

AID-FOR-TRADE: CASE STORY

MONTSERRAT

Montserrat: EC Funded Project on ASYCUDA World

Date of submission: 26 January 2011

Region: Caribbean

Country: Montserrat

Type: Project

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EXECUTIVE SUMMARY

In December 2010, Montserrat successfully migrated to UNCTAD's latest version of the Automated System for Customs Data (ASYCUDA) - ASYCUDA World (AW), as part of a project with three U.K. Caribbean Overseas Territories (UKCOTS) namely: Anguilla, Montserrat and Turks and Caicos Islands through a Multi-Country Programme signed in June 2008.

Montserrat is still in the pilot season of the launch of ASYCUDA World after taking account of risk management issues arising on the eve of the launch of the system. This project is being financed by the European Community and is being implemented by UNCTAD utilizing consultancy support primarily from St Lucia. It aims primarily at achieving sustainable economic development and integration into regional and world economies and expanding modernization of the territories Customs Administrations by upgrading their computerized systems with the aim of improving efficiency and effectiveness on controlling legitimate trade.

ISSUES ADDRESSED

The upgrade at the Customs and Excise Department to the ASYCUDA World web-based trade support administration, database and management. The system for online submission by importers, which will principally expedite customs clearance of goods and improve revenue collection, was provisionally launched on 1st October 2010 and became formally operational in December 2010.

OBJECTIVES PURSUED

The ASYCUDA World, financed with donor resources for three Caribbean countries to the tune of 169,900 Euros, will result in:

- a. A modernized Customs Department consistent with regional and international best practice;

- b. Promote integration into regional and world economies;
- c. Improve the operational capability of the Customs Administration;
- d. Improve revenue collection and transparency in customs operations;
- e. Reduce operating/transaction costs incurred by the private sector.

DESIGN AND IMPLEMENTATION

Asycuda world is a complete system and the design for Montserrat involved mainly the population of the databases with local data, ensuring suitable accommodation and technical requirements were met, provision of equipment and training. Implementation was inline and on schedule with the UNCTAD program as revised following natural disaster interference.

PROBLEMS ENCOUNTERED

The project stalled in early 2009 and UNCTAD and the territories could not proceed with the original project work plan due to various constraints faced by the territories including financial challenges and budgetary limitations caused mainly by the impact of natural disasters in the case of Montserrat. Late in November 2009 however, all beneficiary countries sought approval, committed funding and begun procurement of the required equipment.

The European Commission granted approval in extending the operational implementation phase to December 2010 after it was determined that due to the renewed and demonstrated commitment by the participating countries, it was possible to shorten the period of execution of the financing agreement, in order to allow beneficiary territories to achieve the objectives set out in the project.

FACTORS FOR SUCCESS / FAILURE

There is no easy way of achieving change. It is always difficult and sometimes acrimonious period in the development of new systems and methods of working. It requires the commitment and skills of senior staff to win over to the new regime staff who have been brought up in the historical traditions of customs services. This was achieved with not only staff but Government and the public brought on board.

Training needs have to be recognized and addressed in functional and cost terms as early as possible, so that the program can be put in place and completed in Tandem with the timetable for the implementation. This was achieved thanks to the dedication of the project manager and invaluable support from UNCTAD.

Staff and the trade and public being trained during the implementation phase, led to a smooth transition to the system

The appointment of a Project leader was imperative in ensuring success of the implementation of ASYCUDA world. Without a dedicated person the project could not have progressed with the speed and efficiency that it has. However the appointment of a second person to cover for absence and provide dedicated backup has left one individual heavily burdened and this situation has to be addressed urgently.

The project was able to be progressed with the support of the local government IT department and the assistance of expertise from UNCTAD. However the lack of allocating a dedicated resource within the Montserrat Customs and Revenue Service from the beginning has led to the project Manager and officers in government being put under enormous strain, having to work excessive hours in order to maintain and keep the system running.

The need for Risk Management within Customs was not new, but its urgency arose in lieu of the launch of ASYCUDA World. While the introduction of ASYCUDA World would improve the speed of clearance through Customs because of automated management control of manifest and warehouse inventory with on-line approval as a desired outcome, there would need to be post analysis and reporting of each submission. This

will allow for checking the validity of importer inputs and to discover incidents of revenue avoidance, revenue mis-direction and at the worst end of the spectrum, cases of fraud. The system must also be kept under surveillance in the most unlikely event of a breach, lapses in protocol and to enable general improvements. In effect, the introduction of ASYCUDA World redeployed the checking and validation of entries as a post-clearance activity requiring a separate set of tools and skills in addition to the utilization of the relevant customs regulations to handle post-clearance collections and surcharging of importers where incorrect, inaccurate or misleading data or fraud may result in the potential loss of revenue. This deficit in Montserrat in both human and institutional terms was not sufficiently taken account at the project's design phase.

The appointment of a Risk Manager in a unit to discharge certain duties to balance the efficiency of ASYCUDA with prudent and effective revenue collection was the considered solution. This had extra-budgetary cost implications both for the establishment of the unit and its sustainability. Training will remain an element for future consideration, to improve the efficacy and integrity of the system.

The current capacity needs of the Department therefore arose from:

- a. The absence of this level of support at the Department, a result of the fundamental change in the processing stream and requirements at Customs;
- b. The enhanced role of the department highlighted by the elaboration of the business planning framework, which was now being assessed against enabling legislation and regulations;
- c. The external and domestic pressures which have demanded the operation of ASYCUDA World as an efficient administrative tool for improved revenue protection, capacity building and reporting to support effective oversight;
- d. Increased work arising in the Department stemming from the national Sustainable Development Plan's (SDP) focus on sustained economic growth and the increased demands of transparency and good governance in the increased vigilance of Customs and Excise (C&E) as the first line of revenue collection for the GoM.
- e. The risk management tasks at C&E were however long over-due and will support the transition to the Montserrat Customs and Revenue Service (MCRS) as envisaged, inclusive of ASYCUDA's strong IT and software capabilities.
- f. Failure to take account of the need for a risk manager at the start up or launch of ASYCUDA World could have proved catastrophic if identification, analysis, evaluation and reporting of the risks associated with the change were not regarded as integral to the overall operation of the system.

Risk Management is now accepted as an indispensable human interface element of the operations of ASYCUDA World in Montserrat. The absence of risk management would have made the investment counterproductive, and would render the infrastructure (hardware and software) useless as revenue would be under serious threat. One cannot therefore overemphasize the need for protection and collection by deploying advance risk management systems through innovative solutions, technology, policing and effective enforcement. This can be fostered through training and appreciation of best practices through attachments with counterparts hosting ASYCUDA World. Further investment is envisaged for the most effective use of ASYCUDA World by Montserrat.

RESULTS ACHIEVED

The implementation of the project was successfully achieved in physical terms. The performance of ASYCUDA World against the objectives set down above will be assessed following usage over time.

LESSONS LEARNED

- Require continued support both technical and functional in order for the system to operate effectively;
- In service IT support is vital;
- 24 hrs access this means that the support staff are required to be continually engaged over the time span for greater service delivery;
- Legal framework/Budgetary constraints must be properly addressed at an early stage;
- Interfacing/integration of different I T Systems within government have to be addressed at planning, not after installation;
- The need to identify budgets for the future funding/maintenance and development of the system and licenses;
- Risk management and change management training and facilitation is required from the commencement of the program in order to ensure functionality, revenue control and prevention of fraud;
- Training is required in information handling and sharing.

CONCLUSION

Asycuda World embraces Trade Facilitation which results in direct benefit both to the government and business Community in terms of increased economic efficiency, better security, and expeditious delivery of goods thereby reducing cost. The Risk Management System is based upon international norms and standards. This offers a highly recognized security model based on asymmetric cryptography and Public Key infrastructure (PKI) thereby Strengthening Control in combating malpractice. The Ergonomic user interface is (WYSIWYG). Over time the implementation of Asycuda World in Montserrat should achieve its objectives once there is the relevant training and the necessary enhancement of human resource capacity in Montserrat, including IT capacity, to manage and maintain the system.

ANNEXES / REFERENCES

- i. Obligations of WTO member countries, ex. Revised Kyoto, WCO FOS to secure and facilitate trade.
- ii. Obligations of WTO member countries, ex. Articles v (transit), v11 (Valuation), viii (formalities and fees), x (transparency of trade procedures).