

# PAPUA NEW GUINEA CUSTOMS: A COMPREHENSIVE AND INTEGRATED APPROACH TO CAPACITY BUILDING

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## **Abstract**

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Papua New Guinea (PNG) is the largest developing country within the Pacific region with a population of approximately 6.1 million. It is also rich in natural resources and is experiencing increases in GDP, trade and passenger volumes, investment, and major infrastructure development. PNG has over six hundred islands and shares maritime borders with the Solomon Islands and Australia, and a land border with Indonesia resulting in complex and dynamic border management challenges. In response to these key strategic economic and security drivers, and increasing Government and community expectations, PNG Customs has in recent years developed a range of reform strategies and integrated them into an ambitious and comprehensive program of modernisation and reform both from within the administration and in partnership with the Australian Government and other major donors.

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## **Introduction**

The Papua New Guinea (PNG) economy has been growing since 2003 following several years of contraction. The economy grew at 5.2 per cent in 2007, and PNG Treasury projects growth of 6.6 per cent for 2008. Other macroeconomic indicators have also improved, with inflation rates and interest rates remaining low, foreign reserves at historic levels, and employment in the formal sector growing. In 2008, the PNG Government has forecast inflation to reach 5.2 per cent.

The PNG Government has projected a budget surplus of Kina 202.3 million, or 1.1 per cent of GDP, for 2008. The surplus will be used to reduce external borrowings and PNG's total public outstanding debt is forecast to reduce to 31.8 per cent of its GDP by the end of 2008.<sup>1</sup> Trade is central to the PNG economy and is a vital link to prosperity and survival. While the volume of imports and exports is not significant by world standards, comparatively, the flow of goods is quite positive as a percentage of GDP.<sup>2</sup>

PNG Customs merged with Tax in 1993 to establish the Internal Revenue Commission (IRC). The IRC has a total of nearly seven hundred staff of which Customs has nearly three hundred officers located in twenty-one ports around PNG. At the time of the merger, revenue collection became the highest priority for Customs. But with changes in recent years to both the economic outlook and global-regional security priorities, Customs has significantly increased its focus on building overall capacity with a particular emphasis on improving trade facilitation and border security outcomes. PNG Customs is a member of the World Customs Organization (WCO), World Trade Organization (WTO), Oceania Customs Organisation (OCO) and the Asia-Pacific Economic Cooperation (APEC).

## **A comprehensive and integrated approach to capacity building**

Over the last five years the IRC-PNG Customs, in partnership with the Australian Customs Service (ACS) and the Australian Agency for International Development (AusAID), has developed a comprehensive and integrated approach to building its capacity to respond more effectively and efficiently to the current and emerging challenges it faces in all aspects of Customs business.

The PNG Customs modernisation and reform program has been developed using a range of strategies including initiatives from within PNG Customs, assistance from AusAID programs, Customs-Customs bilateral initiatives, WCO technical support, and broader IRC reform initiatives. Experience demonstrates that while each strategy can be developed and implemented as a stand-alone initiative, there is a greater chance of achieving better and more sustainable modernisation outcomes by ensuring all programs are both complementary and well integrated. Ensuring that the overall program of reform is based on sound analysis to determine gaps in capacity and capability is also a crucial element of building relevant and sustainable reform outcomes.

In 2004 a comprehensive six-month diagnostic assessment was completed in-country by Australian Customs, in partnership with PNG Customs, to identify an initial program of support and the reform priorities for the next four years. In mid-2007, an independent WCO SAFE Framework of Standards diagnostic assessment was carried out and, with the assistance of the WCO Regional Office of Capacity Building (ROCB), an action plan was developed under the WCO Columbus Programme to address the diagnostic recommendations. The WCO diagnostic was followed in March 2008 by an independent and comprehensive Revenue Gap & Business Analysis by the Centre for Customs & Excise Studies (CCES), University of Canberra.

These various assessments have been very helpful to PNG Customs in terms of gathering baseline data, establishing the strategic direction and priorities for reforms, verifying program content and priorities over time, identifying new and emerging reform requirements, acknowledging achievements made, and aligning reform efforts to internationally recognised standards.

Against this background, the following programs represent the overall framework for modernisation and reform in PNG Customs.

### **Customs Modernisation Management Team (CMMT)**

The Customs Modernisation Management Team (CMMT) is a PNG Customs initiative. It was established in 2004 as a part-time multi-disciplined working group to provide a focus for driving Customs modernisation programs and change management strategies. The initial priority for the CMMT was to review and update legislation and procedures to meet the requirements for accession to the General Annex of the Revised Kyoto Convention on the harmonisation and simplification of Customs procedures, and to subsequently work on the related chapters to the Convention. Following the successful passage of revised legislation in 2007, PNG Customs has received endorsement from the PNG National Executive Council (Cabinet) to accede to the General Annex and is expected to formally accede in the near future.

While continuing its work on the Convention chapters, the CMMT recently produced a Strategic Action Plan 2008-2011 to reflect outcomes and priorities from the various diagnostic assessments and to identify sources of Treasury and partner support to undertake the reforms. Since its inception, the CMMT has established a constructive working relationship with the PNG Treasury, and through business cases, planning, regular reporting, and a transparent approach to its activities, has been successful in receiving ongoing Treasury funding to support its reform activities in areas that complement existing external donor support.

In response to the need to develop closer partnerships with industry, an example of the CMMT approach was the establishment of a National Customs Consultation Forum (NCCF) in late 2006. The NCCF meets annually to discuss issues and developments of mutual interest with a view to resolving issues and promoting awareness between the annual meetings. This is a significant step forward in PNG Customs-Industry relations and receives funding support from the Treasury in recognition of its contribution to more effective trade facilitation outcomes.

## **‘Strongim Gavman Program’ (SGP) or ‘Strengthening Government Program’**

Originally established as the Australia-PNG Enhanced Cooperation Program (ECP) in 2004, a comprehensive joint Australia-PNG review was carried out in late 2007. The program was renamed ‘Strongim Gavman Program’ (SGP) at the 18th Meeting of the Australia-PNG Ministerial Forum in Madang on 23 April 2008. Under the SGP, around forty senior Australian officials are working closely with their PNG counterparts to progress reform in the areas of economic and public sector governance, border management and transport safety and security, and law and justice. AusAid funds and supports the SGP with officials drawn from a wide range of Australian agencies.

Australian officials are focused on providing strategic and policy advice and on building capacity in the PNG public service, including through mentoring to improve the knowledge and skills of PNG staff. The renewed focus on SGP will also see an increased emphasis on whole-of-government joint monitoring and evaluation for participating agencies and partnership contracts between Australian and PNG officials directly involved in the SGP to ensure both institutional and individual capacity are developed.

Australian Customs has a team of four SGP officials working within PNG Customs as advisers. Based on the original 2004 gap analysis, Australian Customs officials initially focused on building capacity in areas including Passenger Processing, Revenue, Post Clearance Audit, and Intelligence and Executive Management. Currently the Customs SGP Team includes the Deputy Commissioner Customs (SGP) – Executive Management, and three Customs Advisers covering Border Security, Investigations, and Cargo Management. Currently a joint Australia-PNG process is reviewing all SGP roles and terms of reference to ensure the ongoing relevance of the program to PNG’s development priorities.

Under this arrangement, mutually beneficial outcomes include building closer relationships, sharing knowledge and information, and conducting joint operations. Apart from the specific roles assigned to Customs SGP officials, each official also provides assistance to a wide range of IRC and Customs-specific corporate governance and support activities.

In addition to these core responsibilities, the Customs SGP team, in partnership with PNG Customs colleagues, provides direct in-country support to facilitate the delivery of several Australian-PNG Customs bilateral programs that complement both the CMMT and SGP reform work. These programs include the PNG-Australian Customs Twinning Scheme (PACTS), the Australia-PNG Border Security Project (BSP), and the Australia-PNG Joint Cross Border Patrols (JCBP). Each of these programs is described in more detail below.

## **PNG-Australian Customs Twinning Scheme (PACTS)**

While the SGP generally operates at the strategic and policy level, the PACTS is designed to enhance this work at the operational level and is based on targeted exchanges of personnel between both Australian Customs and PNG Customs. PACTS is managed by Australian Customs, is funded by AusAID, and is used in several other PNG agencies to complement the policy, legislative and procedural reforms generally supported through the SGP. In Customs, the exchanges can either be used to develop individual

officers to build their capacity and, later, to transfer these skills to others, or as an opportunity to provide operational training and awareness in specific areas of Customs.

To date PACTS placements have included exchanges of officers in areas such as: Intelligence, Post Clearance Audit, International Relations, Ship Search, Cargo Control and Accounting, and Passenger Processing. It is anticipated that the PACTS program for this year will include placements and/or training in areas such as investigations, profiling, aircraft search, and industry partnerships.

Both Australian and PNG Customs gain benefit from these exchanges and agree that the SGP/PACTS approach provides a very effective platform for the delivery of assistance.

### **Australia-PNG Border Security Project (BSP)**

In May 2007, the Australian Government announced a \$7.7 million package of assistance to enhance PNG Customs border security capabilities over a four-year period from 2007-2011. The BSP included initial consultation with PNG Customs and was designed to take account of both the SGP and PACTS programs, with a focus on the delivery and implementation of equipment, facilities refurbishment, specialist skilling, gap analysis, and operational support funding currently outside the scope of the SGP and PACTS, but complementary to both programs.

The BSP is managed through a joint Australian-PNG Customs Steering Committee that sets and reviews priorities and progress, with overall project management by Australian Customs. In partnership with PNG Customs, the Customs SGP Team provides significant in-country facilitation assistance to establish and implement the key elements of the BSP.

Key achievements during the first year of the BSP include:

- establishment and operation of Customs-led inter-agency maritime surveillance patrols, using existing PNG Defence Force maritime assets
- completion of an independent comprehensive PNG Customs 'Revenue Gap & Business Analysis', drawing on input from a wide range of government and business stakeholders
- establishment and implementation of an electronic Case Management & Intelligence System (CMIS), including a secure e-mail function.

Future measures through to mid-2011 include a range of specialised enforcement training and equipment, refurbishment of key Customs border facilities, and ongoing development of a maritime surveillance capability. The BSP essentially provides the hardware to implement and sustain many of the CMMT, SGP and PACTS reforms, and is designed to gradually transfer responsibility for all aspects of the project, including funding beyond 2011, to PNG Customs.

### **Australia-PNG Joint Cross Border Patrols (JCBP)**

The focus for the JCBP is to provide a regular opportunity for both Australia and PNG to manage strategic border risks to both countries in the Torres Strait area by working together across each other's maritime borders to gather intelligence, build remote area community relationships, and to conduct joint operations where appropriate. The Torres Strait is characterised by Australia's close proximity to the PNG mainland, regular and authorised traditional movement of people between both sides of the border, remoteness, lack of accurate navigational data, and relatively close proximity to Indonesia. Joint operations in this area are sensitive and logistically difficult, and require close cooperation to be effective.

Australian Customs provides a patrol boat and crew, and may use other assets to support joint operations. PNG provides two Customs officials and two police from the Royal PNG Constabulary to provide intelligence and operational support for each of the anticipated four annual patrols.

Together the JCBP and the BSP-funded Customs-led inter-agency maritime surveillance patrols form the basis of a framework for a cost effective PNG whole-of-government civil maritime surveillance strategy and capability that complements existing PNG Defence Force and PNG National Fisheries Authority activities in this area.

## Conclusions

The approach taken to modernisation and reform in PNG Customs is clearly comprehensive and based on a range of independent assessments and analyses. Integration of the various capacity building strategies and initiatives is still a relatively new development with outcomes from the various assessments and key elements from the assistance programs being arranged along thematic lines and prioritised both within the CMMT Strategic Action Plan 2008-2011 and the Customs SGP work-plan 2008-2009. This has led to greater cohesion between the various programs and a clearer view of what needs to be done and when. Consultation, collaboration, communication, and mutual respect are fundamental guiding principles that characterise the partnership between PNG Customs and Australian Customs.

Finding the right balance for the pace and scale of reform continues to be a key challenge. There is a real risk of developing administrations suffering both donor and reform overload if the overall program is not well managed and coordinated within existing capacity. Going forward, it is anticipated that PNG Customs reform activities will become embedded in the broader IRC corporate planning process and Customs divisional plans, and will use a risk-based approach to manage the priorities for reform within the resources and capacity available. Following the last two years of significant reform and the establishment of new programs, a period of consolidation is essential in the short to medium term if sustainable progress and outcomes are to be achieved.

While PNG Customs still has considerable work to do to fully meet its international and domestic obligations, it has achieved a great deal. It is now positioning itself well to meet the challenges it faces in achieving its expected trade facilitation, border integrity, community protection and revenue collection outcomes.

## Endnotes

- 1 Department of Foreign Affairs and Trade 2008, 'Papua New Guinea country brief: June 2008', Australian Government, Canberra, pp. 1, 6-8.
- 2 Centre for Customs & Excise Studies 2008, 'Papua New Guinea revenue gap and business analysis March 2008', University of Canberra, ACT, p. 22.

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