



Governance Analysis Toolkit for Customs and Border Management

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Michel Zarnowiecki, Amer Z. Durrani and Yusuf Hussain

The corruption complex

We always talk about tough anti-corruption and zero-tolerance, but what really delivers is good enough governance

- Anticorruption approaches subjective and appear to retard Trade Facilitation:
- Corruption measurements difficult; need proxies and even these difficult to monitor and evaluate
- Often TI CPI and DB plus anecdotes and 'gut feeling'
- Often overt focus on old fashioned enforcement (e.g., 100 percent inspections) instead of risk management

...often addressed in a non-holistic enough
view...

- Focus only on transparency, individual integrity and accountability
- Corruption perceived as something wrong with an agency whereas corruption is a society-wide issue (i.e., the microcosm)
- Governance is bigger than what we can do
- Inter-linkages of actions, and between agencies, are not recognized

..and often carry an anti-corruption slogan
and focus..

- Results of which often include:
 - Corruption goes ‘under’, fights back harder
 - higher costs to trade and more ‘dangerous’ corruption
- Corruption (derivative) focus rather than governance (source) focus

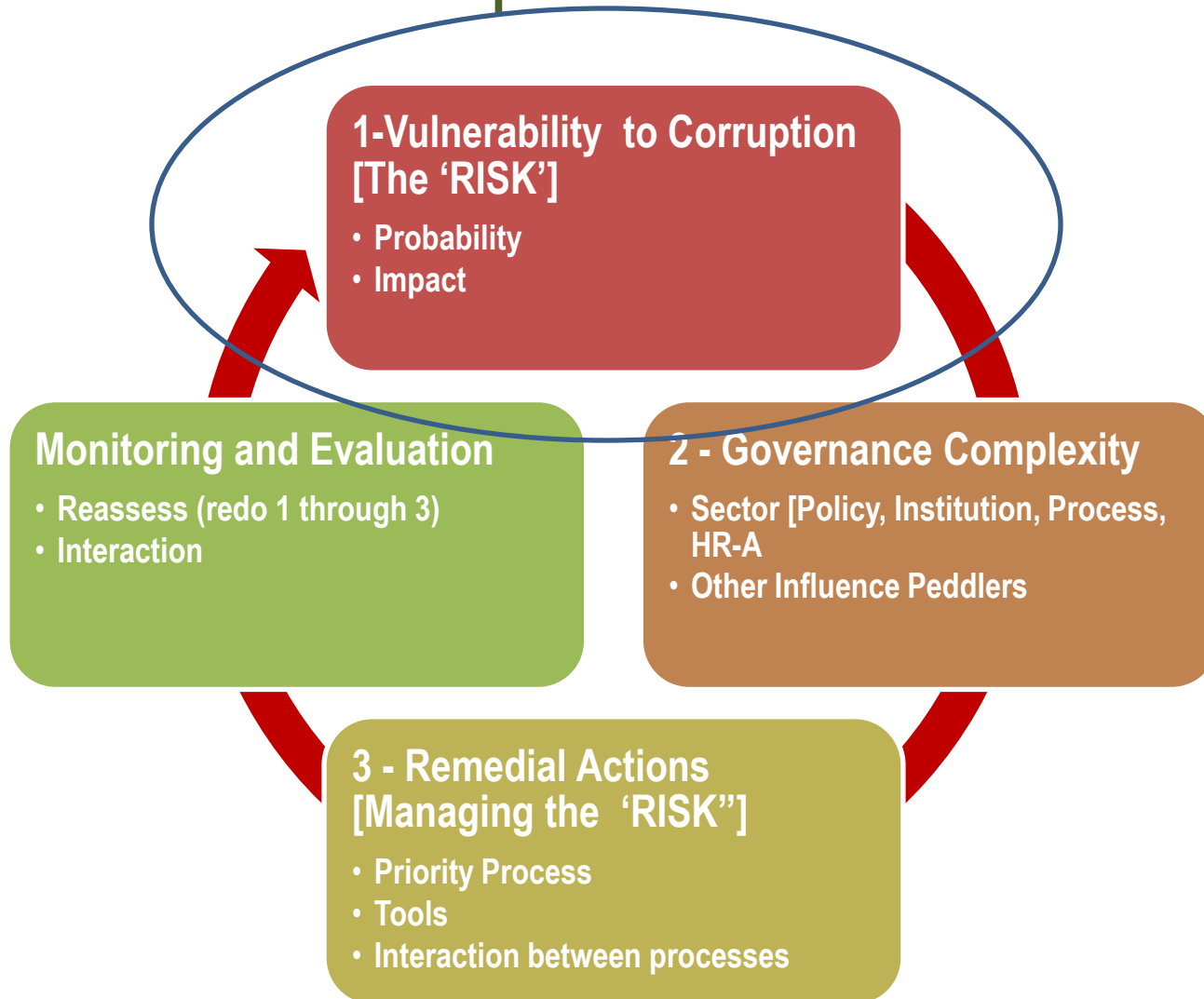
..instead of managing governance risks..

- Obligation = improve governance to reduce opportunities for corruption [not zero corruption]
- Managing governance risks = Reducing opportunities for corruption
 - Systemically fixing processes; focus on high impact rather than public appeal (vote bank)
 - Recognizing within and outside agency linkages; apportion responsibility
 - Fiscal versus overall business environment
 - Governance starts from within

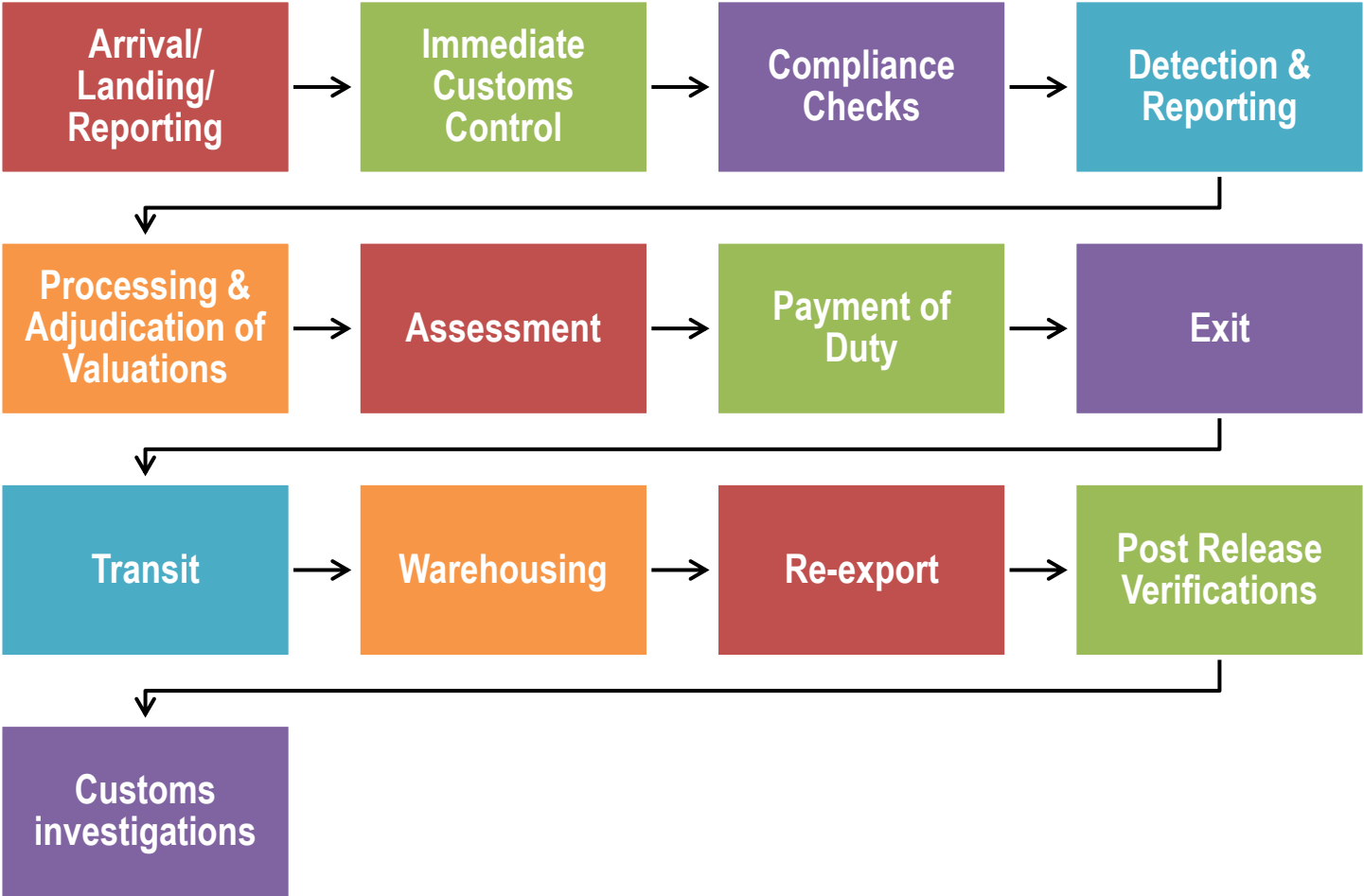
..which can be assessed through various available approaches..

- Many ways to go about this:
 - Business Process Re-engineering (BPR) and Enterprise Resource Planning (ERP) or Value Chain Analysis (VCA)
 - Committee of Sponsoring Organizations (COSO) of the Treadway Commission
 - WCO Integrity Development Guide (IDG)
 - World Bank Guidelines on Governance Accountability Action Plans

Starting with vulnerability to corruption assessment as part of the decision tool



Measuring vulnerability to corruption (risks), step 1 is process mapping



..each process [and thus risk] can be further 'drilled down'..

Process:
Arrival/Landing/Reporting
(Examples of issues linked to different steps)



Who does what?
Overlaps, competition,
vested interests



What is the related
risk?



..followed by a typical risk assessment of the processes..

Risks in each process step(s)?



Impact of each risk?



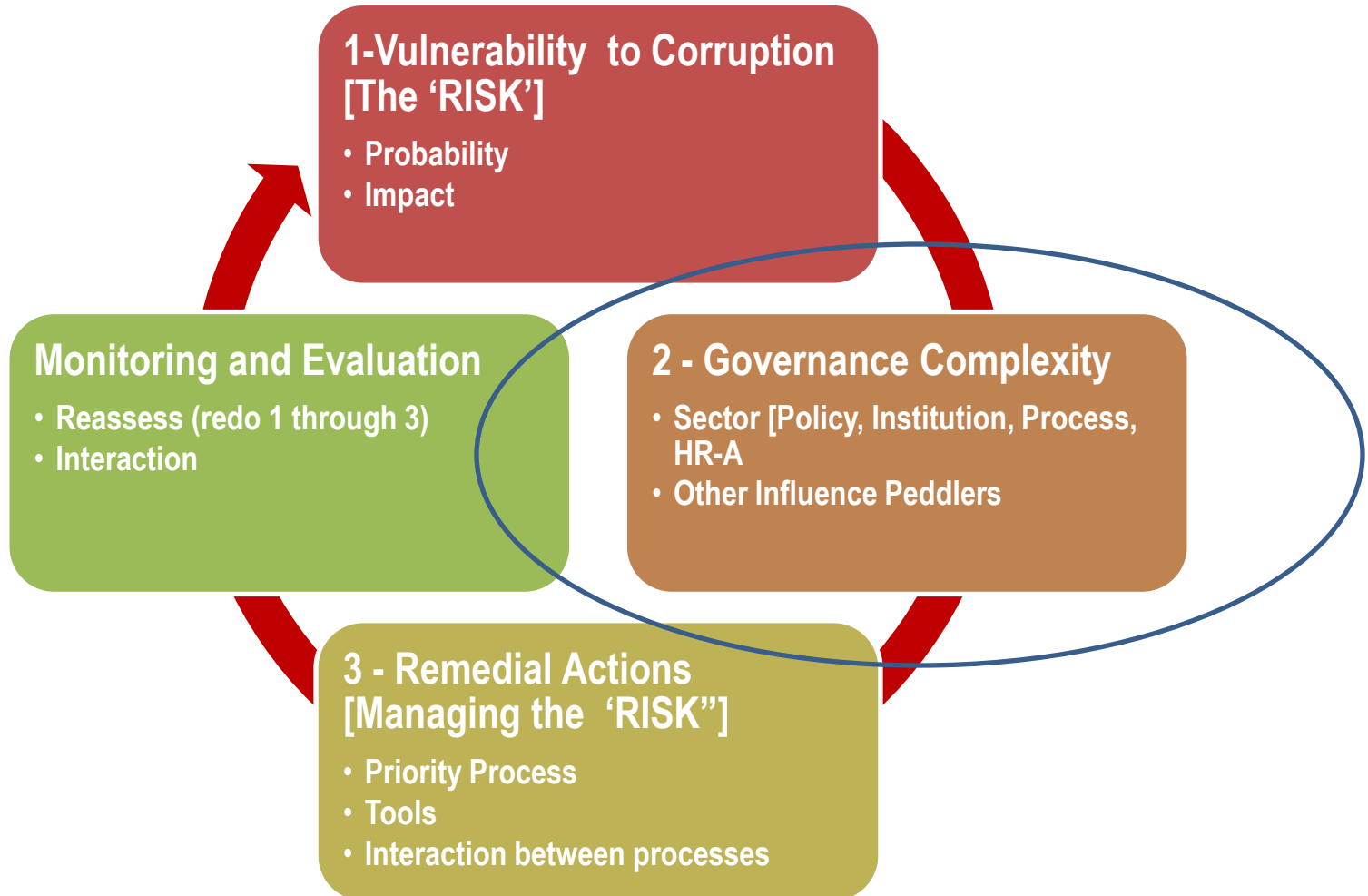
Probability of the risk materializing?

Thus these risks have varying intensity or corruption opportunities index (COI)

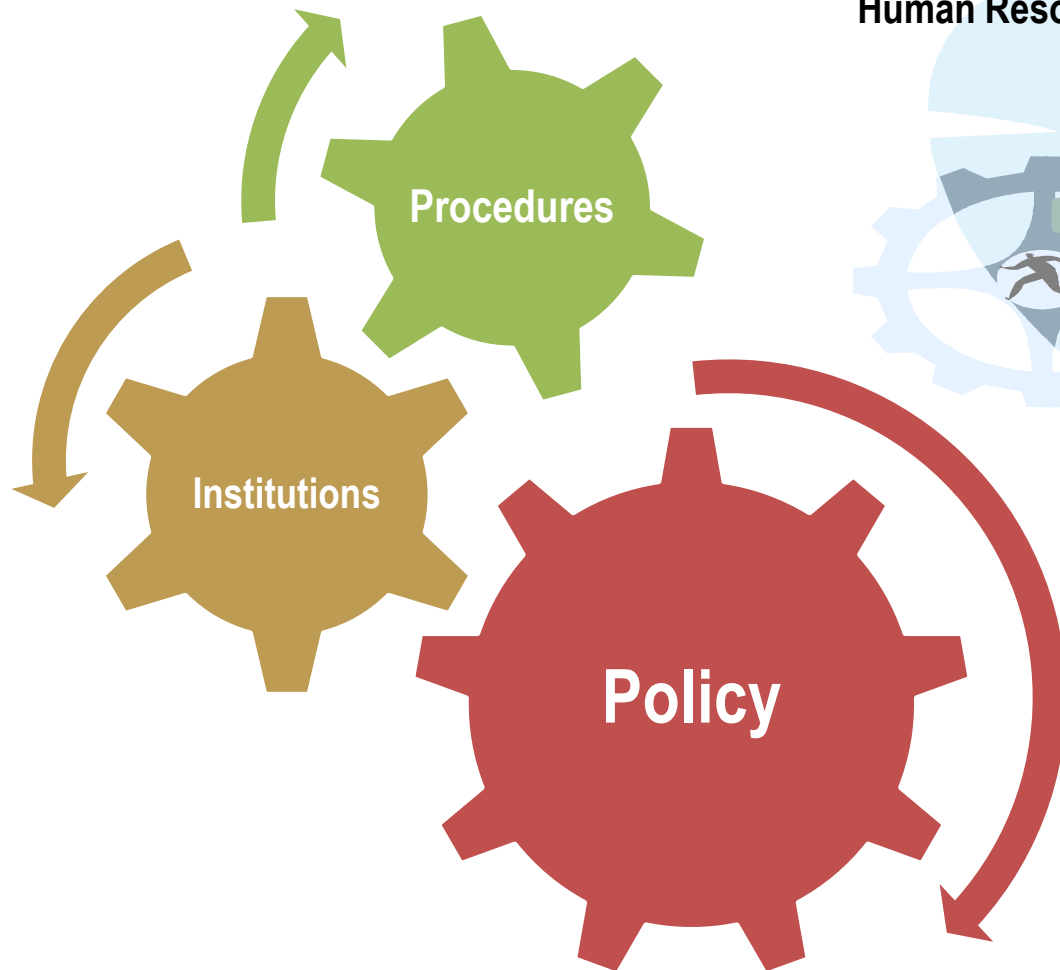
COI

Steps	Risks	Agencies	Impact	Probability	Risk Level
Foreign Release	Unreported/ Misreporting/ Exiting Cargo	Foreign Customs	3	2	6
Border Infrastructure	Ineffective control	All Agencies	3	3	9
Immigration and other controls	Identity Checks	Customs, Border Police, Counter Narcotics,	1	1	1
Driver and Passenger checks	Insufficient risk management	Customs	3	3	9

Then combine governance assessment with the decision support tool..



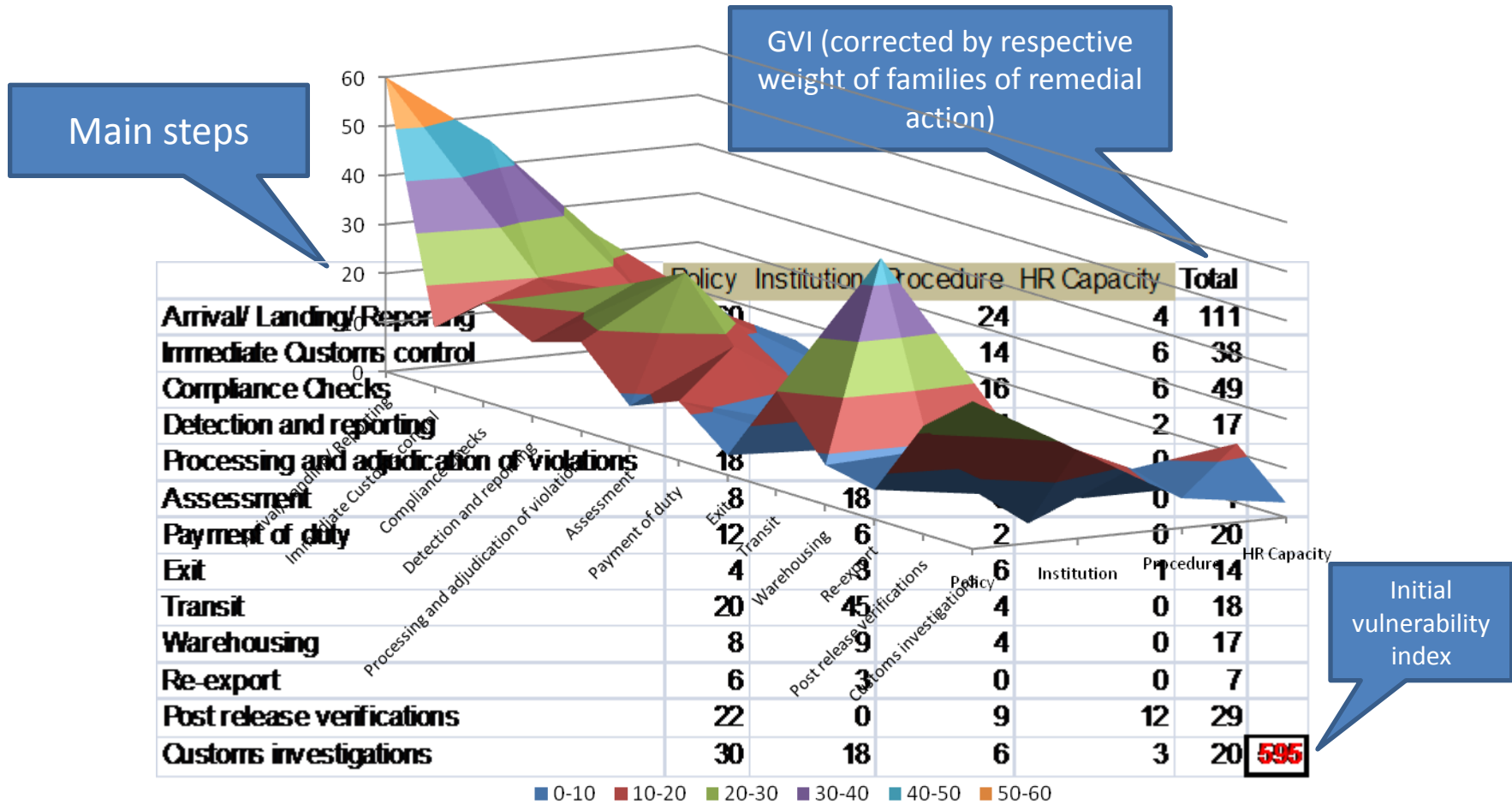
..governance assessment, step 1 = at what level is risk managed..



Human Resource and Administrative Capacity



...the higher the level, the higher the governance vulnerability index (GVI)...



Therefore: governance responsibility index, step 2 = who best manages risk..

At what level can the identified risk be managed? (GVI)

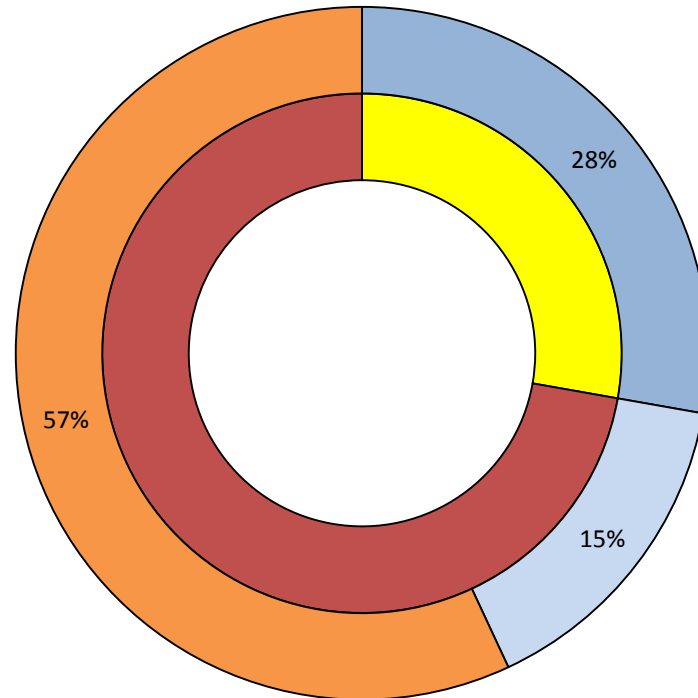
- Policy
- Institution
- Procedures
- Human Resource and Administrative Capacity



Who is involved in each process step(s)? [the 'Responsibility Index']

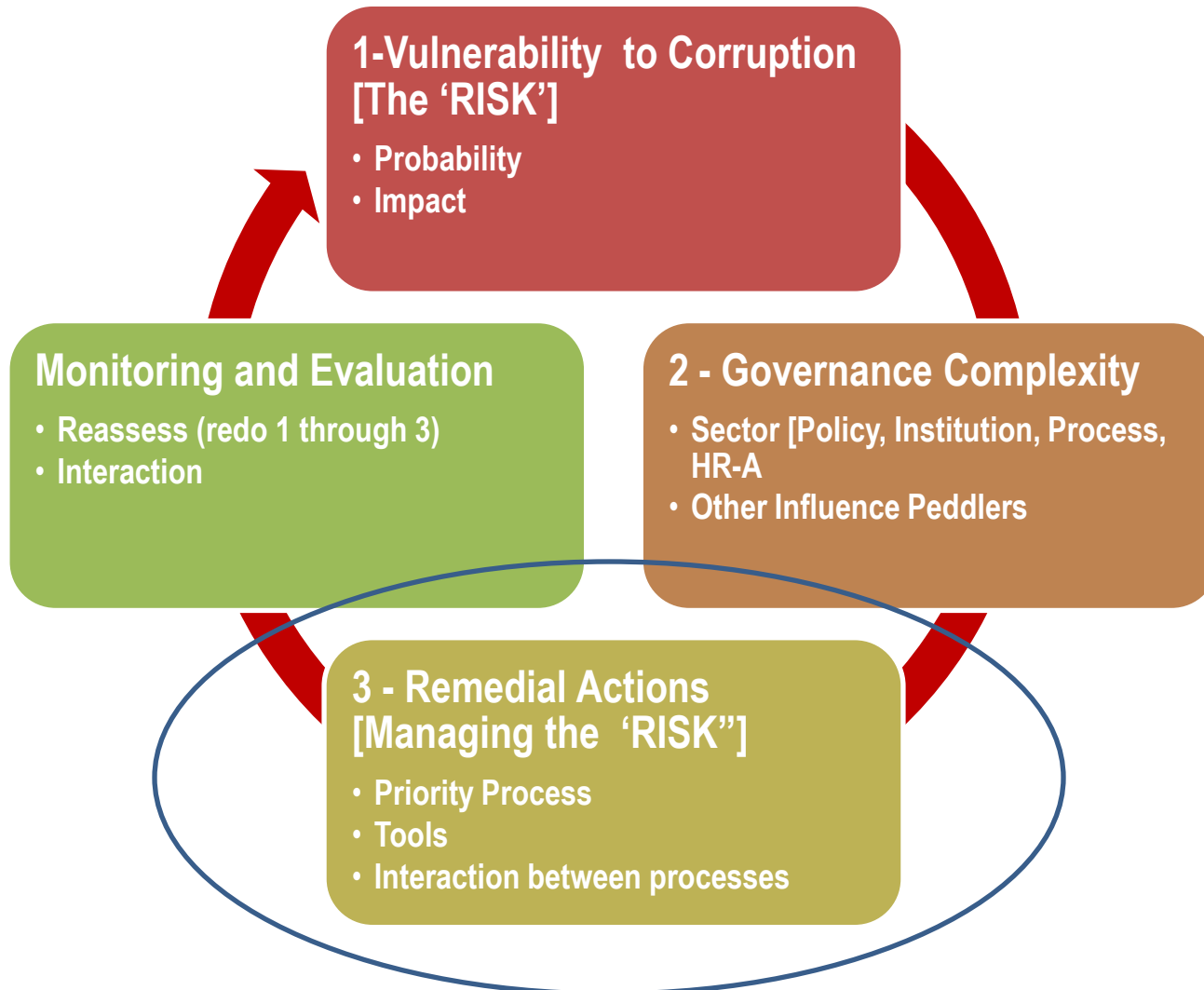
..higher governance responsibility index;
more agencies 'govern' the risk..

72% is not
under direct
Customs
control

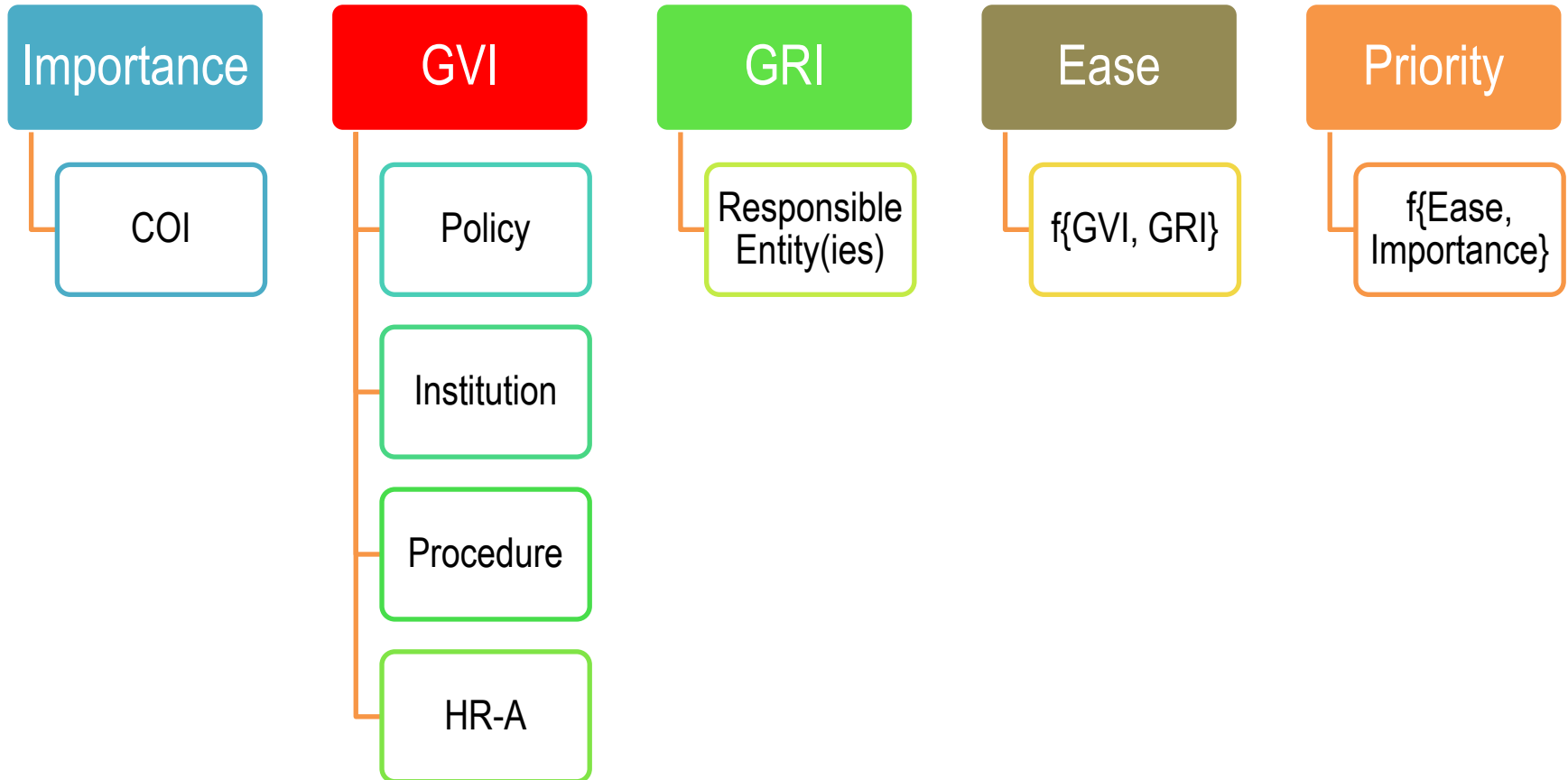


■ Customs ■ Other Agencies ■ Both

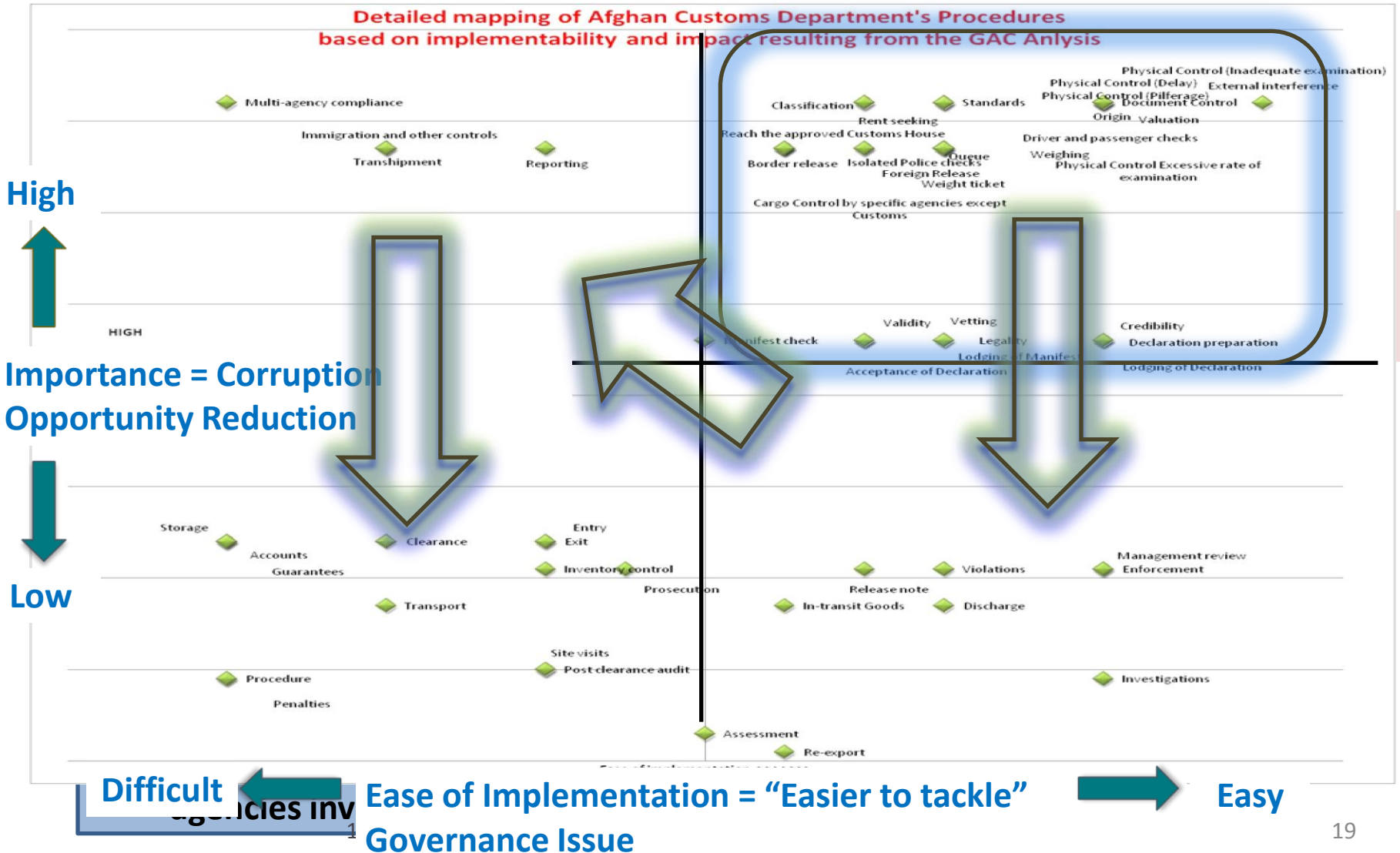
..and then developing the governance action plan using the decision support tool..



..by combining corruption risks and governance vulnerability and responsibility..

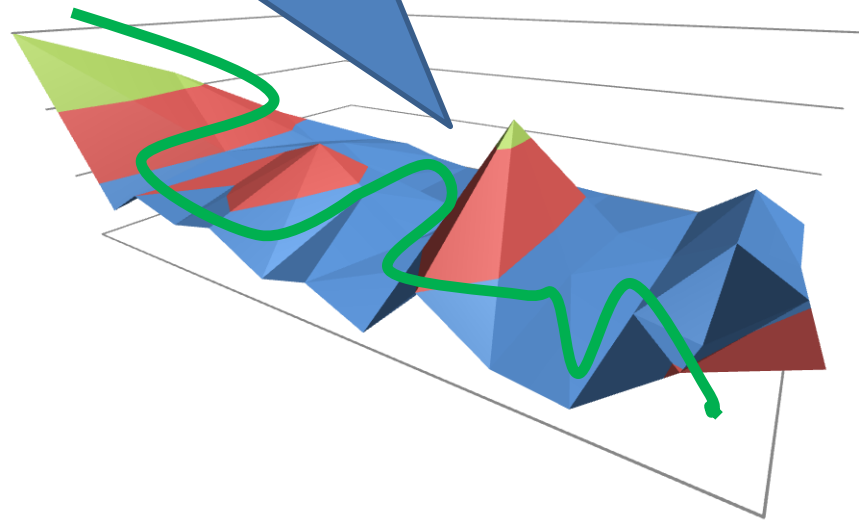


..targeting most important & easiest to implement governance reforms..

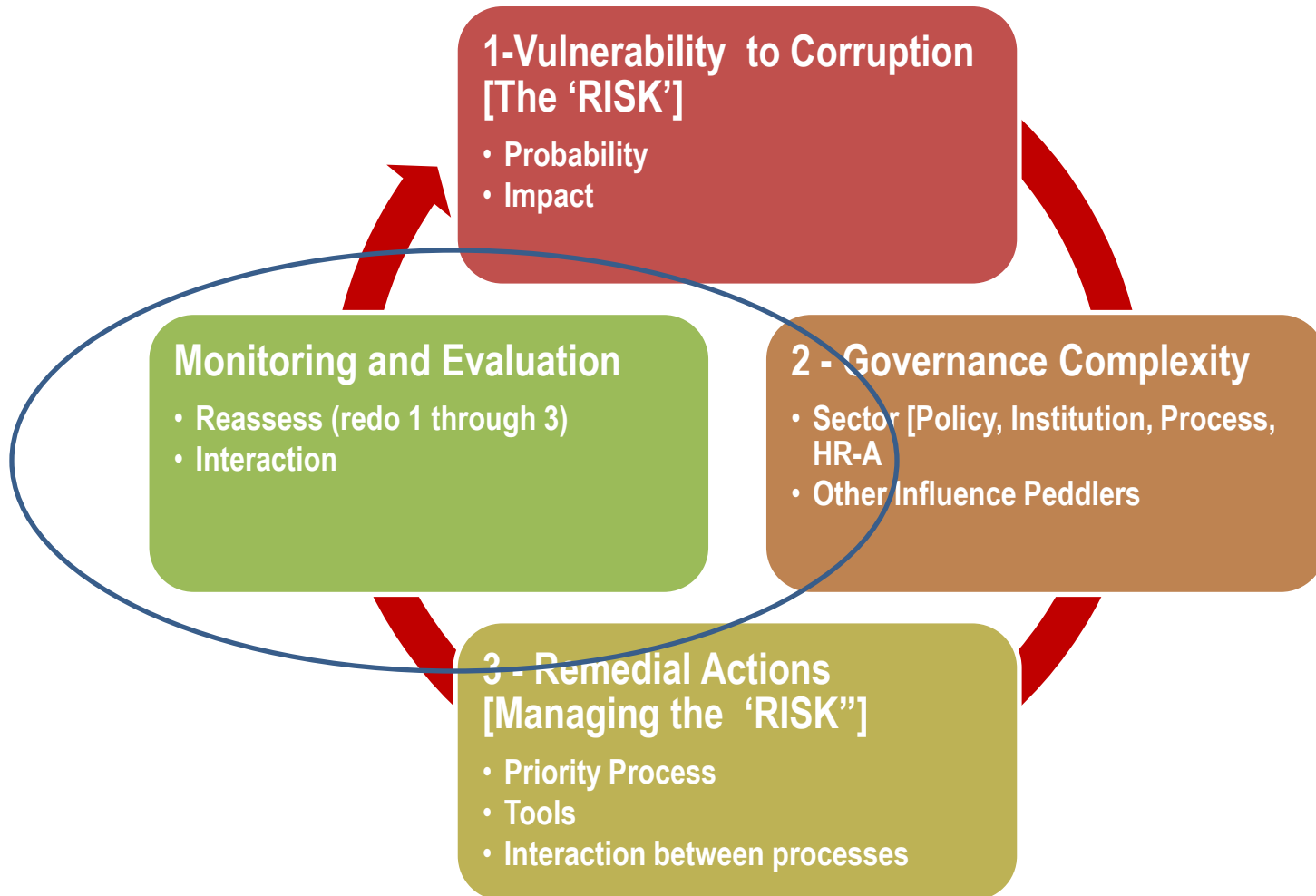


The strategic path

To find the best way down the mountain and around the hills...



..and then developing the governance action plan using the decision support tool..



As reforms are implemented the GAAP tool also becomes the M&E tool by plugging in GAC variables improvement for example GVI should decrease over time depending on the success of implementing remedial measures ...

Main steps

Components GVI

	Policy	Institution	Procedure	HR Capacity	Total
Arrival/ Landing/ Reporting	60	45	24	4	111
Immediate Customs control	12	20	14	6	38
Compliance Checks	20	15	16	6	49
Detection and reporting	15	25	4	2	17
Processing and adjudication of violations	18	30	0	0	14
Assessment	8	18	0	0	7
Payment of duty	12	6	2	0	20
Exit	4	3	6	1	14
Transit	20	45	4	0	18
Warehousing	8	9	4	0	17
Re-export	6	3	0	0	7
Post release verifications	22	0	9	12	29
Customs investigations	30	18	6	3	20

Initial GVI

595

Initial GVI
595

... solving 50% of policy issues should bring a reduction of 20% in GVI ... (and a commensurate decrease in overall organizational COI)

Before

Simulation table

	Policy	Institution	Procedure	HR Capacity	Total	
Arrival/ Landing/ Reporting	30	45	24	4	111	
Immediate Customs control	6	20	14	6	38	
Compliance checks	10	15	16	6	49	
Detection Reporting	7	25	4	2	17	
Processing Indication of violations	9	30	0	0	14	
Assessment	4	18	0	0	7	
Payment of	6	6	2	0	20	
Exit	2	3	6	1	14	
Transit	10	45	4	0	18	
Warehousing	4	60	4	0	17	
Re-export	2	50	0	0	7	
Post release verifications	11	40	9	12	29	
Customs investigations	15	18	6	3	20	477

After

Improvement
20%

GVI Improvement

20%

(595 -> 477)

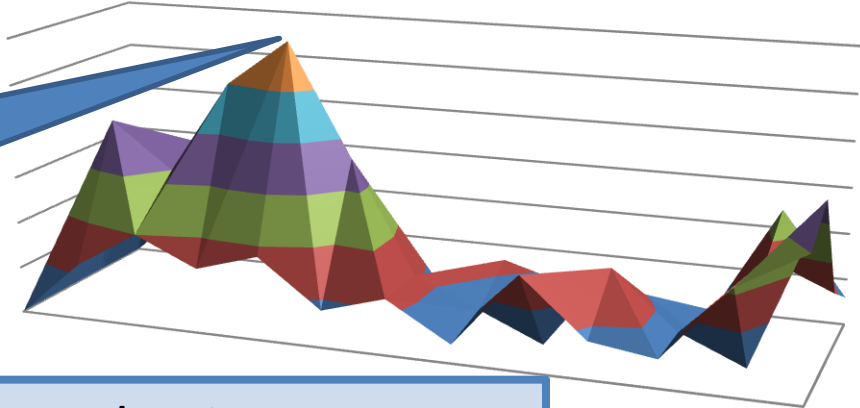
... further solving arrival/landing/reporting issues should improve GVI cumulatively to 37% ...

Simulation table	Policy	Institution	Procedure	HR Capacity	Total
Arrival/ Landing/ Reporting	0	0	0	0	111
Immediate Customs control	6	20	14	6	38
Compliance Checks	10	15	16	6	49
Detection and reporting	7	25	4	2	17
Processing and adjudication of violations	9	30	0	0	14
Assessment	4	18	0	0	7
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Customs investigations	15	18	6	3	20

Cumulative GVI Improvement **37%**
(595 -> 477 -> 374)

Improvement **37%**

Dealing with transit from an institutional only perspective brings an improvement of 45 %.



Cumulative GVI Improvement **45%**

Country Example:

Afghanistan Customs Department



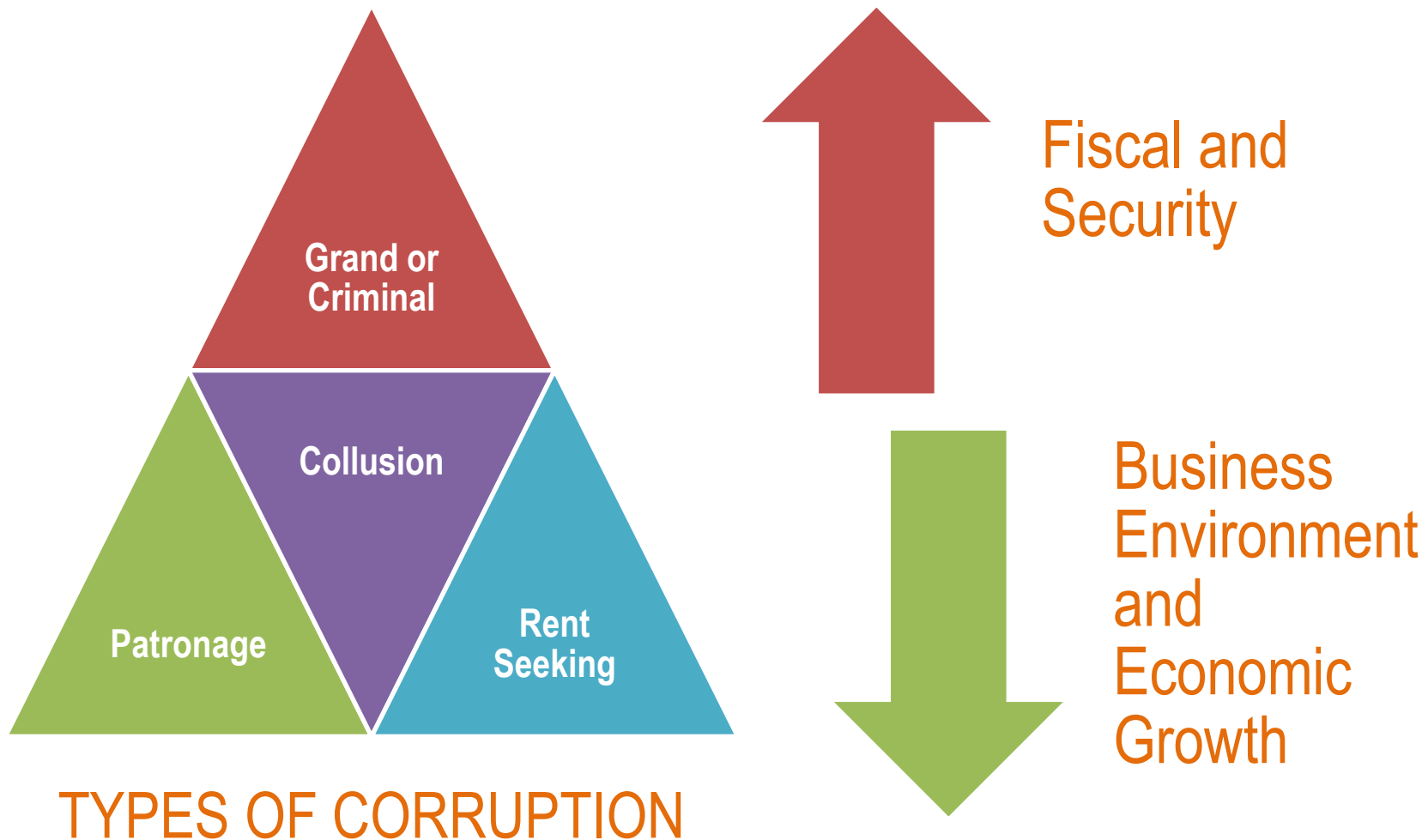
GAT applied to prepare
Governance Accountability Action Plan
for
Afghan Customs in 2009

Societal acceptance of high levels of corruption makes the State's job of good governance difficult

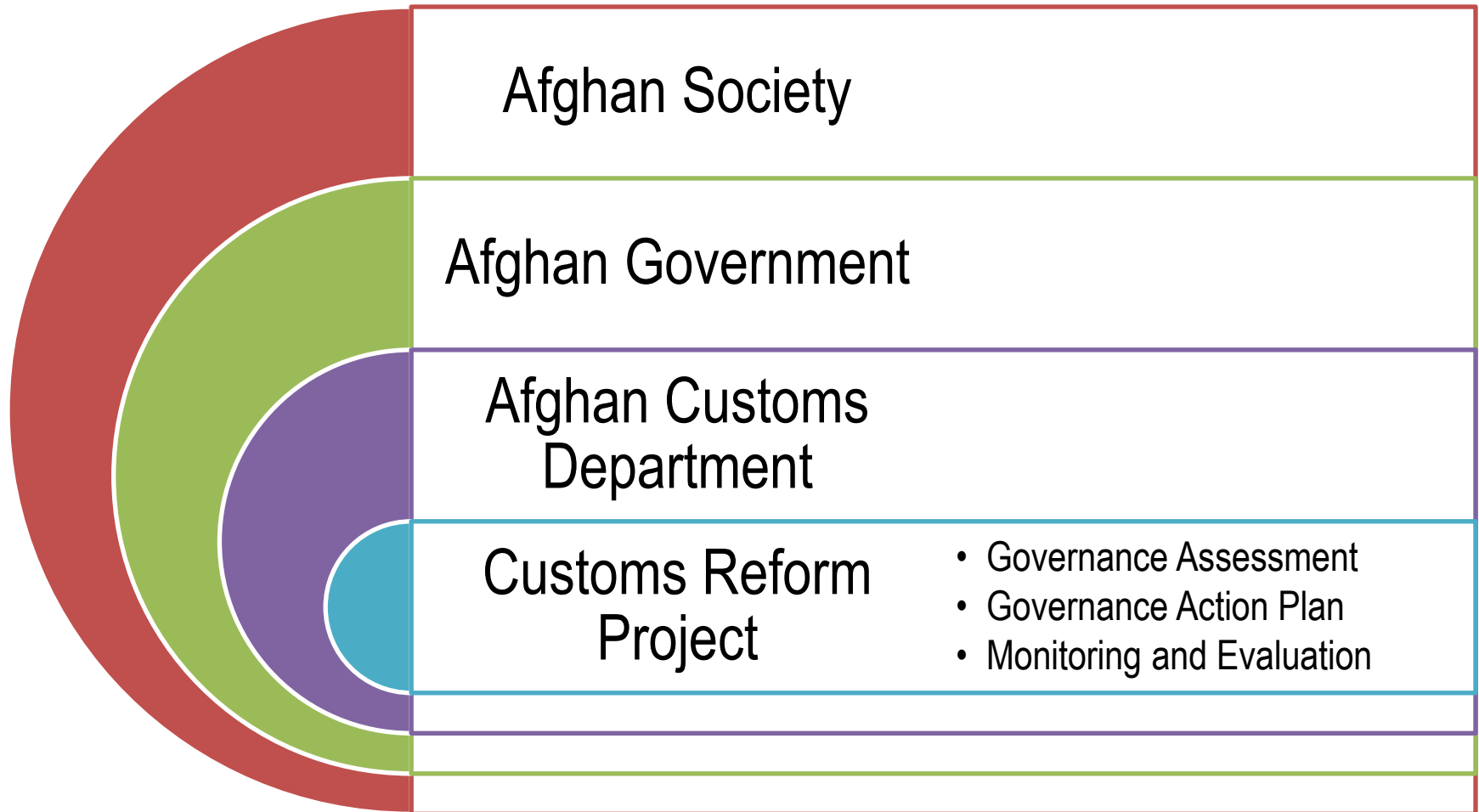
- Opium—almost all of the world's opium currently coming from Afghanistan
- Government's writ not entirely established and over reliance on external assistance
- Dysfunctional Governance
- Post Conflict Societal Vulnerabilities
- Unique social support systems; dependence on extended family networks
- Some level of “corruption” momentarily tolerated – otherwise goes underground or results in strong political opposition to good governance measures

—a parallel familial economic unit —a government—with a stronger writ?!

Corruption impacts the state fiscally, commercially and socially!



Tackle overall governance not just corruption; GOA's risk appetite 'realistic'

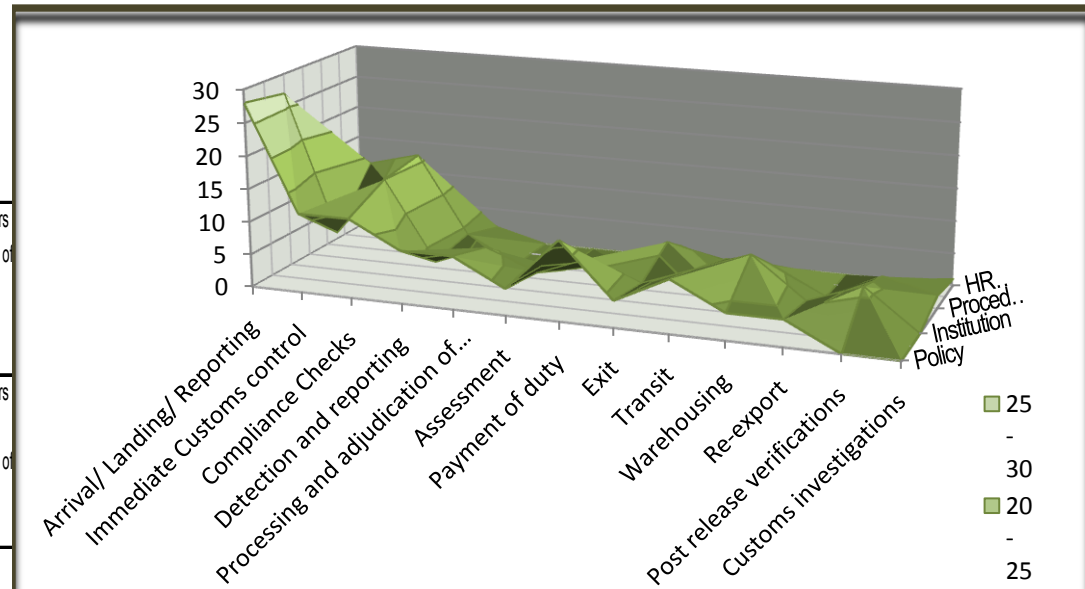


anti-corruption is a result, not an initiative!

This leads to a direct linkage of the corruption risk mapping to governance assessment

Issues/ Risks	Agencies	Impact	Probability	Risk Level	Mitigating action	Recommendation(s)	Customs preventive	Customs investigations	Post clearance	On-line checks	Other checks and audit	Total effect	Policy	Institution	Procedure	HR Capacity	Customs	NC					
Unreported/Misreporting/ Exiting Cargo	Customs	3	2	6.0	Powers of enforcement	Border line control	1					4			2			1	0				
						Rules of business	24/7 presence	1		1													
						Border patrol		1							1								
						Inland checks		1	1	1					1								
						E-link				1	1				1								
							4	1	2	2	3	12											
							33.3%	8.3%	16.7%	16.7%	25.0%												
Identity check	Customs, Border Police, Specialized	1	1	1.0	Powers of enforcement	Cross border coordination between	1	1		1		4			2		1	1					
					Rules of business	Border line control	1			1	1												

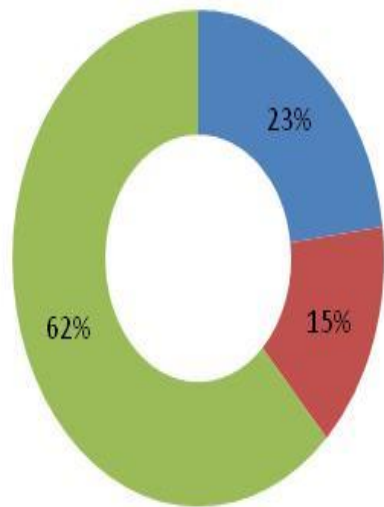
Insufficient risk management	Customs	3	3	9.0	Powers of enforcement	Rules of business	0.0
Delay	Police agencies, Customs	1	3	3.0	Powers of enforcement	Rules of business	0.0
							0.0



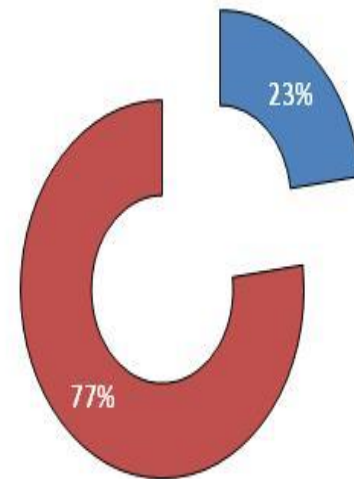
But it helped in assessing what reforms are within the controls of Afghan Customs.....

Customs Procedures	Influence			Corruption Opportunities/ Risks	Governance Risk attributed to			
	Customs	Non-Customs	Both		Policy	Institution	Processes	HR-A
Compliance Check	9	3	2	67	5	4	7	5
Arrival-Landing-Reporting	4	8	2	50	6	6	7	1
Customs Control (Immediate)	6	2	1	35	3	2	5	4
Payment	5	2	2	33	5	2	3	0
Enforcement	3	3	3	27	3	3	0	3
Transit	3	3	2	24	2	2	3	0
Warehousing	3	3	3	24	1	3	2	0
Release	3	1	1	21	1	1	3	1
Irregularities	5	2	2	19	4	3	2	2
Post Clearance Activity	2	1	1	8	0	1	2	1
Re-export	0	1	0	1	1	1	0	0

....only a quarter of what needs to be done...high “interference”



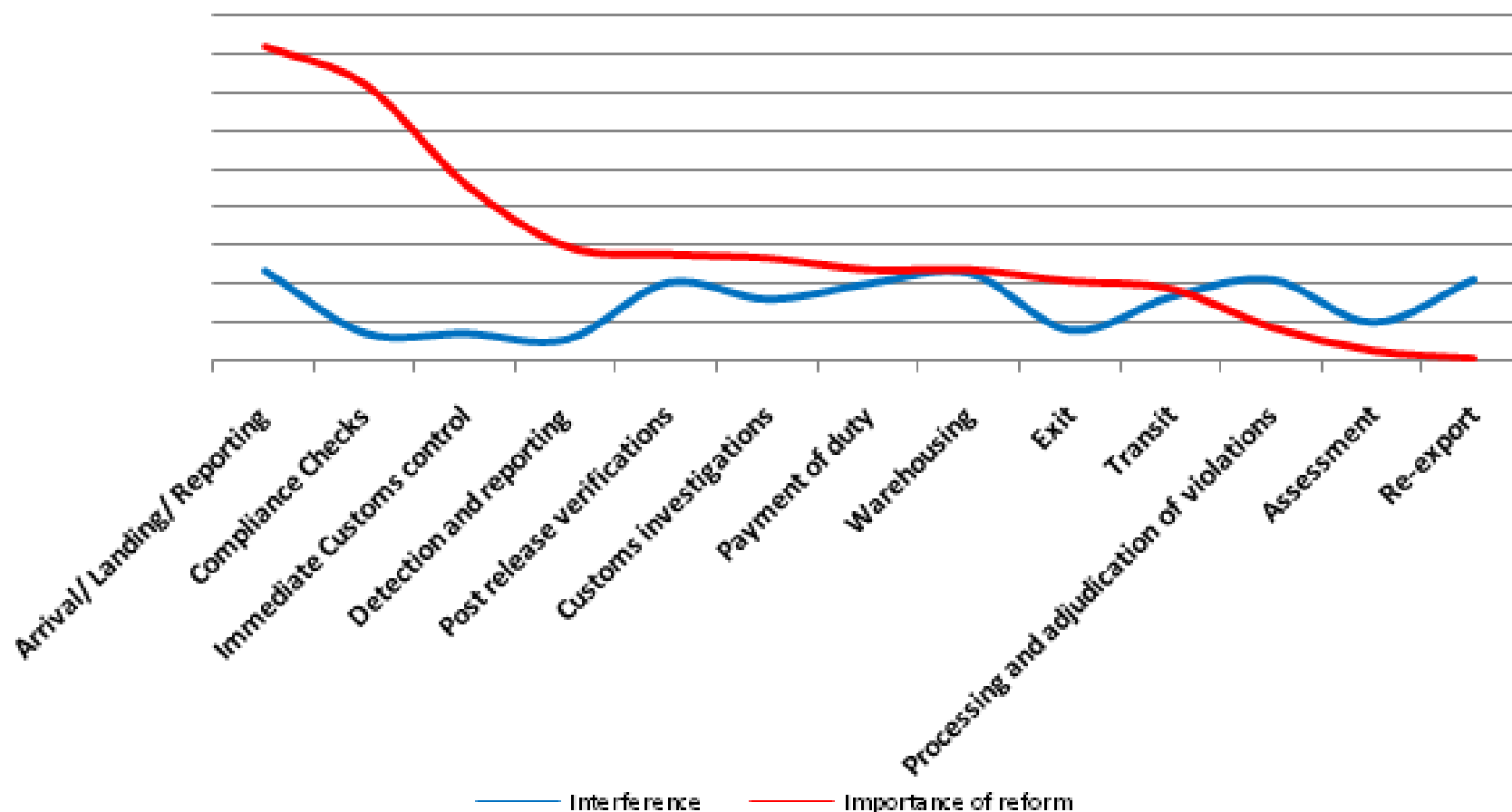
■ Customs ■ Other Agencies ■ Both



■ Customs ■ Both and Just Other Agencies

....but, “interference” not proportional to “importance” of particular Customs reform; there is a chance!

Results in terms of ease of implementation of significant reforms



...thematic reform actions cross the various processes to help targeting and bring about efficiencies

SUMMARY OF PREVENTIVE MEASURES

Measures	Occurrences	
Computer checks	40	14%
Management	25	9%
Audits	22	8%
E-link	14	5%
Inland checks	13	5%
Performance measurement	13	5%
Cross border coordination between neighbouring Customs	11	4%
Inter-agency coordination	10	4%
Legislation	10	4%
Risk management	9	3%
Total		59%
Other Measures	114	41%
Total	281	100%

The conclusion

- Do a self assessment built into the model
- Benchmark it: What is really wrong with us, come up with an integrity action plan
- A year after repeat steps one and two
- Introduce an enhanced integrity action plan

This tool does all three steps in a Cartesian manner