

# 1 ■ Introduction

## 1.1 Background

While the core roles and responsibilities of Customs have remained essentially the same for many years, the manner in which Customs administrations discharge these roles and responsibilities has changed significantly in recent times. The drivers for this change can be summarized as:

- globalization and continued growth in the level of international trade;
- heightened international awareness (and quantification) of the costs associated with
- complying with inefficient and outdated border formalities;
- increased investment by the private sector in modern logistics, inventory control manufacturing and
- information systems, leading to increased expectations that Customs will provide prompt and predictable
- processing of imports and exports;
- increased use and availability of new information and communication technologies;
- greater policy and procedural requirements directly associated with international commitments
- (such as accession to the WTO);
- increased international competition for foreign investment;
- proliferation of regional trading agreements which significantly increase the complexity of administering
- border formalities and controls;
- increased workload and government expectations, with static or decreasing financial and human
- resource allocations;
- increased awareness of the importance of good governance and sound integrity within Customs
- services; and
- following the terrorist attacks of 11 September 2001, a significantly heightened awareness of the need for Customs administrations to play a more meaningful role in protecting society from a range of threats to national security.

As a result of these drivers for change there has been a growing realization, both amongst the business community and within major international financial institutions, of the importance of effective Customs administrations for the economic and social prospects of developing countries. It is now clearly understood that a high performing and ethical Customs administration can make a major contribution to effective revenue mobilization, assist governments in facilitating trade and investment and increase confidence in the quality and integrity of government institutions.

As traditional barriers such as tariffs have progressively been reduced, trade facilitation reforms that address non-tariff barriers to trade are becoming increasingly important.

Following the Uruguay Round of multilateral trade negotiations, developing countries took on an unprecedented range of obligations, many of which relate directly to Customs. However, unlike traditional market access obligations, the elimination or reduction of a range of non-tariff barriers is not a simple or inexpensive task for many developing countries. The potential benefits that could be realized through such activities are, however, significant. Devoting appropriate resources to undertaking practical capacity building initiatives in the Customs administrations of developing countries therefore represents a sound and cost effective economic investment for governments and donor organizations. Moreover, it can help Customs make a more meaningful contribution to a range of national development objectives such as revenue collection, trade facilitation, community protection, foreign investment, national security and ultimately poverty reduction.

## 1.2 Capacity building in the changing world of Customs

Customs administrations around the world play a vitally important role in the implementation of a range of critically important government policies and contribute to the achievement of a number of national development objectives. In addition, as Customs is often the first window through which the rest of the world views a country it plays an important role in shaping the impressions of the key individuals and organizations involved in making important trade and foreign investment decisions.

Without an efficient and effective national Customs administration, governments will not be able to meet their policy objectives in respect of revenue collection, trade facilitation, trade statistics, and the protection of society from a range of social and national security concerns. Customs' contribution to national development is potentially enormous and can make a significant difference to the lives of many impoverished people throughout the world.

As such, well-designed and targeted capacity building investments focused on improving the efficiency and effectiveness of Customs administrations can deliver significant dividends for governments and donors alike. It allows developing countries to take advantage of the many development opportunities provided by the expanding global trading system.

In retrospect, the World Customs Organization (WCO) has provided Customs capacity building since inception. The WCO's current capacity building strategy, which was adopted by the WCO Council in June 2003, asserts that to be successful, capacity building must be conceived strategically and it must be sustainable.

This strategy is based on six key principles:

1. The need for accurate diagnosis of capacity building needs and the development of country-specific responses;
2. The need for sustained high-level political will and commitment;
3. The need for enhanced co-operation and coherence;
4. The need for greater ownership and participation of Customs personnel;
5. The need for realistic government and donor expectations; and
6. The need for adequate human and financial resources to be devoted to capacity building initiatives.

The WCO defines capacity building as "activities which strengthen the knowledge, abilities, skills and behavior of individuals and improve institutional structures and processes such that the organization can efficiently meet its mission and goals in a sustainable way." Capacity building can be supplied by outsiders but ultimately it is the insiders, the Customs administration itself, which must build capacity.

Customs capacity building is directly linked to Customs modernization (which in essence means a broad strategy and goal of improving the effectiveness, efficiency, transparency and predictability of an administration's operations so that it can better meet the demands of modern times). Thus, Customs modernization is the idea and goal; whilst capacity building is the means or action.

Capacity building programmes will differ in practice, especially because administration's goals diverge. Traditionally, Customs' role involves the control of goods and people crossing borders. But in reality things are not that straightforward, as Customs administrations play varying roles, and have different levels of resources and authority at their disposal. For instance, while all Customs administrations collect duties, for some it is their *raison d'être*. Thus, if Customs revenue funds a substantial amount of a particular government's budget, the Director General of Customs' political masters will demand that s/he prioritize duty collection. For others, government income is not the sole concern, as non-financial matters like narcotics trafficking or security take priority. Still other nations with low import tariffs who are attempting to increase their participation in international trade may be determined to improve trade facilitation. If Customs revenue amounts to a de minimis percentage of overall government income, political leaders will demand something else, such as fast clearance times or aggressive anti-smuggling enforcement.

Overemphasizing one role can affect other responsibilities. For example, some administrations physically inspect every consignment, which in turn constrains trade facilitation. Choosing a policy of no intervention at all can lead to tax avoidance and unimpeded entry or exit of illegal goods. The answer is in Customs policies and plans that achieve a balance. It is widely accepted that risk management or selectivity leads to higher revenues because it makes the process more efficient and facilitates trade, leading to more profitable businesses.

### 1.3 The WCO Columbus Programme

The WCO Columbus Programme, the WCO's primary driver for bolstering capacity building, emerged from a confluence of events. The WCO transformed its capacity building policy and programmes with high-level political leadership; philosophical consensus (widespread acceptance of the Diagnostic Framework approach); strategic impetus resulting from the emergence of innovative instruments (the revised Kyoto Convention coming into force and the embrace of the SAFE Framework of Standards to Secure and Facilitate Global Trade); organizational reconfiguration (the establishment of the WCO Capacity Building Directorate); financial supplements (monetary donations from Members earmarked for capacity building); and the leveraging of resources (donor co-ordination and personnel secondments).

Central to this evolution, the WCO was at the vanguard of the idea that to achieve sustainability, capacity building must involve an accurate diagnosis of developmental and technical needs. Empirical evidence collected from experiences of success and failure fuelled this transition. It is now outdated to believe that training and technical assistance will be effective without considering the litany of related challenges, such as trainee motivation and skills sets; language barriers and cultural sensitivities; technology and its maintenance; legal authority; high-level political will; organizational structure; resources; and follow-up monitoring. This is not to contend that training and technical assistance are never useful; the new capacity building ethos merely asserts that projects must be placed in the proper context and with the appropriate sequencing.

Against this background, the output of the Columbus Programme is to produce a comprehensive and accurate diagnosis of a Customs administration's capacity. The diagnostic report contains findings and recommendations to respond to gaps identified in the diagnostic mission. This is then presented by the WCO analyst to the executive management of the Customs administration under review and often to other high-level government officials. It is the responsibility of the Customs administration to take further action, within flexible parameters. They can elect to implement some, all, or none of the recommendations.

The Columbus Programme has three phases: needs assessment (diagnostics), implementation, and monitoring.

- **Phase one** began in January 2006 and over 100 diagnostic missions have been completed in more than 100 countries.
- **Phase two** is the most crucial and lengthy phase and involves many implementation activities based on the report, such as action planning, change management, and training. Support is given to start up an organizational development process in which donor countries are involved. This Compendium is one instrument created with a view to providing this support, although it has been developed for all Member countries.
- **Phase three** involves monitoring, evaluation and measuring implementation progress for each of the Columbus beneficiaries.

Customs administrations that join the Columbus Programme make an individual choice regarding the focus of their organizational development. This focus will depend on the level of development of the total organization and of the specific composition of standards to strive for. It also takes into account factors such as the culture and working values of the organization and the country. Additionally, not all necessary standards need be aimed for at once, the scope of the development process should be suited to the Member.

The goals of organizational development will be unique for each Phase 1 mission and Phase 2 planning and implementation activity. The main goal is to initiate a development process with real commitment and ownership on the part of the involved Customs administration.

## 1.4 The need for a Compendium

The WCO Columbus programme has now completed over 100 diagnostic missions to Member Customs administrations. The reports of these missions have provided the relevant administration with a deep insight into the development needs of the Membership both from a technical and managerial viewpoint.

Overall the reports have identified the complex nature of customs business at the start of the 21st Century. Globalization, economic development, the emergence of Customs Unions, the increasing need for social protection and security now mean that the management of Customs requires a more strategic approach.

The Head of Customs is now much more like a CEO of a multifunctional business than an expert in Customs matters. They need to be supported by a senior management team equipped to deal with the delivery of the outcomes expected by Government, the trade sector and the Public, as well as the development of the business itself.

To meet this challenge a broader range of management and development skills are required. These now need to cover strategic management, programme management, direct business skills such as tendering, contracting, contractor management and improved management monitoring and evaluation techniques.

In response to these needs the WCO is working to improve its direct support for Customs managers through improved research and development, support for strategic planning, improved consultancy in business management techniques, Customs technical matters and professional education and training.

As part of this response the WCO Capacity Building Development Compendium has been developed as a guide to the Key Management techniques needed to enable Members to take full control of their own organizational development.

The compendium will be a continuously developing document with additional chapters added at regular intervals to reflect the ever changing nature of reform and modernization.

The following topics are offered in this second edition of the compendium:

- Strategic Management
- Change Management
- Project Management and Action Planning
- Benchmarking
- Technology Acquisition Process
- Customs Enterprise Architecture
- Human Resource Management and Leadership
- Donor Engagement
- Supply Chain Management

Although the compendium may be used by any Member irrespective of whether the organization has been subject to a diagnostic mission or not, it has primarily been developed and tailored to be used as an enabler in Phase 2 of the Columbus Programme.

Each chapter is structured to provide an insight into selective management theories, popular management models and examples from Members. The examples are presented as case studies and they were also used with the models discussed in the chapters to design a number of tools to conduct modernization activities.