



**Oceania Customs
Organisation Secretariat**

STATE OF PLAY IN CUSTOMS

CUSTOMS REVENUE MOBILIZATION INITIATIVES

Role of Customs in Fiscal Reforms

- Customs as a key revenue collection agency.
- Enforcing tax transactions across fiscal borders.
- Coordinating with tax administrations for VAT, excise taxes, and corporate income tax. (why Corporate Income Tax?)
- Creating a trade-friendly environment to encourage investment.
- Focus: Strategies for improved revenue mobilization.



Revenue Mobilization Challenges

- Decline in customs duty revenue due to trade liberalization.
- High dependence on VAT and excise taxes.
- Trade/Tax incentives and exemptions leading to revenue leakage.
- Compliance risks due to fraudulent declarations and smuggling.



Customs Revenue Collection Trends

- Revenue from customs as a percentage of total tax revenue:
~30-50% in some regions.
- Shift from tariffs to broader domestic tax collection.
- Customs as a withholding agent for tax administration. (VAT)



Modernization Strategies

Organizational Level:

Risk-based strategic management.

Strengthening staff capacity and integrity.

Enhancing ICT systems for automation.

Operational Level:

Risk-based clearance and post-audit controls.

Strengthening detection of fraud and smuggling.

Enhancing coordination with domestic and foreign tax authorities.



Key Challenges in Customs Modernization

- Capacity constraints in post-clearance audits.
- Weak risk management frameworks.
- Need for improved ICT applications and data analytics.
- Limited cooperation with other revenue authorities.



Revenue Mobilization Initiatives

- **Trade Facilitation and Risk Management:** Implementing risk-based controls and selectivity systems.
- **Strengthening Post-Clearance Audits:** Enhancing audit methodologies to detect under-declaration.
- **Combating Fraud and Smuggling:** Implementing intelligence-based enforcement strategies.
- **Modernizing Legal Frameworks:** Updating customs laws to align with international standards.

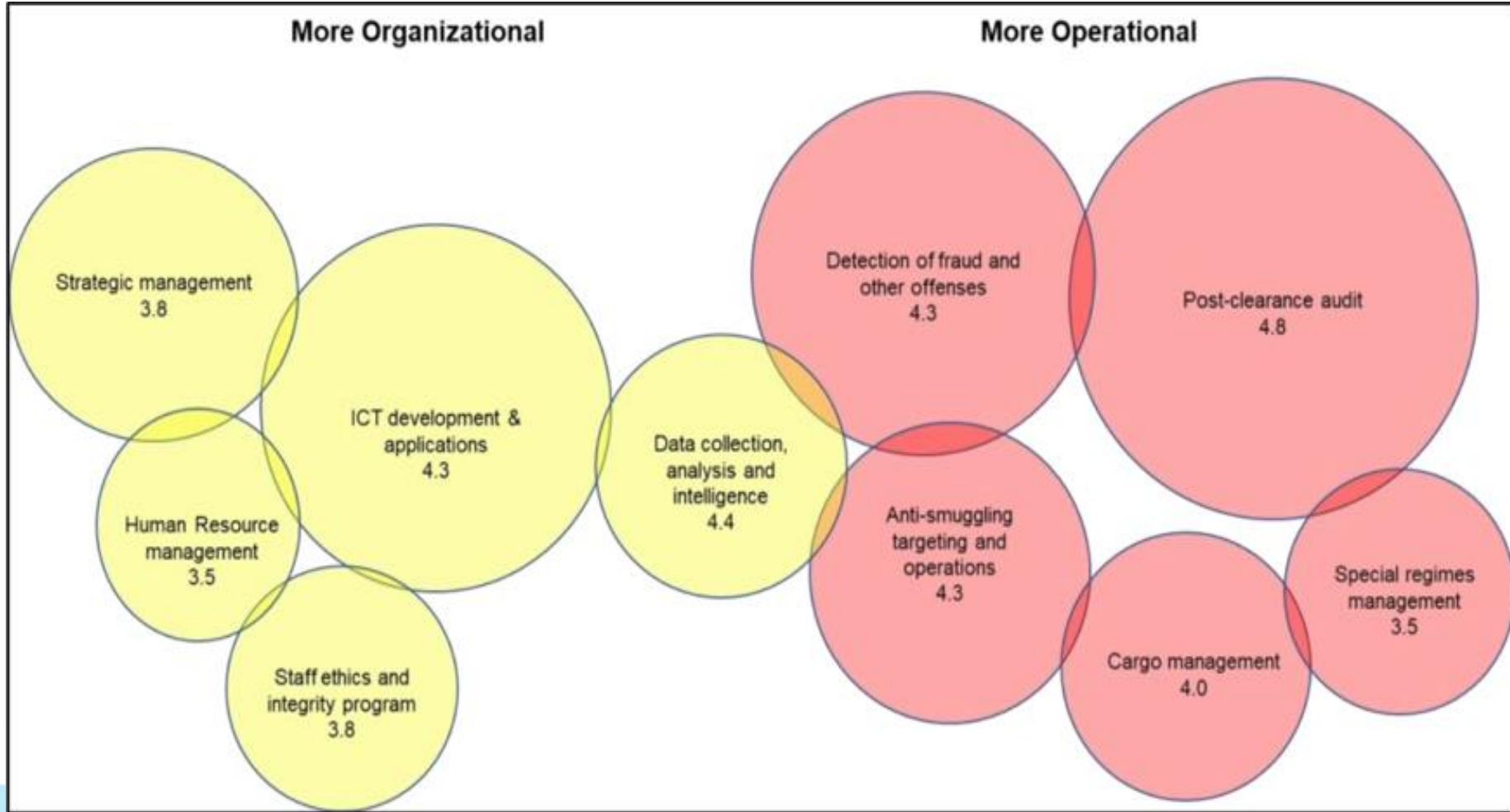


Lessons and Best Practices

- Align customs strategies with fiscal and trade policies.
- Enhance public-private sector engagement.
- Strengthen inter-agency cooperation for compliance.
- Adopt international best practices in revenue collection.



STRATEGIC AND OPERATIONAL ISSUES



Ranking of Key Strategic and Operational Issues (scale of 1 to 5, with 1 being least challenging and 5 most challenging)

Strategic management (planning, monitoring and management)	
Regular reporting (e.g., revenue collection, excessive delay)	
Business continuity plan	
Organizational structure	
Human resource management (recruitment, promotion, relocation, etc.)	
Human resource development (training-related)	
Staff ethics and integrity program	
ICT development and applications	
Data collection and analysis, Intelligence	
Internal audit (ethics, revenue and other performance)	
Customs department brokers management	
Cooperation with tax department	
Cooperation with foreign customs administrations	
Communication and stakeholder relations (internal and external)	
Legal framework (e.g., obsolete, not consolidated)	
Cargo management (e.g., manifest, deconsolidation, gate control)	
Import clearance procedures (e.g., trade facilitation)	
Assessment of valuation, classification and origin, advance ruling	
Bond management (e.g., release before clearance), arrears management	
Economic operator's compliance management	
Detection of fraud and other offense (targeting and risk management)	
Penalties, administrative and judicial proceedings	
Appeal and review mechanism	
Confiscation and auction procedures	
Authorized Economic Operator or similar program	
VAT (or GST) introduction	
Excise management	
Post-clearance audit	
Anti-smuggling targeting and operations	

Customs Modernization Gap Analysis

- The IMPACT project conducted a gap analysis on WTO TFA and FTA measures.
- Key areas assessed: Advance Ruling, Risk Management, Post-Clearance Audit, AEO, and Expedited Shipping.
- Average implementation rate of customs-related WTO TFA measures: **39.61%**.



Key Findings from Gap Analysis

- Need for stronger corporate support services in customs administrations.
- Underutilization of National Trade Facilitation Committees (NTFCs).
- Variability in legal alignment with WTO standards across member countries.

Opportunities for process reengineering to enhance trade facilitation.

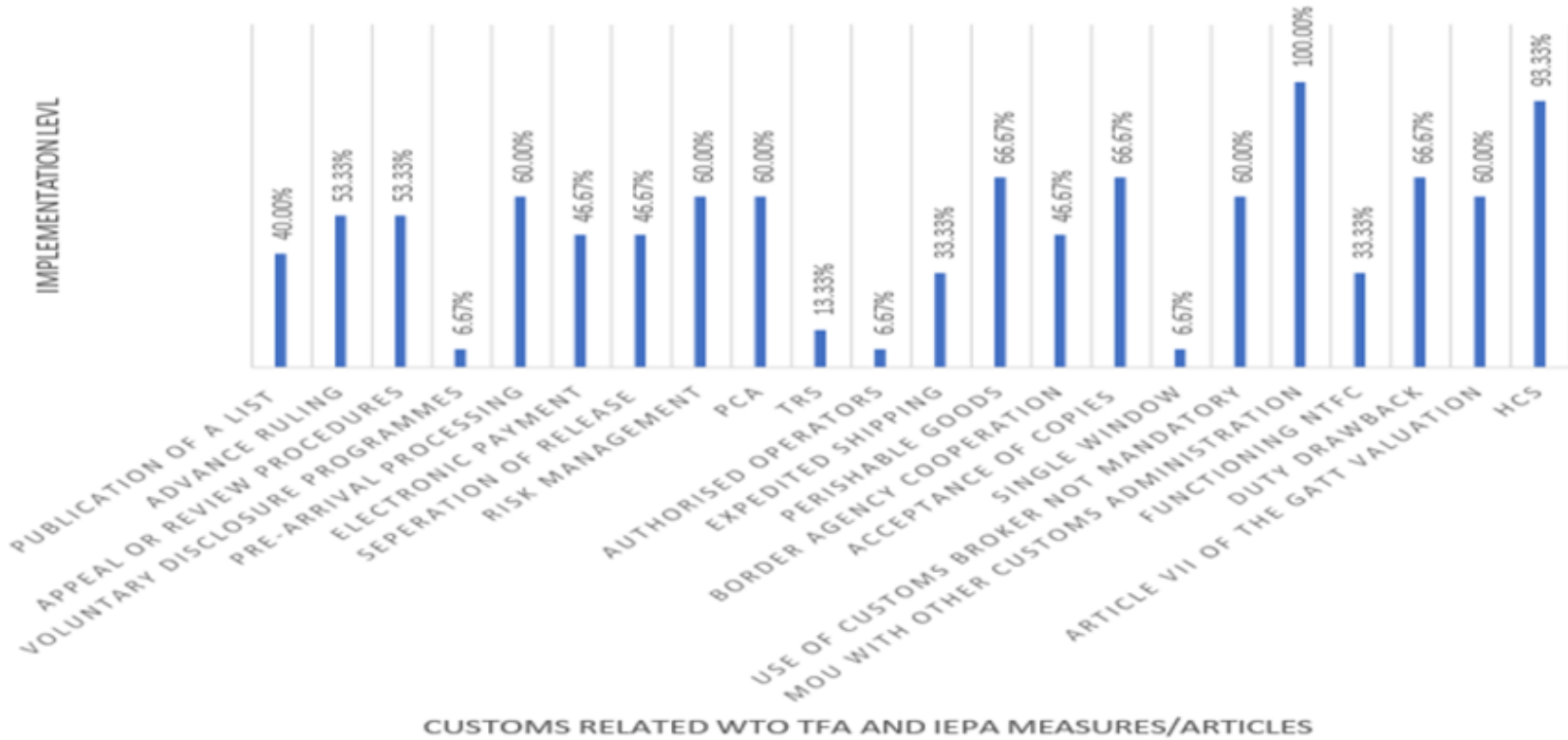


Graphs and Data from IMPACT Project

- Presentation of graphs illustrating customs modernization trends.
- Key insights on WTO TFA implementation across PACP countries.
- Trends in risk management and intelligence framework improvements.

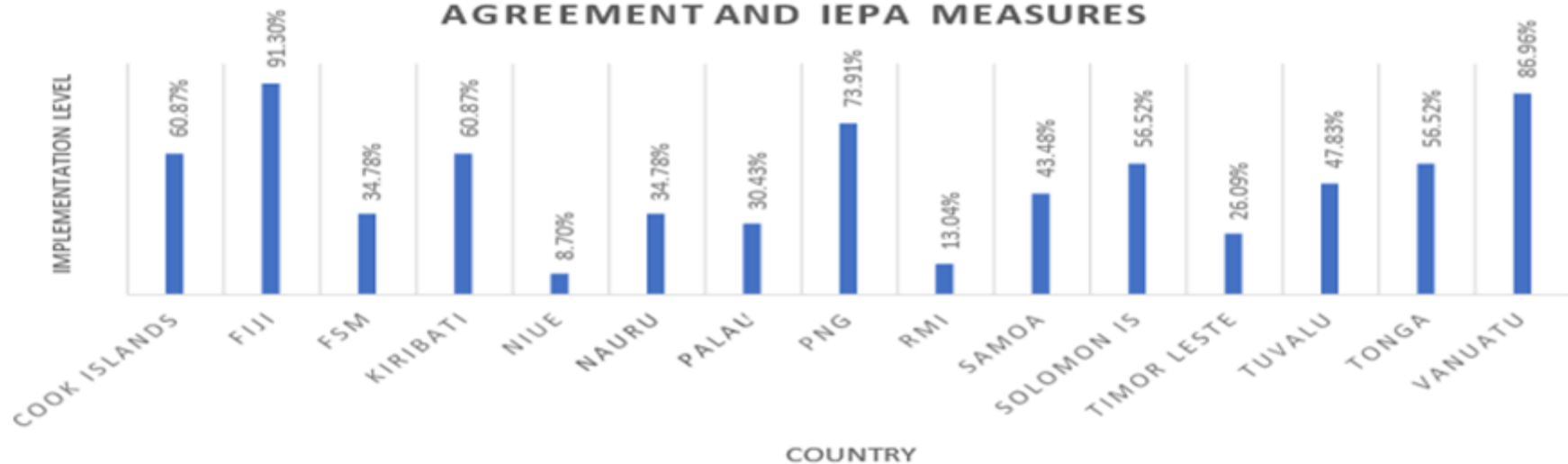


THE PACP REGION'S* IMPLEMENTATION LEVELS FOR EACH WTO/IEPA MEASURE OR ARTICLE



IMPLEMENTATION LEVEL OF EACH PACP COUNTRY ON THE CUSTOMS RELATED WTO TRADE FACILITATION AGREEMENT AND IEPA MEASURES

IMPLEMENTATION LEVEL



Each Customs administration has been assessed on maturity across the below stages a scale from Basic to Leading.

	Risk Management Strategy	Intelligence Program	Supply Chain Security Programs	Surveillance & Monitoring	Targeting	Documentary Assessment	Inspection	Examination	Seizure or Release	Post Clearance Audit	Continuous Improvement
Cook Islands*	●	●	●	●	●	●	●	●	●	●	●
FSM	●	●	●	●	●	●	●	●	●	●	●
Fiji	●	●	●	●	●	●	●	●	●	●	●
Kiribati	●	●	●	●	●	●	●	●	●	●	●
Nauru	●	●	●	●	●	●	●	●	●	●	●
Niue	●	●	●	●	●	●	●	●	●	●	●
Palau	●	●	●	●	●	●	●	●	●	●	●
PNG	●	●	●	●	●	●	●	●	●	●	●
RMI*	●	●	●	●	●	●	●	●	●	●	●
Samoa	●	●	●	●	●	●	●	●	●	●	●
Solomon Islands	●	●	●	●	●	●	●	●	●	●	●
Timor-Leste*	●	●	●	●	●	●	●	●	●	●	●
Tonga	●	●	●	●	●	●	●	●	●	●	●
Tuvalu	●	●	●	●	●	●	●	●	●	●	●
Vanuatu*	●	●	●	●	●	●	●	●	●	●	●

*Maturity scores are based only on potentially outdated documentary assessment

Key	● Basic	● Developing	● Established	● Advanced	● Leading
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Business Process Re-engineering for Customs

- Conducted workshops on trade facilitation and process improvement.
- Identified the need for better implementation of AEO and expedited shipping procedures.
- Highlighted gaps in risk management and post-clearance audit processes.



Customs Training and Capacity Building

- Train-the-Trainer (TTT) program for customs modernization.
- Workshops on HS 2022, valuation, and rules of origin.
- Strengthening national and regional training programs.



Conclusion & Next Steps

- Strengthening customs revenue mobilization requires coordinated efforts.
- Capacity building in risk management, technology, and compliance is crucial.
- OCO Secretariat to support member countries in adopting best practices.
- Call to action: Strengthen collaboration for a modernized and efficient customs system.



Thank you for your attention!

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