



## **RISK-ASSESSMENT SOFTWARE FOR CUSTOMS IN LATIN AMERICA**

The Global Express Association (GEA) is cooperating with the World Bank to provide Customs offices in a number of Latin American countries with software that would allow them to carry out risk assessment on inbound shipments prior to their arrival.

The Global Express Association represents the four major global express delivery service companies: DHL Express, FedEx express, TNT Express, and UPS.

Modern border management procedures reduce the cost of international trade for a country. The economic benefits from reduced clearance times have been estimated by the World Bank at 0.5 percent of cargo value for each day by which clearance time is reduced.

Express delivery companies convey 30 million shipments daily. These are typically high-value, time-sensitive items – electronic components, spare auto parts, or pharmaceutical products, to name a few. Speedy passage of the border is key for their clients. This depends on Customs' ability to:

- Process shipment information electronically ahead of arrival
- Select specific shipments based on risk parameters
- Release goods immediately on arrival, where no further inspection is required
- Separate the goods' release from the clearance of duties
- Exempt low-value shipments from duties and taxes under a *de minimis* regime.

The express delivery supply chain is highly automated and relies heavily on modern information and telecommunications technology. Each shipment is identified by a singular bar-code linked to electronic records that contain the necessary information for conveyance, delivery and a speedy treatment at the border.

In many countries, Customs and other border agencies are not always equipped with the tools to receive, process and analyse this information.

One of GEA's members has developed software that would allow customs to do exactly that. In particular, it would allow Customs to independently determine the parameters for assessing the level of risk that each shipment may present, and do so before it arrives. Customs would thus earmark specific shipments for further inspection, and release (before their arrival) those that it has identified as posing no or low risk.

This would have several benefits. For one, Customs would make its decisions on objective criteria, thus adding transparency to its procedures. More importantly, more shipments could be dealt with more quickly at the border, thus reducing trade costs. In a globalised economy, where exporters need to reach target markets fast and just-in-time manufacturers coordinate production centres in multiple countries, this only adds to a country's overall competitiveness. Customs could also benefit



doubly from being able to redeploy staff to other areas of its operations and from higher revenue from increased volumes.

This risk-assessment software is provided to Customs for free on behalf of the Association, in the framework of a public-private partnership.

Over the last two years, the Global Express Association has presented the software to the following Customs administrations:

- Colombia
- Mexico
- Honduras
- El Salvador
- Panama
- Uruguay

The presentation has included, in some cases, live tests at a limited scale. Generally, all Customs administrations contacted by the Association have expressed interest in the product but to date no country has successfully implemented the project. One country has retained a consultant to define the risk parameters it wants to programme into the system.

The Global Express Association is convinced that the deployment of such automated risk assessment software will be beneficial to these countries' trade volumes and to their economies as a whole. It intends to draw lessons from the experiences conducted so far and pursue its cooperation with the Bank and with the various national administrations involved in the project.

One of the shapes this cooperation could take, once the system becomes operational in one of the countries, would be the measurement of volumes of shipments and of 'customs holds', before and after the implementation. This would provide an objective measure of increased effectiveness brought about by the introduction of modern customs management procedures.