
Customs Risk Management – Preliminary Results of a Global Survey

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Mr. Juha Hintsa

Cross-border Research Association; EPFL;

HEC Lausanne, Switzerland



Customs risk management (CRM) research project by CBRA

- Main research questions:
 - What is the position of risk management function at customs administrations today – both on strategic and operational levels?
 - How can customs administrations improve their risk management function – and what is the motivation (/ expected rewards) behind such efforts?
- Set of three sub-projects:
 - Global survey on CRM (data collection has closed)
 - 100 Good CRM practices –guidebook (under planning)
 - 10 Case studies on CRM enhancements (starts Oct.2009)
- Total project schedule: Sep.2008 – Feb.2011
 - Study team (in alphabetical order): Finger M., Hameri AP, Hintsa J., Majumdar C., Männistö T., Sahlstedt J., Thibedeau C.



Global survey on CRM (with WCO)

- Study letter and questionnaire were sent out early May 2009:
 - 36 administrations were invited to join (sampling based on both country statistics and WCO expertise)
 - 24 administrations have replied (providing good representation of all WCO membership)
- Some preliminary outcomes of the study are included in this conference presentation
 - Following nine slides (headings numbered 1 to 9)
 - Much more thorough data analysis and report writing will follow after the conference



1. Risk management set up

- For 90% of the administrations, risk management forms part of the strategic plan
 - And for the remaining 10% of administrations, there are some links between risk management and strategic planning (documentation)
 - However, only 55% of the administrations have a "strategic level risk management process" in place
- For 80% of the administrations, there is a board / management team level person responsible for risk management
- All participating administrations have some kind of definition for risk management in place
 - Around half presented a brief (one sentence) definition; and the other half shared a more specific (multi sentence) definition

Legal environment is creating some constraints regarding risk management with around 1/3 of the administrations



2. Information sharing and other collaboration with third parties

- High degree of information sharing:
 - Police; Phytosanitary agency; Customs in neighbouring country / countries
- Medium degree of information sharing:
 - Environmental agency; Health agency; Product safety agency; Private sector; Customs in overseas country / countries
- Low degree of information sharing:
 - Immigration agency; Border guard



3. Organization of the risk management function

Centralized	Around 18% of the administrations	<i>(not applicable)</i>
Execution		
De-centralized	Around 64% of the administrations	Around 18% of the administrations
	Centralized	De-centralized
	Coordination	



4. Management of human resources

- A vast majority, i.e. 80% of the administrations have "specialized risk management officers" in place
 - In general, they are provided with general and specific risk management training, as well as information sharing of risk management outcomes
 - But, they lack systematic career planning and recognitions / incentives on successful actions / activities
- Regarding the whole personnel, 80% of the administrations inform them on risk management outcomes
 - While any type of risk management training covers only half of the whole personnel
 - And allocation of human resources towards high risk areas (cargo, conveyances, operating hours etc.) remains on low level



5. Fiscal and non-fiscal threats – import focus

- High concerns:
 - Misdeclaration of quantity and value; smuggling of narcotics
- Low concerns:
 - Smuggling of dual use goods and radioactive materials; delivery of materials suitable for large scale destruction
- Most variation:
 - Violations regarding intellectual property rights; smuggling of light weapons
- *Note1: in general, the administrations place higher priority on risk management for imports (than exports & transits)*
- *Note2: outcomes with export question were quite similar with the imports, in relative terms*



6. Risk management processes

- Vast majority, i.e. 80% of the administrations follow pre-defined risk management processes
 - Main emphasis is on operational level processes (versus strategic level processes)
- Regarding quantified analysis –methods, 75% carry some sort of analysis:
 - 60% (of the total) quantify threat likelihoods and consequences (and their multiplication)
 - 40% (of the total) quantify also accepted levels of risk both on overall and per economic operator levels



7. Data sets and tools in use

- Observations with data sets in use:
 - Most relevant ones: Standard cargo declaration sets; Intelligence received internally in the administration
 - Least relevant ones: Data received from electronic seals or container security devices; Conveyance reporting data sets; Pre-departure data sets
 - Highest variation: Certification and audit data with "authorized economic operators" (or similar schemes); Intelligence obtained from other national agencies (police, immigration etc.)
- Observations with various inspection tools in use:
 - Most relevant ones: Inspection reports on outcomes; Post-clearance audits; Enforcement reports and seizure actions
 - Least relevant ones: X-ray image storage; Data from radiation detection equipment
 - Highest variation: Identification of quantitative risk indicators based on historical trend analysis; Post analysis, reviewing and updating of risk indicators



8. Benefits (/ potential benefits) with enhanced risk management

- Highest priorities:
 - To better achieve overall organizational objectives
 - To improve overall management processes
 - To provide more facilitation for trade
 - To improve the allocation of resources to the highest risk areas
 - To fight more efficiently against any form of smuggling or contraband
- Lowest priorities:
 - Setting up logistics systems after major disruptions
 - To protect the administrations against law suits



9. Obstacles and bottlenecks regarding risk management improvements

- Most relevant obstacles and bottlenecks:
 - Lack of risk management training
 - Lack of organizational support
 - Lack of performance measurement
 - Complexities in risk quantifications
 - Lack of risk management information technology and tools
 - Lack of available funds
- Least relevant obstacles and bottlenecks:
 - Lack of general information technology (infrastructure)
 - Lack of predictability in terrorist actions
 - Lack of tangible benefits regarding risk management



CRM research - next steps

- Risk management literature is being reviewed broadly
 - To identify all possible reference models; to learn from experiences in multiple sectors etc.
- CRM survey: Detailed analysis and interpretation of all data (24 of 36 countries)
 - Including: Which country-level indicators explain the different replies in the survey. Sample indicators: GDP per capita; Duty revenue as a percentage of total government budget; Trade facilitation indexes etc.
- 100 Good CRM practices –guidebook
 - To illustrate how the administrations have taken crucial steps in CRM (also benefits and costs, when feasible)
 - This exercise is open to all administrations (just send us an email)
- 10 in-depth CRM case studies
 - To analyze in detail for a 12-month period how specific aspects of CRM are being enhanced (including opening bottlenecks)
 - Discussions going on with a group of administrations from the survey



Questions and Answers?

- Afterwards, you can reach us by email:
crm@cross-border.org

