



Brussels, 12 October 2018.

### **UPDATE AND REPORTS**

#### **Inter-sessional developments**

#### **(Item III. (a) on the Agenda)**

#### **Introduction & Background**

1. The Committee is invited to take note of developments primarily under the WCO packages since the last PTC sessions and to consider their potential influence on the PTC's future work. Thus, this document aims to compile such developments that would be relevant to the PTC, but are not otherwise covered under other PTC agenda items of this meeting.
2. Considering that report from Economic Competitiveness Package(ECP) and update on the Implementation of the WCO Resolution on the Role of Customs in Natural Disaster Relief(NDR) have already been included under this PTC Sessions item, information regarding those items has not been included in this document.
3. At the last PTC, it was agreed to consider inclusion of the Customs-Police(C-P) Cooperation Handbook into the CBM Compendium. Therefore, this was included in Annex of this agenda and asked for endorsement on the updated version of the CBM Compendium that includes the C-P Cooperation Handbook.

#### **Revenue Package**

4. The Revenue Package, developed in response to Members' concerns over declining revenue returns in the context of the global financial crisis of 2008 and falling duty rates, has the following high-level aim :

*To help Members improve the efficiency and effectiveness of revenue collection, in compliance with rules, standards and guidelines laid down in relevant international agreements, conventions and supporting tools and instruments.*

5. Phases I and II were concluded in 2012 and 2015 respectively. Under each Phase, a number of new tools were developed to assist Members in fair and efficient revenue collection. These tools are available via the Members' Web site at this link: <http://www.wcoomd.org/en/topics/key-issues/revenue-package/latest-updates-policy.aspx>.
6. Members are invited to contact the Secretariat if they require any assistance in relation to applying the Revenue Package tools.
7. The Policy Commission endorsed the Action Plan for Phase III of the Revenue Package at its 75<sup>th</sup> Session. The Council subsequently approved the Action Plan in July 2016. At its 76<sup>th</sup> and 77<sup>th</sup> Sessions, the Policy Commission took note of the activities regarding the implementation of the Phase III Action Plan.
8. The Action Plan for Phase III is divided into two parts : Part 1 - Assisting Members in effective use of Revenue Package tools developed under Phases I and II, and Part 2 - Development of new materials and initiatives. The following provides an update on progress on the Action Plan since the last session and finalization of Phase III.

**Part 1 - Assisting Members in effective use of Revenue Package tools developed under Phases I and II**

9. Part 1 is designed to assist Members in implementation of the materials developed under Phases I and II in order to strengthen their capacity to identify and collect the revenue legally due on imported goods.
10. The distribution and cascading of Revenue Package materials is an ongoing process, via various channels such as technical assistance activities, WCO programs and Regional Web sites.
11. From 1 November 2017 until 30 June 2018, it is projected that 32 technical assistance missions will have been conducted by the Secretariat which include content on general or specific aspects of the Revenue Package (including classification, origin, valuation and post-clearance audit). Additionally, as reported in the Action Plan, a number of successful accreditation workshops have taken place, resulting in a larger pool of accredited and pre-accredited experts in revenue-related activities.
12. Several tools developed under Phases I and II have been updated as reported in the Action Plan, including the addition and revision of national case studies provided by Members.
13. In order to assist Least-Developed Countries (LDCs) which face particular challenges in the practical aspects of implementing the WTO Customs Valuation Agreement, a new Guide has been produced : *Practical Implementation of the WTO Valuation Agreement : A Brief Guide for Least-Developed Countries*. This Guide sets out the key steps recommended for LDCs to follow and cross-references the key Revenue Package tools which will assist in this respect.

14. With regard to the development of means to assess the impact of applying and implementing the Revenue Package tools, the measurement of overall revenue collected could be taken into account as a key benchmark for the impact of the Revenue Package, given that the aim of the Package is to improve the efficiency and effectiveness of revenue collection. It is noted, however, that there are some caveats to this, given that a range of external factors have a major impact on revenue collection (changing duty rates, change in trade volume, etc.).
15. Other options to be used as a means to assess the impact of the Revenue Package have been considered, such as: the successful introduction of advance ruling systems (e.g. based on the number of requests received), the introduction or expansion of post-clearance audit programs (e.g. based on the number of businesses subject to audit, number of audits conducted, revenue recovered, etc.) and the establishment of a Customs laboratory. It is recommended that further work is done in this area.

## **Part 2 - Development of new materials and initiatives**

### **I. Customs-Tax cooperation**

16. The finalized version of the Guidelines for Strengthening Cooperation and the Exchange of Information between Customs and Tax Authorities at the National Level has been published on the WCO Web site<sup>1</sup>.
17. The 77<sup>th</sup> Policy Commission discussed the topic of Customs-Tax cooperation and examined additional cooperation opportunities between the two authorities in terms of the exchange of information and joint approaches towards revenue collection, risk management, audit, and financial crimes.
18. In addition, the Policy Commission discussed a concept paper on Customs' role in the collection of indirect taxes and tasked the Permanent Technical Committee (PTC) to develop guidance in this area. At its October 2017 sessions, the PTC discussed and approved the structure and potential content of the envisaged guidance and established a group of interested Members and stakeholders to further develop it, by leveraging existing resource materials and good practices in this domain.

### **II. Origin issues**

#### **Guidelines on Certification of Origin**

19. The Guidelines on Origin Certification were endorsed and published in July 2014. They will be further developed to include Members' national practices on origin certification, including on self-certification.

#### **Guidelines on Preferential Origin Verification**

20. The Guidelines on Preferential Origin Verification have been further developed to include more national practices (from Chile) on origin verification.

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<sup>1</sup> <http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/guidelines-on-customs-tax-cooperation.aspx>.

Guide to Counter Origin Irregularities (excluding fraud)

21. More national case studies (provided by Chile) have been added to the Guide to Counter Origin Irregularities (excluding fraud).

Practical Guide to 2015 Nairobi Ministerial Decision on Rules of Origin

22. The Secretariat has developed a *Practical Guide to the 2015 Nairobi Ministerial Decision on Rules of Origin for LDCs*, which will contribute to facilitating preferential market access for LDCs. The Guide provides practical information on how to qualify for preferential treatment and detailed explanations of the elements in the Decision. This document will be available via the WCO Website.

E-learning

23. New e-learning modules have been developed on the topics of origin certification, origin criteria, direct transportation and origin verification. The existing modules (introduction to origin and preferential rules of origin) have been updated. The modules will be available via the WCO's CLiKC! platform.

**III. Post-clearance audit (PCA)**

24. The updated WCO Guidelines on PCA were endorsed at the 37th Session of the Enforcement Committee in March 2018. In this update, the concept of PCA as a means to measure and improve compliance has been highlighted with voluntary compliance as an overarching strategy. These Guidelines will be the conceptual basis for any future PCA activities for the next several years.

**IV. Fragile border**

25. The aim of this research initiative is to support Customs administrations in enhancing their role in fragile borderlands affected by violent crises, and to implement regional security initiatives. Customs administrations are important actors in crisis resolution through the economic perspective they can provide on security issues. In particular, the violent crises studied by this research project erupt in areas where the border economy is crucial for society and there is a need for a fair and efficient revenue collection.
26. In January 2018, a workshop for the Heads of intelligence services of the West and Central Africa region was held in Abuja, Nigeria. Also in January 2018, a workshop was held in Brussels on data analytics with the participation of national and international experts. In February 2018, field research was conducted in Somalia to use marine traffic data to estimate revenue collection.
27. Work is ongoing to provide intelligence and data analytics instruments connecting taxation and violence in fragile borderlands. The methodologies collected will be issued in a series of documents by December 2018.

## V. Control of mineral resources

28. A document on the Role of Customs Laboratories in the Protection of Mineral Resources was discussed at the Scientific Sub-Committee (SSC) in January 2018.
29. As agreed at the SSC, a questionnaire was sent to all WCO Members on 21 February 2018 with a view to collecting best practices, sampling procedures, ISO standards and analytical methods used in identifying metals in metallic ores. To date, the Secretariat has received 28 responses. Some of the responses contain analysis methods and best practices that will be added to the Customs Laboratory Guide as a new Chapter for Section III "Recommended analytical methods", in order to help countries recognize the content of valuable metals in metallic ores.
30. The methods will be also added to the tool to assist Members with the control of mineral resources being exported or imported. This information has been compiled ready for inclusion in the new Guide.
31. A secure communication tool dedicated to the protection of mineral resources was created during the last quarter of 2017 to allow interested Members to exchange information on the issue.

## VI. Customs laboratories

32. This activity will help Customs administrations to improve the accuracy and effectiveness of Customs laboratory analysis work by enhanced regional cooperation and will also strengthen the capacity of Customs administrations to fulfil their obligations in relation to "Test procedures" provided for in Article 5.3 of the WTO Trade Facilitation Agreement.
33. In April 2018, as part of the Revenue Package Phase III Action Plan, the WCO updated the Customs Laboratory Guide by adding new Appendix V which consists of contact information for the Regional Customs Laboratories (RCLs) and links to relevant information. The "*Procedures and requirements for establishing a Regional Customs Laboratory*" was approved by the Harmonized System Committee at its 61st Session in March 2018. Appendix V is expected to assist Members when considering whether they are in a position to join the network of RCLs.

## VII. Next Steps

34. Regarding the next steps for the Revenue Package, it is proposed that further consideration is given to this by the Working Group on Revenue Compliance and Fraud at its next meeting. The Secretariat proposes that the topic of addressing Illicit Financial Flows (IFFs) could be a feature of Revenue Package Phase IV, given that IFFs create revenue leakage and hamper domestic revenue mobilization. Further work could also be undertaken on the development of means to assess the impact of applying and implementing the Revenue Package tools.
35. In the meantime, the Secretariat will continue to work with Members to encourage and support the use of the tools and materials developed under Phases I, II and III.

## **Compliance and Enforcement Package**

36. The Compliance and Enforcement Package (CEP) was developed and subsequently endorsed at the 32<sup>nd</sup> Session of the Enforcement Committee. It was adopted at the 121<sup>st</sup>/122<sup>nd</sup> Sessions of the Council in June 2013. The CEP contains all of the different types of WCO instruments and programmes which currently exist and aim to address Customs enforcement high-risk areas. The toolkit is composed of four main components: tools, networks and technology, partnerships, and operations. These components have been designed to support the application of modern compliance and enforcement techniques.
37. The development of an Action Plan for the CEP was also agreed by the Enforcement Committee and Council. The CEP Action Plan is to be reviewed on a yearly basis by the Enforcement Committee, and subsequently presented to the Policy Commission and Council for endorsement.
38. To date three action plans for the financial years 2014/2015, 2015/2016 and 2016/2017 were endorsed by the relevant sessions of the Policy Commission and Council. All the activities listed have been fully implemented and detailed reports have been provided to the Policy Commission and Council.
39. A new draft Action Plan for 2017/2018 was prepared by the Secretariat and examined by Members at the 36<sup>th</sup> Session of the Enforcement Committee in March 2017. The Committee endorsed the Action Plan. Following the Enforcement Committee session, a revised draft Action Plan for 2017/2018 was presented and endorsed in July 2017.
40. The CEP Action Plan for 2017/2018 stipulates tangible actions which contribute to the accomplishment of the CEP goals. It indicates deadlines where appropriate and shows the bodies responsible for the implementation of specific actions. Twenty-nine actions were included, divided into the four main components consistent with the CEP toolkit. An additional cluster of detailed operational activities and projects was also added.
41. An interim progress report containing activities implemented to date was presented to the Policy Commission in December 2017 (Doc. SP0618E1). An updated final progress report on the completion/implementation of the aforementioned activities was presented to the Policy Commission and Council in June 2018.
42. A new draft Action Plan for 2018/2019 can be accessed via Annex of Agenda of the 37<sup>th</sup> EC session in March 2018 at the link: [http://www.wcoomd.org/-/media/meeting-documents/enforcement-committee/37/ec0488e\\_html.htm?lang=en](http://www.wcoomd.org/-/media/meeting-documents/enforcement-committee/37/ec0488e_html.htm?lang=en).
43. The following provides an overall summarized update on progress to date on the implementation of the CEP Action Plan :

### **I. Component 1 – Tools**

- Promote the CEP toolkit globally, regionally and nationally as part of ongoing WCO enforcement-related activities and collect best practices on compliance and enforcement
- A new CEP Regional Workshop for Asia/Pacific(June 2018)
- Develop and publish the WCO Illicit Trade Report - 2016 Edition partnered with the Center for Advanced Defense Studies (C4ADS),

- Further develop and maintain the Customs-Police Handbook in cooperation with INTERPOL(the 37th Enforcement Committee)
- Further develop and implement the COPES Program and related tools in line with its Project Plan The COPES (Customs Operational Practices on Enforcement and Seizures) project
- Maintain and promote the WCO Customs Risk Management Compendium
- Promote the Global RILO Network in supporting global Customs intelligence exchange
- Set up a WCO-RILO Task Force
- Follow-up on the results of the Survey on the Global RILO Network in order to identify possible improvements in different areas of RILO activities
- Develop and publish future-oriented periodical analytical reports and enhance existing reports to support Members' practices in intelligence and risk management
- Develop practical guidance on environmental protection(To be finalized by March 2019)
- Develop a Customs Training Curriculum on Cultural Heritage
- Develop STCE industry outreach guidance materials

## **II. Component 2 - Networks and Technology**

- Further develop the WCO Information and Intelligence Centre (I2C) and develop at least 8 intelligence reports
- Maintain/improve WCO "Iris" application [Customs information map and database (including seizure notices)]
- Maintain/improve the Technology Network (TeN) and increase the number of technology providers and Members using the application
- Further develop the ARCHEO(a CENcomm-based electronic information exchange platform) to enhance its capabilities and wider use
- Interface Public-Members (IPM) ; launching a Call for Projects to find non-profit institutional partners capable of realizing a new version of IPM
- Implementation of the WCO CTS application in eleven countries(Jamaica, Bahamas, Sri Lanka, Maldives, Panama, Georgia, Kenya, Ukraine, Chile, Philippines and Singapore)
- Promote the implementation of nCEN amongst Members
- Ongoing assess the functionality of ENVIRONET

## **III. Component 3 – Partnerships**

- Further cooperation with international shipping lines to increase the availability of pre-arrival cargo information for Members' risk assessment activities (through WCO CTS)
- Conduct high-level meetings as required with international law enforcement partners (e.g. INTERPOL, UNODC, etc.) to avoid operational overlaps and further the goal of enhancing coordinated border management
- Involve international law enforcement partners in relevant operational activities organized by the WCO to further operational interagency cooperation

## **IV. Component 4 - Operations (projects and operational activities)**

- Extended operation ATHENA organized by the WCO and INTERPOL
- Operation the code name "FOX" about combating illicit tobacco trade
- FAST MAIL / Operation Save REP(Rhinos, Elephants and Pangolins)
- Project WISDOM followed controlled deliveries pertaining to wildlife products with INTERPOL

- Environmental Program ; INAMA Project and ENVIRONET
- UNODC-WCO Container Control Program ; 169 training activities, private sector workshops and study visits
- Strategic Trade Controls Enforcement (STCE) Programme; 16 STCE national workshops, plus one regional workshop, 34 accredited/certified Expert Trainers to deliver the curriculum, 11 Train-the-Trainer events, including events in Spanish and Russian
- Capacity building activities of Program Global Shield (PGS)
- Small Arms and Light Weapons (SALW) Project; The WCO MOU with the United Nations Office of Disarmament Affairs (UNODA), by actively participating in international events to address the trafficking of SALWs.
- Passenger Controls initiative in the Asia/Pacific region on the use of API/PNR for effective risk management as well as to identify potential implementation sites for the recently donated passenger risk assessment and targeting system known as “Global Travel Assessment System” (GTAS)
- South East Asia Security Project in 3 programs activities and West and Central Africa Security Project to the escalating incidents of attacks in the region using improvised explosive devices (IEDs).

### **Private Sector Consultative Group (PSCG)**

44. The Private Sector Consultative Group (PSCG) had been established in 2005 and nine years later, in 2014, the Terms of Reference had been revised to make the Group more functional. After three years operating under the revised TOR, the PSCG had proposed a few amendments to make the Group more representative in terms of regional and sectoral involvement and hence to provide a broader perspective on cooperation with Customs as seen from the private sector standpoint. The principal change proposed was to increase the size of the PSCG from 21 to 27 members.
45. It would be useful to have the views and input of the PSCG in the context of the discussions on prioritization of the Organizations work. That would be a constructive way to increase the PSCG’s sense of responsibility and ownership.
46. The Policy Commission endorsed the revised TOR for the Private Sector Consultative Group on December 2017. Information about TOR for PSCG can be accessed at Annex VII to the following link: <http://www.wcoomd.org/-/media/meeting-documents/policy-commission/78/sp0630e.pdf?lang=en>.
47. Meanwhile, providing the private sector with adequate access to the knowledge about WCO tools and instruments and their proper use can be seen as an integral part of the Organization’s objectives to enhance private-public cooperation, facilitate trade and support the implementation of WCO standards. Although some WCO e-learning courses may be restricted to officials from Customs or other enforcement agencies as they touch upon enforcement issues, most of the courses are of potential interest to a private sector audience (including staff of companies dealing with Customs, consultants, lawyers, students, Customs brokers, etc.) as they relate to international Customs tools. This interest is expressed on a regular basis to the Secretariat, or to the national e-learning contact points, by representatives from the private sector.
48. The dissemination of information and knowledge related to WCO standards, tools and instruments to a wider audience is an important initiative to support their implementation on a global scale and may raise the profile of the Organization. The



initiative has the potential to benefit more small and medium international traders who normally have no means to secure advice or services from professional experts on Customs matters.

49. Finally, consideration should be given to the fact that although the WCO advocates the importance for Customs to build its organizational capacity to offer training and human resources development, it is common for services to be outsourced to training institutes or universities. It is in the WCO's interest that these entities also align their training material and curricula with the tools, instruments and content offered through the CLiKC! platform.
50. In the light of these factors and the repeated requests from academia and business, the WCO Secretariat is making efforts to provide this educational material for the private sector. This follows on from the recommendation by the Finance Committee (Doc. SF0457), approved by the Council (Doc. SC0166), to open up these courses to a much broader audience.
51. Non-Customs officers will access the courses via a new site: <http://academy.wcoomd.org>. In accordance with the decision of the Finance Committee, access to the courses will be gained subject to the payment of a fee allowing the Secretariat to cover the costs relating to dissemination and, no doubt, in time enabling the initiatives and material to be developed even further to the benefit of the Members.

### **STUDY ON USE OF ADDITIONAL LANGUAGES AT THE WCO**

52. The Working Group on the Use of Additional Languages at the WCO had its origins in the 2015/2016 Audit when the Auditors made recommendations on increasing Members for involvement in the work of the Organization, as this being further supported by the Finance Committee, the Policy Commission and the Council. It was identified that one of the obstacles to greater Member involvement was the fact that the majority of WCO meetings were held in only English and French, making it difficult for some experts with another mother tongue to participate actively. Furthermore, the lack of documents and instruments translated into other languages was a constraint on Customs officials around the world.
53. At its Sessions in July 2017, the Council formally established the Working Group with the following composition: the Vice-Chairs; three representatives from each of the language groups - Arabic, Portuguese, Russian and Spanish; the three top contributors to the WCO budget; and the Chairperson of the Audit and Finance Committees.
54. The Working Group had held two meetings in the previous financial year and had also conducted intensive work intersessional. It looked at the interpretation of working body meetings and the translation of working documents and tools and instruments, identifying that a significant quantity of texts are already translated into languages in addition to English and French but that there is a certain amount of duplication in that regard, highlighting the need for enhanced coordination.
55. It is clear that Members are already contributing to the provision of the WCO work in languages other than English or French, with a number of countries translating WCO

documents and instruments into their own language. In addition, Korea is making a significant contribution through the language fund it has established.

56. Each of the four language groups identified by the Council - Arabic, Portuguese, Russian and Spanish - identified its top five priorities regarding the Committees or Working Groups where it considered interpretation would be most beneficial to ensure the participation of the most appropriate officials. These areas include, inter alia, the Revised Kyoto Convention, e-commerce, enforcement, origin, valuation, the Harmonized System and the SAFE Framework of Standards.
57. After discussion, the Working Group agreed to recommend that a two-year pilot project for provision of interpretation at the identified meetings be conducted, to be funded from the WCO Reserves. A period of two years should allow sufficient time to implement the pilot project and evaluate the results, as well as to seek sustainable future funding if appropriate.
58. The Finance Committee also supported a proposal that the Working Group continue to meet to monitor the situation and to look at the next stages, including identifying sustainable funding if the pilot project proved successful. They recommend that the Working Group be asked to report on the progress with the pilot project at the Finance Committee session in Spring 2019 and at the Policy Commission session in June 2019.

### **COORDINATED BORDER MANAGEMENT (CBM)**

59. With the objective of keeping the CBM Compendium a living document to be updated with Members' experiences, the April 2018 PTC meeting endorsed the new version of the CBM Compendium by including the national experiences of Botswana and Finland.
60. On that occasion, the Secretariat also presented the newly developed Customs-Police Cooperation Handbook that was drafted together with INTERPOL, stressing the importance of CBM with all relevant stakeholders. The Secretariat's intention was to incorporate the Handbook in the CBM Compendium and it was currently looking at the best options to achieve this. The PTC agreed that the Customs-Police Cooperation Handbook should be appropriately included in a future edition of the CBM Compendium.
61. As follow-up on that decision, the Secretariat is now proposing that the Handbook be included as an Annex to the CBM Compendium. The new version of the Compendium will be published on the WCO Members' webpage as soon as the editorial reviews have been finalized. Any future printed editions will also include the new case studies and the above mentioned Handbook as an Annex to the CBM Compendium.

### **Action required:**

62. The PTC delegates are invited to:
  - Take note of the intersessional developments.

- Endorse the updated version of the CBM Compendium that includes the Customs-Police Cooperation Handbook as an Annex, and which will be published on the WCO Members' webpage as soon as the editorial reviews have been finalized.
-