

# ACHIEVING SUSTAINABILITY IN CUSTOMS CAPACITY BUILDING

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## Abstract

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The importance of customs reform and modernisation to improve the efficiency and effectiveness of international trade is recognised in the World Trade Organization's Doha Round negotiations on trade facilitation. Capacity building in support of such reform and modernisation is an important aspect of trade facilitation and its requirement for technical assistance for developing and least-developed countries. Achieving success and sustainability of capacity building outcomes is an issue that has confronted many international and donor organisations and it is possible to discern some key elements directly relevant to the success and sustainability of capacity building programs. These key elements have been identified and incorporated in the World Customs Organization's Columbus Programme for customs capacity building and if applied strategically and correctly, will provide lasting benefit to government and business.

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## Customs modernisation as a component of trade facilitation

Before discussing the issues surrounding capacity building and the role that sustainability plays in relation to capacity building in Customs, it is worthwhile considering why the efficiency and effectiveness of customs processes are important to international trade.

In 2004 trade facilitation was included as part of the World Trade Organization's (WTO) Doha Round of multilateral trade negotiations. The inclusion of trade facilitation reflected the realisation among members of the WTO that while the average level of import tariffs has been progressively falling since the inception of the General Agreement on Tariffs and Trade (GATT) in 1948, so-called non-tariff barriers have assumed a correspondingly greater importance in their potential to create trade distortion and inequity.

The inclusion of trade facilitation addresses some of the non-tariff barriers, particularly the processes involved in the movement of goods across borders including customs and other border management agency processes. There are considerable costs associated with these processes which have been well analysed in recent times through publications such as the World Bank's 'Doing Business' series and 'The Global Enabling Trade Report 2008' released by the World Economic Forum. For example, while OECD countries require on average about five documents and clear goods in an average of 10 days at an average cost of approximately US\$950 per container, in sub-Saharan Africa almost double the number of documents is required and goods take from 35 days (for exports) to clear and up to 44 days (for imports) at an average cost of US\$1,660 and US\$1,986 respectively.<sup>1</sup>

That example not only highlights the costs involved in moving goods across national borders, it also highlights the potential to improve competitiveness through reducing 'red tape' and making the clearance process more efficient. This potential can be realised primarily through a focus on procedures at the border, which means Customs, both directly in terms of its function and processes and less directly in terms of the role it plays within government alongside other border management agencies.

The mandate for the WTO negotiations on trade facilitation is couched in language that does not mention customs reform and modernisation per se. Rather it states that there are three objectives:

- to clarify and improve GATT rules on the movement, release, and clearance of goods, including goods in transit, with the aim of reducing the transaction costs of trade
- to develop special provisions for developing countries and least-developed countries and provide them with technical assistance and capacity-building support that will help them to implement better trade facilitation policies and practices
- to improve communication and cooperation between the customs authorities of WTO members.

The actual mechanism for achieving that mandate has been defined around the available provisions within GATT as it presently stands, that is, through the improvement of three GATT articles:

- Article V – facilitating transit trade
- Article VIII – border fees and formalities
- Article X – transparency of trade regulations.

While not explicit, each of these GATT articles involves customs procedures. Customs reform and modernisation to achieve efficiency and effectiveness is therefore not only a legitimate focus in terms of the potential benefits that it can deliver, there is a WTO mandate to do so in the context of the current Doha Round.

However, to embark on customs reform and modernisation requires consideration of what is sought to be achieved and how to achieve it. This leads naturally to a discussion of capacity building both generally and in the context of Customs. Much has been written on what leads to a successful capacity building outcome and in the context of Customs, this has been captured by the World Customs Organization (WCO) in the Columbus Programme which I discuss below. It is, however, worthwhile distilling those features of capacity building that have been considered by other organisations to be preconditions for success and comparing them to the Columbus Programme. When this is done, the importance of sustainability as both an ingredient and an outcome of capacity building comes through strongly.

## Features of successful capacity building

Any international or donor organisation that has been involved in a project to deliver technical assistance has confronted the issue of how to achieve a successful outcome for that project. As well, much has been written about what constitutes the key elements of successful capacity building. This paper does not attempt to capture all that has been written in that regard but it is possible to discern some common threads.

### 1. Coordination

This refers to the coordination of stakeholders such as government agencies and businesses that have an interest in the outcome of the capacity building as well as to coordination between the international and donor organisations themselves to take advantage of synergies that exist between respective programs. Without such coordination, problems of duplication and waste can arise.

Proper coordination ‘ensures that programmes are based on agreed best practices, designed to suit the specific needs of individual countries and are not a short-term measure, but are instead aimed at producing sustainable benefits...’<sup>2</sup> Proper coordination also recognises that ‘there is also a complex partnership between donors and various government agencies with different priorities, operating arrangements, timeframes and resources. A delicate balance must be established between the donor’s own trade policy agenda and the developing country’s needs and priorities’.<sup>3</sup>

## **2. Commitment**

There must be political commitment to the reform process since without such commitment, funding the necessary reforms becomes problematic at best. There must also be a commitment to success from all of the stakeholders within the public and private sectors otherwise the capacity building will be fraught with difficulty and any benefits will tend to be short-term. In other words, sustainability won't be achieved.

## **3. Ownership – adapting to specific needs**

It is axiomatic that every country has its own particular socio-economic context and its own particular needs in relation to capacity building. It is therefore critical that projects do not adopt a 'one size fits all' approach. Such an approach to capacity building does not work and furthermore tends to alienate local stakeholders and is counter-intuitive to the achievement of sustainability.

Due regard must be given to the actual circumstances, relevant infrastructure and needs of the particular administration undertaking the reforms. This 'context-setting' should be established early in the start-up phase of any capacity building project. This is not to say that common or internationally recognised standards are ignored (see 6. below) but those standards may need to be 'tailored' or adapted to the specific country context.

An opportunity exists at this time to obtain 'buy-in' from those who will be affected either directly or indirectly by the proposed reforms. If 'ownership' of the reforms can be achieved early in the project and subsequently maintained, there is much greater likelihood of success and sustainability of the reforms. Stakeholders will feel that their opinions are valued if a process that encourages their ongoing involvement (discussion forums and public communication mechanisms) is put in place to help build confidence in the overall reform process. This approach serves to build strong institutions and enhance existing ones and contributes to sustainability of the capacity building effort. It represents best practice change management and is core to this element of successful capacity building.

## **4. Needs assessment**

An early step in any capacity building program, along with the context-setting mentioned above, is to assess the particular needs of the individual country or countries in question and analyse those needs against the stated objectives of the program. This may involve undertaking a diagnostic check, benchmarking and a gap analysis to establish a baseline against which success will later be measured. Each of these steps is directed toward establishing the specific reforms that may be required for the particular country in order for it to meet its stated objectives with respect to capacity building.

In a very real sense this process is about getting 'value for money'. A decision to embark on capacity building is a decision to make a significant investment and it is crucial to have a clear understanding of the objectives to be achieved and how success or otherwise will be measured. (The importance of measurement is discussed in 8. below). It may seem self-evident but all too often administrations are led along by well-meaning donor organisations and their consultants who offer a standard or even 'off-the-shelf' solution that may have worked somewhere else. But that doesn't guarantee success on this occasion. The specific needs and objectives of the particular country or countries must be accurately assessed and articulated into specific programs for those seeking capacity building assistance.

## **5. Improving management capacity**

Improving management capacity is directly related to sustainability in two respects: firstly, if 'local' skills are developed to manage the organisational change that is inherent in many capacity building programs, the 'ownership' that was referred to previously will be enhanced. Secondly, improving management capacity will contribute to the ongoing durability and maintenance of the reforms achieved

by the program because the reforms and the manner in which they were achieved will be well understood by management. If further changes or refinements are necessary they can be undertaken locally, without the expense of contracting external advisers and/or consultants to undertake those tasks.

### **6. Use of common standards**

As mentioned previously, it is critical that the specific needs and objectives of the country or countries seeking capacity building assistance are addressed but this should not be at the expense of utilising common or international standards where relevant.

This element is pertinent to customs capacity building because the WCO has established just such international standards and best practice with respect to customs procedures in its Revised Kyoto Convention and the Framework of Standards to Secure and Facilitate Global Trade. Having reference to such standards and best practices when undertaking a capacity building program achieves coherence and ensures interoperability with other customs administrations thereby reducing overall costs at both strategic and transaction levels. This also adds to the sustainability of the capacity building.

Any training that is conducted as part of capacity building should reinforce such standards and best practices rather than simply focus on national or regional variations of the standards, although it is still important to take those variations into account in the context of emphasising best practice. This is where international organisations can add considerable value to capacity building because the harmonisation of rules and standards is often a significant part of their *raison d'être*.

### **7. Adopt a holistic approach**

This element recognises that capacity building can cut across a range of different government departments and has the potential to impact on a diverse range of public and private sector interests. A holistic approach is closely related to the elements of coordination and ownership discussed above and again, is particularly relevant to customs capacity building because any program that seeks to reform and modernise border management processes must acknowledge that border management involves a multitude of tasks and activities, some related to facilitation and others to control. In many countries border management involves several government agencies each of which has its own specific responsibilities and powers to exercise at the border.

Anything less than a holistic approach will create imbalances in the reforms and lead to inefficiencies. For example, it is possible to reduce clearance costs to government and business by rationalising the number of agencies that are allowed to intervene at the border but successful rationalisation relies on trust between different agencies and a robust communication and service delivery mechanism. A holistic approach to capacity building in this regard can support a successful and sustainable outcome; a piecemeal or ad hoc approach will emphasise differences and weaknesses.

### **8. Measurement – monitoring and evaluation**

As mentioned earlier when the issue of needs assessment was discussed, it is important to identify and articulate the objectives of the capacity building program. But how is the success of the capacity building program to be measured? What are the desired metrics that will be measured to provide the government and the donor organisation with an objective view of whether or not the investment in reform has been worthwhile?

Agreement on measurement including key project benchmarks and a monitoring and evaluation process lends transparency to the capacity building program and should be settled very early in the project initiation phase. Taking a needs assessment early provide a baseline against which improvements can be measured: if performed accurately, it provides the donor organisation and the donee government

with an indication of the likely viability of a capacity building program before a large amount of funds has been disbursed. Of course, a needs assessment also serves to identify the critical components of the proposed capacity building and how they might be prioritised. These become the key benchmarks that are monitored and evaluated through the project life cycle and at its conclusion.

## Summary

If all of these elements are taken into account and applied correctly and appropriately the result should be *sustainable* capacity building that brings with it long-term benefits to both government and business.

## What is customs capacity building?

The WCO defines capacity building in the context of Customs as: ‘activities which strengthen the knowledge, abilities, skills and behaviour of individuals and improve institutional structures and processes such that the organization can efficiently meet its mission and goals in a *sustainable* way’<sup>4</sup> (emphasis added).

The WCO definition acknowledges the perspective of customs administrations as an arm of government but it is equally important to acknowledge the perspective of business. Effective customs capacity building that improves the efficiency of clearance processes reduces the cost to business of importing goods into or exporting goods from a country.

Many countries are concerned that difficulties related to the lack of trade facilitation disciplines (such as delays at borders, complicated and unnecessary documentation requirements, and the lack of automated processing) lead to business losses that often exceed the costs of tariffs.<sup>5</sup>

Any delay in getting goods across a national border affects the competitiveness of individuals and companies through the need to maintain additional inventory or through loss of business opportunities, so a reduction in clearance times either directly or through reduced paperwork reduces those costs. In other words, effective customs capacity building can benefit both government (maximising revenue collection and greater attraction of investment) and business (lower costs and improved competitiveness). Sustaining such reforms over time rather than as a one-off concession has obvious attractions to government and business.

Capacity building should improve the efficiency of the supply chain, enabling cost effective control and revenue collection, lower inventory levels, and ensure a predictable and secure supply.<sup>6</sup>

The WCO’s flagship capacity building program is the ‘Columbus Programme’, which was initiated in January 2006 to ‘foster sustainable Customs modernisation and implementation of the WCO Framework of Standards to Secure and Facilitate Global Trade, the WCO Revised Kyoto Convention, and other trade facilitation standards and best practices’.<sup>7</sup>

The WCO’s capacity building strategy identifies six key principles for a successful reform and modernisation outcome:<sup>8</sup>

1. Accurate diagnosis of capacity building needs and the development of country-specific responses.
2. Sustained high-level political will and commitment.
3. Enhanced cooperation and coherence.
4. Greater ownership by and participation of Customs personnel.
5. Realistic government and donor expectations.
6. Adequate human and financial resources devoted to capacity building initiatives.

It should be noted that these six principles align closely with the key elements discussed above in relation to capacity building generally.

## The WCO's Columbus Programme

As previously highlighted, the Columbus Programme is the key means by which the WCO seeks to build capacity within and across customs administrations. It applies three phases, consistent with capacity building best practice, to achieve customs modernisation: needs assessment, implementation and monitoring.

In relation to the needs assessment phase the WCO uses a 'Diagnostic Framework' to assess the current capacity of the customs administration requesting assistance and to further identify any gaps between that capacity and the modernisation objective to be achieved. The diagnostic process references ten areas to determine the capacity of the relevant customs administration:

1. Leadership and strategic planning
2. Customs systems and procedures
3. Organisational and institutional framework
4. Legal framework
5. Resources (human, financial and physical)
6. Information technology
7. External cooperation and partnership
8. Change management and continuous improvement
9. Governance
10. Management information and statistics.

The WCO has consciously involved other international organisations, customs administrations and the private sector in the design and implementation of the Columbus Programme, including participation in diagnostic missions.

## 'Sustainability' as a component of customs capacity building

Sustainability is something that donor organisations should be seeking to achieve in every project whether customs-related or otherwise. As stated in an OECD Working Paper on trade capacity building in relation to the trade policy process: 'Supporting the structuring and the sustainability of such a process – in countries where it is inefficient or close to non existent – is what donors should aim at'.<sup>9</sup>

Sustainable outcomes should equally be a key objective for customs capacity building both as a concept and as part of the mechanism for implementing customs reform and modernisation. There can be no question that positive and sustainable reform is preferable to short-term gains. There are any number of examples of donor-funded projects where an offer of technical assistance is gratefully accepted by the recipient administration, the technical assistance is duly provided in relation to a specific project that either does not take account of other related projects or has not been designed strategically, and the funds are applied inefficiently and ineffectively at best or at worst are completely wasted. More often than not the same type of technical assistance is offered by other donor organisations at a different time and again, gratefully accepted but ultimately, with the same outcome, and so the cycle continues.

Where might customs administrations focus their attention to achieve sustainable reform? Some guidance is provided by the WCO itself as distilled from diagnostic missions:

Customs need assistance in putting theory and awareness into action. In particular, they are asking for support to develop the business skills, such as strategic planning, contracting, information and communications technology usage, and project management, sequencing of development. There is inadequate application of modern Customs controls to support a secure and facilitated approach.<sup>10</sup>

And:

To make trade facilitation improvements sustainable and to improve facilitation further, it is essential to develop Customs compliance management skills and to implement modern and effective compliance and control systems.<sup>11</sup>

Perhaps the most sustainable reform of all for customs administrations is skills development for management and staff with respect to modern customs theory and practice. This creates a long-term knowledge asset for the customs administration, reduces reliance on costly external advice and allows more effective participation in trade policy processes.

Ultimately, successful capacity building of any kind, including customs capacity building, requires a strategic approach with continual benchmarking to sustainability utilising the key elements discussed above and incorporated within the Columbus Programme. It is important that customs administrations considering a capacity building program be committed to long-term improvement of their border processes not just short-term solutions to deal with the issue of the moment. A long-term focus provides the foundation for sustainability and provides equivalent benefits to government and business that make the country itself more attractive for trade and investment.

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## Endnotes

- 1 World Economic Forum 2008, ch. 1.2, p. 36.
- 2 Boksburg Group 2005, p. 2.
- 3 APEC WTO Capacity Building Group 2005, p. 10.
- 4 WCO June 2003; see also WCO June 2007.
- 5 APEC WTO Capacity Building Group 2005, p. 4.
- 6 ICC 2007, p. 4.
- 7 Available at [www.wcoomd.org](http://www.wcoomd.org); see also [www.gfptt.org](http://www.gfptt.org).
- 8 WCO 2003, pp. 5-10.
- 9 Solignac Lecomte 2003.
- 10 WCO 2007.
- 11 WCO 2007, p. 7.

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