



Russian Federation  
Vice-Chair (Europe Region)  
World Customs Organization  
2017 - 2018



Federal Customs Service

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WCO EUROPE REGION

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Heads of Customs  
Conference

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Sochi  
April 12-13, 2018

**REPORT**  
**WCO EUROPE REGION**  
**HEADS OF CUSTOMS CONFERENCE**  
**SOCHI, RUSSIAN FEDERATION**  
**12 – 13 APRIL 2018**

**OPENING SESSION**

**The Vice-Chair of the WCO Europe Region, First Deputy Head of the Federal Customs Service of Russia, Mr. Ruslan Davydov** opened the Conference, welcoming delegates of Customs administrations of the Region and the WCO Secretariat Representatives in Sochi. He noted that the Europe Region plays active role in the work of the WCO and provides significant input to the promotion of its strategic goals, instruments and standards. Efforts were consistently taken by the Members of the Region to foster the progress of current key priorities of the organization, namely trade facilitation, performance management, security, customs-tax cooperation, e-commerce and combating illicit financial flows, as well as the new emerging issue – review of the Revised Kyoto Convention. He also stressed importance of regional initiatives, particularly the transit compatibility across the whole Europe Region which might enhance trade flows and eliminate administrative barriers. He expressed hope that the Conference will result in solid and balanced decisions on the most important issues of the regional and the global agenda.

The Vice-Chair also delivered an address to the delegates from **the Minister of Finance of the Russian Federation, Mr. Anton Siluanov**. It was emphasized in the Minister's message that today the WCO has become a unique professional platform that provides its Members high-quality expertise in Customs field and allows customs administrations to strengthen their international cooperation. The Russian Government gives a high priority to trade facilitation and regional economic integration, as well as to the issues related to efficient revenue collection, combating illicit financial flows, regulation of e-commerce etc. In that sense WCO activities and expertise were of utmost importance.

**The Secretary General** welcomed the participants and in his opening speech emphasized the five main priorities of the WCO which constitute organization's strategic vision and represent key opportunities and challenges. These were trade facilitation, e-commerce, security, illicit financial flows, Customs-Tax cooperation and performance measurement. He also noted the review of the Revised Kyoto Convention being a possible new priority for the organization.

The floor was given to, **M. Kadyrkulov, Member of the Board (Minister) for Customs Cooperation, Eurasian Economic Commission**, who highlighted the importance of the WCO as a platform that produces key standards in customs sphere. He underlined cooperation between the WCO and the EEC which has been developing in recent years, including such areas as customs legislation, capacity building, development of well-resourced customs and infrastructure. Concerning transit issues, which are included into the agenda of the Conference, M. Kadyrkulov pointed to the provisions of the new Customs Code of the Eurasian Economic Union which correspond to the idea of harmonization of transit procedures between countries, as well as between customs unions across the region. In that regard he supported the initiative on transit compatibility and noted that the Eurasian Economic Commission is in favor of working on it together with other stakeholders. He also mentioned draft WCO Cross-border E-commerce Framework of Standards and Luxor Resolution on E-commerce as a valuable set of principles to be reflected in the EEU legislation.

The floor was also given to a representative of Sochi Administration, who welcomed the delegates and noted that city authorities appreciate that Sochi has been chosen as a venue for the Conference and expressed readiness to make any necessary arrangements that are needed to provide comfortable working environment for the participants.

## **APPROVAL OF THE AGENDA**

The Agenda of the Conference was approved as set out in the Annex I.

## AGENDA ITEM I

### "Transit systems compatibility in the WCO Europe Region"

**The Vice-Chair** gave floor to Mr. Sergey Amelyanovich, first Deputy Head of the Customs Control Department of the FCS of Russia, the Chairman of the Expert group on the compatibility of the transit systems in the WCO Europe Region, which had been established at the previous Conference in 2017 in Vienna.

S. Amelyanovich presented report on key outcomes of the Expert group meetings and its intercessional work (presentation is in the Annex III).

Since the Expert Group had been established at the WCO Europe Region Heads of Customs Conference in Vienna in 2017, its key objective was to provide detailed and profound analysis of the differences between transit systems existing in the WCO Europe, and present proposals on how to bridge these differences between the transit systems and how the compatibility of such systems can be achieved.

The Expert Group held 2 meetings in WCO Head-Quarters in Brussels. A questionnaire on the parameters of the transit systems in the region with about 60 questions was disseminated among the Member Administrations with 18 Administrations providing their answers.

Based on the questionnaire, main "transit groups" in the Europe Region were classified, namely the group of countries applying Convention on a common transit procedure, countries of the Eurasian Economic Union and countries applying separate national transit regimes.

All transit regimes imply that economic operators provide to Customs authorities data sets with information on the transported goods, however, a number of differences between composition of these data sets were identified. The majority of the transit regimes provide simplifications for railway, sea and air transport transit operations.

There were also differences in respect of application process (electronic declarations, paper declarations or combined formats), application of financial guarantees, providing number of simplifications to AEOs, usage of electronic seals etc. Detailed analysis can be found in the Expert Group reports and working papers.

Based on the analysis it was concluded that transit compatibility within the WCO Europe Region may be achieved in principle. (is achievable? )

The Expert Group elaborated main goals of the transit systems compatibility, namely trade facilitation, simplification of cross-border movement of goods, ensuring security of supply chains, enhancing interaction between transit systems

within the WCO Europe Region, ensuring financial interests of the Members of the Region, harmonization of existing procedures and processes.

At the first meeting the Expert Group discussed and approved principles of ensuring transit systems compatibility.

*Principles in the nearest perspective:*

- identification of possible legal frameworks with regard to existing solutions applied by the Members of the WCO Europe Region;
- information exchange based on use of ICT and on the WCO Data Model (considering the different levels of readiness of Members);
- equal access to data by the countries participating in the transit area;
- use of the Internet to share information with due data security arrangements;
- ensuring information security based on approval of participants rights to access data;
- electronic documentation and information exchange based on international standards (including WCO) and use of common international classifiers and codes;
- mutual recognition of seals and stamps;
- ensuring transparency of the transit transportation on the basis of the information exchange;
- step-by-step approach to implementation of transit systems compatibility through pilot projects, starting from the automobile transport;
- ensuring openness for new participants of the transit area.

*Forward looking principles:*

- development of harmonized mechanism of minimizing risks related to transit;
- use of the outcomes of customs control in risk assessment for the security of transit transportation, notwithstanding the possibility of control of goods en route and at the point of destination;
- transit systems compatibility will ensure tracking of goods transportation and used conveyances by applying modern technical equipment (e.g. e-seals);
- developing flexible mechanism of financial guarantees that allow equal participation of countries involved in transit if needed;
- developing mechanism of financial damage recovery for countries participating in transit to preclude from the loss of revenue

- applying principles of multimodality of the transit transportation.

The Expert Group concluded that projects related to transit compatibility should be at first stage implemented on automobile transport and should be based on information exchange between different transit systems.

Implementation of the abovementioned principles might lead to strategic goal - creating of common transit space in the WCO Europe Region. It is necessary to note that a number of members of the Expert Group considered this goal as standing out of mandate of the Expert Group in the sense that it entailed drafting international agreement documents (conventions) which would imply establishment of common transit space. It had been noted by some members that the Expert Group should firstly focus on analysis of existing differences and ways of how they could be bridged.

S. Amelyanovich stressed out that Expert Group could achieve more practical results with a proper level of political support from the governments of the countries of the Region. Such support could be achieved by issuing a Declaration of the WCO Europe Region on compatibility of transit systems. The Expert Group could also prepare a road map with actions aimed at achieving the abovementioned principles and goals.

According to decisions of the first meeting of the Expert Group the FCS of Russia had prepared a draft Declaration and Road map. However, some members of the Expert Group expressed opinion that it is premature to work on such drafts until a relevant mandate was given to the Group by the Heads of Customs Conference.

Concerning the IT aspects of the transit compatibility, the Expert Group proposed that a Subgroup on IT issues should be established.

In conclusion, S. Amelyanovich in his capacity of the Chairman of the Expert Group proposed that the Conference approve the mentioned principles of the transit systems compatibility, and provide guidance on the following issues:

- extension of the mandate of the Expert Group for the next year;
- establishing of an IT Subgroup under its framework;
- clarification of the Group's mandate as regards possible expansion of its mandate to such issues as elaborating strategic goals of the transit systems compatibility in the WCO Europe Region;
- analysis of financial implications of the initiative;
- preparation of draft Declaration and Road Map on ensuring transit systems compatibility.

**The Vice-Chair** thanked the Expert Group and its Chairman for the extensive and illustrative presentation and the progress that had been made during the 2017-2018 period. He also thanked Ms. Bettina Vogl-Lang, Austrian Director of Customs, for active role in the initiative and for being one of its initiators during the Conference in Vienna during the Austria's Vice-Chairmanship in the European Region.

**The European Union** reiterated its continued support for establishing compatible transit systems across the Europe Region, which would positively affect Region's Customs administrations and the trade flows. In this respect the EU supported the work of the Expert Group. It was noted, however, that the work should be done on a step-by-step approach, and sufficient time should be given to address all the questions associated with the establishment of regional compatible transit systems. The work should be continued under the current mandate as there were still a number of issues that the Group hadn't examined, in particular IT aspects of transit compatibility. In that sense the establishment of an IT Subgroup would be a good step. The Expert Group should also examine the financial implications associated with the initiative. The EU was considered it premature to commit to the development of a Declaration or a Convention as proposed by the Vice-Chair, but could support an extension of the duration of the current mandate for the Expert Group. In conclusion, the EU supported extending the duration of the mandate of the Expert Group as well as the establishment of an IT Subgroup that would report to the Expert Group. The delegate of the EU also stressed that the initiative being of a regional nature, it was important to involve as many regional Members as possible.

**The Vice-Chair** supported the idea that more Members should take active role in the work that is being done under the framework of the Expert Group and provide relevant input for the initiative.

**The Chairman of the Expert Group** noted that the proposal on preparing a Declaration and a Road map was aimed at ensuring step by step work, so in fact it would be in **accordance** with the opinion of the EU that the initiative needs to be implemented on a step by step basis. The mentioned documents, if adopted, could ensure that the initiative gain the right level of support by the governments. Speaking of a Declaration it should be noted that it's not supposed to be a legally binding document (convention), but merely a declaration on intentions setting some framework principles.

**Austria** reiterated its willingness to continue promoting the initiative, which was important for all the European Region and also could serve as an example for other WCO regions. The delegate proposed that the Region should wait for the results which would be produced by the IT Subgroup, including some practical

solutions that are possible to implement. It was also mentioned that some pilot projects between the countries that are interested in the initiative could be considered as further steps of the initiative, and the outcomes of such work could provide useful information for the whole Region to decide on future parameters and ways to implement the initiative.

**The Vice-Chair concluded** that the WCO Europe Region welcomed the report of the Chairman of the Expert Group, decided to extend the mandate of the Expert Group, took into account the need to move on a step by step basis with the implementation of the initiative, endorsed the objectives and principles elaborated by the Expert Group, and established an IT Subgroup within the Expert Group.

## **AGENDA ITEM II**

### **"Use of additional languages in the WCO"**

**The Vice-Chair** introduced the topic, recalling that at the 2017 WCO Council summer sessions a Working Group on use of additional languages in the WCO was established. The Group's main objective was to examine possible ways to ensure better inclusiveness by eliminating language barriers in the work of the WCO bodies and Member Administrations. The floor was given to Mr. Maksim Nikitin, Chairman of the Working Group who presented the key outcomes and the progress made.

In his report Chairman of the Working Group noted that language barrier remained one of the key factors that hinder effective implementation of the WCO instruments by the Members and drastically decreases the level of participation of customs administrations in the WCO activities.

The question of the use of additional languages stemmed from the findings of an external auditor in a review of the difficulties Members faced regarding their participation in WCO work, and the suggestion was to consider the wider use of languages such as Arabic, Portuguese, Russian and Spanish. It was also well supported and elaborated through the WCO Finance Committee, Policy Commission and Council sessions.

In line with the Council decision, the Working Group on use of additional languages held its meetings (in November 2017 and March 2018), as well as worked intensively in the inter-sessional period and various possible solution options were considered. The Group identified working bodies and documents that were already translated/interpreted at the expenses of the WCO Member administrations or by external funding.

The Working group confirmed that the first significant step in increasing the level of Members participation (involvement) in the work of the organization, would be the interpretation of the most important meetings of the working bodies of the WCO. The coordinators of the language groups have produced a list of working bodies of the WCO where interpretation was demanded as a priority by the customs administrations of the language groups` countries. During the discussions, the working group had considered the possibility to organize a 2-year pilot project through introduction of interpretation in certain working bodies into Arabic, Portuguese, Spanish and Russian languages.

The figures prepared by the Secretariat demonstrated that expected costs for arranging interpretations in the key WCO meetings during the pilot project would be around 268,720.80 Euro per financial year. The funding is proposed to be allocated from the WCO Reserves.

The abovementioned proposal accompanied by business case (Annex VI) was considered and approved by the Finance Committee at its 101 session (March 26-29, 2018).

In conclusion the Chairman of the Working Group invited the delegations to approve the deliberations of the Working group, support the pilot project funded by the WCO reserves, and support extension of the mandate of Working Group at least until the project is implemented. He also encouraged active participation of the Member Administrations in the abovementioned working bodies so that the language initiative could have greater impact.

**The Vice-Chair** thanked the Chairman of the Working Group, noting that the work done by the Group could serve as a good example of cooperation and thorough analysis of Member`s needs and demands.

**Kazakhstan** supported the deliberations of the Working Group and pointed that the work on introduction of additional languages in the work of the WCO should be further developed, thus enhancing Member`s participation in the WCO activities.

**Spain** noted that having more languages in the WCO will make the organization more inclusive and that it`s a very useful tool to involve technical specialists and foster participation of customs officials in the WCO meetings. The delegate echoed the Vice-Chair`s comments in the sense that the Working Group has shown a good example of how to deal with difficult situations, taking into account regional needs, differences in language priorities as well as financial constraints. The delegate supported the prolongation of the mandate of Working Group and welcomed the approval by the Finance Committee of the pilot project to be financed by the WCO Reserves.



**France** welcomed the extension of the Working Group. The delegate also expressed its opinion that translation from/to French language could have been provided for the participants of the Conference, the French language being one of the official languages of the WCO.

**The Vice-Chair** expressed his regret in (или shared the concerns of the delegate in respect...)respect to the absence of the French translation at the Conference. He also pointed that the work on use on additional languages would in no way affect the usage of the WCO official languages, namely English and French.

**The EU and its Member States** welcomed the work done by the Working Group, including detailed analysis that had been made by its Members. The use of additional languages was recognised as important to facilitate and increase the involvement of Members in the WCO's working bodies of highly technical content and thereby making the work of these bodies more inclusive. In that sense the EU and its Member States fully supported the recommendations of the Working Group and that of the Finance Committee for a 2-year pilot project. The delegate also supported expanding of the mandate and encouraged the Working Group to look into possible solutions for ensuring solid and sustainable financing. She stressed the importance of monitoring the use of these additional languages during the pilot, as this would be an indication for the genuine need for these additional languages.

**The Chairman of the Finance Committee, Mr. William Williamson (United Kingdom)** congratulated the Working Group and its Chairman Mr. Nikitin, thanked for presentation which had been made at the 101<sup>st</sup> Finance Committee session and noted that the Committee felt that the deliberations provided by the Working Group and the exemplary business case were based on a comprehensive analytics and done with practical approach to piloting the initiative over 2 years, so it was an easy decision for the Committee to approve the proposal. He stressed it was a good example of an initiative embracing 4 language groups with many WCO Members and if it is not funded by some means the WCO would lose the benefits. The Chairman of the Finance Committee pointed that the final decision will be taken by the Council and that he hoped that it would be positive.

**Azerbaijan** fully supported the idea of expanding use of languages in the WCO which will enhance the work done within organization's working bodies, forums etc. The delegate underlined that the main point is not merely about languages, but about ideology of inclusiveness. It's not so important what language is used, the most important thing is that all Members fully understand mission and objectives of the WCO projects and activities.

**The Vice-Chair concluded** that the WCO Europe Region welcomed the report of the Chairman of the Working Group on use of additional languages in the WCO, noted explicit support for the recommendations of the Working Group that will be presented to the summer sessions Policy Commission and the Council. He also invited Members to endorse the pilot project during the abovementioned sessions and to use the benefits that the project would bring by sending delegates to the meeting of the WCO Working Bodies that will be provided with translation. The future of the project will depend greatly on the level of involvement of Member Administrations.

### **AGENDA ITEM III**

#### **"Other topical issues discussed in the framework of the WCO"**

##### **E-commerce**

**The Vice-Chair** introduced the topic noting that E-commerce is one of the most important issues that the International Customs Community faces nowadays. He stressed the importance of maintaining the role of the WCO as the leading international institute that sets standards in this new type of trade. He also mentioned that the WCO and its Members are about to come to good results in that regard meaning that the WCO Cross-border E-commerce Framework of Standards is actively developed by the Members and the Secretariat.

The floor was given to **Representative of the FCS of Russia in the Kingdom of Belgium Mr. D. Subochev**, who outlined the main aspects of E-commerce activities in the framework of the WCO.

He recalled that within the WCO a relevant Working Group was created. The Group worked on guiding principles that served a basis for elaborating international standards in cross-border E-commerce. Currently the main focus is on the draft WCO Framework of Standards on Cross-border E-commerce and important discussions were held at the WCO on that document. The customs community is facing a challenge to define how all the processes related to cross-border movement of goods should be administered taking into account the core customs competences. Members have to reach consensus in respect of a whole-range of important issues including application of so-called «de minimis» for imposition of customs duties and/or taxes, status of goods crossing borders under e-commerce operations, procedures for ensuring security and identification. In that regards it was important to elaborate coordinated views and positions including the opportunities that regional conferences provide.

**The EU** and its Member States expressed their support and commitment to the substantial work of the Working Group on E-commerce as well as to the draft Cross-border E-commerce Framework of Standards. She stressed that both the EU and its member States had been actively participating in the development of the Luxor Declaration and the Framework of Standards. As there was still outstanding work, which was unlikely to be completed prior the June Policy Commission and Council a more phased approach might prove necessary. In that regard, the EU and its Member States supported an extension of the mandate of the WCO Working Group on E-commerce till June 2019.

**Norway** informed that during the Working Group on E-commerce session (that was still ongoing by that moment) a proposal to extend the mandate for one year had already been put forward by a Member. He also noted that it should be kept in mind that it's very urgent for the customs community to come up with solutions on E-commerce and giving Members more time for adopting decisions would be a little bit dangerous. The delegate expressed an opinion that the Council should look at least at the outline of the standards in June, while the details could come later.

**The Vice-Chair** reminded that nowadays not only WCO community takes actions towards regulating E-commerce. Global Conference on E-commerce in Beijing held in February 2018 showed how rapidly the E-commerce environment is developing and that many national and international entities attribute high priority to this topic. Therefore there are risks that someone else but not the WCO community will take lead in regulating E-commerce.

**The EU and its Member States** reiterated its willingness to push the work as quickly as possible, but taking into account short timeframe available and the prospect of the June Policy Commission and the Council focusing on the basic principles that had so far been developed. A prolongation of the Working Group's mandate would provide the opportunity to work further on the technical specifications and guidelines.

**The Secretary General K. Mikuriya** noted that taking into account urgency of the matter an ambitious goal had been set that at the Council's session in June some finalized standards would be presented, while technical specifications and other related data could come later on. He also mentioned that the private sector is also very interested in the outcomes of the WCO's work at this area. K. Mikuriya informed that representatives of the WTO and OECD also take part in the work of the WCO Working Group on E-commerce and in that sense more collaborative approach is implemented. He expressed hope that at least some part of the standards would be approved by the Council in June 2018.

Concluding, **the Vice-Chair** noted WCO European Region's strong support for the need to establish standards in the E-commerce area. In that regard balance should be maintained between control and facilitation, taking into account such important aspects as public security, combating illicit trade and efficient and fair revenue collection. He also highlighted Region's support for draft WCO Cross-border E-commerce Framework of Standards and noted the common opinion that these standards should be developed without unnecessary delay.

### **Combating illicit financial flows**

The floor was given to **Head of the Department of Trade Barriers, Currency and Export Control Mr. S. Shklyayev (FCS of Russia)**, who outlined activities that FCS of Russia conduct in the area of combating illicit financial flows (Annex V) and presented a template model of bilateral Agreement on prevention, detection and combating suspicious financial transactions in foreign economic activities (Annex VI).

In his report Mr. Shklyayev noted that nowadays customs services among other governmental agencies are facing challenges related to illicit financial flows often related to money laundering, terrorism financing, tax and customs duties evasion. Large scale of cross-border illicit capital movement calls for international consolidation of efforts in order to prevent laundering of criminal proceeds and terrorism financing.

Russia was an active member of FATF, an organization that set key standards in this area, and FCS of Russia is responsible for implementation FATF's recommendations concerning foreign-trade operations that are often used for money laundering and terrorism financing. In that context inter-agency cooperation became a key factor for struggling efficiently against such illicit transactions. FCS of Russia has established secure channels for information exchange with the Russian Central Bank, which allowed to decrease volume of identified illicit financial operations by 25 times for the past 3 years. There is also a close cooperation with tax authorities, for example, in relation to so-called «fly-by-night companies».

At the same time combating illicit financial flows must be ensured by close international cooperation in this sphere. According to FATF recommendations, national authorities should provide all possible assistance to their foreign counterparts concerning suspicious financial operations. In that respect, there is a

need to establish necessary legal framework for such cooperation, because in many cases the lack of legal arrangements doesn't allow to exchange necessary information.

FCS of Russia has developed a model bilateral Agreement on prevention, detection and combating suspicious financial transactions in foreign economic activities, which is aimed at strengthening cooperation in prevention and combating laundering of criminal proceeds и terrorism financing. Such an agreement can facilitate process of responding to requests made under investigations connected to suspicious foreign-trade operations. The delegate encouraged WCO Europe Region Member administrations to consider conclusion of the mentioned agreement in order to facilitate cooperation between customs services in the context of combating illicit financial flows.

**The Vice-Chair** thanked the delegate for his report and expressed hope that it could be used by the WCO as a good «country-case» and provide some valuable input to the work done by the organization within this priority topic.

**The Secretary General** informed that the WCO has developed Action Plan on fighting against illicit financial flows which was approved by the Council in July 2017. The Plan consists of five elements, each presenting important areas of work. It is supposed that a research on fighting against illicit financial flows will be finalized and presented to the Council in June, and then subsequently communicated to the G20. The second element is aimed at further development of tools and instruments, including preparation of WCO Guidelines on trade misinvoicing. The third area, which corresponds to what was presented by Russia, focuses on enhancing cooperation and coordination among customs administrations as well as other competent authorities, with information exchange being of utmost importance. The WCO approached the FATF, and the goal is to develop Guidelines on cooperation between customs and financial investigation units. The fourth element deals with capacity building, including enhancing legal competences and fostering combat against money laundering by developing relevant capacity of customs personnel. The fifth element is about operational activities related to cash smuggling, money laundering etc.

**The Vice-Chair concluded** that the WCO Europe Region took note of the report on combating illicit financial flows and of the proposal on model agreement presented by Russian Federation, as well as of the information outlined by the Secretary General on cooperation with G20 and other institutions in the mentioned area.

#### **AGENDA ITEM IV**

## **"Report by the Chairs of the Finance and Audit Committees"**

**On behalf of the Chair of the Audit Committee, Mr. Roy Skårslette**, of Norwegian Customs, gave a summary of the twelfth meeting of the Audit Committee (February 2018). He recalled that the main task of the Audit Committee is to oversee that the WCO has a sound environment and executes good governance.

The Audit Committee examined the Draft Operational plan for 2018/2019 which contains 68 Tactical Activities, 88 Key Performance Indicators and 102 deliverables. The Committee's conclusion was that the plan is quite satisfactory as regards the relevant KPIs.

At its session in December 2017, the Policy Commission emphasized the need for more prioritization of the Operational Plan and the Tactical Activities. The view of the Committee was that the method proposed by the Secretariat (to give priority to selected Tactical Activities) be a more practical than giving priorities (like low, medium or high) to all the Tactical Activities. The Committee did not go into the actual prioritization, as that is the responsibility of the Policy Commission.

Concerning status of implementation of Audit Committee Recommendations, out of about 40 recommendations adopted during the last 4 years less than 10 have not yet been fully implemented, but it's supposed that they will be implemented shortly.

One recommendation was that a standard model for future Memoranda of Understanding (MoU) between WCO and other organizations should be worked out, emphasizing the condition that MOU's must always be beneficial to the WCO and the Customs Community. Until the standard model be finally adopted by the Council, the Committee recommends, as a temporary solution, that new MoUs be subject to adoption by the Policy Commission and not only by the Secretariat.

The 2017 Internet based risk survey among Audit Committee members showed that "Financing of the organization" and "Expertise and Knowledge" are the most relevant risk areas, hence they could be a driver for selecting annual audit topics.

The 2017 External Audit was on the WCO Communication Strategy and the recommendation was that if the WCO wants to increase its international influence, it is vital to work out a concrete and specific Communication plan including determining the targets and messages.

Internal Audit focused on IT-security, and the conclusion was that the IT security situation of the WCO, including the implementation of the new EPR-tool, is maintained well.

The Audit Committee recommends that next year there will be another electronic risk survey, an internal Audit on Missions management and an external Audit on the effectiveness of certain Capacity Building projects.

The Audit Committee also decided to ask the Finance Committee for an increase in the Secretariat's budget so that WCO could have a full time Internal Auditor (current part time Internal Auditor is leaving Secretariat by the end of the year). The Finance Committee discussed this proposal and concluded that the proposal would go to the Policy Commission for discussion before the issue is sent back to the Finance Committee.

The Audit Committee considered proposals by the Secretariat concerning some improvements of the Donor Policy (the report mechanism of donations from Private Sector, the procedures of accepting private donations, beforehand monitoring to avoid conflicts of interest, commercial relations with private donors) and recommends that the improvements be adopted.

The Audit Committee proposed new tasks for the Committee, namely that the Committee could become the end station on reports on eventual whistle blowing cases, and also could carry out a midterm review of the annual Operational Plan on the basis of a report and prognosis of the results as far as the end of December.

The Committee also recommends to the Council Norway as Chair and Bangladesh as Vice Chair for the Financial year 2018/2019.

**The EU and its Member States** welcomed the report, noting that the audit activities planned for the next year both internally and externally would be appropriate for efficient audit. It was also noted that the EU and its Member States supported a prolongation of Norway's mandate as the Chair of the Audit Committee for one more year.

**The Vice-Chair** concluded that WCO Europe Region took note of the report of the Audit Committee and recommended that Norway remains the Chair of the Audit Committee for one more year.

**Chairman of the Finance Committee, Mr. William Williamson** reported on the 101st meeting of the Finance Committee in April 2018. He informed about changes in Member's representation in the Committee, with Austria, Azerbaijan, Italy and Sweden joining the Committee and France, Ireland, Kazakhstan and Switzerland finishing their terms at the end of last financial year; Canada became the new Vice-Chair of the Committee.

For the financial year 2016/2017, the balance sheet figure totalled EUR 57,637,013.12, while the profit and loss account showed a surplus of EUR 86,803.04. The use of funds financed from the WCO's Reserves amounted to EUR

584,226.35. Investment Portfolio results are: book value - EUR 22,568,753 and market value - EUR 25,083,851. By the end of the 2016/2017 (June 30) the WCO had 10,7 available in Reserves.

Concerning the financial year 2017/2018, **92.03%** of Members contributions were received by 22 March 2018, which is the highest rate in several years. Budget authorized under GOE is EUR 16,979,250, with Expenditure at 31 December 2017 EUR 8,584, 846. Forecast market value of Investment Portfolio is **EUR 26.007m**. Final result forecast is balanced budget.

As regards staff salaries, the Committee approved the increase of 2% in staff emoluments as of 1st January 2018 according to relevant CCR Recommendation.

In line with decisions of the Policy Commission, the financial year 2016/2017 stood with a zero increase in GOE and the Council approved zero increase in contributions. This year proposal was made by the Secretariat to the Committee, taking into account Strategic plan activities, it was clear that the WCO needs increase in operating expenses to be able to deliver the strategic plan this year after a year of freeze. The Committee is recommending a 3% increase in GOE, as proposed by the Secretariat, and the recommendation will be presented to the Council.

The Committee considered three scenarios of increases in Member's contributions (0%, 1%, and 2.5%) and after thorough consideration recommends an increase of 1%, an option which found strong consensus among members of the Committee.

In order to ensure a balance budget and bridge the shortfall of EURO 239, 800 which relates to the difference between the 2.5% projected and requested by the Secretariat and the 1% granted, the Committee is recommending the realization of unrealized gains in the Investment Portfolio for the second year running.

The Committee recommends to approve the proposed capital expenditure of EUR 1,509,000.

Use of WCO Reserves included capacity building activities (with 54 planned for 2017/2018), Reintegration of the WCO Publications Activity into the Secretariat, development marketing of WCO E-learning modules.

The Committee also considered initiative on additional languages at the WCO. The Working Group on Use of Additional Languages group held two meetings in the current financial year and has also conducted work inter-sessionally looking at the interpretation of working body meetings and the translation of working documents and tools and instruments. The Chairperson of the Working Group on Use of Additional Languages, presented to the Committee initial analysis along



with a proposal (supported by an outline business case). Each of the four language groups – Arabic, Portuguese, Russian and Spanish - identified its top priorities regarding the committees or working groups where it considered interpretation would be most beneficial.

The Working Group hence asked the Committee to consider the request to use the funding from the Reserves for a two year pilot project introducing interpretation in all four language groups to 12 prioritized working bodies at an annual cost of EUR 268,720. The Committee will recommend to the Council that the two year pilot project be funded from the WCO Reserves.

The Committee also discussed a proposal to undertake the first full review of the RKC in 20 years which will be presented to the Policy Commission and the Council by the RKC Management Committee. In that regard the Finance Committee offered advice on a financing plan which consists of two options: a) that WCO will meet the resource cost through a combination of re-prioritisation (1 post) and the appointment of Technical Attachés (2 posts) or b) that 2 temporary posts be funded through access to the Reserves, limited to 3 years.

The Committee also agreed to put forward a proposal to the Policy Commission that a working group be set up to develop the new WCO Strategic Plan 2019-2022.

Finance Committee also commissioned the Secretariat to undertake further analysis of the costs, benefits and potential implications (positive and negative) of the WCO moving from the current Belgian Generally Accepted Accounting Principles (GAAP) to the IPSAS system. The Committee will re-examine this issue at its next session in April 2019.

**The EU** thanked the Chair of the Finance Committee for his report and supported a prolongation of Mr Williamson's (UK) mandate as the Chair of the Finance Committee for another year.

**The Vice-Chair** concluded that WCO Europe Region took note of the report of the Chair of the Finance Committee and recommended that **Mr. William Williamson** remains the Chair of this Committee for one more year.

## **AGEDA ITEM V**

### **«Accessions to the WCO»**

The floor was given to the **Representative of the FCS of Russia in the Kingdom of Belgium Mr. V. Ivin**. He reminded delegates that in July 2017 the Council decided to hold an extraordinary session in order to address the issue of accessions of new members to the WCO. The 131<sup>st</sup> extraordinary session was held

in December 2017, but it didn't result in a final solution for such complicated issue. Moreover, due to complicated circumstances the draft Minutes of the 129/130 Council session (July 2017), as well as its annexes (setting out the agreed financial and budgetary provisions and WCO regional structure), hadn't been endorsed. However, in order to unlock the organization's normal course of work, and to come to a compromise, the Council supported the proposal put forward by Great Britain to establish a working group on accessions to the WCO. It is supposed that all the political debates related to accession issues will move the Working Group's sessions, allowing the Council to return to its regular agenda.

During the 131<sup>th</sup> Council session a draft Terms of Reference for the working group on accessions to the WCO (Annex VII) were developed. The document was a compromise компромисс by nature, and in this regard the Working Group is considered as a viable way out of the crisis situation.

The delegate encouraged Members to demonstrate good will in pursuing a compromise, noting that the discussed issue concerns in the first place the Europe Region, so the rest of the WCO Membership expects from our region proposals on viable solutions.

The delegate invited the Region to consider the draft ToR, and in case of its approval, to decide on 2 representatives from the Europe Region to the Working Group on accessions to the WCO.

**The EU and its Member States** noted that since the creation of the WCO the world had evolved considerably and recognised that there was a need for a solution that associated the Council in an accession process. The delegate confirmed being in support of the establishment of a Working Group, as proposed by the Council Chair and discussed at the December 2017 Council, and ready to consider possible candidacies from the Region.

**Cyprus** pointed out that the issue of Kosovo is a disputable one and he was pleased that so far all Members had showed low-profile as regards the matter so that the delegates could focus on their core business as representatives of Customs administrations. Cyprus understood that the issue of Kosovo will be carefully examined by the Working Group on accessions to the WCO, where two members from the WCO Europe Region will participate.

He proposed, on behalf of the EU and its Member States, that a working group to be set up and that the United Kingdom and the Russian Federation be nominated as the region's representatives.

**United Kingdom** expressed full support to the ToR, considering it as a mechanism to ensure a solution for the issue, and confirmed readiness to represent the region in the Working Group.

**Serbia** supported the proposal to establish a Working Group as a good way out which is in line with relevant decisions of July and December Council Sessions (по-моему они и 2012 назвали, прослушайте запись, на всякий). The delegate approved the text of the ToR as well as Cyprus's proposal to nominate the United Kingdom and the Russian Federation as representatives of the WCO Europe Region in the Working Group.

Concluding, **the Vice-Chair** stressed the complexity of the issue and noted that the discussions under this agenda item demonstrated so far that Members are capable to work in constructive manner, and that fact provides some grounds for optimism. The draft ToR is the result of efforts of the two subsequent Council sessions and is aimed at finding compromise acceptable for all the Members, so that the WCO community could return to customs agenda without politicizing work of organization's governing bodies. He concluded that the WCO Europe Region Heads of Customs Conference endorsed the proposed draft ToR of Working group on accessions to the WCO, and approved nomination of the United Kingdom and the Russian Federation as representatives of the WCO Europe Region to the Working Group.

## **AGENDA ITEM VI**

### **«Governance (improvement of the WCO Rules and Procedures)»**

#### **Procedure for elections to posts in the WCO Secretariat**

**Representative of the FCS of Russia in the Kingdom of Belgium Mr. V. Ivin** introduced the item, noting that the issue takes its origin from discussions at the December 2017 Policy Commission in Luxor, when the draft Codes of Conduct for candidates for elections of Secretary General and the Deputy Secretary General were considered by the Commission. He also referred to similar discussions that took place during the Punta Cana session of the Policy Commission. In both cases discussions related to Codes of Conduct were intense, with many questions to the Secretariat raised by Members in respect to provisions of the drafts. In many cases references were made that the texts of draft Codes of Conduct were based on previous ones adopted at previous elections, so the process of preparing draft codes was based solely on precedents. The existing practice, as it could be seen, implies that Codes of Conducts are prepared and approved on an ad hoc basis, each time demanding the process of drafting, consideration and approval by the Members

In order to increase transparency and understanding of the processes in the WCO, to avoid unnecessary debates each time the elections in the WCO take place, the delegate proposed that a recommendation to the Policy Commission and the Council be made which would purport an instruction to the Secretariat to develop «once and for all» Code of Conduct for all elected posts at the WCO Secretariat. The delegate underlined that it's a good time for such an improvement as after June 2018 the WCO won't go through elections in the short term, so Members will have a lot of time to consider the question carefully and develop a good document.

**The EU and its Member States**, being in favor of transparent Codes of Conduct for all elected WCO posts, noted that there might be situations where there were special circumstances associated with a particular election that would require an adjustment to the Code of Conduct. So instead of developing a «once and for all» Code of Conduct, working on a template Code of Conduct adapted to the given election and presented to the Policy Commission for approval would be a more flexible solution..

**Germany** noted that flexibility in respect of codes of conduct for candidates for elections should be maintained. He supported the EU's intervention, stressing that main points reflected in codes of conducts should be stable, but as the situation changes from time to time, there must be some flexibility as regards provisions of these codes. So the proposal on developing a template that could be adapted if needed might be a good idea.

**Representative of the WCO Secretariat** supported the proposal outlined by the EU and Germany and noted that Secretariat might work in that direction if so decided. He also recalled of Council's decision that requires that prior to each election codes of conduct should be presented to the Policy Commission, so it will be necessary to present the documents to the Policy Commission even if there's some template or some kind of standard model. He added that each elected post has its own terms and conditions, so taking all the above-mentioned it would be a good idea to present to Policy Commission (at its December sessions) a template prior to election year.

**The Vice-Chair** summarized the discussions, noting that after the elections in June 2018 Members will have enough time to elaborate some new flexible set of standards for election processes taking into account all possible views and proposals.

### **Procedure for the approval of minutes of the WCO meetings**

**Representative of the FCS of Russia in the Kingdom of Belgium Mr. V. Ivin** introduced the item. He informed that during the discussions at the June and December sessions of the WCO Council, it was felt that some Members interpret differently the procedure of endorsement of Council's Decisions, including time and conditions for entering into force of such Decisions. This misunderstanding in relation to the procedures has a negative effect on the work of the Organization. At its December 2017 session the Council was not able to endorse the document produced at its 129/130 sessions in July 2017. Taking into account the situation it was proposed that a recommendation to the Policy Commission and the Council be made which would purport an instruction to the Secretariat to prepare improvements to the Rules of Procedure of the Council stipulating clear procedures for endorsement of the text of the Council's Minutes, as well as indicating the time and conditions for entry into force of the Minutes and its annexes. In that sense the delegate pointed to widespread approaches to office paperwork which most of the countries apply, including the principle that decisions of a collegial body are physically signed by its chairman, and time and conditions of entering into force are determined by relevant rules of procedure.

**Finland** on behalf of the EU and its Members States noted that governance issues are essential for any modern international organization, including the need for periodical reviews of procedures to ensure transparency and effectiveness. He recalled that the WCO is a member-driven organization with the Council as its supreme body. The EU and its Member States believe that the adoption process of Council Decisions reflects the view of Members States. In that sense the proposal that the Decisions should be signed by incumbent Chairperson doesn't provide any added value to an adopted decision. The proposed requirement could unnecessarily delay implementation of an adopted Council decision, and it also may question the appropriateness of the role of the Council Chairperson. For these reasons the EU and its Member States don't support introducing the abovementioned requirement. It is understood that currently Secretariat publishes adopted Decisions immediately after Council sessions at which they were approved. The EU and its Member States consider the adoption process fully concluded following the Council decision and are in favor of immediate publishing of adopted Council decisions as this provides clarity and transparency which is of particular importance when it comes to Council Decisions on budgetary and financial provisions. As the regards the aspect of entering into force of the Council Decisions it understood that the current procedure is that it is applicable immediately after the Council session at which it had been approved, unless otherwise is stipulated in the concerned Decision. To diverge from the current procedure would impact negatively the operation of the WCO, in particular when it comes to budgetary and financial decisions.

**The Vice-Chair** concluded that the proposal wasn't supported by the WCO Europe Region.

### **AGENDA ITEM VII**

#### **«Presentations by the candidates for the post of Secretary General»**

The two official candidates for the post of Secretary General (elections to be held at June 2018 sessions of the WCO Council), Mr. Kunio Mikuriya, incumbent Secretary General, and Ms. Pilar Jurado, Director General of Customs and Excise Department of Spain, delivered presentations outlining their vision and priorities.

### **AGENDA ITEM VIII**

#### **«Representation of the WCO Europe Region (chairmanship in the Committees and Region bodies)»**

Members decided that representation of the WCO Europe Region for 2018/2019, in accordance with the Bergen agreement, is as follows:

Policy Commission:

Policy Commission:

Kazakhstan (East)  
Iceland (North)  
Czech Republic (West)  
European Union (Main) (tbc)  
France, (Main) (tbc)  
Spain (Main) (tbc)  
Germany (Main) (tbc)  
Israel (South)

Finance Committee:

Azerbaijan (East)  
Sweden (North)  
Austria (West)  
European Union (Main) (tbc)  
France (Main) (tbc)  
Spain (Main) (tbc)  
United Kingdom (Main) (tbc)  
Italy (Main) (tbc)

Audit Committee:

Norway (North) current Chair  
Armenia (East)

Members expressed their readiness to support the nomination of Russia for the second consecutive term as the Vice-Chair (Europe Region) of the WCO Council during the Regional consultations in June 2018.

## **AGENDA ITEM IX**

### **«IMF – WCO cooperation»**

**The Vice-Chair** introduced the item, recalling that according to Luxor Policy Commission decision the draft MoU between the WCO and the IMF should be further discussed at the WCO Europe Region Heads of Customs Conference, with participation of the IMF, WCO Secretariat and Audit Committee.

The floor was given to **Mr. E. Checcucci, Director of the WCO Capacity Building Directorate**. He noted that WCO – IMF cooperation concerns two particular issues, namely performance measurement and customs-tax cooperation. Performance measurement has been a part of WCO strategic agenda since 2014, and customs-tax cooperation – since 2015. Cooperation with IMF started even earlier, and the IMF has ongoing work programme for capacity building and technical assistance and in that sense it's needed to coordinate work and avoid duplication. For example, in Central America there is a joint programme with IMF, WCO and USAID participation aimed at developing common risk management strategy in 5 countries. In 2015 the IMF presented to the WCO Capacity Building Committee the ISORA project. There were discussions at the Policy Commission on performance measurement and customs-tax cooperation that encouraged the WCO Secretariat to explore further cooperation with the IMF. This led to the first draft of the MoU that was presented to the June Council session and was supposed to be signed at this session. The Members asked more time for analysis and feedback. After the Council session the WCO Secretariat received a number of comments by the Members that were taken into consideration, and the project was rebranded as International Survey on Customs Administration and it was decided by the Secretariat and the WCO to develop a new text that was presented to the Policy Commission in December. The Commission considered the text and Members asked that the text was further discussed at the regional Conference in Sochi.

Mr. Checcucci stressed that from the Secretariat's point of view the project offers a number of benefits to the international Customs Community and the WCO. The initiative offers a platform as a single data collection point allowing that much of information gathering process will be automated and pre-populated over time

based on earlier survey questions and answers. This will be based taking into account WCO tools, instruments, language and terminology. The platform also provides basic online analytic tools that will be available to all participating Members for improved cross-country comparisons and benchmarking based on aggregated data. This will support analytical work not only of the WCO and IMF. But of other Members willing to participate. The Secretariat believes that the platform will support analytical capacities for the Members as well. The participation in the project is voluntary, and there is no external checks and interventions. Mr. Checcucci stressed that the mechanism doesn't embed any performance rating criteria and there's no any evaluation and ranking tools. In summary, he noted that the platform is a tool for qualitative and quantitative analysis. The initiative will contribute to the Customs unique and diversified functions related to revenue collection, trade facilitation, security, compliance and enforcement that can be better understood by the International Customs Community and both organizations. The information will serve as baseline for the WCO and IMF for better planning and coordinated technical assistance and capacity building activities. It will also assist Members to identify gaps between existing procedures and practices and build business case for securing resources for modernization initiatives. It is expected that this partnership will be useful to secure ministerial support on Customs reforms as we can leverage jointly the influence and powers of the IMF and the WCO.

Mr. Checcucci also encouraged all interested members to participate in the Virtual Working group on performance measurement which addresses the discussed issue. The Virtual Group reports to the capacity building Committee and the Committee reports to the Council.

Concerning data confidentiality he mentioned that the MoU clearly stipulates the conditions for participating Members, the IMF and the WCO have access to the data, and the information cannot be used for purposes other than established in the text. Only aggregated data on at least 5 participants can be disclosed for publishing. As regards the concerns about resource implications for the WCO expressed by some Members, Mr. Checcucci referred to Articles 25 and 26 which indicate that the IMF has secured sufficient internal financing to develop and maintain IT components of the platform for 5 years of operation, and the IMF will provide necessary management and administrative resources associated with the platform. In the unlikely event that additional financing becomes necessary, the IMF will first seek financing internally before consulting the WCO. Additional financing might be considered by the WCO only if it is subject to availability and approval by the WCO governance structures.



The floor was given to **Mr. A. Masters, Deputy Division Chief of the Revenue Department of the IMF**, who outlined in his presentation IMF's activities related to technical assistance in Tax and Customs areas and provided some background on the Ra-FIT Platform, which was created by the IMF as a tool for regular-based collection of data on practices applied in different countries providing opportunity to elevate performance measurement and management, particularly in lower-capacity administrations. The survey included certain aspects as revenue collection, institutional arrangements as well as human resources.

Mr. Masters outlined reasons for cooperation, namely that the initiative provides opportunity for impactful collaboration at an institutional level. He noted that IMF has developed both a data collection platform and a dissemination platform and has gained very good experience from managing the ISORA survey. Agreement can be reached on data required, definitions to be used, etc. – standardize and harmonize data requirements (prevent multiple surveys). He went on by mentioning that data can provide very useful input into customs Technical Assistance and capacity building delivered by both institutions. Also, IMF has influence in persuading governments to reform and modernize (such as also recommending resources for administrations, such as customs).

**On behalf of the Chair of the Audit Committee, Mr. R. Skårsette** informed that during WCO Policy Commission session in December 2017 the Chair of the Audit Committee made an intervention on the draft MOU, **emphasizing** the issue of reciprocity, hoping that the revised WCO-IMF MOU should be useful to the WCO; that systems for storing and analyzing global customs data preferably should be owned by the WCO. This intervention was intended to be of principal nature, however, also reflecting the importance of agreements with other international organizations be equally beneficial to the WCO as to the contracting party. The Chair of the AC has analyzed all relevant documents available in the process of the WCO-IMF MOU, and has also corresponded with the WCO Secretary General on the issue. **Copies** of these communications as well as his conclusions have been shared with the European Vice-chair. The Chair of the Audit Committee has **come** to the conclusion that the proposed MOU on Collection of Customs Data using RA-FIT will be useful to the WCO and to the Customs Community, and therefore should be adopted.

Mr. Skårsette also outlined the results of the discussions held at the Audit Committee session in February. The Committee initiated working out a “WCO policy related to concluding MOU’s”, meaning that a standard model for future MOU’s regarding content as well as procedures will be discussed at the Audit Committee in February 2019.

Until the new standard for future MOU's be finally adopted ( by the Audit Committee, the Policy Commission and the WCO Council), the Audit Committee recommended that, as a temporary solution until the new standard be formally adopted, all new MOU's between WCO and other organizations be subject to approval by the Policy Commission (but excluding modifying existing MOU's and excluding the MOU between WCO and IMF that is close to completion and has already been discussed twice by the Policy Commission, and will be discussed also at the Policy Commission meeting of June 2018).

Mr. Skårslette also noted that the Audit Committee didn't consider the particular draft MoU between the WCO and the IMF, but rather took note of the ongoing secretarial work of designing a general Policy on future MOUs.

**Mr. R. McDonagh, WCO Head of Administration and Personnel**, echoed Mr. Skårslette's comments noting that the content of the draft MoU between the WCO and the IMF hadn't been discussed by the Audit Committee.

**Kazakhstan** thanked the WCO Secretariat and the IMF for their presentations which clarified a number of aspects concerning the issue, which is a proper approach when it comes to deciding on the appropriateness of the draft MoU. He recalled that during the discussions held in 2017 many delegates provided their comments and concerns as regards the initiative. The delegate pointed to the opportunity that is provided to the Members of the Europe Region to address the issue one more time and try to resolve the existing controversies. He noted that there are still outstanding questions and concerns in respect to the initiative. Particularly, there is still no clear clarification on the goals of the proposed MoU, in other words, what benefits will WCO and its Members have from implementation of the project, as well as what risks it might cause. He questioned if the document is considered sufficiently by all the Members by the time being and why there is such an urgency in efforts to conclude it. In particular, he mentioned the article 2 of the Annex 1 of the MoU which has references to performance measurement data which may be published internationally. In that regard he expressed concerns that it might imply that the WCO voluntary gives away its competences related to customs performance measurement to a third party. That fact might indicate that the WCO either doesn't want or can't manage performance measurement activities within its own framework. He also expressed an opinion that the aspects of sensitive data disclosure aren't explored sufficiently so far. Noting that the MoU implies voluntary participation, he questioned if it's necessary to conclude the document on behalf of all the Members, including those that aren't going to participate or doesn't agree to the provisions of the MoU. It is felt that each Members should decide on participation individually on bilateral basis. Concluding, he reiterated that the initiative might mean that WCO's core

competences are handled to a third party, and noted that Kazakhstan is against signing the discussed MoU in its current version.

**Armenia** shared the concerns expressed by Kazakhstan. He stressed that the MoU implies analysis of sensitive data (article 2 of the Annex 1), and it is felt that the formulation of this provision is quite uncertain. It's not clear whose competence such consultations fall under and who will be the recipient of such consultations. He questioned if the WCO and its Member administrations really need such consultations. The delegate expressed an opinion that the WCO itself is able to provide relevant consultations as regards Customs matters. It is necessary that the WCO focuses on elaborating its own mechanisms of performance measurement in Customs.

**Belarus** noted that it is understood that the IMF is a professional organization which has no direct competence in Customs area. He pointed to examples of cooperation between WCO and UPU, Interpol and ICAO. All these organizations have common basis for practical cooperation with the WCO because their competences are directly interconnected with Customs matters. In that sense he questioned what competences the IMF possesses in relation to Customs administration, noting that the IMF deals in the first place with financial matters, technical assistance and loans. He stressed the role of the WCO as the key expertise center in Customs field and stressed that this role should be maintained. In that regard he mentioned that it is felt that the current version of the MoU focuses on promotion of IMF's project while possible benefits for the WCO and its Members are still unclear. The delegate supported Kazakhstan's opinion that the WCO itself should take the lead in such matters using its experience as well as instruments.

**Azerbaijan** thanked the WCO Secretariat and the IMF for their presentations. He welcomed cooperation between WCO and other international organizations including the IMF, but noted that it's necessary to elaborate a consolidated approach of the Region as regards establishing frameworks of cooperation with the IMF. He proposed to provide a recommendation to the Council that signing of the draft MoU in its current version is premature and that it needs further consideration so that all the views of the Members could be taken into account.

**Russian Federation** recalled that there have been a lot of discussions concerning the need to enhance governance in the WCO and the changes that should be made in order to replace old-fashioned doctrines for ensuring better transparency and efficiency. Moreover, as it had been mentioned earlier, the Audit Committee had explored the policy that should be maintained in respect to procedures and principles of signing of the agreements with other international organizations. In that regard it wouldn't be appropriate to ignore the

recommendations of the External Auditor, which outlined the principle that any MoU signed by the WCO should in the first place contain clear benefits for the WCO and its Members. The main benefit which is offered by the draft MoU with the IMF is analysis of data provided by the WCO Members using a more convenient tool. In that regard it's quite difficult to imagine that the WCO has difficulties in developing its own IT tools for self-provided data analysis. The delegate expressed an opinion that the WCO has all the resources to conduct such analysis on its own, and in that regard the platform offered by the IMF shouldn't be considered as a benefit. At the same time there is uncertainty as regards the financial aspects of the project. For example, financial implications of proposed review of the Revised Kyoto Convention demanded preparation of a business case which outlined financial and human resources needed for this work. In that sense it is felt that such a business-case concerning the implementation of the draft MoU should also be presented to the Members. Concluding, the delegate noted that the issue should be considered thoroughly without unnecessary rushing, so that clear benefits are secured for the WCO community.

**The EU and its Member States** noted that it was reassured by the fact that it would be left to the discretion of the Members to engage in an exchange of data on a voluntary basis, that it would not imply a ranking mechanisms, and the data published would be aggregated without country-level specifications. In that sense the EU and its Member States did not object to the signing of the MoU between the WCO and the IMF.

**Austria** noted that after listening to comments from some delegates it was felt that within the WCO Europe Region the need for a tool provided by the IMF is not of high priority. As regards the other regions there might be more demand for such tools as far as Members of these regions haven't developed their own analytical mechanisms. The delegate proposed to wait for the opinion of the other WCO regions. She also pointed to the voluntary basis of participation in the project which provides possibility to abstain from the project.

**Germany** supported signing of the MoU.

**The Vice-Chair** recalled that during previous discussions on the draft MoU the question had been raised by some WCO Europe Region Members on the necessity of signing of the document in the name of all the WCO Members. The issues had been included into the Conference's agenda in order to find out if all the Members are ready to authorize the Secretariat to sign the MoU with the IMF. In that regard he asked advice from the Secretary General on whether the Secretariat signs Memorandums with third parties on behalf of the whole WCO Membership.

**The Secretary General** confirmed that MoU is concluded on behalf of the WCO Council, that is, on behalf of all the Members.

**The Vice-Chair** indicated that the majority of the WCO Europe Region members don't object to signing of the MoU while some Members still have some concerns regarding the issue. In that sense he noted that he can't conclude that the WCO Europe Region unanimously supports signing of the MoU. He referred to the proposal presented by Austria noting that it sounded like a good compromise as far as it implies regional approach. He also mentioned the Audit Committee deliberations on the need to establish a procedure of approval of draft MoU's by the WCO governance bodies before signing, and questioned why the draft MoU with the IMF which is still under discussion should be excluded from such a procedure.

**Russian Federation** in its capacity of the Vice-Chair of the Audit Committee provided additional information on the discussions held at the Audit Committee in February. Russian delegate shared experience of participating in fruitful discussions that were held at the recent Audit Committee session on future policy on how to conclude memorandums by the WCO, and relevant procedures. He stressed that the discussion also covered the draft MoU with IMF in the context of the Audit Committee deliberations on MoU policy and other matters stemming from annual audits. Among various cross-cutting areas, including customs-tax cooperation or performance measurement, the Audit Committee by supporting the Council also focuses on key governance aspects such as the issue of cooperation of the WCO with other international organizations. The draft MoU was discussed within the context of the future policy. Notwithstanding that future MoU policy would not apply to current draft under the discussion, the principles addressed by the Committee could not be ignored as and the draft MoU with the IMF was one of the reasons behind developing the framework. The discussed issues cannot be isolated and the agenda of the organization is the cross-cutting combination of various factors. He encouraged the Europe Region to continue playing active role in this policy making body and contributing into implementation of the recommendations of the Audit committee produced over the past 3 years by virtue of great involvement of the Europe Region members in this work.

**Mr. Masters**, referring to the comments from previous speakers, noted that the way that the IMF uses the MoU is that is an agreement between two institutions. The document is supposed to provide a framework of reference in terms of what protocols are, and who takes responsibility. The IMF previously approached directly a number of Customs administrations, and the IMF could probably again operate on its own and gather the information under ISOCA project, but the aim is to work collaboratively with the WCO, recognizing its leadership in respect of

Customs. The IMF sees the MoU as an institutional arrangement dealing with how the survey is to be conducted. He also reiterated that the participation in the survey is purely voluntary.

**Mr. Checcucci** invited Members which still have concerns in respect of the provisions of the MoU to make proposals on the text itself. He also referred to the World Bank rating «Doing business» in respect of which many WCO Members aren't satisfied as the World Bank applies its own methodology and standards. The Secretariat takes efforts to approach the World Bank in order to open channels and engage Customs administrations into the process. In that regard cooperation with other organizations gives opportunity to raise the profile of the Customs community. By deciding not to sign the MoU means that other Members may not profit from the benefits the project provides, especially those that are engaged in technical assistance activities.

**The Vice-Chair** pointed to the concerns expressed by previous speakers in relation to the need for the WCO to develop its own evaluation tools, and asked to clarify what will be the role of the WCO in the common project which implies benchmarking that may in some way include performance management.

**Mr. Checcucci** pointed that the role of the WCO is to be a partner with the IMF to work collaboratively on developing the survey by providing relevant input from the WCO Membership.

**The EU and its Member States** proposed, as a compromise, the inclusion of a "review clause" in the MoU, to evaluate its functioning in two years' time and return to the matter if considered necessary.

**Mr. McDonagh** informed that in line with the established practice, whether there is any need or request for financial outlay in the future, it will be considered by the Finance Committee and then presented to the Council for approval.

Summarizing the discussion, **the Vice-Chair** noted that there is no clear consensus in relation to the MoU among WCO Europe Region Members, with some Members still having concerns as regards the content of the document. In his point of view, there only two options, either to approve the document by consensus, which would require more time for drafting the MoU, or issuing of a Council's decision, which would require voting.

**Mr. Masters** commented that the IMF is in no hurry to sign the document and there is no specific June deadline for it. The IMF is ready to continue working with the WCO Members so that all the parties come to an agreement as regards the content of the document with no unnecessary rushing.

**The Vice-Chair** stated that as some concerns are still outstanding, it might take more time to further development of the text of the draft MoU.

**The Secretary General** informed that Policy commission in Luxor decided that the June 2018 Policy commission session must decide on the future of the draft MoU without further deferment.

**Austria** proposed that the Conference decides that all additional comments on the draft MoU be provided before June 2018, and the Members will try to solve all the controversies still outstanding.

**The Vice-Chair** expressed a concern that any new amendments to the text of the MoU may take time for the IMF for its internal consideration process, so there is a risk that the document might not be finalized by the June Council session. Summarizing the discussions, he concluded that the work on the text of the MoU will continue till June 2018 without unnecessary delay; all the possible proposals to the text of the document should be presented to the WCO Secretariat no later than 13<sup>th</sup> of May; the issue will be considered at the Coordination meeting of the WCO Europe Region in June before the Council sessions; the results of the discussions will be also presented to the Policy Commission.

## **AGENDA ITEM VIII**

### **«Reports by Heads of WCO Regional bodies (RILO, RTC, ROCB, RDTC)»**

#### **Progress report of the Regional Office for Capacity Building for the WCO Europe Region**

The floor was given to **Mr. R. Hermann, Head of the ROCB in Baku**, who presented ROCB progress report outlining its activities and other issues related to its functioning. The presentation with detailed information may be found in the Annex VIII.

Mr. R. Hermann presented the ROCB Europe Strategic Framework which had been included into the materials of the Conference. The document covered, among other, mission statements, values and strategic goals of the ROCB, which focus on enhancement of capacities of customs in paving the way for more secure and simplified customs processes and international trade operations.

The Draft Decision on Regional Strategy of the WCO Europe Region, aimed at reflecting an overall guidance on regional priorities, was also presented for consideration. However, there was no comment or reaction from the Members.

Mr. R. Hermann also provided report on ROCB budgetary matters and annual expenses, as well as proposals on future funding with several options for consideration:

- making the contribution amount of current 1,750 Euros mandatory for all WCO Europe Region Members;

- applying the WCO Scale of Contributions to the contribution mechanism for ROCB Europe as mandatory;

- raising the contribution amount to 2,250 Euros mandatory for Members which pay higher than the minimum amount for the WCO budget (currently 22 Members) and setting the contribution amount to 1,250 Euros mandatory for the Members which pay minimum amount for the WCO budget (currently 31 Members);

- as a continuation of the current practice for the number of Members contributing voluntarily, to raise the contribution amount to 2,350 Euros.

**The European Union** thanked Mr. Hermann for his presentation, but raised a number of questions. The delegate expressed great concern as to the lack of transparency of the ROCB' expenditure structure, where the expenses primarily related to missions and communication. In that regard Mr. Hermann was asked to provide more detailed and transparent information on the precise nature of these expenditures, as well as on the income that had been generated in addition to the Members' voluntary contributions. Clarification was also requested as to whether the accounts for the financial year 2017/2018 represented a surplus or not. She further questioned the proposed solutions for the future financing of the ROCB, stressing that funding had from the very beginning only been a temporary measure to allow the ROCB to look into sustainable financial alternatives. In the absence of any such proposal and taking into account the limited information available about the activities of the ROCB, the EU was unable to support any financial Member funding. In that regard Mr. Hermann was invited to present sustainable alternatives for the ROCB's self-financing for the WCO Europe Region consultations in June 2018.

**Mr. Hermann** informed that ROCB tried to rent its premises to private companies, but having only one meeting room in ROCB and due to huge competition with local hotels in Baku that can offer full service package, it was difficult to fulfill. He also pointed to problems with taxation arrangements, as the Center doesn't pay taxes for the time being, but as soon as it has incomes it will have to pay taxes, which will diminish the whole income. In that sense there were no any viable solutions for self-financing. Concerning the outcomes of the ROCB



activities, it was noted that due to the lack of personnel in 2017/2018 many events couldn't be organized.

**The Vice-Chair** pointed to the fact that only 39 Members of the Region provided their contributions, in that respect he asked whether encouraging other Members who haven't contributed could be considered as possible way to secure the funding needed.

Taking into account the above-mentioned comments, **Mr. Hermann** proposed maintaining status-quo in respect to ROCB funding arrangement like it was decided in 2017, namely keeping the voluntary character of contributions and their amount as 1750 Euros.

**The European Union** reiterated that it would like sustainable options and proposals on how the ROCB could secure self-financing to be presented at the coordination meeting of the WCO Europe Region in June 2018.

**Norway** noted that it will be difficult for the ROCB to secure self-financing. He recalled that Norway had introduced a model for the Regional Capacity Building Centers which is supposed to be a WCO body, and in that sense normal practice is that a WCO body is financed by means of contributions. He recalled that back in time the funding arrangements were defined as "soft-mandatory", meaning that there is a possibility for a country to abstain from contributing but still the Members are strongly urged to pay the contributions that are agreed at the regional meetings. The delegate proposed to prolong the existing contribution arrangements for the ROCB financing.

**Ms. B. Teodosieva, Regional Development Manager for the Europe Region of WCO Capacity Building Directorate**, pointed that primarily the task of regional structures of the WCO is to support Members' capacity building efforts. She informed on the experience of other regions related to financing of regional structures, where self-funding is not an option in any of the other 5 WCO regions, because options to go to promotion activities attracting attention of the private sector go beyond current capacity building strategy. She also mentioned difficulties in terms of staffing, so the capacities of going beyond the pure functions of ROCBs are rather limited in all regions. Ms. Teodosieva also provided examples from other less developed regions, namely Western and Central Africa region which adopted innovative approach that two local RILOs and the ROCB have common budget financed by the contributions which count 10.000 USD per year, and 90% of members pay these contributions. In the East and Southern Africa Region there is a mandatory contribution of 5000 USD per year which is paid by the Members. She echoed comments by Norway as regards the support for ROCB in its request

to look for more sustainable solution for the functioning and continuation of this positive regional initiative.

**Azerbaijan** informed that since 2011 the Azerbaijan Customs provides all necessary infrastructure and technical support for the ROCB in Baku. He also expressed an opinion that the Center should be supported by the WCO Capacity Building Directorate. The delegate noted that ROCB's mission isn't about earning money by renting premises. In the first place the ROCB should sell knowledge, regional innovative initiatives, customs-to-business projects etc., thus securing necessary financing. He pointed to the absence by the time being of ideas and projects which could generate income. In that sense he proposed that the WCO Capacity Building Directorate provides assistance to the ROCB in developing its relevant strategy, which would include, among other, actions aimed at securing self-funding.

**The European Union** requested detailed information on ROCB's activities and plans so as to allow a better understanding of the Office's deliverables, which at present was ambiguous.

**Mr. Hermann** noted that ROCB's objective is to support capacity building activities and not merely renting premises. In that regard he encouraged Members to share relevant ideas and needs in order to follow this objective.

**The Vice-Chair** mentioned that to his understating the idea is that the ROCB itself should initially prepare relevant proposals, i.e. draft plan with tactical activities including possible commercial projects, which then would be presented for Members' consideration.

**Mr. Hermann** informed that relevant proposal will be prepared for June meetings.

**The Vice-Chair** concluded that the issue will be reapproached in June taking into consideration all that had been said and requested by the Members so far.

**Mr. R. McDonagh** encouraged the Members to take a decision on funding as soon as possible since the Secretariat prepares papers on budgetary and financial provisions and Members' contributions before the June Council Session.

### **Priorities of the WCO Europe region**

**The Vice-Chair** on request of the EU concluded that the issue would be considered at the WCO Europe Region coordination meeting in June.

### **Presentation by Heads of RILOs**

**Ms. Daniela Dettmann, RILO Head of RILO Western Europe, Ms. Katarzyna Banaszek, Head of RILO Eastern and Central Europe and Mr. Oleg Bakanov, Head of RILO CIS** delivered a joint presentation on RILO's activities in 2017/2018.

Ms. Dettmann highlighted the work done for development of a brand new Global RILO Network's Best Practices. This living document brings together the relevant information, best practices, resources, tools, and operational procedures for successful management of RILOs, thereby providing more comprehensive support to all WCO Members and responding appropriately to their requests. The document provides guidance on such aspects as communication, analysis, annual working plans, NCPs, publication policies, use of the RILO CENcomm, use of social media. It also focuses on operations and projects, as well as on RILO capacity building aspects. The annexes of the Best Practices cover all the above-mentioned topics and contain detailed information which serve as blueprints for RILO's practical work. Results expected from implementation of the Best Practices are as follows:

- to raise the standard of operation of all RILO offices to a common level
- GRN to become a better intelligence network
- increase capacities at an individual level
- become stronger partners to the entire GRN.

Members were invited to provide input to these goals by further development of information exchange and involving additional human resources for the work done.

Ms. Dettmann went on with the developments regarding Global Rapid Alert Network (GRAN) which is led by the RILO WE. In collaboration with Global RILO Network the project is expected to expand globally, and Members were invited to provide their First Point of Contact.

Members were also encouraged to take part in the Western European Customs Airfreight Network (WECAN).

Mr. Bakanov, Head of RILO CIS provided information on some of his RILO office activities and achievements in 2017, including special international Customs Operation «Goalkeeper». In order to enhance intelligence information exchange based on WCO CENcomm the Council of the Heads of Customs of the CIS countries adopted a decision that made the network of 24/7 RILO CIS Contact Points (with 8 participating countries) fully operational. This provided 24/7 electronic tool for flexible exchange of law enforcement information, and allowed to reduce paperwork and bureaucratic constraints and to deliver intelligence data to field customs officers in timely and accurate manner for effective prevention of customs law offences. The 50 minutes limit to react to the message transferred

through the platform between NCPs had been introduced. An additional tool was also implemented, namely a Library - a secure storage that allows protected download and upload of all signed documents related to law enforcement cooperation. It facilitated access to the national customs law enforcement legislative environment.

Mr. Bakanov expressed support to the GRAN and willingness to take active part in the projects, which will strengthen interregional customs law enforcement cooperation. He noted that 6 CIS countries have already joined the GRAN. He also supported the Global RILO Network's Best Practices as a very useful instrument.

The speaker went on with presentation of the Goalkeeper Operation launched by the FCS of Russia with participation of the WCO and its Members in the run-up to the FIFA World Cup to be held in Russia in June and July 2018. Exchange of information was organized through the specialized CENcomm Goalkeeper platform established by the WCO, or by e-mail/fax as alternative communication channels where applicable. 24 Members of the WCO Europe region (50 participating members totally), as well as 6 RILOs took part in the operation, and all Members who joined have already established their Contact Points and were providing relevant information.

The operation is split into 2 parts – Cargo (March 5 – 23, 2018, IPR Protection) and Passenger (June 01 – July 31, 2018, all offences). Around 175 000 items with about 1 million USD cost in total have already been seized.

Ms. Banaszek provided updates on the monitoring project SHOT aimed at combating illicit alcohol turnover. The project was launched by the RILO ECE with duration of entire 2017 and was endorsed by the 36th Session of Enforcement Committee. Customs in cooperation with police services were obliged to report on the seizures of the alcohol smuggling. The completion of data was finalized in February and the results showed analytics on alcohol smuggling, including numbers of cases, quantities, types of goods, location, mode of transport and methods of concealment, as well as on major routes of such smuggling. The speaker stressed the importance of the project, noting some areas that have to be improved, and invited Members to support the extension of the initiative. The final report on the project outcomes will be circulated by the WCO Secretariat.

Ms. Banaszek also informed on the 22nd RILO ECE Annual Meeting to be held in Bratislava on 12-13 June 2018.

**The Vice-Chair** thanked Heads of RILOs for their presentations and concluded that the Conference took note and approved the report. He noted that the progress made in relation to strengthening customs law enforcement cooperation is of utmost importance and is most welcomed by the Members of the Region

**Approval of the initiative on recognition of the Dog Training Centre of the National Tax and Customs Administration in Budapest, Hungary as WCO Regional Dog Training Centre**

The European Union presented the initiative on behalf of the Hungarian Customs and informed the participants on the activities and capacities of the Dog Training Centre in Budapest.

The initiative was unanimously approved by the WCO Europe Region.

**Other business**

Customs Administrations of the WCO Europe Region were invited to the upcoming 8th International Research and Practice Conference on Problematic Issues of Expert Activities to be held in Ekaterinburg (Russia) 23-27 July 2018.

The Vice-Chair informed that there were no proposals on the place for the next 2019 WCO Europe Region Heads of Customs Conference, and proposed that Members decide on the issue during the regional coordination meeting in June.

The 2018 Europe Region Heads of Customs Conference was concluded with closing remarks of the Vice-Chair (Europe Region), Mr. Ruslan Davydov, who thanked all delegations for their active participation. He mentioned the constructive and collaborative approach which Members of the WCO Europe Region have demonstrated, wishing that this be an exemplary practice for the whole WCO Membership.