

## **CUSTOMS INTEGRITY ISSUES**

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Mr. Chairman, Ladies and Gentlemen,

I am delighted to have this chance to speak to you on the vital matter of integrity in Customs. The inclusion of it on the agenda is a reflection of the increasing attention being given to integrity - not just by Customs, but also by the wider international community.

I welcome this opportunity to share with you the clear views the World Customs Organisation has on integrity and to give you some information about the steps that our organisation is taking to assist our 150 member countries to combat the insidious problem of corruption.

The potential for corruption in Customs is enormous and there is no easy or quick solution; what is necessary is a comprehensive systematic approach to put the required measures in place and to ensure their effective operation.

In some developing countries Customs collects as much as 75 % of all government revenues, duties and taxes world-wide.

Customs services are part of every single international transport operation and trade transaction. They are in daily contact with traders and they enforce not only financial and trade-related regulations, but also many other laws, restrictions and prohibitions on behalf of other governmental departments.

Customs administrations, probably more than any other public bodies, are inevitably faced with classic circumstances that sustain institutional corruption. Opportunities will arise wherever there exists the lethal combination of administrative monopoly coupled with the necessity for wide discretion, particularly in a work environment that may lack proper systems of control and accountability. A Customs administration infected with corruption is going to be seriously dysfunctional and the impact of the corruption will be felt throughout the society.

So, what needs to be done to address those problems ?

At the WCO we do not think that the problems are insurmountable. Although we are pragmatic and experienced enough, we understand the size and complexity of the task that we have embarked upon. Our determination is born from our mission to improve the efficiency and effectiveness of Customs administrations and no single factor undermines achieving this very worthy objective more than a culture of corruption.

Let me outline some of the WCO tools that already exist and the recent history of developments in the field of integrity.

The existence of conventions and instruments administered by the WCO provides certainty to international trade and diminishes opportunities from which corrupt practices can flourish. If the trade documentations correctly describe the goods, correctly value the goods and correctly certify the origin of the goods then there is little room for dispute and the consignment should benefit from swift release from Customs control. It all adds up to much greater consistency and transparency making it extremely difficult for individuals to impose arbitrary interpretations for personal benefit. To a very great degree this disempowers would-be corrupt officials.

As you know, in 1993, members of the World Customs Organisation held their annual general meeting in Arusha, Tanzania and agreed on a code in relation to integrity within Customs administrations. We know it as the Arusha Declaration and it lists 12 specific practical steps that can be taken by a Customs Administration that should either prevent corruption or assist in detecting it. Some, I have touched on already but let me enumerate the critical elements because each is of considerable importance in the Customs environment. I am sure many may also be relevant to your own organisations or area of interest.

Customs legislation should be clear and precise. Import tariffs should be moderated where possible. The number of duty rates should be limited. Administrative regulation of trade should be reduced to the absolute minimum and there should be as few exemptions to the standard rules as possible.

Customs procedures should be simple and consistent and easily accessible and should include a procedure for appealing against decisions of the Customs, with the possibility of recourse to independent adjudication in the final instance. The procedures should be based on the Kyoto Convention (a WCO Convention which seeks to simplify and standardise international Customs procedures) and should be framed as to reduce to a minimum the inappropriate exercise of discretion.

Automation (including EDI) is a powerful tool against corruption, and its utilisation should have priority. This is of utmost importance in the international trade environment today and the benefits of a proper system far outweigh the cost of development and installation.

In order to reduce the opportunities for malpractice, Customs managers should employ such measures as the strategic segregation of functions, rotation of assignments and random allocation of examinations among Customs officers and, in certain circumstances, regular relocation of staff.

Line managers should have prime responsibility for identifying weaknesses in working methods and in the integrity of their staff, and for taking steps to rectify weaknesses.

Internal and external auditing are essential, effective internal auditing being a particularly useful means of ensuring that Customs procedures are appropriate and are being implemented correctly. An internal affairs staff that has the specific task of investigating all cases of suspected malpractice should complement the internal auditing arrangements.

Management should instil in its officers, loyalty and pride in their service, an “esprit de corps” and a desire to co-operate in measures to reduce their exposure to the possibility of corruption.

The processes for the recruitment and advancement of Customs officers should be objective and immune from interference. The process should include a means of identifying applicants who have, and are likely to maintain, a high standard of personal ethics.

Customs officers should be issued with a Code of Conduct, the implications of which should be fully explained to them. There should be effective disciplinary measures, which should include the possibility of dismissal and prosecution.

Customs officers should receive adequate professional training throughout their careers, which should include coverage of ethics and integrity issues.

The remuneration received by Customs officers should be sufficient to afford them a decent standard of living, and may in certain circumstances include social benefits such as healthcare and housing facilities, and/or incentive payments.

Customs administrations should foster an open and transparent relationship with Customs brokers and with the relevant sectors of the international trade and business communities. Liaison committees are useful in this respect.

So there you have it - twelve very sensible and practical steps, each of which represents a vital component to assist us in closing the door on corruption.

The Arusha Declaration has been recognised and endorsed by UNCTAD. At the UNCTAD Trade Efficiency Symposium held in Columbus, Ohio in October 1994, a recommendation was adopted that stated: Governments should take steps to ensure the highest level of integrity and professional standards within their Customs administration. The measures identified by the WCO in its Arusha Declaration on Integrity in Customs should be implemented. The UNCTAD recommendation went on to say that effective measures are also required to discourage low standards of integrity in the international trading community.

The WCO intensified its work on integrity in 1997 when the Council decided to review what had been done so far. A survey was conducted among Customs administrations on anti-corruption practices. This was followed by a Forum attended by heads and senior managers of Customs administrations, representatives of international organisations and private business, and hosted by the WCO in Brussels in April 1998.

The recommendations from the Customs Integrity Forum were discussed by the WCO Policy Commission and subsequently by the Council in June 1998. The Council decided that an Action Plan should be developed containing concrete measures that help the national Customs administrations to handle the issue of corruption within their organisations.

Since that the Integrity Working Group was set up at the recommendation from the Customs Integrity Forum which produced the draft WCO Integrity Action Plan in Brussels in September 1998. The plan was centred on three areas of action: WCO leadership and promotion; activities with regional focus; and activities involving co-operation with the private sector.

In support of the plan, in 1998 the WCO Secretariat developed the content of a standard anti-corruption workshop to be offered to Customs administrations to assist them to develop national Customs Integrity Action Plans. This workshop is now included in the list of training and technical assistance programmes available from the WCO.

This workshop has already been conducted in the Czech Republic in December 1998 followed by Sri Lanka in January 1999 and Zambia in March 1999. In addition, a WCO regional workshop on integrity was sponsored and organised by Japan in June 1999, bringing together participants of 19 countries of the Asian-Pacific Region.

Since the Arusha Declaration, the WCO has put much time and energy in designing a comprehensive Customs Reform and Modernisation programme that integrates the principles set out in the Arusha Declaration into a wider package that our members can use to undertake the fundamental reform of both their processes and organisation.

The need for such a programme arises because of a number of different influences: the reduction of tariff barriers; the projected growth in world trade; the intolerance of Governments to unreasonable Customs intervention; the need for Customs to facilitate prosperity and not stand in the way of it; and of course, the important issue of integrity.

In some instances, the Customs patient has been so ill that the Government has directed that in order to protect revenues, inspection activities should be undertaken by foreign private inspection services. This is obviously a second best option because an effective Customs administration is an integral part of any nation's sovereignty. At the WCO, we accept the use of private inspection services only in extreme cases and then only as a temporary measure to provide a breathing space so that the affected Customs Administration has an opportunity to modernise its processes and organisation in a holistic way to ensure that it is able to meet the expectations of Government.

We have put a tremendous amount of time and creativity into designing what is essentially a structured and guided self help programme of reform and in doing so we have been enormously encouraged by the support and encouragement we have received from international organisations such as the WTO, OECD, World Bank, IMF, UNCTAD, ICC and Transparency International plus commercial interests involved in international trade and donor administrations who provide expert personnel and funding to assist our reform programmes around the world.

As I told you, at the Global Forum on Fighting Corruption, Customs was asked to intensify efforts to close windows of vulnerability based on the experience of administrations who have already developed good practices.

Let us at the same time keep our feet firmly on the ground. We all understand that no government, organisation or administration is going to be able to rid the world of corruption in politics, international commerce and law enforcement.

But we can make a real difference by working together with vigour and determination to change the underlying culture that makes such dishonest practices acceptable. Let us forge a partnership to do all we can, in all sectors of Customs influence and activity, to build barriers to corruption.