

DEVELOPING EFFECTIVE INTEGRITY SYSTEMS AND STRATEGIES

*By Dr. Leonid LOZBENKO, Deputy Secretary General,
World Customs Organization*

Ladies and Gentlemen,

I welcome the opportunity to be here today to talk to you about one of the most pressing issues in the domain of international commerce and trade. Integrity and anti-corruption have become central topics of discussion in international business and inter-governmental fora all over the world. They are on the agendas of the G8, the International Chamber of Commerce, the World Bank, the OECD, APEC and the EU to name just a few.

And there is growing recognition by all parties that Customs is one of the most vulnerable points in the international trade chain.

Customs administrations, probably more than any other public bodies, are inevitably faced with classic circumstances that sustain institutional corruption. The combination of factors facing today's customs administrations constitute a dangerous recipe:

At the base, as you well realise, is that Customs services are a 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 government departments.

Add to this unrelenting trade growth and the pressure exerted by governments and traders for better and faster service from Customs.

Mix in the importance of Customs in the collection of revenue. For example, in some developing countries Customs collects as much as 75% of all government revenues.

Other ingredients are administrative monopoly and the necessity for wide discretion, particularly in a work environment that may lack proper systems at central and accountability.

The final product, if controlled carefully and prepared in proper conditions, is a healthy and sustaining Customs administration. But, the same ingredients can also be made into a poisonous concoction of inefficiency and corruption whose adverse impact is felt throughout the trade and the society as a whole. The outcome depends on management and control rather than the nature of the inputs.

The consequences of corruption are clear:

a negative impact on the trade and economy;

A failure to deliver either the levels of protection that are reasonably expected or the revenues that are needed to build the basic infrastructure of the community, results in the subversion of the benefits of prosperity and economic well-being that the globalisation of world trade now offers.

the breeding of inefficiencies within the administration;

Corrupt officials will, at least, resist changes necessary for more efficient Customs administration in order to protect and maintain their opportunities for corruption. At worst, they will deliberately undermine potential improvements in processes and procedures.

loss of confidence in the institution of Customs by the societies that they are charged with serving.

If elements of Customs, representing an important public institution, deliberately impede honest trade because of dishonesty, its public reputation will suffer. Obviously, this must result in a diminution of both its effectiveness and the support it could otherwise expect.

Perhaps then it is no surprise that at the recent Global Anti-Corruption Forum in Washington, which was chaired by Mr. Al Gore, Customs was regarded by many as a problem rather than as a major player in fighting corruption.

In the work in least developed countries that is being fostered by major international institutions, Customs has also been seen as somewhat of a stumbling block.

Unfortunately, the solutions that have been applied have not often resulted in improvements to Customs. Experience has shown that the answer is not to diminish the powers of Customs, or re-allocate its functions to other private or public sector organisations such as pro-shipment inspection companies. And, because Customs are seen by many as merely technical organisations, there has been an incorrect presumption, even in some parts of my own organisation, that short-term technical assistance and training provide all the answers.

The first thing is to realise that there are no simple solutions. If that were so, I wouldn't need to be addressing the issue in front of you now. The problem is not new; in fact its been with us throughout the existence of Customs, Obviously, if it were simple to fix, the many capable minds that have addressed themselves to this issue would by now not only have found those solutions, but would have implemented them.

The fact is that corruption is a difficult and complex problem requiring more than a little tinkering at the edges.

Now, having painted a rather bleak picture of Customs, I think I need to provide some balance. First, Customs does not exist in a vacuum. Corruption is alive and well in many other avenues of public and private business. Wherever there is a bribe taken, there is a bribe paid. Cultural and social circumstances in society in general also play an important part in creating the environment for corruption.

Second, it is a fact that the majority of Customs organisations around the world do not have major corruption problems. Many of them are public sector leaders in quality standards,

management and modern systems.

Furthermore, Customs leaders have recognised both the damage caused by corruption and the need to tackle it on many fronts. In 1993, they came together to formulate what is now known as the Arusha Declaration — a blueprint for implementing a cocktail of measures that together can reduce the opportunities and incentives for corrupt practices in Customs.

The declaration addresses practically every aspect of Customs administration, for example: legislation; regulations; procedures; appeals against decisions; automation; segregation of functions; auditing; recruitment; codes of conduct; remuneration levels; and transparency in relationships with the business community.

Over the past few years we at the WCO have taken steps to help our Members to put these measures in place. Our Council of Members has endorsed an Integrity Action Plan aimed at supporting Members to enhance their integrity standards. We have also developed and implemented in many countries, the Customs Reform and Modernisation Programme or CRM as it is now widely known. CRM is directed at long-term institutional development across organisations rather than ad hoc training or technical assistance. To be successful, this approach needs high-level commitment and political support.

But what I've told you so far is only half the story. In every Customs transaction there are other parties: - brokers, importers, shipping companies, transport operators etc. What can and should they be doing to assist Customs to deliver efficient and transparent service? And what part can Governments play?

The way I see it is that there is a triangle of inter-dependent relationships between Government, business and Customs.

Government relies on Customs to efficiently collect revenue, to give effect to relevant government policies, and to protect community from dangerous and prohibited goods.

Government relies on business for advice on its policies and, ultimately, its influence to support the government.

Customs relies on Government for policy direction and adequate resources to carry out its mandate. It expects business to comply with the laws and regulations.

Business looks to Customs to apply tariff and other protective measures while minimising its interventions in the trade process. And from Government, it wants certainty and responsiveness to its legitimate needs.

We believe that the solutions begin with recognition, understanding and support for change from the highest political level and a comprehensive overhaul of affected Customs administrations through measures such as the CRM and Integrity programmes.

I suggest to you that the private sector and Governments must take equal responsibility for helping to solve what are in reality, jointly owned problems. We believe that the international, regional and national funding agencies can contribute effectively by making sure that consideration is given to the potential Customs implications of major development projects —

and where possible, by imposing conditionalities to ensure that national governments recognise the importance of Customs in the development process.

We need your help: to bring a higher degree of comprehension of the nature and extent of the problem; to convince international institutions, governments and business to support the institutional changes that are necessary; and to support and encourage Customs administrations that seek to make these changes.

The result will be strong and efficient Customs administrations that support and facilitate business and contribute effectively to their nations' economic and social prosperity.