



International Chamber of Commerce

The world business organization

The international business perspective on capacity building to improve trade facilitation

The task of improving trade facilitation has attained a high profile and broad political support, thanks to the converging efforts of the World Trade Organization (WTO), the World Customs Organization (WCO), other intergovernmental bodies and donor organizations, and the private sector. Most governments now understand and appreciate the potential for additional trade and investment benefits, including increased customs revenues, through improved trade facilitation. Many governments continue to make improvements unilaterally, to make their nations more efficient platforms for trade and investment.

There is also a parallel convergence on what steps need to be taken, for example, with the establishment of the Revised Kyoto Convention, the WCO SAFE Framework of Standards to Secure and Facilitate Global Trade, the International Chamber of Commerce (ICC) Customs Guidelines, and the emerging text of the WTO trade facilitation talks.

Potential resources are mounting with the Aid for Trade Commitments, new donor emphasis on trade facilitation, and the WCO's Columbus Programme to implement the SAFE Framework.

These multilateral developments are sharpening the focus on implementation and capacity building at the national level.

The [International Chamber of Commerce](#) (ICC), representing the world business community in 130 countries and thousands of companies and associations around the world, has offered some practical recommendations to address this phase of capacity building. (See ICC Policy Statement "[Capacity Building to improve trade facilitation](#)," (17 September 2003))

Business as well as governments and international organizations have been involved in capacity building related to cross border transactions and customs issues for some time. A large proportion of the funding and technical assistance has been undertaken in the form of isolated projects and has not been part of a coherent improvement process using recognized best practices. As a result, improvements in the management and control of international trade have not progressed as much as might have been expected, considering the resources that have been applied to capacity building. To improve the efficiency of capacity building efforts and to avoid waste and duplication, ICC has identified several challenges for these renewed efforts.

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Points of concern to business

Co-ordination

The piecemeal approach to capacity building that has prevailed in the past is no longer acceptable. The challenges to improved coordination are difficult and complex. Donors appear poised to continue their old patterns that have not worked in the past. Each national government or institutional aid programme has its own political drivers and protocols. It is increasingly obvious that no single organization, including the WTO, has the authority to impose improved coordination. Nevertheless, coordination must be improved, through a leadership role taken by one of the relevant international organizations or developed between them. ICC calls on donor governments and institutions to vastly improve the coordination of assistance elements to ensure efficient use of resources while minimizing duplication and maximizing synergies. Coordination should take place in a partnership with all key stakeholders, including donor governments, recipient governments, and the private sector.

Sustained efforts and durable results

A primary requirement of capacity building is that it should develop a sustainable capability to manage international transactions more effectively. One key to sustainable results is to ensure that customs personnel understand the need for and are committed to lasting improvements in customs performance.

Building management capacity

Though detailed knowledge of trade regulations and customs law is important, the overall organizational management process is equally vital. Development of efficient and effective management has to be one of the highest priorities for capacity building. Skills to manage organizational change are essential for sustained efforts and durable results.

Common standards

Given the large number of active donor organizations and consultants involved in renewed efforts, it will be critical to maximize the promotion of common standards, compatible practices and interoperability. Donors should provide common training modules that are politically neutral. Technical training should reinforce global standards, not national or regional variations.

The WCO is a key engine of common standards for Customs practices, for example with its revised Kyoto Convention for Harmonization and Simplification of Customs Practices. Other donors should help promote these and other international standards. Two primary tools would be the WCO Diagnostic tool and the WCO Time Release Study. Common tools would also be used to improve capacity to administer value, classify goods and determine origin and to carry out other responsibilities in such areas as protection of intellectual property rights and health and safety.



ICC's general support for world standards is elaborated in the [ICC Customs Guidelines](#) (2 June 2003), which includes specific references to the WCO's Revised Kyoto Convention; the WCO Istanbul Convention on Temporary Admission and the WCO ATA Convention (ATA Carnets); appropriated international transit conventions, such as those in Annex E. 1 of the Revised Kyoto; the Harmonized System; and the WTO's Valuation Agreement. In addition, ICC also supports the WCO's Data Model.

In this regard, ICC supports the use of permanent regional training centres, such as those being established by the WCO. Combined with distance learning technologies, such centres would bolster both the sustainability and the uniformity of training. One critical area is the need for interoperability of electronic systems (as stated in the ICC policy statement on "[Supply chain security](#)" (18 November 2002).

Adaptation to specific needs

Commitment to capacity building should be based on individual member needs and not just limited to training packages. Efforts should take due regard of the infrastructure development of countries and build both capability and competence in a way that will lead to sustainable development.

Holistic approach

Capacity building for trade facilitation should not be an isolated activity. Effective and sustained improvement requires a holistic approach to the modernization and overall management of the trading process. For example, it is of little value improving the legal basis of customs regulations if the judicial system is not effective. Similarly, release of goods in advance of final settlement of duty obligations is not possible where a country's financial system does not accommodate an adequate guarantor payment.

Transparency and measurement

Transparency is the key to the improvement of any management process. It is crucial to ensure that capacity building projects result in a measurable improvement in the border management process and more efficient movement of goods across national borders.

Before a capacity building project is undertaken, there should be a 'pre-assessment' of the state of the border management process. Pre-assessment is necessary to check the likely viability of capacity building programmes, and to identify the critical elements and priority issues in each case to permit the adaptation to individual needs. The ICC Customs Guidelines can be used as one tool for a general pre-assessment.

That assessment should be followed by subsequent assessments during the process and after it has been completed. Measurements are needed of both the before and after process so that improvements can be clearly quantified and sustained. Programmes should include targets for completion and built-in measuring systems.



Monitoring systems should be maintained after completion to serve as alerts to any deterioration of capacity. Measurement should be applied to all elements of the border transaction including port facilities and other agencies beyond customs authorities. Measurement is a critical diagnostic tool to avoid expensive investment in infrastructure that does not address the facilitation obstacles lodged elsewhere, as for example in a real case of port expansion documented in the ICC policy statement "[Trade liberalization, foreign direct investment and customs modernization: a virtuous circle](#)," (8 October 1999). Capacity building should improve the efficiency of the supply chain, enabling cost effective control and revenue collection, lower inventory levels, and ensure a predictable and secure supply.

Building confidence

Consistent with the above concerns, donors should explore creative ways to build confidence in the benefits of trade facilitation through targeted capacity building and technical assistance. For example, WTO members could develop comprehensive capacity building and technical assistance programmes for selected “test” countries, covering trade facilitation, judicial reform, corruption, and other matters. The experience under these programmes, as demonstrated using measurable benchmarks, could then be used to build members’ confidence in trade facilitation generally and in developing effective capacity building and technical assistance measures for other countries in the future.

Partnership with the private sector

Private sector involvement can help ensure that new capacity actually does improve facilitation and smooth border clearance, which is the primary trade facilitation objective. Business can make positive contributions toward this goal, including those outlined below.

Business contribution to capacity building

International business is very supportive of the process of capacity building. The competitive environment in which enterprises operate ensures that they constantly seek improvements in the supply chain process. They can readily measure the impact of improvements and deficiencies in the management of cross border transactions.

Companies can contribute significantly in a number of areas that would be of real benefit to the capacity building programme:

- contribute to assessment of capacity needs, in conjunction with other assessment techniques such as measurement and peer review;
- assist in establishing an effective coordinated funding process for capacity building and the standards/best practices that should be adopted;
- provide expertise in the development of free market economies, private enterprise



and in supply chain management;

- provide expertise in international law;
- provide expertise in managing border transactions;
- share real experience in the management of change; and
- assist in the use of measurement to improve performance.

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