

The Federal Customs Service of the Russian Federation has launched an experimental portal for electronic data presentation at: http://edata.customs.ru/Pages/Default.aspx

Through this portal, foreign trade operators can provide early information concerning goods and vehicles before they have crossed the customs border of the Russian Federation. The advantage of such early data exchange is its ease of access and simplicity of use. There is no extra cost involved in using the portal apart from the cost of the Internet connection.

Electronic customs declarations

For the convenience of foreign trade operators, work is being done to develop an online customs declaration portal for electronic document-processing or online submission of files in an agreed format. The new technology will allow foreign trade operators to submit online documents to Customs authorities in all regions of the Russian Federation.

The way electronic customs declarations work can be summarized as follows. An online declaration, complete with an e-signature and an inventory of documents is submitted. In the course of customs clearance procedures, it may be requested that documents from the inventory as well as any additional documents be submitted in electronic form. The procedure may include actual data verification by Customs and inspection of goods.

Remote release of goods

The process of remote release is based on the division of the customs clearance into documentary clearance and actual customs inspection procedures, carried out by different Customs authorities.

This process reduces heavy truck traffic to big cities under customs control, cuts down the paper trail in clearance procedures, gets rid of customs transit processing, optimizes the operational load of Customs offices, cuts costs for foreign trade operators and reduces the time to clear Customs.

Box 7.3 is based on information shared by the State Customs Committee of the Republic of Belarus (2011).

BOX 7.3

Advance import notification in the Republic of Belarus

An advance online processing system aimed at the increased security and reliability of the international supply chain has been developed in the Republic of Belarus. It has been used since 2007. Before the introduction of the system, any risk assessment and all customs clearance procedures could be conducted only once the goods arrived at the border, which inconvenienced carriers and required more time for border crossing.

The development of such an advance notification system required the working out of a plan for its introduction, provision of a legal basis for the system, and the design of a software product to enable all interested parties to electronically notify Customs authorities. In addition to ensuring the safety and reliability of the international supply chain, the system operating in the Republic of Belarus aims to reduce the time foreign trade operators and Customs officials spend on clearance procedures, and, as a result, to avoid queues in front of the checkpoints.

At present advance notification is not a mandatory procedure in the Republic of Belarus. Even so, as of June 2011, about 30 per cent of carriers (both domestic and foreign) had chosen to use the new system.

To summarize its benefits, the advance electronic notification of Customs bodies has made it possible to:

- Ensure the safety and reliability of the international supply chain for the transport of goods;
- Simplify customs formalities connected with border crossing, thus reducing the time required for clearance;
- Use the electronic information provided to clear foreign goods for customs transit;
- Increase the efficiency of risk analysis and risk management systems;
- Reduce the risk of corruption.

7.3.8 The EU single administrative document (SAD)

The EU single administrative document (SAD) represents an excellent example of a mechanism that fully follows and is compatible with the WCO Data Model. In the EU, the SAD is used within the framework of trade with third countries and for the movement of non-EU goods within the EU. It also applies to the territories of the EFTA countries (Iceland, Norway and Switzerland) and to trade between these countries and the EU. Most of the data entered is coded so that the document can be used in all EU languages. It covers the placement of any goods under any customs procedure whatever the mode of transport used.

Box 7.4 is quoted from an interview with the Chair of the State Customs Committee of Azerbaijan, Ajdyn Aliev, which is available on the official website of the Customs Committee of the Republic of Azerbaijan (2011).

BOX 7.4

Azerbaijan's Single Window and e-customs project

On 1 January 2009, the State Customs Committee (SCC) of Azerbaijan switched over to a Single Window system at its checkpoints. The new system helps to increase efficiency and improve the interactions between the different controlling authorities. It has also greatly reduced the time required to cross borders and clear goods and vehicles through Customs.

The new Single Window system was designed in accordance with international standards such as those of UN/CEFACT and based on recommendations by the WCO and WTO. The system's hardware and software have been developed nationally. Checkpoints on the border are equipped with computers providing access to a database of licences and certificates issued by the Ministries of Health, Agriculture and Transport.

Azerbaijan is also developing an e-customs project encompassing three subsystems:

- A unified Computer Aided Manufacturing (CAM) system for the customs service;
- A management system for Internet information resources;
- An internal portal and intranet system.

The system operates a number of modules, such as computerized customs control, automated document-processing, a CAM / operational anti-smuggling and law enforcement centre, and also a Single Window clearance system.

7.4 National policy and legislation considerations

It is not uncommon for the introduction or update of ICT in a government department to require legislative change, possibly to allow electronic exchange of information that was not provided for by the current legislation, or to increase power to collect or use information.

In 2003, Kazakhstan passed a Law on Electronic Document and Digital Signature covering legal issues rising from e-commerce. Amongst the things it provided for were the following(UNESCAP, 2006):

Certification authority: A certification centre to manage registration of certificate authenticity and verify conformity in digital signatures;

Electronic document/online transactions: An electronic document equivalent to a paper document, which in some instances, when certified by an e-signature, may be a valid means of concluding a contract;

Electronic/digital signature: A digital signature that is equivalent to the manual signature of the signatory and has equivalent legal consequences;

Electronic payment: E-payment transactions arising from the creation and use of e-documents certified by digital signatures;

Judicial system and security: Kazakhstan adopted the International Commercial Arbitration Law in December 2004;

Cybercrime: Updated legislation to combat cybercrime;

Intellectual property: The creation of computer programmes and the alteration of existing programmes, since unlawful access to legally protected computer information may give rise to civil, criminal and administrative liability.

7.5 Software packages and systems

The ICT Guidelines do not recommend specific hardware implementations or manufacturers. As there is no "one size fits all" option for hardware and software, it is left up to the individual countries to make their choices in accordance with their own specific needs.

However, the system selected must be able to exchange information with the trade. If the system uses some kind of proprietary information, trade may as a result have to update or, even worse, change their system in order to be able to exchange data.

Sections 7.5.1 and 7.5.2 describe two bespoke systems, the Automated Commercial Environment (ACE) and the

UNCTAD ASYCUDA (Automated System for Customs Data), respectively. Section 7.5.3 gives consideration to a number of private software providers. Section 7.6.4 introduces the single electronic window concept

7.5.1 The Automated Commercial Environment (ACE)

In the U.S., the current Automated Commercial System (ACS) is in the process of being replaced by the Automated Commercial Environment (ACE). ACE is part of a multi-year Customs and Border Protection (CBP) modernization effort that will be deployed in a number of phases. It will:

- Allow trade participants access to and management of their trade information via reports;
- Expedite legitimate trade by providing CBP with tools to efficiently process imports/exports and move goods quickly across the border;
- Improve communication, collaboration, and compliance efforts between CBP and the trade community; facilitate efficient collection, processing, and analysis of commercial import and export data; and provide an information-sharing platform for trade data throughout government agencies.

Sources: World Trade Ref, 2008, and U.S. Department of Homeland Security, Customs and Border Protection, 2011.

iStockphoto

7.5.2 The UNCTAD ASYCUDA system

The following is an account of the UNCTAD ASYCUDA system (De Wulf and Sokol 2005, pp. 299–300).

The UNCTAD ASYCUDA (Automated System for Customs Data) Programme was developed in the early 1980s to automate the operations of Customs administrations. It is presently installed in 84 countries. The programme was developed to support Customs administrations in their objective of trade facilitation and efficiency of Customs clearance control. The programme is provided at no cost, which means that countries do not pay for the software development costs. Countries do pay, however, for the system implementation, which is undertaken by the UNCTAD Technical Assistance project. The implementation comprises general support activities, training, documentation, and development of specific support on a cost recovery (non-profit) basis. UNCTAD has developed three versions of ASYCUDA so far and is currently presenting ASYCUDA World.

- *ASYCUDA Version 1* (1981–1984). ASYCUDA Version 1 operated on early personal computers (PCs). Created at the invitation of the secretariat of ECOWAS (Economic Community of West African States), its main achievement was to assist in the preparation of trade balances and other related trade statistics. Implemented in three countries, it demonstrated that computerized Customs clearance systems could be developed on low-cost computers.
- *ASYCUDA Version 2* (1985–1995). ASYCUDA Version 2 introduced Local Area Network computing in hundreds of Customs offices, allowing for a comprehensive integration of functionalities. Initially running on the only multitasking operating system available on the market (PROLOGUE), ASYCUDA Version 2 was, over the years, overhauled by the UNIX operating system, opening the way to high transaction volumes and, consequently, ASYCUDA implementations in large Customs offices. UNCTAD does not develop its functionality anymore. It was introduced in 40 countries and still operates in 15 countries that have not yet migrated to ASYCUDA++.
- *ASYCUDA++* (1992–present). ASYCUDA++ is based on real client-server architecture, takes advantage of the power of object-oriented programming languages and uses the potential of relational database systems such as Oracle and Informix. From a technical standpoint, ASYCUDA++ is an advanced Customs information system that integrates a number of modern and robust technologies. ASYCUDA++ built on the full suite of Customs modules provided in ASYCUDA version 2, and added more Customs functionality, particularly in the areas of Direct Trader Input, risk management, and transit monitoring. ASYCUDA++ client computers feature a text-based, multi-window user interface. The most common operating systems on ASYCUDA++ client computers are MS/Windows 9x and MS/Windows XP. The ASYCUDA Program has incorporated the complementary use of another generation of technological tools and the emergence of the widely used internet environment. A first outcome of this work is that the current version of ASYCUDA++ allows Customs brokers to submit declarations through the internet. The ASYCUDA++ EU Version is currently operational in the four European countries that became members of the EU in May 2004: Estonia, Latvia, Lithuania and Slovakia.

- *ASYCUDAWorld*. ASYCUDAWorld is UNCTAD's solution for e-Customs. The development of this system began in 1999 and a first roll-out (in the Republic of Moldova) was undertaken in early 2004. It allows Customs administrations and traders to handle most of their transactions via the Internet, from cargo manifests and transit documents to Customs declarations. Its platform is based on a sophisticated technical architecture that does away with the need to maintain permanent connection

Box 7.5 reproduces an account from the ASYCUDA website of the successful ASYCUDA++ project in Jordan (UNCTAD, 2011).

BOX 7.5

Evaluation of the ASYCUDA++ project in Jordan

A mandatory evaluation of JOR/96/004 "Computerization of Customs Procedures and Data for Improved Revenue Collection" took place between 1 August and 13 August 1999. The Evaluation Team was composed of two international consultants from the UNDP and UNCTAD respectively, and a national consultant from the Government of Jordan. All three consultants were first briefed at the UNDP/Jordan Country Office, and subsequently by the Project Director.

Phase I of the project started September 1997 as a pilot project to computerize three project sites, namely Customs Headquarters in Amman, Queen Alia International Airport and Amman Customs House. At the time of the evaluation ASYCUDA ++ was operational at the Customs Headquarters and at the airport. According to plans, Amman Customs were to follow in September 1999. All Customs declarations are lodged electronically by brokers using Direct Trader Input.

The development objective of the Project was to improve the economy of the country by strengthening the capacity of the Government to generate Customs revenue through the provision of an efficient service to the trading community.

The Project Document contained 5 immediate objectives:

1. To secure the collection of Customs revenue and improve the efficiency and effectiveness of customs operations through ASYCUDA++;
2. To strengthen the Government's capacity in the formulation and implementation of effective economic and fiscal policy through provision of accurate and timely data;
3. To strengthen the institutional capacity of the Customs Department;
4. To enhance the Department's capabilities in disseminating trade related information to relevant users; and
5. To provide standardized data extraction from ASYCUDA++ to serve as management information on international trade.

Some findings of the evaluation team:

During the implementation of the Project, a number of measures were taken to simplify procedures, documents and data prior to their automation under the ASYCUDA system. Examples include the integrated Customs tariff, the Single Administrative Document (SAD) and the adoption of risk management techniques. Contact between the brokers and the operational Customs staff has been minimized.

Success Indicators:

- There are several indicators that the Project was successful, and the expected impacts attained. These can be summarized as follows:
- Time of release: The green lane declaration takes on average 2 hours;
- Revenue collection: The revenue has stayed constant despite significant reductions in duty rates;
- Trade statistics are more complete, accurate, and up-to- date;
- Simplification and increased transparency:
  - Integrated Customs tariff
  - Single Administrative Document
  - Risk management techniques
  - Direct trade input
  - Separation of brokers from Customs offices
  - Consolidation of preferential taxes;
- Capacity-building: Training and transfer of technology and know-how was achieved.

The lessons learned are the following:

First and foremost, high-level policy support and commitment is necessary for this kind of project, where an entirely new system is implemented. This was evidenced by the decision taken by the Customs Department to place its most senior and highest-quality personnel in the ASYCUDA++ Project Management and operational posts;

Secondly, it is essential that other government ministries involved in international trade make every effort to reduce the burdens they place upon the business community. This will allow the economy of the country to gain maximum benefit from the simplified customs clearance procedures that have been introduced as part of the ASYCUDA++ project;

Thirdly, in a project of this complexity, thorough testing must precede the live implementation of the ASYCUDA++ system;

Fourthly, the timing of training and procurement activities must be properly planned in order that the host country gains the maximum benefit;

Fifthly, in the design of projects intended to bring about fundamental changes in the way organizations conduct their business, no effort should be spared to understand both the intended and unintended consequences of these changes and to prepare those who will be affected by the changes to cope with them more successfully.

with a national server. This is especially important for countries with unreliable telecommunications. Where telecommunications are more reliable, the traditional World Wide Web approach can be used. ASYCUDAWorld can work with all major database management systems (including Oracle, Sybase, DB2, Informix, and SQL Server) and most operating systems (Linux, Solaris, HP-UX, AIX, and MS/Windows). The platform's use of XML (extensible mark-up language) allows the exchange of any document inside and outside the system between Customs administrations and traders, as well as between Customs administrations in different countries. It is "Java native", meaning that it was designed as an open standard to be used with Java and that countries can thus modify and extend the system without requesting assistance from UNCTAD. It implements the concept of "e-documents" that, once plugged into the ASYCUDA World platform, reflect in the IT world the paper documents currently used and implement the required business processes.

7.5.3 Other software applications

Section 7.5.3 provides accounts of a number of other software applications (De Wulf and Sokol 2005, pp. 300–301 and 303).

SOFI and SOFIX

The Solutions Françaises Informatiques (SOFI) system was developed by French Customs and became operational in 1974. Designed to run in a mainframe environment, it was first rolled out at the airports of Paris and was gradually extended to all Customs houses in France. The original system went through several upgrades and redesigns, and is still in operation today.

After several attempts were made at creating an export version, systems based on the SOFI concept but still under proprietary mainframe operating systems were successfully rolled out in Côte d'Ivoire and Egypt in the early 1980s. In the early 1990s, with the arrival of the open systems concept and the consolidation of the UNIX operating system, French Customs decided to support the development of SOFIX (SOFI under UNIX) and to offer the system to other countries. The development was undertaken through a joint venture with several French hardware and software companies.

The idea was to offer the system as an open code product, with a small kernel around which different modules covering the main Customs functions were organized. One of the premises of this approach was that the system could easily be adjusted to local requirements.

In the end, SOFIX was never implemented by French Customs. In Turkey, however, the local adaptation of SOFIX was undertaken with success and is still operational. Another version of SOFIX was adapted to the requirements of Argentina, where it was rolled out in 1993, and was subsequently adapted for implementation in Paraguay in 1995. Up-to-date versions are still in use in both countries. A simplified version was also implemented in 1999 in French Polynesia (Tahiti) and is still operational.

The consultancy firm SIF (Solutions Informatiques Françaises, one of the original partners in the joint venture) continues to support SOFIX and its derivatives in Argentina, Paraguay, and French Polynesia and is actively interested in applying its expertise in other countries.

PC Trade

New Zealand's Statistics Department's PC Trade software was initially designed to produce national trade statistics, relying on ASYCUDA-generated import data. Providing a basic front-end goods declaration processing and duty assessment module has further enhanced PC Trade. The system works on stand-alone PCs, but can be networked using Novell or Windows Networking. It is also a full statistical analysis package. It is widely used in island States of the Pacific such as Tonga, French Polynesia, Vanuatu, and Guam.

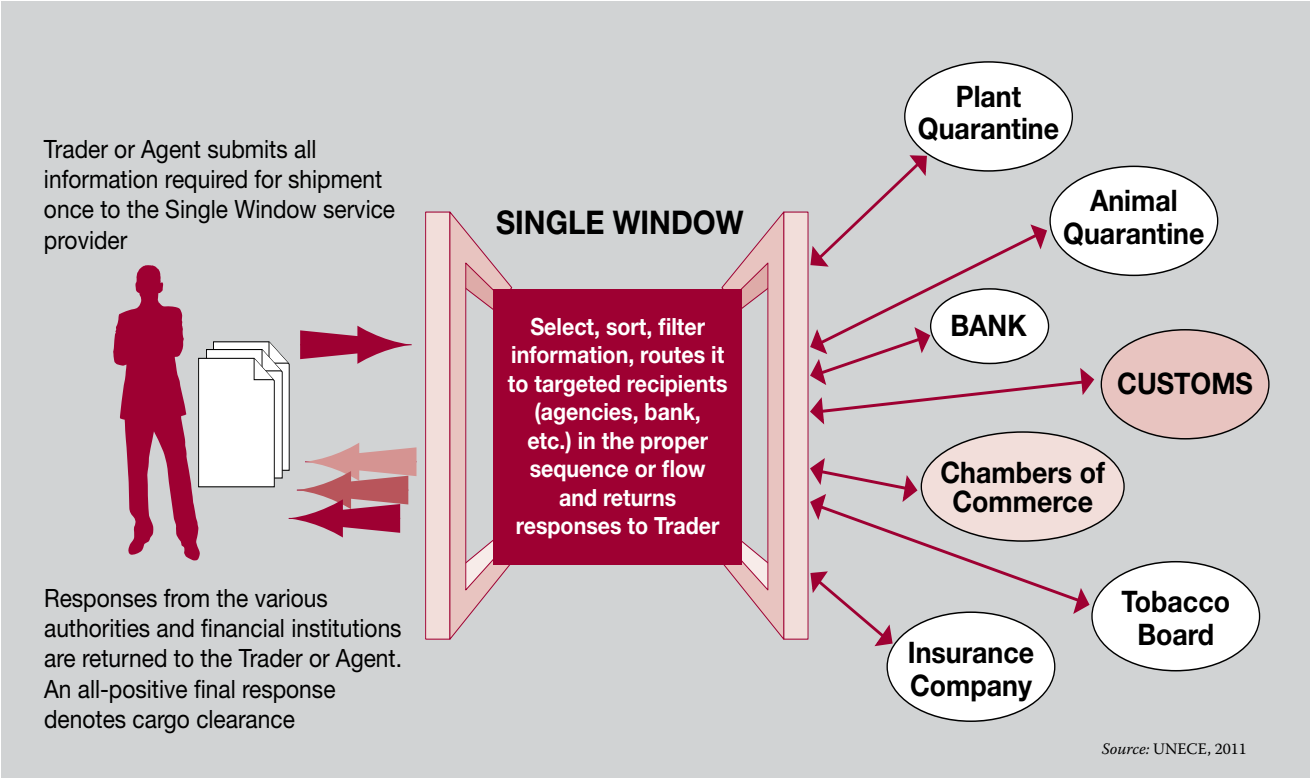
7.5.4 The single electronic window

The Single Window System is a trade facilitation concept enabling cross-border traders to submit documents at one single location and/or single entity. The documents submitted are typically customs declarations, applications for import/export permits, or other supporting documents such as certificates of origin and trading invoices.

The main benefit a country can derive from a Single Window is an increase in efficiency through savings in time and cost for traders in their dealings with government authorities. Before the Single Window, traders had to deal with multiple government agencies in multiple locations in order to obtain the necessary papers, permits and clearance to move their goods across borders (UNECE, 2003).

The concept is recognized and promoted by the several world organizations that are concerned with trade facilitation. Among these are the United Nations Economic Commission for Europe (UNECE) and the UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT), the World Customs Organization, and the Association of Southeast Asian Nations (ASEAN). There is no single definitive viewpoint of what a single window system should be. A common definition of the term "Single Window" provided by UNECE (2003 p. 4) runs as follows: "A facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements. If

Diagram 7.2 Example of a single window system



information is electronic then individual data elements should only be submitted once."

In 2005, the UNECE produced its Recommendation and Guidelines on Establishing a Single Window (UNECE Recommendation 33). This was followed by the adoption of the UN/CEFACT Recommendation No. 34 on Data Rationalization and Standardization for International Trade, and draft Recommendation No. 35 on Establishing a Legal Framework for an International Trade Single Window.

A concrete example

In the UK, a pilot of the Automatic Licence Verification system for imports (from third countries) of plants, flowers and fruit/vegetables, delivered by the Single Window project, is providing an electronic link between the systems of the Department for Agriculture and of Customs. The consignment release decision from the Department of Agriculture is transmitted electronically and in near real time directly into the Customs system. This has reduced customs clearance time from 2 hours to 15 minutes. It has also reduced the administrative burden on importers/agents, generating benefits estimated at 1.7 million pounds sterling per annum. The system is expected to include imports (from third countries) of live animals, animal products and high-risk food products. The expected benefits are estimated at 1.1 million pounds sterling per annum (U.K. HM Revenue & Customs and Department for Business, Innovation and Skills/BIS, 2009).

7.6 Creating a strategy for the automation of border management

7.6.1. Steering committee

After the need for change has been recognized, steps must be taken to formalize the automation project. The complexity of an ICT project means that a steering committee must be organized in the form of a cross-functional executive group made up both of representatives of the critical public as well as of private stakeholders. The stakeholders should be organizations that will be directly affected by the objectives and outcomes of the project. The representatives on the steering committee should have no direct responsibility for the project deliverables. Rather, they should represent their stakeholders in the project development and execution.

Three questions need to be answered when creating a steering committee:

1. Who are the potential stakeholders with respect to an ICT improvement project?
2. What are the roles and responsibilities of the steering committee?
3. What are the deliverables of the steering committee?

To assist in answering the first question, Table 7.1 lists some of the organizations that may be consulted for such a project. The list is not comprehensive. Each country may have different organizations they wish to include.

The Table is intended to show that an ICT improvement project will impact a wide range of organizations, each of which will need to be consulted.

Table 7.1 Potential stakeholders in an ICT improvement project

Public organizations	Private organizations
Ministry of Finance	Banks
Ministry of Defence	Insurance companies
Ministry of Agriculture	Logistics service providers
Ministry of the Interior	Freight forwarders
Department of Revenue	Customs brokers
National Customs authorities	Exporters and Importers
Border guards	Trucking and haulage companies
Department of Transport	Distributors and retailers
International organizations and NGOs (WCO, UNECE, WTO, IRU, and others)	Buyers' and sellers' agents
Police	Inland container ports
Ministry of Foreign Affairs	Port operators and stevedores
Representatives of foreign governments – based on relevant bi- and multilateral agreements (notably neighbouring countries and major trade partners)	IT service providers
Veterinary service	IT system developers
Phyto-sanitary service	
Food safety agency, etc.	

After determining which organizations need to be included in the steering committee, the second question to be addressed concerns the committee's roles and responsibilities. These include:

- Taking responsibility for the project's feasibility, business plan and achievement of outcomes;
- Ensuring that the project's scope aligns with the requirements of the stakeholder groups, and representing stakeholder interests in project deliberations;
- Providing those directly involved in the project with guidance on project business issues, especially issues which might compromise the success of the project;
- Ensuring that effort and expenditure are appropriate to stakeholders' expectations;
- Assisting in the evaluation of project risks and project risk management approaches;
- Keeping the project scope under control as emergent issues force changes to be considered;
- Reconciling differences in opinion and approach and resolving disputes arising from them.

The final question concerns the steering committee's deliverables. Although the steering committee is not involved with the actual tasks outlined, it is responsible for the planning, monitoring and review of the project. The deliverables of a steering committee should include, as a minimum:

- Its own operating ground rules and procedures
- Initial project plan (timeline, objectives, budget, etc.)
- Providing requested recommendations to Chair(s)
- Periodic status reports on the project
- Review of voting membership body
- Maintenance of attendance and voting records
- Review of the project (things done, things not accomplished, future work)

7.6.2 Strategic planning

Once a steering committee has been formed, the first task on its agenda should be to conduct strategic planning. Strategic planning should include several sub-stages, such as self-assessment, target scenario investigation, gap analysis, and the creation of an ICT strategic plan. Overall, it can be divided into two parts, *self-assessment* and *gap analysis*.

Self-assessment

Self-assessment should be conducted in such a way as to ascertain the exact conditions of the practices taking place at border crossing points. The following are some of the issues to be addressed when undertaking self-assessment.

A list should be compiled of all the objectives and commitments of the agencies involved. Issues such as trade facilitation, security and illegal immigration all need to be named. In addition to the listing of the objectives, there should also be some statement of commitment made by the responsible agency, for example, the reduction of clearance times by 50 per cent or more within three years.

It must be established whether the individuals have the IT skills and knowledge levels to use more sophisticated ICT equipment, not only within Customs but also more widely at the stakeholder level. It is also important to look at the IT development level of the rest of the country.

Another important factor is the willingness of the stakeholders to change. Even if a wonderful system has been installed, time and money will have been wasted if those who are supposed to operate the system are not willing to use it. It is not enough to determine that the actual staff can change: the same must hold true of the community at large, including all of the stakeholders in the country as well as those that will be impacted outside the country.

The legal framework must also be determined, using tools such as memorandums of understanding or bilateral and multilateral agreements.

Another critical element in self-assessment is to determine what ICT systems are currently in place. At any given time, you cannot determine where you are going if you don't understand where you currently stand. Furthermore, an assessment of what is already in place is invaluable to determining such things as budgets and timelines. Key issues to address include:

- Maturity of the infrastructure
- Age of the existing hardware
- Software being used
- Compatibility of software
- Maturity of the IT community
- The purpose of the existing systems

It must be determined what additional elements of technology are being used over and above the ICT systems. These may include such thing as: sensors; scanners; printers; chemical, biological, radiological, nuclear and high yield-explosives (CBRNE); detection detectors; weighbridges; and seals.

Finally, benchmarking tools must be selected to measure progress in comparison to the strategies that have been outlined.

Gap analysis

Once self-assessment has been completed, there should be enough understanding of the current situation to move onto a gap analysis. A gap analysis is used to compare the actual performance of an organization either to some self-imposed performance target or to a target that has been specified in an agreement acceded to or in a recognized standard. It provides a foundation for measuring the investment in time, money, and human resources that are required to achieve desired outcome. Once an improvement project has been completed, it is also useful to conduct a second gap analysis to determine whether the goals have been met.

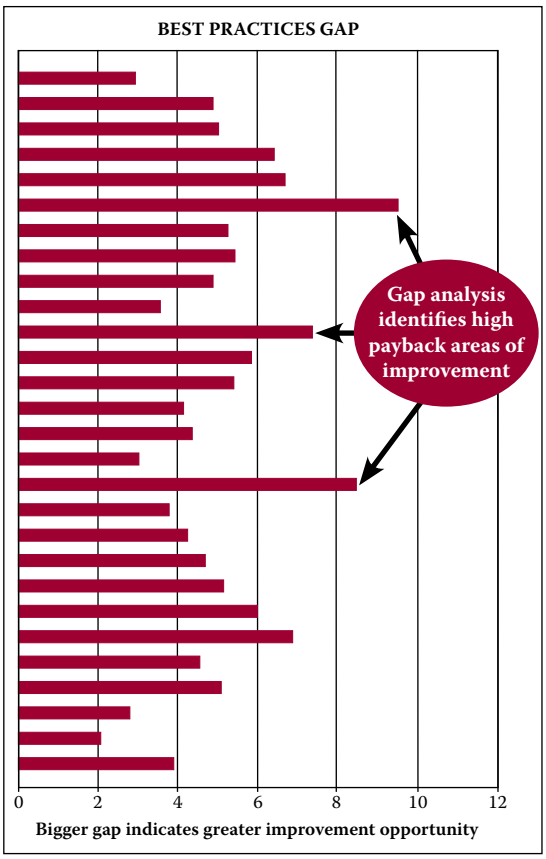
A gap analysis can be completed in numerous ways, for instance by using a SWOT analysis, a weighted assessment, or a simple tabulated assessment. These three options are considered below.

SWOT analysis is a basic yet powerful analysis tool based on the four elements Strengths, Weaknesses, Opportunities and Threats. Although it is typically used for businesses to determine where they are in the market, it can also be applied to any type of improvement project. With respect to gap analysis of an ICT improvement project, the strengths and opportunities relate the present state of ICT structures, while the weaknesses and threats reflect the state they are intended to reach in the future. The gap is the difference between the two. Recognition of the gap is essential to establishing realizable goals and objectives.

A more detailed and analytical method of gap analysis is weighted gap analysis. In this case, the categories to be assessed are placed in the far left column. These are every specific aspect of the ICT structures that need to be

Table 7.2 Example of weighted gap analysis

Assessment Category	Assessment Weight	Company Weight	Effectiveness
Business & Product Strategy	0.5	1	4.2
Product & Pipeline Management	1	1	5.1
Technology Management	0.75	1	3.3
Management Leadership	1	1	3.6
Early Involvement	1	1	3.3
Product Development teams	1.5	1	3.6
Organizational Environment	1	1	4.7
Process Management	1	1	4.6
Process Improvement	0.75	1	3.5
Understanding the Customer	1	1	6.4
Requirements & Specifications Mgt.	1.5	1	5.1
Development Process Integration	1	1	4.1
Supplier/Subcontractor Integration	1	1	4.6
Product Launch	1	1	5.8
Configuration Management	1	1	5.7
Design Assurance	0.75	1	6.0
Project & Resource Management	1.25	1	3.2
Design for Manufacturability	1	1	6.2
Product Cost Management	1	1	5.8
Robust Design	1	1	5.3
Integrated Test Design & Program	0.75	1	3.2
Design for Operation & Support	0.75	1	2.0
Product Data	1.25	1	4.5
Design Automation	1.25	1	6.4
Simulation and Analysis	1	1	4.9
Computer-Aided Manufacturing	0.75	1	6.3
Communications & Support Technology	0.75	1	7.3
Knowledge Management	0.5	1	2.2
Weighted Total			**4.7**



Source: adapted from www.npd-solutions.com, 2011.

investigated. The next column to the right of the category column is the assessment weight. This is essentially where the organization prioritizes the categories. The higher the weighted value, the more important that particular aspect is to the organization. The far right column is the assessment value. This value is based on the determination of the organization and is usually based on expert advice. It is most often set against either the absolute goals of the organization or is based in reference to some available national or international best practice.

A sample result is shown in the Table 7.2. It shows the gap between the internal desires of an organization and the best practices. The length of a line illustrates the amount of change required to make a goal reality. This can be used to prioritize efforts. It is a very easy format from which to see what is lacking.

The most straightforward method of doing the gap analysis is in simple tabulated form. From left to right, the questions to be asked are:

- Where do we want to be?
- Where are we currently?
- How far are we from our goals?
- What do we need to get to where we want to be?

This approach is typically less analytical and requires less research, but it may miss some important information.

A strategic plan is the final output of the strategic planning phase. It is a document that includes self-assessment details, gap analysis conclusions and a set of recommendations as to what will need to take place in order to move forward. The recommendations should state clear goals and provide a methodology that is achievable.

7.7 Detection equipment, scanning and non-intrusive inspection

In addition to the hardware, software and infrastructure that are specific to the ICT of a border crossing point (BCP), consideration must also be given to the other forms of technical equipment required, the most important certainly being detection equipment. This section considers equipment used in the non-intrusive inspection of cargo, persons, baggage and vehicles.

7.7.1 What is non-intrusive inspection?

In the past, all inspections were intrusive by nature. The border crossing agency interested in a particular consignment would open a container or lorry. Then they would inspect all pieces contained therein. Often the agency involved would have to physically remove all of the cargo, inspect it and re-load the vehicle.

Technology has now advanced to a point where intrusive inspections are no longer required, and should only be done as an exception. Most non-intrusive inspection (NII) of cargo is now carried out with a scanning device, usually an X-ray scanner. The operator then evaluates the images generated by the X-ray scanning operation to determine if there is an irregularity. There is no need to open or break the seal of a container or remove any of its cargo.

Scanners at the higher end of the range also make it possible to verify the manifest. It is also possible for a scanner to assist the operator in determining whether certain materials are present.

The introduction of canine programmes to border security agencies throughout the OSCE region has rapidly increased over the past decade.

7.7.2 What non-intrusive inspection is not

Non-intrusive inspection is not a panacea. It cannot make the operations carried out at a BCP 100 per cent efficient.

The OSCE supports the enhancement of container security to prevent terrorists from exploiting this means of transport.

It cannot find all undeclared cargo, or all weapons, chemicals or drugs. Nor can it make up for poor BCP management. Scanning and NII do have their limitations and shortcomings. These include:

- Over-reliance on operator interpretation skills
- Inability to make up for an operator's lack of experience, lack of training or fatigue
- Less than optimal material discrimination at high energy levels
- Nuisance alarms
- Inconclusive images
- High numbers of resultant physical inspections

7.7.3 Why do we need to scan?

Diagram 7.3, taken from Cargo Scanning Services document Cotecna (2010, p. 2), illustrates the broader context of what border crossing points use NII and scanning for, namely, as a tool to balance the governmental concerns of revenue protection, safety/security and trade facilitation.

Box 7.6, taken from the European Commission's 2006 publication *Supply Chain Security* (EC, 2006, p. 3) .

BOX 7.6

The EU sees the need for X-ray scanning

Technology clearly has a role in increasing both the efficiency of inspecting cargo and the number of shipments that can be inspected. Container inspection technology is of substantial interest because it helps Customs to answer quickly and easily the security question of paramount importance "What's in the box?". Non-intrusive inspection (NII) equipment using X-ray and gamma ray technologies is being deployed at border crossings and in sea- and airports. NII equipment allows Customs authorities to have a visual image of a container's content; it is a relatively easy way to review a container's content in contrast to physically unloading a container.

Radiation scanning technology is an important tool as well. Radiation detection portals are already used at most of the major border crossings at the eastern land border of the European Union. Trucks bringing cargo into the European Union are passing through the portals. Currently, also, more and more sea ports are installing this kind of portals at the gates of cargo terminals. It facilitates efficient scanning and detection of the means of transport and the cargo with a limited delay for trade.

With respect to revenue protection, the most obvious application is the verification of the manifest, which has two aspects: undeclared and under-declared items. With the use of a scanner and NII, it is possible to get a reasonable count of the items contained in a consignment. It is then possible to determine if there are items have not been declared or have been under-declared.

The next concern is that of safety/security. Since the 9/11 attacks in the U.S., the entire world has been on high alert for threats posed by terrorists. NII and scanning can be used to help block items destined for use by terrorist groups. There are also more traditional illegal activities that can be addressed by scanning. Four of the biggest traditional concerns are:

Weapons: This category consists mainly of conventional weapons such as small arms, mortars, knives and the like, which may be destined for use in terrorism or organized crime.

CBRNE: Chemical, biological, radiological, nuclear, and explosive threats and materials are generally contained under the heading of weapons of mass destruction (WMD). These weapons are capable of inflicting mass casualties.

Drugs: Although drugs do not necessarily constitute a terrorist threat in themselves, they are a major concern for many governments, not least because revenue generated by the drugs trade can be used to finance terrorist networks. The annual value of the illicit drugs trade has been estimated by various sources at multiple billion United States dollars. -

Human smuggling and trafficking: This is a large sector. In many instances people have been smuggled within shipping containers or in hidden compartments in vehicles. This matter is an issue of country security and national sovereignty.

With respect to trade facilitation, the critical fact is that the

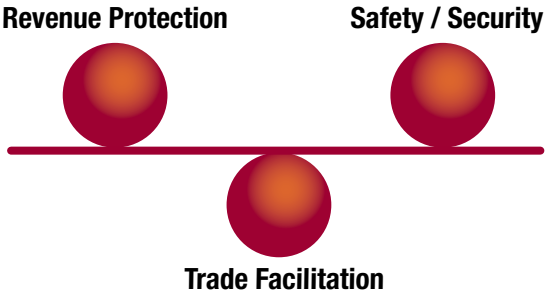
Box 7.7 presents a further endorsement taken from the World Customs Organization's SAFE *Framework of Standards, Standard* 3, "Modern Technology in Inspection Equipment" (WCO, 2005, p. 11).

BOX 7.7

The WCO SAFE Framework of Standards: Standard 3 on non-intrusive inspection

"Non-intrusive inspection equipment and radiation detection equipment should be available and used for conducting inspections, where available and in accordance with risk assessment. This equipment is necessary to inspect high-risk containers or cargo quickly, without disrupting the flow of legitimate trade."

Diagram 7.3 The trade facilitation balancing act



quantity of cargo being shipped is increasing just as fast as threats to safety/security and the desire of governments to secure their revenues. This makes trade facilitation a major priority. NII and scanning are means to this end. It is usually far quicker to scan a container (NII) than to physically inspect it.

The advantages of scanning technologies can be summarized as follows:

- Trade facilitation, safety/security, revenue protection;
- Avoidance of necessity to unpack consignments;
- Avoidance of delays, thus reducing clearance fines and related costs;
- Increased competitiveness;
- Better and faster detection of irregularities in homogeneous cargo;
- Detection of illegal trade;
- More efficient use of available human resources;
- Promotion of voluntary compliance.

7.7.4 Risk management: A key element in non-intrusive inspection

A proper risk management programme is a key element in non-intrusive inspection. Scanning and NII should never be conducted in an ad hoc fashion. Real intelligence must be used to determine which consignments are high-risk and thus warrant inspection. Risk management is the appropriate means to provide this information.

An example of scanning and NII gone awry is that of the United States' 100 per cent scanning law. Box 7.8 is adapted from a speech on this subject given in 2008 by the WCO Secretary General-elect Kunio Mikuriya (WCO, 2008).

BOX 7.8

WCO Secretary General on 100 per cent scanning

The WCO and other stakeholders have criticized the US legislation on 100 per cent scanning. In December 2007, the WCO and the Private Sector Consultative Group (PSCG) adopted a joint resolution to express concern over 100 per cent scanning. The Resolution stressed that this measure could harm world trade, as well as economic and social development, as it would "introduce a significant non-tariff trade barrier and bring about disproportionate infrastructure, operational and inventory costs to both trade and economies". The document went on to say that 100 per cent screening would also "result in unreasonable delays, increased storage demands and port congestion."

7.7.5 Scanners for cargo

The following section considers a number of scanners suitable for inspecting cargo: portal scanners, gantry scanners, fixed scanners, and mobile scanners.

Portal scanners

Portal scanners are designed for high throughput (over 50 trucks per hour). With this system, the scanner remains stationary and the trucks move through the radiation beam at a few km per hour (the cabin is not scanned for obvious safety reasons). The portal scanner can be relocated. Because of limited X-ray output power for safety and high scanning speeds, it can be installed at the port gates or land borders; performances are limited.

Advantages: High throughput; simplicity and reliability (no moving parts); more space for the operators than in the mobile scanner.

Drawbacks: Limited performances; semi-fixed application only; no scan of truck's cabin.

Gantry scanners

With relocatable gantry scanners, the gantry structure is the support for the imaging system. During the scanning procedure, the entire system moves along rails while the vehicle remains stationary. Theoretically the system is relocatable within a few weeks, and practically within one to two months. It can be equipped with an X-ray source of 4MeV (as for mobile scanners) or 6MeV for a higher

A mobile gantry scanner is operated by the Russian Customs.

penetration; in this case it needs shielding or a larger safety area for radiation safety. Throughput varies from 25 to 35 container vehicles/hour; it can be proposed in an extended version allowing scanning of two trucks in a row. The 6MeV versions can be proposed with material discrimination function.

Advantages: Can have higher performance than mobile scanners though still with a certain measure of flexibility (relocation possible); more space for the operators than in mobiles; less complexity and thus greater reliability.

Drawbacks: Semi-fixed application only; for high performance 6MeV systems shielding walls are necessary, in accordance with the manufacturer's specifications.

Fixed scanners

Fixed scanners are designed for very high penetration (up to 450 mm of steel) and for outstanding image quality. Container vehicles are moved on a conveyor within a building during the scanning operation. Fixed scanners are not relocatable due to their substantial concrete infrastructure, which is needed for protection against radiation. Fixed scanners are equipped with a high-energy and high-power X-ray source (6 or 9MeV), and can be single- or dual-view (side and top views). Throughput is about 20 to 25 trucks/hour (possibly more with special conveyor design).

Advantages: Very high penetration, excellent image quality, dual-view option; material discrimination option, large building with possibility to add office space.

Drawbacks: Expensive; large permanent infrastructure (fixed application only); heavy mechanical elements involved (conveyor, shielding doors).

Mobile scanners

Mobile scanners are perfectly adapted for random or routine inspection of truck trailers at any location within ports, at roadside checkpoints or weighing stations. They are fully autonomous and do not require external infrastructure (though this is recommended when they are used at a fixed scanning site). Typically, during the scanning procedure the vehicle to be scanned remains stationary while the scanner moves past. Throughput varies from 20 to 25 container vehicles per hour. The most powerful mobile scanners are equipped with a 4MeV X-ray source for a penetration of 280 mm of steel and have good image quality.

Advantages: Flexibility, mobility.

Drawbacks: Level of complexity requires more maintenance, lower reliability than fixed/relocatable scanner, limited space for operators.

Box 7.9 reproduces (in part) an article by Maxim Kelly published in *ElectricNews* (Kelly, 13 February 2006) available on the website of NUCTECH.

BOX 7.9

Irish Customs officials get X-ray vision

A mobile X-ray scanner is a high-tech addition to the Irish government's armoury in the fight against drug and tobacco smuggling.

Irish Customs officers are going mobile with a truck-mounted X-ray scanner that can be deployed in 30 minutes. The scanner is suitable for scanning shipping containers, trailers, cars, vans and coaches and will be deployed across all Irish ferry terminals and ports. The device will be operated by two three-officer teams of specially trained revenue personnel hunting illegal drugs, contraband, explosives, firearms and stowaways.

Revenue signed a contract worth 3 million euros with Chinese X-ray manufacturer NUCTECH in December 2004 that includes device maintenance and training for Customs officers. NUCTECH have been manufacturing container scanners since 1997 and have sold over 180 worldwide, 16 of them in Europe. The company specializes in static and mobile X-ray scanners, which do not use a radioactive source in order to avoid expensive and environmentally unsound waste treatment.

The system to be used by the Irish Customs officers uses a high-energy linear accelerator to generate X-rays which are fed through imaging software. Officers then study real-time pictures to detect illegal cargoes.

Speaking to ElectricNews.net, a Revenue spokesperson said the new mobile system resembled a big lorry with two extending arms that reach out and scan the container up and down.

The new equipment will help tackle containerized smuggling of drugs and contraband tobacco.

"The United Nations Office on Drugs estimated the global illicit drug market to be valued at over USD 429 billion in 2003. And with the increasing sophistication of smugglers worldwide, detection is becoming more and more difficult. That is why it is essential that those who have to fight the smugglers be provided with the tools necessary to do so," said the Taoiseach, who was speaking at the launch of the mobile system.

7.7.6 Criteria for scanner performance

Scanners can be ranked according to their capacity to display a more or less clear and detailed image of items at a given throughput. There are three criteria for imaging performance, which relate closely to the energy power of the source of radiation and to the scanning speed: penetration, contrast sensitivity and resolution:

- *Penetration* is the most important criterion. The higher the radiation, the better the penetration;
- *Contrast sensitivity* plays an important role in distinguishing various types of item inside a cargo. The higher the contrast sensitivity, the easier it is to differentiate the various items that are superimposed on an image;
- *Resolution* refers to the capacity to provide an image with greater or less detail, and thus determines the ease with which items can be identified.

These performances depend on the scanning speed. An increase in scanning speed brings about a decrease in performance.

7.7.7 Choice of a scanner

The choice of an appropriate scanner is critical. It is recommended that Customs and security providers use a scanner offering high penetration with excellent image resolution (more than a thousand individual detectors in the line sensor) at a throughput of at least 20 trucks per hour, for the following reasons. Low penetration (below 200 mm of steel) does not allow accurate inspection of heavily loaded cargoes. When the penetration is not sufficient to see through the cargo (dark portions will appear in the image) it is not possible to verify the manifest. In this case, the operator in charge of the image analysis has no other choice than to let the truck go or to send it to physical inspection, even though he may not have any real reasons for suspicion. This eventuality reflects poorly on the scanning process and can provoke adverse reactions from legitimate traders.

Scanners using technologies based on gamma rays, backscatter or low energy X-rays are therefore not always appropriate for cargo inspection and manifest verification.

- *Backscatter* gives a nice image but only of the immediate centimetres below the surface of the cargo; no possibility at all of inspecting cargo to any depth.
- *Gamma-ray* technology on mobile scanners does not allow a true penetration of more than about 160 mm and displays very poor image quality (unless very high-intensity radioactive sources are used), which does not answer the needs of proper inspection. Furthermore, the use or misuse of the potentially very dangerous radioactive sources of radiation constitutes a major safety and security issue.
- *Low-energy* scanners with a penetration below 200 mm are inappropriate for cargo inspection except for scanning empty trucks and containers or for some very specific applications.

Example of a non-intrusive inspection method.

Box 7.10 is adapted from the IOM's 2010 *Assessment and Monitoring Mission (AMT) Report. Strengthening Integrated Border Management in the Western Balkans and Turkey* (International Organization for Migration/IOM, 2010, pp. 63 - 64).

BOX 7.10

New equipment and technology in the former Yugoslav Republic of Macedonia

The Customs Administration of the former Yugoslav Republic of Macedonia has introduced the Centralized Video Surveillance System (CCTV40), which is in operation at many BCPs. It enables real-time video surveillance that supports the detection and prevention of smuggling and of corruption by border officials. Guidelines and operational instructions for the CCTV surveillance system, including recording, transmission and risk analysis and selectivity, have also been introduced by the Customs authorities. In addition, the Licence Plate Recognition System (LIPRE) is in operation at major BCPs (covering 132 lanes in total). A database with an alert function has been established that contains all licence plates which are recorded. (AMT Report 2010, p. 63)

The Customs Administration is currently operating four mobile X-ray scanners for the inspection of freight vehicles and containers at major BCPs, and is using a number of smaller scanning machines at airports and major post offices. Customs are also responsible for the operation of Radiation Portal Monitors (RPM) at BCPs; currently twelve are in place at ten BCPs and there are plans to significantly increase this number.

- *Medium-energy* (2 to 3MeV) scanners offer a penetration ranging from 200 to 250 mm of steel; though the image quality is good, it is not sufficient for covering all inspection needs when containers are fully loaded.
- *High-energy* (3.5MeV and above) scanners offer a penetration above 250 mm (typically 280 mm) of steel, which is sufficient for most (but not all) cargo. These scanners are recommended as fitting the needs of proper inspection with manifest verification.

The performance necessary to meet the needs for inspection and manifest verification can be obtained by either a mobile scanner or a relocatable scanner, with an X-ray energy of at least 4MeV. Such scanners represent a good trade-off between performance and cost.

7.7.8 CBRN detection

A major concern for any government is the threat posed by chemical, biological, radiological and nuclear materials. It is imperative for governments to be able to intercept these materials before they enter their countries.

Detection of chemical materials

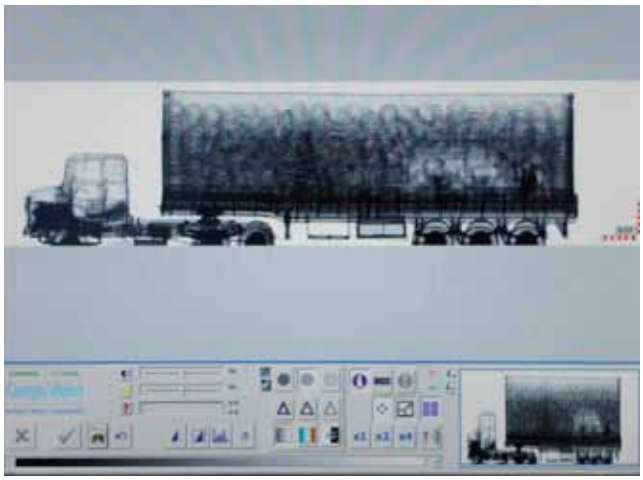
Today, chemical threats are not primarily related to known national chemical warfare programmes but, rather, to terrorism and the possibility of accidents involving the huge number of less toxic compounds. It has therefore become more difficult to find adequate detection techniques, especially as the number of agents has grown significantly and a large dynamic range is required to detect trace amounts either of chemical warfare agents (CWA) or of toxic industrial chemicals (TIC).

Two types of detectors are suitable for chemical detection: "standoff" and "close". Standoff detection equipment using Fourier Transform Infra Red (FTIR) is the most commonly used. Raman spectroscopy and laser-induced breakdown spectroscopy (LIBS) are used at shorter distances. At the higher end of the devices available are those that are to all intents and purposes lab instruments, usually using mass spectroscopy (GC-MS) as their detection technology.

It should be noted that many newer devices used for chemical detection can also be used for explosive detection.

Detection of biological materials

The unfortunate truth is that biological warfare agents (BWAs) are extremely difficult to detect, for several reasons. Firstly, as the quantity of a BWA needed to infect humans is very small, the detector must be very sensitive. Secondly, this sensitivity comes with a down side, namely, that an average environment contains a very



Other examples of non-intrusive inspection.

large number of naturally occurring biological particles that are harmless. As these harmless particles are hard to distinguish from BWAs, there tend to be a large number of false alarms. Finally, speed is critical. Given the characteristics of BWAs, they have to be identified quickly so that precautionary action can take place before exposure.

In practice, therefore, it is common to have a combination of sensors. One of these is continuously sampling the air and will act as a trigger for the second sensor, which is used to analyse the particles. Several technologies are being developed to assist in the detection of BWA, including:

- Aerosol Size and Shape Analyser (ASAS);
- Fluorescence Aerodynamic Particle Sizer (FLAPS);
- Biological Alarm Monitor (BAM), which determines elemental properties using spectrometry.

Detection of radiological and nuclear materials

Radiological and nuclear (RN) detection technologies have been developed over the last years to suit the specific needs of different operations. Therefore, especially in comparison to detection systems for chemical and biological threats, RN detectors have a very high technological level. There are quite a number of different designs available on the market.

Available radiation detection equipment relevant for nuclear security and specifically for border monitoring purposes includes:

- Radioisotope Identifiers (RID);
- Highly Sensitive Neutron Search Detectors (NSD);
- Portable Radiation Scanners (PRS);
- Spectrometric Personal Radiation Detectors (SPRD), which are useful for protecting border agencies personnel from possible RN threat (early warning).

Fixed instruments are typically used at border control points, airports and ports, as well as at entrances to critical infrastructure:

- Radiation Portal Monitors (RPM);
- Spectroscopic Radiation Portal Monitors (SRPM).

7.7.9 Scanning of persons, baggage and vehicles

The non-intrusive inspection of cargo has traditionally been the main focus of agencies at BCPs. Nowadays, however, the scanning of persons, baggage and vehicles has become as relevant as the scanning of cargo.

One of the main technologies that has been developed for this type of scanning is that of backscatter X-ray. Traditional X-ray devices rely on the transmission of the X-ray through the material under inspection. Backscatter, on the other hand, uses reflected X-rays to form images. The backscatter pattern is dependent on material properties, and is good for imaging organic material.

The following are just a few notable applications of backscatter:

- Body-scanning of people;
- Scanning of objects where only one side of the object is available for scanning;
- Scanning of baggage;
- Scanning of mail;
- Scanning of vehicles other than fully laden containers.

Advantages: The main advantage of backscatter X-ray technology is that it can be used to scan not only inorganic objects but also living beings. This is possible because of its low levels of ionizing radiation. Backscatter can be used to distinguish different materials such as drugs, explosives or metals by interpreting the Z number of the object being scanned.

Disadvantages: As the depth of penetration of the X-ray is somewhat limited, it cannot be used for scanning containers. Perhaps the most widely publicized disadvantage is that of the invasion of privacy. Many people are troubled by the idea of full body scans and the images that they produce.

7.7.10 Summary of fundamental considerations in non-intrusive inspection

1. Understand that detection equipment is not a panacea: it's a tool;
2. Determine what the most important concerns for your border crossing point are;
3. Look into what system can help address your concerns best;
4. Evaluate price, performance and returns on investment;
5. If a system meets your expectations, invest;
6. Ensure that your use of detection equipment is co-ordinated through a robust risk management programme;
7. Remember, once again, that detection equipment is not a panacea: you will still have to manage its use.

Conclusion

It is not just the volume of trade that is increasing dramatically, but also the speed at which trade is moving and the complexity of the trading environment. Any country ambitious to develop international trade will necessarily have to develop its border operations, both in terms of volume and of speed, with ICT development in particular being indispensable for keeping goods moving quickly over borders. Countries must raise their ability to deal with the complex border operations necessitated by all the many trade agreements that exist and are still to be concluded. Borders are also affected by the level of sophistication of local domestic industries and the requirement that their products enter the global supply chain. Fortunately, many ICT systems are available, from "off the peg" systems to products that are tailored to particular customer's needs. A sound procurement process is necessary to decide on the investment that is best. One thing is clear: modern border management simply cannot be done just by hand.

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Further reading and resources:

Website of the United Nations Economic Commission for Europe (UNECE): www.unece.org

Website of the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT): www.unece.org/cefact

World Economic Forum, 2009, ed. Sumitra Dutta and Irene Mia, *Global Information Technology Report 2008–2009: Mobility in a Networked World* [pdf]. Available from https://members.weforum.org/pdf/gitr/2009/gitr09fullreport.pdf [last accessed 24 Feb. 2011].

8 Human Resource Management

CONTENTS

8. Human Resource Management

Introduction

"People are an organization's greatest asset". We often hear this statement. Is it true or is it just a catchy phrase? It is absolutely true. Having the right people with the right skills doing the right jobs is critical to success or failure. Human resource management (HRM) is the most important challenge faced by any organization. It is impossible to overemphasize the breadth of subjects affected by HRM or to overestimate its impact, both positive and negative, on performance.

This naturally also applies to Customs and other border authorities. Gone are the days when the work of Customs/border agencies consisted primarily of the manual inspection of vehicles, cargo and vessels. In those days, labour was not driven by information management. Today, the focus is larger. Risk management, for example, is heavily reliant on information management. This shift calls for new skills that go beyond those required in the past. Now, Customs/border authorities are held publicly accountable for their operational effectiveness and efficiency. Higher demands are placed on their professionalism and integrity.

There still is, however, a lack of emphasis on proper HRM within Customs/border administrations. Statistics on World Bank technical assistance projects suggest that HRM received relatively little attention (De Wulf and Sokol, 2005, p. 132). In all its projects from 1982 to 2002, attention was paid only to: staffing (20 per cent), recruitment (15 per cent), training (45 per cent), code of conduct (15 per cent), and merit-based promotion, pay and benefits, and internal control (15, 25, and 10 per cent respectively). Subjects like valuation or risk management in the customs context have been accorded a plethora of information and guidance, but HRM information and guidance is in short supply.

The most relevant questions for the present Chapter are the following:

- Does your organization have an HRM strategy?
- How do we develop an HRM strategy?
- What are some of the key issues?
- What policies and procedures are critical for success?

What is human resource management?

HRM is concerned with the human dimension, normally fulfilling a staff or support function in an organization. Its role is to provide assistance on HRM issues to line employees – those directly involved in producing an organization's goods and services. Acquiring people's services, developing their skills, motivating them to sustained high levels of performance, and ensuring their continuing commitment are essential to achieving any organization's goals. It has been proposed that an HRM-specific approach should revolve around four functions: staffing, training and development, motivation, and maintenance (De Cenzo and Robbins, 1996, p. 8).

One essential strategic principle of HRM is that making the most of people's capabilities is critical to achieving sustainable competitive advantage. This needs a distinct set of integrated employment policies, programmes and practices. The HRM functions presented here are planning, recruitment and selection, appraisal and performance management, reward management, career development, employee relations, health and safety, and union-management relations.

Establishing a human resource management strategy

An operational human resource department requires a strategy. This strategy plays an important role in achieving the organization's overall objectives. It not only articulates the human resource department's understanding of and support for the direction, mission, vision and core values of the organization as a whole, but it also defines specifically how the HRM department will support the various sections within the organization in the accomplishment of its objectives.

Human resource personnel should develop the HRM strategy with the assistance of input from all stakeholders. It should be integrated into the organization's broader objectives. One key point is that the strategy must have broad acceptance in the organization, particularly amongst top management. The human resource personnel should provide regular feedback, for example, through newsletters or exhibitions. Wherever possible, the effectiveness of the strategy should be expressed in real terms, such as

reductions in employee turnover or in corruption.

Essentially, an HRM strategy addresses the "people" factor of the organization. In the view of the U.S. Department of the Navy's millennial document entitled *A Strategic Human Resource Management System for the 21st Century*, an HRM strategy is to ensure that:

- The organization employs the right people;
- These people have the right skills;
- The behaviour of these people is in line with the core values of the organization;
- These people are compensated properly;
- There is a plan for the proper development of these people's skills and abilities.

The document also considers the subject of how an HRM strategy is to be established and implemented. This process is seen as consisting essentially of six steps:

1) Setting the strategic direction;
2) Designing a human resource management system;
3) Deploying human resources;
4) Generating the required human resources;
5) Investing in human resource development and performance;
6) Assessing and sustaining organizational competence and performance.

The first five of these steps have been taken as headings for the five sections of the present Chapter. Each section considers the principal issues to be addressed in the respective phase and, where possible, presents best practices and case studies from the field. The sixth step is dealt with in Chapter 9 of the present Handbook, "Measuring Border Agency Performance: Options for Benchmarking".

8.1 Promoting integrity and transparency in public service, including in customs and border services

People want to know how their governments spend their money. Only through transparency in government and by putting in place efficient democratic control mechanisms can people be given an answer to this question.

Transparency means unfettered access by the public to timely and reliable information concerning decisions and performance in the public sector (Armstrong, 2005, p. 1). The need for transparency, though not explicitly defined, is seen by United Nations member States as a founding

Box 8.1, which discusses the costs of corruption, is taken from an online publication of the Asian Development Bank (ADB) on fighting corruption (ADB, 2011).

BOX 8.1

The cost of corruption

Many studies of the cost of corruption in individual cases paint a disturbing picture of resources lost, squandered or devoted to sub-optimal uses:

- Some estimates calculate that as much as 30 billion United States dollars in aid for Africa has ended up in foreign bank accounts. This amount is twice the annual gross domestic product (GDP) of Ghana, Kenya and Uganda combined;
- Over the last 20 years, one East Asian country is estimated to have lost 48 billion dollars through corruption, a sum which surpasses its entire foreign debt of 40.6 billion;
- An internal report of another Asian government found that over the past decade, State assets have fallen by more than 50 billion dollars, primarily because corrupt officials have deliberately undervalued them in trading off big property stakes to private interests or to international investors in return for pay-offs;
- In one South Asian country, recent government reports indicate that a total of around 50 million dollars is misappropriated daily through mismanagement and corruption. The Prime Minister stated publicly recently that the majority of bureaucrats and the administrative machinery from top to bottom were corrupt;
- In one North American city, businesses were able to cut 330 million dollars from an annual waste disposal bill of 1.5 billion dollars by ridding the garbage industry of Mafia domination. A particular problem was the permeation of regulatory bodies by organized crime;
- Studies of the impact of corruption upon government procurement policies in several Asian countries reveal that their governments have paid from 20 per cent to 100 per cent more for goods and services than they would have otherwise;
- Corruption can cost many governments as much as 50 per cent of their tax revenues. When Customs officials in a Latin American country were allowed to receive a percentage of what they collected, there was a 60 per cent increase in Customs revenue within one year;
- Some estimates of the role of corruption in a European country concluded that it had inflated this country's total outstanding government debt by as much as 15 per cent or 200 billion dollars. In one city, anti-corruption initiatives have reduced the cost of infrastructure outlays by 35–40 per cent, allowing the city to significantly increase its outlays for the maintenance of schools, roads, street lamps and social services.

iStockphoto

principle of public administration and good public governance. The UN also acknowledges the need to foster more transparency in access to information, procurement and senior level recruitment (UN, 2005).

Without transparency, public trust in the government can be seriously harmed. To put it in more concrete terms, transparency is a means of reducing doubt and fear of corruption. People in all the world's countries expect their public servants to serve the public interest and put the needs of the people above their own. People expect their governments to create a level playing field and their public servants to perform their duties without accepting or soliciting any remuneration from the public.

Below we briefly cover some basic issues of transparency and corruption. The cost of corruption will be addressed, some international organizations involved in tracking and eliminating corruption will be mentioned, and the various international agreements on transparency and corruption will be introduced.

8.1.1 Transparency International: The international corruption watchdog

Transparency International (TI) is a global civil society organization that fights corruption. According to its website, its mission is to create a worldwide coalition to end corruption and its devastating impact on men, women and children around the world. It aims to bring people together to create a world free of corruption (Transparency International, 2011a).

TI has a global presence, with more than 90 offices (or chapters) around the world. Rather than investigating corruption directly, TI's normal policy is to co-ordinate the fight against corruption by acting as a facilitator and bringing together relevant players from government, civil society, business and the media.

To date, the main achievement of TI has been to raise the global level of awareness of corruption. Corruption is now firmly established on national, regional and worldwide agendas. International organizations such as the International Monetary Fund, the World Bank, and the United Nations all recognize that eliminating corruption is one of the main factors for worldwide economic success. TI has also been instrumental in the drafting of the United Nations Convention against Corruption (UNCAC).

As noted on its website, TI uses several tools to help fight corruption (Transparency International, 2011b):

1) The annual *Corruption Perceptions Index (CPI)* measures the perceived level of public sector corruption in 180 countries and territories around the world. As it is based on 13 different expert and business surveys, the CPI can aptly be described as a "survey of surveys";

2) *The Bribe Payers Index (BPI)*, first published in 1999, looks at the supply side of corruption, ranking the leading exporting countries according to their propensity to use bribes when doing business abroad;

3) The *Global Corruption Barometer* is a survey that assesses general public attitudes toward corruption and the experience of corruption in countries around the world.

BOX 8.2

Mission Statement of the U.S. Customs and Border Protection

We are the guardians of our Nation's borders.
We are America's frontline.

We safeguard the American homeland
at and beyond our borders.

We protect the American public against terrorists
and the instruments of terror.

We steadfastly enforce the laws of the United States
while fostering our Nation's economic security
through lawful international trade and travel.

We serve the American public with
vigilance, integrity and professionalism.

CBP Core Values

Vigilance is how we ensure the safety of all Americans. We are continuously watchful and alert to deter, detect and prevent threats to our Nation. We demonstrate courage and valor in the protection of our Nation.

Service to Country is embodied in the work we do. We are dedicated to defending and upholding the Constitution of the United States. The American people have entrusted us to protect the homeland and defend liberty.

Integrity is our cornerstone. We are guided by the highest ethical and moral principles. Our actions bring honor to ourselves and our agency.

Source: US CPB, 2011.

8.2 Setting the strategic direction

The first step is identifying the vision, mission and core principles of the organization in question.

Box 8.2 on the previous page presents the mission statement and core values of U.S. Customs and Border Protection (CBP). Such statements can be grandiose in nature, but this is not a necessity. They can also simply state what the organization intends to achieve and what values and/or principles it pursues in realizing its goals.

A statement such as this makes the organization's mission, vision and core principles clear. However, before you can establish any objectives, you must consult all of the relevant stakeholders. Gathering input from all stakeholders is critical. Among the most important are the senior policymakers. They must be consulted, and they must articulate their acceptance of the strategy clearly.

Discussion with stakeholders provides the basis for developing a set of objectives. Far from needing to be excessively detailed, these objectives should give a broad set of objectives for the organization. Box 8.3 gives an example of such a set of objectives taken from the EC manual *Customs Blueprints: Pathways to modern customs* (European Commission, 2007, p. 21). Note that the box contains not only objectives but also the supporting key indicators. Care must be given to ensuring that the key indicators are met.

The final element in establishing a strategic direction is evaluating the impact of legislation on the organization,

BOX 8.3

The European Commission's human resource management strategy for customs

1. Aim

To develop an effective human resource management system which supports the achievement of the Customs administration's objectives, is founded on and bound by national personnel legislation and international standards, and explicitly recognizes that people are the organization's most valuable resource.

2. Strategic objectives

- Development of a human resource management (HRM) strategy and HRM policies and systems, all fully supporting the Customs business strategy.
- Development of an HRM system which defines the functions, roles and responsibilities within the structure of the Customs administration.
- Development of an HRM system which observes and integrates with national employment legislation and with international standards in this respect.
- Development of an HRM system which enables the Customs administration to make its own decisions about recruitment, retention, performance management and assessment, promotion, career progression, training and development, transfer, severance, dismissal, retirement and remuneration, in accordance with the applicable legislation.
- Development of an HRM system which enables the administration to recruit, retain and deploy personnel of the calibre required to deliver business objectives.
- Development of an HRM system which encourages the motivation of all employees, and seeks to ensure their satisfaction, comfort and safety, as well as their ethical attitude and behaviour.

3. Key indicators

Strategic focus

- There are clear links between the HRM system and the business strategy.
- The HRM strategy, policies and systems fully support the delivery of the objectives specified in the business strategy.

Organizational platform

- The Customs administration structures, and functions within the structure, are clearly defined.
- The roles and responsibilities of each function, and of employees working at all levels within each function, are clearly defined.
- Job descriptions highlighting the minimum levels of knowledge, skills and aptitude required for competent performance are prepared for all classes of jobs within the administration.

Legal basis

- The administration's employment rules are compatible with national employment legislation and international standards in this respect.

Personnel management

- A competent and experienced senior manager, with regular access to and influence with top management, is made responsible for the personnel function.
- Distinct and integrated personnel systems are in place for recruitment, retention, performance management and assessment, promotion, career progression, training and development, transfer, severance, dismissal, retirement, remuneration and working conditions.
- A written and published policy for each system exists and is made available and applied in practice.

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- A forecasting and planning system is in place to predict and meet the administration's future employment requirements.
- Job structures, loadings, grading and pay scales within each function of the administration are regularly audited to ensure fitness for purpose.
- The operation of each personnel system focuses on meeting the administration's business needs by employing and deploying staff of the right calibre, at the right time, in the right place and at the right cost.
- A performance management system is in place which enables the administration to collect and assess qualitative data about employee performance, and use that data to inform decisions about employee deployment, development, promotion and career progression.
- Individual managers are made directly responsible for the performance management system insofar as it relates to their own staff, and are trained to use it correctly. All personnel systems embrace the principles described in the Customs ethics blueprint.
- Managers involve their staff in an attempt to improve the quality and performance of the organization.

Motivation and satisfaction

- Top management is both seen to be committed and is committed to securing the best possible pay and working conditions for all the administration's employees.
- A health and safety policy is in place and regularly enforced.
- The workplace environment is designed to provide all employees with modern and appropriate office accommodation, facilities and equipment.
- The satisfaction of employees is regularly measured by questionnaires and the results used as guidelines for the improvement of personnel policies and systems.
- Managers regularly (e.g., annually) consult their staff to enable them to air their opinions and identify expectations.

Source: adapted from *Customs Blueprints: Pathways to modern customs* (EC, 2007, p. 21).

in respect to the organization's own legal framework and to specific human resources legislation, such as:

- World Trade Organization Final Act
- (Revised) Arusha Declaration
- Revised Kyoto Convention
- Bilateral and multilateral trade agreements
- Harmonized Commodity Description and Coding System (HS)

The fields of national labour legislation specifically relevant to human resources are:

- Equal employment opportunity legislation
- Retirement laws
- Smoking legislation
- Civil service pay schedules
- Operational Health and Safety legislation
- Disabled workers legislation
- Sexual harassment laws


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8.3 Designing a human resource management system

This second step focuses on selecting, designing and aligning HRM plans, policies and practices. Emerging HRM policies, practices and best practices range from outsourcing certain non-core functions to adopting flexible work practices and the increased use of information technology. However, not every industry trend is appropriate to all organizations. In addition, it is essential to conduct a cost-benefit analysis of implementing new HRM policies and practices. In the case of a new job-grading system, for example, the cost of implementation (monetary and resources allocation) may outweigh the potential benefits.

Actions that are recommended include (Workinfo, 2010):

- Identifying appropriate human resource plans, policies and practices needed to support organizational objectives;
- Identifying relevant best practices in human resource management.

Box 8.5 below gives an indicative survey of elements and procedures typically included in a manual for an HRM system. The list has been created on the basis of numerous real world sources. It is not exhaustive and is only intended to give an idea of the types of policies that may be needed. Good practice prefers to have more detail rather than less. The more things are spelled out in clear, concise and easily understood terms, the better the organization will be.

A number of examples of best HRM practices will be discussed in the remainder of this Chapter. However, there is no clear code of best practice available. Guidance can be drawn from the private sector, though the practices

appropriate in the private sector may not all be relevant to a Customs organization.

8.3.1 Code of conduct

A code of conduct specifies the expected and prohibited forms of behaviour of employees. It explains in clear, detailed and practical terms the implications of certain actions and makes it clear how ethical problems are solved at the workplace.

This point was recognized by the World Customs Organization in its Arusha Declaration of 1993, and also in the Revised Arusha Declaration of 2003, Section 7 of which runs as follows (WCO, 2003): "A key element of any effective integrity programme is the development, issue and acceptance of a comprehensive code of conduct which sets out in very practical and unambiguous terms the behaviour expected of all Customs personnel. Penalties for non-compliance should be articulated in the code, calibrated to correspond to the seriousness of the violation and supported by appropriate administrative and legislative provisions."

WCO has since drafted the Model Code of Ethics and Conduct (WCO, 2004), which constitutes a starting point for any Customs administration. Country-specific issues could be addressed through annexes or appendices.

The Model Code consists of 11 sections:

1. Personal Responsibility;
2. Compliance with the Law;
3. Relations with the Public;
4. Acceptance of Gifts, Rewards, Hospitality and Discounts;
5. Avoiding Conflict of Interest;
6. Political Activities;
7. Conduct in Money Matters;
8. Confidentiality and Use of Official Information;
9. Use of Official Property and Services;
10. Private Purchases of Government Property by staff;
11. Work Environment.

See Box 8.6 on pp. 203-208.

BOX 8.4

Code of Conduct: Key issues and questions

- Has a comprehensive code of conduct compatible with the WCO model been adopted?
- Are the contents of the code clear and unambiguous and the penalties for noncompliance understood by staff?
- Are all managers and supervisors required to lead by example or is there "one rule for us and another for you"?
- Are all staff required to read, understand, and endorse the code?
- Is prompt and appropriate action taken to redress any breaches of the code that are identified?
- Has a periodic review process been established?
- Were staff and clients consulted during the development of the code?

Source: adapted from De Wulf and Sokol, 2005, p. 81.

BOX 8.5

Indicative survey of elements in a Human Resource Management Manual

Overview:

- Foreword by the managing director, welcoming supervisors and managers
- Purpose of the manual
- Role and duties of supervisors
- Role and duties of the Human Resources/personnel manager

Employee compensation:

- Compensation philosophy
- Job organization and salary structure
- How are jobs evaluated?
- Career paths and structures
- Pay practices
- Differentials and supplements
- Salary survey
- Legal requirements based on local laws
- Incentive pay and bonuses
- Severance pay: eligibility and procedures
- Retirement

Recruitment and selection:

- Recruitment guidelines
- References, investigation of candidates' backgrounds
- Internal job posting
- Legal compliance details
- Contingent workers, independent contractors

Employee recognition:

- Recognition through rewards
- Awards: eligibility and procedures

Performance management:

- Performance appraisal: How is performance appraised?
- Job evaluation: How are jobs evaluated?
- Transfers, promotions, demotions and reclassifications

Absence from work:

- Attendance and punctuality: rules and requirements
- Short-term absences, including sick leave, bereavement leave, personal time off
- Leaves of absence, including longer-term sick leave, parental leave, family care leave, personal leave, military leave, educational leave, public service leave
- Rest breaks
- Meal breaks
- Public holidays
- Vacations: eligibility, accrual, and useFlexitime, alternative schedules, telecommuting

Employee development:

- Management and staff training policy

Guidelines on reimbursement:

- Travel expenses
- Use of company vehicles and reimbursement for business use of personal vehicles
- Meal reimbursement
- Membership in community clubs and civic organizations, including dues
- Participation in trade and professional organizations, including dues

Code of conduct:

- Standards of conduct and performance
- Termination
- Behaviour: code of conduct and work rules for employees
- Personal appearance: standards for dress and appearance, including casual dress and uniforms
- Personal finances: guidelines for credit checks and garnishments
- Customer relations: guidelines for customer service and use of telephone, notification that the employer may monitor business telephone conversations
- Use of communication systems: proper use of employer-provided equipment (including telephones, computers, e-mail, and Internet connections), notification that the employer may access and monitor employees' communications
- Confidentiality regarding the organization's affairs
- Discipline: guidelines for a progressive disciplinary system
- Drugs, narcotics, alcohol: prohibition, provision for testing

Employee relations:

- Employment-related accident or illness
- Equal opportunity policy
- Normal working hours, provisions for overtime and on-call pay
- Policy on accommodation of disabled persons
- Sexual harassment: prevention, resolution of problems
- Policy on procedures in cases of sexual assault
- No smoking policy
- Alternative resolution of disputes and grievances
- Pregnancy at work
- Medical procedures: guidelines for medical examinations and inquiries
- Serious diseases, policy on accommodating employees with serious diseases such as AIDS
- Employee privacy
- Maintenance of work areas, cleanliness requirements
- Personal property
- Communications
- Downsizing and temporary lay-offs
- Personnel files, retention of records
- Health benefits, flexible arrangements
- Meals at work, use of canteen
- Guidelines for organization-provided educational assistance
- Employee counselling, guidelines on personal and employment-related issues

Occupational health and safety:

- Communicable diseases
- Crisis management, being prepared for emergencies
- Employee safety: confirmation of company's intention to comply with State safety requirements
- Security: guidelines for safety, security of employer property, searches
- Worker compensation

Source: Virginia DHRM, 2011; Janapriya, 2008; Modi, 2011; CiteHr, 2011.

BOX 8.6

WCO Model Code of Ethics and Conduct, sections 1–11 (as of June 2011)

1. Personal Responsibility

1.1. General Rules

All Customs employees must accept personal responsibility for compliance with the Code of Ethics and Conduct. In particular, Customs employees must:

- perform duties with honesty, care, diligence, professionalism, impartiality and integrity;
- strive for the highest ethical standards to sustain the trust and confidence of the public they serve, not just the minimum required to meet legal or procedural requirements;
- take the time to read and understand the Code of Ethics and Conduct and the implications of non-compliance;
- not hold financial interests that conflict with the conscientious performance of duty;
- not engage in financial transactions using non-public Government information or allow the improper use of such information to further any private interest;
- not, unless an exception is provided for in the Code of Ethics and Conduct or any acts, laws, regulations, determinations or directions, solicit or accept any gift or other item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by Customs, or whose interests may be substantially affected by the performance or non-performance of the employee's duties;
- observe all relevant acts, laws, regulations, determinations and lawful directions that relate to the performance of official duties and avoid any action creating even the appearance that they are violating any acts, laws, regulations, determinations or directions;
- treat colleagues and members of the public professionally and with courtesy;
- act impartially and not give preferential treatment to any private organization or individual;
- avoid waste and misuse of public resources;
- put forth honest effort in the performance of their duties in compliance with all laws, policies, statutes, rules, regulations and in accordance with their Code of Ethics and Conduct;
- not knowingly make unauthorized commitments or promises of any kind purporting to bind Customs;
- not disclose or use non-public information learned in the course of their official duties to benefit themselves or others;
- not use public office for private gain;
- protect and conserve Government property and not use it for other than authorized activities;
- not engage in outside employment or activities, including seeking or negotiating for employment, that conflict with official Government duties and responsibilities;
- disclose waste, fraud, abuse and corruption to appropriate authorities;
- satisfy in good faith their obligations as citizens, including all just financial obligations, especially those such as taxes, that are imposed by law; and
- behave in a manner that reflects positively upon, and will be a credit to, both Customs and its employees.

2. Compliance with the Law

2.1. Criminal Offences

All Customs employees must comply with the law.

Customs employees who commit offences involving, in particular, prohibited drugs, fraud, seeking or accepting bribes, illegal importation or exportation of goods, will be subject to disciplinary action and/or associated penalties applied as a result of criminal proceedings.

All Customs employees are required to inform senior management as soon as they learn that they are the subject of criminal or possible criminal proceedings. On receipt of such information, senior management should decide whether the official can be retained on normal duty, moved to alternative duties or suspended from duty.

Customs employees must not use their official positions or relationships established in the course of their duty inappropriately to influence or interfere with action being contemplated by internal investigation Customs employees or external law enforcement authorities.

2.2. Complaints against Customs and its Employees

It is crucial that the public has complete confidence in the integrity of Customs and its employees. In order to ensure this confidence is maintained, complaints against Customs, and/or individual employees, must be investigated promptly and objectively.

2.3. Internally Initiated Allegations

If Customs employees believe they are being instructed by a superior or a colleague to act in a way which is illegal, improper, unethical, or is in any way in breach of the Code of Ethics and Conduct in the course of their official duties, they have a responsibility to report the matter to a designated member of senior management or their department/agency's investigative unit. Employees should be specifically advised of and afforded appropriate official protections for such actions. In this regard, information exchange mechanisms, if they exist, should be free of any undue influence.

Senior managers or investigative units must take effective steps to thoroughly investigate all such claims. In some cases, particularly when allegations are made against senior officials, it may be necessary to refer the investigation to a body external to Customs. To ensure fairness, no one connected to the officer or working with the officer should take part in the investigation.

Behaviour inconsistent with the Code of Ethics and Conduct should not be considered acceptable and should be addressed in a timely manner. This could result in disciplinary action up to (and including) removal, in

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accordance with agency-defined Customs disciplinary guidelines, policies and procedures.

3. Relations with the Public

The public expects their dealings with Customs employees to be conducted with integrity, courtesy, impartiality, honesty and professionalism. To ensure a high standard of service is maintained, all employees must observe high standards of honesty, impartiality, character and conduct to ensure the proper performance of Government business and the continued trust and confidence of the public.

Customs employees shall not engage in any discriminatory practices based on race, national or ethnic origin, religion, age, sexual orientation, disability or any other discriminatory practices.

3.1. Promotional Activities on Behalf of other Organizations or Businesses

It is essential for Customs employees to maintain impartiality in their dealings with the public, including avoiding even the appearance of one party being favoured over another. Employees shall not use or permit the use of their Government position or title, or any authority associated with their public office, in any manner that could be construed to imply that the employee's agency or Government sanctions or endorses his/her personal activities or those of another; or to endorse any product, service or enterprise. If Customs employees are in doubt about the nature of such requests, then they must refer the matter to senior management.

3.2. Disclosure of Name – Wearing of Name Badges

Under most circumstances, members of the public have the right to know with whom they are dealing. As such, all Customs employees are expected to identify themselves in correspondence and on the telephone, as appropriate. In addition, Customs employees who come into contact with the public during the course of their work should wear a nameplate or some uniquely identifying officially assigned number (i.e. badge number, credential number, etc.). The exception to this rule is when the wearing of a nameplate or badge may endanger the personal safety of the official, or when the wearing of a nameplate may compromise or hinder a covert operation.

3.3. Safety – Assault and Obstruction of an Official

Employees should always, as a priority, consider their own safety and the safety of their colleagues when undertaking their duties. If a situation arises where it would be wiser to withdraw and seek additional support from trained personnel, then Customs employees should do so. In all cases, such action should be immediately reported to senior management as soon as it is safe to do so.

3.4. Dealings with the Business Community

The business community should have access to the ethical standards applied by Customs and should ensure that their own practices do not pressure Customs employees to depart from those standards. Any attempts by members of the business community to offer inducements or other benefits in exchange for favours or special treatment must be reported immediately to the appropriate senior official(s) or investigative unit of the department/agency.

4. Limitations on the Acceptance of Gifts, Rewards, Hospitality and Discounts

4.1.Gifts and Hospitality

A Customs employee's official duties often bring the employee into contact with persons and organizations doing business or seeking to do business with Customs, as well as those conducting activities regulated by Customs. While it is important to maintain contacts with outside groups, it is vital that Customs employees be seen as being free of any form of bribery or corruption. The offering of gifts and/or other benefits to a Customs employee by individuals or organizations may be, or may appear to be, an attempt by the outside source to influence a decision which a Customs employee is expected or required to make. Therefore, acceptance of gifts in such situations must be declined.

Customs employees are called upon to use their best judgment to avoid situations of real or perceived conflict. In doing so, they should consider the following criteria on gifts, hospitality and other benefits, bearing in mind the full context of this Code.

Public servants shall not accept or solicit any gifts, hospitality or other benefits that may have a real or apparent influence on their objectivity in carrying out their official duties or that may place them under obligation to the donor. This includes, for example, free or discounted admission to sporting and cultural events arising out of an actual or potential business relationship directly related to the public servant's official duties.

The acceptance of gifts should be clearly regulated and only permissible if:

- are of de minimis or modest value (up to a predefined nominal value);
- are within the normal standards of courtesy, hospitality or protocol; and
- do not compromise or appear to compromise in any way the integrity of the public servant concerned or his or her organization.

Where it is impossible to decline gifts, hospitality and other benefits that do not meet the principles set out above, or where it is believed that there is sufficient benefit to the organization to warrant acceptance of certain types of hospitality, a Customs employee shall seek written direction from his/her senior manager. The senior manager will then notify the Customs employee in writing whether the gifts, hospitality and other benefits are to be declined or retained by the department, donated to charity, disposed of, or retained by the public servant concerned.

In cases where a more expensive item is accepted, such as one from a foreign Government, for cultural or protocol reasons, the item must be surrendered to the Customs administration and must not be regarded as the personal property of the employee, but rather as the property of the Government. Where possible, an attempt should be

made to diplomatically return the gift to the provider. In all cases, and regardless of the value of the item received, Customs employees must advise their senior manager in writing of any gift or hospitality received and the item must be listed on a register. The register should list the name of the official receiving the gift or hospitality, the supplier, a description of the item and its appropriate value.

4.2. Staff Involved in Procurement

Staff involved in procurement must take special care to ensure they do not contravene applicable rules and safeguards or behave in any manner that would render them liable to allegations of unfair purchasing practices. As such, staff should not, under any circumstances, accept gifts or hospitality from current or prospective suppliers.

4.3. Incidental Benefits Obtained as a Result of Goods and Services Purchased with Official Funds

Many commercial organizations offer free gifts to anyone using their services. If possible, incidental benefits, which would not typically be available to the general public under the same arrangement, are to be used only by the administration, and under no circumstances should individual Customs employees avail themselves of these benefits for personal use beyond established parameters.

4.4. Offers of Free Travel for Official Purposes

Some commercial organizations, such as airlines or ferry companies, may offer no cost and/or complimentary travel by offering vacant seats or places to Customs for use on official business. Such an offer must not be accepted without prior appropriate high-level approval in certain specified instances, and there must be an associated application of strict agency accountability practices, as it may lead to the suspicion of improper relations between the company making the offer and Customs.

4.5. Concessions and Discounts Offered to Members of Customs

Where companies offer discounts on their goods or services to all or a significant number of staff in Customs, and provided the offer has been made based on the purchasing power of the staff as individuals, the appropriate high-level official(s) may approve employee acceptance of such discount benefits. However, special care needs to be taken to avoid the possibility of suspicion that any obtained private benefit could influence the placing of a contract or a decision made by Customs. In addition, strict agency accountability practices should be employed accordingly in such cases. Therefore, discount offers and other similar benefits should not be negotiated with organizations with which Customs has official dealings.

Customs should have clear and concise guidelines on the responsible application of frequent flyer schemes and related benefits accrued from official travel, with the aim of ensuring that these programmes comply with generally accepted principles.

5. Avoiding Conflicts of Interest

5.1 Personal Association with those who do Business with Customs

Conflicts of interest, or the appearance of a conflict of interest, may arise from official dealings with, or decisions made in respect to, individuals who share private interests. For example, membership of societies, clubs, other organizations, or even family relationships can create conflicts of interest or the appearance of a conflict of interest. When an actual, perceived and/or potential conflict of interest arises, employees must advise the appropriate ethics or other designated official(s), and ensure their official duties do not place them in a position where allegations of unfairness may be made.

Recusal procedures, which should exist within Customs, must be followed, to avoid or remove oneself from participation in any situation that could lead to an actual or apparent conflict of interest. Customs should have readily applicable procedures in place that will allow for a recusal from official duties in those instances. If a decision is made not to totally remove the staff member from the situation, the procedures should also allow for the appropriate identification and management of the situation to an appropriate resolution.

5.2. Shareholdings

Customs employees may invest in shareholdings or other securities, however, employees may not participate in an official capacity in any particular matter in which they or anyone whose interests are imputed to them has a financial interest, should the particular matter have a direct and predictable effect on that interest. The financial interests of the following persons shall generally serve to disqualify an employee to the same extent as if they were the employee's own interests: the employee's spouse; the employee's minor child; the employee's general partner; an organization or entity which the employee serves as officer, director, trustee, general partner or employee; and a person with whom the employee is negotiating for, or has an arrangement concerning, prospective employment. Furthermore, Customs employees must not be involved directly or indirectly in any official decision which could affect the value of their own investments.

Likewise, employees must not use any non-public information obtained in the course of their duties to advance their private interests or those of others. If Customs employees believe there may be a conflict of interest in respect to any private or family shareholdings or securities, they must advise the appropriate ethics official(s) in their Customs organization.

5.3. Involvement in Business Interests and Government Contracts

No Government contract may be given to any member of Customs and/or any partnership association where a partner is a member of Customs.

5.4 Seeking Different Employment

Employees must disqualify themselves from working on particular matters affecting the financial interests of potential employers with whom they are seeking employment.

5.5. Engaging in Outside Employment

Where legislation or lawful directions do not forbid outside employment, Customs employees wishing to hold outside employment must obtain prior written permission from their supervisory chain of command or other designated official. When discussing this with senior management, Customs employees must be able to establish that such employment will not create a conflict of interest, or the appearance of a conflict of interest, or adversely affect the performance of the employee's official duties. All outside work must be performed outside official working hours and without making use of Government property or resources.

In addition, employees may not be paid by someone other than the Government to perform their official Government duties.

5.6. Family Member Employment

Any Customs employee who has a family member (spouse, child, or other relative, by marriage or blood, who is dependent upon the employee and/or resides in the employee's household) employed in a category of employment in which the Customs employee could not engage as outside employment because of the likelihood of a conflict of interest (i.e. a Customs employee could not work for a Customs broker, international carrier, bonded warehouse, etc.), must file a report through his/her supervisor to the ethics office or other designated official, for a determination as to whether the employment constitutes a conflict of interest or the appearance of a conflict of interest with the Customs employee's performance of official duties.

5.7. Post-Government Employment

Former Customs employees should limit communications or appearances before the Government on behalf of parties with whom the former Customs employee may have interacted when employed by Customs. Sensitive knowledge acquired throughout one's employment with Customs must not be divulged or referenced to outside Government entities. Former Customs employees should not undermine the public's confidence in the integrity of the Government through their actions or words. A period of time to be specified by the Customs administration should have passed between the conclusion of one's Customs tenure and the beginning of related public and/or private sector endeavours. There should likewise be practical administrative arrangements and/or conditions in place within Customs that provide guidelines for employment after separation from Customs. These restrictions should prohibit a former employee from providing certain services to or on behalf of non-Government employers or other persons, whether or not those services are done for compensation. Customs employees should consult with their Ethics Office or designated official in order to determine which post-Government avenues of employment should not be pursued. In addition, upon their appointment, all Customs employees should be required to sign a contractual agreement which should prohibit the use or disclosure of privileged or confidential information known to them by any reason of their service.

6. Limitations on Political Activities

Customs employees should follow Governmental guidance to ensure that official activities are not compromised, or give the appearance of being compromised, due to inappropriate political activities or public comments in the workplace. Rules governing politically-related activities should be clearly outlined to Customs employees. Customs employees should be reminded not to make inappropriate comments in public on matters relating to sensitive internal Government policies and programmes.

7. Conduct in Money Matters

7.1. General Rules

Customs employees must satisfy all just financial obligations, especially those that are imposed by law, including paying their taxes.

7.2. Private Financial Transactions

Private financial transactions between Customs employees are discouraged, and those between supervisors and subordinates are strictly prohibited. This includes making loans to staff members and/or acting as a guarantor, or providing security on loans.

Employees who are not in a supervisory/subordinate employee relationship, and who enter into voluntary private transactions with fellow employees, do so at their own risk. Those entering into such arrangements should ensure the work of Customs and its reputation are not adversely affected by their private arrangements, but (as a general practice) these transactions should be avoided altogether and shall not be conducted using official time, Government property, or resources.

7.3. Dealing with Official Money

The receipt and custody of any payment to the Government should be restricted to those who need to do so in the course of their official duties. In normal circumstances, no other employee should accept money payable to Customs unless specifically authorized to do so. When such authority is given, or is a part of standard employee responsibilities, it should be confirmed as such in writing.

A receipt in the prescribed form is to be issued by the employee receiving the money or any form of payment. If an official receipt cannot be issued immediately, a temporary receipt is to be issued and a copy of it signed by the payer, signifying that the amount shown on the receipt is correct. A copy is to be retained by the employee. If a temporary receipt is issued, then a permanent receipt clearly marked as "duplicate" should be sent to the payer as soon as possible. Any money accepted on behalf of Customs must be accounted for immediately and in accordance with formal procedures.

All Customs employees have a responsibility to the public to use collected funds only for official purposes and to make sure value for money is obtained. In addition, employees must avoid the perception or appearance that the funds taken in for official purposes are being used for the personal benefit of any member of Customs.

The following general principles apply to the spending of public money:

- public money must be spent wisely and properly;
- transactions involving public money must be accounted for correctly;
- only authorized persons may make spending decisions;
- the rules which apply to the acceptance of gifts, hospitality and other benefits apply to staff making spending decisions; and
- staff must not make use of their official position to further either their own private interests or those of others.

8. Confidentiality and Use of Official Information

All Customs employees have a duty not to disclose (without proper authority and lawful purpose) any non-public official information that has been obtained in the course of their official duties, such as proprietary business information and/or sensitive information related to enforcement of the law retrieved from automated Customs systems. Official information includes any information the employee acquires by reason of employment, that he or she knows or reasonably should know, that has not been made available to the general public. This rule extends to all documents, records, and information stored electronically. Likewise, Customs employees are required to protect the privacy of individuals and companies in official dealings.

Examples of misuse of official information include the following:

- providing official information to someone who does not possess the legal authority to receive such information;
- using information for personal or private gain; and
- taking advantage of a person on the basis of information gained through confidential records.

Engaging in any of the above activities is prohibited and may lead to disciplinary action and/or prosecution.

9. Use of Official Property and Services

9.1. General Rules

Unless specifically and reasonably authorized, the use of Customs resources and property, as well as services paid for with official funds for personal purposes or gain is prohibited. Such resources include:

- facilities (including telephones, photocopiers, office equipment/supplies);
- vehicles, vessels, machinery and equipment;
- computers and computer software;
- security passes and official stationary; and
- stamps and postal services.

Unauthorized expenditures on goods and services can be reduced by paying due attention to the physical security of all Customs assets. All Customs employees are required to make adequate security arrangements for Customs assets under their control. Specific guidance on integrity practices ensuring agency and personnel accountability when handling non-personal official property, such as detained/seized assets, can be found in the Appendix hereto.

9.2. Motor Vehicles

With respect to the use and care of official vehicles, specific rules should be applied.

These include, but may not be limited to the provisions that:

- employees will not use, or authorize the use of, official vehicles except for official purposes;
- employees driving official vehicles must be licensed and authorized;
- unauthorized passengers, including family members, must not be carried unless officially authorized;
- employees must not drive official vehicles, or any other vehicles, when under the influence of alcohol or any other intoxicant or drug; and
- unless specific permission has been granted, official vehicles must not be used to provide transport to and from an employee's personal residence.

9.3. Use of Official Identification

Badges, credentials and identification cards are to be used by Customs employees for official purposes only. Identity badges and security items are issued to assist and identify Customs employees in the performance of their duties and in exercising powers entrusted to them. They are not to be used for any other purpose. Security badges, keys, passwords and the like are to be safeguarded by the employee to whom they have been issued, and must be surrendered to Customs upon termination of employment.

9.4. Electronic Network Access and Usage

Customs employees having access to, or using, Government computer systems, equipment or software should make every effort to protect the Government from any possible threats to information security.

Government computer systems, or those of external agencies accessed via the Government network, software, equipment, Internet, intranet and e-mail should be for authorized business purposes.

Limited personal use of the Internet, intranet and e-mail shall be permitted provided it complies with all related legislation, policies and guidelines and does not affect the Customs employee's productivity or that of his/her colleagues. Examples of acceptable limited personal use include professional activities, career development or reading or writing brief e-mails after hours or during breaks.

Examples of misconduct related to the use of Governmental electronic networks include:

- knowingly viewing, downloading, possessing or distributing pornographic images or material;
- communicating images, material or e-mails containing offensive language or inappropriate comments;
- infringing copyright; and/or
- hacking and trying to defeat the security features of electronic networks.

Authorized officers may access restricted sites when conducting authorized investigations or when researching and developing sanctioned training material.

10. Private Purchases of Government Property by Employees

10.1. Purchases of Excess Government Articles by Employees

In common with other Government employees, Customs employees are allowed, provided no restrictions apply, to purchase excess/retired articles of general Government property that are on sale to the public, such as publications, surplus supplies and goods sold at Government sales, unless:

- Customs employees have, because of their official position, been able to obtain special knowledge about the condition of the goods being sold;
- Customs employees have been officially associated with the disposal arrangements;
- Customs employees receive the goods at a discount that would not be available to a member of the public; and
- articles are being sold by or at the direction of Customs.

10.2. Purchases of Goods from Customs Sources

It is important that Customs employees do not have, or appear to have, an advantage over members of the public in the purchasing of seized or forfeited goods. For this reason, Customs employees should be expressly prohibited from making purchases at such Customs sales and/or auctions, either directly or through a third party, when the property is owned by the Government and under the control of Customs, when it is seized or forfeited under the direction of Customs and/or incident to the functions of Customs. An exception to this rule would be, for example, if the sale is conducted by another department responsible for Government property.

Additionally, employees who are officially involved in the disposal arrangements or who, because of their official position, have obtained special knowledge about the goods, may not purchase such goods as bought by traders at such sales.

11. Work Environment

11.1. General Principles

All employees have the right to a healthy and safe workplace, free of discrimination and harassment, in which individual and organizational objectives can be met. A good working environment is one that:

- is fair and equitable;
- is safe and supportive;
- is free of alcohol and drugs;
- is free of harassment and discrimination;
- is respectful of individual differences and cultural diversity;
- provides honest performance feedback and development opportunities; and
- is supportive of staff participation in the decision-making process.

11.2. Fairness and Non-Discrimination

A commitment to fairness and non-discrimination is central to maintaining Customs standards of equity, ethical conduct and accountability. All employees must take an active role in ensuring the Customs work environment is free of discrimination and harassment of any kind, including sexual harassment.

11.3. Occupational Health and Safety

All employees should enjoy an expectation of a healthy and safe working environment as it relates to their assigned duties, as this has a direct impact on the overall perceived professionalism of the Customs administration. Concurrently, employees must take their own responsibilities seriously, contribute to workplace safety and promptly report any health or safety concerns or related breaches of rules or regulations to their supervisor.

11.4. Misuse of Drugs

Customs is responsible for interdicting illegal drugs that are crossing borders. In principle, users of illegal drugs shall not be selected for employment with Customs and an investigation shall be undertaken and appropriate disciplinary action administered with respect to any Customs employee who is found to use, possess, sell and/or distribute illegal drugs. Customs may require drug screening of all new entrants and may administer a programme of random drug testing of all Customs employees, as well as applying additional testing measures to those raising reasonable suspicion of drug use.

11.5. Misuse of Alcohol

Employees shall not report for duty or remain on duty while under the influence of alcohol. Under no circumstances shall employees operate a Government owned vehicle, whether on or off-duty, while under the influence of alcohol. Uniformed employees shall not purchase or consume alcoholic beverages, on or off-duty, while in uniform.

11.6. Smoking

Customs has a duty of care to protect its employees and provide a healthy and safe working environment. Employees must not smoke in areas where it is prohibited.

11.7. Standards of Dress

The dress and appearance of all Customs employees should reflect a professional image. Public perceptions and work practices can be influenced by the appearance of employees. At all times, clothing should be appropriate to the duties and generally established standards and should be kept neat, clean and tidy.

It is particularly important for uniformed employees to present a professional image. Every Customs employee issued a uniform must comply with the relevant guidelines when wearing it and be responsible for keeping his/her uniform clean and neat. Any alterations or repairs that become necessary must be undertaken promptly. Any uniforms deemed unsuitable for official duty should be immediately taken out of service and disposed of properly. Uniformed employees shall report for duty and remain in the uniform assigned for their work location and duties, unless otherwise authorized.

8.3.2 The WCO Revised Arusha Declaration: HRM and the fight against corruption

The Revised Arusha Declaration (WCO, 2003) addresses good governance in Customs. It states that proper human resource management is a critical element in the fight against corruption in Customs operations. Section 8, "Human Resource Management", runs as follows:

The implementation of sound human resource management policies and procedures plays a major role in the fight against corruption in Customs. Human resource management practices, which have proved useful in controlling or eliminating corruption in Customs, include:

- Providing sufficient salary, other remuneration and conditions to ensure Customs personnel are able to maintain a decent standard of living;

Head of the OSCE Centre in Astana, Ambassador Alexandre Keltchewsky, addresses an OSCE/WCO-supported seminar in Almaty on promoting integrity in customs and border services in Central Asia and the South Caucasus, 13 July 2010.

Box 8.7 focuses on measures aimed at controlling corruption (Adapted from De Wulf and Sokol, 2005, p. 88).

BOX 8.7

Anti-corruption reform in Customs: Lessons learned

The primary lesson learned from Customs reform in transition countries and other parts of the world is that efforts to control the potentially corrupt behaviour of Customs officials require a comprehensive strategy to reduce the motive and opportunity for corruption. As summarized below, these lessons of experience have been incorporated in World Bank projects through the integrated strategy to promote integrity.

Measures Addressing Motive:

- Elite ethos and esprit de corps
- Positive career development
- Incentives for high performance
- Competitive pay and transparent reward system
- Stronger supervision and controls
- Sanctions for corruption
- Independent appeals mechanism
- Stakeholder surveys

Measures Addressing Opportunity:

- Lower rates, less exemption
- Computerization
- Inspection based on risk analysis
- Arms-length transactions and reduction in discretionary authority
- Transparent clearance requirements
- Rotation of officers
- Functional organization
- Internal anticorruption strategy and audit

Box 8.8 is adapted from the website of the Federal Customs Service of the Russian Federation (2011).

BOX 8.8

The anti-corruption programme of the Russian Federal Customs Service

The Russian Federal Customs Service (FCS) was one of the first agencies to develop and adopt an anti-corruption action programme for Customs authorities, which it did in 2006. The anti-corruption effort was mounted using the FCS analytical programme entitled Combating Corruption and Executive White-Collar Crime in Customs 2007–2009 and also longer-term FCS plans to prevent and eradicate corrupt practices. Over 80 per cent of the customs-related corrupt practices discovered by all law enforcement bodies of the Russian Federation were the result of efforts of the FCS security units.

In 2009, this figure increased to 96 per cent. FCS security findings led to 640 criminal cases, including 471 indictments for executive white-collar corruption. A total of 87 criminal cases were brought against 44 Customs executives.

A great deal of attention is also paid to the recruitment and vetting of potential Customs officers. Applicants for managerial positions have to pass thorough psychological and physiological tests featuring the use of a lie-detector. In 2009, Customs authorities conducted over 600 such polygraph-based studies and tests. A Customs officer's compliance with the Customs Officers' Code of Practice of the Russian Federation is crucial to the renewal of his or her contract, performance management evaluation, promotion and career development.

The officers' job descriptions and internal rules for Customs authorities include requirements obliging them to declare their income, assets, and liabilities, and also to report, to the top executive of the relevant Customs authority, all attempts at involving them in corruption-related illegal activities.

- Recruiting and retaining personnel who have, and are likely to maintain, high standards of integrity;
- Ensuring staff selection and promotion procedures are free of bias and favouritism and based on the principle of merit;
- Ensuring that decisions on the deployment, rotation and relocation of staff take account of the need to remove opportunities for Customs personnel to hold vulnerable positions for long periods of time;
- Providing adequate training and professional development to Customs personnel upon recruitment and throughout their careers to continually promote and reinforce the importance of maintaining high ethical and professional standards;
- Implementing appropriate performance appraisal and management systems which reinforce sound practices and which foster high levels of personal and professional integrity.

BOX 8.9

Addressing corruption in the Uganda Revenue Authority (URA)

Efforts to fight corruption were high on the reform agenda at the creation of URA. The general perception, shared by its management and by private sector operators, was that the incidences of corruption in Customs staff were high.

The anti-corruption campaign in Customs was in line with efforts to stem corruption in the public sector. These efforts ultimately led to the creation of a Ministry of Integrity.

The anti-corruption campaign in URA had several aspects. At the outset, URA provided salaries that competed with the best of the public sector or even those of the private sector.

URA requires all staff members to fill out an "Asset Declaration Form," to be updated for significant changes in family status or in asset ownership. Customs processes were increasingly automated and ASYCUDA++ was recently introduced. An anticorruption campaign is publicized in Customs offices with "in your face" messages (for example, "Corruption Stops Here" signs posted at the doors of managers).

The Authority also launched other initiatives in the anticorruption campaign and created an Ethics and Integrity Committee, elected ethics counsellors who would be responsible for a series of anticorruption initiatives, and started working on a code of ethics (which could benefit from application of the WCO Model Integrity Code). The URA Commissioner made a well-publicized initiative to reinvigorate the anticorruption campaign. He promised strong measures, including firing combined with the possibility to submit voluntary resignations with impunity, and a confidential e-mail address and telephone number to report corruption.

Source: adapted from De Wulf and Sokol, 2005, p. 124.

8.4 Deploying human resources

One of the most challenging tasks faced by human resource practitioners is determining future business requirements, especially manpower. Developing an HRM plan is a critical component of any human resource strategy and an expected outcome of any human resource practitioner's activities. The failure of organizations to develop and implement workforce planning tends to indicate a lack of overall strategic planning.

8.4.1 Organizational structures

An important task of planning the total workforce is establishing a new organizational structure or improving an existing structure while keeping in mind the strategic objectives. Many variations exist in finding the right organizational structure, depending on the situation faced. What is clear, however, is that the choice of a certain structure should only be made after careful thought and research.

Flexibility is a key element. Organizations should change when change is needed. But as reorganization is not a panacea in itself and is often disruptive, it has to be pursued with great care.

8.4.2 Organizational change

In many countries, Customs has traditionally been part of the Ministry of Finance. It was decentralized, with a headquarters and regional and local offices. The HQ set out policy for the overall organization and monitored the regional offices, which then monitored the local offices.

Today's changing responsibilities and focus on trade and transport facilitation and security have thrown up arguments for structural change. In the U.S., for example, the Customs authority and the border protection agency joined to form Customs and Border Protection (CBP) as part of the Department of Homeland Security. CBP's structure differs greatly from that of traditional Customs authorities. It also includes departments focusing on international affairs, information technology and human resources.

8.4.3 Keys to a successful organization

The World Bank's *Customs Modernization Handbook* (De Wulf and Sokol, 2005, p. 38) proposes that whatever the organizational context, it is crucial that Customs:

- Operates with adequate funding and staffing;
- Operates under correct oversight to ensure that rules and regulations are respected;
- Has a personnel system that enables it to recruit, train and develop a professional workforce, and the authority to remove corrupt or incompetent employees and keep them removed;

- Operates with adequate autonomy in personnel and operational matters;
- Provides an appeals process for the trade community;
- Is held accountable for meeting performance goals.

8.4.4 Autonomous Revenue Authorities

In many African and Latin American countries, Autonomous Revenue Authorities (ARAs) were founded with the aim of operational and financial autonomy, as in private businesses rather than in government agencies. They feature a one organization combination of the departments of Customs and of direct taxation. ARA operations are designed to be shielded from political interference, in order to counter the tendency of politicians and government officials to appoint political supporters, or to use and misuse the information held by tax authorities to advance political, personal or tribal objectives. (Taliercio, Robert [Jr.], 2004)

The proclaimed advantages of the ARA model were the following (De Wulf and Sokol, 2005, p. 40):

- As a single purpose agency, separate from the Ministry of Finance, it could focus on a single task;
- With autonomy, it could free itself from political interference in day-to-day activities;
- Freed from civil service constraints, it could establish its own personnel policies to enhance effectiveness and efficiency.

8.4.5 Developing a workforce plan

The International *Business Dictionary* (businessdictionary, 2011) defines workforce planning as follows: "Systematic identification and analysis of what an organization is going to need in terms of the size, type, and quality of workforce to achieve its objectives. It determines what mix of experience, knowledge, and skills is required and sequences steps to get the right number of right people in the right place at the right time."

Workforce planning has many benefits, notably the following (Keel, 2006):

- It helps to prepare for the growing number of retirements;
- It helps to identify gaps between current job skills and job skills needed to perform work in the future;
- It helps maintain or recruit a diversified workforce;
- It provides an orderly way to address new external or internal environmental changes that could change the workforce;
- It helps prepare for expansion, restructuring, or reduction in the workforce.

Staff profile

The following is a general description of the staffing profile specific for Customs authorities (De Wulf and Sokol, 2005, p. 32):

- *Enforcement of domestic laws and regulations at borders.* These laws and regulations should comply with all international Customs conventions and standards to which the country has subscribed. Hence, staff should stay informed about developments in international trade negotiations and the requirements of globalization. Staff members need adequate legal expertise to internalize the developments in the trading and international Customs community and to oversee their translation into domestic legislation.
- *Implementation of modern Customs clearance processes.* To facilitate trade and to be attuned to private sector trade logistics advances, modern risk assessment is based on modern intelligence gathering techniques using heavy IT input. Expertise is required in IT, as is the ability to perform risk analysis and post-clearance audits.
- *Maintenance of open communications with the trading community.* Customs must ensure that the trading community has full information regarding its obligations, and that the trading community's views are taken into account in decision making at Customs. Communication skills are required, but operational interface with the trading community must be conducted at arm's length.
- *Enforcement of laws relating to intellectual property rights, security, drug trafficking, and, eventually, labour and human rights.* While labour and human rights may not be a national priority, the need to enforce such legislation may emerge depending on the outcome of future trade negotiations. This requires the capacity to integrate the agendas of other agencies into Customs procedures.
- *Collection and dissemination of international trade statistics* requires IT expertise and an awareness of the importance of statistics for economic decision making.
- *Management of human resources for Customs* requires sound HRM and expertise in human resources development.

Border police officers and customs officials inspect vehicles and documents at the Serbian border crossing point near Mehov Krs during a forensic workshop organized by the OSCE Mission to Serbia, 25 October 2007.

8.5. Generating the required human resources

This step deals with recruiting, hiring, classifying, training and assigning employees and is to be pursued on the basis of the strategic imperatives of an organization's workforce plan.

A comprehensive plan for workplace skills will identify appropriate training priorities based on an organization's current and future workforce needs. New recruitment practices may have to be adopted to increase the representation of designated groups, or to secure essential skills in the organization.

The following are some of the recommended actions:

- Evaluate recruitment and selection practices in the light of the organization's strategic objectives;
- Create a training requirements manual;
- Adopt or clarify occupational levels and category classifications.

BOX 8.10

Staff renovation in Bolivian Customs

Staffing at Bolivia's Customs administration had been characterized by a large number of pro bono personnel working without a specific position or salary, appointments based on political recommendations rather than on individual merit, high turnover of personnel, low salaries, and an absence of training. As part of the Government's overall reform of its whole administration, Customs was selected as a pilot on the basis of the adopted Civil Service Statute and Civil Service Programme. Human resource management reform was an essential element in helping Customs become an efficient and transparent organization, while also significantly reducing corruption.

The selection and hiring of personnel was to be based on transparent and competitive processes. All positions became open to public competition; all positions filled by staff members who were not competitively selected were given provisional status; all pro bono staff positions were eliminated. Specialized firms, hired by public bidding undertook the selection process. Customs benefited from the prestige of the independent firms, and misgivings concerning the transparency of the process were avoided. At the same time, the HR Department developed a new market-based wage system offering competitive salaries.

Openings for top- and medium-level positions were issued on 30 October 1999, and for professional and technical positions on 16 April 2000. A lack of publicity and effort, a wrongful elimination of a number of applicants for border positions and an unreliable software system led to very few applications. With many positions unfilled, a third opening for top-level and technical personnel was issued on 14 January 2001.

The selection process required a series of prior actions: defining the ideal profile of Customs officers; quantifying staff requirements, set at slightly over 700 officers, of which 575 positions were open for application; and defining job profiles with minimum education requirements, experience other than previous Customs experience, and personal qualities. Candidates were evaluated as follows: curricular evaluation; technical and psycho-technical evaluation based on tests; and integral evaluation through interview. A minimum score was established for each position. Candidates were also screened to eliminate those who, as former or current officers, had been found guilty of violating internal Customs regulations or of committing a felony. Once tests were graded, a short list of applicants to be interviewed was established.

A report of the short list, with summaries of the results obtained from each exams for each candidate was provided to Customs for the final evaluations. A structured interview was held to validate the information provided by the consulting firm, verify that all requirements had been met, and determine the candidates' suitability for specific positions. The Board of Directors selected a committee specifically for this purpose. The committee submitted a report including recommendations to the Board of Directors or General Management. Appointed staff members underwent an evaluation period of three months before starting an administrative career.

There were 12,563 applicants, with 8,763 candidates fulfilling all requirements; 2,718 candidates passed the technical and psycho-technical tests; and, following interviews, 1,653 were short listed, 87 percent of whom were selected to join the Customs administration. expectations.

Source: adapted from De Wulf and Sokol, 2005, p. 34.

8.5.1 Recruitment

Recruitment efforts should be systematic, involving the announcement of job vacancies. Such announcements should clearly state the desired qualifications of the new staff (i.e. academic background, previous work experience, etc.) as well as the recruitment process. Transparency in the recruitment process is important, as this sets the standard for careers at Customs and curbs any tendencies towards the favouritism and clientelism that often plague public sector recruitment.

In the State of Washington Department of Personnel's *Recruitment Process Benchmark and Best Practice Study* (State of Washington, 2009, p. 6), the recruitment process consists of:

1. Planning

Planning includes both workforce and individual recruitment. Workforce planning typically focuses on forecasting staff and skill gaps in the most business-critical positions, while individual recruitment planning focuses on sourcing and screening strategies for specific vacancies;

2. Sourcing

Sourcing focuses on activities that attract both passive and active candidates. Common strategies include advertising, marketing at select schools and organizations, managing employee referral programmes, and cross-marketing new positions to prior applicants;

3. Screening

Screening focuses on creating a qualified pool of candidates to share with the hiring manager. Common activities include resume/application reviews for select qualifications, supplemental questionnaires, and formal testing;

4. Interviewing

Interviewing includes in-person reviews designed to select a final candidate. Common strategies include peer interviews, panel interviews, and the use of behaviourally based interview techniques;

5. Hiring

Hiring focuses on persuading the selected candidate to join the organization. Common activities include making a job offer, negotiating terms and conditions of employment, and all pre- and post-start on-boarding;

6. Reporting

Reporting includes all post-hire data collection, monitoring, and reporting. Common activities include surveying applicants and hiring managers, collecting and analyzing applicant flow data, and reporting performance measures and processing metrics.

A Kyrgyz Customs Officer demonstrates a search for narcotics during the inauguration of the Customs/K-9 Training Centre in Bishkek in 2011.

8.5.2 Training

Increasing and ever-changing demands on Customs have made training an essential task in human resource departments. In the future, an increasing dependency on information technology, complex risk management schemes, communications, computerized systems and high-tech non-intrusive inspection equipment will make training even more important.

An employee should be trained throughout his/her career. Several levels need consideration:

1. Basic training
2. Advanced individual training
3. Specialized training
4. Management training

Good training practices include:

- The "train the trainer" concept: i.e., training people to become the future trainers in your organization;
- Establishment of specialised academies and training centres at the national and/or international level (See Box 8.11).

BOX 8.11

The OSCE Border Management Staff College

The OSCE Border Management Staff College is the first international centre for specialist training of senior border officials. Located in the capital of Tajikistan, Dushanbe, the College is in the heart of Central Asia, a region which deals with a wide variety of border security challenges.

The guiding philosophy of the OSCE Border Management Staff College is creating open but secure borders. By bringing together knowledge and experience from the 56 participating States of the OSCE, the College provides specialized training for senior management of border security agencies. Utilizing the OSCE network to disseminate knowledge and experience, it offers opportunities for in-depth analysis of international standards in border management, and exchange of the latest techniques and best practices. It is also a nucleus for co-operation and information exchange among border professionals.

The OSCE Border Security and Management Concept outlines how the OSCE can help the participating States in strengthening co-operation and capacities in the field of border management.

The Concept, which was adopted by the OSCE participating States in 2005, provides for border-related activities in the politico-military, the economic and environmental, and the human dimensions of security. It covers such topics as terrorism, transnational organized crime, illegal migration, illicit trafficking in such things asweapons, hazardous waste and drugs, and also trafficking in human beings. It also includes matters relating to the free and secure movement of persons, to border-crossing procedures, to trade and transport facilitation, to natural disaster and serious incident co-operation, and to transport security.

The College's work is divided in three areas:

- Border security and management courses for senior managers from OSCE participating States or Partners for Co-operation;
- A research and development capacity that links the College to border management training and research institutes elsewhere in the OSCE area. The College offers a reference and training library and encourages further research on border security and management;
- Outreach workshops and seminars that promote and support cross-border and inter-agency co-operation through exchange of information, lessons learned, and the identification and development of border management best practices.

The Staff Course:

The OSCE Border Security and Management Staff Course provides support for senior managers in the field of border security and management, complementing the efforts of other partners who train junior leaders in Central Asia. The Staff Course has capacity for 25 participants per session, who are drawn from the commanders and managers of border management agencies in the OSCE participating States and Partners for Co-operation.

The intensive course covers both security and facilitation aspects of border management. The participants acquire knowledge of a variety of border-related challenges across the OSCE area with an overview of international co-operation mechanisms in the following fields: the fight against organized crime and terrorism, trade and transit, international legislation, and modern approaches in the field of border security and management. They also examine management issues such as strategy, operational planning, public relations, human resource management and change management. The course includes study visits to the border with Afghanistan where the participants can get first-hand insight into some of the problems that are dealt with on their own borders.

Source: OSCE, 2011.

2009 Chairperson of the OSCE Permanent Council, Ambassador Mara Marinaki (left), and Tajik Foreign Minister, Hamrokhon Zarifi, at the launch ceremony of the OSCE Border Management Staff College in Dushanbe, 27 May 2009.

More than 100 Tajik and Afghan Customs Officers completed training together in Profiling Risk, Selectivity and Inspection during the OSCE OiT Customs Assistance Project in 2010.

BOX 8.12

The OSCE Customs Training Development Project in the Kyrgyz Republic: 2009-2012

On the basis of recommendations yielded by international diagnostic assessments by the WCO (2006) and the OSCE (2007), the Kyrgyz Republic identified a need and desire to develop its State Customs Service (SCS) Training Centre into a training unit of greater capacity, with a strategy, staff and curricula of the kind required by SCS professionalism. On the basis of post-assessment recommendations made by the Government of the Kyrgyz Republic, the OSCE set out to craft a development project embodying these recommendations and offering a long-term solution to the training needs of Customs services in the Kyrgyz Republic. Launched in September 2009, the project identified the following specific tools, deliverables, goals and objectives:

1. Comprehensive Training Needs Assessment: project staff used a three-part methodology assessment:

- A desk study identified and collated government and historical documents from the Kyrgyz Republic and international sources. Analysis of these documents helped identify areas of training needed in legislative requirements and international recommendations/agreements.
- A field study involved staff visits to a large selection of Customs work sites around the Kyrgyz Republic. During these visits, staffs used an interview instrument on a minimum of 200 Customs personnel to collect data on training levels, work site equipment, workforce familiarity with regulations and regimes, career expectations and related topics ("Job Task Analysis").
- Course audit in which a project expert attended the 2009 course for entry-level Customs officers in order to evaluate the teaching methods and successes, and to understand the topics to which priority instruction is given.

The Comprehensive Training Needs Assessment was completed in four months. Further assessment continued throughout so that the project concluded with the most up-to-date evaluation.

The Customs/K9 Training Centre in Bishkek, inaugurated by EU BOMCA in 2011, is home to the integrated training programmes created during the OSCE Customs Training Development Project (2009-2012).

2. Customs Training Curricula: On the basis of the Needs Assessment, a comprehensive curriculum including all forms of training possible during a Customs officer's career was written by Kyrgyz SCS instructors with the assistance of OSCE mentors. Specific training elements termed Entry-Level, Re-training, Up-skilling, and Management were addressed in specific course curricula. Curriculum development continued throughout the duration of the project, with an outline of a recommended Entry-Level Curriculum being submitted to the SCS leadership for approval after seven months.

The curricula took into consideration the following elements (examined during needs assessment) to create a comprehensive training policy and system, which was widely used, and potentially available for formal adoption by the Kyrgyz SCS, if not already in place, during the project:

A. Before recruiting and hiring:

i) National customs strategies, tactics and missions – defined and in agreement with national development for customs-trade responsibilities and enforcement authorities. Supports and implements customs legislation;

ii) Resource identification – necessary for the implementation of the strategies, tactics and missions;

iii) Publicizing of explicit professional goals for the agency – the agency's responsibility to its personnel, as well as the agency's expectations from its personnel;

iv) Development and utilization of qualification criteria for hiring.

B. Personnel Development Plan

i) Personnel staffing plan that identifies all positions within the customs agency, specifying position, job description, grade level, tasks, equipment, interaction with other agencies, required training, requirements for promotion;

ii) Customs agency legislation or internal rules outlining standardized criteria for meeting the objectives identified in the personnel staffing plan;

iii) Catalogue of customs-related courses necessary to meet objectives for personnel development, perhaps divided into the following categories: Internship, Entry Level, Periodic Retraining, Advanced Skills, Inter-agency, Required for Promotion, Management and Locally Obtained

iv) Informal and formal rewards system for positive field performance and exceptional training participation;

v) Standardized performance-based promotion system for personnel;

vi) Personnel evaluation system to include reference to training received, training planned, and training needed for promotion for each individual.

C. Organizational delivery of training

i) Assigned director of training and training development, supported by sufficient administrative staff to co-ordinate and implement the national customs training system;

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ii) Professional teaching staff contracted and committed specifically for the agency training facility/structure;

iii) Fully developed curricula, lessons plans and classroom presentations for the catalogue of courses;

iv) Establishment and maintenance of a suitable central training centre and regional training sites supporting the actual delivery of developed training courses.

D. Financial support for training

Demonstrated financial commitment from the central Customs authorities through the inclusion of budget-line items specific to the successful implementation of its training system year after year.

3. Local Training Programme: An effective local training programme, run by the local management at Customs work sites around the Kyrgyz Republic increases professionalism and officer skills with a minimum impact on the financial budget of the agency. This makes it more easily sustainable.

4. Development of a Professional Training Centre Teaching Staff: An important element of the project was the screening and recommendation to the SCS of a group of up to nine teachers to work long-term at the Centre. Personnel selection and long-term contracting of their services by the SCS occurred within the first five months of the project. Beginning in 2011, they serve as the primary teachers for all training for the Kyrgyz Customs Training Centre. OSCE experts continue to serve as advisers and mentors to the teaching staff through 2011.

Conclusions

During this two-year OSCE project, the State Customs Service of the Kyrgyz Republic was able to develop its native training capacity substantially. Much work lies ahead to secure the training programme's sustainability, but new and promising initiatives are already evident:

- Training Strategy for 2010–2013 adopted;
- Personnel Guidelines approved that were designed to increase the transparency of the hiring and training process, not only for entry-level officials but also with respect to the hiring of specialists and returning personnel;
- Requirements for training before or at the time of promotion have been instituted, making certain that promotion is not a simple reflection of time in service but also an opportunity that requires new skills and qualifications.

Source: OSCE, 2011.

Box 8.13 is adapted from the website of the Committee for Customs Control of the Ministry of Finance of the Republic of Kazakhstan, 2011.

BOX 8.13

Kazakhstan: Recruitment of Customs officers

Kazakhstan currently has a total of about 6,000 Customs staff, recruited from amongst highly skilled candidates who had completed professional training, hold diplomas and degrees and who had also acquired work experience in relevant fields.

Applicants must meet the following requirements:

First, potential Customs inspectors must have completed a course in economics or law or must be trained customs professionals. In addition, a job in the central office of the Customs Committee requires a total of three years of work experience in the areas relevant to the vacancy advertised. Applicants for jobs in a regional Customs authority must have no less than two years of work experience. Applicants for managerial and executive jobs must have seven years' work experience.

Secondly, applicants for jobs in the Customs service must pass a medical check and be vetted by the Committee of National Security and the Centre of Legal Statistics under the Office of the Prosecutor General.

In addition, applicants for civil service jobs must comply with certain professional restrictions and sign commitments to observing anti-corruption laws, declaring their income, assigning their equity to trusts, and the like.

BOX 8.14

Human resource management for Customs: The example of Turkey

Customs in Turkey currently operates a centralized personnel department. All activities pertaining to personnel matters were reviewed in 2003 under the framework of a Twinning Project with the German Customs Administration. This review included terms of references, employment criteria and determining the number of staff members required to carry out Customs authorities' work. All new recruits undergo entrance examinations. The Law on Civil Servants and the In-Service Training Regulation of the Under-secretariat of Customs determines training activities, including all the standard procedures for types of training, training programmes and curricula. Training is organized according to the needs of the heads of departments and personnel. Annual in-service training plans are also prepared, issued and implemented.

Specialist professional training is organized for "Career Personnel" as well as for preventive and enforcement officers. In addition, refresher seminars and management courses are organized for all personnel as needed. An in-service training plan with various training announcements is employed. A Training Implementation Guide Resource Book is available, together with various training manuals. Disciplinary regulations for all Customs staff and a code of ethics for all Turkish law enforcement officers, adopted in line with international standards, have been introduced. In addition, both codes and established principles have been disseminated to all relevant staff.

Source: Adapted from the IOM publication, *Assessment and Monitoring Mission (AMT) Report: Strengthening Integrated Border Management in the Western Balkans and Turkey* (2010).

8.6 Investing in human resource development and performance

Traditional approaches to career planning, performance appraisals, reward management and employee development must be reappraised in terms of the vision, characteristics and mission outcomes reflected in HRM plans, policies and practices.

Development responses should aim to increase business skills and their application (sometimes called competencies) and behavioural elements, all of which contribute to an organization's effective performance. Skills development legislation has required organizations to re-engineer their developmental methods and practices in many ways. New concepts, such as lifelong learning and recognizing prior learning, should form an integral component of the process of investing in employees.

8.6.1 Staff compensation: financial and non-financial incentives

The matter of staff compensation constitutes a critical challenge for all human resource departments. The compensation package needs to be inviting enough to attract high-quality candidates and to retain them once they are employed. Compensation is typically thought of in terms of pay although there are also other ways to motivate, for example, through promotion, education opportunities, or rotation to a better place of service. Like other government agencies, Customs administrations, are often constrained in that they are obliged to adhere to civil service pay schedules, which usually lag behind those of the private sector.

Bonuses may be another way to increase compensation. It is critical that they be objective, transparent and easily

Participants at an OSCE-facilitated regional training workshop for customs officers on the WCO's Authorized Economic Operator pose in Astana, November 2011.

administered. There are several types of bonuses that can be used. A few are:

- *Retention bonus*: Paying a certain percentage of the employee's salary if they stay in the organization;
- *Change of duties bonus*: Paying a bonus if employees change to a critical or under-resourced job;
- *Professional development bonus*: A bonus granted for obtaining a university degree, licence, or certification of the kind that will directly enhance the employee's skills at the workplace;
- *Performance bonus*: A bonus granted if employees' performance is superior to that of their peers, requiring mechanisms to assess performance. The bonus should be made on SMART principles: Specific, Measurable, Achievable, Relevant, Timed.

Other forms of monetary compensation include:

- Pay differentials;
- Overtime;
- On-call pay;
- Severance pay.

There are other forms of compensation that are not directly associated with money. These items are not only good for the employee but also good for the employer. Health care plans, for instance, clearly benefit employer and employee alike. Other forms of non-monetary compensation include:

- Health care plans;
- Long-term and short-term disability;
- Retirement;
- Pension plans;
- Life insurance;
- Leaves of absence;
- Recreation facilities;
- Vacations.

Additionally, awards and recognition schemes can help to boost "esprit de corps". And it is clear that happy, well-motivated employees are always more likely to perform better. A few examples of possible programmes are:

- Awards for length of service: The necessity of recognizing loyalty cannot be overstated. Length of service is usually measured in units of five years;
- Employee suggestion programme: This programme encourages employees to give feedback for change in an organization. It also allows for recognition being accorded to the individual if his or her feedback results in a positive change in the way business is done;
- Employee recognition programmes are designed to encourage employees to make a difference to either individual or team performance. These awards recognize achievements that have contributed to the overall objectives of the employing agency.

8.6.2 Career planning

Career planning is a key process in career management. It takes all the information provided by the organization's assessments of requirements, its assessments of performance and potential, and management succession plans, and translates it into the form of individual career development programmes and general arrangements for management development, career counselling, mentoring and management training.

The present section is based upon material from the CiteHR.com website "Improving Organizations". The subject is considered in two sections relating to organizational and personal career planning respectively, with reference to their more common elements.

Elements to be considered in organizational career planning include:

- *Career planning with the "competencies band" approach*: Career progression can be defined in terms of the competencies required by individuals to carry out work at progressive levels of responsibility or contribution. Competencies can be defined as the attributes and behavioural characteristics needed to perform effectively at each discrete level in a job or career family. The number of levels vary according to the range of competencies required in a particular job family. For each competency band, the experience and training needed to achieve the competency level must be defined.
- *Job posting system*: A job posting system is an organized process that allows employees to apply for open positions within the organization;

BOX 8.15

Are low salary levels really a factor?

On the basis of the results of a study into the Customs administrations of three developing countries, Irene Hors of the OECD Development Centre identified low salary levels as a contributing factor in the development of corruption within one East Asian Customs administration. She noted that salary levels for junior officials had not taken account of inflation and the increased cost of living, and that employees living within their salaries simply could not rent houses or educate their children. She did, however, question the link between remuneration and corruption at higher levels in the Customs hierarchy. In this respect she noted that among senior officials, who sometimes enjoyed relatively generous levels of salary and working conditions, ostentatious living and extravagant expenditures had become the norm and that the officials' behaviour had become conditioned by that of a wider elite, which customarily indulged in illegal activities and paraded excessive riches. She concluded by noting that there was probably a continuum of gradually changing situations between officers who are practically obliged to engage in corruption to provide for basic needs and those who are drawn to bribery by the pressures of social emulation and greed.

Drawing on experiences in Tanzania and Uganda, where wage rates and conditions of employment increased significantly following the adoption of the ARA model, Fjeldstad, Kolstad and Lange (2003) suggest that even with relatively high wages and good working conditions, corruption may continue to thrive as pay rates can never effectively compensate officials for the amount they can gain through bribery. Moreover, if wage increases are granted but subsequently not maintained in real terms, then the increases may in fact result in less effort and more corruption than if wages had remained constant. Likewise, in the civil service context, wage increases in one department could result in officials in other agencies viewing their own remuneration as unfair, with detrimental consequences for wider civil service morale. They conclude that without extensive and effective monitoring and an overall programme of modernization, wage increases may simply produce a highly paid but also highly corrupt administration.

Source: adapted from De Wulf and Sokol, 2005, p. 82.

The Customs Training Development Project in Kyrgyz Republic (2009-2012) nurtured instructors, curriculum creation and delivery of training to more than 300 Kyrgyz Republic and Afghan customs officers.

- *Mentoring activities*: Mentoring systems take advantage of the experience and knowledge of senior employees who can guide younger employees in their careers;
- *Career resource centres:* Career resource centres place the responsibility of career development on the employee's shoulders. The principle services provided at a career centre are educational information, career planning and personal growth;
- *Managers as career counsellors:* Managers can assess the opportunities offered by the organization and use past experience to make career planning suggestions. Managers can be empathetic listeners.

Elements to be considered in individual career planning also include *personal development planning* which is carried out by individuals with the help of guidance and encouragement from their managers and those active in HRM. A personal development plan sets out the actions for an employee to take in order to learn and develop. Employees take responsibility for formulating and implementing the plan, but receive support from the organization and their managers in doing so. The purpose is to provide a self-organized learning framework.

8.6.3 Performance appraisals

Performance appraisal is a formal management system designed for evaluating the quality of an individual's performance in an organization. It is usually carried out by the employee's immediate supervisor. The procedure typically requires the supervisor to fill out a standardized assessment form evaluating the individual in several different dimensions and then to discuss the results of the evaluation with the employee.

Purpose of performance appraisal

- Review past and present performance, identifying strengths and weaknesses;
- Provide constructive feedback on how the individual's performance is seen;
- Assess future promotion prospects,
- Assess training needs;
- Plan for career development;
- Assess and develop individual abilities;
- Provide an objective basis on which to base decisions about training and promotion;
- Provide an opportunity for career counselling;
- Motivate employees;
- Make the organization's expectations clear to the individual;
- Provide an opportunity for the individual to raise questions and concerns;
- Set objectives for the subsequent period;
- Help achieve organizational and personal objectives in a planned way;
- Help in succession planning.

Phases in the performance appraisal

Diagram 8.1 on the next page gives a graphic representation of the performance appraisal procedure's four phases, which are described below.

Phase I: Performance Planning. At the beginning of the year, the manager and the individual get together for a performance planning meeting. In this session, they discuss what the individual will achieve over the coming year (the key responsibilities), the goals and projects he or she will work on, and how he or she will do the job. The meeting goes into the behaviours and competencies that the organization expects of its members. Typically, the individual's development plans are also discussed.

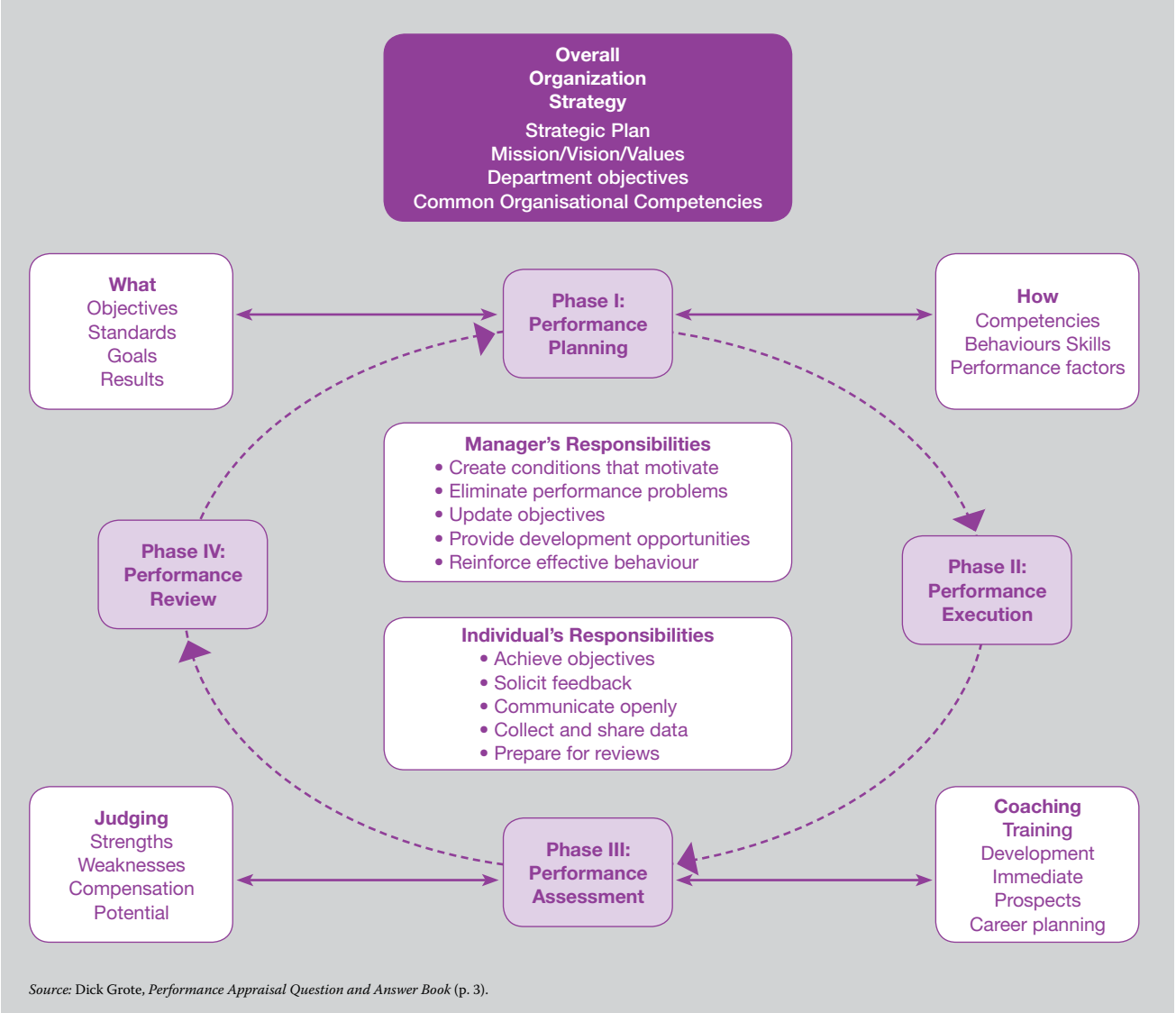
Phase II: Performance Execution. Over the course of the year, the employee works to achieve the goals, objectives, and key responsibilities of the job. The manager provides coaching and feedback to the individual. He also creates the conditions that motivate, and resolves any performance problems that arise. At certain intervals during the year, there should be reviews of performance to date.

Phase III: Performance Assessment. As the time for the formal performance appraisal approaches, the manager reflects on how well the subordinate has performed and fills out the various forms provided by the organization for this assessment. At this point, recommendations can be made regarding compensation. The manager and the manager's superior conduct a review and come to an agreement about the assessment.

Phase IV: Performance Review. The manager and the subordinate meet to review the manager's appraisal and talk about how well the person has performed over the previous year. At the end of the review meeting they set a date to meet to plan for the following year.

The subject of performance appraisal is given further consideration in Chapter 9 of the present Handbook, "Measuring Border Agency Performance: Options for Benchmarking".

Diagram 8.1 Strategy-based performance management



Source: Dick Grote, *Performance Appraisal Question and Answer Book* (p. 3).

Examples of OSCE training activities

Customs Officers from Kyrgyz Republic and Afghanistan have been conducting joint training in Bishkek since 2010. To date, more than 100 Afghan officers have participated.

Assessors visit the Sot border crossing point between Serbia and Croatia.

Field training exercises at Manas Airport and Ak-Jol BCP are a part of the Customs Entry Training developed in the OSCE training development project in Kyrgyz Republic.

Turkmen officials train on drug search, detection and identification methods during a course in Turkmenbashy sea port organized by the OSCE Centre in Ashgabat, July 2007.

Conclusion

In recent years, sharp increases in trade, greater sophistication on the part of traders, and multiple and shifting objectives have made the task of Customs and other border agencies increasingly complex. Uniformity of Customs operations across a territory in question and across cargo categories is important, while the speedy release of goods is crucial to the competitiveness of traders. There is also a need to adhere to international standards on value and classification, and to regional standards on rules of origin. It is thus obvious that Customs organizations need to adjust to these challenges, manage staff and procedures accordingly, and find an organizational formula best suited for their particular circumstances.

To summarize, this situation calls for the following conclusions and recommendations:

- Above all, a human resource management strategy must be created;
- Good HRM is the key to effective and efficient Customs management. If neglected, the delivery of services suffers in all its dimensions and integrity problems persist. The management of human resources is multifaceted. It includes recruiting, training, staff compensation and promotion, as well as enforcement of staff rules and regulations. These tasks are far from easy. Furthermore, budgets are generally tight and civil service rules often allow little flexibility. However, these difficulties should not discourage new initiatives being investigated. If this is done, it will certainly bring rich rewards;
- High-quality human resource professionals are essential. Without qualified staff, Customs and other border management organizations may well not be able to meet the challenges and requirements of the globalized world;
- Monetary compensation is not the only form of compensation. Given the civil service pay system, other forms of compensation need to be explored;
- Whatever the organizational model chosen, governments must provide Customs and other border management agencies with the resources required to operate effectively and efficiently;
- The value of a code of conduct cannot be underestimated;
- Recruitment is a key factor in providing not only technical competence, but also professionalism and a high level of integrity;
- Career-long training is a vital requirement. Increased demands result in increased needs for training. Training should be provided from the basic level right through to the advanced, specialized and managerial levels.

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9 Measuring Border Agency Performance: Options for Benchmarking

CONTENTS

9. Measuring Border Agency Performance: Options for Benchmarking

Introduction

Transport and trade facilitation have always been of fundamental importance for adequate economic development. However, in the countries of the OSCE/UNECE region that are still applying outdated approaches to handling border operations, one key obstacle remains, namely, long waiting times at borders, sometimes lasting as long as a whole day. There is a tendency to associate Customs with all border operations, which results in border delays for transport inevitably being attributed to Customs. It is critical to explore the reasons for delays at borders carefully, and to identify major impediments that prevent international trade potential from being realized. As we strive to eliminate common misconceptions about border operations and procedures, we should adopt a broader and more holistic approach that extends to reform for all border agencies. The present Chapter will attempt to establish the real responsibility of Customs administrations with respect to waiting times at borders. The focus will be mainly on performance indicators for professionalism and quality of output in border operations. The indicators are to encompass all methods of measuring the quality of work of border control agencies, the ultimate intention being to use these indicators as a tool for improving operations. When looking for key performance indicators, we are to explore the impediments to smooth border procedures and develop measurement indicators from the transport operators' perspective. There is an urgent need to develop indicators that can measure and compare border agencies' past and present performance and assess changes within countries.

The roots of border performance benchmarking are to be found in the World Bank's first regional investment programme for South-Eastern Europe, in which Customs reforms were designed on the basis of the interests of the shippers and transport operators. This project introduced performance measurement indicators to monitor improvements over time.

In the present Chapter, the efficiency of border control agencies and the quality of their work are seen as the cost to the trader (and other non-commercial users) of crossing a border, in time and transaction costs. There is also a geographical dimension, as borders are often defined as the location where people and goods are placed under the sovereignty of a new country, but this does not only happen at geographical borders: there are many cases in which goods are cleared away from the border, at inland clearance terminals. For this reason, the Chapter also covers the measurement of performance at inland clearance locations, and draws some conclusions from the corresponding findings.

9.1 Benchmarking Customs operations

9.1.1 Definition of benchmarking

Benchmarking is a business improvement process. Companies or organizations may use benchmarking to compare their procedures and performance with others who are involved in the same or different industries; subsequently they may adapt and implement key practices that make other organizations outstanding. Comparisons are usually made to determine best practices in particular areas. In order to make a valid comparison between the performance of various companies or organizations, benchmarking relies on a systematic methodology of research and analysis.

In the private sector, benchmarking has been widely accepted for some time. In recent years, Customs administrations worldwide have shown a growing interest in applying benchmarking as a means of improving the services they deliver and the policies they put into effect.

Many international organizations use benchmarking as a basic strategy. The World Customs Organization, for example, has produced several documents on benchmarking to assist Customs administrations in their improvement efforts. There are several *modes* of benchmarking, the following three being fundamental examples:

- *Introspective:* In introspective benchmarking an organization compares its current performance with past performance and targeted performance;
- *Internal:* In internal benchmarking comparisons are made within an organization in relation to a specific process. For example, in the case of a Customs administration, one might compare the length of time it takes for transit vehicles to clear a BCP during several different time periods;
- *External* (same industry or different industry): In external benchmarking one administration or organization is compared with another. This can be done with regard to a single process, for several processes, or for the business as a whole.

There are also several *types* of benchmarking, for example: process benchmarking, financial benchmarking, benchmarking from an investor perspective, performance benchmarking, strategic benchmarking, functional benchmarking, best-in-class benchmarking, or operational benchmarking.

In all these forms of benchmarking, organizations focus on an aspect or aspects of performance measurement with the main objective of striving to be the best. The bench-

marking process will indicate performance levels – quantitative measurements of results or outcomes – as targets to be achieved. Furthermore, establishing the means by which targets have been achieved is a way to identify best practices, which in the case of Customs services can constitute a learning opportunity for Customs administrations, enabling them to improve and to approach – or even exceed – these benchmarks.

Benefits of benchmarking

Why should one take the time to conduct a benchmarking exercise? All over the world, Customs administrations have to deal with the globalization of trade and the dangers of fraud and criminality. Benchmarking can be a useful mechanism to help Customs services meet these challenges and become more efficient and effective, since it allows for the continuous improvement of procedures and working methods. The use of the tried and tested technique of benchmarking can accelerate change and restructuring.

Benchmarking provides a number of benefits. Firstly, it answers the following key questions:

- How does the organization's performance compare with that of other organizations?
- What best practices exist out there?
- Where should the focus for improvement be placed?

Secondly, whatever the kind of organization, it can do the following:

- Identify specific problem areas and eliminate guesswork;
- Teach which latest practices are being used and what performance is being achieved;
- Help to prioritize steps for improvement;
- Serve as an excellent baseline "score card";
- Make it easier to raise performance expectations
- Create a real sense of competitiveness and desire for improvement;
- Encourage people to "work smarter" instead of "working harder";
- Accelerate understanding and agreement on areas that are really problematic;
- Shift internal thinking from "inputs" to "outputs"
- Motivate a team to collaborate on surpassing external benchmarks;
- Build confidence by validating "gut" feelings;
- Remove emotion from debate and discussion.

And thirdly, with regard to Customs administrations in particular, benchmarking serves to:

- Enable different Customs administrations to work together as partners – a vital element in increasing co-operation and the common interpretation and application of Customs laws, conventions, treaties and agreements;
- Give a Customs administration the opportunity to study, absorb and implement good practices that have already been tried and tested by other Customs administrations;
- Provide the means for better regulation and control;
- Promote greater efficiency within regulatory agencies;
- Improve trade performance;
- Improve economic competitiveness.

Keys to successful benchmarking

The single most important condition for the success of a benchmarking exercise is the full commitment of the senior management. Moreover, senior management has to ensure that everyone on their management team is as committed as they are. Furthermore, their willingness and enthusiasm need to be maintained from the inception of the project through the data-gathering and analysis stages and on to the phases of implementation and review.

Once Customs management has decided to undertake a benchmarking project and expressed its commitment, the following steps are critical:

- Appointment of a project manager with a proven track record;
- Drawing up of a strong project plan with well-defined and realistic goals and objectives, and clarity in such matters as lines of responsibility, reporting structures, and deliverables;
- Formation of a project team made up of individuals well trained in business procedures, project management and the whole business of benchmarking;
- Identification and engagement of other stakeholders in the benchmarking process;
- Selection and development of appropriate measurement criteria and other performance indicators;
- Provision of an adequate budget and establishment of sensible time frames and clear milestones;
- A strategy for introducing best practices and implementing other changes identified by the project.

Barriers to success in benchmarking

A lack of clear, visible and consistent support for the project managers will invariably cause the benchmarking exercise to fail. Furthermore, if there is a lack of proper project management, even an excellent project team will do a mediocre job.

According to the WCO's *Customs International Benchmarking Manual* (WCO, 2002, p. 5), other barriers to successful benchmarking include the following:

- *Failure to fully understand and document your own processes*. Unless your own processes are completely understood, analysis of performance gaps is impossible and understanding the reasons for best practices unlikely;
- *Failure to analyse findings clearly*. Benchmarking consists of different elements and procedural steps.

It has to be supported by research that establishes quantitative indicators and qualitative analysis of best practices;
- *Being overambitious in the scope of the benchmarking exercise*;
- *Refusal to dedicate the staff and resources required.* It is important to ensure that the required human resources are available to complete the task;
- *Inadequate information about how to adopt an agreed best practice and make it work*;
- *Lack of skilled resources to make and manage recommended changes, resulting in failure to implement best practices.*

9.1.2 Methodologies for benchmarking

Like many analysis processes, benchmarking does not have a generally accepted standard methodology. Three sample methodologies are presented here. The first is the basic benchmarking methodology as it was set forth by one of its original developers; the second is a general form; and the third method, which will be elaborated in more detail, is the one recommended by the World Customs Organization.

Robert Camp's methodology

Robert Camp was one of the first authors of a benchmarking methodology. He developed a twelve-stage approach that consists of the following steps: select subject ahead, define the process, identify potential partners, identify data sources, collect data and select partners, determine the gap, establish process differences, target future performance, communicate, adjust goal, implement and review/recalibrate.

A general methodology

The following methodology is specifically designed for business benchmarking, but it can be applied to any other organization, including Customs administrations.

Identify problem areas: This can be done in a variety of ways according to which process or function needs benchmarking. Some research methods can be as simple as informal conversations with customers, employees or suppliers. Other research techniques can be more sophisticated, such as in-depth marketing research, quantitative research, surveys, questionnaires, re-engineering analysis, process-mapping, quality control variance reports, or financial ratio analysis.

Identify other industries that have similar processes: In the case of Customs, it is clear that many if not most agencies deal with similar processes, albeit with different levels of involvement and complexity.

Identify organizations that are leaders in these areas: This should be on as wide a scale as possible. Indeed, to determine which organizations are worthy of study, the search is best done globally. A large number of sources can be used to provide this information, including customers, suppliers, financial analysts, trade associations, or even magazines.

Conduct surveys of organizations for measures and practices: Specific industry processes should be targeted, using detailed surveys of measures and practices in order to identify leading companies and process alternatives. Such surveys should be done in such a way as to protect confidential data.

Visit "best-practice" organizations to identify leading-edge practices: In the process of visiting best-practice organizations, benchmarking groups can be formed. Within such a group, companies typically agree to exchange information beneficial to all parties.

Implement new and improved business practices: This involves choosing leading-edge practices and developing plans to implement them, featuring such procedures as identifying opportunities, finding funding, and "selling ideas" to an organization in order to gain value as has been demonstrated.

The WCO benchmarking methodology

Further details on the WCO benchmarking methodology can be found in the *Customs International Benchmarking Manual* (WCO, 2002).

The WCO methodology contains three general phases: planning, execution, and implementation and follow-up. Within each of these phases, numerous tasks need to be completed if the benchmarking exercise is to be a success. A summary of these appears below.

Planning:

- Clearly define the subject of the exercise;
- Define objectives and the criteria that will be used to assess success;
- Agree on whether comparison will be carried out on results (hard measures of effectiveness such as efficiency, economy or quality), or processes (how things are done);
- Identify and select potential partners; agree if partners will be fully reciprocal or passive;
- Produce a plan for the exercise;
- Identify all stakeholders, both internal and external, who need either to be consulted or just kept informed of progress and outcomes;
- Agree on the language to be used at international meetings and for the final report;
- Assign financial resources and appoint a benchmarking team;
- Obtain the commitment, support and approval of senior management.

Execution:

- Collect and analyse data;
- Ensure full understanding of each procedure, making workplace visits if necessary;
- When gathering data, obtain definitions and formulas that will facilitate its interpretation;
- Provide written descriptions of the processes chosen, together with a list of questions for partners;
- Agree on a programme of site visits (where applicable), and ensure that the purpose of the visits is clear;
- Collate information and data, and produce comparative descriptions, tables, etc.;
- Seek explanations for performance gaps;
- Ensure that comparisons are meaningful and credible;
- Identify realistic improvement opportunities;
- Ensure that recommendations are feasible;
- Explain why recommendations are being made.

Implementation and follow-up:

- Create an implementation plan;
- Upon completion of implementation, conduct an evaluation.

9.1.3 Earlier performance indicators

There have always been performance indicators for Customs, and also, to a lesser degree, for other control agencies. The need to measure quality became apparent long ago. While the indicators were sometimes intuitive rather than objective, the hierarchy commonly evaluated Customs officers in terms of the volume of trade processed during a shift or a day, the queues that built up while they were on duty, and, of course, the number of detections they made during the same period. While management made use of this tool for their purposes, trade unions or professional associations would also refer to similar indicators to press for reforms in the form of increases in staffing or better working conditions. Rough indicators were also always used by the trucking or freight forwarding industry to estimate delivery times. While other agencies operating at the border had their own basic indicators, these were, however, essentially based on statistical values (e.g., number of users over a time period) rather than throughput time.

However, methods formerly used for measuring performance at border stations often resulted in: (i) bureaucratic additions, (ii) inconsistent results, and (iii) a need for ad-

BOX 9.1

Statistics or performance indicators

Agencies with highly recurrent short processes do not necessarily feel the need for calculating average times. This is the case for immigration authorities (i.e., border guards, border police or immigration officials), where in the vast majority of cases, passport processing takes between 60 and 200 seconds (depending on the country). This is considered a short span of time in comparison with other administrative processes such as Customs clearance or transit procedures. The same applies to roads administrations when they weigh every truck entering (or sometimes exiting) the country, or to health and quarantine officials who disinfect every vehicle. The characteristic of such processes is that they are universal (i.e., everybody is subject to control), whereas Customs processes are increasingly selective (i.e., some vehicles and passengers can be partially or totally exempt from full control).

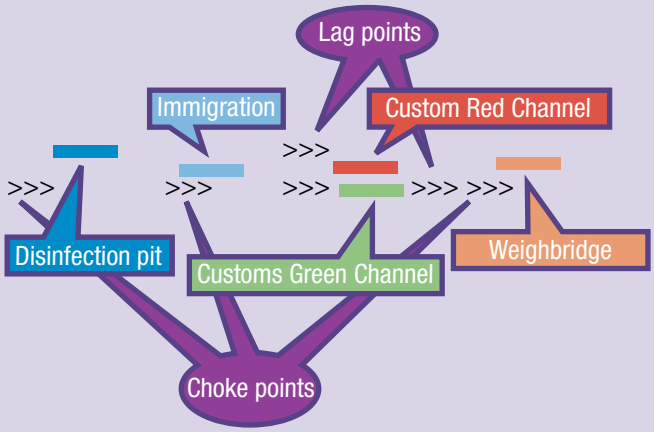
The difficulty with highly recurrent short processes is that they generate access queues, clashing with more selective controls, whether these are before or after. Diagram 9.1 below illustrates the points where traffic build-ups are likely to occur, and those where there is often an "accordion effect".

Recurrent processing agencies usually overlook the waiting time. Although for example a passport control may take on average one minute, if there are 20 vehicles waiting in the queue, the last vehicle will have to wait slightly more than 20 minutes. The previous one will wait 19 minutes, and the one before 18 minutes. The result is a total waiting time of 210 minutes divided by 20 vehicles, with an average of ten and a half minutes.

Supposing the passengers of the first vehicle to reach Customs are each processed in five minutes, the second vehicle will have to wait eight minutes before it reaches the Customs checkpoint. These eight minutes will add to the waiting time of the 18 remaining vehicles waiting for immigration clearance, and their average waiting time will be now 12 minutes.

The situation amplifies again at the weighing station, where officials may have to wait while Customs checks are taking place, or to cope with the sudden arrival of Customs green channel traffic. However, each agency will be satisfied with its own statistical processing time, which will be considered as reasonable by any standards.

Diagram 9.1 Likely location of traffic build-ups and "accordion effects"



ministrations to justify their presence.

Control slips or gate passes

Until the 1980s, many countries used "control slips" to measure the time for clearing a vehicle at borders (these are still in use in some countries). The purpose of the control slip was twofold: (i) to provide an indication of the total time spent at the border going through all the different administrative steps and controls (including non-Customs administrations); and (ii) more importantly, to ensure that all the control steps had been complied with, the vehicle was allowed to move onwards. Control slips, however, had perverse effects. Firstly, when used systematically, they added another step to the process: drivers had to queue at special slip-stamping positions, sometimes involving another (long) wait. Second, processing the slips was a lengthy procedure, especially in pre-computer days. Thirdly, corrupt officials rapidly began to take advantage of the system by extorting fees for simply stamping a document without which the drivers could not leave the border station. Lastly, there was no way of checking the accuracy of the data on the slip, and times were usually recorded in a very approximate manner.

The system was later improved by having drivers obtain the stamp on the control slip directly from the official who had performed the control. This reduced the transaction time and cost slightly, but as the main purpose of the control slip was (and to a large extent still is) to ensure compliance, it was not designed for convenient computer input but, rather, as a record of operations. Most control slips therefore ended up being difficult to process, with numerous stamps overlapping and entries often being illegible, and would only be used in the case of an investigation of a particular vehicle. Again, progress has been made in recent years, with some countries computerizing slips processing, and others entirely automating the data capture process. However, control slips were often used to justify the presence of an otherwise unnecessary agency at the border, and to secure its own funding and staffing.

Certain countries such as the EU member States never used these slips on a large scale; in most cases, they would be introduced only for a short period, and for a small number of vehicles, essentially to obtain statistical data on a limited sample of lorries. Sometimes, a border official would accompany a lorry throughout the process, and fill in the control slip accordingly. This rough estimate of border crossing times was considered sufficient where facilitation was already a major preoccupation, and a single agency (Customs) would manage most if not all the processes and controls.

Subjective assessments

Although the overall processing time was not scientifically established, every border station in the world always had an approximate idea of its clearance times. This was largely based on day-to-day experience, with Customs officers only making rough estimates of their processing times, and not counting the time spent in the queue prior to processing. Also, in the case of transactions that were performed under normal circumstances and without any problem, Customs would only state an estimated time. As a result, there were considerable discrepancies between times claimed by Customs and those reported by the trade.

Agency overlaps

By contrast with what is the case in, for example, the EU, where most border control processes are either managed or closely co-ordinated by Customs, transition countries still largely have their borders run by a multiplicity of agencies. This has blurred time measurement further. Each agency had its own scale of time: Customs would consider clearance as a matter of hours, whereas border guards would evaluate a passport check at less than two minutes. Although a five per cent difference in agency time might appear negligible to Customs, it would still result in an extra half hour of overall processing time, especially compared to much shorter immigration checks. Furthermore, there was a time lag between different control positions, which would not be measured. At the beginning of the Customs process, importers and drivers typically had to obtain the services of a clearing agent, which may also have been required during clearance; how this extra time was calculated was not clear, as Customs would not take responsibility for the work of an outside agent. Other agencies would have their own procedures, which sometimes they were reluctant to measure. Sometimes, these procedures would overlap partly or totally with Customs processing, making precise measuring even more difficult. Lastly, there was usually a final step that consisted of paying all the duties and taxes at a special window, which none of the agencies present at the border would take into account when calculating their own processing times.

Computerization

When Customs operations were first computerized in the 1970s, collecting comprehensive data on clearance times became easier. This essentially applied to goods cleared at Customs facilities, which were not necessarily located at geographical borders. However, it provided a good opportunity for the systematic collection of data on the time it took to release goods for domestic consumption. In those days, Customs were mainly interested in showing that the clearance process, once all the documentation was in order, did not exceed a certain limit, usually pegged at one calendar day. Figures such as 90 per cent of cargo being cleared in less than 12 hours were circulated. Some countries, like Denmark, undertook to release cargo within that time, even if clearance had not

been completed. However, these benchmarks statistically ignored one fundamental matter, namely, the question as to why a specific consignment would take longer to clear than the median? Was it because of an irregularity or because there had been a procedural delay? The average time was never considered, as cases of irregularity would have had to have been included, would have taken a long time to investigate and solve, and would thus have raised average release times. All this happened when Customs in developed countries tried to demonstrate their commitment to reduced transaction times. In addition, border release times were usually not available, as border processes were not computerized as rapidly as inland clearance operations.

The performance measurement approach was, therefore, not entirely reliable. While it did provide a simple management tool for assessing effectiveness, it did not sufficiently distinguish between variables from one border station to another.

9.2. The rationale behind border crossing point performance indicators

9.2.1. The legal framework

The situation started changing when international instruments on trade and transport facilitation appeared, accompanied by an increasing awareness that changes had to be made to the way in which operations were being carried out. The post-transition period in Central and Eastern European countries also revealed considerable delays at border crossing points, which were obviously due to obsolete methods of work. This was the context for the establishment of new international and domestic standards, such as the following.

The International Convention on the Harmonization of Frontier Controls of Goods

Although the "Harmonization Convention" does not specifically mention performance indicators, it sets a number of standards that imply the practices of measurement and benchmarking.

The Harmonization Convention:

- Is aimed at reducing the requirements for completing formalities and also the number and duration of controls, in particular by national and international co-ordination of control procedures and methods of application;
- Provides for simplification and the expeditious treatment of transit shipments;
- Encourages single, shared border facilities (Annex 8), with alignment of control procedures.

The effectiveness of these reform efforts could only be assessed through the use of a unified, simple and undisputable methodology. This necessitated the design of a realistic method of measuring the performance at borders, along transit corridors, or at inland Customs clearance stations. The Geneva Convention of 1982 for the first time provided a framework for serious, aligned work on performance measurement and benchmarking.

The Revised Kyoto Convention

The Revised Kyoto Convention (RKC) established best practices for Customs operations. While recognizing that Customs services are not the only bodies operating at borders, it builds upon the Harmonization Convention in that it lays down the principle that Customs: (i) is the major operator at borders, (ii) has the necessary skills and competence to carry out checks on behalf of other agencies when necessary (or whenever justified), and (iii) should take responsibility for releasing goods once it is satisfied that all obligations and legal requirements have been met. The RKC stresses the need for selective verifications based on risk management, which was a departure from the traditional approach of comprehensive checks. Importantly, it established the notion that risk can vary vastly from one agency to another and that Customs has the ability to apply differing risk management criteria to the same transaction (i.e., the fact of crossing the border). The RKC also introduced the concept of "Coordinated Border Management", which naturally implies that Customs should be accountable for the checks they carry out on behalf of other agencies – and for their duration. Chapter 6 of the General Annex of the RKC, "Customs Control", also focuses on the subjects of performance measurement and compliance measurement. Although the purpose of compliance measurement is essentially to divide up various categories of traders passing through Customs, it does require an accurate database that can only be derived from performance measurement.

National legislation

Some countries have introduced legislation limiting border processing or inland clearance times. Certain Customs codes or other laws stipulate the maximum time it should take to process passengers, cars, coaches, or lorries crossing the border, or set a maximum time for the release of goods. However, such legislation is not always as effective as one might imagine. Firstly, the time limits only apply to compliant transactions. If a passenger is not in a regular situation, or if documentation presented for goods clearance is incomplete or inadequate, the transaction is excluded from the benchmark. Secondly, the legislation can have a psychological effect in that when officials are given a maximum permissible processing time, they tend to use the total time available, even if a particular transaction does not justify it.

9.2.2 The need for reliable indicators

Earlier indicators were, characteristically, fragmented in that they were often agency-specific or ignored waiting times or breaks in the border-crossing procedure. While considered useful, they were not seen as indispensable in an administrative environment where a strong culture of control and suspicion towards the private sector prevailed. In addition, the perception was that delays were short enough already, and there was no need for action to shorten them further. This situation changed radically when international donors started linking their support for infrastructure projects to an actual improvement of performance. Traditional indicators were no longer sufficient.

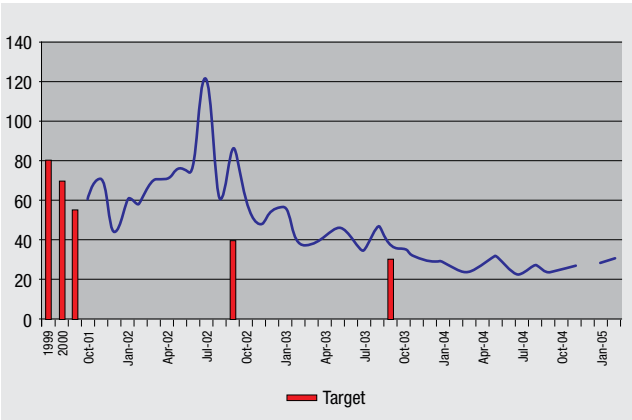
The new approach to indicators

The first time that performance potentially became a significant element in project effectiveness was in 1998 under the Trade and Transport Facilitation in Southeast Europe (TTFSE) programme funded by the World Bank. The programme was very much output-oriented. While it aimed at reducing border delays and corruption on a regional basis, it consisted of specific country projects. The TTFSE programme relied heavily on the use of performance indicators for: (i) establishing baselines, (ii) setting targets for improvement, (iii) assessing performance and establishing benchmarks, and (iv) combining local border station performance with national performance ratios. The TTFSE programme was original in that it subordinated performance to further disbursement, and established mechanisms to correct deviations when insufficient performance was detected.

The first step was to set adequate baselines. As the methodical measurement techniques later used had not yet been defined and introduced, it was necessary to rely on subjective data provided by countries or administrations. As annual targets for improvement were founded on the baseline, over-optimistic values were set for annual reductions in processing time.

As shown in Chart 9.1, it took nearly four years to achieve the project objectives, essentially because the 1999 and 2000 baseline figures were pegged too low. Times are shown in minutes.

Chart 9.1 Border processing targets and times



The second step was to propose annual reductions in border crossing times, which consisted approximately an annual reduction of 20 per cent of the overall time. Therefore, the lower the baseline was, the less the reduction would be. A major difficulty that appeared during project negotiations was that Customs administrations – the primary client under the TTFSE programme – would not accept liability for overall border crossing times, saying they had no control over other agencies' work habits and performance. However, they rapidly understood that: (i) under international instruments, they were supposed to take the lead in border management; (ii) they could exercise significant influence over private sector operators who were also responsible for delays; and (iii) the World Bank could assist in obtaining some level of inter-agency co-ordination, which had until then been rather unusual.

In a third phase, regular monitoring mechanisms were established at a number of pilot locations situated on major transit routes and at major industrial centres.

An annual review and analysis of border performance was carried out in each country under an extensive supervision and monitoring scheme that was part of the TTFSE programme. Additionally, twice-yearly meetings of a Regional Steering Committee (RSC) provided the opportunity for participating countries to exchange performance data and establish some form of peer pressure to promote the meeting of the best regional standards.

Indicator outcome

On the principle that what is measured is managed, performance indicators highlighted procedural deficiencies and pointed to common sense improvements. In addition to border crossing times, the number of examinations with subsequent detection of irregularities was monitored. Similarly, performance measurement kept track of the number of commercial vehicles cleared in less than 15 minutes. Both these indicators rapidly showed the inadequacies of: (i) full-scale inspection of every vehicle crossing the border, (ii) repeated inspection of the same vehicle by different agencies, (iii) checks performed at the border that could have taken place inland, and (iv) the habits of private operators, which played a major role in border delays. Quantitative data enabled Customs management to push for structural reforms and better inter-agency co-ordination, for example, consolidation of checks, joint controls with the border guards, a comprehensive risk-based approach to controls, and a better partnership with trade. Another important outcome was the ability to test in real time the effect of new streamlined procedures introduced at pilot locations.

Over the years, the World Bank has continued to use regular performance measurement to:

- Establish triggers for disbursement of tranches of structural adjustment loans, which has proved to be a cost-effective mechanism for promoting reforms without actually involving their piloting, the indicators then becoming a proxy for the evaluation of modernization efforts;
- Set project effectiveness targets;
- Assess performance and quantify economic savings;
- Test and rationalize new procedures while providing data indicating whether revenue objectives are being met;
- Adjust hours of opening (a Harmonization Convention requirement);
- Evaluate average compliance to facilitate client segmentation under the control policies of the different border control agencies.

Performance measurement systems

While there are significant differences between the various systems that have been designed by various International Organizations, it should be noted that they also serve different purposes.

- The time-cost study designed by UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific) is essentially based on corridors in Central and Eastern Asia. While the survey is founded on a sample of lorry drivers and shows the choke points in terms of waiting times, the analysis occurs separately. The time-cost study has not been renewed recently, though if renewed it would show the evolution of delays along major transit routes and thus indicate major areas for reforms.

- The Time [for] Release Study (TRS) designed by the World Customs Organization (WCO) is a powerful tool for the detailed analysis of Customs processes. Recently computerized, it includes options for measuring delays due to causes other than Customs agencies and operators through the use of time-stamps that flag interruptions in the clearance process. However, the TRS is heavily reliant on extensive Customs declaration data, which may not always be available at border stations, and although the methodology has now been adapted to land border stations (it was originally designed for sea ports), it requires an extensive sample over a short period, which may not be representative of longer-term trends. The TRS, which has been carried out in numerous WCO member countries, is very resource-intensive, and can only be performed once every year or two. However, it is still the best analytical tool available for evaluating Customs performance and shortcomings.

- The TTFSE methodology was designed to measure long queues at land border stations in the Balkans. It is based on a "black box" concept: times are measured from the moment a vehicle joins the queue in the exit country until it leaves the border facility on the other side. The other information collected is whether a vehicle was inspected or not, and what the result of the inspection was. Measurement is done by using observers (usually off-duty border staff) posted on both sides of the border at the entrance to the facilities and on the actual border line. Their reports are reconciled into a single database, together with additional reports given to the observers for vehicles subject to physical examination. Measurement takes place over a period of 72 hours every month, on different days each time, thus ensuring a reliable sample and consistency between peak and off-peak periods. A more detailed analysis and breakdown between different control positions may be carried out occasionally, but by contrast with what is the case for the *Laufzettel* system (see below), this is not done systematically. To this day, it is the TTFSE system that has collected the most comprehensive data series for South-East European countries.

- The International Road Transport Union (IRU) runs an observatory of border crossing times, which are displayed on the web as an interactive map: www.iru.org/bwt-app. Unfortunately, the information available is not very detailed.

- The World Bank Group publishes Doing Business indicators with an annual ranking of countries. The Doing Business survey is based on a sample of operators selected according to a sophisticated protocol and largely focuses on pre-import delays (such as obtaining licences and permits) as opposed to actual border processing values. This sometimes results in discrepancies between Doing Business figures and border processing values as measured with other tools.

- Another tool is the World Bank's recently developed Logistics Performance Index (LPI), which was designed in conjunction with a Finnish university. The LPI is a comprehensive attempt at combining quantitative measurement with a subjective evaluation. It is essentially based on user surveys, with detailed closed questionnaires being used to establish the administrative environment of border and inland clearance processes. The LPI methodology can be used in conjunction with the TTFSE system.

- The *Laufzettel* (German for *control tag* or *tracer*) survey was launched by the EU for the Baltic States. The study included all declarations processed during a period of seven consecutive days of normal traffic, ensuring a sufficiently representative sample.

It was conducted at least at one border Customs office in each country, primarily at land border crossing points, in co-operation and co-ordination with the partner Customs office of the neighbouring country. Surveying continued from the joining of the queue until full release on the other side of the border, and incorporated all processes (i.e., not only Customs) and idle time. It relied on a detailed form being filled in for each vehicle, with every control step being indicated. The *Laufzettel* captures all the relevant data, and provides both a detailed analysis of processing times and an overall border crossing time. The disadvantage of this approach, however, is that it is comparatively resource-intensive.

- Poland has to a very large extent computerized data on its cross-border movements. Every lorry entering a Polish border station receives an electronic card, which is machine-read at all steps of the clearance process, and also at other agencies' control positions. It provides comprehensive statistical data, and is also used as a control slip/gate pass. The only limitation of the Polish system is that it seems to capture queuing times prior to entry into the border facility. Data on border delays is published on the websites of the various Customs houses and updated several times a day.
- Corridor measurement was introduced in Central Asia with the use of the TTFSE methodology, complemented by trip diaries and driver interviews. The survey was reinforced by having "dummy" lorries with an observer noting all roadside incidents, in particular, rent-seeking checks at traffic police road blocks.

In all cases, local analytical tools are necessary to interpret the data. The key function of these methodologies is that of combining recurrent information with an analytical capacity to understand the delays and interactions between the different processing steps. For this reason, methodologies should be used in conjunction. For example, the TTFSE measurement system provides reliable, essentially snapshot, statistical data and gives an evolution trend, with the advantage that it can be carried out regularly; and to complement it, the TRS can be used once a year or every two years in order to obtain a fine analysis of Customs procedures and identify the reasons behind the evolution that has been observed.

Given that the purpose of performance measurement is to assess project results, it could be argued that once the project is over, so is the need for performance measurement. This is not always the case, for the following reasons. Firstly, some countries have maintained performance measurement long after Customs or border infrastructure development projects were over. Secondly, some Customs administrations are keen to maintain regular monitoring between TRS surveys. And thirdly, several administrations have found that performance measurement is a major management tool for use of resources and anticipating events.

Institutionalizing performance measurement has also highlighted some difficulties linked to: (i) targets serving as triggers, (ii) outside influences, (iii) difficulties in definitions and interpretation, and (iv) inter-agency friction. However, experience acquired has made it possible to refine performance measurement methods and define more aggregate indicators, which can subsequently be used for monitoring and benchmarking.

BOX 9.2

Benchmarks and indicators in the EU and countries of North America

Several EU and North American countries have recently reinforced the use of Customs performance indicators for management purposes. Some establish benchmarks (i.e., a high percentage of imports must be processed within a brief time limit), while others set targets (for example, levels of detection of smuggling). In some cases, officials share rewards when they achieve the objectives, which have been set collectively.

The benchmarks are more useful from the perspective of Customs than of the private sector, as most operators already know that consignments will be cleared in a brief period, if not instantaneously, which suffices to serve just-in-time objectives. On the other hand, deviation from the benchmark enables administration headquarters to assess work habits and review procedures and organization.

Targets are at times more debatable. While it is good practice to assess an average rate of detection at the post-clearance verification level, it may be more difficult to extend these targets to specific local post-clearance offices, especially in an environment where importers can clear goods wherever they want. This applies even more to enforcement targets, as Customs regions may be assigned an annual volume of detection of smuggling (notably drugs), which is often calculated on the basis of the previous year's results. Meeting targets (or not meeting them) has consequences on management assessment, performance bonus and staff evaluation. As a result, there are numerous situations where local units try to attain performance figures by chasing relatively minor violations, which provide a steady flow of cases, to the detriment of more serious investigations which may be more resource-intensive and the outcome of which is more uncertain.

9.3 Working with performance indicators

Using data collected monthly over a period of four to five years, the TTFSE programme compiled a data series on over 30 border stations and inland locations that is the most comprehensive available today. The locations, known as "pilot sites", were selected because they were on major international corridors or were large stations and were considered as representative of cross-border activity throughout South-Eastern Europe. The methodology was regularly updated to ensure that the data collected reflected the overall situation on the ground, and that extreme cases were isolated, while the size of the sample was gradually reduced to limit collection costs. The fact that the methodology is so reliable then allowed it to be used for purposes other than monitoring. The fact that the TTFSE approach is probably the most comprehensive performance data gathering system has led to replication of the methodology in many other countries, albeit on a smaller scale. The following section will therefore describe the experience acquired and the lessons learnt during the TTFSE programme, and will examine how management and reform tools can be derived from these indicators.

9.3.1 Collecting and processing performance data

Data requirements were identified during preparation for the TTFSE project, and expected performance progress stated explicitly. Table 9.1 below shows the baseline values and agreed targets for the project duration. A methodological handbook was published to assist in the interpretation of the different indicators.

There were three categories of indicators:

- Local border station ("border pilot site") values. These were essentially based on times, with some

Table 9.1 Performance Targets Matrix

Indicators	Dec 1999	Sep 2000	Sep 2001	Sep 2002	Sep 2003
	Actual*	Target	Target	Target	Target
1. Pilot Sites Clearance Performance					
Pilot Inland Terminal					
Import clearance time (mins)	90	80	60	50	30
Physical examination (%)	15	12	10	8	5
Trucks cleared in less than 15 mins	0	0	10	25	50
Irregularities/number of examinations (%)	5	8	10	12	15
Pilot Border Crossing 1					
Truck examination (%)	15	12	10	8	5
Irregularities/Number of examinations (%)	2	5	10	20	40
Average border exit time (mins)	60	28	25	23	20
Average border entry time (mins)	60**	28	25	23	20
Surveyed occurrence of corruption (%)					
Reported occurrence of corruption (count)					
Pilot Border Crossing 2***					
Truck examination (%)	15	12	10	8	5
Irregularities/Number of examinations (%)	2	5	10	20	40
Average border exit time (min)	30	28	25	23	20
Average border entry time (min)	30	28	25	23	20
Surveyed occurrence of corruption (%)					
Reported occurrence of corruption (count)					
2. Development Objective Achievements					
Total Customs Cost/Revenue collected	1.3	<1.5	<1.5	<1.5	<1.5
Revenue collected/customs staff	480	530	580	640	700
Salaries/Revenue collected (%)	.63	<0.7	< 0.7	<0.7	<0.7
Trade Volume/ Number of staff	800	880	970	1060	1160
Annual Number of Declarations/ Custom staff	267	300	350	600	1000
Transport Cost for the main export commodity traded with the three main trading partners (US$- base 100 in 1999)	100	100	98	96	94
Value of Recorded Imports (US$ million)	4900	5300	5750	6200	6650
Value of Recorded Exports (US$ million)	3900	4450	4900	5400	5880

* Baseline values were provided by the administration without any rigorous measurement.
**Interviews with the private sector indicated that three to four hours were required to cross this border (both sides), while Customs had a preliminary survey indicating 28 minutes. A median value of one hour was therefore adopted, in the absence of reliable baseline data.
***Each TTFSE country identified at least two border stations and one inland clearance terminal.

additional data on physical examination and the correlative rate of detection of anomalies. The principle was that the border was treated as a "black box" where only entry and exit times would be recorded, irrespective of which agency was involved in processing and/or delays. This was considered as a necessity, as it avoided the blame for delays being laid on a specific agency (possibly inaccurately in the initial stages), created a sense of teamwork between agencies at the border, and provided an opportunity for the local administrations to analyse the data and draw the right conclusions. The idea was to measure time from the perspective of the lorry driver, from the beginning to the end of the border clearance process, preferably in both countries at the same time. The recording of physical examinations and corresponding detections (if any) was intended to show, in a culture of 100 per cent examinations, the ineffectiveness of that approach and the high marginal cost of detection;

- Inland clearance terminal values ("inland pilot sites"). By contrast with what was the case at border stations, the major key player at inland terminals was the Customs administration, with some more limited inputs from other agencies. The role of clearing agents, which becomes important when goods are cleared for a final Customs regime, was also factored in to the measurement;
- National indicators were collected annually. These provided ratios, which facilitated comparisons between one year and another and also allowed international comparisons, which were obviously only useful if account was taken of the possibility of Customs administrations of different countries having differing mandates.

A data collection procedure had to be designed. Given that the objective was to institutionalize performance measurement, it would have been logical to hand the entire measurement process over to Customs. This would also have been consistent with the Harmonization Convention, which stipulates in Article 1 of Annex 1 that "other controls shall, as far as possible, be organized in a harmonized manner with Customs controls," and in Article 3 of Annex 1 that controls shall be carried out simultaneously and/or be delegated to Customs.

There were three principal reasons why this solution was not adopted in its entirety. Firstly, the process of performance measurement was altogether new, and required a consistent approach throughout the region in terms of data collection methodology and analysis. Secondly, as satisfactory performance affected financial disbursement, the data had to be totally reliable, with no risk of conflict of interest at collection level. And thirdly, the existing environment with the border guards performing a strong, quasi-managerial role made it more difficult for Customs to take control of the data collection procedures.

For approximately the same reasons, it was felt that involving the private sector was not, in those days, a viable solution. Another reason why a strong private sector involvement was unrealistic was that the objective was to reach an agreement on indicator representativeness, and there would have been disputes between traders and the administrations over the results.

The option that was retained was therefore a combination of inside and outside observers. The data collection exercises were monitored by the Southeast European Cooperative Initiative/SECI-TTFSE Advisory Teams (STATs), but data was collected by local, off-duty enforcement staff placed at the entrance of the border facility and on the border line. Whenever possible, simultaneous collection would take place in the counterpart country. On a simple data sheet, the observers would note the registration number and nationality of the vehicles, and time of observation. At the end of the collection period, the sheets were consolidated into a simple database using the licence plate number for matching entry and exit data (see Table 9.2 below). A different sheet was used at each point of observation.

Diagram 9.2 below shows where the observers were placed within the border station. The entry point of collection

Table 9.2 Truck Arrival/Departure Log

Location _____ Date/Time _____

License Number	Country of Registration	Arrival/Departure Time

Table 9.3 Truck Examination Report

Location _____ Date _____

Truck License Number _____

Beginning Time _____ Ending Time _____

Reasons for Examination _____

_____

_____

Actions Taken _____

_____

_____

Examination Results _____

_____

_____

Irregularity Discovered: Yes _____ No _____

Examining Officer: _____ (Signature)

_____ (Print Name)

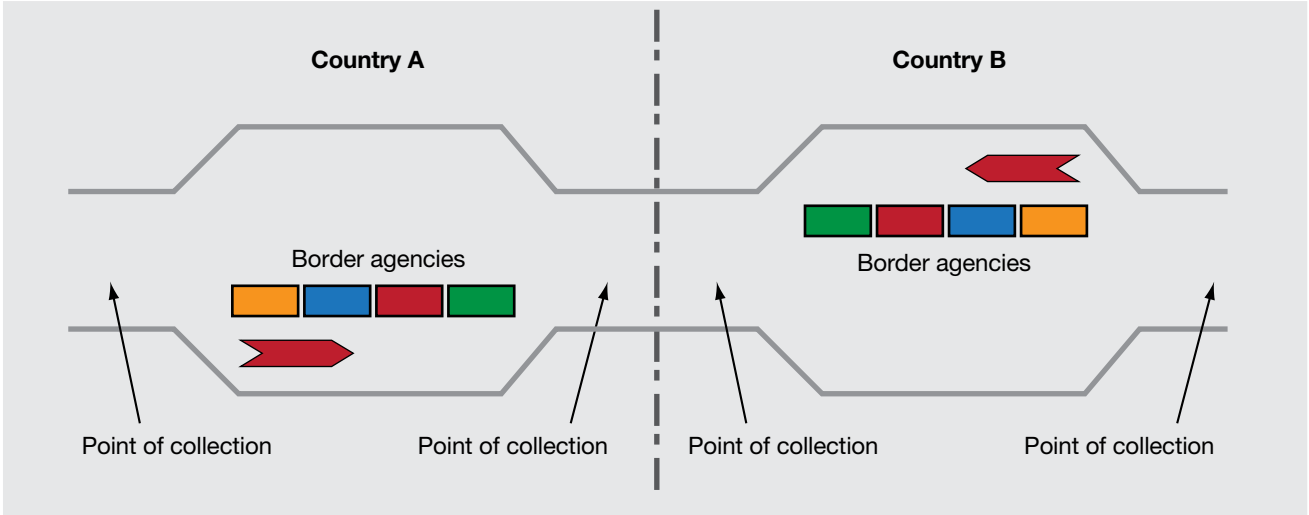
When there was a physical examination, the inspector was asked to fill in a special form. The form was collected when the vehicle left the facility.

would move upstream as queues built up, as the principle was that a lorry had to be logged as soon as it started waiting. When queues were staggered at the entrance of a border station (i.e., when police authorities held lorries in smaller groups with intervals between them to allow light vehicles to overtake them), the measurement started at the last major build-up of traffic upstream of the border facility.

As experience grew, the collection teams became more independent, with the STAT simply setting the collection dates, collating the data sheets and calculating average times. The STAT also carried out random data audits to ensure that the standards of collection were followed. On some rare occasions (in particular when average times were deteriorating and might have affected the World Bank project rating), the STAT found that times had been deliberately entered after the actual time of arrival. This was fairly easy to detect as the data from the country of exit could be matched against the country of entry, and it would have also been difficult for the observers at two points of collection to simultaneously enter consistent false data. When this was the case, if only a few records had been altered, they were simply removed from the sample; otherwise, the entire collection exercise was started again.

Attention also had to be given to data sampling standards. Data collection took place on a monthly basis, over a period of 72 hours, which was at first considered sufficient to ensure a reliable sample. However, it was subsequently felt that processing times might differ

Diagram 9.2 Data collection points



depending on whether the days were peak or off-peak. So the approach was adapted to use different collection periods from one month to another (for example, Monday to Wednesday in the first month, Tuesday to Thursday in the second, and so on). The following formula was also used:

	Busiest day	Normal day	Off-peak day	Total trucks
Number of trucks	nB	nN	nO	tT
Per cent of total	pB	pN	pO	100
Average time per truck	tB	tN	tO	
Adjusted indicator	$I_1=(tB*nB)/tT$	$I_2=(tN*nN)/tT$	$I_3=(tO*nO)/tT$	
Aggregate indicator				$=I_1+I_2+I_3$

When the TTFSE methodology was later replicated in other countries, a simpler method was devised. The first three collections covered all days of the week. From the results it was possible to establish the day of the week and the day in the month for which the average was the closest to the weekly average initially computed. It was then decided to take that day every month as the pilot period for collection, or, when a wider sample was required, the week incorporating that day. The system worked well at seaports, where workload depends, to a large extent, on the arrival of scheduled ferries.

Another difficulty was the overall time span. While it was stated that all traffic would be cleared in less than one day, there were cases at inland clearance terminals, and even at borders, where delays could be longer. The 72-hour time period was sufficient to deal with these when the arrival took place on the first, and possibly second, day of the collection period. However, this was not applicable to arrivals on the third day. In addition, it was considered unfair to blame the authorities for a delay that might have been caused by a procedural error made by the importer, or in the case of their detection of a smuggling offence. The solution adopted consisted in eliminating extreme delays for each collection sample, as long as they did not exceed five per cent of the total sample. This proved sufficient not to distort the overall average time or the median values, and dealt with the unusual length of some clearances.

At inland clearance terminals (ICTs), the data was collected between the arrival of a lorry at the Customs control area and the issue by Customs of the release note. The additional delay that might occur between release by Customs and the lorry actually leaving the ICT was not measured, as it only depended on the driver. On the other hand, it was important to note the time of arrival, as it incorporated subsequent declaration preparation done by the clearing agent.

For inland clearance, it was decided that when goods could be cleared directly on the premises of the importers (thus avoiding the carrier having to report to a Customs house before disposing of the goods), the calculated dwell and clearance time would be zero, thus giving a bonus to in-house clearance. This approach to some extent promoted customized clearance procedures.

At all pilot sites, the data collection period was usually announced as late as possible to avoid risks of data and traffic manipulation. The dates were set by the STAT, and usually announced the day before to local staff (i.e., once the shifts had been already designated).

9.3.2 Major findings

Once established, the principle of indicators gained general acceptance. Initially, however, there was some reluctance: border matters were still considered as pertaining to national security, and therefore shrouded in secrecy; some administrations resented, for right or wrong reasons, what they saw as an intrusion in their operations; and others who did not benefit directly from the World Bank lending programme were not easy to bring into the scheme. There were three fundamental problems, which it took all the diplomacy of the STAT to overcome:

- The notion of a global indicator for all border processes was in contradiction to the general agency habit of blaming all the other agencies for delays; every agency (in particular Customs) wanted to be responsible only for its own procedures and associated times, and was not prepared to take into account external variables (such as the behaviour of lorry drivers or clearing agents who also generated delays of their own);
- All the border agencies were strongly opposed to measuring queuing times. They were eventually won over with the argument that long waiting times would not be attributed solely to administrations, and that if lorries, once cleared at the border for onward traffic, chose not to leave the territory, this might also have been because of traffic jams on the other side; measuring delays thus made it possible to calculate the delay overspill from the other country;
- The third problem was resentment at what was seen as something imposed by outsiders, both in terms of expected results (the reduction in times) and of further disbursement, combined with the concern that operations at one pilot site might have wide-ranging consequences at country level and that officials at one particular site might be held responsible for this by their superiors.

In order to clarify the situation, a policy was developed: data collection results would be first communicated to local managers. A joint analysis would be carried out

between the agencies to identify the causes of better/worse performance, and the overall time could, on a more limited sample basis, be broken down into the different steps. The STAT would act only as a facilitator in the process. A local team, known as the Local Project Team, would also try to elaborate procedural streamlining or reform.

Time targets were usually achieved. As is shown by Chart 9.2 below, these targets were met relatively early in the project. Although there were a few cases when they were not entirely achieved or sustained, the fact that there was regular monitoring had an overall effect on the way in which operations were carried out and did generate improvements. Throughout the region, times for border release improved steadily, as long as they were dependent on the way in which controls were being carried out at local level.

Chart 9.2 Monthly monitoring of times

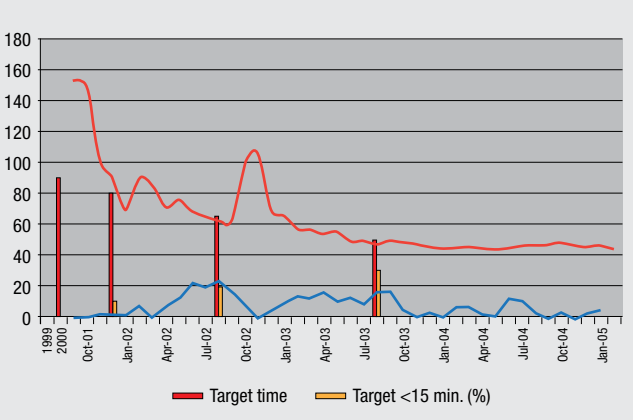
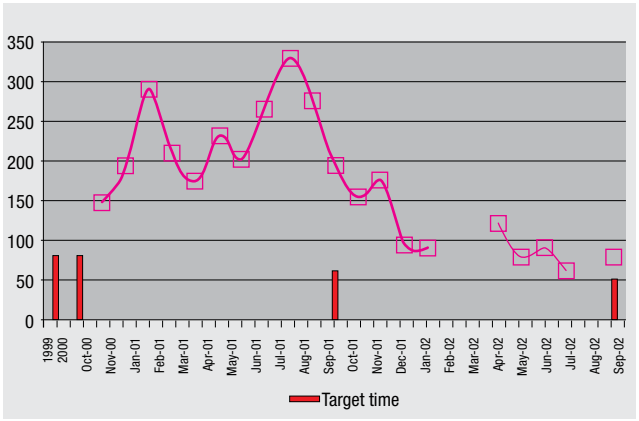


Chart 9.3 shows a case when time targets were not met at an inland clearance station. The immediate reason was that targets had been unrealistically set because that country was particularly confident that its (as yet unsurveyed) results were good. The first data collections showed times twice as large as the baseline. The administration, the STAT, and the Bank supervision team put together an emergency recovery plan, which consisted of:

- Drastic reduction in the level of physical examinations, in particular cursory checks;
- Reorganization of the processing chain;
- Introduction of pre-arrival notification, in the form of a faxed copy of the transit document, so that the clearing agents could prepare the declarations before the arrival of the goods, and Customs could do some risk-profiling ahead of the declaration;
- Applying pressure on the clearing agents and introducing a certain measure of competition among them.

Chart 9.3 Off-track indicators



When these measures were introduced, results started improving and delays fell almost immediately.

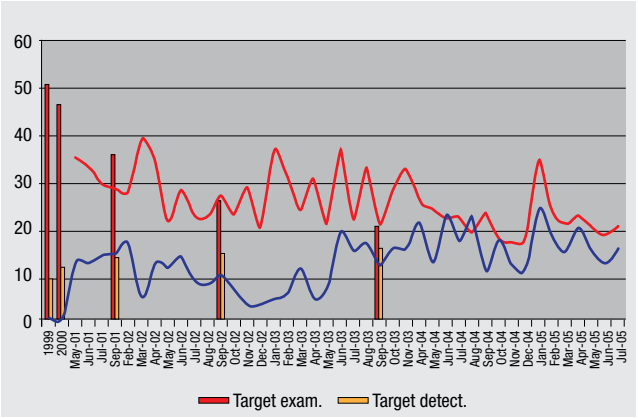
The weakness of the examination policy became apparent. For many reasons Customs inspected practically everything that was declared. This applied to both commercial and non-commercial traffic, though the inspection usually consisted of a very cursory examination. For example, Customs would systematically do a "tailgate check" (i.e., simply opening the back of a container without taking out any of the parcels), which was described as a "visual inspection" and which Customs were reluctant to count as an examination. An "examination", however, was clearly defined as any action that would delay a vehicle because an official wanted to look at it, which would also apply to "visual inspections". Furthermore, even if visual inspections only lasted a minute or two, it was unlikely that the Customs officer would carry them out immediately. They did thus generate additional waiting time.

Chart 9.4 shows the correlation between examinations and the detection of irregularities (defined as anything that did not match what had been declared). In this particular example, the rate of examination was already below 50 per cent when measurement started, which made it all the more relevant. The top line shows the rate of examination, and the bottom line the percentage of detection. For the first four years, the number of detections was in inverse proportion to the rate of examination. The more examinations there were, the less likely it was that a detection would be made. The example was striking enough to encourage all the TTFSE countries to revise their examination policy. In subsequent years, when risk management was introduced and computerized, the results changed totally, as the right-hand part of the chart shows.

The difficulty was in measuring the rate of detection. When asked, Customs officers would say that nearly every declaration contained an irregularity. However, very few were reported. In some cases, this was because Customs would simply ask the declarant to correct the error, without taking any subsequent action. In other cases, irregularity reports would be lodged with a separate

unit at Customs headquarters, and would only appear as statistical results once the cases had been adjudicated, and penalties collected. Finally, Customs apparently only considered blatant cases of smuggling or undervaluation of goods to be real offences. All the rest were usually dismissed as minor offences, with only corrective (and discretionary) action being taken at local level. This was of course highly irregular and often led to corrupt practices. Only when countries were encouraged to introduce irregularity logs, with a link between declaration numbers and corresponding irregularity reports, did the real figure of detections emerge. It was very low, but the proportion of detections normally increased when there was a lower rate of inspection.

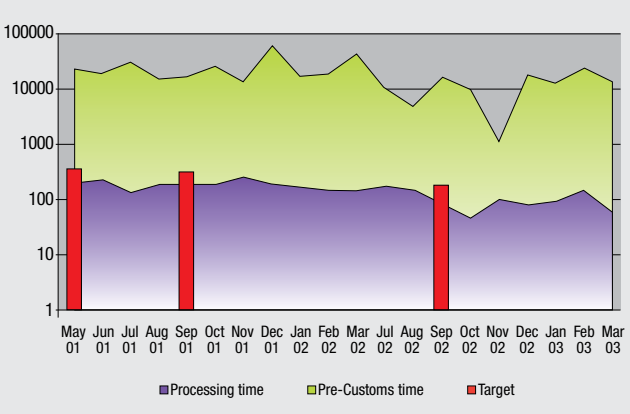
Chart 9.4 Rate of examination and detection



Another matter that was revealed was the role of the private sector in delays. The traditional image was that drivers waited for hours, if not days, at border stations until, in a rare gesture of goodwill, border officials would open the gates for a few drivers admitted to the bliss of a rent-seeking environment. Reality, as shown by performance indicators, was somewhat different. Charts 5 and 6 below show the findings at a ferry port and a land border.

Chart 9.5 shows that when the time taken by clearing agents to prepare and lodge declarations increased, the Customs delay tended to shorten, and increased again slightly when agents reduced their own processing time. One explanation could be that the longer it took to prepare a declaration, the more likely it was to be accurate and immediately accepted by Customs. However, discussions with local staff and operators indicated that clearing agents knew what the overall time would be and therefore adjusted their work patterns accordingly. In addition, while goods were kept under Customs supervision, there was no duty to pay and warehousing charges were lower than would have been incurred at an inland storage facility. Lastly, it appeared that importers would try to sell the goods before clearance, only clearing them once a down payment had been obtained from purchasers. The responsibility for long clearance delays was shared between Customs and the private sector, while also deriving from the Customs code allowing for inconsiderately long delays for declaring goods arriving by sea.

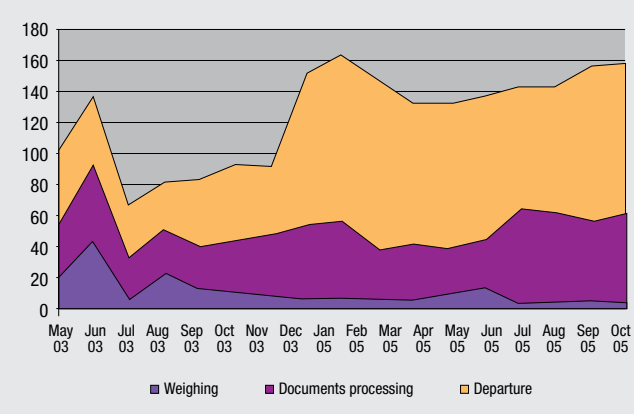
Chart 9.5 Comparative performance of Customs and importers/clearing agents at a ferry port (logarithmic scale, time in days)



For many years, "I had to wait at Customs" was a standard explanation for being behind schedule. However, performance measurement largely dispelled the legend that all border delays were due to Customs. The pre-declaration lodging or post-release departure delays were made abundantly clear by the breakdown between processing and dwell times. The queue effect showed that other agencies could also cause delays, even when their processing was simple and short. In some countries, it appeared that Customs time – including queuing up to reach the Customs control position – did not exceed six per cent of total time. This played a major role in encouraging Customs to internalize measurements, as it provided Customs authorities with a justification of their performance and, in time, demonstrated the effectiveness of their modernization efforts.

Chart 9.6 below shows the breakdown at a land border post between the weighing station, the document processing phase, and the time spent by the driver after release of the lorry. (Queuing is included in the processing phase; immigration checks are incorporated into the document processing phase.) The results show that an increase

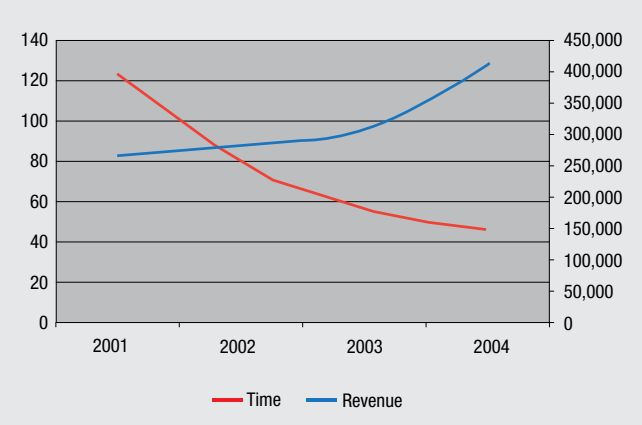
Chart 9.6 Breakdown between major processing positions at a land border post



in administrative times had a more than proportional effect on the time spent by the driver after release, and this driver time was steadily increasing. The explanation was that drivers had work patterns and habits, and would always prefer to wait in the secure environment of a border station rather than at a less safe roadside lay-by inside the country. Drivers were also used to driving in convoys, and would wait at the border station until all the members of the convoy had been cleared.

Interestingly, it was also established that as times came down, revenue went up. Chart 9.7 summarizes data for all the countries in the TTFSE programme. It shows that the reduction in clearance times was accompanied by an increase in revenue collected. While there were many reasons why revenue increased (including the volume of foreign trade and the depreciation of the United States dollar, in which all calculations were made), improved procedures and greater facilitation did play a role.

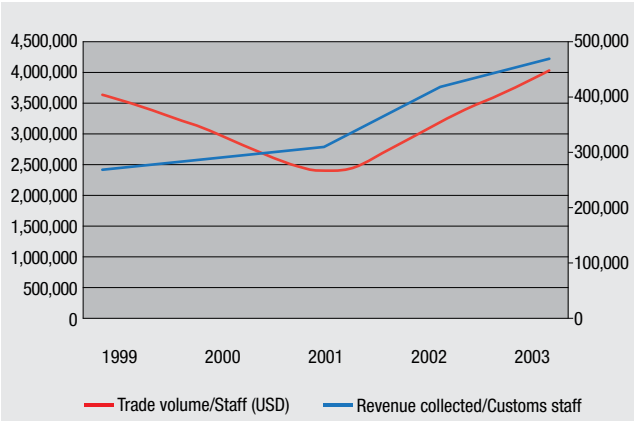
Chart 9.7 Relation between time for clearance and revenue collected



This is clear from the evaluation of revenue collected on average per Customs officer. Chart 9.8 compares the total value of imports with the revenue collected per member of staff. The increase in collection is constant while duty rates remained unchanged, denoting improved staff performance, and the positive results of checks being better targeted.

Not only had performance indicators shown their effectiveness and added value, but they had also shown how they could easily be internalized, not only by Customs but also by other control agencies or the private sector. In some countries they are still used, even though the TTFSE programme has come to an end. In some cases, they have been taken over – and refined – by local facilitation bodies. Although a variety of different methodologies are in use in other regions, all show similar results. The World Bank's annual publication of the Doing Business indicator with its associated country rankings is a well publicized event. Thus, there are now clearly ample opportunities to move forward by developing a comprehensive set of indicators, which will lead to new benchmarking perspectives.

Chart 9.8 Annual revenue collected per Customs officer



9.4 The way forward

The number of initiatives currently under way shows the importance generally accorded to performance measurement. Many countries are introducing performance indicators to investigate delays and their causes, or as a broader management tool. Unfortunately, as there are considerable differences in the scope and utilization of the various methodologies developed so far, it is difficult to establish reliable international comparisons. More attention could also be paid to ensuring consistency between different countries, through the refining of collection procedures and standardized analysis. At the same time, it is most important that indicators should be holistic, easy to implement, reliable, recurrent, and based on an inexpensive collection mechanism. All this requires adequate internalization and resources.

9.4.1 Standardization of the methodology

Although each category of indicator can provide multiple outputs, it is still designed to serve a primary purpose. The following sections consider the following categories in turn: indicators of time, of facilitation, of procedures, and of effectiveness.

Indicators of time are primarily intended to show the duration of the process concerned. As mentioned above, they can be purely statistical (each process lasts on average x minutes), or compounded with waiting times (average time between joining the queue and being released). They can be agency-specific or aggregate, or even include delays due to a voluntary decision made by the user, for example, to have a meal while at the border. When collected according to the "black box" concept, they can be disaggregated through additional sampling during the survey (one lorry in ten surveyed is subject to a more detailed collection of data), or, if an electronic capture system is in use, through the identification of the different positions within the border station. The TTFSE

methodology focuses more on the overall time indicator, but can be carried out regularly. While the *Laufzettel* approach immediately provides a detailed breakdown, it is more resource-intensive and cannot be carried out as often. When they are well designed, these indicators provide figures acceptable to all parties involved (administrations and private sector users). The UNESCAP time-cost study also falls under this category.

Indicators of facilitation focus on formalities and the associated transaction cost. They typically address "behind the border" formalities (licences, permits), and sometime post-clearance events (post-release checks and investigations by Customs). The major difficulty with these indicators is the obtaining of reliable data. In the absence of agency-specific indicators (for example, time to obtain a licence in the Ministry of Commerce), facilitation indicators rely mostly on data provided by a panel of importers, with occasional spot-check validation. If the cross section of the sampled population is too limited, these indicators will show distorted results. The use of questionnaires to collect the data is also at times problematic. There was one case in which importers were asked how many times they had been visited by Customs and Inland Revenue officials in the previous year. Every visit was regarded as an anti-facilitation event. However, the questionnaire ignored the fact that when Customs visit a company, it might also have been because there was no upfront check when the goods first entered the country, or because of the goods being cleared on the premises of importers as part of a simplified procedure. In this case, a facilitation measure is counted as a trade

BOX 9.3

Indicators of time

Indicators of time show average, median, maximum and minimum times at a border station or inland clearance location. They can be aggregated or broken down between different procedural steps. They are easy to collect, but require a good sampling methodology, unless they are computerized. Typically, they also measure waiting times before reaching the border station and time spent there after release.

Scope of time indicators:

- Border stations
- Inland clearance stations
- Transport corridors

Use of time indicators:

- Evolution of average waiting and processing times. This helps in the choice of border crossings and itineraries, and calculates delivery times;
- Before- and after-reform evaluation. The indicators show the results of a reform or introduction of new infrastructure and systems. To be reliable, they need to have been measured several times before the reform, and followed by several measurements after the reform;
- Evaluation of peak and off-peak performance.

Derived results:

- Station design (number of lanes) and shift structure and harmonization
- Cost effectiveness of procedures (also using indicators of effectiveness)

Combined use:

- With indicators of facilitation to analyse results and validate findings
- With indicators of procedures to evaluate procedural impact
- With indicators of effectiveness to assess and benchmark a particular border station

BOX 9.4

Indicators of facilitation

Indicators of facilitation are good at showing the incidence of back office procedures (Doing Business) but appear to be weak on real-time performance measurement. These indicators are rather expensive to collect, and cannot be used monthly or daily. They essentially rely on user feedback, and may be inconsistent with administrative performance; and they may also be suspected of having an anti-administration bias.

Scope of facilitation indicators:

- Administration headquarters
- Enterprises
- Holistic perspective

Use of facilitation indicators:

- International ranking
- Pressure on administrations
- Incidence of corruption

Derived results:

- Logistical decisions
- International value
- Could be used as triggers

Combined use:

- With quantitative indicators, which they can validate
- With indicators of procedures, to validate user comments

impediment. The proxy used to compute these indicators should also be carefully reviewed. An important element, which is often neglected, is the job satisfaction index of administration staff, as it affects service delivery.

Both Doing Business and Performance Index indicators fall under the category of facilitation indicators.

Indicators of procedures essentially break the Customs procedures down into administrative steps, and analyse inputs and outputs of successive steps. They can be easily computed from the Customs data-processing systems, and can to some extent incorporate processes other than those of Customs. The scope of possible exercises is somewhat limited by the following main difficulties: the collection procedure (each entry is based on a Customs document); the sampling method (all operations are counted over a relatively long period of time); and the apparent absence of standardized analytical tools to process the indicator data. The WCO's Time [for] Release Study (TRS) is at present the best methodology available.

Indicators of effectiveness cover a wide range of data. The indicator of effectiveness most frequently used is the one related to revenue performance and achievement of target collections. The TTFSE programme introduced a wider set of these indicators, with an overall focus on cost-effectiveness (total cost of Customs administrations compared to revenue collected, or staff/collection ratios destined to show the varying results of upfront and post-release checks). These indicators are easily collected, and can be used according to any periodicity. Their major difficulty is that when they are used to carry out international comparisons, they need to take into account variations in the mandates possessed by

BOX 9.5

Indicators of procedures

Indicators of procedures are usually centred on Customs procedures, with, in the case of the TRS, the ability to identify non Customs-related stops (as long as they affect the processing of a Customs document, but not when they are independent). They focus on freight, mostly rely on the Customs declaration or other Customs documentation to collect comprehensively the data, and usually use time stamps or tags in the computer system of Customs to identify the different steps. The finer analysis of data is performed by a specially appointed team within the Customs administration.

Scope of procedures indicators:

- Essentially clearance facilities
- Also transit points at land borders
- So far no involvement of other border agencies

Use of procedures indicators:

- Release time
- Review procedures
- Identify possibilities of consolidating Customs and non-Customs checks and procedures

Derived results:

- Procedural streamlining

Combined use:

- WCO's benchmarking manual
- Analysis, from the Customs perspective, of quantified data obtained through time indicators

BOX 9.6

Indicators of effectiveness

Indicators of effectiveness use global statistics available for an administration at national, regional or local level and compute simple ratios, which can be compared from one year to the other, or between administrations across the region. So far, only Customs data has been used, but similar indicators could be put in place for other agencies.

Scope of effectiveness indicators:

- National administrations involved in border crossings
- Regional and local offices of these administrations

Use of effectiveness indicators:

- Measurement of cost-effectiveness
- Evaluation of practical tasks (e.g., post-release checks, valuation verifications) by combining ratios
- Benchmarking

Derived results:

- Incidence of facilitation measures on different outputs (revenue, compliance)
- Identification of compliance issues and development of compliance models

Combined use:

- All regular quantitative indicators to extrapolate ground operations
- Indicators of facilitation

Customs administrations. However, they are useful for comparing evolution from one year to another within the same administration. Indicators of effectiveness can also be used as triggers for some forms of adjustment: for example, the indication of the accomplishment of a certain objective action may trigger the allocation of resources to certain functions such as post-clearance reviews, or the introduction of new legislation.

Another categorization can also be made on the basis of the methodology used:

- **Quantitative surveys**, based on the collection of all available data, or a more limited sample. These indicators are credible and cheap to produce, but require subsequent analysis.
- **Subjective surveys**, based on interviews, panels, and questionnaires. These indicators do not require a detailed analysis, but must be collected with the use of reliable tools. They are best used in conjunction with quantitative surveys.

Both should be used jointly, subjective surveys providing the validation of quantitative indicators.

Unification of indicators

Firstly, it is important to ensure consistency between findings. It is a matter for concern when different units in the same organization produce inconsistent indicator results. Secondly, as the cost of producing indicators can be considerable, it makes sense to optimize expenditure to produce comprehensive results and to base analysis on credible statistical data. Thirdly, as different indicators serve different purposes, one should use them in combination to achieve a visible, undisputed and simple performance index, rather than using them for objectives for which they are not designed.

9.4.2 Improvement of collection methods

Indicators are currently collected through the use of observers or ex-post administrative documentation. However, automatic collection is being introduced, using methods such as those enumerated in the following sections.

BOX 9.7

Towards a comprehensive performance indicator system

As the objective is to obtain a global indicator, all agencies involved should participate in the exercise, which is still most effectively supervised by Customs, as Customs administrations have the greatest impact on border processing times.

Quantitative measurement should always precede subjective indicators, as the latter are often the result of reputation or unverified statements. Such information can be used as a very broad baseline (e.g., "it takes days to clear goods") but should not be allowed to degenerate into a petition of principle regarding one or several border agencies.

1. The local environment should be established. This implies a baseline survey:

- Locations for measurement should be identified, on the basis of their relevance to international traffic and volumes processed;
- A local team of officials from all border agencies concerned should be formed to manage the performance data collection, chaired by Customs. The role of the team is: (i) to organize data collection, (ii) to evaluate local results, (iii) to audit the quality of collection, and (iv) to provide an initial analysis of the results, taking into account specific circumstances that may have affected the measurement;
- It is important to establish data collection routines, preferably co-ordinated across the border.

2. A national efficiency survey is carried out. Two years of data is usually sufficient to establish a country profile. As the data is purely statistical, it can be obtained readily from national headquarters of all participating agencies, with the following matters also being noted:

- Global internal values are provided by the administration (e.g., total task force, budget, and salaries);
- Necessity for external data (volume and value of traffic), which can be obtained either from the administrations or other sources (Ministries of Finance and/or Commerce for trade data, interior for passenger and visa data);

Furthermore, a series of this kind should encompass one year, to identify seasonal variations.

3. The first surveys (baseline) are performed. Experience has shown that local baselines can be reliably established through three surveys over a period of six to nine weeks. There might be seasonal variations, but these can be identified and compensated for later. The procedure is as follows:

- Observers are selected and trained, and carry out a first dummy run;
- The first measurement takes place, and collection forms are audited for consistency;
- Local teams analyse local results with respect to performance and validate them;
- A replica of the national efficiency survey is carried out at the local sites, to compare average national performance against local results;
- The combined results of both surveys are consolidated into a local performance baseline.

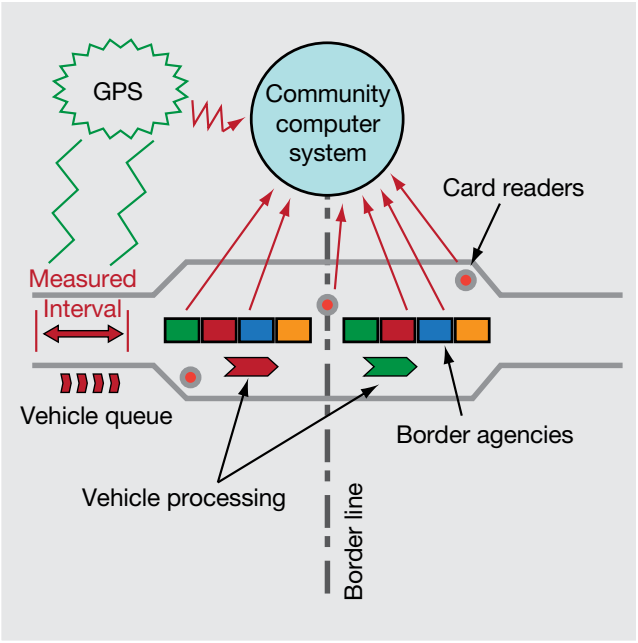
→

A smart card is issued when the vehicle enters the facility on the outgoing side. It is retrieved at the border or (better) at the exit on the other side of the border. The card is flicked through a reader at every processing stage, or is automatically picked up by radio and updated with computer system data. It can be used as a control slip, a single data capture system, and a performance indicator source.

Automatic number plate reading and passport scan can be combined into a unique local reference record that is updated each time a vehicle reaches a new control position.

Length of queues before entrance to the facility cannot be easily measured using this method, but can be estimated by a satellite reading combined with the date stamp of the computerized record. For example, a satellite image could provide the length and duration of vehicle queues, which would be added to the individual lorry record logged at the time of entering the border facility. Diagram 9.3 below illustrates the use of an inter-agency community network to capture registration plate numbers, passport data, and Customs and other documentation.

Diagram 9.3 Combination of satellite and card readers



4. Regular measurement is organized. The local team sets the dates, with some flexibility, and can change them at the last minute if necessary.

- Data is analysed and compared with the baseline.

5. A user (facilitation) survey is initiated. This survey is carried out at national level, and at local sites. Results are compared.

Results of the local survey are matched against the time and efficiency measurements. Anomalies are audited;

User interviews are carried out on a smaller sample of traffic;

A consolidated results block is calculated for future reference.

6. A procedures survey is initiated in parallel.

- Results are added to the consolidated results block;
- Procedural and organizational reforms are prepared within and across the agencies.

Subsequent surveys are compared against the results block and defined in terms of time, cost, revenue, and detection. Variations are entered as a percentage of the baseline.

7. The final result consists in a number of selected sub-indicators:

- Time
  - Breakdown between positions
  - Total waiting time
  - Baseline index of perception and satisfaction
- Collection of revenue (if relevant)
- Rate of inspection/control
- Detection of irregularities
- Revenue re-assessment (if relevant) as a subset of irregularities detected

8. If performance measurement takes place simultaneously in adjacent countries, results are compared.

- A ranking can be established;
- Differences are analysed and accounted.

9. Corridor performance measurement:

- The methodology is the same at the points of entry and exit;
- Trip diaries/report sheets are distributed to drivers with an indication of each stop;
- Driver interviews take place for a more limited sample at the corridor exit.

10. Rail performance measurement:

- No observers;
- Data at points of departure and arrival is obtained ex-post from railway and Customs documentation.

11. Sea ports:

- Same as for rail;
- Data is obtained from: (i) harbour master (arriving ships), (ii) shipping agents (unloading), (iii) Customs (clearance or removal in bond), and (iv) port authority (warehousing and removal).

Another method is the transit tracking of vehicles, using GPS or RFID technology. There are two possibilities for automatically tracking vehicles along transit routes, which can be combined with electronic seals, transponders, and smartcards issued to drivers:

- *Passive tracking.* The driver knows – or not, as the case may be – that a tracking device has been attached to the lorry. If the lorry is off-track or delayed, an alert is generated and law enforcement officers are sent out to investigate. The following difficulties arise: (i) ensuring that the device was not neutralized or placed on another vehicle, (ii) finding the vehicle in a large country, and (iii) having sufficient staff resources to monitor all traffic in real time;
- *Active tracking.* The driver voluntarily accepts a tracking device, and is granted in exchange a fast track option at the border if he is on schedule and on the right route. In that case, drivers are more willing to accept the cost of fitting the device to their lorries. The system is more effective, as it requires far less resources in terms of enforcement.

Other methods have been used in the past, usually successfully, to verify allegations (of corruption, for example) that were difficult to prove, let alone quantify. The most famous case was when a Minister of Interior travelled in a lorry next to the driver and noted every case when the driver was stopped by the traffic police and asked for a bribe. The next day a significant number of traffic police officers were dismissed.

9.4.3 The institutionalization of performance measurement

Experience has shown that there is no great difficulty in internalizing the method, once the notion and utilization of performance measurement is understood by border staff. However, there is a need for consistency between countries, and within a country between agencies and operators. This makes it desirable to develop an international standard to provide for: (i) regular measurement, (ii) a homogeneous methodology, and (iii) common rules for interpretation and usage. It would also be a vehicle for promoting best practices across a region.

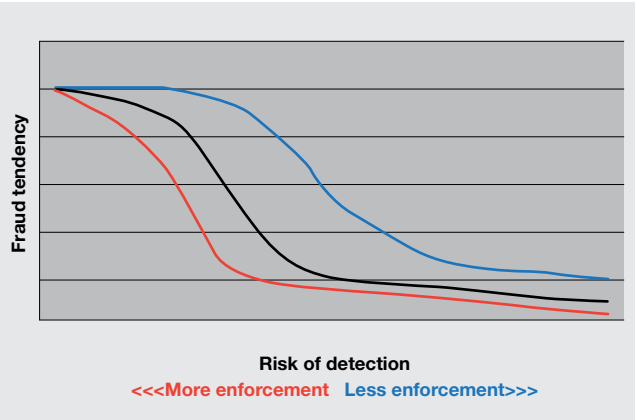
Institutional instruments

Most international organizations and international financial institutions have a strong commitment to trade and transport facilitation, and have published standards and recommendations on border processing. However, there are no specific guidelines on performance measurement, although these would serve a useful purpose in terms of methodological alignment and of promotion of benchmarking exercises. There thus appears to be a need for an international agreement or convention that would provide the necessary framework for unified performance measurement. It would be logical for it to be embedded as a specific annex in two relevant major instruments, namely, the UN (UNECE) International Convention on the Harmonization of Frontier Controls of Goods, and the WCO's Revised Kyoto International Convention on the Simplification and Harmonization of Customs Procedures.

Introducing an international agreement on indicators would not only serve harmonization purposes, but would also encourage countries to use performance measurement systematically. This in turn would serve three purposes:

- *Benchmarking.* Best practice is not always where it is thought to be, and a regional or international comparison may help in re-evaluating operations. Although benchmarks do of course need to be adapted to the respective country's socio-cultural background, broad standards can be introduced across a number of countries. The exemplary value of successful reforms in one country should not be neglected;
- *Modelling.* When well used, performance indicators can be used for reviewing procedures, and for assessing the impact of new approaches on all the criteria affecting border controls. They allow the pegging of examination rates or other forms of intervention at the optimal level of detection, both nationally and locally. Subsequently, they can lead to the definition of compliance models and determine choices in terms of enforcement and control policies.

Chart 9.9 Assessment of compliance in a given environment



In Chart 9.9, the propensity to fraud is a function of the risk of detection, and falls more or less rapidly depending on the level of enforcement and punishment. It is at the point of inflexion of the curves that control measures would show maximum efficiency. Performance indicators can: (i) provide the baseline for fraud tendencies, and (ii) evaluate

results in a given enforcement context. This model can be refined according to types of fraud (e.g., minor smuggling offences, major valuation fraud). International comparisons thus provide the data for simulation. The model can be extended to include staffing levels, on the basis of the cost-effectiveness of different shifts, or to calculate the marginal cost of detection, thus also becoming a management tool.

- *Design and prevision.* When a new facility is considered, the throughput is usually calculated in terms of lanes, with little consideration for processing (or queuing) times. The issue is even more relevant if the border station is shared with the adjacent country. Performance data can be used to carry out simulations, as is shown by the matrix below. Variables such as the volume of traffic and acceptable queue length or waiting times can be entered, in order to assist in determining the design options of the facility. It can also be used to determine the number of operational lanes, and the staffing level for a particular shift.

Index for border performance

Performance measurement could also be used to rank border stations in terms of efficiency and facilitation. The notion of quality should be introduced to evaluate services provided and their effectiveness. In this process the following points should be noted.

- The first preoccupation of the staff should be to shift from the suspicion by default attitude to a more user-friendly approach. The role of border agencies is to place importers and travellers in compliance with the laws of the country. This does not necessarily imply arrogance or carelessness. Experience shows that the more friendly administrations usually have better results in terms of detection and voluntary compliance. Professionalism plays a big role in establishing the credibility of border control agencies and encouraging compliance by a majority of users, as does the ability to distinguish genuine operators or travellers from dishonest ones.

Table 9.4 Matrix of border throughput

Average time	Number of vehicles			Total time			Average individual time		
	v1	v2	v3	v1	v2	v3	v1	v2	v3
5	10	20	30	50	100	150	27.5	52.5	77.5
10	10	20	30	100	200	300	55	105	155
15	10	20	30	150	300	450	82.5	157.5	232.5
20	10	20	30	200	400	600	110	210	310

Time depending on Number of lanes (minutes)								
v1			v2			v3		
1	2	3	1	2	3	1	2	3
50	25	16.667	100	50	33.333	150	75	50
100	50	33.333	200	100	66.667	300	150	100
150	75	50	300	150	100	450	225	150
200	100	66.667	400	200	133.33	600	300	200

Average time								
v1			v2			v3		
1	2	3	1	2	3	1	2	3
27.5	13.75	9.1667	53	26.25	17.5	77.5	38.75	25.833
55	27.5	18.333	105	52.5	35	155	77.5	51.667
82.5	41.25	27.5	158	78.75	52.5	232.5	116.25	77.5
110	55	36.667	210	105	70	310	155	103.33

Queue length depending on Number of lanes								
v1			v2			v3		
1	2	3	1	2	3	1	2	3
120	60	40	240	120	80	360	180	120

Track length (m): 12

*Yellow zones denote variables.

BOX 9.8

A possible aggregate border performance index

All the variables described in Table 9.4 could be combined into a quantitative, undisputable, and consolidated indicator of border performance. It would focus on the facilitation aspect (e.g., waiting times), but should also incorporate statistics on inspection and detection.

Times should be collected at two significant crossings at least and averaged across the country, with consideration being paid to the volume of traffic at each border post. Overall time would be adjusted, taking into account workload and vehicles processed per member of staff. A second adjustment should take into account the rate of detection of irregularities. The matrix below shows how this indicator could be calculated (the lower the value of the indicator is, the higher the performance becomes). This indicator could then be used for regional and international comparisons. In the end, it could possibly serve as a basis for some form of certification, such as an ISO 9000 standard.

Nb sites	2

Traffic				Weighted average	
Site	Avrg time	N v	%	Local	National
A	1	800	88.89%	0.89	
B	100	100	11.11%	11.11	
					6.00

Vehicle/Staff (Productivity index)						
	Staff	Vehicles	%	Ratio	Correction	Local index
A	10	800	88.89%	80.00	0.01	0.01
B	12	100	11.11%	8.33	0.12	0.01
						0.01

Detection/Inspection (Efficiency index)					
	Detection	% traffic	Staff	Local index	
A	4	0.50%	0.4	0.005	
B	1	1.00%	0.08	0.01	
					0.11

Aggregate
Time/Work
0.73
+Enforcement
6.67

- Staff working at borders should consider themselves as part of a team that is above inter-agency competition or bitterness. Every official working at a border station should consider himself or herself responsible for the country's image, and feel that he/she is participating both in its promotion and in the development of its economy. Site and national indicators can strengthen this perception.
- Performance should be recognized, and possibly certified. A total-quality approach to border operations would serve the interests of the trade and of the administration. Rewards for outstanding team achievement would reinforce ownership over reforms and increase job satisfaction.
- An annual ranking of the best-performing border stations – preferably including both sides of the border – would also encourage the transport industry to select its itineraries more efficiently and to participate in partnerships with administrations on combating fraud and corruption.

Conclusions

Measuring border performance with scientific tools leaves aside one of the more acute problems, which is corruption. No direct tool has been designed so far to evaluate the real extent of corrupt practices, although categorization efforts have made it easier to understand. However, one of the benefits of performance indicators is that they facilitate the mapping of processes and stages where discretionary power can be exercised on a discreet interface basis between holders of public authority and holders of tangible wealth, which could well lead to a reduction of the space for corruption.

It has also been proved that officials who feel job satisfaction and recognition are less prone to corrupt behaviour, irrespective of their level of salary. Further light can be shed on this by indicators of job satisfaction and of the quality of the operational environment.

Finally, a transparent approach to border management, together with publicized figures on times for crossing borders, would do a great deal to establish peer pressure

and to encourage operators to stand up against non-professional attitudes. We would like to close this chapter by reiterating our support for a comprehensive holistic approach designed to enhance partnerships – both between Customs services and also between Customs services and the private sector – and to promote extensive cross-border co-operation.

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Annex 1: Border definitions

1.1 Border lines

According to international law, a *border line* separates territories that are subject to different sovereignties; it separates two sovereign States and delimits national identity. Borders often reflect dividing lines between populations that are based on language, ethnicity or traditions, and these frequently go back to ancient structures. Although States have the right to object to another country undertaking activities on their territory, in some cases it is possible for certain elements of foreign law to apply.[1]

Borders are a universal principle. They remain, even if, as is the case in the Schengen space, participating States have agreed to gradually reduce border checks and formalities. The same applies in the EU single market: routine Customs formalities have been abolished between member States but borders have been retained, with border controls reinstated only in special cases.[2]

1.2 Sea borders

While coastlines would logically be considered to be border lines, a number of methods of delineation taking territorial waters into consideration have been adopted for determining applicable sovereignty at sea. *Coastal borders* include: (i) a Customs maritime zone, up to 12 nautical miles from the shore, (ii) a Customs contiguous zone, up to 24 nautical miles from the shore, and (iii) an Exclusive Economic Zone (EEZ), up to 200 nautical miles from the shore. The nature of the powers that can be exercised by State administrations varies from one zone to another. For example, the right of pursuit and arrest in the EEZ is more limited than in the contiguous zone, which is often known as "territorial waters". Problems sometimes arise when the sea or coastal strait separating two States is not wide enough to accommodate all of these zones. According to principles of international law, sovereignty switches halfway across a body of water. This of course requires precise agreements to define the location of shorelines, particularly if there are bays, coves or inlets.

1.3 Air borders

In the air, border lines theoretically follow the land borders and, over the sea, the outer limit of the territorial waters. The concept of *airspace borders* was first considered in 1909, when Louis Blériot crossed the English Channel between Calais and Dover by aeroplane.

1.4 Inland waterways

Inland waterways, despite being fully integrated into the national territory of the State or States on their banks, often serve international navigation purposes. Various international agreements have regulated, case by case, issues concerning freedom of transit and sovereignty (for example, the Danube Commission).

1.5 Border effects

One *effect* of a State's sovereignty is the right to impose rules regarding the admission of persons, vehicles and goods, and, furthermore, to charge Customs duties on goods and impose other levies, including VAT and excise. While many of these rules and obligations are increasingly subject to international agreements, they still remain the prerogative of the State whose border is being crossed.[3] Thus, initial assessments are made at borders regarding compliance with the laws of the country being entered, or, subject to international treaties, with those of groups of countries that are members of a common economic or political organization. For example, goods crossing the border between Belarus and its western neighbours are cleared by Belarus authorities for (a) entry into Belarus, and (b) when applicable, entry into the Russian Federation.

International borders are different from administrative boundaries within individual States. Such administrative limits are not borders, although different legislation and rates of duty may apply at such boundaries, particularly in the case of federations. This can apply to fiscal regimes such as VAT rates or "octroi", which is a form of excise with different rates between different provinces or even cities. Formerly, these types of regimes necessitated internal checkpoints. Today, such checkpoints are increasingly being replaced by centralized management and verification of destination, as for example with respect to VAT principles of destination, or in the case of EU member

1 This allows juxtaposed border facilities and co-located operations. However, arrests on foreign territory are illegal, unless there is a specific agreement allowing them.

2 As, for example, prior to the G8 summit in L'Aquila in July 2009, when, in order to increase security, Italy suspended the Schengen Agreement abolishing border controls within mainland Europe. During this period, everyone entering and leaving Italy was required to present a passport. In 1996, France also temporarily re-established border checks with Belgium in an attempt to curb drug trafficking.

3 Nevertheless, international agreements remain obligatory. For example, goods entering and being cleared at one of the EU's external borders must be subject to the EU's common tariff, even if they are to be forwarded to another member State. Similarly, persons crossing a Schengen space border are subject to an initial control that is then recognized by all other Schengen space member States.

States, the use of a centralized VAT database in which different rates are applied.

1.6 Border zones

The term *border zone* is used in three ways.

Firstly, it is used to refer to a region on adjacent sides of a border line that forms a single social, economic or ethnic entity. Regions of this type are particularly evident when border lines have been established by foreign powers, as for example in Africa, where during the nineteenth century various colonial powers split homogeneous populations between different countries. Border zones are also often defined by markets serving populations on both sides of a border line, a situation that generates substantial income for local suppliers.[4]

Secondly, the term *border zone* is sometimes defined as a strip of territory on either side of a border line.[5] The purpose of such zones is to combat smuggling. As border areas are often used for concealing large quantities of smuggled goods before they are distributed in smaller quantities to domestic markets, Customs officers in Western European countries have been given the same powers of search and arrest in border areas as they have at actual border crossing points. This concept is also sometimes applied by other countries, as for example in the United States, where pursuit from the border inwards entitles Customs officers to the same powers they enjoy at the border itself. Some countries, such as France, extend the border zone concept to their entire territory for certain types of prohibited goods such as drugs, weapons and counterfeit goods, and also high-excise products such as tobacco and alcohol.

Thirdly, the term *border zone* is used for the restrictive notion of the control area at a border station where border officials are authorized to apply checks, or the control area within inland facilities, such as Inland Customs Depots (ICDs), logistics clearance centres or warehouses.

1.7 Customs territory

The notion of *Customs territory* is embedded in Customs laws, where the applicable areas of Customs codes, laws and rules are defined. All imported goods circulating within a Customs territory must be cleared by Customs. In most cases, the Customs territory coincides with the national territory, but there are exceptions. Customs territories do not include enclaves, for example. Other parts of territories may also be specifically excluded, such as industrial free zones. In the EU context, there are parts of the geographical territory of the Union that are not included in its Customs territory, for example, Greenland, certain French overseas territories and departments such as Saint Pierre et Miquelon, and the Spanish enclaves of Ceuta and Melilla.

1.8 Border stations

A *border station* is a place where compliance checks take place to ensure that activities involving the crossing of the border meet the requirements of national legislation. There is no universally agreed terminology for border stations: they are variously called border crossing points, border posts, checkpoints and border ports. Afghanistan calls them "dry ports", while in the United States they are known as "ports of entry" (POEs).

Box Annex 1.1 below is adapted from the *Whole Building Design Guide* of the National Institute of Building Sciences (Conway, 2010).

Box Annex 1.1 The United States definition of a "Land Port of Entry "

A Land Port of Entry is the facility that provides for the controlled entry into or departure from the United States of America for persons and materials arriving as commercial, non-commercial, pedestrian, or rail traffic. It provides a point of contact for travelers entering or leaving the country for the purposes of collection of revenues; enforcement; prevention of illegal aliens from entering the country; prevention of injurious plant, animal pests, human and animal diseases from entering the country; examination of export documents; registration of valuable articles being temporarily taken out of the country; and commercial transactions. A Land Port of Entry may be located at land and inland water boundaries with Canada and Mexico. A Land Port of Entry includes a facility that is owned or leased by the General Services Administration or one of the Federal Inspection Services (FIS) agencies. A Land Port of Entry is typically open year-round. However, there are some locations which operate seasonally due to local climate conditions, and some facilities which are not open twenty-four hours each day.

Border stations may be placed directly on a border line or very close to it, but they can also be positioned further inside a national territory. In such cases, procedures and infrastructure must be designed to ensure that border checks are not evaded. In some countries, reporting to the border station is optional, with persons who are within cross-border allowances and franchises being authorised to bypass it. In such cases, the road leading from the border line to the border station is usually known as an "approved Customs route". In some countries, border stations may be separated by agency (i.e., one border station for immigration controls and another for Customs), and in the case of co-located operations, the border station of one country may be placed on the territory of the other. Border stations are usually paired with those of the adjacent country, but there are some instances where border operations involve three countries, as in the case of border controls on the cross-Channel high-speed trains between London, Paris and Brussels. In this case, the border station is a moving facility, with offices and a detention facility, and passenger checks and formalities are performed on board the train.

Box Annex 1.2 quotes the World Bank definition of the term *border station* (World Bank, 2004, p. 2).

Box Annex 1.2 The World Bank definition of a "border station"

A border station is the place where the sovereignty of the country is administratively established. It should provide for efficient processing of lawful traffic, include the facilities to detect violations, and at the same time offer a good image of the country. An essential feature is that traffic should not be held up, and, in case of congestion, priority should almost always be given to expediting traffic, as there are other means of establishing further control (i.e. a "safety net") downstream.

4 At one large border crossing between Kazakhstan and China, the annual turnover for traders was 11 million United States dollars in 2007, with 1,300 traders importing and exporting daily; see The World Bank (August 2007) *Cross-border Trade within the Central Asia Regional Economic Cooperation* [pdf]. Available from www.carecinstitute.org/uploads/docs/Cross-Border-Trade-CAREC.pdf [last accessed 16 March 2011].

5 In France, this is called the "Customs Action Zone".

1.9 Border functions and institutions

Border processing is often, although not always, split between the controlling of persons, goods and vehicles. While there is a relatively clear distinction between commercial and non-commercial operations, in the case of the control of persons and vehicles there are sometimes overlaps.

Persons are essentially checked from the perspective of immigration, with the added objective of detecting and arresting criminals. These checks are carried out by immigration authorities, border police or, in some cases, by border guards or troops. In the present Handbook, these three authorities are referred to interchangeably when immigration-related procedures are being described.

Goods are usually checked by Customs authorities. However, goods can also be examined by border police when drugs, weapons or, occasionally, undeclared or prohibited goods are suspected. Goods are sometimes also searched by veterinary and phyto-sanitary officials, or by standards and consumer protection agencies. All such controls may also be delegated to Customs authorities.

Commercial vehicles are controlled by road administrations such as ministries of transport, or sometimes by border police. Immigration authorities may also choose to inspect commercial vehicles to detect illegal immigrants.

Private vehicles are inspected by Customs authorities or, sometimes, by border police.

The distinctions, based on management tasks, between border crossing administrations have been made to reduce overlaps in duties. However, making such distinctions is not always advantageous.

According to well-established but indistinct patterns of thinking, border police are in charge of controlling persons, whereas Customs are in charge of controlling goods. Therefore, in theory, Customs officers should not inspect traveller and driver identity documents or passports because this is the responsibility of border police. At many border crossing points, established practice does not authorize border police to search vehicles or goods. This, however, is counter-productive, as the identity of drivers is an essential part of risk management for Customs and, conversely, border police may have good reasons to inspect rail, road or vessel transport cargo. Similarly, different administrations may carry out identical verifications for different purposes, such as weighing the vehicle. The traditional demarcation of the tasks undertaken by various staff members at border crossings brings with it the risk of fragmentation of intelligence and data.

1.10 Border issues

Border lines have often been drawn along natural boundaries such as coastlines, rivers and mountain ridges, or in some cases along lines of longitude or latitude, as with the border between the United States and Canada. Border delineation can be problematic, and disagreements can lead to serious incidents and the delay of commercial and passenger traffic.

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Annex 2: International organizations

Introduction

International trade, as the backbone of the global economy, is carefully overseen by a considerable number of international organizations. Because various types of expertise are needed for trading globally, these international bodies cover a wide range of areas, from security to education. The present annex will introduce some of these organizations, first by looking at the group of international bodies that are part of the United Nations "family", then turning to various international and regional inter-governmental organizations, and lastly presenting some non-governmental bodies.

2.1 The United Nations "family"

2.1.1 International Maritime Organization (IMO)

The IMO is a specialized agency within the United Nations that is responsible for safety and security of shipping and the prevention of marine pollution by ocean-going vessels.

A Convention formally establishing the Inter-Governmental Maritime Consultative Organization (IMCO) was adopted in 1948 in Geneva. The Convention came into force in 1958 and the new organization met for the first time the following year. In 1982 the name was changed to IMO.

Article 1(a) of the Convention states the organization's objective, which is "to provide machinery for co-operation among Governments in the field of governmental regulation and practices relating to technical matters of all kinds affecting shipping engaged in international trade; to encourage and facilitate the general adoption of the highest practicable standards in matters concerning maritime safety, efficiency of navigation and prevention and control of marine pollution from ships." The IMO is also empowered to deal with administrative and legal matters related to these purposes.

Among the IMO working areas relevant to Customs management are security and trade facilitation.

IMO website: www.imo.org

2.1.2 United Nations Commission on International Trade Law (UNCITRAL)

In 1966, having recognized that disparities in national laws governing international trade create obstacles to the flow of trade, the United Nations General Assembly established UNCITRAL.

The General Assembly gave the Commission the general mandate of supporting the progressive harmonization and unification of the laws concerning international trade. The Commission has since become the core legal body of the United Nations system in the field of international trade law.

The Commission has established six working groups to perform the necessary preparatory work on topics within the Commission's work programme. Each of the working groups has representatives from all member States of the Commission. The current topics of these six

working groups are as follows:

- Procurement
- Arbitration and conciliation
- Online dispute resolution
- Electronic commerce
- Insolvency law
- Security interests

The UNCITRAL website contains a library as well as research resources, including case law.

UNCITRIL website: www.uncitral.org

2.1.3 United Nations Conference on Trade and Development (UNCTAD)

UNCTAD was created in 1964 as a permanent inter-governmental organization. It was designed to fill the gap between existing organizations such as the General Agreement on Tariffs and Trade (GATT) and the International Monetary Fund (IMF), and to address issues specific to developing countries. Its headquarters are in Geneva, Switzerland. It has a staff of approximately 400 and a budget of 75 million United States dollars, with 50 million as its regular budget and 25 million earmarked as technical assistance funds. Currently UNCTAD has 193 members.

The primary focus of UNCTAD is to promote the integration of developing countries into the world economy. Three key functions are defined in UNCTAD's mandate:

- Acting as a forum for inter-governmental deliberations
- Research, including trade and policy analysis
- Providing technical assistance for least developed countries

One UNCTAD programme relevant to border control and Customs is the Automated System for Customs Data (ASYCUDA), a computerized customs management system that covers most foreign trade procedures. In the present Handbook, ASYCUDA is covered in detail in Chapter 7, "ICT and Non-Intrusive Inspection".

UNCTAD website: www.unctad.org

2.1.4 United Nations Development Programme (UNDP)

The UNDP is the United Nations global development network, an organization advocating access to knowledge, experience and resources that is designed to help countries support their citizens build better lives. The UNDP is active in 166 countries. While developing local capabilities, these countries draw on UNDP staff as well as a wide range of UNDP partners.

The UNDP helps developing countries attract aid and use it effectively. In all of its activities, it encourages the protection of human rights and the empowerment of women.

The UNDP Resident Representative of each country office usually also serves as the Resident Coordinator of development activities of the United Nations system as a whole. Through co-ordination of this type, the UNDP seeks to ensure the most effective use of United Nations and international aid resources.

UNDP website: www.undp.org

2.1.5 United Nations Economic Commission for Europe (UNECE)

The UNECE was created by the United Nations Economic and Social Council (ECOSOC) in 1947. It is one of five regional commissions of the United Nations and has its headquarters are in Geneva. Its 56 member States include countries from the European Union, the CIS, and Eastern and South-Eastern Europe, and also the U.S. and Canada. Other interested nations can also participate in UNECE activities. In addition, currently over seventy NGOs and professional organizations participate regularly.

The main objective of the UNECE is to promote economic integration within Europe. With expertise in sectors such as economic co-operation, energy, environment, trade, transport, and statistics, the UNECE provides analysis and policy advice and also develops norms, standards and conventions. All of this helps focus the United Nations global economic mandate.

The UNECE has nine general programmes, as follows:

- Economic Cooperation and Integration
- Environmental Policy
- Housing and Land Management
- Statistics
- Sustainable Energy
- Technical Cooperation
- Timber
- Trade
- Transport

Relevant to cross-border movement is the Transport programme.

UNECE website: www.unece.org

2.1.6 United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)

UNESCAP, which was also established in 1947, is another of the five United Nations regional commissions. It has its headquarters in Bangkok, Thailand. The area covered by this regional commission stretches from Turkey in the west to Kiribati in the east, and from the Russian Federation in the north to New Zealand in the south. It has 62 member States. Of these, 58 are in the region, the remaining four being France, the Netherlands, the United Kingdom, and the United States. It is the largest United Nations body to serve the Asia-Pacific region.

The UNESCAP seeks to overcome some of the region's largest challenges by carrying out work in the following areas:

- Macroeconomic Policy and Development
- Statistics
- Subregional activities for development
- Trade and Investment
- Transport
- Environment and sustainable development
- Information and Communications Technology and Disaster Risk Reduction
- Social Development

UNESCAP focuses on issues that are most effectively addressed through regional co-operation, including:

- Issues faced by all countries or a particular group of countries in the region, with possibilities for learning from each other;
- Issues that benefit from regional or multi-country involvement;
- Issues that are transboundary in nature, or that would benefit from collaborative inter-country approaches;
- Issues that are of a sensitive or emerging nature and require further advocacy and negotiation.

One of UNESCAP's more relevant projects with respect to border management is its use of "Time/Cost-Distance (TCD) Methodology". This methodology is a very simple yet effective means of analysing transportation processes. In particular, it attempts not only to quantify the costs associated with the transport process, but also to identify the points at which these costs are incurred. The results are clearly illustrated through the use of charts and graphs.

The benefits of this methodology are clear, as it:

- Is simple to use;
- Provides pictures of transport situations that are nearly in real time;
- Can be used to track trends over time;
- Can be used to determine the most effective routes;
- Is easily understood.

Another advantage of the methodology is the relative ease with which the necessary information can be collected and analysed. All of the information required is readily available to transport organizations or government bodies. As the analysis of this data does not amount to more than simple maths, it is a method that anyone can use.

The required data include:

- Route (starting point, ending point and path)
- Mode of transport used (for each leg)
- Distance of each leg
- Time for each leg
- Cost of each leg

UNESCAP website: www.unescap.org

2.1.7 United Nations Industrial Development Organization (UNIDO)

UNIDO's aim is to help developing countries establish the necessary physical and institutional infrastructure to satisfy the technical requirements of the multilateral trading system. For its integrated technical assistance and capacity-building activities, UNIDO has developed an approach to trade capacity-building known as the "Three Cs", which stand for Competitiveness, Conformity, and Connectivity.

In co-operation with its 171 member States, UNIDO is responsible for promoting industrialization throughout the developing world. While its headquarters are in Vienna, it is represented in 35 developing countries. In combination with a number of specialized field offices dealing with the promotion of investment and technology and other specific aspects, this extensive representation makes UNIDO an active presence in the field.

UNIDO website: www.unido.org

2.1.8 United Nations Office on Drugs and Crime (UNODC)

The UNODC was established in 1997 as the Office for Drug Control and Crime Prevention. It was created through the combining of the United Nations International Drug Control Program (UNDCP) with the Crime Prevention and Criminal Justice Division of the United Nations Office in Vienna. It was renamed the UNODC in 2002.

The agency, employing about 500 staff members worldwide, has its headquarters in Vienna, with 21 field offices and liaison offices in Brussels and New York City.

The UNODC was established to assist the United Nations in the ongoing shaping of a co-ordinated, comprehensive response to a group of interrelated issues: illicit trafficking in and abuse of drugs, crime prevention and criminal justice, international terrorism, and corruption. The UNODC pursues its goals through three primary functions, namely, research, guidance, and support; it assists governments in the adoption and implementation of various crime-, drug-, terrorism-, and corruption-related conventions, treaties and protocols, and provides technical and financial assistance to these governments as they face their respective situations and challenges in these fields.

The UNODC deals with the following matters:

- Alternative Development
- Corruption
- Criminal Justice
- Prison Reform and Crime Prevention
- Drug Prevention, Treatment and Care
- HIV and AIDS
- Human Trafficking and Migrant Smuggling
- Money Laundering
- Organized Crime
- Piracy
- Terrorism Prevention

UNODC website: www.unodc.org

2.1.9 World Intellectual Property Organization (WIPO)

The WIPO is a specialized agency of the United Nations dedicated to developing a balanced and accessible international intellectual property (IP) system. The WIPO was established by the WIPO Convention in 1967. With headquarters in Geneva, its chief tasks are:

- Developing international IP laws and standards
- Delivering global IP protection services
- Encouraging the use of IP for economic development
- Promoting a better understanding of IP
- Providing a forum for debate

WIPO website: www.wipo.int

2.2 International inter-governmental organizations

2.2.1 International Labour Organization (ILO)

The ILO was created in 1919 immediately following the Treaty of Versailles in the wake of World War I. The basic principle of the ILO is that "universal and lasting peace can be accomplished only if it is based on social justice."

Currently, the ILO headquarters are in Geneva, Switzerland. It is the only "tripartite" organization of the United Nations dealing with labour issues. The governing body of the ILO is made up of governmental representatives, employers and workers. Only sovereign States can be signatories to the ILO, which presently has 182 members.

The ILO has a broad range of programmes and projects, which can be grouped under its four strategic objectives:

- To promote and realize standards and fundamental principles and rights at work
- To create greater opportunities for women and men to secure decent employment and income
- To enhance the coverage and effectiveness of social protection for all
- To strengthen tripartism and social dialogue

Projects of particular relevance to borders are those related to the social aspects of border crossings and trade, including:

- Trafficking in persons
- Migrant workers
- Forced labour
- Employment
- Child labour

ILO website: www.ilo.org

2.2.2 International Monetary Fund (IMF)

The IMF was founded towards the end of World War II with the aim of building a framework for economic co-operation that would avoid a repetition of the disastrous economic policies that had contributed to the depression of the 1930s and the global conflict that followed. In many respects the IMF's main purpose, namely, to contribute to the global public good through financial stability, is the same today as when the organization was established.

The IMF tracks global economic trends and performance, alerts its 187 member States when it sees approaching economic problems, provides a forum for policy dialogue, and passes on know-how to governments on tackling economic difficulties.

The IMF provides policy advice and financing to members in economic difficulties and also works with developing nations to help them achieve macroeconomic stability and reduce poverty.

The key IMF activities are:

- Policy advice to governments and central banks based on analysis of economic trends and cross-country experiences
- Research, statistics, forecasts, and analysis based on tracking of global, regional, and individual economies and markets
- Loans to help countries overcome economic difficulties
- Concessional loans to help fight poverty in developing countries
- Technical assistance and training to help countries improve the management of their economies

Publications of the IMF include:

- World Economic Outlook
- Global Financial Stability Report
- Fiscal Monitor
- Regional Economic Outlook Reports
- IMF Economic Review
- World Economic Outlook Databases

IMF website: www.imf.org

2.2.3 INTERPOL

With its 188 member States, INTERPOL is the world's largest international police organization. Created in 1923, it facilitates cross-border police co-operation, and supports and assists all organizations, authorities and services whose mission it is to prevent or combat international crime.

INTERPOL aims at facilitating international police co-operation, even where diplomatic relations do not exist between individual countries. Action is taken within the limits of existing laws of the different countries and in the spirit of the Universal Declaration of Human Rights.

INTERPOL's primary functions are to:

- Secure global police communication services
- Provide operational data services and databases for police
- Provide operational police support services
- Offer police training and development

INTERPOL website: www.interpol.int

2.2.4 International Organization for Migration (IOM)

Established in 1951, the IOM is the principal inter-governmental organization dealing with migration: It currently has 127 member States, with a further 17 States holding observer status, as do numerous international organizations and NGOs. The IOM's programme budget for 2009 exceeded 1 billion United States dollars, which funded over 2,360 active programmes and more than 7,000 staff members serving in more than 460 field offices in more than 100 countries.

The IOM is committed to the principle that humane and orderly migration benefits both migrants and societies. The IOM acts with its partners in the international community to:

- Assist in meeting the growing operational challenges of migration management
- Advance understanding of migration issues
- Encourage social and economic development through migration
- Uphold the human dignity and well-being of migrants

IOM website: www.iom.int

2.2.5 Organisation for Economic Cooperation and Development (OECD)

The forerunner of the OECD was the Organisation for European Economic Co-operation (OEEC). The OEEC was formed in 1947 to administer American and Canadian aid under the Marshall Plan for the reconstruction of Europe after World War II. The OECD took over from the OEEC in 1961. Since then, its mission has been to help its member States to achieve sustainable economic growth and employment, as well as to raise standards of living while maintaining financial stability. The overall goal is to contribute to the development of the world economy. The founding Convention of the OECD also calls on the organization to assist sound economic expansion in non-member States, and to contribute to growth in world trade on a multilateral, non-discriminatory basis. Currently, it has more than 70 partners that are developing and emerging market economies.

The OECD mission is to:

- Support sustainable economic growth
- Boost employment
- Raise living standards
- Maintain financial stability
- Assist other countries' economic development
- Contribute to growth in world trade

In addition to collecting data, the OECD also monitors trends in and analyses and forecasts of economic developments, and researches social changes or evolving patterns in such fields as trade, environment, agriculture, technology, and taxation. The OECD is one of the world's largest publishers in the fields of economics and public policy.

OECD website: www.oecd.org

2.2.6 Organisation for the Prohibition of Chemical Weapons (OPCW)

The OPCW is the implementing body of the Chemical Weapons Convention (CWC). Its mandate is to achieve the object and purpose of the Convention, to ensure the implementation of its provisions, including those for international verification of compliance, and to provide a forum for consultation and co-operation among the States parties. It covers the areas of demilitarization, non-proliferation, assistance and protection, international co-operation, universality and national implementation.

OPCW website: www.opcw.org

2.2.7 Intergovernmental Organisation for International Carriage by Rail (OTIF)

OTIF (Organisation intergouvernementale pour les transports internationaux ferroviaires) was set up on 1 May 1985 following the entry into force of the COTIF Convention of 9 May 1980, which was modified by the Vilnius Protocol of 3 June 1999. OTIF's predecessor was the Central Office for International Carriage by Rail, which was set up in 1893.

The objective of OTIF has principally been developing uniform systems of law applying to the carriage of passengers and international freight by rail. These systems of law have been in existence for decades and are known as the CIV and CIM Uniform Rules.

OTIF currently has 45 member States (from Europe, the Middle East and North Africa) and one associate member (Jordan). The organization's headquarters are in Bern, Switzerland.

OTIF's activities focus on:

- Further development of rail transport law
- Widening the scope of COTIF in order to make carriage by rail possible under a single legal regime from the Atlantic to the Pacific
- Preparations for the entry into force of the Luxembourg Protocol
- The removal of obstacles to the crossing of frontiers in international rail transport
- Participation in the preparation of other international conventions concerning rail transport within the UN Economic Commission for Europe and other international organizations

OTIF website: www.otif.org

2.2.8 The Wassenaar Arrangement

The Wassenaar Arrangement was established in order to contribute to regional and international security and stability by promoting transparency and greater responsibility in transfers of conventional arms and dual-use goods and technologies. Through these means it intends to prevent destabilizing accumulation.

The Wassenaar Arrangement became operational in 1996 and has its secretariat in Vienna. Its 40 Participating States seek, through their national policies, to ensure that transfers of such items neither contribute to the development or the enhancement of military capabilities undermining these goals, nor are diverted to support such capabilities.

The "Guidelines and Procedures, including the Initial Elements" of the Wassenaar Arrangement set out the purposes and scope of the Arrangement and also cover the Wassenaar Arrangement approach to:

- Control Lists
- Procedures for General Information Exchange
- Procedures for the Exchange of Information on Dual-Use Goods and Technology
- Procedures for the Exchange of Information on Arms
- Meetings and Administration
- Participation
- Confidentiality

Wassenaar Arrangement website: www.wassenaar.org

2.2.9 The World Bank (WB)

The World Bank is an international financial institution that provides leveraged loans for capital programmes to developing countries. It was created in 1944 as a result of the Bretton Woods Conference. With its headquarters in Washington, D.C., the World Bank comprises two distinct institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

The World Bank has been involved in Customs and border management, including Customs reform and modernization, for many years. In the period 1991–2011 alone it invested in over 120 Customs projects or projects with significant Customs components. The current

portfolio includes approximately 420 million United States dollars in Customs operations, with more than 100 million United States dollars in projects currently under development. While the Bank's Customs reform work has traditionally focused on improving revenue collection, in recent years the emphasis has shifted to trade facilitation, improving national competitiveness, and fostering regional integration. Research conducted by the Bank and others consistently identifies poor Customs and border processing performance as a significant barrier to export competitiveness.

The focus of the World Bank's Customs Policy and Administration Thematic Group includes:

- Customs systems and procedures
- Trade facilitation and simplification
- Customs and governance issues
- Border management
- Risk assessment and tools
- Performance measurement
- Customs information technology and equipment

The World Bank has three main publications dealing with customs and border management:

Customs Modernization Initiatives, ed. Luc De Wulf and José B. Sokol (2004).

Customs Modernization Handbook, ed. Luc De Wulf and José B. Sokol (2004).

Border Management Modernization: A Practical Guide for Reformers, ed. Gerard McLinden, Enrique Fanta, David Widdowson and Thomas Doyle (2010).

World Bank website: www.worldbank.org

2.2.10 World Customs Organization (WCO)

The WCO, with its headquarters in Brussels, is an inter-governmental organization with a membership of national Customs agencies. it has 179 WCO members. The WCO is the only inter-governmental organization that focuses exclusively on Customs issues. WCO members provide Customs controls for more than 98 per cent of all international trade.

In 1947, thirteen European countries created a Study Group to focus on Customs issues. This Study Group concept was formalized in the General Agreement on Tariffs and Trade (GATT). In January 1950, the Convention Establishing the Customs Cooperation Council (CCC) was adopted. The first meeting of the Council was held in 1953, with the participation of 17 founding members. In 1994, the council formally adopted its current name.

The mission of the WCO is to enhance the efficiency and effectiveness of member Customs agencies by:

- Providing a leading role in Customs discussions
- Developing, promoting and implementing modern Customs systems and approaches
- Providing instruments and "best-practice" approaches

It supports the following Customs goals:

- National development goals
- Revenue collection
- National security
- Trade facilitation
- Community protection
- Collection of trade statistics

The WCO has developed a wide range of tools to help Customs agencies in their operational or strategic management. In addition to its legally binding instruments, the WCO provides methods, guidelines for best practices, and benchmarking tools. These have been designed in the spirit of flexibility to be used by Customs organizations, regardless of whether they are running an advanced system or have just begun to implement a modernization process. It provides a classification technical committee, to which national customs authorities can take their classification problems for clarification, security standards, and data models for electronic transmissions. It also delivers online training for both Customs personnel and persons in the private sector.

WCO website: www.wcoomd.org

2.2.11 World Trade Organization (WTO)

The WTO is arguably the highest-level organization dealing with international trade. It has three main core functions. Firstly, it provides governments around the world with a forum for the negotiation of trade agreements. Secondly, through its legal instruments it provides legal ground rules. Lastly, it mediates in international disputes.

The WTO began operations on 1 January 1995 under the Marrakech Agreement, which replaced the 1948 GATT Agreement. The WTO headquarters are in Geneva and it has a staff of approximately 625. It has 153 member States, representing more than 95 per cent of total world trade.

At the heart of WTO negotiating is the Most Favoured Nation (MFN) concept, which essentially states that "we are all equal under the law" and is a model for anti-discrimination. It creates a situation in which one State cannot grant either special favours or impose special restrictive measures on another State. There are some exceptions to the general principle of MFN, such as regional trade agreements, but such exceptions are strictly controlled. MFN is such a vital concept that it is included in each of the three instruments that have been created by the WTO.

The WTO has three agreements that lay down the legal groundwork for international trade. They are the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services (GATS), and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

General Agreement on Tariffs and Trade (GATT)

The General Agreement on Tariffs and Trade is the single most important agreement with respect to international trade in goods that exists. It covers virtually every aspect of trade. It also provides for the establishment of the WTO as the body providing the Agreement's institutional framework. A complete treatment of the agreement can be found under the following link:

www.wto.org/english/docs_e/legal_e/legal_e.htm#GATT94

General Agreement on Trade in Services (GATS)

The introduction to a summary of the Agreement reads: "The Services Agreement which forms part of the Final Act rests on three pillars. The first is a Framework Agreement containing basic obligations which apply to all member countries. The second concerns national schedules of commitments containing specific further national commitments which will be the subject of a continuing process of liberalization. The third is a number of annexes addressing the special situations of individual services sectors."

For a detailed description of this Agreement, see:

www.wto.org/english/docs_e/legal_e/ursum_e.htm#mAgreement

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

The introduction to the Agreement reads: "The agreement recognises that widely varying standards in the protection and enforcement of intellectual property rights and the lack of a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods have been a growing source of tension in international economic relations. Rules and disciplines were needed to cope with these tensions. To that end, the agreement addresses the applicability of basic GATT principles and those of relevant international intellectual property agreements; the provision of adequate intellectual property rights; the provision of effective enforcement measures for those rights; multilateral dispute settlement; and transitional arrangements."

The WTO publishes a wide variety of research papers and studies. The three key annual publications are:

- The World Trade Report
- International Trade Statistics
- WTO Annual Report

The WTO also provides an online repository of the WTO official documents covering all of its activities. This repository also includes the legal texts of the WTO Agreements, which are available from the following link: http://docsonline.wto.org

WTO website: www.wto.org

2.3 Regional inter-governmental organizations

2.3.1 Asian Development Bank (ADB)

The main mission of the ADB is to improve the welfare of the peoples of Asia and the Pacific. In pursuing its mission, the ADB has several instruments at its disposal: loans, technical assistance, grants, advice, and knowledge. Although the largest portion of its lending is in the public sector, the ADB also provides direct assistance to private enterprises.

Established in 1966 with its headquarters in Manila, the ADB is a multilateral development bank owned by 67 member States: 48 in the region and 19 from elsewhere in the world. It has a staff of over 2,400 people, of which over half are Filipino, and a lending budget of approximately 7 billion United States dollars. The two largest shareholders are Japan and the United States, each holding 15.57 per cent. The average project loan is 100 million United States dollars.

A relevant regional project is the Central Asian Regional Economic Cooperation Unit (CAREC). The CAREC Program is a partnership of eight countries and six multilateral institutions working to promote development through co-operation. It aims to accelerate economic growth and reduce poverty. By promoting and facilitating regional co-operation in the priority areas of transport, trade facilitation, trade policy and energy, CAREC helps Central Asian and neighbouring countries realize their potential in an increasingly integrated Eurasia.

The ADB has produced a number of publications in various areas:

On Customs:

- *Regional Customs Modernization and Infrastructure Development Project* (Co-financed by the Government of the United States, July 2009).

On Central Asia:

- *Increasing Gains from the Trade Through Regional Cooperation in Trade Policy, Transport, and Customs Transit* (January 2006).

On border crossing points:

- *Corridor Chronicles – Profiles of Cross Border Activities in the Greater Mekong Subregion* (December 2009).

On economic co-operation in Central Asia:

- *Harmonization and Simplification of Transport Agreements, Cross Border Documents and Transport Regulations* (October 2005).

ADB website: www.adb.org

2.3.2 Association of Southeast Asian Nations (ASEAN)

The ASEAN was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by its founding States: Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei Darussalam joined in 1984, Viet Nam in 1995, Lao PDR and Myanmar in 1997, and Cambodia in 1999, making what are today the ASEAN's ten member States.

As set out in its Declaration, the aims and purposes of ASEAN are:

- To accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian nations;
- To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter;
- To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;
- To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres;
- To collaborate more effectively for the greater utilisation of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communications

facilities and the raising of the living standards of their peoples;
- To promote Southeast Asian studies; and
- To maintain close and beneficial co-operation with existing international and regional organizations with similar aims and purposes, and explore all avenues for even closer co-operation among themselves.

ASEAN website: www.aseansec.org

2.3.3 Asia-Pacific Economic Cooperation (APEC)

APEC is a forum for facilitating economic growth, co-operation, trade and investment in the Asia-Pacific region. APEC has no treaty obligations required of its participants. Decisions made within APEC are reached by consensus and commitments are undertaken on a voluntary basis.

APEC has 21 member economies of: Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong, China, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Republic of the Philippines, the Russian Federation, Singapore, Chinese Taipei, Thailand, United States of America, Viet Nam.

APEC was established in 1989 to further enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community. Since its inception, APEC has worked to reduce tariffs and other trade barriers across the Asia-Pacific region.

APEC website: www.apec.org

2.3.4 European Committee for Standardization (CEN)

The CEN ("Customs Enforcement Network") provides a platform for the development of European standards and other technical specifications. These services facilitate business in Europe by removing trade barriers for European industry and consumers.

The CEN was founded in 1961 in Belgium. It has 31 members representing the national standardization organizations of all 27 EU States, three States of the European Free Trade Association (EFTA), and Croatia.

The CEN is a partner with the other two European Union standards bodies: the European Committee for Electrotechnical Standardization (CENELEC) and the European Telecommunications Standards Institute (ETSI).

Although not directly involved with Customs or border management, the CEN should be considered a part of the Customs system for the reason that CEN standards are often implemented in the execution of Customs operations. Furthermore, the CEN can be consulted during the process of developing new standards that will directly affect Customs or border management.

The CEN brings out a number of publications, including:

European Standards (EN)
Some of these standards are voluntary, while others have become EU law, thus replacing any previously existing national standards.

Draft European Standards (prEN)
These are standards that are under development and are awaiting acceptance.

CEN Workshop Agreements (CWA)
These are standards documents that are developed in CEN workshops. They are neither legally binding nor are they required to be adopted by national standards bodies.

Technical Specifications (TS)
A CEN/TS can be seen as a pre-standard.

Technical Reports (TR)
This is essentially a technical bulletin that is supplied to the CEN network to aid in the development of standards.

CEN website: www.cen.eu

2.3.5 Commonwealth of Independent States (CIS)

The Free Trade Agreement of the CIS entered into force in December 1994. It now comprises eleven States: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyz Republic, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. The organization provides trade statistics and statistical comparisons.

CIS website: www.cis.minsk.by

2.3.6 Eurasian Economic Community (EurAsEC)

The original agreement of the EurAsEC entered into force in 1997 between Belarus, Kazakhstan, Kyrgyz Republic, Russian Federation and Tajikistan. The aim of EurAsEC is to promote the formation of a regional Customs union and a common market, and also to promote the economic integration of its member States, who have set themselves the following targets:
- Creating a free trade regime
- Introducing common Customs tariffs and harmonizing non-tariff regulations
- Creating a common Customs area with a common system of Customs regulations and a common management of Customs services

EurAsEC website: www.evrazes.com

2.3.7 European Free Trade Association (EFTA)

EFTA was established through the Stockholm Convention of 1960 with aim of promoting free trade and economic integration for the benefit of its four member States: Iceland, Liechtenstein, Norway and Switzerland.

The immediate aim of the association was to provide a framework for the liberalization of trade in goods amongst its member States. It was also established as an economic counterbalance to the more politically driven EEC.

EFTA website: www.efta.int

2.3.8 European Union

Customs within the European Union is co-ordinated by the **Directorate General Taxation and Customs Union (TAXUD)**. The mission of TAXUD is to develop and manage a Customs union which is an establishment of the European Union, and to develop and implement tax policy across the EU for the benefit of its citizens, businesses and member States. Particular attention is given to the EU's internal market, to ensure that it functions smoothly and efficiently.

The Directorate General works to provide solutions in the tax and Customs fields to member States and economic operators, thus enabling them to respond to current economic, social and environmental challenges, both at the European and international level.

With regard to Customs, the activities of the Directorate General aim at:

- Simplifying and modernizing the tax and Customs administrative rules and procedures with which European economic operators have to comply;
- Assisting member States to apply EU tax and Customs laws correctly, and monitoring the proper transposition and application of tax and Customs legislation;
- Managing and securing the common external border, combating the flow of illegal trade, and reinforcing the security of the international supply chain;
- Working at the international level to improve transparency and information exchange and to ensure coherence between taxation, Customs and the wider objectives of the Community, particularly in the areas of commercial policy, developmental aid and "Wider Europe";
- Reinforcing candidate countries' capacity to apply EU Customs and tax laws;
- Assisting member States to combat fraud and tax evasion.

DG-TAXUD website: http://ec.europa.eu/taxation_customs/index_en.htm

In addition, the EU has a number of co-operation programmes. Two of these – the European Union Border Assistance Mission (EUBAM) and the European Border Management Programme in Central Asia (EUBOMCA) – are covered in this Handbook in Chapter 2: "From Domestic to International Co-operation".

In addition, the following two programmes deal with trade:

European Parliament Committee on International Trade (INTA)

As a result of the Lisbon Treaty, the European Parliament has a decisive role in defining the EU's trade policy. This covers matters of international trade in goods and services, the commercial aspects of intellectual property, and foreign direct investment.

The Committee on International Trade is responsible for matters relating to the establishment and implementation of the EU's common commercial policy and its external economic relations, in particular:

- Financial, economic and trade relations with third countries and regional organizations
- Measures of technical harmonization or standardization in fields covered by instruments of international law
- Relations with the relevant international organizations and with organizations promoting regional economic and commercial integration outside the EU
- Relations with the WTO, including its parliamentary dimension

The **INTA website** includes agendas and working documents, research, reports, hearings and newsletters:

www.europarl.europa.eu/activities/committees/en/INTA/home.html

FRONTEX

FRONTEX was created to deal with two issues. The first was the acceptance and implementation of the Schengen Acquis. This legislation removed internal borders and allows the free movement of people within the EU as well as associated countries. Second, the EU desired a common policy regarding integrated border management to deal with matters at its external borders. Both concepts needed a Community body to co-ordinate these efforts.

FRONTEX became operational in 2005. It is based in Warsaw, Poland and has a staff of over 164 national experts, as well as temporary and contract workers. It is a legal entity of the European Community and has operational and budgetary autonomy. Strategic and operational guidelines are determined by a management board, which consists of national experts in border management and commission representatives.

The purpose of FRONTEX is to ensure that the external European borders are open to legitimate travellers while being closed to cross-border crime. This is done by co-ordinating intelligence co-operation at the EU level. In this handbook, the activities of FRONTEX are covered in more detail in Chapter 3: "Balancing Security with Trade Facilitation and Developing Partnerships with Private Industry".

FRONTEX website: www.frontex.europa.eu

2.3.9 Organization for Security and Co-operation in Europe (OSCE)

With 56 participating States in Europe, Central Asia and North America and 12 Asian and Mediterranean Partners for Co-operation[6], the Organization for Security and Co-operation in Europe (OSCE) is the world's largest regional security organization. It offers a forum for political negotiations and decision-making in the fields of early warning, conflict prevention, crisis management and post-conflict rehabilitation. It has a unique network of 15 field operations across South Eastern Europe, Eastern Europe, the South Caucasus and Central Asia. The OSCE takes a comprehensive approach to security that encompasses the politico-military, economic and environmental, and human dimensions. The OSCE seeks to enhance border security while facilitating legitimate travel and commerce, protecting human rights and promoting human contacts. The OSCE Border Management Staff College in Dushanbe, Tajikistan, trains border officers from OSCE participating States and Partners for Co-operation, including Afghanistan, and promotes cross-border co-operation in the Central Asian region.

OSCE website: www.osce.org

6 Afghanistan, Algeria, Australia, Egypt, Israel, Japan, Jordan, Mongolia, Morocco, Republic of Korea, Thailand and Tunisia.

2.4 Non-governmental organizations

2.4.1 Global Facilitation Partnership for Transportation and Trade (GFP)

The aim of the GFP is to pull together all interested parties, public and private, involved in transport and trade facilitation, particularly in developing and transition countries.

Its website is designed as a "single window" for worldwide trade facilitation information and resources. It is maintained by the GFP Core Partners: the International Chamber of Commerce, the World Customs Organization, the United Nations Conference on Trade and Development, the United Nations Economic Commission for Europe, the United Nations Industrial Development Organization, and the World Bank.

Areas of collaboration include the following:

- Sharing agenda of common interest
- Pooling resources and expertise, where appropriate, to carry out research or design and implement pilot projects
- Sharing knowledge and ideas

GFP website: www.gfptt.org

2.4.2 International Chamber of Commerce (ICC)

The International Chamber of Commerce was founded in 1919 with the following objective: "To serve world business by promoting trade and investment, open markets for goods and services, and the free flow of capital".

The ICC represents the business world through a wide range of activities, from arbitration to combating crime. Some are of particular interest for cross-border transactions.

- The Uniform Customs and Practice for Documentary Credits (UCP 500) are the rules banks apply to finance billions of dollars worth of world trade every year.
- The Incoterms (International Commercial Terms) are standard international trade definitions. First published in 1936, these standard definitions of universally used international trade terms, such as FOB and CIF, are regularly revised.
- The Chambers of Commerce of 57 States administer the ATA Carnet system for temporary duty-free imports.
- The ICC Commercial Crime Services is a specialized body that has been created to co-ordinate services to combat commercial crime, including: the International Maritime Bureau, the Counterfeiting Intelligence Bureau, and the Financial Investigation Bureau. A cybercrime unit was added in 1998.
- The ICC Committee on Customs and Trade Regulation has a mandate "to encourage the reduction of barriers to cross-border trade related to customs policies and procedures". The Committee's work focuses on customs reform and modernization, as well as on the implementation of transparent, simplified and harmonized customs policies and procedures.

ICC website: www.iccwbo.org

2.4.3 International Chamber of Shipping (ICS)

The ICS represents shippers all over the globe. It was created as an NGO in 1921. Located in London, it represents 75 per cent of the world shipping tonnage. It has as members 34 national ship owner associations from around the world. The primary international partner for the ICS is the International Maritime Organization (IMO).

The organization's main purpose is to represent national ship owner associations and to give advice concerning international policy.

Some of its main goals are to:

- Encourage high operational standards
- Ensure efficient and high quality shipping services
- Assist in the creation of a regulatory environment that supports safe operations, protects the environment, and adheres to internationally recognized standards and procedures
- Promote international co-operation as opposed to unilateral actions
- Promote best practices within the industry
- Represent the industry in:
  - Creating classification standards
  - Facilitating trade and Customs
  - Improving maritime security and enforcing the International Ship and Port Facility Security Code (ISPS Code)

Relevant partners to the ICS are the World Customs Organization and the World Trade Organization.

Virtually all ICS publications deal with maritime operations. Their main contribution with respect to borders and Customs is their input to the ISPS code.

ICS website: www.marisec.org

2.4.4 International Organization for Standardization (ISO)

The ISO is widely recognized as the creator and publisher of international standards. It has published more than 18,000 international standards, covering a broad range of topics including aerospace, agriculture, defence, security, mechanical engineering and information technology.

It was created in London in October 1946 as a merger of two previously existing organizations: the International Federation of the National Standardizing Associations (ISA) and the United Nations Standards Coordinating Committee (UNSCC).

An NGO with its seat in Geneva, the ISO is a network of national standards institutes from 163 States around the world. Its member institutes are either part of their national governments or mandated by them, or are private sector associations.

Although not directly involved in border management, the ISO plays an important role in border issues. The international standards set by the ISO touch every aspect of border management. Certain ISO standards are even part of border management legislation and programmes.

An example is: ISO/PAS 17712: 2006 Freight Containers – Mechanical Seals, which is sited in the WCO SAFE Framework of Standards.

Here, simple searches enable one to find numerous standards that

might be considered when creating new legislation or implementing existing programmes. For example, when searching under "Customs", eight standards are provided, as well as a large number of sites.

ISO website: www.iso.org/iso/home.htm

2.4.5 International Road Transport Union (IRU)

The IRU primarily concerns commercial operators of road transport, including buses, coaches and trucks (from single-owner operators to large companies). It was founded in Geneva, Switzerland, in 1948 and currently has 170 member associations in 73 States around the world. The IRU is involved with all decision-making bodies at an international level. It is the industry's worldwide advocate with respect to road transport. Matters dealing with Customs are discussed in the IRU Commission on Customs Affairs (CAD).

Core tenants of the IRU relevant to Customs management include:

- Maintaining close working relationships with the competent national, inter-governmental, and non-governmental organizations
- Working for the harmonization and simplification of procedures affecting road transport
- Alerting the industry to changes in national and international legislation
- Striving to lift barriers to international transport and trade

Core functions of the IRU include developing the International Road Transport (TIR) Customs transit system and the TIR- Electronic Pre-Declaration.

International Road Transport (TIR)

Shortly following World War II, the TIR system was created by a small number of European countries. It was intended to facilitate international trade while protecting the national revenue interests of the signatory nationals. Today, TIR is the only internationally recognized Customs transit system. It provides for the transport of goods from countries of origin, through one or more transit countries, to the country of destination without additional (habitual) Customs controls in the transit countries. It has 68 contracting countries, with 57 countries actively participating in the system.

TIR-EPD (TIR- Electronic Pre-Declaration)

In order to comply with new European legislation adopted on 1 January 2009 and to satisfy the WCO Framework of Standards, the IRU has set up a website that allows TIR holders to electronically submit pre-declarations.

The IRU has a large number of publications related to road transport. Some topics and examples include:

- General studies and practical documents
- Goods transport
- Passenger transport
- Taxis
- IRU reports

IRU website: www.iru.org

2.4.6 Transparency International (TI)

Transparency International is a global civil society organization fighting corruption. The TI's goal is a world free of corruption. The TI raises awareness in order to diminish apathy and tolerance of corruption, and devises and implements practical activities for addressing it.

Transparency International is a global network that comprises more than 90 locally established national chapters and chapters-in-formation. These bodies fight corruption in the national arena in a number of ways. They bring together relevant players from government, civil society, business and the media to promote transparency in elections, in public administration, in procurement and in business. TI's global network of chapters and contacts also use advocacy campaigns to lobby governments to implement anti-corruption reforms.

Politically non-partisan, TI does not undertake investigations of alleged corruption or expose individual cases. However, at times it works in coalition with organizations that do. TI is able to provide skills, tools, experience, expertise and broad participation for the fighting of corruption through initiatives both global and regional.

TI website: www.transparency.org

Conclusion

International organizations are central to the development and management of world trade. In their specific domains, each has expertise and knowledge of the challenges faced by the global trade community, from private traders to institutional organizations. Through legislation, research, partnerships and education, international organizations invest their resources in building an international framework in order to promote the development of trade. Their work has a great influence on border operations. This being the case, border agencies and trade should work with them and thus participate in the construction and shaping of the trading environment of the future.

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Abbreviations and Acronyms

AANZFTA	ASEAN-Australia-New Zealand Free Trade Agreement
ACE	Automated Commercial Environment
ACI	Advance Electronic Cargo Information
ACS	Automated Commercial System
ADB	Asian Development Bank
ADD	Anti-Dumping Duty
AEBTRI	Association of Bulgarian Road Transport Enterprises
AEO	Authorised Economic Operator
AFCO	Afghan Freight Forwarders Association
AFTA	ASEAN Free Trade Area
AFTZ	African Free Trade Zone
AIS	Automated Information System
ALADI	Latin American Integration Association
ALICE	A Logical Integrated Computerized Environment
ANSA	Afghan National Standards Authority
APEC	Asia-Pacific Economic Cooperation
APTA	Asia Pacific Trade Agreement
APTTA	Afghanistan-Pakistan Transit Trade Agreement
ARA	Autonomous Revenue Authority
ASAS	Aerosol Size and Shape Analyzer
ASEAN	Association of Southeast Asian Nations
ASTM	American Society for Testing and Materials
ASYCUDA	Automated System for Customs Data
ATA	Temporary Admission
ATIT	International Land Transport Agreement
ATTA	Afghanistan Transit Trade Agreement
AUSTRIAPRO	Part of the Austrian Federal Economic Chamber
BCP	Border Crossing Point
BERR	Department for Business, Enterprise and Regulatory Reform (UK)
BIC	Bank Information Center
BIS	Department for Business, Innovation and Skills (UK)
BMSC	Border Management Staff College (OSCE)
BPI	Bribe Payers Index
BTA	Bilateral Agreement
BTEP	Border Technology Exchange Programme
BWAs	Biological Warfare Agents
C-TPAT	Customs-Trade Partnership Against Terrorism
CABSI	Central Asia Border Security Initiative
CAD	IRU Commission on Customs Affairs
CAP	Common Agricultural Policy
CAREC	Central Asian Regional Economic Cooperation
CARICOM	Caribbean Community
CBM	Coordinated Border Management
CBP	Customs and Border Protection (U.S.)
CBRNE	Chemical, Biological, Radiological, Nuclear and Explosive (referring to materials contained in weapons of mass destruction)
CCTS	Core Components Technical Specifications
CEN	Customs Enforcement Network (of the World Customs Organization)
CIRAM	Common Integrated Risk Analysis Model (of the EU)
CIT	International Rail Transport Committee
CCTV	Closed Circuit Television
CDC	Centre for Disease Control
CEFACT	Centre for Trade Facilitation and Electronic Business (of the UN; full acronym is UN/CEFACT)
CEFTA	Central European Free Trade Agreement
CEMAC	Communauté Économique et Monétaire des Etats de l'Afrique Centrale
CEN	European Committee for Standardization
CENELEC	European Committee for Electrotechnical Standardization
CEZ	Common Economic Zone
CIA	Central Intelligence Agency
CIF	Cost, Insurance, and Freight
CIM	Uniform Rules Concerning the Contract for International Carriage of Goods by Rail
CISFTA	Commonwealth of Independent States Free Trade Agreement
CITES	Convention on International Trade in Endangered Species
CIV	Uniform Rules concerning the Contract for International Carriage of Passengers and Luggage by Rail
CIS	Commonwealth of Independent States
CMR	Convention on the Contract for the International Carriage of Goods by Road (Geneva, 19 May, 1956)
COMESA	Common Market for Eastern and Southern Africa
COTIF	Convention concerning International Carriage by Rail (of 9 May 1980)
CPI	Corruption Perceptions Index
CPT	Committee for the Prevention of Torture
CRMS	Customs Risk Management System (of the EU)
CSI	Container Security Initiative
CWA	CEN Workshop Agreements
CWA	Chemical Warfare Agent
DEFRA	Department for Environment, Food and Rural Affairs (U.K.)
DfT	Department for Transport (U.K.)
DES	Draft European Standards
DR-CAFTA	Dominican Republic–Central America Free Trade Agreement
EAGGF	European Agricultural Guidance and Guarantee Fund
EBRD	European Bank for Reconstruction and Development
ECMT	European Conference of Ministers of Transport
ECO	Economic Cooperation Organization
ECOSOC	United Nations Economic and Social Council
ECOWAS	Economic Community of West African States
EDI	Electronic Data Interchange
EDS	Energy-Dispersive Spectroscopy
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Fair Trade Association
EIRR	Economic Internal Rate of Return
EN	European Standards
ENS	Entry Summary Declaration
ETSI	European Telecommunications Standards Institute
EFTA	European Free Trade Association
EOF	Escalation of Force
ETS	Enhanced Trade Solution
EU	European Union
EUBAM	European Union Border Assistance Mission to Moldova and Ukraine

EUBOMCA	European Union Border Management Programme in Central Asia
EurAsEC	Eurasian Economic Community
FWS	Fish and Wildlife Service (U.S.)
FDA	Food and Drug Administration (U.S.)
FHWA	Federal Highway Administration (U.S.)
FIS	Federal Inspection Services (U.S.)
FLAPS	Fluorescence Aerodynamic Particle Sensor
FLETC	Federal Law Enforcement Training Center (U.S.)
FOB	Freight on Board
FRONTEX	European Agency for the Management of Operational Cooperation at the External Borders of the Member States
FSPBS	Facilities Standards for the Public Buildings Service (U.S.)
FSR	Freight Security Requirements
FTA	Free Trade Agreement
FTIR	Fourier Transform Infrared Spectroscopy
FTR	Foreign Trade Regime
FTZ	Free Trade Zone
GAFTA	Greater Arab Free Trade Area
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GAO	Government Accountability Office (U.S.)
GBCR	Georgia Business Climate Reform
GFP (GFPTT)	Global Facilitation Partnership for Transportation and Trade
GC-MS	Gas Chromatography - Mass Spectroscopy
GMS	Greater Mekong Sub-region
GPS	Global Positioning System
GSA	General Services Administration (U.S.)
GSM	Global System for Mobile Communications
GSP	General System of Preferences
Hazchem	Hazardous Chemicals
HMRC	Her Majesty's Revenue & Customs
HRIS	Human Resources Information System
HRM	Human Resource Management
HRMS	Human Resource Management Strategy
HCDCS	Harmonized Commodity Description and Coding System
IBETs	Integrated Border Enforcement Teams
IBM	Integrated Border Management
IBRD	International Bank for Reconstruction and Development
ICC	International Chamber of Commerce
ICD	Inland Customs Depot
ICE	Immigration and Customs Enforcement
ICS	International Chamber of Shipping
ICT	Information and communications technologies
IDA	International Development Association
IFI	International Financial Institutions
ILO	International Labour Organization
IMCO	Inter-Governmental Maritime Consultative Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
IMO FAL	International Maritime Organization Convention on Facilitation of International Maritime Traffic
INS	Immigration and Naturalization Service (U.S. Immigration Services)
INTA	Committee on International Trade (of the EU Parliament)
INTERPOL	International Police Organization
IOM	International Organization for Migration
IP	Internet Protocol
IRU	International Road Transport Union
ISA	International Federation of the National Standardizing Associations
ISCBC	Inter-Ministerial Steering Committee for Border Crossing
ISCM	Integrated Supply Chain Management
ISF	Importer Security Filing
ISO	International Organization for Standardization
ISPS	International Ship and Port Facility Security
Istanbul Convention	Convention on Temporary Admission
IT	Information Technology
IVWC	International Vehicle Weight Certificate
JAC	Joint Analysis Centre
JWC	Joint Working Committee on Transportation Planning
KZH	Kazakhstan Railways
LAC	Local Analysis Centre
LED	Light Emitting Diode
LIBOR	London Interbank Offered Rate
LIBS	Laser-Induced Breakdown Spectroscopy
LPR	Vehicle License Plate Recognition
MAB	Biological Alarm Monitor
MATRA	Multi Agency Threat and Risk Assessment
MFN	Most Favoured Nation
MHRA	Medicines and Healthcare Products Regulatory Agency
MoU	Memorandums of Understanding
MoUs	Memoranda of Understanding
MTA	Multilateral Trade Agreement
MUTCD	Manual on Uniform Traffic Control Devices
NAFTA	North American Free Trade Agreement
NCA	National Customs Agency
NCIC	National Crime Information Centre
NCTS	New Computerised Transit System
NFPA	National Fire Protection Association
NGO	Non-governmental Organization
NII	Non-Intrusive Inspection
NSC	North South Corridor
NSBS	Bulgarian Freight Forwarders Association
NSD	Highly Sensitive Neutron Search Detectors
NTTFC	National Trade and Transport Facilitation Committee
NVRD	National Vehicle Registration Databank
OC	Operational Centre
ODASCE	Office de Développement par l'Automatisation et la Simplification du Commerce Extérieur
OECD	Organisation for Economic Cooperation and Development
OLAF	European Anti-Fraud Office
OPCW	Organisation for the Prohibition of Chemical Weapons
OSCE	Organization for Security and Co-operation in Europe
OSJD	Organization for Cooperation between Railways
OTIF	Intergovernmental Organisation for International Carriage by Rail
PBS	Public Buildings Service (U.S. GSA)
PCB	Police-Customs-Border guard
POE	Port of Entry
PPP	Public Private Partnership
DES	Draft European Standard
PRO	(committee) national trade facilitation body

PRS	Portable Radiation Scanners
PSCG	Private Sector Consultative Group
RIID	Radiation Isotope Identifier
RN	Radiological and Nuclear
RPM	Radiation Portal Monitors
RAILDATA	International organisation of railways for development and production of central information systems for freight rail traffic in Europe
RFID	Radio Frequency Identification
RIF	Risk Information Forms
RKC	Revised Kyoto Convention
RMS	Risk Management System
RTA	Regional Trade Agreement
RTFCCP	Regional Trade Facilitation and Customs Cooperation Program (of ADB)
RZD	Russian Railways
SACU	Southern African Customs Union
SAD	Single Administrative Document
SAFE	Framework of Standards to Secure and Facilitate Global Trade (of the WCO)
SAFTA	South Asia Free Trade Area
SAPO	South African Port Operations
SBR	Standard Business Reporting
SCS	Supply Chain Security
SDS	Standardised Data Set
SFI	Secure Freight Initiative
SGL+	Super Green Lane Plus
SITPRO	(formerly) Simpler Trade Procedures Board (of the UK)
SMGS	Agreement on International Freight Traffic by Rail
SOFI	Solutions Françaises Informatiques
SOLAS	International Convention for the Safety of Life at Sea
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement
SPRD	Spectrometric Personal Radiation Detectors
SRPM	Spectroscopic Radiation Portal Monitors
SWEPRO	Swedish Trade Procedures Council
SWOT	Strengths, Weaknesses, Opportunities, and Threats (strategic planning method used to evaluate the involved a project or business venture)
SWS	Single Window System
TAD	Transit Accompanying Document
TAPA	Transported Asset Protection Association
TARIC	Tarif Integré de la Communauté (Integrated Tariff of the European Community)
TAXUD	Directorate General Taxation and Custom Union (of the EC)
TBWG	Transportation Border Working Group (Canada-U.S.)
TCD	Time/Cost-Distance (methodology)
TEP	Trade Enhancement Programme
TEU	Twenty-feet Equivalent Unit
TI	Transparency International
TICs	Toxic Industrial Chemicals
TTFSE	Trade and Transport Facilitation in Southeast Europe
TIR	Transports Internationaux Routiers (International Road Transport)
TIR-EPD	TIR- Electronic Pre-Declaration
TNA	Training Needs Assessment
TOBB	Union of Chambers and Commodity Exchanges of Turkey
TR	Technical Reports
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TRS	Time Release Studies
TS	Technical Specifications
TSA	Transportation Security Administration (U.S.)
TSR	Trucking Security Requirements
UAIS	Unified Automated Information System
UBZhD	Ulan Bator Railway
UFAS	Uniform Federal Accessibility Standards (U.S.)
U.K.	United Kingdom of Great Britain and Northern Ireland
UKTI UK	Trade and Investment
UNDP	United Nations Development Programme
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office on Drugs and Crime
UNSCC	United Nations Standards Coordinating Committee
UNTDED	United Nations Trade Data Elements Directory
URA	Uganda Revenue Authority
U.S.A.	United States of America
USAID	United States Agency for International Development
USDA	Department of Agriculture (U.S.)
UTIKAD	Turkish Freight Forwarders and Logistics Service Providers Association
VACIS	Vehicle and Cargo Inspection System
VET	Vocational Education and Training
WAN	Wide Area Network
WB	World Bank (Group)
WCF	World Chambers Federation
WCO	World Customs Organization
WIPO	World Intellectual Property Organization
WMD	Weapons of Mass Destruction
WTO	World Trade Organization

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