

The World Bank

**GLOBAL FACILITATION PARTNERSHIP
FOR
TRANSPORTATION AND TRADE**

**TRADE AND TRANSPORT FACILITATION
A TOOLKIT FOR AUDIT, ANALYSIS AND REMEDIAL ACTION**

by

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Foreword

This document is an expanded version of the paper published in April 2000 under the title *Trade and Transport Facilitation: An Audit Methodology*. It seeks to improve the effectiveness of diagnosis and corrective activities in the field of trade and transport facilitation by providing, beyond guidelines on how to carry out the preliminary *Audit*, insights on how to go over *Analysis* and preparation of appropriate *Remedial Action*.

The economic background supporting this approach has not varied in the past few years. Alleviating poverty through direct assistance to beneficiaries as well as economic growth is a prominent World Bank Group objective. For this strategy to succeed, all potential impediments hindering the competitiveness of export industries must be tackled and reduced to the largest possible extent. International trade performance and efficiency are essential components of overall success. And in this new economy of instant communication, where goods and services are increasingly negotiated, ordered and handled electronically, the main bottleneck in the economy is more than ever delivery, that is, transport and logistics.

National frontiers - ports, airports, road border-crossing points – impose on incoming and outgoing consignment a complex set of procedural requirements. Countries that ensure that these are met with the minimum cost and delay to legitimate cargo and with full regard to public interest controls enjoy many advantages. They attract direct foreign investors to establish importing, production and distribution facilities and so increase employment. They repress and reduce opportunities and incentives for official and commercial corruption. They minimize import prices and so inflation, and give exporters, especially small and medium sized companies, a fair opportunity, with reliable, rapid delivery and pared delivery prices in increasingly competitive world markets.

The World Bank Group has participated, along with other financing agencies and many client countries, in notable improvements to basic resources of visible transport infrastructure, through a wide range of road, rail, port, and airport developments.

Those investments will never yield their full potential returns in international trade performance, however, without parallel advances in systematic improvement of the invisible infrastructure of information generation and exchange which underpins and controls every export and import movement.

Such an effort has to begin with a clear understanding of the special characteristics of each country, and, indeed, of each significant border entry and import point. This *Trade and Transport Facilitation Toolkit* offers an analytical approach to such a perception, complemented by practical suggestions as to how analyze findings and adequately devise effective remedial action plans. It reflects practical experience in a number of Bank missions and enquiries in a range of developing countries.

The new security challenges now facing international transport services just make it even more important to clearly discern between the requirements for enhanced control efficiency and the corresponding need to further facilitate legitimate trade movements. As a matter of fact, paralleled and simultaneous advances in both control and facilitation have the potential to strengthen each other for a safer and more

secure environment for honest trading activities in support of global economic growth and poverty reduction.

As for the April 2000 *Facilitation Audit Methodology*, which is included in the present expanded document, it has been provided by John Raven, who, as well as having participated in Bank activities as a consultant, has directed a number of international trade organizations. He has offered this Toolkit to the Global Facilitation Partnership for Transportation and Trade (GFP), in keeping with the belief in the power of steadily increasing Bank and business partnership to bring the positive benefits of global trading and transport to the full international community, with special concern for the acute needs of more disadvantaged economies. We want to express him our sincere thanks for this new valuable contribution to the permanent cooperation the Bank wishes to entertain with the private sector.

The Toolkit is intended to provide some initial signposts and suggestions. It will be greatly enriched for future use if those who apply it in practice will be good enough to report to the GFP on their experience, noting, particularly, any needs to extend or give closer focus to key concepts and any doubts or confirmations arising from practical applications.

As such, this *Trade and Transport Facilitation Toolkit* is therefore provided as a tool for all those, working in the field, who may be required to identify facilitation problems and begin the process of prescribing and providing appropriate remedies.

We hope this will prove a useful guide for all those who wish to answer effectively the challenge posed to transport by the demanding requirements of international trade.

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Abstract

“Trade and Transport Facilitation – An Audit Methodology”, published by the World Bank in April 2000, was intended for practical application in the broad context of Bank lending and project assessments.

It pre-supposed a reiterative process, based on an initial mission briefing, followed by debriefing and subsequent adjustment of the Audit to take account of and profit from additional experience in applying the methodology. This would be particularly valuable in reducing or supplementing the detailed questions posited as a basis for personal mission interviews with official and commercial interests.

Meanwhile there is some evidence that the approach could find uses outside the Bank.

It seemed useful, therefore, to enlarge the summary references to *Analysis and Remedial Action* included in the original text, to give a range of possible users some assistance in an initial use of the concept. Maintenance and improvement by the sort of systematic reiterative review very familiar in the Bank will still be the optimum method of using the full Toolkit

Some overlap of interest and subject matter between the three sections of the paper has been inevitable. Performance measurement, for instance, appears, in a very modest form in the *Audit*, receives more attention in *Analysis* and is cited as a possible requirement in *Remedial Action*. A preliminary look at *Analysis* principles may offer some guidance on what to look for during the *Audit*.

The text is in no sense prescriptive. It presents an initial cross-section of what, ideally, should be a constantly evolving process, testing methods and principles against every new experience and producing an improved version for future application. It is concerned with facilitation in developing countries and would need to be completely revised to offer any useful material to help accelerate progress in advanced economies.

Though it had, for practical reasons, to be drafted in one hand, it will be of little value unless, in practice, it benefits from improvements suggested by those who have had an opportunity to apply it in practice. Such comments, which will be very welcome, should be accompanied by a note of the purpose and place of the application in question.

No attempt has been made to provide a bibliography or identify sources of information, advice or training. These would have been valuable additions, but are best left to specialised agencies with the resources to carry out initial research and maintain the resulting files in the face of constant daily shifts in trade patterns and practices.

Acronyms and Abbreviations

APEC	Asian-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System for Customs Data
ATA Carnet system	Admission Temporaire/Temporary Admission Notebook System
cif	Cost, insurance, and freight
EDI	Electronic Data Interchange
EU	European Union
FIATA	International Federation of Forwarding Agents Associations
fob	Free on board
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GFP	Global Facilitation Partnership for Transportation and Trade
IATA	International Air Transport Association
IBCC	International Bureau of Chambers of Commerce
ICC	International Chamber of Commerce
ICS	International Chamber of Shipping
IECC	International Express Carriers' Conference
IMF	International Monetary Fund
IMO	International Maritime Organization
IRU	International Road Transport Union
MERCOSUR	Mercado Comun del America del Sur (South America Common Market)
OECD	Organization for Economic Cooperation and Development
PSI	Preshipment Inspection Agency
SAD	Single Administrative Document
SADC	Southern Africa Development Community
SOFI	Système d'Ordinateurs pour le Fret International (Computers System for International Freight)
SWIFT	Society for Worldwide Interbank Financial Telecommunications
TEUs	Twenty-Foot Equivalent Unit
TIR	Transport International Routier (International Road Transport)
UN ECE	United Nations Economic Commission for Europe
UN EDIFACT	United Nations Electronic Data Interchange for Administration, Commerce and Transport
UNCTAD	United Nations Conference on Trade and Development
WCO	World Customs Organization
WTO	World Trade Organization

PART ONE – AUDIT

Purpose and Scope

This outline account of a Facilitation Audit procedure consists of -

- ?? An explanatory introduction
- ?? A set of questionnaires designed to support and structure personal interviews
- ?? A note on the analysis and interpretation of the results of these interviews and suggestions for organising practical remedial action

The purpose of the Audit is to examine and evaluate difficulties and obstacles presented to the cross-frontier movement of a routine consignment and means of associated payment.

Experience shows that these centre on official and other authoritative procedures and related information flows. "Authoritative" procedures, apart from Customs, security and other governmental controls include banking requirements, particularly when these combine payment with credit or discounting services, pre-shipment inspection regimes, non-competitive transport systems, for example monopoly airlines or national shipping lines and quasi-monopolistic port operations.

Customs form the hard core of most procedural problems. In many countries operational inefficiency and outdated regulations are aggravated and perpetuated by dishonesty.

There may be other difficulties from rigid, complex exchange controls, but, over the last thirty years, the IMF and World Bank have greatly reduced these additional handicaps.

Payment systems, especially full-dress documentary credits, still slow modern transport systems to the leisurely pace of nineteenth century paper-based banking practices. There is hardly any competition between banks in this part of their business. Too many consider it is more profitable to palliate chronic delays by issuing letters of indemnity than to strive to get the poor best out of an essentially outdated procedure.

Trading communities are often captive customers of their local port. Geographical constraints can be powerfully reinforced by limited access to key container services. State ownership, protected from competition, adds an extra dimension to operational inefficiency.

Even after almost fifty years of growth, there are a surprising number of countries which have failed to assimilate and exploit the full potential benefits of multi-modal, through transport systems. Customs procedures, there, are still adjusted to traditional port-to-port movement and freight-forwarders or others seeking to set up as through-transport providers may be unable to do so for lack of necessary legal status.

All these difficulties cast sufficiently serious burdens on traders and carriers with direct access to

maritime services. Land-locked developing countries, however, largely dependent on transit arrangements, can incur a range of additional costs and handicaps.

While designed primarily for use in World Bank operations the Audit can be applied in appropriate projects or enquiries by any lending, aid or government agency or consultancy, always provided that there is assured, free access to all levels of management in the official and commercial sectors brought under review.

In World Bank terms it should enable a typical Appraisal or Pre-appraisal mission, considering a relevant loan project, to assemble, in two or three weeks, all necessary information for a trade facilitation section in its back-to-the office report.

The sort of audit set out in this document is intended and has served, in practice, to offer a reasonably reliable assessment of the general nature and balance of gross difficulties. In crude terms it should show pretty accurately where most of the important facilitation bodies are buried and offer an initial signpost to the sort of skills needed for priority expert advice and action.

The Toolkit seeks to link Audit results, through careful Analysis, to appropriate Remedial Action.

Questionnaires

These are addressed to the:

Forwarder/Agent/Broker/Multimodal Transport Operator
Exporter
Importer
Shipping Line and Ships' Agents
Road Carrier
Airline
Express Operator
Railway
Port
Airport
Border Crossing Point
Customs
Commercial Bank
Exchange Control/Central Bank
Pre-shipment Inspection Agency
Chamber of Commerce
Department of Trade/External Trade

(The term "Questionnaire" is used for convenience but it will be quite inappropriate to use these queries as the basis of some written document, to be answered by correspondence or in any way other than as a structured support for personal interviews.)

Some questions are addressed to a more than one type of respondents, in order to provide corroboration or identify significant discrepancies.

It is important to plan interviews in the light of the best available advice and information on suitable respondents. A Bank mission can normally draw on considerable in-house knowledge and judgement. This can be supplemented by prior consultation with international organisations, including the World Customs Organisation (WCO), International Air Transport Association (IATA), International Chamber of Shipping (ICS), International Chamber of Commerce (ICC), Federation of Forwarding Agents Associations (FIATA), International Road Transport Union (IRU) and the International Express Carriers' Conference (IECC).

It is always useful if the persons interviewed are not only well-known in the national institutional network, but are also active in some relevant regional and/or international organisations.

Interviews should be one-to-one and informal. Precision is less important than credibility. The purpose of the audit is to provide reliable judgements rather than accurate statistics.

Each set of questions is prefaced by a short note on the role/responsibilities of the respondents

concerned.

It is important to follow the suggested sequence of interviews. Starting with Customs, for example, before obtaining any previous idea of their efficiency from shippers and carriers, to guide the direction and detail of questioning, will be a largely wasted opportunity, and having to go back for a second time, possibly with an evident change of approach, could be a serious embarrassment.

It may be helpful to talk to the Department of Trade, or its equivalent, and any export Promotion Agency, after forming a firm estimate of Customs performance.

Every effort should be made to conduct interviews in a language easily used by the respondents. The added presence of an interpreter adds undesirable formality and lengthens the time demands on those being interviewed. Customs, as the official agency most likely to be associated with a facilitation audit, may offer to provide an interpreter, but any Customs presence at interviews could inhibit frank replies from commercial people.

Interviewers may often know the answer to some questions before posing them, but should ask them, just the same. Many opening queries are intended to offer the respondent an opportunity to set his or her own activities in a working environment. It may be sensible to ask questions which may be more direct and less welcome towards the end of the interview, when a friendly relationship has already been established.

It would be premature, in the Audit, to engage in systematic performance measurement. Some "measurement" indices are sought, but approximations will usually suffice at this stage.

The Audit should, however, identify where detailed measurement and associated costings may be desirable. Defining the exact scope of these assessment processes will be an important part of the Analysis, possibly leading to suggestions for further work under Remedial Action.

It should be possible to complete initial interviews within ten working days. A rapid sifting of replies and supplementary interview material should throw up any areas of special doubt or disagreement, which should then be explored in greater depth and detail.

Agent, Forwarder, Customs Broker, Multimodal Transport Operator

"Agent" may, in practice, cover any or all of these activities.

In many developing countries agents' fees are the only practicable means of meeting Customs demands for routine "presents" without corresponding entries in the principals' accounts. This is particularly important, given that companies based in the US are criminally liable for collusion in bribery of public officials even when this takes place abroad.

Agents are often recruited from the ranks of Customs services, on retirement or in response to some particularly attractive commercial opportunity. As a result senior agents may well be more expert in Customs legislation and operations than most of the officers they have to deal with.

This can result in agents making a tacit common front with Customs, against the real interests of their clients. Conversely, Customs frequently confine timely circulation of changes in requirements to their agent contacts.

One unfortunate side-effect of such relationships is that to spare embarrassment to the agents concerned, Customs may routinely require principals to appear in person to defend themselves in any but the most pedestrian dispute or irregularity. Such unpredictable calls to potentially protracted interrogations can play havoc with a small company in which management is in one or two hands and threats of often severe penalties attached to Customs offences are a powerful distraction from other, more positive, responsibilities.

One recent development in this general sector is the tendency for Customs experts to move into consultancy where they are particularly active in handling major valuation, classification or other disputes or differences.

In most developed economies these arrangements focus on large professional consultancy firms with a range of other advisory and analytical services. It is interesting that, in Eastern Europe, however, retired senior Customs officers are offering largely personal services of introduction, negotiation and representation. This could indicate that, in current administrative conditions there, exercise of influence over former colleagues is more valuable than professional advice.

Some questions offer special opportunities for widening the scope of discussion. Consideration of costs of compliance with Customs requirements, for example, may stimulate the respondent to move responses gradually from mention of up-front compliance costs on to dispute and delay costs and then to any routine "unofficial" charges and exceptional expectations of irregular payments. A direct, initial question on Customs behaviour, on the other hand, might well produce nothing.

In selecting respondents, (at least one large and one small), it is sensible to include the Chairman of the national forwarders' association.

Questions

1. How many clients have you for a) export b) import?
2. How many consignments do you handle daily/annually under each head?
3. What services do you offer your clients - contract negotiation, logistics, multimodal transport as principal, multimodal transport as agent, express delivery, payment arrangements with banks, Customs release and clearance as agent, Customs release and clearance as licensed broker, Customs disputes, exchange controls or others (specify)? Are there any regulatory constraints on your range of activities?
4. What is your experience of Customs operational efficiency at a) ports, b) airports and c) road frontiers, d) rail frontiers and e) inland container depots?

5. Do you have difficulties related to exchange controls? If so of what nature?
6. What are the average times taken to clear your goods a) outwards and b) inwards at i) ports, ii) airports, iii) road frontiers, iv) rail frontiers and v) inland container depots?
7. In what circumstances are these times seriously exceeded?
8. What is your impression of the cost/efficiency of a) domestic and b) foreign banks in dealing with documentary credits?
9. What is your impression of the cost/efficiency of domestic/foreign transport services?
10. What is your impression of the efficiency of multimodal - especially container - movements a) into, b) within and c) out of, the country?
11. What is your impression of the cost/efficiency of a) port and b) airport facilities?
12. Do you experience difficulty in obtaining official and/or commercial information necessary for your transaction? If so, under what heads?
13. What are your main uses of automation - internal office systems, services to clients, interchange with Customs, transport providers, ports, airports, banks, exchange controls, others (specify)?
14. Do you use a) the Internet b) EDI c) e-mail, satellite communications?
15. Are facilities for such uses satisfactory?
16. Do you use any of the FIATA standard transport documents? If so, which?
21. What proportion of your inward consignments are subject to physical inspection by Customs? Are these also subject to inspection by other control agencies?
22. Do you, or your principals, deal with Customs disputes? Do you regard the frequency of such disputes as normal or excessive?
23. Is there a review board for such disputes? If so, does it function efficiently?
24. If an import permit is required, how many government agencies are concerned? What is your experience of dealing with each of them?
25. Are transit operations particularly difficult in respect of a) bonds, b) carnets, c) documentation?

Exporter

Traditional "stand alone" export and import transactions are declining in proportion to the explosive

growth of cross frontier transfers of materials, parts, components and semi-finished and finished products within integrated multinational operational systems.

There are important direct links between decisions by multinational companies on direct foreign investment in productive or processing facilities, and so employment, on the one hand, and the ability of the host country to offer rapid, reliable movement of essential inward as well as outward consignments, on the other.

Yet many politicians and commentators continue to support an outdated "export, good; import bad" economic morality. This is particularly noticeable in developing countries, where "export promotion" is still seen as an activity that can be separated out from international trade as a whole, and should enjoy special privileges and preference.

It can often seem, from superficial evidence, that, Customs treatment reflects this advantage, when, in fact, there are a range of hidden delays and complications to many export movements.

When imported goods arrive they are met immediately with the hardest procedural test in their transactional life-cycle - formal Customs declaration.

The time taken to meet all the demands of this procedure, often aggravated by additional inefficiencies in the documentary credit checks, which have to precede release of the goods to the designated recipient, is directly reflected in measurable delay in the port or airport.

Export consignments, on the other hand, are often sent for shipment just a few hours before the vessel or aircraft is due to leave. The consignor, quite naturally, declines to expose his goods a moment longer than necessary to risks of intermediate loss or damage. He keeps them in hand, until he can be sure that all necessary Customs requirements have been, or can easily be, completed immediately prior to loading.

There will very often, however, be days of delay between the point at which the consignment is allocated, by the shipper, for export and the point at which he can be confident that its final passage to ship or plane will be relatively uneventful.

In the meantime he may need to have complied with exchange controls to secure foreign currency transport costs, made relevant requests for any associated import permit for eventual replacement of scarce material used in manufacture or processing, lodged claims for writing off this consignment against the total of any temporary importation licence, obtained an often specious quality certificate and secured space on what may be very infrequent transport services.

All these operations will be hidden within his own works and office. Often they are regarded as almost inevitable and natural features of a process which may never be consciously identified as adding up to an export delay or complication.

This situation casts extra importance on pushing and pursuing, as well as posing, relevant questions designed to identify such delays.

Questions

1. What are your main export items?
2. What is your overall export value annually? What proportion is this of your total output?
3. What are your principal markets?
4. Do you use one or several forwarders?
5. Are you responsible for any transport arrangements? If so which?
6. What proportion of your shipments are containerised?
7. What means of transport do you use, and in what proportions (value), for the basic part of your international transport?
8. What are your usual selling terms - fob, cif, ex-works, delivered etc.?
9. If you use documentary credits what is your impression of the efficiency/cost of this method of payment?
10. Do you have frequent difficulties in:
 - Customs clearance?
 - Exchange controls?
11. If so, what sort?
12. Are you concerned directly with ports/airports of shipment? If so what is your impression of their cost/efficiency?
13. Do you experience difficulty in obtaining official and/or commercial information needed in your transactions.? If so under what heads?
14. If a pre-shipment inspection regime is in force what are its main components? Is the result effective in terms of presumed objectives? What additional complications, costs and delays, if any, does it cast on traders and carriers? What would be preferable alternatives?
15. Do you have communication problems within or to and from your country? If so, under what heads?
16. If you have queries on official requirements, at home or abroad, do you go to:
 - Chamber of Commerce?

Trade Association? (if so, which?)

Customs?

Other government department or agency? (if so, which?)

17. Do you participate in any official export promotion activities? If so, which and how useful are they?
18. What are your main uses of computer systems - internal office systems, services to clients, interchange with Customs, transport providers, ports, airports, banks, exchange controls, others (specify)?
19. What are your main means of communication - post, telephone, express delivery, fax, EDI, Internet, satellite....?
20. Do you have difficulties in using any of these communication methods? If so, in what respects?
21. What proportion of your export consignments are subject to physical inspection by Customs? Are these consignments also subject to inspection by other control agencies?
22. Do you or your agent deal with Customs disputes? Do you regard the frequency of such disputes as normal or excessive?
23. Do you have frequent recourse to Certificates of Origin? What is your experience of the issue and use of these documents?.
24. What is your experience of drawback, export refund, temporary admission regimes?

Importer

It is useful to cover:

- A local importer of goods for home use
- A local importer engaged in electronic assembly or garment make-up, with consequent reliance on temporary importation or drawback
- A "foreign" multinational company importing for the home market and/or re-export after processing

The multinational importer should be able to offer comparative judgements of conditions in other developing or developed countries which might be less familiar to local companies. Multinationals are also especially familiar with large computer systems. It is always interesting to know to what extent they can use such facilities to interface with local requirements, especially those of Customs, port, airport, banking and transport services.

It is important to acquire a general sense of the political and official status of importing. Is there a reasonably general official acceptance of the arguments for trouble free import procedures?

Clearly, carriers welcome business, regardless of direction, and agents may well prefer import transactions, because they normally encounter more difficulties, and, therefore, generate larger fees than exports. On the other hand "export promotion" is still institutionalised, under that name, in many developing countries and has only recently given place to "trade development" in many lending and aid programmes.

Questions

1. What are your main import items?
2. What is the annual overall value and volume of your import operations?
3. What are your principal source countries?
4. Do you use one or several import agents/Customs brokers?
5. What are your usual buying terms - fob, cif, ex-works, delivered etc.?
6. What proportion of your imports, by value are containerised?
7. Are these mainly in groupage or full container loads? How many full container loads do you receive annually?
8. Where are containers:

Cleared through Customs
Opened and emptied?
9. If you use documentary credits what is your impression of their cost/efficiency?
10. Do you have regular, significant difficulties in:

Customs clearance
Exchange control?

If so what sort?
11. What proportion of your import consignments are submitted by Customs to:

Documentary inspection
Physical inspection

12. What is your view of the efficiency of any physical inspections ?
13. Do you have direct contacts with ports and airports of entry? If so what is your impression of their cost/efficiency?
14. What proportion of your imports enter the country by road or rail? Do you have special difficulties in respect of:
 - Customs clearance at the frontier
 - Other official controls on goods, vehicles and drivers ?

If so, what sort?
15. In seeking official/commercial information needed for your import business do you approach:
 - Customs
 - Chamber of Commerce
 - Trade association - if so which
 - Other government departments - if so which?
 - UNCTAD Trade Points, if any
 - The Internet
16. Do you have any problems in obtaining such information? If so, what sort of information and what sort of problems?
17. Do you have communication problems within the country? If so, of what sort?
18. How do you use automation in your own business? How far, if at all, do you exchange data electronically, with Customs, carriers banks and other services?

Carriers

Carriers, with the possible exception of integrated express operators - a relatively minor sector in most developing economies - are still most conveniently handled under separate modal headings.

Maritime transport will be the usual front-runner, with special importance attaching to road and rail movements for countries served by or serving transit operations.

For many years, traders in numerous developing countries had to depend on national shipping lines, often protected by virtual monopoly status and confronted by equally monolithic and bureaucratic central chartering agencies, sometimes disguised as Shippers' Councils.

Privatisation, very usefully encouraged by the IMF and World Bank, has reduced these commercial handicaps, but all too frequently a public monopoly has just slid, sideways, into a quasi-cartel agreement with selected "independent" partners.

Such arrangements have done little to force carriers to meet and anticipate client requirements, maintain modern computer and communication systems and play a fully influential part in moves towards Customs modernisation and reform.

The assimilation of containerised through movement is still a problem in many countries. It is even more difficult to move from passive assimilation to positive exploitation. Major obstacles include gross inefficiencies at functional interfaces; the continued use of Customs and other official control procedures designed for port-to-port movements; uncertainty whether to treat the container, itself, as an import item or a means of transport, and delays in adjusting legal, fiscal and exchange control requirements to the unfamiliar requirements and status of the multimodal transport operator.

In countries where conditions inhibit or frustrate locally based multimodal transport operators, traders have to depend on the advice and services of foreign, usually multinational agencies, with consequent difficulties of communication and an extra strain on scarce currencies.

Transit is a key factor in the economic and social stability of a number of developing land-locked countries. It is doubtful if their specific needs would weigh very largely in the balance of opinion or priority in countries of maritime access, if it were not for a gradually broadening area of transport and port privatisation and associated competition. In some access countries political pressures can constrain the scope and efficiency of transit facilities for neighbouring land-locked economies.

The Bank and IMF, with obligations to a wide range of clients, are in a unique position to assess and, possibly improve, those aspects of transit systems that may be largely inaccessible to direct influence from land-locked governments themselves. The Audit includes questions designed to assist preliminary fact-gathering for this purpose.

Recent UNCTAD meetings have emphasised the importance of Customs requirements and efficiency in the operation and costs of transit systems serving land-locked developing countries.

The maritime Bill of Lading, casting heavy obligations on the carrier, can often contribute to procedural delays, especially when it figures in documentary credit requirements.

Air transport has special significance for land locked countries and countries with very large land masses and poor surface communications.

Express delivery services, using a basic air transport component, are now an essential ingredient in implementing time-sensitive conventional international transactions and supporting the growing proportion - already between one third and one half - of global trade in goods which is represented by the cross-border movement of components, semi-processed and finished products and spare parts within integrated in-company supply, production and distribution systems.

The very limited timeframes within which such services must deliver consignments, in order to justify their charges and so ensure return on their world-wide investments in aircraft, road vehicles, support staff and communication systems, place these operators and their representative trade bodies among the

most active advocates of trade facilitation.

As they cannot function effectively, and so profitably, in countries where Customs are inefficient and dishonest, they may well be inactive or represented only by local agents, for relatively time-insensitive deliveries in many countries covered by this type of audit. For that reason, while there is a short Questionnaire addressed specifically to these operators, a number of questions bearing on the express delivery function have been inserted at other points in the Audit document.

Rail operators, particularly important in transit regimes, tend to view compliance with Customs and other official requirements as an exercise in co-operation with the inevitable and so tend to concentrate their attention on managing the transport system itself, with only marginal concern for procedural difficulties encountered by international consignments. In some countries Customs give publicly owned railways, like postal authorities, certain useful procedural privileges.

Shipping Line and Ships' Agents Questions

1. What volume of cargo do you handle a) inward and b) outward annually?
2. How many TEUs do you handle a) inward and b) outward annually?
3. What are the main countries of a) origin and b) destination?
4. Do you operate any international door to door services
5. Do you use/issue IMO standard manifests and/or International Chamber of Commerce standard bills of lading and/or non-negotiable sea waybills? If not would you be prepared to adopt such documents? Do your government agencies accept them?
6. How do you move manifest information - by post, express carrier, in ship's bag, fax, EDI?
7. Do you experience serious delays or obstacles in any of these operations? If so, under what heads,
8. Do you experience serious delays by importers in presenting bills of lading? If so, do you know why?
9. What is your cargo loss/damage experience in national ports?
10. Have you automated your internal operations and communications between head office and branches? If so, under what main heads?
11. Do you exchange data electronically with Customs to meet their import/export requirements? If so, what is your experience of the efficiency of these arrangements?
12. Do you exchange data electronically with other entities - customers, banks, ports? If so,

which?

13. What is your impression of the efficiency of a) ports b) Customs?
14. Do you operate inland container collection and delivery services? If not, why?
15. Do you use a) the Internet b) satellite communication? If so for what purposes?

Road Carrier Questions

1. What volume of a) containerised and b) non-containerised cargo do you handle a) inward and b) outward annually?
2. What proportions do the total of these movements bear to your overall operations?
3. What are the main countries of a) origin and b) destination for your international consignments?
4. Do you operate any international door-to-door services?
5. Do you operate TIR and/or ATA procedures. If so, are there any special difficulties?
6. What are your main ports of entry and exit? What is your experience of their efficiency, cost and security standards?
7. What is your experience of Customs at a) land frontiers and b) ports for i) inward and ii) outward movements? What is the average time for release of the vehicle and load by Customs under each of these four heads?
8. Do you use inland container terminals/dry ports? If so, what is your experience of cost/efficiency?
9. In which foreign country do you experience most difficulties with Customs and/or other control agencies - immigration, vehicle requirements, phytosanitary inspection.....?
10. Which parts of your transport functions are automated?
11. Do you exchange data electronically with other business and official entities? If so, which?
12. Do you receive adequate, timely information of Customs and other official requirements?
13. If you need information on Customs and other procedures in foreign countries where do you go for help?
14. What are your main means of communication - post, telephone, express delivery, fax, EDI,

Internet....?

15. Do you have difficulties in using any of these communication methods? If so, in what respects?
16. In transit operations do you have particular difficulty in respect of a) designated routes, b) Customs escorts, c) bonds and d) documentation.

Airline Questions

1. What is the a) volume b) value of your a) export and b) import cargo annually?
 2. What are the main countries of a) origin and b) destination?
 3. What is the average/usual airport dwell-time of your cargo for a) export and b) import?
 4. Do you operate express delivery door-to-door services?
 5. How do you move controlling information - waybills and manifests - with pilot, fax, EDI, Internet, other...?
 6. Do you exchange data electronically? If so with whom?
 7. Do you operate feeder road services?
 8. Do you have serious difficulties with:
 - Customs?
 - Exchange control?
 - Security?
 - Pre-shipment inspection?
 - Other official agencies?
- If so, of what sort?
9. Is airfreight able to exploit its full inherent advantages - speed, light packing, security - in import/export traffic? If not, what are the main disincentives and obstacles?

Express Carrier Questions

1. Are you part of an internationally integrated carrier or operating on an independent national/regional base?
2. How many a) export and b) import consignments do you declare to Customs annually? What is the total value at i) export and ii) import?

3. What time is usually required to pass a) documents, b) non-dutiable or de minimis goods and c) dutiable goods through airports for i) export and ii) import?
4. Would you be able to extend your services if these times were reduced? If so in what respects?
5. What do you identify as the main causes of delay - Customs, security, airport procedures/facilities, compulsory warehousing, pre-shipment inspection....?
6. Is your business constrained by a) a postal monopoly, b) a licensing system, c) special charges or fees? If so, in what respects?

Ports

Ports are focal points for almost the full range of facilitation difficulties. In particular the efficiency, even timing, of many of their operations, is strongly influenced, if not dictated, by Customs.

Customs hours of attendance, for example, place strict limits on port working. So-called “comprehensive” inspection of cargo, especially containerised cargo, throws substantial tasks and costs on port management.

Finding containers, moving them to the Customs area for inspection, dealing with the frequent physical aftermath of such inspections, returning the container to stack or quay and recording any consequences, can add substantially to the already sufficient problems of developing country port operators and take up as much as half the availability of such key equipment as lifting and moving appliances.

There are often serious deficiencies in port management itself. There are still ports which receive cargo without specifying the presentation of a Standard Shipping Note or equivalent EDI message, which has been found invaluable in modern port practice. It is frequently impossible to obtain a written, accurate account of the main port procedures. Delays fixed by regulations for acceptance of responsibility for cargo in shed or on the quay are often unreasonably long, which, with associated extra risks of damage and pilferage, add to the daily irritations of port users and inflate insurance premiums.

Ports are well placed to provide reliable information on delays and inefficiencies in several key parts of the international trade transaction.

Their principal customers - shipowners - can cover a very wide range of sizes and capabilities.

Global maritime and non-vessel owning container operators will be able to provide excellent data, produced from high-quality automated recording, processing and communication systems. At the other end of the resource scale Customs will have to accommodate small, single-vessel owners, scarcely able to complete simple forms correctly, and often with strong inclinations to confuse trading with smuggling.

Chronic delays in ports, attributable to lax or over-rigid banking practices, are common for goods subject to payment by documentary credit. In countries with heavy duty rates or fluctuating exchange rates and control systems small importers often refuse or are unable to meet the requirements which will

permit them to secure release from the shipowner or Customs.

In some ports logistics and warehousing rates make it convenient to let goods stay in the port rather than move to inland storage.

Most ports of any consequence are the focus for significant trading communities - exporters, importers, forwarding and Customs agents, banks, insurers and shipping and other transport companies. They focus relatively substantial Customs staffs, accustomed to being in daily contact with business operators.

A surprising number of ports, even those with poor management standards and performance, bring much needed and very valuable cohesion to these local business communities, through port consultative committees, on either a stand alone basis or in co-operation with a Chamber of Commerce or other trade body. These committees are often the only mechanism for regular consultation between trade and Customs and can be an important element in Remedial Action.

Shipping and container economics have, inevitably, reduced the number of principal ports at which direct international liner services are available. In choosing these ports, shipowners will give dose attention to experience in rapid turn-round for vessels, customer satisfaction, damage, loss and pilferage experience, and standards of official integrity.

Few ports in developing countries are following the lead of major international counterparts in establishing communication networks with other ports along the lines of their main traffic flows.

Such links can pass very valuable information on vessel characteristics, requirements and defects, well ahead of the arrival of ships and cargo.

Questions

1. What is the tonnage/value of general merchandise handled annually for a) import and b) export?
2. How many a) export and b) import TEUs are handled annually?
3. Which overseas ports are your main trading partners? Do you have any co-operative arrangement, for example information sharing, with any of them? If so, of what sort?
4. What is the average dwell time, in the port, at a) export and b) import for a) general cargo, b) containers and c) roll-on/roll-off vehicles?
5. What are the main causes of undue delays under all these heads - Customs, late arrival/presentation of manifests/bills of lading, banking requirements under payment terms, unavailability of connecting transport, exchange controls, pre-shipment inspection, tardy take-up by consignees.....?
6. Do you require a standard shipping note, or an equivalent EDI message, as a condition of receiving export cargo?

7. Is there a written, freely available and well-publicised account of the procedures necessary to move goods and vehicles efficiently through the port and Customs systems
8. Do you use computers to handle any port procedures for a) containerised or b) general cargo? If so, which?
9. Are you exchanging, or planning to exchange data, electronically? If so, with whom?
10. Do you have a port consultative committee? If so what is its composition and scope?
11. What services do you perform, and what facilities do you provide, for a) Customs and b) any other official agency? What are the rough costs and main consequences? Are you repaid or compensated in any way?
12. At what stage of movement do you first accept responsibility in respect of cargo on your premises?
13. How many Customs officers – approximately - are employed in the port?
14. What are their normal working hours and what provisions are made for extended working? What are the customary overtime rates?
15. What proportion of consignments - in very general terms - are presented by a) traders in person, b) agents c) carriers - for example truck drivers or shipboard staff?
16. What is the quality of co-operation between Customs and other control agencies dealing with goods and means of transport?
17. Are Customs entrusted with other controls, such as phytosanitary or security checks? If not how, in terms of efficiency and effectiveness are such formalities, if any, applied?
18. Is the bulk of the Customs procedure managed within Customs or is the declarant obliged to take the documents from one officer to another for several separate checks?
19. How many signatures are required by Customs in clearing goods through the port?
20. What computer and associated equipment is used by port management and what are its main applications?
21. To what extent are users able to communicate directly, computer to computer, with the port. Are any EDI messages, for this purpose, based on the international UN EDIFACT standards?
22. What is the rough proportion of declarations for which supporting documents - invoices, certificates of origin, way-bills, bills of lading etc. - are inspected?

23. What is the rough proportion of consignments/containers which are physically inspected.
24. What is the quality and nature of container inspection?
25. What is the incidence (rough percentage of total declarations) of procedural difficulties and disputes, and what are the principal causes - classification, value, suspicion of contraband etc.?
26. Are goods and vehicles delayed while all such differences are resolved or are some issues recorded for later resolution, while the goods are released for onward movement?
27. What is the experience of pilferage and loss - good, bad average - for a) general merchandise and b) containerised cargo while still in Customs custody?
28. Do labour relations have any large influence on the efficiency with which the port can treat international consignments?

Airports

The number of carriers at most imports will be limited and all will be accustomed to computerised operations and the use of uniquely numbered, internationally standard, non-negotiable air waybills.

For freight carried on passenger flights, IATA, to which most major airlines belong, has schooled its members to depend on authorised agents for all stages of cargo handling after unloading, including, in particular, Customs clearance. These agents are often of markedly higher quality than their counterparts in ports and at border crossing points.

As the key transport document - the air waybill - is non-negotiable, it cannot form the basis of full-dress documentary credit procedures and consignments are delivered directly to the person named in the bill. Customs formalities tend, therefore, to be the main factor in release times.

Customs handling consignments at airports will work almost entirely with reasonably experienced and "professional" agents and may often be largely insulated from the general trading community.

Unfortunately, there are still numerous countries in which procedures for dealing with air freight are still ad hoc adaptations of classical seaport practices.

Express operations, in the hands of major global companies, have tended to run, ahead of conventional airfreight in Customs practice.

The World Customs Organisation has produced a standard set of Immediate Release Express Guidelines, under which express consignments are given immediate release, provided prescribed control data has been submitted to Customs, from audited computer systems at specified periods in advance of aircraft arrival.

The degree to which airport management can give useful input to the Audit will depend on the nature of their operations.

Some may operate obligatory warehouses, through which even express consignments, and may constrain air carriers to use a monopoly ground service. Security is a special and legitimate concern for air movements, but all-cargo flights should be less cumbered with these regulations than passenger carrying aircraft.

Customs procedures often vary between port and airport. Given constant pressures from airlines with demanding time-tables, the quality of accredited agents and, in some countries, the priority accorded to automation of airport Customs procedures, there is a strong likelihood that the airport procedures will be simpler. Another reason may be absence any delays connected with documentary credits, as the air waybill is a non-negotiable document and the carrier or his agent just delivers consignments to the person named on the bill.

These advantages could provide useful arguments and precedents in looking for similar improvements at ports, by, for example, promoting the use of a non-negotiable sea waybill.

Some of the following questions will be addressed directly to airport managers. Others will need on-site ad hoc contact with agents, Customs and carriers.

Questions

1. What are the rough orders of magnitude for annual value (ascertained from declarations) and tonnage for a) import, b) export and c) transit consignments?
2. What are the average delay times - from arrival to departure - for a) imports, b) exports, c) transit consignments of i) conventional airfreight and ii) express deliveries?
3. How many Customs officers work at the airport?
4. What are the normal hours/days of Customs attendance? What provisions are made for extended working? What are the customary overtime rates?
5. What proportion of consignments - in very general terms - are presented by a) consignors/consignees in person, b) agents c) carriers - for example truck drivers, airlines?
6. What is the quality of co-operation between Customs and other control agencies dealing with goods and means of transport?
7. Are Customs entrusted with other controls, such as phytosanitary or security checks? If not how, in terms of efficiency and effectiveness are such formalities, if any, applied?
8. Are Customs entrusted with immigration checks or, if not, do immigration staff work in reasonable co-operation with Customs?

9. What are the principal security regulations applied air cargo? Do these differ between consignments carried in holds of passenger aircraft and all-cargo flights?
10. Is there a written, freely available and well-publicised account of the procedures necessary to move goods efficiently through the airport, in accordance with Customs and other control procedures?
11. What computer and associated equipment is available and what are its main applications?
12. What is the quality of any software used for processing Customs formalities and of the operational skills available to use it?
13. To what extent are traders/agents/carriers able to communicate directly, computer to computer, with Customs. Are any EDI messages based on the international UN EDIFACT standards?
14. What is the rough proportion of declarations for which supporting documents - invoices, certificates of origin, way-bills, bills of lading etc. - are inspected?
15. What is the rough proportion of consignments physically inspected.
16. What is the incidence (rough percentage of total declarations) of procedural difficulties and disputes, and what are the principal causes - classification, value, suspicion of contraband etc.?
17. Are goods and vehicles delayed while all such differences are resolved or are some issues recorded for later resolution, while the goods are released for onward movement?
18. What is the experience of pilferage and loss - good, bad average - for goods while on airport premises?

Border Crossing Points

These can offer a very difficult procedural environment.

The road transport industry, world-wide, is highly fragmented. Borders bring together a mass of small, local carriers with a mix of major regional or fully international road operators and some distributive arms of large manufacturing companies.

Some arrivals will bring standard computerised print-out documents, others may only provide hand-written papers of dubious authenticity. Customs cannot apply any single set of procedures which can deal effectively and speedily with all these types of declarant.

Furthermore the key figure, for Customs purposes, is the truck driver, who may be completely or very largely ignorant of the characteristics and background of the load he happens to be carrying.

If a well-informed agent is on hand then processing may be easier. Unfortunately, at most borders in developing countries, an uncomfortably large number of consignments arrive with little more than basic,

often badly prepared documentation to cover goods, vehicle and driver. All these have to be dealt with together, in contrast to the position at ports and airports, where goods can be cleared quite separately from vessels/aircraft and crews.

The physical conditions and restricted range of Customs management levels at typical border crossing points tends to encourage systematic corruption. Large bribes for serious dereliction of duty, with grave social consequences in respect, for example of illicit drugs, arms or unidentified nuclear substances, are masked by a background of relatively innocuous routine "facilitation" payments.

An additional special feature of border crossings is the proximity of export and import Customs. For ports and airports these two services may be thousands of miles apart. In all road and rail crossings they are within very short distance of each other. In modern frontier practice they may co-ordinate their functions and use common physical facilities.

Finally facilities - electricity supply, computers, telephone lines - which are taken for granted at ports and airports, may all be unavailable or unreliable at land borders.

Questions

1. What are the rough orders of magnitude for annual value (ascertained from declarations) and volume (number of vessels, containers, roll-on/roll-off loads, consignments) processed by Customs?
2. What is the relative importance of transit consignments and imports for home consumption?
3. What is the number and value of TIR and ATA Carnets handled annually?
4. What are the average delay times - from arrival to departure - at the border?
5. What are the number of Customs officers employed? What provisions are made for extended working? What are the customary overtime rates?
6. What is the quality of co-operation between Customs and other control agencies dealing with goods and means of transport?
7. Are Customs entrusted with other controls, such as phytosanitary or security checks? If not how, in terms of efficiency and effectiveness are such formalities, if any, applied?
8. Is there any co-operation, at the border, between adjacent export and import Customs services? If so, under what heads?
9. Is the bulk of the Customs procedure managed within Customs or is the declarant or his agent obliged to take the documents from one officer to another for a series of separate checks?
10. How many signatures are required in the entire process of Customs clearance?

11. Is there a written, freely available and well-publicised account of the procedures necessary to move goods and the vehicle efficiently through Customs and other official requirements?
12. What computer and associated equipment is available and what are its main applications?
13. What communication facilities are available to a) Customs, b) drivers and c) agents?
14. How is the post equipped to for working in likely extremes of temperature?
15. Is there reliable electricity supply?
16. What is the rough proportion of declarations for which supporting documents - invoices, certificates of origin, way-bills, etc. - are inspected?
17. What is the rough proportion of consignments/containers which are physically inspected.
18. Are additional formalities for driver-accompanied vehicles, including road-worthiness and weight certificates, and driving licence, passport and visas, carried out simultaneously with controls on the goods, or in separate sequence?
19. How far do these secondary requirements contribute to the total processing time?
20. What is the quality and nature of container inspection?
21. What is the incidence (rough percentage of total declarations) of procedural difficulties and disputes, and what are the main causes - classification, value, suspicion of contraband etc.?
22. Are goods and vehicles delayed while all such differences are resolved or are some issues recorded for later resolution, while the goods are released for onward movement?
23. What is the experience of pilferage and loss - good, bad average - for consignments while still in Customs custody?

Commercial Banks

The conventional trade transaction requires that while goods move from seller to buyer, payment should be pass in the reverse direction.

The immense expansion of world trade, following and fuelling the Industrial Revolution linked buyers and sellers across great distances, many weeks, if not months, distant by any known means of communication.

In that situation banks, in co-operation with finance houses and merchants, devised a remarkable payment system - the documentary credit - which enabled the seller to be sure that his goods could not

pass to the buyer until due payment had been made, while the buyer knew that his money would not pass to the seller until the goods were safely in hand.

In its most efficient period, towards the end of the nineteenth century, this system operated on the basis of key documents of title, carried by international mail services operating faster than ordinary cargo movements.

Because of continuing, if generally diminished - exchange risks in certain economies and the commercial uncertainties of casual or novel trading relationships, the documentary credit is still a familiar feature of international trade for many developing countries.

Unfortunately the increasing efficiency of world transport networks and the failings of numerous postal services have combined to produce often significant delays to goods at import, pending the arrival and bank processing of the documents needed to authorise their release to the buyer or his agent.

The International Chamber of Commerce, which sets the broad rules for documentary credit practices, is currently considering an electronic alternative or equivalent to the traditional paper-based procedures, but progress is slow and the overall credit system has a very low priority in most banking strategies.

The practical result is chronic delays at import, particularly of containerised cargo with special complications for groupage container loads of which only part are subject to these credit arrangements.

Such delays are cited, in self-exculpation by ports and Customs, to distract attention from or, at least, dilute, their own inefficiencies.

The banks earn extra fees by releasing goods to supposed consignees on the basis of guarantees contained in letters of so-called "indemnity".

These are an unsatisfactory expedient because they cannot, in fact, cover unassessable contingent obligations to third parties. Furthermore they are expensive - so enabling banks to make additional profits from their own inadequacies - and limited in scope, being available, normally, only to favoured customers of unimpeachable status.

It is extremely unlikely that banks, when interviewed, will express anything but satisfaction with the "normal" functioning of the documentary credit system. Traders are likely to be very circumspect and some other participants including Customs and ports, may not fully realise how this payment procedure is affecting their own operations. If they see the problem, they may have no idea where to turn for improvement.

Ports, shipping lines and agents are probably the most reliable source of information.

Questions

1. What is the approximate a) number b) value of documentary credits on a) export b) import consignments, handled by you annually?

2. Are documentary credits the normal method of payment for your customers at a) import and b) export? If no what are the other, preferred payment systems in each direction?
3. Do you observe ICC Standard Rules for Documentary Credits? Does a national representative attend meetings of the ICC Banking Commission?
4. Are you linked to SWIFT? If so, for what purposes?
5. Do your clients have difficulties in managing exchange requirements? If so, of what sort and how might these problems be reduced?
6. Do you have significant dealings with Customs? If so, for what purposes, and how far are you satisfied with the way in which these are managed?
7. What proportion of initial applications for payment under a documentary credit are you obliged to reject? What are the most frequent reasons?
8. Do you issue letters of indemnity to cover late arrival of documents? Is this a common or exceptional practice? Can any customers secure such cover? What is the basis of charging for this service?
9. How do you normally receive documents from overseas correspondent banks, in documentary credit operations - ordinary post, express post, private express companies....?
10. Do you exchange any import or export data electronically? If so, with whom and for what purpose?
11. Do you experience frequent delays in receipt of such documents? Do you record these and analyse their causes? What, in your opinion, are the main reasons - customer error, pace of processing by overseas banks, physical transmission problems?

Exchange Control Authorities

Exchange control restrictions now play a limited role in the practical procedural chain affecting goods in international movement.

Up until thirty years ago the situation, in the wake of the second World War and the withdrawal of external backing for many national currencies, following political independence, was very different.

Maximising the inward flow of scarce hard currencies became acquired high fiscal and economic priority, so that checking the accuracy of export invoicing and curbing expenditure on external services, including transport, was a major administrative function.

Decades of IMF and World Bank influence towards trade liberalisation, the development of more open political attitudes towards external trading, coupled with the necessarily temporary expedient of

replacing certain inefficient Customs controls with the services of specialist private agencies, have reduced these constraining pressures, but certain countries, including those in the latest wave of emerging independent states, are still obliged to apply rules of varying scope and severity.

The usual instrument for managing exchange controls is either direct intervention by the Central bank, delegation to a specialised Exchange Control Agency or management, under stipulated rules, by commercial banks.

Questions

1. What are the main objectives of your current exchange controls in relation to international trade and transport?
2. How are such controls applied in practice - by a single national agency, through a number of offices in commercial centres, through commercial banks...?
3. Do you consult trade, transport and banking interests a) formally and/or b) informally? If so by what means, and on what aspects of control?
4. What is the role of Customs, if any, in applying your controls?
5. Is there a clearly defined, written and generally available set of exchange control regulations? How are changes notified to traders and banks?
6. How are innocent infringements handled? How is guilt established? Who tries cases and hears appeals?
7. Would a dispute normally have any effect on the movement of the goods concerned?
8. Do your documentary requirements include negotiable bills of lading for maritime shipments? If so what do you do for air consignments?
9. What, if any, are your relations with pre-shipment inspection agencies?

Customs

Customs are invariably found at the core of any significant set of international trade facilitation problems.

In many countries, they are not only a major cause of cost and delay, in themselves, but also furnish a convenient screen, behind which many other participants can hide their own inefficiencies. Quoted by traders, agents, carriers and ports as the principal, if not sole, cause of all border-crossing problems, Customs tend to furnish, often unwittingly, an unreasonable excuse for many failings at other points in the life-cycle of the international trade transaction.

For this reason, while it is desirable to place Customs well down the sequence of interviews, so that

they can be interviewed in the light of previously expressed user opinions, they may well offer additional information and assessments which could justify some short second stage discussion with some other participants.

The answers to several questions put to Customs may already be known as the result of earlier interviews. These questions should be put just the same, as any substantial difference in Customs/trade perception could be significant.

The Questionnaire cannot cover more than a few of the many aspects of Customs practice and procedure which influence the efficiency and cost of an international trade transaction. A much wider view of these can be had from the International Chamber of Commerce Customs Guidelines. The facilitation benefits of certain key procedural reforms are described, in even greater detail, in the Guidelines to the revised World Customs Organisation Kyoto Convention. Possible delay causes are usefully set out in the WCO Time Required for Release Study.

An important - indeed indispensable - element in every Audit should be personal observation of actual operations at Customs posts, in ports and airports and at border-crossing points and in traders and agents offices.

Are work places clean and reasonably tidy? Do they offer reasonably good working conditions for staff and visitors? How do agents and Customs officers mix? Is the Customs counter noisy and subject to a good deal of thrusting and pushing or is the atmosphere workmanlike and reasonably peaceful?

Is there a defined and well observed practice which keeps agents and traders on their side of the Customs counter or do they penetrate into Customs offices? When duty payments are made, are there any supplementary cash flows to Customs officers?

Is there any visual evidence of irregular payments being distributed among staff? Are Customs signatures given in Customs offices or directly in the presence of the trader or agent? How far are premises equipped for likely extremes of temperature? What are the sanitary arrangements for staff and others? When documents are first presented to Customs what is the rough proportion of queries/rejections?

Documentation is especially relevant. Specimen sets of documents necessary for each procedure should be collected. The number of copies demanded should be noted. It is useful to know whether Customs impose pre-printed forms or are ready to accept the equivalent documents produced from a computer or copying process.

Computer installations should not be taken at face - or screen - value. Users should be asked to call up key programmes and execute a few typical operations.

Visits to Customs posts may need two approaches - an initial unofficial visit accompanying a friendly agent or trader and a formal appointment, later, to see what happens behind the counter.

Any in-office interview to process the Questionnaire should be supplemented by visits to Customs posts at a port, airport and border crossing point.

Basic information on member administrations and names of suitable contacts can usually be had from the World Customs Organisation.

Some of the following questions also figure among those to be asked at Customs posts handling port, airport and border crossing operations. Any variation in the answers will be particularly significant.

Questions

1. How many a) export b) import declarations and c) transit operations are handled annually?
2. What is the total value of consignments covered by these declarations?
3. What proportion of government revenue is represented by Customs duties/taxes on international consignments?
4. What is the total number of staff employed in the service?
5. What is the average time from submission of the import entry to release of goods from your custody, in maritime trade for a) conventional general merchandise b) containerised cargo and c) roll-on/roll-off vehicles at i) export and ii) import?
6. What are the corresponding times for roadborne consignments at main land frontier posts at a) export b) imports?
7. What are the corresponding times for airfreight consignments of a) documents b) non dutiable and de minimis and c) dutiable, goods?
8. Are the times in 5, 6 and 7 static or decreasing?
9. Do you consider any of these release times unsatisfactory and if so which? What do you see as the main causes?
10. Do you separate procedures and documentation to give "release" of goods from physical controls from those for "clearance" of the transaction following the satisfaction of fiscal requirements?
11. Are your paper forms aligned on the UN standard documentary system?
12. Are you using or planning to use computers in any operations? If so which? Do/will these include direct data exchanges? If so, with whom? Do you use UN/EDIFACT messages?
13. Do you use/plan to use ASYCUDA or any other proprietary Customs system? If so which? Are you satisfied with a) the product, b) post-implementation support and c) technological top-up?

14. Do you send delegates to WCO technical committees? If so, which?
15. How many disputes are lodged with/recorded by Customs annually? What is the largest single focus of difference - valuation, classification, temporary importation compliance....?
16. Have you an up to date, generally available Customs Code? Do you circulate public notices of changes and interpretations?
17. Do you carry out post-entry audits? If so who is responsible for the work,
18. Do you have an active Customs/Trade Consultative Committee?
19. Do you implement a) the GATT Valuation Code and b) the WCO Harmonised System?
20. Do you operate TIR and ATA procedures?
21. What services/facilities do you provide for other government agencies in connection with international trade consignments?
22. What services/facilities do you require at a) ports and b) airports? Do you pay for any of these? If so, which?
23. What proportion of a) conventional consignments b) containers are inspected at import?
24. Where do you normally inspect containers? How do you select for inspection? What are the main features of such inspection?
25. Do you issue binding advance rulings on a) classification b) value?
26. Can challenges to Customs decisions be referred to an outside, neutral tribunal?
27. Are Customs agents licensed? Do they have a monopoly?
28. Do you have a training school? If so, what subjects are covered?
29. Are any Customs functions currently handled by private agencies? If so, which? What is your experience of these arrangements?
30. What are normal working hours? Is Customs attendance available outside working hours and, if so, on what basis of compensation?

Pre-shipment Inspection (PSI) Agency

Thirty or more governments have passed certain Customs functions - typically valuation - to specialist private enterprise agencies. These companies are usually required to carry out quality inspection of

cargoes/consignments at overseas points of export.

This move was highly innovative at a time, some thirty years ago, when exchange difficulties, for many countries, were exacerbated by capital flight frequently aided by fraudulent invoices. It also helped countries, which came to sudden affluence with the spectacular rise in oil prices some years later, to limit the extent to which they were exploited by foreign suppliers.

More recently the main advantage has been in the reduction of revenue losses attributable to inefficient/dishonest Customs. Unfortunately the system, in its general features and management, has hardly altered since its inception, and has now acquired some of the weaknesses which it is intended to overcome in Customs administrations.

There is, for example, no known attempt by any of these agencies to apply modern risk-assessment techniques to limit the scope of their physical inspections. Apart from the formal appeal system set up by the WTO to meet user complaints, there is no effective mechanism for regular consultation with traders and carriers affected by pre-shipment controls.

At the moment PSI activities cause extra delays and associated costs to traders, carriers and ultimately their customers.

When looking at these operations it is useful to know whether more than one company is providing the PSI service and on what basis any choice is made - for example by the importer or, geographically, according to the country of origin of the goods.

Questions

1. How many Reports of Findings do you issue annually? What is the value of the consignments covered by these Reports?
2. What is the average time taken to issue a Report
3. What goods are excluded from PSI and what is the minimum value under which PSI does not apply?
4. What proportion of consignments are physically inspected?
5. On what basis do you charge and secure payment for these inspections?
6. What is the basis of your central, contractual remuneration?
7. Do you apply/are you planning to apply, any risk-assessment techniques to reduce the incidence of physical inspection? If so, on what broad lines and by what methods?
8. Do you supply training services to the Customs? If so, on what subjects and how is the quality of the training assessed?

9. Do you exchange data electronically? If so with whom?
10. Do you use a) the Internet b) satellite communication? If so for what purposes?

Chamber of Commerce

Chambers of Commerce participate directly in the procedural chain when they issue Certificates of Origin and operate the ATA Carnet system.

They can be useful channels for securing and offering facilitation information and advice, especially when as in many Francophone countries, they have strong links to their counterparts in developed economies. These can be very valuable in supporting contacts and co-operation with outside, often international, interests, which have every practical incentive to help facilitation work world-wide.

Some assessment of the general status and efficiency of a Chamber will be a relevant part of any worthwhile facilitation audit.

Questions

1. What is your membership? Is this statutory or on a voluntary basis?
2. Do you offer advice to exporters and importers on:
 - National and foreign Customs requirements?
 - Foreign standards, dangerous goods regulations etc.?
 - Payment systems, including documentary credits?
 - Containerised, multimodal transport?
3. Do you have specialist committees for questions related to:
 - Customs?
 - Commercial banking?
 - Transport?
 - Communications?
 - Electronic commerce?
4. Do you run courses on any of these subjects? If so, which?
5. Are you in regular contact with:
 - The National Committee of the International Chamber of Commerce (ICC)?
 - The International Bureau of Chambers of Commerce?
 - The UNCTAD/WTO International Trade Centre?
 - Any overseas Chambers? If so which?

Any regional inter-governmental bodies e.g. APEC, MERCOSUR, EU?

6. If so, on what subjects?
7. Do you issue Certificates of Origin? If so, how many annually? Do you verify what you certify? If so, how?
8. Do you participate in the ATA carnet system? How many transactions do you deal with annually and do you experience any difficulties in this work?
9. Do you have formal consultative arrangements with Customs? If so, on what subjects?
10. Do you consult/collaborate with other national business organisations on any aspect of international trade. If so, which and on what subjects?

Department of Trade/Industry

This heading would also include any hived-off Foreign Trade agency.

While these Departments are often lower in the domestic bureaucratic pecking-order than Customs, which usually enjoys strong links to the Ministry of Finance, they have gained a new international status through the growing scope and authority of the World Trade Organisation.

This has special significance for trade facilitation policy because this subject is now accepted as a suitable candidate for eventual WTO rule-making. Commercial pressures for WTO attention to key facilitation problems are hardening and the subject has graduated, accordingly, from small print to headlines in the trade and financial press.

The results of a balanced facilitation audit, reflected in an analytical report, with recommendations for action, could be very useful to a Trade Minister in this situation. Such a document would help focus political and government attention and perhaps support on a number of urgent measures which could improve external trade performance and bring consequent credit to the Ministry.

It could be particularly useful if a substantial Facilitation Action Plan, based on a reliable Audit, could be brought to bear on a major port, airport or export promotion project.

This Questionnaire, therefore, is not so much a means of acquiring information as an indirect effort to impart it, and every effort should be made to use it in an interview at ministerial level.

Questions

1. What are the main items making up a) exports b) imports in a recent typical year?
2. Do you have any existing institutional focus for dealing with such trade facilitation tasks as the simplification and standardisation of documents and formalities, the shift from paper to electronic

commerce and the revision of the national regulatory framework affecting goods in international movement? If so, of what sort and with what objectives?

3. Are you aware of, and/or active in, current WTO enquiries into the nature and needs of international trade facilitation?
4. Is the Department able to offer rapid, efficient Customs clearance of goods as an inducement to overseas companies considering direct inward investment in manufacturing?
5. How far does the Department consult small and medium sized companies on the extent to which their overseas trading performance and prospects are affected by Customs and other import/export formalities?
6. Does the Department monitor and review the operation of payment systems, including, particularly, documentary credits, as possible constraints on national performance in world markets?
7. Is the Department aware of, and, if so, does it take part in any of the many regional activities - for example ASEAN, APEC, MERCOSUR, SADO, EU - now supporting practical trade facilitation work programmes?
8. Has the Department studied the need for safe, timely and reliable delivery services in relation to export performance? If so, are traders able to use postal, express carrier, containerised through transport services and roll-on/roll-off road services freely and to full effect?
9. Is the Department bringing electronic commerce practices and technology to the attention of traders and carriers and assisting them to identify particularly relevant possibilities and developments?
10. Is there a national standards institution? If so, does it advise exporters on the foreign standard requirements? If not who does this?

Other Departments

In addition to the above respondent categories it may be useful, in certain countries, to make similar approaches to the Departments of Health and Agriculture, any Export Permit Control Agency, the national standards institute, and any Export Promotion Board or equivalent body.

PART TWO - ANALYSIS AND INTERPRETATION

Preliminary Examination and Classification of Fact Finding

On-site fact-finding has to be interpreted. The facts themselves can be ambiguous. The mere statement, for example, that a particular country is a member of the World Customs Organisation, or that a particular trading community has a national committee affiliated to the International Chamber of Commerce, will have little useful significance unless the extent, content and relevance to facilitation, of those relationships are well understood and can be reflected in analysis and proposals for remedial action.

In addition the facts need to be arranged and organized. It is particularly important to separate out deficiencies in physical infrastructure from true facilitation problems focused on the transaction, even though, as mentioned in the Audit, there is often a necessary and important inter-relation, which will need to be identified and assessed when the final task of applying resources to remedial action comes into focus.

The relevant factual material has then to be separated into main facilitation issues.

Without pretending to prejudge these, past experience suggests that the main problem areas are likely to include some or all of the following:

- ?? Customs integrity and efficiency
- ?? Port management
- ?? Commercial integrity and compliance standards
- ?? Regulatory frameworks
- ?? Multimodal transport operations and legislation,
- ?? Payment systems
- ?? Automation
- ?? Agents' functions and attitudes
- ?? Institutional resources
- ?? Information and consultation

It is essential to classify ascertained facts under these or some equivalent headings and to evaluate the relative importance of each category in the overall facilitation profile. To proceed from fact-finding directly to funding, without such intermediate analysis, could misapply scarce resources, lose credibility and discourage essential long-term support.

Each of these heads should be examined in relation to a broad background knowledge of facilitation.

Much relevant experience will be gained through successive Audits, but, in initial trials it is important that analysis should be assisted by someone already familiar with the operational and institutional background to the various official, commercial, transport and financial elements making up the typical international trade transaction.

Customs Integrity and Efficiency

Integrity

The bare finding that Customs lack integrity will not give much of a foot-hold for constructive action unless it is supplemented by additional information, obtained in the course of Audit interviews, or from other sources, about general national administrative standards, the rough level of Customs salaries, the degree and quality of training, methods of recruitment, use of automation, cash or other means of payment for Customs duties and taxes, perceived exposure to illicit drug traffic, any attempts at remedial action – for example pre-shipment inspection regimes – and external links between the Customs service and such external influences as APEC, MERCOSUR, the EU, AFTA, and ASEAN.

The worst case situation will display a daunting range of handicaps and deficiencies. Customs salaries will be abysmally inadequate, with rigid links to other similarly degraded public service civil service pay-scales. Recruitment will be at low levels of general education and officers will be operating cash-over-the-counter duty payment systems, under constant pressure for higher duty collections. They may have little training in dealing efficiently with cumbersome documentary systems and will be dealing with agents able, and often motivated, to use inflated service charges to cover illicit payments. In such circumstances senior Customs management may be major beneficiaries of malpractice and strongly resistant to investigation or reform.

A more encouraging prospect could be a newly-formed Customs service, in a recently independent economy, that despite poor administrative resources, can be attached to large-scale structural adjustment by early, specific aids to improvement, such as automation, seminars, training courses, and staff exchanges under bilateral assistance agreements.

In other longer-established services, changes of government or economic direction may have produced reforms, elsewhere in the economy, which have not yet reached into Customs, but could be called in aid to secure necessary advice and resources.

Substantial Customs improvements can sometimes be obtained by attaching reform measures to larger development projects at ports or airports or major efforts to promote external trade or attract inward investment.

Once the state of progress of the Customs service under examination has been roughly categorized the nature of any prevailing corruption should be considered. In broad terms a recent OECD paper has distinguished three main types:

- ?? Routine corruption where Customs expect supplementary small bribes for doing their job.
- ?? Fraudulent corruption where traders bribe Customs not to do their job.

?? Smuggling corruption where Customs and traders and/or carriers are engaged in a common, patently criminal, activity.

These will often overlap but some rough allocation of relative importance within the overall corruption scene, will be useful to guide Remedial Action.

The institutional setting is particularly important. The same OECD paper describes the influence, on broad reform measures, of informal power groups, within or related to the political elite, and the essential supportive role of representative trade organizations.

Much depends on the personality and quality of the Director General and his or her relations with the Head of State and/or Finance Minister.

Analysis should be able to call on some reliable information on all such points. If this could have been, but was not, in fact, gathered during fact finding, the questions set out in the Audit should be adjusted to ensure that these points are not overlooked on any subsequent occasion.

If there was little or no prospect of securing the information on-site, then Analysis will call for informal and confidential enquiries within the World Bank or to the IMF, WTO, UNCTAD/WTO International Trade Centre, the World Customs Organization and Transparency International.

Efficiency

Any Audit that finds serious failings in integrity is bound to show substantial inefficiency. Sustained delays and complications are a necessary pre-condition for regular, successful, extortion of irregular payments for exceptional facilitation.

Unfortunately, such practices are not confined to exceptionally expeditious handling of normal procedures for legitimate transactions. They spread out, all too easily, into routine arrangements for reducing or evading duties and taxes and falsifying exchange and other control records, for dishonest traders, with the additional anti-social dimension, in some economies, of illicit deals with drug traffickers, counterfeiters, other criminal fraudsters.

In any of these circumstances it is extremely difficult to assess integrity and efficiency in useful isolation and, in an initial analysis the Auditor may be obliged to fall back on perceptions. The key question posed for remedial action is whether dishonesty is so prevalent and strongly rooted, within a supporting culture, that it will set acute difficulties for improvements in efficiency or, conversely, how far a substantial, well-directed and sustained attack on inefficiency would be likely to undercut and, eventually, defeat chronic malpractices.

In any event and regardless of any attempt to disentangle these two factors, analysis should include a careful, comparative examination of established inefficiencies.

With an eye to eventual remedial action it is important to establish the quality of information handling. If

Customs/carrier/trader interfaces are still managed by paper documents it is essential to have some idea of the quality of that paper, in such respects as the required number of copies of, for example, the import declaration, the use, if any, of Customs forms aligned to the UN/ECE Layout Key and the extent to which external influences, for example arrangements with the EU or prospective use of ASYCUDA, may be introducing the Single Administrative Document (SAD).

If automation is in sight, analysis should take account of the nature, extent, time-scale and installation and management responsibilities attached to any publicly known or likely commissioning and testing programme. Some measure of automation may already be in place. This is by no means a necessary advantage. There are a number of developing countries in which far-sighted administrations were quick to introduce computerized procedures at a comparatively early stage in general Customs practice. Most of these systems, some going back as far as twenty years, have been subjected to so many successive adjustments that they are now in urgent need of early complete replacement.

Unfortunately they have often retained their originally well-justified role, as departmental status symbols and the fact that they function, at all, is seen, by governments and Customs, themselves, as sufficient reason for soldiering on and avoiding the new, substantial expenditure inherent in an up to date replacement. The Audit should have identified such circumstances, so that Analysis can assess their relevance to eventual remedial action.

Given the long lead time required to design, install and commission a Customs automated system some Audits can occur at an interim stage between complete reliance on paper and the final, irrevocable move to computerization.

It is important to establish exactly where, along this line, any such project is placed at the time of Audit and to assess the quality of available external expert advice and the extent to which management has secured the support and understanding of internal staff.

Opposition can take some curious forms. In countries with sharp gender distinctions, male staff may see the obligation to use keyboards, formerly associated solely with female typists, as literally degrading.

Moving from the mechanics of data handling to Customs procedures the Audit should have carried out a rough check by comparing these with the requirements set out in the General Annex of the revised Kyoto Convention or in the relevant provisions of the International Chamber of Commerce Customs Guidelines.

Analysis should seek to identify the main elements in any serious deficiencies in this key procedural sector. These elements will include working hours, salary and other reward levels, recruiting methods, training resources, integrity standards, constraining legislation, reliance on agents, management leadership and supervision and access to information and advice on good Customs practice elsewhere.

It will be essential to include assessment of practice as well as procedure, and to relate such items as the provision of binding rulings, to the broad legal background in respect of the publication of rules and regulations, the fixing and application of penalties and rights of appeal to external “neutral” arbitral or judicial tribunals.

Port Management

Port operations are so intimately related to Customs controls that it may be very difficult, in analysis of Audit findings, to disentangle the two activities sufficiently to offer a reliable view of the quality of port management.

It is all the more important, therefore, in opening the way for remedial action, to isolate some key indices of port efficiency.

One obvious factor is labour relations. For many historical, social and operational reasons dock workers, with very rare exceptions, tend to be un-cooperative, resistant to change, strongly unionised and suspicious of, rather than concerned with, the future prosperity of their port.

In many developing countries the full advantages of containerization and other forms of multimodal transport are still sealed off by powerful port labour opposition to associated manpower reductions. The pernicious post-war British innovation of shifting the employer-worker relationship – and so negotiating authority - from the actual commercial operator to an abstract and largely powerless Dock Labour Board has been followed elsewhere in global port practice and is still plaguing many port managements long after Britain, itself, has moved on.

A summary account of labour relations and practices is, therefore, a key Audit element in assessing port management for purposes of Analysis and judging the scope for early improvement.

How well does a port manage its own procedures? The Audit should have established whether there is a written detailed account, in simple language, of the exact steps necessary to move cargo in and out of the port, to and from a specified vessel. If there is such a document it will supply valuable material for Analysis. If not, its absence could supply a useful clue to a range of managerial and operational inefficiencies.

One of the problems in interpreting such indices to yield useful facilitation assessments is the relative isolation of many local trading communities within their own port and transport environment. International carriers, operating in many countries, can often be a sound source of information on port and related Customs performance.

They may accept as normal what their commercial counterparts elsewhere would find unacceptable. Analysis, therefore, may need to fall back on some external parameters.

How far, for example, have inefficiencies in the port limited its ability to capture of available transit traffic or attract main or feeder container ship services? What is the commercial experience of damage and loss to cargo in the port, reflected in insurance rates?

The Audit should have established whether the port is just a landlord or a commercial supplier of

substantial services. If a landlord, Analysis should consider the degree of private activity within the overall port operation and, if there is a national port authority, how much freedom is afforded to an individual port.

Despite through transport practices many ports are not only nodal points for the physical transfer of cargo from sea to land or vice versa, but must also take account of, and, to some extent manage, associated changes of ownership.

These changes may include some assumption of responsibility by port management. If the assumption of that responsibility is unreliable or inadequate other interests – the shipowner, with obligations under the bill of lading, or the import agent with duties to his principal – will have to build extra protective measures into their own procedures with inevitable complications, costs and delays within the overall origin-destination movement of consignments. Analysis should take record and assess the effects of such factors.

Commercial Integrity and Compliance

Official malpractices, especially by Customs staff will often figure among the major obstacles to easy, economic cross-frontier trading. It would be naive and unhelpful to register and explore these difficulties without considering corresponding standards of business behaviour.

In such analysis it is important to remember the difference of status between possibly collusive partners.

The dishonest Customs officer can exploit a wide range of legislative powers. If his improper advances are rejected he can use – or abuse – his legal powers, often for very long periods, to victimize the resistant trader or carrier. In countries where Customs salaries are inadequate, and malpractices are prevalent, reporting individual irregularities and appealing against subsequent victimization will usually be counter-productive.

If, on the other hand, a honest Customs officer refuses bribes offered by a fraudulent declarant, the latter has no similar subsequent means of enforcing his approaches.

At the same time, in the very different circumstances of a predominantly honest Customs administration, the criminal fraudster or illicit drug trafficker may be able to offer very substantial inducements to tempt otherwise reputable officers.

Analysis should draw on Audit findings to evaluate standards of commercial as well as Customs behaviour and give a view of the overall nature of the problem.

In many countries agents offer well-understood means of laundering improper Customs-trade arrangements for at any rate routine purposes. The trader principal pays agent's fees well in excess of the commercial services rendered and the agent uses the bulk of this margin to satisfy systematic irregular demands from Customs.

Such practices may have to be seen and recorded as regrettable but “normal” responses to chronic cultural improprieties. Analysis must distinguish them from exceptional arrangements to cover acute criminal activities.

This part of the Analysis should include an assessment of Customs ability and concern to test and record commercial compliance standards. In countries where Customs behaviour standards are generally doubtful it may be unrealistic to look for relief in action directed solely and primarily to Customs themselves.

A more rewarding, indirect approach could be by way of encouraging a simple but effective set of trader/carrier compliance tests and standards. In tightening disciplines on traders Customs will be obliged to improve the transparency, and so quality of their own operations.

Regulatory Framework

It is essential for the Audit to supply information on which to base a reliable assessment of the quality of the regulatory framework governing the application of official requirements to cross-border trading.

It is impossible to form a reasonable judgment of Customs efficiency and integrity without a broad assessment of the quality and clarity of the regulations that these officials are obliged to interpret and implement. Vague, outdated and ambiguous regulations are, at best, reasonable causes of inefficiency and, at worst, breeding grounds for dishonest practices.

Key considerations will include:

- ?? The Customs Code
- ?? Appeal procedures
- ?? Penalties
- ?? Arrangements for publishing regulations and notifying changes
- ?? Provision for advance binding rulings
- ?? Operational links between official control agencies
- ?? Accession to, and implementation of, relevant international instruments, for example the WCO Harmonized System and Kyoto Convention
- ?? Legal setting for use of information technologies

Customs Code

The Audit should provide answers to the following questions –

- Is there an easily available, up-to-date printed version?
- What is the date of the basic Code?
- How, and how often is it modified?
- Does it need radical overall revision?

Analysis should draw on these answers to make a broad qualitative assessment.

Appeal procedures

The Audit should afford a rough idea of the nature and frequency of Customs/trade disputes.

This information needs to be supplemented by information on provisions for appeal within Customs, any arrangements to enable appellants to move their case to outside judicial or arbitral tribunals and the extent to which disputes are routinely settled by conciliation and financial adjustment, rather than recourse to the courts.

Analysis will need to bring these factors into a useful relationship with Customs and commercial integrity, the regulatory framework and penalties, prior to consideration of relevant remedial action.

Penalties

In advanced Customs practice classical penalty provisions, designed to discourage and punish fraudulent acts or gross negligence, are being supplemented by much more subtle coercive and stimulatory measures, based on the grant, denial or withdrawal of exceptionally simple, and so expeditious, procedures.

An express carrier, for example, needs reliable, predictable and rapid Customs clearance of his consignments in order to fulfill his basic commercial obligations. Customs services, that rely on satisfactory compliance records and audited computer systems to justify rapid processing in line with the WCO Immediate Release Guidelines or UK Local Clearance procedures, know that the withdrawal of such facilities, resulting from some error or misbehaviour, on the part of that carrier, will face him with very serious adverse commercial consequences. In this way, market forces come behind and support good compliance with official control requirements.

Audit findings on conventional penalty provisions and practices should be analyzed in conjunction with general levels of Customs and commercial integrity and efficiency to establish whether Remedial Action could include some initial steps towards incentive-based control disciplines to supplement and, eventually largely replace, penalties solely designed to reduce and suppress operational inefficiencies.

Such a shift of emphasis, in conjunction with basic compliance testing and the elements of risk-assessment management, could bring about a gradual but irreversible, raising of Customs and business behaviour standards.

Publication of Regulations and Changes

Early facilitation work concentrated on simplification and standardization. More recently, there has been additional interest in transparency. Attention has widened from content to the ease with which it can be known and acted upon.

How far are traders and carriers able to ascertain, with reasonable precision and certainty, what they must do to comply with official controls, in whatever state of simplification and harmonization they may find them?

The quality of Customs/trade working relationships, varying between sustained mutual suspicion and a broad sense of common interest and purpose, is a major factor in devising and implementing any national facilitation strategy.

The Audit must establish relevant facts, and perceptions, including the broad nature of the basic legal obligations that are cast on Customs and other official agencies and then set the regulatory scene for international traders and carriers.

Some of the ingredients of the regulatory framework are examined earlier in this paper, but it is important to establish how far those who are obliged to comply can be sure what they have to do and how this obligation may alter, from time to time, to reflect changes in fiscal, social or trade policies.

In certain countries information is still regarded as too valuable a commodity to be widely circulated. Some Customs restrict notification of changes to licensed agents or delay any wider circulation. Methods of publishing basic regulations and modifications can vary from *ex post facto* exhibition of a notice on Customs premises, to advance entry on an Internet website.

Modern facilitation practice aligns official information handling operations with the commercial systems in which key trade and transport data are generated. In these circumstances of direct communication, the need for Customs to rely on intermediaries, including agents, is progressively reduced. This, in turn, can put new, direct obligations on traders to understand and comply with official control requirements, so that they may design and operate their business systems accordingly.

This strengthens the case for widening the scope of regulatory publication, ensuring that this covers changes and that, whenever possible, these are notified sufficiently in advance of implementation to enable traders to make their own in-house adjustments. Analysis, based on the Audit, should include an assessment of relevant Customs practices.

Publication of underlying rules should be supplemented by generally available information on how, in practice, these are interpreted and implemented.

It is important that such rulings should be given full publicity. While any information that helps traders and carriers meet Customs requirements is valuable, rulings, whether sought or not, which impose classification or valuation decisions on a particular trader ought to be known and applicable to all other declarants, presenting similar consignments in similar circumstances. Otherwise Customs can become the unintentional agents of unfair commercial disadvantage.

The Audit should produce sufficient background information on Customs practice, under this head, to aid Analysis and point the way to Remedial Action.

Advance Rulings

Predictability has appeared, alongside transparency, as a relatively new but increasingly important facilitation factor.

Advance rulings, binding on the Customs administration concerned, have strategic as well as day-to-day commercial importance.

Routine compliance with Customs requirements is much simplified if tax and other outcomes of a future transaction can be known in advance of physical movements of relevant consignments.

Similarly, reliable foreknowledge of Customs classification and valuation decisions, applied to specified goods, is essential if traders are to be able to position supply, production and distribution facilities to best competitive advantage within a global operational environment.

There are associated integrity benefits. A trader, subject to all usual commercial pressures and seeking rapid release of his import consignments, is particularly vulnerable to requests for irregular payments to avoid lengthy disputes with Customs. Delegated authority to fix value and classification offer dishonest officers very convenient perches for petty speculation.

Negotiations on advance rulings can alert traders and Customs alike to any likely differences of opinion and enable these to be adjusted long before the goods arrive for clearance.

The Audit should have shown whether Customs offer and operate advance rulings. It is important to obtain confirmation and comment from commercial users.

Operational links between official control agencies

It is now generally accepted facilitation wisdom that there are solid benefits in converging frontier controls in a single administrative hand, usually Customs.

Most Customs already collect trade statistics at export and provide documentary checks in support of any surviving exchange restrictions. Some have limited obligations to identify breaches of security and public health requirements at import.

Analysis should evaluate the position, note the extent to which the convergence principle is reflected in and assisted by legislation and consider how far its practical implications are understood in Customs and other relevant government departments.

Accession to International Conventions

The main international Customs instruments are the WTO Valuation agreement, the WCO Kyoto Convention on Simplified Customs procedures and the WCO Harmonized Descriptor System. A WTO Agreement on Non-Preferential Origin Rules is in preparation.

Implementation of the Valuation Agreement is an obligation on all WTO members, with some extensions of time-limits for certain countries with special difficulties in moving from the practice of frequent, almost

routine challenges of the declared import value to the WTO requirement for its prima facie acceptance.

Customs in countries that implement the Agreement are obliged to train staffs to carry out certain key control functions that may, previously, have been delegated to preshipment inspection agencies. This has important implications for facilitation and the future .

The Kyoto Convention has been revised recently to bring its provisions fully up-to-date in respect of such advances as automation and risk-management. It may be some time before it acquires the necessary minimum number of signatories to come into effect. Meanwhile the existing text supplies a most useful facilitation check-list of current Customs practices and the revised version can help map the scope and value of any plans to improve Customs procedures. Some Kyoto Standards may require legislative changes.

Customs application of the Harmonized System is a striking example of standardization divorced from simplification. The original WCO concept of a simple four digit code, as requested in the 'sixties, by trade interests, was almost immediately enlarged to six digits.

While this is still the limit of the formal system, many Customs exceed this for their own tariff, trade policy or statistical purposes, and there are examples of a national adaptation running to thirteen digits.

Given the growing significance of Customs automation, for many facilitation improvements, analysis should take into account not only whether or not the Customs service applies the Harmonized System but also at what level of complexity and with what results for both the Customs administration and the commercial community.

Legal setting for information technologies

The scope of such a setting can range from a basic acceptance of an electronic equivalent of manual signatures to a detailed legal reflection of data privacy rights.

A facilitation audit will need to identify and assess not only the quality and range of specific responses to the changes in Customs practices enforced by rapid and radical development in trade and transport needs, but also the ability of the national legislative mechanism to process essential changes in the legal framework within an acceptable time-frame.

Few problems, under this head, concern Customs alone. Most arise from differences between commercial innovation, hardening into practice, and a necessarily retarded governmental judgment that such changes have acquired sufficiently wide adoption to require amendment of official procedures.

The Audit should, therefore, afford some insight into the individual and relative state of technological advance in civil service and commerce respectively, so that some rough estimate can be made of the prospects and likely timing of necessary legislation to deal with particularly desirable changes in Customs requirements.

Multimodal Transport Operations and Legislation

Many developing countries are still in the complicated process of assimilating multimodal transport, especially in its containerized manifestations. Customs procedures may still be molded to lengthy loading and unloading of easily accessible individual consignments to or from quay or warehouse and traditional methods of arranging inward or onward movements by road, rail or waterway as separate operations.

Those procedures are quite inappropriate when faced with large, sealed containers, moving within globally integrated multimodal transport systems to strict origin-destination timetables.

Ports in developing countries attract large numbers of forwarding agents, often doubling as Customs agents or brokers and competing on cost rather than quality of service. In advanced economies some of the larger traditional forwarders have long since developed a range of new expert functions, including the provision, as principles, of through transport operations, with all associated obligations to the cargo owner, including assumption of risks and a single inclusive price for the entire journey.

Conversely, some carriers have extended their logistical services to include forwarding and Customs agency functions within a similar “non-vessel owning” through-transport operation. Major ocean carriers were the first to make these extensions but several road carriers, and express delivery services, based on airfreight operations, have entered and enlarged the multimodal transport scene.

As all these activities are driven by the competitive imperatives of modern global trading, the extent to which they are available to manufacturers and traders in developing countries is of considerable economic significance.

This points up the importance of legislative adjustments, without which many key multimodal functions are either impossible or, at any rate, impracticable.

It is particularly important to identify any legal changes that might be necessary to permit combined transport operators to establish basic services and enlarge these in tune with growing commercial requirements.

One of the central problems is the lack of a valid international convention to provide an accepted framework for defining the responsibilities of these operators, in the same well established terms that already apply to maritime and air carriers.

The lack of a recognized legal standing for the combined transport operator can have a range of adverse economic effects. Local forwarders are deterred from entering the market and so their industrial customers have to seek these increasingly essential services from outsiders, who may be relatively unfamiliar with their trading conditions and needs. Exchange control authorities may refuse to meet

legitimate requests for hard currency against disbursements to subsidiary carriers, and documents issued by combined transport operators may be denied full legal status.

Facts deduced by the Audit will need to be interpreted to show how far operational habits have been adjusted to the disciplines of combined transport. Customs and port working hours and restriction imposed by port labour are very relevant. Forwarding structures and service offers are also important.

Analysis should examine the additional restrictive effect of any surviving privileged, or even monopoly, national shipping lines and other parastatal transport services.

Account should also be taken of the extent and quality of legal measures supporting and defining combined transport practices.

Given the complexity of a carefully timed international combined transport operation, related commercial management will rely very largely on computer systems and efficient communications. These will not be able to interface effectively with authoritative official agencies, including Customs, unless they, also, are reasonably well automated. It follows that these transport activities will be especially sensitive to the IT considerations mentioned later in this paper under "Automation".

Payment Systems

Trade with developing countries is usually characterized by financial uncertainty. In any given transaction there may be substantial doubts about the availability of payment funds from a controlled exchange system, the value of the national currency at the time the goods are handed over, and the personal or corporate solvency of the trading partner.

The main characteristics of the classical documentary credit payment system, designed to eliminate the trading risks inherent in such situations, have already been noted in Audit.

While international payment systems for personal expenditure have moved in a relatively short period from inter-bank Letters of Introduction, through travelers cheques, to globally accepted credit cards with automated payment facilities, this type of credit, based on the "sale of documents" has remained largely unchanged since the nineteenth century.

Banks carrying out such exchanges, still refuse to use modern data base interrogations to check the intrinsic quality of key information – does the vessel, named in the Bill of Lading or the Chamber of Commerce, issuing the Certificate of Origin, really exist - because to do so would greatly extend their traditionally minimal, legal obligations.

This is an area in which Audit finding can be particularly deceptive. They will very rarely disclose any serious dissatisfaction with the system or the way it is administered.

This is not surprising. Modest traders, in developing countries, are too busy dealing with day-to-day

operations to reflect on the possible modern alternatives to a payment method which has no apparent rival and, in some countries, may be stipulated as an official requirement for certain foreign exchange purposes.

In addition, and more importantly, such traders are almost always dependent on their banks for a range of essential financial services, including conventional bridging and operational loans.

They will be understandably reluctant to question banking efficiency, especially as they may have no means of forming any comparative judgment. They may be satisfied with the rapidity with which they can obtain a letter of indemnity, and never question why the system is so badly managed as to require such a stop-gap, often expensive, adjustment.

It may be more informative, therefore, to discuss Audit results with agents, who see the practical results of documentary credit inefficiencies in delays to release of goods by carriers, and may not be as reticent as their principals in criticizing banking standards.

Analysis should also consider the proportion of credits that require Letters of Indemnity. These should be exceptional expedients and not, as in some countries, almost standard practice.

When asked to justify the continued use of a patently outdated documentary payment method, banks invariably contend that they merely respond to the requirements of customers and that present practices seem quite acceptable.

The central regulatory forum, the Banking Commission of the International Chamber of Commerce, makes no provision for participation by any user representatives.

Accumulation and interpretation, by the World Bank, of reliable information on the administration of documentary credits and the relevance of that method of payment to modern commercial needs, could fill an important gap in trade facilitation understanding and representations.

This would exemplify the way in which Audit and Analysis methodologies, can draw major policy conclusions from cumulative case material, assembled and combined within an iterative review process.

In addition to payment for the goods, the international transaction will normally include payment of Customs duties and transport and port/airport charges.

Customs in developing countries often require the payment of duties before releasing the goods. This can be a frequent cause of delay and dispute, with the added problem that the carrier who is presenting the goods may have no immediate access to the trader who holds key financial data.

A two step declaration process, allowing release of the goods on the basis of a summary declaration, with provision for a later submission of necessary additional data by the trader, before final clearance, can be a valuable alternative, especially if backed by suitable bonding or guarantee arrangements.

Analysis should include an assessment of the quality of the Customs payment procedure.

Port charges can be particularly complex and are often related to factors that can lead to frequent disputes and associated delays before the port releases the goods for onward movement.

It will always be helpful if port charges can be simple and easily calculable in advance so that, if the terms of sale allow this they may be included in the overall purchase price. Transport charges seldom cause any serious facilitation difficulties because they are mostly levied by carriers competing for customer satisfaction with helpful simplicities.

Automation

Audit should show up the automated state of play in all main trade sectors, with special, but not exclusive, attention to Customs.

The key factor in assessing possibilities of progress is the relationship between commercial and official practices and the role of intermediaries.

Over the last twenty years the typical progression has been:

- ?? Acquisition by traders and carriers of small computers for routine office tasks
- ?? Installation of larger systems by Customs to manage accounts, salaries and subsequently, payment and other procedures
- ?? Obligation on traders /agents to give paper declarations to Customs clerks for input to official system
- ?? Facility for agents/traders to use “slave” Customs computers to key declaration data into official systems. Even when initially confined to agents, this is usually termed “Direct Trader Input”
- ?? EDI submission by traders/agents and carriers of declaration data from audited commercial systems, often on a batch basis and at agreed periods after release of the goods
- ?? In certain selected instances, management of Customs data requirements largely by traders/agents/carriers, with Customs relying on systems audits and ability to access and interrogate these systems directly.

It is important for analysis to draw on Audit findings to fix the position of the Customs/trade relationship along this broad path. In addition, the Audit should have established the extent to which Customs computerization has been based on revised and reformed procedures as opposed to a simple transfer of paper-based practices to automated counterparts.

In considering the quality of Customs systems it is important to take account of staff attitudes and the likelihood, in countries where corruption is commonplace, that irregular payments, associated with such documentary requirements as stamps or signatures have been translated into equivalent opportunities within new, computerized procedures. Such information will be highly relevant to any subsequent integrity programme.

It is also useful to interpret Audit findings on carrier systems, so as to identify external automation resources of, for example, major shipping lines, international airlines or global express services, which could bring interim improvements to information handling, prior to more general advances towards automation.

The Audit should also include some account of the extent to which the main players have seen and responded to the need for sound standards policies. Particular attention should be given to use, or possibly abuse, by Customs, of the Harmonized System any continuing commitment to much publicized, but now, in some respects, outdated, EDIFACT messages, and, looking ahead to likely developments, the potential value and practicality, for Customs and traders of a Unique Consignment Identifier on the lines currently under consideration by the WCO.

Facilitation strategies in developing countries have to resist the temptation to see progress as a necessarily gradual move through all stages of experience in advanced economies. The aim should be to promote and apply the best of the latest solutions to the fullest extent possible in any given circumstances.

The Analysis should, therefore, take special note of Audit findings on the extent to which all relevant commercial and official sectors have access to, and understand how to exploit the new resources of the Internet, particularly in respect of the now very large stores of useful and up-to-date information available from websites.

Where Customs have installed, or are planning to install, proprietary systems, for example, ASYCUDA or SOFIX, the Audit should seek to establish the extent to which these respond, or are likely to respond, to future needs for adaptation and improvement. Such an estimate will reflect the degree to which future management of the system remains in the hands of the systems proprietor or is delegated to the client Customs service.

Agents' Functions and Attitudes

In all developing countries the functions and attitudes of the Customs agent, and/or broker, are major facilitation factors.

The Audit should position agents in any individual country in terms of their practical, as distinct from legal, relationship to their commercial principals and to Customs. While basic mutual rights and responsibilities are usually well defined by legislation and contract, there are many countries in which agents operate, in practice, as much on behalf, and in defense of Customs, as in the pure commercial interests of their clients.

In many developing economies a disproportionately large number of agents tend to compete on price, rather than quality of service. Their expertise is rooted in, and so inherently defensive of, diverse and complex documentation and individualistic manual procedures. Some enterprising and innovative companies, seeking such alternative, more positive activities, as logistical advice or the operation of

multimodal transport services, can often be inhibited by unfavorable legislation and official inertia.

Tribute has also to be paid to the extraordinary flexibility, resilience and resource of many agents under extremely difficult circumstances. In parts of Africa, for example, a few leading agents hold the fabric of daily supply and movement together across daily obstacles of port labour troubles, rail breakdowns, road blockages, civil disorder and generally inefficient and corrupt bureaucracies.

At the other end of the facilitation spectrum, automation, modern communication techniques and highly simplified procedures have moved advanced Customs closer and closer to direct reliance on traders' and carriers' commercial systems. While the traditional need for intermediaries has largely disappeared, discerning "agents" have developed entirely new skills, combining logistics and transport expertise, through their own advanced automated systems, to provide customers with a range of constantly enlarged and enhanced services.

Analysis should pay particular attention to a careful evaluation of the quality of the agent community, its make-up in terms of local and international companies and the extent to which it is offering new and improved services.

Some countries have adopted the US practice of imposing licensed brokers on traders who are unable or unwilling to manage their own day-to-day interface with Customs. This may provide Customs with some additional safeguards, not necessarily available in countries where traders have a free choice of agents, but the practical experience of licensing, in many countries, is that it can create a grey zone of semi-official malpractice. In addition, brokers directly dependent on Customs for their status, and so livelihood, are correspondingly less concerned to serve their principals.

The Cecchini Report, commissioned by the EU Commission to establish frontier crossing costs, prior to the Single Market, showed that in a member state applying licensed broker regulations, procedural costs to traders were more than four times those in a free agency market. This gave the Commission a substantial argument for subsequent abolition of licensing requirements.

Apart from extra costs, the licensed broker is usually seen as a potential, if not actual obstacle to trade facilitation strategies. In countries where this system still applies, Audit and Analysis should present a detailed assessment of its efficiency, costs and consequences.

Institutional Resources

Institutions form the bridge from fact-finding to reform. Audit and Analysis of these primary resources should be proportionately painstaking and realistic.

It is, for example, of little point to record, after Audit, that a country has a national Chamber of Commerce unless this is identified as a statutory body, with universal compulsory membership, on the European model, or a voluntary Chamber in the Anglo-Saxon tradition.

The two main institutional groups are:

- ?? Government departments and agencies
- ?? Trade associations and Chambers of Commerce

The Audit should yield information on departmental “pecking orders”. In most countries Finance heads the list and Customs, usually, in developing economies, a major source of its income, is well protected from pressures or criticisms from other departments, though it may be possible to secure useful support for Customs reform from such combinations as Economic Affairs and Industry and Commerce.

In certain economic situations a free-standing Export Development Agency can wield considerable influence, but it is difficult to enlist such an organization to deal with a set of Customs problems which usually focus on import procedures.

In many developing countries all such calculations have to take account of ministerial personalities and the over-riding authority of the Head of State or Prime Minister, which while important analytical elements, are not easily included in a formal report.

Trade associations need to be assessed in respect of their resources, staff expertise and political status, usually reflected in the level at which they can attract Chairmen and Presidents. As, politically, exporting is often seen as a synonym for external trade, and importing as a regrettable necessity, special value attaches to any Importers’ Association.

Analysis should take account of links to international organizations, including FIATA, IAPH, IATA, ICS and IRU, and the extent to which these links are, or might be, exploited to deal with facilitation problems. Apart from the regular flow of information from such international bodies to national affiliates through newsletters, and, more recently, websites, experts can often be provided for seminars and workshops.

Similarly some Chambers of Commerce benefit from working with their counterparts in major trading partners. French and German Chambers are particularly active in supporting such relationships, and being statutory bodies, with assured finances, can often provide valuable advice on many practical aspects of day to day international trading. National Committees of the ICC are directly connected to the parent body, but the main flow of information and influence is rather towards the central formulation and support of international principles and policies than to purely national issues.

The Audit should have identified any examples of training and technical assistance to Customs from the World Customs Organization, and noted the extent to which trade interests might have been included in such activities. Special attention should be paid to any Customs Consultative Committees that already brings traders, agents and Customs together to share information and consider operational changes or difficulties. A similar service is often provided by Port Consultative Committees on which Customs are almost always represented.

Apart from formal institutions the Analysis needs to outline and evaluate the overall quality of any perceptible commercial communities. These are usually most evident in and around major ports, where

banks, Customs, any exchange control agencies, and transport interests come to a common daily operational focus. There is a noticeable lack of such potentially useful concentrations in landlocked countries, mainly dependent on road and rail movement across often isolated land frontiers.

These informal, often unrecognized groupings represent the broad potential facilitation market and, at the same time, the main source of long-term interest and support. They are the main instrument on which to play Remedial Action tunes.

Information and Consultation

Much of the Audit will be concerned with identifying and describing individual elements in a set of trade and transport activities. Analysis needs to complement the resulting picture with a careful account of information flows and consultative links between principal actors, notably business and government.

These will provide the basic facilities for passing the messages and securing the co-operation essential for effective remedial action.

The mere existence of an information flow or consultative mechanism can be meaningless or even misleading without qualitative assessment.

The timing and circulation of information is significant. Are changes in Customs requirements notified well before, or only after, the event? Are they given, in simple operational terms to traders as well as agents? Are traditional press and direct notices supplemented by website postings?

Information is often seen as a source of power or influence and those who have it tend to retain it for their own use and advantage. Its most extreme form is the legally enforced secrecy that characterizes some aspects of government even in the most advanced societies. There is a much more general disinclination to place any official information in the public domain, and paralleled by commercial confidentiality in respect of any information associated with competitive advantage.

The combined result of such constraints, in many developing countries, is an information desert, irrigated here and there by trade journals, commercial advisory services and occasional, often tardy, official notices. These basic difficulties are aggravated by language problems that greatly reduce the effective value of the massive store of up-to-date information now available on the Internet.

Analysis should evaluate the broad state of information play and categorize the main sources of useful commercial and official intelligence.

It may be difficult to identify, let alone assess facilities for consultation. These can vary from question and answer possibilities at individual Chamber of Commerce or trade association meetings attended by speakers from Customs or other government agencies to formal, permanent Customs or Port Consultative Committees. Some countries may have ventured on a national facilitation committee or, at any rate, an UNCTAD Trade Point, which could be used as a base from which to develop consultation.

Sometimes, in situations where there are no established consultative channels, traders may have recourse to isolated ad hoc approaches to relevant government departments in order to air and seek relief from some particularly difficult regulation.

Consultative mechanisms should be considered against the background of some overall judgment of government/trade relations. In many developing countries these are pervaded by mutual, often justified suspicion. The success or failure of eventual Remedial Action will mainly depend on the chances of improving confidence.

The Audit should list all significant consultative structures, channels and activities so that Analysis can arrive at an initial estimate of their possibilities in terms of likely remedial action.

PART THREE – REMEDIAL ACTION

Introduction

A remedial Action Plan may be part of a stand alone trade facilitation project or call for a facilitation element in a specific proposal for port development, border crossing improvement, airport investment or export promotion. The operational and economic background to any of these will vary from country to country.

The resulting range of possible situations rules out any attempt to offer prescriptive solutions, which must, in any event, depend on preceding audit and analysis.

This section of the paper, therefore, is cast in general terms, opening up approaches, identifying possible sources of help, signposting obstacles and outlining some broad remedial techniques.

While the assumed framework is a reasonably comprehensive trade facilitation project, much of the material may be useful in relation to other more specific objectives. It will often be found, in practice, however, that what appears to be a port difficulty may reflect a Customs problem, while an apparent Customs deficiency may be linked to banking delays.

A consignment meets many commercial and official requirements when crossing a national frontier and, while it is possible to trace these out separately within the overall information handling system, it may then be impossible to make individual improvements in isolation, because of the way in which one function depends on and affects others.

The remainder of this sector considers remedial action in relation to:

Core functions

- ?? Customs
- ?? Port operation
- ?? Transport services
- ?? Payment systems

Conditions for success

- ?? Credibility
- ?? Support
- ?? Institutions
- ?? Privatisation
- ?? Performance measurement and costing

Core Functions

Customs

Integrity

It is important to distinguish between exceptional and endemic dishonesty.

A remedial Project is unlikely to offer much useful support to the management and disciplinary skills necessary to limit unusual departures from high professional standards.

In many developing economies, however, the problem will be a general deficiency in standards throughout the Customs service, within the wider setting of a generally lax official and commercial culture.

While any reliable and sustained success in facilitation will lie on the other side of this behavioural barrier, it would be pointless to see substantial improvements in integrity as a separate and preceding exercise on the way to efficiency.

The key to progress will lie in a carefully sequenced set of measures aimed at raising competence at just those procedural points that are the most favourable and convenient for illicit payments.

Remedial action, therefore, should focus on such procedural functions and elements as valuation, inspection, classification and requirements for signatures. These factors, in turn, will need to be related to such general considerations as automation, risk-assessment, rotation of staff responsibilities, provision of advance binding rulings, publication of regulatory requirements, consultative arrangements with the trading community and dispute and appeal procedures. The ICC has a useful Customs Integrity Toolkit, focused on these functions.

Invaluable insight into the nature and characteristics of Customs corruption, along with basic ground rules for effective correction, can be found in the OECD Development Centre Technical Paper on Fighting Corruption in Customs Administration.

Efficiency

The basic requirement of efficient Customs services in any reasonably active port, airport or border crossing is an ability to reconcile control with facilitation. The core Customs function is to check information to ensure that consignments, as declared, conform with all relevant controls and then to ensure that the consignments conform with those declarations.

These requirements lead to a sequence of documentary and physical inspections.

The primary Customs document is the export or import declaration.

Many Customs declaration forms are still unnecessarily complicated but even so only cover Customs requirements.

The Action Plan could include provision to look at all administrative interventions on export or import consignments to see how far these could be met by a single administrative document, which would include the Customs declaration. This should be designed in accordance with the United Nations ECE Layout Key. Questioning the need for certain items of information, in the course of this documentary simplification is bound to lead to an examination of the relevant procedures and so open up useful paths to more extensive facilitation.

A single administrative document will not only reduce and focus information requirements but also promote the facilitation concept of convergence of official controls in the hands of a single agency, in this instance Customs.

Customs insistence on the use of official printed forms should be waived in favour of copies produced by the trader/agent, from plain paper, using an office copier or computer.

It is worth noting that Customs automation, even on a modest scale, can provide a very favourable opportunity to introduce documentary simplification and standardisation

As a matter of course or on occasion, Customs may call for and examine an underlying set of papers, typically an invoice, certificate of origin and transport documents. They should be encouraged to reduce the incidence of requests for submission of supporting documents, preferably within a move to risk-assessment as recommended, below, to reduce the incidence of physical inspections.

The most obvious - and traditional - means of checking that the goods conform with the information supplied to Customs is a physical check on each consignment. This was fully feasible in times when loading and unloading vessels could stretch into weeks but, quite impracticable when a sealed container may contain hundreds of separate consignments and unloading and loading takes minutes.

It is now impossible to apply truly effective inspection routines to all consignments, including the emptying of containers and close examination, perhaps dismantling, of the container itself, without bringing normal trade and transport operations to a grinding halt.

Some Customs services have taken refuge in completely ineffective compromises, in the form of random or so-called comprehensive inspection. Random selection reduces control to a sort of Russian roulette. "Comprehensive" inspection, as applied to containers, means little more than breaking the seals on the container, opening it, taking out a few of the packages or pallets nearest to the door and then replacing them, often with very little professional packing skill and consequent damage to what can be delicate and fragile items.

Once the seals are broken the integrity of the entire origin-destination movement is breached, the protective advantages of containerisation are compromised and the way is open to contingent damage, pilferage and loss with consequent complications in terms of liability claims and adjustment and inevitable prejudice to customer satisfaction.

The entire process is an open invitation to any moderately intelligent smuggler.

It is quite ineffective to try and meet this situation by a simple pressure on Customs to reduce the incidence of physical inspections. Here, as at many other points in remedial action, full account has to be taken of legitimate public concerns for essential controls and safeguards. It is essential to facilitate and justify such requirements for improvement by offering guidance, training and technical assistance especially adapted to the perceived needs for change.

In terms of inspection this formula will call for a carefully managed shift to the selection of suspect consignments and persons, through modern risk-assessment systems, based on profiles obtained through professional analysis of reliable compliance records.

Automation

While much useful facilitation progress can be made in manual Customs procedures, based on paper documents, modern Customs practice is now firmly based on automated use of electronic information.

Reference has been made, in the Analysis, to the special problems posed by what were once innovative and have now become out-dated Customs computerisation systems. Customs services already operating such systems often take refuge from necessary replacement in a succession of modest and largely ineffectual adjustments. On a similar level of difficulty there are several examples of more recent, one-off, individually commissioned systems which do little more than translate paper based procedures into electronic equivalents. Both these scenarios may offer much more resistance to facilitation than a straightforward “clean slate” situation.

On the other hand, given the substantial costs of designing, installing and commissioning such facilities for even a modest Customs service, related loan projects sometimes tend to see automation as an end in itself, with facilitation and control as associated elements rather than primary objectives.

This can lead Customs to neglect a unique opportunity to use their own automation project as a lever to secure parallel reforms and associated changes in port and airport management and commercial practice.

A major Customs computerisation, with a typical cost of \$20m is a large investment which will lose much of its potential return if it does nothing more than introduce a greatly improved Customs activity on an otherwise unreformed operational environment. Every serious Customs automation project should be seen as a potential core element in a much broader facilitation strategy.

The main focus of facilitation tends to fall on Customs operational procedures relating to the goods in movement across national frontiers. In documentary times it was very convenient to fuse the two crucial events, release of the goods and clearance of the declaration, at the same point in Customs treatment.

As mentioned under Analysis, automation has made it possible to separate these two functions so that goods could be released rapidly, at export or import, to the carrier or agent, leaving clearance, including

payment of duties and taxes, to be arranged with the trader, at later dates, convenient to both Customs and declarant.

Progressive automation, therefore, has led to an understandable facilitation focus on Customs procedures at the frontier. Reform and modernisation, however, should not lose sight of the very important Customs requirements, notably value, classification and origin, which are tending to move to traders' office management.

Here a high degree of standardisation, certainty and associated facilitation has been introduced by two international instruments, the WCO Convention on the Harmonised System of Goods Description, and the GATT – now WTO - Valuation Agreement with technical administration by the WCO. These will be supplemented by the proposed WTO Agreement on Non-preferential Origin, assigned to the WCO for technical discussion prior to Agreement and probably returning there for subsequent day to day maintenance.

Once a government has adopted these instruments the main lines for Customs operations are settled and the main likely implementation requirement will be relevant staff training.

Port Operations

Facilitation, for the purpose of this paper, is concerned with the performance of the controlling information systems along the line of the movement of the goods and the means of payment on the opposite direction.

Many of the main flows of such information meet in the port. Customs, largely an information processing service, are stationed there. Ownership often changes, and so payment requirements have to be met. Transport information has to be passed between maritime and road or rail systems. The port, itself, handles, stores and charges, with associated information processing.

Ports, particularly in developing countries, tend to pay far more attention to physical facilities than this invisible infrastructure.

It will very often be necessary, for lack of any written procedural instructions, to disinter and collate key practices from a sort of corporate folk law.

An important, initial remedial step will be the compilation of a printed, generally available guide to the procedures and documents necessary to move goods in and out of the port.

This will not only serve a major practical facilitation purpose in signposting the procedural pathway, but should also provide detailed framework within which to consider the results of audit and analysis. The process of preparing such a document will often stimulate the port itself, to detect weaknesses and apply improvements.

Many ports have found it useful to establish, and make obligatory, a Standard Port Note, aligned on the UN/ECE Layout Key, composed of a numbered set of forms, and serving, on the basis of the same

standard information, to advise the wharfinger of the arrival of the goods, help the ship owner issue a bill of lading, assist the port to raise its charges and provide a receipt to the road carrier.

Reception of goods by the port, and so the formal assumption of responsibility is often hedged about by unnecessary delays and ambiguities. If goods are left for long periods - and a day is a long period in this context - in a no-man's land of open risk, the inevitable result is an attempt, by all parties, to protect their interests by some extra procedure and/or document. Such gaps in the responsibility chain should be eliminated.

It may be impracticable for the port to charge Customs for the use of premises and equipment in meeting, for example, physical inspection requirements, but it could be salutary for ports to calculate and publicise such costs as part of the argument against such inefficient Customs practices as "comprehensive" container inspection.

Customs practices influence ports at many points in cargo movement and associated information flows. Both organisations, for example, rely on the early capture of reliable manifest data. In many developing countries automation arrives at about the same time in both institutions. There are evident advantages in arranging for co-operative development of adjacent port and Customs systems and their use of common standards, for example, UN/EDIFACT EDI messages and the WCO Harmonised System (HS) of goods classification.

Some ports in developed economies have established community automation systems, sometimes including Customs processing. These have proved highly beneficial in enabling traders and carriers to use a single system to handle a wide range of other official and commercial procedures, including, for example, compliance with dangerous goods requirements. A remedial Action Plan should include some provision to assess the state of automation play in the main relevant commercial and official sectors, to establish the feasibility and usefulness of promoting a port-based community system.

While problems arising from payment operations are considered later in this paper some account should be taken of their influence on port efficiency.

While the limits set to facilitation in this paper exclude consideration of physical infrastructure it is important to mention the possible advantages of moving some key containerisation procedures from the port to an inland clearance centre.

Many transactions are now based on terms of sale/purchase more in accordance with through transport than the old FOB and CIF terms associated with port-to-port movement.

These arrangements are best serviced by moving goods and procedures out of the port and nearer to the point of eventual destuffing and delivery. Clearance centres, especially where they can benefit from on-site Customs services, can offer many facilitation benefits, as well as freeing valuable port storage space for more remunerative activities.

Similar benefits can be obtained from encouraging the provision and use of Customs procedures that, subject to certain stipulated conditions, permit the secure movement of containerised goods for clearance on traders' own commercial premises.

Transport Services

The main facilitation issues posed by transport occur in –

- ?? Road traffic interfaces with ports and airports and procedures at border crossings.
- ?? Maritime contacts with ports and onward/inward surface carriers
- ?? Air cargo operations at airports and links to road movements.

Road Transport

Road transport has two characteristics with considerable bearing on facilitation.

Firstly roadborne consignments are usually accompanied by a driver, who, according to circumstances, may be an asset or a complication in dealing with official and commercial procedures, and is also the subject of additional requirements, such as a passport and driving licence.

Secondly pretty well all road movements can be considered as urgent. In some ports, for example, where access is through urban road systems, serious delays soon extend out of the port into general road congestion and blockages. Drivers are often subject to restricted working hours and this can cause special concern in the many developing countries where border crossing is subject to frequent, prolonged delays in Customs or security controls.

At ports the road transport function is one of a number of contributory factors to a complex set of procedural interactions. At land borders, especially when these are distant from any commercial centre, it is unique and all-important.

It is not surprising, therefore, that this mode of transport is a focal point for routine corruption of Customs and other officials. This is usually endemic and relatively modest, often restricted to the judicious distribution of cigarettes, but with obvious opportunities for much more dangerous malpractice.

The implications for improvement vary accordingly. Road transport to and from ports tends to draw on and serve a reasonably defined hinterland. Drivers are usually familiar with port practices and functionaries and acquire personal skills in making the best of a bad procedural job.

Agents for traders and shipping lines take over many responsibilities for moving the consignments through Customs and through much of the port system, as well as handling the functional interface with the vessel.

In this situation improvements focus, naturally, on those addressed, elsewhere in the paper, to Customs, agents and shipping lines. It may be useful to break new facilitation ground by seeking to build up

information and advisory services, extending to seminars and short training courses, for a core community of regular drivers.

Another useful practical step would be the production of a plasticated card, to be attached in a convenient position in drivers' cabs, setting out a sequential summary of the steps to be followed in moving goods in or out of the port to or from the designated vessel, with useful telephone numbers for specific additional information. This could be produced separately or as a part of the work on an overall port procedural guide.

Road border crossings are in another facilitation world, in which drivers can come to direct procedural grips with operational Customs officers who may be dependent on a cumbersome documentary system with minimal communication to headquarters.

Furthermore many of those drivers, operating long-distance international transits, may be encountering a particular frontier, with all its complexities, for the first time. It could be completely impracticable to contemplate the sort of information/education proposals mentioned above for port based road operators.

An additional handicap is the obvious difficulty of reforming and assisting a single Customs outpost, or even a set of border crossing services, separately from, or in advance of, basic improvements, including automation, in central Customs operations.

It may be possible, and necessary, in certain countries, especially those with substantial transit trade, to seek general Customs reforms in order to improve border crossing practice, but there are obvious extra difficulties in securing commercial support or government understanding for such a programme, in comparison with the interest and assistance which may be expected in a major port, where facilitation may be seen as an important part of a much larger economic equation.

There are also timing difficulties. It may be highly desirable to ensure sound training in valuation, for example, but to get such arrangements in place and obtain favourable results, manifest at a border, may take years.

It may be essential, in order to secure support for general Customs reforms, to gain initial credibility by some much more modest practical measures, with early evident effect.

Full use should be made of modern technology. Instructions, with practical hints on how to meet export and import procedures at the border, including a list of documents required by both Customs services and advisory telephone numbers could be offered to road operators, in a range of commonly used languages, in cassette or CD form or on a website for portable computer access.

Every effort should be made to shift drivers' problems away from the environment of an isolated border post into the more helpful setting of an easily accessible, well-resourced advisory network.

A searching enquiry should be mounted into the possibility of automating many border crossing movements, especially those where goods belonging to large, well-known traders are being moved by

highly reputable carriers. For such movements, identified in a modest risk-assessment system, all the necessary information on vehicle, consignments and driver could be incorporated in a secure smart card at the outset of the journey and checked at the frontier by the driver, through a card reading device connected directly to Customs headquarters. This would offer exceptional security and reduce the opportunity and need for Customs corruption.

Furthermore queues would be reduced and Customs officers would be freed to deal more effectively with other declarants.

Road transport facilitation is strongly supported in many important respects by the International Road Transport Union (IRU) and propositions for specific improvements should be discussed with the relevant staff experts.

Maritime Transport

The attitude of shipping services to facilitation reforms varies sharply with types of cargo. Bulk commodities usually enjoy specialised berths and pass through Customs with the minimum of complication and delay. They are often carried in vessels owned or chartered by the producer or buyer and so move under effectively single management.

They require little, if any, facilitation attention.

Miscellaneous general cargo usually requires and takes extended loading and unloading times, which make Customs, port and payment delays less oppressive, but it usually has to cope with the extra complications of passing over several functional interfaces between different transport and handling entities in the overall move from exporter to importer.

Facilitation for the maritime part of the movement of these cargoes is addressed, in a large measure, by the International Maritime Organisation (IMO) Facilitation Convention. Existing official and commercial procedures should be checked against the Convention as a guide to identifying any major deficiencies.

Containerised and roll-on/roll-off consignments are completely different facilitation stories.

Much international container traffic is managed from origin to destination by shipping lines or major international multimodal transport operators, using advanced origin-destination tracking, tracing and control systems, often linked directly to trader customers and using community port-based automated control and facilitation systems at key points in their international voyage network.

They pose a paradoxical facilitation problem, because it can be particularly difficult to relate these modern resources and practices to the obsolete, often paper-based, port and Customs procedures still in operation in many developing countries.

Difficulty hardens into impossibility in countries where international shipping services are still a protected national monopoly.

In such countries, poor quality Customs and port services may deter calls by container shipping lines sailing to exacting time tables and seeking to minimise risks and delays to connecting onward and inward cargo flows. Customs and ports are freed from the pressures which would be put on them by such exigent users, but the economies in question and their business communities, lose the benefits of access to these key transport facilities.

Given that the bulk of international maritime transport is now a commercial operation, the sort of externally applied facilitation measures that may be needed for Customs or a public sector port could be completely inappropriate. The best way of bringing about simpler, more efficient and user-friendly movement for maritime cargoes may well be to expose as many functions as possible to market forces.

There may be important and urgent facilitation needs, however, in the inland sectors of the full multimodal operation. The possible benefits of inland clearance facilities has already been noted. A less tangible but at least equally real need may be new or amending legislation to afford transport documents, issued by a non vessel owning multimodal transport operator the same status as traditional maritime bills of lading. Another, much less frequent problem, which has to be dealt with ad hoc, is the practice in a few countries of allowing privileged entry, under an international transport Convention, to a road vehicle, but then refusing entry to the driver.

Air Transport

Airport construction and extension projects have attracted increasing interest from lending and aid agencies, but surprisingly little attention has been paid to airfreight facilitation.

This may well result from a vicious circle – airfreight requires simple, expeditious export/import formalities, if it is to justify its relatively high costs by rapid reliable delivery. If those formalities are not available airfreight will not expand and there will be no significant commercial pressures to bring about necessary reforms.

Furthermore, many developing countries have depended, traditionally, on the export of bulk commodities most of which are unsuitable for air transport.

Several important factors have changed in these commercial equations. In Central Asia, for example, enormous investments are being made in oil and other energy sources. The rapid installation and subsequent maintenance of complex extraction and treatment plants requires urgent, reliable delivery of essential components and spare parts. Given the difficulties of surface access, often over long distances and several land frontiers, airfreight is the obvious answer.

In many other countries, diversification from bulk commodities and subsistence agriculture is being built up in new commercial sectors, such as electronic components, garments and flowers.

Components, for inclusion in global out-sourcing systems, have to observe extremely disciplined time tables. Garments, intended for the more remunerative fashion outlets, have to be delivered within the small time windows imposed by seasons and sales. Flowers, by their very nature, have to move very rapidly to arrive in perfect condition. Airfreight is the established answer to such requirements in all

developed economies. The absence of adequate, high-quality air transport services is a harsh handicap on competitors from less favoured economies.

There are obvious possibilities of interesting synergies in relating these outward movements to empty return capacity for imports of equipment and spare parts for industry.

Landlocked developing countries, especially those at political odds with neighbours, have a life and death interest in reliable, efficient transport links with the outside world. Very large economies, including India, China and Russia, have a special need for airfreight to supplement other transport services, to provide reliably rapid deliveries and to meet deficiencies in the surface infrastructure.

Finally the explosive growth of international express delivery services testifies to a solid market, responding to clear commercial and industrial requirements. Such services work to time table calculated in minutes. They cannot operate in countries where Customs control takes days.

It is particularly useful for a facilitation Action Plan to recognise and seek to meet some main airfreight needs. Apart from setting high remedial standards the innovation which characterises this sector of the transport industry and the state of the art communication and information handling processes which it has developed along the whole origin destination goods movement, could be a potent factor in devising facilitation improvements in apparently unfavourable circumstances.

One example might be the examination of the WCO Immediate Release Guidelines, devised to meet express delivery needs for rapid Customs treatment, with a view to securing the application of their principles by Customs with little or no automated resources.

Given that the key element in the Guidelines is the provision of selected declaration data prior to the arrival of the cargo, it might be possible either to arrange Customs to use part of the computer/communication facilities of a designated carrier or else to agree on a commonly funded, very simple, facility for receiving and treating such information in accord with Customs requirements.

The benefits of success in such arrangements would rapidly spread well beyond the initial facilitation bridgehead of the express industry. Customs would see the possibilities and advantages of such key facilitation concepts as the separation of release from clearance and the selection and targeting of suspect consignments, based on risk-assessment and compliance testing.

It might be possible to link a simplified Immediate Release procedure with the sort of smart card treatment of isolated border Customs posts suggested above under road transport.

Given that there is practically no airfreight movement that commences or ends at an airport and that inward and onward transport is normally by road, a modest measure of practical facilitation can be obtained by securing official agreement to accept the air waybill as a sufficient document of carriage for the road transport of an airfreight consignment.

Payment Systems

This sector deals only with those aspects of payment in which the movement of goods in one direction have to be related directly to the means of payment moving in the other. The major example of this procedural cross-bracing is the documentary credit.

Audit will often show little criticism of the way in which this system is operating and analysis will conclude that there is little need for remedial action.

This could often be quite misleading. As explained in Audit and Analysis, there are a number of interests in play – banks, their customers and import agents, shipowners who cannot hand over a consignment until they receive an original bill of lading, ports who are obliged to retain that consignment until they are notified by the shipping line that they may do so and Customs who may also need to wait for the arrival of certain supporting documents before they can accept the declaration and hand over the goods.

There are moves to produce some electronic equivalent of the documentary system, but these, by their very nature leave aside the problems of countries in which automation is still limited in spread and scope and much could be done by simple devices, such as insisting on express delivery of documents between banks rather than the continuing use of postal services.

The problem facing this and any other remedial proposal is that there is no way a lending agency, negotiating with a government, can invoke regulatory-type changes to an entirely commercial system.

Conditions For Success

Credibility

This paper makes no attempt to write an outline Action Plan or specify particular contents.

It is essential, however, to draft any such Plan in full knowledge of the difficulty of persuading busy managers, in commerce or government, that there is a well-defined activity called “facilitation” and that this is related more to practical benefit than economic theory.

Unfortunately, a typical facilitation project, for example the reform of even a modest Customs service, especially if linked to an automation programme, with a preceding procedural review, and provision of training, can take at least five years.

That is a very long time in the twists and turns of democratic government and the post of Director General, Customs, is likely to change hands at least once during that period.

It is very necessary, therefore to make up any Action Plan to secure early credibility and support to tide over that longer time-scale. Some visible benefits should be achieved within the first year or so. A good example would be the simplification of the import declaration and its extension to cover all other administrative controls affecting the import consignment. The general circulation and use of such a document, early in the Project, would encourage a belief in all the other advantages that should flow from the comprehensive success of the full Action Plan.

The Plan should be constructed so as to produce other similarly tangible and general benefits at regular intervals throughout the project. An automation project, with its strict time-tables and precisely timed deliverables could be an admirable structure within which to specify and provide such evidence of useful activity.

Support

Attention periods are short in the day to day trading and administrative world in which facilitation has to flourish. Support can be counted on for very little longer. A typical Action Plan will require a feeling of ownership going well beyond those who conceived and agreed to it in the first place.

The Plan will need the initial understanding and sustained support of all the interests that contribute to, and complicate, the information flow controlling the movement of an international consignment. It may be necessary to spell out the broad economic, political and social benefits of simplification to governments, but business managers and Customs officers will need to have a clear idea of just how they will be advantaged in their own often relatively narrow functions.

These diverse concerns will be more easily handled if they can relate to a common initial appreciation of the scope, purposes and proposed working methods of the Action Plan. This will require a project document summarising the results of Audit and Analysis and setting out the full list of suggested improvements.

This is often used as a source document for an initial seminar or workshop, but it may be more useful to precede this by a set of informal discussions on a draft version, with the main representative bodies and personalities likely to support its implementation. It is highly probable that some of these will have been known prior to the Audit and that a good many more will have been identified in the course of the enquiry.

Success throughout the Project and afterwards may well depend on the extent to which leading actors can be persuaded that they are responsible for relevant portions of the Action Plan and will benefit if they are seen to be in favour of its overall objective.

Any and every stage in the implementation of the Action Plan may turn out to be a trial of influence. It will be a major Plan task to harden agreement into support and weld helpful individuals into a cohesive support team.

A document which makes its first public appearance at a conference or workshop with such a core constituency already behind it will have every chance of stimulating positive comments and recommendations.

If the Project includes the employment of experts for specific tasks, then these should, if possible, be identified before the initial conference, so that they may present the subjects for which they are to be responsible and make an initial contact with the managers and officials with whom they will be working.

Every opportunity should be taken, during the conference, to acknowledge all useful criticisms and suggestions and include these in an early revision of the report document with any acknowledgements that may be necessary.

Institutions

Remedial Action distilled out into an Action Plan will need to be directed in some wider sense than routine operational management.

A two-three year work programme of any sort, will probably need an on-site manager, but a major facilitation project, requiring the co-operation of all relevant official and commercial interests will need broader direction.

Apart from the urgent need to sustain wide official and commercial support at all stages of the work, there will be a primary requirement to build up a sense of common understanding and purpose which will carry implementation of facilitation concepts forward beyond the relatively short project period.

There are several institutional alternatives. The traditional response was to set up a new trade facilitation committee. Experience shows that this may sometimes arouse more short term ambition than long term interest. Funding can be a problem and finding a suitable independent manager may be even more difficult. Furthermore it may not be easy to establish the right relationship between such a committee and the Action Plan.

A more economical and workmanlike, if more modest, approach could be to use and adapt an existing consultative mechanism, ranging in possibility from a national Chamber of Commerce to a port users' consultative committee.

This institutional foothold can be expanded during the Plan period into a set of Working Groups, each allocated monitoring and liaison responsibilities for a specific project item, and each with a chairman already identified as helpfully influential in that particular sector.

Such arrangements will turn ownership from something that has to be created from outside to something that will be strongly defended from within.

Facilitation is an assembly industry, producing integrated simple information flows to move goods smoothly over a set of previously ill-adjusted functional interfaces.

Putting ideas, people and institutions together to achieve and sustain this process will be a central element in any worthwhile Action Plan.

Bringing people into common focus on practical tasks, during the project period can begin a process of confidence-building which will be an essential element in making facilitation work.

Sustained working contact between banks, ports and Customs, for example, can do much to sort out and solve common difficulties that each individual interest is quite unable to solve within its own competence.

Similarly, when Customs and traders begin to work together on specific facilitation improvements they will tend to move from previous, often justified, mutual suspicion, to the beginning of a core of confidence which can then be developed into the basis for such important advances as risk-assessment, rapid release, and clearance on traders' premises.

Inter-institutional co-operation should be developed alongside ownership and confidence building.

Although some developing countries are institutional deserts many have a useful array of representative bodies. In some countries local and national trade associations have direct links to international federations. There are often regular contacts with foreign counterparts, based on linguistic or political commonalities. Customs meet and co-operate in the WCO and many countries have national committees of the International Chamber of Commerce.

The Action Plan management should seek to recruit members of its support group from people with access to and familiarity with these important sources of information and advice over as much of the broad facilitation face – including manufacturers, carriers, ports, agents, banks and Customs - as possible.

It is also useful to open up communications with any relevant regional facilitation activity. The APEC Customs Action Plan is a good example. It has to be borne in mind, however, that while

communication, and resulting information can be very helpful, the prime focus of any project will be progress on the national ground. Encouraging senior officials, associated with the project, to travel abroad to attend what are often technical facilitation meetings is more likely to distract than enlighten them.

Privatization

Political theory and fashion have submerged many international trade and transport functions in successive waves of nationalization and privatization.

Many developing countries are still burdened with substantial remnants of public “enterprise” and these can apply strong braking effects on facilitation.

The most likely places to find such unhelpful survivors are in port and transport operations, though, in some countries, road transport has a substantial state sector, sometime connected to military logistical services. Railways may sometimes be a valid and supportable exception to the general proposition that the market place knows best, and the Audit would normally only need to consider their general efficiency without concern for possible privatization.

It would be helpful if Analysis could identify all relevant parastatal or public functions which could yield facilitation benefits if opened up to competition and market forces.

The main possibilities are probably in ports, maritime transport and Customs automation.

Ports

In many developing countries major trading ports are also naval bases and carry continuing defense implications and complications. In others some ports could be municipal entities, with a strong influence on civic finances. Where ports are still public corporations they may be organized as part of a national over-riding port authority or operate as individual units, free to manage their own affairs within statutory remits.

The Analysis should have fixed the exact position of major ports within this broad range of possibilities and consider the facilitation consequences.

One of the basic problems of applying facilitation principles in ports is the confusing interaction of different operational inefficiencies. It is relatively easy to establish that the average dwell-time of containers at import is, say, 20 days, but breaking this figure down into component causes can be extremely difficult. All participants blame each other.

Customs, claiming that they process consignments within four days, may cite delays by banks in furnishing documents necessary to release goods to consignees. The port may complain of unreasonable and inconvenient Customs requirements for moving containers to and from inspection bays. In private, traders and agents blame, banks, ports and Customs but tend to stifle public criticism of banks, because they depend on their bankers for day to day financing, and say little about Customs for fear of

subsequent victimization. Consequently, the innocent observer may be led to see port management as the root cause of the entire delay problem.

Publicly owned ports are unlikely to defend themselves, publicly, by detailing and criticizing Customs practices. This reticence will limit their role in some urgent facilitation measures. Conversely, privatization of port commercial operations, and so increased independence, may bring some external “political” facilitation benefits in addition to customary improvements in internal operational standards.

In the rare scenario in which Customs reform precedes necessary modernization of public port management, it becomes much easier to assess and address port facilitation defects and relate them to wider overall arguments for privatization of commercial operations.

Some public ports have a strong interest in securing and expanding transit trade to their own national hinterlands or to other adjacent countries. It will be helpful for remedial action if the Analysis can offer some idea of the extent to which privatization might improve competitiveness.

The effects of public ownership and the potential advantages of privatization will vary between ports which are largely landlords, with responsibilities for no or a few operational services, leasing premises and other facilities to shipowners, warehouse proprietors cargo interests, and those which run the port as an integrated facility, keeping these other interests at a distance, as customers rather than participants.

Audit and Analysis should include sufficient detail to position a port within this range of responsibilities.

Maritime Transport

A national shipping line has been seen by many countries, along with a national airline, as a desirable status symbol. That status usually bears a high price ticket.

This should not be seen solely in terms of the usual operating deficits and capital subsidies. The effects on those who are obliged to use these services on a monopoly or imposed preferential basis can be costly and discouraging.

Small and medium sized industries, the core of diversification, employment and external trade performance in many developing countries, have difficulty in importing requirements and exporting products because their requirements are subordinated to the operational priorities and deficiencies of the national shipping monopoly. This undertaking is often modest in size and carrying capacity, and unable to run more than few services on a very restricted range of routes.

Some governments try, usually unsuccessfully, to reduce these handicaps by diluting the monopoly into a “closed shop” agreement with one or two selected outside partners.

It is important that Audit and Analysis should give particular attention to monopoly and quasi- monopoly arrangements because they can give rise to trade and transport constraints which may otherwise be lost to view in a gap between deficiencies in physical infrastructure and less tangible facilitation problems in procedures and information handling.

Customs Automation

The Bank and the IMF might also examine the extent to which the Customs automation market responds to market forces.

While the very detailed and technical nature of a typical Customs automation programme sets it outside the scope of this necessarily general paper, it may be useful to note, however, that there is a tendency for lending agencies to influence the choice of core systems in favour of one or other of the very few leading “off the peg” solutions.

There is a danger that this influence could be exercised without due care to keep the quasi monopoly systems under close and constant scrutiny to check their quality and management in relation to possible “made to measure” competitors.

It may be salutary to remember the way in which preshipment inspection agencies, supported by recommendations from key lending agencies, were lulled by large profits into insensitivity to the need to update and adjust their practices, so that, eventually, they, like the inefficient Customs, which they were supposed to supplant and excel, stuck fast to comprehensive inspection regimes and ignored the advantages of selectivity, based on risk-assessment.

Of course leading Customs automation “brand names” deploy considerable technical resources in regular revision of their basic offerings, and take care to stipulate often major procedural improvements as a pre-condition of computerisation, but they should be encouraged and stimulated in these directions by constant enquiry and checking by lending agencies in respect of their central management and efficiency, and not just in terms of compliance with the requirements of specific projects.

Much Remedial Action will be concerned with operational details and will be far removed from the large political issues raised by privatisation. It will be important however, for Audit and Analysis to identify activities, relevant to facilitation reform and outside the normal regulatory system, where market forces and open competition could produce useful procedural simplicities.

Performance Measurement and Costing

Most facilitation projects will require evidence of justification. This is often presented in terms of key indices of delay to goods and payments and associated on-costs.

Some such material will have been obtained during the Audit. Additional supporting figures may be obtained from other sources, including previous facilitation reports.

If this information is thought to be insufficient or unconvincing additional research may need to be inserted before the Plan can be authorised.

Performance indices can be used to identify serious problems and relate them to secondary consequences, for example the influence of inadequate Customs salaries on corruption. They can help

establish some rough categorisation of priorities and provide material for costing calculations. If repeated at intervals they can monitor progress in specific respects, for example the incidence of physical inspections or delay to containers in ports.

Costing has been used for a number of purposes. Some facilitation interests have publicised very large “headline” figures of grossed-up national or global inefficiency costs, to attract public attention and support for Remedial Action. When applied to individual problem areas it can be used, more reliably, to justify outlay on improvement or investment in infrastructure. It can also, in common with performance figures, help identify priorities and, when repeated, monitor improvement.

Great care should be exercised in accepting generalised cost figures. For decades almost every platform pronouncement on facilitation has cited unnecessary procedural costs of between five and ten per cent of the average value of international consignments. This calculation originated in a US study, carried out in 1968, at the onset of containerisation and at a time when participants had had no means of profiting from even basic facilitation techniques, such as the then considerable advance of aligned documentation. The same figure was being quoted thirty years later in the European Parliament and attributed to the EU Commission, who had had it from UNCTAD who had had it on file from the US report.

There is, in fact, no reliable, comprehensive analysis of such portmanteau figures, to distinguish and justify routine compliance costs, delay costs, associated error costs and, most important and least identifiable, the pervasive lost opportunity costs arising from inability to meet customer requirements and from decisions, by many smaller businesses, to keep away from international trade and its attendant complications.

In any event average costs convey no useful information for facilitation purposes. A small firm sending dangerous goods, on documentary credit terms, arrived at between separate seller and buyer, between two developing countries by a state owned shipping line may have delays and resultant costs completely at variance with those incurred by a multinational company shipping its own non-hazardous products, by a competitive carrier, between branches in two advanced economies.

The average of these two operations is meaningless, while the difference between them is vital. Grossed-up average costs, therefore, are completely unsupportable in serious economic debate.

While these difficulties are common to any costing exercise, it is possible to obtain some reasonably reliable core costs in a limited number of homogeneous situations, for example containers at the port of import, where interest rates are known. Average values can be obtained from Customs returns, and dwell – though not necessarily delay – times can be had from port records.

It is also possible to arrive at approximate revenue losses from corruption by applying relevant rates of duty to estimates of true imports and comparing these with actual receipts.

There is a serious danger, however, in attaching too much importance to, and spending too much time on, detailed costing studies. The effort is considerable, the associated demand for extra information can

run directly against the facilitation principle of requiring as little as possible and people may quarrel over methods and results when they ought to be agreeing about objectives.

Similar prudence should be exercised in seeking performance statistics. Some problems, for example Customs corruption, are better dealt with on the basis of broad perception. People operationally familiar with a particular Customs service will be well able to offer reliable opinions on broad categories such as “universal”, “occasional” or “exceptional”.

It may be better to spend time on identifying such experienced and reliable informants than to engage in detailed “factual” enquiries. Movements of several percentage points within broad integrity categories will, by the very nature of the subject matter, be questionable. Really significant improvement or degeneration will be detected by the broader test of practical categorisation.

Facilitators may be on firmer ground in handling such readily measurable indices as release time for containers or specific types of consignment, the proportion of consignments submitted to documentary and/or physical inspection, and, in a slightly different category, salary levels for operational Customs officers.

Even here, however, serious errors may arise from mixing low value with highly dutiable consignments, failing to differentiate between groupage and unit load containers, taking no account of influence on delay of varying terms of payment, neglecting the special conditions attending the movement of dangerous goods and consignments from notoriously suspect countries of origin, or overlooking the special social, housing and educational benefits available in some Customs services.

Furthermore judgements on performance figures, however valid, will be largely subjective without reliable norms as bases of comparison. Delays to goods in a minor African port can hardly be judged on the basis of a straight comparison with a major European or Japanese operation. Relevant norms should be quoted in all facilitation arguments based on performance indices.

Finally, care should be taken to keep performance measurement in proportion to other facilitation needs. Establishing grounds for action may precede, but should not take precedence over remedial activity. It is easy for a laudable desire for facts to create a minor bureaucracy, with substantial demands on funds which can be better employed in modest, but practical, facilitation applications.

All such measurements require participants to provide information, sometimes on a regular, systematic basis.

The facilitation rule is to limit requirements for data to those readily available from the commercial transaction. Once data collection goes further the risks of inaccuracy increase. Traders and carriers, who know they have no legal obligation to give extra data, will not care whether their submissions are correct, or else, knowing the purposes of the exercise, may exaggerate some indices to strengthen the chances of relief. Customs officers, on the other hand, will have obvious incentives to distort figures in the opposite direction and may try to influence their trader and agent contacts to do likewise.

Costs ascertained by outsiders are almost always less convincing and comprehensive than when sought for and disinterred by those who bear them. Simple costing methodologies, for use in ports, Customs and traders office systems may be very useful elements in remedial Action Plans.

APPENDIX

The Global Facilitation Partnership for Transportation and Trade(GFP)

The GFP will aim at pulling together all interested parties, public and private, who want to help achieve significant improvements in transport and trade facilitation in Bank member countries. The Partners will then design and undertake specific programs towards meeting this objective, making use of their respective comparative advantage in the subject matter in a coordinated fashion. In furtherance of this purpose, the areas of collaboration are expected to include the following: (i) sharing agendas of common interest; (ii) pooling resources and expertise where appropriate; and (iii) sharing knowledge and ideas.

In keeping with the GFP purpose, all Partners find it to be in their mutual interest to promote international trade by lowering trade barriers and in particular, by facilitating international transport, external trade procedures and cross-border processes.

Consequently, the World Bank and all GFP Partners agree on pursuing:

- ?? The establishment of a comprehensive Facilitation Audit Framework, combining qualitative assessment with a simplified set of data on efficiency of trade and transport transactions;
- ?? The definition of systematic approaches to measurement, based on a set of facilitation indicators on transportation and cross-border processes, to be systematically collected;
- ?? The monitoring and publishing on a regular basis of data on these facilitation indicators;
- ?? Any commonly agreed initiative aiming at promoting trade and transport facilitation programs through education, training, and targeted technical assistance activities.

All interested parties can join the Global Facilitation Partnership for Transportation and Trade (GFP) through the GFP website, which also displays all information on GFP activities and provide a discussion space and a library gathering all relevant documentation submitted by GFP partners.

Visit the GFP Website at the following address: <http://wbln0018.worldbank.org/twu/gfp.nsf>