

JANUARY 2016

Evaluation of the Partnership Arrangement for Customs sector development in the Pacific and Timor Leste



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Acknowledgements

The authors would like to acknowledge the large number of stakeholders who made themselves available to speak and share their insights, knowledge and experience with the evaluation team. They are also grateful for the assistance of MFAT Posts in arranging in-country interviews, and for the administrative support provided by the New Zealand Customs Service.

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Glossary

| Abbreviation | Definition |
|--------------|---|
| ACP | The Countries of Africa, the Caribbean and the Pacific |
| CCA | Customs Controlled Area |
| CIBMS | Cook Islands Border Management System |
| CIF | Cost insurance and freight |
| DAC | Organisation for Economic Co-operation and Development's Development Assistance Committee |
| ESR | New Zealand Institute of Environmental Science and Research |
| EU | European Union |
| FOB | Free on board (a valuation method for calculating duty and VAT) |
| GATT | General Agreement on Tariffs and Trade |
| HR | Human Resources |
| LOV | Letter of Variation |
| MFAT | New Zealand Ministry of Foreign Affairs and Trade |
| MFEM | Cook Islands Ministry of Finance and Economic Management |
| MfR | Samoa Ministry for Revenue |
| NZCS | New Zealand Customs Service |
| NZD | New Zealand dollars |
| OCO | Oceania Customs Organisation |
| PACTAM | Pacific Technical Assistance Mechanism |
| PLP | Pacific Leadership Programme |
| PSF | Pacific Security Fund |
| ROO | Rules of Origin |
| PSC | Samoa Public Services Commission |

| Abbreviation | Definition |
|--------------|--|
| SIDS | Small Island Developing States |
| SPS | Sanitary and phyto-sanitary |
| TFCP | European Union Trade Facilitation in Customs Project |
| USD | United States dollars |
| VAT | Value added tax |
| WCO | World Customs Organisation |
| WST | Samoa tala (Samoa currency) |
| WTO | World Trade Organisation |

Executive summary

A Partnership Arrangement between the Ministry of Foreign Affairs and Trade (MFAT) and the New Zealand Customs Service (NZCS) was signed in October 2011 and runs until 2021. Funding of \$6.254m has been provided by the New Zealand Aid Programme for the first five years of the Arrangement, with a commitment to an independent mid-point review (this evaluation).

Work funded through the Partnerships Arrangement has focused on long-term, targeted bilateral support to the Cook Islands, Samoa and more recently Fiji. Support under the Arrangement has focused on strengthening governance and leadership, assisting in the development and implementation of improved national legislation, policies and procedures; and overseeing Customs modernisation and border management procedures in the region.

The purpose of the evaluation is to:

- underpin the overall coherence and future strategic direction of New Zealand's investment in Customs capacity building in the Pacific;
- evaluate the effectiveness of the Partnership Arrangement as a management tool in supporting the delivery of desired outcomes; and
- inform the development of Partnership Arrangements with other State Sector partners.

Key findings

NZCS has built strong, trusted relationships in the Pacific

We were consistently told that NZCS has built trusted relationships in the Pacific, and that their technical expertise is highly regarded.

We were also told that the in-country technical advisors provided by NZCS were a good organisational and cultural fit, their support well delivered (in terms of facilitating skills transfer) and they were overall highly appreciated.

Lack of clarity around sector programme objectives and priorities

It was evident from the interviews that there is a perceived tension between the development objectives of the New Zealand Aid Programme and the security objectives of the Partnership Arrangement, in particular NZCS's priority of protecting the New Zealand border. We encountered a lack of clarity within MFAT as to the reconciliation of these dual objectives.

This is further contributing to a lack of understanding, both within MFAT and its partner countries, of the rationale for the selection and prioritisation of target countries.

There are pre-requisites to achieving desired outcomes

The work funded under the Partnership Arrangement has sought to support both regional border security and economic growth in the Pacific region, through strengthening PIC Customs administrations and facilitating trade. It is possible to achieve both security and development objectives, providing the requisite systems and capability are in place and fully operational and policy reforms are specifically designed to deliver both. In our field work, we

found that these pre-requisite conditions are still developing, and largely still too nascent to be delivering the desired outcomes as yet.

Good outcomes starting to be achieved

The time release study undertaken in the Cook Islands revealed clear trade facilitation benefits from the automated components of the Cook Islands Border Management System (CIBMS) that have been delivered under the Partnership Agreement. Delivering automation was applauded by all interviewees in the Cook Islands. However, although the CIBMS is in place, the full functionality of the system is not being used, meaning the full benefits are not yet being realised.

Pacific Leadership Programme (PLP) well designed, delivered and monitored

All the evidence suggests that the leadership training provided by NZCS has been well designed and implemented, and is generating benefits at the individual and organisational levels. Both participants and managers consistently referred to the programme's requirement to undertake a small project to apply the skills and tools learned, as something that has contributed to wider organisational reforms. In Samoa, these projects supported organisational reforms that contributed to an additional WSD50,000¹ in government revenue (plus WSD100,000 in recovered debt) being collected in 2014/15.

The PLP has been subject to rigorous and systematic monitoring and evaluation throughout its implementation. This has enabled the programme to make adjustments, such as to the length and content of workshops, to make it more effective in the context of each country.

But some other support not sufficiently adapted to actual need

The evidence from our field work was that NZCS has not always adequately tested and assessed the needs and circumstances of the respective partner and adapted its advice/solutions as a result. The lack of assessment and adaptation has contributed to unresolved issues and risks with some of the major activities – in particular the CIBMS and the modernised legislation in both the Cook Islands and Samoa:

- As far as we can tell, there was no initial analysis of the technical capabilities that are necessary to sustain the modernised legislation in either the Cook Islands or Samoa Customs.
- The level of complexity of technical training courses delivered to support modernisation, such as those on valuation (basic/introductory level) and tariff classification (intermediate level), were adjusted to meet the needs of participants and provide the basis for developing a working knowledge and understanding. However there is no deliberate and structured framework in place to create focus on what technical competence is needed to sustainably and effectively operate in the post-reform environment.
- The modernised border management system in the Cook Islands has not been fully implemented as planned and the full functionality of the existing components is not being used by either the private sector or Customs. Furthermore, the technical skills of

¹ Western Samoa tala.

Cook Islands Customs staff are currently lower than that necessary to realise the full benefits of the system.² In addition, the on-going contractual and maintenance requirements for the CIBMS, and the full financing implications for the Cook Islands, is not yet clear or understood by all partners.

- In Samoa we were told by private sector stakeholders that compliance costs have increased and clearance times have worsened due to Customs officers taking a ‘stricter’ approach to inspections since the implementation of modernisation reforms. The clearance times in Samoa were singled out as being slower as private sector stakeholders consider there is yet to be recognition of compliant traders by way of a decrease in inspection.
- The risk management approach to border management is not well understood in the partner countries. Research suggests the ideal pathway to achieve a ‘balanced approach’ to control and facilitation requires the systematic and logical application of risk management policies, procedures and practices. This calls for structured internal risk and intelligence capabilities, which are yet to be developed within the Cook Islands and Samoa Customs agencies.

On-going dependencies created

Both Cook Islands Customs and Samoa Customs now recognise the extent of change brought by the new legislation and said they need further technical assistance to implement post clearance audit, risk management, advance rulings and advanced Customs technical training in the tariff, valuation and origin. While NZCS have provided internal capability through training local staff to deliver training, additional support is still required. And with no clear endpoint in each country’s programme, the cumulative workload of the programme continues to build, as new projects are initiated without existing activities being fully completed.

In addition, our interviews identified a lack of clarity between Cook Islands Customs, MFAT and NZCS regarding what would be funded, and the resourcing commitments that the Cook Islands would be taking on with respect to on-going IT maintenance and support for the CIBMS. We recommend that there be a formal, written agreement between NZCS, MFAT and the partner country, setting out deliverables, timelines, roles and responsibilities – to ensure mutual clarity of understanding and expectations, as well as required commitments (such as resourcing) from both parties. It may also be helpful to specify in writing what support New Zealand will be providing to the Cook Islands and Samoa in order to conclude donor support in these countries.

Conclusions

Need for greater clarity around objectives

We consider that there is a need for greater clarity on the mutual objectives for support provided under the Arrangement. This would involve more explicit consideration of the

² Qualitative assessment, based on our discussions with Cook Islands Customs staff and our expert opinion.

relationship between border security and economic growth, more deliberate design of projects to achieve these dual objectives, and communication (particularly within MFAT and with its development partner countries) of the rationale for selecting target countries. In our view, development objectives should be at the forefront of any support funded by the Aid Programme. There is also a need for greater clarity around the basis for selecting and prioritising activities.

Scope for a more structured approach to capacity development

While capacity development support has been well received, it is unclear whether the activities that have been undertaken were the most important activities, in the most pressing areas, for lifting the overall capability of Customs administrations. We therefore recommend developing a more structured approach to planning, prioritising and sequencing capacity development activities, based on the competency framework we describe in this report.

Sector programme management requires strengthening

In our view, the Partnership Arrangement has suffered from a lack of contract management disciplines within NZCS, manifesting in a lack of transparency in how much has been spent and on what, and a lack of mutual awareness and understanding of the emergent risks. We see a need for stronger contract management disciplines, both at the programme and project level. This includes greater transparency around budgeting and expenditure, risk monitoring and reporting, results monitoring, communications and governance. Full cost reporting of activities would also reveal any resource pressures being experienced by NZCS, and assist prioritisation decisions.

In the case of the Cook Islands border management system, there is a particular need for expertise and disciplines in IT project management.

Need to complete unfinished business in the Cook Islands

The Cook Islands programme is partially complete. While 80% of traders are using the system, an estimated 50% of clearances are still manual³, and there is negligible use of activity reporting, workflow management and data analysis to inform risk assessment. Developing the Cook Islands Customs' working knowledge of the CIBMS requires NZCS expertise as the CIBMS is a bespoke design. Furthermore, Cook Islands Customs say they require technical assistance to operationalise new functions and processes envisioned by the new legislation, such as post clearance audit (for revenue assurance) and simplified procedures for compliant traders and risk and intelligence analysis, and the requisite working knowledge to manage these functions.

Until the Customs components of the CIBMS are fully utilised and the new functions and processes envisioned through new legislation are in place, the intended outcomes and benefits are unlikely to be fully realised.

³ The Cook Islands Time Release Study estimated that 26% of import clearances are manual. The other clearances still conducted manually are temporary import clearances, sight clearances, export clearances and excise clearances.

Given the decision to enter the Cook Islands, we consider that NZCS should complete the work that has been started in order to embed the changes. We suggest providing an in-country technical advisor to build understanding of the modernisation changes and the technical capability required to use the CIBMS. We also suggest exploring a separate funding and delivery agreement with Immigration New Zealand, to complete the immigration component of the CIBMS.

Help address private sector issues in Cook Islands and Samoa

In both the Cook Islands and Samoa, we encountered a low level of understanding in the private sector regarding the modernisation changes and the requirements on both them and the Customs agencies. Both countries lack a regular forum or mechanism for eliciting private sector feedback and responding to issues raised. Stakeholders also identified a number of issues and concerns with the changes and the impacts these are having on their ease and cost of doing business.

We recommend that a sector expert is employed to assist the Cook Islands and Samoa Customs agencies to engage with private sector stakeholders to establish formal engagement mechanisms, identify and diagnose issues with the modernisation programmes, and build the capacity of local Customs agencies to improve their engagement with the private sector.

1. Background and context

1.1 Circumstances in the Pacific Islands

1.1.1 Common challenges

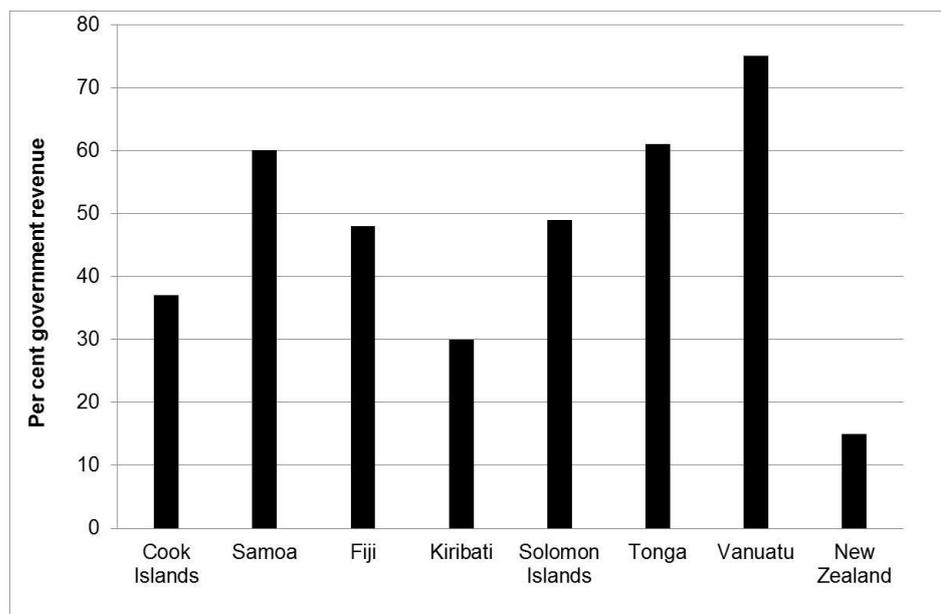
The focus of bilateral support under the Partnership Arrangement has been the Cook Islands, Samoa and more recently Fiji. Other countries that have received targeted assistance or participated in regional trainings supported by the Arrangement are Kiribati, Papua New Guinea, Solomon Islands, Samoa, Tonga and Vanuatu.

These countries vary by relative size and composition of trade (see Table 1), but experience the following issues in common:

- reliance on the border for government revenues (see Figure 1);
- dependence on imported goods (see Table 1);
- challenges in accessing offshore export markets;
- relatively high border clearance times (see Figure 2);
- transnational organised crime; and
- co-ordinating/aligning donor assistance.

For those countries that are members of the World Trade Organisation (WTO), there is also the need to meet WTO obligations.

Figure 1 Percentage of government revenue collected at the border



Source: Oceania Customs Organisation; Cook Islands data from Cook Islands Customs *Strategy and Business Plan*, for the two years ending 30 June 2013, Samoa data pers. comm. CEO Samoa Customs (as OCO data incorrect).

Table 1 Composition and value of trade (most recent year available)

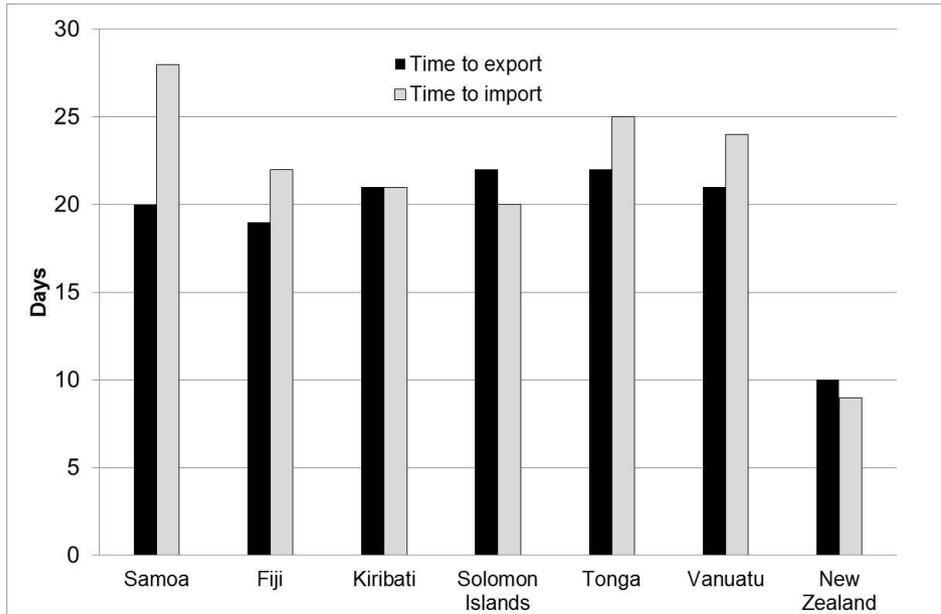
| | Main exports | Main imports | Annual value of exports | Annual value of imports |
|--------------|--|--|-------------------------|-------------------------|
| Cook Islands | Pearls, fish, copra | Foodstuffs, textiles, capital goods, petroleum products | NZD\$4.9m | NZD\$290m |
| Samoa | Fish, coconut oil and cream, copra, taro, automotive parts, garments, beer | Machinery and equipment, industrial suppliers, foodstuffs | USD\$35.5m | USD\$280m |
| Fiji | Sugar, garments, gold, timber, fish, molasses, coconut oil | Manufactured goods, machinery and transport equipment, petroleum products, food, chemicals | USD\$901.5m | USD\$1.762b |
| Kiribati | Fish, coconut oil, passenger and cargo ships, scrap vessels | Petroleum products, rice, tobacco, sugar, recreational boats | USD\$18m | USD\$184m |
| Tonga | Squash, fish, vanilla beans, root crops | Foodstuffs, machinery and equipment, fuels, chemicals | USD\$8.4m | USD\$139m |
| Vanuatu | Copra, beef, cocoa, kava, coffee | Machinery and equipment, foodstuffs, fuels | USD\$40m | USD\$156m |

Source: NZCS (2012) *New Zealand Customs Pacific Strategy 2012-2015* ; Kiribati data from World Bank databank and Comtrade.

The following charts show some of the costs of trade in our in-scope countries, in comparison to New Zealand. While direct costs vary, Customs clearance times are considerably higher than those for New Zealand, and reflected in low world rankings for ease of trading across borders.

Figure 2 Costs of trade: time to export/import

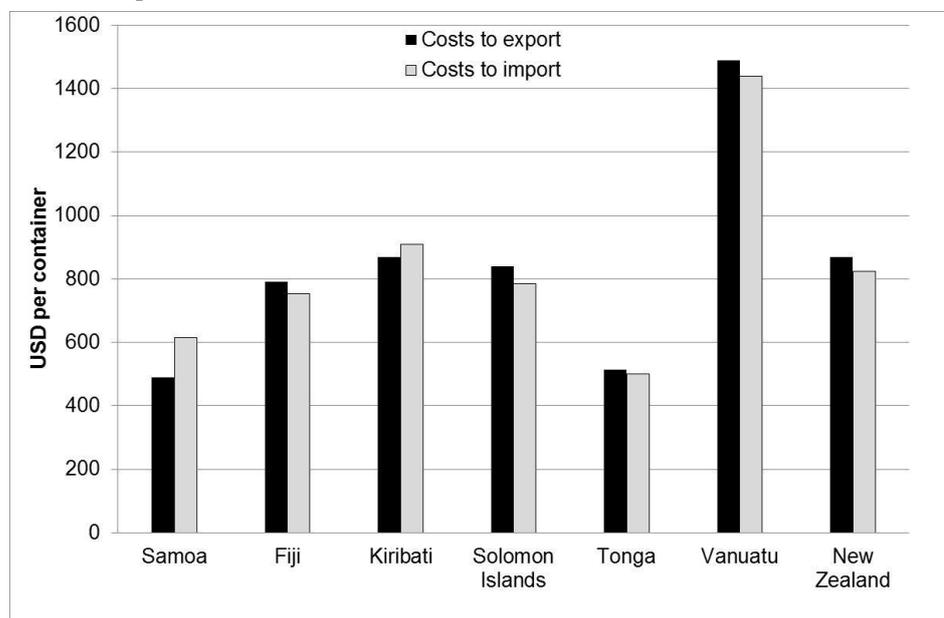
Days



Source: World Bank Trading Across Borders; no data available on Cook Islands. Data collected in 2014.

Figure 3 Costs of trade: costs to export and import

US dollars per container



Source: World Bank Trading Across Borders; no commensurable data available for Cook Islands. Data collected in 2014

Table 2 Costs of trade: world ranking

| Samoa | Fiji | Kiribati | Solomon Islands | Tonga | Vanuatu | New Zealand |
|-------|------|----------|-----------------|-------|---------|-------------|
| 80 | 116 | 81 | 87 | 78 | 113 | 27 |

Source: World Bank Trading Across Borders; no commensurable data available on Cook Islands. Data collected in 2014.

1.1.2 Partner country priorities and needs

Given the above challenges, Pacific Island countries have a particular interest in minimising revenue ‘leakage’, and facilitating trade by reducing the time and costs of border clearance processes, as these two objectives contribute to both government revenues and wider economic growth.

These goals are reflected in the strategic objectives for Customs sector development in the two target countries for this evaluation. The vision for the Cook Islands Customs sector is:

Leadership in border protection and revenue collection that enhances the security and prosperity of the Cook Islands while facilitating trade and tourism.

And the Cook Islands’ strategic objectives for their Customs sector are:

1. Protecting Cook Islands interest at the border.
2. Facilitating legitimate trade and travel.
3. Revenue flows from collecting import levies, excise duty and value added tax.⁴

These goals are also reflected in Samoa. The mission statement for the Samoa Ministry for Revenue (MfR) is:

*We collect money to pay for public services and help people met their obligations, protect our borders and facilitate legitimate trade and travel.*⁵

1.2 New Zealand Customs Service Pacific Strategy

NZCS aims to support economic growth and security in the Pacific by building the capacity of border agencies in a strategic and sustainable way⁶. The *New Zealand Customs Service Pacific Strategy* states that this support also facilitates trade, through making border agencies' processes simpler and less costly. In addition, more efficient and effective Customs administrations in Pacific Island countries deliver increased revenue to their governments and support New Zealand's interests in maintaining the security of its domestic border.

The *Pacific Strategy* sets out four focus areas for NZCS's work in the Pacific, assessed as having a high likelihood for success. They are:

1. Implementing automated border systems in parallel with simplified and streamlined border practices for a limited number of Pacific Island countries.
2. Building the leadership capability of Pacific Island Customs administrations.
3. Building deep bilateral and regional relationships to understand the operating environment.
4. Contributing to long-term regional trade and development.

NZCS has selected three PICs with which to forge long, deep and influential partnerships: the Cook Islands, Samoa and Fiji. These countries were identified on the basis of their common aspirations, willingness to engage and geographical proximity.

Work under the *Pacific Strategy* is funded from a range of sources, including the Pacific Security Fund (PSF), NZCS's baselines and the Partnership Arrangement with MFAT.

⁴ *Cook Islands Public Sector Strategy and Business Plan for Cook Islands Customs*, for the two years ending 30 June 2013.

⁵ Samoa *Ministry for Revenue Corporate plan 2012 onwards*.

⁶ NZCS (2012) *New Zealand Customs Service Pacific Strategy 2012-2015*.

1.3 The Partnership Arrangement

1.3.1 Goals and objectives

The New Zealand Aid Programme seeks to support sustainable development in developing countries in order to reduce poverty and contribute to a more secure, equitable and prosperous world. In the Pacific, the Aid Programme is focused on supporting sustainable economic development, strengthening security and governance, and responding to humanitarian needs.⁷

A Partnership Arrangement between the Ministry of Foreign Affairs and Trade (MFAT) and NZCS was signed in October 2011 and runs until 2021. The goal of the Arrangement is:

to contribute to long-term regional security and economic growth in the Pacific region through strengthened national border control security systems, the removal of barriers at the border to legitimate trade and tourist flows, accurate identification, collection and accounting for revenues due, and mitigation of illegal border activity such as drug trafficking, money laundering, trade in firearms, people smuggling and bio-security risks.

The Partnership Arrangement is the first of its kind for MFAT, and seeks to strike a balance between the standard contract management practices of the Aid Programme and a high-level arrangement that enables strategic discussions and ongoing peer-to-peer exchange around opportunities and specified areas of mutual interest and need. This evaluation will inform other existing and potential future arrangements between MFAT and other State Sector agencies. In particular, it is intended to assist MFAT and NZCS in thinking about how the Arrangement can best be structured to achieve high-level dialogue, as well as sufficient clarity, flexibility, transparency (including financial transparency) and responsiveness.

1.3.2 Funding

Funding has been provided for the first five years of the Arrangement, with a commitment to an independent mid-point review (this evaluation).

Total funding for the first five years of the programme was originally \$5.965m. This was subsequently increased to \$6.254m via Letter of Variation 1 (dated 18 February 2014). In terms of the original budget, over a third (35%) comprised bilateral funding for modernising the border management system in the Cook Islands. The \$1.75m (29%) allocated to Activity 1 (supporting Customs administrations) includes three FTE staff in NZCS, who work across the activities. The original budget also included a \$20,000 per annum 'draw down' fund (2% of total funding) for supporting Customs administrations in addressing new and emerging issues. Letter of Variation 2 carried forward unspent funds from this fund into 2014/15.

We understand that the on-going management of the funding support for the Oceania Customs Organisation (OCO) was shifted out of NZCS to MFAT, to ensure stronger contractual oversight of the funds and guard against conflict of interest (with NZCS being both a donor and OCO Board member).

⁷ MFAT *Statement of Intent 2014-2018* (draft).

Details of budget by Activity are set out in Table 3, below.

1.3.3 Activities

Support to the Cook Islands began in 2006, following Ministerial-level discussions between the Cook Islands and New Zealand. An NZCS Customs officer was seconded to the Cook Islands Ministry of Finance and Economic Management (MFEM) for two years, to support the modernisation of the border management system. Since 2011, support under the Partnership Arrangement has included drafting and implementing modern legislation, developing policies and procedures, delivering training to Customs staff, other government agencies and private sector stakeholders (e.g. Tariff and Valuation), and piloting a Pacific Leadership Programme (PLP) which was subsequently rolled out elsewhere.

Support for Customs modernisation in Samoa began in 2012 and has included PLP leadership training, drug awareness and x-ray training, modernised legislation and implementation of a new human resources framework.

The Partnership Arrangement has also funded smaller, tactical/technical initiatives, such as supporting an effective detector dog capability in Fiji and hosting members of Vanuatu Customs to learn how New Zealand administers advanced/binding Customs rulings.

A timeline of projects funded by the Partnership Arrangement is presented in Figure 4.

Table 3 Programme budget 2011/12-2015/16

| Activity | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | Total (original budget) |
|---|--------------------|--------------------|------------------|------------------|------------------|-------------------------------|
| 1. Customs administrations supported to develop efficient and effective border management systems | \$350,000 | \$350,000 | \$350,000 | \$350,000 | \$350,000 | \$1,750,000 |
| 2. Strengthen the technical capability of the OCO | \$500,000 | \$500,000 | | | | \$1,000,000 |
| 3. Leadership programme for Customs administrators developed and delivered | \$203,000 | \$203,000 | \$203,000 | \$203,000 | \$203,000 | \$1,015,000 |
| 4. Modern Border Management System Installed in the Cook Islands | \$1,026,296 | \$735,838 | \$135,000 | \$135,000 | \$67,866 | \$2,100,000 |
| 5. Customs administrations support to address new and emerging issues (draw-down fund) | \$20,000 | \$20,000 | \$20,000 | \$20,000 | \$20,000 | \$100,000 |
| Total regional funding | \$1,073,000 | \$1,073,000 | \$573,000 | \$573,000 | \$573,000 | \$3,865,000 |
| Total bilateral funding (Cook Islands) | \$1,026,296 | \$735,838 | \$135,000 | \$135,000 | \$67,866 | \$2,100,000 |
| Total funding (original budget) | \$2,099,296 | \$1,808,838 | \$708,000 | \$708,000 | \$640,866 | \$5,965,000 |

Source: Partnership Arrangement.

1.3.4 Role of regional and international organisations

The World Customs Organisation (WCO) and the WTO are key international organisations for guiding and setting standards that directly influence border management and the strategy of Customs administrations. WCO members are entitled to access member-only reference material, training resources (such as the CLiKC, the WCO Training Portal)⁸, advisory services and networks. Such access assists with modernisation and in respect of NZCS's work it has the potential to support the partner country sustain the change.

The following table shows which of the in-scope countries are members of these organisations (by year of joining).

Table 4 Membership of international organisations

| | Cook Islands | Samoa | Fiji | Kiribati | Solomon Islands | Tonga | Vanuatu | NZ |
|------------|--------------|-------|-------------------------------------|----------|------------------------|-------|---------|------------------------|
| WCO | No | 2001 | 1997 | No | No | 2005 | 2009 | 1963 |
| WTO | No | 2012 | 1996 (GATT ⁹ 1993) | No | 1996 (GATT 1994) | 2007 | 2012 | 1995 (GATT 1948) |

Source: World Customs Organisation website Membership page last accessed 15/9/15 at <http://www.wcoomd.org/en/about-us/wco-members/membership.aspx>. World Trade Organisation website Members and Observers page last accessed 15/9/15 at https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm

The Oceania Customs Organisation (OCO) has 24 members, including all in-scope countries, as well as New Zealand and Australia who participate both as donors and board members. The OCO's goal is to promote efficiency and effectiveness in all aspects of Regional Customs Administrations. It seeks to foster harmonisation, cooperation and assistance amongst its members on Customs matters and ensure that members' interests and concerns are represented to governments, non-governmental organisations and the private sectors within and beyond the region. The OCO provides a mechanism for small Customs administrations that are unlikely to ever become a member of the WCO, to keep connected with developments in international customs and trade standards.

To assist 15 Pacific ACP¹⁰ members to implement Customs systems and processes to meet international standards, the OCO, supported by the European Union (EU), commenced the Trade Facilitation in Customs Cooperation (TFCC) Project in 2012. The work within this

⁸ The Customs Learning & Knowledge Community accessed at <http://clikc.wcoomd.org/>

⁹ General Agreement on Tariffs and Trade.

¹⁰ Countries of Africa, the Caribbean and the Pacific.

programme is continuing.¹¹ During the period covered by this evaluation NZCS has been a member of the OCO Steering Committee, provided a senior customs official for the Head of Secretariat role, engaged in supporting the restructure of the OCO and provided Customs capacity building for OCO members.

1.3.5 PACER Plus

The Pacific Agreement on Closer Economic Relations (PACER) was signed in 2002 and serves as a framework for future trade liberalisation between Pacific Island Forum countries. The Agreement included a trigger that allowed Australia and New Zealand to request negotiation of a free trade agreement should Forum Island countries embark on negotiations with another developed country partner (as PICs subsequently did with the EU, which triggered PACER Plus). PACER Plus will be a comprehensive and high quality regional trade agreement between Forum Island countries, Australia and New Zealand.

Under PACER Plus, Australia and New Zealand will provide funding and technical assistance to PICs to support implementation of the Agreement. The PACER Plus Development and Economic Cooperation work programme will include components on Customs and Rules of Origin, for which NZCS will have a lead role in developing and implementing.

1.3.6 Other funding and donors

Other New Zealand government agencies undertake border sector work in the Pacific, including New Zealand Police (who have provided support such as drug awareness training and training in New Zealand for drug detector dog handlers) and Statistics New Zealand, which provides software support for PC Trade (for the processing of imports and exports Customs entries) in a number of Pacific Island countries. In addition, MFAT funds the Ministry for Primary Industries to deliver a regional Pacific Biosecurity Work Programme.

The Pacific Security Fund (PSF) is available to New Zealand government departments and agencies to undertake activities that support the security of Pacific Island countries. Administered by MFAT, the Fund currently has \$2.79m available annually. The PSF has been used for a range of activities including strengthening border security, supporting the development of legislation, building capacity in law enforcement agencies and supporting security functions at major regional meetings.¹²

There are other donors active in the border management area in the Pacific, including in the Partnership Arrangement's target countries. Other donor work includes (but is not limited to):

- Australia, with Australian Customs support for Papua New Guinea/illegal migration; and aid focused more on Western Pacific and Asia; and
- the European Union, contributing technical assistance to improve border management systems (through the OCO).

¹¹ 2014 OCO Annual Report.

¹² MFAT website <http://www.mfat.govt.nz/Foreign-Relations/Pacific/Regional-Security/0-pacsecfund.php>, accessed 11.9.15.

2. Evaluation purpose and design

2.1 Purpose

The purpose of the evaluation was to:

- underpin the overall coherence and future strategic direction of New Zealand's investment in Customs Capacity Building in the Pacific;
- evaluate the effectiveness of the Partnership Arrangement as a management tool in supporting the delivery of desired outcomes; and
- inform the development of Partnership Arrangements with other State Sector partners.

2.2 Objectives

The objectives of the evaluation were as follows:

Objective 1: Evaluation of Bilateral and Regional Customs Capacity Building in the Pacific. What difference have these investments made in the Pacific and how likely are the positive benefits to be sustained?

- Assess the value of focused bilateral interventions in Samoa and the Cook Islands against the DAC¹³ criteria of effectiveness, efficiency and sustainability.
- Examine the effectiveness, efficiency and sustainability of NZCS contributions to other Pacific Island countries.

Objective 2: Evaluation of Partnership Arrangement. Assess how well the partnership arrangement between MFAT and NZCS Service has worked for the respective agencies.

- Assess the effectiveness and efficiency of the Partnership Arrangement and the extent to which it facilitates achievement of strategic goals.

Objective 3: Future design and support. To inform decisions on Phase II of this Activity utilising the lessons of what has worked, what hasn't and why.

- Identify NZCS and MFAT's key strengths in the management and delivery of work in the customs sector and opportunities to build on them.
- Identify areas of risk and weaknesses that need to be addressed.
- Identify opportunities and mechanisms to add further value to Customs programming with cognisance to available resourcing and other donor activities.

¹³ OECD Development Assistance Committee, criteria for development effectiveness.

2.3 Scope

The timeframe covered by the evaluation is October 2011 to March 2015. The geographic focus is the NZCS Pacific footprint, with a particular focus on Samoa and the Cook Islands. Fiji is out of scope as it was considered too early in the development of the programme. Timor Leste is out-of-scope as support there has been limited to two intensive interventions and three smaller scale interventions. Evaluation of New Zealand's support for the OCO is also out-of-scope – while this has accounted for a significant amount of NZCS resources (including responding to unanticipated demands), it was considered that the timing of this evaluation was not opportune.

The evaluation undertook case studies of the following activities:

1. The Kiribati mission providing advice on amendments to legislation regarding excise tax, Value Added Tax (VAT) and tariffs.
2. The drug awareness training in Cook Islands, Samoa, Fiji and Tonga.
3. The rules of origin (ROO) training in Cook Islands, Papua New Guinea, Samoa, Fiji, Solomon Islands, Tonga and Vanuatu.

The in-scope OECD Development Assistance Committee (DAC) criteria are efficiency, effectiveness and sustainability. We also sought to assess impact to the extent possible given that the programme is in its early stages and the full impacts of support are not yet likely to have eventuated.

2.4 Design

Following discussion and agreement with MFAT and Customs, we undertook:

- desk-based document and literature review and web-based data collection;
- desk-based analysis of financial and monitoring data;
- review of the new legislation in Cook Islands and Samoa;
- semi-structured interviews with stakeholders in MFAT, NZCS, New Zealand Police and consultants;
- field work in the Cook Islands and Samoa, involving:
 - semi-structured interviews with Customs agencies and other government agencies, MFAT Posts, import/export businesses, freight forwarding companies, Ports Authorities, the Chamber of Commerce (Samoa), and cargo operators and Customs agents (Cook Islands);
 - group interviews with Customs staff and a staff survey (Cook Islands); and
- telephone interviews with stakeholders in Kiribati and Vanuatu.

We spoke to a total of 85 people, comprising the following types of stakeholders:

- MFAT (16);
- NZCS (18);
- other New Zealand stakeholders (New Zealand Police; consultants (3));

- partner agencies (25); and
- private sector stakeholders (23).

2.5 Customs operations – conceptual framework

The primary purpose of Customs operations at border is to collect government revenue, facilitate the flow of legitimate people and trade across the border, and stop illegal trade in goods and services. This essentially involves a linear process of exercising control over the movement of people, goods and means of transport (e.g. vehicles, aircraft, vessels) across national borders.

Yet circumstances at the border are constantly changing. Most notably:

- trade and tourism/immigration patterns are evolving, driven by economic and other factors;
- criminal behaviour is evolving in order to fund new ways of circumventing rules – often as a result of past interventions; and
- people’s expectations of border controls are evolving – typically demanding improving levels of service over time.

This requires almost constant re-evaluation of the design and operation of border controls. As a result, the approaches recommended by the WCO have changed over the years.

The WCO notes that Customs administrations generally fit into one of three broad categories of border operating models as follows:

1. the Gateway Model;
2. the Risk Based Operating Model; or
3. the Compliance Management Model.

It also generally recommends a move from the former to the latter models over time.

Each model has different characteristics in the where Customs activity is undertaken (pre-border, at the border and post border) and in the way

- **information** is received and used;
- **risk is assessed;** and
- **actions** that are undertaken in response to managing the risks and compliance.

The Compliance Management Model is the most advanced of the three models. A comparison between the three Customs operating models is presented in Table 5.

Table 5 Comparison of Customs risk maturity operating models

| | Gatekeeper Model | Risk Based Operating Model | Compliance Management Model |
|------------------------|--|---|--|
| Information | Received at the time of arrival/departure | Received in advance of arrival/departure | Received in advance of arrival/departure Risk information shared nationally and internationally |
| Risk Assessment | Individual officer assessment of risk | Intelligence enabled profiling and targeting | Intelligence is enabled across all Customs and border activity Compliance Programs |
| Action | 100% physical inspection of goods All revenue collected at the border | Inspection, Client Service & Post Clearance Audit Revenue collected either at the border or on account | Inspection, Client Service, Post Clearance Audit, Authorized Economic Operator & Coordinated Border Management Revenue collected either at the border or on account |

Source: World Customs Organization (undated) *WCO Compendium: Risk Management Common Volume and Volume 1*.

NZCS is considered to be operating under the Compliance Management Model.¹⁴ Key issues we have considered in this evaluation are:

- Under which type of model are partner countries operating at present (what is their baseline operating method)?
- Which model is likely to be most appropriate for them to move towards, in light of their capacity and needs?
- What type of capacity building support is most appropriate to assist them in making this transition?

2.6 Criteria for evaluating the Partnership Arrangement

As part of this evaluation, we piloted an approach to evaluating partnership arrangements. We assessed the Partnership Arrangement against the following principles:

1. Clear and agreed goals and objectives.
2. Clear and agreed roles and responsibilities.
3. Mutual willingness and commitment to the Partnership Arrangement and its work programme.
4. Mutual trust and respect.

¹⁴ Based on our review of the *NZ Customs Statement of Intent 2014-2017*.

5. Transparency of decision-making.
6. Clear working relationships, including the process for resolving issues.
7. Agreed indicators for measuring results.
8. Open communication.

Interviewees from MFAT and NZCS were asked to rate the Arrangement on a scale of 0-10 for each dimension. Scores for each dimension were averaged across each organisation, to give overall scores.

The OECD DAC offers advice on partnership arrangements for development.¹⁵ They identify ten success factors, which include:

- high-level leadership;
- ensuring partnerships are (partner) country-led and context specific;
- making governance inclusive and transparent – with a governance structure that represents and gives a voice to all stakeholders;
- agreeing on principles, targets, implementation plans and enforcement mechanisms – have a simple mission with clear, ambitious and obtainable targets, and clear accountabilities for lack of action/delivery;
- clarifying roles and responsibilities;
- maintaining a clear focus on results and evidence of what works; and
- measuring and monitoring progress towards goals and targets – including ensuring objectivity of evaluation.

We feel this advice is also relevant to the Customs sector Arrangement and have taken these success factors into account in our evaluation of the Arrangement.

2.7 Caveats and limitations

There are a number of limitations to this evaluation:

- The results monitoring data provided to the evaluation team was patchy and not available in a consolidated form (e.g. in spreadsheets). We sought to assemble data against the results measurement framework by extracting the relevant information from the suite of programme documentation provided, and through stakeholder interviews and web-based data collection. This made it difficult to compile a comprehensive, aggregate picture of activity over the evaluation period. In addition, many of the indicators in the results measurement framework have not been systematically monitored. The information we were able to compile from various sources is presented in Table 12 in Appendix 2. Recommendations for improving results measurement and reporting are set out section 10.

¹⁵ OECD (2015) *Development Co-operation Report 2015: making partnerships effective coalitions for action* (DAC OECD).

- We faced similar issues with the financial data. Reporting on expenditure and variances does not enable assessment of the total cost of individual activities, which precluded the intended analysis of efficiency and value for money. This is discussed further in section 3.
- Direct observation was deemed out of scope of the evaluation. However, we feel that observation of Customs officers' use of the border management system in the Cook Islands, the cargo clearance and x-ray inspection processes in Samoa would have been beneficial. Such observation would have assisted in evaluating the extent of the implementation of the new processes and potentially verified or refuted the concerns expressed by the private sector.

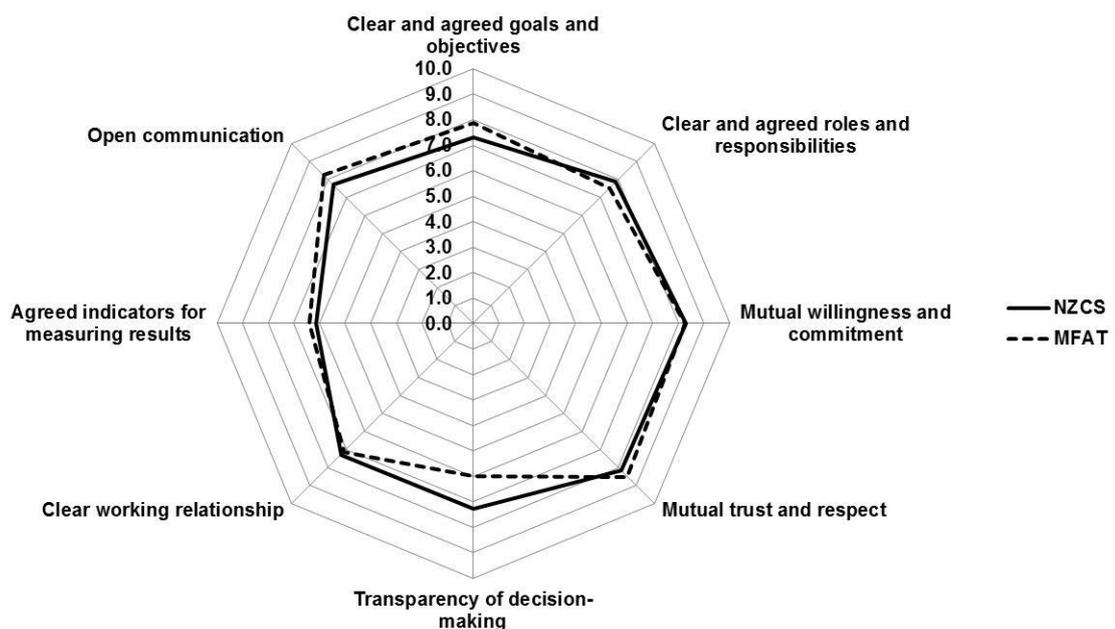
3. The Partnership Arrangement

3.1 Assessment against principles

The following diagram shows how MFAT and NZCS rated the Partnership Arrangement against the dimensions outlined in 2.6. Key points are:

- the dimension that scored the highest overall was ‘mutual trust and respect’, followed by ‘mutual willingness and commitment’;
- the dimension rating the lowest was ‘agreed indicators for measuring results’;
- the average score across dimensions was 7.5 out of 10; and
- the area of greatest divergence between NZCS and MFAT was ‘transparency of decision-making’.

Figure 5 Agency ratings of Partnership Arrangement



The results suggest a partnership that is highly valued by both partners, and based on a relationship of mutual respect and commitment.

It is perhaps not surprising that ‘agreed indicators for results’ ranks the lowest, given that the results measurement framework has been adjusted several times over the course of the Arrangement, in response to staff in both agencies seeking to develop a useful and transparent framework that measures the quality of outputs and outcomes through better representation of the scope and delivery mechanisms of this diverse programme. Our recommendations for future reporting arrangements are discussed in section 10.5.

NZCS rate the ‘transparency of decision-making’ more highly than MFAT. This issue arose in our interviews, particularly in relation to the decisions to enter some countries and not others. This is explored further in the following section, and in section 8.3.

We used the qualitative interviews to explore in more detail the nature of the Arrangement, how it has been working in practice and whether there are any aspects that could be improved. We triangulated these findings with those of our documentation review and financial analysis.

3.2 Thematic findings

3.2.1 A new approach

As noted in section 1.3, this Partnership Arrangement was the first that MFAT has signed with another State Sector agency. We were told that both agencies have been learning and adjusting along the way.

3.2.2 Multiple objectives

In our interviews, MFAT staff spoke of multiple objectives for supporting Customs sector work in the Pacific – including trade facilitation, security, capacity development/institutional strengthening and revenue gathering. Several referred to tensions between these objectives, and the difficulty in reconciling them to development objectives and priorities.

In our interviews with NZCS, staff described twin objectives of building capability to support economic development through trade, and strengthened New Zealand border security. One interviewee observed a tension between the revenue needs of the partner country, the enforcement focus of NZCS, and the desire of external stakeholders to achieve improvements in partner country Customs administrations through reform programmes.

3.2.3 Flexibility, but lack of standard transparency and accountability

We heard that the value of the Arrangement has been its flexibility – this has enabled NZCS to respond to emerging priorities and requests.

We were told that the Arrangement relies on the existing disciplines and legislative requirements on New Zealand State Sector agencies, and is therefore less specified than Management Services Contracts that MFAT enters into with private sector agencies, non-government organisations, universities and other non-core State Sector agencies. We were also told that State Sector agencies are not set up to provide the contract management systems and processes necessary to deliver contracts for services. Under the Partnership Arrangement, MFAT engages at a policy and project level but provides NZCS with the flexibility deliver agreed outputs identified in its Pacific work programme.

3.2.4 Lack of full activity costing

The way the budget has been structured made it difficult to match expenditure to outputs in each year, and thereby derive costs per output. In short, it was not possible to determine the total cost of each activity based on the information provided.

For example, the cost of the drug awareness training was met from a combination of the Pacific Security Fund, the Partnership Arrangement draw down fund, NZCS staff time (funded under Activity 1 of the Partnership Arrangement), New Zealand Police and the Institute of Environmental Science and Research (ESR, who met 50% of the cost of the ESR scientist's time). The cost of the NZCS and Police staff time is not reported, though we were told the NZCS time input was 'significant'. Similarly, the Rules of Origin workshops were funded through MFAT's Trade Negotiations Fund and the Partnership Arrangement, with the cost of NZCS staff time not known. So while it has not been possible to derive costs per output based on the reported costs, these would significantly underestimate the full cost of these activities anyway.

Activity reporting cites resource pressures on NZCS, stemming both from continuing requests for assistance from PICs, and internal staffing constraints.¹⁶ These pressures are not clearly reflected in the reported expenditure, which has had some significant underspends, particularly in the draw down fund. It is possible that some of these pressures are being absorbed by other (baseline-funded) NZCS staff who are called on to assist with requests.

3.2.5 Lack of transparency in budget management

In addition to a lack of full costing, financial reporting by output differs from the contracted outputs, particularly for Activity 3 (leadership programme) meaning that reconciliation of against the intended outputs and budget was not possible.

Programme funding was increased in 2014, via a Letter of Variation (LOV) 1. The reported justification in the Programme Activity⁷ Authority for the increase in funding is so that support could be provided to Timor Leste Customs and Samoa. However we note that some of the adjustments appear to have retrospectively reconciled the 'budget' with actual expenditures.¹⁷ And a separate document states that the increase in the drawdown fund is to respond to a request from the Government of Samoa for technical human resource assistance as part of their Customs modernisation programme.¹⁸

As far as we can tell from the documentation, the budget was altered in the following ways in 2014:

- funding for Activity 1 (support for Customs administrations) was reduced to reflect lower than anticipated actual expenditure in the first three years (which had been 13% lower than budget);

¹⁶ Ibid.

¹⁷ Activity Progress Report: Customs sector development in the Pacific and Timor Leste, 20 June 2015 (draft).

¹⁸ 'Customs draw down PAA – reviewed January 2014'.

- funding for Activity 3 (leadership programme) was increased slightly, from \$1,015,000 to \$1,266,240, possibly to reflect the overspends in years 2 and 3; and
- funding for Activity 5 (the draw-down fund) was increased from \$100,000 to \$260,000, and included a carry forward of unspent funds from the first two years (expenditure was around half what was expected in these years, and then 100% overspent in year 3).

3.2.6 Quality management practices patchy

Interviewees told us that NZCS has been thoughtful and deliberate in selecting people with the right talents, technical knowledge and skill to deliver initiatives and impart knowledge. The quality of those personnel was acknowledged by the partner administrations.

The documentation shows that the PLP has been well monitored and evaluated, enabling adjustments to be made to the programme both ‘in flight’ and between tranches, to better align the programme to the cultural and situational context. Documentation shows that recommendations from the evaluation of the Cook Islands course were followed through in the development of the Samoa training.

The technical trainings have not all been subject to adequate monitoring or review, and as a result there is a lack of evidence of the quality or effectiveness of some of these courses. For example, the PSF Evaluation Form for the drug awareness training provides no evidence on the baseline or post-training level of awareness or skill of participants, or participant/manager feedback on the content and delivery of the training. This is discussed further in the section 6.2.

From the documentation provided and the interviews conducted, the CIBMS Project appears to lack clarity and management oversight. There are unfinished activities, unclear future maintenance arrangements, under-utilised system functionality, an unknown budget liability for the completion of the project and CIBMS Steering Committee meetings that no longer occur regularly. Structured monitoring and evaluation of project progress, the use of delivered functionality, and outcomes was not evident.

3.2.7 Decision-making by NZCS

The work undertaken by NZCS under the Partnership Arrangements is managed within NZCS as part of a broader programme of activities in the Pacific – the NZCS Pacific Programme – which is overseen by a Pacific Steering Committee. This committee is chaired by and comprises NZCS Executive and Senior Leadership.

The partners in the Partnership Arrangement are currently defined as being MFAT and NZCS. Absent entirely from the formal Arrangement and its governance structures are the partner countries. However the work programme is created in dialogue with the MFAT relationship manager as well as partner countries. The MFAT relationship manager signs off on the annual work programme and associated funding.

4. Support for the Cook Islands

NZCS has been involved in the Cook Islands for many years. Interviewees told us that the Cook Islands programme was envisioned as a whole of Customs reform/modernisation programme including

- legislation;
- supporting policies and procedures;
- automation; and
- leadership development to support reforms.

4.1 Modernised legislation

4.1.1 Cook Islands Customs Revenue and Border Protection Act 2012

Preparation for modernised legislation commenced prior to the Partnership Arrangement, in 2009. The drafting and enactment of new Customs legislation in the Cook Islands was undertaken by a local consultant, with support from NZCS legal specialists. The Cook Islands Customs Revenue and Border Protection Act 2012 updated the Customs Act 1913 (for example the latter did not cover air freight).

The new Act was based on New Zealand legislation and three years were spent customising it. We were told that the close alignment with New Zealand legislation was a conscious decision by the Cook Islands, as Pacific countries trade more with New Zealand than Australia. The drafting and enactment process included consultation with other government agencies and the private sector.

Not all provisions under the Customs Revenue and Border Protection Act have been implemented as Cook Islands Customs say they are still working through the supporting processes, policies, and procedures, such as Customs-controlled area audits, post-clearance audit and advance rulings. Cook Islands Customs expressed desire for more assistance from NZCS to fully implement the Act.

Cook Islands Customs consider the new legislation meets the WCO and WTO standards although there are still some gaps regarding ship and port security (ISPS) and air cargo (ICAO).

A major change referred to by private sector interviewees was the abolition of bonded warehouses used by importers for the storage of goods free of Customs duty and taxes until such goods were removed from the storage facility for domestic consumption. Instead importers, under the new legislation were required to pay Customs duties on importation of the goods. We were told it took six to twelve months for the private sector to more accurately forecast demand and schedule international purchase after taking into account the cash-flow implications of import taxes due on arrival. In the early stages of the transition some retail operations ran out of some imported goods.

Private sector stakeholders also identified there is a lack of formal arrangements where they can engage with Customs to collectively resolve operational concerns, issues and new initiatives.

4.1.2 Customs Tariff Act 2012

The Cook Islands Government is a non-contracting party to The International Convention on the Harmonized Commodity Description and Coding System (HS).¹⁹ The HS is described by the WCO as ‘a multipurpose international product nomenclature’. It comprises about 5,000 commodity groups; each identified by a six digit code, arranged in a legal and logical structure and is supported by well-defined rules to achieve uniform classification.²⁰

The HS is used by governments as a basis for Customs tariffs, collection of international trade statistics, trade policy and for monitoring restricted or controlled goods, trade agreements and rules of origin. It is also used by the private sector for such things as trade and transport logistics, and freight and carriage arrangements.

The Customs Tariff Act 2012 was enacted at the same time as the Customs Revenue and Border Protection Act. Prior to this change, Cook Islands Customs were using a 1980 version of the Customs tariff code, and continuing with this was not an option under PACER Plus (as on signing PACER Plus, countries are expected to adopt the international Harmonized System 2012 version (HS2012) commodity classification system). The HS2012 has at its core six digits (HS6) being the international code with national extensions (+X). It is a legal document set out in Schedule 1 of the Customs Tariff Act 2012.

Cook Islands Customs chose to use as the basis the New Zealand Working Tariff at the level of HS6+2 national extensions utilising the New Zealand (+2) national extensions as a base.²¹ In the process of adjusting the base tariff document for the Cook Islands context, some minor and some significant errors occurred that were identified only after the Customs Tariff Act 2012 was enacted. For example, we were told the duty rates for motor vehicles were incorrect and importers had to pay the duty and tax to get their goods released and then apply for refunds when the Customs Tariff Act 2012 was amended some six months later. For some vehicle importers this was in the order of NZD\$10,000-\$12,000.

Both Cook Island Customs and the private sector commented the national extension has made classification more complicated than previously as not all the new codes are valid for the Cook Islands environment. Cook Islands Customs officers observed with hindsight that they should not have ‘grabbed’ the New Zealand Working Tariff; rather they should have obtained the WCO HS6 and then created the national extensions for the Cook Islands. One

¹⁹ World Customs Organisation: List of Contracting Parties as at 12 June 2015 last accessed on 15 September 2015 at http://www.wcoomd.org/en/topics/nomenclature/overview/~/_media/4236F2D774364330BF0ECD6FCB79A6D5.ashx

²⁰ World Customs Organisation: List of Contracting Parties as at 12 June 2015 last accessed on 15/9/15 at http://www.wcoomd.org/en/topics/nomenclature/overview/~/_media/4236F2D774364330BF0ECD6FCB79A6D5.ashx

²¹ NZCS Working Tariff presentation uses the HS6 (international)+2 (national)+3(stats codes) as the legal commodity codification system.

Customs officer observed that the *'whole model is based on the New Zealand system, however Cook Islands is a different environment. Some things have not worked so well in the Cooks'*.

4.2 Automated border management system

The CIBMS programme began with the development of a Business Case and Customs Strategic Plan. The system was to be introduced in three distinct phases from 2011-2013 as follows:

- Phase 1: Passenger Component: Customs Passenger Processing;
- Phase 2: Goods Component: Customs Goods Processing;
- Phase 3: Passenger Component: Immigration Processing (visa casefile management)).

The Partnership Arrangement also supported the CIBMS delivery with the purchase of computers and related hardware; and the PSF funded the purchase and installation of CCTV for Avarua International Airport (Rarotonga).

In line with the project plan, the goods processing phase was delivered, in conjunction with other contributing reforms, namely:

- Harmonised System (HS) Tariff 2012 version (in law and coded within the CIBMS);
- new import entry forms that align with the data requirements for the CIBMS;
- deferred payment system for approved importers (tax on account);
- new Customs legislation (Customs and Border Protection Act 2012 and Customs Tariff Act 2012); and
- Pacific Leadership Programme (2012).

Delivering automation was applauded by all interviewees. However, although the CIBMS for Customs is in place, the full functionality of the system is not being used, meaning the full benefits are not yet being realised.

4.2.1 Functionality still to be implemented

Cook Islands Customs officers identified the following components that are still to be utilised within the CIBMS:

- 50% of customs entries are still manual²², including Personnel Effects, LMA (Licenced Manufacturing Area) Excise, Export, Import TIE (temporary import entry) and Import Sight Entries;
- Government agencies and hoteliers are still not registered users;
- activity reporting, goods tracking and workflow are not being used;

²² The Cook Islands Time Release Study estimated that 26% of import clearances are manual. The other clearances still conducted manually are temporary import clearances, sight clearances, export clearances and excise clearances.

- alerts for goods are commodity-based only, though they can be combination of entity-based and commodity-based; and
- Cook Islands officers are not currently able to extract any information and reports without NZCS assistance.

Prior to implementation of the two Customs phases of the CIBMS, training and a user manual were provided to users. For Customs brokers and major traders, individualised assistance by Cook Islands Customs on-site at their premises was provided. However, the unanimous request from our interviews was for dedicated assistance from NZCS for the CIBMS users to learn how to fully utilise the system and develop the procedures and processes that support operating in an automated environment. Cook Islands Customs believe they need someone from New Zealand for a few weeks to review how they use the system and provide a *'crash course'* on what can be done.

4.2.2 Desired enhancements

Cook Islands stakeholders expressed a desire for the following enhancements to the CIBMS:

- linking to the Revenue Management System (RMS), as receipting payment of duties and taxes is currently manual process requiring keying of some BMS data into the RMS;
- a manifest reporting module with cargo accounting function that links the Import Entry to the inward foreign manifest; and
- a fix to stabilise the website for multi-line entries of more than 50 lines.

4.2.3 Outstanding component – immigration processing

The outstanding module is Phase 3 Immigration passenger processing. This was originally due for completion in 2011/12. Those we spoke to recognised there have been a number of contributing issues to the delay including the readiness of the Cook Island Immigration and visa processing not being a core capability for NZCS.

4.2.4 Summary status of the CIBMS

Table 6 Summary status of CIBMS

| Implemented/worked well | Incomplete/issues |
|--|---|
| <ul style="list-style-type: none"> • Passenger processing at airport • Electronic clearance of imports for deferred payment clients • Web interface for direct trader input of import entries of fewer than 40-50 detail lines • Training for Customs brokers complimented • Passenger statistics are available for analysis of national tourism (timeliness unchanged) • Goods module implementation coincided with implementation of deferred payment of import duties, levies and taxes | <ul style="list-style-type: none"> • Full available functionality is not being used • Goods clearance using the CIBMS is not mandatory so the manual system still operates • No one we spoke to in-country understands the entire system and users lack confidence in trying functionality they are unfamiliar with • No formal mechanism for collating problems to be fixed • On-going maintenance arrangements and costs are unclear now it's a '<i>gold medal service</i>' • Risk management differs between the electronic and manual process for clearance |

4.2.5 Impacts

A Time Release Study undertaken in April 2015 identified the following impacts of automation, delivered by the CIBMS:

- reduced Customs clearance times from an average of 145 hours to 25 hours for sea cargo and from 27 hours to 13 hours for air cargo, resulting in estimated annual savings to traders of \$0.69m-\$1.1m;
- administrative costs for government and traders reduced by between \$138k and \$690k;
- enabled the analysis of visitor movements and visitor spending patterns; and
- improved reporting of passenger statistics to government.²³

Overall, the automation of the goods clearance process is estimated by NZCS to have increased export growth by one percentage point and delivered economic benefits of \$1.1m-

²³ Time Release Study for Cook Islands Customs, 21 April 2015.

\$2.06m per annum. We note that the study assumes that there is effective risk management in place – that is, the goods being selected for an intervention are selected based on sound risk-based selection, an issue we explore in section section 7.3.

Stakeholders consistently told us that the CIBMS and shift to deferred payment have streamlined clearance of imported freight and reduced clearance times. This has led to efficiency improvements to Port operations as there is less cargo waiting on the wharf. Importers using ‘cash accounts’ and manual entries (which is a choice) are experiencing slower clearance times.

In relation to the reporting of passenger statistics, we were told in interviews that the timeliness of the provision of these statistics to Cook Islands Statistics has not changed, as they are still reliant on data being extracted from the CIBMS by NZCS. However, the change to automation has meant that Statistics staff no longer need to manually enter data from arrivals cards, and this has freed them up to do data analysis instead.

However, eighteen months after implementation, the full functionality of the CIBMS is not being used by either the private sector or Customs. For example, while 80% of traders are using the system, we were informed by Cook Islands Customs that only around 50% of Customs goods clearances occur electronically, and those processed in the manual operation are not entered into the system (meaning that the database is incomplete for trade). This means that the full benefits of automation are not yet being realised.

4.3 Training

The following table sets out the number of people who have received training in the Cook Islands, based on what we were able to extract from the programme documentation. For the legislation training, remedial support was provided for eleven participants who subsequently passed. The training on the tariff and Customs valuation included participants from the private sector.

Table 7 Cook Islands training participants

| | 2012/13 | | | 2013/14 | | | 2014/15 | | |
|--|---------|--------|-------|---------|--------|-------|---------|--------|-------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| PLP participants | | | 8 | | | | | | |
| Rules of origin | | | | | | 11 | | | |
| Legislation training participants | 12 | 13 | 25 | | | | | | |
| Legislation training passed (>80%) | | | 15 | | | | | | |
| Passenger processing component | | | 28 | | | | | | |
| Tariff training | 13 | 18 | 31 | | | | | | |
| Customs valuation | | | 50 | | | | | | |
| Market access | | | | 8 | 4 | 12 | | | |
| Small craft reporting | | | | | | | 7 | 1 | 8 |

Source: Programme documentation, NZCS correspondence.

4.3.1 Leadership training

The Pacific Leadership Programme (PLP) aims to build the capability of Customs personnel to lead organisational change. The initial ‘discovery phase’ involves a participatory needs assessment. The programme has a set of tools and formats that it uses, but these are tailored to the context e.g. which tools, how they are presented and explained (examples used, some are translated), the order in which things get covered, what they focus on.

The PLP in the Cook Islands comprised five components:

- four two-day workshops, plus a presentation workshop at the end of the programme;
- one-on-one coaching and mentoring;
- the development of an Action Plan for a small project, for each participant to apply the skills learnt in the workshops, and the delivery of this project; and
- a Community of Practice to allow the participants to discuss ideas and work with each other.

Eight staff completed the PLP in the Cook Islands. The participating Customs staff were selected by the Comptroller. The PLP was subject to 'in-flight' monitoring, as well as an ex post evaluation.

All the Customs staff who had completed the course commented in our interviews that the impact has been to increase their confidence and improve the communication within their team. The 'Conversation Planner' tool was cited as positive and useful in and out of work. In respect to the impact it was said *'it's not about you anymore it's about the team'*. An observation of one attendee was that the junior and senior staff now work together better.

4.3.2 Tariff training

Training in tariff classification aims to

- develop the competence of the private sector to comply with the law by accurately declaring goods to Customs;
- enable Customs officers to verify classification of goods is correct for revenue collection and national statistics;
- enable Customs officers to verify goods are permitted to move across the border; and
- enable Customs officers to provide tariff advice.

In total, four two-day tariff training courses were undertaken in the Cook Islands over 2013 and 2014. The course material was based on the NZCS training course and all materials were prepared by NZCS from Customs baseline funding.

All participants who attended the full two-day course passed the course assessment criteria, though we were told there is still a high reliance on the index (there are no standard WCO technical reference documents such as the International Explanatory Notes and Index accessible in-country). As part of the 2014 courses, one Cook Island Customs officers was trained as a trainer and provided with all course materials.

During the 2013 course, errors in the formatting of the Cook Islands tariff were identified and this led to the published Cook Islands Tariff being amended. We were also told that a benefit of the CIBMS is that the private sector can no longer use out-of-date HS codes.

4.3.3 Legislation training

To support the implementation of the new Customs Act, two training courses were delivered in April and July 2012. Two thirds (63%) of participants achieved 80% pass rate. Additional training provided for remaining participants who subsequently passed.

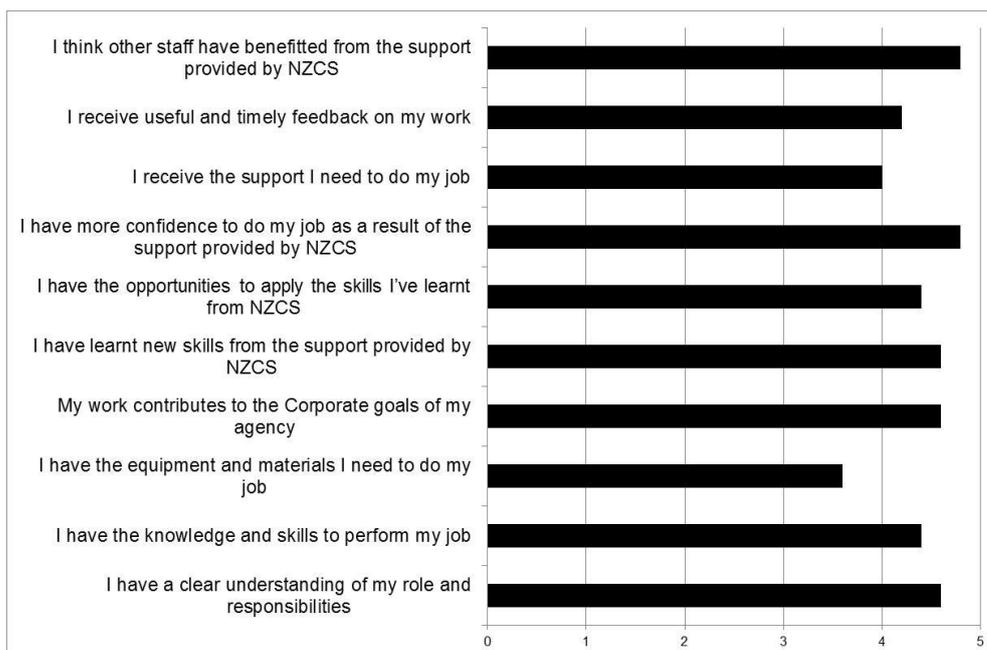
We were told by private sector stakeholders that since the legislation change (noting that one person we spoke to was not aware there had been a law change) they have experienced some difficulties with interpretation of the new legislation by Customs officers (with different officers taking different interpretations).

4.3.4 Effectiveness and impacts

We conducted a simple survey of the Customs staff we met with (five completed survey forms were received). The survey was intended to cover all forms of capacity development support that they might have received from NZCS, including informal coaching/mentoring. The results were very positive. The statements receiving the strongest support were: 'I have more confidence to do my job as a result of the support provided by NZCS' and 'I think other staff have benefitted from the support provided by NZCS'. The statement receiving the lowest rating was: 'I have the equipment and materials I need to do my job', which points to an organisational constraint rather than a concern with the support provided by NZCS.

Figure 6 Staff survey responses

Average rating out of 5 (1 = strongly disagree/least favourable; 5 = strongly agree/most favourable)



Source: Sapere survey, 2015.

In terms of impacts on the organisation, the 2012 PLP evaluation found that progress had been a little more mixed. Limited resources were cited as constraining change, something mirrored in our own survey. There was feedback that inter-agency relationships were improving, and this was echoed in our interviews, with one interviewee commenting that the presence of overseas participants assisted cross-border networking. Respondents expressed concerns about the sustainability of changes, citing the risk of staff turnover.

5. Support for Samoa

5.1 Support for organisational restructure

Samoa Customs sits within the Samoa Ministry for Revenue (MfR). In 2012, the Samoa MfR commenced work on a Customs Modernisation Project, which included an update of Customs legislation and processes, modernisation of the computer system (ASYCUDA) and a review and modernisation of staffing and human resources (HR) practices.

In 2013, MfR made a formal request for assistance to NZCS in relation to the HR modernisation component. A NZCS staff member was offered to undertake the work in-country, funded by the Partnership Arrangement.

In our interviews with Samoa Customs, it was clear that the modernisation programme is being driven by Samoa, and that they have implemented a deliberate and planned organisational change programme. The programme was based by a diagnostic undertaken by the WCO in 2010, and based on the 'self-assessment model' that is implicit in the risk management approach described below in section 7.3.

The NZCS advisor worked on a fly-in fly-out basis over a six month period, and worked alongside staff. This model of working was well received by staff, who felt this was important for ensuring sustainability and for aligning the work with the broader reform programme. Some staff also participated in a study tour to New Zealand, which gave them first-hand experience of New Zealand HR practices.

The project recommended a number of changes to Samoa Customs' HR practices, including pay scales for staff. These were all approved by the Samoa Public Services Commission (PSC). We were told that revenue collection has increased every year since the reforms. We were also told that the PSC is using some of the templates developed by the project with other Samoan government agencies.

As a whole, the organisational reform work to date has been internally-focused, with a particular focus on effecting culture change, including clamping down on corruption. This is starting to pay dividends, in terms of stakeholder perceptions of the agency and media profile (when we were in-country, a recent interception had received newspaper coverage and was mentioned by most interviewees).

What was less clear in our interviews was whether there was an organisational understanding of the change in the operational model, and the differences that should be expected in terms of frontline operational approaches, behaviours and results. None of the staff we interviewed made mention of the outcomes sought from the reforms or the organisational vision, even when prompted.

In 2015, NZCS undertook a needs analysis to determine the additional work required to embed the changes. This analysis identified that further assistance is required to implement

the changes, which are being ‘factored in to the forward work plan’.²⁴ The documentation provided to us does not specify the nature of this on-going work, but the understanding of Samoa Customs staff is that NZCS will be available to provide ad hoc support on an on-going basis.

5.2 Modernised legislation

The new Samoa Customs Act 2014 was funded under the PSF (\$62,099), by NZCS baseline funding and the Partnership Arrangement for training (\$30,195). A legal consultant funded under the PSF worked with Samoa Customs legal team on a gap analysis and the drafting. Samoa Customs adopted most of the components of the New Zealand legislation, as the Samoan legal team could see they would need the suite of components in the future and didn’t want to have to amend the legislation in the near future.

In our interviews with Samoa Customs staff, we were told the support for legislative rewrite hit the spot – it was a good match to their needs and delivered what they wanted. The model of working alongside staff was valued, and the experience helped raise technical skill levels. The NZCS legal consultant was present during training on the new legislation to answer questions and provide advice, and this was seen as a huge advantage. Samoa Customs are now using the training materials provided by NZCS to run their own internal trainings.

We were told all the practical changes were explained very thoroughly by NZCS, and that this has enabled Customs to deal with the issues that have emerged since the project ended. However we were also told by Samoa Customs that they access NZCS support and assistance ‘quite often’, and expect to be able to continue to do so into the future.

Samoa Customs is now doing another situational analysis to ensure the new law meets the requirements of the Revised Kyoto Convention. NZCS is assisting with this.

The legislative project took six months, and we were told this was rushed for such a major change, but was fast-tracked to provide Customs officers with suitable powers to manage the increased passenger and trade flows during the impending Small Islands Developing States conference being held in Samoa. As a result of the compressed timeframe, the opportunity to align with other Acts and improve clarity in respect of agency responsibilities was missed. It was also pointed out to us by Samoan stakeholders that raising the capability of one part of the government system (in this case, the border management system) can also place raise expectations on other parts of the system (such as biosecurity, immigration and health) to be operating at an equivalent level and can pose an obstacle to effective implementation.

Similar to the Cook Islands, the private sectors commented there was insufficient time given to adjust and make preparations from the bonded warehouse regime to the CCAs, and some stakeholders expressed unhappiness with the change. The removal of bonded warehouses for delaying the payment of Customs taxes is consistent with international practice and there are benefits for the government in terms of government cashflow. The implementation of CCAs under both the Cook Islands and Samoan legislation places greater responsibility on the licenced operators to ensure suitable facilities for Customs to undertake their inspection

²⁴ *Activity Progress Report: Customs sector development in the Pacific and Timor Leste*, draft report 20 June 2015.

activities, specifies the record-keeping and implements a Customs audit regime. However private sector stakeholders said it impacted cashflow and that it took them 6-12 months to adjust their demand forecasting, purchasing and supply. The majority of private sector stakeholders we spoke did not seem to fully understand the changes they needed to make prior to implementation and therefore some were not prepared. We were not provided with the data to show the proportion of trade that used bonded warehouses nor the amount of duty relief that was forgone.

We were told the new Customs legislation was intended to make the procedures of Customs more streamlined, yet private sector stakeholders claimed that, since the new law Customs officials are taking a ‘stricter’ approach to inspections, meaning that compliance costs have increased, and that clearance times have remained the same or deteriorated.

Customs in both Samoa and the Cook Islands are still to develop effective risk management practices, capacity and experience that would inform border security (for high risk trade/traders), revenue assurance and trade facilitation (for low risk and compliant trade/traders) decisions.

The law has implemented a ‘self assessment regime’, placed greater responsibility on the private sector to report accurately and increased powers and penalties in respect of non-compliance. This sets a good foundation for realising benefits which could be sped up if the Customs prioritise their risk management system on identifying trade eligible for ‘green channel’ clearance (clearance without Customs inspection).

To mitigate the complaints and improve understanding Samoa Customs run training for Customs agents every quarter. However, as in the Cook Islands, private sector stakeholders in Samoa identified that a major gap is the lack of formal arrangements where they can engage with Customs to collectively resolve operational concerns, issues and new initiatives.

5.3 Training

The following table sets out the number of people who have received training in Samoa, based on what we were able to extract from the programme documentation. Remedial assistance was provided to three participants in the legislation training.

Table 8 Samoa training participants

| | 2012/13 | | | 2013/14 | | | 2014/15 | | |
|------------------------------------|---------|--------|-------|---------|--------|-------|---------|--------|-------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| PLP participants | | | 16 | 8 | 7 | 15 | | | |
| PLP graduates | 7 | 7 | 14 | 8 | 5 | 13 | | | |
| x-ray training | | | | 2 | 1 | 3 | | | |
| Legislation training participants | | | | | | 58 | | | |
| Legislation training passed (>80%) | | | | | | 55 | | | 59 |
| Drug awareness | | | 117 | | | 25 | | | |
| ROO | | | | | | | | | |
| Market access | | | | 8 | 17 | 25 | | | |

Source: Programme documentation.

5.3.1 Leadership training

Two tranches of the PLP have been run in Samoa. The participant selection process differed to that in the Cook Islands, with an internal process involving an application form and selection interviews. We were told that this approach was preferable to that taken in the

Cook Islands (where participants were identified by the Chief Executive), as it helped ensure that those selected were motivated to attend. It also demonstrated elements of a transparent and contestable selection process, that could be applied in other areas such as staff recruitment.

The 2013 course was evaluated by a Planning and Evaluation Analyst from NZCS. In the 2013 programme, transference of learning was reported by 97% of participants. Participants were also rated across the seven competencies of the Ministry's Core Leadership Profile, using a 360° tool, both before and after the programme. All participants showed an improvement in their ratings.

A key benefit frequently cited by interviewees was the requirement of the programme for participants to undertake a project to apply their learnings from the workshops. In Samoa, projects undertaken included:

- establishment of a Post Compliance Audit unit;
- implementation of a new deferred payments process;
- a customer satisfaction survey for Savai'i;
- a new process for case management (tax); and
- assistance with investigations into allegations of corruption.²⁵

These projects have supported the wider organisational reforms. For example, WST50,000²⁶ in additional revenue was collected through post clearance audit and a further WSD100,000 in recovered debt in 2014/15.²⁷

As in the Cook Islands, participants in Samoa told us that they continue to use the tools provided by the programme. We were told that these tools are being made available to other staff. We understand from programme documentation that NZCS will be working with graduates of the PLP programme to develop a 'train the trainer' course that will be delivered to other MfR staff. In May 2015, a needs analysis was undertaken to determine additional work required to embed the changes made under the HR framework and the new legislation.

One interviewee explained that the concept of 'leadership' was a new one for the organisation, and that the programme has sparked a '*ripple effect*' as more people (not just senior management) are identified as having leadership roles to play. We were also told that some of the HR templates provided to Samoa Customs have been picked up by the Samoa Public Service Commission, for potential use more widely across the public sector.

²⁵ Activity Progress Report: Customs sector development in the Pacific and Timor Leste, 20 June 2015 (draft).

²⁶ Western Samoan tala.

²⁷ Ibid.

6. Case studies

6.1 Kiribati assessment mission

Kiribati Customs made a direct approach to NZCS in 2013, to help implement the new VAT and excise tax that were coming into force in 2014. The tax reforms eliminated the trade tariff and required VAT on imports to be collected at the border. Kiribati Customs requested advice on how to collect VAT at the border, the Customs valuation method to be used and whether the new legislation was adequate.

Two NZCS staff made a five day advisory trip to Kiribati in August 2013. NZCS concluded that the technical change required was minimal and that revenue could continue to be collected at the border using the same processes and procedures.

Feedback from both New Zealand and in-country stakeholders was that the advice provided by NZCS was helpful; and this is consistent with our overall finding that NZCS's technical expertise is highly regarded.

NZCS also advised that Kiribati's existing PC Trade platform was adequate for managing the new tax requirements, with only minor reprogramming required (which has been provided by Statistics New Zealand). We were told that NZCS's advice around PC Trade helped avoid the capital investment of switching to an alternative platform, suggesting that the advice can be considered good value for money in terms of avoided costs.

We also heard from a number of stakeholders that Kiribati has very high development needs, including in terms of Customs capacity development, and that further donor support is required. However, the mission was also described by one New Zealand stakeholders as a '*peripheral*' activity. The New Zealand Aid Programme has since gone on to jointly fund (via the Pacific Technical Assistance Mechanism – PACTAM) a Technical Advisor, who will be in-country for at least two years. We heard in interviews that MFAT were keen for NZCS to undertake this work, but were told that it was not a priority for the programme and had insufficient resourcing to release a technical expert for that period of time.

6.2 Drug awareness training

Drug awareness training was provided between December 2012 and June 2013 to 879 staff from a range of border agencies, from five partner countries, as detailed in the following table (information on the gender of participants was not recorded).

Table 9 Drug awareness training participants

| | |
|--------------|------------|
| Cook Islands | 184 |
| Samoa | 121 |
| Fiji | 264 |
| Tonga | 158 |
| Vanuatu | 152 |
| Total | 879 |

Source: PSF Evaluation Form.

The purpose of the training was to raise awareness on drug risks, concealment methods, testing methods and trends in the Pacific region. The project also provided a one-off supply of IDenta drug test kits and the sessions provided training on their use. The training was delivered by a combination of NZCS, New Zealand Police, and ESR staff.

The intended outcomes of the training were:

- participants are aware of the dangers that illicit drugs pose to their communities;
- border staff are aware of drug testing procedures;
- Customs and Police have an initial supply of test kits to help with field testing for drugs;
- staff are aware of the uses and limitations of the test kits; and
- staff are able to use the test kits correctly.²⁸

According to both the documentation and our interviews with New Zealand stakeholders, the project was also expected to bring benefits to New Zealand over the long-term by helping reduce transshipment of drugs through the Pacific to New Zealand.

The project evaluation form reports on informal feedback from the participating agencies, and discusses a couple of high profile seizures shortly after the training.²⁹ There is otherwise no systematic, quantitative information on the effectiveness of the training against the stated objectives, such as the pre- and post-training awareness (including of the limitations of the test kits) or ability of the participants to use the test kits correctly.

The project monitoring also does not track the intended benefits (longer-term impacts) of the training in terms of its contribution to reducing the transshipment of drugs through the Pacific. This could have been measured by examining whether the initial reported successes in terms of interceptions have been sustained, and carried through into convictions.

In our interviews, we heard that the multi-agency approach to the training delivery was appreciated by participants from both the private and public sector. New Zealand stakeholders also commented on the value of getting partner country staff from the various border agencies in the same room together, but this was not commented on in-country.

The drug test kits continue to be used in Samoa and to a more limited extent in Cook Islands and Vanuatu. Samoa Police reported that they have proceeded with three prosecutions. However, they have found that the validity of their evidence gathered by way of the test kits comes under challenge in Court. They are therefore seeking certification of the training, as well as more advanced training, in order to secure convictions.

We were told by NZCS that the test kits are presumptive only, and that an evidential test such as the service provided by ESR in New Zealand is required to produce an evidential test. It was not clear to us that this requirement was well understood by the participants we spoke to.

²⁸ PSF Application Form: drug awareness sessions for border agencies, with resources, 7 November 2012.

²⁹ PSF Evaluation Form (undated).

The three partner countries we spoke to all expressed a need for refresher training and on-going support to apply the skills taught, and carry these through into results.

6.3 Rules of Origin training

NZCS delivered Rules of Origin awareness workshops with a focus on the Product Specific Rules (PSR) methodology to assist government officials and industry representatives of Forum Island Countries (FIC) understand the PSR approach as compared to other technical methods for determining the eligibility of goods for preferential tariff rates. The aim of workshops was to provide these countries with the understanding and knowledge on Product Specific Rules of Origin to make informed decisions on the approach to be adopted under the PACER Plus Agreement.

In total, seven workshops were run with participants from the Cook Islands, Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu (see Table 10).

Table 10 ROO training participants

| | 2013/14 | | | 2014/15 | | |
|-----------------|-----------|-----------|------------|-----------|-----------|-----------|
| | Male | Female | Total | Male | Female | Total |
| Cook Islands | | | 11 | | | |
| Samoa | 8 | 17 | 25 | | | |
| Fiji | | | | 38 | 20 | 58 |
| PNG | 16 | 7 | 23 | | | |
| Solomon Islands | 23 | 10 | 33 | | | |
| Tonga | | | | 19 | 14 | 33 |
| Vanuatu | 20 | 7 | 27 | | | |
| Total | 67 | 41 | 108 | 57 | 34 | 91 |

Source: Programme documentation, correspondence with NZCS.

We were told that the Samoa Ministry for Foreign Affairs and Trade and Samoa Customs reached out to NZCS for a workshop on PSR. In Samoa we were told that the private sector has consistently complained the Rules of Origin for preferential treatment (duty) under Pacific Island Countries Trade Agreement (PICTA) were too prescriptive and their understanding of PSR approach was low.

The Samoa workshop was a half day with follow up one-on-one sessions for individuals to discuss their specific export products. The evaluation of the workshop from both private sector and officials was positive. Two aspects of the workshops were singled out for specific mention, being that:

- the timing of the workshop was right being half a day so the private sector could still attend to their business needs; and
- the one-on-one sessions enabled the specific circumstances of the business to be discussed and therefore improve the understanding of the business attendee.

In-country stakeholders provided little comment on these workshops even when prompted, and the programme documentation does not provide any information on results, such as changes in participant knowledge levels.

7. Pre-requisites for achieving desired outcomes

7.1 Meeting dual objectives

As discussed above in sections 1.2 and 1.3, the work funded under the Partnership Arrangement has sought to support both regional border security and economic growth in the Pacific region, through strengthening PIC Customs administrations and facilitating trade. It is possible to achieve both security and development objectives, providing the requisite systems and capability are in place and fully operational. In our field work, we found that these pre-requisite conditions are still developing, and largely still too nascent to be delivering the desired outcomes as yet.

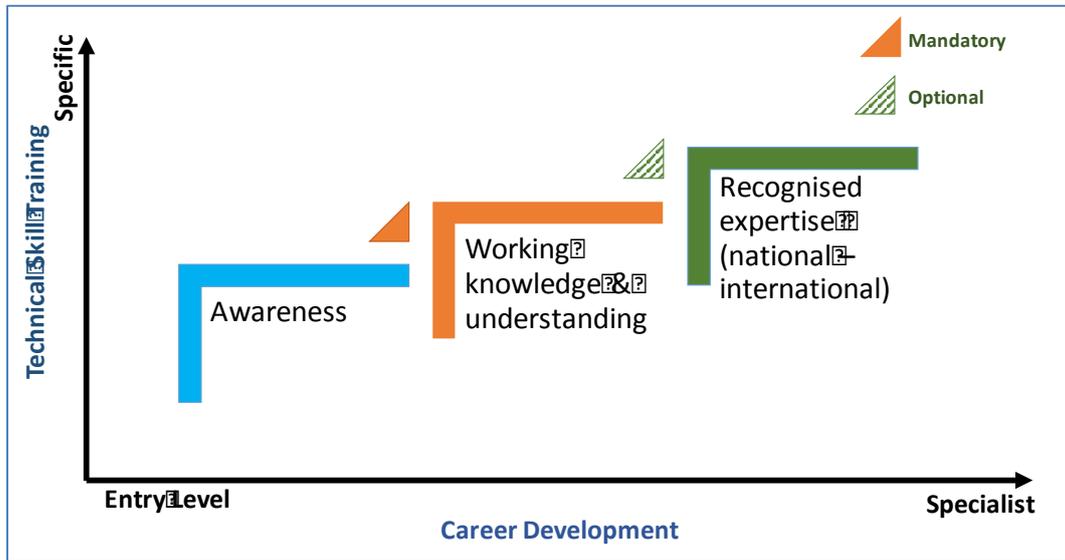
7.2 Technical capability requirements

Sustaining the capacity building to date, finishing the reforms, developing capability of the Customs officers to competently operate in the post-modernisation environment and improving the border competence (and compliance³⁰) of the private sector were common themes during interviews in both countries.

The operating functionality supported by the CIBMS is said to be aligned with the Compliance Management Model (see discussion in section 2.5). Indicators of this model being operationally present in Customs administration include client service activities such as strong engagement with the regulated sector and other associated parties focused on improving voluntary compliance, post clearance audit activities, a focus on high risk for physical inspection, activities being enabled by formal risk and intelligence and strong collaboration with border sector agencies. Indicators of the people capability in Customs agencies to operate this model include recognised national expertise in risk and intelligence, tariff classification, valuation, origin and enforcement and observable working knowledge competence (or structured development towards working knowledge competence) in the full range of Customs activities. To illustrate the broad steps in developing Customs technical skills a representation is presented in Figure 7, below.

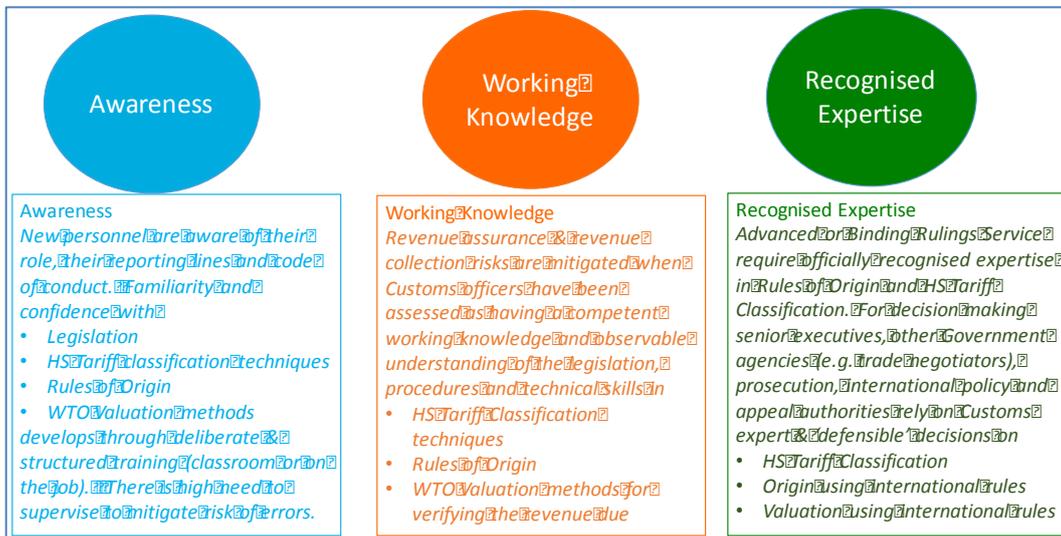
³⁰ OCO Secretariat Trade Facilitation Customs Cooperation Project: Monitoring & Evaluation Technical Assignment – Cook Islands.

Figure 7 Customs competency model: developing technical skills



The following diagram illustrates the difference in the application of Customs technical skill levels in tariff classification, rules or origin and the valuation of goods being utilised in the import pathway.

Figure 8 Customs competency model: example of different levels of Customs technical skills in the import pathway



The two-day training courses delivered under the programme appear to be entry level/introductory designed to provide the basis for developing a working knowledge and understanding. The requests for further assistance being made to NZCS, and the administrations' identified need for both refresher and advanced training, can be taken as indicators there is still a recognised skill gap.

7.3 Risk management approach

Research suggests the ideal pathway to achieve a ‘balanced approach’ to control and facilitation requires the systematic design and logical application of risk management policies, procedures and practices.³¹ Implicit in the legislation and automated Customs systems, CIBMS (Cook Islands) and ASYCUDA (existing in Samoa) is the principle of risk management through the ability to clear goods electronically and immediately without intervention for low risk goods through to physical inspection for higher risk goods.

From a risk management perspective there are two prevailing approaches used in border risk management which can be described as the ‘Red Way Approach’ or the ‘Green Way’ Approach. Neither approach assures that all risks will be identified and mitigated – it is simply not possible to eliminate all border risks.

Table 11 Red Way - Green Way border risk management approach

| | |
|---------------------------|--|
| Red Way Approach | All people, goods and conveyances are stopped for examination (questioning, document check or physical inspection) unless information is held that allows them to be cleared without intervention. Customs rely on their individual judgements for examination. |
| OR | |
| Green Way Approach | All people, goods and conveyances are cleared unless intelligence is held that indicates a risk or they are selected as part of an assurance program to verify compliance. Customs rely on traders and passengers ‘self-assessed’ declarations and reporting to be accurate. |

NZCS operates a ‘Green Way Approach’ that is observable in its strategy and operations to be ‘intelligence-led’ and is evident in the design of the CusMod border management system and the legislation. By contrast countries operating a ‘gatekeeper model’ have systems and processes more akin to the ‘Red Way Approach’ and are less likely to have access to formal structured information and intelligence sources to inform their border decision-making.

To achieve outcomes of border security, trade facilitation and revenue collection with the use of automated systems (such as Cook Islands Border Management System and Samoa’s ASYCUDA system) and legislation, that meets the standards within the Revised Kyoto Agreement, structured and formalised risk, intelligence and compliance management is a ‘must-have’.

In interviews, private sector stakeholders in both the Cook Islands and Samoa complained that since the new legislation they ‘*are doing Customs’ job*’. Therefore it was not unexpected to hear Customs interviewees identify their needs for technical assistance to develop internal

³¹ McLinden, G., Fanta, E., Widdowson, D., and Doyle, T. (Editors). (2011). *Border Management Modernization*. Washington, United States of America: The International Bank for Reconstruction and Development/The World Bank

risk and intelligence capability to inform their inspection decisions and ‘green channel’³² selections.

7.4 Scope for a more structured approach

We see benefit in ensuring that the approach to Customs capacity development is more explicitly structured around the technical competencies necessary to sustainably and effectively operate in the post-reform environment. This would entail an initial diagnostic, following by a deliberate and structured development plan to build the technical skills and understanding of the risk management approach that are necessary for achieving the desired outcomes.

As acknowledged in NZCS’s *Pacific Strategy*, capacity development is a long-term endeavour, which is why activities have focused on a small number of deep bilateral engagements. Determining capacity development needs does not imply that NZCS should deliver the on-going competency development as there may be regional, WCO³³, OCO or WTO resources available for the administrations to self-pace and deliberately manage their technical capability.

We note that intelligence training is provided by the Pacific Regional Identity and Intelligence Programme, which is led by Immigration New Zealand and supported by NZCS and New Zealand Police.

³² Green channel refers to passengers and goods that are cleared without examination by Customs.

³³ Refer the WCO CLiKC Training Portal with online training and other resources <http://clikc.wcoomd.org/>

8. Findings

Our overall findings in relation to the capacity development support provided under the Partnership Arrangement are as follows.

8.1 NZCS has built strong, trusted relationships in the Pacific

We were consistently told that NZCS has built trusted relationships in the Pacific, and that their technical expertise is highly regarded. The in-country technical advisors were described as fitting in well, both to the organisations and the cultures in which they worked. In Samoa, the working styles of these advisors assisted knowledge transfer and enabled staff to feel ownership of the work: *‘people felt it was their work’*. Individual trainers were also very well received.

8.2 Partnership Arrangement valued for its flexibility

We heard that the value of the Arrangement has been its flexibility – this has enabled NZCS to respond to emerging priorities and requests. It is also important to note that this Arrangement is the first of its kind between MFAT and another State Sector agency, and as such both parties have been learning and adjusting along the way.

8.3 Lack of clarity around programme objectives and priorities

It was evident from the interviews that there is a perceived tension between the development objectives of the New Zealand Aid Programme and the security objectives of the Partnership Arrangement, in particular NZCS’s priority of protecting the New Zealand border. We encountered a lack of clarity within MFAT as to the reconciliation of these dual objectives. This is contributing to a lack of understanding of the rationale for the selection and prioritisation of target countries.

8.4 Good outcomes starting to be realised in Cook Islands

The time release study undertaken in the Cook Islands revealed clear and significant trade facilitation benefits from the automated components of the CIBMS that have been delivered under the Partnership Agreement.

8.5 Pacific Leadership Programme well designed, delivered and monitored

The feedback we received from interviewees on the PLP was very consistent, with all stakeholders speaking very highly of the programme and its delivery. This aligns with the findings of the individual programme evaluations that have been undertaken, which found individuals' skill levels increased across a range of competencies. Participants spoke of gaining confidence, and of the usefulness of tools such as the 'Conversation Planner' which they have continued to apply both in and out of work. Both participants and managers consistently referred to the programme's requirement to undertake a small project to apply the skills and tools learned, as something that has contributed to the wider organisational reforms.

Consistent with the individual evaluations, we were told that the active support and endorsement of the CEO in Samoa contributed to the programme's success. And in Samoa at least, there appears to have been some demonstration effect, through participants modelling new leadership behaviours, such as delegating tasks to staff members.

The programme's content is flexible, meaning it can be adapted to the circumstances. For example, we were told that the scenarios used in some PLP workshops were aligned with the drug detector dog training being run by New Zealand Police, which gave the dog teams' managers some idea of how to deploy dog teams. This meant that the PLP was able to reinforce the messages in other Customs-related training.

The PLP has been subject to rigorous and systematic monitoring and evaluation throughout its implementation. This has enabled the programme to make adjustments, such as to the length and content of workshops, to make it more effective.

8.6 But some other support not sufficiently adapted to local circumstances

It is critical that programmes implemented in developing countries are suitably adapted to the situation in that country. This involves testing whether the normal operating assumptions for a Customs sector in a developed country are valid in the partner country and differentiating between those activities able to be supported in-country and those where either regional or NZCS support will be an on-going dependency.

The evidence from our field work was that this testing of assumptions has not always been adequately undertaken by NZCS prior to entering the target countries.

For example, in the Cook Islands, the adoption of the New Zealand national extension for the tariff has made classification more complicated, as not all the new codes are valid for the Cook Islands environment. Cook Islands Customs are internally discussing the merits of changing the tariff in 2017 away from the New Zealand model.

In Samoa, the lack of consideration of how the new Customs Act would interact with other existing legislation, and other agencies' roles, has reportedly caused problems for some of these other agencies.

The lack of adaptation has contributed to unresolved issues and risks with some of the major activities – in particular the modernised legislation in both the Cook Islands and Samoa and the CIBMS.

8.7 Modernised border management system in the Cook Islands not fully implemented

The work in the Cook Islands, including all three phases of the CIBMS, was intended to be completed by 30 June 2016. Activity reporting implies that Phase 1 and 2 of the CIBMS are considered largely complete and now ‘in the maintenance phase’.³⁴

However, in addition to Phase 3 not yet being implemented, the full functionality of the existing components (from Phases 1 and 2) is not being used by either the private sector or Customs. Furthermore, the technical capability of Cook Islands Customs staff to use the full capability of the CIBMS was assessed by us as being below the skill level needed to realise the full benefits of the system.³⁵ Furthermore, the on-going contractual and maintenance requirements for the CIBMS, and the full financing implications for the Cook Islands, is not yet clear or understood by all partners.

The CIBMS is based on and operates alongside the NZCS CusMod border management IT system. The server and system for the CIBMS are housed with NZCS in New Zealand. It is intended this arrangement will form part of a formal Cook Islands Government maintenance agreement. However, in our view, the arrangement is more akin to shared administration accountability as, for example, software upgrades to NZCS CusMod flow through to the CIBMS.

We were also told there was no formal arrangement in place for post-implementation and now there is an issue with the budget (in reference to the on-going maintenance expenses to be paid by Cook Islands Customs, which are currently unknown).

8.8 On-going dependencies created

Both the Cook Islands Customs and Samoa Customs now recognise the extent of change brought by the new legislation and said they need further technical assistance to implement post clearance audit, risk management, advance rulings and advanced Customs technical training in the tariff, valuation and origin.

Both countries have expectations of on-going support from NZCS for new initiatives, for completion of existing initiatives and as a point of contact for ongoing advice. NZCS personnel view the Cook Islands as a pilot programme with learnings taken into the Samoa programme and further learnings into future capacity building in Fiji.

³⁴ *Activity Monitoring Assessment for Cook Islands Border Management System*, 16 July 2014.

³⁵ Qualitative assessment, based on feedback from Cook Islands Customs staff (self-reported awareness of functionality and ability/confidence in using it) and our expert opinion.

From the documentation provided to us and the interviews we conducted, with the exception of the CIBMS, we are not clear when the Cook Islands programme finishes and whether there is a documented post-implementation handover/sustaining the change phase for the Cook Islands Programme. There are on-going dependencies on NZCS with respect to server housing and system support for the CIBMS and extraction of data for statistical purposes. There is also a need for support to build the technical capability necessary to fully utilise system functionality.

In Samoa, reporting indicates that NZCS intend to develop and induction programme for Samoa Customs and provide further assistance with mobile x-ray and the deployment of drug dogs. However staff in Samoa told us that expect to be able to continue to call on NZCS for ad hoc support into the future.

NZCS use a 'development model' to guide the design of their capacity building programmes. This sets out a phased approach, spanning delivery, handover and maintenance. This model envisages refresher training and advice, and 'on-going contact, monitoring and recalibrating' of support to the partner country. While a long-term approach is appropriate for capacity building, support based on a model of an on-going bilateral relationship seems to, by definition, have no point of exit for the donor.

With no clear endpoint in each country's programme, the cumulative workload of the programme continues to build, as new projects are initiated without existing activities being properly completed.

9. Lessons learned

9.1 Capacity development

The following lessons seem likely to be applicable to future work under the Partnership Agreement and other capacity development activities, particularly work in the Customs sector:

- Activities must be assessed and adapted in accordance with the specific needs of the country concerned. This requires development acumen, and involves:
 - undertaking a baseline diagnostic assessment prior to entering a country;
 - testing the validity of assumptions that underpin operations in a developed country;
 - considering the interaction of a proposed activity with other, existing government policies and processes, including related legislation; and
 - considering the impact on other parts of the system, including the processes and workload of other government agencies.
- There should always be a formal, written agreement between New Zealand (in this case, NZCS) and the partner country, setting out deliverables, timelines, roles and responsibilities – to ensure mutual clarity of understanding and expectations, as well as required commitments (such as resourcing) from both parties. While there is an Agreement in place with the Cook Islands, it is very high-level and does not cover these details.
- For interventions that impact on the private sector, early and proactive engagement is required with affected stakeholders to thoroughly explore the design and implementation of the proposed changes, and build the capacity of the private sector to adapt to the new environment. This needs to be genuine engagement rather than consultation for the purposes of informing stakeholders about planned changes. Partner agencies may need support in developing their capability to undertake constructive engagement of this nature.
- The design of technical trainings should consider how the skills taught will be used in the context of the broader system. For example, drug awareness training should consider the other support that may be required to assist partner countries in securing convictions from seizures.

Unanticipated effects identified in our evaluation were:

- Trainings that assemble staff from a variety of agencies together in one room can have the co-benefit of improving relationships and communication across these agencies.
- Courses that include participants from other countries can result in the creation of professional networks across borders.
- Capacity development programmes can place budget and resourcing pressures on the partner agency, potentially compromising their delivery of business-as-usual activities. For example, the new IT capability in Cook Islands Customs, such as creating alerts, is

creating higher expectations on the Customs officers to be available to other government agencies to undertake new tasks. On the other hand, the automated system in the Cook Islands has reduced the data entry workload on the Statistics team, freeing them up to do statistical analysis.

- Raising the capability of one part of the government system (in this case, the border management system) can also raise expectations on other parts of the system (such as biosecurity, immigration and health) to be operating at an equivalent level.

9.2 Evaluating Partnership Arrangements

We sought feedback from interviewees on the approach we used to evaluating the Partnership Arrangement, including on the set of principles we used. Two suggestions were made:

1. The principles should include the partner countries' needs and priorities.
2. The approach should show change over time (i.e. as the relationship matures).

With respect to (1), we agree, and note that this would be consistent with the DAC advice. We suggest that this could be integrated into the principle of 'clear and agreed goals and objectives', for example by adding the word 'development' before the word 'goals'.

In terms of (2), change can be shown by undertaking a baseline assessment at the outset of the partnership, and repeating the exercise at periodic intervals.

In terms of applying the framework, the quantitative information gathered via the diagram needs to be triangulated with qualitative information from interviews, as well as programme documentation, in order to explore the reasons behind the ratings. The eight principles can be used to structure the interview questions.

10. Conclusions and general recommendations

10.1 Trusted relationships and strong technical expertise

We were consistently told that NZCS has built trusted relationships in the Pacific, and that their technical expertise is highly regarded. We were also told that the in-country technical advisors provided by NZCS were a good organisational and cultural fit, their support well delivered (in terms of facilitating skills transfer) and they were overall highly appreciated.

10.2 Need for greater clarity around objectives and prioritisation

We consider that there is a need for greater clarity on the mutual objectives for support provided under the Arrangement. This would involve more explicit consideration of the relationship between border security and economic growth, more deliberate design of projects to achieve these dual objectives, and communication (particularly within MFAT and with its development partner countries) of the rationale for selecting target countries. In our view, development objectives should be at the forefront of any support funded by the Aid Programme. There is also a need for greater clarity around the basis for selecting and prioritising activities.

Recommendation 1: That MFAT and NZCS clarify the mutual objectives for support provided under the Partnership Arrangement, and the basis on which activities are identified and prioritised. Development objectives should be more clearly at the forefront of any support funded by the Aid Programme.

10.3 Stronger focus needed on relevance and adaptation

It is critical that programmes implemented in developing countries are suitably adapted to the circumstances in that country. This involves testing whether the normal operating assumptions for a Customs sector in a developed country are valid in the partner country and differentiating between those activities able to be supported in-country and those where either regional or NZCS support will be an on-going dependency.

The evidence from our field work was that this testing of assumptions has not always been adequately undertaken by NZCS prior to entering the target countries, and as a result some of the major activities have left unresolved issues and risks of significant dependency.

Recommendation 2: That NZCS uses a template for each new proposed activity that allows the relevance, appropriateness, and likely effectiveness and sustainability of the proposal to be tested. The form would:

- set out a baseline diagnostic assessment prior to entering a country;
- test the validity of assumptions that underpin operations in a developed country;
- consider the interaction of a proposed activity with other, existing government policies and processes, including related legislation;
- consider the impact on other parts of the system, including the processes and workload of other government agencies;
- set out the arrangements for monitoring and evaluation of outputs, impacts and contribution to outcomes;
- set out the full costs of the proposed activity (including funding from all sources).

10.4 Take a more structured approach to capacity development

While capacity development support has been well received, it is unclear whether the activities that have been undertaken were the most important activities, in the most pressing areas, for lifting the overall capability of Customs administrations. We therefore recommend developing a more structured approach to planning, prioritising and sequence capacity development activities, based on the competency framework set out in section 7.

In addition, our interviews identified a lack of clarity between Cook Islands Customs, MFAT and NZCS regarding what would be funded, and the resourcing commitments that the Cook Islands would be taking on with respect to on-going IT maintenance and support. We recommend that there be a formal, written agreement between NZCS, MFAT and each partner country for each project, setting out deliverables, timelines, roles and responsibilities – to ensure mutual clarity of understanding and expectations, as well as required commitments (such as resourcing) from both parties. It may also be helpful to specify in writing what support New Zealand will be providing to the Cook Islands and Samoa in order to conclude donor support in these countries.

With respect to the technical trainings, we suggest there may be value in developing training materials such as online video tutorials that could be disseminated widely, to (i) reach a larger number of people, (ii) reduce the need for refresher training provided by New Zealand, and (iii) assist in-country stakeholders to train others. If successful, such measures could improve the value for money of New Zealand support, as well as its sustainability (by helping mitigate staff turnover and the constraints on the private sector to attend such sessions).

Recommendation 3: That NZCS develops a structured approach for the capacity development of Customs administrations in the Pacific and Timor Leste, involving the following:

- (a) Standard programme management practices are used to develop a prioritised and sequenced capacity development work plan between NZCS and the partner

country for any new capacity development assistance.

- (b) Before commencing work in a partner country, a baseline diagnostic assessment is undertaken that identifies the competency gaps against the framework, and the activities of other donors, so that a sequenced work plan can be developed. This assessment needs to assess the context, including testing operating assumptions, and considering the interaction with other relevant government legislation.
- (c) Before commencing work, NZCS and the partner country identify the technical competence of the regulated community and the Customs agency to operate successfully in the post-reform environment. This assessment needs to consider options wider than NZCS capacity building, such as shared border administration approaches within regional and bilateral cooperation agreements and access to international resources (such as the WCO training and networks).
- (d) NZCS and MFAT enter into a written agreement with the partner countries for each project before capacity development support commences. This agreement would specify the deliverables and timeframes, the costs to be met by each party, the governance and reporting arrangements, and the roles and responsibilities of each agency.

10.5 Sector programme management requires strengthening

In our view, as already noted above, the Partnership Arrangement has suffered from a lack of contract management disciplines within NZCS, manifesting in a lack of transparency in how much has been spent and on what a lack of outcome measurement and reporting, and a lack of mutual awareness and understanding of the emergent risks. More transparent reporting on these matters including the full cost of activities would help understand the scale of any resource pressures being experienced by NZCS, and assist prioritisation decisions.

We see a need for stronger contract management disciplines, both at the programme and project level. This includes greater transparency around budgeting and expenditure, risk monitoring and reporting, results monitoring, communications and governance. In the case of the Cook Islands border management system, there is a particular need for expertise and disciplines in IT project management. We note that the PLP undertook some work to assess baseline skills/competency and the gap between this and the desired level of competency. It also undertook 'in flight' monitoring and ex post evaluation of the courses provided, in order to adjust them to the context and ensure the training was effective. We recommend adopting this practice across all training, including technical training and technical advisor secondments. Monitoring and evaluation effort should be proportionate to size/cost of the initiative.

Recommendation 4: That stronger contract management disciplines be put in place for the Partnership Arrangement between MFAT and NZCS, comprising:

- (e) A contractual document sitting underneath the Partnership Arrangement that

specifies the agreed work plan, with timing/phasing and deliverables and total resources and costs per activity (including from other funding sources).

- (f) An agreed reporting framework that is simpler (less narrative) and more focused on issues for decision-making, such as annual and cumulative outputs and progress against results, risks and issues, expenditure and variances (current period and cumulative), and proposed new activities.
- (g) Improved budget management and reporting, that clearly assigns costs to activities, aligns reporting with budget categories, and explains variances between budgeted and actual expenditure. Budgeting should also include the full costs of each activity, including those from other sources.
- (h) A review of the Partnership Arrangement document that considers the value provided by this document over and above the proposed contract (which may be to set the terms of engagement, such as the principles and working arrangement, including process for raising issues).
- (i) Improved results monitoring, that systematically tracks outputs, impacts and contribution to outcomes in a centralised electronic repository (such as a simple spreadsheet). Features should include:
 - (i) Tracking all training participants by gender, country of origin, date of training, whether completed/non-completed (including reasons for non-completion), and ideally impacts or at least post-training feedback.
 - (ii) Data collection and reporting against all agreed results indicators.
 - (iii) Current period and cumulative reporting.

Some New Zealand government interviewees mused whether other government agencies could be brought in to the Partnership Arrangement, to make it a more comprehensive and coherent arrangement across the range of border control agencies. While this is attractive in principle (for example, given the issues around the Immigration component of the Cook Islands border management system), in our view, the contract management disciplines are currently too weak to consider bringing in other agencies at this point.

11. Project-specific conclusions and recommendations

11.1 Need to complete unfinished business in the Cook Islands

Until the Customs components of the CIBMS are fully utilised and the new functions and processes envisioned through new legislation, such as post clearance audit, a risk and compliance management regime and more advanced classification and valuation skills are in place, the intended outcomes and benefits are unlikely to be fully realised.

Given the decision to commence work in the Cook Islands, we consider that NZCS should complete the work that has been started in the Cook Islands, in order to embed the changes, and then exit. We suggest providing a technical advisor for a 12+6 month period, to build understanding of the modernisation changes and the technical capability required to use the BMS. The advisor would operate in a supervisory and coaching capacity rather than a capacity filling role, to help maximise skills and knowledge transfer. They would operate on a FIFO basis, being available for telephone/email advice and mentoring in between visits. Their position would be evaluated after 12 months, with the option to extend for a further six months if necessary, to ensure a tidy and sustainable exit from donor support.

Recommendation 5: That a technical advisor be provided to Cook Islands Customs for 12 months (with the option to extend for a further six months subject to evaluation) in order to build the necessary technical capability required to use the CIBMS.

There needs to be much greater clarity and understanding with on-going contractual and maintenance requirements for the CIBMS, and the full financing implications for the Cook Islands. As the CIBMS is so interlinked with the NZCS CusMod system, decisions made by NZCS in respect of CusMod impact CIBMS.

Recommendation 6: That MFAT considers offering funding support for the Cook Islands to help them assess the CIBMS IT contract, CusMod and CIBMS decision-making arrangements, and on-going maintenance requirements.

We also suggest exploring a separate funding and delivery agreement with Immigration New Zealand, to complete Phase 3 of the BMS. Should such support proceed, we recommend it be undertaken as a discrete contract to fulfil this specific need, rather than an expansion to the Partnership Arrangement.

Recommendation 7: That MFAT considers exploring a separate arrangement with Immigration New Zealand, to complete the visa processing module of the CIBMS.

11.2 Help address private sector issues in Cook Islands and Samoa

In Samoa we were told by private sector stakeholders that compliance costs have increased and clearance times have worsened due to Customs officers taking a 'stricter' approach to inspections since the implementation of modernisation reforms. The clearance times in Samoa were singled out as being slower as private sector stakeholders consider there is yet to be recognition of compliant traders by way of a decrease in inspection.

In both the Cook Islands and Samoa, we encountered a low level of understanding in the private sector regarding the modernisation changes and the requirements on both them and the Customs agencies. Both countries lack a regular forum or mechanism for eliciting private sector feedback and responding to issues raised. Stakeholders also identified a number of issues and concerns with the changes and the impacts these are having on their ease and cost of doing business. We recommend that a sector expert is engaged for four to six weeks work over a six month period to:

- support the Customs agencies in Cook Islands and Samoa to engage with private sector stakeholders, to identify and diagnose current issues;
- help these Customs agencies establish formal mechanisms for on-going private sector engagement; and
- build the capacity of the local Customs agencies to undertake this engagement in the future.

In Samoa, the work would involve undertaking a diagnostic assessment of issues, facilitating meetings, and developing the terms of reference for an engagement policy/procedure/structure with a local ACEO. The latter should include setting the channels and guidance for Samoa Customs to communicate information for awareness and to improve compliance.

In the Cook Islands, we envisage that the bulk of the work would involve drafting outreach information (guidance and communications material).

Recommendation 8: That MFAT considers funding an sector expert for four to six weeks' work over a a six-month period, to support the Customs agencies in the Cook Islands and Samoa to engage with private sector stakeholders, to identify and diagnose issues with the modernisation programmes; help these agencies establish formal engagement mechanisms; and build the capacity of local Customs agencies to improve their engagement with the private sector.

Appendix 1: References

Partnership Arrangement

Partnership Arrangement for Customs sector support in the Pacific and Timor Leste, signed 10 November 2011.

Letter of Variation No. 1, 18 February 2014.

Letter of Variation No. 2, 2 February 2015.

Customs draw down PAA – reviewed January 2014.

Role description: relationship manager for state sector development partners (undated).

Activity proposals/design documents

Programme logic model Pacific Leadership Programme Fiji 2015.

Cook Islands border management system: Immigration Cook Islands – requirements for automation (2014).

Collett, Brett (2010) *Business case: Cook Islands border management system* (October 2010).

Pacific Security Fund application forms and evaluation forms.

Course materials for Customs Valuation course, Tariff Course and Rules of Origin workshops.

Activity monitoring reports

Activity reports from NZCS to MFAT, 28 June 2012-20 June 2015.

Pacific programme status report and forward plan – as at 10 November 2014.

Pacific Leadership Programme Samoa (workshop 1) (10 April 2014).

Pacific Leadership Programme Fiji trip report (workshop 2) (6-11 April 2014).

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Pacific Leadership Programme quarterly debriefing meeting notes, 29 May 2014.

Steering Committee papers and minutes

Agendas, papers and minutes from Steering Committee meetings, July 2011-November 2014.

Evaluations

Time release study for the Cook Islands (April 2015).

OCO (2013) Trade facilitation in Customs Cooperation Project (TFCC), Monitoring and evaluation technical assignment (META), *Cook Islands Customs: a baseline assessment with indicative indicators*.

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Pacific Security Fund evaluation forms.

Strategic documents

MFAT *Statement of Intent 2014-2018* (draft).

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NZCS *Customs strategic framework 2013-2016*.

NZCS (2012) *New Zealand Customs Service Pacific Strategy 2012-2015*.

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Subramanian, U., Anderson, W. and Lee, K. (2012) *Less time, more trade: results from an export logistics model. Draft* (Investment Climate Department, World Bank Group, Washington, DC).

World Bank (2013) *Reform by numbers: measurement applied to customs and tax administrations in developing countries*.

World Bank (2005) *Customs modernization handbook*.

World Customs Organization (undated) *WCO Compendium: Risk Management Common Volume and Volume 1*.

Appendix 2: Results framework and results measurement table

Figure 9 Results framework



Table 12 Results measurement table

| Long-term outcomes | Indicators | Baseline information | Targets by 5-8 years | Methodology / Data sources | Results to date |
|---|--|---|---|--|---|
| The capability, effectiveness and efficiency of Customs administrations in the Pacific are sustainability increased | WTO Trading across Border category ranking | Baseline information (average across WTO members in the region) | Improving rankings using WTO methodology. | WTO Trading across Border ranking assessment | Most recent figures provided in section 1.1.1. No data available for Cook Islands. |
| Medium-term outcomes | Indicators | Baseline information | Targets by 5-8 years | Methodology / Data sources | |
| Fit for purpose national border management systems implemented | Costs (\$) for government (by country/annually) | Baseline information (average for region) | -0.1% to 0.3% reduction in costs to government based cargo value by country per annum | Information collected by NZ Customs | Cook Islands: administrative costs for government and traders reduced by between \$138k and \$690k., equating to 0.1%-0.5% cargo value. |
| | No. of other government agencies using the automated system (by country) | No baseline information currently available | A minimum of two govt agencies using the automated system (by country) | Information collected by NZ Customs | Automated systems for passengers and cargo implemented in Cook Islands. |
| | Percentage of compliance activities that are not intelligence based (by country/annually). | No baseline information currently available | 10% decrease in non-intelligence based compliance activity. | Information collected by NZ Customs | Data not provided to evaluation team. |
| Legitimate trade and tourist flows facilitated and barriers removed | Export growth (by country/annually) | No baseline information currently available | Increased export growth by +1 percentage point by country per annum | Information collected by NZ Customs | Modernisation programme is estimated by NZCS to have increased export growth by one percentage |

| | | | | | |
|--|--|---|--|-------------------------------------|--|
| | | | | | point. |
| | Cargo costs (\$) for traders(by country/annually) | No baseline information currently available | Reduced costs to traders of -0.5% to 0.6% of cargo value | Information collected by NZ Customs | Cook Islands time release study reduced Customs clearance times from an average of 145 hours to 25 hours for sea cargo and from 27 hours to 13 hours for air cargo, resulting in estimated annual savings to traders of \$690k-1.1m equating to 0.5%-0.8% cargo value. |
| | Number of trusted traders (by country/annually) | No baseline information currently available | Percentage increase in the number of trusted traders (by country/annually) | Information collected by NZ Customs | Data not provided to evaluation team. |
| Risks of illegal border activity mitigated | Quantity (kgs) and no. of incidents of seizures (country/annually) | No baseline information currently available | 5% increase in seizure activity | Annual Report of the PTCCC. | Data not provided to evaluation team. |
| Short-term outcomes | Indicators | Baseline information | Targets by 1-3 years | Methodology / Data sources | |
| Regulatory frameworks, policies and procedures reflect international best practice (WTO&WCO) | Legislation implemented that complies with international standards No. of countries able to implement trade facilitation procedures (no countries/annually) | X countries have internationally compliant legislation and standards (2016) X countries are able to implement trade facilitation arrangements (2016) | Legislation implemented. | Analysis by NZ Customs | New legislation passed in Cook Islands and Samoa. |
| | | | Procedures in place. | Analysis by NZ Customs | See discussion in sections |

| | | | | | |
|--|---|---|--|------------------------|--|
| | | | | | 4.1 and 5.2. |
| | No. of countries able to implement latest version of Harmonised Commodity Classification system (no countries/annually) | X countries are able to implement latest version of Harmonised Commodity Classification system (2016) | Up to date HS Classification system being used. | Analysis by NZ Customs | New Tariff implemented in Cook Islands and Samoa. See discussion in sections 4.1 and 5.2.. |
| Improved and sustainable leadership capability | Percentage of participants that demonstrate improved decision making and judgement | Relevant baseline data per country collected (standard dataset table) or identified. | Progress in rating (1 point movement) in relevant leadership skills and competencies | Analysis by NZ Customs | Samoa 2013: Average increase in competency rating of 1.2. |
| | Percentage of participants demonstrate improved confidence (in themselves as leaders) | Relevant baseline data per country collected (standard dataset table) or identified. | 50% improvement in leadership confidence self-rating | Analysis by NZ Customs | Cook Islands 2012: No commensurable data. Average change in self-reported confidence, relevant skills and competencies was 3.5, placing it between 'good' (3) and 'excellent'. Samoa 2013: 50% increase in self-reported leadership confidence. |
| | Percentage of participants that demonstrate improvements in relevant skills and competencies | Relevant baseline data per country collected (standard dataset table) or identified. | 80% of participants pass assessment in PLP (decision making) | Analysis by NZ Customs | Samoa 2013: 100% participants passed assessment in PLP (decision making). |

| | | | | | |
|--|---|--|--|---|--|
| | | | | | |
| Improved staff knowledge and skills | Percentage of staff that can pass theoretical and practical assessments | Relevant baseline data per country collected (standard dataset table) or identified. | 80% of staff pass (by country) Staff feedback (by country) | Assessment by NZ Customs Annual Report by NZ Customs | Cook Islands: 63% achieved 80% pass rate for legislation training. Additional training provided for remaining participants who subsequently passed. Samoa: 95% achieved 80% pass rate for legislation training. Remedial assistance provided to remaining 3 participants. |
| Faster and more effective border clearance (both imports and exports) and passengers | Speed of clearance for low risk travellers crossing borders annually (by country) | Current status (by country) | A minimum of 90% of arriving passengers exit Customs control within 45 minutes of arrival | Analysis by NZ Customs | Data not provided to evaluation team. |
| | Clearance time for low risk international travellers crossing borders annually (by country) | Current status (by country) | Low risk imported goods are cleared by Customs within 5 minutes of the electronic declaration being received. | Analysis by NZ Customs | Data not provided to evaluation team. |
| Revenue identified, collected and accounted for | Levels (\$) of Customs revenue collected annually (by country) | Current amount of revenue collected (by country) | Increase of 10% if an automated system is implemented (by country) Revenue collected on behalf of the Crown is maintained at current levels | Analysis by NZ Customs | Data not provided to evaluation team, but WSD50,000 in additional revenue collected through post clearance audit in |

| | | | | | |
|---|--|--|---|---|--|
| | | | | | 2014/15 in Samoa. |
| Improved knowledge of cross-border movement of people/goods | Percentage of data capture annually (by country) | Current data capture (by country). | 100% data capture if an automated system is implemented (country) Implementation of enabling legislation | Analysis by NZ Customs | Data not provided to evaluation team. |
| Improved collaboration on border management issues between PICs | Effective engagement between OCO and donors. Governance of OCO strengthened | Feedback from OCO members. | Donors and members continue to financially support the OCO | Outcomes from the Annual donors meeting | New Zealand continues to support the OCO, but not via the Partnership Arrangement. |
| Outputs | Indicators | Baseline information | Targets | Methodology / Data sources | |
| Needs assessment completed | No. completed annually (by type/source/country) | Relevant baseline data per country collected (standard dataset table) or identified. Candidates for leadership programme selected and pre-programme assessment (360 type tool) completed. | Two completed per annum | Information collected by NZ Customs | Samoa: leadership needs analysis undertaken 2013. Fiji: leadership needs analysis undertaken 2013; drug dog detector capability scoping work undertaken 2013. Kiribati: Customs needs assessment on more efficient revenue collection undertaken 2013. |
| Legislation, policy and procedures developed | No. completed annually (by type/source/country) | Current status (by country) | One legislation/reform programme completed annually | Information collected by NZ Customs | Cook Islands: new legislation implemented 2012, PLP delivered 2012. |

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| | | | One PLP Leadership project (per programme) supports this output. Output reflects international best practice | | Samoa: new legislation implemented 2014, PLP delivered 2013 and 2014. Fiji: PLP delivered 2013. |
| Organisational structural reform supported | No. government ministries/departments supported in restructuring annually (by type of support/country) | Current status (by county) | One Ministry/Dept reform programme supported annually. One PLP Leadership project (per programme) supports this output | Information collected by NZ Customs | As above. |
| Customs training delivered | No. people that selected for customs training annually | Relevant baseline data per country collected (standard dataset table) or identified | 50 people selected for training annually | Information collected by NZ Customs | Unclear what training this indicator refers to. |
| | No. people that graduate customs training annually (by m/f, type of training, agency, country, gender, island) | Relevant baseline data per country collected (standard dataset table) or identified | 12 people graduating per leadership programme % of female/male proportionate to eligible candidates in leadership target group | Information collected by NZ Customs | Cook Islands 2012/13: 8 graduates Samoa 2012/13: 14 graduates out of 16 participants (7M, 7F) Samoa 2013/14: 13 graduates out of 15 participants (8M, 5F) |
| | No. people mentored annually (by m/f/ type of mentoring/ agency/ country) | Relevant baseline data per country collected (standard dataset table) or identified | Staff and management report transference of learning has taken place in 80% of participants 80% pass rate that have assessments | Information collected by NZ Customs | Samoa 2013: transference of learning was reported by 97% of PLP participants. Equivalent monitoring figures for mentoring not provided to evaluation |

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Appendix 3: Assessment against in-scope DAC criteria

Effectiveness

Based on the programme documentation and our interviews, we found that the leadership training raised participants' skill levels across a range of competencies, as did the trainings on the modernised legislation and new tariff codes. PLP participants spoke of gaining confidence, and of the usefulness of tools such as the 'Conversation Planner' which they have continued to apply both in and out of work. Both PLP participants and their managers consistently referred to the programme's requirement to undertake a small project to apply the skills and tools learned, as something that has contributed to the wider organisational reforms. In Samoa, support for the HR reforms was well received and effective in transferring knowledge and skills.

The findings in relation to some other support are more mixed. The evidence from our field work showed that the pre-requisite testing of assumptions has not always been adequately undertaken by NZCS prior to entering the target countries. As a result, some major activities have left unresolved issues and risks:

- In the Cook Islands, the adoption of the New Zealand national extension for the tariff has made classification more complicated than previously, as not all the new codes are valid for the Cook Islands environment. Cook Islands Customs are internally discussing the merits of changing the tariff in 2017 away from the New Zealand model. And in Samoa, the lack of consideration of how the new Customs Act would interact with other existing legislation, and other agencies' roles, has reportedly caused problems for some of these other agencies.
- The CIBMS has not yet been fully implemented as planned with Phase 3 yet to be undertaken and the full functionality of the existing components is not being used by either the private sector or Customs. Furthermore, the technical capability of Cook Islands Customs staff to use the full capability of the CIBMS is currently low and insufficient to realise the full benefits of the system. In addition, the on-going contractual and maintenance requirements for the CIBMS, and the full financing implications for the Cook Islands, is not yet clear or understood by all partners.
- In both Samoa and the Cook Islands, private sector stakeholders raised issues with the method of consultation around the reforms, and in particular with the abolition of bonded warehouses. Stakeholders in both countries noted the lack of a formal mechanism by which to raise and resolve issues with Customs.

Efficiency

Our analysis of the programme's efficiency has been hampered by the lack of information on the total cost of activities, as:

- many activities have been funded from multiple sources, including baseline funding from NZCS and other New Zealand government agencies, with totals not reported;

- the cost of NZCS staff time funded under the Partnership Arrangement is not allocated to specific outputs, meaning that their significant time inputs are not included in activity costings; and
- expenditure reporting does not align to the budget categories.

Without the numerators required to determine the cost per output, we were unable to evaluate efficiency as intended in the evaluation plan. We speculate that NZCS's ability to leverage off existing NZCS policy, procedure and training material may have contributed to some efficiencies and aided the value for money of the programme. An unknown variable is the extent to which some of the activities supported by the Partnership Arrangement may have been undertaken from NZCS baselines anyway (in the absence of Aid Programme funding), such as support for the SIDS conference.

Activity reporting cites resource pressures on NZCS, stemming both from continuing requests for assistance from Pacific Island Countries, and internal staffing constraints. These pressures are not clearly reflected in the reported expenditure, which has had some significant underspends (and carry forwards), particularly in the draw down fund. It is possible that some of these pressures are being absorbed by other (baseline-funded) NZCS staff who are called on to assist with requests, in which case more transparent reporting on the full cost of activities would help understand the scale of any resource pressures.

Sustainability

NZCS use a 'development model' to guide the design of their capacity building programmes. This model envisages refresher training and advice, and 'on-going contact, monitoring and recalibrating' of support to the partner country. While a long-term approach is appropriate for capacity building, support based on a model of an on-going bilateral relationship seems to, by definition, have no point of exit for the donor.

Both Cook Islands Customs and Samoa Customs have expectations of ongoing support from NZCS for completion of existing initiatives, for new initiatives and for ongoing advice and support. There is potentially reputational risk from exiting these countries without a clear and agreed exit plan. With no clear endpoint in the in-country Customs capacity building programme, the cumulative workload of the programme continues to build, as new projects are initiated without existing activities being properly completed.

On a positive note, the 'collateral' material provided through some of the capacity development activities has contributed to their on-going value. For example, the PLP programme provides its participants with a set of tools, which we were told continue to be used and also shared with other staff. In a similar vein, we were told that some of the HR templates provided to Samoa Customs have been picked up by the Samoa Public Service Commission, for potential use more widely across the public sector. Furthermore, there have been efforts to 'train the trainer' in regards the PLP and the tariff training.

The same cannot be said of some of the technical trainings, where partner countries expressed a need for refresher training and on-going support to apply the skills taught, and carry these through into results (such as successful prosecutions). In the case of the drug awareness training, there was a call for 'credentialisation' of the processes learned under the training, in order to help validate the evidence in Court and reduce legal challenge of the methods used.

Impact

Assessing impact was technically out of scope of this evaluation, but we were asked but to comment on it to the extent possible. Evidence on outcomes was patchy, as the indicators in the results measurement table have not been systematically reported on by NZCS. From our field work we ascertained the following.

- In the Cook Islands, the Time Release Study shows significant trade facilitation benefits. But it seems unlikely that the full potential will be achieved until the Customs components of the CIBMS are fully utilised and the new functions and processes envisioned through new legislation are in place.
- In Samoa we were told by private sector stakeholders that compliance costs have increased and clearance times have worsened due to Customs officers taking a ‘stricter’ approach since the implementation of modernisation reforms. The clearance times in Samoa were singled out as being slower as private sector stakeholders consider there is yet to be recognition of compliant traders by way of a decrease in inspection.

The new Customs models, when successfully implemented, can contribute to speedier clearance times for compliant and low risk passengers and goods. It is possible for the twin objectives of border security and trade facilitation to both be met, but this is reliant on having effective risk management practices in place on the front line. The risk in this situation is that New Zealand’s border security is improved but outcomes in the partner countries remain static or even deteriorate – this is a possible outcome from the work in Samoa that we are not able to verify or refute.

Cross-cutting issues

Apart from the PLP, the gender of participants in training and capacity development activities has not been systematically recorded, so we are unable to comment on the gender mix of recipients. That said, no issues were raised in our interviews regarding the gender appropriateness of training. Stakeholders, particularly in Samoa, commented that the in-country technical advisors provided by NZCS were a good cultural fit, and that their support was well delivered (in terms of effecting skills transfer).