

Session 4: Modernizing Risk Management in an Integrated Approach (Customs and OGAs Partnership)

**23rd Meeting of the
Central Asia Regional Economic Cooperation (CAREC)
Customs Cooperation Committee**

15-16 August 2024, Astana, Kazakhstan

Objectives

Support

Support Customs governance responsibilities by ensuring that significant risk areas associated with policies are identified and assessed, and that appropriate measures are in place.

Enhance

Enhance the risk management system through more informed decision-making, by ensuring that values, competencies, tools and a supportive environment form the foundation for innovation and responsible risk-taking.

Strengthen

Strengthen partnership with OGAs, including accountability by demonstrating that levels of risk associated with operations are explicitly understood, and investment in risk management measures and stakeholder interests are optimally balanced.

Enhance

Enhance stewardship by strengthening public service capacity to safeguard people, government property and interests.

SOURCE: MANAGING RISK FOR SAFE AND EFFICIENT TRADE – ITC AND UNECE, AUGUST 2022

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Risk management activities at their highest level

Map	Context is established, and risks related to the context are enumerated
Measure	Enumerated risks are analyzed, quantified, or tracked where possible.
Manage	Risks are prioritized, and either avoided, mitigated, shared, transferred, or accepted based on measured severity.
Govern	Appropriate organizational measures, set of policies, processes, and operating procedures, and specification of roles and responsibilities are in place.

SOURCE: MANAGING RISK FOR SAFE AND EFFICIENT TRADE – ITC AND UNECE, AUGUST 2022

Integrated Risk Management Strategy (Import Regime)

Applying	Applying formal and standardized methodologies to manage non-compliance risk in border
Strengthening	Strengthening the role of import compliance procedures in market surveillance and enforcement systems run by regulatory authorities responsible for product compliance
Integrating	Integrating import compliance processes applied at the border of respective regulatory systems to ensure that these processes support all regulatory goals and respective Sustainability Development Goals (SDGs)
Ensuring	Ensuring efficient integration of risk management processes of all regulatory agencies involved in border control; when appropriate
Consolidating	Consolidating risk management in border control with other trade facilitation tools, such as the single window

SOURCE: MANAGING RISK FOR SAFE AND EFFICIENT TRADE – ITC AND UNECE, AUGUST 2022

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Implementation Roadmap – Customs - OGAs Partnership



SOURCE: MANAGING RISK FOR SAFE AND EFFICIENT TRADE – ITC AND UNECE – VALENTIN NIKONOV AUGUST 2022

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Benefits of an Integrated Risk Management



Proactive risk management and strategic decision-making



Enhanced compliance and regulatory reporting



Improved communication and collaboration



Organizational Resiliency



Improved operational efficiency and engagement

SOURCE: MANAGING RISK FOR SAFE AND EFFICIENT TRADE – ITC AND UNECE, AUGUST 2022

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IRM's Domain Coverage Partners



Risk Management Objectives of OGAs



Potential losses associated with non-compliance of risks and customs risks. These losses typically include impact on the health and life of consumers as well as the impact that non-compliant products may have on the environment and other societal objectives.



Investment to build a border compliance framework and associated costs to carry out checks and inspections. From an OGA perspective, time and money spent on checks by both regulatory authorities, as well as disruptions of the trade process and other impacts have on supply chains can be presented as “safety costs” that are supposed to minimize potential losses.



The anticipated payoff, in turn, can be expressed in terms of the benefits associated with trade, consumer satisfaction, market competition and other categories.

SOURCE: MANAGING RISK FOR SAFE AND EFFICIENT TRADE – ITC AND UNECE, AUGUST 2022

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Risk Management Objectives of OGAs

Proportionality of
Regulatory
Requirements

Proportionality of
compliance procedures

Systematic Risk
Management

Principles of tolerable
level of risks

Principle of prioritizing
inspections based on
risk

Principle of "uniform
flexibility"

SOURCE: MANAGING RISK FOR SAFE AND EFFICIENT TRADE – ITC AND UNECE, AUGUST 2022

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Regulatory Risks of an Economic Operator

Risk of an Economic Operator	Risk of a Regulatory System
Imported products do not comply with regulations	Use of poor-quality products in production processes and use of dangerous products in production processes
Supplier problems, including failure to supply	Shortage of the imported products on the market
Transport delays and potential hold-ups at ports	Disruption in the supply chain of critical businesses
Possible loss of or damage to goods in transit	Bankruptcies of importers
A truck will break	Transport infrastructure is not available in the sector
Accident at the port	Injuries at work

Risks to Achieving SDGs

SDG	Objective of Regulatory Systems	Risk Events (examples)
End poverty in all its forms everywhere	Food safety: ensure the availability of food for poor and vulnerable	Higher food prices and shortage of essential food products
	Transport: ensure availability of transport for the poor and the vulnerable	Increase in oil prices
	Agriculture: increase resilience to shocks (climate and economic)	Delays in carrying out projects essential to increase resilience
End hunger, achieve food security and promote sustainable agriculture	Food safety: increase trade in food	Devaluation of the local currency
	Transport: Ensure efficient transport for food products	Shortage of infrastructure in ports
	Agriculture: support new farms and economic operators in agriculture	Lack of experts

SOURCE: MANAGING RISK FOR SAFE AND EFFICIENT TRADE – ITC AND UNECE, AUGUST 2022

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Building a Risk Assessment Process



Developing IT infrastructure to apply compliance rules in a lead agency;



Developing tools to process data on incoming shipments according to the requirements of participating regulatory bodies;



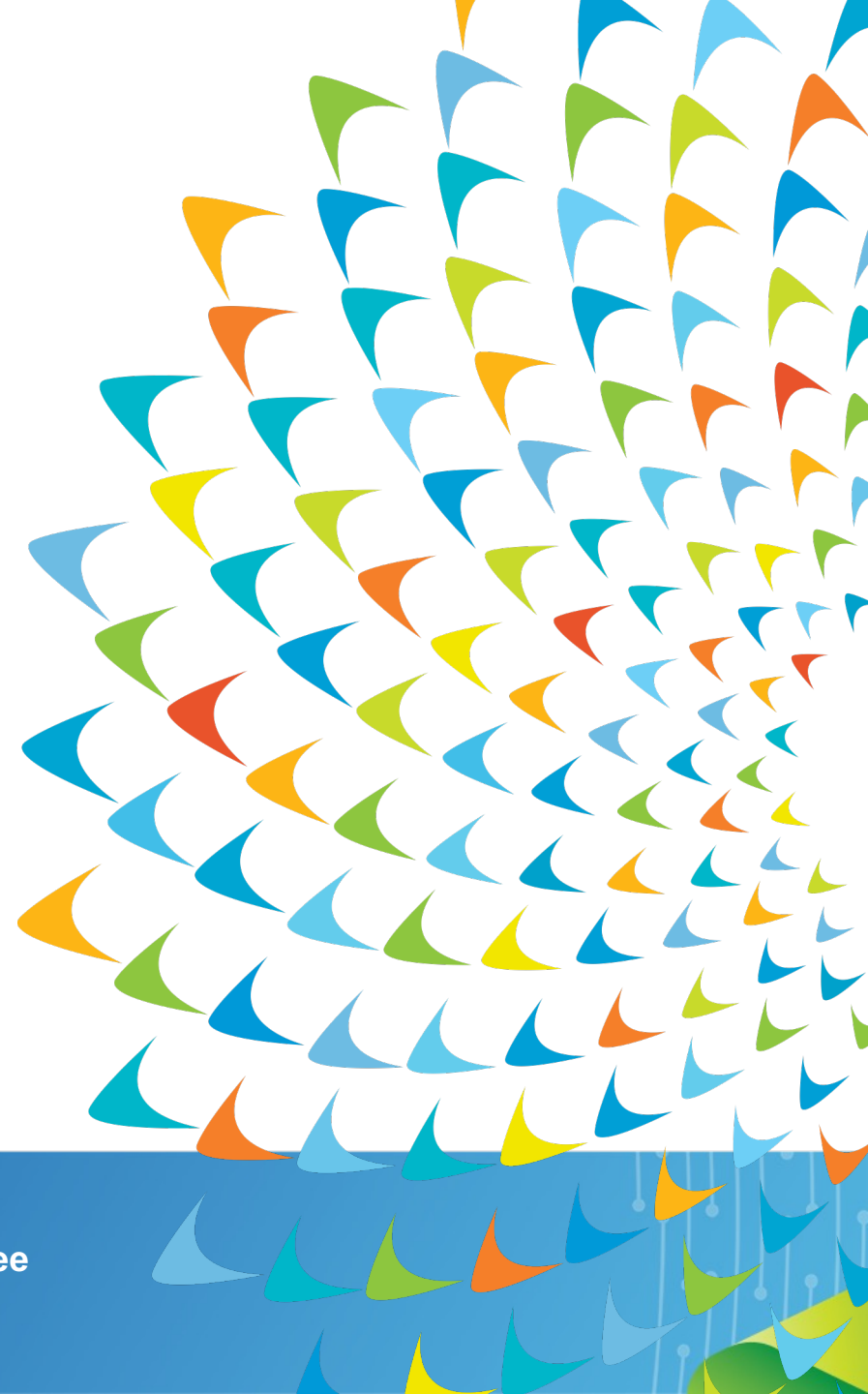
Developing tools to apply the compliance rules.

SOURCE: MANAGING RISK FOR SAFE AND EFFICIENT TRADE – ITC AND UNECE, AUGUST 2022

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Leveraging Technology for Effective Risk Management



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Technology as a game-changer in Risk Management



Data-driven Risk Assessments



Real-time Risk Monitoring



Enhanced Compliance and Regulatory Adherence



Cybersecurity and Data Protection



Automation and Process Efficiency

Modern Technology Benefits for IRM



Improved Risk Insights



Timely Risk Response



Enhanced Efficiency



Strategic Decision-making

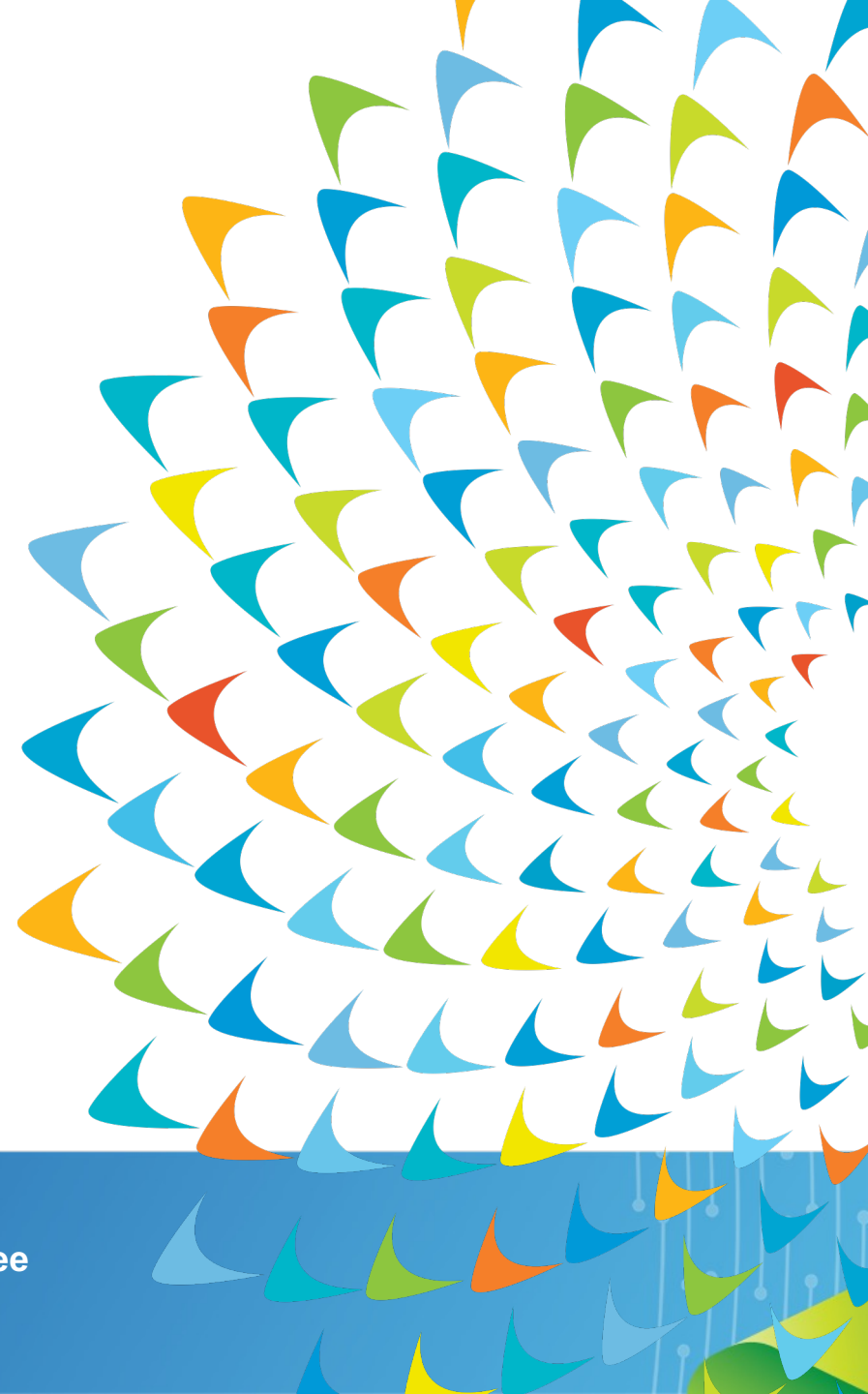


Resilience and Business Continuity

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Data Analytics



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Data Analytics - Definition

*Data analytics (DA) is the **process of examining** data sets to draw conclusions about the **information they contain**, increasingly with the aid of specialized systems and software.*

Search Data Management - 2018

*Data Analytics involves applying an **algorithmic or mechanical process to derive insights**. For example, running through data sets to look for meaningful correlations between each other.*



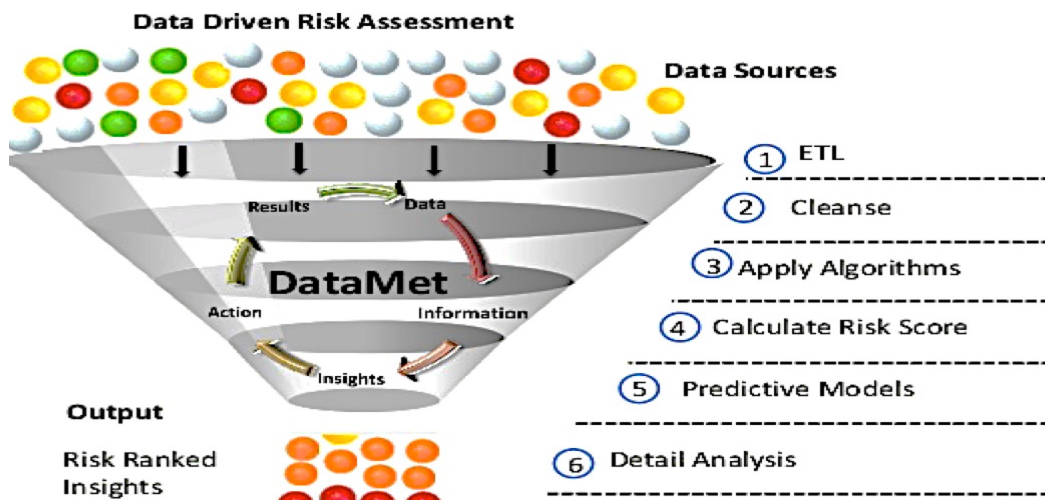
Simplilearn - 2018

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Risk Analytics Process

Risk Analytics Process



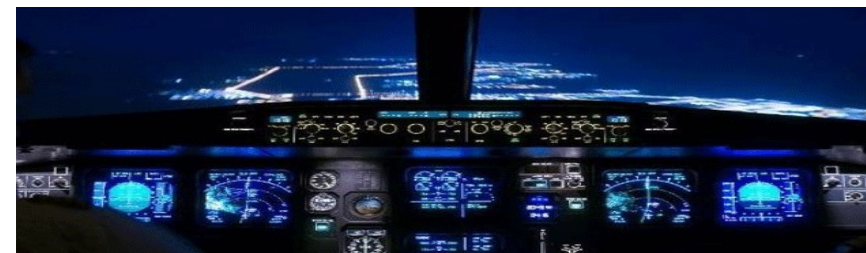
Due to **technological advances** and **general transparency**, the data collected is now more important for risk management than it has ever been.

Risk analytics offers a means of **transforming** these **data assets** into **actionable insights** that can be used to significantly impact performance

Protecht Africa – 2015

Risk analytics provides **intelligence** to management from data and information to make decisions on uncertainties faced by the organization

Protecht Africa – 2015



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Data Analytics – Strategic Steps

Step I – the Initial State

- What is your concern?
- How good do you know your traders and economic operators?
- What data is currently available?
- How is its quality and relevance?
- Have you tried to put them in one screen?
- How are decisions currently made?

Step II – the Base Line

- What key data should be collected?
 - How will the data be collected?
 - What are the sources of data?
 - How is the availability of data?
- What system will be used to collect and store the data?
- What is the quality of the data?

Step 1:
Define the
questions to
investigate



Step 2:
Inject & store
the available data

Step 3:
Clean, prepare
& combine
the data



Step 4:
Perform
analyses &
build models

Step 5:
Understand
& consider
the insights



Step 6:
Take
actions &
decisions

Step IV – Challenge yourself

- Can you see something that others could not?
- What's next?

Step III – Data to Information

- How will you turn the data into information?
 - How can the information be accessed?

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Step I – the Initial State

- What is your concern?
Importation with COO
- How good do you know your Stakeholder?
Single Stakeholder
- What data is currently available ?
Import Declaration, e-COO, Advance ED
How is its quality and relevance?
Data Cleansing
- Have you tried to put them in one screen?
Dashboard
- How are decisions currently made?
Electronic data support



Step II – Set up the Base Line

- What key data should be collected?
e-COO utilization
- How will the data be collected?
Real Time
- What are the sources of data?
Data Warehousing and NSW database
- How is the availability of data?
Daily Basis
- What system will be used to collect and store the data?
NSW database
- What is the quality of the data?
Data Cleansing



Step IV – Challenge your Self

- Can you see something that others couldn't
Data Correlation, Trend, Anomaly, etc.
- What's next?
Action Plan



Step III – Data to Information

- How will you turn the data into information?
ETL Tools, Data Mart, Dashboard, Analytics Tool
- How can the information be accessed?
Executive Information System, Command Center

Risk Profiling Exercise

Basic framework to apply data analytics to assess risk:

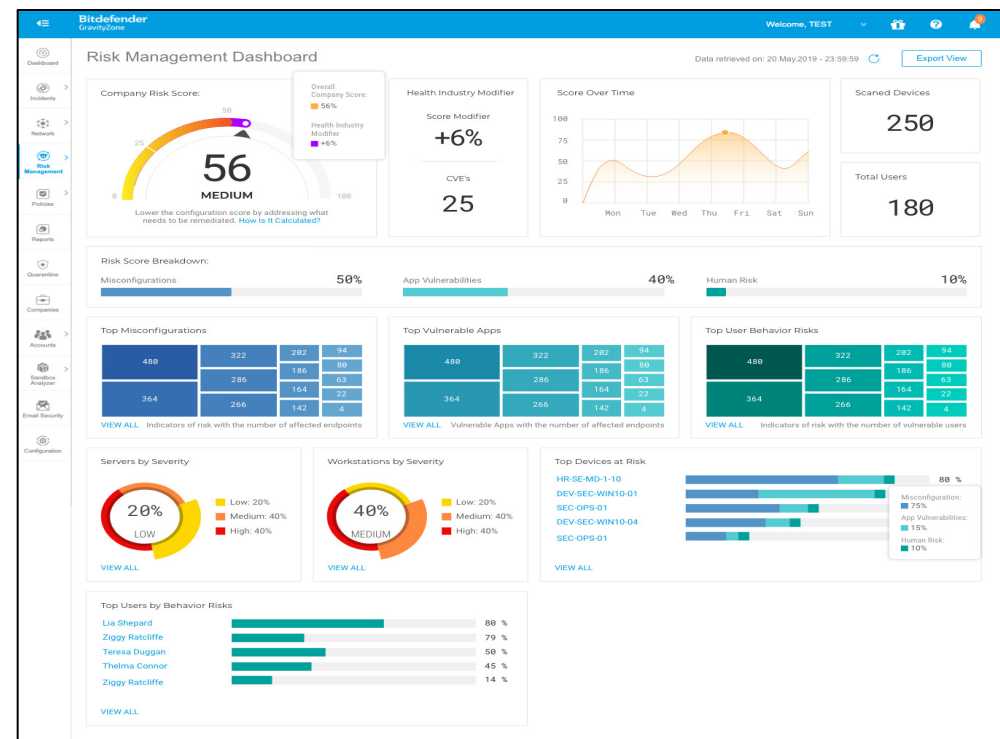
- Build a profile of potential risks
- Test data for possible risk indicators
- Improve the process by implementing continuous analysis
- Review results
- Expand the scope and repeat
- Report

ACL - 2018

Type of analysis performed:

- Completeness Analysis
- Uniqueness Analysis
- Values Distribution Analysis
- Range Analysis
- Pattern Analysis

Data Source Consulting - 2018



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Key Takeaways

- There is **no fixed way** of establishing Risk Profiles
- Risk Profile must be **flexible** to achieve the purpose agreed
- Countries may have **different domestic purpose** with various levels of details
- Risk Profile is **continuous review** and should reflect newly identified risks

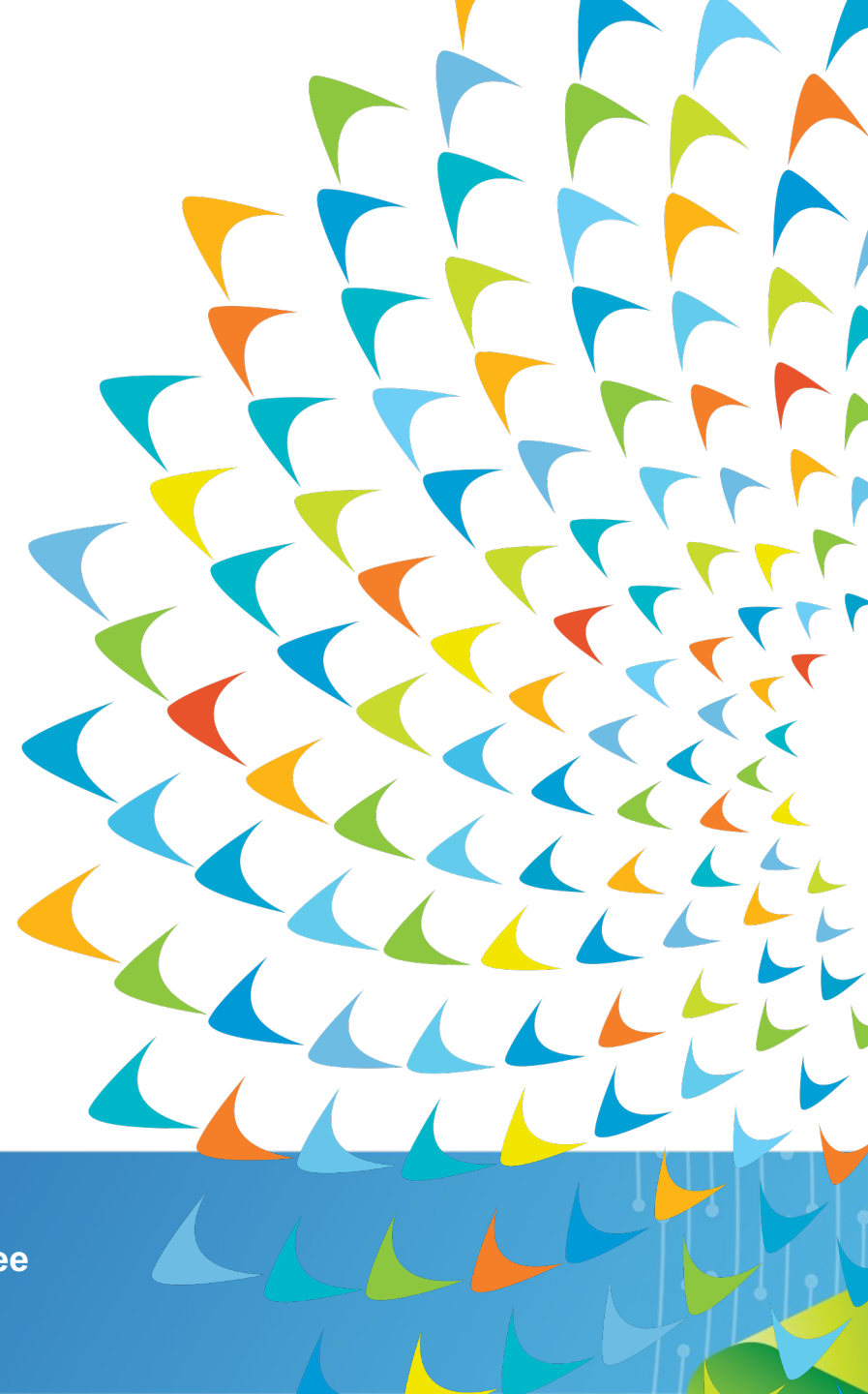
The Global Facilitation Partnership for Transportation and Trade (GFP) – 2003 MAFF, Japan

- Determine the **key risk questions** need to be answer
- Establish the **data source** requirements
- Digitize data within a **single data repository**
- Cleansing data to maintain **data accuracy**
- Develop **analytics tool** and **dashboard**
- **Command Centre** with **Dashboard** will enable you to make **decisions** in a snapshot using **analytical tools**

Protecht Africa – 2015



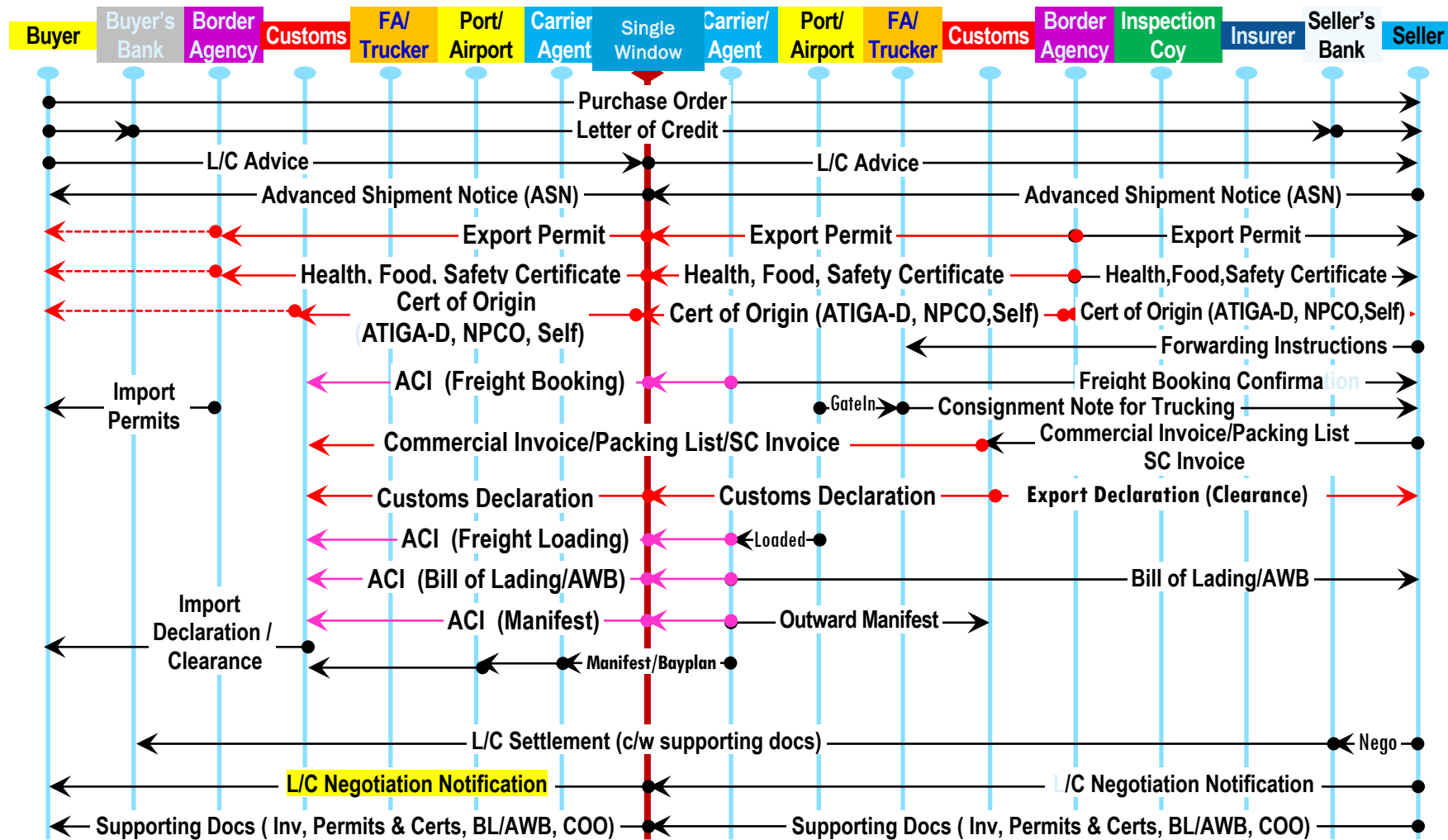
Risk Indicators and Potential Value



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Importing Country

Exporting Country



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Risk Indicators

Documents	Fraud	Errors	Slow to clear	Manual Matching	Remarks
Exchange of Economic Operator ID	Risk				Not yet available
Certificates of Origin (<i>Government approved; Non-Preferential COO</i>)	Risk	Yes	Yes	Yes	Not yet available
Export permits and certificates required for import (<i>e.g. Phyto-sanitary certificates, health certificates, halal certificates</i>)	Risk	Yes	Yes	Yes	Not yet available
Commercial Invoice and Packing List : <i>not from source</i>	Risk			Yes	Subject to manipulation
Export Logistics - Transport Documents to speed import: <i>House/Master Booking Confirmation, Loading Confirmation, House/Master Transport Document (air waybill; sea waybill;...)</i>	Risk		Risk	Yes	Lack of visibility

Potential Value

	Document	Reduce Fraud	Reduce Errors	Improve Risk Mgt	Speed clearance	Improve efficiency
1	Economic Operator ID / Status	H		H		
2	Certificates of Origin (<i>government approved; Self-Certified Commercial Invoice, Non-Preferential COO</i>)	H	H		H	H
3	Export permits, certificates required for import (e.g. <i>Phyto-sanitary certificates, health certificates, halal certificates</i>)	H	H		H	M
4	Commercial Invoice and Packing List	H		H	H	
5	Export Logistics - Transport Documents to speed import: <i>House/Master Booking Confirmation, Loading Confirmation, House/Master Transport Document (air waybill; sea waybill;...)</i>		H	H	H	



Proposed Cross-Border Data Exchange

#	Cross-Border Exchange / Business Processes	Priority Consideration			
		Value	Dependencies/ Prerequisites	Legal Constraints	IT
1.	Exchange of Economic Operator Profile (Identification, Role, Status and Validity) between the Trading Partner	High	Needed for MRA; This will feed into AEO, IRM, and other TF initiatives	Minimal	Simple
2.	Self Certification of Origin on Commercial Invoice submitted by exporter to Export Customs, shared with Import Customs and optionally Importer	Medium	Useful precedence for using Commercial Invoice as core document	Minor	Medium
3.	Export Licenses, Permits and Certificates required for Import , including Phyto-sanitary certificates (<i>fruit and vegetables</i>) and other certificates related to health and community safety	Medium (<i>product specific</i>)	Minimal dependencies; use bilateral approach	To check agency regulations	Simple

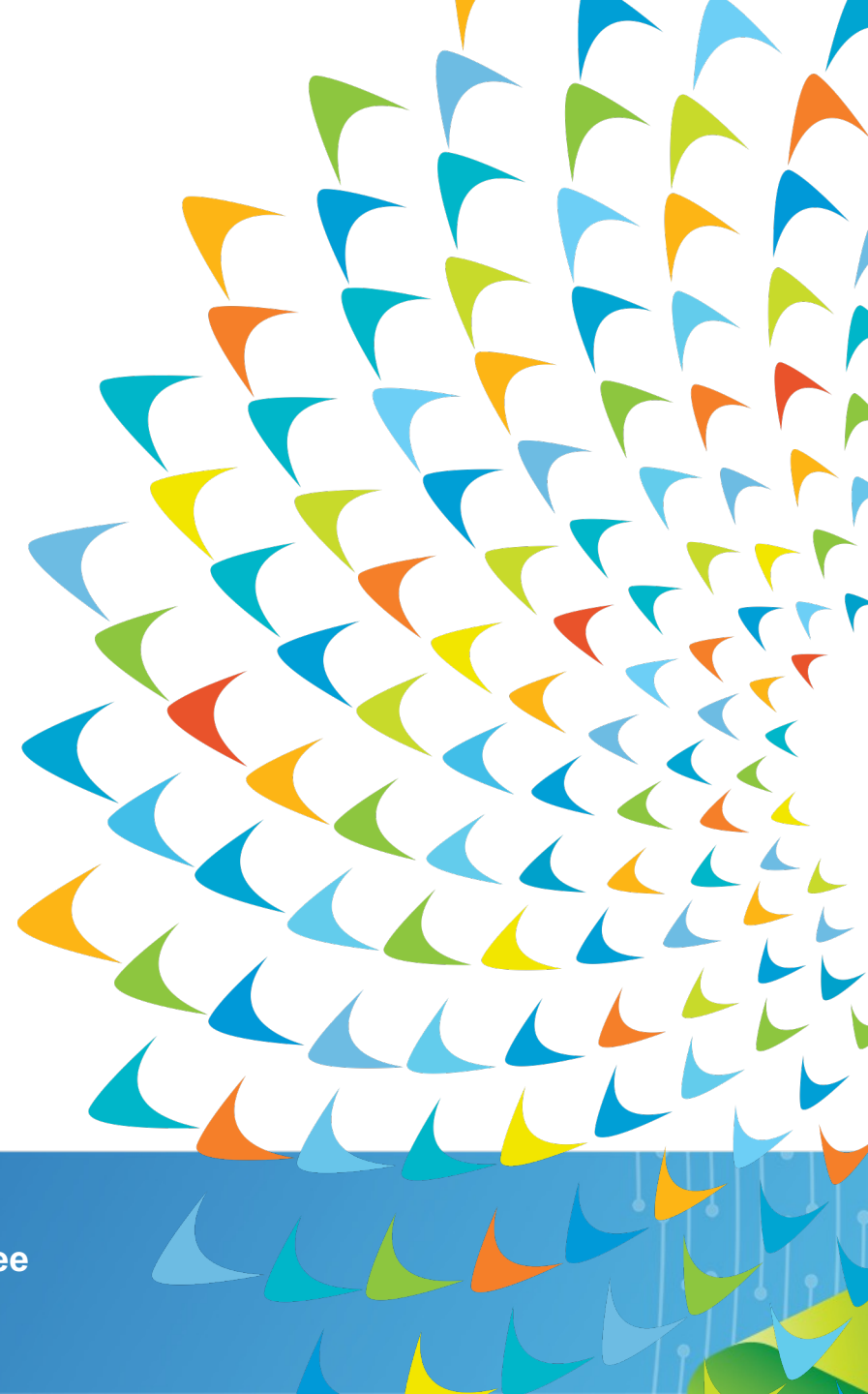
Proposed Customs-Customs Data Exchange

#	Cross-Border Exchange / Business Processes	Priority Consideration			
		Value	Dependencies/ Prerequisites	Legal Constraints	IT
4.	Customs Inspection / clearance (Export)	Medium	Support risk targeting & profiling activities	Simple	Simple
5.	Commercial Invoice and if needed, Packing List submitted by exporter prior to departure, shared with Import Customs and Agencies, and optionally Importer – to provide proof of trade, sales value for duty, product specifics	High	A CAREC Trusted Economic Operator Program	Medium	Medium
6.	Export House and Master Manifests submitted at point of departure, shared with Import Customs and optionally with Import forwarder and Shipping Agent - provides “early/pre-arrival” consignment and loading details to Customs	Medium	Export manifest should be submitted at point of departure with complete detail	Difficult	Simple
7.	Customs Declaration submitted as Export Customs Declaration by exporter, and shared via regional single window with Import Customs and optionally Importer	Medium	Support risk targeting & profiling activities and can feed into the AEO Program	Medium	Medium

Proposed Air Logistics Exchange

#	Cross-Border Exchange / Business Processes	Priority Consideration			
		Value	Dependencies/ Prerequisites	Legal Constraints	IT
8.	Commercial Invoice, Packing List, Air Waybill from exporter to importer and importer, forwarder in support of IATA e-Freight	High	A requirement before submission of import declaration	Medium	Medium
9.	Transport Document (house air waybill, master) - house bill submitted by forwarder, master bill by carrier prior to / at point of departure, shared with Import Customs and Agencies, (and optionally with Import Forwarder and Shipping Agent), to provide proof of carriage, accurate details.	High, provided it is timely	A requirement before submission of import declaration	Medium	Medium
10	Loading Confirmation submitted by air cargo terminal to Export Customs, with Import Customs and OGA to advise consignment loaded	Medium	A requirement before submission of import declaration	Difficult	Simple

Thank you



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