



**Topic: Analysis of Pakistan Customs Strategic Plan 2019-2024 In The Light of WCO's "Customs in the 21<sup>st</sup> Century" Vision**

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## **INTRODUCTION**

We are living in an age of globalization and an increased international trade is a significant feature of it. The increased international trade demands effective Customs administrations across the world. No organization can make effective progress in the absence of a viable strategic plan. Keeping this in view, the Customs Service of Pakistan and World Bank joined hands to formulate an effective strategic plan to set the future of the Customs Service of Pakistan by delineating four Strategic Objectives for five years (2019-2024). It is a first ever such plan laid out by Customs Service of Pakistan in its history. The plan is comprehensive and well thought out.

## **KEY OPPORTUNITY AREAS IDENTIFIED FOR STRATEGIC PLAN**

It is very important to specify key opportunity areas for a focused approach for the developing a strategic plan. It ensures higher rates of success and effectiveness of a strategic plan. Pakistan customs has identified following key opportunity areas:

- i. Enhancement in trade facilitation measures without weakening customs controls. The latter can be ensured by channelizing maximum resources and efforts towards technology led risk profiling and by bolstering the post clearance audit regimes.
- ii. Minimizing compliance costs and time by reforming the basic structure. Pakistan Customs has automated most of its business processes but there is still a lot to be done. WeBOC is just first step on the road of automation. The future lies in the increased use of new technologies to facilitate and smoothen the legitimate trade. Customs' laboratories should be provided with the latest equipment and the laboratories should be connected with the WeBOC for online uploading of lab reports. It will ensure transparency and expediency.
- iii. Strengthening the enforcement. Along with the capacity building of the PCAs, the enforcement side of Pakistan Customs also needs to be strengthened. The correct application of legal procedures, invoking the right clauses being violated and invoking the right penal clauses play key role in enhancing the enforcement of Customs laws and procedures. Pakistan Customs should also work on improving the collaboration with other government agencies. An effective strategy should be envisaged to build the capacity of Pakistan Customs to counter the menace of smuggling and illicit trade.

- iv. Focus should be on human resource development. The progress and success of any organization depends highly on the effective human resource development policy. A lot needs to be done in this aspect as far as Pakistan Customs is concerned. The workload needs to be rationalized to ensure judicious distribution of work per officer. The reward system needs to be streamlined to motivate the staff. Moreover, trainings should be improved and a state-of-the-art National Customs Academy should be established at the earliest possible to ensure better trainings.
  
- v. Comprehensive automation and integration should be attained. The development and implementation of WeBOC is a great milestone regarding the automation drive in Pakistan Customs. But there are some important areas which still need improvement. For instance, some of the cargo is still processed and cleared in Once Customs. Such cargo includes POL products, gold bullion and hybrid cars. Dedicated modules should be developed in WeBOC to enable the filing of GDs of the said cargo. Automation of passenger profiling is another important area that deserves improvement. Efforts should be undertaken to bind all the flight operators to share the details of the passengers before they touch down at the airports in Pakistan. They should submit the passenger manifest no longer than their 'wheels up' from the respective airport. In this context, broadening the usage of APIS will play effective role. The NSW project should continue to be a top priority as it will prove to be a game changer in attaining the integration of all relevant government departments.
  
- vi. Organizational restructuring. The dynamics of trade have changed and Pakistan Customs should have made structural changes to cater the needs of an increased volume and complexity of trade. These changes will require redistribution of functions, new posts and redeployment of personnel. Such structural changes will enable Pakistan Customs to deliver its services in a new and more efficient manner.

## **PAKISTAN CUSTOMS STRATEGIC PLAN**

The challenge around the world for any customs administration is how to manage the increased volume of trade and passenger traffic while safeguarding revenue collection, protecting local industries, ensuring border security and facilitating trade. To achieve these goals, it was essential for Pakistan Customs to develop and implement a strategic plan to set a clear direction and goals.

### **STATEMENT OF PURPOSE**

To be an efficient, transparent and modern customs administration recognized for its professionalism and the integrity of its workforce.

### **PRIORITIZATION OF STRATEGIC OBJECTIVES (SOs)**

The SOs will give an overview regarding the accomplishment of the vision presented in the statement of purpose and its implementation through various initiatives and projects. It is important to prioritize the SOs because implementing SOs is a herculean task. This prioritization of SOs will enable the senior leadership to focus their energies along the most important areas which in turn will lead towards quick progress of the whole organization.

#### **1. STRATEGIC OBJECTIVE 1: ENSURE FACILITATION OF LEGITIMATE TRADE AND TRAVEL**

The growing challenge for customs across the globe is to ensure facilitation of legitimate trade and travel without compromising the enforcement of customs laws and procedures. It is difficult task owing to the increased volume of trade and passenger traffic. No country can afford to choke its ports, airports or other customs stations because of the increased customs intrusion. The only solution lies in technology led approach.

##### **Priority Initiatives for SO1**

###### **1.1 Enhance Effectiveness of the Risk Management Process**

This initiative aims at increasing the voluntary compliance through automated risk management. It will ensure timely detection of threats without hindering the legitimate trade and passenger travel. Up till now, there is no automated risk management system (RMS) for Afghan transit cargo. The RMS for Afghan transit cargo should be developed at the earliest possible.

In addition to that, the use of Advance Passenger Information System (APIS) and Global Travel Assessment System (GTAS) should be broadened to all the airports of Pakistan. It will enable Pakistan Customs to identify the risky persons and cargo well before their arrival or departure.

## **1.2 Improved Valuation in line with the WTO Agreement**

Pakistan Customs will ensure an efficient and transparent process for applying valuations laws and rules. This will be done to ensure compliance with the WTO Customs Valuation Agreement. It will result in increasing certainty, predictability and fairness to the trade. On the other side, Pakistan Customs will work on improving the PCA regime and fully integrating it with the central RMS for selectivity criteria.

## **1.3 Enhance the functionality of the Tariff Information System and strengthen classification functions**

The ultimate aim under this priority initiative will be to reduce the number of slabs in tariff which will result in simplification of tariff. Furthermore, improvements will be made by integrating the tariff assistance tools in WeBOC. Such tools include Classification Explanatory Notes, Classification Rulings etc. It will reduce the classification disputes and improve the understanding of the customs officers.

## **1.4 Implement and Authorized Economic Operator (AEOs) Program**

The underlying objective of this priority initiative is to facilitate legitimate trade. Under this program, the government will certify trustworthy business entities with a clean track record of compliance with national laws and procedures. The government departments will adopt a policy of non-interference towards such entities which will rid them of the delays and lapses on the part of government departments. It will enable them to focus on the growth of their businesses. This project has seen some light of the day as a couple of business entities with exemplary history of compliance have been certified as AEOs. However, there is still a long way to go.

## **1.5 Increase collaboration with other border agencies in streamlining clearance procedures**

The vision behind this initiative is to improve coordination on both, the interagency and the intra-agency levels, to ensure trade facilitation. Moreover, TFA also demands that all government agencies for border controls should cooperate with one another to facilitate transportation of goods.

## **1.6 Develop procedures and implement an e-commerce regime**

E-commerce is has rapidly assumed the stature of a major stake holder in global trade. Keeping these changing dynamics in mind, it is important to develop effective enforcement procedures to regulate e-commerce. Two things will play an important role here: a) better coordination among government agencies, b) data collection for targeting suspected shipments

## **2. STRATEGIC OBJECTIVE 2: ENHANCE CUSTOMS AND FISCAL CONTROLS, ENFORCEMENT AND SOCIETY PROTECTION CAPABILITIES**

The key to brighter future for Pakistan Customs lies in enhanced customs and fiscal controls. It will ensure effective enforcement; protection of society will just yield from the effectiveness of the said capabilities. To achieve this second strategic objective, certain initiatives have been prioritized.

### **Priority Initiatives for SO2**

#### **2.1 Strengthen the Post Clearance Audit (PCA) organization and function**

A strong PCA organization will act as an effective check against the abuse of the Valuation Agreement and fiscal frauds. The compliance rate will increase marginally through a centralized and risk-based audit selection. A significant room for improvement exists in the PCA domain. Pakistan Customs should develop a PCA policy and equip the PCA organization with sufficient resources.

#### **2.2 Strengthen enforcement operations to combat smuggling, illicit trade and commercial frauds**

This initiative aims at establishing dedicated enforcement collectorates to counter the menace of smuggling on borders and in coastal areas. It envisions the formation of marine ASO to focus on smuggling in sea waters and dedicated directorates for targeting commercial fraud including trade based money laundering (TBML). Here it is worth mentioning that Directorate General of Marine ASO has recently been notified.

To strengthen the Intelligence and Investigation Directorates, it will be prudent to create posts of Deputy Director Generals under DG I&I to improve the working of Directorate General of I&I.

#### **2.3 Increased collaboration with other border and security agencies and countries**

The purpose here is to establish inter-border committees with other agencies led by Customs to act as a joint line of defence against smuggling at the borders. Customs mutual assistance agreements (CMAAs) should also be concluded with major trading partners for the purpose of exchanging information and intelligence. These agreements will go a long way in enabling Pakistan Customs to intercept the smuggled goods across the borders.

#### **2.4 Improved implementation of the Chemical Weapons Convention (CWC), precursor control regulations and weapons control regulations across borders**

Lack of technical expertise and adequate resources is a major challenge in the effective implementation of CWC. These gaps can be plugged by quality training and provision of requisite resources. Deployment of technical solutions and the adoption of effective risk management tools will improve the regulation of trade in chemicals. Another important step in this context will be to broaden the use of canine units to detect precursors and prohibited chemicals.

### **2.5 Improve monitoring and enforcement regulations in free zones, economic zones and other suspensive regimes**

Customs should ensure that the cargo meant for SEZs is delivered without its integrity being compromised. The said zones should be properly monitored and regulated to keep a check on the misuse of suspensive regimes. It needs to be mentioned here that the monitoring should be technology based instead of physical human interaction.

### **2.6 Operational mechanisms for sanitary and phytosanitary (SPS) measures**

Customs is responsible for enforcing SPS measures at international borders. SPS measures are important to ensure the safety of society and maintenance of quality of human resources hence it should be given utmost importance. Capacity of Pakistan Customs should be built by providing technical and human resources. Another significant challenge in this context is regarding the awareness in supply chain; it needs to be addressed at operational as well as the policy level of the Customs administration.

### **2.7 Strengthen mechanisms for combating violations of intellectual property rights (IPR)**

The IPR related functions of Pakistan Customs need to be strengthened. It has become an important domain in the functioning of the Customs across the globe. Although, the Directorate General of IPR has been established and the rules have also been issued, yet this needs lots of improvements. It should be provided with the necessary human resources. Along with that, extensive and intensive training should be imparted to the officers and staff of the Directorate. And most importantly, development of enforcement tools and knowledge of changing trends should be ensured for better of IPR enforcement. The protection of IPR will be decisive in expanding the trade of Pakistan with trading partners. Presence of a strong IPR regime will give boost to the confidence of International trading partners and investors. Hence, improved IPR enforcement will attract FDI and MNCs.

## **3. STRATEGIC OBJECTIVE 3: STRENGTHEN ORGANIZATIONAL DEVELOPMENT AND TRANSPARENCY**



An organization's development is directly linked with the transparency. Keeping this in view, Pakistan Customs is aimed at bringing transparency led development in the organization. To achieve this objective, global best practices have been analyzed and a tailored approach has been adopted.

### **Priority Objectives for SO3**

#### **3.1 Restructure the organization to align its human resource and capacities to the growing workload**

For long there has been a demand for a dedicated Board for the Customs wing which will lead to restructuring of the Customs Service of Pakistan (CSP). As a matter of fact, Inland Revenue Service (IRS) and Customs Service of Pakistan are performing their functions in two different domains. Hence, for better administration and service delivery of both institutions it is inevitable to have two separate boards for them instead of wielding them together under the same Board. The changing dynamics of customs work and the specialized nature of its emerging role are important arguments in the advocacy of a separate Board for CSP.

#### **3.2 Strengthen the capacity building function and service delivery**

This priority initiative aims at providing better training facilities including: establishment of a state-of-the-art National Customs Academy, development of training tracking database, training in modern enforcement techniques and launching of Customs research magazine. Swift changes are required in the mode of training for the officers and staff is required owing to the rapid pace of change in global trade dynamics.

#### **3.3 Develop systems for internal vigilance and accountability**

The nature of its work makes CSP highly vulnerable to the threats of corruption. A formal setup for monitoring the integrity of officers and staff is required. A proposed solution might be the establishment of a Grievance Redress System to report about the malpractices being carried out by the officers and staff. It will have a two pronged benefit; firstly, it will act as a tool of internal accountability and secondly it will provide a platform to address the issues faced by the trader community. Pakistan Customs should identify various integrity risks to enable senior management to evaluate the vulnerabilities of customs processes and field formations. It will lead to informed decision making for preventing corruption in line with the WCO Arusha Declaration, the Almaty Integrity Resolution, the Nairobi Resolution on Integrity and the Maputo Declaration on Integrity.

#### **3.4 Improve motivation and organizational ownership across the ranks**

The importance of keeping the staff motivated to ensure their commitment towards their job can not be emphasized enough. One way of making it possible is to make employees stakeholders in the decision making process through transparent channels of communication. Another important way to inculcate motivation is to align the perks and privileges along the international customs models.

#### **4. STRATEGIC OBJECTIVE 4: MODERNIZE INFRASTRUCTURE AND TECHNOLOGY AND ENHANCE AUTOMATION**

Modernizing the infrastructure and enhancing the automation through increased use of technology are the keys to success for any Customs organization across the world. Realizing this fact, the technology led automation campaign has been made an objective of Pakistan Customs Strategic Plan.

##### **Priority Initiatives for SO 4**

#### **4.1 Develop a plan to standardize infrastructure and technology at all ports and customs stations**

Inadequate logistics and infrastructure have served as an impediment in the smooth functioning of Pakistan Customs. The availability of standardized infrastructure and technology at all customs stations is essential to enable staff to have the conditions needed for them to serve in a standard and predictable manner throughout the country, and to achieve the main objectives of revenue collection and trade facilitation while maintaining control and security.

#### **4.2 Improve laboratory infrastructure, equipment and procedures**

Laboratories of Pakistan Customs are facing acute limitations of capacity with regard to equipment as well as skilled and sufficient human resources. Furthermore, a growing increase in trade has strained the resources of the existing laboratories, resulting in unreliable quality of results and the provision of timely services. Therefore, it is extremely important that the laboratories adapt to the changing trends and stay abreast with new technologies, both in terms of the equipment and the analytical methods used to study samples and cases.

#### **4.3 Implement a National Single Window (NSW)**

This project involves many government agencies but the lead role has been given to Pakistan Customs because of its unmatched progress regarding automation in comparison with the other government departments. As the lead agency Pakistan Customs will use its considerable expertise and experience to design and implement trade related automation initiatives.

#### **4.4 Enhance and extend the use of non-intrusive equipment across customs operations and ports**

A modern and trade friendly customs service will remain a far cry in absence of non-intrusive controls. The deployment of modern scanners and other technological solutions across all customs stations and ports in the country is integral for improving the Customs controls.

#### **4.5 Implement the ITTMS project**

Integrated Transit Trade Management System is a project that envisages establishment of state-of-the-art facilities at Torkham, Chaman and Wahgah crossing points. It will significantly reduce the processing time and cost at crossing points. It will set direction and serve as a platform for other future endeavors. The project will be completed by June 2022. The project is of great significance both in terms of security and trade. It aims at ensuring proper exit of outbound cargo, keeping check on the backward flow of goods and prevention of smuggling. It will pave way for the smooth execution of NSW and the introduction of AEO program.

### **ANALYSIS IN THE LIGHT OF WCO's "CUSTOMS IN THE 21<sup>ST</sup> CENTURY" VISION**

Globalization and the other strategic drivers necessitate a new approach to managing the movement of goods through international trade supply chains and across borders. This requires the development of a New Strategic Direction for Customs across the globe. Realizing this WCO has outlined its vision regarding "Customs in the 21<sup>st</sup> century". Pakistan Customs Strategic Plan can be analyzed in the light of WCO's "Customs in the 21<sup>st</sup> Century" vision under following heads:

**(a) Better coordinated border management:** This entails coordination and cooperation among all the relevant authorities and agencies involved in border security and regulatory requirements that apply to passengers, goods and conveyances that are moved across borders. Governments also need to explore more effective solutions to border management. The establishment of better coordinated border management for the cross-border movement of goods requires:

(i) The recognition of Customs or the agency responsible for the Customs function as the lead front-line administration at national borders for controlling the movement of goods. According to the UN Trade Facilitation Network, Customs administrations are usually best suited to develop integrated procedures for processing goods at points of entry; and

(ii) The introduction of the electronic Single Window concept that allows a trader to provide all necessary information and documentation once to the designated agency that, in turn, distributes the information to all relevant agencies.

**(b) Intelligence-driven risk management:** The expanding responsibilities and opportunities facing Customs administrations require a more sophisticated understanding of the risk continuum. It is well understood that scarce resources need to be targeted to the higher end of the risk continuum. The challenges facing Customs administrations are two-fold: how best to apply the rapidly expanding body of knowledge of risk management to identify and mitigate risk at the operational level, and how to apply this knowledge of risk management beyond the operational level and in the management of Customs administrations. The key to this will be the building of feedback learning loops that will allow Customs administrations to integrate risk-related activities and to learn from past decisions to enable them to build an organization that is forward-looking, with more sophisticated predictive capacity, rather than being merely responsive.

**(c) Customs-Trade partnership:** Customs in the 21st Century should enter into strategic pacts with trusted economic operators. Customs needs to understand the concerns of business, while business needs to know the requirements of Customs. Most importantly, there is a need to translate this relationship into a partnership that results in mutually beneficial outcomes.

**(d) Implementation of modern working methods, procedures and techniques:** Demands regarding the rapid movement of goods, combined with complex regulatory requirements, require modern innovative approaches. These include audit-based controls undertaken away from the border, moving from transaction-based controls alone to using systems-based controls where the level of risk allows, as well as moving away from paper-based systems. There is also a need to review existing procedures on the basis of international conventions (including the WCO Revised Kyoto Convention) and international best practice.

**(e) Enabling technology and tools:** Customs must take advantage of new and emerging technologies to enhance, amongst others, processing, risk management, intelligence and non-intrusive detection.

**(f) Enabling powers:** In order to address these challenges, Customs administrations require appropriate legislative provisions that strengthen enforcement powers, the provision of advance information and the sharing of information domestically and internationally. These powers are necessary, in particular, in order to combat organized

crime more effectively. More needs to be done to increase the safety of Customs officers.

**(g) A professional, knowledge-based service culture:** The future orientation of Customs requires moving towards a knowledge-based and customer-orientated model. Staff competencies need to support timely customer-focused processes and services that minimize the administrative burden on legitimate trade. Training and organizational culture should support high levels of integrity, demonstrating consistency, transparency, honesty and fairness. Effective change management and leadership skills also need to be developed.

**(h) Capacity building:** Customs administrations need to ensure that they have the capacity and skills across all dimensions of the operating model to perform all Customs functions most efficiently and effectively. It also goes without saying that the concept of “Networked Customs” relies on professional and competent Customs administrations, and that intensified and focused capacity building efforts are required to achieve this objective. The Columbus Programme of the WCO is an ambitious international effort to build Customs capacity. Some of the challenges that need to be addressed include how to manage scarce resources to deliver sustainable capacity building, how to promote effective performance criteria, monitoring and follow-up, how to avoid duplication of efforts and how to manage impediments in the recipient country. Leadership from both developed and developing-country Customs administrations as well as a true partnership are critical to ensure sustainable capacity building.

**(i) Integrity:** The fight against corruption remains an important task that should be undertaken over the years to come. The WCO Arusha Declaration will remain the reference document for all Customs administrations.

## **CONCLUSION**

The importance of strategic planning for the development of an organization can not be emphasized enough. In this context Pakistan Customs Strategic Plan 2019-2024 is an important step in the right direction. It sets a future course of action for Pakistan Customs considering the changed global environment. The objectives set in the said plan are specific, realistic and relevant. The plan is comprehensive and in harmony with the WCO’s “Customs in the 21<sup>st</sup> Century” vision.

## **RECOMMENDATIONS**

- It would be prudent to evaluate the achievement of objectives by the end of this plan. This tradition of shaping Strategic Plan for Pakistan Customs should be institutionalized.

- The focus should also be given to the missing areas including globally networked customs
- Partnership with academia should be strengthened to ensure informed and research based planning
- A dedicated Data Ecosystem for Pakistan Customs should be developed

#### **END NOTES**

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