



Brussels, 03 August 2015.

DIGITAL.CUSTOMS

(Item VII.d on the Agenda)

Background

1. During the 125th /126th Sessions of the WCO Council, the Chairperson had noted the rapid pace of change brought about through information and communications technology (ICT) and noted the WCO's ongoing work in this area, particularly in the topic of Single Window, the Data Model, Globally Networked Customs, EDI and the IRIS system.
2. The Chairperson further noted the need to have a strategic vision that would give WCO members a "global picture of all the possibilities offered by information technology". This could be achieved by:
 - Bringing together all of the IT-related components of the different pillars of the WCO Strategic Plan;
 - Engaging in constant monitoring and incorporation of best practices and international developments in the area of information technology;

This would enable Customs to stay up-to-date on global ICT trends in the cross-border regulatory space, and enable Customs to forge the way forward through having innovative and forward thinking practices. Furthermore, increased visibility over global developments can also offer valuable insights to guide ICT related training and capacity building requirements.

Current Operating Environment

3. It is no longer an exaggeration to say that "ICT is everywhere". From the use of ICT in office automation, to the use of internet to publish and disseminate information, as well as the use of automated clearance systems to make declarations, perform risk management, undertake validation and processing, and eventually to issue approvals. ICT has transformed the way that Customs and governments operate.

4. At the macro-level, governments remain actively involved in e-government projects to provide greater levels of connectivity in its provision citizens' services. Future developments in the evolution of the "internet of things" will bring about further "smart city" capabilities to provide real time information for urban planning and urban facility management.
5. At the level of Customs and cross-border regulatory agencies, we have benefitted greatly from these developments. Wider e-government developments often bring about improvements in laws relating to electronic transactions, electronic identity management, as well as the establishment of physical infrastructures that are essential for Customs to build on in its modernization journey. Many of these developments had been taking place since the 1980s and are not new. The transformative effect of ICT is something that is often under-estimated, but is essential for us to appreciate the broader implications, and recognize the strategic value of using ICT to support modernization and reform. This is essential for generating the necessary support from political executives, partner government agencies, and private sector stakeholders.
6. These developments enabled for the more widespread use of electronic clearance systems and Single Window environments. In essence, improvements in ICT had brought about 3 key improvements to Customs and cross-border regulatory agencies:
 - The ability to communicate and exchange information with the public, as well as between government agencies more effectively;
 - The ability to validate, process and perform clearance electronically, utilizing electronic information;
 - The ability to access value-added functions, including risk management, data analysis and non-intrusive inspection technology.
 - When ICT is used effectively, it also has the potential to translate into the following outcomes:
 - Improved compliance through increased accessibility to regulatory information and functions and services by those engaged in international trade;
 - Improved coordination between Customs units, as well as Customs and other border regulatory agencies at at the national and international level;
 - Improved objectivity and transparency in regulatory process and decision making;
 - Increased speed in clearance;
 - Enhanced detection of irregularities and illicit consignments through effective synthesis and sense making of available data.
 - Improved performance management through the application of business intelligence and analytics so that performance measurements on specific processes, field stations, and staff functions can take place.
7. All of these outcomes translate into factors that are intrinsic to the *raison d'être* of Customs and cross-border regulatory agencies: improved revenue collection, improved border security and improved regulatory controls over trade flows.
8. At the same time, ICT does not just enhance transactional and operational work. Its applications in the workplace had also increased office productivity and made possible a host of other improvements, including office automation, human resource management and e-learning had similarly benefitted from improvements in ICT.

Current Positioning of WCO Tools, Instruments, Guidelines & Systems

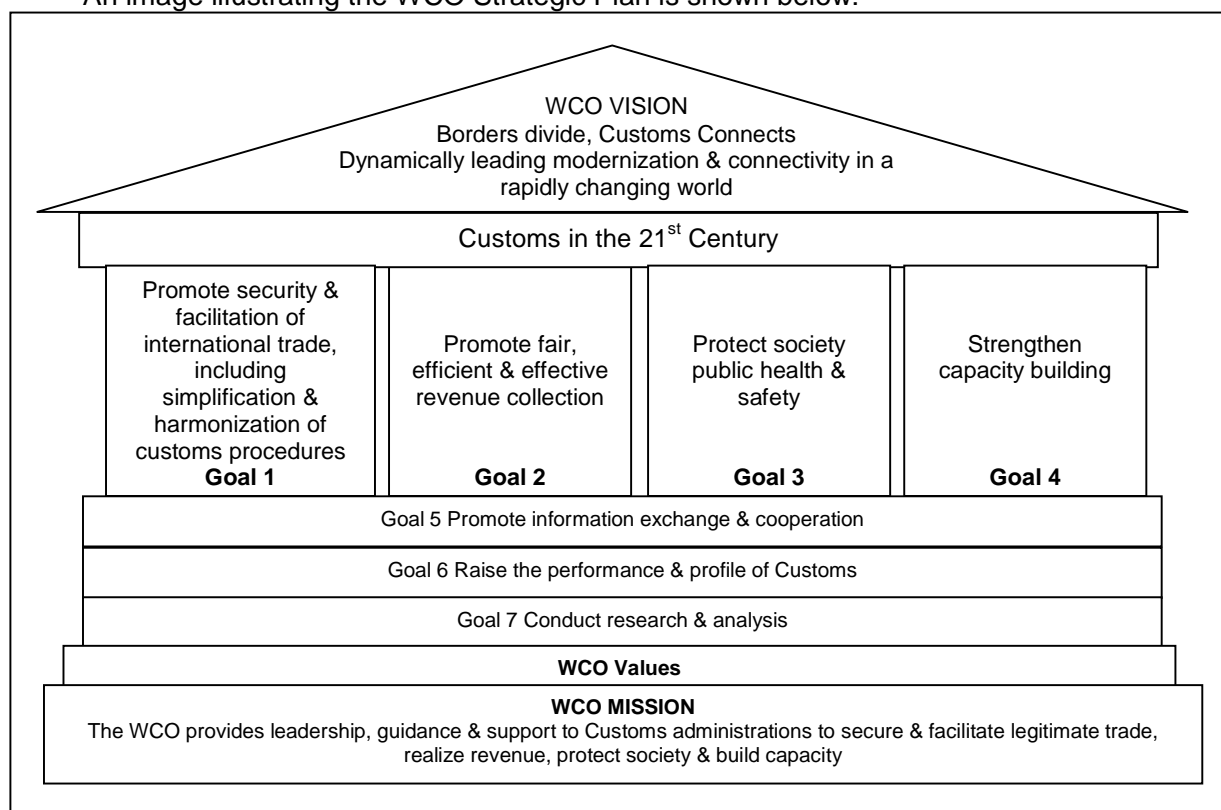
9. The Secretariat notes that ICT is an extremely broad and cross-cutting field that cannot be viewed in isolation. A good example of how ICT interacts with other topics can be seen through the Kyoto ICT Guidelines. In addition to addressing the ICT related standards under Chapter 7 of the Revised Kyoto Convention (RKC), the Guidelines also addresses the standards found in other Chapters of the RKC standards that also have an ICT implication. In this way, it sought to achieve a holistic approach in helping WCO Member Administrations understand the interactive and cross-cutting nature of ICT, and its role as a strategic enabler in Customs modernization. The mapping between sections of the Revised Kyoto Convention and the Kyoto ICT Guidelines can be found under Annex 1 of this document.

10. The Secretariat also examined the situation regarding the ICT-related instruments, tools, guidelines and systems that are in existence in the Compliance & Facilitation Directorate of the WCO, and noted that while many things had been developed over the years, there was indeed a need to consider how best these very useful resources should be organized, so that it was possible to raise awareness among Members about what was already available, and how they can be deployed.

11. Having a good organization of these ICT-related resources also enables both the Secretariat, as well as WCO members to identify potential gaps in WCO resources more holistically, so that more focused effort can be made to develop new tools and instruments.

Current Positioning of ICT within the WCO Strategic Plan

12. An image illustrating the WCO Strategic Plan is shown below:



13. Looking at the 7 goals listed above, “Goal 5: Promote information exchange & cooperation” directly supports the WCO’s activities in supporting members in the area of ICT. However, it is also necessary to frame ICT in a broader manner that reveals its cross-cutting nature.
14. An example of this cross-cutting nature can be seen through an examination of the various pillars of the WCO Strategic plan. ICT can:
- Enhance security, trade facilitation and harmonization through the use of electronic systems. The use of international standards also enhances harmonization and interoperability between ICT systems used by governments;
 - Enhance the revenue collection process through e-payment and automatic calculation of duty rates and fees;
 - Enhance risk management and selectivity through data-based risk analysis;
 - Enhance compliance outcomes through enabling communication between stakeholders;
 - Enhance HR development through the use of e-learning and HR management platforms;
 - Enhance national competitiveness through achieving better efficiency and results;
 - Enhance research and sense-making through the wider availability of information.
15. Hence, Goal 5: Promote information exchange between all stakeholders of the WCO Strategic Plan might need to be broadened to reflect this cross-cutting reality, as the use of ICT goes beyond information exchange between all stakeholders.

The Digital Customs Concept

16. In view of the above analysis examining the operating environment, the WCO tools and instruments, and the WCO strategic plan, it is apparent that ICT is a diverse and cross-cutting issue. In this context, it is necessary to consider an approach where the WCO, its member administrations, and in particular, Customs DGs can adopt a strategic approach in developing ICT in their respective countries. The ability to translate a strategic vision, through ICT, to undertake technologically-enabled reform across the diverse areas that ICT can support, would be useful for both WCO Member Administrations in guiding their reforms, as well as the WCO, to identify future areas to develop standards and tools to support modernization and harmonization.
17. The Secretariat undertook a basic mapping exercise in the inter-session to gain an appreciation of the existing ICT-related tools, instruments, guidelines and systems currently available in the WCO, their intended purpose, and grouped them into several broad themes, namely:
- (i) Leadership
 - (ii) Legal Basis
 - (iii) Modernization & Reform
 - (iv) Protection of Society
 - (v) Communication
 - (vi) Coordinated Border Management.
18. These broad categories enabled us to appreciate the diverse collection of tools currently available, as well as the specific aspects that each tool supports. All of these themes are mutually supportive and provides members with a “snap-shot” of the types of resources currently available to support their ICT modernization and reform objectives.

19. Conceptually, Digital.Customs aims to provide a:
- **Cohesive:** Digital.Customs aims to be a cohesive reference to allow members to holistically understand all of the ICT related standards, tools and guidelines, and how it relates to the cross-border regulatory domain.
 - **Comprehensible:** Digital.Customs aims to provide a thematic approach to the management and development of ICT tools, so that it is easily understood by users. Emphasis would be placed on the developments of guidelines that focus on implementation experiences and technical know-how within each thematic domain area, so that WCO member administrations will be able to consume the knowledge efficiently.
 - **Scalable:** Digital.Customs will also provide WCO Members and Secretariat with the necessary conceptual framework to enable new tools to be developed in through a cross-functional approach that encompasses the entire border regulatory domain. New tools can be incorporated under each theme as appropriate, and new themes can also be included based on members' determination of future needs.
20. The current mapping of ICT related tools and instruments goes hand in hand with ongoing work being undertaken by the Secretariat on the **IT Guide for Executives** that had been developed as a short "handbook" that succinctly addresses the key aspects of ICT development for senior-level administration officials, including Commissioners, Director-Generals, their deputies, as well as senior administration officials with direct responsibilities in managing ICT projects. The mappings, with its explanatory notes, are also available in the presentation accompanying this document.
21. The guide, and its accompanying workshop approach, was piloted during the Executive Leadership in IT Workshop, held back-to-back during the WCO IT Conference in May 2015, in the Bahamas. Hence, the first iteration of this visual guide will be incorporated into the IT Guide for Executives as an Annex, to provide an intuitive and succinct reference to how WCO tools, instruments and guidelines can help in an administration's modernization.

Themes and Structures

22. The Digital.Customs concept contains the following key themes:
- (i) Legal Basis
 - Interconnectivity must be based on a firm legal basis.
 - Member Administrations should be Legally-enabled reforms are required to enhance interconnectivity with stakeholders
 - (ii) Leadership
 - Leadership is paramount in translating a legal basis, into a tangible outcome.
 - Leadership must undertake a strategic approach for ICT planning, and navigate the complexities of building a technologically advanced and modern regulatory system.
 - (iii) Modernization & Reform
 - Information & Communications Technology is a key enabler for cross-border regulatory modernization & reform.

- Member Administrations must understand how ICT supports cross-border regulatory processes so that they can deploy technology effectively.
- (iv) Protection of Society
 - Cross-Border Regulatory Agencies are responsible for protecting society from the harmful effects of illicit trade.
 - ICT enhances research & sense-making capabilities to identify emerging threats & support risk management
- (v) Communication
 - Information & Communications Technology provides new possibilities for Cross-Border Regulatory Agencies to engage the public, and communicate with each other.
 - Secured communication platforms are necessary for enforcement agencies to coordinate enforcement actions.
 - ICT should also support Member Administrations in pursuing closer communication with the trading community to foster
- (vi) Coordinated Border Management (including Interoperability & Exchange, Regional Integration)
 - Connectivity through ICT provides greater opportunities for Cross-Border Regulatory Agencies to work together
 - Technical harmonization & standardization shall be pursued to provide Member Administrations with an effective basis to pursue seamless, interoperable exchange

23. Each theme will be supported by a series of relevant tools, as shown in the presentation in annex II.

24. The themes are also not exhaustive – they represent a scanning of the existing operating environment, as well as the broad themes where existing WCO tools, instruments and guidelines supports. It is foreseen that a future discussion may raise new areas that could be developed into new themes, sub-themes, or tools, under the existing concept. Such areas may include issues like data privacy and governance, where the increasing collection of sensitive data on persons and trade transactions requires obliges agencies collecting data to provide greater assurances over their custody of the data. Also, as the use of data analysis and analytics becomes more commonplace, Customs may also be obliged to provide data on its existing performance to trade, for greater levels of transparency and accountability.

Digital.Customs: Vision, Possibilities and Challenges

25. The Digital.Customs was developed with scalability in mind. Its current iteration is more focused on stock-taking, and understanding the stable of WCO tools, instruments and guidelines available on ICT, their thematic coverage, and their technical uses. It is designed with growth in mind, as the operating environment develops, and as member administrations come forward with suggestions and ideas for further work.

26. A key part of this growth can be enabled through the constant monitoring and inclusion of best practices, as suggested by the Council Chair. Such a mechanism will require careful deliberation in its governance, so that it is active, and sustainable, and result in the development of new tools that would be developed and made available to members online or electronically.

27. Through Digital.Customs' thematic coverage, it is foreseen that through a structured and disciplined development efforts, each theme is already or can be anchored by 1 or more core "Compendium", or "Handbook" documents, that draws references to the key WCO Conventions, Recommendations, and Guidelines, to provide a contextual and holistic overview to the theme. In this way, each theme becomes an authoritative reference to that aspect of ICT implementation.
28. It must be recognized ultimately, that ICT is not an end in itself, but a strategic enabler – a tool to unlock greater levels of efficiency and effectiveness to drive modernization outcomes. Technology in itself will not bring about the most optimized outcomes if it is not led by enabling policies and laws, strong leadership, political will and adequate business processes in place.
29. Hence, Digital.Customs should be positioned in the same way: as a technical tool to support broad policy goals, which may be prompted by factors including RKC accession, TFA implementation, regional integration and national cross-border regulatory modernization.
30. It should also be considered that ICT is a constantly evolving field, within a rapidly evolving cross border regulatory environment. With improved technology, new applications for ICT can be found in areas that were previously unexplored. Through innovation, WCO Member Administrations may also find new uses for existing technologies that supports border regulatory functions. As threats evolve, new challenges will also have to be faced and the ICT aspects of such challenges will also have to be examined. Hence, regular review would be necessary to ensure that the Digital.Customs concept remains up to date and relevant.

Action Required

31. The PTC is invited to
- provide views and guidance on how it sees ICT contributing to the "Future of Customs", as well as other areas where ICT may, conceivably contribute to, in shaping the strategic agenda of the WCO and its Members;
 - review and discuss the Digital.Customs concept, and provide directions on whether it considers the current mapping to be in line with the directions of the June Policy Commission, so that the concept can be further refined, and presented to the December 2015 session of the Policy Commission; and
 - provide suggestions and views on how it would like to develop the Digital.Customs concept moving forward, including whether it would like to see the issue tabled again in 2016 sessions of the PTC and the IMSC. (As noted in paragraph 31 above, regular review would be important for ensuring that the concept remains up to date. To ensure orderly development and growth, the time-frame and mechanisms for such a review would need to be considered as well.)

*
* *

Annex I to PC0430: Mapping of Revised Kyoto Convention Standards to Sections within the RKC Guidelines on Application of Information & Communication Technology

Provision in General Annex	Section in IT Guidelines
3.11 Use of UN Layout Key & relevant international standards	§8, §9.3
3.18 Lodging of supporting documents by electronic means	§6.4
3.21 Lodging of goods declaration by electronic means	§6.4
6.9 Use of IT and e-commerce to enhance Customs control	§2, §6.6, §12.
6.10 Evaluating traders' commercial systems to ensure compliance with Customs requirements	§4
7.1 Use of IT to support Customs operations	§§2 - 4, §5.6
7.2 Use of international standards	§8, §§9.3 - 9.4
1.3 Establishment of formal consultative relationships with trade 6.8 Cooperation with trade 7.3 Consultation with trade when implementing ICT	§2, §5
7.4 Support for electronic transactions in new or revised national legislations	§§8.2 - 8.3, §11
9.1 Public availability of relevant information on Customs laws 9.3 Use of IT to enhance provision of information	§6.14