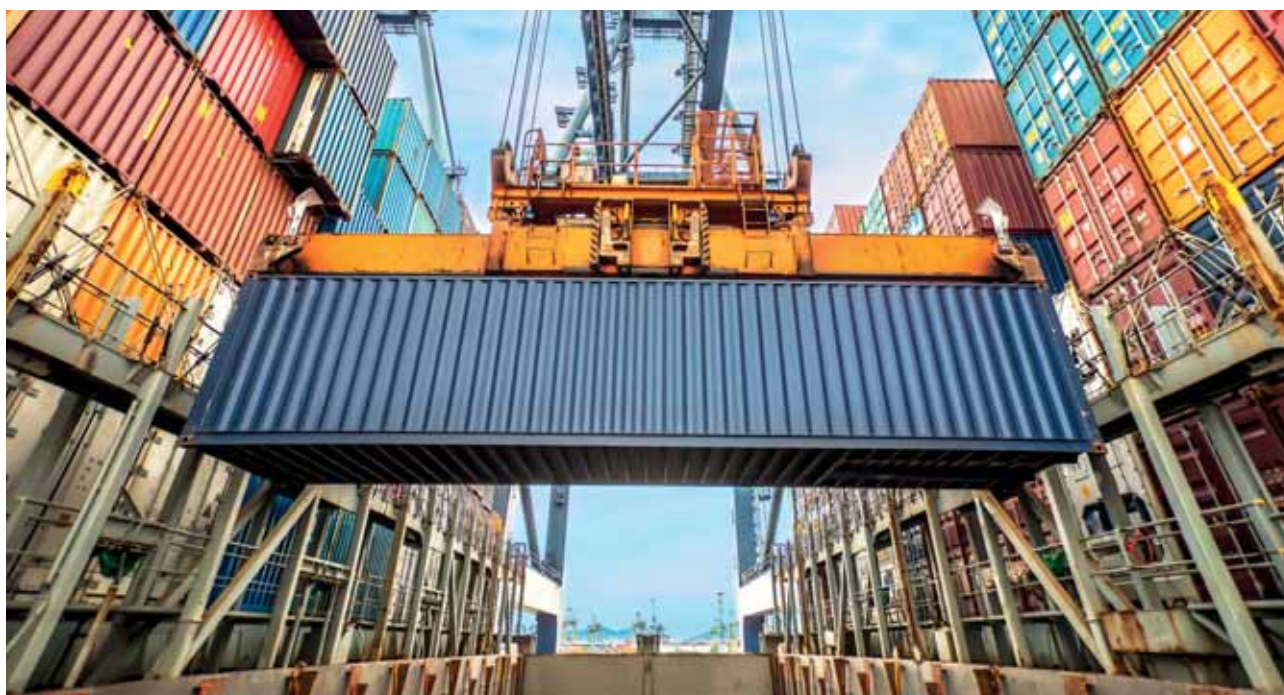


SUPPORTING SMEs THROUGH TRADE FACILITATION REFORMS

TOOLKIT FOR POLICYMAKERS



International
Trade
Centre

TRADE IMPACT
FOR GOOD

Supporting SMEs through trade facilitation reforms

Toolkit for policymakers

About this report

Policymakers now have an SME-friendly toolkit to guide national reforms when implementing the World Trade Organization Trade Facilitation Agreement. Addressing reforms from the perspective of small and medium-sized enterprises (SMEs) will spread benefits across the whole business community.

By examining the 19 provisions in the agreement that most help SMEs, hurt SMEs or help big business, the report offers insights that help national policymakers to boost the backbone of their own economies.

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Foreword

Trade-related transaction costs are highest in least developed economies, especially in landlocked developing countries and in small island states. These costs affect small and medium-sized enterprises (SMEs) the greatest, because they often lack the capacity to comply with complex rules. This can make them less competitive as suppliers and hamper their integration into regional and international value chains.

The World Trade Organization's Trade Facilitation Agreement is an important tool for governments to ease the cost and time of trade and support reforms in the business environment. This is fundamental to increase the competitiveness of an economy and attract investment.

The agreement, which entered into force in February 2017, promises greater efficiency by targeting administrative barriers to trade – unnecessary inspections, excessive document and data requirements, manual processes, lack of coordination among border authorities, and complex, inefficient rules and procedures.

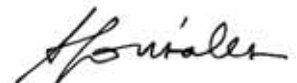
By tackling procedural inefficiencies, the agreement holds great potential for SMEs. It offers them a path to internationalization that will enable them to access and move up value chains at lower cost and greater speeds.

Yet for these enterprises, which grapple with the most challenges in cross-border commerce, the usefulness of initiatives to streamline trade depends on the extent to which they have been involved in developing and implementing those initiatives. Discussions with SMEs to understand their particular needs and problems are therefore crucial to ensure that facilitative measures actually help them and have real impact on the ground.

By analysing 19 provisions of the agreement from the SME perspective, this report guides policymakers on how to better incorporate the views of small business into the design of trade facilitation reforms which can benefit the whole business community.

This report joins a collection of ITC publications that help various segments of the trade community use the WTO Trade Facilitation Agreement to unleash the full potential of its business communities.

ITC will continue working with policymakers as well as SMEs in developing and least developed countries to increase their knowledge about the new rules and help them to take full advantage of the opportunities and benefits which the agreement offers.



Arancha González
Executive Director
International Trade Centre

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Contents

Foreword	iii
Acknowledgements	iv
Acronyms	vii
EXECUTIVE SUMMARY	viii
CHAPTER 1 UNLOCKING BUSINESS POTENTIAL	1
The agreement affects large and small firms differently	1
How small businesses participate in implementation	2
CHAPTER 2 TOOLKIT FOR SME-FRIENDLY IMPLEMENTATION	4
Publication	4
Information available through the Internet	7
Enquiry points	10
Consultation and business participation	13
Advance rulings	18
Fairness in resolving customs disputes via appeal and review mechanisms	21
Disciplines on fees and charges	23
Fairness in resolving customs disputes and penalty disciplines	24
Pre-arrival processing	25
Offering electronic payments	27
Separating ‘release’ from ‘clearance’	28
Risk management	30
Use of customs post-clearance audit	32
Establishment and publication of average release times	34
Trade facilitation measures for authorized operators	37
Expedited release of express consignments	42
Use of copies of supporting documents, for faster processing	45
Use of international standards	47
Single window	49
References	54
#ITCbooks on trade facilitation	56

Boxes and figures

Box 1	UK Government portal – an example of making information available online	9
Box 2	Tax administrations' smart portals	9
Box 3	Including SMEs in trade consultations	16
Box 4	Public-private consultation committees	18
Box 5	EU public rulings database	21
Box 6	Examples of voluntary disclosure	25
Box 7	M-payments in Africa	28
Box 8	Accounting standards for SMEs	34
Box 9	Role of importer size in performance measurement	37
Box 10	Hong Kong SAR	41
Box 11	SME participation in AEO programmes	42
Box 12	Malaysian post office services	45
Box 13	Example of user concerns about US single window	51
Figure 1	TFA's layered approach for transparency and efficiency	2
Figure 2	Knowledge management processes	5
Figure 3	Rulemaking flow	16
Figure 4	Delivery performance measurement – by client size (indicative, for illustration only)	36
Figure 5	Index for worldwide number of ordinary parcels, domestic and international service, 2000–2014	44

Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

AEO	Authorized economic operator
API	Application programming interface
CBP	United States Customs and Border Protection
COBIT	Control Objectives for Information and Related Technologies
FAQs	Frequently asked questions
GAAP	Generally Accepted Accounting Principles
HKC	Hong Kong Customs
HS	Harmonized System
ICT	Information and communication technology
ITC	International Trade Centre
NTFC	National trade facilitation committee
RKC	Revised Kyoto Convention
SAFE	Framework of Standards to Secure and Facilitate Global Trade
SMEs	Small and medium-sized enterprises
TFA	Trade Facilitation Agreement
UN/CEFACT	United Nations Centre for Trade Facilitation and Electronic Business
WCO	World Customs Organization
WTO	World Trade Organization

Executive summary

This report outlines the many challenges that small and medium-sized enterprises (SMEs) face in trading internationally, and how trade facilitation can better help them. This, in turn, can produce far-reaching economic benefits, given the central role that SMEs play in job creation, economic growth and diversification in developing countries.

The key recommendations from this report are the following:

Understand SME needs and role in the economy

- The spirit of implementation of the World Trade Organization's Trade Facilitation Agreement (TFA) hinges on the understanding and mindset of the officials who are in charge at the decision-making and operational levels. The agreement contains rules that serve to change certain practices to take account of today's realities (e.g. not insisting on original documents, applying risk management, moving to greater automation). Decision-makers and policymakers must understand that every intervention has a cost.
- The role of SMEs in the economy must be better taken into account. The challenges facing small enterprises should be well understood and their participation in consultations when policies and processes are being designed, implemented or reviewed must be a top priority.

Raise awareness and build capacity

- Customs administrations must build capacity and transform their activities to ensure they adopt knowledge management policy and practices. By increasing internal efficiency around access and sharing of information, they can increase efficiencies in providing good service delivery.
- Communication strategies and the design of information content matter for effective trade facilitation.
- The policy of 'informed compliance', education and awareness should be pursued more vigorously.

Invest in technology and better systems

- Growing dependence on systems based on information and communications technology (ICT) means that administrations must develop ICT governance capabilities to ensure service availability. Smart portals, user experience-based interfaces, advanced analytics and performance measurement can help improve user experiences.
- Compliance measurement is important for trade facilitation, and makes risk management systems more effective. The design of facilitation processes should focus on compliance rather than business size as a qualifying criterion. This would permit SMEs to benefit from these processes, from which they are often excluded.
- Administrations should have a culture of service delivery and notify stakeholders about the standard time for completion of every step in the cross-border transaction process for every type of service.

Continuously consult to improve SME capacity

- Mechanisms are needed to ensure the SME voice is heard and understood. This can be achieved through surveys or SME-focused advocacy organizations.
- SMEs need support to better manage records and skills, so they can benefit from the agreement and trade internationally.

How to use this report

This document introduces the TFA articles that are most relevant for SMEs from the following perspectives:

- Understanding each provision of the agreement;
- Discussing its implication for SMEs – why it matters to them;
- Presenting measures that include SMEs in the design and application of policies and processes.

Examples are included at the end of some sections to illustrate practical solutions and approaches that have been adopted in different countries.

This guide offers a toolkit for policymakers to design trade facilitation policies and processes that focus on SMEs. The toolkit is based on an analysis of key articles in the agreement summarized below.

Trade Facilitation Agreement measure	Recommendations for policy and process design
Publication	<ul style="list-style-type: none"> ▪ Improve Knowledge management ▪ Communicate explicitly for SMEs ▪ Policy of 'informed compliance'
Online information	<ul style="list-style-type: none"> ▪ Use ICT-based knowledge management platforms ▪ 'Push' and 'nudge' to alert clients ▪ Use experience-based design ▪ Take business needs into account ▪ Self-learning tools for clients
Enquiry points	<ul style="list-style-type: none"> ▪ Client service commitment – for fairness and transparency ▪ Offer a variety of service delivery channels ▪ Choose the appropriate model for enquiry points ▪ Personalize service delivery
Consultation and business participation	<ul style="list-style-type: none"> ▪ Ensure balanced national trade facilitation committees ▪ Develop a communications plan ▪ Focus on SME needs and concerns ▪ SME participation in consultations and feedback ▪ Communicate results ▪ Review policies, analyse trade impact
Advance rulings	<ul style="list-style-type: none"> ▪ Provide information without request ▪ Respond to ruling requests ▪ Monitor performance, review and improve and processes
Customs disputes and penalties	<ul style="list-style-type: none"> ▪ Apply objective and efficient administrative review procedures ▪ Ensure transparent procedures for requesting appointment hearings ▪ Fix time limits for reviews and appeals ▪ Ensure service quality through good governance ▪ Create a mechanism for prevention and redressal in case of delays ▪ Be fair when determining penalties
Discipline on fees and charges	<ul style="list-style-type: none"> ▪ Review payment processes ▪ Justify the level of fees and charges ▪ Ensure that information about payments is clear and complete ▪ Notify business in advance about changes
Pre-arrival processing	<ul style="list-style-type: none"> ▪ Make sure advance filings produce benefits

	<ul style="list-style-type: none"> ▪ Use technology to overcome limitations of manifest screening ▪ Review performance of pre-arrival processing
Electronic payments	<ul style="list-style-type: none"> ▪ Provide digital service delivery channels for all segments
Separation of 'release' from 'clearance'	<ul style="list-style-type: none"> ▪ Apply risk management principles ▪ Support this provision
Risk management	<ul style="list-style-type: none"> ▪ Segregate clients based on compliance level ▪ Build client and commodity profiles ▪ Maintain a permanent feedback loop
Post-clearance audit	<ul style="list-style-type: none"> ▪ Develop non-GAAP requirements for SMEs ▪ Build SME capacity to improve records management ▪ Make record-keeping mandatory
Publication of average release time	<ul style="list-style-type: none"> ▪ Measure and manage service delivery performance for each client segment
Authorized economic operator facilitation	<ul style="list-style-type: none"> ▪ Raise awareness among border agencies ▪ Take SME needs on board when setting criteria ▪ Communicate and ensure SME awareness ▪ Build SME capacity ▪ Explain the benefits of security arrangements
Express consignments	<ul style="list-style-type: none"> ▪ Express mail and postal services can help SMEs ▪ Strengthen postal services to meet e-commerce needs of SMEs
Use of copies of supporting documents	<ul style="list-style-type: none"> ▪ Redefine the processes ▪ Avoid routine document demands ▪ Orientate staff and change mindsets ▪ Give staff the tools to evaluate risk and make evaluation-based decisions
Use of international standards	<ul style="list-style-type: none"> ▪ An administration's ability to use and roll out ICT
Single window	<ul style="list-style-type: none"> ▪ Consult SMEs and address their needs when designing single windows ▪ Prioritize solutions for problems SMEs face in the existing system
Mandatory use of customs brokers	<ul style="list-style-type: none"> ▪ Develop ICT-based processes where traders have direct online access to the customs system ▪ Provide self-filing options through a simple and standard procedure ▪ Develop a simple process and user-centric design

Bureaucratic hurdles to cross-border trade hinder SMEs more than multinationals. From this viewpoint, they are more likely to benefit from measures that improve the transparency and ease of international operations. Trade facilitation measures are believed to affect SMEs differently than large firms.

Certain TFA provisions are especially relevant to SMEs. Estimates of the impact of trade facilitation on exports at the firm level suggest that small companies benefit most from the 'soft' aspects – cross-border management, ICT and risk assessment – while large enterprises benefit more from infrastructure investments and road upgrades. Some studies conducted in 2013 found that businesses of all sizes profit

from lower average times to export a product, as recorded by each firm, and that this is the case regardless of company size.¹

There is no clear answer about how TFA benefits will be differentiated by firm size. More data and evidence of implementation will disclose the facts. However, facilitative measures can be broadly divided into three groupings, from the perspective of their relevance to SMEs.

Three ways these measures affect SMEs

Measures most important to SMEs

Target these issues first:

- Publication and availability of information/enquiry point
- Advance ruling
- Single window
- Risk management
- Publication of release times
 - If expected times are published (i.e. service standards) and actual release time are separately measured for SMEs
- Use of customs brokers
- Expedited shipments

Measures likely to benefit big business

Unless specific 'mitigating' efforts are made, these provisions benefit big companies more than SMEs:

- Opportunity to comment, and consultation
- Facilitation measures for authorized operators
- Post-clearance audit
- Separation of release from clearance

If these measures stimulate big firms, spillover benefits can trickle down to smaller enterprises operating in the same ecosystem. In most cases, SMEs (as indirect exporters) supply goods and services to large enterprises.

Measures that may adversely affect SMEs

- Fees and charges related to actual costs of services rendered
 - In many countries, some fees are proportional to the value of the transaction, which is partly meant to support smaller traders.
- Use of international standards
 - SMEs tend to feel more comfortable with local standards and formats, while multinationals prefer homogenous global standards and practices.

¹ World Trade Organization. *World Trade Report 2015*.

CHAPTER 1 UNLOCKING BUSINESS POTENTIAL

The success of the WTO Trade Facilitation Agreement largely depends on how it is implemented in national law and practice. The best approach requires consultations with all segments of the business community – and their participation in developing and prioritizing solutions, as well as feedback from users.

Processes will be more effective if they prioritize the obstacles that SMEs face. For example, border systems today tend to favour companies that trade more products with higher values. This means known entities, which are usually larger companies, receive more support. SMEs are less known because they import and export less frequently, so they are often (and unfairly) labelled as ‘risky’.

This perception will not change unless there is a shift in mindset. Facilitation initiatives must correspond to the degree of compliance, rather than the size of a business. Such an approach would help ensure that these measures benefit SMEs and improve their chances of using trusted partnership programmes and less-costly securities.

SMEs are often excluded from trusted party schemes, such as authorized economic operator (AEO) arrangements, because they do not satisfy the security and guarantee requirements. Likewise, SMEs rarely benefit from the release-before-clearance facility at the same ratio as large firms, as they must provide costlier forms of securities.

To improve the general trading environment, the relevant authorities must adopt knowledge management policies and practices to make information available to traders and to manage requests. Ineffective information-sharing procedures make it more difficult for the authorities to respond efficiently when they are asked for information.

Towards capacity development

Of course, SMEs also need to raise their own standards. They often do not follow international standards in accounting practices, which limits their ability to take advantage of post-release audit-based controls. As a result, they are subjected to traditional movement-based controls and receive less facilitation support during the clearance process. Administrations can, however, give SMEs alternative schemes and less rigorous frameworks for accounting and managing their records.

Such policies, together with capacity building, would enable administrators to include SMEs in audit-based controls, which means they would face lighter intervention at ports or border crossings when their cargo is cleared. This could lead to further facilitative measures, such as simplified declarations, pre-arrival release and deferred payments.

The agreement affects large and small firms differently

SMEs struggle with international trade and direct access to foreign markets. Most SMEs that are involved in international trade are indirect exporters or importers. They must deal with barriers including exchange-rate fluctuations, bureaucracy, problems identifying and prospecting markets, different technical standards and discriminatory public contract award procedures.

The TFA cannot resolve all these of issues. Nevertheless, it addresses issues that SMEs face in terms of procedural inefficiencies, lack of information and inadequate redressal mechanisms following trade-related disputes or problems. According to the WTO *World Trade Report 2016*, ‘When it comes into force, the TFA will reduce some of the fixed costs arising from inefficient trade procedures once it is implemented, thereby increasing SME participation in trade.’

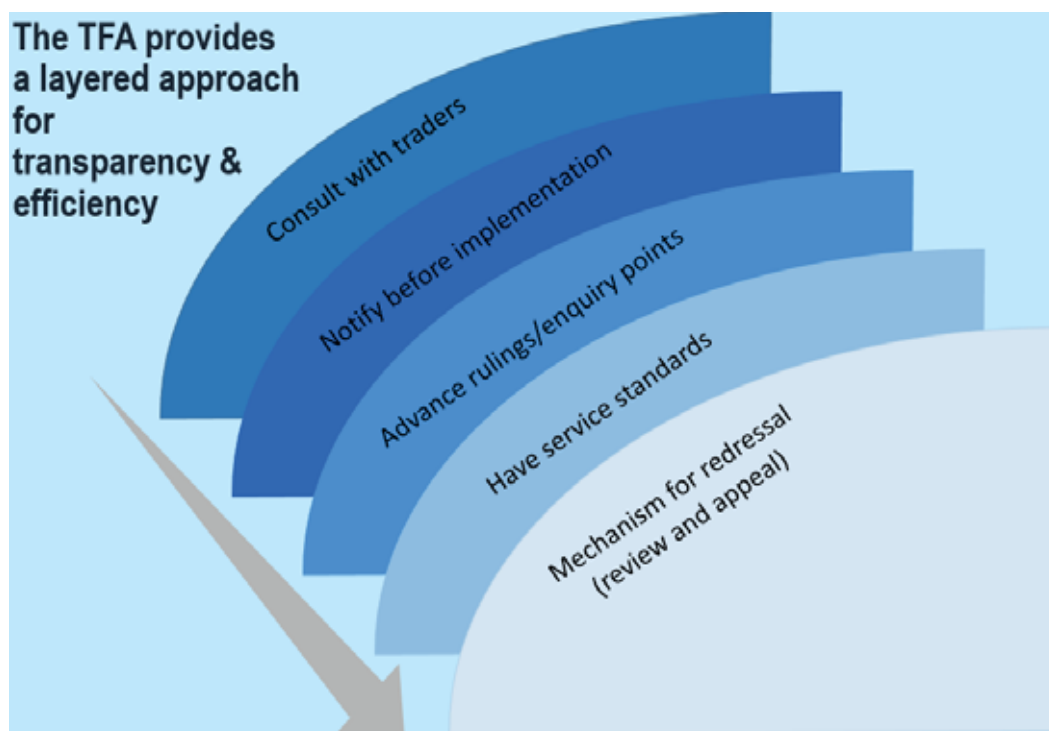
SMEs and large enterprises interact differently with trade systems in terms of working styles, organizational structures, resources and capabilities. As a result, and as noted in the *World Trade Report*, the TFA will affect big and small companies differently. Moreover, while all exporting firms generally gain from improved

trade facilitation in the importing country, the relative effects on small and large firms vary according to the type of facilitation measure.²

How small businesses participate in implementation

The TFA provides steps to be followed, from designing or modifying a policy to implementation, and then measuring their impact on trade. Trading companies should be consulted when policies are being developed, the TFA recommends. When a policy has been formulated or laws/regulations passed by legislatures, the trade community should be notified in advance, so users can ready themselves to comply. Information about laws, rules and regulations should be readily accessible in easy, understandable language and formats.

Figure 1 TFA's layered approach for transparency and efficiency



Source: Illustration elaborated by ITC, 2018.

Traders who are unsure about a certain regulatory requirement can seek an advance ruling and receive clarification and advice from their border agency. The agreement advocates setting up a service centre, with named national enquiry points, where traders can file information requests. It also recommends that at least one enquiry point be available, if financially feasible, to answer 'reasonable' questions by governments, traders or other interested parties about the TFA. WTO studies show that improved information availability to facilitate trade benefits small exporters more than large ones.³

Governments are also encouraged to measure and publish data about their performance, so traders can anticipate how much time it will take for their goods to be released, their refunds paid, or securities returned or no longer required. Traders who consider this information to be insufficient or a trading company that still suffers misfortune or objects to the authority's decision can appeal or seek a review.

² Fontagné et al., cited in *World Trade Report 2016: Levelling the trading field for SMEs*, published by the World Trade Organization.

³ Fontagné, L., Orefice, G., & Piermartini, R. (2016). 'Making (Small) Firms Happy: The Heterogeneous Effect of Trade Facilitation.' *WTO Working Paper No. ERSD-2016-03*.

These processes can be effective, but not equally for all businesses. Large companies are consulted – in part because they have a presence in commerce chambers and associations, and therefore have a voice. They are well known and perceived as less risky because their transactions are regular. As already noted, SMEs are seen as risky, because their transactions are infrequent. As a result, they must make costly payments in disputes, their activities are valued less than those of a big firm and they are excluded from AEO schemes because their records and accounting practices are deemed substandard for audit-based controls.

In the following sections, the key articles in the TFA that benefit smaller businesses are discussed from the perspective of SME needs and challenges. Specific recommendations for policy and process reforms are suggested for governments.

CHAPTER 2 TOOLKIT FOR SME-FRIENDLY IMPLEMENTATION

Publication (article 1.1)

Understanding the requirement

Members must make information about trade and transit procedures available in a timely manner and in formats and language appropriate for all traders. SMEs are unable to understand official information because of complex legal language.

Changes in laws and regulations are inevitable, and are notified to stakeholders in the form of amending instruments. However, it becomes difficult to keep track of regulatory requirements over time as amendments alter the original laws.

Another dimension is 'completeness' of information. The published information should cover all procedures and related requirements, such as import, export and transit procedures; applied rates of duties and taxes; and fees and charges.

The article acknowledges that information is useful only when it is timely. Information should be easily accessible inside and outside the country, where a business or any other party might be interested. This would result in firms spending less time and fewer resources to obtain information – for instance, regulations about an export market in which business is interested.

This measure does not specify the manner of publication, other than it must be easily accessible to everyone, including other governments, SMEs and foreign traders.

Implications for SMEs

Insufficient access to information is another major challenge for SMEs, because they lack the time and/or resources needed to carry out research or to find local representation to act on their behalf. Traders must be aware of rule changes, which occur frequently.

The relevant question to ask, then, would be: 'Is information made available to stakeholders in a timely fashion, especially when a government announces changes in laws and regulations?'

Policymakers should ask:

- What are dissemination channels? Are there facilitation centres? Is information disseminated through focal/contact points (chambers of commerce, for example)? Are they published materials, such as guides?
- What is the alert mechanism for updates?
- Is information accessible to other countries, through the commercial section of diplomatic missions?

The information should be understandable, without the need for an expert. Policymakers should ask:

- Is information simply written? Is it translated into local languages? Can managers and employees of SMEs easily understand it? Does it contain only the legal text and its translation, or is it presented in an easy-to-comprehend manner, such as 'how to' guides and self-help literature for traders?

Only complete information will be useful for SMEs, and it should not be presented piecemeal.

- Does it explain how this compliance requirement (or change in regulation) will impact a business?

Sources should be contactable for any clarifications. The government should let businesses know the source of information and where to find it. This may be local business representative offices, such as chambers of commerce or trade associations, local publishers, booksellers, or government itself. Official enquiry points can also assist in providing copies of publications (see Enquiry points on page 10).

Preparing information for targeted audiences requires attention to design as well as content. The format and language should be understandable to recipients, in the language they normally use. New information must be communicated with context and background, and a clear comparison showing what has been added or changed. Disseminating a copy of an amending notification without saying what it means to the user is insufficient.

Recommendations for policymakers

Improve knowledge management

Create a government knowledge management policy at the national level.

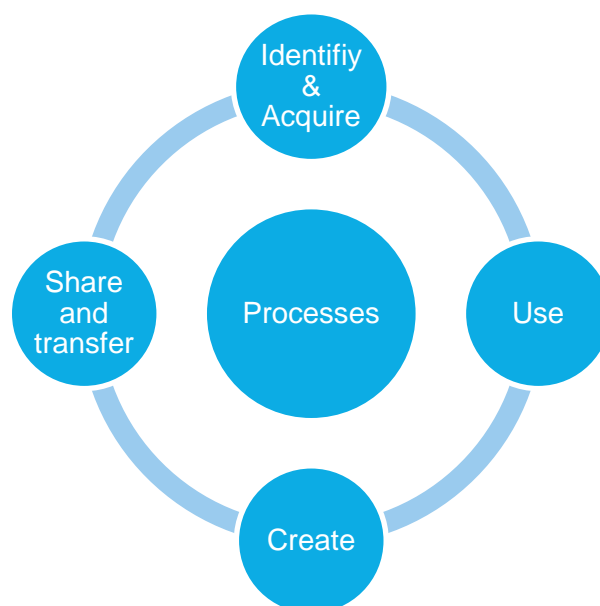
Government information is a ‘public good’ that fosters commercial activity. Information is often kept in ‘silos’ due to inadequate ‘knowledge management’ systems. Most public sector organizations have plenty of information, but lack knowledge management strategies. Units and teams within the same ministry are often not aligned with each other, and processes for knowledge sharing are frequently unavailable.

As a result, different parts of the organization have different parts of the puzzle – a complete overview of any sector is unavailable. Much time is used to collect information, with little left for analysis and decision-making.

If the government cannot efficiently share information internally, it probably will be inefficient in responding to external informational needs. Each ministry or department (commerce, industry, customs or tax) must develop a team, designate a focal person or team leader, and have processes to handle information requests. It must also share knowledge within the organization. Agencies should collectively gather, organize and disseminate this knowledge.

This would give both the administration and the public better access to information. International best practices in public knowledge management are aplenty. For example, when amending existing trade-related regulations and laws, governments should reissue notifications on the changed rules to allow business to have immediate access to up-to-date information rather than having to look for the original legislation.

Figure 2 Knowledge management processes



Source: Illustration elaborated by ITC, 2018.

Communicate explicitly for SMEs

Governments must take the needs of business into account when deciding how and where to publish information.

The relevant administration office should have a communication plan and operations in place to ensure that all interested parties – including large, small, domestic and foreign firms – can obtain information. The plan should specify printed and online sources: official journals, gazettes and newspapers.

The costs and advantages of each method of publication must be weighed from the perspective of SMEs, other businesses and the government. Information should be continuously disseminated to trading businesses across all areas. In all major locations where business clusters are located, information on laws and regulations should be easily available. Trade offices in partner countries and abroad should also be aware and serve as focal points for communication.

If the organization has a knowledge management policy and processes in place, this activity is essentially part of the knowledge dissemination process. For example, a taxpayer education unit would:

- Prepare and disseminate information in booklets, brochures, compilations and books;
- Analyse trade and tax questions to inform updates of materials (including frequently asked questions, or FAQs). Queries are received through different channels: designated enquiry points, facilitation centres or service desks, or discussions in seminars, trainings or press briefings.
- Liaise with print and electronic media, advertising agencies and government information ministries/departments, and 'single window' portal management teams.
- Organize conferences, seminars and dissemination sessions on major events such as annual budgets, trade agreement reviews, changes in international standards and new conventions affecting trade (e.g. Harmonized System (HS) code revision, TFA entry into force, International Maritime Organization's International Convention for the Safety of Life at Sea regulation).

Policy of 'informed compliance'

Informed compliance – that is, an entity's ability to comply with requirements that have been effectively communicated by the authorities – is synonymous with information facilitation. Administrations should target informed compliance, and ensure that all relevant information reaches the trade community and stakeholders in a timely manner. Traders need this information for business planning, decision-making and operations, and to avoid mistakes when filing declarations. This process can save substantial resources otherwise spent on enforced compliance.

Information available through the Internet (article 1.2)

Understanding the requirement

Lack of transparency and cumbersome border procedures are major hurdles for SMEs. Evidence suggests that trade facilitation helps small firms to start exporting.

The agreement requires administrations to publish information for traders online and to facilitate access to that information, which should include:

- Import, export and transit procedures, in the form of practical guides that describe processes for completing transactions with government;
- Procedures for appeal and administrative review, when a trader disagrees with the government's decision;
- Documentary requirements and forms for different procedures;
- Contact details of the enquiry points.

Government portals must provide complete guidance to businesses on the steps to carry out transactions with border agencies. The information should be in an easy-to-understand format and language, and easy to search and navigate.

Implications for SMEs

It is difficult for SMEs to keep track of legal and administrative updates. They typically lack the capacity to research these changes and they cannot afford legal or practitioners' advisory services for continued access to updates. Difficulties verifying accuracy, translating and using information are particularly acute for SMEs.

Policymakers should ask:

- Is there a one-stop shop for information for SMEs?

SMEs prefer a consolidated list of requirements on one website, with links to all specific departments and agency websites. Permits, licences, certificates and authorizations should not be scattered across different websites. Such information should be easily searchable and thorough.
- Is it cost-effective and easily accessible?

Information should be free, available without delay, easy to search and navigate, and user-centric.
- Is the information presented as practical guidelines and organized by services and processes?

Information should be available on all trade processes: import, export, drawbacks, refunds, permits, authorizations and release.

Web content should be designed for self-learning without guidance by a customs department or another border agency. SME owners and staff should be able to understand the content on their own.
- Are documentary forms readily available on the Internet?

Recommendations for policymakers

Use ICT-based knowledge management platforms

Share public sector information digitally in a way that promotes compliance, analysis and reuse. Governments that do not share information constrain access to a public resource. Governments stand to gain from the increased economic activity that would result from making this information available.

Information should be complete, granular, timely, accessible and in a practical format. At its best, it could be described as follows:

All public data are accessible (without request) with the highest level of granularity (disaggregated), and are timely (updated) and in usable format (interoperable).

A knowledge synthesis and sharing system can correlate information from different sources, channels, documents, data repository links and e-mails. Where affordable, administrations can use tools for automated matchmaking, connect users to relevant data and filter it to the needs of the user. This can be an automated process.

'Push' and 'nudge' to alert clients

A proactive, 'push'-based approach is necessary, where information is automatically forwarded to relevant stakeholders. An information request should essentially be considered a weakness of a system, because it signals that the information was unavailable or unclear, or the requestor was unaware that it was available.

Some tax agencies have also started using 'nudge' approaches to notify clients about their regulatory obligations – in other words, sharing subtle, positive reminders about compliance rather than threatening punishment for noncompliance.

User experience-based design

The Internet should be an administration's primary communication tool. It is asynchronous – clients can use it when they want and without any assistance. Web content should be continuously added to FAQs and the 'do-it-yourself' parts of the service offering, based on queries via helpdesks or enquiry points. Information should be updated and complete. The methods to update the information portal should be spelled out clearly in a communication plan and process, so that changes to laws, rules and regulations reach users and stakeholders.

Service desk (helpdesk) operations and processes should complement the website and be a part of the communications process, along with the web content and other elements of the media or publicity plan.

Take business needs into account

Organize information to support user needs. To apply this measure robustly, governments must study and take into account the needs of the private sector. Periodic studies and feedback from users would help improve the system. Large, medium-sized and small enterprises should be included in the sample of actual users.

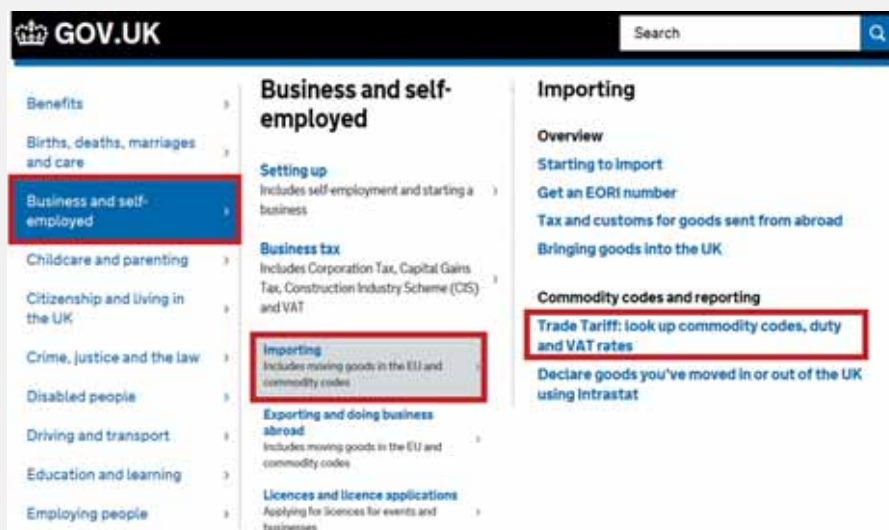
In addition to a general guide, businesses appreciate practical guides about importing or exporting particular goods (for instance, agricultural commodities) or using certain customs procedures (temporary admission, for example), or specific technical issues (for instance, the tariff classification of a particular category of goods).

Self-learning tools for clients

Cross-border agencies often offer remote services such as online applications, declarations and electronic data exchange. Appropriate training and learning tools should be part of such services. Still, some users have difficulty understanding certain issues. Manuals and web content should contain sufficient detail to help these users. Web content should support client self-learning, through e-learning, demos and visuals, user manuals, intuitive search and help tools.

Box 1 UK Government portal – an example of making information available online

The UK Government portal features a central page for citizens and businesses. A business user can find information in the 'Business and Self-Employed' tab. A user interested in requirements to import can click the 'Importing' tab, which opens up a list of tools and utilities related to importing. It shows links to webpages on import procedures, searching commodity codes and tariff information. Links to information on *exporting* and *licence* requirements are also available on this page.



Source: UK Government portal: <https://www.gov.uk>

Box 2 Tax administrations' smart portals

A recent study by the Organisation for Economic Co-operation and Development (OECD) on the use of technology for better tax administration shows interesting trends on tax administrations' smart portals and natural systems, which could in turn show best practices to trade administrations. The report's main insights include:

- A growing number of clients want to interact from any device, including live chat support. Many administrations are thus re-positioning their service offerings. New technologies allow for personalized delivery by identifying users (taxpayers) and generating their real-time digital profile. This enables customizable, seamless services accessible from multiple platforms, including portals, mobile, call centres or natural systems used by taxpayers.
- Providing taxpayers with in-channel help can be useful, including online support tools such as virtual assistants and click-to-call or click-to-chat (or live chat) options.
- Security of access, certainty of use, proactive customized service, simpler user journeys and technology-enabled support are key features of smart portal design that improve the delivery of services to taxpayers.
- 'Proactive' customization enables information to be given to the user proactively or in response to service requests, in ways that reflect past use or preferences. To support this, there should be an analysis of interaction patterns, transaction types and timings, and research into where and how services are accessed. This results in the provision of responsive, personalized services, seamlessly adjusted to the device being used and where and how the user is accessing the service.
- Services can be optimized by informing taxpayers about key events.
- Integrated and aligned with the normal environment of the taxpayer, including accounting and record-keeping software solutions, online banking and potentially social media.
- Use of application programming interfaces (APIs) allows third party software to interact with the system.

Source: OECD (2016). *Technology for Better Tax Administration – A Practical Guide for Better Tax Administration*. Available at <http://dx.doi.org/10.1787/9789264256439-en>

Enquiry points (article 1.3)

Understanding the requirement

An enquiry point is one of the information service delivery channels proposed by the TFA. Enquiry points answer inquiries and provide the forms and documents that traders or other stakeholders need. They are used when stakeholders cannot access information from publications or online.

Article 1.1 on publications mentions the scope of information and documents. Traders want this information delivered efficiently. The TFA requires administrations to respond to queries within a reasonable period of time, depending on the nature and complexity of the request. This necessitates a strong commitment to serve clients such as importers, exporters, customs brokers, passengers, warehouse keepers and carriers.

Members must establish or maintain at least one enquiry point, taking their resources and capacity into consideration. These should be accessible to traders everywhere.

This TFA requirement is closely tied to the concept of 'helpdesks' as recommended by the World Customs Organization (WCO) in its Revised Kyoto Convention (RKC) guidelines. These guidelines include detailed information on setting up helpdesks and require customs units to provide detailed information or make decisions quickly.⁴

Implications for SMEs

Businesses frequently do not understand laws and regulations written in 'legalese'. SMEs and other enterprises benefit from better access to information and the ability to ask about procedures, rules, duties and fees, as well as importing, exporting and transit. Obtaining this information from official sources should reassure traders and guarantee that the information is accurate.

Entry points help small exporting firms more than large enterprises, providing them with the paperwork they need to import, export and transport.⁵ This measure improves compliance by preventing misunderstandings and addressing concerns before the transactions.⁶

Policymakers should ask:

- Are different service delivery channels available at the enquiry point?

An enquiry point should respond to queries made through communication channels that are convenient for traders, such as telephone, messaging applications (WhatsApp, Hangout and Skype), online requests, e-mails, manual forms or verbal requests.

- Is the enquiry point accessible?

An enquiry point should be conveniently located and its opening hours should align with normal business times. The service delivery channel (online query, real-time online chat or conversation) should be convenient and efficient.

- Are enquiry points fair and responsive?

An enquiry point must respond promptly and fairly. Large businesses typically obtain information more quickly and receive more attention from the authorities than SMEs. Government staff often

⁴ World Customs Organization (December 2010). Revised Kyoto Convention, General Annex, Guidelines.

⁵ WTO. *World Trade Report 2016*.

⁶ United Nations Conference on Trade and Development (2011). *Technical Notes on Trade Facilitation Measures*, Geneva: United Nations.

ignore, or even exploit, smaller firms. The situation is worse when an administration has weak internal controls over its employees.

Administrations must treat all enterprises equally. Services should be available in the local working language as well as the official language.

'Callback' procedures can be used when technical inquiries cannot be answered immediately. Clients must be satisfied that enquiry points have addressed their requests.

Recommendations for policymakers

Client service commitment – for fairness and transparency

Requests for information and responses should be part of organizational performance-measurement parameters.

Define service-delivery criteria and publish them in a client charter that describes services and expectations from clients' perspective. This would become the basis of performance measurement and monitoring for the organization.

Client charters should state how long it usually takes to answer a query, underscoring the administration's commitment to deliver services. Publishing reports on past performance helps build trust between traders and the administration.

Ensure that instructions to make an inquiry are available from the same source that provided the enquiry point contact information. This source should disclose any fees for providing information or copies of documents and forms. Such charges are discouraged. Any fee that is imposed should only cover costs.

Offer a variety of service delivery channels

A person or an office must be available to traders by telephone, in person and/or by e-mail. Official enquiry points should be set up in countries where traders intend to export or transit their goods, and by their own governments.

Provide channels that address the needs of business generally and SMEs specifically. Options include phone, easy-to-use messaging applications (WhatsApp, Hangout and Skype), online requests, e-mails or manual forms, or verbal requests. Consider delivering services through the same channels that businesses use themselves.

In digital environments, clients may be given in-channel help, with online support tools such as virtual assistants and click-to-call or click-to-chat (or live chat) options. Clients increasingly want to interact from any device. Consider using APIs that allow third-party software applications to interact.

Choose the appropriate model for enquiry points

Policymakers should ask:

- Should there be multiple trade enquiry points and/or a single national enquiry point?
- What should be the mode of enquiry points?

Each border authority might establish its own trade enquiry point to respond to questions within its areas of competence. Alternatively, a government might establish a single national enquiry point to which businesses could direct all trade inquiries. This would improve access to information, supporting SMEs in particular, but setting up a single enquiry point is complex is not mandated by the agreement.

Staff a single national enquiry point with experts who can respond to all queries or have it act as a 'switchboard' and coordinate responses from the relevant authorities.

Decide if an enquiry point should be a physical helpdesk, online or a call centre. An online system is the best option, especially for firms in smaller cities. The design and planning stage should include discussions about eventually setting up a complete online system.

Personalize service delivery

Configuring and customizing the service platforms should result in personalization. Give information to users in ways that reflect past use or preferences. Study interaction patterns, transaction types and timing, and determine where and how services are accessed. This will indicate what cost-effective new technologies should be adopted, allowing for the personalization of delivery by identifying users and generating a real-time digital profile on how they use the system.

Consultation and business participation (article 2)

Understanding the requirement

The rules of the international trading system change quickly, meaning new laws, regulations and procedures, and system updates. Duties and taxes, quotas and administrative arrangements, and requirements change frequently. Customs and other regulatory agencies must update information to reflect changes in legislation or policy.

The following TFA provisions involve and inform the trade community:

Consultations

Members are encouraged to arrange regular consultations involving border agencies and the business community or other stakeholders. The format of consultations may vary depending on the administration.

Opportunity to comment on proposed regulations or changes

Members are asked to give the trade community an opportunity, and adequate time, to comment on proposed legal or regulatory amendments. These proposals should be available to the business community for its comments and feedback.

Information in reasonable time before entry into force

Information about such changes must be available in time for companies to analyse the impact on their operations and prepare for adjustments. Businesses may otherwise face disruption and injury, as they operate based on assumptions about issues such as tariffs and policy treatment of goods.

Implications for SMEs

Sudden changes to rules and regulations can threaten SMEs. To help avoid this, policymakers should ask:

- Are SMEs engaged and adequately represented in the consultative process?
- Are the specific concerns of SMEs addressed when major amendments are planned?

Most tariff and policy reviews are announced when annual state budgets are prepared. Many administrations apply revised commodity codes (HS code revision) at this time. Trade agreements and regional changes to trade rules can also lead to amendments.

These changes oblige businesses to make adjustments that can cost time and money. SMEs tend to be affected more than large enterprises. Administrations should focus on the impact of changes on SMEs, minimize costs and make it easy for them to adopt new procedures.

- Does the administration conduct studies to capture SME concerns?

Inadequate SME representation during consultations means their concerns may not be aired.

SMEs typically lack the capacity to articulate their views about regulatory changes. They cannot perform cost-benefit analyses to give policymakers and decision makers. Administrations can carry out surveys to involve SMEs and learn about their needs.

Recommendations for policymakers

Ensure balanced national trade facilitation committees

Many agencies and stakeholder groups are involved in implementing the TFA. In many countries, national trade facilitation committees (NTFCs) play an important role. They are platforms for institutional coordination and stakeholder consultation, and should have balanced private-public participation.

NTFCs coordinate and implement the agreement, and monitor its results. Their role is widely acknowledged and featured in case studies conducted in different countries.⁷

It is good practice that chambers and trade groups represent business on NTFCs. SMEs must be represented for the work of these committees to be inclusive and meaningful.

Develop a communications plan

Consult with stakeholders well before policies and procedures are developed or changed. Make agendas publicly available sufficiently in advance of consultations. When weighing a policy or procedural change, make explanatory documents available before the consultation, so stakeholders can respond to proposals in a meaningful way. Publicize these documents via the media or on the government authority's website.

Inform business as quickly as possible about planned changes that will affect trade so companies can adjust and comply. Create mechanisms to communicate these changes. Regulatory agency staff who interact with trade customers, especially at enquiry points, helpdesks and facilitation centres, should be able to access current information and respond efficiently to queries.

A typical plan for regular consultation with national stakeholders includes:

- A mechanism and forum to conduct regular (e.g. monthly or quarterly) public consultations during which traders can discuss their concerns about importing and exporting with border authorities;
- Appointing a 'consultation coordinator' who identifies and notifies relevant stakeholders (including by publication on the government website), plans the consultation, distributes materials and collects written inputs;
- Maintaining a directory of stakeholders;
- Issuing the consultation schedule, agenda and supporting documents in advance. Businesses should be given enough time and information to prepare for and/or respond to government proposals, instead of just following a 'check-the-box' exercise, where the administration has already made up its mind.
- Collecting comments in writing;
- A regular source of information about border authorities' plans;
- An opportunity for business to comment about actions that border authorities are considering;
- Publishing results of consultations.

Focus on SME needs and concerns

SMEs should be given special consideration when information dissemination plans are developed. This could include using accessible communication channels such as local newspapers, television, radio and seminars. Use ITC to communicate changes to rules and regulations. Provide schedules and agendas of stakeholder discussions so SMEs can share their viewpoints.

Set up social media channels to inform businesses. Carry out surveys to assess the efficacy of communication campaigns and verify that information is reaching SMEs.

SME participation in consultations and feedback

SMEs can take part during different stages of the consultative process:

⁷ Case studies on NTFCs are available on the WCO website: <http://www.wcoomd.org/en/topics/wco-implementing-the-wto-aff/national-committees-on-trade-facilitation.aspx>

- Annual state budget process – pre- and post-budget processes

Collect SME views and consider them when preparing the budget proposal. After changes are formally announced, disseminate this information to all client segments across the country. Tax registry and customs databases are useful client directories, and this information could be used to disseminate information and to obtain feedback.

- Major policy review, trade agreement reviews, regional changes

Economic agreements with trade partners (such as customs unions, free trade agreements and preferential trade agreements) are reviewed in their own cycles. Guidelines issued by international organizations (WCO, the International Maritime Organization, the International Civil Aviation Organization and the International Road Transport Union) sometimes change. Minor modifications, such as revisions in units of measurement, can create compliance issues. Other changes, such as HS Code revisions, can also have implications on compliance.

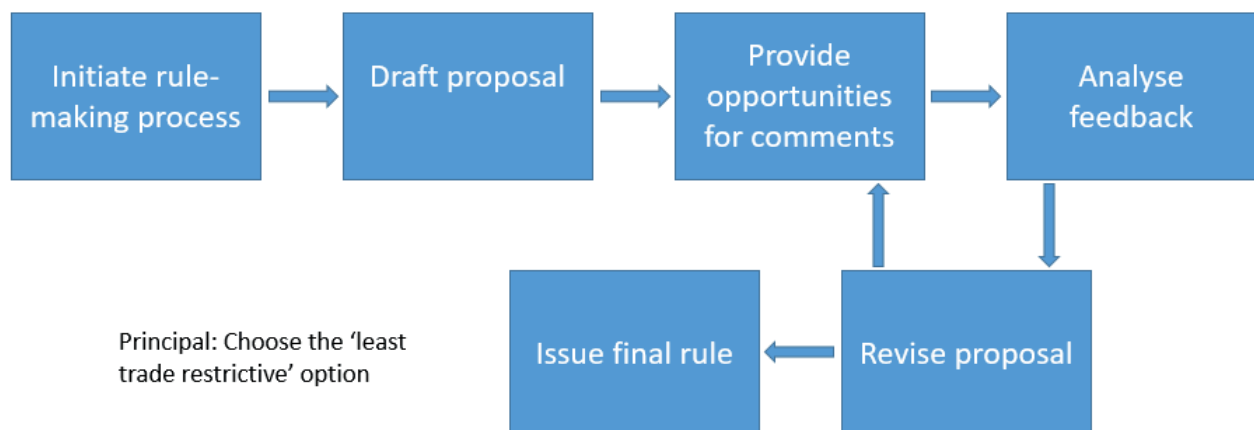
Communicate results

An effective consultation process requires government authorities to inform stakeholders what actions or decisions they have taken in response to stakeholder input. Best practices would require governments to publish written feedback on the customs and relevant border agencies' websites or via the single window portal, so it is available to all stakeholders. This would reveal whether the government acted on input from a business, which could then follow up with the authorities.

Review policies, analyse trade impact

A government must select the 'least trade restrictive' option when two or more reasonable alternatives are available to achieve its policy objective. This obligation is not limited to new requirements. Periodically review policies and processes with an eye to simplifying or improving them. Figure 3 illustrates a typical rulemaking flow.

Figure 3 Rulemaking flow



Source: Illustration elaborated by ITC, 2018.

Speak with companies to assess the impact of regulatory proposals. Businesses can provide information to improve rules and requirements and align with new trade and logistics practices. The best way to evaluate the possible effects on SMEs is to include them in consultations.

Box 3 Including SMEs in trade consultations

The interests of SMEs are often unrepresented. Governments can encourage these enterprises to participate and have their interests represented through special forums.

The Small and Medium Enterprises Development Authority in Pakistan is an example of an agency that focuses on SME development and inclusion.

Many administrations in developed countries have specialized bodies that target SME needs.

SME Internet Homepages

- Australia – www.smallbusiness.info.au
- Austria – www.bmwa.gv.at
- Belgium – www.cmlag.fgov.be
- Canada – www.strategis.ic.gc.ca
- Czech Republic – www.mpo.cz
- Denmark – www.em.dk
- Finland – www.vn.fi/ktm
- France – www.pme-commerce-artisanat.gouv.fr
- Germany – www.ihk.de/BMWi/g7-sme
- Greece – www.eommex.gr
- Hungary – www.gm.hu
- Ireland – www.enterprise-Ireland.com
- Italy – www.minindustria.it
- Japan – www.sme.ne.jp
- Korea – www.smba.go.kr
- Mexico – www.siem.gob.mx
- Netherlands – www.minez.nl
- New Zealand – www.med.govt.nz
- Norway – www.nhd.dep.no
- Poland – www.cup.gov.pl
- Portugal – www.iapmei.pt
- Spain – www.ipyme.org
- Sweden – www.smelink.se
- Switzerland – www.pmeinfo.ch
- Turkey – www.kosgeb.gov.tr
- United Kingdom – www.dti.gov.uk
- United States – www.business.gov
- European Union – www.Europa.eu.int
- Global/G7 – www.gin.sme.ne.jp

Source: OECD (2000). 'Small and Medium-sized Enterprises: Local Strength, Global Reach'. Policy brief.

Box 4 Public-private consultation committees

The UK Joint Customs Consultative Committee comprises more than 20 members, including business chambers, freight and port associations, customs practitioners and export associations. The committee seeks to:

- discuss and advise on proposed changes to customs policies, procedures and business models;
- share information and act as a consultative group for European, international and national customs initiatives;
- obtain industry views to ensure coherence and a common understanding in influencing negotiations;
- understand industry and regulatory impacts;
- review progress against objectives and suggest remedial action for objectives that are not being achieved.



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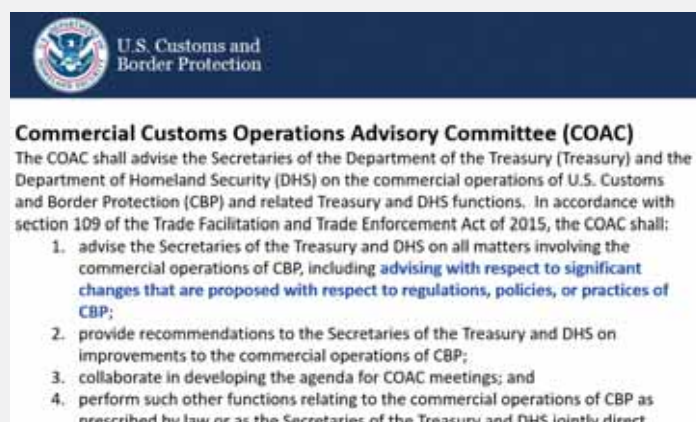
Joint Customs Consultative Committee (JCCC)

An HMRC-sponsored forum which was established in 1969 to exchange views on and discuss proposed changes to customs procedures and documentation relating to the entry and clearance of goods. It gives the opportunity for HM Revenue and Customs (HMRC) to consider representations from over 20 member organisations on a face-to-face basis. **This committee is the main forum for the department to consult trade on imports and exports.**

Source: UK Government. See <https://www.gov.uk/government/groups/joint-customs-consultative-committee>

The US Commercial Operations Advisory Committee was established under Section 109 of the Trade Facilitation and Trade Enforcement Act of 2015. The committee advises the secretaries of the Treasury and the Department of Homeland Security on all matters involving the commercial operations of US Customs and Border Protection (including significant proposed changes to the agency's regulations, policies or practices) and suggests ways to improve the agency's commercial operations.

Members of the advisory committee include industrial groups, trade associations and consultants. The committee manages its work through six subcommittees, namely One U.S. Government at the Border, Global Supply Chain, Export, Trusted Trader, Trade Modernization, Trade Enforcement and Revenue Collection.



U.S. Customs and Border Protection

Commercial Customs Operations Advisory Committee (COAC)

The COAC shall advise the Secretaries of the Department of the Treasury (Treasury) and the Department of Homeland Security (DHS) on the commercial operations of U.S. Customs and Border Protection (CBP) and related Treasury and DHS functions. In accordance with section 109 of the Trade Facilitation and Trade Enforcement Act of 2015, the COAC shall:

1. advise the Secretaries of the Treasury and DHS on all matters involving the commercial operations of CBP, including **advising with respect to significant changes that are proposed with respect to regulations, policies, or practices of CBP;**
2. provide recommendations to the Secretaries of the Treasury and DHS on improvements to the commercial operations of CBP;
3. collaborate in developing the agenda for COAC meetings; and
4. perform such other functions relating to the commercial operations of CBP as prescribed by law or as the Secretaries of the Treasury and DHS jointly direct.

Source: United States Customs and Border Protection. See <https://www.cbp.gov/trade/stakeholder-engagement/coac>

Advance rulings (article 3)

Understanding the requirement

Members must issue advance rulings on certain issues if requested by a business. This provision is voluntary for firms. Generally, traders have advanced queries about:

- Tariff classification of a commodity
- Origin of goods
- Customs valuation method applicable to a transaction
- Requirements for relief, exemption or concessions on duties and taxes
- Admissibility of goods, i.e. prohibitions, restrictions and documentary requirements

Members must provide advance rulings on classification and (non-preferential) origin of goods when asked by business. On issues such as valuation, relief or exemption, they are only encouraged to provide advance rulings.

Advance rulings must be valid for a 'reasonable' time period. A ruling is binding on the administration and may be binding on the applicant if mandated by procedures set out by the administration. If the ruling was based on facts that change, it would not apply and may be withdrawn. Although some administrations may give applicants a grace period (for facilitation purposes) before withdrawing the ruling, this is not required.

Implications for SMEs

Two agreement provisions specifically mention SMEs – advance rulings (article 3) and authorized operators (article 7). These provisions are critical for smaller enterprises, which must not be unintentionally excluded or subject to discrimination.

The provision on advance ruling states:

'To the extent possible, such requirements shall not restrict the categories of persons eligible to apply for advance rulings, with particular consideration for the specific needs of small and medium-sized enterprises. These requirements shall be clear and transparent and not constitute a means of arbitrary or unjustifiable discrimination.' (article 3.9 (d))

SMEs usually do not import or export directly. Rather, they participate in the global value chain through commercial relations with e.g. large exporters and importers. Most SMEs would probably be excluded if an administration were to limit advance rulings to direct importers and exporters.

Global trade rules change constantly, with technical and legal developments that experts must clarify. Examples include new valuation methods according to the WTO legal texts, new commodity classifications under the WCO's HS nomenclature and changes in how rules of origin are interpreted. Domestically, exemptions, concessions, availability of tariff quotas or procedural issues may also require explanation. SMEs need more help than large businesses to deal with these complex issues.

Policymakers must ask:

- How can advance-ruling facilities meet the needs of SMEs?

The procedures to file applications for rulings, and the supporting information, should not be so costly and cumbersome that SMEs cannot complete them.

- Are previous rulings on the same topic available to SMEs?

Making past rulings available would enable SMEs to search for information or ask service desks or enquiry points before they prepare a new request.

Recommendations for policymakers

Provide information without request

Filing and processing requests for information or rulings has a cost, both for government administrations and for applicants. A successful facilitative system makes information available without request.

The quality of information and the ease of retrieving it are important. Avoid many information requests by ensuring that information is well-organized, easily searchable and written in plain, non-legalistic language so that every stakeholder can understand it.

The following measures could pre-empt or reduce queries:

- **Regularly updated FAQs:** Review FAQs after analysing requests and queries at service desks or via designated enquiry points. A static list of FAQs will quickly become irrelevant.
- **Access to advanced rulings database:** Consider maintaining an online database containing rulings already issued or their summaries. These should be searchable by commodity, procedure and date, and by simple keywords based on the rulings.
- **Tariff and policy database:** Offer 'search' functions on a tariff and policy database that allow a user to intuitively search for regulatory requirements and trade procedures involving any commodity.
- **A classification utility:** This utility permits searches on previously approved codes and commodities. Such a database includes assessments of goods declarations that customs accepted, assessed or audited.

Respond to ruling requests

Create and train teams with access to an enterprise-wide knowledge base, covering areas such as valuation, classification, origin and relevant policy (including prohibitions and restrictions). Manage information requests efficiently using good knowledge management practices.

Monitor performance, review and improve processes

The client charter describes services and expected outcomes from clients' perspective. It sets out service guidelines that form the basis of an administration's performance measurement. Include advance rulings in the scope of the offered services.

Managers need regular reports on the workload and performance of advance ruling systems – that is, the number of requests received and handled, along with statistics on how much time was needed to process requests. Eliminate discrimination based on the size or volume of trade of the requesting party by showing how efficiently requests for rulings are handled, regardless of their origin.

Study requests to understand the nature of frequent queries and the identity of requesting parties. If SMEs are not using this facility or not receiving appropriate responses to their requests, review the advance ruling system and make it more practical.

Box 5 EU public rulings database

The European Union allows traders to obtain a decision on Binding Tariff Information (BTI) so they have legal certainty about the correct classification of their goods. National customs authorities issue BTI. Traders can also view all BTI decisions in the public database search available at: http://ec.europa.eu/taxation_customs/dds2/ebti/ebti_home.jsp?Lang=en.



Source: European Commission. See https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/what-is-common-customs-tariff/binding-tariff-information-bti_en

Fairness in resolving customs disputes via appeal and review mechanisms (article 4)

Understanding the requirement

Members must ensure that anyone receiving an administrative decision from customs authorities has the right to non-discriminatory administrative and/or judicial appeal or review.

Customs and other agencies should manage disputes with traders in a transparent and fair manner. Appeals to a competent authority must be permitted on any matter, including omissions by customs. The competent authority may be customs itself, another administrative authority, one or more arbitrators, a special tribunal or, in the final instance, a judicial authority.

Reviews and verdicts by competent authorities can help ensure that laws and regulations are applied uniformly.

Implications for SMEs

Traders may dislike administrative decisions on tariff classification, origin and customs valuation, or prohibition and restrictions. SMEs and other businesses are usually affected during the clearance process by the lack of a redressal mechanism to deal with delays in decisions and by the range of securities, across different client categories, demanded in case of disputes.

The appeal mechanism should work fairly for all traders. There are economic consequences for traders when an administration takes too much time to issue a decision, especially when that delay affects the release of goods. Traders have no recourse in such cases because often they have received no assessment or decision. Although administrative channels are available to report grievances, a business (trader or agent) may avoid such a step to maintain good rapport with the official in question.

Policymakers should ask:

- How do appeal and review mechanisms affect SMEs?

Administrative staff know large firms because they interact frequently, so their concerns are prioritized. Big businesses may be required to offer corporate guarantees or carry out simple undertakings, while SMEs must pay in cash or cash-equivalent or provide a bank guarantee.

Recommendations for policymakers

Apply objective and efficient administrative review procedures

Implement an administrative appeal or review procedure. Administrative appeals are typically less formal than court proceedings, so there are no costs for lawyers. They also can be more efficient than court proceedings because experts at regulatory agencies with technical know-how in the relevant issues review and process disputes. The savings in time and cost could be particularly important to SMEs, which may not be able to afford a court case.

Ensure that the people who review appeals are independent from the decision maker, so traders know that claims are handled fairly.

Ensure transparent procedures for requesting appointments hearings

Permit traders to request hearings or appointments. This procedure should be fair, easy and transparent. A hearing with the decision maker can offer extra transparency and help prevent misunderstandings – and possibly the need for further appeals.

A hearing is typically not a formal proceeding with rules, evidence and a written record. It can be a meeting between a trader, or its representative, and the officer assigned to process the case or his/her supervisor.

Fix time limits for reviews and appeals

Set time limits to process transactions and resolve disputes. Measure performance from this perspective and publish results to build public trust and set reasonable expectations.

Ensure service quality through good governance

Improve the transparency and quality of decisions at the operational level. The TFA offers mechanisms to avoid problems and inefficiency. These include prior consultations, notifications before changes are made, advance rulings, enquiry points and coordinated processes such as single windows, border agency cooperation and risk management.

Confirm that these mechanisms are effective through good governance and management.

Create a mechanism for prevention and redressal in case of delays

Proactively monitor cases facing delays. Configure a case-based ICT system or manual process to alert the management team or supervisor about delays that exceed average processing times or a set performance indicator. Examine the reasons behind delays, which are usually caused by insufficient resources or staff capacity and/or maladministration.

Some transactions will be delayed despite the best efforts of an administration. Provide mechanisms that enable traders to escalate such occurrences to senior management.

Disciplines on fees and charges (article 6.2)

Understanding the requirement

Information about fees and charges linked to importing and exporting must be published. Members should periodically review fees and charges and reduce the number of payments to simplify the process. In most cases, new or amended charges cannot be applied until information about them has been published.

Fees and charges for customs processing are limited to the approximate cost of the services rendered. The rationale behind fees and the method of payment should be communicated to clients in the trade community.

Charges can be levied for additional customs services, but must be limited to the approximate cost of the services rendered. Fees and charges are not revenue streams for governments, like duties and taxes.

Implications for SMEs

This provision highlights the cost of trading and payment processes. Fees and charges are a burden for SMEs and other businesses. When cargo is cleared, a declarant normally must pay:

- Fees or service charges to file the declaration or amendments;
- Duties and taxes;
- Charges for arranging goods for inspection, weighing, scanning and sampling;
- Wharfage and storage costs.

Recommendations for policymakers

Review payment processes

Carry out regular reviews to see how payments could be combined – for instance, by making the payment at the end before release and preferably through e-payment methods, instead of multiple payments, which is inconvenient and costs time. SMEs would benefit from simplified, streamlined fees and charges.

Study how fees and charges are applied during the clearance process. Assess related procedures, such as advance rulings, requests for information or prior examinations.

Create a simple, facilitative process so traders can make a single payment, or payments in just a few steps, instead of a mechanical process to collect payments as they accrue. This would improve efficiency during clearance. Involve business and address the concerns of SMEs when this process is reviewed to add value.

Justify the level of fees and charges

The structure and level of fees and charges should be justifiable, with rates corresponding to the cost of services.

Ensure that information about payments is clear and complete

Information about payments should be transparent. Explain in detail the amounts and the acceptable methods of payment in publications or online.

If payment is made at certain bank branches or offices, publish their locations and addresses.

Notify business in advance about changes

Give businesses and other stakeholders advance notice about any new or modified fees and charges. Providing reliable information to SMEs will help them calculate potential costs when importing or exporting.

Fairness in resolving customs disputes and penalty disciplines (article 6.3)

Understanding the requirement

Members can only penalize the parties that violate a customs law, regulation or procedural requirement. The penalty must be based on the facts and circumstances of a case and correspond to the severity of the breach. Governments are urged to consider voluntary disclosure as a potential mitigating factor when calculating a penalty.

Implications for SMEs

SMEs believe this facilitation measure means that minor mistakes, such as clerical errors or oversights made when transcribing documents, will not result in excessive penalties.

Recommendations for policymakers

Be fair when determining penalties

Do not fix or mechanically apply penalties. Taking the circumstances of each case into account and ensure that fines are commensurate with the severity of the offense. Differentiate unintentional errors and criminal intent.

Consider voluntary disclosure as a mitigating factor that could merit a reduced or waived penalty.

Ensure that penalty regimes do not create conflicts of interest for officers. This would include, for instance, a programme that gives individual customs officers a percentage of each penalty they recover.

Box 6 Examples of voluntary disclosure

Australia tax – example of reduction

In the case of voluntary disclosure before notification of a tax audit, the base penalty is reduced either

- by 80% if the shortfall amount is A\$1,000 or more
- to zero if the shortfall amount is below A\$1,000

In the case of voluntary disclosure after notification of a pending tax audit, the base penalty is reduced by 20%.

Lithuania tax and customs – example of waiver

Penalties shall not be imposed when a taxpayer discovers that he/she has understated the amount of tax after submitting a tax return and notifies the tax administrator before there is an order to conduct a tax inspection or, in the case of corrected errors, adjusts the tax return and refiles it to the tax administrator. The provisions of this paragraph shall also apply to the taxes calculated in customs declarations.

Source: OECD (2015). 'Update on Voluntary Disclosure Programmes', pages 37 and 82. See <http://www.oecd.org/ctp/exchange-of-tax-information/Voluntary-Disclosure-Programmes-2015.pdf>

Pre-arrival processing (article 7.1)

Understanding the requirement

Governments must have procedures that allow traders to submit import documentation before goods arrive. If feasible, these documents should be submitted and stored electronically. The use of ICT-based systems for filing of cargo manifests and goods declarations by air and sea carriers means advance filing has become a norm.

This article covers manifests and other import documents necessary to process and release goods. For security reasons, many administrations already require pre-arrival manifests, especially for sea, air and, where practicable, roads.

Administrations need time to analyse risk, target decisions and spread workloads. However, the trading community benefits when goods are released quickly after arrival. RKC Standard 3.25 includes an advanced lodgement procedure that balances the interests of traders with the needs of the border agency.

This procedure enables the trading community to reduce storage costs at ports and gives traders more time for their actual business operations after goods are released. WCO guidelines on the clearance of express consignments also recommend using pre-arrival principles.

Implications for SMEs

SMEs, like other businesses, profit from any system that reduces the time cargo spends at a port. Traders do not benefit if filing a goods declaration prior to arrival does not help expedite clearance.

The efficiency of border systems depends on how pre-arrival declarations are selected. Customs tends to classify SMEs as 'infrequent' users of the system based on how often they trade and/or their turnovers. Their cargo is more likely to be delayed for inspection or assessment, while large businesses avoid such holdups because they enjoy 'known trader' status.

Policymakers should ask:

- How can goods be processed and cleared to support SMEs?

Some countries permit goods to be cleared before they arrive. Others allow the advance submission of a goods declaration, but not prior release or clearance. Pre-arrival filing benefits trade if it accelerates the release of goods; it is counterproductive if border agencies only start checking declarations after the cargo arrives. Traders see no value in filing in advance if an administration only starts checking declarations when the goods arrives.

The rationale administrations use to prohibit pre-arrival release may change with the consignment during transport. But such changes are not possible when goods are shipped by air or sea, and experience suggests that a pre-release or pre-clearance facility could work.

Recommendations for policymakers

Make sure advance filings produce benefits

Optimize border processes and use available information before goods arrive to encourage traders to file declarations in advance. Most manifests for cargo shipped by sea or air are submitted in advance. Check declarations and screen manifest information before goods arrive to spot suspicious consignments.

Do not use value and frequency criteria alone as measures of risk, as this approach is biased against SMEs. Give greater weight to the level of compliance.

Use technology to overcome limitations of manifest screening

Technologies are available to analyse semi-structured data in different formats. Avoid mapping consignee name and commodity descriptions from the manifest information, as the HS Code in transport documents is often either too broad (only up to six digits) or inaccurate. This necessitates textual, semi-structured data analysis, beyond the HS digits structure.

Review performance of pre-arrival processing

Check regularly to verify that pre-arrival processing is efficient and facilitating trade. The following two factors indicate the efficacy of the pre-filing facility:

- a. Percentage of pre-arrival filing versus post-arrival:** This will show whether pre-arrival filing benefits traders. Improve the process if the facility is used rarely or only for certain procedures, or if only particular categories of people or businesses are filing pre-arrival paperwork.
- b. Performance of pre-arrival processing:** Regular performance reporting should include an analysis of the time taken between the arrival of goods to the release of pre-arrival cases. Compare the performance of pre-arrival to post-arrival transactions to determine if pre-arrival is achieving its goals.

Offering electronic payments (article 7.2)

Understanding the requirement

Members must permit duties, taxes and fees and charges collected by administrations to be paid electronically.

This provision encourages the use of technology to provide better service delivery to the trade community. Electronic payments (through e-money, debit and credit cards and transfers between bank accounts) are widely used in business and banking. Payments can be made any time, using different devices, by customers located anywhere.

The article urges public sector administrations to develop their systems to allow similarly straightforward transactions. When goods are cleared or released, border administration systems should permit declarants to pay duties using credit or debit cards and/or real-time electronic fund transfers.

Mobile money transfer methods are gaining popularity in some countries. Mobile payments can be made in different ways – for instance, the direct carrier billing method enables payment to digital merchants by adding items to the user’s phone bill. Closed-loop mobile payments – mobile store-specific credit cards – are another option.

Implications for SMEs

SMEs already use mobile money and online transfers for normal business transactions. They would benefit if they could pay taxes and fees using secure, available and reliable payment services.

Recommendations for policymakers

Provide digital service delivery channels for all client segments

Offer a range of digital service channels for the trade community to make payments. Ensure that digital services for payments are accessible from multiple devices.

Box 7 M-payments in Africa

Mobile payments have become a worldwide phenomenon, with most users being low-income individuals and SMEs. One solution provider among many for e-commerce and online payments, 3G Direct Pay Ltd, works in East Africa.

The growth of mobile-payment systems in continental Africa is skyrocketing at an astounding rate. Many Africans have mobile phones but no bank accounts. A large number of people living in rural areas have no access to traditional financial services, as the nearest bank is far away.

The benefits of mobile payments include: customer base is growing; merchants’ operational costs are low and there is less overhead, because no special device is needed to accept payments; transaction costs are lower than debit or credit card processing fees. Mobile payments are bringing more new customers to more businesses than ever before because the system is easy, fast and cheap.

However, governments are starting to develop regulatory frameworks to protect consumers and to manage and standardize accessibility. Likewise, reputable payment processors have been proactive in implementing their own regulatory practices, such as certificates and encryption, along with other security and privacy technologies, in accordance with global best practices and regulations.

Source: See <https://www.mobilepaymentstoday.com/articles/top-3-benefits-of-mobile-payments-in-africa/>

Separating 'release' from 'clearance' (article 7.3)

Understanding the requirement

Members must allow the release of goods before the final customs duties, taxes, fees and charges are calculated. The agreement contains provisions on guarantees (securities) to ensure the payment of duties, taxes, fees and charges.

Administrations demand securities when duties are deferred or when goods are provisionally released before final clearance. Many situations call for provisional release, including:

- When more time is needed to determine value, origin or regulatory treatment, including test reports or further documentation;
- Incomplete declarations or supporting documents;
- The trader disputes an administration's assessment of a transaction;
- A post-release obligation is pending on the part of the declarant, such as goods given concessional tariff treatment on condition of specific end use.

Forms of security vary. Security may be cash deposits or equivalent (such as bank cheques) or a surety, where a guarantor accepts, in writing, to be responsible along with the declarant, who must pay the secured amount. The guarantor may be a third party such as a bank or insurance company. Security may also be a pledge by the guarantor or the declarant. In many cases, administrations also accept corporate guarantee as a form of security, especially from industrial concerns.

Securities cost money and can burden traders. A simple undertaking or corporate guarantee is the least expensive, whereas a cash deposit or bank guarantee has added costs in terms of documentation and charges from the guarantor. An administration may waive the security when it is satisfied that the obligation will be fulfilled. Some governments allow certain people to request a waiver for securities. This is normally permitted for regular users, who are established or known to be able to meet their financial obligations.

Implications for SMEs

The agreement recommends the release of goods if clearance is impossible while goods are under customs' control. Securities cover the risk of duties, taxes and legal obligations. The provision will help SMEs if:

- They are allowed release on securities, on par with large businesses and industrial concerns; and
- The type of securities demanded from SMEs are low cost.

SMEs are unfairly disadvantaged if they must make payments while goods belonging to large traders and are cleared in similar circumstances. Decisions about provisional release should not be based only on the size of a company or the frequency of its transactions, but also on risk.

Recommendations for policymakers

Apply risk management principles

Base the release process on principles of risk management. Specify criteria for release by evaluating the risk of non-compliance. The declarant's track record with the administration is a key factor, so create client profiles that reflect:

- Their usual business – what commodities do they import or export, and to/from what locations?
- Their compliance record – how often have errors or anomalies been found in their declarations, such as incorrect commodity descriptions or HS Codes, or documents not submitted or payments delayed?

These criteria are sufficient indicators that can be used in combination with commodity-related indicators.

Support this provision

Ensure that traders can easily comply with the mechanisms that are in place and that SMEs can ask for their goods to be released before clearance. Risk to government revenue should be secured through appropriate securities that should be limited to covering risk.

Risk management (article 7.4)

Understanding the requirement

Members must have some sort of risk management system for customs control. Risk management optimizes resources and broadens the supervisory horizon from pre-arrival to post-release controls. Controls are adopted based on selectivity criteria, so customs can focus on high-risk transactions for compliance checks, while low-risk consignments can proceed with minimal intervention.

An important component in any risk management system is the compliance record of economic operators. Facilitation should be proportional to past compliance. The degree of compliance (or non-compliance) can be measured from previous transactions, taking into account how many errors or violations an operator has made over a set period. Non-compliance can be measured from incidents such as:

- HS Code used for the commodity was incorrect
- Description was inaccurate or incomplete
- Tariff treatment (exemption or concession) claimed was not correct
- Origin was incorrect
- Value declared was too high or low
- Attempts to circumvent prohibitions or restrictions

Administrations can also base decisions on other variables culled from past records of errors and violations.

Modern risk management systems use advanced analytics and pattern-recognition techniques to detect outliers and unusual transactions. They can spot if a given value does not match identical or similar goods, if a transaction does not reconcile with the operator's usual line of business, or if the commodity is out of season or from an unusual source or route. Criteria can be combined to evaluate the potential risk of a transaction.

Implications for SMEs

SMEs are generally perceived as high-risk operators. Administrations that base risk calculations solely on the regularity and frequency of transactions are more likely to inspect small traders. SMEs may also be asked to provide cash or cash-equivalent securities when there are disagreements with customs, which again disadvantages them.

Client segregation is an important part of risk management. Clients (traders or economic operators in the supply chain) can be classified based on their compliance by looking at their behaviour and interaction with administration (e.g. the customs system). This footprint is available in digital systems – it simply requires a database that can be searched, to see what the user has done in the past, whether transactions were correct or anomalous, and to what extent, on some scale (reliable to risky).

An ICT-based system can determine how many times users had to pay extra duties and penalties, what is outstanding against them, when they failed to give a timely response to an administration request and how many errors they made.

Recommendations for policymakers

Segregate clients based on compliance level

Evaluate clients on the basis of past compliance, not just the value of their transactions and the frequency of declarations. Combine multiple indicators to evaluate the risk of a transaction.

Build capacity to apply risk management concepts.

Build client and commodity profiles

Create client profiles based on audits and past transactions. If audit-based controls (discussed in the next section) are absent, develop profiles based solely on previous transactions. A profile should have three main dimensions: persona, relationships and compliance.

- Line of business – what commodities, processes or transport modes does the client usually work with?
- Partners in value chain – who are its partners in the value chain?
- Errors and anomalies – what errors has it made and how did these affect revenue or prohibitions?

A commodity profile, in combination with the client profile, is a reliable indicator of risk. The commodity profile has similar dimensions – persona (what is the code, unit of measurement, normal packing and mode of transport?), relationships (who are the supply chain actors in the import or export of this commodity?) and errors (were they related to classification, value or origin disputes?).

This information results in a reliable set of indicators to evaluate the risk of a transaction. Create similar profiles of other operators (transporters, agents) associated with the transaction to improve the risk score accuracy.

Maintain a permanent feedback loop

Continuously analyse the results of previous interventions and improve selectivity criteria. Update risk management systems after each transaction or event. Systems that are static will contain redundant profiles or inaccurate risk measurements.

Use of customs post-clearance audit (article 7.5)

Understanding the requirement

Members must, to the extent possible, conduct post-clearance audits to expedite the release of goods and ensure compliance with relevant provisions.

Audit-based controls are meant to extend monitoring from the border to post-release. Only the riskiest transactions will be intercepted at the border or customs-controlled area. A significant part of the workload can be shifted to post-release by verifying transactional records from the business operators' accounts and records of inventories, as well as related business documentation. RKC defines these controls as:

Measures by which Customs satisfy themselves as to the accuracy and authenticity of declarations through the examination of the relevant books, records, business systems and commercial data held by persons concerned.⁸

Increasing transactions mean greater complexity, due to cross-border economic integration, and added security concerns. Administrations cannot rely solely on movement-based controls and are shifting towards audit-based controls. These are not only for importers and exporters, but can be extended to carriers, custodians, foreign trade zones, warehouse operators and brokers. These controls can range from a simple post-clearance audit to trader self-assessment.

Introducing audit-based controls requires that economic operators, traders and others follow generally accepted accounting principles (GAAP). These principles determine how business assets and liabilities are recorded and accounted for, how changes should be measured, what disclosures are necessary and what financial reporting the business will provide.

The people/companies to be audited are chosen based on their risk profiles. Audits should focus on compliance verification – generally or in specific areas including valuation, origin, tariff classification, repayments and remissions programmes. Other areas should be targeted as necessary. Customs must audit traders' systems if records are computer-based. Such audits provide assurances that a particular activity is being carried out properly.

Audits will show to what degree the entity's records reflect compliance with laws and regulations, and whether its internal controls are reliable. The administration may be more accommodating when an entity's internal processes are strong and records are complete, permitting self-assessment, filing of single or periodic declarations, or deferred payments.

The compliance level of an entity is a crucial element of the risk management selectivity and targeting system. The selectivity system may filter out a transaction on the basis of defined risk criteria, but the transaction may not have to be stopped at a border or port if an entity is auditable. It may be referred to post-release verification or a trigger may be sent to the audit team to further investigate. Thus, interventions at the border are reduced and traffic flows faster.

Implications for SMEs

SMEs generally know little about keeping records and often cannot afford to hire professional accountants. Unlike large businesses, most small enterprises do not follow internal accounting guidelines. Inadequate accounting information may prevent audit checks required by GAAP. SMEs usually operate on a cash-based accounting system, so most may not be considered for audit-based controls.

This often prevents SMEs from qualifying for facilitation schemes such as AEOs or 'trusted parties'. Customs and other agencies use movement-based controls to evaluate SMEs, even if they have a clean record and

⁸ World Customs Organization (2000). *The Revised Kyoto Convention*, General Annex, Chapter 2, definition E3/F4.

a high level of compliance. If risk management practices are not well developed, these enterprises will face more interventions, leading to delays and costs.

Recommendations for policymakers

Develop non-GAAP requirements for SMEs

Develop specific accounting guidelines for SMEs (some examples are given at the end of this section). Give businesses that do not follow GAAP a list or categories of mandatory records that would be sufficient to validate their declarations/transactions. Offer SMEs the option of using alternative, non-GAAP accounting methods that they could easily adopt to satisfy compliance audit needs.

Build SME capacity to improve records management

Encourage SMEs to improve their record-keeping. Develop programmes that offer them accounting training.

Make record-keeping mandatory

Make record-keeping mandatory to improve the accounting practices of SMEs. Even if they do not follow acknowledged accounting practices, a complete trail of documents and inventory would be available to validate their transactions through audits.

Box 8 Accounting standards for SMEs

EU accounting guide for SMEs

A study was commissioned to help SMEs develop accounting practices that reduce administrative burdens, while maintaining the necessary information for users, and preparers of financial statements.

Source: European Commission (2015). See <https://ec.europa.eu/docsroom/documents/11324/attachments/1/translations/en/renditions/pdf>

US financial reporting standards for SMEs

The Financial Reporting Framework for SMEs was developed for small enterprises that need reliable non-GAAP financial statements for internal and external uses.

The American Institute of Certified Public Accountants' SME task force created this special purpose framework for SMEs. It is a self-contained financial reporting framework based on accounting principles that are not generally accepted in the US. Special purpose frameworks include cash basis, modified cash basis, tax basis, regulatory basis, contractual basis and other non-GAAP bases of accounting. These use a set of logical criteria that are applied to all material items appearing in the financial statements.

Source: AICPA (2017). See <https://www.aicpa.org/content/dam/aicpa/interestareas/frc/accountingfinancialreporting/pcfr/downloadabledocuments/frf-sme/frf-smes-framework.pdf>

Establishment and publication of average release times (article 7.6)

Understanding the requirement

Members should measure and publish their average release times, referring explicitly to the WCO time release study.⁹ This study provides a methodology to measure the actual performance of a border system, as it relates to trade facilitation. Processes must be measured and published to promote transparency and confidence among traders.

The agreement gives administrations flexibility to determine the scope and methodology of average release time measurements, in accordance with their needs and capacity. An administration may conduct benchmarking studies to identify and learn from best practices in other organizations. The benchmarking process can indicate performance levels – quantitative measures of results or outcomes – to be achieved. The essence of benchmarking is to drive process improvement, and therefore achieve better service delivery.

The WCO Benchmarking Manual provides guidelines to this end. It is important in benchmarking for an administration to gather information from outside organizations, e.g. trade and logistics sector companies, chambers of commerce and business associations.¹⁰ They are clients and users of the system and processes, and are affected by the procedures being benchmarked.

Implications for SMEs

Policymakers should ask:

- Are SMEs consulted in the design or benchmarking processes?
- Is the impact of trade processes on SMEs, in terms of facilitation, cost- or time-saving, or consequences of delays, otherwise measured?

SMEs should be consulted about any benchmarking initiative. This will help decision makers understand the perspective of SMEs when making any changes after the benchmarking process.

Publishing performance statistics will increase transparency, with performance measurement generally broken down by services (such declaration processing or refunds), processes (such as import or export) and modes of transport.

Businesses that do not follow GAAP should be given a list or categories of mandatory records that would enable them to validate their declarations or transactions. They should also be given the option of using non-GAAP accounting methods that are easy to adopt and would satisfy the administration's compliance audit needs.

Recommendations for policymakers

Measure and manage service delivery performance for each client segment

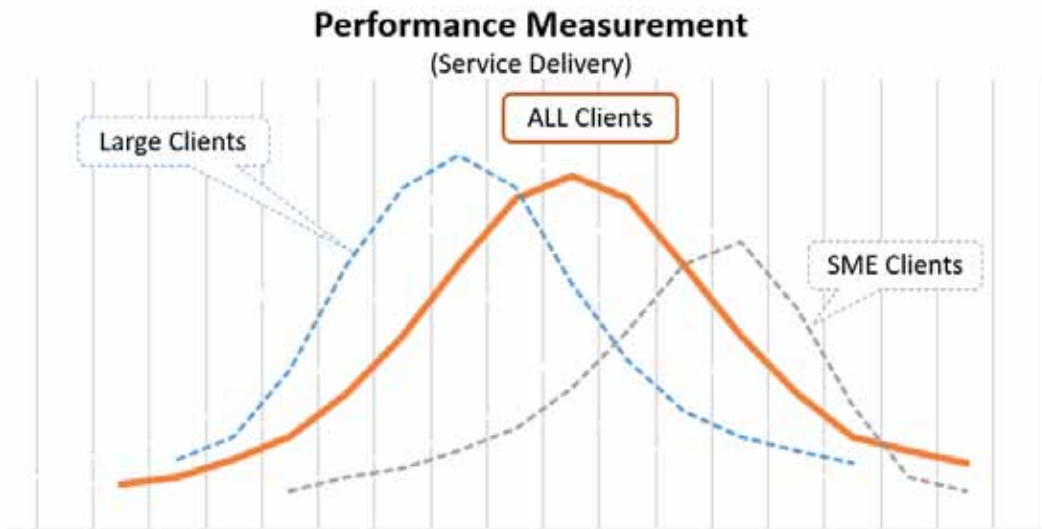
Measure key performance indicators for various strata of clients, based on size. This would reveal variations in performance by client size, and in particular the challenges that SMEs face.

Each client group interacts differently with border clearance systems, and hence has different experiences. Large companies are managed differently than SMEs. Ensure that process measurement and benchmarking account of such differences. Figure 4 shows how large firms might clear goods more quickly than SMEs.

⁹ WTO Agreement on Trade Facilitation, Article 7.6 Establishment and Publication of Average Release Times.

¹⁰ WCO (2003). *Customs International Benchmarking Manual*.

Figure 4 Delivery performance measurement – by client size (indicative, for illustration only)



Source: Illustration by ITC, 2018.

Box 9 Role of importer size in performance measurement

Australia's 2013 time release study measured performance based on the following factors:

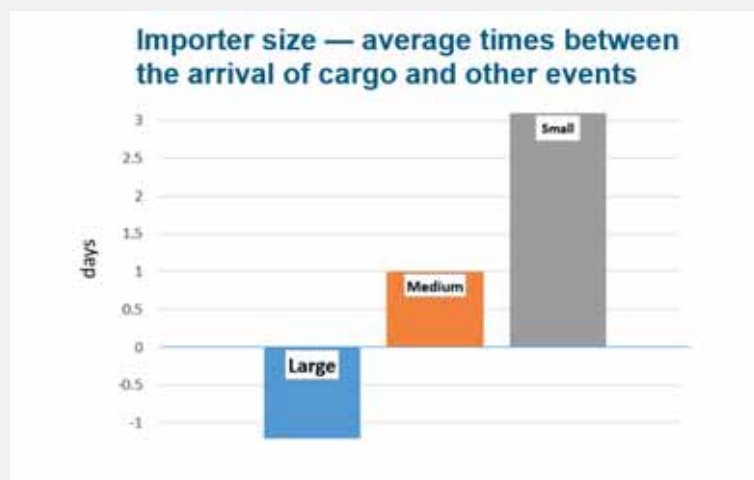
- Cargo type
- Location – discharge port
- Country of origin
- Importer size
- Whether cleared by full import declaration or simplified declaration (low-value cargo)
- Service type
- Countries of loading by port
- Value of consignments

Although 85% of importers are SMEs, these enterprises were responsible for only 41% of the total consignments imported during the week of the time release study.

Based on size, large importers have the highest proportion of goods released at arrival (74%) compared with medium-sized importers (43%) and small importers (22%). Large importers also have the lowest proportion of documents that are not fully reported at arrival (7%), followed by medium-sized importers (12%) and small importers (24%).

Differences in performance based on importer size are evident from the following chart, prepared from data in the Australian report. The goods of small traders are cleared after an average of three days following arrival at a port, while clearance takes one day for medium-sized traders and large traders obtain pre-arrival clearance. As such, an organization's strategy for compliance management and facilitation will be tailored to the needs of various segments, based on size. The Australian report suggests the following measures for SME clients:

'As part of the reform program, a range of intuitive, user-friendly portals will be developed to assist importers to understand their obligations, including reporting requirements. Additionally, Customs and Border Protection will work towards a fully digital environment, linked to a new enterprise case management system. This will provide a single point of reference to manage transactions and enquiries.'



Source: Australia Time Release Study (2013). See <https://www.homeaffairs.gov.au/research-and-stats/files/time-release-study-2013.pdf>

Trade facilitation measures for authorized operators (article 7.7)

Understanding the requirement

This article sets out trade facilitation measures for ‘authorized operators’ meeting specific criteria, such as an appropriate record of compliance with border laws and regulations, necessary internal controls, financial solvency and supply chain security. The agreement explicitly states that, to the extent possible, criteria should not restrict the participation of SMEs.

The agreement seeks to facilitate legitimate trade through a compliance measurement and partnership approach. If a business has regularly complied with regulatory requirements, it should be offered facilitation and faster processing. This benefits traders in terms of saving and regulators in terms of lower administrative costs and optimized resources. Administrations may use different names for this concept, such as reliable operators, certified operators, ‘golden list’ operators, trusted traders or accredited clients.

Authorized operators benefit from additional facilitation measures, including simplified declarations, lighter interventions, rapid release time, deferred payment facilities, use of comprehensive guarantees or reduced guarantees, periodic declarations covering imports or exports in a given period, and clearance of goods at the premises of the operator. The definition of authorized operator is very broad and is intended to embrace all entities involved in the international supply chain from manufacture right through to release of the goods at their destination.

The agreement encourages the use of relevant international guidelines for such approaches, for example, Standard 3.32 of the RKC (General Annex) and the WCO SAFE Framework.¹¹ The RKC guidelines detail the types of special procedures for such operators and the authorization methods to be adopted. The SAFE Framework defines benefits for businesses that meet minimal standards in supply chain security. The security standards have been prescribed in the SAFE Framework. Operators that meet these criteria are considered AEOs, defined as ‘a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national customs administration as complying with WCO or equivalent supply chain security standards’.

Implications for SMEs

Facilitation for AEOs is one of the two TFA measures that specifically mention SMEs – the other concerns advance rulings. This indicates that SMEs risk being excluded from AEO programmes, because eligibility criteria are generally biased against them.

ICT and e-commerce can help SMEs participate more in cross-border supply chains, but this creates new challenges. A study by the International Network of Customs Unions on e-commerce and customs controls in China highlights the difficulties that customs departments face, because their administrations lack the resources to monitor the increasing number of SMEs that lack AEO status.¹²

The objective is to grant facilitation in proportion to compliance. Demonstrated compliance behaviour and the presence of reasonable internal controls by trade operators should be rewarded with greater facilitation.

Although SMEs are a vital part of supply chains – and in some cases, SME operators make up the vast majority of a supply chain – reaching and educating them about AEO programmes can be difficult. The process and benefits are not communicated to most SMEs. Without tangible and demonstrable benefits, the trader has no incentive to make the commitment necessary to obtain AEO authorization.

SMEs may not be able to afford the security requirements needed to qualify for AEO status. The costs of the necessary security investments are greater for SMEs than larger companies. There are cost-effective ways

¹¹ WCO (2011). SAFE Framework of Standards.

¹² International Network of Customs Unions (2016). *World Customs Journal*, Volume 10, No. 2.

to meet security requirements, but SMEs may be unaware of these options. Furthermore, administrations may only accept certain security solutions, irrespective of effectiveness.

Recommendations for policymakers

Raise awareness among border agencies

Understand the rationale of AEO programmes – namely, to build a stronger partnership with trading businesses and to reward compliance. Base schemes that offer preferential border treatment to trusted partners on the compliance and credibility of operators. Avoid discrimination based on the sector or size of the firm and ensure that border agencies are aware of the fundamentals of compliance risk management and the principle of fairness to all clients.

Large businesses enjoy greater facilitation support from border administrations with weak systems and procedures. The resources of border agencies are strained when managing numerous small transactions made by SMEs. Many of these interventions yield little benefit and have substantial cost to both sides. Yet if the behaviour of SMEs is mapped over a long period, most will have a clear, consistent compliance record.

A border agency must understand that SMEs play a critical role in the economy in terms of job creation and their participation in value chains. Agencies should seek to support them.

Facilitation for authorized operators does not mean fewer controls. Rather, it means shifting from movement controls to post-release audit-based controls. A border agency can then focus its resources on risky transactions that may not comply with the rules and regulations.

Take SME needs on board when setting criteria

Consult with the trading community when developing criteria, and factor in SMEs. Associations represent SME interests in some countries. When this is not the case, gather feedback from SMEs through a specific communication process, such as a survey.

Base criteria on measurable requirements. When the administration is satisfied that a trader's business is properly managed and has been operating without errors, it should be considered for facilitation through trusted partner programmes. That trader's declarations should be trusted to be correct unless there is evidence to the contrary.

Communicate and ensure SME awareness

Consult with involved parties, including SMEs, to ensure that the benefits flow to all partners when special procedures are introduced. Design communication plans to reach SMEs and other businesses through multiple channels. Although not all SMEs will be eligible for AEO schemes, this approach would ensure that traders realize the regulatory system rewards compliance.

Build SME capacity

SMEs can benefit from capacity building in areas such as compliance, security requirements and management of their records. Design capacity-development programmes for SMEs as part of proactive and informed compliance management plans. Policymakers should ask:

- How to improve compliance by avoiding errors and being consistent?

The basic criteria for AEO schemes are that applicants demonstrate a good record of compliance with all regulatory requirements and that they have maintained an adequate system of commercial records. Regulatory compliance involves accurate declarations, adequate security to meet obligations, timely duty and tax payments, proper methods for tariff classification and country of origin claims, and no history of significant recurring errors or violations.

- How to maintain records?

To participate in AEO programmes, a firm must have records and inventory on which customs and trade agencies can rely for auditing. Periodic and simplified declarations, the release of minimum information and self-assessment all help shift control from the border to audits of business records at the trader's premises. AEO schemes are based on the assumption that authorized operators have auditable internal records of their accounts and inventory.

Develop programmes focus on ensuring that SMEs have the skills and know-how to maintain their records in a way that satisfies the requirements of regulatory auditors.

- How can security requirements be met through cheap yet effective alternatives?

Supply chain security may be a condition to qualify for an authorized operator scheme. Provide options to help SMEs meet security requirements. A small firm run by a family (as most SMEs are) must satisfy the same security requirements as multinationals, but small businesses may be allowed to apply security measures at a different level that still fulfils the objectives. For example, the integrity of cargo can be ensured by monitoring it at all times using video surveillance cameras, but it can also be ensured by keeping it in a safe, locked area.

A study conducted by the Cross Border Research Association on behalf of the Business Alliance for Safe Commerce, which has 60% SME membership in South America, found no positive linear relationship between the cost of security investments and effectiveness.¹³ In fact, many inexpensive investments improve security significantly. The study found that low-cost security investments produced benefits including:

- Improved oversight of the shipping process and activities
- Clearer and more transparent organizational roles and responsibilities
- Better employee hiring and exit processing policies and practices
- Enhanced internal security management practices
- Greater accuracy in shipping information and record-keeping
- Increased precision in the qualitative evaluation of business partners

The study also found that many expensive security arrangements, such as high-cost technical solutions for cargo inspections, physical access control and cargo/conveyance tracking, had a limited impact on security.

Explain the benefits of security arrangements to traders

Offer SMEs cost-effective, alternative security requirements to achieve authorized status and explain the benefits. This often does not happen.

A study by Stanford University researchers on behalf of the Manufacturing Institute found that many companies are reluctant to invest in security enhancement.¹⁴ They tend to focus on the direct costs rather than the benefits such investments could bring. The study found that supply chain security investments may not only be offset, but even outweighed, by benefits such as:

- Improved product safety (38% reduction in theft, loss, pilferage);

¹³ WCO (2010). SAFE Packages. *The Authorized Economic Operator and the Small and Medium Enterprise - FAQ*.

¹⁴ The study was cited in *ibid*.

- Better inventory management (14% reduction in excess inventory, 12% improvement in reported on-time delivery);
- Improved supply chain visibility (50% increase in access to supply chain data, 30% increase in timeliness of shipping information);
- Increased speed (29% reduction in transit time, 28% reduction in delivery time window);
- Greater customer satisfaction (26% reduction in customer attrition and 20% increase in the number of new customers).

Some security measures may be less burdensome for SMEs than larger firms. For example, it might be easier for smaller companies to satisfy the requirement for personnel screening, because they have fewer employees than a large firm.

Box 10 Hong Kong SAR

The trading environment of Hong Kong Customs (HKC) is characterized by, among others:

- a significant proportion of SMEs
- a small number of manufacturing industries
- sophisticated transportation and communication networks

The predominance of SMEs in Hong Kong Special Administrative Region motivated the administration to ensure that they could satisfy the criteria for an AEO pilot scheme. All local companies, regardless of their size and nature of business, can choose to join.

The Hong Kong SAR administration's report on implementation of its authorized economic operator programme, shared with the WTO, states that SMEs faced no difficulties in joining. Their lessons learned are the following:

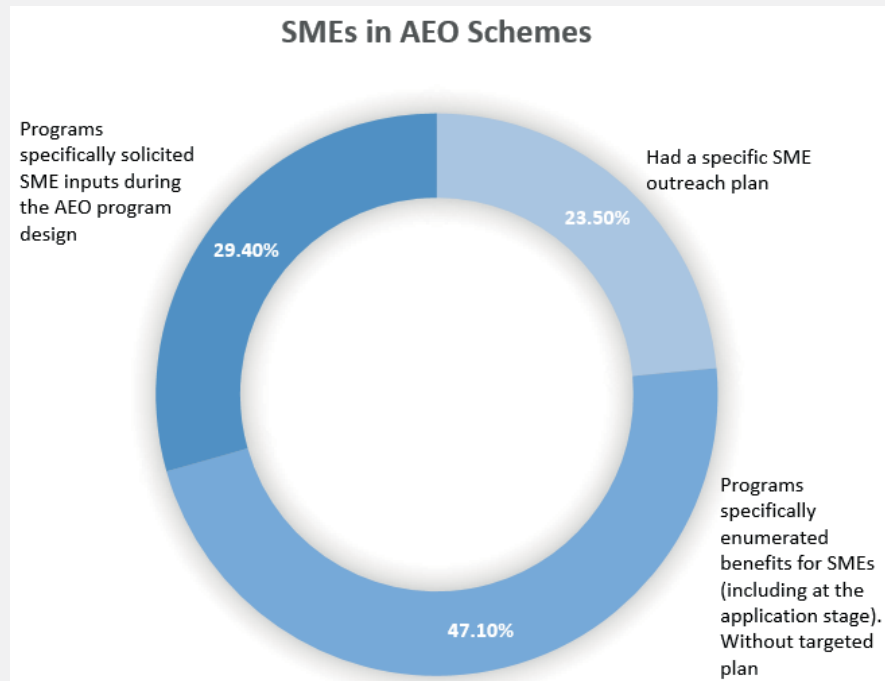
- More than 98% of Hong Kong SAR's local industries are SMEs. HKC is seeking to introduce a programme to provide a level playing field for all stakeholders. The accreditation criteria are thus worked out to apply to local companies.
- HKC formulated a two-tier free and voluntary accreditation programme open to local companies engaging in business principally related to the international supply chain. Companies applying for a lower tier must meet certain basic criteria, and additional criteria are required for a higher tier.
- The AEOs recognized so far, including SMEs, could meet the accreditation criteria without making major changes or investments. Recognizing that the extent of compliance depends on the size, nature and model of the business, HKC exercises flexibility in the accreditation process.

The success of the programme hinges on the active participation of local traders. HKC has had to provide tangible incentives for participants. Taking into account that Hong Kong SAR is a free port, customs facilitation for traders, in terms of lighter or prioritized inspection, may not be a significant incentive for wider participation in the programme. HKC therefore emphasizes the long-term benefits that local traders derive from improved export competitiveness and marketability, which they get once they are accredited as AEOs. More importantly, the AEO status is a symbol of trusted traders, who will benefit even more at the international level under mutual recognition agreements.

Source: Office of Supply Chain Security Management, Customs and Excise Department. 'Implementation of Hong Kong Authorized Economic Operator Programme.' Hong Kong SAR, China. See https://www.wto.org/english/tratop_e/tradfa_e/case_studies_e/at_hkg_e.doc

Box 11 SME participation in AEO programmes

A study on SMEs by the Asia-Pacific Economic Cooperation Forum found that less than a quarter of AEO programmes contained a specific outreach plan for small and medium-sized enterprises.



Source: Chart made by author, based on data in the APEC study.

SME participation in AEO schemes was discussed during the second WCO Global AEO Conference in 2014, held in Madrid, Spain. Delegates agreed that SMEs needed more attention, as they play an important role in economic growth and in generating employment. Governments should use every available opportunity to educate SMEs about the value of participating in AEO programmes, and assist those interested in joining. Examples cited at the conference include the following:

In partnership with UK Customs, a British private company developed a learning program for potential AEOs/company auditors, ensuring that a linked set of resources and processes are in place for the safe handling/delivery of goods and related services within the supply chain.

In France, 'business advisory offices' have been created in every customs regional division, offering potential applicants personalized support. The local advisory team approaches companies about the AEO programme and what AEO status means, and helps interested companies prepare, including by filling in the 'self-assessment questionnaire'.

Source: APEC Policy Support Unit (2018). Study of APEC Best Practices in Authorized Economic Operator (AEO) Programs.

Expedited release of express consignments (article 7.8)

Understanding the requirement

The rapid release of express consignments helps ensure the competitiveness of companies, given the high cost of meeting commitments and procedures that create delays.

Members must create procedures to allow the expedited release of (at least) air cargo. Facilitative measures include:

- Minimizing the required documentation;
- Releasing expedited shipments as rapidly as possible;
- Establishing a *de minimis* shipment value or dutiable amount for which customs duties and taxes will not be collected.

Anyone who wants to take advantage of these procedures must apply to customs. Governments can permit only applicants who fulfil certain conditions to use these rapid-release procedures. Such conditions may include mandatory filing of advance information, adequate infrastructure for payment, security arrangements (control and tracking of shipment) or expedited shipment services.

The necessary pre-arrival information, as required in the legislation, is communicated to customs and other agencies at a specific time before arrival. Customs usually requires an advance manifest and specifies a minimum list of data elements in the declaration for the immediate-release procedure. Risk management, prohibitions and curbs, or specific requirements apply as usual, as specified in national legislation.

Recognizing that the express business involves more than just documents and low-value parcels, the TFA encourages governments to apply the rapid-release procedures to express shipments of all weights and values (with the understanding that subsequent submission of customs declarations, supporting documents and duty and tax payments may be required in such cases).

Implications for SMEs

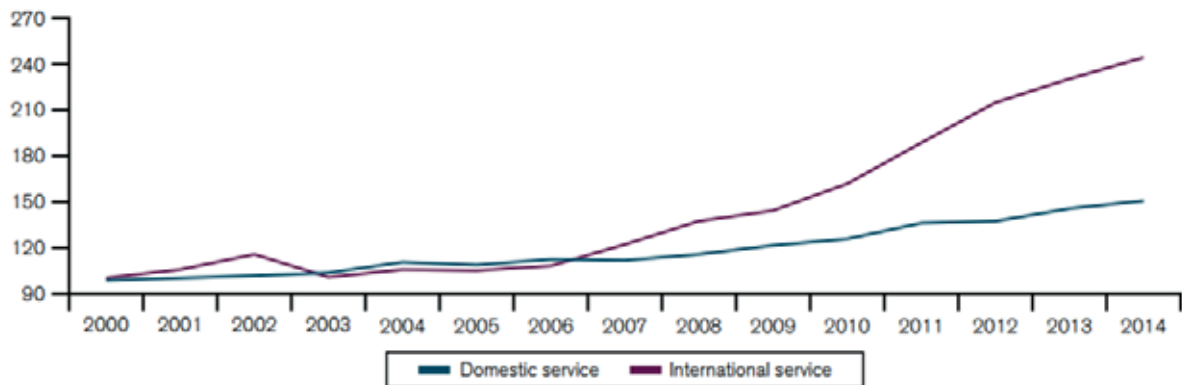
This measure affects the air express industry more than any other sector. The provisions apply directly to express couriers such as DHL, TNT, UPS or Federal Express, which will have to take certain steps to benefit from the measure.

Businesses that use express consignment services will profit indirectly. SMEs and other companies use express services to ensure faster delivery times or to send/receive samples or goods. They will enjoy indirect benefits such as expedited release of goods, simplified documentation, waiver of payment of small amounts (*de minimis*) of duty and tax, and release of goods directly on arrival.

The Internet has opened new opportunities for SMEs. According to the WTO *World Trade Report 2016*, rapid growth in shipments of parcels by post offices (see Figure 5) could reflect increasing shipments by SMEs.¹⁵ This growing demand from SMEs may lead administrations to focus on post office services to satisfy the expedited release provision of the TFA, with benefits trickling down to smaller enterprises.

¹⁵ WTO. *World Trade Report 2016*.

Figure 5 Index for worldwide number of ordinary parcels (domestic and international service), 2000–2014



Note: 2000=100.

Source: Universal Postal Union.

Source: WTO (2016). *World Trade Report*.

Recommendations for policymakers

Express mail and postal services can help SMEs

The success of e-commerce hinges on fast, on-time delivery of goods and reasonable logistics costs. SMEs can benefit from e-commerce if they have access to efficient, reliable logistics services that they can afford. Courier companies and postal services play a critical role in the e-commerce supply chain.

Postal systems are, by definition, not focused on profit, and aim to fulfil citizen and business needs. They can help SMEs by giving them more choices – that is to say, they can offer services that are at least as good as what SMEs receive from express couriers. These services include pickup, packing and handling, transport and delivery, storage/warehousing and multiple payments methods.

Ensure that postal services keep pace with SME needs so they can play an important role in boosting the e-commerce sector. This requires a policy and direction from the top.

Strengthen postal services to meet e-commerce needs of SMEs

Consider the role of postal services when developing national policies on e-commerce and promoting SMEs. Upgrade postal systems to complement these policies. This means investing in physical and virtual logistics facilities and in cross-border solutions with efficient procedures. Seamlessly integrate postal services and processes with infrastructures and processes for trade activities, especially customs systems and the banking and financial sectors.

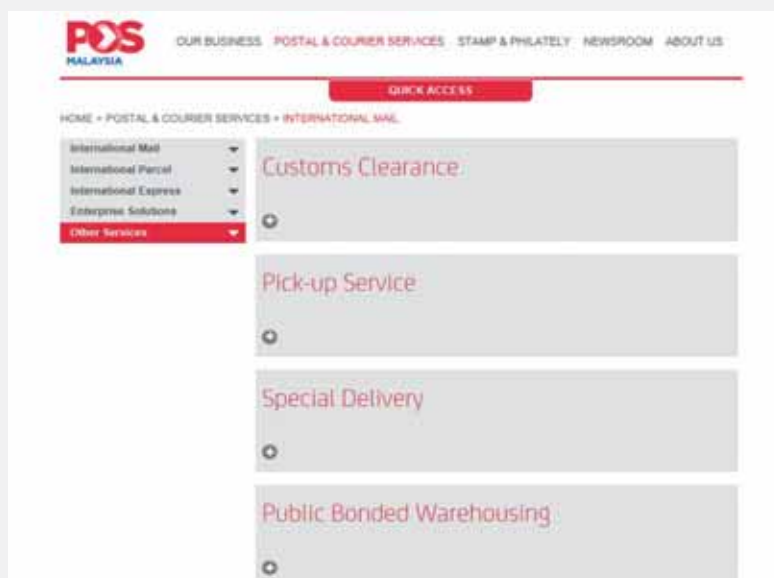
Box 12 Malaysian post office services

POS Malaysia

POS Malaysia helps small businesses by providing fast courier services, financing and e-commerce solutions. Courier delivery and e-commerce services enable SMEs to manage online sales and deliveries. Warehouse services include self-service storage, air-conditioned storage areas equipped with shelves for premium/e-commerce items, and labelling, barcoding and 'pick and pack' services for shipping.

Value-added services include e-Pos Laju Mobile App and APIs, allowing the creation of consignment notes and 'pay for delivery'.

As part of the nation's Digital Free Trade Zone (DFTZ), POS Malaysia plans to set up e-commerce hubs at airports and elsewhere to facilitate business. The DFTZ was designed to foster seamless cross-border trade and enable local SMEs to export their goods, with a priority for e-commerce, in Malaysia. POS Malaysia partnered with private e-commerce platform providers (such as Alibaba, Cainiao, Lazada, eBay and Romman) to set up a pilot project in 2017 at Kuala Lumpur International Airport Aeropolis.



Source: Malaysia Digital Free Trade Zone. See <https://mydftz.com/>
POS Malaysia. See <https://www.pos.com.my/postal-courier-services/international-mail?other-services>

Use of copies of supporting documents, for faster processing (article 10.2)

Understanding the requirement

Members should accept paper or electronic copies of supporting documents, and original or duplicate export declarations should not be required to import. A goods declaration is prepared from information in the commercial invoice, packing list and transportation document (such as bill of lading or air waybill). Other documents including licences, permits and certificates of origin are also required.

The agreement says customs and other border agencies should 'endeavor' to accept paper or electronic copies of supporting documents required for import, export or transit in lieu of the original, where appropriate. If the importer or exporter submitted the original document to one government authority, other government agencies that require the same document shall accept a paper or electronic copy from the authority holding the original.

Finally, customs and other border authorities in the country of importation shall not oblige importers to present the original or a copy of the declaration that was submitted to customs authorities in the country from which their goods were exported.

Chapter 3 of the General Annex to the RKC provides guidelines on the clearance of goods and other customs formalities, including standards related to documents that support the goods declaration. A summary of the RKC guidelines is as follows:¹⁶

- Supporting documents should be required only where they are essential to implement provisions.
- If documents that must accompany a declaration are missing, release may be allowed if securities are provided to cover the risk. An administration may also allow a grace period for the submission of supporting documents.
- Electronic submission of supporting documents should be allowed. Declarants can also be obliged to make original supporting documents available to customs for a specified period of time.

The WCO Recommendation on the Dematerialization of Supporting Documents recommends that Members identify the supporting documents normally required to accompany the cargo and goods declaration, and examine whether these documents are needed, with a view to potentially eliminating them.

Implications for SMEs

Risk perception means border agencies are more likely to ask SMEs for original documents than large operators. Maintaining a historical profile of each operator would help manage the risk perception associated with SMEs. An operator's profile could be accessed when transactions are processed so decisions could be based on compliance, rather than personal preference, memory or perception.

SMEs benefit when administrations rely mainly on original documents and accept copies of supporting documents. If documents are necessary for release, a specified time period may be allowed to file originals. This facility should be extended to all business without any discrimination.

Disruptive technologies such as blockchain could eventually make these matters irrelevant. Blockchain is immutable. Within minutes or even seconds, transactions are verified, cleared and stored in a block that is linked to the preceding block, thereby creating a chain. Each block must refer to the preceding block to be valid.

¹⁶ WCO (2010). The Revised Kyoto Convention, Chapter 3, Standard 3.16.

This structure permanently timestamps and stores exchanges of value, preventing anyone from altering the ledger.¹⁷

Recommendations for policymakers

Redefine the processes

This provision becomes effective when it is reflected in the procedures and processes governing the release and clearance of cargo. It must be incorporated in administrative instructions, issued as public notices, standing orders or guidelines.

Avoid routine document demands

Do not demand supporting documents with each declaration as a matter of routine. Such documents may be needed for processing or in case of risk to validate information given in the declaration. SMEs are often considered high risk because they do not interact regularly with border agencies. Most are indirect suppliers in the international supply chain, and few import or export directly.

Orientate staff and change mindsets

The effectiveness of this provision depends largely on the understanding, culture and mindset of the people who process declarations. Officers can always demand original supporting documents to verify the accuracy of information in the declaration. If supporting documents have been demanded in the past, officers will tend to continue asking for them.

Instill a new risk management mindset through training and orientation. Relevant decision makers and staff need to understand that every intervention has a cost. This is a fundamental principle of business process simplification: eliminate unnecessary steps that add no value to the output.

Give staff the tools to evaluate risk and make evidence-based decisions

Officers who process transactions take customs decisions. If the processing staff have no information about the trade-related behaviour of the operator, they are obliged to ask for original documents to mitigate the risk of erroneous declarations. For instance, they may access the past 90 days of data for valuation checks. But if an SME is involved, there may be few or no transactions over that time period.

ICT enables officers to develop a concise profile of each operator to see their line of business, a summary of past transactions over two or more years, and the number or type of errors or compliance issues involving the firm. Officers can also obtain a profile of the commodity that shows its origin (sources) and value. It is easier to process transactions if information in the documentation aligns with the declarant's line of business and commodity profile. The officer can depend on the declaration when the declarant has no history of non-compliance,

In automated, ICT-based systems, use tools that measure performance to assess how each demanded supporting document facilitates compliance. This might help fine-tune the procedures and reduce demands for supporting documents.

¹⁷ World Economic Forum White Paper (2017). *Realizing the Potential of Blockchain – A Multistakeholder Approach to the Stewardship of Blockchain and Cryptocurrencies*.

Use of international standards (article 10.3)

Understanding the requirement

Members should use relevant international standards as a basis for procedures pertaining to importing, exporting or transiting. They should also participate in the preparation and periodic review of these standards by international organizations.

ICT plays an important role in satisfying procedures related to importing, exporting and transiting. Using international standards to automate these procedures can bring technological and economic benefits.

The WCO has adopted several recommendations that encourage Members to adopt international standards, including the WCO Data Model for interoperability. The RKC does the same. Standard 3.11 addresses the use of international standards for automated customs clearance processes and Standard 7.12 asks Members to use relevant internationally accepted standards for their computer applications.

Implications for SMEs

Using non-standard as well as country- and/or agency-specific data is inefficient for both governments and traders, in terms of cost and accuracy. Governments must develop and maintain agency-specific systems, while traders must develop and maintain interfaces for these redundant and duplicative reporting requirements.¹⁸

The WTO *World Trade Report 2016* suggests three approaches to involve SMEs more in the international trade framework. One method is to increase transparency and the ability of markets to obtain information using online platforms and nationwide information databases.¹⁹

ICT platforms enhance the knowledge of SMEs and give them better access to information and government services. Adopting international standards in e-government systems would improve the service quality and ensure that the system is interoperable with other domestic and foreign commercial and regulatory systems.

Adopting international standards in trade processes and documents simplifies life for the trade community. For instance, when administrations adopt HS Codes for commodity classification or UN Layout Key for goods declarations, it becomes easier for traders to catch on, because they find similar, familiar codes and formats across the border.

Recommendations for policymakers

An administration's capability to use and roll out ICT

A modern customs organization depends on ICT. Estimates by research firm Gartner indicate that information technology investments by large businesses in the services sector are second only to human resources spending, accounting for 5%–7% of total operating expenditure.²⁰

Stakeholders calling for greater trade facilitation want customs administrations to invest in IT-based projects. Advanced systems for risk management and 'single window' projects, in particular, involve sophisticated technologies, and require substantial investments in hardware, software and services.

Executive managers must grasp how IT creates value for the organization. This demands the adoption of governance frameworks that bring clarity and transparency by explaining to stakeholders the correlation between business outcomes and IT investment.

¹⁸ WCO (2016). 'How to Build a Single Window Environment'.

¹⁹ WTO. *World Trade Report 2016*.

²⁰ http://www.gartner.com/downloads/public/explore/metricsAndTools/ITBudget_Sample_2012.pdf

The Control Objectives for Information and Related Technology (COBIT) framework arranges all IT governance processes and stages into 'control objectives' in the following areas:²¹

- Plan and organize
- Acquire and implement
- Deliver and support
- Monitor and evaluate.

The COBIT principles were referenced in the 2014 revision of guidelines in Chapter 7 of the Revised Kyoto Convention (Application of Information and Communication Technology).

²¹ ISACA, US <https://www.isaca.org>

Single window (article 10.4)

Understanding the requirement

Members must establish a single window so traders can submit documents and/or required data for importing, exporting or transiting goods through a single entry point.

A single window aims to allow traders to file a single declaration that meets the requirements of all participating agencies. Administrations should be able to send an integrated response to declarants in a timely manner. Details about the operation of the single window should be notified to the WTO Trade Facilitation Committee.

Recommendation 33 of the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) elaborates the concept and models of the single window for trade:

Within the context of this recommendation, a single window is defined as a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once.²²

In practical terms, a single window expedites and simplifies information flows between traders and government, with benefits to all parties involved in cross-border trade. It enables government authorities and agencies to receive or have access to relevant information. Participating authorities and agencies should coordinate their controls.

Implications for SMEs

Recommendation 33 of UN/CEFACT recognizes the significance of single windows for trade generally and SMEs specifically:

The need for simplification and harmonization is particularly evident in the preparation and submission of the extensive range of information and documents required by governmental authorities to comply with import, export and transit-related regulations. These requirements place a heavy burden on the resources of companies and can constitute a serious barrier to the development and efficiency of international trade, especially for small and medium enterprises.²³

THE WCO compendium on building a single window environment stresses the same points:

The use of non-standard, country-specific, and/or agency-specific data is highly inefficient in terms of cost and accuracy for both government and trade. Governments are required to maintain or develop agency-specific systems and trade must develop and maintain interfaces for these redundant and duplicative reporting requirements. This is also evident in non-automated, paper-based systems where trade is required to provide highly redundant forms.

The cost and complexity of meeting these requirements is staggering. Not only large global traders but also SMEs will benefit as well.²⁴

Implementing a single window is a complex task involving various projects, shared by dozens of agencies, each at a different level of maturity, using different processes and technologies. Unifying these elements takes tremendous coordination, harmonization of processes and alignment of projects. It is generally not possible in one phase of development; rather, single windows are developed in phases, often spanning many

²² UN/CEFACT recommendation 33 on 'Recommendation and Guidelines on establishing a Single Window to enhance the efficient exchange of information between trade and government'

²³ UN/CEFACT (2005). Recommendation 33, Foreword.

²⁴ WCO (2011). Compendium 'How to Build a Single Window Environment'.

years. The WCO survey shows that single window projects were implemented in phases that sometimes exceeded five years.²⁵

Best practices recommend discussions with traders when designing single window services, to identify the most pressing needs and problems. This means an outreach programme to consult with all segments of the trade economy. SMEs have specific concerns and are disadvantaged when dealing with border processes, so single window designs and priorities must consider the 'pain points' they experience. Projects will stand a better chance of success when there is a meaningful partnership with the SME trade community. The key point for administrations is ensuring SME participation when single window priorities are designed.

Recommendations for policymakers

Consult SMEs and address their needs when designing single windows

The single window is meant to transform traditional administrative systems into a coherent and coordinated arrangement that best serves the needs of businesses. SMEs will benefit from such services if they are designed to tackle the problems they face.

Understand the challenges and needs of the trade community. This process should occur in all phases of single window development. The needs of SMEs may differ from those of large enterprises.

Prioritize solutions for problems SMEs face in existing system

When planning new services through a single window platform, prioritize the services that are most needed or likely to give the best 'business value'. Consultation is essential before rollout to ensure that the new system benefits users. Ensure that solutions are not driven by your own control needs or based on the technical platforms that are available, regardless of whether they are appropriate to user needs.

Tangible benefits to traders, particularly SMEs, will stimulate the reform process. Roll services out in phases, prioritizing them based on the twin principles of 'value creation for business community' and 'readiness of stakeholders'.

²⁵ WCO (2011). Research Paper No. 17 on 'A Survey of Single Window Implementation'.

Box 13 Example of user concerns about US single window

The Automated Commercial Environment is the principal system in United States through which traders report imports and exports and the government or customs determines admissibility.

The National Customs Brokers and Forwarders Association of America has issued a white paper discussing the development of the Automated Commercial Environment, the need for stakeholders to engage and the importance of prioritizing based on the problems faced by actual users. The key proposals are:

- Set goals that result in refined and strategically aligned priorities, and support process efficiency.
- Add functions that provide significant and immediate savings to traders and the United States Customs and Border Protection (CBP)
- Prioritize releases in logical, consolidated steps
- Organize recommendations into three groups reflecting their priority to the trade
- Development of the Automated Commercial Environment should be aligned with operational goals
- Process-mapping should ensure that the processes of both CBP and customs brokers are aligned. This analysis must go beyond the normal interactions surrounding release/entry, entry summary, corrections and liquidation processes. It must examine where and how customs brokers acquire information, how this information is used to give CBP required data, and how customs brokers handle responses from CBP. For its part, CBP must show how the data provided by customs brokers, carriers and other parties are used and processed.
- The CBP manifest development team must ensure that stakeholders including the National Customs Brokers and Forwarders Association of America, carriers and the ACE Entry Summary, Accounts, Revenue team are actively involved so the focus is not only on the manifest, but includes the interrelationships between release, importer security filings and entry summaries. A holistic approach must be used.

The white paper also highlights typical transitional challenges as stakeholders move from one system to another.

Sources: US Customs and Border Protection. See <https://www.cbp.gov/trade/automated>

The National Customs Brokers and Forwarders Association of America, US, White Paper on ACE (undated). See <http://www.ncbfaa.org/images/ncbfaa/PDFs/NCBFAACEWhitePaper.pdf>.

Limits on mandatory use of customs brokers (article 10.6)

Understanding the requirement

Members must not mandate the use of customs brokers. This provision is designed to ensure that administrations are not tougher on parties that deal directly with customs instead of employing a broker for transactions.

ICT-enabled services have motivated many customs administrations to develop more client-oriented service relationships with traders. Some firms file their declarations to customs directly, and this provision supports the idea that they should be able to decide for themselves whether to self-file or hire a broker.

In the RKC, Chapter 8 of the General Annex concerns third parties and their relationship with customs. Third parties include customs agents and brokers. Standard 8.3 requires customs to treat principals and their third parties equally and to allow business to deal directly with customs. Standard 8.3 says:

The Customs transactions where the person concerned elects to do business on his own account shall not be treated less favourably or be subject to more stringent requirements than those Customs transactions which are handled for the person concerned by a third party.²⁶

Implications for SMEs

This provision is important to SMEs. If border procedures are simple and transparent, SMEs may opt to save money on brokerage fees and handle the transaction directly with customs.

This does not mean that self-filing has no cost. SMEs must assign this task to staff that can manage the transaction from filing to release. Staff have to be trained on the process: declaration filing, customs response, arranging goods for inspections, liaising with port operators, submitting supporting documents if demanded, and so on. Self-filing becomes more attractive to SMEs when transactions can be filed online.

In some administrations, most business activity is conducted through customs brokers who are trained and qualified. Self-filing is uncommon because procedures are complex and stringent. For example, in self-filing processes, customs administrations have cannot identify people representing the business (i.e. the trader's staff). This means declarants must file a request seeking permission to self-file and stating who is authorized to represent their business. This involves extra steps for declarants, making self-filing more difficult.

In this situation, all businesses, and especially SMEs, have to engage a broker.

Recommendations for policymakers

Develop ICT-based processes where traders have direct online access to the customs system

An ICT-based system can remove this complication by allowing secure digital access (user names and PIN codes) so traders can deal directly with customs. Establish a standard registration process so any trader can register with a customs or single window system.

Provide self-filing options through a simple and standard procedure

When documents are submitted manually, adopt a simple procedure for self-filing. Eliminate extra steps involved in self-filing as much as possible. Establish a standard procedure for self-filing that allows traders to prove their identity when they file a customs declaration and during all subsequent interactions. The procedures should specify documents for identification that could be any of the following or equivalents:

²⁶ WCO (1999). The Revised Kyoto Convention, Chapter 8, Standard 8.3.

- Copy of national tax number certificate
- Copy of goods and services tax/value-added tax registration certification
- Copy of national identify card of the person presenting the documents
- Authorization from employer, if transaction is made by an employee, or other form of support

Develop a simple process and user-centric design

Complex processes are the major barrier to self-filing. If the process to file a goods declaration is so complex that only brokers can handle it, then simply having a legal or administrative provision for self-filing will not achieve its desired objective. In practice, traders and SMEs will not use it.

Ensure that ICT-based systems are user-friendly. The interface design should be based on a careful study into how business users operate and behave. Make sure the steps to prepare a goods declaration align with the usual steps and documentation that businesses use. This declaration contains information from business documents including commercial invoices, packing lists and transportation information from the bill of lading or air waybill. Design the goods declaration process so it gets information from original documents in a logical fashion.

The following tips can help make goods declaration processes convenient:

- **'Intuitive search' of commodity (classification tool):** HS Code search or classification utility, and search of tariff and policy regulations.
- **Aligned with original trade documents:** Instead of making the user switch between documents, the user interface should be designed to fully process one document (e.g. commercial invoice) in a logical sequence, before switching to the next document.
- **Self-help features:** When hovering or clicking the mouse, a user should be able to discover what a certain data field is about. User manuals should be well-designed, navigable and easily searchable.
- **Personalized tools for declarant:** An ICT solution should allow a user to personalize the platform according to use and preferences, such as 'my clients', 'my shippers', 'my agents', 'my commodities' and 'my invoices'.
- **Re-usable elements and objects:** The system should permit a user to create invoice or tariff-item templates that can be reused to prepare goods declarations.

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#ITCBOOKS ON TRADE FACILITATION

ITC has many publications to help businesses and policymakers make the most of important agreements to break down trade barriers. They are free on ITC's publications catalogue, sometimes in several languages (<http://www.intracen.org/publications>). Among those related to the WTO Trade Facilitation Agreement, see:

[Faster customs, faster trade: Using technology for trade facilitation](#)

This produced with Huawei, offers policy advice to explore synergies between the WTO Trade Facilitation and Information Technology Agreements. Used well, policymakers can set in motion technology-based national trade facilitation reforms, especially for customs processes.

[Charting a roadmap to regional integration with the WTO Trade Facilitation Agreement](#)

This report charts a roadmap for regional policy frameworks on trade facilitation to boost intraregional trade, reduce bottlenecks and increase the participation of SMEs in regional value chains.

[WTO Trade Facilitation Agreement – A Business Guide for Developing Countries](#)

This jargon-free guide explains the provisions with a focus on what businesses need to know. It also helps policymakers identify needs for technical assistance to implement and monitor it.

[National Trade Facilitation Committees](#)

This guide gives developing countries a systematic approach to evaluate policy, organizational and funding options to create a detailed roadmap to set up national trade facilitation committees – an obligation for countries implementing the WTO Trade Facilitation Agreement. This is a joint guide done with UNCTAD and UNECE, including UN/CEFACT.

[SMEs and the WTO Trade Facilitation Agreement](#)

This guide enables businesses to make border clearance faster, simpler and cheaper; resolve customs disputes fairly; obtain information on regulations and customs procedures easily; and become trusted partners of the government in implementing and monitoring trade facilitation reforms.

[Making the WTO Trade Facilitation Agreement Work for SMEs](#)

This joint UNESCAP-ITC report advocates mainstreaming trade facilitation in development strategies for small and medium-sized enterprises.

[Reforming logistics services for effective trade facilitation](#)

This study finds that policymakers need to respond to traders' concerns by promoting the coordination between key stakeholders and public-private dialogue. The report offers practical guidance for policymakers and logistics services providers to drive regulatory reforms in the sector.



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