

This document should be considered as a template only, and would need to be significantly adjusted to the environment of the country and the project.

Background

Evaluating and factoring risk in Customs operations is both a necessity and a priority. Thus, the Customs Department of [] has decided to improve its current risk management approach and incorporate it into the automated clearance system. In parallel, a Risk Management Unit (RMU) was recently established.

The RMU consists of:

- Division of data collection, in charge of preparing and maintaining a fraud data base, and maintaining risk profiles
- Division of analysis and research, in charge of defining risk profiles and building selectivity criteria in the system.

The current approach to selectivity is largely based on criteria which are objective (origin or nomenclature), or de-stabilizing (random selection). Customs are now considering expanding their efforts in the following areas:

- Sources of information and intelligence (fraud, audits, companies, administrations, other sources)
- Individuals (company managers and staff, specialization, stability) and Customs counterparts (MoUs with approved traders)
- Tools for selecting profiles
- Organization (role of the different units involved in risk management and their coordination).

The objective is thus to establish a risk management system governed by multiple criteria, frequently updated, and, whenever possible, automatically extracted from all files, databases, and other available sources of information. As Customs are not the only administration that inspects goods (many other ministries and agencies are responsible for carrying inspections for their own purposes: verification, conformity, quality control, and sampling), delays and redundancies result, and the controls are usually less effective.

In this context, the Customs modernization project has identified the strengthening of risk management as the main priority. This project aims at supporting the objectives of the Customs Department, which are to (i) increase to 80 percent the number of green channel declarations (immediate release), and (ii) bring down the overall average clearance time to under 15 minutes, according to the schedule below.

	End year 1	End year 2	End year 3	End year 4
Green channel declarations (%)	30%	40%	55%	80%
Clearance time	45	30	20	15

(minutes)				
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The Customs Department is therefore seeking consultant services to assist in the preparation and implementation of a risk management strategy.

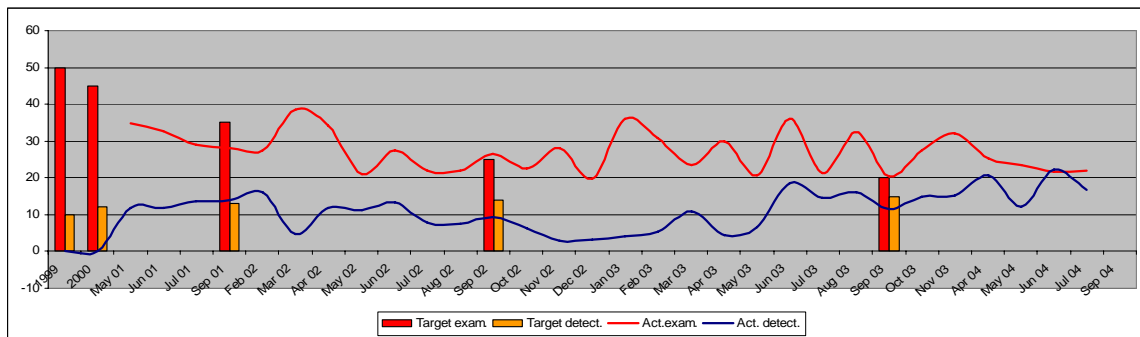
Main objectives

The consultants shall assist the Customs Department in all aspects of the conception and preparation of an integrated risk management model, its implementation, and the establishment of an administrative structure and corresponding organization destined to manage this model, and integrate it within the computerized clearance software.

This consists of:

- The practical design of a risk management model**, including (i) the identification of sources of information, (ii) defining data collection principles, and (iii) cross-referencing, evaluating, processing and validating the data and intelligence, in a mainly computerized environment. This model shall include a part of random selection, and the consultants shall prepare a system for analyzing the irregularities detected following random selection.¹
- The preparation of a compliance model**, which will be used for simulations. This model will be populated with data obtained from project performance indicators (which include examination and detection rates). It will establish country-wide and local optimal rates of examination and control.

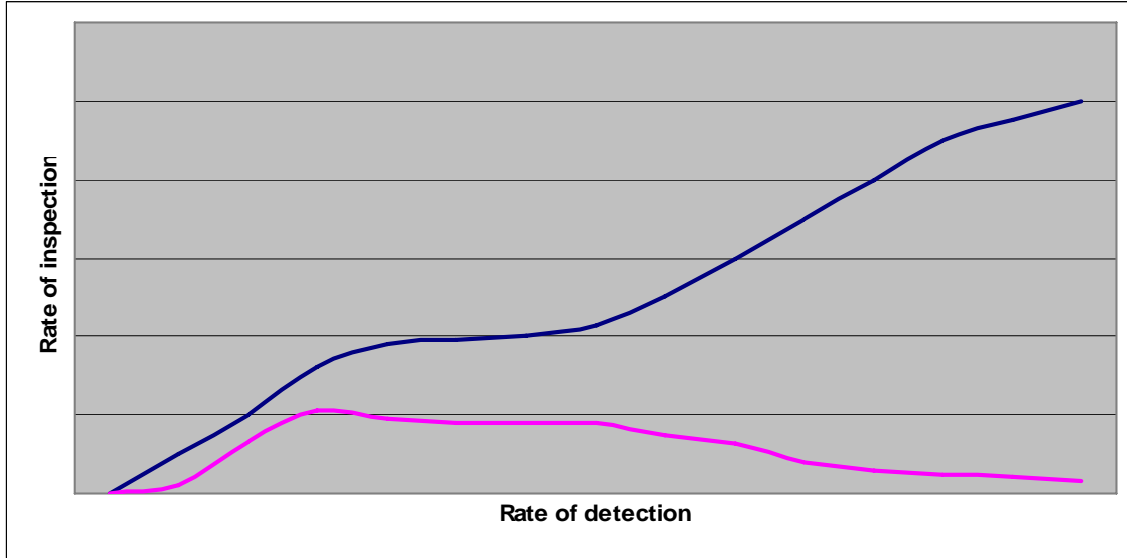
Chart 1 – Efficiency of controls



On this chart, the red line shows the percentage of examinations compared to declarations, and highlights the correlation between the results of controls compared to their number.

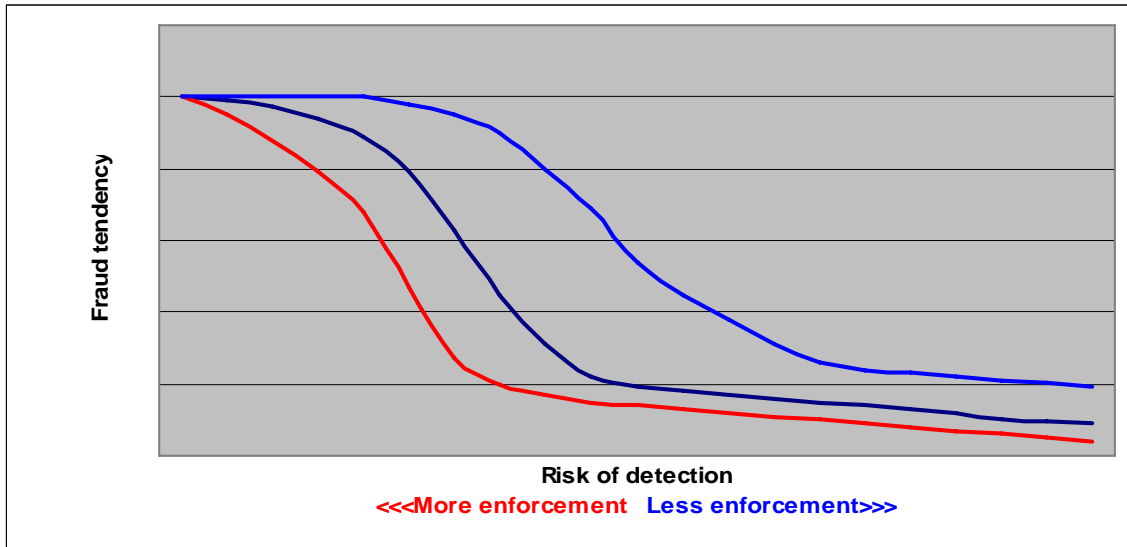
¹ (This action will also enable the identification of new risk profiles and the validation of existing ones).

Chart 2 – Optimization of controls



This chart shows, for different levels of control, the rate of detection, and enables the forecasting of the maximum efficiency of control.

Chart 3 – Control structure in a given socio-economic environment



In a given environment, propensity to fraud varies according to the risk of detection, but is also determined by the level of enforcement. Points of inflexion of the curve denote behavior changes.

The consultants shall prepare, according to the above examples, a model which can be regularly updated by Customs. It will include risks traditionally connected to Customs

activity, but will also take into account an evaluation of the enforcement policy of the country.

3. **Technical assistance for effectively establishing and scaling up the RMU.** The consultants shall (i) review the organization, staffing, management, and communication structures, (ii) the business model and the legislative and regulatory environment in which the RMU operates, and (iii) measures to ensure the integrity of the organization and its control. The consultants shall draft, as required, legislative changes, regulations, and instructions and guidelines. The consultants shall also prepare guidelines on the operations the RMU, in particular regarding intelligence and maintenance of risk profiles and their dissemination. They shall also propose an organizational process to manage profiles and gather intelligence at national, regional, and local levels, and will ensure that information and feedback from the field is appropriately provided to national headquarters.

4. **The preparation of an initial set of risk profiles.** Based on research and statistical evidence, the consultants shall assist the RMU in drafting and testing profiles, and shall recommend the appropriate format, dissemination policy, and frequency of update.

5. **The review of examination requests from line ministries,** in terms of numbers, frequency, categories, by integrated tariff heading. The consultants shall identify the main selection criteria and the examination rates required by the ministries, and will design, with the RMU, a computerized data exchange mechanism which will provide the computerized clearance system with the requirements of other ministries and ensure feedback. They shall also define with each ministry the most appropriate method of analysis to determine optimal rates of inspection.

Other activities

6. The consultants shall submit a phased plan for associating field operations to the management and validation of risk profiles. They shall in particular address the possibility, for field staff, to override inspection instructions and design the corresponding reporting mechanisms.

7. The consultants shall prepare a recruitment and training plan for RMU staff, and design an internal and external communication plan for the introduction of risk management. They shall also evaluate the needs of the RMU in terms of equipment.

8. The consultants shall design data collection and reporting mechanisms.

Duration of assignment and deliverables

This assignment is expected cover a period of six months, and includes three main phases:

- Initial mission, to evaluate the current situation, and prepare a work plan. At the end of this two week phase, the consultants shall provide the Customs administration with an action plan, with the main work options. They shall also propose a methodology for collecting and analyzing data destined to populate the models mentioned under paragraphs 1. and 2. above.
- Preparation from the home country, of these models, with a simulation. This activity, lasting one month approximately, will take place in coordination with the RMU.
- Validation mission, during which the consultants shall submit their recommendations, assist in drafting and testing risk profiles, and prepare an organizational layout and a training and communication plan. During that phase, lasting two months, the consultants shall work with both the Customs administration and the line ministries.

Reporting and contacts

The consultants shall report to their counterpart in the RMU. They may also work with World Bank resident mission and visiting staff. In addition, they shall establish the necessary contacts within the rest of the Customs administration and the line ministries.