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# RISK MANAGEMENT REPORT

NIGERIA EXPANDED TRADE AND TRANSPORT (NEXTT)

**July, 2014**

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## LIST OF ACRONYMS

<b>AEO</b>	Authorized Economic Operator
<b>CBP</b>	US Customs and Border Protection
<b>CEMA</b>	Customs & Excise Management Act
<b>CIU</b>	Customs Intelligence Unit
<b>C-TPAT</b>	Customs-Trade Partnership Against Terrorism
<b>ECOWAS</b>	Economic Community of West African States
<b>EU</b>	European Union
<b>ISO</b>	International Organization for Standardization
<b>LAKAJI</b>	Lagos-Kano-Jibiya Corridor
<b>MAN</b>	Manufacturers Association of Nigeria
<b>nCEN</b>	National Customs Enforcement Network
<b>NCS</b>	Nigeria Customs Service
<b>NEXTT</b>	Nigeria Expanded Trade and Transport Program
<b>NICIS</b>	Nigeria Integrated Customs Information System
<b>PAAR</b>	Pre-Arrival Assessment Report
<b>PAR</b>	Risk Assessment Report
<b>PCA</b>	Post Clearance Audit
<b>RM</b>	Risk Management
<b>RMU</b>	Risk Management Unit
<b>SAFE</b>	SAFE Framework of Standards
<b>SOP</b>	Standard Operating Procedures
<b>STTA</b>	Short Term Technical Assistance
<b>WCO</b>	World Customs Organization
<b>WTO</b>	World Trade Organization

# EXECUTIVE SUMMARY

To manage risk, a customs administration must change how it thinks and acts. It must move away from traditional control methods and adopt new ways of working. One of the modern techniques having a significant impact upon trade facilitation around the globe is that of risk management (RM). Although the Nigerian Customs Service (NCS) has adopted, in recent years, various RM policies and supporting organizational functions it has yet to fully exploit and realize the full benefits of applying a risk management methodology to its operations. There have been a range of factors that have influenced a slow transition to a full RM system, including a culture of command and control, management of risk by Destination inspection providers and low internal capacity. However with the continued support of the Nigeria Expanded Trade and Transport (NEXTT) program, the NCS can continue to build upon the progress made, both by the organization itself and through the previous interventions from NEXTT (including training and advisory short term technical assistance) and progress toward a functional RM system to realize the full benefits from this, which would include:

- Better human resource allocation – Following implementation of risk-based systems, Customs staff can concentrate efforts on fewer consignments, with staff deployed more efficiently to deal with cargoes considered higher risk;
- Increased revenue – Despite fewer physical inspections, the improved efficiency and professionalism in Customs control leads to an increase in revenue collection;
- Improved compliance with laws and regulations – It is a general experience that the improved efficiency in Customs – together with other incentives to achieve faster release through the green channel, such as an Authorized Economic Operators (AEO) program – brings about better compliance on the part of the businesses;
- Improved collaboration between economic operators' and Customs – Interaction between Customs and economic operators' is part of the process to assess the risks related to goods carried, imported or exported by specific economic operators'. In a fully developed Customs Service that has implemented a RM system, the development of open and honest relationships with the economic operators is a key element for the success of the range of risk driven controls that NEXTT is seeking to develop to support trade facilitation along the LAKAJI Corridor, including Post Clearance Audit (PCA) and AEO. This is an invaluable element in legitimizing trade at the same time as combatting fraud and smuggling at both a national and regional level.
- Reduced release time – The fact that on average only a small percentage of the goods are examined under efficient, risk-based clearance implies that Customs can release the vast

**“Risk management is, essentially, an approach for analyzing and responding to the challenges Customs faces in accomplishing its mission with the most efficient deployment of resources, to ensure the organization fulfils its responsibilities for the facilitation of trade whilst balancing this against the need to protect society and maintain Government revenues.”**

majority of shipments immediately after the clearance document has been lodged with Customs, thus reducing current blockages at ports; and

- Lower transaction costs – The time taken to clear goods in Customs using old-fashioned procedures can amount to as much as one or two weeks. New risk management techniques will release 80–90 per cent of the goods within a few hours — and thus save significant transaction costs to those importers who are seen as low risk.

If it is to realize these benefits; fulfill its modernization goals<sup>1</sup>; and contribute to the delivery of Nigeria’s “VISION 20:2020” it is clear that significant work still needs to be undertaken to build the risk management capacity of the organization. This work, which is outlined in a draft Nigeria Customs Service High-Level ‘Risk Management’ Plan (Annex A), is critical to the future success of the NCS.

Based on interviews with NCS managers and staff the following four priority actions have been identified to move forward the development of RM in line with its strategic goals within the NCS:

- Establish an annual RM planning process that identifies and sets high-level custom control priorities for the organization;
- Establish a fully functioning Risk Management Unit (RMU) with the technical competence and capability to manage the cargo selectivity system;
- Develop the present PCA function to support a move away from high levels of interventions at the point of clearance; and
- Develop and implement an AEO ‘trusted trader’ scheme

The benefits gained through the development of effective RM within the NCS will serve to make the LAKAJI Corridor an exciting investment opportunity for both the major national companies and also foreign corporations seeking to expand their footprint within an increasingly competitive West African Market.

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<sup>1</sup> NCS publication (2012) - Customs Reforms and Modernization in Nigeria – Towards a Comprehensive Vision

# INTRODUCTION

## BACKGROUND

The NEXTT Program is a four-year USAID project aimed supporting the Nigerian government's efforts to expand trade domestically, within the ECOWAS sub-region and beyond, and improve its efficiency so that trade--particularly in agricultural products--can provide inclusive economic growth and development of Nigeria. NEXTT has three major components (a) trade corridor governance (b) trade policy and trade facilitation support, and (c) expanded export support. This analysis is part of Component 2, which seeks to provide support to NCS itself in facilitating trade. The project will build on the successes of its predecessors in addressing trade policy and trade facilitation constraints, and improve the quality of transportation on a corridor considered critical for national and regional food security. NEXTT will also support expansion of agricultural product exports from Nigeria to the ECOWAS sub-region, the United States and other international markets.

A principal focus of NEXTT is to improve the flow of goods along the Lagos-Kano-Jibiya (LAKAJI) Corridor, and to facilitate improvements in trade policies and procedures which reduce the time and cost of trading goods in Nigeria. In this regard, one of the objectives of the NEXTT program is to support the NCS in their current customs modernization initiative. It is anticipated that this support will help lead to measurable performance improvements in customs and port/border post clearance times, reducing the cost and time to market for traders.

An inhibitor to efficient trading is delays associated with the clearance of goods, especially at borders. These delays add to the time and cost to move goods and erode competitiveness. The current customs modernization program, which will be underpinned by new customs legislation, aims to reduce these delays thereby enhancing competitiveness. A key tool for customs in terms of facilitating the quick release of legitimate trade is the implementation as part of this modernization program of effective risk management systems. RM is a core principle in applying many customs procedures to provide legitimate facilitation to trusted traders for example through an AEO or PCA systems enabling them to conduct business with the minimum of regulation.

## OBJECTIVES AND SCOPE OF THE ASSIGNMENT

As part of its program in Nigeria, NEXTT continues to work closely with the NCS and other relevant stakeholders, including the private sector in support of the overall NCS customs modernization initiative. The program primarily aims to streamline customs procedures and introduce simplifications, in order to minimize the time taken for the customs clearance of consignments, especially those that enter and leave through Lagos port. This is in support of the further development and enhancement of the commercial potential of the LAKAJI Corridor.

It is recognized that an effective clearance process that is able to assure compliance and appropriate duty collection while facilitating legitimate trade requires efficient management of risk. By enhancing the overall effectiveness of the NCS RM operations the facilitation of legitimate trade movements along the LAKAJI Corridor will be greatly enhanced at the point of import and export due to reduced official inspections

and delays. This will contribute to the de-congestion of the Lagos ports and lowering of trade costs for the business community.

## METHODOLOGY

Development of this element of the RM within the NCS involved meetings with relevant NCS personnel including: Deputy Comptroller General Modernization, Research and Economic Relations Department; Comptroller ICT; Comptroller and staff RMU; Comptroller and staff of the Pre-arrival Assessment Report Unit (PAAR); and Comptroller and staff of Post Clearance Audit (PCA). Meetings were also held with Webb Fontaine regarding the NCS IT RM platform and risk profiling process.

The assistance and cooperation provided by all of the stakeholders during the course of this analysis was greatly appreciated as was the excellent services provided by the NEXTT team in Abuja.

# FINDINGS AND RECOMMENDATIONS

## THE ROLE OF RISK MANAGEMENT IN A MODERN CUSTOMS ADMINISTRATION

Customs administrations have turned increasingly to RM as an effective means of meeting national objectives. Modern Customs administrations provide facilitation while maintaining control over the international movement of goods and persons through the application of RM to focus Customs control activities on Customs' highest priorities.

RM is, essentially, an approach for analyzing and responding to the challenges Customs faces in accomplishing its mission with the most efficient deployment of resources, to ensure the organization fulfils its responsibilities for the facilitation of trade whilst balancing this against the need to protect society and maintain Government revenues. RM, fully implemented, should be expected to provide the following benefits:

- More productive and effective achievement of organizational objectives;
- Improved management processes;
- Better use of existing resources by focusing them on the highest risks;
- Increased facilitation, flow of goods and inward investment;
- Decreased physical examinations;
- Increased numbers of detections;
- Improved employee morale and retention;
- Improved facilitation of legitimate trade;
- Increased overall business confidence and improved public profile;
- Promotion of inward investment; and
- Stimulation of the national economy.

Risk management enables Customs Administrations to demonstrate to Government that they are:

- Quantifying risk using scientific methods;
- Managing risk, by deploying staff to address the greatest areas of risk while allowing legitimate trade to flow freely; and
- Significantly improving outcomes without significantly increasing resources.

Risk management also carries with it a growing realization that this degree of change can be achieved only with the active participation of legitimate business (importers, exporters, transportation companies,

brokers, etc.). The partnership approach provides for greater efficiency and more effective controls based on knowledge of commercial operations. As a result, only high-risk transactions will be selected for examination. From a business perspective, this results in quicker, smoother clearance of legitimate trade through simplified procedures.

## RISK MANAGEMENT REGULATORY RESPONSES

One common aspect of a modern Customs RM system, which reflects the enhanced partnership approach mentioned, is to apply specific regulatory responses in accordance with a Compliance Continuum model (see Table I below).

The Continuum shows the difference between dealing with lower risks through a self-regulated approach to areas with high risk with enforced regulation.

Table 1: Compliance Continuum- Australian Customs and Border Protection Service

<b>ECONOMIC AGENT CATEGORIES – BEHAVIORS AND MOTIVATIONS</b>			
<b>Self-regulation</b>	<b>Assisted regulation</b>	<b>Directed regulation</b>	<b>Enforced regulation</b>
<ul style="list-style-type: none"> <li>▪ Informed self-assessment.</li> <li>▪ Management is compliance oriented.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Not yet compliant</li> <li>▪ Attempting compliance</li> <li>▪ Developing internal control systems</li> </ul>	<ul style="list-style-type: none"> <li>▪ Resistance to compliance</li> <li>▪ Lack of compliance</li> <li>▪ Limited/poor system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deliberate non-compliance</li> <li>▪ Criminal intent</li> <li>▪ Illegal activity</li> </ul>
<b>CUSTOMS AND BORDER PROTECTION OPERATIONAL RESPONSE</b>			
<ul style="list-style-type: none"> <li>▪ Education and training</li> <li>▪ Maximum pre-arrival/departure clearance</li> <li>▪ Minimum real-time pre-clearance intervention</li> <li>▪ Some compliance verification:                             <ul style="list-style-type: none"> <li>○ x-ray</li> <li>○ checks of documents and goods</li> </ul> </li> <li>▪ Sanctions may be imposed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Education and training</li> <li>▪ Some real-time pre-clearance intervention</li> <li>▪ Some post-clearance checking</li> <li>▪ Some compliance verification:                             <ul style="list-style-type: none"> <li>○ x-ray</li> <li>○ checks of documents and goods</li> </ul> </li> <li>▪ Sanctions may be imposed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pre and post-clearance intervention</li> <li>▪ Post-clearance comprehensive audit</li> <li>▪ Pre-clearance major examination</li> <li>▪ Sanctions may be imposed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pre and post-clearance intervention</li> <li>▪ Comprehensive audit</li> <li>▪ Cargo searches (may be covert)</li> <li>▪ Surveillance</li> <li>▪ Investigation by multi-disciplined items</li> <li>▪ Sanctions imposed</li> </ul>
<b>RISK</b>			
<b>LOW</b>		<b>HIGH</b>	

It can be seen that the Compliance Continuum model philosophy allows Customs to apply a range of responses depending upon the type of behaviors specific economic operators exhibit - Annex B provides further details of the Custom control responses used to encourage Economic Operators to move from right to left of the compliance continuum. These tailored responses all have one thing in common-- they

help to treat risks, which appear to threaten the delivery of the objectives of Customs, in the most efficient and effective way. It also provides Customs with a sound methodology for increasing levels of voluntary compliance with the Customs laws and facilitating trade.

For Customs, the most prominent risks are non-compliant or illegitimate trade transactions undermining government revenue and dangerous goods threatening society, although risks that Customs should address are all events and activities that hinder Customs from achieving their objectives.

The objective of applying a Compliance Continuum model in this context is to enable a Customs Service to accomplish its mandate by facilitating management to make better decisions.

Adoption of a Compliance Continuum RM process specifically helps to:

- Achieve equal treatment of the Economic Operators;
- Focus the burden of Customs control to non-compliant Economic Operators;
- Make best use of the available human, financial and technical resources;
- Increase the level of voluntary compliance of Economic Operators; and
- Allocate available resources according to the risk levels identified.

Many Customs Services have been able to reduce their regulatory control-oriented activities and minimize unnecessary disruption and cost to legitimate trade by using the Compliance Continuum process. They have re-engineered their strategies and tactics against risk so as to concentrate their resources on the high-risk end of the risk continuum (WCO, 2011) and have launched various forms of risk management programs fitting their environments, such as cargo selectivity systems, post-clearance audit programs, and AEO programs.

## THE STAGE OF RISK MANAGEMENT DEVELOPMENT WITHIN THE NIGERIAN CUSTOMS SERVICE

The NCS has adopted, in recent years, various RM policies and introduced a number of supporting organizational functions. However, it still has to optimize its RM processes and adjust its compliance approach to realize the full benefits of applying a RM methodology to its operations. These benefits include:

- Better human resource allocation – Following implementation of risk-based systems, Customs staff can concentrate efforts on fewer consignments, with staff deployed more efficiently to deal with cargoes considered higher risk;
- Increased revenue – Despite fewer physical inspections, the improved efficiency and professionalism in Customs control leads to an increase in revenue collection;
- Improved compliance with laws and regulations – It is a general experience that the improved efficiency in Customs – together with other incentives to achieve faster release through the green channel such as an Authorized Economic Operators program – brings about better compliance on the part of the businesses;

- Improved collaboration between economic operators’ and Customs – Interaction between Customs and economic operators’ is part of the process to assess the risks related to goods carried, imported or exported by specific economic operators’. It is proven that information and intelligence obtained through this interaction with the trade provides insight to current smuggling and fraud patterns and is invaluable in combatting such at a national and regional level.
- Reduced release time – The fact that on average only a small percentage of the goods are examined under efficient, risk-based clearance implies that Customs can release the vast majority of shipments immediately after the clearance document has been lodged with Customs, thus reducing current blockages at ports and therefore enabling goods to access or be exported from the LAKAJI Corridor in a time frame that is seen as competitive rather than restrictive within the region; and
- Lower transaction costs – The time taken to clear goods in Customs using old-fashioned procedures can amount to as much as one or two weeks. New risk management techniques will release 80–90 per cent of the goods within a few hours — and thus save significant transaction costs to those importers who are seen as low risk.

Until January 2014 outside Destination Inspection service providers had the responsibility for operating the NCS risk analysis selection process. One consequence of this arrangement has been to severely constrain the ability of the NCS senior management to build the internal institutional capacity needed to apply a full risk management methodology to their operations. As a result, it can be clearly seen from a comparison of the present NCS Customs operations with the modern approaches to Customs controls (Table 2) that, at this moment in time, the NCS are somewhere on the left of the traditional-modern risk management Customs continuum. For comparison, the text shown in red in the left column is the current NCS position, with the text in green, showing where they have moved to a modern RM style.

Table 2: Modern Approaches to Customs Risk Based Controls

Risk Management Framework	Traditional Customs Control (Gatekeeper) Style	↔	Modern Risk Management Style
	▪ Indiscriminate intervention or 100 percent check	↔	▪ Focus on high-risk areas, with minimal intervention in low-risk areas
	▪ Physical control focus	↔	▪ Information management focus
	▪ Focus on identifying noncompliance	↔	▪ Focus on identifying both compliance and noncompliance
	▪ Post-arrival import clearance	↔	▪ Pre-arrival import clearance
	▪ Physical control maintained pending revenue payment	↔	▪ Breaks nexus between physical control and revenue liability
	▪ No special benefits for recognized compliers	↔	▪ Rewards for recognized compliers

Source: David Widowson, Chief Executive Officer, Centre for Customs and Excise Studies and Adjunct Professor, School of Law, University of Canberra, Australia.

However, now that the responsibility for the RM compliance strategy and risk analysis selection process has reverted back to the NCS there is a real opportunity for the NCS senior management to move forward and implement a fully modern RM approach.

## PRIORITY ACTIONS TO BUILD THE NCS RISK MANAGEMENT CAPACITY

Based on our assessment of the NCS risk management processes there are real opportunities for the NCS senior management to build upon the existing RM structure to create, over time, a modern sophisticated risk management system.

These opportunities have been set out in a draft High-Level Risk Management Plan (Appendix I). This plan provides a framework for the development of RM within the NCS. Although all of the capacity building activities outlined in the Plan are important the following four activities have been identified as critical, in the short-term, to ensure the success of the NCS.

### **I. Establish an annual risk management planning process that identifies and sets high-level custom control priorities for the organization**

As part of its strategic management approach, an effective Customs service must prioritize annually its key RM issues and concerns and establish clear compliance targets. Once these priorities have been defined, they must then be effectively communicated throughout the organization. Progress against targets must be measured and reported through clearly defined corporate reporting mechanisms. Customs can then begin to measure their success; more specifically, measuring the level of compliance it has achieved in each priority area. This means that enforcement actions are not measured solely in terms of revenue collections and that penalties are not the ultimate measure of success of a modern Customs service. In fact, evidence based compliance statistics reported through a robust Management Information System, become a powerful tool in demonstrating to the trade, the benefits that can be obtained through adopting a compliance based approach with customs, encouraging the eradication of fraud/smuggling and increasing trade flows.

The following Table 3 provides an indication of how the existing NCS RM planning process varies from the international best practice and provides proposals for closing the gap.

Table 3: Assessment of Risk Management Planning Process

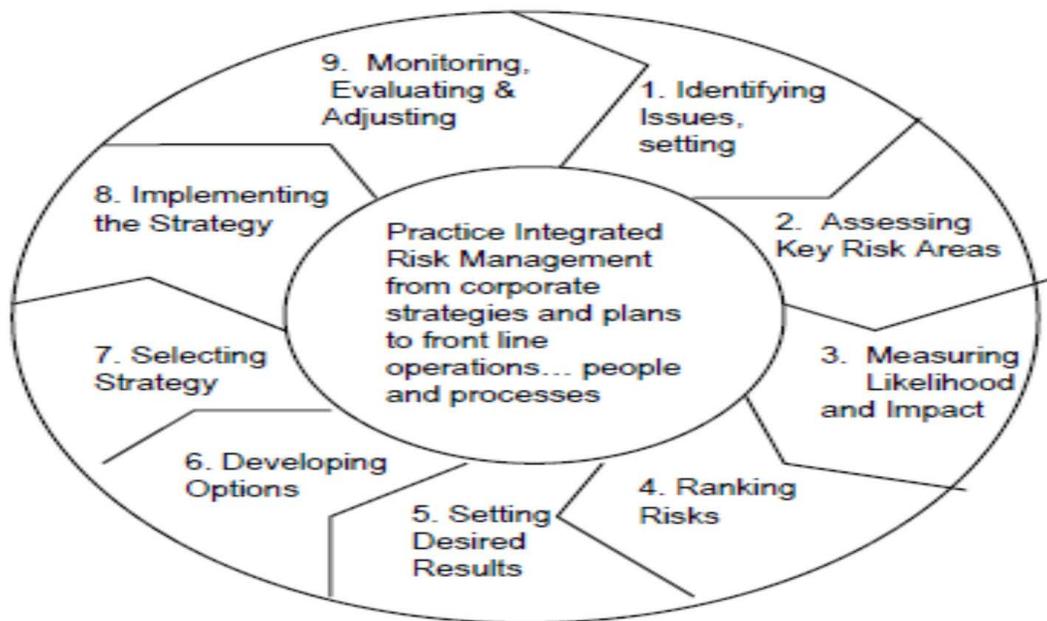
Best Practices	Gaps and Deficiencies	Issues for Consideration	Comments
Identification of Risk Management priorities.	There is no strategic assessment of threats to NCS operations being undertaken.	Development of a procedure for identification of strategic threat to customs operations.	The most critical RM function is the understanding of threats and assessing priorities of risks that Nigeria faces.
	The annual planning system does not include a risk management planning process that identifies and prioritizes risk amongst the various Units of the NCS,	Development of a RM planning process that identifies and prioritizes operational risks across the organization sets common RM priorities and KPIs and	A national RM planning process is required to set priorities, establish uniform methodologies, and provides guidance for the implementation of RM programs, especially customs controls and

and sets common RM Key Performance Indicators (KPI).	then monitors progress being made.	verification programs.
There is limited understanding of compliance management and how the various Customs controls should be combined to influence overall compliance levels.	Development of an enhanced understanding of compliance management	Customs controls should not be seen as working independently, but should be seen as parts of an integrated compliance approach.

The annual RM strategic plan will set out the key areas of focus for compliance activity within the NCS, which will, in turn, inform the risk treatment strategy and plan for the year. This plan will be a key driver for staff activity of each Division and will help decide the type and number of Customs controls to be carried out in order to influence and improve compliance levels. In this way the plan can also act as a management human resource-planning tool.

Below, figure I provides an overview of the steps involved in the process.

Figure I: Steps in RM Strategic Planning



Source: Treasury Board of Canada, 2000

Successful development of a new RM planning process will require the establishment of closer formal communication links with some key operational areas (namely the Risk Management Unit, Pre-Arrival Assessment Report (PAAR), Customs Intelligence Unit and Post Clearance Audit) and regular bi-monthly meetings of a RM Working Group.

- 2. Establish a fully functioning Risk Management Unit (rmu) with the technical competence and capability to manage the cargo selectivity system**

Despite being established for a number of years the NCS RMU has not been able to effectively carry out its mandate to date. The main reason for this is that a number of outside service providers operated the cargo selectivity system until January 2014 and no meaningful knowledge transfer of skills and capacity took place before their departure. This has resulted in the situation that the RMU exists, but has neither the technical competence nor capability to presently manage the complexities of the cargo selectivity system. In fact, at the present time Webb Fontaine are under contract to the NCS to continue the provision of an IT support function to the NCS, this includes, not only the NCS web portal but also Implementation of TradeWorldManager® (TWM), a Single Window type platform. As a result of the existing lack of capacity within the RMU, Webb Fontaine staff, through their contract to provide IT support, still undertake the setting of risk profiles at the request of the NCS and no meaningful monitoring of the effectiveness of the risk profiling system is taking place.

This lack of a pro-active risk profile setting and monitoring process obviously has significant implications for trade facilitation and severely restricts the ability of the NCS to use the advanced information received through the PAAR system to expedite the movement of goods entering and leaving the country.

Another crucial part of RM planning activity is development of national programs to allow Customs to collect and analyze data to identify noncompliance and its root causes, to develop and implement solutions, and to monitor the effectiveness of intervention measures.

Such programs can include:

- Primary Focus Industries (PFIs). These industries being identified as highest priority for the attention of the Customs Service based on such factors as revenue, quota and domestic industry impact. Examples include agriculture, automobiles, communications, critical components (bearings and fasteners), footwear, production equipment, steel, textiles, and apparel
- Compliance Measurement. Using statistically valid sampling techniques to select cargo shipments to examine. Based on these examinations, a picture of compliance levels for all imports can be obtained. Areas for additional Customs control attention can then be identified.

Many of the products imported for consumption within the LAKAJI Corridor could be included within the PFI or compliance measurement programs. Where evidence is obtained to prove good levels of compliance, this would be used by Customs to provide for a quick release of these goods to market. Again, because of the lack of technical competence within the RMU no properly devised national RM programs presently exist.

The following Table 4 provides an indication of how the existing NCS RMU status varies from the international best practice and provides proposals for closing the gap.

Table 4: Key Features for Developing the Capacity of the RMU

Best Practices	Gaps and Deficiencies	Issues for Consideration	Comments
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<p>Carry out analytical functions and develop selectivity and targeting criteria to manage the cargo selectivity system.</p>	<p>Currently the RMU is not carrying out analytical research, nor setting or monitoring risk profiles Currently the RMU is not analyzing statistical sampling results to identify areas for further customs control attention.</p>	<p>Development of a RM planning management capability allowing RMU staff to perform risk analysis; set profiles in the IT system; and to effectively monitor and amend profiles.</p>	<p>The process of RM planning creation is fundamental to the effectiveness of customs controls because it focuses customs officers on potential violations, positioning them to take action to safeguard the national economy and revenue, environment, health, and welfare at the earliest moment. Efficient and effective RM plans are essential to achieving strategic goals such as decreased cargo inspections and increased effectiveness of controls.</p>
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Once the RMU has become fully operational the RM IT support platform needs to be developed. The present NCS cargo RM system uses three intervention selection methods: rule-based selection, random selection and manual selection (officers re-routing). The first two - rule-based selection and random selection - are set in the ASYCUDA declaration processing system. They rely, and therefore are restricted by, the information contained solely within that system. The ultimate goal for development of the NCS selectivity system must be to enrich and expand this available data in order to be able to set more varied, targeted and intuitive RPs. This can be done by creating a data warehouse containing a wide variety of information against which enhanced rule-based selection (RPs) can be run – the NEXTT report ‘Workshop to Examine Data Needs of the Nigerian Customs Service Risk Management Unit’ provides further details on the development of data available to the RMU.

The NCS are actively engaged in developing their IT structure at the present moment in time, but this appears to be technology rather than business driven and there are no User Requirements that clearly document and provide a picture of how the needs of the RM operations of the future will be met.

### **3. Develop the present post clearance control function to support a move away from high levels of interventions at the point of clearance**

A recent review of the NCS PCA function entitled Post Clearance Audit Review Report identified that –

*“Post Clearance Audit, as per World Customs Organization guidelines does not fully operate in Nigeria. Audits at trader’s premises of their accounting records in order to verify accuracy of declarations are not performed. Apart from clear procedures not being in place for this to happen, staff have not received any training on any of the audit techniques required to perform an audit of traders accounts”*

By development of PCA, as part of a compliance risk-based approach, NCS can target their resources more effectively and work in partnership with the business community to improve compliance levels and facilitate trade. In doing so, the NCS will also be able to fulfil one of their key responsibilities to Government in maintaining the legitimate revenue flows, with the risk based PCA controls ensuring that traders are compliant and account in full for all revenue due. However, the full transition from a border-focused control environment to PCA as the prime basis for customs controls typically evolves over several years, as new processes and procedures are developed and new skills learnt. The NCS therefore need to build their PCA capacity step-by-step as they develop the other essential components of their risk management framework.

Parallel to this capacity development, will be the move from front line border customs controls, to risk based audits carried out typically at the traders premise. The LAKAJI Corridor would be the ideal location for establishing the first of such measures and in doing so, providing the evidence to some of

the staff within the NCS who are concerned about the relaxation of current controls through the quick release of goods at the port does not lead to a reduction in revenue collection or increased smuggling.

The following Table 4 provides an indication of how the existing MCS RMU status varies from the international best practice and provides proposals for closing the gap.

Table 5: Development of Risk Based Functionality for PCA

Best Practices	Gaps and Deficiencies	Issues for Consideration	Comments
It is a basic principle of the Revised Kyoto Convention (RKC) that Customs administrations should shift from exclusive movement controls to more audit-based controls.	The existing NCS Post Clearance Audit function is not presently capable of supporting a gradual shift away from the traditional 'transaction by transaction' customs control at the point of clearance towards selective customs controls carried out post import/export.	Piloting of a Post Clearance Audit program (desk and visit audit functions) in the LAKAJI Corridor utilizing the ASYCUDA 'Blue Lane' as a stepping-stone to developing a new PCA focused control approach nationally.	For the NCS to optimize customs controls and expedite the clearance of goods there needs to be a shift away from customs control at the point of clearance towards selective customs controls carried out post import/export.

#### 4. Develop and implement an Approved Economic OPERATOR 'TRUSTED trader' Program

AEOs are authorized to use simplified customs procedures for imports and benefit from an accelerated customs clearance process with customs placing reliance on the correctness of their import declarations and supply chain security measures. Customs as a result carry out fewer (if any) controls before release of goods for those traders registered as holding AEO Status, with any controls necessary generally performed through pre-authorization and post audit regimes. AEO Programs are now well established worldwide; though with little take up so far in Africa. However, other West African countries (e.g. Ghana), are seeking to gain a competitive trading edge through the implementation of an AEO program.

The report "Authorized Economic Operator Program – Cost benefit Analysis" identified that with adoption of the new Customs and Excise Management Act (CEMA) the legal basis for introducing an AEO program in Nigeria will be in place. It further confirms that Nigeria cannot afford to stall on the implementation of an AEO Program, as this will enable neighboring countries to gain a commercial trading advantage and could set back national development and the potential loss of Foreign Direct Investment. As such, an AEO program will be critical to the success of the LAKAJI Corridor, providing the mechanism for those pre-authorized traders to have their goods cleared swiftly (both on import and export) and making the Corridor an attractive investment option for international corporations seeking to develop or extend within the West African market.

The following Table 5 provides an indication of how the existing NCS AEO process varies from the international best practice and provides proposals for closing the gap.

Table 6: Development of an AEO Program to Support the Compliance RM Strategy of the NCS

Best Practices	Gaps and Deficiencies	Issues for Consideration	Comments
WCO 21st Century Strategic Vision and SAFE envisage Customs trade partnerships using AEO programs.	An AEO program has yet to be introduced.	<p>Expedite clearance of cargoes by utilizing the AEO program and using simplified procedures</p> <ul style="list-style-type: none"> <li>▪ Incomplete declaration procedure</li> <li>▪ The simplified declaration procedure</li> <li>▪ Periodical clearance procedure</li> <li>▪ The local declaration procedure</li> </ul>	<p>AEO programs and simplified procedures reduce the requirement for customs control interventions prior to the release of goods. This, in turn, speeds up the import of goods and thereby reduces the overall cost of trade.</p> <p>Utilization of the programs will help increase import volumes by providing predictable export supply chains.</p> <p>Customs control can be exercised through the authorization process combined with periodic audits based on risk assessment of the economic agents accounting records.</p>

With the adoption of the legal basis for introducing an AEO program in Nigeria nearly completed the challenge for the NCS will be to maximize the use of the AEO program and simplified procedures as part of adopting a new compliance approach.

This will necessitate a significant shift in approach for the NCS. It will need to be based on a customs-to-business partnership predicated on trust, responsibility, and accountability resulting in predictability and swift processing of imports and exports as provided for in SAFE otherwise such a program will have very little chance of success. Traders will have to be seen as partners in the overall supply chain and the NCS will need to demonstrate to them the full benefits of becoming an AEO and actively encourage membership of the program.

## RECOMMENDATIONS

For the NCS RM system to function properly it needs to be underpinned by, amongst other things, highly developed:

- Strategic RM planning processes
- An RMU capable of directing reduced levels of control interventions at the border;
- AEO schemes both national and regional with direct delivery and clearance of the cargoes at the premises of the AEO;
- PCA programs validating the veracity of a trader's business activity across multiple rather than singular transactions thereby increasing compliance levels and revenue collection; and
- IT Business Intelligence platforms that support sophisticated RM analysis processes

Additionally the RM system will require to be supported by a cadre of highly skilled and motivated staff.

A summary of recommendations for moving forward the four key elements of operations outlined in this report can be found at Appendix II. These need to be developed and enhanced as a matter of priority and this is where NEXTT can support the NCS to build an effective and efficient Risk Management system capable of facilitating trade throughout the country, and in particular from the NEXTT context, along the LAKAJI Corridor.

The NCS draft High-Level 'Risk Management' Plan already delivered by NEXTT to the NCS (Appendix I) provides the platform for this RM system by setting out the necessary institutional changes that need to occur over a longer period of time.

# APPENDIX I

## Draft Nigeria Customs Service High-Level 'Risk Management' Plan

### INTRODUCTION

Over the last four years the Nigerian Customs Service (NCS) management team has been working to develop its strategic thinking and find practical solutions to the dilemma of simultaneously optimizing trade facilitation procedures whilst, at the same time, heightening the integrity of border controls to address concerns over security and revenue collection.

A major outcome of the strategic thinking undertaken so far has been the production of a clear strategic vision for the organization going forward. This vision is encapsulated in the NCS publication 'Customs Reform and Modernization in Nigeria – Towards a Comprehensive Vision'.

In developing the Comprehensive Vision the NCS management team has drawn on the modern customs principles contained in the revised Kyoto Convention (RKC), the Framework of Standards to Secure and Facilitate Global Trade (SAFE) and the vision for Customs in the 21st Century. This is because the World Customs Organization (WCO) sees these as the modernization blueprints to help guide Customs services along a path that ultimately achieves the sought after balance between facilitation of the trading system and enhancement of regulatory control.

The first of these principles – facilitation of the trading system - is an essential part of the Nigeria 2020 Vision program which identifies as a primary goal to 'Eliminate bottlenecks in import and export processes and documentation as required to rank Nigeria among the first 20 in the ranking for Trading Across Borders'.

TABLE I – NIGERIA VISION 2020

Goals/Targets	Strategies	Initiatives
Eliminate bottlenecks in import and export processes and documentation as required to rank Nigeria among the first 20 in the ranking for Trading Across Borders	Reduce all costs related to processing import/export documents	Build capacity for electronic documentation of international trade
		Attain the 48-hour turn- around time for clearing goods at the ports
		Maintain a Single Window for processing documents at the ports
		Regularly consult importers/ exporters on how to make trading easier

		Rationalize the number of government agencies stationed at port facilities
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This heightened Nigerian government recognition of the importance of trade facilitation and the need for the NCS to support, rather than be a barrier too, the trading environment is one key reason for seeking to re-align and change some of the existing NCS working practices.

The second principle - developing customs controls to maintain an effective level of national security, revenue collection and compliance with regulations – addresses the concern voiced internationally and nationally about the security of the trade supply chain given the threat posed by potential terrorist activity, trans-national organized crime, and smuggling.

## THE ROLE OF RISK MANAGEMENT

The utilization and application of advanced Risk Management (RM) techniques throughout NCS operations is seen as one of the fundamental ways of turning the NCS vision into a reality.

The WCO Risk Management Compendium defines Risk Management (RM) as “coordinated activities undertaken by administrations to direct and control risk”. When adopted as a management philosophy, it enables Customs to carry out its key responsibilities effectively and organize and deploy its resources in a manner, which improves overall performance and facilitates trade.

Through development of RM capacity the NCS can fulfil its High-level priorities for 2013 to 2018 (outlined in the draft Organizational Plan produced during 2012) by achieving:

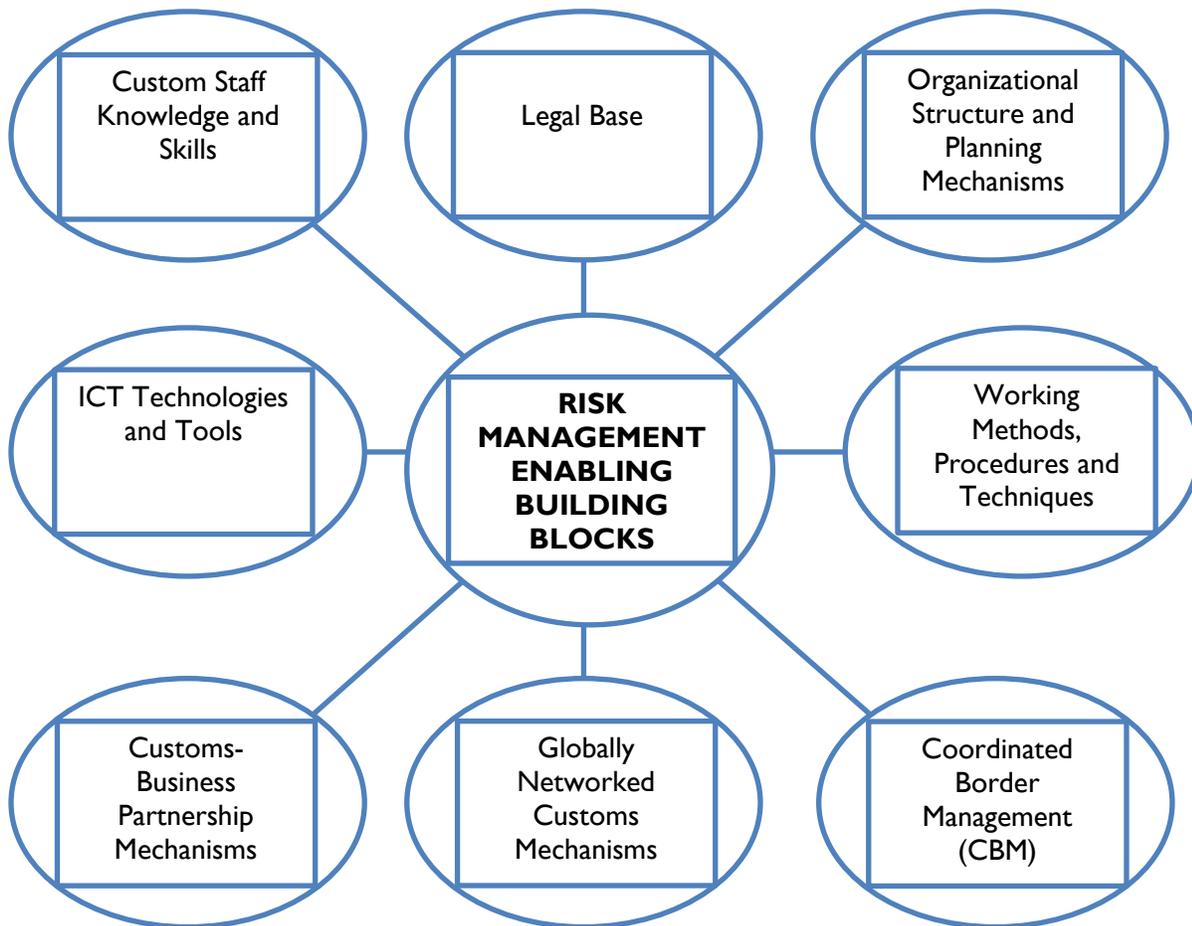
- An enhanced focus on movements of “high risk” goods and passengers
- Improved levels of compliance with laws and regulations
- A reduction in clearance times to 48 hours; and
- A better foundation for more efficient revenue collection.

## RISK MANAGEMENT PLAN

This section sets out the high-level development framework for RM within the NCS over the next # years. It takes into account the fact that the foundation of any modern Customs operational RM system comprises of eight inter-linked building blocks. The building blocks are:

The NCS high-level objective is therefore to formulate policies and actions that develop these eight building blocks to their full capacity over the coming years. This will form an integral part of a wider initiative to develop and implement a compliance strategy to help those who want to comply with the Customs laws and requirements whilst deterring opportunists from engaging in non-compliance and fighting criminal behavior with robust enforcement action.

Figure 1: Building blocks for a Risk Management System



The NCS has, over the last few years, already started work on a number of the building blocks. The most important initiatives being the:

- Development of a strategic vision for the NCS and RM
- Drafting of a new Customs and Excise Management Act (CEMA) to ensure that legislation provides a solid legal foundation for RM and many of the simplifications needed to compliment and operate RM effectively
- Negotiations to take over full responsibility for RM from Destination Inspection and Scanning companies; and
- Development of new supporting ITC platforms and solutions.

However, there is still a great deal of very important work and institutional change for the NCS to undertake if:

- The future expectations of the government and trading community are to be fully realized; and
- Management want to successfully keep pace with, and position the organization to meet the challenges posed by, the rapidly developing changes in customs operations worldwide.

The following 'situation assessment' summarizes, for each of the enabling building blocks, the work undertaken so far to support the development of RM and identifies the further work that needs to be undertaken over the coming years.

<b>Legal Base</b>	
Achievement	<ul style="list-style-type: none"> <li>▪ New Customs and Excise Management ACT (CEMA) drafted which allows the NCS to apply controls selectively on the basis of risk management and provides for core supporting activities and simplifications.</li> </ul>
Further Development Needs	<ul style="list-style-type: none"> <li>▪ CEMA adopted into law and supporting regulations enacted.</li> </ul>
<b>Organizational Structure and Planning Mechanisms</b>	
Achievement	<ul style="list-style-type: none"> <li>▪ RM Strategy developed – 2010.</li> <li>▪ Central RMU and Central Intelligence Unit (CIU) structures created with mandates.</li> </ul>
Further Development Needs	<ul style="list-style-type: none"> <li>▪ Review and updating of the 2010 RM strategy.</li> <li>▪ Strengthening of the RM interface with Intelligence, Post Clearance and Enforcement, including creation of formal planning processes.</li> </ul>
<b>Working Methods, Procedures and Techniques</b>	
Achievement	<ul style="list-style-type: none"> <li>▪ Employment of Scanning and RM Selectivity Service Providers.</li> <li>▪ Introduction of a Post Clearance Audit function.</li> </ul>
Further Development Needs	<ul style="list-style-type: none"> <li>▪ Introduction of a methodology for completing strategic assessments (at the macro level) of operational risks.</li> <li>▪ Establish a fully functioning RMU with the competence to manage the cargo selectivity system.</li> <li>▪ Strengthening of the Post Clearance Audit function.</li> </ul>
<b>Coordinated Border Management (CBM)</b>	
Achievement	<ul style="list-style-type: none"> <li>▪ Development of close working relationships with the other Agencies operating at the border.</li> </ul>
Further Development Needs	<ul style="list-style-type: none"> <li>▪ Adoption of more structured and systematic cooperation and coordination and mechanisms.</li> </ul>
<b>Globally Networked Customs Mechanisms</b>	
Achievement	<ul style="list-style-type: none"> <li>▪ Exchanging data with other Customs Services</li> </ul>
Further Development Needs	<ul style="list-style-type: none"> <li>▪ Continue to develop working relationships with major trading partners and neighboring countries</li> </ul>
<b>Customs-Business Partnership Mechanisms</b>	
Achievement	<ul style="list-style-type: none"> <li>▪ Introduction of a 'Fast Track' process for trusted traders in Lagos Port.</li> </ul>
Further Development Needs	<ul style="list-style-type: none"> <li>▪ Extension of the 'Fast Track' system as a fore-runner to a full Authorized Economic Operator program.</li> </ul>
<b>ICT Technologies and Tools</b>	

Achievement	<ul style="list-style-type: none"> <li>▪ ASYCUDA ++</li> <li>▪ E-declarations and payments introduced</li> <li>▪ Work commenced to establish a modern NCS IT platform (Nigerian Customs Information System) - PAAR and Trade</li> </ul>
Further Development Needs	<ul style="list-style-type: none"> <li>▪ Single Window implementation</li> <li>▪ Further data definition, pooling and expansion</li> <li>▪ Establishment of the Risk Management Unit (RMU) data needs and creation of a Road Map to fulfill those needs</li> <li>▪ Establishment of the RMU IT environment needs and creation of a Road Map to fulfill those needs</li> <li>▪ Provision of Data Mining tools to the RMU</li> </ul>
<b>Staff knowledge and Skills</b>	
Achievement	<ul style="list-style-type: none"> <li>▪ Initial RM awareness training provided</li> </ul>
Further Development Needs	<ul style="list-style-type: none"> <li>▪ Implementation of a RM Communication Strategy</li> <li>▪ Development and delivery of a RM awareness program</li> <li>▪ RMU training in modern compliance management approaches, statistical analysis and enhanced risk profiling and monitoring techniques</li> <li>▪ Draft and issue a NCS RM Standard Operating Procedures (SOP) manual</li> </ul>

## # YEAR RISK MANAGEMENT PLAN

As can be seen from the Further Development Needs identified, a number of existing NCS operational practices and processes need to be strengthened and/or a range of new customs processes introduced for each of the enabling building blocks. This work forms the basis of the # Year Risk Management Plan and is further explained below.

## LEGAL BASE

*CEMA adopted into Law and supporting regulations enacted*

The law is presently with the President awaiting signature. Once signed implementing regulations need to be adopted and a review of existing processes and procedures undertaken, to ensure their validity. New procedures should be designed and implemented to address gaps identified, or to replace outdated methods of operation.

## ORGANISATIONAL STRUCTURE AND PLANNING MECHANISMS

*Review and updating of the 2010 RM strategy*

The 2010 RM Strategy will be reviewed, updated and published.

### *Strengthening of the RM interface with Intelligence, Post Clearance and Enforcement*

It is crucial that RM has a formal and regular interface with many other areas within the NCS, particularly the Intelligence, Enforcement and Post Clearance functions. These formal interface mechanisms need to fully support close working and effective communication among each of these practice areas. They need to be further reinforced through the annual planning process to ensure that common goals, priorities and key performance indicators (KPI's) are clearly agreed and set out at the beginning of every year. Such plans will be reviewed regularly to confirm progress.

## WORKING METHODS, PROCEDURES AND TECHNIQUES

### *Introduction of a Methodology for completing Strategic Assessments of Operational Risks*

The most critical RM function is the understanding of strategic threats and deciding the prioritization of risks that Nigeria faces. This requires the development of a methodology for completing risk management / intelligence strategic threat assessments and a process for the subsequent evaluation of the operating programs and plans to address these threats.

### *Establish a fully functioning RMU with the competence to manage the cargo selectivity system*

Despite being established for a number of years the RMU has not been able to effectively carry out its mandate to date. The main reason for this is that a number of outside service providers operated the cargo selectivity system until January 2014 and no meaningful knowledge transfer of skills and capacity took place before their departure.

### *Strengthening of the Post Clearance Audit function*

For the NCS to optimize Customs controls and expedite the clearance of goods there needs to be a gradual shift away from the traditional transaction by transaction control carried out at the border, towards controls carried out in the import companies' premises. These post-clearance audit controls will generally be carried out for compliance verification purposes in the areas of valuation, origin, tariff classification, duty relief/drawback remission programs, etc., but other areas may also be targeted as necessary.

To support this gradual shift a review of existing post-clearance audit staffing levels will be undertaken taking into account the projected future workload for this area. Based upon the review findings a program of staff training will then be developed and implemented. This training will focus on how post-clearance audit can provide for a more holistic control of the importers etc., and provide post clearance staff with an understanding of the range of modern audit techniques that could be used to confirm the compliance level of a business. Such techniques include the use of supplementary trading records and periodic stock checks to validate the business operations.

### *Utilization of Statistical Random Sampling Testing of Medium and Low risks to establish and Confirm Compliance Baselines*

Compliance baselines for commodities and companies need to be established through empirical measurements based on stratified compliance and statistical sampling control intervention programs (interventions conducted independent of normal risk profile screening). The number of these interventions and their distribution across commodities and traders will be determined in national risk management and trade facilitation strategies, and shall be controlled by parameters in special risk profiles which the RMU will establish.

#### *Coordinated Border Management (CBM)*

##### Adoption of more structured and systematic cooperation and coordination mechanisms

An inefficient approach to inter-agency working at the border can easily cancel out improvements made in other trade-related areas and severely limits the potential for economic growth. This is particularly true when it comes to selecting imports and exports for examination and sequencing those examinations. Without a coordinated inter-agency approach to these issues duplication of effort and inefficiencies occur.

With this in mind a more structured and systematic cooperation and coordination between the NCS and the other border authorities (National Agency for Drug Administration and Crime (NAFDAC), National Police Force (NPF), National Drug Law Enforcement Agency (NDLEA), Standards Organization of Nigeria (SON), Nigerian Agricultural Quarantine Service (NAQS), National Environmental Standards and Regulatory Enforcement Agency (NESREA), Federal Inland Revenue Service (FIRS) and Federal Ministry of Agriculture (FMA)) will be developed to enable better risk analysis, assessment and profiling.

There is a need to encourage the sharing of risk information and intelligence from these specific agencies on serious threats related to cargo movements, make it available electronically and have it acted upon immediately using the advance cargo information system. The type of information, and procedures for its transmission in a way that optimizes the results for common risk management, needs to be determined and agreed together with the other agencies. This will include the need to confirm the legal basis for data exchange and consider the need for any MoU or other agreements that may be required.

To facilitate the aforementioned development of the enhanced structured and systematic cooperation and coordination approach an RM Technical Committee will be established in order for all border agencies to jointly agree and establish Risk Management Best Practices. The committee will also study the possibility of setting common risk criteria and AEO schemes with the aim of facilitating international trade in Nigeria. The aim being to adopt official risk management practices which facilitate the legitimate movement of imports and exports through improved control processes. In addition to that, the Committee will contribute to identifying and cancelling unnecessary overlapping operations, within the examination and inspection processes.

#### Globally Networked Customs Mechanisms

*Continue to develop working relationships with major trading partners and neighboring countries*

Effective risk management depends on strong international cooperation, both bilaterally and multilaterally. The NCS will continue to pursue initiatives to develop information exchange with major

trading partners and neighboring countries, promote mutual recognition of trade partnership programs and support joint training of staff through exchanges of officials and developing common standards.

The further networking and exchange of vital and accurate information with other Customs Services, will not only ensure increased detection of smuggling attempts, it will also provide for increased security over the international supply chain. Consideration will be given to the need for any MoU or other agreements that may be required, or provide for this, including through ECOWAS.

## Customs – Business Partnership Mechanisms

### *Development of the 'Fast Track' system into a full Authorized Economic Operator (AEO) program*

Closer engagement with economic operators is required to encourage provision of a better standard of data for risk analysis, facilitate the efficient movement of legitimate trade and more effectively combat illicit trade. This requires that the NCS develops a range of MoU's with various trade bodies and expands the existing 'fast lane' facility into a full AEO scheme. In the short term, the existing Fast-Track mechanism in Lagos Port should be extended to demonstrate the benefits of such a system, with a plan to progress to a fully managed and audited AEO system

Successful implementation of a full AEO program will be vital to encourage voluntary compliance with CEMA. It will require that significant benefits are made available to traders to encourage participation in the scheme. One such benefit could be the recognition of NCS AEO status by the other border authorities as this could be an important source of economies and benefits for the trader.

## ICT Technology and Tools

### *Single Window implementation*

The NCS is working towards implementation of the National Single Window (SW) in Nigeria. The objective being to use the SW environment to:

- Increase co-operation between the NCS, other government agencies and border control authorities in order to electronically share documents (data) and provide a platform for common procedures for processing and control; and
- Provide trade and transport operators with a single submission for trade documents and information to satisfy all import, export and transit regulatory requirements

At the same time, the NCS will work to streamline risk information and intelligence from the specific agencies on serious threats related to cargo movements, make it available and have it acted upon immediately using the advance cargo information system. The type of information, and procedures for its transmission in a way that optimizes the results for common risk management, will be determined and agreed together with those authorities.

### *Further data definition, pooling and expansion*

A comprehensive data warehouse of information extracted from multiple sources will be developed to maximize the data available to inform the risk management process. The collection, analysis, disclosure and retention of this data will have a basis in law.

*Establishment of the RMU data needs and creation of a Road Map to fulfill those needs*

Work will be undertaken to clearly identify the present and future data needs of the RMU and a detailed road map prepared to realize the data requirements.

*Establishment of the RMU IT environment needs and creation of a Road Map to fulfill those needs*

The existing RMU IT environment will be enhanced to maximize the ability of the analysts to undertake their work efficiently and effectively.

For example, IT capacity to enable RM staff to quickly perform impact analysis on proposed profiles to understand how many inspections a new profile will generate, and the “hit rate” of those inspections (how many of them will detect a violation) will be provided along with the capability to immediately review past risk profiles and their results when considering the setting of new risk profiles.

A detailed road map will be prepared to realize the necessary IT environment.

*Provision of Data Mining tools to the RMU*

The WCO Customs Risk Management Compendium places reliance on Customs maximizing the use of computerization and software data mining tools to support enhanced automated risk management procedures. The work of the RMU will be supported by the provision of advanced data mining tools alongside the provision of standardized management query template reports.

*Establishment of the Customs Intelligence Unit (CIU) data needs and creation of a Road Map to fulfill those needs*

Work will be undertaken to clearly identify the present and future data needs of the CIU and a detailed road map prepared to realize the data requirements.

*Establishment of the CIU IT environment needs and creation of a Road Map to fulfill those needs*

Intelligence plays an important role in shaping RM priorities. Accordingly the existing CIU IT environment will be enhanced to maximize the ability of Intelligence staff to undertake their work efficiently and effectively.

For example, an IT intelligence database will be developed along with links to the World Customs Organization National Customs Enforcement Network (nCEN) system.

A detailed road map will be prepared to realize the necessary IT environment.

## Staff Knowledge and Skills

### *Implementation of a RM Communication Strategy*

An RM Communication strategy will be developed to help inform and prepare NCS managers and officers for the modernization initiatives outlined in the plan and give some certainty, so that they can fully understand the changes taking place and establish mechanism for their effective implementation.

It will include a range of activities including holding meetings with staff, producing comprehensive guidance and issuing regular newsletters.

The meetings will help identify obstacles to the introduction of the major changes and identify possible solutions. They will also provide an opportunity to explain clearly the costs and long-term benefits of the major changes. As a result of this, NCS personnel will be better prepared for the forthcoming changes and supportive of their introduction.

### *Development and delivery of a RM Awareness Program*

The aim of the workshop program is to develop a broader, more holistic view of risk within NCS and in doing so enhance the application of risk management techniques and thereby the operational effectiveness of the organization. The program will comprise of two stages:

Stage 1 - providing workshops for key managers and staff in HQ (RMU, CIU, Enforcement, Rulings Centre) to enhance their understanding; and

Stage 2 - providing workshops for groups of key operational managers outside of HQ

### *RMU training in modern compliance management approaches, statistical analysis and enhanced risk profiling and monitoring techniques*

The WCO Customs Risk Management Compendium places reliance on Customs developing effective methods of risk assessment. RMU staff will be trained to conduct in-depth statistical analysis and develop improved profiling and enforcement programs focused on highest priority threats to the nation.

### *Draft and issue a NCS RM Standard Operating Procedures (SOP) Manual*

Written RM guidance, in line with WCO standards, will be produced to act as a resource to NCS officers and help promote a better understand of the subject.

### *Develop an e-learning platform to support and promote RM awareness*

To reinforce the importance of RM to the organization an e-learning platform to support and promote RM awareness will be developed.

## IMPLEMENTATION OF THE # YEAR RISK MANAGEMENT PLAN

The analysis that has been undertaken whilst preparing the work plan has identified a number of reforms that will have a significant impact on the NCS both in the short and longer-term. These activities need to be taken forward as a single, integrated and dynamic program to:

- Maximize the effectiveness of the individual actions; and
- Support the long-term reform of the NCS in accordance with the identified priorities

Responsibility for the progress of the individual activities identified under the plan is outlined in Appendix II along with indicative timescales for implementation. These timescales attempt to take full account of the need to progress the plan at a pace that accommodates the NCS's capacity, and that of other government border management services and the Nigerian trading community, to absorb the changes.

## CONCLUSION

Faced with the changing global trading environment the NCS now needs to undertake a strategic change in the way the movement of goods and people entering and exiting the country are dealt with and controlled.

A major aim of this work plan is to:

- Progressively build upon the work undertaken by the NCS over the last few years; and
- Develop and introduce a range of significant new working methods and practices over the next # years

NCS management strongly believes that if the work activities outlined in this plan is successfully undertaken they will benefit not only the NCS, but the country as a whole.

## APPENDIX II

REF #	Proposal	Timescale	Assumption	Lead Responsibility	Key Actions
1	<ul style="list-style-type: none"> <li>Development of a procedure for identification of strategic threat to customs operations.</li> </ul>	<ul style="list-style-type: none"> <li>Short-term (1 Year)</li> </ul>	<ul style="list-style-type: none"> <li>Agreement of NCS.</li> <li>Suitable counterpart designated and available.</li> </ul>	<ul style="list-style-type: none"> <li>NCS/CA Consultant</li> </ul>	<ul style="list-style-type: none"> <li>Discuss options and draft proposal.</li> <li>Hold meetings with NCS senior management to secure agreement for implementation of proposal.</li> <li>Draft strategic threat identification procedural guide.</li> <li>Training for NCS managers on new process.</li> </ul>
2	<ul style="list-style-type: none"> <li>Development of a RM planning process that identifies and prioritizes operational risks across the organization sets common RM priorities and KPIs and then monitors progress being made.</li> </ul>	<ul style="list-style-type: none"> <li>Short-term (1 Year)</li> </ul>	<ul style="list-style-type: none"> <li>Agreement of NCS.</li> <li>Suitable counterpart designated and available.</li> </ul>	<ul style="list-style-type: none"> <li>NCS/CA Consultant</li> </ul>	<ul style="list-style-type: none"> <li>Discuss options and draft proposals.</li> <li>Hold meetings with NCS senior management to secure agreement for changes.</li> <li>Draft RM Planning procedural.</li> <li>Training for NCS managers on new process.</li> </ul>
3	<ul style="list-style-type: none"> <li>Development of an enhanced understanding of compliance management</li> </ul>	<ul style="list-style-type: none"> <li>Medium-term (1-2 Years)</li> </ul>	<ul style="list-style-type: none"> <li>Agreement of NCS.</li> <li>Availability of NCS senior compliance managers.</li> </ul>	<ul style="list-style-type: none"> <li>CA Consultant</li> </ul>	<ul style="list-style-type: none"> <li>Design and deliver presentation on compliance management theory with suitable explanatory material for further dissemination to NCS senior managers responsible for compliance activities.</li> </ul>
4	<ul style="list-style-type: none"> <li>Development of a RP management capability allowing RMU staff to perform risk analysis; set profiles in the IT system; and to effectively monitor and amend profiles.</li> </ul>	<ul style="list-style-type: none"> <li>Short-term (1 Year)</li> </ul>	<ul style="list-style-type: none"> <li>Agreement of NCS.</li> <li>Availability of RMU staff for training, accommodation and IT equipment available and access to necessary database systems.</li> <li>Availability of Webb Fontaine or UNCTAD staff to undertake ASYCUDA database training.</li> </ul>	<ul style="list-style-type: none"> <li>NCS/ CA, Consultant /Webb Fontaine or UNCTAD</li> </ul>	<ul style="list-style-type: none"> <li>Complete Full Training Needs Assessment.</li> <li>Establish designated RMU workspace and IT support environment.</li> <li>Agree and arrange training program with NCS.</li> <li>Deliver training program.</li> </ul>
5	<ul style="list-style-type: none"> <li>Piloting of a Post Clearance Audit (PCA) program (desk and visit audit functions) utilizing the ASYCUDA 'Blue Lane' as a stepping-stone to developing a new PCA focused control approach, within the LAKAJI Corridor.</li> </ul>	<ul style="list-style-type: none"> <li>Medium-term (1-2 Years)</li> </ul>	<ul style="list-style-type: none"> <li>Agreement of NCS</li> <li>Availability of stakeholders wishing to participate in pilot.</li> </ul>	<ul style="list-style-type: none"> <li>NCS/CA Consultant</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of Blue Lane Working Group.</li> <li>Develop PCA Blue Lane risk profile model and criteria.</li> <li>Assess Human Resource implications of pilot implementation (Staff, IT etc.).</li> <li>Development of PCA guidance for new pilot desk audit and visit processes.</li> </ul>

					<ul style="list-style-type: none"> <li>▪ Development and delivery of training to PCC staff involved in pilot scheme.</li> <li>▪ Draft and issue pilot publicity note.</li> <li>▪ Pilot PCA Blue Lane Program.</li> </ul>
6	<ul style="list-style-type: none"> <li>▪ Expedite clearance of cargoes by utilizing an AEO program and using simplified procedures               <ul style="list-style-type: none"> <li>○ Incomplete declaration procedure</li> <li>○ The simplified declaration procedure</li> <li>○ Periodical clearance procedure</li> <li>○ The local declaration procedure</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Medium-term (1-2 Years)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Passing of Customs Law providing legal base for full AEO program and simplifications. This is currently with the President for signature and NEXTT is seeking to engage with the Ministry of Finance to see a quick resolution to this.</li> <li>▪ Availability of stakeholders wishing to participate in a pilot, focused at the LAKAJI Corridor.</li> </ul>	<ul style="list-style-type: none"> <li>▪ NCS/CA Consultant.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Passing of legislation providing legal base for full AEO program and simplifications.</li> <li>▪ Establishment of an AEO Customs Working Group.</li> <li>▪ Establishment of an AEO Trade Working Group.</li> <li>▪ Draft AEO Implementation Plan.</li> <li>▪ Defining AEO Requirements.</li> <li>▪</li> <li>▪ Defining AEO Benefits.</li> <li>▪ Developing the application process.</li> <li>▪ Recruiting specialist AEO staff.</li> <li>▪ Undertake AEO Program Training.</li> <li>▪ Pilot AEO Program.</li> <li>▪ Announce and Promote the AEO Initiative.</li> </ul>