

The WCO's impact to date and lessons learned: the road from Columbus to Competency

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Abstract

Customs was one of the six areas highlighted for improvement by the United Nations International Symposium on Trade Efficiency, which was held in Columbus, Ohio, in 1994. A review by the World Customs Organization (WCO) of their training for members led to the start of a Customs Reform and Modernisation program in 1994. In 2005 an informal strategy set the scene for (a) the development of professional standards, (b) the International Network of Customs Universities and (c) the *World Customs Journal*. In 2008 the WCO published the first Partnerships in Customs Academic Research and Development (PICARD) standards and in 2017 the European Commission published the European Union (EU) Customs Competency Framework for operational and management development in the customs profession. The road from the Columbus Declaration in 1994 has been long and difficult. The perseverance of many has addressed the need for managerial skills, knowledge and capacity to a point where the customs profession is better now than 25 years ago.

1. Columbus: trade and customs

The United Nations International Symposium on Trade Efficiency, held in Columbus, Ohio, from 17 to 21 October 1994 and chaired by the Secretary of Commerce of the United States of America, was an unprecedented event that brought together the private sector and national and local governments in an important forum for proposing practical solutions to some of the problems encountered in international trade. The symposium adopted the Columbus Ministerial Declaration, which potentially set the scene for a worldwide process to enhance participation in international trade (United Nations, 1994a).

During this symposium the United Nations made a significant observation that 10 per cent of the cost of world trade was due to border control transaction costs, such as Customs, quality standards (including sanitary and phytosanitary requirements), and port and airport management (United Nations, 1994b).

Supporting statistics include:

- world trade in 1994 was \$4,000 billion
- tariffs amounted to \$200 billion
- non-tariff measures cost \$800 billion
- transaction costs amounted to \$400 billion
- trade Efficiency potential gains, by the year 2000, were \$100 billion.

These hard-hitting statistics were widely quoted for many years—notably, and not least, by the United Nations Conference on Trade and Development (UNCTAD) Special Programme on Trade Efficiency—and often formed the justification for subsequent border-related reform and modernisation programs.

The assertion was that there was room for 25 per cent efficiency savings in trade transaction costs, which equated to \$100 billion. However, a United Nations Economic Council for Europe (UNECE) Working Party on the Facilitation of International Trade Procedures in 1996 (UNECE, 1996) went on to question the validity of this data, quoting research by the International Express Couriers Conference that represented companies such as FedEx and DHL. Nevertheless, the '10 per cent of world trade' quotation was used by many, including the WCO, as a seemingly credible justification to launch a range of initiatives aimed at increasing the efficiency of trade-related procedures, including the reform and modernisation of customs administrations.

Based on a range of problems in international trade described by the United Nations, such as lack of automation, high transport costs, inefficient banking, and corruption, the symposium went on to set practical actions, recommendations and guidelines for governments and international and national organisations and enterprises. These recommendations and guidelines addressed six areas that they believed were likely to generate tangible results for international trade within something they then called the 'door-to-door logistics chain'. These areas were:

- customs
- transport
- banking and insurance
- information for trade
- business practices
- telecommunications.

Areas of particular importance in which energies were to be combined included the adoption, promotion and implementation of international standards, as well as technical and legal frameworks facilitating trade-efficient measures. They agreed that technical assistance programs were needed in the areas of:

- training and awareness in the main areas of trade facilitation and trade efficiency
- integration of trade-efficient measures in Customs and in the financial, transportation and telecommunications sectors
- promotion and use of agreed international norms and standards for collecting and transmitting trade-related information and messages.

This introduction is significant for two main reasons. The first is that in 1994 the WCO had been developing its Customs Reform and Modernisation program for two or three years and the increased emphasis on customs reform, supported by quotable data from the International Symposium on Trade Efficiency (the Columbus Declaration) gave this initiative considerable international credence. The second reason is that the recognition of these six areas formed a significant focus of attention when, having been neglected by UNCTAD for many years, the recognition of the 'door-to-door logistics chain' resurfaced in an initiative in 2005 but called the 'international trade supply chain'.

When linked with the growing initiative in the WCO to improve customs administrations, the symposium in 1994 was a significant milestone in the recognition that something had to be done to increase the efficiency of importing and exporting cargo around the world. Globalisation and electronic business were just being recognised and the growing demands for change were creating powerful drivers for Customs to reform and modernise.

2. WCO: customs reform

In about 1991, prior to but not connected to the significant trade symposium in Columbus, Ohio, the WCO started to carry out research into its program of external training for members. This had been made up of a number of good-quality, well-recognised and respected modules, delivered mainly in developing countries but also, at times, regionally. Within the WCO Secretariat a small training team, later known as Human Resource Development Services and then Capacity Building, undertook an evaluation of the WCO technical training, using Donald L Kirkpatrick's training evaluation model (Kirkpatrick, 1975, 1998). The four levels of Kirkpatrick's evaluation model essentially measure the:

- reaction of the student – what they thought and felt about the training
- learning – the resulting increase in knowledge or capability
- behaviour – extent of behaviour and capability improvement and implementation/application
- results – the effects on the business or environment resulting from the trainee's and organisational performance.

Level 4 evaluation looked at the effect on the business or environment of the overall training program. The findings indicated that:

- the training was good, well delivered and well received
- there were no individual or organisational needs assessments carried out, so training needs were not identified
- normal management systems in Customs were often not in place to measure individual, team or organisational targets or performance
- there was often no effective management structure or management skills in place
- often the wrong student was sent on the training
- the reason for sending someone on training was often as a reward, rather than developmental, particularly if the training was overseas
- having received the training, often students were then identified as having promotion potential, so they were moved or promoted away from the job
- customs administrations generally lacked any business strategy or plans, lacked strategic and operational management and lacked simple management systems such as planning, budgeting, reporting, performance measurement or strategic support services such as human resource management, IT or communications
- inefficiency and corruption in some customs administrations was a recognised way of life by government, Customs and by international traders and stakeholders.

The problem seemed to be that customs administrations, over the years, had been seen to be something quite mystical, powerful and authoritarian by government, by the trade and even by Customs themselves. Customs had the power of the law behind them and, without any formalised accountability or independent appeals procedures, could wield that authority pretty much how they wanted. In developing countries, long delays of weeks rather than hours or days to import and export cargo were commonplace; poor working conditions and very low pay linked with unaccountable misuse of power meant that corruption and inefficiency were commonplace (and generally accepted by the trade) and ineffective human resource policies resulted in poor recruitment and skills at all levels. As explained by James T Walsh, former Deputy Division Chief in the International Monetary Fund's (IMF) Fiscal Affairs Department:

It has become fashionable to refer to the work of a Customs Administration, and its improvement, as an aspect of ‘trade facilitation’. But this is Orwellian newspeak, given that Customs administration inescapably impedes trade. The point of modernisation is to reduce the impediments (IMF, 2006).

From 1991 to 1993 the WCO realised the extent and impact that inefficient customs administrations were having on national revenue and world trade and in 1994 the International Symposium on Trade Efficiency also painted a gloomy picture, which supported the WCO’s findings.

3. WCO diagnostic study

The WCO appreciated the significance of their own training review and, perhaps for the first time, found itself recognising major problems within the member administrations that were not of a technical nature. They understood the strategic importance of these issues and considered how to address the subject of organisational deficiencies. The WCO commenced work to build a self-help diagnostic tool. The aim was to assist managers in customs administrations to analyse the environment within which they were operating, diagnose problems, formulate solutions and draft a development plan to put things right. By involving senior managers in the process, it was anticipated that it would build not only diagnostic skills but enhance management practice, revenue income, enforcement, trade efficiency and service orientation. This was the Customs Reform and Modernisation (CRM) program (WCO, 1995a).

Within this CRM program, the WCO saw their role to:

- equip beneficiaries with the tools necessary to make a self-assessment of their requirements and set a reform and modernisation plan
- be a reliable source of information on customs matters, as well as an accessible bank for a portfolio of training and organisational development aids such as easily adaptable training modules and good practices guides
- act as an honest broker of donor expertise and beneficiary needs.

The WCO, Canada and the Netherlands, with some assistance from other members such as the United Kingdom, drafted a comprehensive Diagnostic Study User Guide as the main vehicle of the CRM program. It was finalised in November 1995 (WCO, 1995b). Box 1 describes the overall process.

Box 1: The diagnostic study process	
<p>Introduction Background Objectives Benefits Considerations before you begin How to use this Guide</p> <p>Process</p> <p>1. Analysis phase The role of Customs Developments in Customs, a future perspective</p> <p><i>The Customs environment</i> The external environment analysis The internal environment analysis Conclusion Problem statements</p> <p><i>Analysis process tools</i> Worksheets 1 to 8</p> <p>2. Diagnosis and decision phase Introduction</p> <p><i>Defining the problems</i> <i>Finding the root causes of the problem</i> <i>Searching for solutions</i> Generating all possible solutions Evaluating solutions</p> <p><i>Making decisions</i> <i>Setting strategic priorities</i> Worksheets 9 to 13</p>	<p>3. Planning and implementation phase Introduction</p> <p><i>Drawing up a plan</i> Setting goals Activity planning Determining resource requirements Determining time requirements Scheduling</p> <p><i>Assessing your own strengths and constraints</i> Review of analysis data Needs analysis External assistance External assistance plan</p> <p><i>Implementation plan – Communication strategy</i> Worksheets 14 to 22</p> <p>4. Follow-up phase <i>Purpose of the follow-up</i> <i>Characteristics of the follow-up</i></p>

It became clear early on in experimenting with this process that the customs administrations in countries that were in most need of improvement struggled to come to terms with this ‘management’ approach, even when it was explained carefully and deliberatively. The lack of strategic and operational management skills had been significantly responsible for the poor performance of the customs administrations that would be benefiting from the CRM program. To expect them to embrace this relatively sophisticated approach to organisational improvement proved to be too ambitious.

Moreover, the expectation that the customs administration would also have the wherewithal to contextualise the findings of the diagnostic study and manage the improvement process, ostensibly with limited assistance from outside, also proved unrealistic. And if these two lessons were not damaging enough for the initial policies of the WCO, it also became clear that the content of the Diagnostic Study User Guide was so detailed and complicated that it was impossible to work through the entire process in the two-week workshop and it was unrealistic to leave it with the beneficiary administration to learn how to use it themselves.

By 1996 it was clear that the Diagnostic Study User Guide, while being a highly valuable document and the product of considerable work by many in the WCO team, was over engineered and too detailed.

What was needed by the beneficiary administrations was more high-level concepts and analysis and far more support in both the diagnosis and implementation than had, at first, been anticipated. In many respects the key to achieving the required improvements was to identify the ‘drivers for change’ and the stakeholders involved in the strategic problems and mobilise their support and commitment for the solutions. The technical detail would come later. This was genuinely a breakthrough in the international arena by moving away from a ‘shopping list’-based approach to aid and assistance, with little value-for-money assessment, to a more realistic program for change based on analysis, ownership, partnership and commitment. Management skills development as part of this process was essential.

From 1998 onwards, various policies were developed in the WCO leading up to the aptly named Columbus Programme, aimed at building capacity in the countries that had signed up to the SAFE Framework of Standards.

4. A new strategy

In 2005, a meeting was held at the WCO in Brussels between a small number of participants from member customs administrations, the private sector, universities, and the WCO Capacity Building Team. An informal strategy was agreed to help address the emerging need for better research and management development within the customs profession. The proposal was for a three-pronged approach.

- Professional standards, published by the WCO, would properly describe and develop senior and middle management competencies in the customs profession.
- University courses would deliver bachelor and master programs in support of the professional standards and to enhance management capabilities in the customs profession.
- Research would be carried out on a wide range of topics by academics, students and customs practitioners in order to assist with the current and future issues facing the customs profession. That research would be published in the *World Customs Journal*.

Professor David Widdowson AM has been a critical player in achieving and delivering that informal but invaluable strategy.

5. Technical and management competence

Two of the fundamental issues concerning capacity building and institutional and organisational development in customs administrations are those of technical and management competence. Poor strategic management is often the cause of organisational failure, yet it is strategic management that holds the key to change and improvement. When faced with the issues caused by poor senior management it’s often the senior managers themselves who deny there’s a problem. A conundrum.

In 2008 the WCO, together with the International Network of Customs Universities, adopted the WCO PICARD program, which set common standards for strategic and operational customs managers aimed at the professionalisation of Customs (see Widdowson, 2015).

These professional standards were developed with three main purposes:

- The development of benchmarks that can be developed into job profiles for customs recruitment
- The development of benchmarks against which in-house training can be measured
- The development of standards against which academic development can be designed or procured.

The standards can and are being used by the academic world to develop educational programs that provide professional qualifications for customs staff to BA and MBA levels.

In 2011 the European Parliament's Internal Market and Consumer Protection Commission's review of customs modernisation concluded that the skills, knowledge and experience of customs professionals should be in constant development and improvement, as these are prerequisites for high-quality customs procedures. The report identified the need to provide customs officers and economic operators with adequate training in order to ensure the uniform enforcement of EU rules and better protection for consumers (European Commission, 2011, paras 68–69). These principles apply to Customs worldwide.

Later, in 2011, the European Commission carried out a feasibility study to consider an academic program for the customs profession within the EU (EU, 2011). Research within the EU had shown a lack of harmonisation in the understanding and application of EU customs regulations and systems, along with limited strategic, management and advanced technical competencies (Expert project steering group, 2011).

Different national interpretations of the EU customs legislation created red tape for business, with a consequential negative impact on European competitiveness, and this weakened the EU's ability to administer an efficient risk-based approach to compliance (European Commission, 2011, para 39).

As a result of these gaps, companies often struggled to strategically and effectively manage their customs obligations and integrate customs management within their operations (Expert project steering group, 2011).

Customs administrations of member states found themselves lacking capacity in critical areas and suffered a diminution of their capacity to develop effective new approaches.

The customs profession as a whole faced challenges around change capacity and innovation as a result of these gaps. The introduction of the European Union Customs Code in 2013 brought these issues to the fore. The research also showed an overreliance on traditional experientially led internal training provision.

Changes that have occurred and continue to occur, in particular through the introduction of modern legislation, have significantly altered the nature of 'customs' and the cross-border movements of goods. Consequently, the needs of those working in the field have changed. As an example, the introduction of the authorised economic operator (AEO) within the Union Customs Code requires practical standards of competence or professional qualifications directly related to the activity carried out. Accreditation of AEO demands in-depth knowledge of the (global) supply chain and auditing within customs agencies and requires greater knowledge of the breadth of customs procedures within the trade organisation. Awkwardly, these criteria only apply to commercial economic operators and not to the Customs Administrations, potentially leading to a skills gap.

Both the European Commission and the global community of customs administrations have concluded that strategic and managerial development are of critical importance to the future of customs. The EU Feasibility Study Expert Group concluded that there is a pressing need for action to optimise the training and development system within the customs profession and lift it to a higher level. The envisaged parts of the training and development structure were:

Part 1 – Shared training and development: a mixed provision of training and development materials and a shared learning infrastructure to support technical and advanced technical training provision throughout the EU.

Part 2 – Education for the customs profession: core curricula and accredited training programs (delivered by appropriate educational institutions, customs academies, trade organisations etc.) at BA and MA levels. This provision should be built on agreed EU core curricula and standards for BA/MA content that would be developed out of the competency framework.

Part 3 – Strategic development: advanced strategic and managerial training for leaders within the customs profession at MBA/PhD or equivalent level. Targeting the current and future senior leaders, this provision would be a mixture of core content specific to the customs profession, managerial development delivered internally or by specialist providers, and staff attendance at MBA or equivalent courses.

Underpinning this structure is a competency framework, developed by the European Commission and adopted by the WCO. This establishes a common view of professional competencies and provides the base from which new materials will be developed, gaps and requirements are identified, and current materials and provision tested. This is critical to enabling coordination and harmonisation of the competencies and standards across the customs profession.

The EU Customs Competency Framework (European Union, 2017, p. 2) aims to make optimal use of staff competencies to increase the performance of an entire organisation. It contains a set of four categories of competencies at different proficiency levels (aware, trained, advanced and expert):

- customs core values
- professional competencies
- operational competencies
- management competencies.

The ‘customs profession’ is a term that is defined very broadly to reflect the full scope of work for customs and trade professionals who are involved in any stage of the external border crossing supply chain—be they in the public or private sectors, in roles specifically defined as customs-related or merely responsible for certain tasks related to goods crossing borders.

6. Conclusion

Through the PICARD standards the WCO has recognised that the development of strategic and managerial skills, knowledge and capacity are key to the future success of customs. The standards, ratified by the WCO Council in 2009 fundamentally assert two things:

1. That customs, and the environment within which it operates, has fundamentally changed and continues to evolve rapidly. The introduction to the PICARD standards states: *‘The role of Customs in the 21st century, as it faces the challenges posed by globalization, trade facilitation initiatives, and security concerns necessitates a renewed professional approach to the management and operations of Customs administrations across the globe’* (WCO, 2019).
2. First and foremost, it is strategic and managerial leaders and their skills and knowledge that will determine how successfully customs organisations are able to respond to these changes.

The standards do not seek to identify the skills and knowledge required at operational levels but ‘to create a set of common, internationally recognized standards for the professional development of Customs managers’.

They focus specifically on two levels: strategic managers/leaders (senior management) and operational managers/leaders (middle management). They do so because these personnel must be able to evolve new strategies to respond to the changing environment, to guide their organisations in adopting new structures and approaches and to develop new operational delivery mechanisms which are suited to the new role of Customs.

In developing and ratifying these standards, and placing such importance on them, the WCO gives the clear message that the majority of customs agencies globally believe strategic and managerial development to be critical. This is persuasive evidence in support of the idea that strategic and managerial development is critical to the customs profession (Expert project steering group, 2011, p. 3, conclusion 1.)

The WCO Model Code of Ethics and Conduct (WCO, n.d., p. 1) says that Customs employees have a responsibility to their government and its citizens to place loyalty to the government, laws and ethical principles above private gain. The public is entitled to have complete confidence, trust and respect in the integrity of its customs administration and to expect all customs employees to be honest, impartial and professional in the manner in which they employ their skills, knowledge, experience and official authorities.

All customs employees must accept and perform duties with honesty, care, diligence, professionalism, impartiality and integrity.

The road from the Columbus Declaration in 1994 for a worldwide process to enhance participation in international trade has been long, winding and full of bumps. However, the perseverance of many in the WCO and the International Network of Customs Universities has ensured the strategic development of academic and research programs that have addressed the need for managerial knowledge and skills.

We, in the customs profession, are in a better place now than we were 25 years ago. This has been due, in no small measure, to academic research and the *World Customs Journal*, academic development through universities delivering world-class bachelor and master programs, modern legislation and the recognition of the role of institutional and organisational development in improving strategic and managerial skills, knowledge and capacity.

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