



INCLUDING THE JOINT
SESSION WITH THE 11TH
MEETING OF THE
WORKING GROUP ON
THE WTO TRADE
FACILITATION
AGREEMENT

223rd/224th Sessions

5 - 8 March 2019

Brussels, 28 January 2019.

UPDATE AND REPORTS

Inter-sessional developments

(Item X. 2(d) on the Agenda)

Introduction & Background

1. The Committee is invited to take note of developments primarily under the WCO packages since the last PTC 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 the report on the Economic Competitiveness Package (ECP) was already discussed in detail at the last PTC and that the topic has also been included under this PTC (item-XVIII), information regarding that package has been excluded from this document.

Revenue Package

3. 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 :

For reasons of economy, documents are printed in limited number. Delegates are kindly asked to bring their copies to meetings and not to request additional copies.

Copyright © 2019 World Customs Organization. All rights reserved. Requests and inquiries concerning translation, reproduction and adaptation rights should be addressed to copyright@wcoomd.org.

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.

4. The first and second phases of the Revenue Package were concluded in June 2012 and 2015 respectively, when a number of new tools and materials developed by the Secretariat were launched. In June 2016, the Policy Commission and Council endorsed the Phase III of the Revenue Package Action Plan. Work was completed on the Action Plan in June 2018 and a further suite of new tools and materials was reported accordingly to the Policy Commission at its 79th Session.
5. All Revenue Package materials, from Phases I, II and III are available via the Members' Website at this link : <http://www.wcoomd.org/en/topics/keyissues/revenuepackage/latest-updates-policy.aspx>.
6. As agreed at the Policy Commission's 71st Session, the Working Group on Revenue Compliance and Fraud (WGRCF) has the responsibility for supporting implementation of the Revenue Package.

Secretariat proposals for Phase IV

7. It is noted that a wealth of materials has been developed under earlier Phases of the Revenue Package, particularly in the areas of valuation, classification, origin and post-clearance audit (PCA). It is proposed that the Secretariat and Members work together to continue to promote and apply the existing tools and also to assess their effectiveness.
8. Regarding additional topics, the Secretariat has made proposals to the WGRCF for discussion at its Fifth Meeting in November 2018.
9. Topics proposed for Phase IV include :

Illicit Financial Flows

10. It is proposed that a major focus of Phase IV would be to address the impact of Illicit Financial Flows (IFFs) on revenue collection. As reported to the Policy Commission in Doc. SP0643 at its 79th Session, the Secretariat has produced a comprehensive study report on IFFs in response to the mandate from the G20.
11. The study report contained a number of proposals regarding areas where Customs administrations can potentially play a part in tackling IFFs. Some of these activities overlap with revenue-related activities which could feature in the Revenue Package Action Plan such as :
 - Strengthening the use of risk analysis techniques, including data analytics and technology, to identify under- and over-valuation.
12. It is pointed out that the Policy Commission will discuss the future of the IFF Action Plan under Agenda Item XVI (Doc. SP0663). It is proposed therefore that, in the light of these discussions, the Secretariat then includes any relevant actions on IFFs in the draft Phase IV Action Plan.

Valuation, classification and origin

13. It is noted that the tools developed to date under the Revenue Package have focused on strengthening Customs' infrastructure in the areas of valuation, classification and origin, and have addressed various means of improving compliance. An ongoing challenge faced by Members in respect of revenue collection is fraud relating to duty liability, namely undervaluation, misclassification and misdeclaration of preferential origin entitlement. To date, the Revenue Package has focused on improving compliance as a means to address these issues. Members have highlighted the need for strengthening the fight against fraud in this respect.
14. In the context of the Revenue Package, existing materials which provide advice on addressing valuation and classification irregularities can also be reviewed and supplemented as necessary, including the topic of tariff engineering.
15. Various WCO technical materials with relevance to commercial fraud have been developed over the past 15 years and most of them remain current. This said, it would be useful to consider identifying those that would benefit from a review and update to reflect current operational realities and emerging issues.

Assessing the impact of the Revenue Package programme

16. The question arises of how successful Members have been in applying the tools developed under the Revenue Package programme and it is therefore suggested that means are developed to assess and measure the effectiveness of technical assistance and capacity building programmes undertaken by Members in respect of Revenue Package activities. Such measures could include, for example, the establishment and running of a PCA unit or implementation of an advance rulings system, compatible with the requirements of the WTO Trade Facilitation Agreement, and the relevant WCO guidance.
17. In this regard, it is proposed, within the scope of the initiated comprehensive approach on performance measurement and monitoring of implementation of WCO tools and instruments, to assess the change in levels of irregularities in tariff, valuation and origin declarations over time.

Other issues

18. Other potential issues for consideration under Phase IV include :
- Revenue fraud and compliance issues related to e-commerce;
 - Further work on fragile borders and illegal taxation in post-conflict regions;
 - Managing and collecting Customs debts.

Next Steps

19. Following the discussions at the WGRCF, the Secretariat will prepare a draft Action Plan for Phase IV of the Revenue Package for submission to the Policy Commission in June 2019.
20. Provisionally, the Phase IV work will be conducted over a two-year period(2019-2021) and will be concluded and presented to the Policy Commission and Council in June 2021.

Compliance and Enforcement Package

21. The Compliance and Enforcement Package (CEP) was developed and subsequently endorsed at the 32nd Session of the Enforcement Committee. It was adopted at the 121st/122nd Sessions of the Council in June 2013.
22. 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.
23. 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.
24. To date four action plans for the financial years 2014/2015, 2015/2016, 2016/2017 and 2017/2018 were endorsed by the relevant sessions of the Policy Commission and Council.
25. The CEP Action Plan for 2018/2019 stipulates tangible actions which will 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-five actions have been included, divided into the four main components consistent with the CEP toolkit. An additional cluster of detailed operational activities and projects was also added.
26. The Policy Commission took note of the progress report on the implementation of the aforementioned activities on December 2018.

WCO Data Strategy

27. Members expressed their interest in the uses of data science in the Customs context at the last session of the Council, and through their requests for the organization of seminars and participation in the PICARD Conference, where more and more contributions involve data science.
28. Moreover, international organizations as a whole have witnessed a significant trend over the past few years, devoting an increasing proportion of their work to the provision of data, analyses and indeed platforms with analysis tools, helping to enrich the discussions within the community of their Members.
29. Lastly, out in the field, the Secretariat has observed an increasing appetite for the provision of quantitative analysis tools in general (audit, performance measurement, risk analysis, anti-corruption measures, and security). This appetite goes hand-in-hand with a level of recruitment of Customs staff which is on the increase in all administrations. These staff members need to use powerful analysis tools in their day-to-day work and, in some cases, are involved in their development. This trend applies to Members irrespective of their resources.

30. These new Customs approaches are consistent with a global trend for the promotion and increasing and open provision of data, processing software and training in using them. This constitutes an opportunity for Customs administrations, all of which have been collecting data through their Customs clearance computer systems for many years.
31. The Secretariat has taken several steps to support Members in this new environment, and this effort has gained momentum over the past two years : (i) promotion of data science in the various WCO fora (IT Conference, PICARD); (ii) improvement of regularly published products, to provide more effective visualization of data (Illicit Trade Report); and (iii) development of tools from open-source software for the analysis of fragile borders, mirror-image data analysis and value analysis for commercial fraud. The objective is both to highlight the work of Members in the area of data science and to cooperate with them in drawing up new, specific tools.
32. By way of work in progress, the Secretariat has organized two invitation-only workshops on data analytics in Customs with representatives from the World Bank and French and Swiss universities, members of the Research Unit and national Customs experts. The outcome of these two workshops will be published shortly in the form of a series of articles and a collective publication, setting out case studies and methods in sufficient detail to be replicated and tested by Members.
33. These contributions involve programming, econometric, machine-learning and spatial-analysis techniques. While the objective is to share specific methods with Customs experts, the book's editors have also focused on setting out the general principles behind them, so as to engage decision-makers wishing to develop data science in their administrations.
34. The first regional seminar on data analytics took place in December 2018 in Qatar. Training and awareness-raising measures are also planned within the Secretariat. Lastly, private companies providing services to Customs are also being made aware of these new needs through meetings in person or via the WCO fora that they attend. The objective is that they should take ownership of the needs of Customs in terms of data processing.

Action required:

35. The PTC delegates are invited to take note of the intersessional developments.
-