



Economic Premise

APRIL 2012 • Number 78

Collaborative Border Management: A New Approach to an Old Problem

Gerard McLinden

*Border clearance processes are among the most problematic links in the global supply chain and frequently undermine national competitiveness by increasing the cost of exports and reducing reliability of supply. As a result, securing meaningful reform of border management procedures has become an important issue for the development community. However, it remains an area where little effective guidance is available to reformers and development professionals. A recent publication released by the International Trade Department of the World Bank was developed in response to this need. The *Border Management Modernization Handbook* (World Bank 2011) outlines a new and more comprehensive reform and modernization agenda based on the concept of collaborative border management (CBM). The CBM concept shifts the focus beyond the traditional customs-specific trade facilitation agenda to a new and more comprehensive “whole-of-government” approach to reform that relies less on institution-specific reform and more on a wider trade supply chain–focused approach designed to tackle the major barriers traders face when navigating the frequently complex and opaque regulatory requirements that governments impose on international trade.*

Border clearance processes are among the most important and problematic links in the global supply chain. According to Doing Business data,¹ it takes three times as many days, nearly twice as many documents, and six times as many signatures to import goods in poor countries than it does in rich ones. Delays and high transaction costs at the border undermine a country’s competitiveness by increasing the cost of exports and reducing reliability of supply. Therefore, trade facilitation reform that improves border management procedures has become an important development issue, as shown by the increased levels of investment in trade facilitation reform by governments and the development community alike.

However, despite widespread recognition of the need to improve border management regimes, it remains an area where

little effective guidance is available to reformers and development professionals. Answers to key questions such as how to identify main reform priorities, where to start, what to do, how to secure genuine political commitment, what institutional structures are most appropriate, and how to best mobilize and support constituencies for change remain at best only partially answered.

A recent publication released by the International Trade Department of the World Bank was developed in response to these needs. The *Border Management Modernization Handbook* (World Bank 2011) is designed to provide practical advice to development professionals, national policy makers, and government officials who are not themselves border management experts, but are often charged with implementing trade facilita-

tion-related reform programs. The handbook outlines a new and more comprehensive reform agenda based on the concept of collaborative border management (CBM). The CBM concept shifts the focus beyond the traditional customs-specific trade facilitation agenda that has been supported by the development community for many years to a new and more comprehensive approach to reform focused on securing major trade facilitation gains for developing countries. The model relies less on an institution-specific reform agenda and more on a trade supply chain-focused approach designed to tackle the major barriers traders face when navigating the frequently complex and opaque regulatory requirements that governments impose on international trade.

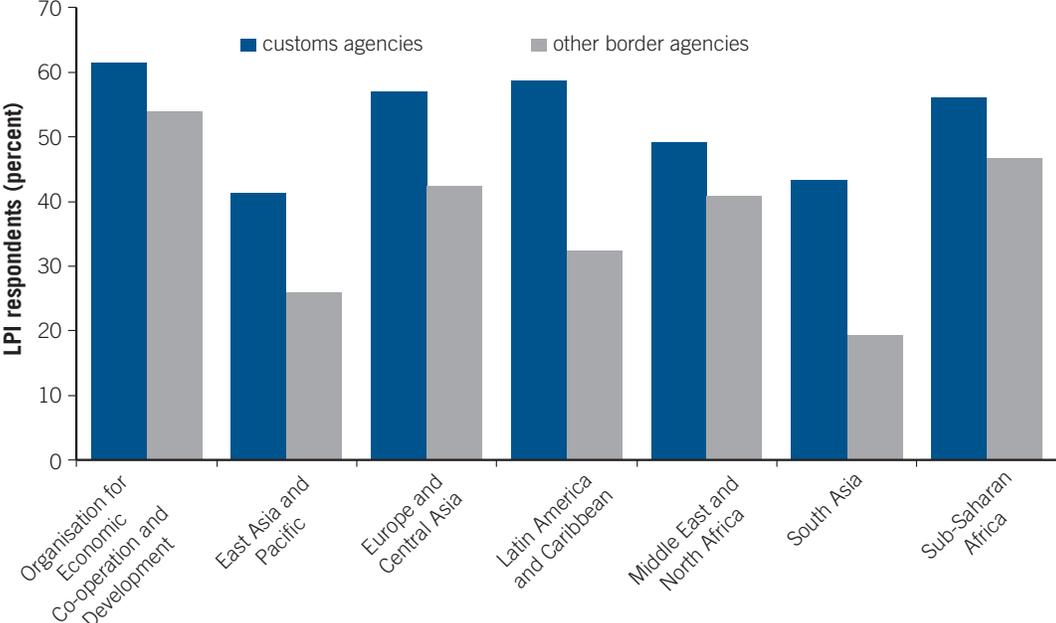
While the impact of poorly functioning border management procedures on national competitiveness is well understood, the fact remains that customs and other border management agencies in many countries have frequently paid lip service to the trade facilitation agenda. As a result, implementing meaningful change in the control focus that has dominated the culture of border management institutions for literally thousands of years is not an easy task, but effective implementation of the CBM model has shown that government agencies can actually improve regulatory control while at the same time delivering trade facilitation dividends for the trading community. Strong evidence is now available to prove that the apparently contradictory objectives of facilitation and control are in fact two sides of the same coin, and both can be accomplished through well-designed and effectively implemented reform and modernization programs.

Border Management Reform Goes Far Beyond Customs Modernization

While improving the performance of customs remains a high priority for many countries, and it is certainly an unfinished agenda for the development community, it is only one of the many agencies involved in border processing, and there is now strong evidence to demonstrate that it is often responsible for no more than one-third of regulatory delays. For example, in many cases, logistics professionals have a higher level of satisfaction with customs than with other border government agencies. Data from logistics performance indicators (LPI) suggest that logistics professionals across the world rate their level of satisfaction with customs much higher than that of other border management agencies (figure 1; World Bank 2010). This highlights the need to focus attention on reforming and modernizing the systems and procedures employed by border management agencies other than customs, including health, agriculture, quarantine, police, immigration, standards, and myriad other organizations involved in regulating trade flows.

While criticism of border clearance delays and high costs is frequently directed at customs officials, the fact is that it is not uncommon for over 30 different government agencies to play a role in the processing and clearance of goods. Recent experience sheds some light on the scale of the problem and suggests that clearance times are largely determined by the performance of the weakest link in the border processing chain. It matters little if customs declarations can be submitted and processed electronically if a raft of documents still needs to be taken by hand to other agencies, then examined and approved before

Figure 1. Customs Often Performs Better Than Other Government Agencies Regulating Trade (since 2005)



Source: World Bank 2010.

customs can release the goods. Indeed, the United Nations Conference on Trade and Development (UNCTAD) has estimated that: “A single trade transaction may easily involve 30 parties, 40 documents, 200 data elements, and require re-coding of 60–70 percent of all data at least once.” Achieving meaningful trade facilitation gains therefore requires comprehensive “whole-of-border” reform initiatives and effective cooperation, information sharing, and genuine collaboration among all border management agencies.

Understanding the problem and doing something meaningful about it are quite different matters. Most efforts from the development community are still heavily focused on customs reform or building trade infrastructure; little effective support has been directed at improving the performance of other border agencies. Moreover, noncustoms agencies typically lack the internationally agreed on reform instruments and blueprints that have guided much of the customs reform agenda over the past few decades. In part, this is because noncustoms agencies have no equivalent to the World Customs Organization, which has provided a focal point for modernization of customs authorities throughout the world. In addition, little analysis has been conducted on the political economy issues and complex interagency dynamics that impact on achieving meaningful results in this important area of public sector reform. In effect, these agencies have largely continued to perform their many regulatory functions in much the same way as they have for years, and have not embraced automation nor the selective risk-based approaches to managing regulatory compliance used by customs agencies. The development community has only recently realized the negative impacts of the sometimes hundreds of nontariff barriers administered by these noncustoms border agencies.

Toward a New Border Management Paradigm

Partially because of the cross-country comparison data now available, many developing countries are recognizing the need to improve their border management performance and are keenly interested in working to harmonize, streamline, and simplify border management systems and procedures across all border agencies, not just customs. This has led to a range of new and innovative approaches such as the establishment of National Single Window systems, which allow traders to submit all import, export, and transit information required by regulatory agencies via a single electronic gateway, instead of submitting essentially the same information numerous times to different government entities, including some that are automated and others that still rely heavily on paper. Indeed, in recent times, requests for support for trade facilitation initiatives from developing countries overwhelmingly mention the desire to establish National Single Window regimes.

While such initiatives offer real promise of delivering genuine benefits to both the trading community and governments, the degree of complexity associated with their effective implementation has often been underestimated. To put it simply, establishing a National Single Window is not a simple “plug and play” activity, nor is it possible to simply replicate what has worked in one country in another country with quite different capabilities, resources, and institutional problems. Development professionals recognize how difficult achieving institutional reform can be even when only one government agency is involved, but the risks and challenges are multiplied exponentially when many agencies are involved. The same is true for cross-border initiatives such as the establishment of One Stop Border Posts, which involve achieving procedural harmonization and full integration between two or more countries. As a result, and far too often, extremely ambitious modernization programs are initiated and heavily supported by the development community without first meeting the necessary preconditions for success. One of the most important preconditions is a practical vision described in clear and practical terms that is owned and fully supported by all stakeholders.

Such a vision should not be a long and elaborate dissertation, but rather a short and focused description of the goal that reformers are working to achieve. Box 1 contains an example of a short but clear vision for border management that was developed by a reform team as part of the preparation process for a trade facilitation project. The team developing the vision consisted of officials from all key border management agencies as well as members of the trading community.

While this all sounds like common sense, experience suggests ambitious reform programs are frequently launched without first developing a clear vision for the future. Rather, reform programs frequently simply list or describe the activities that will be financed based on a poorly articulated series of broad trade facilitation objectives. Evidence from around the world definitively shows that it is critical to first develop a clear and unambiguous reform vision, which should be supported by realistic development objectives based on a pragmatic assessment of implementation capacities and practical analysis of challenges reformers will almost certainly face. The challenges reformers typically encounter include:

- Frequent changes in political and administrative leadership
- Rivalries between government agencies based on competition for resources and influence
- Inadequate incentives for officials to buy in to the reform agenda
- Insufficient physical, technical, and financial resources
- Lack of experience in project management and procurement

Box 1. Border Management Vision Example

By the end of the project, the border management environment will be characterized by:

- A paperless trading environment in which 90–100 percent of documentary requirements and approvals are transmitted to regulatory agencies electronically and where relevant government agencies share information and rationalize processes to eliminate duplication and overlapping mandates. The system should be compliant with all regional and internationally agreed upon standards.
- A clear, concise, and transparent legal framework in which traders know their rights and obligations and are able to challenge decisions through recourse to appropriate administrative and legal agencies.
- A Single Window approach to allow traders to discharge all regulatory requirements through one central point of contact.
- Adoption of a comprehensive risk-management and compliance-improvement philosophy leading to more focused targeting of high-risk shipments and a radically reduced need for intrusive and time-consuming routine physical verification of cargo.
- Close cooperation and genuine partnership between government agencies and the private sector.
- One World Trade Organization (WTO)–compliant service fee to replace the current range of fees and charges demanded by regulatory authorities.
- Organizational structures and human resource management approaches designed to ensure officials are well trained, appropriately remunerated, and well regarded by the general public.

Source: Author's compilation.

- Resistance to change because of elimination of opportunities to obtain unofficial fees
- Outdated and inadequate organizational structures
- Finally, and importantly, insufficient public awareness and commitment to support the long-term effort needed to achieve meaningful reform.

Careful analysis of these challenges may result in some lowering of the initial level of ambition or a more realistic implementation schedule, but it is also more likely to yield better long-term results and be viewed as credible by stakeholders. Likewise, careful analysis will likely lead to a stronger focus on ensuring an appropriate enabling environment exists before launching into a major reform project.

Building an effective and convincing business case for reform is a good starting place, and, if prepared carefully, it can be a catalyst for much of the supporting work needed to launch an effective border management reform program. An effective business case will identify key stakeholders and their respective interests and will frame the costs and benefits in terms that closely correspond to the needs of all key stakeholders. It will

also include a robust cost-benefit analysis that will help convince decision makers that the merits of the comprehensive reform program are worth the costs. Using a range of hard and soft data focusing particularly on regional comparisons will go a long way to demonstrating that the need for reform is pressing, and that a comprehensive reform and modernization program is not a zero sum game, but a genuine win-win situation for all key stakeholders.

As with many contemporary reform and modernization programs, technology provides the foundation for many of the initiatives that underpin the collaborative model, but these need to be designed and/or procured to meet the individual needs, capabilities, and circumstances facing particular countries. Well-designed information and communications technology (ICT) solutions can play a major role in changing the strong silo culture that dominates many border management agencies. In effect, the intelligent use of ICT can facilitate cooperation among different agencies so that they can implement their collective government mandates while at the same time protect their individual mandates, administrative power, political status, and resource allocations. Moreover, the collaborative model doesn't require forced organizational change—which invariably creates significant interagency conflict and strong resistance—but instead relies on the creation of an overarching vision and a governance organization charged with ensuring that all stakeholders are working together to achieve the agreed vision and that all involved are accountable for their individual and collective efforts.

However, while technology can facilitate adoption of a CBM approach, it cannot be a substitute for the hard work that is needed to achieve major improvements in key processes and procedures. This requires careful analysis of existing business practices and information requirements across agencies and a genuine desire to work together to make it easier for compliant traders to meet their regulatory requirements. Without these improvements, there is a strong risk that old ways of doing business will simply be transferred into the new automated environment. This is especially the case in noncustoms agencies that typically don't manage regulatory compliance using contemporary risk-based approaches. Reformers need to complement investments in technology with sufficient technical assistance to ensure that the technology leads to the use of modern approaches. Indeed, recent work on the impact of nontariff barriers suggests that many of the license and permit requirements imposed by different countries serve few legitimate policy objectives, and even when they do, they could be managed in a far less trade-restrictive manner if modern approaches to managing compliance were better understood and carefully implemented. These are the same kinds of approaches that customs agencies have been progressively, but sometimes reluctantly, implementing for the last two decades. While the new CBM agenda offers significant potential for improving trade

facilitation outcomes for developing countries, it is neither a simple nor risk-free approach, and development professionals need to recognize the enormous challenges involved and factor these into project design.

Overcoming these challenges will require a stronger focus on developing broad-based commitment during project design, greater attention to identifying the individual accountabilities and goals of all participating agencies, longer timeframes for implementation, and a good deal more face-to-face support during implementation. For development professionals, face-to-face support presents a real challenge, because tight preparation and supervision budgets rarely finance the intensive hands-on approach required. However, involving development professionals at critical times can frequently help keep reform projects on track and help overcome entrenched interests that oppose reform. Careful analysis of likely risks and clear identification of project milestones and performance metrics can help identify challenges and establish appropriate design and supervision programs and budgets.

Where to Start

Not surprisingly, the CBM model depends principally on one key ingredient: collaboration. It makes sense therefore to start with activities designed to build trust and understanding between participating agencies. Designing a practical interagency framework and supporting administrative infrastructure to encourage and facilitate interagency collaboration is a useful starting point. But experience shows this is easier said than done: many attempts have been made throughout the world to establish trade facilitation committees, often supported by the development community, but the record is patchy at best. Few have achieved their initial objectives and even fewer have proved to be sustainable in the medium to long term. There are many reasons for this failure, but in most cases it comes down to three key issues: (i) lack of a clear government mandate backed by genuine political commitment; (ii) lack of a clear series of actionable tasks assigned to the committee and inadequate monitoring to ensure they are completed; and (iii) lack of human and financial resources necessary to achieve goals.

In practice, such committees are often given extremely vague terms of reference and/or are tasked with implementing a broad range of new initiatives without the additional resources required. Indeed, given the fact that such committees are typically staffed by civil servants who owe their principal allegiance to their own ministries and agencies rather than the national development objectives of the committee, it is essential that certain prerequisites are in place to support the formation and operation of such a committee. These include:

- A clear and unambiguous mandate from government to realize the its trade facilitation reform vision.

- An agreed lead agency (or agencies) tasked with establishing and supporting the committee and for achieving and reporting results.
- A robust means of ensuring adequate participation of all key stakeholders.
- An agreed administration and governance model that supports a strong and effective committee secretariat.
- Clearly defined roles, responsibilities, obligations, and, most importantly, accountabilities for all participating parties.
- An appropriate budget.
- Dispute resolution mechanisms.
- An agreed and specific work program developed from a realistic analysis of needs, key priorities, and implementation capacities.

A Practical Example of Collaboration

Despite the challenges involved, practical examples now exist throughout the world that demonstrate the extent of border reforms possible, even in relatively difficult environments without a strong historical culture of interagency cooperation in the trade area. Lao People's Democratic Republic provides one example of what can be achieved when government commits to a program and establishes the necessary enabling framework. With support provided by the development community, the government of Lao PDR used a collective approach to improving its border management system.

The government of Lao PDR developed and fully supported the National Trade Facilitation Strategy and established a National Trade Facilitation Secretariat to provide an institutional framework to support implementation. The secretariat is led by the Vice Minister, Ministry of Industry and Commerce, has a small permanent staff, and reports directly to the National Steering Committee for Economic Integration (NSCEI), headed by the deputy prime minister. The National Trade Facilitation Strategy has a vision and assigns clear roles, responsibilities, and obligations to all participating agencies. This framework facilitates coordination between all agencies, helps the government better align various trade facilitation-related initiatives, and provides a focal point for support from the development community.

As a result of the priority assigned to trade facilitation by government and the collective approach it has established to prioritize and guide reforms efforts, trade facilitation reforms feature strongly in the World Bank's Lao PDR development policy lending operations. In addition, the Bank is already financing a customs and trade facilitation project and is beginning preparatory work in support of the government's program to establish a National Single Window. Moreover, several of Lao PDR's development partners have utilized a multi-donor-financed trade development support facility managed by the

Bank to prepare a trade information portal that allows traders to access all relevant trade rules, regulations, procedures, fee schedules, forms, and so forth from all border management agencies through a single user-friendly Web site.

Conclusion

Governments, particularly in the developing world, face many challenges and intense competition for limited resources. Priorities have to be established and hard decisions made on where limited resources can best be spent. Gaining genuine commitment for border management reform therefore presents a significant challenge. To secure the necessary level of political and administrative support to embark on a major reform and modernization program, a well-devised and carefully argued business case, including a sound vision and a robust cost-benefit analysis, must be prepared and effectively sold to key stakeholders. The business case needs to be convincing and demonstrate that allocating resources and energy to border management reform represents a genuine “investment” rather than merely a “cost.” Fortunately, the CBM model outlined in this note provides a comprehensive approach to tackling the issue, and while it is certainly more complex than the traditional customs-centric reform model pursued by the development community for decades, it offers the potential to significantly enhance trade

facilitation outcomes for developing countries. The World Bank’s (2011) *Border Management Modernization Handbook* provides practical advice to development professionals, national policy makers, and government officials on how to effectively design and implement the CBM model to deliver win-win results for all.

About the Author

Gerard McLinden is a *Senior Trade Facilitation Specialist* in the *World Bank’s International Trade Department*. He is also the *Convener* of the Bank’s *Customs and Border Management Practice Group* and a member of the technical team supporting the *Trade Facilitation and Logistics Global Expert Team (GET-TFL)*.

Note

1. See <http://www.doingbusiness.org/data>.

References

- McLinden, G., E. Fanta, D. Widdowson, and T. Doyle. 2011. *Border Management Modernization Handbook*. Washington, DC: World Bank. <http://issuu.com/world.bank.publications/docs/9780821385968>.
- World Bank. 2010. *Connecting to Compete: Trade Logistics in the Global Economy*. Washington, DC.

The *Economic Premise* note series is intended to summarize good practices and key policy findings on topics related to economic policy. They are produced by the Poverty Reduction and Economic Management (PREM) Network Vice-Presidency of the World Bank. The views expressed here are those of the authors and do not necessarily reflect those of the World Bank. The notes are available at: www.worldbank.org/economicpremise.