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# SmartLessons

*real experiences, real development*

## Integrating Risk-Based Principles into Border Inspections and Clearance in Zambia

*Led by the Ministry of Commerce, Trade and Industry, Zambia undertook a trade-facilitation needs assessment of its alignment with the articles of the World Trade Organization Trade Facilitation Agreement (WTO TFA) in January 2015. The assessment resulted in identification of gaps and recommendations for addressing them. This led to Zambia ratifying the WTO TFA on December 15, 2015. This SmartLesson describes the process of setting up a plan for risk-based border inspections at the Zambia Bureau of Standards, and it shares some lessons we learned.*

### BACKGROUND

Zambia's private sector is constrained by trade logistics (*Doing Business 2017* score of 161 out of 183), which is largely attributable to burdensome document assembly processes, inadequate border agency coordination, and low use of risk management protocols and automation. As a result, businesses hold larger inventory with potentially higher losses and damages, tie up precious working capital, and need to service the debt on high-interest loans, thus constraining their access to international markets.

Since June 2015, the Zambia Revenue Authority (ZRA) has implemented a system of risk management with ASYCUDA<sup>1</sup> World (e-custom system), which is used to determine whether consignments are processed through the red, yellow, blue, or green channel. (See Table 1.) The channel selected results in different levels of intervention. For the period June–August 2015, the application of risk management resulted at least 59 percent of cargo passing through the green channel for clearance.

Although the system outcomes appear to allow a high level of facilitation,

Table 1: Percentage of Consignment through the Selected Channel

- **Green (Minimal Intervention) – 59%**
- **Blue (PostRelease Audit) – 5%**
- **Yellow (Review Documents) – 19%**
- **Red (Physical Inspection) – 18%**

<sup>1</sup> ASYCUDA = Automated SYstem for CUstoms DAta. The Automated System for Customs Data is a computerized system designed by the United Nations Conference on Trade and Development to administer a country's customs.

tion by ZRA, the system currently has limitations, specifically that consignments processed through the green channel for “cleared” goods are subject to further scrutiny by the customs “surveyor” at each clearance point. The surveyor can re-route the shipment to yellow or red, depending on this assessment, and that leads to additional checks, resulting in delays and increased costs to the importer. The rationale for this approach was the perception that the current risk profiles that determine the routing of cargo were not well developed and did not properly route all high-risk cargo. No data were available on the final intervention level for consignments following the reassessment by the surveyor.

Article 7.4 of the WTO TFA requires that all border agencies apply risk management to customs control in connection with import, export, and transit of goods. Each WTO member must use selectivity criteria to concentrate on high-risk consignments that will expedite the release of low-risk goods.

Since 2015, ZRA has had a risk-analysis unit to develop and manage the risk profiles. But the unit is inadequately resourced, and less than 60 percent of positions were filled at the time of the World Bank Group mission in June 2015. ZRA acknowledges that the resources are insufficient to continually assess and update profiles.

At other border control agencies, the lack of risk management is related somewhat to the “silo” focus of the control staff present and to the fact that the problems are not limited to the set of border stations. For example, some agencies check cargo at inland road-blocks to complement border operations. With increasing trade, it is not likely that the sole focus on geographic control points and border crossings is sustainable. Also, some control agencies are

charged with monitoring the domestic market. To them, surveillance rather than inspection at borders is the starting point for a control strategy. Zambian border agencies need to embrace modern approaches to control, with a focus on risk management (at both the agency and inter-agency levels), post clearance, trader profiling, and market monitoring.

For example, Zambia Bureau of Standards (ZABS) has introduced a simple pre-application for imports, which represents a step in this direction. A report by IFC in 2013 highlighted the issues involved in the identification and targeting of risks by ZABS, together with issues related to the provision of focused risk management information using the internationally accepted Harmonized Tariff Schedule 6-digit code by ZABS to ZRA for inclusion within ASYCUDA. Regular reviews of the continued accuracy of risk assessment, taking into account the results of inspections and general compliance levels of individual importers, also remain key aspects of enhancing the ZABS risk management approach to the levels required by the TFA. These activities, together with the enhanced deployment of resources into the development of risk management within ZABS, as well as the creation of increased and more structured opportunities for collaboration (including the sharing of risk-assessment skills and experience between ZRA and ZABS), would contribute significantly to alignment with the TFA requirements in this area.



An inspection shed in Chirundu, Zambia. (Photo by World Bank staff)

The impact of these changes on the clearance of goods should improve the opportunities for the ZABS inspection body to develop additional capacity for risk management and greater operational coordination and cooperation with ZRA. The assessment identified the following gaps:

- Human resource allocation to risk management within ZRA
- Properly trained risk analysts in ZRA
- Capacity for risk management within ZABS
- Structured coordination and collaboration between ZRA and ZABS risk management teams
- Absence of risk management capacity within other agencies

## **LESSONS LEARNED**

***Lesson 1: It is important to build the capacity of clients—not only to enhance their understanding but also to ensure client buy-in and cooperation in program delivery.***

The initial action was to provide ZRA and ZABS staff with a comprehensive risk management workshop to identify a risk-based approach and explain how it is used to ensure that ZABS standards will be enforced and trade will be facilitated. Use of risk assessment, profiling, and the ASYCUDA World selectivity system helps ensure that high-risk shipments will be appropriately dealt with and low-risk shipments will be expedited.

Once ZABS and Customs staff understood risk management principles, the program was formally established with the drafting of an interagency agreement and a risk management policy, creation of a risk management unit, and development of a risk management and analysis system. This was a critical step in establishing the foundation for the stakeholders to understand the process and to appreciate the benefits of a risk-based approach.

***Lesson 2: A memorandum of understanding (MoU) is a key element in formally establishing interagency cooperation.***

From a legal standpoint, an interagency agreement must establish the ground rules for how ZABS and Customs will interact and exchange trade data and import and export declarations. We provided MoUs from other countries as a guide for drafting the interagency agreement that sets out the cooperative framework, funding, clearance of imported goods, dispute resolution, exchange and use of trade information, and so on. ZABS and ZRA received operational and technical guidance for drafting the MoU and getting it signed.

***Lesson 3: Introduce best practice in standard operating procedures (SOPs).***

A key outcome of the risk management workshop was the identification of a risk management model for ZABS to use. The model establishes the appropriate risk management process necessary to serve as the foundation for implementing a long-term sustainable program. The SOP or policy document identifies the steps, processes, and documentation required to fully implement the ZABS risk management program. It includes a standard risk profile, establishment of a risk management committee, development of a risk analytical system, and creation of a risk management unit. The SOP serves as ZABS risk policy and procedures for all of the staff to follow, and it ensures continuity and consistency in dealing with Zambia's risks.

By adopting a risk-based program and implementing an SOP, ZABS will follow international best practices. This will ensure the validation and enforcement of Zambian standards and the facilitation of trade, with a reduction of costs and time to the trade community. The anticipated result is physical inspections that focus more on high-risk importations and that expedite processing for compliant (less risky) importers.

## CONCLUSION

Within ASYCUDA, ZRA inputs data on all products that have been identified to it as being of interest to other border agencies, and the products are automatically assigned to the yellow channel. Application of risk management in these agencies is very limited because of lack of an efficient electronic system, capacity, and ready availability of information on noncompliance. The amount of risk management undertaken by other agencies needs to be expanded. The target for Phase 1 of the Risk Management implementation (by March 2017) will be five government ministries, of which ZRA and ZABS have already taken place. Phase 2 will be the 11 other government ministries. This will drastically reduce the time spent inspecting and clearing goods at the border

The implementation of the MoU between ZRA and ZABS will automate

the processing of import and declarations to facilitate trade, ensure health and safety measures, and reduce costs to all parties involved. Also, a foundation has been established for ZABS to implement and roll out a risk management system, which was made possible by providing a comprehensive risk management workshop with live examples of health and safety risks and how to identify them for appropriate action.

Capacity building at ZRA and ZABS was key in ensuring that the client has a better understanding of what circumstances constitute “risk,” to ensure rapid clearance of goods at the border. Also, the development of a risk management analytical system at ZABS—to analyze, review, and record ZABS-enforced risks—has added value by reducing the inspection rate at the border



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