A regional approach to Risk Management

Regional Strategy

CPA Enrique Canon
Director General of Uruguay Customs
A regional approach to Risk Management

- Risk Management in the region
- Communication Tools
- Ventures at national level
Risk Management in the region

Regional Strategy-Objectives

- To support the region in order to become **globally competitive** through selective mechanisms that are intelligent and based on risk management.

- To promote standardized criteria aimed at facilitating the recognition of operations and trustable operators (AEO).

- To reduce illicit trade and fight commercial fraud.

- To create a commercial environment that is competitive and appropriate for **economic development**.

- Identification of weaknesses and strengths in the region.

- To maximize tax revenue.
Risk Management in the Region

Regional Strategy - Content

- Risk Prioritizing
- Information Exchange
- Implementation of WCO Recommendations and use of WCO tools
- Improvement in the communication between Administrations
- Performance indicators and goals

DIRECCION NACIONAL DE ADUANAS

Brussels - June 2015
Risk Management in the region

Regional Strategy - NCP

• Definition of National Contact Point - Risk Specialist

• RILO as a support in the analysis, communication of international trends and information gathering
Risk Management in the region
Regional Strategy - Operations

Operation South American Roads
Operación Dragon
Operación Monk
Operación Pericón
Operación Gol

Brussels - June 2015
Risk Management in the region
Regional Strategy - Indicator Matrix

Definition of objectives and indicators
Each country defined its baseline and the Administration’s goals (2014 - 2015)

It allowed to raise awareness on the importance of individual effort in the region as a whole

The information was put together

<table>
<thead>
<tr>
<th>América del Sur</th>
<th>Matriz de Indicadores de Seguimiento de Resultados y recomendaciones</th>
<th>Anexo II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan de Actividades</td>
<td>Indicadores del Plan de Actividades</td>
<td>Línea Base Regional</td>
</tr>
<tr>
<td>1.1.1.- Número de países que han implementado programas de formación</td>
<td>Todas las Administraciones han implementado programas de formación</td>
<td>11</td>
</tr>
<tr>
<td>1.1.2.- Número de países que han implementado programas de formación con otras instituciones</td>
<td>Todas las Administraciones han implementado programas de formación con otras instituciones</td>
<td>11</td>
</tr>
<tr>
<td>1.2.1.- Realización de talleres de formación</td>
<td>No aplica</td>
<td>1</td>
</tr>
<tr>
<td>1.3.1.- Número de eventos de asistencia técnica e intercambio de experiencias</td>
<td>Todas las Administraciones han implementado programas de asistencia técnica e intercambio de experiencias</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Promover y fortalecer los programas nacionales de gestión de riesgo en la Región por medio del intercambio de experiencias.

Brussels - June 2015
DIRECCION NACIONAL DE ADUANAS
Risk Management in the region
Regional Strategy - Programs

AEO: 13 countries

Argentina  Colombia  Dominican Republic  Costa Rica  México  Perú  Brasil
Canadá  USA  Guatemala  Uruguay  Bolivia  Jamaica

Single Window: 14 countries

Brasil  Chile  Colombia  Costa Rica  Ecuador  El Salvador  Guatemala
Honduras  México  Panamá  Paraguay  Perú  Dominican Republic  Uruguay
Risk Management in the region
Regional Strategy - Programs

RISK MANAGEMENT

What is the importance of Risk Management programs?
Communication Tools

**INDIRA**
System for exchanging information of the Customs Registers (MERCOSUR). It manages the traceability of the imports and exports operations.

**SINTIA**
IT System for International Customs Transit (MERCOSUR). Follow up of International Customs Transit operations.

**TIM**
System of Information Exchange on International Transit of Goods (Central America)
Ventures at national level

**ELECTRONIC SEAL PROYECT - Mercosur**

- **Uruguay**
  - 100%
  - Electronic precint in transit shipment

**At regional level**

**Technological innovations:**
- To exchange information
- To guarantee the smooth and safe movement of goods

**Negotiating Mutual Recognition Agreements with Argentina and Paraguay**
Ventures at national level

CUSTOMS INTELLIGENCE SYSTEM (SIIA)
Ventures at national level
CUSTOMS INTELLIGENCE SYSTEM (SIIA)

Arriving shipments
Concomitant
A posteriori
Ventures at national level
SIIA - Arriving shipments control

- Includes analysis tools to maximize data use
- Receives advanced information that is sent electronically by the customs officers
- Facilitates the management of risk rules before the vessel’s arrival
- Adds algorithms that determine risk levels that allow the selection of containers to be open

Brussels - June 2015
Ventures at national level
CUSTOMS INTELLIGENCE SYSTEM (SIIA)

Arriving shipments
Concomitant
A posteriori

Brussels - June 2015
Ventures at national level
SIIA - Concomitant Control

Manages the information on customs operations that is available through the Digital Customs Declaration

Contains risk rules that will determine what kind of control will be carried out at the moment of the Customs clearance

Among those rules there is an econometric model that shows a risk ratio for each operation
Ventures at national level
CUSTOMS INTELLIGENCE SYSTEM (SIIA)

Arriving shipments

Concomitant

A posteriori
Ventures at national level
SIIA - A posteriori controls

Audit follow up System

Incorporation of a new tool for managing actions

High level of security and trustability

It contains all the updates made by the Fiscal Control Department

It allows to manage the tasks of the working team

It facilitates the communication with Risk Analysis

Brussels - June 2015
The ratios are ranked from largest to smallest, and a position in the ranking is assigned to each value, generating a ranking for each variable that is involved:

<table>
<thead>
<tr>
<th>FICTIONAL RANKINGS</th>
<th>ORIGIN OF THE GOODS</th>
<th>IMPORTER</th>
<th>GOODS</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 1. UTOPIA</td>
<td>□ 1. JUAN SA</td>
<td>□ 1. FOOTWEAR</td>
<td></td>
</tr>
<tr>
<td>□ 2. ATLANTIS</td>
<td>□ 2. PEDRO SRL</td>
<td>□ 2. TEXTILES</td>
<td></td>
</tr>
<tr>
<td>□ 3. NEVERLAND</td>
<td>□ 3. JOSE SA</td>
<td>□ 3. MOBILE PHONES</td>
<td></td>
</tr>
<tr>
<td>□ 4. .....</td>
<td>□ 4. .....</td>
<td>□ 4. .....</td>
<td></td>
</tr>
<tr>
<td>□ ........</td>
<td>□ ........</td>
<td>□ ........</td>
<td></td>
</tr>
</tbody>
</table>
Ventures at national level
ECONOMETRIC MODELS - Concomitant

**EXAMPLE:**
An import customs declaration is registered

STANDARDIZED DIGITAL INFORMATION

The relevant variables are collected (CODIFIED)
Ventures at national level

**ECONOMETRIC MODELS - Concomitant**

The variables from the customs declaration and the fiscal record are considered

```
<table>
<thead>
<tr>
<th>Variables</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADUANA</td>
<td>001</td>
</tr>
<tr>
<td>IMPORTADOR</td>
<td>214496250011</td>
</tr>
<tr>
<td>DECLARANTE</td>
<td>0505</td>
</tr>
<tr>
<td>MERCADERÍA</td>
<td>8525801900</td>
</tr>
<tr>
<td>ORIGEN</td>
<td>156</td>
</tr>
<tr>
<td>DGI</td>
<td>sin multas</td>
</tr>
<tr>
<td>BCU</td>
<td>2A</td>
</tr>
<tr>
<td>TRIBUTOS / CIF</td>
<td>0,61</td>
</tr>
</tbody>
</table>
```

The info is replaced with coefficients from historical charts

```
<table>
<thead>
<tr>
<th>Variables</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADUANA</td>
<td>4</td>
</tr>
<tr>
<td>IMPORTADOR</td>
<td>1525</td>
</tr>
<tr>
<td>DECLARANTE</td>
<td>184</td>
</tr>
<tr>
<td>MERCADERÍA</td>
<td>120</td>
</tr>
<tr>
<td>ORIGEN</td>
<td>38</td>
</tr>
<tr>
<td>DGI</td>
<td>650</td>
</tr>
<tr>
<td>BCU</td>
<td>1</td>
</tr>
<tr>
<td>TRIBUTOS / CIF</td>
<td>0,61</td>
</tr>
</tbody>
</table>
```

Each variable has an estimated econometric importance

```
\[ p(y=1|X) = \frac{1}{1 + e^{-Z(X)}} \]
```

Logistic regression is used in which

\[ X = \beta_1.4 + \beta_2.1525 + \beta_3.184 + \beta_4.120 + \beta_5.38 + \beta_6.650 + \beta_7.1 + \beta_8.0,61 \]
Ventures at national level

ECONOMETRIC MODELS - Concomitant

The result of the logistic formula is a value between zero and one, in which the highest values indicate higher risk levels.

\[ X = \beta_1 \cdot 4 + \beta_2 \cdot 1525 + \beta_3 \cdot 184 + \beta_4 \cdot 120 + \beta_5 \cdot 38 + \beta_6 \cdot 650 + \beta_7 \cdot 1 + \beta_8 \cdot 0.61 \]

Following the example, this equation has the following result:

\[ \frac{1}{1 + e^{-Z(X)}} = 0.9306 \]

According to the thresholds established, this operation would be classified RED CHANNEL

For a lower risk level (between 0.7 and 0.8) the channel assigned is ORANGE
Ventures at national level
STANDARD OPERATIONAL PROTOCOL (POE)

It has been carried out since January 2015

It is aimed at strengthening the last link in the risk circle → FEEDBACK

- It will require the involvement of all the country
- It will systematize and register all the CONTROLS that have been carried out
- It will allow to share the findings and knowledge generated
Thank you very much

Director General of Uruguay Customs - CPA Enrique Canon

June 2015