



Brussels, 4 February 2015.

CUSTOMS-BUSINESS PARTNERSHIP

- Advanced Pillar of the Customs-Business Partnership Guidance

(Item VIII.a on the Agenda)

Introduction

1. The PTC at its 205th/206th sessions discussed and endorsed the draft 'Customs-Business Partnership Guidance'. Additional contributions from Members have since been received and incorporated in the Guidance. The draft Guidance was considered and endorsed by the Policy Commission in December 2014, noting that this was a living document which would be further enriched.
2. The Guidance in its present form is primarily intended to assist Members that are yet to begin the process of engagement or are in different stages of developing an engagement/partnership with Business. However, the core guiding principles it contains are equally valid for Members that are seeking to intensify existing partnerships.
3. The Guidance is also expected to assist Members in preparation for the implementation of relevant provisions of the WTO Trade Facilitation Agreement (TFA), including Articles 2, 7.7, 12(1) and 23 (2)) which foresee closer cooperation with private sector stakeholders.

Development of an Advanced Pillar

4. The Customs-Business partnership is a dynamic process. It needs to be regularly adapted to meet emerging challenges and leverage opportunities to keep it refreshed and agile. Any existing consultative/partnership mechanism/process would need to get permanently reinforced for continued progression to meet new expectations from each side.

5. To this end, the Policy Commission and Council in June 2014 directed to further develop the 'Customs-Business Partnership Guidance' through a tiered approach, to include a more advanced pillar for Members who already have well-developed and mature partnership arrangements with business but wish to advance even further.
6. Carrying forward the work in this area, a draft 'Advanced Pillar' has been developed. The draft is essentially based on some of the evolving concepts being explored and/or implemented and shared by some Members. It is expected to serve as a reference guidance to Customs administrations in advancing their engagement/partnership with Business, depending on their respective economic situation, national culture, political imperatives, operational resources and requirements. The draft 'Advanced Pillar' is appended at the Annex to this document.
7. Subsequent to the PTC's consideration, the draft 'Advanced Pillar' will be submitted to the Policy Commission and Council in June 2015 for endorsement and adoption.

Action Requested

8. The PTC is invited to :
 - examine and endorse the draft 'Advanced Pillar' (appended as Annex I to this document) for incorporation in the 'Customs-Business Partnership Guidance'; and
 - provide guidance and share best practices for further development of the 'Advanced Pillar'.

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Model Template for Members who already have a well-established relationship with Business

A well-established relationship between Customs and Business requires an on-going involvement by both to ensure that lines of communication are clear and such relationship is continuously evolved through a shared understanding. No partnership arrangement can remain static, it needs to be refreshed and reinvigorated and even advanced further to reflect and address new opportunities and challenges.

The minimum key operational principles necessary to reinforce and intensify the relationship as well as foster businesses' continued buy-in, are :

- Communication : open and effective.
- Transparency : clear and agreed information and feedback processes.
- Collaboration : work to seek mutually beneficial outcomes where feasible.
- Inclusiveness : recognize, understand and involve all stakeholders in the process.
- Integrity : conduct engagement in a manner that fosters mutual understanding and trust.

The partnership built on efficiency, transparency, dialogue and trust will be able to make the most of limited resources and enhance collective performance in economic growth. Both Customs and the private sector representatives in mature consultative processes will need to reinforce and renew their ongoing commitment to their obligations from time to time. They need to be prepared to work together to identify, articulate and implement priorities. Communication being key, a protocol for communication about the outcome of consultation should be designed, delivered and monitored. The ultimate goal of an advanced consultation between Customs and Business should be a shared agenda. The result of this consultation should be effective and efficient management and implementation of change that benefits both Customs and Business alike.

In countries with an established Customs-Business consultative mechanism, business representatives often expect different outcomes from their involvement. Some rely on consultative committees for information transfer, some want a forum to which issues unresolved in other ways can be escalated and resolved, and others are looking for a multilateral fully transparent consultation forum. Just as all stakeholders do not want or need the same things from their relationship with Customs agencies, all are not able to make equal contributions to the consultative process. These differing requirements need to be considered and thought must be given as to how best to meet these very different needs.

The existing partnership between Customs and Business should be leveraged to explore and identify a range of new opportunities to help foster a more advanced relationship. Following are some suggested methods/models/principles that could be used to advance the existing relationship:

1. Co-creation

In a normal consultative process Customs would usually come up with certain policy initiatives/proposals and then go for consultation with business. An advanced level of relationship would entail working together with Business to initiate and “co-create” policies and programmes. Customs and Business can jointly identify trade facilitation and compliance issues and develop policy proposals. It allows for synergy of different perspectives in initiating and defining policies and legislation that both implement government objectives and respect business realities.

Business perspectives would help in describing the underlying business cases for certain measures or changes, their possible financial, technical, logistical, political, IT and other implications, as well as their appropriate application in practice. Co-creation would eventually lead to joint ownership and long term sustainability. It is an inclusive approach for reaching a common understanding on how implementation can realistically be achieved.

In order to “co-create” programmes there must be a greater level of trust on both sides that can only exist with a mature partnership. This may also need some procedural and legislative adjustments to the way the private sector and the government operate, and even include defining the actual role of industry in co-creation.

Keeping national concerns in mind, such an engagement may exclude policies related to some budgetary and enforcement sensitive issues.

2. Centres of Excellence and Expertise

In order to promote consistency, uniformity, predictability and harmonization across various entry/exit points and other government agencies, Customs could create centralized core competence on specific sectors and commodities, establishing a team of industry-focussed Customs experts which could be located virtually. These centres can offer virtual “one stop processing” to sector specific commodities entering through any port, thus lowering the business cost. It also provides tailored expert support to business while improving compliance management in a consistent manner.

It would enable Customs to more effectively evaluate trusted businesses and provide more tangible benefits. This would require a well-developed IT system to carry out processing virtually, which would also enable a comprehensive view of all the activities of an importer/exporter across the system.

These centres of excellence and expertise could also be dedicated to assist specific industry sectors such as large-size companies (at a national level) or small medium size companies (at a regional level) with designated/assigned Customs experts.

3. MoU with specific Business sectors

Customs and Business could sign an instrument of co-operation/Memorandum of Understanding (MoU) on specific areas of cooperation in specific sectors, laying down a well defined framework for respective rights, obligations and performance measures. This would set up a platform for collaboration, with the aim of expediting and simplifying trade and making it more safe and secure. For example, Members have reported that they signed respective MoUs in the areas of Integrity, IPR enforcement; and data quality.

The WCO has signed a number of MoUs with stakeholders such as International Chamber of Commerce (ICC), Federation of National Associations of Ship Brokers and Agents (FONASBA), International Federation of Customs Brokers Associations (IFCBA), Association of Professional Customs Brokers (ASAPRA) and Business Software Alliance (BSA). Such arrangements could be proliferated at national level.

4. Leveraging partnership for trade intelligence

Businesses are key players in the global value chain and understand their industry much better. Trusted business partners could be engaged on a voluntary basis to provide latest industry trends and emerging developments in several areas such as intellectual property rights, smuggling, illegal movements of hazardous waste and ozone depleting substances, commercial frauds and anti-dumping duty etc, (including actionable specific intelligence) for targeted risk profiling and compliance management.

This concept intends to leverage industry knowledge and expertise to support Customs' compliance and enforcement strategies. Building advanced partnerships between Customs and Business can tap into business expertise and intelligence, making the Customs' work more effective. Responsible and trusted businesses would recognise that their cooperation and efforts can make a valuable contribution to Customs, while at the same time protecting their business from being undermined by unfair competition from illegal activities.

5. Expanding the partnership involving other government agencies

Customs-Business partnership should continuously be broadened to include other government agencies (OGAs) and stakeholders. Expanded partnership and collaboration between Customs, Business and other government agencies could potentially explore the possibility of mutual recognition of each agency's trusted trader/AEO programmes and moving to a stage of even integrating various trusted trader programmes or even jointly developing a holistic and integrated programme to address the concerns on supply chain security, safety, facilitation and compliance with increased efficiency, optimal utilization of resources and enhanced information sharing among all stakeholders. This would also be helpful in Single Window and Coordinated Border Management initiatives.

Customs could conduct broad-based trade symposiums with plenary and break-out sessions to provide an interactive forum for both the government, which should include OGAs that have a role at the border, and the trade. Regular roundtables could also be organized with the trade and appropriate OGAs to discuss specific issues of mutual interest or concern.

6. Joint Development of IT Systems

Business could be involved in the development and implementation of IT systems to manage border transactions more efficiently. To ensure that business does actually benefit from Customs' IT systems, they should be involved in the development of the systems from an early stage. For example, business should be closely involved in the implementation of Single Window projects.

Thoughts could potentially be also given to developing and running some Information and Communication Technology (ICT) solutions as an enabler through Public Private Partnership (PPP) models where Customs and business stakeholders would have direct shareholding. Such stakeholders not only bring in financial resources, technical know-how, project management skills, and other strengths but might also become "project champions" in driving the whole process. This is obviously not meant to outsource core functions of Customs.

To this end, the WCO has been holding its annual IT Conference and Exhibition since 2002 to promote IT collaboration with private stakeholders.

7. Experts from the private sector in Customs

Experts and professionals from various fields such as legal, IT and corporate sectors could be hired from the private sector, or Customs staff policies could allow respective internship opportunities for the private sector. This will bring Customs and private sector expertise together to develop programmes and policies within government services. For Customs administrations, among others, the working experience, expertise and commercial insight from the private sector will be useful in :-

- i. Understanding business perspectives at the conception stage of any policy;
- ii. Improving Customs services;
- iii. Making dispute resolution mechanisms more efficient;
- iv. Making Customs administrations more capable of plugging revenue leakages;
- v. Driving a digital transformation of Customs.

This would also help in equipping Customs with the right skills for further improving relationships with Business.

8. Secondment of Customs officials to private sector

Customs staff and Human Resource development policies allowing secondments of Customs officials to the private sector can help in building key skills in commercial, digital and project management and allow Customs staff to learn how skills are used and deployed in the private sector, with a view to transferring this knowledge to the government. This will also make them better understand and appreciate business processes and their requirements and expectations from government/Customs.

A secondment scheme would enrich the experience of Customs officers and promote enhanced understanding between Customs and Business. On return from secondment, the officers should have a debriefing session to share the knowledge and lessons learned and arrange a planning session with managers and/or colleagues on how new skills or experience could be incorporated into work practice.

9. Human Resource Development, joint training opportunities and bi-directional education

Human resource development trends over the recent years and even decades promote life-long training opportunities which are relevant for both Customs and the private sector. In the context of the WCO Capacity Building work, the Framework of Principles and Practices related to the development and maintenance competencies of Customs practitioners from both, Customs and the private sector has been developed with respective input from Members already. One of the insights gained during this work, especially based on respective contributions from the EU, was that the needed competencies of Customs and private sector staff do not differ too significantly from each other.

Based on these experiences, it becomes even more evident that joint training opportunities and bi-directional education are not only part of building mutual trust and understanding of each

other's roles and responsibilities, but essential to develop the needed competencies of both partners.

Through bi-directional education, Customs would be able to learn from industry experts among others about new and growing trade trends as well as develop a better understanding of how business models work to be able to facilitate trade. Such bi-directional education concepts could be developed in close coordination and constant communication with the appropriate industry stakeholders to be able to adapt to the ever-changing global trading and economic environment.

Customs could utilize bi-directional education as an opportunity to explain and clarify its regulations and processes, to make the private sector better grasp and appreciate how Customs ensures security, safety, economic competitiveness and provides larger benefits to the society and how Business could assist in this domain.

The SAFE Framework of Standards (Annex III) provides that Customs could assist AEOs in understanding the risks involved in supply chains and in recognizing potential threats to security from a Customs perspective.

10. Joint Integrity Observatory

A joint Customs-Business structure involving trusted and well reputed representatives from business could be created for safeguarding integrity and fighting corruption. It could consolidate complaints from both the private sector and Customs officials encountering corrupt practices within Customs or the private sector. This body is in no way meant to deal with any complaints, but it could rather analyze them in order to pinpoint problems and find potential systemic solutions and even carry out an impact analysis of anti-corruption measures.

This body could also analyze Customs-Business relations from an integrity perspective. It may organize joint workshops/seminars to create awareness and promote a culture of integrity in respective Customs and business working environments. It could potentially study corruption trends, various modus operandi and suggest measures to counter them.

The WCO Arusha Declaration foresees the private sector's role in good governance and integrity management. It states that – "...Customs administrations should foster an open, transparent and productive relationship with the private sector. Client groups should be encouraged to accept an appropriate level of responsibility and accountability for the problem and the identification and implementation of practical solutions. The establishment of Memoranda of Understanding between Customs and industry bodies can be useful in this regard. Likewise, the development of codes of conduct for the private sector, which clearly set out standards of professional behaviour, can be useful. Penalties associated with engaging in corrupt behaviour must be sufficient to deter client groups from paying bribes or facilitation fees to obtain preferential treatment..."

11. Engagement with Business on co-operation at International level

The collaboration between Customs and Business at international level including bilateral/plurilateral/multilateral meetings/forums/conferences has become more important and directly related to the interest, rights and obligations of government and the private sector together. This can be seen from discussions, including at the WCO, in the area of classification of export/import goods, valuation for customs duty, examination of origins or in application of anti-dumping duty, safeguard duty and subsidies at internal level. A number of proposals concerning the Harmonized Commodity Description and Coding System review usually come from Business.

One approach towards such close collaboration consist of setting up a joint working group or task force to carry out research and detailed studies on these technical issues and adopt a coordinated approach to best address respective interests at international forums.

12. Regional engagement

Partnership with Business should not be limited to domestic stakeholders. It could even move beyond borders and address international stakeholders in terms of providing greater transparency and predictability, which are essential for international trade facilitation.

Customs administrations could work with regional counterparts and engage businesses to address regional challenges, set regional goals, promote partnerships and facilitate regional trade through combined efforts and resources. Such engagements could be leveraged to develop a trusted pool of traders in the region through regional AEO programmes and/or Mutual Recognition Arrangement (MRA). MRAs could help in engaging and developing a trusted relationship with businesses across borders and providing AEOs with additional benefits while improving compliance overall.

The WCO Regional Vice-Chairs could play a more proactive role in developing regional engagement strategies with Business. They could even explore the possibility of having joint meetings with business representatives of the region during their annual meetings and develop a joint annual action plan for such engagement.
