Meeting of the FIATA Advisory Body Legal Matters

Experience of World Customs Organization on anti-corruption and best practice for freight forwarders

15 March 2018
Zurich, Switzerland,
SUMMARY

Part 1
The WCO – an overview

Part 2
Customs and Corruption:

Part 3
WCOs’ approach and Capacity Building in integrity

Part 4
Encouraged best practices for freight forwarders
The World Customs Organization

The WCO currently represents 182 Customs Administrations that collectively process approximately 98% of global trade.

Supporting the application of international standards

Technical Working Groups and other collaborative fora

Utilizing network of accredited experts from Customs Administrations
The WCO and Integrity

- Mandate to support its members in areas related to revenue collection, trade facilitation, enforcement and security.

- Integrity Promotion and fight against Corruption a priority to achieve results in all of these areas.

- WCO’s core strategic policy document *Customs in the 21st Century* est. June 2008 emphasizes the "fight against corruption, the safeguarding of integrity and the enhancement of good governance measures."
Impact of Corruption in Customs

- **Loss of revenue** - estimated to cost WCO members at least USD 2 billion in customs revenue each year

- **Low integrity distorts trade** leading to unfair competition

- **Loss of public trust and investor confidence**

- **Undermines national security**
Notable trends

- Increased commitment to implement Trade Facilitation reforms
  
  - WTO TFA projected to reduce trade cost by 16.5% for low income countries and by 17.4% for lower middle income countries
  
  - Reforms in customs administrations alone including integrity policies estimated to have potential to reduce trade costs by between 0.5% and 1.1%.*

*Report to the 2016 OECD Integrity Forum “Fighting the Hidden Tariff: Global Trade Without Corruption”
WCO’s approach

- Standard setting through development of Tools and Instruments
- Strategic advisory support
- Capacity building & technical assistance
- Integrity sub-committee
  - Advisory body on WCO integrity strategies and priorities necessary to promote and ensure effective implementation of international standards
  - Also serves as global forum for exchange of views, experiences and good practices on preventing and combatting corruption.
  - 17th session held 1-2 March 2018 under the theme “Security and Integrity: Curbing Threats, Leveraging Opportunities”.”
Supporting compliance efforts by private sector
New WCO initiative

WCO Academy – academy.wcoomd.org

- Customs E-Learning solutions for the Private Sector
- Official launch of 1 May 2018
- Initially available in English and French
- Future available languages include Arabic, Chinese, Portuguese and Spanish
10. Relationship with the Private Sector

- Open, transparent and productive relationship
- Responsibility and accountability
- Memoranda of Understanding
- Codes of conduct for the private sector
- Penalties
Encouraged Best Practices for Freight Forwarders in the fight against corruption
Freight forwarders & Corruptions

- Same level of vulnerability to corruption due to inevitable close engagement with Customs officials
- In some developing economies, “facilitation” payments are the norm to secure faster clearance
- Treatment of corruption as an operational cost within the conveyance of goods particularly in jurisdictions where it is heavily entrenched
- Lack of or limited knowledge of customs laws and regulations by some forwarders and engaged customs brokers entrenches the problem
- Clearly two-dimensional problem requiring joint and collaborative solutions
Exploring joint efforts

- **WCO – FIATA MoUs**
  - (1987) – focused on cooperation in combatting customs fraud, in particular drug smuggling
  - (1998) – revised to add counterfeiting, piracy and smuggling of endangered species

Joint efforts in fight against corruption implied???
Enhancing Compliance & Ethics among Freight Forwarders

Encouraged Best Practices

- Adoption and maximum use of trade facilitation measures offered under the WTO TFA e.g. advance rulings and AEO programmes

- Automation to maximize use of e-solutions in customs transactions

- Avoid cash transactions at the border

- Establish compliance programs that are both inward and outward looking, e.g. HR policies and “know your customer” programs
Encouraged Best Practices

- **ISO certification - ISO 37001:2016 – Anti-bribery management systems**

- **Collaborate with national authorities** to address any noted ambiguity in the customs legal framework that give raise to corruption

- **For associations**: possible sanctions for any Member convicted of corruption by a competent court of law

- **Establish forums for sharing of best practices and success stories** (regional or national forums)
Enhancing Compliance & Ethics among Freight Forwarders

Encouraged best Practices: Lessons from the WCO Integrity Development Guide
- no moral overtones, instead serving as a reference for conducting Integrity self-assessment activities

Guide to Corruption Risk Mapping
- Proposes methodology (options and examples rather than a standard)
Risk Mapping Process

- **Identify**
  - Are risks internally or externally driven?
  - Example sources: financial / operational / infrastructural / reputational

- **Evaluate**
  - Frequency and severity of risks (likelihood / impact)

- **Prioritize**
  - Rank risks, outline scenarios, formulate recommendations / remedial measures

- **Manage**
  - Action plan to guide management
  - Risk-return relationship, correlation with other risks, consistency with administration’s strategy

- **Revisit**

- **Understand**
  - Are risks internally or externally driven?
Ways Forward

• “Anti-corruption Collective Action”
  – Shared interest between FIATA and WCO
  – Supply chain security, cost reduction and anti-corruption a common agenda
  – Scope for complimentary and joint efforts
  – Public-private partnerships
THANK YOU