

Managing risk for safe, efficient trade – toolkit for an integrated approach



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Modern risk management must be **integrated** at a national level to deliver real benefits

Risk management systems should be integrated so that border regulatory agencies can carry out their mandate in a synchronised and coordinated way. Integrated risk management systems lead to:



Optimal use and allocation of human and financial resources in resource-constrained developing countries



Better resource utilisation through investments in ICT solutions in risk management systems

How to do it? See new implementation guide on **integrated risk management**



- A guide developed jointly by **ITC and UNECE**, launched in August 2022
- Presents innovatively **principles, strategy and a roadmap** for a modern, integrated risk management system
- **Toolkit for policymakers, border agencies and business** alike to think and act in coordination at the border
- Paving the way for **resilience of supply chains beyond the COVID-19 pandemic** and future crises

Who should read the guide?

- ! **Regulatory authorities** involved in border control
- ! **High-level government representatives** to mandate and support integration
- ! **Trade facilitation bodies**, such as NTFCs and Joint Border Committees
- ! **Policymakers**, to help achieve national policy strategies and SDGs
- ! **Customs authorities**, to provide leadership and benefit from a holistic model
- ! **Economic operators and traders**, with a dedicated chapter on engagement strategies
- ! **International Organisations and donors**, basis for capacity-building and technical cooperation projects

ITC insights: building from field-work experiences

10'000 +

Businesses engaged in trade facilitation reforms

1,000 +

Businesses helped to advocate

80 +

Countries supported across 5 continents

50 +

TFA implementation reforms in more than 20 countries

Key insights from the guide



Risk of product non-compliance in international trade



Non-compliant shipment?



Strategy for optimising border compliance time and costs while maintaining regulatory requirements

Policy priorities

Implementing the risk management principles of the WTO Agreements

- TFA, SPS, TBT

Setting priorities in border control based on evaluation of non-compliance risk

- Probability and consequences of non-compliance

Integrating risk management systems of agencies

- All non-compliance risks within one system
- Every agency implements its enforcement policy
- Overall border compliance time and costs as metrics
- Harmonized – cross agency – criteria for evaluating different non-compliance risks

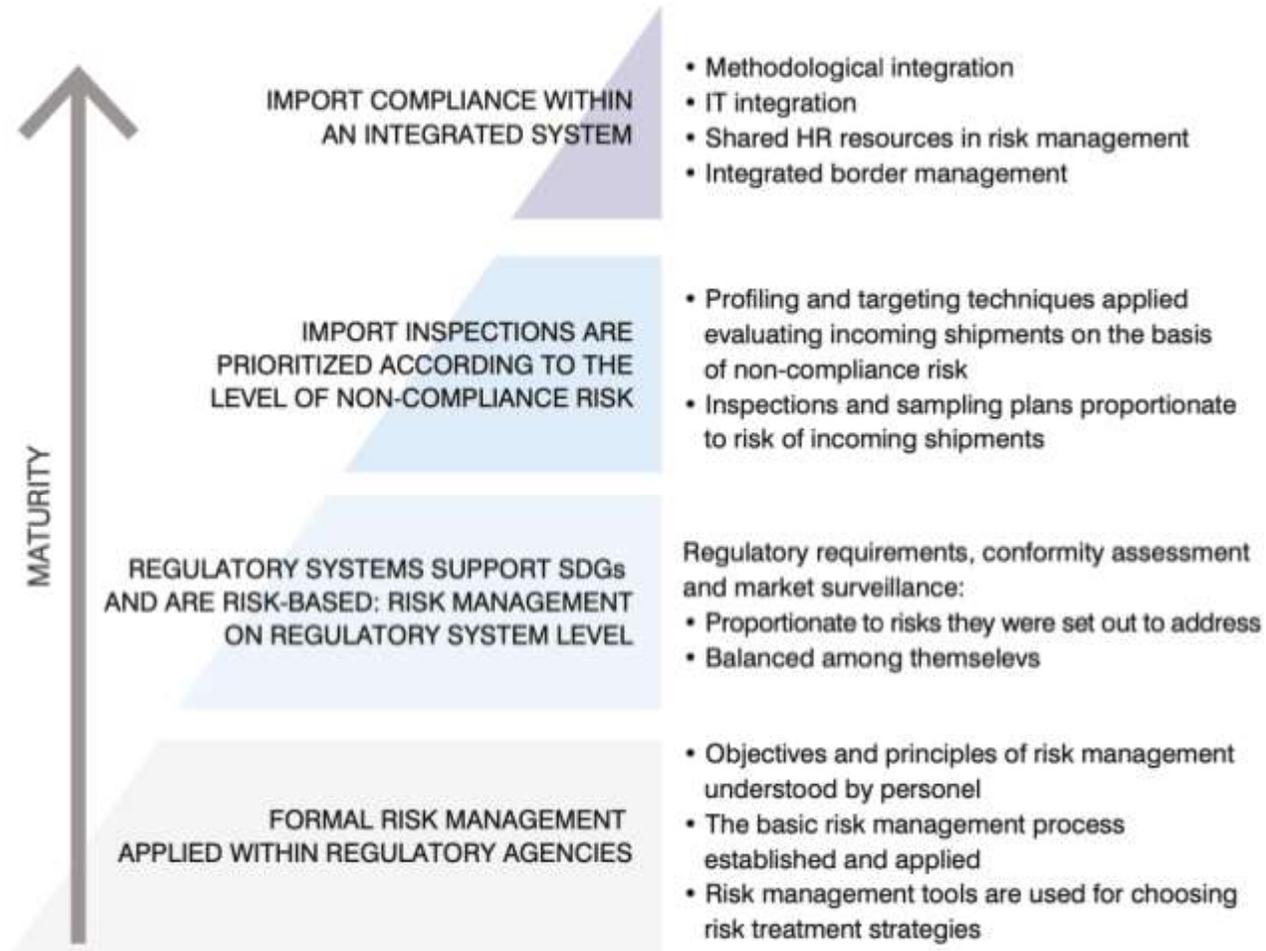
Strengthening the role of import compliance in market surveillance

Actions

1. Building **individual risk management capacity** of each border control agency:
 - Management of non-compliance risk
 - A reference model for targeting non-compliance at the border
2. **Integrating risk management systems** of product regulators and the Customs:
 - Methodology
 - Data
 - IT resources
 - Risk management expertise
 - Applying compliance rules at the border
 - A reference model of an integrated system

Building integrated risk management into a national strategy

Maturity model and integration roadmap



Dedicated sections

7: Integrating risk management systems

4: How to build a risk-based targeting system

5: Targeting customs risks

6: Addressing product non-compliance risks

3: Regulatory systems in support of Sustainable Development Goals

1: Managing risks at the border

2: Risk management principles in trade

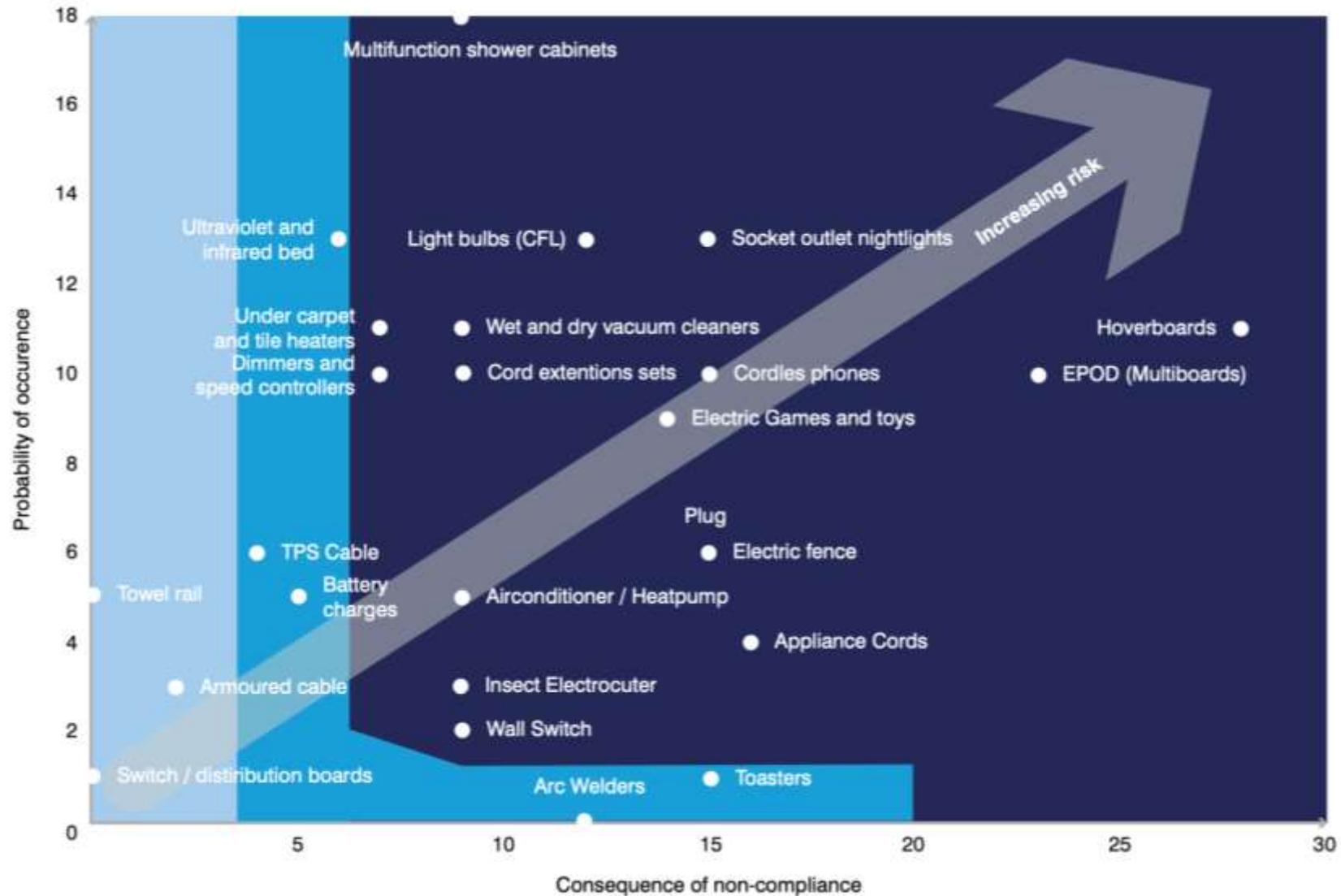
Key takeaways

1. **Formal risk management processes should be applied**, including criteria for choosing optimal risk treatment strategies
2. **Border control is one of the building blocks of a regulatory framework** and will be efficient only in case the bigger regulatory framework is balanced
3. **Setting priorities in border control should be based on the evaluation of non-compliance risk** of every shipment:
 - Probability of non-compliance
 - Consequences of non-compliance

Strategy	Situations where it is a best response	Situations where it is not the best response to risk
Modify (mitigate) a risk	Optimal way to mitigate the risk is chosen Cost of risk mitigation is proportionate to potential losses Risk mitigation brings the risk to the desired level	The residual risk remains too high Mitigation costs exceed the reward associated with the main activity (or are not proportionate to the reward)
Accept the risk	There is no way to modify the risk efficiently (e.g. emerging risks) The business wants to accept the risk The stakes are high enough	The level of the accepted risk is higher than the actual level of risk that the business is willing to accept
Avoid a risk	Risk that is not tolerable that cannot be modified and thus brought to the required level Risk mitigation costs exceed the reward from the main activity	There are proportionate risk mitigation measures Risk avoidance chosen because of the risk perception biases (fears)
Transfer a risk	An optimal strategy compared to risk mitigation	Will create higher risks

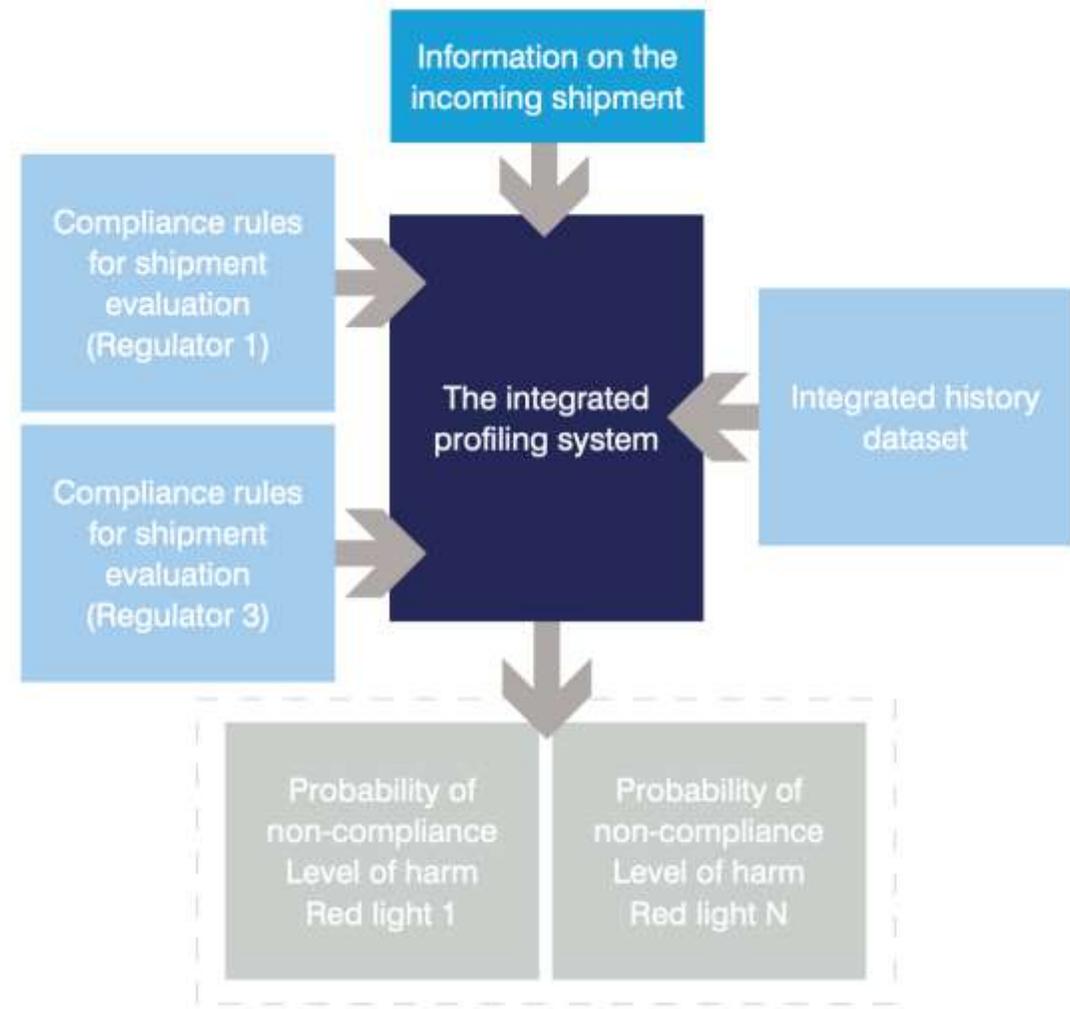


Example: Setting priorities based on non-compliance risk



Key takeaways

4. **For risk evaluation to be effective, a holistic reference model** for targeting non-compliance risks should be applied (supported by a detailed technical guidance)
5. **International best practice in the management of risk** of product non-compliance can be adopted to any product group
6. **Integration of risk management systems brings clear benefits**, as analyzed in the report:
 - Common language
 - Shared IT infrastructure for targeting non-compliance based on regulator's policy
 - Taking into account correlations between non-compliance risks
7. **Reference model of an integrated risk management system at the border**, supported by a detailed technical guidance, can be applied for system integration



Key takeaways

8. A lot of work ahead!

Insight into technical assistance: What is ITC doing in the risk management area?

Modernization of risk management systems

Review of current systems vis-à-vis TFA requirements and international standards and development of strategies to mainstream new ICT technologies (AI, IoT, blockchain) in risk management

Enhancement of integrated risk management

Support to border agencies to integrate their risk management operations and system and implementation of frameworks for border agency collaboration in single window environments

Capacity-building and experience-sharing

Capacity-building and training on different risk management topics, design of dedicated curricula for border officials, experience-sharing among countries for mutual learning

Country experiences



Alignment of Pakistan Customs risk management system to international best practices, development of a **blueprint to adopt AI techniques** for better risk profiling and assessment and **improvement of border agency coordination**



Recommendations to develop an **integrated risk management framework in a single window environment, capacity-building and experience-sharing** with countries in the region



Assessment of risk management practices in high-traffic border agencies, development of a **blueprint for integrated risk management** to align border agencies' operations and setting up of a **modern post-clearance audit system**

Concluding thoughts

- **Risk management** is key for effective resource optimization and ensuring regulatory compliance, while facilitating trade
- Border regulatory compliance can be achieved through **regulatory standards, advance sharing of information and smart approach to inspections**
- **Surveillance authorities and border regulatory agencies** need to work closely together for setting up risk profiles for risk assessment and establishment of risk management system
- **Integrated risk management system** with trained HR, coordination among border agencies and investment in ICT is key for a successful risk management strategy

Thank you for your attention!

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