Designing and integrating risk management systems (RMS) for agricultural and food products into Customs RMS

Key Considerations and Lessons from the Region

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OUTLINE:

- International trade logistics
- Illustrate why today’s current practices unsustainable
- Risk management for the border
- Immediate challenges for implementation
Trade Facilitation – a couple of definitions

“simplification, standardization, and harmonization of procedures & processes and associated information flows to move goods through the supply chain in a transparent and predictable manner”

“identifying and addressing bottlenecks that are imposed by weaknesses in trade related logistics and regulatory regimes and that prevent the timely, cost effective movement of goods.”
Average logistics cost as a % of sales

GAINS FROM TRADE FACILITATION

- if all countries reduce supply chain barriers halfway to global best practice (i.e. Singapore), global GDP could increase by 4.7% or US$ 2.6 trillion and world trade by 14.5% or US$ 1.6 trillion, far outweighing the benefits from the elimination of all import tariffs (WEF).

- each additional day that a product is delayed prior to being shipped reduces trade by more than 1 percent.

- improving the quality of physical infrastructure increase its exports by more than 10 percent

- 1 percent increase in aid-for-trade facilitation potentially result in US$290 million of additional exports.

- Adopting electronic documentation for the air cargo industry could yield US$ 12 billion in annual savings and prevent 70-80% of paperwork-related delays.
NEW LANDSCAPE – WTO TFA

(Article 8) Border agency coordination

23. 2. National Committee on Trade Facilitation

10.1 Formalities and Documentation Requirements

1.1 Publication (Publication and availability of information)

1.2 Information Available Through Internet (Publication and availability of information)

1.3 Enquiry Points (Publication and availability of information)

2.1 Opportunity to Comment and Information before Entry into Force

2.2 Consultations

10.1 Formalities and Documentation Requirements

Automation (10.4 Single Window)
The TFA emphasizes a coordinated Border Management Approach to Trade Facilitation to address common challenges faced by traders.

Lack of coordination and communication among border agencies leads to:

- Unnecessary delays in export and import clearance and transit procedures
- Lack of a risk-based approach to border clearance
- Strains on infrastructure/border post facilities due to increased congestion
- Increased loss of perishable goods
- Increase in overall time to release of goods
- Competition among agencies & confusion of competencies

The supply chain as a whole is disrupted by these issues.
SPS AND THE TFA

- Balancing facilitation and control
- Sliding scales of trade facilitation, community protection and border security
- In this context:
  - The benefits of the TFA can be leveraged for SPS and Agri-Agencies
MANY SPS CONTROLS ARE IMPLEMENTED AT THE BORDER. TFA ARTICLES THAT RELATE TO SPS HIGHLIGHT THE NEED FOR COORDINATED BORDER MGMT.

“SPS-plus”

- Regular consultations between border agencies, traders and other stakeholders (TF Art. 2)
- Publish wide range of information related to import/export requirements and procedures (TF Art. 1)
- Provide advance rulings besides tariff classification and origin (TF Art. 3)
- Inform on detention of goods and facilitate test procedures (TF Art. 5)
- Allow pre-arrival processing / Publish average release times (TF Art. 7)
- Limit formalities and documentation requirements (TF Art. 11)
- Review and publish fees and charges (TF Art. 6)
- Review and reduce import/export transit formalities (TF Art. 10)
COMMON BORDER MANAGEMENT APPROACH FOR AGRICULTURE

- Pre Border Measures
  - 1st Border Measures
    - 2nd Border Measures
      - Treatment
        - Agri Product Declared
        - Agri Product Undeclared
        - Non-Agri Product
  - Passengers
Changes in supply chain performance are realized through changes in:
- In-house Procedures
- Level of Interconnectivity
- Regulation
- Technology and systems
- Infrastructure

Source: DB database 2012, 2013
RISK MANAGEMENT FOR THE BORDER
The use of a structured and systematic risk process makes it easier for officials to make the right choices...to collect the correct revenue, to protect consumers, to facilitate trade and to detect smuggling
PRINCIPLES FOR BEST PRACTICE BORDER CLEARANCE

• Efficient & effective controls
• Risk management as the key integral management in the design of controls
• Based on principles of verification, policy, legislation & communication
• Establishes risk & intelligence function and relationships
• Allocates resources to risk

• Communicate compliance expectations
• Information & assistance is available
• Promotes collaboration with low risk
• Measure, monitor, review, adjust & improve risk and compliance management
• Benefits from information systems to assist regulatory management
AN ADAPTED BOW-TIE

What is it...........
Where is it...........
Who has it...........
How do we treat it...........

Identifying & Forecasting
Sense-making
Responding
BORDER RISK PERSPECTIVES

Entity Event Relationship Triad

- Entity
- Relationship
- Event

Epidemiologic Triangle

- Agent
- Hazard
- Host
- Commodity
- Environment
- Region
WCO COMPLIANCE MANAGEMENT APPROACH

Compliance Management Model

- Facilitation
- Risk Framework
- Risk
- Intervention

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Possible Pathway

- Governance
- Risk Analysis and SPS Rules Setting
- Trade Data & Compliance Analysis
- Profiling and Targeting
- Inspection, Verification, Assurance
DA Trade Enabling Risk Management System

"Enabling Low Risk Trade; Targeting DA Resources at High SPS Risks"

AGRI-RISK GOVERNANCE
- Gives guidance based on overall SPS risk
- Changes resource allocation priorities

RISK ANALYSIS AND SPS RULE SETTING
- Determines the case for, and nature of specific intervention/measures by SPS rules
- SPS Rule Setting - development and review of laws & Administrative Orders (AOs)
- SPS Rule Processing and Administration - issuing decisions under the AOs

OPERATIONAL RISK ASSESSMENT
- Develops sector/trade risk profiles, communicates rules and guidelines on how to comply with the rules
- Determines compliance sampling and monitors levels of compliance

PROFILING & TARGETING
- Develop profiles of risk products
- Develop profiles of high risk traders
- Shares information and coordinates with Food and Drug Administration (FDA) and Bureau of Customs (BOC) on anti-smuggling
- Develop & refine specific targets for (pest & disease) risk consignments

INSPECTION, VERIFICATION AND ASSURANCE
- Single integrated inspection at port of arrival or approved warehouse
- Inspects targeted cargo for pests & diseases
- Directs treatment or reshipment when unwanted pests and diseases are present
- Imports the data into the DA Trade System
- Diagnostic and testing

COORDINATED BORDER MANAGEMENT
- Customs to share inward foreign manifest with DA and FDA to enable DA to do pre-border assessment prior to goods physically arriving
- Customs and DA to share appropriate risk profile information
- Integrated inspection of goods by Customs, DA, and if appropriate, FDA
- Clear roles and responsibilities at the border with no overlaps or gaps

New Governance Committee
- Risk Management Leadership Committee
- New Function
- New Function
- New Function

Integrated Border Inspection
- BOC
- FDA

Enhanced SPS Rule Making Capacity
- New Governance Committee (Risk Management Leadership Committee)
- New Function
- New Function
- New Function
- New Function

Reports on the performance, efficacy/capacity of the system
- Identifies & reports on trade trends, gaps and changes in agrifood SPS risks
- Provides information to update profiles
- Non-compliant Traders
- Compliant Traders

Low Risk Trade
- High Risk Trade
KEY FUNCTIONS FOR BORDER OPERATIONS

Border Risk Governance
Risk Management & Intelligence
Profiling And Targeting
Client Service, Inspection, Verification Audit
Enforcement

Risk management infrastructure
AGILITY

Pre Border Measures

Co-ordinated Border Management

Post Border Measures

Risk & Intelligence Knowledge

Agri Risk Goods Declared

Agri Risk Undeclared
KEY ELEMENTS OF COORDINATED BORDER MANAGEMENT (CBM)

- Political mandate
- Formalize governance
- Structured & systematic sector risk management
- Legal basis to share information
- Commitment of core border agencies
- Agreement on collection of common data (WCO Data Model v3)
- Agreement on agency CBM accountability
- Participation on all levels of the organisation
- Publicly available information
IMMEDIATE CHALLENGE FOR AGRIFOOD TRADE

• Capacity to implement
• Create a ‘single window environment’
• Develop Information management systems to
  ➢ Support risk management
  ➢ Support border compliance and market feedback to producers
• Develop of a set of information system guiding principles for agrifood
  public & private sector agencies to turn to for strategic guidance
• Engage with the World Customs Organization on the WCO Data
  Model
• Adopt Coordinated Border Management via National Trade
  Facilitation Committees
TRADE LOGISTICS PRODUCT OVERVIEW: PROGRAM OBJECTIVES

**Overarching Rationale**

- Globalization and the desire to be part of global networks
- Attracting private investment is a key objective for developing countries
- Faster, leaner & responsive supply chains essential for competitiveness
- Enhanced trade

Governments and private sector energized to improve trade logistics services

**Trade Logistics Vision:**
Create simple, efficient and accountable trade logistics systems and services that fuel economic growth through:

(i) Reduced the time and cost to import and export.

(ii) Increased trade and private sector savings.

Potentially leading to investments and job creation.
TRADE LOGISTICS PROGRAM WORK STREAMS

**Border Management reform in alignment with the WTO TFA**
- Simplifying & harmonizing trade procedures and documentation
- Conducting legal and regulatory reforms
- Integrating risk management systems into border inspections and clearance
- Supporting the implementation of electronic processing/automation and Single Window Systems
- Improving transparency and predictability for traders in global value chains

**Agribusiness Sector Focus**
- Bridging the gap between food production and food security by creating and linking growth nodes and markets.
- Streamlining NTBs and thus offering market access for key agribusiness products and GVCs in client countries.
- Improving the import and export process to reduce the time and cost to access global markets for firms and suppliers in global value chains.

**Regional Integration**
- Harmonization of import-export procedures and risk management systems for border clearance and inspections
- Encourage compliance with international standards for trade facilitation
- Simplify and streamline documents and procedures for transit cargo
- Create mechanism for information, data exchange among various inspection/control agencies in the region
- Implementing a coordinated border management approach to risk management for countries in the region

**Trade Supply chain**
- Improve efficiency of cargo movement at ports, airports & dry-ports
- Enhance access for the private sector to invest in logistics and distribution services
- Modernize logistics and services along the supply chain and/or specific Value Chains
- Enhance regulatory framework for logistics services