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Capacity Building in Customs
Kunio Mikuriya, Deputy Secretary General, World Customs Organization

Directors-General,
Ladies and Gentlemen,

I should like to begin by thanking the Mongolian Customs and the Asian Development Bank for inviting me to this important regional event. It was indeed a privilege for me to be able to participate in the ADB seminar on one-stop services at borders that was held in Bangkok at the end of July. During the seminar I was very impressed by the high-level of interest shown by participants to learn more about the experiences in both Japan and Thailand with respect to the one-stop service concept. Their enthusiasm to adopt WCO tools in support of their trade facilitation efforts was also very encouraging. While I strongly support the comprehensive trade facilitation and customs cooperation program espoused by CCC members, I am convinced that the real challenge lays in its implementation, where capacity building will play an important role. For this reason, I should like to focus on capacity building in customs, based on our experience.

The concept of capacity building has been part and parcel of the development community for quite some time, but its profile has been raised since the WTO launched the Doha Round of trade negotiations. The ministerial declaration that launched the negotiations contained a pledge to assist with the provision of capacity building as means to facilitate implementation of the WTO rules. To make this point clear, the Doha Round was named the Doha Development Agenda. The international customs community tried to seize this opportunity to make a business case for customs modernization and adopted the Customs Capacity Building Strategy at its annual Council sessions in 2003. We identified six lessons from previous capacity building activities, especially from those that did not necessarily meet

initial expectations. I would like to review these six lessons and update them, to take account of developments in the international environment since adoption of the strategy.

Firstly, we discovered that sustained high-level political will and commitment is a prerequisite for successful capacity building. In this connection, the international customs community has two global initiatives available to raise the profile of customs and acquire high-level political attention. The WTO Doha Agenda on trade facilitation obviously provides us with one such opportunity, with its negotiation agenda set on simplifying border procedures. While the scope of negotiations should necessarily include the procedures of other government agencies, the discussions up to now have concentrated on customs procedures as a focal point. Since the submitted proposals to improve border procedures in the WTO arena are largely based on WCO tools, in particular the revised Kyoto Convention, we could wisely use this opportunity to promote the modernization and reform of customs through the implementation of WCO tools. Whether you are an actual member of the WTO or a country in the accession process, the WTO agenda will attract the attention of your political leaders.

Another driver for improving customs operations could be the security concern against terrorists and organized crime. This concern has resulted in an expansion of the customs function from the traditional economic and social protection, including revenue collection, to include the security of nations. Customs have to carry out their expanded functions while continuing their trade facilitation efforts. In responding to the new trade security challenge, the WCO developed and adopted its Framework of Standards to Secure and Facilitate Global Trade (the Framework) during its annual Council sessions in June. Many customs administrations have been using the Framework and the security concern as a lever to get more financial, human, and technological resources to upgrade their services. This will, in turn, improve revenue collection and the application of national laws and regulations, thus enabling customs to contribute even more to the economic and social development of nations.

Secondly, we need greater ownership and participation by customs personnel. Internal communication is essential in conveying relevant information to local customs personnel at all levels, who should be involved from the earliest stage of the capacity building initiative. Otherwise, many customs officials have little personal stake in, or commitment to, the organizational and administrative reforms promoted through various capacity building

activities. In this respect, I would like to touch upon the issue of corruption, which is regarded as one of the major obstacles to customs reform and modernization.

The WCO suggests that in addition to adequate human resource management, simplification and automation of procedures is vital to improve the integrity of customs personnel, because it will reduce the opportunity for malpractice between trade and customs officers. In other words, an integrity program will cast a light on streamlining customs procedures from another angle. The WCO has assisted its members to implement integrity programs, the major part of which is self-assessment to identify the current corruption-related problems and action planning to address the identified problems. It is essential to involve customs management as well as personnel of all levels in this self-assessment and action planning process, which should be linked to, and reflected in, on-going customs reform programs. Integrity programs could therefore be a valuable process for convincing customs personnel to buy-in to any reforms.

Thirdly, we need to ensure that capacity building needs are accurately diagnosed in order to develop country-specific responses. Concerned with the lack of high-quality diagnostic tools specifically focused on customs, the WCO developed a series of customized diagnostic tools. In fact, our self-assessment checklists to verify the compliance of customs with WTO rules have been recognized by WTO negotiators as a major aid to their work. Their design facilitates identification of trade facilitation needs and priorities, and thus enables countries to meaningfully participate in the trade negotiations. The checklists were extracted from the WCO Customs Capacity Building Diagnostic Framework, which is a comprehensive tool for capacity building and for planning a tailor-made reform program. The Diagnostic Framework also takes into account members' individual circumstances, administrative competencies and resource availability. We expect that feedback from our members on their capacity building experiences will continue to improve the WCO's diagnostic tools. Another concern was the limited pool of experienced and qualified customs experts to undertake diagnostic assessments. For this reason, we have started to organize seminars to develop a pool of experts from both national customs administrations and the private sector. Our role as the WCO is to provide an accurate diagnosis, facilitate program planning during the early stage of a capacity building initiative, and assist during the evaluation stage. While we do assist our members to take ownership of the process, the implementation of any capacity building program is the responsibility of a recipient customs administration.

Fourthly, we need realistic government and donor expectations. Experiences show that many initiatives in the past were often evaluated against somewhat unrealistic and overly ambitious expectations, which resulted in disappointments among governments and donors. This was partly caused by the lack of objective base-line data upon which meaningful comparison of progress could be made. While the WCO Diagnostic Framework addresses this problem, the WCO Time Release Study should be regarded as a fundamental tool for the collection and analysis of customs operational performance. This methodology will also provide a comprehensive set of data that shows the performance of all parties involved in the cross-border movement of goods. This will in turn help governments and donors understand the expected contribution of customs in improving border procedures, as well as the need for involving other government agencies and traders in the reform process.

Fifthly, we need adequate human and financial resources to be devoted to capacity building initiatives. It is often pointed out that the post-implementation costs associated with customs automation exceeds by far the cost of implementing a new automation system. However, this fact has been often neglected and resulted in difficulties being experienced to maintain introduced technology. In addition to adequate provision for post-implementation support, it is indispensable to establish a mechanism for long-term funding, especially in the case of information and communication technology-based interventions.

Lastly, our sixth lesson has taught us that we need enhanced cooperation and coherence. Since each donor has its own agenda, a poor level of communication and coordination between donors could lead to duplication of efforts in certain areas and little attention to other important areas relevant to customs administrations. While governments and customs administrations should take a more active and strategic approach with regards to coordination, there has been a concerted attempt to increase the level of coordination and coherence among donors. In the WTO arena, negotiators are also discussing ways in which to improve coordination among donors and international organizations. They often refer to the possible establishment of a WTO website which will be dedicated to this purpose. Such a website will contain hyperlinks to other relevant websites, such as the one offered by the Global Facilitation Partnership for Transport and Trade (GFP) that is designed to share knowledge on trade facilitation and capacity building issues.[See <http://gfptt.org>]

These six lessons have been instrumental in shaping the WCO strategy in implementing customs reform and modernization programs. The success of the WCO's Capacity Building Strategy is based on its regional approach to such issues. We strongly believe that this approach will provide a useful opportunity for participants to exchange experience with other customs administrations who often face a range of similar problems. The regional approach also helps to create a synergy with existing regional initiatives. The WCO Regional Office for Capacity Building (ROCB) in the Asia Pacific region was established in Bangkok to pursue this objective, together with Regional Training Centers. It has already considerably enhanced the partnership between the WCO and the ADB. The Asia-Pacific model is currently being considered by a number of other WCO regions.

Finally, following the successful seminar in Bangkok, I would like to propose another top-level seminar to gain an in-depth and practical insight into the experience of Japan on a few priority issues critical to furthering the CCC program. Japan plays a leading role in providing technical assistance and capacity building to WCO members, particularly with respect to its pragmatic approach towards the goal of modern customs procedures and management. The WCO will be happy to coordinate such a seminar with Japan Customs and the ADB, and assist in finalizing the agenda and the timing, preferably between spring and the middle of next year. I hope that this event will contribute towards the enhancement of regional cooperation in Central Asia.

Thank you for your attention.