

**Customs Integrity Awareness Program in Nepal
Development and Implementation
Kathmandu, Nepal**

Submitted to

John Ellis: USAID/EGAT/Washington

Naren Chanmugam: USAID/Nepal

Submitted by

Booz Allen Hamilton

Facilitating Streamlined Trade “FASTrade” Project

Contract No: PCE-I-00-98-00013-00, Task Order 17

Prepared by

Robert Mitchell

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**USAID Facilitating Streamlined Trade Project (FASTrade)
Booz Allen Hamilton
PCE-I-00-98-00013-00, Task Order 17**

**Activity Report
Nepal Customs Integrity Awareness Program Development and Implementation
Prepared by Robert Mitchell, Booz Allen Hamilton
April 8, 2005**

During the period March 26-April 8, USAID FASTrade consultant provided on-site program/project management training/ facilitation, and integrity self assessment support to Nepal Customs. This report summarizes this training and provides observations of the state of Customs organization and management as well as recommendations regarding further assistance.

- Based on classroom participation, Customs Director Baskota's feedback, pluses and minus proffered by the participants at the end of the training, subject areas covered, and acumen demonstrated by the participants in the integrity self assessment, the goal of establishing a well-trained program management staff has been met.
- In addition to delivering the training, the consultant prepared and provided the staff with a program/project management handbook that includes a reference tool of lasting usefulness. The handbook reflects not only subject matter covered (and a bit not covered) but also the group dynamics manifested in the classroom environment. (See Attachment A.)
- The integrity self-assessment WCO checklists are on track to be completed in accordance with the plan. So far the thoroughness and objectivity in completing the WCO check lists are impressive. This rigorous WCO process will present a significant challenge for the members of high the level group, who should meet and provide inputs over the April 11-25 timeframe. Nevertheless, it would appear that we are on track to produce a document establishing a baseline, reflecting thoughtful actions, and supporting the previous Nepal Customs work of FASTrade consultant Robert Holler.
- The five core staff members of the program management staff are superb personnel, analytical, creative, and enthusiastic with very good potential. The consultant, Mr. Mitchell, who provided program management for the entire U.S. Customs Service says he would put them up against most of the program management personnel he knew in U.S. Customs.

- At least two of the five members of the program management staff should have no other work responsibilities during the initial stages of the development and implementation of program/project management approaches.
- Director General Baskota has vision and decisiveness, and is a man of integrity with a clear commitment to implementing reform.
- Director of Customs Modernization, B. R. Niroula, has an effective low key management approach, clearly has the respect of his subordinates, and has a pleasant sense of humor.
- A clearer focus on priority projects is needed. The Robert Holler assessment report and resulting Assistance Matrix, the Nepal Customs Three Year Plan, and the on-going Integrity Self Assessment all provide much information on what needs to be done. Over time, perhaps, it can all be done, but success will be enhanced through focus on a few of the highest priorities.
- Clearly defined priority projects should be managed using the program/project tools. (See Attachment A.)
- If priorities and program/project management tools are institutionalized, change can continue even when the day comes that Director General Baskota moves onward and upward.

Based on the above assessment, Mr. Mitchell recommends the following regarding further financial and program assistance to Nepal Customs:

- Spend no more project resources on program/project development type training. The program management staff has the fundamentals, they have top management support, and they have a clearly defined role. They can succeed.
- Support automation and cargo selectivity. Automation, together with cargo selectivity, provides the basis for improved trade processing and systemic integrity safeguards – two birds, one stone. (See Attachment B for the draft World Customs Organization (WCO) Integrity Self Assessment section on automation*.)

* As a practical exercise during the training of the Program Management Staff, the staff members began implementation of the WCO Integrity Self Assessment. This draft section shows their own assessment of the current state of Customs automation.

- Implement the audit and investigations function. The commitment to integrity by Nepal Customs leadership is there at the top management level as evidenced by integrity messages and leading by example. Implementation of the integrity program feature of a hotline and reward payment for information should provide investigative leads. There must be a mechanism for finding the facts and punishing violators. That is why the audit and investigations function is important. The planned visit and assistance in May in this area by Robert Holler and Customs internal affairs expert Tim Kelly is well timed. (See attachment C for the draft WCO Integrity Self Assessment section on Audit and Investigations.)
- Ensure that program/project plans are prepared by Nepal Customs and by USAID FASTrade Project personnel prior to and as a condition for providing further financial and program assistance.

The optimistic assessment and the recommendations above are based upon the assumptions that Nepal Customs will:

- Successfully complete the WCO Integrity Self Assessment.
- Focus on the very top priorities as defined above, or as defined by Nepal Customs.
- Show initiative and acumen in using the full spectrum of program/project management tools and process in order to effectively drive modernization and reform of Nepal Customs.

In conclusion basic elements are all in place to generate productive change. Nepal Customs, its leader, its program management staff, and others participating in this two week exercise are organizational entities and people to have faith in and to invest in.

Attachments

ATTACHMENT A

Program Management Handbook

Introduction

The purpose of this handbook is to serve as an easily understood, easily applied tool for the art and science of program/project management. The science is in the structure and methodologies. The art is in the application of those to the process. But program management is more akin to jazz than it is to a symphony. Jazz involves learning how to play an instrument by outlining a general approach, and then building the music (process) as you move forward. A symphony, on the other hand, dictates every note in advance. The program management discipline requires the jazz approach. Therefore, this handbook:

- outlines the program/project management process;
- focuses on projects as an effective way to bring about organizational change;
- provides a simple project plan structure;
- gives an example of a completed project plan;
- describes the project plan preparation process;
- describes the project review session;
- addresses key challenges;
- proposes next actions for USAID/FASTrade and Nepal Customs;
- concludes with a summary of the effectiveness of the project management approach.

Attachment A contains PowerPoint slides to be used in oral presentations. Each slide is supported by a section of this handbook.

Program/Project Management Process

Program/project management, as outlined in this handbook, contains the full spectrum of efforts that will help an organization effectively manage the changes required for continued mission accomplishment. The process includes all essential elements and steps from the beginning vision through institutionalizing change. Below is a listing of all key elements of the program/project management process:

- **Vision:** May come from reviewing relevant background information, deliberate conceptualizing, incubation, sublimation, or from brilliant insight.
- **Strategic Plan:** Mission, Goals, Broad Objectives.
- **Annual Plan:** Quantifiable achievements, derived from the Strategic Plan.
- **Program:** How to organize work.
- **Project:** Method to create change.
- **Project Implementation:** Making change happen.

- **Progress Reporting:** Tracking and reporting project implementation.
- **Line Organization:** Organization with direct responsibility for implementation.
- **Staff Organization:** Support manager/organization with direct responsibility to guide implementation.
- **Benchmark/Baseline:** Where we are now.
- **Project Plan:** Objectives, deliverables, responsible parties, and time frames.
- **Performance measures:** Outcomes, outputs, performance measures.
- **Performance Plans/Appraisals:** Individual accountability.
- **Project Tracking:** (using Microsoft Project 2003)
- **Monitoring:** On-going assessment during implementation.
- **Evaluation and Revision:** Assessment of project after implementation and revision as necessary.
- **Institutionalizing:** Internalizing and sustaining the change.

These elements are used at different times for different purposes. They are interrelated. To the extent practical, all elements should be included as important tools as organizations carry out their missions. Knowing, however, when to focus on which program area is as important as the area itself.

Focus Change Management/Projects

Multiple doctoral theses in management can and have been done in each of these areas. Careers, organizational success, literal fortunes and fame have all been achieved by men and women stressing each or all of these.

Government organization book shelves and electronic databases are filled with strategic plans, beautifully written, and never read. Government organizations also have dedicated people frustrated with the resistance to change and with co-workers, protected by civil service job retention, who sincerely believe they have made a great contribution if they have daily pointed out why something cannot be done.

It has been said that Shakespeare said nothing because he said it all. Zen has a saying, “Don’t mistake your finger for the moon”. The first statement implies a lack of focus – trying to cover everything at once; the second warns against looking at things too narrowly. Both approaches are doomed to failure.

The purpose of this handbook and of successful program management is on not only good design but also effective implementation of projects. Therefore, a disciplined approach to establishing a project is stressed, with sequential steps that define its objective, plan its implementation, establish responsibility and set target dates for deliverables, and track implementation. The completed project plan, and project tracking and reporting software are the key tools used. This focus on making change happen requires moving beyond the well-founded premise that *in government organizations it is far easier to plan than it is to implement* to successful implementation of the project to: *making change happen*.

The Project Plan

The project outline below contains the structure for a simple project plan:

- Project/Program Title:
- Date Initiated:
- Program/Project Manager:
- Program/Project Objective:
- Description:
- Planned Steps:

Action / Target Date / Responsible Party

- Planned Outputs/Outcomes:
- Issues/Challenges/Contingencies/Resources:

This structure was used by Nepal Customs to plan and implement an Integrity Self Assessment. See *Attachment A*.

Program/Project Plan Preparation Process

The mechanics of preparing a project plan are easy. The challenge is in the substance, in communications, in team building. Hence the process of preparing the plan is critical. The plan provides the structure for interaction. A proposed process for this plan and preparation for this interaction is as follows:

- ensure project selected carries out a priority;
- select a respected, effective, and empowered program/project manager;
- consider using a trained facilitator;
- select participants who have a stake in the success of the project;
- establish ground rules for interaction (*see Attachment B*);
- prepare draft plan;
- give each participant a reasonable amount of time to review and coordinate;
- put plan in final form.

The Program/Project Review

The art and techniques for motivating human beings to do work have been studied very extensively. Herbert Maslow has a famous pyramid showing how motivation changes at different levels of personality development. His approach is based upon respect. Some assert if one wants people to work hard, give them a television so they will desire what they see advertised. Others say if people do not work, kick them.

The Program/Project Review approach recommended below is based on the premise that we are proud of achievement, do not want to be publicly embarrassed, enjoy teamwork, and like social recognition. The Program/Project Review Sessions should consist of the following:

- be conducted no less than monthly;
- focus on presenting to the head of the organization an objective progress status report, including key issues and next steps;
- use effective presentation tools, such as projecting on to a screen information captured in Microsoft Project 2003;
- be conducted by the Program/Project Manager;
- include the presence and participation of key team members/participating officials;
- capture and disseminate in writing key decisions and directions from the head of the organization.

In Nepal Customs, a Program Management Staff has been established to support, facilitate, and report on Program/Project Review Sessions. Responsibilities include:

- management of the program/project management process;
- be agents of change management;
- make vision and plans happen;
- monitor Nepal Customs efforts to modernize and reform as reflected in its three-year work plan;
- provide direct staff support to Director General in other program management areas.

Challenges and Positive Approaches

Never underestimate the full spectrum of challenges in making Program /Project Management work. Murphy's Law of "If anything can go wrong, it will" never applies more than in this milieu. Consequently, the following must be addressed if a project is to come to fruition and to really work:

- recognize and address when the project is being stymied by bureaucracy, organizational self interest, and empire building;
- constantly build team-work and trust;
- get decisions and guidance as needed;
- involve major stakeholders but do not overdue it or no progress will be made because of the difficulty of pleasing everyone;
- learn and adjust as the project proceeds, building on techniques, skills, knowledge, and abilities of team;
- perfect the art of listening;
- communicate clearly;
- keep a positive attitude.

Next Actions

The following actions are proposed for Nepal Customs in implementing these elements of this handbook:

- Program management staff should brief the Director General of Nepal Customs and the Director of Modernization on the program/project management approach reflected in this handbook.
- It is strongly recommended that program/project management elements that the program management staff has been trained in and that are described in this handbook be utilized as an essential approach in preparation for all further donor assistance to Nepal Customs.
- The program management staff of Nepal Customs should provide program/project training and hands on assistance to Nepal Customs managers for the management of on-going and establishment of new projects.

Conclusion

The science and art reflected in this handbook really do work. They produce results. They can make change happen. Most of the time, they are enjoyable.

Attachment A

NEPAL CUSTOMS PROGRAM MANAGEMENT

Project/Program Title: Nepal Integrity Self Assessment Overview
Date Initiated: March 30, 2005
Program/Project Manager: B. R. Niroula, Director, Customs Modernization

Program/Project Objective: Set the foundation for improving public and trade confidence in Nepal Customs, facilitating the flow of legitimate cargo and passengers, and enhancing the pride of employees by completing by June 24, 2005, a Nepal Customs Integrity Self Assessment, identifying problems/threats and solutions/actions.

Description: The Nepal Customs Three Years Customs Reform and Modernization Action Plan 2003-2006 lists Customs Integrity as a major priority. Its “Technical and Financial Assistants Needs Matrix” contains an action: “Draft a comprehensive anti-corruption program that can be implemented without on-site technical assistance”. A draft of this program has been prepared by Robert Holler of the USAID/FASTrade Project. The program design calls for the Nepal Director General (DG) to “conduct a formal integrity self assessment using an international accepted instrument developed by the World Customs Organization (WCO)”. In accordance with this emphasis, this program/project management plan:

- Outlines the action steps, target dates, and responsibilities for completing this integrity self assessment and defining corrective actions by no later that **June 24, 2005**.
- Uses the WCO Integrity Development Guide, Self-Assessment and Evaluation Document.
- Establishes an integrity baseline for measuring outputs and outcomes.
- Addresses alleged Nepal Customs deficiencies identified in the Transparency International Nepal Webpage under “Forms of Customs Corruption”.
- Supports the mission and functions of the enhanced “Internal Inspections Unit”.
- Provides a key foundation for all Nepal Customs modernization initiatives.

Self Assessment Actions: World Customs Organization Integrity Areas

1. Leadership and Commitment
2. Regulatory Framework Group
3. Transparency
4. Automation
5. Reform and Modernization
6. Audit and Investigation
7. Code of Conduct

8. Human Resource Management
 - a. Remuneration and conditions
 - b. Recruitment, selection, promotion
 - c. Deployment, rotation and relocation
 - d. Training and professional development
 - e. Performance management/appraisal
9. Morale and Organizational Culture
10. Relationship with the Private Sector

Steps for Completing Self Assessment (*Incorporated into Microsoft Project 20003*)

Action	Due Date	Who
1. Prepare Project Plan	3/29	PMS
2. Prepare 3 draft WCO grids	3/31	Groups 1 and 2
3. Create high level group	3/29	Director of Modernization
5. Convene high level group See Agenda	4/4	Director General, Five members of Program Management Staff (PMS)
6. PMS group, as above, completes all remaining WCO Grids	April 8	
6. High level group/PMS meeting on WCO checklists	4/11-- 4/24 Review 10 WCO grids	Director of Modernization, PMS staff
7. Complete draft of Integrity Self Assessment	5/9	PMS staff
8. Get comments on draft from stakeholders	6/10	PMS staff
9. Finish Report:	6/24	PMS staff
10. Prepare project plan for key major imitative, using Program Management	7/24	PMS Staff

Planned Outputs

- Completed **self assessment forms** for each action item.
- Proposed **actions** to address deficient areas and/or to build upon positive areas.
- **Prioritize** proposed actions generally applying the criteria of importance, urgency, consequence of failure, probability of obtaining executive and staff commitment, impact, national/international obligations, ease of implementation, and cost.
- Capture the results of this action into a **single integrated document** following the outlined in the attachment entitled, “**Nepal Integrity Self Assessment**”.
- **Use Microsoft Project 2003** or equivalent to track and report on implementation.

Planned Outcomes

- Public confidence in Nepal Customs
- Improved trust in Nepal Customs by trading community
- Improved assessment by Transparency International
- Enhanced moral and pride by Nepal Customs managers and employees

Issues/Challenges/Contingencies/Resources:

Completing this action plan will require that the program management function be effective in providing staff support, that key personnel participate, that actions be clearly defined, that an effective tracking and reporting tool be used, and that the Director General provide continuing priority emphasis and guidance as actions are implemented.

Attachment B

Program/Project Plan Preparation
Sample Ground Rules

- Candor
- Courtesy
- Confidentiality
- Creativity
- Listening
- Enjoyment
- High Morale/Positive Attitude
- Open Mind
- Concentrate on subject
- Humor
- Participatory
- Good Attendance
- Punctuality

ATTACHMENT B

Draft-Draft-Draft-Draft Nepal Customs Integrity Self Assessment

4. Automation : High Priority

Criteria	Y/N	Priority	Comments/Action
1. Automation design considers risk of and elimination of corruption	N	2	Assists to deduce the corruption. To eliminate the corruption totally, the whole system should be automated and also human behavior should be changed.
2. Those identifying risk separate from those doing collection, inspections, etc.	Y/N	1	Not enough. Practically it is not possible due to existing organization structure. Needs to review organization structure. Need to determine if planned enhancement of internal audit function will help with this area.
3. Risk assessment of automated systems	Y	1	Yes current system is secured. Have a risk analysis report but should need to update for implementing the selectivity module of ASYCUDA.
4. Reduced unnecessary official/client day to day contact	Y	2	To some extent. Implementation of cargo selectivity, improving/updating ASYCUDA, and more use of intranet will all further reduce official/client day to day contact.
5. Limit physical presentation of documents and Customs data input	N	2	Plan to move to direct trader input of data into automated system. This will reduce to some extent but need to reduce number of documents. Need to improve physical customs layout as per the ASYCUDA declaration processing path. Need validation of electronic signature.
6. Security and firewalls protect systems	Y/N	1	The security system in ASYCUDA is very good. We have no external access to the existing system. In future, we need firewall when we implement WAN.
7. Systems not vulnerable to staff with relevant systems knowledge	Y	2	System is very secure.
8. Control access to systems programs	Y	1	Control access to the system is based on hierarchy.
9. Control, monitor, audit access to secure information	Y	1	Good controlling & monitoring system to secure information. Auditing system should be more effective.
10. Staff maintains privacy when dealing with confidential information	Y	1	According to Code of Conduct, all staffs maintain privacy.
11. Increase supervision/accountability at non automated points, such as cargo exam	Y	1	Not sufficient. Need to regulate, by close first line supervision and revenue patrolling unit.
12. Automation limits handling of money	Y	1	Not a linkage between Customs offices & Banks. Require to implement automated payment transfer

			system.
13. When you hire consultants and contractors for automation, security checks and supervision are done effectively	Y	1	It has been done.
14. Have action plan with IT security strategy for reducing risk of electronic trading	N	1	Need to develop IT Security plan
15. Apply WCO Customs data model	Y/N	1	ASYCUDA system uses some of the WCO customs data model. Require to implement WCO customs data model
16. Have appropriate operating procedures to support use of electronic trading	N	1	Due to the lack of WAN & some legal procedures, it is not implemented. ASYCUDA system has such facility but require implementing the DTI/EDI module.
17. On-line trading supported by self-assessment and audit-based controls	N	1	Plan to implement broker module.
18. Partnership to increase voluntary compliance with electronic commerce	N	1	needed

Nepal Customs Integrity Self Assessment

Actions: Automation

Action	Responsibility	Assessment Ref. No.	Priority	Begin	End
1. Simplify procedures and implement automated procedures in place of manual procedures building upon updated ASYCUDA.			<i>1</i>		
2. Review Organization structure		<i>2</i>	<i>1</i>		
3. Implement the Risk Management system to customs office by updating the risk report.			<i>1</i>		
4. Implement online automated system(WAN)			<i>1</i>		
5. Minimize the official documents & adjust the legal provisions for online documents.			<i>1</i>		
6. Implement the DTI/EDI module			<i>1</i>		
7. Develop IT security plan			<i>1</i>		
8. Train the personnel about WAN, DTI/EDI, Selectivity module & Cargo module .			<i>1</i>		

ATTACHMENT C

Draft-Draft-Draft-Draft Nepal Customs Integrity Self Assessment

7. Audit and Investigations

Criteria	Y/N	Priority	Comments/Action
1. Established audit and internal invest. Units, programs, and resources	N	1	Audit and internal investigation unit is not established .Will need separate audit and investigation units with in the organization.
2. These units promoted within org. with procedures for reporting corruption	Y	1	Yes. It may help for reporting corruption.
3. People perform at arms length from officials being investigated	Y	1	
4. Trained and have investigative powers	N	1	After established of the unit there must be trained manpower and they should have more investigative powers.
5. Sufficient audit program to regularly review high risk work areas and functions	N	1	No sufficient audit program.
6. Audit and investigation data analyzed for trends, vulnerabilities, opportunities	N	1	Will need
7. General control environment (internal controls, audit trails, compliance) maintains high level of integrity	Y	1	General control environment will help to maintaining high levels of integrity.
8. Systems to identify and manage high risk activities: cash, approving applications, licenses, permits.	Y	1	
9. Audit function ensures anti-corruption internal controls are in place	Y	1	Yes, it ensures that effective and comprehensive internal controls are in place to prevent corruption.
10. Inspections and examinations subject to regular audit, peer, independent review	Y	1	Yes, it does.
11. Audits reported and followed up on	N	1	It is not implementing .But it is needed for the better performance.
12. Task forces conduct unannounced inspections at high risk posts	N	1	It is needed to deduce corruption.
13. Staff aware of special task force positive role	Y	1	Yes, they will aware of the positive role of the special task force.
14. Records kept of high risk decisions	Y	1	Most of the decisions made by the officials are kept as the records of high level risk.
15. Have access to independent anti-corruption authority for large scale corruption.	Y	2	Yes we do have an independent anti corruption investigation authority. i.e., CIAA and National Vigilance Centre , CIAA.
16. Clients, public, third parties	Y	2	Stakeholders and third parties have been actively

encouraged to report corruption			encouraged to report instances of corruption.
17. Staff know how to report corruption	Y/N	2	They do not have sufficient knowledge to report corruption.
18. Staff can bypass supervisor to report corruption	Y/n	2	Not more, some staffs do this.
19. Guarantees/commitments are provide and kept to those reporting corruption	Y	1	Giving code to all the information which are collected by investigator.
20. Allegations followed up on and preventative strategies are included	Y	2	Yes, audit and investigation function are included education and others related preventative strategies.
21. Actions taken as result of audit and investigation	Y	2	Yes, the actions are taken.
22. Such actions reported to staff	Y	2	It is communicated to staffs.
23. Sufficient staff to investigate allegations.	N	1	No sufficient resources. will need.

Nepal Customs Integrity Self Assessment

Actions: Audit and Investigations

<i>Action</i>	<i>Responsibility</i>	<i>Assessment Ref. No.</i>	<i>Priority</i>	<i>Begin</i>	<i>End</i>
1. Need to establish effective audit and investigation unit.			<i>1</i>		
2. Training program for the staffs those who will involve in audit and investigation unit.			<i>1</i>		
3. To formulate the special task force with in the organization.			<i>1</i>		
4. Implementing selectivity cargo module to identify risk area.			<i>1</i>		
5. Adequate power for audit and investigation staffs.			<i>1</i>		
6. Immediate action should be taken against the corrupt officials.			<i>1</i>		
7. anti-corruption awareness program for customs personnel, clients, and the general public.			<i>1</i>		
8. on the spot inspections should be conducted frequently.			<i>1</i>		

