

A TRADE AND TRANSPORT FACILITATION METHODOLOGY

Audit, Analysis and Remedial Action

John Raven

CONTENTS

FOREWORDVII

ACKNOWLEDGEMENTS ERROR! BOOKMARK NOT DEFINED.

ABBREVIATIONS AND DATA NOTES 1

OVERVIEW ERROR! BOOKMARK NOT DEFINED.

PART ONE – AUDIT 5

1.1 Purpose and Scope 5

1.2 Questionnaires 6

1.3 Interest sectors 8

1.3.1 Agent, Forwarder, Customs Broker, Multimodal Transport Operator 8

1.3.2 Exporter 10

1.3.3 Importer 13

1.3.4 Carriers 16

1.3.5 Ports 22

1.3.6 Airports 26

1.3.7 Border Crossing Points 29

1.3.8 Commercial Banks 31

1.3.9 Exchange Control Authorities 33

1.3.10 Customs 34

1.3.11 Pre-Shipment Inspection (PSI) Agency 38

1.3.12 Chamber of Commerce 40

1.3.13 Department of Trade/Industry 42

1.3.14 Other Departments 43

1.4 Other relevant Bank Studies 43

PART TWO – ANALYSIS AND INTERPRETATION 47

2.1 Preliminary Examination and Classification of Fact Finding 47

2.1.1 Customs 49

2.1.2 Regulatory Framework 53

2.1.3 Multi-modal transport operations and legislation 59

2.1.4 Port Operation 60

2.1.5 Payment Systems 62

2.1.6 Documentation and Automation 64

2.1.7 Agents' Functions and Attitudes 65

2.1.8 Institutional Resources 67

2.2 Information and Consultation 69

PART THREE – REMEDIAL ACTION 72

3.1 Introduction 72

3.2 Core Functions 73

3.2.1 Customs 73

3.2.2 Port Operation 79

3.2.3 Transport Services 81

3.2.4 Payment Systems 87

3.3 Conditions for Success 88

3.3.1 Credibility 88

3.3.2 Political Will and Commercial Support 88

3.3.3	Consultation and Cooperation	90
3.3.4	Formation and Management	96
3.4	From Perception to Reform	97
3.4.1	Credibility.....	98
3.4.2	Political Will	98
3.4.3	Commercial Ownership	99
3.4.4	Management and Expertise.....	99
3.4.5	Final Report.....	101
ANNEX – METHODOLOGY UP-DATES AND ENHANCEMENT		102
REFERENCES		ERROR! BOOKMARK NOT DEFINED.
ADDITIONAL RESOURCES		104

FOREWORD

There are many working interpretations of “facilitation” ranging from the relatively narrow but very valuable pursuit of better Customs regulation and practice to a much wider and more comprehensive effort to improve the whole interlocking system of regulation, trade and official practice, resource management and infrastructural development. The Methodology presented here concentrates on the basic procedures at the heart of international trade activity, focused, in turn, on the generation, exchange, authentication and communication of the various items of information that direct the movement of goods and their means of transport, and satisfy regulatory and financial requirements.

What might appear to be a simple question of data management is set in practice about with a wide and constantly changing set of constraints and complications.

On the one hand, there are strong *business* pressures for simple procedures with global adoption of standards at all stages – documentary and electronic – of relevant data for production, regulation and transmission. Given such an operational environment, business can do what it does best – compete for customer satisfaction through such factors as rapid, reliable and reasonable cost deliveries.

Governments look for the international trade development and associated inward foreign investment that should result from easier export and import trade and transport operations. Many developing and developed countries are reviewing their regulatory and fiscal systems to see how these can be simplified and adjusted to global standards. All are interested in attracting inward foreign investment to boost employment, revenue and economic expansion.

On the other hand, *governments* are constantly creating and heightening regulatory demands and border control interventions. Interventions and rules designed to meet traditional fiscal, trade policy and public health concerns have received a spectacular reinforcement and priority from new, urgent considerations of anti-terrorist security.

They are unable to exercise effective control over the production of illicit drugs or counterfeit goods abroad or associated consumption in their own backyards. Encountering acute and pervasive security problems in identifying and detaining dangerous people, border agencies tend to find unjustified relief in combating unspecified dangers in the movement of so far consistently innocent consignments. Overall, they look to Customs to make late tactical interventions to minimize – they cannot possibly redress – the cumulative consequences of all these strategic political inabilities and miscalculations.

At the same time, commercial communities look for easier export along with the maintenance and occasional strengthening of traditional protectionist legislation. Logistics managers seek minimal official border interventions. Brand managers call for increased Customs vigor. Even where trade has achieved notable and greatly appreciated freedoms, transport, like many other service sectors, may still meet fiercely sustained national barriers. Many air cargo carriers, for instance, are excluded from entering countries to which cargoes themselves have long had fully liberalized access.

Sometimes officials and traders combine to sabotage effective and efficient interaction. In all too many countries where corruption at the trade/Customs interface is entrenched and endemic, serious “professional” facilitation can be an elusive objective.

There is much useful activity in reviewing and adjusting Customs requirements. The World Trade Organization (WTO) has assembled many proposals for the reform in the course of current Trade Facilitation negotiations in its Doha Round programme. The World Customs Organization (WCO) has already covered many of the most desirable improvements in its own recently revised [Kyoto Convention](#). Both organizations have secured broad global support for essential capacity building assistance to most developing economies in any long-term Customs reform strategy.

The World Bank has taken a much wider view of the nature and scope of facilitation. It is active at the centre of many of the necessary changes and reforms in overall good governance. It is consistently helping businesses of all sizes to achieve favorable regulatory environments and urging governments to invoke and encourage the full exercise of commercial competition. It is concerned to assist and extend essential improvements in physical infrastructure to afford industries easy access to raw materials and components and correspondingly trouble-free distribution of their output.

A range of relevant economic studies has been published to assist policy makers, administrators and business managers in assessing the quality of the commercial and regulatory environment and identify international trade and transport difficulties and opportunities. *Connecting to Compete: Trade Logistics in the Global Economy*, for example, examines and assesses the relative quality of the international trade/transport environment at the practical level of the individual transaction in 150 countries and provides a detailed set of perception indicators and evaluations based on expert operational experience, including agents and express carriers.

Customs and their mixed bag of direct or delegated border management responsibilities – including revenue, trade policy, security, counterfeit, threatened species, cultural heritage – have ample legal powers to frustrate or degrade any international trade transaction. It is not surprising, therefore, that the Bank’s growing interest in facilitation, over the last decade, has been accompanied by a sharp and welcome concern for Customs activities and performance.

Two major studies – *Customs Modernization Handbook* and *Customs Modernization Initiatives*, published by the World Bank in 2005 and 2004 respectively, are very practical facilitation tools and test beds for future initiatives.

As none of these significant indicators of Bank interest in facilitation at the higher economic level had appeared when the Methodology was first published in 2001, its use and usefulness have now been reviewed against the new strategic context.

The depth of assessment and analytical detail in *Connecting to Compete* in relation to selected logistical factors goes far beyond anything that could be derived from applying the *Methodology* Audit and Analysis to corresponding elements in any individual national application. Many new issues and relationships have been raised, explored and illuminated within a more comprehensive remit that includes interesting relationships with other factors such as infrastructural resources.

The two Customs studies throw a new and sharper facilitation perspective on official border management procedures and practices than is possible or attempted in the *Methodology*.

These considerations require a recast of the role of the *Methodology* within an overall Bank facilitation strategy.

It could now be used –

- As the first step towards a stand-alone national trade facilitation program. In this respect, the account offered later in this paper of individual *Methodology* applications to date is particularly relevant.
- To round out current and future WTO and WCO assessments of priority needs in Customs capacity building programs, by identifying associated needs for improved procedural efficiencies in such operational partners as ports, carriers, agents, traders and commercial banks.
- To add information about the quality of the operational “invisible infrastructure”¹ to justify/amend proposals for investment in relevant physical infrastructure, for example port or airport extensions, road construction for border crossing points, improved rail transit links or container terminals.
- To add national audit detail and analytical and remedial action components to supplement and help up-date *Connecting to Compete*.
- To assist in updating and illustrating material in “Customs Modernization Handbook” and “Customs Modernization Initiatives”.
- To promote and support the extended appreciation and use of other relevant Bank facilitation and Customs studies.

It is essential to distinguish between the Audit, which is in a form suitable for immediate practical application and Analysis and Remedial Action, which are simply signposts to possible future work.

Analysis seeks to indicate the type and scope of enquiries and assessments that might be thought justified as a result of the Audit. While the Audit is intended to provide a dependable cross-section view of the facilitation state of play in ten-fifteen working days, any worthwhile follow-up detailed analysis would take months to plan and implement.

Remedial Action comes even later in the overall facilitation strategy. Necessarily dependent on the findings of post-Audit analyses, even a single project could have a much longer life-span. Real reform of an inefficient Customs service, for example could take up to ten years of detailed capacity building.

¹ Refers to the infrastructure of information generation and exchange which underpins and controls every export and import movement.

ABBREVIATIONS AND DATA NOTES

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated SYstem for CUstoms DATA
ATA	Air Transport Organization, American Trucking Association
ATA Carnet Systems	<i>Admission Temporaire</i> (Temporary Admission Notebook System)
CIF	Cost, Insurance, and Freight
CSI	Container Security Initiative
C-TPAT	Customs-Trade Partnership Against Terrorism
EDI	Electronic Data Interchange
EU	European Union
FIATA	<i>Fédération Internationale des Associations de Transitaires et Assimiliés</i> (International Federation of Freight Forwarders' Associations)
FOB	Free On Board
GATT	General Agreement on Tariffs and Trade (precursor of the WTO)
GEA	Global Express Association
IAPH	International Association of Ports and Harbors
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICC	International Chamber of Commerce
ICS	International Chamber of Shipping
IECC	International Express Carriers' Conference
IMF	International Monetary Fund
IMO	International Maritime Organization
IRU	International Road Transport Union
Mercosur	<i>Mercado Común de América del Sur</i> (South America Common Market)
PSI	Pre-Shipment Inspection Agency
SADC	Southern African Development Community
SECI	Southeast European Cooperative Initiative
SITPRO	Simplification of Trade Procedures Board (UK)
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TEU	Twenty-Foot Equivalent Units
TIACA	The International Air Cargo Association
TIR	<i>Transports Internationaux Routiers</i> (International Road Transport)
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
UN/EDIFACT	United Nations Electronic Data Interchange for Administration, Commerce and Transport
WCO	World Customs Organization
WTO	World Trade Organization

All dollar amounts are U.S. dollars unless otherwise indicated. Billion means 1,000 million.

PART ONE – AUDIT

1.1 Purpose and Scope

The purpose of the Audit is to identify, examine and evaluate difficulties and obstacles presented in operating or complying with the procedures required in effecting an international trade transaction.

Such problems tend to focus on official and other authoritative requirements and related information flows. "Authoritative" procedures, apart from Customs, security and other governmental controls, include banking requirements, particularly when these combine payment with credit or discounting services, pre-shipment inspection regimes, non-competitive transport systems – for example, monopoly airlines or national shipping lines – and quasi-monopolistic port operations.

Official border management agencies, notably Customs, form the hard core of most procedural problems. In many countries, operational inefficiency and outdated regulations are aggravated and perpetuated by dishonesty, all too often in collusion with fraudulent declarants.

There may be additional difficulties deriving from rigid, complex exchange controls but, over the last thirty years, IMF and World Bank policies have greatly reduced these further handicaps.

Payment formalities, especially full-dress documentary credits, can still slow consignments moving in potentially very rapid modern transport systems, to the leisurely pace of nineteenth century paper-based banking practices. There is hardly any competition between banks in this part of their business. Too many consider it is more profitable to palliate chronic delays by issuing letters of indemnity than to strive for customer satisfaction by getting the best out of an essentially outdated procedure.

Trading communities are often captive customers of their local port. Geographical constraints can be powerfully reinforced by limited access to key container services, which tend to avoid inefficient and insecure facilities. State-owned or quasi-privatized monopoly ports are usually insulated from competitive disciplines and stimuli.

Even after almost fifty years of growth, there are a surprising number of countries that have failed to assimilate and exploit the full potential benefits of multi-modal, through transport systems. Customs procedures, there, are still adjusted to traditional port-to-port movement and freight-forwarders, or others, seeking to set up as through-transport providers, may be unable to do so for lack of necessary legal status.

While all these difficulties cast sufficiently serious burdens on traders and carriers with direct access to maritime services, landlocked developing countries largely dependent on insecure and inadequate transit arrangements incur a range of additional costs and handicaps.

While designed primarily for use in World Bank operations, the Audit can be applied to appropriate projects or enquiries by any lending, aid or government agency or consultancy, provided free access to all levels of management in the official and commercial sectors brought under review is assured.

In any event, however, the Audit will need certain advance facilities routinely provided prior to Bank missions, including especially recent, detailed geo-economic information and a carefully selected list of institutions and persons to be interviewed. Subject to these requirements it should be possible to assemble, in two or three weeks, all necessary information for a modest trade facilitation activity or for a trade facilitation section in a wider development or restructuring project.

The sort of audit laid out in this document is intended and has served, in practice, to offer a reasonably reliable assessment of the general nature and balance of gross difficulties. In crude terms, it should show pretty accurately where most of the important facilitation bodies are buried and offer, after analysis, initial signposts to the sort of skills needed for priority expert advice and remedial action.

1.2 Questionnaires

The term “Questionnaire” is used for convenience only; the sole purpose of the queries suggested is to offer a broad guide to useful topics of discussion and a structured support for personal interviews. It would be inappropriate to use them as the basis of some written document, to be answered by correspondence or in any other similar form of arms'-length research.

Furthermore, the questions suggested in each section are purely indicative. Interview times may not be sufficient to pursue all or most of the suggested lines of enquiry. If that seems likely, then it would be prudent to spend some time, beforehand, in selecting those questions that seem most pertinent to the Audit at that particular stage of development.

Please note the following:

- It may well be that replies to an initial question open up an unexpected but very helpful line of enquiry. In that event, subsequent questions could be entirely different from those listed.
- If what seem important questions have to be left aside in one interview, they can be given priority in another.
- Some questions are addressed to more than one type of respondents, in order to provide corroboration or identify significant discrepancies.

The suggested respondents are:

- Forwarders/Agents/Brokers/Multimodal Transport Operators
- Exporters
- Importers
- Shipping Line and Ships' Agents
- Road Carriers
- Airlines
- Express Operators
- Railways
- Ports
- Airports
- Border Crossing Points
- Customs and other official border management agencies

- Commercial Banks
- Exchange Control Authorities/Central Bank
- Pre-Shipment Inspection agency
- Security validation agency
- Chamber of Commerce
- Department of Trade/External Trade

It is important to plan interviews in the light of the best available advice and information on suitable respondents. A Bank mission can normally draw on considerable in-house knowledge and judgment. This can be supplemented by prior consultation with international organizations, including the World Customs Organization (WCO), the International Air Transport Association (IATA), the International Chamber of Shipping (ICS), the International Chamber of Commerce (ICC), the International Federation of Freight Forwarders' Associations (FIATA), the International Road Transport Union (IRU), the Global Express Association (GEA) and the International Air Cargo Association (TIACA).

It is always useful if the persons interviewed are not only well known in the national institutional network, but are also active in some relevant regional and/or international organizations.

Interviews should be one-to-one and informal. The purpose of the Audit is to identify critical difficulties rather than supply comprehensive information; precision is less important than significance.

Interviews should follow the sequence set out in the text. Starting with Customs, for example, before obtaining any previous idea of their efficiency from shippers and carriers, to guide the direction and degree of detail of questioning, would be a largely wasted opportunity. It may be helpful to talk to the Department of Trade, or its equivalent, and any export Promotion Agency, after forming a firm estimate of Customs performance.

Every effort should be made to conduct interviews in a language easily understood by the respondents. The added presence of an interpreter adds undesirable formality and lengthens the time demands on those being interviewed. Customs, as the official agency most likely to be associated with a facilitation audit, may offer to provide an interpreter, but resulting Customs presence at interviews could inhibit frank replies from commercial people.

While interviewers may often know the answer to some questions before posing them, they should ask them anyway. Unexpected answers can be particularly revealing. Many opening queries are intended to offer the respondent an opportunity to set his or her own activities in a working environment.

Questions that may be especially delicate, direct and less welcome, should be posed towards the end of an interview, when there is a good chance that a friendly relationship has already been established.

It would be premature, in the Audit, to engage in systematic performance measurement. Some questions call for "measurement" indices, but approximations will usually suffice at this stage.

The Audit should, however, help identify where detailed measurement and associated costings may be desirable. Defining the exact scope of these assessment processes will be an important part of the Analysis, possibly leading to suggestions for further work under remedial action. Any performance figures already available should be noted and reported.

It should be possible to complete initial interviews within ten working days. A rapid sifting of replies and supplementary interview material should reveal any areas of special doubt or disagreement, which can be explored in greater depth and detail in a short extension to the basic enquiry.

1.3 Interest sectors

1.3.1 Agent, Forwarder, Customs Broker, Multimodal Transport Operator

"Agent" may, in practice, cover any or all of these activities.

Agents are often recruited from the ranks of Customs services, retired officials or active officials in response to more attractive remuneration. As a result, many agents may well be more expert in Customs legislation and operations than most of the officers they have to deal with.

In such situations, however, agents may tend to form a tacit common front with Customs, against the real interests of their clients. Conversely, some Customs administrations could confine timely circulation of changes in requirements to their agent contacts with only later notification to traders.

One unfortunate side-effect of such relationships is that Customs, wishing to spare embarrassment to the agents concerned, may routinely require principals² to appear in person to defend themselves in any but the most pedestrian dispute or irregularity. Such unpredictable calls to potentially protracted interrogations can play havoc with a small company in which management is in the hands of one or two persons and threats of often-severe penalties attached to Customs offences are a powerful distraction from other, more positive, responsibilities.

There is a parallel tendency for retired or entrepreneurial Customs experts to move into private consultancy, where they are particularly active in handling major valuation, classification or other disputes or differences. Another very recent development, particularly in the USA, is a surge of retired or commercially minded Customs officers into private enterprise security companies and associated certification agencies.

In most developed economies these arrangements focus on large professional consultancy firms with a range of other advisory and analytical services. In Eastern Europe, notably Russia, however, some retired senior Customs officers are now offering largely personal services of introduction, negotiation and representation. In some current administrative conditions there, exercise of influence over former colleagues may be seen as more valuable than skilled professional advice.

In many developing countries, agents' fees are the only practicable means of meeting Customs demands for routine "facilitation payments" without corresponding formal entries in principals' accounts. Such arrangements may often be related to the special problems of companies based in the US, who are criminally liable for collusion in bribery of public officials, even when this takes place abroad.

Some suggested questions offer special opportunities for widening the scope of discussion. Consideration of costs of compliance with Customs requirements, for example, may stimulate the respondent to move responses gradually from mention of up-front compliance costs on to dispute and

² In this context, a person who empowers another to act as his or her representative.

delay costs and then to any routine "unofficial" charges and exceptional expectations of irregular payments. A direct, initial question on Customs behavior, on the other hand, may well produce nothing.

Agents are particularly well placed to assess any extra procedural difficulties that may arise from new security requirements, as these will invariably figure in calculation of their own fees and charges.

In selecting respondent agents (at least one large and one small), special consideration should be given to past or present Chairmen of any national forwarders' association as they may well offer generally useful links to a wider professional community.

Agents should be asked to give a general view of the make-up of their clientele in terms of size and local or foreign incorporation. They should be asked, along with trader clients, to identify any other origin or destination countries that pose special procedural problems.

Questions

1. How many clients do you have for (i) export and (ii) import?
2. How many consignments do you handle daily/annually under each head?
3. What services do you offer your clients – contract negotiation, logistics, multimodal transport as *principal*, multimodal transport as *agent*, express delivery, payment arrangements with banks, Customs release and clearance as agent, Customs release and clearance as licensed broker, Customs disputes, exchange controls or others (specify)? Are there any regulatory constraints on your range of activities?
4. What is your experience with Customs operational efficiency at (i) ports, (ii) airports, (iii) road frontiers, (iv) rail frontiers and (v) inland container depots?
5. Have you run into problems related to exchange controls? If so, of what nature?
6. What are the average times taken to clear your goods outwards respectively inwards at (i) ports, (ii) airports, (iii) road frontiers, (iv) rail frontiers and (v) inland container depots?
7. Under what circumstances are these times grossly exceeded?
8. What is your impression of the cost/efficiency of (i) domestic and (ii) foreign banks in dealing with documentary credits?
9. What is your impression of the cost/efficiency of domestic/foreign transport services?
10. What is your impression of the efficiency of multimodal – especially container – movements (i) into, (ii) within, and (iii) out of the country?
11. What is your impression of the cost/efficiency of (i) port and (ii) airport facilities?
12. Do you experience difficulty in obtaining official and/or commercial information necessary for your transaction? If so, under what heads?

13. What are your main uses of automation – internal office systems, services to clients, interchange with Customs, transport providers, ports, airports, banks, exchange controls, others (specify)?
14. Do you use (i) the Internet, (ii) EDI, (iii) e-mail, (iv) satellite communications?
15. Are facilities for such uses satisfactory?
16. Do you use any of the FIATA standard transport documents? If so, which ones?
17. Are you routinely or frequently required by Customs to produce supporting documents as a preliminary or alternative to physical inspection of consignments? If so, which documents are the most usually demanded – Certificate of Origin, commercial invoice, others (specify)? Are these also subject to inspection by other control agencies?
18. What proportion of your import consignments are subjected to physical inspection? What is your impression of the efficiency of any selection process and the actual inspection routines?
19. Do you or your principals, normally deal with Customs disputes? Do you regard the frequency of such disputes as acceptable or excessive?
20. Is there a final review board, outside Customs, for such disputes? If so, does it function efficiently?
21. If an import permit is required, how many government agencies are concerned? What is your experience with each of them?
22. Are transit operations particularly difficult in respect of (i) bonds, (ii) carnets? Are there (iii) any extra, significant delays or difficulties in respect of shipments to and from the US or EU or due to security regulations? If so, in what respects?
23. Have you had to increase your fees and charges because of new security requirements?

1.3.2 Exporter

Traditional "arms-length" export and import transactions are declining in proportion to the explosive growth of cross-frontier transfers of materials, parts, components and semi-finished and finished products within integrated multinational operational and/or sub-contracting systems.

There are important links between decisions by multinational companies on direct foreign investment in production or processing facilities, and thus employment, on the one hand, and the ability of Customs in the host country to offer rapid, reliable movement of essential inward as well as outward consignments, on the other.

Yet many politicians and commentators continue to support an outdated "export is good; import is bad" economic morality. This is particularly noticeable in developing countries, where "export

promotion" is still seen as an activity that can be separated out from international trade as a whole, and that should enjoy special privileges and preference. It can often seem, from cursory observation, that Customs treatment reflects this when, in fact, there are still many hidden delays and complications to normal export movements.

When imported goods arrive, they are met immediately with the toughest procedural test in their transactional life cycle – formal declaration to Customs. The time taken to meet all the demands of this procedure, often aggravated by additional inefficiencies in the documentary credit checks, which have to precede release of the goods to the designated recipient, is directly reflected in measurable delay in the port or airport.

Export consignments, on the other hand, are often sent for shipment just a few hours before the vessel or aircraft is due to leave. The consignor, quite naturally, declines to expose his goods a moment longer than necessary to risks of intermediate loss or damage. He keeps them in hand, until he can be sure that all necessary Customs requirements have been, or can easily be, completed immediately prior to loading.

The trader in many developing countries may still be denied the full benefits of seamless origin-destination movement, in the hands of integrated global carriers or professional intermodal transport operators.

There will very often be days of delay between the moment the consignment is allocated, by the shipper, for export, and the moment he can complete arrangements for its final passage to and by ship or plane and supporting surface transport.

In the meantime, he may need to have complied with exchange controls to secure foreign currency transport costs, made relevant requests for any associated import permit for eventual replacement of scarce material used in manufacture or processing, lodged claims for writing off this consignment against the total of any temporary importation license, obtained certificates of quality and origin and secured space on what may be very infrequent transport services.

All these operations will be hidden within his own works and office. Often they are regarded as almost inevitable and natural features of a significant unnecessary export delay or complication cost that may never be consciously identified or calculated.

New security requirements, especially for exports to the US and the EU, may require extra procedures at or prior to export, including the submission of a prescribed set of risk assessment data to Customs in the country of import prior to export or even prior to loading goods on to the means of transport.

This situation highlights the importance of pushing and pursuing, as well as posing, relevant questions designed to identify the causes and consequences of such delays.

Questions

1. What are your main export items?
2. What is your overall export value annually? What proportion is this of your total output?
3. What are your principal markets?

4. Do you use one or several forwarders?
5. Are you responsible for any transport arrangements? If so, for which ones?
6. What proportion of your shipments are containerized?
7. What means of transport do you regard as the most important for your business and what is the relative importance of transport and related costs in your overall operational profitability?
8. What are your usual selling terms – FOB, CIF, ex-works, delivered, other (specify)?
9. If you use documentary credits, what is your impression of the efficiency/cost of this method of payment?
10. Do you often have difficulties in complying with -
 - Customs formalities?
 - Exchange controls?If so, of what kind?
11. Are you concerned directly with ports/airports of shipment? If so, what is your impression of their cost/efficiency?
12. Do you experience difficulty in obtaining official and/or commercial information needed in your transactions? If so, under what heads?
13. If a pre-shipment inspection regime is in force, what are its main components? Is the result effective in terms of presumed objectives? What additional complications, costs and delays, if any, does it entail for traders and carriers? What would be preferable alternatives?
14. Do you have communication problems within, or to and from, your country? If so, under what heads?
15. If you have queries on official requirements, at home or abroad, do you go to -
 - The Chamber of Commerce?
 - A Trade Association? (If so, which one?)
 - Customs?
 - Another government department or agency? (If so, which one?)
 - UNCTAD Trade Points, if any?
 - The Internet?
17. Do you participate in any official export promotion activities? If so, of what kind, and how useful are they?

18. What are your main uses of computer systems – internal office systems, services to clients, interchange with Customs, transport providers, ports, airports, banks, exchange controls, others (specify)?
19. What are your main means of communication – post, fixed/mobile telephone, express delivery, fax, e-mail, EDI, Internet?
20. Do you have difficulties in using any of these communication methods? If so, in what respects?
21. What proportion of your export consignments is subject to physical inspection by Customs? Are these consignments also subject to inspection by other control agencies?
22. Do you or your agent deal with Customs disputes? Do you regard the frequency of such disputes as acceptable or excessive?
23. Do you often resort to Certificates of Origin? What is your experience with the issue and use of these documents?
24. What is your experience with drawback, export refund, temporary admission regimes?
25. Are you aware of any new, significant delays or difficulties in respect of shipments to and from the US, the EU or elsewhere that you attribute to new security regulations? If so, in what respects?
26. Are you aware of significant extra costs to comply with new security requirements? If so, of what kind?

1.3.3 Importer

It is useful to cover -

- A local importer of goods for home use
- A local importer engaged in electronic assembly or clothing make-up, with consequent reliance on temporary importation or drawback
- A "foreign" multinational company importing for the home market and/or re-export after processing

The multinational importer should be invited to offer comparative judgments of conditions in other developing or developed countries that might be less familiar to local companies.

Multinationals are especially familiar with large computer systems. It is always interesting to learn to what extent they can use such facilities to meet local requirements, especially those of Customs, port, airport, banking and transport entities, and to identify such obstacles as inability or unwillingness of these participants to use international data interchange standards.

It is important to get a general sense of the political and "official" status of importing. Is there an official acceptance of the importance and economic benefits of trouble-free import procedures?

Government departments responsible for exchange control, Customs, inward foreign investment and external trade promotion should be sensitive and responsive to the intrinsically seamless nature of modern international commercial processing and sub-contracting operations, still treated, for various official reasons, as quite separate import and export transactions.

Agents may well prefer import transactions because they normally encounter more difficulties and, therefore, command larger fees than exports. On the other hand, "export promotion" is still institutionalized, under that name, in many developing countries and has only recently given place to "trade development" in many lending and aid programs. Carriers, of course, welcome business, regardless of direction.

Questions

1. What are your main import items?
2. What is the annual overall value and volume of your import operations?
3. What are your principal source countries?
4. Do you use one or several import agents/Customs brokers?
5. What are your usual buying terms – FOB, CIF, ex-works, delivered, other (specify)?
6. What proportion of your imports, by value, are containerized?
7. Are these mainly in groupage or full container loads? How many full container loads do you receive annually?
8. Where are your containers -
 - Cleared through Customs?
 - Opened and emptied?
9. If you use documentary credits, what is your impression of their cost/efficiency?
10. Do you often have significant difficulties in -
 - Customs clearance in respect of, for example, valuation, description, origin, guarantees, new security requirements?
 - Exchange control?

If so, of what kind?
11. What proportion of your import consignments are subjected by Customs to –
 - Documentary inspection?
 - Physical inspection?

12. What is your view of the effectiveness and efficiency of any physical inspections?
13. Do you have direct contacts with ports and airports of entry? If so, what is your impression of their cost/efficiency?
14. What proportion of your imports enters the country by road or rail? Do you have special difficulties in respect of -
 - Customs clearance at the frontier?
 - Other official controls on goods, vehicles and drivers?

If so, of what kind?
15. In seeking official/commercial information for your import business, do you rely on –
 - Customs?
 - A Chamber of Commerce?
 - A Trade association (if so, which one)?
 - Other government departments (if so, which one)?
 - UNCTAD Trade Points, if any?
 - The Internet?
16. Do you have any problems in obtaining such information? If so, when trying to obtain what sort of information and what sort of problems?
17. Do you have communication problems within the country? If so, of what sort?
18. How do you use automation in your own business? To what extent, if at all, do you exchange data electronically, with Customs, carriers, banks and other services?
19. Do you use external road carriers or in-house transport service providers?
20. What is your experience with Customs in dealing with such special procedures as temporary importation, transit and ATA carnets?
21. Do you use inland bonded facilities?
22. Are you a member of any trade association and/or Chamber of Commerce and, if so, in what respect do you find your membership most beneficial?
23. Are you experiencing significant extra delays/difficulties/costs to comply with any new security requirements? If so, in what respects?

1.3.4 Carriers

More and more transactions are passing in multimodal transport systems but carriers, with the possible exception of integrated express operators – a relatively minor sector, by volume if not value, in most developing economies – are still most conveniently handled under separate modal headings.

Maritime transport is the usual international front-runner, with special importance attached to road and rail movements for countries served by or serving transit operations.

For many years, traders in numerous developing countries had to depend on national shipping lines, often protected by virtual monopoly status and confronted by equally monolithic and bureaucratic central chartering agencies, sometimes disguised as parastatal Shippers' Councils.

Privatization, usefully encouraged by the IMF and the World Bank, has reduced these commercial handicaps, but all too frequently a public monopoly, under pressure to open up to competition, has managed to find a convenient escape route through a quasi-cartel agreement with selected "independent" partners.

Such arrangements have done little to force carriers to meet and anticipate client requirements, maintain modern computer and communication systems or play an influential part in moves towards Customs modernization and reform.

Adjustment to containerized through-movement is still a problem in many countries. It is even more difficult to move from passive assimilation to positive exploitation.

Major constraints include gross inefficiencies at functional interfaces; the continued use of Customs and other official control procedures designed for and focused on traditional port-to-port movements; uncertainty whether to treat the container itself as an import item or a means of transport, and delays in adjusting legal, fiscal and exchange control requirements to the requirements and status of the multimodal transport operator.

In countries where conditions inhibit or frustrate locally based multimodal transport operators, traders have to depend on the advice and services of foreign, usually multinational agencies, with consequent difficulties of control, and communication, and an extra strain on scarce currencies.

Transit is a key factor in the economic and social stability of a number of developing landlocked countries. It is doubtful that their specific needs would weigh very largely in the balance of opinion or priority in countries providing maritime access, if it were not for a gradually broadening area of transport and port privatization and competition from multinational carriers and forwarders. Where ports, carriers and agents are forced and able to compete for transit business, recipient countries are correspondingly better served and at lower cost levels.

Political tensions with, and political instabilities within, some access countries can add uncertainty and extra costs to operational constraints on the scope and efficiency of transit facilities for neighboring landlocked economies. Eventual substantial improvement may call for international pressure and interventions to secure regional or bilateral management and arbitral Transit Authority Commissions.

The Bank and the IMF, with obligations to a wide range of clients, are in a unique position to assess, and possibly improve, those aspects of transit systems that may be largely immune to direct influence from landlocked governments themselves.

Regional corridors, many initiated or supported by Bank studies and projects, occupy a leading place in the global facilitation repertoire. South, East and West Africa, the Balkans, the Silk Road, Pakistan/Afghanistan and Mercosur offer important examples.³

Recent UNCTAD meetings and documents have emphasized the special importance of Customs requirements and efficiency in the operation and costs of transit systems.

This Audit includes questions designed to assist with preliminary fact-gathering to help consideration of such difficulties and possibilities.

The maritime Bill of Lading, which casts heavy obligations on the carrier, often contributes to procedural delays, especially when it figures in documentary credit arrangements.

Air transport has special significance for land locked countries and countries with very large land masses and poor surface communications.

Precisely timed – including express – delivery services, using a basic air transport component, are now an essential ingredient in a growing proportion of global trade in goods now attributable to the cross-border movement of components, semi-processed and finished products and spare parts within integrated *in-company* supply, production and distribution systems. The share of this kind of trade currently already lies between one third and one half of global trade.

The very tight deadlines with which such services must deliver consignments, in order to justify their charges and so ensure return on their worldwide investments in aircraft, road vehicles, support staff and communication systems, place these operators and their representative trade bodies among the most active advocates of trade facilitation.

As they cannot function effectively, and thus profitably, in countries where Customs are inefficient and dishonest, they may well stay away altogether from these countries or limit their operations to less time-sensitive deliveries to local agents. For that reason, while there is a short Questionnaire addressed specifically to these operators, a number of questions bearing on the express delivery function have been inserted at other points in the Audit document.

A relatively new activity in conventional air cargo operations – rapid, reliable transport of cut flowers, exotic fruits and prime vegetables – is enabling many developing countries to earn substantial income from “exporting” their climatic advantages without recourse to costly intermediate refrigerated storage facilities. It is significant, for example, that in only a few years Peru has become the world’s largest exporter of asparagus.

It is worth noting that, apart from procedural constraints in most countries, air transport is still subject to remarkably protectionist regulation, ranging from complete exclusion for other than national

³ See *Best Practices in Management of International Trade Corridors*, John Arnold, World Bank Transport Paper TP-13 2006.

carriers down to less obvious but cumulatively formidable deterrents of restricted airport access and/or monopolistic ground handling agencies.

In some countries, Customs give publicly owned railways, like postal authorities, certain useful procedural privileges, which, while conferring temporary benefits can also offer cozy insulation from longer-term competitive disciplines.

SHIPPING LINE AND SHIPS' AGENTS

Questions

1. What volume of cargo do you handle (i) inward and (ii) outward annually?
2. How many TEUs do you handle (i) inward and (ii) outward annually?
3. What are the main countries of (i) origin and (ii) destination?
4. Do you operate any international door-to-door services?
5. Do you use/issue International Maritime Organization (IMO) standard manifests and/or International Chamber of Commerce standard bills of lading and/or non-negotiable sea waybills? If not, would you be prepared to adopt such documents? Do your government agencies accept them?
6. How do you move manifest information – by post, express carrier, in ship's bag, fax, EDI, Internet?
7. Do you experience serious delays or obstacles in any of these operations? If so, under what functional heads?
8. Do you experience serious delays by importers in presenting bills of lading?
9. What is your cargo loss/damage experience in national ports?
10. Have you automated your internal operations and communications between head office and branches? If so, under what functional heads?
11. Do you exchange data electronically with Customs to meet their import/export requirements? If so, how do you rate the efficiency of these arrangements?
12. Do you exchange data electronically with other entities – customers, banks, ports, other (specify)? If so, which data?
13. What is your impression of the efficiency of national (i) ports and (ii) Customs?
14. Do you operate inland container collection and delivery services? If not, is this simply a commercial choice or are there any significant legal/procedural/infrastructural deterrents?
15. Do you use (i) the Internet or (ii) satellite communication? If so, for what purposes?

16. Are you a member of any trade association, Chamber of Commerce or port consultative committee? If so, in what ways do you feel you benefit?
17. Are you experiencing serious difficulties/delays/extra costs to comply with new security controls? If so, in what respects?

ROAD CARRIER

Questions

1. How many vehicles do you operate?
2. What volume of containerized respectively non-containerized cargo do you handle (i) inward and (ii) outward annually?
3. What rough proportion does the total of these movements bear to your overall operations?
4. What are the main countries of (i) origin and (ii) destination for your international consignments?
5. Do you operate any international door-to-door services?
6. Do you operate International Road Transport (TIR) and/or American Trucking Association (ATA) procedures? If so, are there any special difficulties?
7. What are your main ports of entry and exit? What is your experience with their efficiency, cost and security standards?
8. What is your experience of your national Customs at land frontiers respectively ports for (i) inward and (ii) outward movements? What is the average/typical time for release of the vehicle and load by Customs under each of these four heads?
9. Do you use inland container terminals/dry ports? If so, what is your experience regarding their cost/efficiency?
10. In which foreign country do you experience most difficulties with Customs and/or other control agencies – immigration, vehicle requirements, phytosanitary inspection, other (specify)?
11. Which parts of your transport functions are automated?
12. Do you exchange data electronically with other business and official entities? If so, which?
13. Do you receive adequate, timely information of changes in Customs and other official requirements?
14. If you need information on Customs and other procedures in foreign countries, where do you go for help?

15. What are your main means of communication – post, telephone, express delivery, fax, EDI, Internet?
16. Do you have difficulties in using any of these communication methods? If so, in what respects?
17. In transit operations, do you have particular difficulty in respect of (i) designated routes, (ii) Customs escorts, (iii) bonds, (iv) documentation, (v) security?

AIR CARGO CARRIER (SCHEDULED AIRLINE AND SPECIALIZED FREIGHT OPERATOR)

Questions

1. What are the (i) volume (ii) and value of your (i) export and (ii) import cargo annually?
2. What are the main countries of (i) origin and (ii) destination?
3. What is the average/usual airport dwell-time of your cargo for (i) export and (ii) import?
4. Do you operate express delivery door-to-door services?
5. How do you move controlling information – waybills and manifests – with pilot, fax, EDI, Internet, other (specify)?
6. Do you exchange data electronically? If so, with whom?
7. Do you operate feeder road services?
8. Do you have serious difficulties with -
 - Customs?
 - Exchange control?
 - Security?
 - Other official agencies?
 - Pre-shipment inspection?
 - Ground handling

If so, of what sort?
9. Is airfreight able to exploit its full inherent advantages – speed, light packing, security – in import/export traffic? If not, what are the main disincentives and obstacles?
10. Are there substantial differences, adverse to operational efficiency, between facilities and procedures for all-cargo and passenger aircraft belly-hold operations? If so, of what nature?
11. Are you a member of a trade association, Chamber of Commerce, airport consultative committee? If so, what do you see as benefits of membership?

EXPRESS DELIVERY OPERATOR**Questions**

1. Are you part of an internationally integrated carrier or operating on an independent national/regional base?
2. How many export respectively import consignments do you declare to Customs annually? What is the total value at (i) export and (ii) import?
3. What time is usually required to pass (i) documents, (ii) non-dutiable or *de minimis* goods and (iii) dutiable goods through airports for export respectively import?
4. Would you be able to expand your services if these times were reduced? If so, in what respects?
5. What do you identify as the main causes of delay – Customs, security, airport procedures/facilities, compulsory warehousing, Pre-Shipment Inspection, other (specify)?
6. Is your business constrained by (i) a postal monopoly, (ii) a licensing system, (iii) special charges or fees? If so, in what respects?
7. Are you a member of a trade association, Chamber of Commerce, airport consultative committee? If so, what do you see as benefits of membership?

RAILWAYS

Generally, railways are not seen as an active promoter of trade and transport facilitation. There are many reasons for this, for example the predominant importance for management of system operation over commercial concerns, the traditional strength of unions and labor force generally, or the often-anomalous combination of public monopoly with virtual freedom from effective government control.

The quality of railway-port procedural interchanges is often adversely affected by the need to adjust them to the detailed regulatory background of both these often publicly owned trade participants. It is not surprising that some of the most efficient examples of satisfactory rail/port inter-modal operation are to be found in some past and a few current instances - East Africa, South Wales and several points in the US including the Great Lakes - where railways have found effective integration in owning and operating ports or dedicated port facilities.

Questions

1. What are the latest annual figures of revenue from (a) freight and (b) passengers?
2. Do you handle transit freight traffic and, if so, what is the annual tonnage to and from main (a) origin and (b) destination countries?

3. Do you run unit trains in any transit operations? If so are these for commodities and/or intermodal containers?
4. Do you use IT to trace and track wagons, containers or consignments?
5. Do you have a consultative committee? If so what interests are represented?
6. Do you take part in any Customs or port consultative committee?
7. Do you publish freight charges and conditions on a public website?
8. Do you use IT methods of handling freight business with (a) customers, (b) road or waterway carriers, (c) ports and (d) Customs? If so what if any international standards are you using?
9. What proportion of your freight is moved through private sidings?

1.3.5 Ports

Ports are focal points for almost the full range of facilitation difficulties. In particular the efficiency, even timing, of many of their operations, is strongly influenced, if not dictated, by Customs. Ports are also well placed to provide reliable information on delays and inefficiencies in several key parts of the international trade transaction.

Customs hours of attendance, obviously, place strict limits on port working. So-called “comprehensive” inspection of cargo, especially containerized cargo, throws substantial tasks and costs on port management. This practice, previously supported by automated risk assessment, for facilitation purposes, is now being very actively revived and pushed as a necessary security virtue, supported by the progressive use and often subsidized supply of electronic scanning equipment.

Whatever the justification, finding the concerned containers, moving them to the Customs area for inspection, dealing with the frequent physical aftermath of such inspections, returning the containers to stack or quay and recording any consequences, can add substantially to the many problems of developing country port operators – by taking up useful operational or storage space and absorbing up to half the availability of such key equipment as lifting and moving appliances.

There are often also serious deficiencies in port management itself. Many ports still receive export cargo without requiring the presentation of a standard shipping note or equivalent EDI message, which has been found invaluable in modern port practice. It is frequently impossible to obtain a written, accurate account of the main port procedures. Delays in acceptance of responsibility for cargo in shed or on the quay are often unreasonably long, and these, with associated extra risks of damage and theft, add to the daily irritations of port users and inflate insurance premiums.

Lack of mutual confidence and perceived common interest between Customs and port operators will inhibit such sensible measures as shared advance information on consignments and vessels, cooperative if not joint development of automated systems and consultative interfaces with such important third parties as commercial banks administering documentary credits.

Ports' principal customers – ship owners – come in a very wide range of size and capability.

Global maritime and non-vessel-owning container operators should be able to provide excellent data from high-quality automated recording, processing and communication systems.

At the other end of the resource scale, Customs will also have to accommodate single-vessel owners, scarcely able to complete simple forms correctly, and often with strong inclinations to confuse trading with smuggling.

Chronic delays in ports, attributable to lax or over-rigid banking practices, are common for goods subject to payment by documentary credit. In countries with high import duty rates or fluctuating exchange rates and complex control systems, small importers, short of means to make due payment or hoping for advantageous currency movements, are sometimes unable or unwilling to complete all the procedures necessary to secure release of their consignments from the shipping line, port or Customs. However, in some ports, logistics and advantageous warehousing rates actually make it convenient to leave goods in the port rather than move them to inland storage.

Most ports of any consequence are the focus for significant trading communities, comprising exporters, importers, forwarding and Customs agents, banks, insurers, shipping and other transport companies. They also house relatively substantial Customs staffs, accustomed to being in daily contact with business operators.

A surprising number of ports, even those with poor management standards and performance, bring much needed and very valuable cohesion to these local business communities, through port consultative committees, on either a stand-alone basis or in cooperation with a Chamber of Commerce or other trade body. These committees are often the only mechanism for regular consultation between trade and Customs and can be an important element in remedial action.

It will usually be highly desirable for all international trade participants for related Customs and port automation projects to be developed and maintained in close cooperation, particularly regarding the use of such standards as those held in the WCO HS Goods Descriptor system⁴ and the related Data Model.

It is also helpful if Customs and ports can share advance manifest information. While Customs may require considerable accuracy for fiscal and other reasons, port managers are often content with and can profit from less precise information, provided this alerts them to such factors as the arrival of dangerous goods or the eventual need of specialized handling equipment or other operational facilities.

Shipping and container economics have, inevitably, reduced the number of ports served by direct international liner services. In selecting their principal ports of call, ship owners will give close attention to experience in rapid turn-round for vessels, customer satisfaction, damage, loss and theft experience, and standards of official integrity. Under such circumstances, good facilitation practice has direct and substantial commercial benefits.

⁴ In 1988, the WCO developed the Harmonized commodity Description and Coding System (HS) nomenclature, which is used as a standardized nomenclature for international trade in order to avoid duplicate product classifications in different countries.

A few ports in developing countries are following the example of leading international counterparts in establishing communication networks with other ports along the lines of their main traffic flows. Such linkages can pass very valuable information on vessel characteristics, requirements and defects, well ahead of the arrival of ships and cargo.

Security is now exerting considerable influence on port operations and commercial status, especially in handling exports subject to US and EU import regulations.

Ports that qualify for and work in accord with the US Container Security Initiative (CSI) accept additional obligations, including the presence of US Customs officers. CSI can also require the use of container scanning equipment that may be supplied or subsidized. The vast majority of initial CSI agreements were confined to ports from developed economies but special attention is now being paid to extending similar arrangements to developing country ports. Any information that can be obtained regarding experience in this direction will have special facilitation interest.

The general form of the questions suggested for ports assume that the respondent is an operational authority. There will be occasions in which the port, as such, is largely a landlord and most day-to-day practical functions are carried out by a number of individual, usually commercial, operators. Under such circumstances, the form of some questions will have to be modified and results may need to be treated as illustrative rather than generally applicable.

Questions

1. What is the tonnage/value of general merchandise handled annually for (i) import, (ii) export and (iii) transit?
2. How many (i) import, (ii) export and (iii) transit TEUs are handled annually?
3. Which overseas ports are your main trading partners? Do you have any cooperative arrangement, for example, information sharing, with any of them? If so, of what sort?
4. What is the average dwell time, in the port, at export and import respectively for (i) general cargo, (ii) containers and (iii) roll-on/roll-off vehicles?
5. Which of the following factors are the most important causes of excessive delay in your own operations – Customs interventions, late arrival/presentation of manifests/bills of lading, banking requirements under payment terms, unavailability of connecting transport, exchange controls, pre-shipment inspection, tardy take-up by consignees, security, other (specify)?
6. Are the documents exchanged with or issued to carriers, agents, shippers, in standard UN/ECE format? Do you require a standard shipping note, or an equivalent EDI message, as a condition for receiving export cargo?
7. Is there a written, freely available and well-publicized account of the procedures necessary to move goods and vehicles efficiently through the port for export/import operations?
8. Do you use computers to handle any port procedures for (i) containerized or (ii) general cargo? If so, for which procedures?

9. Are you exchanging, or planning to exchange data, electronically? If so, with whom?
10. Do you have a port consultative committee? If so, what is its composition and responsibility?
11. What services do you offer, and what facilities do you provide, to (i) Customs and (ii) any other official agency? What are the rough costs and main consequences? Are you repaid or compensated in any way?
12. At what stage of movement do you first accept responsibility in respect of export/import consignments passing through port premises?
13. How many Customs officers – approximately – are employed in the port?
14. What are their normal working hours and what provisions are made for overtimeover-time?
15. What proportion of consignments – in very general terms – are presented during port operations by (i) traders in person, (ii) agents, (iii) carriers (for example, truck drivers or shipboard staff)?
16. What is the quality of cooperation between Customs and other control agencies dealing with goods and means of transport? Is there any Single-Window arrangement for routine inter-agency working?
17. Are Customs entrusted with other controls, such as phytosanitary or security checks? If not, how are such controls, if any, applied by other control agencies in order to ensure their efficiency and effectiveness?
18. Are most parts of main Customs procedures managed within Customs offices, or are declarants obliged to take documents from one officer to another for sequential checks?
19. Are signatures still an important requirement in complying with Customs procedures necessary to pass goods/means of transport through the port?
20. What are your main computer applications in operational interfaces with Customs and other control agencies, owners of goods, commercial banks, others (specify)?
21. To what extent are such interfaces managed by direct, computer-to-computer, communication? What, if any, international standards are used for such EDI messages?
22. What is the rough proportion of declarations for which supporting documents – invoices, Certificates of Origin, waybills, bills of lading, etc. – are subjected to official inspection?
23. Are you party to a CSI arrangement? If not, have you sought such status and what has been the reaction?
24. What is the rough proportion of consignments/containers that are physically inspected?
25. What is the quality and nature of container inspection? What facilities are available for non-intrusive inspection?

26. If you have installed container scanning equipment, what proportion of export/import containers are scanned and what is your experience regarding efficiency in detecting illicit consignments? How was the purchase of this equipment funded?
27. What is the incidence (rough percentage of total consignments/containers) of procedural difficulties and disputes, and what are the principal causes – classification, value, suspicion of contraband/counterfeit, other (specify)?
28. Are goods and vehicles delayed while all such differences are resolved or are some issues recorded for later resolution, while the goods are released for onward movement?
29. What is the experience of theft and loss – good, bad average – for (i) general merchandise and i(ii) containerized cargo, while still in Customs custody?
30. Do labor relations have a large impact on the efficiency with which the port can handle international consignments?
31. Are you a member of a trade association or Chamber of Commerce? If so, what do you see as benefits of membership?

1.3.6 Airports

The number of carriers at most airports will be limited and all should be accustomed to computerized operations and the use of uniquely numbered, internationally standard, non-negotiable air waybills.

Airlines carrying freight on passenger flights usually depend on authorized agents for all stages of cargo handling after unloading, including, in particular, Customs clearance. These agents are often of markedly higher quality than their counterparts in ports and at border crossing points.

Customs handling consignments at airports will work almost entirely with reasonably experienced and "professional" agents and may often be largely insulated from actual cargo owners.

As the key transport document – the *air waybill* – is *non-negotiable*, it cannot form the basis of full-dress documentary credit procedures, and consignments are delivered directly to the person named in the bill. Customs formalities, including security requirements, tend, therefore, to be the main factor in release times.

While, in some developing countries, Customs procedures for dealing with airfreight are still *ad hoc* adaptations of classical seaport practices, express operations in the hands of major global companies have tended to run ahead of conventional airfreight in influencing Customs towards modern procedures.

The World Customs Organization has produced a standard set of Immediate Release Express Guidelines, under which express consignments are given immediate release, provided prescribed control data have been submitted to Customs, from audited computer systems at specified periods in advance of aircraft arrival, and the declarant has a satisfactory compliance record.

The degree to which airport management can give useful input to the Audit will depend on the nature of their operations. While some, as already mentioned, may constrain air carriers to use a monopoly ground service and/or operate obligatory warehousing systems, through which even express consignments must pass, many may have little direct influence on, or interest in, cargo operations.

Airport Customs procedures in many developing countries may still be based largely on seaport operations but constant pressures from airlines with demanding timetables, the relative quality of IATA accredited agents and, in some countries, the priority accorded to automation of airport Customs procedures, should help progressive simplification.

Delays to *maritime* cargo associated with documentary credit requirements are irrelevant as the air waybill is a non-negotiable document and the carrier or his agent just delivers consignments to the person named on the bill. These advantages have provided useful arguments and precedents to support similar improvements at ports, by, for example, promoting the more frequent use of a non-negotiable *sea waybill*.

Security, for many years a uniquely acute problem for air passenger transport, is now strengthening its grip on airfreight operations. No one can object to or dispute the legitimacy of anti-terrorist concerns, but solutions and restrictions based on inter-governmental negotiations among fully developed economies can impose inappropriate complications and rigidities when applied, eventually, in the very different conditions of a developing country airport. Even the most detailed controls and draconic penalties may be little more than ritualistic in the numerous countries where official integrity is highly unreliable.

The Audit should include a summary assessment of the importance, efficiency and facilitation implications of airport security requirements for airfreight consignments, aircraft and crew.

Some of the following questions should be addressed directly to airport managers while others should be posed on-site during *ad hoc* contacts with agents, Customs and carriers.

Questions

1. What are the rough orders of magnitude for annual value (distilled from Customs declarations) and tonnage for (i) import, (ii) export and (iii) transit consignments?
2. What are the average times, at import, from unloading to placing goods at the disposition of the agent or carrier, for onward movement, in respect of (i) conventional airfreight, (ii) express cargo, and (iii) transit consignments?
3. How many Customs officers work at the airport?
4. What are the normal hours/days of attendance by Customs? What provisions are made for overtime? What are the customary overtime rates? (Similar staffing information should be sought for any obligatory warehouse operations)
5. What proportion of consignments – in very general terms – are presented by (i) consignors/consignees in person, (ii) agents, including express operators and forwarders, and (iii) carriers (for example, truck drivers, airlines)?

6. What is the quality of cooperation between Customs and other control agencies dealing with goods and means of transport? Are there any Single-Window arrangements for cooperation between airport-based official control agencies?
7. Are Customs entrusted with other controls, such as phytosanitary or security checks? If not, how are such controls, if any, applied in order to ensure their efficiency and effectiveness?
8. Are Customs entrusted with immigration checks or, if not, does immigration staff work in reasonable cooperation with Customs?
9. What are the principal security regulations applied to air cargo? Do these differ between consignments carried in holds of passenger aircraft and all-cargo flights?
10. Is there a written, freely available and well-publicized account of the procedures necessary to move goods efficiently through the airport, in accordance with Customs and other control procedures?
11. What computer and associated equipment is available and what are its main applications?
12. What is the quality of any software used for processing Customs formalities and of the operational skills available to use it?
13. To what extent are traders/agents/carriers able to communicate directly, computer-to-computer, or through the Internet, with Customs? Are any associated EDI messages based on the international UN/EDIFACT⁵ standards? Is there any port-based “community” EDI system for the easy exchange of operational information among ports, carriers, shippers, agents and Customs?
14. What is the rough proportion of declarations for which Customs require the inspection of supporting documents – invoices, Certificates of Origin, waybills, bills of lading etc?
15. What is the rough proportion of consignments physically inspected? What facilities are available for non-intrusive examination? Do you use risk/threat assessment techniques?
16. What is the incidence (rough percentage of total declarations) of procedural difficulties and disputes, and what are the principal causes – classification, value, loss, damage, suspicion of contraband/counterfeit, security, other (specify)?
17. Are goods and vehicles delayed while all such differences are resolved or are some issues recorded for later resolution, while the goods are released for onward movement?
18. What is the experience with theft and loss – good, bad average – for goods while on airport premises?
19. Is there an airport development plan? If so, is it supported by performance targets, including ground handling, security, Customs? Is it known to and discussed with airport users?

⁵ United Nations/Electronic Data Interchange For Administration, Commerce, and Transport (UN/EDIFACT)

1.3.7 Border Crossing Points

These often present a very difficult procedural environment.

Many countries with extremely porous borders try and compensate by applying especially strict controls at points of official intervention. This adds relatively innocent commercial operational needs to illegal smuggling opportunities as incentives to find and use other *uncontrolled* crossing points.

The road transport industry, worldwide, is highly fragmented. Borders can bring together a mass of small, local carriers with a mix of major regional or fully international road operators and some distributive arms of large manufacturing companies.

Some arrivals will bring standard computerized printout documents; others may only provide hand-written papers of dubious authenticity. Customs cannot devise or apply any single set of simple procedures to deal effectively and speedily with all these types of declarant. Furthermore, the key figure, for Customs purposes, is the truck driver, who may be completely or largely ignorant of the characteristics and background of the load he happens to be carrying. In any event, for good reasons of commercial security, goods owners very seldom disclose the exact nature of consignments to carriers, unless, of course, loads fall under dangerous goods regulations.

If a well-informed agent is on hand, border processing may be easier. Unfortunately, at most borders in developing countries, an uncomfortably large number of consignments arrive with little more than basic, often badly prepared documentation to cover goods, vehicle and driver. All these have to be dealt with together, in contrast to the situation at ports and airports, where goods can be cleared separately from vessels/aircraft and crews.

An additional facilitation complication is the traditional, largely unchanged, reliance of many key procedures – for example, TIR, ATA and transit – on paper documents for which there are no electronic substitutes or equivalents, and which have to be carried with the goods to satisfy Customs controls.

There are also similarly outdated but almost universal Customs requirements that certain “supporting documents”, notably commercial invoices and Certificates of Origin, be carried with the goods, in case Customs wish to exercise their option to call for and check them to supplement or confirm the information contained in the basic import declaration.

It is important to identify unusual or unnecessary delays and complications arising from such documentary relics, not only as a relevant factor in the individual Audit concerned but also as material that might be used by the World Bank and other facilitation proponents in support of current moves to replace all these outdated paper forms by internationally agreed standard messages moving directly from the country of export and independently of the goods, to relevant control agencies at points of import.

The physical conditions and restricted range of Customs management levels at typical border crossing points, very different from those at major ports or airports, tend to encourage systematic corruption. Large bribes for serious dereliction of duty, with grave social consequences, for example, in respect of illicit drugs, arms or unidentified nuclear substances, are masked and made easier by a background of relatively innocuous routine “facilitation” payments.

One potentially favorable feature of border crossings is the proximity of export and import Customs. For ports and airports, these two services may be thousands of miles apart. In all road and rail crossings they are within very short distance of each other. In modern frontier practice they usually co-ordinate their functions and use common physical facilities. This may have special advantages in minimizing the extra difficulties caused to carriers by new arrangements for Customs mutual assistance in applying tightened security controls.

Finally, facilities – electricity supply, computers, telephone lines – which are taken for granted at ports and airports, close to large population centers, may be unavailable or unreliable at land borders.

Questions

1. What are the rough orders of magnitude for the volume of goods carried by (i) conventional road vehicles, (ii) trucks and trailers for container movements, (iii) roll-on/roll-off units? (Carriers will not normally have access to values, but some indication of corresponding value figures should be available from Customs.)
2. What is the relative importance of transit consignments and imports for home consumption?
3. What is the number and value of TIR and ATA Carnets handled annually?
4. What are the average delay times – from arrival to departure – at the border?
5. What is the number of Customs officers employed? What provisions are made for overtime? What are the customary overtime rates?
6. Are Customs entrusted with other controls, such as phytosanitary or security checks? Are there any Single-Window arrangements for routine cooperation? If not, how are such controls, if any, applied in order to ensure their efficiency and effectiveness?
7. Is there any cooperation, at the border, between adjacent export and import Customs services? If so, under what heads, and how does it work in practice?
9. Is the bulk of the relevant Customs procedures managed within Customs or is the declarant or his agent forced to take the documents from one officer to another for a series of separate checks?
10. How many signatures are required in the entire process of Customs clearance?
11. Is there a written, freely available and well-publicized account of the procedures necessary to move goods and the vehicle efficiently through Customs and meet the other official requirements?
12. What computer and associated equipment is available and what are its main applications?
13. What communication facilities are available to (i) Customs, (ii) drivers, and (iii) agents?
14. How is the Customs post equipped for working in likely extremes of temperature?

15. Is there a reliable electricity supply?
16. What is the rough proportion of declarations for which supporting documents – invoices, Certificates of Origin, waybills, etc. – are inspected?
17. What is the rough proportion of consignments/containers that are physically inspected? What facilities are available for non-intrusive examination?
18. Are additional formalities for driver-accompanied vehicles, including road-worthiness and weight certificates, drivers license, passport and visas, carried out simultaneously with controls on the goods, or in separate sequence?
19. To what extent do these secondary requirements contribute to the total processing time?
20. What are the quality and nature of container inspection?
21. What is the incidence (rough percentage of total declarations) of procedural difficulties and disputes, and what are the main causes – classification, value, suspicion of contraband or counterfeit, security, other (specify)?
22. Are goods and vehicles delayed while all such differences are resolved or are some issues recorded for later resolution, while the goods are released for onward movement?
23. What is the experience with theft and loss – good, bad average – for consignments, while still in Customs custody?

1.3.8 Commercial Banks

The conventional trade transaction requires that while goods move from seller to buyer, payment goes in the opposite direction.

The immense expansion of world trade, fuelling and following the industrial revolution, linked buyers and sellers across great distances entailing many weeks, if not months, for any known means of communication.

In that situation, banks, in cooperation with finance houses and merchants, devised a remarkable payment system – the documentary credit – which enabled the seller to be sure that his goods could not pass to the buyer until due payment had been made, while the buyer knew that his money would not pass to the seller until the goods were safely in hand.

In its most efficient period, towards the end of the nineteenth century, this system operated on the basis of key documents of title, carried by international mail services operating faster than ordinary cargo movements.

Because of continuing, be it generally diminished, exchange risks in certain economies and the commercial uncertainties of casual or new trading relationships, the documentary credit is still a

familiar feature of international trade for many developing countries and has found additional outlets in newly independent and emergent economies.

Unfortunately, the increasing efficiency of world transport networks and the failings of numerous postal services frequently combine to produce significant delays to goods at import, pending the arrival and bank processing of the documents needed to authorize their release to the buyer or his agent. Such complications pose frequent problems for containerized cargo with special complications for groupage container loads, in which only certain consignments are subject to these credit arrangements. The associated delays may be cited, in self-exculpation by ports and Customs, to distract attention from, or account for, their own inefficiencies.

The banks earn extra fees by releasing goods to supposed consignees on the basis of guarantees contained in letters of so-called "indemnity". These are an unsatisfactory expedient because they cannot, in fact, cover unassessable contingent obligations to third parties. Furthermore, they are expensive – thus enabling banks to make additional profits from their own inadequacies – and limited in scope, being available, normally, only to favored customers of impeccable status.

It is extremely unlikely that banks, when interviewed, will express anything but satisfaction with the "normal" functioning of the documentary credit system. Traders, who may have little or no experience with fully efficient handling systems and may also need bank goodwill for other credit and commercial purposes, are likely to be very circumspect in voicing even justified criticisms, and some other participants, including Customs and ports, may not fully realize how this payment procedure is affecting their own operations. Even if they see the problem, they may have no idea where to turn for improvement. Generally speaking, ports, shipping lines and agents are probably the most reliable source of information.

The International Chamber of Commerce, which sets the broad rules for documentary credit practices, has encouraged commercial initiatives to provide electronic alternatives or equivalents to the traditional paper-based procedures and has provided guidance on some of the legal and commercial principles that need to be observed in such transfers. Unfortunately, several proprietary systems have disappointed the sponsors.

Banks seem reluctant to compete for any part of the documentary credit market, which has to date not attracted what might have been the stimulating attention of alternative suppliers, for example major credit card companies.

Questions

1. What is the approximate number respectively value of documentary credits on (i) export and (ii) import consignments, handled by you annually?
2. Are documentary credits the normal method of payment for your customers at (i) import and (ii) export? If not, what are the other, preferred payment systems in each direction?
3. Do you observe ICC Standard Rules for Documentary Credits? Does a national representative attend meetings of the ICC Banking Commission?
4. Are you linked to SWIFT? If so, for what purposes?

5. Do your clients have difficulties in managing exchange requirements? If so, of what sort, and how might these problems be reduced?
6. Do you have significant dealings with Customs? If so, for what purposes, and to what extent are you satisfied with the way in which these are managed?
7. What proportion of initial applications for payment under a documentary credit are you forced to reject? What are the most common reasons?
8. Do you issue letters of indemnity to cover late arrival of documents? Is this a common or exceptional practice? Can any customers secure such cover? What is the basis of charging for this service?
9. How do you normally receive documents from overseas correspondent banks, in documentary credit operations – ordinary post, express post, private express companies, other (specify)?
10. Do you experience frequent delays in receipt of such documents? Do you record these and analyze their causes? What are, in your opinion, the main reasons – customer error, pace of processing by overseas banks, physical transmission problems?
11. Do you exchange any import or export transaction data electronically? If so, with whom, and for what purpose? Are you a member of any proprietary electronic credit system, for example BOLERO?
12. What proportion, roughly, of transactions passing through your hands, rely on non-negotiable sea waybills as distinct from full-dress bills of lading? Do you encounter and process any transactions seeking to use “negotiable” air waybills?

1.3.9 Exchange Control Authorities

Exchange control restrictions nowadays play a limited role in the practical procedural chain affecting goods in international movement. Up until thirty years ago the situation, in the wake of the Second World War and the withdrawal of external backing for many national currencies, following political independence, was very different. Maximizing the inward flow of scarce hard currencies acquired high fiscal and economic priority, so that checking the accuracy of export invoicing and curbing expenditure on external services, including transport, was an important administrative function.

Decades of IMF and World Bank appeals for trade liberalization and the increasingly open political attitudes towards external trading, coupled with the necessarily temporary expedient of replacing certain inefficient Customs controls with the services of specialist private agencies, have reduced these constraining pressures. However, certain countries, including those in the latest wave of emerging independent states, are still forced to apply restrictions of varying scope and severity.

On the other hand, some developing countries, after successive GATT and WTO negotiating rounds and following broad lines of advice from IMF and other international agencies, have reduced their main import duty tariff rates to a level at which Customs are able to refocus control concerns on export value declarations. This tendency will be accentuated if the sort of routine interchange of declaration

data, mentioned in the WCO Johannesburg Customs Mutual Assistance Convention becomes general or the WTO eventually accepts and enforces a redrafted Rule stipulating similar arrangements.

The usual instrument for applying exchange controls is either direct intervention by the Central Bank, delegation to a specialized Exchange Control Agency, or management, under stipulated rules, by commercial banks.

Questions

1. What are the main objectives of your current exchange controls in relation to international trade and transport?
2. How are such controls applied in practice – by a single national agency, through a number of offices in commercial centers, through commercial banks, other (specify)?
3. Do you consult trade, transport and banking interests (i) formally and/or (ii) informally? If so, by what means, and on what aspects of control?
4. What is the role of Customs, if any, in applying your controls?
5. Is there a clearly defined, written and generally available set of exchange control regulations? How are changes notified to traders and banks?
6. How are innocent infringements handled? How is guilt established? Who tries cases and hears appeals?
7. Would a dispute normally have any effect on the movement of the goods concerned?
8. What proportion, roughly, of transactions passing through your hands, rely on non-negotiable sea waybills as distinct from full-dress bills of lading? Do you encounter and process any transactions seeking to use “negotiable” air waybills?
9. What, if any, are your relations with pre-shipment inspection agencies?

1.3.10 Customs

Customs are usually at the core of any significant set of international trade facilitation problems. Exercising key revenue and trade policy responsibilities together with additional regulatory duties delegated to them by numerous other control authorities, they wield very powerful influence over the efficiency, cost and timing of all international trade transactions.

In many countries, they are not only a major cause of cost and delay in themselves, but also provide a convenient screen behind which many other participants can hide their own inefficiencies. Quoted by traders, agents, carriers and ports as the principal, if not sole, cause of all border-crossing problems, Customs tend to offer, often unwittingly, an excuse for many failings at other points in the life-cycle of the international trade transaction.

For all these reasons, while it is desirable to place Customs well down the sequence of interviews so that they can be approached in the light of previously expressed user opinions, they may well offer additional information and assessments that could justify short return visits to check relevant criticisms from other participants.

The answers to several questions put to Customs may already be known from earlier interviews. These questions should be put just the same, as any substantial difference in Customs/trade perception could be significant.

The Questionnaire cannot cover more than a few of the many aspects of Customs practice and procedure that influence the efficiency and cost of an international trade transaction. A much wider view of these can be had from the International Chamber of Commerce Customs Guidelines and their Explanatory Notes, available on the Global Facilitation Partnership (GFP) Website.

The facilitation benefits of certain key procedural reforms are described, in greater detail, in the Guidelines to the Revised World Customs Organization Kyoto Convention.

Possible delay causes are also usefully set out in the WCO Time Required for Release Study, and well signposted by the software version being produced by the Global Facilitation Partnership.

It is also important to note and take account, during the Audit, of the main items of Customs reform that may be underway as the result of Facilitation negotiations in the WTO.

It may be useful to bear in mind that the facilitation device of the Authorized Trader, introduced by the Revised WCO Kyoto Convention, is now being taken up and may be enforced, for security risk assessment purposes, by such variants as the Authorized Economic Operator, figuring in the revised EU Customs code, and its rough equivalent in qualification for membership of the US Customs-Trade Partnership Against Terrorism (C-TPAT).

Access to simplified Customs procedures at import into the EU or US may well depend, in future, on the ability of developing country exporters and their Customs services to qualify for some form of mutual recognition linking them to their commercial or regulatory counterparts in these major markets.

An important – indeed indispensable – element in every Audit should be *personal observation* of actual operations, at Customs posts, in ports and airports, at border crossing points and in traders' and agents' offices.

Are work places clean and reasonably tidy? Do they offer reasonably good working conditions for staff and visitors? How do agents and Customs officers mix? Is the Customs counter noisy and subject to a good deal of thrusting and pushing or is the atmosphere workmanlike and reasonably peaceful?

Is there a defined and well-observed practice that keeps agents and traders on their side of the Customs counter or do they penetrate into Customs offices? When duties are still paid in cash, are there any signs of supplementary payments to Customs officers?

Is there any visual evidence of irregular payments being distributed among staff? Are Customs signatures given in Customs offices or directly in the presence of the trader or agent? To what extent are premises equipped for likely extremes of temperature? What are the sanitary arrangements for

staff and others? When documents are first presented to Customs, what is the rough proportion of queries/rejections?

Documentation is especially relevant. Specimen sets of documents necessary for each procedure should be collected. The number of copies demanded should be noted. It is useful to know whether Customs impose pre-printed forms or are ready to accept the equivalent documents produced from a computer or copying process.

Computer installations should not be taken at face – or screen – value. Users should be asked to call up key programs and execute a few typical operations.

Visits to Customs posts may need two approaches – an initial, unofficial visit accompanying a friendly agent or trader, and a formal appointment, later, to see what happens *behind* the counter.

Any interview with central Customs management to process the Questionnaire should be supplemented by visits to Customs posts at a port, airport and border crossing point. While most of the suggested questions are intended, primarily, for *central* management, those in bold type are equally or more appropriate for staff at these operational locations.

Basic information on member administrations and names of suitable contacts can usually be obtained from the World Customs Organization. The WCO, stimulated by prospects of Capacity Building requirements and predicated to follow a successful outcome of current WTO negotiations for Customs reforms, has produced a number of self-assessment tools, intended to enable Customs services to identify their own needs for outside expert assistance. Outside access to the results of such enquiries may be limited but could provide useful additional or alternative queries.

Some of the following questions also figure among those put to commercial operators. Any variation in the answers will be particularly significant.

Questions

1. How many (i) export, (ii) import declarations, and (iii) transit operations are handled annually?
2. What is the corresponding value of consignments covered by these categories?
3. What proportion of government revenue is represented by Customs duties/taxes on international consignments?
4. What is the total number of staff employed in the service?
5. What is the average time from submission of the import entry to release of goods from your custody, in maritime trade for (i) conventional general merchandise (ii) containerized cargo, and (iii) roll-on/roll-off vehicles at export respectively import?
6. What are the corresponding times for road borne consignments at main land frontier posts at (i) export, (ii) import?

7. What are the corresponding times for conventional airfreight movements of (i) documents, (ii) non-dutiable and *de minimis* and (iii) dutiable goods? What are the corresponding times for express consignments?
8. Are the times in 5, 6 and 7 static or decreasing?
9. Do you consider any of these release times unsatisfactory and, if so, which? What do you see as the main causes?
10. Do you separate procedures and documentation to give "release" of goods from physical controls from those for "clearance" of the transaction, following the satisfaction of fiscal requirements?
11. Are your paper forms aligned on the UN standard documentary system?
12. Are you using or planning to use computers in any operations? If so, in which operations? Do/will these include direct data exchanges? If so, with whom? Do you use UN/EDIFACT messages? Do you make any use of standards set by the WCO Data Model?
13. Do you use or plan to use ASYCUDA⁶ or any other proprietary Customs system? If so, which? Are you satisfied with (i) the product, (ii) post-implementation support, and (iii) technological top-up?
14. Do you send delegates to WCO technical committees? If so, to which ones?
15. How many disputes are lodged with/recorded by Customs annually? What is the largest single focus of differences – valuation, classification, temporary importation, compliance, other (specify)?
16. Do you have an up-to-date, generally available Customs Code? Do you circulate public notices of changes and interpretations?
17. Do you carry out post-entry audits? If so, who is responsible for the work?
18. Do you have an active Customs/Trade Consultative Committee? If not, do you participate in other consultative arrangements?
19. Do you implement (i) the GATT Valuation Code and (ii) the WCO Harmonized System?
20. Do you operate TIR and ATA procedures?
21. What services/facilities do you provide for other government departments, especially security agencies, in connection with international trade consignments?
22. What services/facilities do you require at (i) ports and (ii) airports? Do you pay for any of these? If so, for which ones?

⁶ Automated SYstem for CUstoms DAta

23. What proportion of (i) conventional consignments, (ii) containers are inspected at import?
24. Where do you normally inspect containers? How do you select for inspection? What are the main characteristics of inspection routines?
25. Do you issue binding advance rulings on (i) classification, (ii) value?
26. Can challenges to Customs decisions be referred to an outside, neutral tribunal?
27. Are Customs agents licensed? Do they have a monopoly?
28. Do you have a training school? If so, what subjects are covered? Do you extend these or similar facilities to agents?
29. Are any Customs functions currently handled by private agencies? If so, which ones? What is your experience with these arrangements?
30. What are normal working hours? Is Customs attendance available outside working hours and, if so, on what basis of compensation?
31. Do you have a publicly available, regularly up-dated Strategic Plan?
32. Do you have Memoranda of Understanding arrangements with traders? If so, do these work satisfactorily?
33. How do you collect, check and record payments of duties and taxes?
34. Do you operate a risk assessment system? Is this automated?
35. Do you apply any form of Authorized Trader arrangements as set out in the WCO [Revised Kyoto Convention](#)?
36. Do you exchange transaction data, on a routine basis, with other Customs services for (i) valuation, (ii) exchange control, (iii) security purposes?
37. Do you have any Mutual Recognition or other special security-linked collaborative arrangements with other Customs services? If so, what kind of arrangement and what is your experience with such arrangements? Are you party to a CSI arrangement with US Customs?

1.3.11 Pre-Shipment Inspection (PSI) Agency

Around forty governments have commissioned private inspection companies to provide technical assistance by verifying the price, quality and quantity of import cargoes prior to shipment from the countries of export. Most verification programs are for Customs purposes, but some are for foreign exchange control or to check compliance with government regulations.

PSI programs were originally introduced in the mid-1960s to curb capital outflows based on over-invoicing or supply of inferior goods. With significant relaxations of exchange controls in the mid-

1980s the problem shifted to under-invoicing and misclassification to avoid or reduce import duties and taxes. Both these difficulties were often aggravated and sustained by low standards of official integrity in Customs and other control services. PSI programs and services were modified, accordingly, to help Customs in applying key fiscal controls and to assist governments by offering additional safeguards for vital revenue flows.

PSI agency systems were, at the outset, highly innovative. Capturing key information at an early stage of a transaction, where it is easiest to check, and then passing it, promptly, in a secure communication system, to those who need to use it, has long been recognized as an invaluable facilitation framework for many international trade and transport purposes. It is now emerging as an equally useful element in current strategies to ensure the effective security of global supply chains.

This suggests that PSI agencies might have a useful future role in devising and marketing security certification services that could also support simplified integrated export/import controls within bilateral Customs Mutual Assistance agreements.

A WCO Working Party on Pre-shipment recommended (1999) that governments consider including risk assessment and selectivity in PSI programs. In countries subject to PSI regimes, the Audit should enquire whether this recommendation has been followed by government action or PSI company initiatives.

In addition to interviews with PSI operators, the Audit should look at the effects that any PSI regimes may be having on commercial operations at export and import.

The authoritative nature of PSI procedures, which can lead to the rejection of cargo and/or contentious differences with import Customs, opens up many possibilities of delays and friction.

Unfortunately, the PSI system, in its general features and management, has hardly been altered since its inception, and has actually acquired some of the weaknesses which it is intended to overcome in Customs administrations. There has been little attempt, for example, by any of these agencies to apply modern risk assessment techniques to limit the scope of their physical inspections.

Formal mechanisms for handling complaints from exporters were established, by the WTO, in 1995, but there are many other parties, at import as well as export, that can be disadvantaged and the cost of invoking the dispute procedure represents a serious disincentive. Apart from this appeal system, however, there is no effective mechanism for regular consultation with traders and carriers affected by pre-shipment controls.

When looking at these operations, it is useful to know whether more than one company is providing the PSI service and on what basis any choice is made – for example by the importer or, geographically, according to the country of origin of the goods.

While the questions below are intended for use in interviewing a PSI agency, there is an obvious Audit advantage in putting much the same points to commercial users, ports, shipping lines and Customs.

The EU has made a formal proposal to the WTO Facilitation Negotiating Group that pre-shipment agency agreements, that have the effect of substituting PSI services for Customs functions, be progressively eliminated.

Practical experience with Customs mutual assistance is based, so far, mainly on illicit drug enforcement arrangements that are, quite naturally, highly confidential. Similar secrecy may obscure the detailed effects and mechanisms of the new wave of assistance agreements forced by security and encouraged by the [WCO Johannesburg Convention](#).

It seems very probable, however, that, over time, Customs services may be able to build progressive cooperative arrangements into very effective replacements for most PSI functions. On the other hand, US security authorities have decided to rely on PSI-type services to verify C-TPAT observance by commercial participants.

Questions

1. How many Reports of Findings do you issue annually? What is the value of the consignments covered by these Reports?
2. What is the average time taken to issue a Report?
3. What goods are excluded from PSI and what is the minimum value under which PSI does not apply?
4. What proportion of consignments are physically inspected?
5. On what basis do you charge and secure payment for these inspections?
6. What is the basis of your central, contractual remuneration?
7. Do you apply or are you planning to apply any risk assessment techniques to reduce the incidence of physical inspection? If so, based on what broad lines and by what methods?
8. Do you supply training services to the Customs? If so, on what subjects, and how is the quality of the training assessed?
9. Do you exchange data electronically? If so, with whom?
10. Do you use (i) the Internet, (ii) satellite communication? If so, for what purposes?
11. Do you carry out any new security-linked functions? If so, of what general nature – certification, verification, monitoring, other (specify)?

1.3.12 Chamber of Commerce

Chambers of Commerce participate directly in the procedural chain when they issue Certificates of Origin and implement the ATA Carnet system. They can be useful channels for securing and offering facilitation information and advice, especially when, as in many Francophone developing countries, they have strong links to their counterparts in France. These links can be very valuable in supporting contacts and cooperation with outside, often international, interests, that have strong practical incentives to help facilitation work worldwide. They can also be of considerable use in assisting an

Audit, and will often figure largely in the development of cooperation and ownership during subsequent remedial action.

Chambers tend to be resolutely local in membership and interest. There may sometimes be a national Chamber in the capital city but, paradoxically, this can be much less influential and active than a “local” counterpart servicing a major port-based commercial community.

The Audit could well include contacts with any specialized Chambers, set up, typically, to focus US, French, German, UK or other expatriate business interests. These bodies are often reluctant to figure directly in published reports because, apart from the normal competitive friction with indigenous trade sectors, they can also be seen as staging posts for economic invasion. Such unhelpful attitudes are dissolving in the face of mounting demands for direct inward investment, but many of these “foreign” Chambers have a continuing, understandable, preference for low public profiles.

Questions

1. What is the size of your membership? Is this statutory or on a voluntary basis?
2. Do you offer advice to exporters and importers on -
 - National and foreign Customs requirements?
 - Foreign standards, dangerous goods regulations, other (specify)?
 - Payment systems, including documentary credits?
 - Containerized, multimodal transport?
3. Do you have specialist committees for questions related to -
 - Customs?
 - Commercial banking?
 - Transport?
 - Communications?
 - Electronic commerce?
 - Facilitation?
4. Do you run courses on any of these subjects? If so, on which ones?
5. Are you in regular contact with -
 - Your National Committee of the International Chamber of Commerce (ICC), if there is one?
 - The World Chambers Federation?
 - The UNCTAD/WTO International Trade Centre?
 - Any foreign Chambers? If so, which ones?
 - Any regional inter-governmental bodies, e.g. APEC, Mercosur, the EU?
6. If so, on what subjects?
7. Do you issue Certificates of Origin? If so, how many annually? Do you verify what you certify? If so, how?

8. Do you participate in the ATA carnet system? How many transactions do you deal with annually and do you experience any difficulties in this work?
9. Do you have formal consultative arrangements with Customs? If so, on what subjects?
10. Do you consult/collaborate with other national business organizations on any aspect of international trade? If so, with which organizations, and on what subjects?

1.3.13 Department of Trade/Industry

This heading should also include any hived-off Foreign Trade bureau or agency.

While Departments of Trade/Industry are often less politically influential than Customs, which usually enjoys strong links to the Ministry of Finance, they have gained a new and enhanced status through the growing scope and authority of the World Trade Organization.

This has special significance for trade facilitation policy, now a candidate for eventual WTO rule making. Commercial pressures for WTO attention to key facilitation problems are hardening and the subject has graduated, accordingly, from small print to headlines in the trade and financial press.

In this situation, the results of a balanced facilitation audit, reflected in an analytical report, with recommendations for action, could be very useful to a Trade Minister. Such a document would help focus political and government attention, and perhaps support, on a number of urgent measures that could improve external trade performance and bring consequent credit to the Ministry. It could be additionally useful if a substantial Facilitation Action Plan, based on a reliable Audit and Analysis, could be linked to, and made part of, a major port, airport or export promotion project.

It is highly desirable that Trade/Commerce be in regular touch with Transport in respect of trade-related issues, particularly the development of optimal relationships between facilitation (improvement of the “invisible” procedural infrastructure and investment in physical infrastructure).

World Bank experience has shown that requests for funding for port extensions or additional equipment can often be met, without new expenditure, by suitable reforms in port and Customs procedures and their operational management.

This Questionnaire, therefore, is not just a means of *acquiring* facilitation information, but also an indirect opportunity to *impart* information, and every effort should be made to use these questions, to that end, in an interview at ministerial level.

Questions

1. What are the main items making up (i) exports, (ii) imports in a recent typical year?
2. Do you have any existing departmental machinery for dealing with such trade facilitation tasks as the simplification and standardization of documents and formalities, the shift from paper to electronic commerce, the reconciliation of simple trading with increased security requirements, and the revision of the national regulatory framework affecting goods in international movement? If so, of what sort, and with what objectives?

3. Are you aware of, and/or active in, current WTO enquiries into the nature and needs of international trade facilitation?
4. Is the Department able to offer rapid, efficient Customs clearance of goods as an inducement to overseas companies considering direct inward investment in manufacturing?
5. To what extent does the Department consult small- and medium-sized companies on the extent to which their overseas trading performance and prospects are affected by Customs and other import/export formalities?
6. Does the Department monitor and review the operation of payment systems, including, particularly, documentary credits, as possible constraints on national performance in world markets?
7. Is the Department aware of and, if so, does it take part in any of the many regional activities – for example, ASEAN, APEC, Mercosur, SADC, the EU – now supporting practical trade facilitation work programs?
8. Has the Department studied the need for safe, timely and reliable delivery services in relation to export performance? If so, are traders able to use postal, express carrier, containerized through transport services and roll-on/roll-off road services freely and to full effect?
9. Is the Department bringing electronic commerce practices and technology to the attention of traders and carriers, and assisting them to identify particularly relevant possibilities and developments?
10. Is there a national standards institution? If so, does it advise exporters on the foreign standard requirements? If not, who does this?

1.3.14 Other Departments

In addition to the above respondent categories it may be useful, in certain countries, to make similar, though maybe less detailed, approaches to the Departments of Transport, Health, Agriculture and Public Works as well as any Export Permit Control Agency, national standards institute, and Export Promotion Board or equivalent body.

1.4 Other relevant Bank Studies

It would be helpful to all concerned if anyone applying the *Methodology* had previously acquired broad familiarity with the scope and contents of the very relevant Bank studies cited in the Working Bibliography and can refer to them, as appropriate, at both Audit and Analysis.

Work on a national Audit should certainly take account of any facilitation information or perceptions already available in these documents. It should be a routine Audit practice, for example, to check a country's ranking for cross border efficiency in successive editions of *Doing Business* and its overall ratings in *Connecting to Compete*.

If, during Audit, these rankings seem borne out by the more detailed examination provided by the *Methodology*, this might be reported to the *Doing Business* study team. If substantial differences in perception and assessment emerge at Audit, this could be an alert to the need for some degree of re-examination of relevant questions and replies.

If a country is found to be notably less open to international trading and transport than suggested by its *Connecting to Compete* or *Doing Business* ranking, then the factors possibly accounting for this discrepancy should be meticulously analyzed. If, upon close examination and in-depth analysis, there still appears to be a significant disparity, then this finding should be reported to the study authors. Sudden changes in ranking under this head should also serve as very valuable pointers to special attention and enquiry.

Benefits of the detailed insight into such aspects of Customs practice as transit controls, risk management and integrity – afforded by *Customs Modernization Handbook* and *Customs Modernization Initiatives* – should ensure that these texts are likewise available for easy reference at all stages of the Audit.

Any relevant material or findings that may surface during Audit and could serve to supplement or update these studies should be reported to the authors of aforementioned publications.

PART TWO – ANALYSIS AND INTERPRETATION

(This section covers two layers of analysis. The first is an essential immediate interpretation of the Audit findings and the second a set of optional potentially much deeper and so lengthy examinations of procedural problems and related regulatory or commercial backgrounds that might have been shown up; by the Audit as deserving later specialist assessment.)

2.1 Preliminary Examination and Classification of Fact Finding

The Audit must, of necessity, address separate actors in the transactional saga and consider their individual difficulties and operations. The Analysis must then interpret the Audit findings and assess how they might affect the quality of the ways in which essential information, without which goods cannot move or controllers operate, is generated, exchanged and authenticated. Weighing the value and quality of a large number of inter-related activities, it builds up a composite picture of an always unique national situation.

On-site fact-finding has to be interpreted as the facts themselves can be ambiguous. The mere statement, for example, that a particular country is a member of the World Customs Organization, or that a particular trading community has a national committee affiliated with the International Chamber of Commerce, will have little useful significance unless the extent, quality and relevance to facilitation of those relationships are well understood and can be reflected in analysis and proposals for remedial action.

In addition, the facts need to be arranged and organized. It is particularly important to separate out deficiencies in physical infrastructure from true facilitation problems related to the transaction itself, even though, as mentioned in the Audit, there is often a necessary and important inter-relation, which will need to be identified and assessed when the final task of applying resources to remedial action comes into focus.

The relevant factual material has to be separated into major facilitation issues. Without pretending to prejudge these, past experience suggests that the main problem areas are likely to include some or all of the following:

- Customs and commercial integrity
- Customs efficiency
- Port management
- Regulatory frameworks, including especially security
- Multimodal transport operations and legislation
- Payment systems
- Documentation and automation
- Agents' functions and attitudes
- Institutions

It is essential to classify ascertained facts under these or some equivalent headings and to evaluate the relative importance of each category in the overall facilitation profile. To proceed from fact-finding directly to funding, without such intermediate analysis, could misdirect scarce resources, undermine credibility and erode essential long-term support. Each of these heads should be examined in relation to broad background knowledge of facilitation.

It is possible to build up this very relevant but still rare experience if a core of central management is established to oversee, brief and debrief a number of successive Audits but, it is very important that initial analyses be assisted by someone already familiar with the operational and institutional background to the various official, commercial, transport and financial elements making up the typical international trade transaction.

The impact of anti-terrorist security on the international trade transaction is already considerable and likely to grow over at least the mid-term future. Regulations imposed for security reasons will be highly inertial. Even if and when, over time, perceived threats are greatly reduced, control agencies may well be very reluctant to take initiatives and responsibility to diminish precautions already in place.

The relationship between security and facilitation will vary with the rigor and extent of national, regional and international regulations, and the quality of interpretation and application in each individual economy. Much will also depend on the time period allowed for such constructive security requirements as, for example, advance supply of control data or the provision of a unique consignment reference, to be brought into full facilitation play through necessary adjustments to commercial and official administrative practice.

Another factor to be considered is the degree to which a particular country is dependent on trade with such security-conscious economies as the US and EU.

It is no part of the *Methodology* remit to offer calculations of the balance of security-facilitation interactions at any particular time or place but, given the importance of security at so many points in the international transaction, it would be wholly unrealistic to carry forward a project, using the *Methodology*, without proper concern for underlying influences, trends, reservations and actual or potential synergies and confrontations.

Information under these heads, obtained in the audit and given at any rate initial analysis, may be of substantial value to other interests and authorities seeking to respond to more strategic and political concerns. Such material will gain special value and validity from being collated in the course of a wider, neutral and “professional” enquiry.

As experience with new security controls of goods in international trade grows and is reviewed and evaluated, it would be very helpful for official and commercial facilitation strategists to acquire, from some source other than this *Methodology*, a clearer view than that available at present, of the extent to which dangerous consignments, as distinct from and compared with dangerous persons, really contribute to global security problems.

A new and potentially very informative use for the *Methodology* Audit and Analysis would be consistent and structured correlation with methods employed and results obtained when assessing border-crossing efficiencies in *Doing Business* and *Connecting to Compete*. These assessments are forced, by the size and scope of their global or regional subject matter, to focus on a relatively restricted set of indicators in arriving at efficiency and cost assessments.

The conclusions reached under such analytical heads as, for example, the movement of containerized surface cargo, may be at odds with the very different requirements and experience of bulk commodity shippers and carriers or air-based express delivery services.

The *Methodology*, applied at a much narrower, national level, can enquire across a much wider modal and cargo spectrum.

This process could often identify and demonstrate the validity of what might otherwise be criticized as misjudgments by certain sectors and interests not directly included in major study assessments. It could also pick up and offer alternative facts or perceptions that might lead study authors to modify earlier or current judgments.

The *Methodology* can serve additional subsidiary useful purposes by systematic feedback of country-based data and experience to global and regional economic and logistical study teams.

Methodology scope and usefulness could be further widened if any future applications were the subject of appropriate consultation and collaboration with the new WCO Capacity Building Directorate. This has embarked on a very ambitious set of diagnostic and assessment enquiries, in response to the many member services asking for such assistance in the regular course of their existing operational responsibilities, especially adherence to and implementation of the [Revised Kyoto Convention](#).

These WCO activities may also provide the basis for an important *Methodology* relationship to any global capacity building program that may be brought into play in association with an eventual WTO Facilitation Agreement.

2.1.1 Customs

While *Connecting to Compete* and *Doing Business* illuminate global logistical and economic issues, a number of recent developments, notably post 9/11 security and the WTO Doha Round, have stimulated quite new and particularly intense interests and activities in Customs and other associated official border management procedures.

Assessments of Customs integrity and efficiency must be linked to similar indicators among the various other participants in the key import, export and transit procedures to reflect, for example, the ways in which Customs practices can affect port operations or be affected by the efficiency with which banks can handle documentary credit and other payment systems that place special emphasis on formal proof of recipients' right to take possession of the goods. This authoritative penetration of at least two separate Customs services in each international transaction calls for and justifies a relatively lengthy Analysis.

INTEGRITY

In most developing countries, Customs sit astride two of the most important official financial operations – the assessment and collection of often very substantial *import* duties and the scrutiny of *export* value declarations intended as a first-line defense to conserve foreign currency earnings. Taken together, these offer a major, often unrivalled opportunity to supplement, usually greatly exceed, what can be absurdly small salaries, with opulent illegal earnings.

As international cooperation in anti-terrorist security develops, the importance of Customs integrity standards, especially where these services play a focal role in Single-Window control systems, will be seen more clearly than ever as a factor governing all such other considerations as efficiency and expertise. The Analysis should interpret Audit findings with a keen eye to associated increasingly

important economic, political and commercial consequences of known deficiencies in Customs integrity.

Analysis leading to a bare finding that Customs lack integrity will not give much of a foothold for remedial action, unless supported and guided by additional information, obtained in the course of Audit interviews or from other sources, about general national administrative standards, the rough level of Customs salaries, the degree and quality of training, methods of recruitment, extent of automation, use of cash or other means of payment for Customs duties and taxes, perceived exposure to illicit drug traffic, any attempts at remedial action – for example pre-shipment inspection regimes – and external representational or observer links between the Customs service and such regional groupings as APEC, MERCUSOR, the EU, AFTA, and ASEAN.

The worst-case integrity situation will display a daunting range of handicaps and deficiencies. Customs salaries will be abysmally inadequate, with rigid links to other similarly degraded public service civil service pay scales. Recruitment will be at low levels of general education and officers will be operating over-the-counter duty payment systems, under constant pressure for higher duty collections. They may have little training in efficient management of cumbersome documentary systems and will be dealing with agents which are able, and often motivated, to use inflated service charges to cover illicit payments. Under such circumstances, senior Customs officers may be major beneficiaries of malpractice and strongly resistant to investigation or reform.

A more encouraging prospect could be a newly-formed Customs service, in a recently independent economy that, despite poor administrative resources, can be linked to large-scale structural adjustment by early, specific aids to improvement, such as automation, training courses, staff exchanges and seminars under bilateral assistance agreements. Support from and active participation in a national facilitation committee is an additional advantage.

Whatever may emerge from the Audit as the most likely scenario, it is impossible to separate Customs misbehavior from commercial collusion or incitation.

Invaluable insight and a great deal of illustrative material can be found in a recent OECD study ([Technical paper 175; April 2001](#)), which has distinguished three main types of Customs/trade corruption -

- *Routine* corruption, where Customs expect supplementary small bribes for doing their job.
- *Fraudulent* corruption, where traders bribe Customs to misbehave in relation to otherwise legitimate commercial operations.
- *Smuggling* corruption, where Customs and fraudsters are engaged in a common, patently criminal, activity.

These will often overlap but some rough allocation of relative importance, within the overall corruption scene, will be a useful guide to remedial action.

It is important to note that “facilitation money”, paid routinely to secure reasonably expeditious handling of normal procedures for legitimate transactions, can spread out, all too easily, into more covert arrangements with dishonest traders, for reducing or evading duties and taxes or falsifying

exchange and other control records, and open the way for such criminally subversive activities as illicit drug smuggling, money laundering and terrorism.

The institutional setting is particularly important. The same OECD paper describes the influence, on broad reform measures, of informal power groups, within or related to the political elite, and the essential supportive role of representative trade organizations.

The Analysis will require reliable information on all such points. If there was little or no prospect of securing this on-site, then the Analysis may benefit from later, informal, enquiries within the World Bank or to the IMF, the WTO, the UNCTAD/WTO International Trade Centre, the World Customs Organization and Transparency International.

Very low country ratings in *Connecting to Compete* or *Doing Business* reports would be a strong indication of probable integrity failings in Customs services.

Official malpractices, especially by Customs staff, will often figure among the major obstacles to easy, economic cross-frontier trading. It would be naive and unhelpful to register and explore these difficulties without considering corresponding standards of business behavior, but such analysis should take full account of the difference of status between potentially collusive partners.

The dishonest Customs officer can exploit a wide range of legislative powers. If his improper advances are rejected, he can use – or abuse – these powers, often for very long periods, to victimize the resistant trader or carrier. In sharp contrast, an honest trader, reporting individual irregularities and appealing against subsequent victimization, in countries where official salaries are inadequate and malpractices are prevalent, has little hope of anything but additional problems in all subsequent dealings with Customs.

The Analysis should take account of important possible correlations between Audit findings on corruption and on the ways in which Customs invoke and apply their legal powers, including especially the nature and incidence of disputes and appeals.

The business contribution to Customs corruption cannot be overlooked or condoned. The International Chamber of Commerce (ICC) has examined this issue and described some of its main manifestations, including those at the Customs-trade interface, in a number of publications. A particularly detailed view is offered in the [ICC Customs Integrity Toolkit](#).

Information obtained at Audit would always be enhanced by informal contact with WCO experts on any preceding WCO on-site diagnosis undertaken in the course of their extensive capacity building program.

Recent examples of truly effective national reforms show the potent, indeed indispensable, value of leadership exercised at and from the summit of the administrative hierarchy and percolating downwards and outwards, over a necessarily lengthy period, to every rank and department.

The Analysis should include an assessment of Customs managers' ability and concern to examine and evaluate their own performance. Where the outcome is unfavorable, it would be useful to try and identify any external sources of possibly effective pressures for discipline and reform. As evaluation of top management is very difficult in the short time available for overall Audits, this is a topic for which WCO experience and opinion could be particularly valuable.

The direct responsibility of most Customs departments to powerful Finance Ministries is often highly protective, but it may be possible in the Analysis to separate out and underline the usually important implications of Customs malpractice and inefficiency for Transport and Trade Ministers as well as any of their colleagues who may be seeking to attract and maximize inward foreign investment.

EFFICIENCY

In any of these circumstances it is extremely difficult to disentangle dishonesty from inefficiency and an initial assessment may have to fall back on some broader perceptions. The key questions, looking forward to remedial action, are whether dishonesty is so prevalent and strongly rooted, within a supporting culture, that it will pose acute difficulties for improvements in efficiency and, conversely, to what extent a substantial, well-directed and sustained attack on inefficiency would be likely to undercut and, eventually, defeat chronic malpractices.

In any event, and regardless of any attempt to disentangle these two factors, the Analysis should include a careful, comparative examination of established inefficiencies in aspects of Customs work particularly favorable to corrupt practices. As already noted, these will include reliance on profuse non-standard documentation, requirements for multiple signatures, comprehensive physical inspection routines, poor dispute settlement mechanisms, cash duty payment systems, and arbitrary, badly managed, valuation and classification procedures.

A new complication, noted later in the section on remedial action as a possible disincentive to the development of modern risk-management, is the sudden security-driven shift to reliance on x-ray screening as an mandatory element in Customs surveillance of containerized goods for export to the USA. Any moves in this direction should be noted in the Analysis as weakening the earlier – and more prudent – assumption that there is no substitute, in basic Customs reform, for the inculcation of a strong professional sense of the key elements in compliance and fraudulent behavior, and a reliable ability to make sound judgments reaching into every part of the Customs-trader operational relationship.

It is important to establish the quality of *information* handling systems.

The Audit will have established the quality of any paper documentation still required by Customs. The Analysis should consider to what extent this might have affected the ability of other participants in Customs procedures to improve and manage their own paperwork or operate more advanced computerized office systems.

The use of internationally accepted standards for equivalent electronic messages can link traders and carriers directly to numerous national Customs services and furnish an invaluable passport to high-performance port or airport export/import community data-processing systems, often including facilities for full compliance with Customs formalities.

If Customs automation is still under development, the Analysis should take account of the nature, extent, timeframe, installation and management responsibilities attached to any publicly known or likely commissioning and testing program. The Information Technology Guidelines to the [WCO Revised Kyoto Convention](#) and relevant sections of the Bank's Customs Modernization studies will be very helpful in assessing these factors and the two Bank studies on Customs Modernization offer much additional information.

Some measure of automation may already be in place. This is by no means a necessary advantage. There are a number of developing countries in which far-sighted administrations were quick to introduce computerized procedures at a comparatively early stage in general Customs practice. Most of these systems, some going back more than twenty years, have been subjected to so many successive adjustments that they are now in urgent need of early complete replacement.

Unfortunately, they have often retained their originally well-justified role as departmental status symbols and the fact that they function, at all, is seen, by governments and Customs themselves, as sufficient reason for soldiering on and avoiding the new, substantial expenditure needed for up-to-date replacement. The Audit should have identified such circumstances, so that the Analysis can assess their relevance to eventual remedial action.

Given the long lead time required to design, install and commission a Customs automated system, some Audits can occur at an *interim* stage between complete reliance on paper and the final, irrevocable move to computerization.

It is important to establish exactly where, along this line, any such project is placed at the time of the Audit and to assess the quality of available external expert advice and the extent to which management has secured the support and understanding of internal staff.

Moving from the mechanics of data handling to Customs practice, the Audit should have carried out a rough check by comparing the main procedures with the requirements set out in the General Annex of the [Revised Kyoto Convention](#) or in the relevant provisions of the International Chamber of Commerce Customs Guidelines and their Explanatory Notes. There are useful supplementary, if less structured, guides to Analysis in many of the Submissions listed in successive Compendia by the secretariat of the WTO Facilitation Negotiation Group.

The Analysis should include consideration of access to and use of information and advice on good Customs practice elsewhere, including the extent of participation in WCO technical meetings, through either *ad hoc* representation or permanent Customs expertise at the relevant embassy in Brussels.

2.1.2 Regulatory Framework

It is essential for the Audit to supply information on which to base a reliable assessment of the quality of the regulatory framework governing the application of official requirements to cross-border trading.

It is impossible to form a reasonable judgment of Customs efficiency and integrity without a broad assessment of the quality and clarity of the regulations that these officials are obliged to interpret and implement. Vague, outdated and ambiguous regulations are, at best, understandable grounds for operational inefficiency and, at worst, breeding grounds for dishonest practices.

Key considerations should include:

- The Customs Code
- Appeal procedures
- Penalties
- Arrangements for publishing regulations and notifying changes

- A provision for advance binding rulings
- Operational links between official control agencies
- Accession to, and implementation of, relevant international instruments, for example the WCO Harmonized System and Kyoto Convention
- Legal setting for use of information technologies

Most of these factors figure in Submissions now before the WTO Facilitation Negotiating Group. The relevant *Methodology* references at both analysis and remedial action will need to be developed and modified as the Group's work proceeds and, possibly, leads to a new WTO Facilitation Agreement.

Some important factors in Customs efficiency, for example pre-arrival treatment of control data or risk assessment routines and principles, will also be strongly influenced by security developments, most of which will be reflected in the contents and future progress of the WCO SAFE Framework of Standards. Here again, the *Methodology* will need frequent up-dating and adjustment.

CUSTOMS CODE

The Audit should provide answers to the following questions:

- Is there an easily available, up-to-date printed and electronic version of the Code?
- What is the date of the basic Code?
- How, and how often is it modified?
- To what extent are all operational staff familiar with its contents and application?

The Analysis should draw on these answers to make a broad qualitative assessment.

APPEAL PROCEDURES

The Audit should afford a rough idea of the nature and frequency of Customs/trade disputes.

This information needs to be supplemented by information on provisions for appeal within Customs, any arrangements to enable appellants to move their case to outside judicial or arbitral tribunals, and the extent to which disputes are routinely settled by conciliation and financial adjustment rather than recourse to the courts.

The analysis will need to bring these factors into a coherent and structured relationship with Customs and commercial integrity, the regulatory framework and penalties, prior to consideration of relevant remedial action.

PENALTIES

In advanced Customs practice, classical penalty provisions, designed to discourage and punish fraudulent acts or gross negligence, are supplemented by much more subtle coercive and stimulatory measures, based on the grant, denial or withdrawal of exceptionally simple, and so expeditious, procedures. Express carriers, for example, must have reliable, predictable and rapid Customs clearance of their consignments in order to fulfill their basic commercial obligations.

Customs services that rely on satisfactory compliance records and audited computer systems to justify rapid processing in line with the WCO Immediate Release Guidelines or UK Local Clearance

procedures, know that the withdrawal of such facilities, resulting from some error or misbehavior, on the part of that carrier, will entail very serious adverse commercial consequences for him. In this way, market forces can be relied on to come behind, and support, high-quality compliance with official control requirements.

Many developing countries may also find that bilateral trade agreements with the US or the EU and/or acceptance of what are likely to be increasingly strict requirements within the WCO SAFE Framework may force them to introduce Authorized Economic Operator arrangements, which limit the grant of simplified procedures to declarants with satisfactory compliance records extending over at least three previous years.

The adverse, quasi-penal consequences for small businesses trying to enter international trade, for the first time, or for success in attracting US or EU contracts for start-up operations, could be serious. The Audit findings on conventional penalty provisions and practices should be examined, in conjunction with general levels of Customs and commercial integrity and efficiency, to establish whether any difficulties under this head merit attention in remedial action.

PUBLICATION OF REGULATIONS AND CHANGES

Early facilitation work concentrated on *simplification* and *standardization*. More recently, attention has widened from the contents of legislation, formalities, and forms, to the ease with which they can be known and acted upon. *Transparency* has become a major heading in the WTO Facilitation negotiations.

To what extent are traders and carriers able to establish, with reasonable precision and certainty, what they must do to comply with official controls, in whatever state of simplification and harmonization they may find them?

The quality of Customs/trade working relationships, varying between sustained mutual suspicion and a broad sense of common interest and purpose, is a major factor in designing and implementing any national facilitation strategy.

Once the Audit has established relevant facts and perceptions, including the broad nature of the basic legal obligations that are cast on Customs and other official agencies, the Analysis will need to interpret these findings in terms of the commercial and operational consequences for international traders and carriers.

Some of the ingredients of the regulatory framework were examined earlier in the *Methodology*, but it is important to establish to what extent those who are obliged to comply can be sure about what they have to do and can be confident of timely information/consultation on changes in their obligations, from time to time, in accordance with fiscal, social or trade policies.

It is very likely that new national and regional security laws, the principles and possibly standards that may be produced within the WCO SAFE Framework, future adjustments to the [Revised Kyoto Convention](#) and, above all, any relevant new rule-making by the WTO, will combine to produce an unprecedented acceleration in change and adjustment.

Communicating, and explaining the effect of resulting international obligations on national Customs procedures to those who have to understand and comply with them will be exceptionally important. A

number of Submissions to the WTO Facilitation Negotiating Group stress the need for import requirements to be fully transparent to actual and potential exporters.

In certain countries information is still regarded as too valuable a commodity to be widely circulated. Some Customs restrict notification of changes to licensed agents or delay any wider circulation. Methods of publishing basic regulations and modifications can vary from *ex post facto* exhibition of a notice on Customs premises, to advance notification on an Internet website with associated mechanisms for timely consultation.

The Audit should produce sufficient background information for the Analysis to offer some assessment of the ways in which Customs and traders are managing their common interests in regulatory transparency and consultation and, in particular, to what extent all concerned are able and willing to use electronic messages, websites and the Internet.

ADVANCE RULINGS

Predictability has emerged, alongside transparency, as a relatively new but increasingly important facilitation factor.

Advance rulings, binding on the Customs administration concerned, have strategic as well as day-to-day commercial importance.

Management arrangements for routine compliance with Customs requirements are much simplified if duties/taxes and other outcomes of a future transaction can be known in advance of physical movements of relevant consignments.

Similarly, reliable foreknowledge of Customs classification and valuation decisions, applied to specified goods, is essential if traders are to be able to position supply, production and distribution facilities to best competitive advantage within a global marketing environment.

Moreover, rulings obtained in advance of commercial operations can alert traders and Customs alike to any likely differences of opinion and enable these to be adjusted long before the goods arrive for clearance.

There are associated integrity benefits. A trader subject to all usual commercial pressures and seeking rapid release of his import consignments, is particularly vulnerable to requests for irregular payments to avoid lengthy disputes with Customs. Delegated authority to fix value and classification offer dishonest officers very convenient perches for petty peculation.

The Audit should have shown whether Customs offer and operate advance rulings. It is important to obtain confirmation and comment from commercial users on the operational quality of such arrangements.

OPERATIONAL LINKS BETWEEN OFFICIAL CONTROL AGENCIES

It is now generally accepted facilitation wisdom that there are solid benefits to converging frontier controls in a *single* administrative agency.

Unprecedented security needs have pushed some governments to subsume Customs in larger national protection agencies but, as the key to internal safety will always be good border management and the overwhelming majority of goods crossing borders are the product and means of normal, legitimate trading, traditional Customs services, however described or organized, will, over a period, prove to be crucial and indispensable.

Most Customs already collect trade statistics at export and exercise documentary checks in support of any surviving exchange restrictions. Some have shared or sole responsibility to identify breaches of security and public health requirements at import. In some countries, phytosanitary and/or veterinary controls, applied rigorously and systematically, are seen as a vital protection for national agriculture. Recent added responsibilities cover counterfeit, threatened species and cultural heritage.

The commercial community, familiar itself with the need to focus and fuse disparate operational tasks, has built up a strong global demand for the early adoption of so-called Single Windows.

Security, with demands for advance supply of export data for use in import controls and a growing understanding of the need for Mutual Recognition arrangements to apply compliance benefits to export as well as import operations, should soon move governments towards cooperative strategies in which individual Single Windows would begin to link internationally.

Customs will probably be the best intermediary entity to obtain and manage the relevant international cooperation. A potent catalytic role is already marked out for them, within overall border control policies and mechanisms, by the [WCO Johannesburg Convention](#) and its SAFE Framework.

The Analysis should evaluate the current position and identify any likely developments. It should note the extent to which the convergence principle is reflected in and assisted by legislation, and consider to what extent its practical implications are understood in Customs and other relevant government departments.

ACCESSION TO INTERNATIONAL CONVENTIONS

The main international Customs instruments favoring facilitation are the WTO Valuation Agreement, the WCO Kyoto Convention on Simplified Customs procedures and the WCO Harmonized Descriptor System. Lists of parties to these can be found on the WCO Website. A WTO Agreement on Non-Preferential Origin Rules is in preparation and a much wider, be it still speculative, Facilitation Agreement may emerge from renewed WTO Doha Round negotiations.

Implementation of the Valuation Agreement is an obligation for all WTO members, with some extensions of deadlines for certain countries with special difficulties in moving from the practice of frequent, almost routine challenges, of the declared import value, to the WTO requirement for its *prima facie* acceptance.

Customs in countries that implement the Agreement must train their staff to carry out certain key control functions that may have been delegated to Pre-Shipment Inspection (PSI) agencies.

The Kyoto Convention has recently been revised to bring its provisions fully up-to-date to reflect and encourage such concepts as the Authorized Trader, advance supply of control data, and automated risk management. Now that it has the requisite number of signatories, the revised text can help map the scope and value of any plans to reform Customs procedures.

The Convention provides for a Management Committee to make necessary adjustments to the Convention texts in the light of eventual changes in Customs and trade operational environments and this Committee, which is now fully operative, will need to take full account of any relevant decisions taken by the WTO.

In some countries, Kyoto Standards may require certain legislative changes. It would be helpful if the Analysis could identify such requirements.

Customs application of the Harmonized System is a striking example of how standardization can stray from simplification. The original WCO concept of a simple four-digit code, as requested in the sixties, by trade interest groups, was almost immediately enlarged to six digits.

While this is still the limit of the formal system, many Customs exceed this number for tariff, trade policy or statistical purposes, and there are examples of national adaptations running to thirteen or more digits. It is ironic that the resultant burden on day-to-day international trading operations is, to some extent, attributable to commercial pressures on governments to provide increasingly detailed information for use in comparative marketing analysis.

Given the growing facilitation significance of Customs automation, the Analysis should take into account not only whether or not the Customs service applies the Harmonized System, but also at what level of complexity and with what results for both the Customs administration and the commercial community.

The status of the WCO SAFE Framework, based on a Council Resolution, falls well short of a Convention, but this situation will change if and when projected details of relevant Standards, now voluntary in nature, become legally mandatory as a result of new national, regional or international regulations.

LEGAL SETTING FOR INFORMATION TECHNOLOGIES

The scope of such a setting can range from a basic acceptance of an electronic equivalent of manual signatures to a detailed legal protection or infringement of data privacy rights.

A facilitation audit will need to identify and assess not only the quality and range of specific responses to the changes in Customs practices, enforced by rapid and radical development in trade and transport needs, but also the ability of the national legislative mechanism to process essential changes to the legal framework within an acceptable timeframe.

Few problems under this head concern Customs alone. Most arise from differences between commercial innovation, hardening into practice, and a prudently delayed governmental judgment that such changes have acquired sufficiently wide adoption to require amendment of official procedures.

The Audit should, therefore, afford some insight into the individual and relative state of technological advance in civil service and commerce respectively, so that the Analysis can make a rough estimate of the prospects and likely timing of necessary legislation to deal with particularly desirable changes in Customs requirements.

2.1.3 Multi-modal transport operations and legislation

Many developing countries are still in the complicated process of assimilating multimodal transport, especially in its containerized manifestations. Customs procedures may still be based on many years of servicing isolated port-to-port or airport-to-airport movements with lengthy loading and unloading of easily accessible individual consignments to or from quay or warehouse, and to traditional methods of arranging inward or onward movements by road, rail or waterway as separate operations. Those procedures are quite inappropriate – and inadequate – when faced with large, sealed containers, moving within globally integrated multimodal transport systems to strict origin-destination timetables.

Ports in developing countries are a natural hub for usually numerous forwarders, often doubling as Customs agents or brokers, and competing on cost rather than quality of service. In advanced economies, some of the larger traditional forwarders have long since developed a range of new expert functions, including the provision, as principals, of through transport operations, with all associated obligations to the cargo owner, including assumption of risks and a single inclusive price for the entire journey.

Conversely, some carriers have extended their logistical services to include forwarding and Customs agency functions within a similar “non-vessel-owning” through-transport operation. Major ocean carriers were the first to make these extensions but several road carriers and express delivery services based on airfreight operations, have entered and enlarged the multimodal transport scene. Such arrangements are impossible in countries where there is still no legal basis on which the non-vessel-owning transport operator can issue the equivalent of a traditional maritime bill of lading.

Given the usual paucity of audit information on railway procedures, interpretation is particularly difficult and often necessarily speculative.

It is usually possible however, to assess the rough relative contributions of inefficient or resistant freight marketing/service representatives, central management and labor on the one hand and infrastructural inadequacies in locomotives, track upkeep, and automation on the other.

There may be little benefit in questioning railway managers themselves because they often see the system as its own justification with passengers and freight alike as unavoidable complications to optimal operational conditions. Furthermore, sensible discussion of even obvious needs for procedural simplification can be powerfully affected, sometimes completely frustrated by political and managerial preoccupation with the physical infrastructure.

One of the many factors that has affected the massive shift over the last century from rail to road is the ability of a truck driver to intervene, personally, on behalf of his load in an infinite variety of operational situations.

On the other hand, there are many major security and facilitation advantages in unit trains for transit traffic especially in unstable social or political situations. In such conditions, which characterize trade flows in and out of many landlocked countries, it is easier to ensure the physical security of goods carried on rail in substantial unit loads than the same quantity on dispersed road vehicles. The rail unit trainload also presents easier and more assured procedural controls for all Customs services associated with transit.

As all these activities are driven by the competitive imperatives of modern global trading, the extent to which they are available to manufacturers and traders in developing countries is of considerable economic significance. This highlights the importance of legislative adjustments, without which many key multimodal functions are either illegal or, at any rate, impracticable, because commercially unattractive.

It is particularly important to identify any legal changes that might be necessary to permit combined transport operators to establish basic services and enlarge these in tune with growing commercial requirements.

It is unfortunate that there is no valid international convention to provide an accepted framework for defining the responsibilities of these operators, in the same well-established terms that already apply to maritime and air carriers.

The lack of a recognized legal standing for the combined transport operator can have a range of adverse economic effects. Local forwarders are deterred from entering the market and so their industrial customers have to seek these increasingly essential services from outsiders, who may be difficult to contact and relatively unfamiliar with their customers' trading conditions and needs.

Exchange control authorities may refuse to meet legitimate requests for hard currency against disbursements to subsidiary carriers, and documents issued by combined transport operators may be denied full legal status.

Facts from the Audit will need to be interpreted to show to what extent operational habits have been adjusted to the disciplines of combined transport. Customs and port working hours and restrictions imposed by port labor are very relevant. Forwarding structures and the available range of service offers are also important.

The Analysis should take account of the additional restrictive effect of any surviving monopoly or privileged national shipping lines and other parastatal transport services, as well as the extent and quality of legal measures supporting and defining combined transport practices.

Commercial managements have to install and deploy modern and efficient computer and communications systems to handle the complexity of a carefully timed international combined transport operation. They will not be able to interface effectively with authoritative official agencies, including Customs, unless these services are also reasonably efficient and well automated. It follows that multimodal transport activities, in developing countries, will be especially sensitive to the IT considerations mentioned later under "Automation".

2.1.4 Port Operation

Ports in coastal and island countries will normally deserve considerable attention in the Analysis and may have a special significance in any overall consideration of the efficiency of transit operations to and from landlocked countries.

Any overall efficiency assessment should note the individual and inter-related constraints/contributions attributable to Customs, agents, multimodal operators, ship owners and commercial banks.

How well does a port manage its own procedures? The Audit should have established whether there is a written detailed account, in simple language, of the exact steps necessary to move cargo in and out of the port and to and from a specified vessel. If there is such a document, it will supply valuable material for the Analysis. If absent, this could supply a useful clue to a range of managerial and operational inefficiencies.

One of the problems in interpreting such indices to yield useful facilitation assessments is the relative isolation of many local trading communities within their own port and transport environment. They may accept as normal what their commercial counterparts elsewhere would find unacceptable. Fortunately, international carriers, operating in many countries, can often be a reliable source of information and opinion on port and related Customs performance.

Competitive pressures are important to efficiency. In some countries there may be only one port of any consequence, so that its competence becomes a matter of national rather than local significance – a factor with political implications for remedial action.

Port consultative committees often provide a relatively neutral alternative or counterbalance to Customs-based committees, usually intended to secure compliance rather than promote facilitation. They can also offer a useful halfway house to a more comprehensive national facilitation committee. The Analysis should include some assessment and interpretation of a port's actual or potential role in the overall consultative scenario.

Costing can be a useful analytical tool in making a convincing economic and/or political case for specific proposals for remedial improvements, and ports – as focal points, at import, for flows of a large number of individual consignments with total values easily available from Customs records - provide an unrivalled source of relevant financial information.

The cost of the use of port space and such facilities as cranes and trucks needed for compliance with Customs inspection routines are also readily calculable, along with loss of port dues for vessels and cargo attributable to congestion caused by Customs interventions or restricted working hours. The cost of unnecessary delays in moving goods through ports can be assessed, over a given period, by applying current interest rates to Customs declaration values. The cost of other related delays to ships can be quantified on the basis of demurrage rates.

It is essential, however, in the interest of broad facilitation credibility, to present and interpret such calculations on a strictly *ad hoc* basis, emphasizing that whatever has been established, is true only for that port at that particular time. Any attempt to gross up such costs in terms of national or general experience would be completely bogus and misleading.

Port charges can be particularly complex and often include elements or provisions that can lead to frequent disputes and associated delays before the port releases the goods for onward movement. Because inter-port competition is often weak or entirely lacking, ports do not have the same commercial incentive to fight for and accommodate customers that usually characterizes other transport providers.

It will always be helpful if port charges are simple and easily calculated in advance so that, if the terms of sale allow this, they may be included in the overall purchase price.

Port operations are so intimately related to Customs controls that it may be very difficult, in the Analysis, to decide the extent to which inefficiencies in certain port operations, especially release of cargo to consignees or onward transport, may be due to problems with Customs rather than inherent management weaknesses. It is all the more important, therefore, in opening the way for remedial action, to isolate some key indices of port efficiency.

One obvious factor is labor relations. For many historical, social and operational reasons, dockworkers are often un-cooperative, resistant to change, strongly unionized and suspicious, rather than supportive, of changes which could enhance the future prosperity of their port.

In some developing countries the full benefits of multimodal transport are still sealed off by powerful port labor opposition to associated manpower reductions. A summary account of labor relations and practices is, therefore, a key audit element for both analysis and remedial action.

The Analysis can also consider some external factual parameters. To what extent, for example, have inefficiencies in the port limited its ability to capture available transit traffic or attract main or feeder container ship services? What is the commercial experience of damage and loss to cargo in the port, reflected in insurance rates?

The Audit should have established whether the port is just a landlord or a commercial supplier of substantial services. If a landlord, the Analysis should consider the degree of private activity within the overall port operation and, if there is a national port authority, how much freedom is afforded to an individual port.

2.1.5 Payment Systems

Trade with developing countries is usually characterized by financial uncertainty. In any given transaction there may be doubts about the availability of payment funds from a controlled exchange system, the value of the national currency at the time the goods are handed over, and the personal or corporate solvency of the trading partner.

The growth of integrated global supply, assembly, manufacturing and distribution systems, in the hands of large multinational companies, has stimulated many innovative internal fund/credit and sub-contract payment systems to eliminate or by-pass these frailties.

The main features of the classical documentary credit payment system, designed to eliminate the trading risks in other, traditional, sales/purchase situations, will have been noted in the Audit.

While international payment systems for personal expenditure have moved in a relatively short period from inter-bank Letters of Introduction, through travelers' checks, to globally accepted credit cards with street-side payment facilities, this commercial credit, based on the "sale of documents", has remained largely unchanged since the nineteenth century.

The banks carrying out such exchanges still refuse to use modern database queries to check the intrinsic quality of key information – for example, does the vessel named in the Bill of Lading or the Chamber of Commerce issuing the Certificate of Origin, really exist? – because to do so would greatly extend their traditionally minimal legal obligations.

This is an area in which the Audit findings can be particularly deceptive because the banks will very rarely disclose any serious dissatisfaction with the system or the way it is administered. This is not surprising. Modest traders in developing countries are too busy dealing with day-to-day operations to reflect on the possible modern alternatives to a payment method which has no apparent rival and, in some countries, may be stipulated as an official requirement for certain foreign exchange purposes. In addition, and more importantly, such traders are almost always dependent on their banks for a range of essential financial services, including conventional bridging and operational loans. These traders will thus be understandably reluctant to question banking efficiency, especially as they may have no means of forming any comparative judgment. They may be satisfied with the speed with which they can obtain a letter of indemnity, and never question why the system is so badly managed as to require such stop-gap, often expensive, adjustments.

It may be more informative, therefore, to discuss Audit results with agents, who see the practical results of documentary credit inefficiencies in delays to release of goods by carriers, and may not be as reticent as their principals in criticizing banking standards.

The Analysis should also consider the proportion of credits that require Letters of Indemnity. The latter should be exceptional expedients and not, as in some countries, almost standard practice.

When asked to justify the continued use of a patently outdated documentary payment method, banks invariably contend that they merely respond to the requirements of customers and that present practices seem quite acceptable. Ironically, the central regulatory forum, the Banking Commission of the International Chamber of Commerce, makes no provision for participation in its meetings by any user representatives.

Accumulation and interpretation, by the World Bank, of reliable information on the administration of documentary credits and the relevance of that method of payment to modern commercial needs, could fill an important gap in trade facilitation understanding and representations. This would provide an invaluable example of the way in which Audit and Analysis can help influential international institutions draw major policy conclusions from cumulative case material, assembled and combined within an iterative review process.

In addition to payment for the goods, the international transaction will normally include payment of Customs duties and transport and port/airport charges.

Customs in developing countries often require the payment of duties before releasing the goods. This can be a frequent cause of delay and dispute, with the added problem that the carrier who is presenting the goods may have no immediate access to the trader who holds key financial data. Any procedures that allow cash payments at the Customs counter should be marked as highly likely to encourage, and be kept in place by, obvious related possibilities of bribery and corruption.

There are now many good examples of guarantee arrangements that meet Customs' and traders' requirements, but a two-step declaration process, allowing release of the goods on the basis of a summary declaration, with provision for a later submission of necessary additional data by the trader, before final clearance, backed by post-audit inter-bank payment arrangements, is still preferable.

2.1.6 Documentation and Automation

The *Doing Business* studies focus attention, quite rightly, on the number of documents required to carry out a specified international transaction – the delivery of a containerized consignment. A *Methodology* Audit should establish whether most normally needed documents – for example, the bill of lading or Customs export declaration – are available and used in UN aligned format, how many may now be passing as electronic messages, and to what extent these follow UN/ECE EDIFACT standards.

In countries where paper documents still predominate, overall judgment of efficiency will also require Audit information on the required number of copies of, for example, the import declaration, and the extent to which external influences, for example arrangements with the EU or prospective use of ASYCUDA, may be helping to introduce the SAD and so, indirectly, the UNECE Layout Key.

Obtaining and completing profuse non-standard paper forms is a tedious and error-prone chore. A trader using simple copying equipment and plain paper to produce aligned invoices, transport documents, port notes and credit application forms, and completing aligned Customs declarations can get useful relief and confer related benefits on all other participants who may have to check and act on them.

The Audit should show up the automated state of play in all main trade sectors, with special, but not exclusive, attention to Customs. The key factor in assessing possibilities of progress from paper to automation is the relationship between commercial and official practices, and the role of intermediaries.

Over the last twenty years, the typical progression has been:

- Trend-setting by multinational traders or carriers using large, state-of-the-art computer and communication systems
- Use by local traders and carriers of small computers for routine office tasks
- Installation of larger systems by Customs to manage accounts, salaries and, subsequently, payment and other procedures
- Obligation for traders/agents to give paper declarations to Customs clerks for entry into official system
- Facility for agents/traders to use “slave” Customs computers to enter declaration data into official systems. Even when initially confined to agents, this was usually termed “Direct Trader Input”
- EDI submission by traders/agents and carriers of declaration data from audited commercial systems, often on a batch basis, at agreed periods after release of the goods
- In certain selected instances, management of Customs data requirements largely by traders/agents/carriers, with Customs relying on system audits and ability to access and query these systems directly
- Use of the Internet for a daily widening range of information and communication purposes, including, in some developing countries, new facilities for electronic declarations.

It is important for the Analysis to draw on Audit findings to fix the position of the Customs/trade relationship along this broad path. In addition, the Audit should have established the extent to which Customs computerization has been based on revised and reformed procedures, as opposed to a simple transfer of paper-based practices to automated counterparts.

In considering the quality of Customs systems, it is important for the Analysis to take account of staff attitudes and the likelihood, in countries where corruption is common, that irregular payments, associated with such documentary requirements as stamps or signatures, have been translated into equivalent opportunities within new, computerized procedures. Such information will be highly relevant to any subsequent integrity program.

It is also useful to interpret the Audit findings on carrier systems, so as to identify any automation resources of, for example, major shipping lines, international airlines or global express services, which could bring *interim* contributions to improved overall information handling, prior to more general advances towards Customs or domestic trade automation.

The Audit should also include some account of the extent to which the main players have seen and responded to the need for sound standards policies. Particular attention should be given to use, or possibly abuse, by Customs, of the WCO Harmonized System, any continuing commitment to EDIFACT or other internationally standard messages, familiarity with the WCO Data Model and, looking ahead to likely developments, the potential value and practicality, for Customs and traders, of a Unique Consignment Identifier, ideally enforced by all Customs services, as initially recommended by the WCO.

Facilitation strategists, in developing countries, have to resist the temptation to see progress as a necessarily gradual move through all stages of experience in advanced economies. The true aim should be to promote and apply the best of the latest solutions to the fullest extent possible under any given circumstances.

The Analysis should, therefore, take special note of Audit findings on the extent to which all relevant commercial and official sectors have access to, and understand how to exploit the new resources of the Internet, particularly in respect of the now very large stores of useful and up-to-date information available from websites.

Where Customs have installed, or are planning to install, proprietary systems, for example, ASYCUDA or SOFIX, the Audit should seek to establish the extent to which these respond, or are likely to respond, to future needs for adaptation and improvement. Such an estimate will reflect the degree to which future management of the system remains in the hands of the systems' proprietor or is delegated to the client Customs service.

2.1.7 Agents' Functions and Attitudes

In all developing countries, the functions and attitudes of the Customs agent and/or broker, are major facilitation factors.

The Audit should position agents in any individual country in terms of their practical, as distinct from legal, relationship to their commercial principals and to Customs. While basic mutual rights and responsibilities are usually well defined by legislation and contract, there are many countries in which agents operate in practice, as much on behalf, and in defense, of Customs, as in the exclusive commercial interests of their clients. This is particularly true in the many countries where the bulk of agents are former Customs officers.

In many developing economies, a disproportionately large number of agents tend to compete on price, rather than quality of service. Their expertise is rooted in, and so inherently defensive of, diverse and complex documentation and individualistic manual procedures. Attempts by enterprising companies to find local, more innovative aid, such as logistical advice or specialist multimodal transport services, can often be inhibited by unfavorable legislation and official inertia.

However, tribute must be paid to the extraordinary flexibility, resilience and resourcefulness of many agents under extremely difficult circumstances. In parts of Africa, for example, a few leading agents hold the fabric of daily supply and movement together across daily obstacles of port labor troubles, rail breakdowns, road blockages, civil disorder and generally inefficient and corrupt bureaucracies.

At the other end of the facilitation spectrum, automation, modern communication techniques and highly simplified procedures have moved Customs closer and closer to direct reliance on traders' and carriers' commercial systems. While the traditional need for intermediaries has largely disappeared, discerning "agents" have developed entirely new skills, combining logistics and transport expertise, through their own advanced automated systems, to provide customers with a range of constantly expanding and enhanced services.

The Analysis should pay particular attention to a careful evaluation of the quality of the agent community, its educational and training background, including recruitment from, and relations with, Customs, its *clientele* make-up, in terms of local and international companies, and the extent to which it can offer new and improved services.

Some countries have adopted the US practice of imposing licensed brokers on traders who are unable or unwilling to manage their own day-to-day interface with Customs. This may provide Customs with some additional safeguards, not necessarily available in countries where traders have a free choice of agents, but the practical experience with licensing, in many countries, is that it can create a grey zone of semi-official malpractice.

In addition, brokers directly dependent on Customs for their status, and thus livelihood, are correspondingly less concerned to serve their principals. Abolition of compulsory licensed brokers figures in proposals now before the WTO Facilitation Negotiating Group.

The *Cecchini Report*, commissioned by the EU Commission to establish frontier crossing costs, prior to the Single Market, showed that in a member state applying licensed broker regulations, procedural costs to traders were more than four times those in a free agency market. This gave the Commission a substantial argument for subsequent abolition of licensing requirements in EU member states.

Apart from extra costs, the licensed broker is usually seen as a potential, if not actual, obstacle to trade facilitation strategies. In countries where this system still applies, Audit and Analysis should present a detailed assessment of its efficiency, costs and consequences.

2.1.8 Institutional Resources

Institutions are essential bridges from fact-finding to reform. Audit and Analysis of these primary resources should be proportionately painstaking and realistic.

It is, for example, of little point to record, at Audit, that a country has a national Chamber of Commerce unless this is identified as a statutory body, with universal *compulsory* membership, based on the European Continental model, or a *voluntary* Chamber in the Anglo-Saxon tradition.

The two main internal institutional groups are:

- Government departments and agencies
- Trade associations and Chambers of Commerce

The Audit should yield information on departmental “pecking orders”. In most countries, Finance heads the list and Customs, which usually represents a major source of Finance’s income in developing economies, are well protected from pressures or criticisms from other departments, though it may be possible to secure useful if muted support for Customs reform from Trade/Industry, Economic Affairs and Transport.

In certain economic situations, a free-standing Export Development Agency can wield considerable influence, but it is difficult to enlist such an organization to deal with a set of Customs problems, which very often focus on *import* procedures.

In many developing countries, facilitation possibilities, and so Analysis conclusions, have to take account of ministerial personalities and the overriding authority of the Head of State or Prime Minister. It often happens that particularly sensitive issues, for example, Customs integrity, while important analytical elements, are not easily included in a formal report. Political elites, powerful in or out of office, have quasi-institutional status and sensitivities.

Trade associations need to be assessed in respect of their resources, staff expertise and political status, usually reflected in the level at which they can attract Chairmen and Presidents. In too many countries, despite global trading through widely dispersed manufacturing networks, exports are still seen as inherently beneficial and imports as regrettable necessities.

In this situation, special value attaches to any Importers’ Association and to Chambers of Commerce, with memberships more likely to reflect the benefits of two-way trading than locally focused manufacturers’ associations. Support for import facilitation can also be relied upon from expatriate Chambers. While these bodies tend to concentrate on internal consultation and cooperation, and are usually at pains to avoid any public perception that they are simply pursuing external commercial and economic interests, they can often be invaluable sources of informal advice and information.

Similarly, some Chambers of Commerce benefit from working with their counterparts in major trading partner countries. French and German Chambers are particularly active in supporting such relationships and, being statutory bodies with assured finances, can often provide valuable advice on many practical aspects of day-to-day international trading.

While National Committees of the ICC are directly connected to the parent body, the main flow of information and influence, here, is towards the central formulation and support of international principles and policies rather than to purely national issues.

The Audit should have noted any WCO assessment or assistance in the context of recent Customs capacity-building programs or earlier technical help through workshops or short courses. It should also have noted to what extent and in what ways trade interests might have been brought into such activities.

Special attention ought to have been directed to any Customs Consultative Committee that already brings traders, agents and Customs together to share information and consider operational changes or difficulties. A similar service is often provided by Port Consultative Committees, on which Customs are almost always represented.

Apart from formal institutions, the Analysis needs to offer an outline evaluation of the quality of day-to-day working relations within any significant commercial communities, usually most evident in and around major ports, where banks, Customs, any exchange control agencies, and transport interests come to routine operational focus.

Mutual confidence and cooperation at functional interfaces is especially important to landlocked countries, which are mainly dependent on road and rail movement across often isolated land frontiers, far from any export or import ports and the cohesive benefits of their natural commercial constituencies.

These informal, often unrecognized groupings, often represent a major part of the broad potential facilitation market and, at the same time, the main source of long-term interest and support. Brought to a modest initial focus by an *ad hoc* facilitation committee, they can be useful instruments on which to play remedial action tunes.

The audit will, of course, identify and evaluate any existing or once active if currently dormant national trade facilitation committee. One that is already in place may be a useful foundation for new work. One that has failed is worth careful attention to discover the causes of its failure and identify specific past difficulties.

An extended examination of national facilitation committees is included in remedial action.

The analysis should take account of links between national trade bodies and international organizations, including FIATA, IAPH, IATA, ICS and IRU, and the extent to which these are, or might be, invoked to deal with facilitation problems. Apart from the regular flow of information from such international bodies to national affiliates through newsletters and, more recently, websites, such linkages can often identify and provide useful expertise for seminars and workshops.

Looking forward to remedial action, the analysis might also suggest to what extent and in what ways priority needs identified in the Audit have been or could be related to the normal mandates, resources and work programs of relevant intergovernmental organizations, notably the Bank itself, other development agencies, UNCTAD, UNDP, and the WCO, or such common interest groups as APEC or the Commonwealth.

2.2 Information and Consultation

Much of the Audit will be concerned with identifying and describing individual elements in the procedural make-up of typical international trade transactions and offering some initial clues to the quality and associated effects of the management of operational information flows and consultative links among principal actors in business and government.

The Analysis should process these findings to identify the best available means of securing the cooperation essential for effective remedial action. The bare availability of information or consultative mechanisms can be meaningless or even misleading without qualitative assessment.

The timing and circulation of information is significant. Are changes in Customs requirements notified well before, or only after the event? Are they given in simple operational terms to traders as well as agents? Are traditional press and direct notices supplemented by website postings?

Information is often seen as a source of power or influence and those who have it tend to retain it for their own use and advantage. Its most extreme form is the legally enforced secrecy that characterizes some aspects of government even in the most advanced societies. There is a much more general reluctance, in developing countries, to place any official information in the public domain, paralleled and compounded by commercial confidentiality in respect of any information that could possibly yield competitive advantage.

The combined result of such constraints, in many hard-pressed economies, is an information desert, unreliably irrigated by trade journals, commercial advisory services and occasional, often tardy, official notices. These basic difficulties can often be aggravated by language problems that greatly reduce the effective value of the massive store of up-to-date information now available on the Internet.

The Analysis should evaluate the broad state of information supply and categorize the main sources of useful commercial and official intelligence.

It may be difficult to identify, let alone assess, facilities for consultation. These can vary from formal Customs or port consultative committees to episodic question and answer possibilities at individual Chamber of Commerce or trade association seminars or symposia, attended by speakers from Customs or other government agencies. Some countries may have ventured on the path of a national facilitation committee or, at any rate, an UNCTAD Trade Point, which could be used as a base from which to develop consultation.

Sometimes, in situations where there are no established consultative channels, traders may have recourse to isolated *ad hoc* approaches to relevant government departments in order to express concern at, and seek relief from, some particularly difficult regulation.

Consultative mechanisms should be considered against the background of some overall judgment of government/trade relations. In many developing countries these relations are pervaded by mutual, often justified suspicion. The success or failure of eventual remedial action will mainly depend on the chances of raising confidence.

The Audit should list all significant consultative structures, channels and activities so that the Analysis can arrive at an initial estimate of their possibilities in terms of likely remedial action.

PART THREE – REMEDIAL ACTION

(This section may include a few relatively minor improvements – for example the elimination of a document or the introduction of a standard electronic message or an alteration in working hours – that could be brought into play hot on the heels of Audit and Analysis.)

It is almost certain, however, that any worthwhile Audit, properly interpreted, will identify major changes that in situations requiring extensive automation, new legislation or the frequently encountered problem of an inefficient or untrustworthy Customs services, may take several years and incur substantial additional outlays.

Remedial Action, therefore, in the restricted operational context of this Methodology, should be seen mainly as a signposting exercise, suggesting specific problems for future attention, with implicit needs for the additional assessments mentioned at the beginning of the Analysis section.)

3.1 Introduction

A Remedial Action Plan may be part of a stand-alone trade facilitation project or call for a facilitation element in a specific proposal for port development, border crossing improvement, airport investment or export promotion. The operational and economic background to any of these will vary from country to country. The resulting range of possible situations rules out any attempt to offer prescriptive solutions, which must, in any event, depend on preceding Audit and Analysis.

It is worth noting, however, that facilitation attached to a practical trade, transport or infrastructural purpose is often much more credible and rewarding than facilitation as an isolated exercise for its own conceptual sake.

Governments and traders will understand and appreciate improved Customs integrity and efficiency, better port management, easier, cheaper payment procedures as perceptible aids to international trade operations and direct inward investment. They will be understandably less attracted to outlays of time, attention, manpower and money on proposals to promote something called “facilitation” and support it with new and relatively expensive institutional resources.

Though this section of the paper is, necessarily, cast in general terms – opening up approaches, identifying possible sources of help, signposting obstacles, and outlining some broad remedial techniques in terms of a reasonably comprehensive trade facilitation approach – it also links principles and proposals to some more specific objectives.

It can often be misleading, however, to consider and attempt to remedy a problem or difficulty within a single activity. What appears to be a port difficulty may reflect a Customs problem, while an apparent Customs deficiency may be linked to banking delays.

A consignment meets many commercial and official requirements when crossing a national frontier and, while it is possible to trace these out separately within the overall information handling system, it may then be impossible to make individual improvements in isolation, because of the way in which one function depends on and affects others.

The remainder of this subsection considers remedial action in relation to core functions and conditions for success.

It is essential to accept a radical change in *Methodology* working timeframes. Audits usually take a fortnight and Analysis much longer, but remedial action could call for several years of carefully planned effort. A small change in Customs practice might be agreed overnight, but it could require up to a decade to help a lax Customs administration achieve real integrity.

The World Bank managed, in past projects, to sustain certain modest facilitation proposals, notably in Customs practice, over useful periods of two or three years by means of appropriate loan conditionalities and associated supervision missions. A Bank-UNDP Facilitation Project experience in the early nineties showed that sustained hands-on management by a resident expert added many important advantages.

Such arrangements need to be in place for at least two years. The most enthusiastic and cooperative expert will usually want something more than a temporary perch in what may often be an unfamiliar working background. He will need to establish trust and working friendship with the people he should inform, persuade and convince. Confidence that may have been gained at ministerial level must filter down to traders, agents, Customs officers and port staff. It would be difficult to justify the hassle and expense of securing suitable living and office accommodation, equipment, assistance and means of personal transport for any shorter period.

Most important of all, there has to be a fair chance to show what facilitation can do by way of practical simplification of official and commercial operations.

This section of the *Methodology* includes a set of outline proposals for a two-three year resident-expert work program, designed to support the most popular item on current facilitation menus – Customs reform.

3.2 Core Functions

3.2.1 Customs

There are many reasons why Customs procedures and practices figure so largely on the remedial action scene:

- They are implicit in every international transaction, affecting such other apparently separate activities as port operations and bank payment systems.
- They may be inaccessible to any improvements through direct persuasion or negotiation because of origins in legislative and regulatory stipulations that can only be changed by governmental or parliamentary action.
- They are backed by often vague legal powers that can cloak and perpetuate inefficiency and sustain systematic corruption as a powerful preservative of procedural complexity.

remedial action can be conveniently considered under integrity, efficiency and automation.

INTEGRITY

Any Audit that finds serious failings in integrity is bound to show substantial inefficiency. Sustained delays and complications are a necessary pre-condition and background for regular, successful extortion of irregular payments for exceptional facilitation.

Customs risk assessment systems or practices, a major focus for suggestions to the WTO for new facilitation reforms, are completely pointless and dangerously illusory unless they can rely on a sound core of mutual Customs/trade confidence.

Conversely, progress towards Customs and trade operational relationships that are generally and reliably sound, as well as fully legal, are an essential basis for effective development. Additionally, this progress assists in the application of the sustained, systematic simplicity-for-compliance bargaining that lies at the root of any worthwhile risk assessment system.

It is pointless to try and eliminate inefficiencies if these have to be treated against a background of continuing unreliability. In assessing such situations, it is important to distinguish between exceptional and endemic dishonesty.

An isolated remedial project is unlikely to offer lasting support to the management and disciplinary skills necessary to limit unusual departures from high professional standards. This reflects an important and increasingly appreciated difference between *technical assistance* and *capacity building*.

In many developing economies, the problem will be a general deficiency in standards throughout the Customs service, within the even wider setting of a generally lax official and commercial culture.

While any reliable and sustained success in facilitation will depend on improved behavioral standards, it would be unrealistic and pointless to see substantial improvements in integrity as a separate, preliminary exercise on the way to efficiency.

The key to progress is much more likely to lie in a carefully sequenced set of measures designed to raise functional competence at just those procedural points that are the most favorable and convenient for illicit payments.

One useful, indirect approach, could be by way of encouraging a simple but effective set of trader/carrier compliance tests and standards. In tightening disciplines on traders, Customs will be forced to improve the transparency, and thus also the quality, of their own operations. Much depends on the personality and quality of the Director General and his or her relations with the Head of State and/or Finance Minister.

Substantial Customs improvements can sometimes be obtained by attaching reform measures to larger development projects at ports or airports, or major efforts to promote external trade or attract inward investment.

The remedial action should focus on such procedural functions and elements as valuation, inspection, classification and requirements for signatures. These factors, in turn, will need to be related to such general considerations as automation, risk assessment, rotation of staff responsibilities, provision of advance binding rulings, publication of regulatory requirements, consultative arrangements with the

trading community, and dispute and appeal procedures. The ICC has a useful [Customs Integrity Toolkit](#), focused on these functions.

Invaluable insight into the nature and characteristics of Customs corruption, along with basic ground rules for effective correction, can be found in the OECD Development Centre publication (Technical paper 175; April 2001) on *Fighting Corruption in Customs Administration*.

Corruption is a facilitation problem that cannot be solved by legislation or regulatory reforms. It will prove highly resistant to treatment by exhortation at any level, national or international.

The major examples of reform, when encountered, are at once reassuring, inspiring and cautionary. Documented experience suggests that while a single dedicated Director General, backed at the highest political level for the five-ten years necessary to change attitudes and atmospheres, can transform an entire Customs service, his or her removal or retirement can all too easily give a signal for a rapid return to adverse cultural traditions.

Even in the very different circumstances of a predominantly honest Customs administration in an advanced economy, internationally organized criminal fraudsters, bent on illicit drug trafficking or money laundering, may be able to offer very substantial inducements to tempt otherwise reputable officers and bring about exceptional integrity failures.

EFFICIENCY

The basic requirement of efficient Customs services in any reasonably active port, airport or border crossing is an ability to reconcile and combine control with facilitation.

The core Customs function is to check information to ensure that formal declarations comply with all relevant controls and then to ensure that the consignments conform to those declarations.

In advanced Customs practice, in countries of high and consistent official and commercial integrity, these control needs may be met by arrangements with compliant traders combining immediate release of consignments on the basis of minimal import checks with final clearance, by bulk fiscal returns, from declarants' audited automated operational systems. Under such desirable circumstances, compliance is assessed and monitored through detailed records of trader performance, and processed in carefully designed, regularly up-dated, automated risk assessment systems. On the other hand, in most developing countries, essential Customs controls are met by a sequence of documentary and physical inspections.

The primary Customs document is the export or import goods declaration. Many Customs declaration forms are still unnecessarily complicated but, even so, only cover Customs requirements.

Remedial action could include a provision to look at all administrative interventions on export or import consignments, to see to what extent these could be met by a single administrative document, which would include the Customs declaration.

This single document should be designed in accordance with the United Nations ECE Layout Key. Questioning the need for certain items of information, in the course of such documentary simplification, is bound to lead to an examination of relevant procedures and thereby open up useful paths to more extensive facilitation.

A single administrative document will not only reduce and focus information requirements, but also promote the facilitation concept of convergence of official controls in the hands of a single agency, in this instance Customs.

Customs insistence on the use of official printed forms should be waived in favor of copies produced by the trader/agent, from plain paper, using an office copier or computer.

The review of all relevant procedures, which should be an essential preliminary to any project for even modest scale Customs automation, can provide a very favorable opportunity to introduce documentary simplification and standardization.

As a matter of course, or on occasion, Customs may call for and examine an underlying set of supporting documents, typically an invoice, Certificate of Origin and conditions of transport. They should be encouraged to reduce the incidence of such requests, preferably within a move to risk assessment, as recommended below, to minimize the number of physical inspections.

The air cargo industry has asked the WCO to examine the possibility of devising and promoting Customs-to-Customs arrangements to eliminate the inspection of supporting paper documents in favor of some acceptable electronic procedural equivalent. Any progress under this head should be noted and given all support for inclusion in facilitation projects and/or Customs capacity building and technical assistance programs.

The traditional and most obvious means of checking that the goods conform with the information supplied to Customs is a physical check on each consignment. This was fully feasible in times when loading and unloading vessels could stretch into weeks, but is quite impracticable today, when a sealed container, holding hundreds of separate consignments, is routinely handled from vessel to onward transport in a matter of minutes.

Under such normal trading circumstances, it is impossible to apply truly effective inspection routines to all consignments, including the emptying of containers and close examination, perhaps dismantling, of the container itself, without bringing normal trade and transport operations to a grinding halt.

Some Customs services have taken refuge in completely ineffective compromises, in the form of random or so-called comprehensive inspection. Random selection reduces control to a sort of Russian roulette. "Comprehensive" inspection, as applied to containers, means little more than breaking the seals on the container, opening it, taking out a few of the packages or pallets nearest to the door, and then replacing them, often with very little professional packing skill and consequent damage to what can be delicate and fragile items.

Once the seals are broken, the integrity of the entire origin-destination movement is breached, the protective advantages of containerization are compromised, and the way is open to contingent damage, theft and loss, with consequent complications in terms of liability claims and adjustment, and inevitable prejudice to customer satisfaction. The entire process is an open invitation to any moderately intelligent thief, smuggler or terrorist.

It is counter-productive to try and meet this situation by mere pressure on Customs to reduce the incidence of physical inspections. Here, as at many other points in Remedial Action, full account has to be taken of legitimate public concerns for essential controls and safeguards. Proposals for

improvement must be justified and assisted by guidance, training and technical assistance, carefully adapted to perceived needs for change.

This will usually mean a carefully managed shift to the selection of suspect consignments and persons, through modern, automated risk assessment systems, based on profiles obtained through professional analysis of reliable compliance records.

New security doctrines, especially at major ports, have re-instated comprehensive inspection as a preferred procedure, by the provision or subsidization of very expensive scanning equipment.

It should be represented to all concerned – both those interests demanding security and those endeavoring to supply it – that the core of true anti-terrorist strategy has to be intelligence-based, in border controls on *goods*, on sound, constantly improved systems of automated risk assessment, linking the consignment itself to the many other elements in the overall origin-destination transaction. Scanning should be an auxiliary, not principal, detection device.

AUTOMATION

While much useful facilitation progress can be made in manual Customs procedures, based on paper documents, modern Customs practice is now firmly based on automated use of electronic information.

Reference has been made, in the Analysis, to the special problems posed by what were once innovative but have now become out-dated Customs computerization systems. Customs services already operating such systems often take refuge from necessary replacement in a succession of modest and largely ineffectual adjustments.

On a similar level of difficulty, there are several examples of more recent, one-off, individually commissioned systems that do little more than translate paper-based procedures into electronic equivalents. Both these scenarios may offer much more resistance to facilitation than a straightforward “clean slate” situation.

On the other hand, given the substantial costs of designing, installing and commissioning even modest Customs computerization systems, related loan projects sometimes tend to see automation as an end in itself, with facilitation and control as associated elements rather than primary objectives. This can lead Customs to neglect a unique opportunity to use their own automation project as a lever to secure parallel reforms and associated changes in port and airport management and commercial practice.

A major Customs computerization, with a typical cost of \$50-100 million, is a large investment, which will lose much of its potential return if it does nothing more than insert a greatly improved Customs activity in an otherwise unreformed overall export/import operational environment. Every serious Customs automation project should be seen as a potential core element in a much broader facilitation strategy.

Moreover, any substantial Customs automation project should be taken as an opportunity to open or intensify consultation with other participants in export/import transactions, notably port management, commercial banks, multimodal transport operators and, of course, traders and their agents/forwarders.

Customs should stress the need to extend the overall, potential benefits of improvements in their own operations to all the other activities relevant to efficient, rapid and reliable movement of goods across national frontiers, in the best practicable relationship to the needs and standards of the full commercial transaction.

Partners, brought in this way into initial consultation, should be kept in close association with the entire progress of the project. This will help them identify and effect requisite and advantageous changes and enhancements to their own systems.

They will also be useful witnesses to practical progress and benefits. Given the central influence of Customs requirements on the entire procedural chain of an international transaction, a small group of traders and other official agencies brought into contact and accord with a Customs automation project is likely to offer a more valuable basis for eventual, wider, facilitation strategies than a larger community assembled in a new national committee with a mandate to address a vague, relatively academic concept of "international trade facilitation". Furthermore, attention to their opinions and incorporation of their suggestions, wherever practicable, in project documentation, will develop a strong sense of ownership that will be invaluable in dealing with any interface difficulties once the system is in place and functioning.

Such policies are all the more likely to succeed because a typical automation project in a Customs organization previously dependent on paperwork and manual procedures, should yield early significant benefits for traders.

In documentary practice it was convenient for all concerned to fuse the two crucial events, release of the goods and clearance of the declaration, at the same point in Customs treatment by the requirement of a complete and comprehensive declaration. As mentioned under Analysis, however, automation has made it possible to separate these two functions so that goods can be released rapidly, at export or import, to the carrier or importer/ agent, by simple EDI interchanges, leaving clearance, including payment of duties and taxes, to be arranged with the trader, at later dates, convenient to both Customs and declarant.

While automation can greatly simplify Customs procedures at the frontier, remedial action should not overlook its potential beneficial effects on the very important fiscal elements of value, classification and origin, which, in modern Customs practice, have moved away from the physical frontier towards reliance on traders' audited office systems.

Here, a high degree of standardization, certainty and associated facilitation has been introduced by two international instruments, the WCO Convention on the Harmonized System of Goods Description, and the GATT (the present-day WTO) Valuation Agreement with technical administration by the WCO. These will be supplemented, in due course, by the proposed WTO Agreement on Non-preferential Origin, assigned to the WCO for technical discussion prior to Agreement and probably to return there for subsequent day-to-day maintenance.

It might seem that once a government has adopted these instruments, broad lines for Customs operations are settled, but practical experience with both the Harmonized System and the WTO Valuation Agreement has shown that, in many developing countries, effective implementation will require a major effort of capacity building, technical assistance and staff training, going well beyond anything that can be gained from seminars, short courses and missions.

The now well publicized difficulties, stretching over twenty or more years, experienced by governments and Customs services in assimilating and drawing full potential benefits, in valuation operations, from the supplementary services and controls of specialist pre-shipment agencies are a salutary warning against shortcuts or functional first aid.

The entire fiscal area, in numerous Customs services, is still clouded by widespread and resistant dishonesty.

The resulting urgent need to introduce a core, however small, of honest, compliant traders, to back and bring full value from Customs automation, by offering a feasible basis for risk assessment, is yet another reason why any such project should enlist and encourage active commercial partners.

Much useful supplementary information and advice on all aspects of Customs automation can be obtained from the WCO Information Technology Guidelines to the General Annex of the [Revised Kyoto Convention](#).

3.2.2 Port Operation

Facilitation, for the purpose of this paper, is concerned with the performance of the controlling information systems along the line of the movement of goods and of the means of payment in the opposite direction.

Many of the main flows of such information meet in the port. Customs, largely an information processing service, are stationed there. Ownership often changes hands, and so payment requirements have to be met.

Transport information has to be passed between maritime and road or rail systems. The port itself handles, stores and levies charges through associated information processing.

Ports, particularly in developing countries, tend to pay far more attention to physical facilities than to this invisible infrastructure.

It will very often be necessary, for lack of any written procedural instructions, to disinter and collate details of key cargo movement practices into, within and out of the port, from a sort of corporate folk law. An important, initial remedial step, therefore, will be the compilation of a printed, generally available guide to such procedures and the relevant documents or messages. This will not only serve a major practical facilitation purpose in signposting practical remedial action, but should also provide a detailed framework within which to assemble and consider the results of Audit and Analysis. The process of preparing such a document will often stimulate the port itself to detect weaknesses and apply improvements.

Many ports have found it useful to make entry of goods to their premises conditional on the presentation, at the dock gates, of a Standard Port Note, aligned on the UN/ECE Layout Key, composed of a numbered set of forms, and serving, on the basis of the same standard information, to advise the wharfing of the arrival of the goods, help the ship owner issue a bill of lading, assist the port in raising its charges and provide a receipt to the road carrier.

Reception of goods by the port, and thus the formal assumption of responsibility, is often hedged about by unnecessary delays and ambiguities. If goods are left for long periods – and a day is a long period in this context – in a no-man’s land of open risk, the inevitable result is an attempt, by all parties, to protect their interests by some extra procedure and/or document. Such gaps in the responsibility chain should be eliminated.

Customs requirements are often imposed in ways that take very little account of port operational convenience.

It may be impracticable for the port to charge Customs for the use of premises and equipment in meeting, for example, onerous physical inspection requirements, but it could be salutary for ports to calculate and publicize those costs as part of the argument against such inefficient Customs practices as “comprehensive” container inspection.

Customs practices can be brought into synergy with port requirements at several points in cargo movement and associated information flows. Both organizations, for example, rely on the early capture of reliable manifest data. In many developing countries, automation arrives at about the same time in both institutions. There are evident advantages in arranging for cooperative development of adjacent port and Customs systems and their use of common standards, for example, UN/EDIFACT EDI messages and the WCO Harmonized System (HS) of goods classification.

Some ports in developed economies have established community automation systems, sometimes including Customs processing. These have proved highly beneficial in enabling traders and carriers to use a single system to handle a wide range of other official and commercial procedures, including, for example, compliance with dangerous goods requirements.

Remedial action should include some provision to assess the state of automation play in the main adjacent and relevant commercial and official sectors, to establish the feasibility and usefulness of promoting a port-based community system. This will usually be impracticable unless Customs, themselves, are reasonably well automated.

While problems arising from payment operations are considered later in this paper, some account should be taken of their influence on port efficiency, particularly in relation to early release of goods to consignees.

The conventionally restricted definition of “facilitation” implicit in this *Methodology* excludes consideration of physical infrastructure, but there may be considerable procedural advantages to moving some key containerization procedures from the port to an inland storage and clearance center. Many transactions are now based on terms of sale/purchase more in accordance with through transport than the old FOB and CIF terms associated with port-to-port movement. These arrangements are best serviced by moving goods and procedures out of the port and nearer to the point of eventual destuffing and delivery.

Clearance centers, especially when located where they can benefit from on-site Customs services, can offer many facilitation benefits, as well as freeing valuable port storage space for more remunerative activities.

Similar benefits can be obtained from encouraging the provision and use of Customs procedures that, subject to certain stipulated conditions, permit the secure movement of containerized goods, out of the port, for clearance on traders' own commercial premises.

3.2.3 Transport Services

The main facilitation issues posed by transport occur in –

- Road traffic interfaces with ports and airports and procedures at border crossings
- Maritime contacts with ports and onward/inward surface carriers
- Air cargo operations at airports and links to road movements.

ROAD TRANSPORT

Road transport has two characteristics with considerable bearing on facilitation. Firstly, road borne consignments are usually accompanied by a driver who, depending on circumstances, may be an asset or a complication in dealing with official and commercial procedures, and is also the subject of additional requirements, such as a passport and drivers license. Secondly, pretty well all road movements can be considered urgent. In some ports, for example, where operational and storage space is very restricted and access is through urban road systems, serious port delays soon extend into general road congestion and blockages.

Drivers are often subject to regulated working hours and this can cause special problems in the many developing countries where border crossing is subject to frequent, prolonged delays in Customs or security controls.

At ports, the road transport function is one of a number of contributory factors to a complex set of procedural interactions. At land borders, particularly where these are distant from any commercial center, it is unique and all-important.

The environment at an isolated border post, besieged by impatient drivers, is very favorable to routine extortion and corruption. This is usually endemic and relatively modest, often restricted to the judicious distribution of cigarettes and small money bribes, but with obvious opportunities for much more dangerous malpractice, especially in respect of new and heightened security concerns.

Looking to all international road transport operations, the needs and possibilities of remedial action will vary widely. Road transport to and from ports tends to draw on and serve a reasonably defined hinterland. Drivers are usually familiar with port practices and functionalities and acquire personal skills in making the best of a bad procedural job.

Agents for traders and shipping lines take over many responsibilities for moving the consignments through Customs and much of the port system, as well as handling the functional interface with the vessel.

In this situation, improvements focus, naturally, on those addressed elsewhere in the *Methodology* – Customs, agents and shipping lines. It may be useful to break new facilitation ground by seeking to build up information and advisory services, for example, through seminars and short training courses, for a core community of regular drivers.

Another useful practical step would be the production of a plastic card, to be attached in a convenient position in drivers' cabs, setting out a sequential summary of the steps to be followed in moving goods in or out of the port to or from the designated vessel, with useful telephone numbers for specific additional information. This could be produced separately or as part of the work, already suggested, on an overall port procedural guide.

Road border crossings are in another facilitation world, in which drivers can come to direct procedural grips with operational Customs officers who may be dependent on a cumbersome documentary system with minimal communication to headquarters.

Furthermore, many of those drivers, operating long-distance international transits, may be encountering a particular frontier, with all its complexities, for the first time. It could be completely impracticable to contemplate the sort of information/education proposals mentioned above for port-based road operators.

An additional handicap is the obvious difficulty of reforming and assisting a single Customs outpost, or even a set of border crossing services, separately from, or in advance of, basic improvements, including automation, in central Customs operations.

It may be possible, and necessary, in certain countries, especially those with substantial transit trade, to seek general Customs reforms in order to improve border crossing practice, but there are obvious extra difficulties in securing commercial support or government understanding for such a program, in comparison with the interest and assistance which may be expected in a major port, where facilitation may be seen as an important part of a larger economic equation.

One helpful development, notably in Eastern Europe, is the growth of extensive institutional back up for the ATA carnet system. A number of countries now house substantial offices with well-trained staff exclusively for this purpose.

The responsible national and international commercial institutions are very familiar with the difficulties and delays associated with border crossing formalities and might well fill the role, in a remedial action plan, of the wider business community usually found in established port areas.

All remedial action could encounter timing difficulties. It might be highly desirable to ensure sound Customs training in valuation, for example, but to get such arrangements in place and obtain favorable results in the unhelpful conditions, including staffing, at many road borders, may lag far behind reforms at the administrative centre.

On the other hand, if a substantial road crossing improvement project covering Customs and trade practices is presented and seen as a trade facilitation program, then the term may lose all credibility unless it yields some improvements, however modest, with early evident effect.

Full use should be made of modern technology. Instructions, with practical hints on how to meet export and import procedures at the border, including a list of documents required by both Customs services and advisory telephone numbers, could be offered to road operators, in a range of commonly used languages, in cassette or CD form or on a website for portable computer access.

Every effort should be made to shift drivers' problems away from the environment of an isolated border post into the more helpful setting of an easily accessible, well-resourced advisory network.

A search enquiry should be mounted into the possibility of automating many border crossing movements, especially those where goods belonging to large, well-known traders are being moved by highly reputable carriers. For such movements, identified in a modest risk assessment system, all the necessary information on vehicle, consignments and driver could be incorporated in a secure smart card at the outset of the journey and checked at the frontier by the driver, through a card-reading device connected directly to Customs headquarters. This would offer exceptional security and reduce the opportunity and need for Customs corruption.

Other information technology devices, for example bar-coded automated vehicle identification and monitoring checkpoints or satellite-based tracking and tracing systems, are already in use in several modern systems but, given the restricted operational and managerial skills available to many Customs services, great care should be taken not to plaster today's solutions over yesterday's habits, practices and attitudes.

Road transport facilitation is strongly supported in many important respects by the International Road Transport Union (IRU) and propositions for specific improvements should be discussed with the relevant staff experts.

On the other hand, the industry is highly fragmented and has no global institution to provide and support central standards and facilitation along the lines of ICAO for air transport and IMO for the maritime community. The need for higher standards of frontier security may well stimulate the necessary inter-governmental interest in filling this regulatory gap.

It is not the business of this *Methodology* to go outside the province of practical project management into the recasting of global regulatory structures, but it is highly probable that even a modest set of studies and work programs, based on its Audit and Analysis recommendations, will identify indiscipline, low information technology resources and lack of strong global consultative mechanisms, in the road transport industry, as a serious handicap in producing coherent and integrated multimodal procedures and practices.

MARITIME TRANSPORT

The attitude of shipping services to facilitation reforms varies sharply with types of cargo. Commodities usually enjoy specialized berths and pass through Customs with a minimum of complication and delay. They are often carried in vessels owned or chartered by the producer or buyer and so effectively move under single management. They therefore require little, if any, facilitation attention.

The dwindling proportion of miscellaneous general cargo usually requires and takes extended loading and unloading times. These operational conditions make Customs, port and payment delays less oppressive, but this type of cargo still has to cope with the extra complications of passing over several, often poorly-managed functional interfaces between different transport and handling entities in the overall move from exporter to importer.

Facilitation for the maritime part of the movement of these cargoes is addressed, to a large degree, by the [International Maritime Organization \(IMO\) Facilitation Convention](#). Existing official and commercial

procedures should be checked against this Convention, including recent additional security requirements, in order to identify any major deficiencies.

Containerized and roll-on/roll-off consignments are completely different facilitation stories.

Much international container traffic is managed from origin to destination by shipping lines or major international multimodal transport operators, using advanced origin-destination tracking, tracing and control systems, often linked directly to trader customers and using community port-based automated control and facilitation systems at key points in their international voyage network. They pose a paradoxical facilitation problem because it may be particularly difficult to relate these modern resources and practices to the obsolete, often paper-based, port and Customs procedures still in operation in many developing countries.

Difficulty can harden into impossibility in countries where, in addition, international shipping services are still a protected national monopoly. In such countries, poor quality Customs and port services may deter calls by container shipping lines, sailing to exacting timetables, and seeking to minimize risks and delays to connecting onward and inward cargo flows. Customs and ports are then freed from the pressures that would be put on them by such demanding users, but the economies in question and their business communities lose the benefits of direct, easy access to these key transport facilities.

Given that the bulk of international maritime movements and many of the world's port operations are now commercially competitive, the sort of externally applied facilitation measures needed for Customs, or a public sector port, could be completely inappropriate to deal with remaining operational inefficiencies. The best way of bringing about simpler, more efficient and user-friendly movement for maritime cargoes may well be to expose as many functions as possible to market forces.

There may be important and urgent facilitation needs, however, in opening up inland sectors to the full advantages of modern multimodal operations. The possible benefits of inland clearance terminals have already been noted. There may be a less tangible but at least equally real need for new or amended legislation to accord transport documents issued by a non-vessel-owning multimodal transport operator, the same status as traditional maritime bills of lading. Another, less frequent problem, which has to be dealt with *ad hoc*, is the practice in a few countries of allowing privileged entry, under an international transport Convention, to a road vehicle, but then refusing entry to the driver.

AIR TRANSPORT

Airport construction and extension projects have attracted increasing interest from lending and aid agencies, but surprisingly little attention has been paid to *airfreight* facilitation. This may well result from a vicious circle – airfreight requires simple, expeditious export/import formalities, if it is to justify its relatively high costs by rapid, reliable delivery. If those formalities are not available, airfreight will not expand and there will be no significant commercial pressures to bring about necessary reforms. Furthermore, many developing countries have depended, traditionally, on the export of commodities, most of which are unsuitable for air transport.

Several important factors have changed in these commercial equations. In Central Asia, for example, enormous investments are being made in oil and other energy sources. The rapid installation and subsequent maintenance of complex extraction and treatment plants requires urgent, reliable delivery

of essential components and spare parts. Given the difficulties of surface access, often over long distances and several land frontiers, airfreight is frequently the only practicable answer.

In many other countries, diversification from commodities and subsistence agriculture is being built up in new commercial sectors, such as electronic components, fashion clothing, exotic fruits, premium fresh vegetables and cut flowers. Pre-packed green haricot beans from Kenya, for instance, are now a familiar feature of West European supermarket shelves, and cut flowers are on sale in Swiss cities within forty-eight hours of being cut in Israel.

Components, for inclusion in global out-sourcing systems, have to observe extremely disciplined timetables. Clothing intended for the more remunerative fashion outlets has to be delivered within the small time windows imposed by seasons and sales. Flowers and premium vegetables have, by their very nature, to move very rapidly to arrive in perfect condition. Airfreight is the established answer to such requirements in all developed economies. The absence of adequate, high-quality air transport services, or the degradation of those that may be available because of inefficient and/or dishonest border controls is a harsh handicap on competitors from less favored economies.

There may be similar unnecessary constraints on possible profitable synergies to be derived from combining these outward movements with empty return capacity from imports of equipment and spare parts for industry, or combining cargo development with tourist passenger traffic.

Landlocked developing countries, especially those at political odds with neighbors, have a life-and-death interest in reliable, efficient transport links with the outside world. Very large economies, including India, China and Russia, have a special need for airfreight to supplement other transport services, to provide reliably rapid deliveries and to meet deficiencies in the surface infrastructure.

Finally, the explosive growth of international express delivery services testifies to a solid market, responding to clear commercial and industrial requirements. Such services work to timetables calculated in minutes. They cannot operate in countries where Customs control takes days.

Remedial action should recognize and seek to meet any evident airfreight needs. Apart from setting high operational standards, the commercial innovation that characterizes this sector of the transport industry and the state-of-the art communication and information handling processes that it has developed along the whole origin-destination goods movement, have already proved a potent factor in developing facilitation improvements for its own purposes that are capable of much wider applications.

It could be useful for example, as a possible remedial action item, to examine the *WCO Immediate Release Guidelines*, devised to meet express delivery needs for rapid Customs treatment, with a view to adapting their principles to other transport operations and for use by Customs with little or no automated resources.

Given that the key element in the Guidelines is the provision of selected declaration data *prior to* the arrival of the cargo, it might be possible either to arrange Customs to use part of the computer/communication facilities of a designated carrier or else to agree on a commonly funded, very simple, facility, perhaps based on fax transmission, for receiving and treating such information in accord with Customs requirements.

The benefits of success in such arrangements would rapidly spread well beyond the initial facilitation bridgehead of the express industry. Customs would see the possibilities and advantages of such key

facilitation concepts as the separation of release from clearance and the selection and targeting of suspect consignments, based on risk assessment and compliance testing.

It might be possible to link a simplified Immediate Release procedure with the sort of smart card treatment of isolated border Customs posts suggested above under road transport.

Given that there is practically no airfreight movement that commences or ends at an airport and that inward and onward transport is normally by road, a modest measure of practical facilitation can be obtained by securing official agreement to accept the *air waybill* as a sufficient document of carriage for the road transport of an airfreight consignment.

RAIL TRANSPORT

Competition is the most effective catalyst for efficient customer-responsive transport systems but railways hardly ever compete with each other in individual economies and only very rarely externally, as in transit movements to central African states to and from Dar-es-Salaam and Mombasa.

Real competition comes from road or occasionally waterways and in developed countries, with adequate road infrastructure, rail tends to survive and succeed only on the basis of such operational advantages as expert, automated unit-train systems with private siding access and dedicated port facilities.

Given such factors, rail can retain and even expand a wide range of freight traffic from minerals and agricultural bulk products to general cargo multimodal containers.

In many less developed economies, however, where road facilities are limited with special logistical restrictions at bridges and tunnels, rail operates in a much more protected market and has correspondingly less need to compete for customer approval. Sometimes logistical and climatic conditions combine to especially favorable effect. The sustainability of the Trans Siberian route over many decades and under very varied economic and political circumstances is an impressive example.

Governments in countries with large land areas and poor road connections may have come to see rail as the only reliable transport mode and hence a clear priority for major investment. This may open up a range of external funding requirements and associated loan project conditionalities, but the railways themselves always tend to see salvation in extra outlay on track and traction. It is not uncommon to encounter urgent requests for additional locomotives when a few simple managerial and operational reforms would make part of the existing rolling stock redundant.

Railway construction, with land use concessions and safety in respect of, for example, bridges and level crossings call for substantial regulatory backing. The sheer size of essential initial and up-keep investment fosters public or private monopoly positions and practices. The overall effect is to fence managers off from any real public influence or ministerial oversight and constrain openings for and real effect of any loan conditionalities.

In any event, the sheer inertia of inefficient railway systems is a potent barrier to procedural reform. Inserting even the most legitimate and obvious commercial need for simple, predictable and rapid procedures between the two entirely separate Customs and rail systems is exceptionally difficult.

It is obviously impractical even to consider recommendations to privatize an inefficient railway just to meet freight facilitation requirements but, in any event, without the physical infrastructure and/or regulatory changes necessary to open up competition from other modes such a political gesture would be pointless.

Despite the many handicaps usually encountered in efforts to facilitate rail freight operations, energetic persistence may be well justified in respect of transit traffic, particularly to and from landlocked countries. Every effort should be made to persuade Customs and rail services to establish and maintain a facilitation “corridor” of simple, well-understood, reliable procedures.

3.2.4 Payment Systems

This sector deals only with those aspects of payment in which the movement of goods in one direction are formally linked to the means of payment moving in the other. The major example of this procedural cross-bracing is the *documentary credit*.

The Audit will often show little criticism of the way in which this system is operating and the Analysis will conclude that there is little need for remedial action. This could be quite misleading. As explained in Audit and Analysis, there are a number of interests in play – banks, their customers and import agents, ship owners who cannot hand over a consignment until they receive an original bill of lading, ports who are forced to retain that consignment until they are notified by the shipping line that they may do so, and Customs who may also need to wait for the arrival of certain supporting documents before they can accept the declaration and hand over the goods.

Efforts are currently underway to produce some electronic equivalent of the documentary system but these, by their very nature, leave aside the problems of countries in which automation is still limited in spread and scope and much could be done by simple devices, such as insisting on express delivery of documents between banks rather than the continuing use of postal services.

The problem facing this or any other proposal to simplify this particularly authoritative banking procedure is that there is no way a lending agency, negotiating with a government, can invoke regulatory-type changes to an entirely commercial system.

Relief may come from eventual demise. There were signs some twenty years ago that use of the system was falling away as acute foreign currency difficulties relaxed for many developing countries and many small industrial units began to work and find their finance within integrated supply, production and distribution networks in the hands of global companies.

However, there has been a notable recurrence of interest following the political and economic upheavals in Central and Eastern Europe.

It could be timely therefore, for the facilitation community to approach the International Chamber of Commerce to seek some reliable estimate of the value of documentary credits now being negotiated and a view of recent trends in the market for this particular banking product.

Similar information, if it were available, at the national level, would be most helpful in identifying any appropriate remedial action, possibly through cooperation with the local banking association, in any

country where payment seemed to contribute significantly to overall international trading delays and on-costs.

3.3 Conditions for Success

3.3.1 Credibility

This paper makes no attempt to write an outline Remedial Action Plan or specify particular contents for specific sets of circumstances. All facilitation projects, however, will demand such a document and this should be drafted in full knowledge of the difficulty of persuading busy managers, in commerce or government, that there is a well-defined activity called “facilitation” and that this is related more to practical benefit than economic theory.

Unfortunately, a typical facilitation project, for example the reform of even a modest Customs service, especially if linked to an automation program, with a preceding procedural review and provision of training, can take at least five years. That is a very long time in the twists and turns of democratic government and the post of Director General, Customs, is likely to change hands at least once during that period.

It is very necessary, therefore, as mentioned previously, to design any Remedial Action Plan so as to secure early credibility and support to tide over that longer timescale. Some visible benefits should be achieved within the first year or so.

A good example would be the simplification of the import declaration and its extension to cover all other administrative controls affecting the import consignment. The general circulation and use of such a document, early in the Project, would encourage a belief in all the other advantages that should flow from its comprehensive success.

The plan should be constructed so as to produce other similarly tangible and general benefits at regular intervals throughout the project. An automation project, with its strict timetables for precisely defined deliverables, could be an admirable framework within which to specify and provide such evidence of useful activity.

A similar early success in port facilitation can usually be obtained by the introduction of a compulsory Standard Shipping Note. The immediate visible effect in easing congestion and confusion at the dock gates can be spectacular.

3.3.2 Political Will and Commercial Support

Attention periods are short in the day-to-day trading and administrative world in which facilitation has to be sold and delivered. Support can be counted on for very little longer. A typical Remedial Action Plan will require a feeling of ownership going well beyond those who conceived and agreed to it in the first place.

The Plan will need the initial understanding and sustained support of all the interests that contribute to, complicate and suffer from, problems in the information flow controlling the movement of an international consignment. It may be necessary to spell out the broad economic, political and social

benefits of simplification to governments, but business managers and Customs officers will need to have a clear idea of just how they will benefit in their own, often relatively narrow functions.

These diverse concerns will be more easily handled if they can relate to a common initial appreciation of the scope, purposes and proposed working methods of the Project. This will require a project document summarizing the results of Audit and Analysis and setting out the full list of suggested improvements.

The latter document is often used as a source document for an initial seminar or workshop, but it may be more useful to precede it by a set of informal discussions on a draft version, with the main representative bodies and personalities likely to support its implementation. It is very likely that some of these will have been known prior to the Audit and that a good many more will have been identified in the course of the enquiry.

Success throughout the Project and afterwards may well depend on the extent to which leading actors can be persuaded that they are responsible for relevant portions of the Remedial Action Plan and should be seen to be in favor of its overall objective.

Any and every stage in the implementation of the Remedial Action Plan may turn out to be a trial of influence. It will be a major Plan task to harden agreement into support and weld helpful individuals into a cohesive support team.

A plan and work program that can make its first public appearance at a final Project conference or workshop, with such a core constituency already behind it, will have every chance of stimulating positive comments and recommendations.

If remedial action includes the employment of experts for specific tasks, then these should, if possible, be identified before the Project conference, so that they may present the subjects for which they are to be responsible and make an initial contact with the managers and officials with whom they will be working.

Every opportunity should be taken, during the conference, to acknowledge all useful criticisms and suggestions, and include these in an early revision of the report document with any acknowledgements that may be necessary.

Many useful improvements can be derived from changes easily effected within Customs or other official regulatory discretion, but some may require formal legislation. Here it will be necessary to spell out the case for what could seem a relatively low-key innovation without any significant electoral attractions.

Any serious facilitation work program is bound to contain important objectives that could take years to bring to a successful conclusion. Given the shocks and instabilities that characterize many developing countries, every effort will be needed to secure and retain the necessary political understanding and support, sometimes within an informal elite as well as with individual, often short-lived administrations.

3.3.3 Consultation and Cooperation

With additional experience acquired in on-site facilitation projects and powerful “political” developments at inter-governmental level, including WTO Facilitation negotiations and on-going WCO work on their Security Framework, it now seems likely that –

1. Serious perceived facilitation problems, especially if met by specific project or work program proposals, require carefully devised, tailor-made mechanisms for consultation and cooperation.
2. Different issues are posed by a potential need/intention to sustain such mechanisms after initial activity has terminated. In such a situation, facilitation may well return to the sort of inexpensive flexible arrangements suggested above. There could be additional measures to help official agencies and the business community keeps abreast of, and influence, strategic developments in a range of international official and commercial institutions.
3. If facilitation is just put forward as a desirable subject for interest and support, much can be done to collect and share information and arrange meetings, seminars and conferences within and among a wide range of existing government departments, public agencies and trade bodies.

Consultation and cooperation, therefore, may often require extended and detailed treatment as a major “environmental” factor affecting practically all aspects of remedial action rather than as just an item in its own isolated right.

Under such circumstances it may be useful to examine –

- Relevant institutional precedents and experiences in respect of national facilitation committees
- The formation and management of a representative facilitation committee and its tasks and responsibilities
- Possible alternatives or subsidiary/supporting arrangements

Experience marks out and underlines the fundamental importance of an appropriate and effective consultative and cooperative mechanism to define, manage and sustain any significant national trade facilitation activity.

Trade procedures are occasions and obligations to communicate and cooperate that are shared by all participants in international trade transactions. The process is sequential and interlinked. The problems lie in relationships, attitudes, motives and standards of behavior.

No substantial facilitation problem can be solved by isolated, individual participatory interests, without the assistance of, and stimulus of perceived benefit to, other parties.

Identifying and recruiting members of the right quality and to cover all procedural sectors, while still keeping numbers low enough to be manageable, puts a premium on the initial appointment of a suitably eminent and influential Chairperson who, once he or she has made the necessary selections

and approaches, will need to add substantial external responsibilities of explanation, persuasion and promotion to routine internal tasks of leadership and management.

INSTITUTIONAL AIDS – THE NATIONAL FACILITATION COMMITTEE

The conventional institutional wisdom, as set out in UNECE Recommendation 4, is a national facilitation committee. The Recommendation itself, issued in a revised form in 2002, simply identifies the need for “an effective forum”, states that national facilitation bodies meet this need, and references web-page access to a list of existing examples. The related, much more detailed, Guidelines are still focused on this concept of a full-dress national committee.

Neither document offers any analytical or critical account of the history of the national facilitation committee as an institutional instrument or explores possible and feasible alternatives, yet that history has many useful pointers to future strategies and those alternatives are important auxiliary aids to many useful activities.

History

The beginning was a Scandinavian core of government-sponsored groups, set up under the aegis of the Nordic Council, in the 1950s, to explain and promote the basic “facilitation tool” (or, in the terminology of that time, “Organization and Methods”) of simplified, standard documents.

The practical benefits of this innovation led the United Nations Economic Commission for Europe (UNECE) to set up, in 1963, a much broader based Working Party on the Simplification and Standardization of External Trade Documents. This developed the concept of internationally aligned documentation, based on an agreed Layout Key or Master Document. The first substantive success was the production and progressive commercial adoption of a standard maritime bill of lading.

The UNECE moved through standard documentation into a more comprehensive facilitation concept when, in 1970, the United Kingdom Simplification of Trade Procedures Board (SITPRO) submitted the results of a two-year enquiry showing, quite conclusively, that confused and complex documentation had its roots deep in underlying procedures. The report also concluded that real reform would require long-term, carefully coordinated efforts to simplify and standardize the ways in which international trade participants produced, exchanged, authenticated and processed the information necessary to carry out the full range of trade transactions.

The consequent switch of official and commercial attention in the UNECE, reflected in the re-titled Working Party for the Facilitation of International Trade Procedures, coincided with two major changes in the operational environment – a progressive shift to multimodal containerized through-movement and the early stages of official and commercial computerization.

Most of the old national documentation committees in Europe changed their titles and mandates to focus on *procedures*. SIPROCOM (Belgium), SIMPROFRANCE, FITPRO (Czechoslovakia), NORPRO, SWEPRO, DANPRO, DEUPRO and SITPRONETH all appeared within two or three years in the early seventies. Elsewhere, The Hong Kong Trade Facilitation Council, COSTPRO (Canada), SITPROSA (South Africa), JASTPRO (Japan), SIDAP (New Zealand), INDPRO, SRILPRO (Sri Lanka), PHILPRO (Philippines) and EIRPRO (Ireland) followed suit.

All these committees had plenty to do in collaborating, within the UNECE, to enlarge the scope and coverage of the Aligned Documentary System; begin work on broad strategic and legal issues raised by prospective moves from paper to electronic messaging; and assimilate the many procedural adjustments, particularly in port and Customs practice, necessitated by the rapid spread of multimodal container transport.

In a comparatively short time, however, EDI developments took center stage in the UNECE Working Party and representation shifted away from international trade experience towards automated systems expertise. The provision of standard electronic message elements – data items, codes, syntax, and eventually messages – monopolized available attention and resources.

National committees in many of the more developed industrial economies ran out of serious domestic problems. As a result, COSTPRO, SRILPRO, SITPROSA, PHILPRO, DEUPRO, EIRPRO, SIDAP, the Hong Kong Council and, eventually, SIMPROFRANCE and SIPROCOM, closed down. Those that stayed active, found their main justification in links to and participation in the UNECE Working Party and its later enhanced EDI-focused CEFACT.

There have been sporadic appearances and disappearances of very short-term committees in Morocco (SIPROMAR), Pakistan (PAKPRO) and Nepal (Nepal Trade and Transport Facilitation Committee), usually related to isolated facilitation projects.

SITPRO, supported by and supporting JASTPRO and SWEPRO, has devoted much attention to the new UNECE mission of “e-business” – essentially facilitation by better data management.

A recent positive development has been a flurry of six or seven recent newcomers in South East Europe and the Caucasus, mainly under the aegis and with substantial support from the EU and the World Bank, notably in association with the Southeast European Cooperative Initiative (SECI).

The high mortality rate among “classical” national facilitation committees, in countries with adequate access to expertise and other facilities, as well as in less advantaged developing economies, has some important lessons for institutional elements in remedial action.

It is reasonable, in the light of this now extensive experience, to deduce that the status, attention, representation, financial and associated managerial back-up necessary to justify and sustain a national facilitation committee along the lines and at the level described and advocated in the UNECE Recommendation will normally respond to and depend on –

- Major changes or shifts in regulatory requirements or commercial practice and technique that will have significant effects on most or all elements in the international trade transaction procedural chain
- Analogous, very substantial innovations and adjustments that have to be made by government and business in emerging economies faced with unfamiliar free market disciplines and the difficulties of building up and commissioning entirely new administrative structures
- The possibly shorter-term justification of a substantial facilitation project, such as those now gaining support and numbers in overall World Bank development strategies and major work programs. This possibility has suggested and stimulated the provision of this new Section in the Bank *Methodology*.

Responding, ritualistically, to the demanding institutional initiative and activity set out in the UNECE Recommendation, where no such conditions are present and the only propulsive factor is the broad assumption that facilitation must be a good trade, transport and administrative idea, entails many dangers for its authors, intended beneficiaries and facilitation in general.

The demise of so many once active and useful national committees, once their concerns and *raison-d'être* had eroded, poses salutary warnings. Insofar as any new national facilitation committees may be set up, without real need and justification, and presented as an embodiment of and essential tool for facilitation, their almost inevitable failure will be acutely and publicly detrimental to the focal facilitation concept they were intended to serve.

Alternative or subsidiary/supporting arrangements

Some account has to be taken of consultation and cooperation mechanisms in situations where –

- A once valid and active national facilitation committee has lost justification, impetus and support or a committee set up to assist a facilitation project has completed a specific work program and it would be patently wasteful to lose the broad ground gained for facilitation concepts and principles
- There is ample evidence of need for a full facilitation committee, but essential resources and understanding and interest are not currently available

In the first set of circumstances, useful if modest administrative accommodation for a continuing facilitation interest group or sub-committee may often be obtained at a number of points in a range of institutions, from government departments (Commerce, Transport, even Customs), to export development agencies, Chambers of Commerce, trade and business associations and port authorities.

If the national facilitation committee or project group has previously developed effective and friendly communication and consultation with such organizations, these will have already acquired a general understanding of broad facilitation principles and concepts and their relevance to their own sectoral or local membership. Several may have had representatives on the main facilitation committee or specialist working groups during its former activities, who will usually be very willing to carry their interests and experience forward in these alternative institutional settings.

The great advantage of such arrangements is that facilitation, as an organized and useful activity, is kept in public view. Furthermore, if any new unexpected facilitation needs arise, and a full focal committee has to be re-assembled, this will benefit from some immediately available personal contacts and institutional starting points.

The second situation is less easily prescribed for or handled. The path to national support and resources for a fully competent facilitation committee goes through some tedious and lengthy processes of information sharing and carefully structured consultation. In many developing countries, information is often seen as a source of power or influence and those who have it tend to retain it for their own use and advantage.

Its most extreme form is the legally enforced secrecy that characterizes some aspects of government even in the most advanced societies. There is a much more general disinclination, in developing

countries, to place any official information in the public domain, paralleled and compounded by commercial confidentiality in respect of any information associated with competitive advantage.

The combined result of such constraints, in many hard-pressed economies, is an information desert, irrigated here and there by trade journals, commercial advisory services and occasional, often tardy, official notices. These basic difficulties can often be aggravated by language problems that greatly reduce the effective value of the massive store of up-to-date information now available on the Internet.

The opening gambit, therefore, is the introduction of factual, explanatory, persuasive and promotional information moved to and through people who can derive some personal or organizational benefit from its circulation among those persons and organizations whose interest and support is particularly desirable.

In this situation, special value attaches to any Importers' Association and to Chambers of Commerce, with memberships more likely to reflect the benefits of two-way trading than locally focused manufacturers' associations. Support for import facilitation can also be relied upon from expatriate Chambers. While the latter tend to concentrate on internal consultation and cooperation and are usually at pains to avoid any public perception that they are simply pursuing *external* commercial and economic interests, they can often be invaluable sources of advice and information.

In certain economic situations, a free-standing Export Development Agency can wield considerable influence, but it is difficult to enlist such an organization to deal with a set of Customs problems, which very often focus on import procedures.

Trade associations need to be assessed in respect of their resources, staff expertise and political status, usually reflected in the level at which they can attract Chairmen and Presidents.

In too many countries, despite new patterns of global trading and dispersed manufacturing networks, exporting is often seen as a synonym for beneficial external trade, and importing as a regrettable necessity.

The Analysis should have taken account of linkages, already mentioned, between national trade bodies and international organizations, including FIATA, IAPH, IATA, ICS and IRU, and the extent to which these are, or might be, invoked to deal with facilitation problems. Apart from the regular flow of information from such international bodies to national affiliates through newsletters and websites, experts can often be provided for seminars and workshops.

Similarly, some Chambers of Commerce benefit from working with their counterparts in major trading partners. French and German Chambers are particularly active in supporting such relationships and, being statutory bodies with assured finances, can often provide valuable advice on many practical aspects of day-to-day international trading.

National Committees of the ICC are directly connected to the parent body, but the main flow of information and influence, here, is towards the central formulation and support of international principles and policies rather than to purely national issues.

The Audit should have identified any examples of training and technical assistance to Customs from the World Customs Organization, and noted the extent to which trade interests might have been included in such activities. Special attention should be paid to any Customs Consultative Committee that already brings traders, agents and Customs together to share information and consider operational changes or difficulties. A similar service is often provided by Port Consultative Committees on which Customs are almost always represented.

Apart from formal institutions, the Analysis needs to offer an outline evaluation of the extent and quality of any significant commercial communities, usually most evident in and around major ports, where banks, Customs, any exchange control agencies, and transport interests come to a common daily operational focus.

These informal, often unrecognized groupings, often represent a major part of the broad potential facilitation market and, at the same time, the main source of long-term interest and support. They can be useful instruments on which to play remedial action tunes.

Global express delivery services, for example, operate and are institutionally active in many developing countries. They have and deploy very powerful national and international public affairs departments and are particularly interested in simplifying and speeding Customs and other border controls. They can be important initial supporters in any moves towards a national facilitation group.

Much of the Audit will be concerned with identifying and describing individual elements in a set of trade and transport activities. The Analysis needs to complement the resulting picture with a careful account of information flows and consultative links among the principal actors, notably business and government. These will provide remedial action with some basic means of passing essential messages and eventually securing the cooperation in a facilitation committee.

The mere existence of an information flow or consultative mechanism can be meaningless or even misleading without qualitative assessment. The Analysis should therefore evaluate the broad state of information supply and categorize the main sources of useful commercial and official intelligence.

It may be difficult to identify, let alone assess, facilities for the following stage of developing consultation. These can vary from formal, permanent Customs or Port Consultative Committees to question and answer possibilities at individual Chamber of Commerce or trade association seminars or symposia, attended by speakers from Customs or other government agencies.

Some countries may have ventured on the path of a national facilitation committee or, at any rate, an UNCTAD Trade Point, which could be used as a base from which to develop consultation.

Sometimes, in situations where there are no established consultative channels, traders may have recourse to isolated *ad hoc* approaches to relevant government departments in order to express concern at, and seek relief from, some particularly difficult regulation.

If such special consultative gaps can be identified, it may be possible and necessary to try and help fill them, as a small but practical step towards the sort of dependable consultative framework that might be an essential precondition for the formation of a national facilitation committee.

Consultative mechanisms should be considered against the background of some overall judgment of government/trade relations. In many developing countries these are pervaded by mutual, often

justified suspicion. The success or failure of eventual remedial action will mainly depend on the success achieved in raising confidence.

The Audit should list all significant consultative structures, channels and activities, so that the Analysis can arrive at an initial estimate of their possibilities in terms of likely remedial action, including, of course, the formation of any necessary facilitation committee.

3.3.4 Formation and Management

Assuming the conditions and broad cooperative understandings necessary to set up either a national facilitation committee or a similarly important body to service and support a large facilitation project do exist, many of the principles set out in the UNECE Recommendation Guidelines are valid and helpful and need little amplification here.

The committee should bring and keep together members with special knowledge of and interest in all the main elements in the transaction identified in the *Methodology*. Those drawn from official agencies, including Customs and Ministries of Commerce/Trade, will need to be nominated by their departments, but business members need not necessarily be representatives of established associations or Chambers of Commerce as long as their expertise is generally acknowledged and their commercial standing makes them acceptable.

There is a corresponding and interlocking requirement for a carefully selected Chief Executive. It may seem sensible and logical to appoint someone with existing expertise in a particular procedural area, for example, Customs or maritime transport, but it may be better to invest in proven general competence, which, even if starting from little more than impartial ignorance, can acquire and deploy progressive understanding of the procedural structures underlying the overall transaction.

It is difficult to imagine a successfully active facilitation committee run, on a part-time basis, by someone with other concurrent responsibilities in, for example, a government service, trade body or individual company.

The final part of this section of the *Methodology* considers the possibility of linking a facilitation support group to a follow-on project with an agreed work program over, for example, a two-three year period. It includes some suggestions for staffing such a group, perhaps as a national committee, for both the project period and for the longer-term future.

The group, once formed and at work, may well decide to set up special task forces to deal with highly detailed difficulties at some single point in the procedural chain, but it should, itself, receive the information collected by such groups, review their conclusions and relate all of them to a sustained, comprehensive view of overall procedural reform and simplification.

Future Possibilities

It may be useful, though patently speculative, to consider what new influences may signal the need for new or revived national facilitation committees, based on the pattern of the historical precedents set, forty years ago, by the successive and to some extent overlapping tidal waves of multimodal containerized movement and computerized information handling.

The most likely new influences, under current circumstances are:

- Regulatory repercussions of WTO Facilitation negotiations, with prospective capacity building/technical assistance consequences and complications from Special and Differential Treatment arrangements
- Mounting security controls on goods passing national borders, bringing massive extra commercial and official costs. These controls pose direct threats to trade facilitation and could have serious adverse trade related effects on many developing economies.

Most, if not all, proposals before the WTO under “Facilitation” are really Customs reforms, many of which are already foreshadowed in the WCO [Revised Kyoto Convention](#).

The main mechanisms for working out how eventual legal texts may have to be implemented, under what conditions, over what time periods and subject to what dispute mechanisms will, insofar as they are not settled in the WTO itself, fall naturally to well-established Customs/trade consultative channels.

Some subjects, including suggestions for rule-making on authorized trader status and a US-India joint Communication on routine exchange of commercial information between export and import Customs, may call for and be accorded some more general commercial examination, but it is hard to see material or excuse for diligent extended consideration by any national facilitation committee.

Security presents a much more substantial agenda, but raises a great many restricting sensitivities that could keep it off the table of any national facilitation committee where Customs and/or other official agencies are represented and would need to express their views.

On the other hand, many interests, including the US Homeland Security Department and the WCO, have consistently linked security to facilitation, as though they were inseparable co-beneficiaries of every new regulatory constraint or obligation. There is a significant element of technical truth in this somewhat optimistic assumption, but it relies on and demands some very careful review and adjustment to relate changes in trade and transport practice called for by “instant” regulation and the far longer time pans necessary for every participant in legitimate international trading to make all the required changes to operational systems, staff training, and physical equipment.

Here there may well be a major task of analysis, costing, comparison and reconciliation best carried out, particularly in developing countries, through the sort of comprehensive consultative and cooperative group that we have become accustomed to in national and other comprehensive facilitation committees.

3.4 From Perception to Reform

The *Methodology* has a common problem with *Doing Business* and *Connecting to Compete* – how to effect a well-managed transition from the relatively short timescale of the Audit and Analysis to the much longer period of up to ten years required to bring about substantial and sustainable improvement over the entire invisible procedural infrastructure.

The agencies responsible for the initial tasks of Audit, Analysis and suggestions for appropriate remedial action may subsequently not assume or be allocated any role in the long-haul task of explanation, persuasion, promotion and practical reform. Facilitation may come to a dead end. This is the worst-case scenario for the general facilitation cause because the many people at all levels of commercial, administrative and political life who have been drawn into the considerable consultative and cooperative activities inherent in any worthwhile *Methodology* application will feel they have wasted their time and attention on an ill-chosen objective.

Each *Methodology* exercise therefore carries with it a strong moral responsibility to look for and facilitate an in-house or external extension into eventually successful implementation. Practical experience suggests that the arrangement most likely to succeed is an intensive two-three year facilitation project, with an on-site resident manager. This should be designed and managed to secure credibility, enlist political will and stimulate and strengthen commercial ownership.

3.4.1 Credibility

The Audit and Analysis should be reviewed in detail to identify important tangible reforms that can be achieved within the two-year project period. These could include a port operational manual, a simple, standard Customs Import Declaration in paper and EDI format, a Standard Shipping Note, a Single-Window arrangement, draft legislation to accord proper legal status to multimodal transport operators, the formation and running-in of a National, Port or Customs Facilitation Committee, the introduction of Advance Valuation and/or Classification rulings, and an Immediate Release procedure for airfreight and other urgent import consignments.

It is better to ensure one or two fully functioning improvements are realized than to end up with a larger number of semi-finished facilitation products.

The chosen specific objective(s) should be publicized at the outset and work on it (them) given full priority and visibility in the project work program.

3.4.2 Political Will

Some degree of political understanding and support will have been necessary to secure consent to apply the *Methodology* in the first place, but this may often have been confined to a single Ministry, varying with the initial scope and incentive.

The aim in the transitional project period should be to spread necessary political understanding over the full range of potentially affected – and benefited – ministries, at both Ministerial and Permanent Secretary level. The whole emphasis should be on enlightened self-interest.

The benefits of Customs facilitation in terms of better use of port facilities and equipment should be spelt out to Ministries of Works or Equipment. Ministries of Economic Development should be reminded of the importance to foreign investors of simplified, predictable and transparent Customs procedures, and efficient port and multimodal transport operations. The practical attractions of the same advantages for small- and medium-sized enterprises and the consequent benefits in terms of employment should be underlined for Ministries of Trade, Industry and Finance.

Given the frequency with which governmental instability cohabits with a set of long-lived political *elites*, care should be taken to enlist the attention and support of the relevant, usually easily identifiable, leading personalities for, at any rate, the broad principles and attractions of the main facilitation aims and concepts.

The whole process should aim to endow facilitation with sustained and broadly spread political will over the full range of foreseeable power changes and developments.

3.4.3 Commercial Ownership

Trade, in all its operational and institutional aspects, should be brought into the project from its earliest stages.

Local business communities and associations should be the core resource, with parallel and interlocking communication and cooperation with relevant and influential external traders and carriers, as well as their regional and international federations. These are the best guardians of all and any improvements achieved during the project period and the best banner bearers for facilitation into the long-term future. They should see project-based reforms as their own accomplishment and property to be protected and, when possible, extended through what may well be quite powerful post-project forces of deterioration or inertia.

The project must play all its tunes on the full keyboard of the institutional piano. The primary contacts and allies should be existing trade and professional – for example, banking – associations, Chambers of Commerce and any port or Customs consultation committees. The main lines of the project should be communicated, in advance, to such facilitation-friendly bodies as FIATA, IATA, TIACA, GEA, ICS, ICC, IRU, IAPH, BIMCO and the World Shippers' Council, and each of these should be kept informed of progress and difficulties in their domain at all subsequent stages.

Every effort should be made to cross-fertilize and reinforce these institutional contacts by bringing them to common focus within something corresponding to a national facilitation committee. The on-site expert could, if necessary, act temporarily as the secretary/manager, taking care to seek out and encourage someone suitable and available for post-project appointment.

3.4.4 Management and Expertise

The project will normally call for sustained but not necessarily full-time management and an on-site resident expert. One or the other should have been associated with the full *Methodology* sequence of audit, analysis and remedial action leading up to the project itself.

There are many disadvantages to the appointment of a *local* expert, though this will almost always achieve a major reduction in costs. On the other hand, a complete stranger arriving on the commercial and political scene in a typical developing country will have much greater freedom of action than anyone coming from a known internal background. Moreover, the certainty of eventual departure is an excellent protection against assumptions of self-interest or partisan loyalties in the many, often delicate, social and political approaches and discussions that should figure very prominently in the project work program.

Financial arrangements should ensure the expert has suitable residential, transport and entertainment facilities. The particular type of expertise required may depend to some extent on the nature of the main problems identified during the Analysis.

The most likely candidates for priority attention are Customs and related business failings, associated regulatory gaps or obstacles, inefficient port and payment procedures, handicaps in exploiting multimodal transport and public/private monopoly or protectionist constraints on the full play of commercial competition.

In the many instances where Customs reform is a clear and urgent priority, project expertise has to be selected accordingly. A potent professional solidarity also leads most Customs officers to believe that only another Customs officer could understand their activities, problems and achievements. Giving in to this kind of pressure has obvious dangers. Over-familiarity could breed content with less than reasonable change and progress. There could be a tendency to focus the entire project on the Customs element instead of working energetically to underline the Customs influence on and implication in the efficiency of such other activities as port and multimodal transport and airborne express delivery services.

There are also some associated benefits. The WCO is already at work on a very comprehensive set of Capacity Building Diagnostic exercises and is about to embark on a much more testing and lengthy stage of carefully sequenced improvements that could produce very helpful synergies with all Customs elements in any individual post-Methodology facilitation project. This activity – and so the scope for symbiosis – will be widened and deepened if and when the WTO moves into the same strategic area, in support of assistance to governments in the wake of any new international Facilitation Agreement.

A useful halfway house would be to look for an experienced Customs agent, preferably from a developed economy where broking and agency work is freely competitive and fully concerned with customer satisfaction, rather than licensed and particularly dependent on Customs.

If, in the end, a Customs expert is the only solution, then a well-experienced operational officer, becoming available on or just after retirement could offer the maximum of benefit with the minimum of possibly limiting links to a particular national administration. If the original administration is politically “neutral” as in, for example, all the Scandinavian countries, then there may be opportunities for mutually beneficial temporary secondments of mid-term or even junior officers.

Apart from agents and brokers, there is often a very high degree of practical Customs expertise among the many service industries, particularly in the various modes of transport, that actually deal with Customs at the border, often to the almost entire exclusion of the actual trading declarant.

In addition, there are a small number of specialized rounded-out facilitation experts in certain international consultancies and on the staff of a few international inter-governmental and trade organizations, but it would be imprudently optimistic to expect that many of these would be prepared to meet the considerable upheaval of a relatively short-term overseas posting.

3.4.5 Final Report

Just as the suggested project would be a calculated move forward from a *Methodology* application, the project itself should see as one of its main objectives, from the beginning, a carefully crafted contribution to an on-going facilitation structure and strategy.

This is best met by a detailed report, with identification of additional, reinforced or successfully achieved objectives, suggestions for establishing preferences and setting priorities, acknowledgements to especially active and helpful organizations, and strong emphasis on the ways in which the project will have demonstrated the practical value of facilitation to a range of national public and commercial interests.

It can be particularly useful to include a list of detailed Recommendations for further action with a list, attached to each Recommendation, of the particular private and public sector organizations that are best situated to explore and help implement them.

The report should be considered at an open Conference, where the presentation and explanation of specific tangible simplifications achieved by the project can be most effective. This will also provide an ideal opportunity to set and secure initial support for some main objectives for another two or three years ahead. The Recommendations and related listings can be publicized, with special allocation of central overall responsibility to whatever organization may have been built up or strengthened during the project period.

ANNEX – METHODOLOGY UP-DATES AND ENHANCEMENT

Consultants and Bank staff responsible for projects that include the use of the *Trade and Transport Methodology* are asked, as part of their remit, to provide a back-to-office report covering the following points: overall approach, usefulness, scope and accessibility.

General Usefulness

Would a free-form, unstructured examination of the facilitation state of play have been more suitable or effective? If so, what elements, if any, of the *Methodology* might still have proved useful and for what purposes?

Coverage

Did you identify any additional interests/sectors that should have had separate consideration and treatment, for example, security requirements or postal services?

Did you find that some interest/sectors were unnecessary or inappropriate? If so, which ones and why?

Questions

(It was never intended that anyone ask all the questions listed. They offer a range of choices, depending on specific circumstances and prior information.)

Did you find some questions badly phrased, superfluous or unduly intrusive? If so, which ones?

Are there additional questions that you found useful to ask? Should they be included in the *Methodology* or would they be too specific?

Audit Accessibility

Which three activities – e.g. Customs, agents, banks, other – were most accessible/inaccessible to the Audit? Could you offer some explanations/reasons?

Institutions

Did you identify any useful and relevant institutions *not* mentioned in the *Methodology*? Do you agree, after experience, that those already covered are worth attention?

ADDITIONAL RESOURCES

A full list of all recent and forthcoming World Bank transport sector studies, toolkits, guidance notes, and related information can be found at:

Transport Anchor Website

<http://www.worldbank.org/transport/>

Africa Region Transport Website

<http://www.worldbank.org/afr/transport/>

Sub-Saharan Africa Transport Policy Program (SSATP)

<http://www.worldbank.org/afr/ssatp/>

East Asia and Pacific Transport Website

<http://www.worldbank.org/eaptransport>

Europe and Central Asia Transport Website

<http://www.worldbank.org/eca/transport/>

Latin America and Caribbean Transport Website

<http://www.worldbank.org/lactransport/>

Middle East and North Africa Transport Website

<http://www.worldbank.org/mena/> (click on Development Topics and select Transport)

South Asia Transport Website

<http://www.worldbank.org/sartransport/>