



Oceania Customs
Organisation Secretariat



Revised Annual Report

**“To Promote Efficiency and Effectiveness in All Aspects
of Customs Administration in the Oceania Region”**

2013



oco

VISION STATEMENT

'We strive to be the premier regional organisation providing excellent service towards improving members' prospects for socio-economic prosperity and ensuring safe and secure communities in the region.'

MISSION STATEMENT

The OCO will through its activities, performance and actions strive to promote effectiveness and efficiency of Customs Administrations in the harmonization and simplification of Customs procedures, facilitation of trade, law enforcement and building the capacity of members in meeting the development objectives of their Governments.

The OCO will continue to coordinate and foster international and regional cooperation. This includes communication and assistance between its members on all Customs issues to ensure that individual interests and concerns are highlighted to Governments, regional organisations, non-Government organisations, private sector bodies and international organisations such as the World Customs Organisation (WCO) and the World Trade Organisation (WTO).

ACKNOWLEDGEMENT

The OCO Secretariat would like to acknowledge the valuable contribution and on-going support of the following organisations and individuals to the work of the organisation.

1. Asian Development Bank
2. European Union (European Union Delegation for the Pacific)
3. Government of Australia through AusAID
4. Government of New Zealand through NZAID
5. Government of Republic of Fiji
6. Government of Japan
7. International Fund for Animal Welfare
8. Organization for the Prohibition of Chemical Weapons
9. Pacific Immigration Directors Conference
10. Pacific Islands Chiefs of Police Conference
11. Pacific Islands Forum Secretariat
12. Pacific Islands Law Officers Network
13. Pacific Transnational Crime Coordination Centre
14. Price Water House Coopers
15. Royal Malaysia Customs
16. Secretariat of the Pacific Regional Environmental Program
17. United Nations Office of Drugs and Crime
18. United Nations Environment Programme
19. Wild Life Enforcement Group (NZ)
20. World Customs Organisation (WCO)- General Secretary Mr. Kunio Mikuriya
21. WCO Regional Office for Capacity Building for Asia Pacific-Mr. Yoshihiro Kosaka
22. World Trade Organisation
23. Consultants and Customs experts
24. OCO Members:
 - i. American Samoa
 - ii. Australia
 - iii. Cook Islands
 - iv. Federated States of Micronesia
 - v. French Polynesia
 - vi. Guam
 - vii. Nauru
 - viii. New Caledonia
 - ix. New Zealand
 - x. Norfolk Islands
 - xi. Northern Marianas
 - xii. Niue
 - xiii. Palau
 - xiv. Papua New Guinea
 - xv. Republic of Fiji
 - xvi. Republic of Kiribati
 - xvii. Republic of Marshall Islands
 - xviii. Republic of Vanuatu
 - xix. Samoa
 - xx. Solomon Islands
 - xxi. Timor Leste
 - xxii. Tonga
 - xxiii. Tuvalu
 - xxiv. Wallis and Futuna

ACRONYMS & ABBREVIATIONS

ADB	Asian Development Bank	RMI	Republic of Marshall Islands
AWP	Annual Work Plan	ROM	Result Oriented Mission
BAS	Baseline Assessment Studies	ROO	Rules of Origin
CITES	Convention on the International Trade on Endangered Species	SOP	Standard Operating Procedure
CRIN	Customs Regional Intelligence Network	TFCC	Trade Facilitation in Customs Cooperation
EDF	European Development Fund	TRS	Time Release Study
EPA	Economic Partnership Agreement	UNODC	United Nations Office on Drugs and Crimes
EU	European Union	WCO	World Customs Organisation
FRSC	Forum Regional Security Committee	WTO	World Trade Organisation
FSM	Federated States of Micronesia	WTOVA	World Trade Organisation Valuation Agreement
FTA	Free Trade Agreements		
HCS	Harmonized Coding System		
HOS	Head of Secretariat		
HR	Human Resources		
HS	Harmonized Coding Systems		
ICT	Information Communications Technology		
IT	Information Technology		
LESDD	Law Enforcement & Security Division		
MDG	Millennium Development Goal		
MTR	Mid-Term Review		
OCO	Oceania Customs Organisation		
OCTA	Office of the Chief Trade Advisor		
ODS	Ozone Depleting Substance		
PACER	Pacific Agreement on Closer Economic Relations		
PACP	Pacific African Caribbean Pacific		
PCA	Post Clearance Audit		
PICs	Pacific Island Countries		
PICTA	Pacific Island Countries Trade Agreements		
PIPSO	Pacific Islands Private Sector Organisation		
PSR	Product Specific Rules		
RKC	Revised Kyoto Convention		

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CHAIR'S FOREWORD

As the current Chair of the Oceania Customs Organisation Secretariat, I am pleased to present to you the Annual Report for 2013. This report provides an overall summary of OCO Secretariats performances, achievements and successes attained in the year 2013.



In this 21st Century, we live in a world that is increasingly interconnected, as reflected by expanded flows of information, technology, goods and people around the globe. Increased participation in the global community offers significant opportunities to improve Pacific Island Countries (PICs) economic growth and prosperity.

Improving a country's international competitiveness and raising productivity levels relies on connectedness, capital, trade and ideas, engagements with industry, organisations, and citizens and the ability to influence policy settings. It also relies on a country's reputation to provide a safe and secure environment for trade and travel to flourish.

Customs in the Pacific region is in the frontline of assisting their respective Governments to manage risks by protecting their borders and revenue so that the people in the Pacific Island Countries live in safety while actively participating in the global community. In this respect, the role of Customs in the Pacific have evolved over the years from a more traditional role of revenue collection to a multi-functional task with responsibility for social, economic and environmental protection, security of the supply chain, and facilitation of trade at the borders.

The WCO Theme for this year is 'Communication: Sharing Information for Better Cooperation'. The underlying message of this theme is to enhance communication strategies in the customs community and raise awareness at the national, regional and international level of the vital role Customs plays in international trade, economic prosperity and social development. In the Customs environment, communications fosters cooperation, develops sound internal and external communication strategy, promotes transparency, facilitates dialogue, builds trust with stakeholders and partners and ensures mutual understanding.

In the same context, one of the missions of the OCO Secretariat is to respond to the expressed needs and priorities of its members. We look forward to enhancing communication and working closely with our Members, responding to their needs and building a stronger working relationship.

In terms of our accomplishments, significant inroads have been made during the year in strengthening and modernising the capacities of our PACP member Customs administrations under the auspices of the TFCC Project. These innovations and their impact on the improved service delivery of the member administrations will become more visible upon completion of the reforms. I remain optimistic that we are on track to achieve the desired outcomes as envisaged under this Project.

The OCO Secretariat is currently going through transitional changes and challenges following the deaths and resignations of several staff members including the Head of Secretariat. There

is also the challenge of implementing the proposed new governance structure. The financial crisis currently being faced by the Secretariat is also an issue of grave concern which requires immediate solution.

As my stewardship of this Organisation draws to a close, I must take this opportunity to express my profound thank you to those who have provided me their support during the term of my Chair and for their perseverance in attending to the issues during this difficult time.

I hope that the Members and our Development Partners will continue to support the services provided by the Secretariat in order for the Organisation to remain relevant to the needs and aspirations of the Members.

I wish the Members, Secretariat staff and our supporters all the best in their future plans and actions.

Malo 'Aupito

Yours Sincerely

Mrs. Irma Daphney Stone
Chief Executive Officer-Ministry of Revenue and Customs Tonga
15th OCO Annual Conference Chairperson



OCO AT A GLANCE

The Oceania Customs Organisation (OCO) represents the interests of its 24 member countries from the Pacific region. It is built upon a history of regional cooperation in the area of trade facilitation, revenue collection, law enforcement and security. The OCO is now in its sixteenth year, having grown from the annual Customs Heads of Administration Regional Meeting (CHARM), to a more formalized structure supported by a Secretariat.

The OCO Secretariat's Strategic Objectives pertains to three key priority areas; Trade Facilitation, Law Enforcement and Security, and Revenue Management. Customs foremost priority in performing its tasks at the national level involves the establishment of a proper legal framework, appropriate regulations and effective enforcement of its legislations.

The OCO Secretariat assists in addressing members' needs to align its practices and business processes to the most recent international standards and best practices as prescribed by the World Customs Organisation (WCO), World Trade Organisation (WTO) and other international organisations. As such, the Secretariat has been recognized by the development partners, international and regional organisations as the only implementing agency that has the capacity to deliver and undertake Customs reforms and modernisation programmes in the Oceania Region. The Secretariat had signed a Letter of Intent with the WCO thereby delegating OCO the mandate to coordinate Customs development efforts in the Oceania region.

The overall mission of the OCO Secretariat is to promote efficiency and effectiveness in all aspects of regional Customs Administrations. Through its mission, the Secretariat aligns its activities in pursuit of contributing to the accomplishment of the Pacific Plan Objectives and Millennium Development Goals.

SERVICES PROVIDED BY OCO SECRETARIAT TO MEMBERS

The activities of the OCO Secretariat are direct responses to the expressed needs and priorities of the members.

The OCO Secretariat currently delivers a range of services both at regional and national levels that address the needs and demands of the members in many sectors including:

- Modernisation of Customs legislation
- Harmonized Coding System
- World Trade Organization Valuation Agreement
- Customs Automation
- Customs Integrity
- Border Security
- Risk Management principles
- Post Clearance Audit
- Rules of Origin
- Human Resource development
- Research & Development
- Implementation of international Conventions such as Revised Kyoto Convention, SAFE Framework of Standards and the Arusha Declaration.

INDEPENDENT REVIEW OF THE OCEANIA CUSTOMS ORGANISATION (OCO)

The 14th Oceania Customs Organisation (OCO) Annual Conference hosted in American Samoa in May 2012 directed that the OCO Secretariat coordinate with an independent consultant(s) to undertake a mid-term corporate review and institutional capacity assessment of the OCO Secretariat. This health check was necessary to determine the relevance of its existence to the members.

Following a competitive bidding process the firm of KVA Consult Limited (KVA) was contracted to carry out the Independent Review of the Oceania Customs Organisation (OCO) Secretariat.

The main objective and scope of this task focused on the followings:

- The review and its recommendations should position the OCO Secretariat as an effective and efficient Secretariat underpinned by a clear mandate, structure and frameworks for resource prioritization and performance assessment.
- The review will cover all aspects of the OCO Secretariat mandate, focus, strategic planning, operating structure, human and financial resourcing, and operations.

As was required, the Review Report was presented to the 15th Oceania Customs Organisation (OCO) Annual Conference held in Tonga for consideration by the members. Following its deliberation the Conference endorsed and adopted the findings and recommendations as outlined in the Report. Furthermore, the Conference also agreed to re-engage KVA to undertake implementation of the Recommendations subject to funding provision from Development Partners. It was further decided that this exercise will be facilitated by the OCO Secretariat through the provision of secretariat services and other administrative support.

The 2013 Review re-affirmed the relevance of the mission of the OCO, which is to promote efficiency and effectiveness in all aspects of Customs administration in Oceania. The feedbacks received from the consultations with members also highlighted a number of areas where further improvement was needed to ensure the OCO Secretariat builds on its positive achievements to date and to proactively position itself as a more robust entity underpinned by a clear mandate, organisational structure, governance and operational frameworks, and sustainable funding and human resources to further assist its members to meet their priority national outcomes in a sustainable manner.

CURRENT CHALLENGES

Firstly, following the untimely death of the Finance Manager and Trade Facilitation Officer and the resignation of the Corporate Manager and Head of Secretariat respectively, the OCO Secretariat is currently under staffed.

Secondly, securing funds for the long-term sustainability of the Secretariat and for the implementation of various activities for member administrations also remains a major challenge for the OCO Secretariat. Due to the increasing international, regional and national obligations of our members, the Secretariat needs to be adequately resourced to meet this commitment and

rising demand. It is therefore both critical and significant that the continuity of its function and existence is not only maintained but further strengthened. From that perspective the funding for the implementation of the KVA recommendations is a top priority and also pivotal and vital to capacitate the Secretariat to operate in a more transparent and accountable manner to meet the needs of its members and in compliance with the requirements of the Development Partners.

FINANCIAL

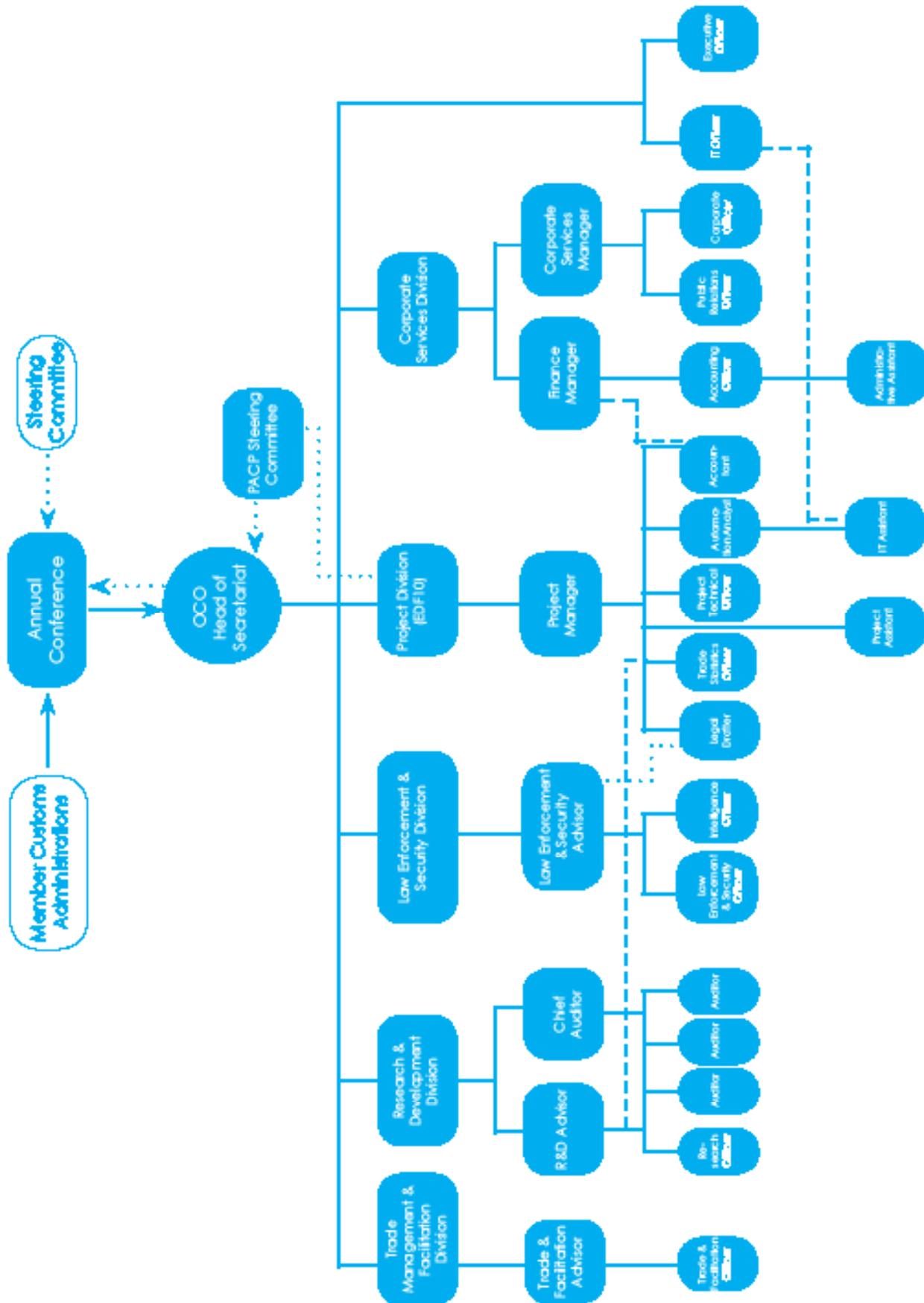
The Audited Financial Report of the Secretariat is attached in Annex 1. At the end of 2013 there was a deficit of more than \$1.0 million in the operating fund of the Secretariat. The highest expenditure component was for personnel costs recognizing that the Secretariat is a service provider to most of its members.

Members would however be aware of the financial difficulties experienced by the Secretariat during the last quarter of 2013, which had a significant impact on the ability of the Secretariat to continue to operate normally and effectively. Whilst there was deep fears that this dilemma could negatively impact on the implementation of Annual Work Plan 2 of the TFCC Project this did not happen as staff commitment to the Project was at its highest despite the challenges.

In hindsight the underlying causes of this crisis can now be attributed to poor planning based on miscommunication or ill founded assumptions made on whether core funding support would continue to be provided.



CURRENT OCO ORGANISATIONAL STRUCTURE



DEDICATION TO FORMER OCO STAFF MEMBERS

This page is dedicated to the staff members of Oceania Customs Organisation Secretariat who have recently passed away and resigned from the organisation respectively.



THE PASSING OF MAINAGA TAAPE

The late Mainaga Taape from Tuvalu joined the Secretariat in February 2012 as the Trade Facilitation Officer under the Trade Management and Facilitation Division. He was an enthusiastic employee and was passionate about his job and was committed to serving the Members. Gratitude, humility, courage, fair-mindedness, humour, intelligence, and an enduring personal honesty were the hallmarks of Mainaga's collegial life. He built a cordial working relationships with the staff members of the OCO Secretariat. He will always be remembered for his jovial personality, wittiness, loving and caring nature. Mainaga is

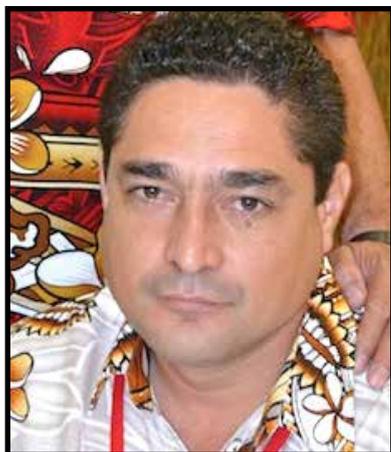
dearly missed by all his OCO Secretariat colleagues, friends, family and the members he served throughout the region.

THE PASSING OF NATHANIEL TUISEKE

Nathaniel Tuiseke joined the Secretariat as the Finance Manager in August 2010. The Secretariat did not have a separate Finance Division prior to his recruitment and he played a significant role in the setting up a Financial System, which also brought about changes in the streamlining of financial processes and procedures. Late Nathaniel displayed a good balance of leadership, professionalism and responsibility. He developed a good working rapport with his co-managers and other staff members of the OCO Secretariat. Nathaniel will always be remembered for his friendly and cheerful nature. He is deeply missed by the staff members of the OCO Secretariat, family and friends.



RESIGNATION OF PAUL MEREDITH



Paul Meredith joined the Secretariat in March 2011 as the Corporate Service Manager. He was an ambitious and a result driven professional. Paul was honest, committed, dedicated and a hard working employee. His major contribution includes the development of the OCO 10 Year Strategic Plan (2012-2022), Dress Code Policy, Vehicle Policy, compilation of Annual Reports, delivery of Baseline Survey Studies, Revenue Gap Analysis and development of Corporate Plans for selected OCO Members. He was an enthusiastic leader, who motivated his staff and built good working relationship with all his colleagues at OCO Secretariat and the Members he served. We wish him all the best in his future career.

RESIGNATION OF KULU BLOOMFIELD

Kulu Bloomfield, the former Head of OCO Secretariat joined the organisation as the Program Manager for Regional Trade Facilitation in 2006. Later on in 2009, he became the Head of Secretariat. He tendered his resignation in January 2014. During his tenure in the OCO Secretariat, he supported and contributed to the numerous initiatives undertaken by the Secretariat in its effort to assist in the reforming and modernizing of Customs Administrations in the Oceania Region. As a firm leader, the former HOS portrayed utmost support for the OCO Member Administrations whilst also providing capacity building resources for the OCO staff to serve members with enhanced capacity building initiatives.



DIVISIONAL REPORTS 2013

LAW ENFORCEMENT AND SECURITY DIVISION

2013 has been a challenging year for the Law Enforcement and Security Division given the continuation of implementation of the bulk of the activities outlined in the TFCC Project funded by the European Union. This consisted of the implementation of Annual Work Plan (AWP 2) being undertaken as well as the core responsibilities of the Division.



The TFCC activities involved assisting members with the legislative drafting, national stakeholder consultations on legislation and regulations, conducting national workshops on Intelligence, Investigation and Risk Management. There was also assistance provided to adopt the Standard Operating Procedures (SOP) and Training manual on respective components, the Rules of Origin (ROO) Training for Customs and Trade Officials and furthermore the Rules of Origin (ROO) training and Consultation with the Private Sector.

1. LEGISLATIVE REVIEW AND REFORM

In 2013, Pre-Drafting visits were made to the Republic of Marshall Islands (RMI), Niue and Kiribati. Following the pre-drafting visits RMI and Niue confirmed dates and officers to be released for the drafting phase. Kiribati confirmed their willingness to go through with legislative drafting but needed certain matters to be cleared with the Attorney General's Office.

Legislative review and drafting was carried out for RMI and Niue. For the RMI drafting phase, the RMI Assistant Secretary of Finance and the Assistant Attorney General were engaged to undertake the drafting of RMI Customs Bill. Due to the shortage of staff in the Niue Crown Law Office, only the Collector of Customs was engaged for the first phase of the drafting.

The Secretary for Justice in Nauru had accepted the assistance to be provided by OCO and will liaise with the Law Enforcement and Security Advisor to complete the process before the conclusion of AWP 2 in 2014.

National Stakeholder Consultations

Subsequent to legislative drafting for RMI the national consultation and awareness campaign on legislative changes for key stakeholder was completed on March 8th 2013.

Due to the unavailability of a representative from the Niue Crown Law to be engaged in the drafting of Customs Bills certain legal and policy issues need to be further discussed with the Solicitor General before the National Stakeholder Consultations for Niue can be carried out.

2. INTELLIGENCE, INVESTIGATION AND RISK MANAGEMENT

Under the EU funded TFCC Project, the Regional Intelligence and Investigation Management workshops were conducted in 2012 for the 15 PACP member administrations. At the conclusion of the training workshop, the participants developed a Standard Operating Procedure (SOP) to be used as a regional template for adaptation by the member administrations. A Training Manual was also compiled to support the implementation of the SOP. A Summary of Outcomes was drawn up to strategise the way forward and an Action Plan was developed to translate the key outcome objectives into action items for appropriate interventions at the national level.



Subsequently, as part of the follow-up, national training on Investigation and Risk Management were conducted for the Cook Islands, Kiribati (Tarawa and Kiritimati), Fiji (Savusavu), Palau, Tonga, Tuvalu, Vanuatu and the Solomon Islands to assist with the strengthening of their capacities in Intelligence and Investigation the national level. The same is also planned for Nauru, the Republic of the Marshall Islands (RMI), Federated State of Micronesia (FSM) and Papua New Guinea (PNG) and is intended to be completed by the end of April 2014.

The national workshops were also involved with the development of Training Manuals and Standard Operating Procedures for Intelligence, Investigations and Risk Management. These materials are intended to be used for internal training of other staffs within each Customs administration as part of transfer of knowledge.

3. RULES OF ORIGIN (ROO) TRAINING FOR CUSTOMS & TRADE OFFICIALS

The Rules of Origin training was conducted for the Cook Islands, Vanuatu, Tonga, Niue, Kiribati, Tuvalu, Samoa and the Solomon Islands. The Workshop was attended by Customs officers, trade officials and other key stakeholders. The training aimed to increase awareness on what the Free Trade Agreements could provide, familiarize key stakeholders with the roles and procedures, build technical and administrative capacity of national institutions and discuss the different methodologies of determining ROO in FTA.

Rules of Origin (ROO) Training and Consultation with the Private Sector

Recognising the need for the private sector to be trained and consulted and be able to contribute effectively to the PACER Plus negotiation, the Secretariat undertook an initiative in conjunction with the Pacific Island Private Sector Organisation (PIPSO), Office of the Chief Trade Advisor (OCTA) and other key stakeholders to develop a training manual for the Private Sector that outlines



the specific details of criteria used to determine ROO especially the use of Product Specific Rules (PSR). The countries that were recipient of this initiative were PNG, Samoa, Vanuatu and Tonga.

4. UNEP OZONE DEPLETING SUBSTANCE NATIONAL TRAINING WORKSHOP

Following the signing of the MOU between UNEP and OCO in 2005 on ODS training for Customs Officials and on the basis of implementing the HPMP for Pacific Island Countries, the UNEP agreed to continue to partner with the OCO under a Small Scale Funding Agreement (SSFA) that was signed during a UNEP organised regional meeting held at the Outrigger on the Lagoon Resort in Sigatoka, Fiji, in May 2011.



The key objective of the SSFA was to assist 12 PIC Customs administrations in the implementation of HPMP at the national level. An important component of the agreement was to build law enforcement capacity for customs and law enforcement officials by providing the necessary skills and knowledge on how to effectively monitor and control ODS trade with particular emphasis on HCFC and to further ensure that PIC's comply with their obligations to the Montreal Protocol. It further aimed to create awareness and familiarise key stakeholders involved with the ODS trade on the requirements relating to the importation of ODS. .

The Secretariat completed the project in October 2013 and the following countries were recipient of the HPMP implementation: the Cook Islands, FSM, Kiribati, Nauru, Niue, Palau, RMI, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

5. JOINT BORDER MANAGEMENT TRAINING (OCO, PIDC, PIFS)

Through funding provided by the Pacific Islands Forum Secretariat (PIFS), the Secretariat through the LESD and in conjunction with PIDC and PIFS, conducted Joint Border Management training in Kiribati, Niue and Tonga. The training targeted Customs, Police, Immigration and other border control officials. The objective of the training was to set a platform for an integrated approach amongst border officials to prevent emerging transnational crime activities coming through the borders. The topics included were designed to meet the current trends and developments emerging out of the region through various intelligence agencies and reports received by the law enforcement agencies. The OCO delivered on the aspects of applying Risk Management to ensure that the risk associated with trade and travel are manageable and that it does not compromise revenue collection and border security.

6. FORUM REGIONAL SECURITY COMMITTEE (FRSC) WORKING GROUP ON STRENGTHENING INFORMATION MANAGEMENT, SUVA, FIJI

Through funding from the Pacific Island Forum Secretariat the LESD attended the Working Group for Strengthening Information Management held in Samoa from 20 to the 21 October 2013.

It was highlighted that producing the bi-annual Customs Regional Information Network (CRIN) bulletin was made difficult by the limited number of reports submitted by members.

An update was provided to the working group on activities under the TFCC project which support gathering and sharing of information such as providing IT infrastructure support, National capacity building in Customs Risk Management, Intelligence, Investigation, Post Clearance Audit and assistance to modernise Customs legislation.

7. PACIFIC ISLANDS CHIEFS OF POLICE CONFERENCE (PICP): RAROTONGA, COOK ISLANDS.

The LESD was represented at the Pacific Islands Commissioners of Police Conference held in Cook Island on the 27th to the 29th of August 2013.

The Commissioners were briefed on the Activities carried out under the TFCC project, which support not only enforcement of laws at the border but also at the domestic jurisdiction.

Emphasis was placed on Customs Risk Management, Intelligence and Investigation training, Post Clearance Audit training and Legislative Drafting.

The Commissioners showed enthusiasm in having their staff attend the Customs Risk Management, Intelligence and Investigation training and expressed their support for an enabling legislation which complements local enforcement efforts and tighten security at their borders.

The Commissioner of Palau was very vocal in praising the efforts OCO has put in to provide Intelligence and Customs training for their Customs Administration. The Commissioners reaffirmed their support and encouraged the participation of Customs in their Transnational Customs Units.

8. PACIFIC ACP (PACP) MINISTERIAL AND SENIOR OFFICIALS MEETING, NADI FIJI

The LES Division represented the Secretariat in this meeting, which sought to conclude the negotiating position of the PACP Countries relating to the proposed PACP-EU Economic Partnership Agreement (EPA).

The meeting also discussed the current status of the draft Pacific Aid for Trade Strategy and the intended process for its finalisation. Time was also taken to finalise the National Indicative Programs and the Regional Indicative Programs for the 11th EDF.

9. PACIFIC AGREEMENT ON CLOSER ECONOMIC RELATIONS (PACER PLUS): MINISTERIAL AND SENIOR OFFICIALS MEETING. APIA, SAMOA.

The LES Division represented the Secretariat in this meeting, which discussed the various contentious issues still under negotiation between the Pacific Island Countries (PICs) and Australia and New Zealand. A majority of the issues under the Customs Chapters are being further considered by both parties for conclusion. From this meeting, it was agreed that the Office of the Chief Trade Advisor (OCTA), OCO Secretariat and New Zealand Customs Service collaborate to deliver training on Product Specific Rules (PSR) to PIC's. Training under this cooperation arrangement has been completed in Samoa and PNG.

10. INSTALLATION OF IT EQUIPMENT TO SUPPORT INTELLIGENCE, INVESTIGATION, RISK MANAGEMENT AND OCO SMALL CRAFT REPORTING SYSTEM.

The Project Division also undertook to support the work done by the LES Division by installing IT Equipment in several countries for the purpose of data collection for Intelligence, storage of reports for Investigations and establishment of Risk Management System.

The IT Section also installed the Small Craft Reporting System Database for all of these administrations to provide reports of small craft movements within their respective jurisdictions. It is intended that these information will in future be shared with other Law Enforcement Agencies in the region.

TRADE MANAGEMENT & FACILITATION DIVISION

The year 2013 was another busy year for the Division as it witnessed the implementation of a number of interventions at the national level in the member PACP Customs Administrations aimed at modernising and revitalising their business systems and processes towards bringing them in alignment with the international best practices. These activities were undertaken as part of our continued effort to achieve the overall objectives of the TFCC Project to improve their efficiency and effectiveness in the delivery of their services with particular emphasis to facilitation of trade. The transformation initiatives included implementation of the Harmonised Coding (HCS), WTO Valuation Agreement, Risk Management, Post Clearance Audit, adoption of the Revised Kyoto Convention (RKC) & SAFE Framework of Standards (FoS), and the Twinning Program. Refer to the table below for more detailed information on the activities delivered during 2013 as outlined in the Work Plan. The Division also played a key role in securing bilateral co-operation with ADB for joint participation in some of the capacity building initiatives for our members.



ACTIVITIES DELIVERED IN 2013

	Activity	Member administrations
01	Diagnostic Mission	Noruru, Norfolk Island
02	Harmonised Coding System	Solomon Islands, Vanuatu
03	WTO Valuation Agreement	Palau, Solomon Islands, Tonga, Tuvalu
04	Post Clearance Audit	Kiribati, Solomon Islands, Tuvalu, Vanuatu
05	Risk Management	Cook Islands, Kiribati, Palau, Tuvalu
06	Twinning Program	FSM, Fiji, Kiribati, Palau, PNG, Samoa, Solomon Is, Tonga, Tuvalu, Vanuatu
07	Adoption of RKC/SAFE FoS - Feasibility Study for Single Window System	Fiji

The development of the model Customs Tariff Act has been another milestone achievement for the TMF Division. The members can use this as a template to modernise or upgrade their HS legislation. The lack of proper legal framework was a major contributing factor for the delay in implementation of the HS System in some of the smaller administrations.

Looking back to our accomplishments since the inception of the TFCC Project one can say that we have covered a lot of grounds in a relatively short span of time which is an unprecedented achievement for OCO as a whole. The recipient administrations can expect to reap potential improvements in the performance of their core functions namely revenue collection and trade facilitation once these innovations are fully institutionalised within their organisations. However, there is still more work to be done. It is extremely imperative that we must maintain the tempo of the organisational change at all cost to ensure its sustainability. Our key focus for next year will be therefore directed more towards implementing practical solutions addressing the existing impediments and bottlenecks. Otherwise we will run the risk of falling short of achieving the desired impact of these capacity building efforts. The challenge now is how to build upon existing priorities of the national administrations to lend support in the development of appropriate strategies to tackle the road blocks that are slowing us down or decelerating progress. To this end we will continue to work in close partnership with the national administrations to adopt a systematic approach in overcoming the inherent inhibitions. Change management has been another challenge for some of our members as this involves a paradigm shift of the current work culture and mind-sets of Customs staffs into embracing the best practice adopted by other Customs organisations. The planned interventions have been prioritised in our 2014 Annual Work Plan.

The matrix below provides an updated summary depicting members' level of compliance with international standards and best practice.

CURRENT LEVEL OF COMPLIANCE WITH WCO STANDARDS & CONVENTIONS

Member	HCS	Revised Kyoto Convention	SAFE FoS	WTOVA	Risk Management	Automation	ARUSHA Declaration	Post Clearance Audit
Cook Is	2012	Partly	No	Yes	Yes	CusMOD	Yes	No
Fiji	2012	Yes	Yes	Yes	Yes	ASYCUDA++	Yes	Yes
FSM	2012	No	No	No	No	PC Trade	No	No
Kiribati	2012	Partly	No	Yes	Yes	PC Trade	Yes	Yes
Nauru	No	No	No	No	No	PC Trade	No	No
Niue	2012	No	No	No	No	PC Trade	No	No
Palau	2012	No	No	Yes	Yes	PC Trade	No	No
PNG	2012	Yes	Yes	Yes	Yes	ASYCUDA++	Yes	Yes
RMI	No	No	No	No	No	No	No	No
Samoa	2012	Yes	-	Yes	No	ASYCUDA++	Yes	No
Solomon Is	2012	No	No	Yes	Yes	PC Trade	Yes	Yes
Timor Leste	Yes	Yes	-	No	-	ASYCUDA++	Yes	No
Tonga	2012	Yes	No	Yes	Yes	CMS	Yes	Yes
Tuvalu	2012	No	No	Yes	Yes	PC Trade	No	Yes
Vanuatu	2012	Yes	No	Yes	Yes	ASYCUDA++	Yes	Yes
New Caledonia	2007	Yes	No	Yes	No	ASYCUDA++	Yes	No
French Polynesia	2007	Yes	No	Yes	No	ASYCUDA++	Yes	No
Wallis & Futuna	Yes	Yes	No	Yes	No	-	No	No
Norfolk Is	No	No	No	No	No	-	No	No
American Samoa	No	No	No	No	No	-	No	No
Guam	-	-	-	-	-	-	No	No
CNMI	No	No	No	No	No	No	No	No

CORPORATE SERVICES DIVISION

The Corporate Services Division has been providing the backstopping support to the functions of the OCO Secretariat. This includes supporting other divisions of the OCO Secretariat namely the Law Enforcement, Trade Facilitation and Research and Development Division and the Project Division in the areas of Human Resources, General Administration, Financial Services, and Information Communication and Technology. Under the Corporate Services Division is the provision of ICT supporting role in terms of infrastructure for automation, use of the network and operating systems, and assist in providing the Secretariat the functionality it needs for business continuity.



The Corporate Services Division will continue to support the OCO Secretariat to ensure the achievement of the OCO 10 Year Strategic Plan Mission. The OCO Secretariat with the cooperation of its members shall commit to the followings;

1. Provide Quality Services
2. Deliver assistance in line with the Declaration of the prevailing OCO Charter and the members' commitment to fulfil their obligation under the OCO Charter
3. Build Capacity, both in Human Resources and Institutional in all areas of customs such as Trade Facilitation, Law Enforcement and Security, Economic and Social development
4. Provision of professional Technical Advice and assistance pertaining to customs functions and responsibilities thereby contributing to the improvement of the efficiency and effectiveness of customs service delivery
5. Promote good governance in OCO member administration by adopting WCO Code of ethics (Revised Arusha Declaration)
6. Ensure efficient and timely delivery of donor funded activities to successfully meet envisaged goals and objectives within a transparent and accountable manner as guided by the Paris Declaration on Aid Effectiveness.
7. Provide assurance of the progressive development and continuation of the OCO Secretariat in the delivery of its core responsibilities
8. Secretariat and members shall continue to seek funding assistance for the long term sustainability in addressing gaps in the modernization and reform program.
9. Both parties must ensure to solicit financial support for the development and delivery of new initiatives that must arise in the areas of Trade Facilitation, Law Enforcement & Security, social and economic development.
10. Closer cooperation and stronger commitment from Members to support the OCO Secretariat in the aforementioned areas.

In 2013, the Corporate Services division continued to play an important role in the delivery of its services such as maintaining and updating the fixed assets register, procurement and stock take of office supplies, managing staff leave, staff performance appraisals, development of organisational and strategic reports, preparation of financial reports, compilation of the Annual Report and making pre-conference arrangements for the 2014 Annual Conference.

Corporate Plans were developed in 2013 for a number of selected PACP member countries namely Palau, Niue, Marshall Islands and Kiribati.

The Corporate Services Division also co-shared a number of activities with the Research and Development Division in 2013. This includes the Baseline Survey Studies and Trade Statistical Development based on Customs Data.

The Baseline Survey Studies delivered in collaboration with the Research and Development Division in 2013 was for the following OCO Member Countries:

1. Palau
2. Niue
3. Cook Islands
4. Nauru
5. Papua New Guinea

IT SERVICES

In early 2013, a new business telephone system (PBX) was installed in the Secretariat office funded by the EDF10 TFCC Project. This replaces the three direct lines shared amongst twenty staff. The PBX system helped increased productivity and collaboration within staff and stakeholders. This system is centrally managed and is integrated with the network infrastructure and the email system. It includes an auto attendant system, voice mail and conference call features amongst others.

Later in the year the OCO Website upgrade project also funded under the Project Division was completed offering a new user-friendly design and layout for improved information sharing, dissemination and collaboration. The new website features news, events, documents and publications, media gallery, staff and registered members area and much more.

The IT officer along with the Automation Analyst were also involved in various IT upgrade activities in some PACP Member Administrations, coordinated and funded by the TFCC Project. The IT Upgrade project included the purchase and supply of servers, desktop computers, and printers and installation of the items at designated PACP member administrations, migration of data to the new server, networking and training of in-house staff on basic maintenance and administration of the system. More details of those activities have been highlighted in the TFCC Project report.

RESEARCH AND DEVELOPMENT DIVISION

The Research and Development Division is mandated to empower and assist the OCO Secretariat and its Members to respond to challenges pertaining to their Customs operational affairs and development efforts thereby maximizing their chances of implementing their current and future Customs operational, development and management businesses with steadfastly rising and enriching effectiveness, efficiency and sustainability.



In 2013, the Research and Development Division continued to carry out activities and provide professional and technical services to the Members. This included baseline assessments of status performances and developments of the OCO Members Customs Data & Trade Statistics. Therefore, activities delivered in 2013 revolved around the Baseline Survey Studies and the development of Customs Data and Trade Statistics for selected Members such as Palau, Niue, Cook Islands Nauru, PNG and Niue, Kiribati and Republic of Marshall Islands.

Currently, the Research and Development has the responsibility of delivering and executing activities under the Trade Facilitation in Customs Corporation (TFCC) Project. The two main focus areas pertaining to Customs capacity building include;

- I. Establishment of baseline assessment indicators on status performances
- II. Development of the Member Customs Administrations' Customs Data & Trade Statistics.

1. **Establishment of baseline assessment indicators on status performances**

These baseline assessment requirements have pertained to the following core perspectives, outcome dimensions of Customs operations, administration, management, and development of the Customs Administrations:

- The compliance of Customs systems, processes and procedures of the member to applicable international standards and best-practices
- The efficiency of the Customs operations of the member (as gauged and measured through the Time Release Studies)
- The current level of compliance of customers to the Customs regulations, rules & procedures of the member
- The satisfaction of customers with respect to services rendered by the Customs Administrations

2. **Development of the National Member Customs Administration Customs Data & Trade Statistics.**

From the Member Country perspectives, the statistical data-base prevailing and development characterization have been linked to the underlying General Information Systems of the Member Customs Administration:

- OCO Member Country's participation in *International Trade In Goods* – the rationale for the National Need for a *Customs Service* as well as a sound and

- sustainable system of Customs Data and Trade Statistics
- Customs Data and Trade Statistics Development – Pertinent Particulars & Stylized Facts of the Member Country's Macro Context
- Inquiring into the Member Country's prevailing System of Customs Data & Trade Statistics through its National Customs Service as Hub Operator
- Reengineering the Member Country's System of Customs Data and Trade Statistics through its National Customs Service as Hub Operator
- OCO Member Country's Reengineered System of Customs Data and Trade Statistics
- Challenges: Calls for Effective Driving Incentives

The following Tables contain statistical level estimates for selected indicators (*Objective Verifiable Indicators*) of some OCO Member Countries as they were established through the applications to these countries by the Research & Development Division of the **Baseline Assessment Study (BAS)** mandated under the **Trade Facilitation in Customs Cooperation (TFCC) Project**.

Table 1: Clearance times for imports

Country	Air Freight	Sea Freight
Country A	1 to 2 Days	9 to 10 Days
Country B	< 1 Day	7.3 Days
Country C	1.1 Day	6 Days
Country D	3.2 Days	12.5 Days
Country E	<1 Day	8 to 9 Days
Country F	1 to 2 Days	4.2 Days
Country G	<1 Day	4 Days
Country H	1.4 Days	3.7 Days
Country I	9.6 Day	< 0.5 Days
Country J - Region 1 (P)	NA	6.94 Days
Country J - Region 2 (P)	NA	6.86 Days
Country J - Region 3 (P)	NA	NA

Source: Research and Development Division, OCO Secretariat

Table 2: Customer Compliance

Country	Compliance Index	Expanded Compliance Index
Country A	82.48	784.92
Country B	79.84	778.75
Country C	87.47	771.54
Country D	79.97	764.84
Country E	90.19	650.00
Country F	61.52	621.15
Country G	81.61	605.38
Country H	70.67	603.30
Country I	48.63	530.00
Country J - Region 1 (P)	77.64	656.97
Country J - Region 2 (P)	69.44	622.22
Country J - Region 3 (P)	81.25	737.50

Source: Research and Development Division, OCO Secretariat

Table 3: Customer Satisfaction

Country	Index 1000 = Completely Satisfied
Country A	Not Available
Country B	650.74
Country C	633.48
Country D	582.36
Country E	570.17
Country F	544.35
Country G	541.96
Country H	520.54
Country I	317.59
Country J - Region 1 (P)	610.17
Country J - Region 2 (P)	618.52
Country J - Region 3 (P)	557.33

Source: Research and Development Division, OCO Secretariat

Note: Country J has Provisional (P) Indicators

(NB: The countries' identities are suppressed to protect the confidentiality & sensitivity of information).

PROJECT MANAGEMENT DIVISION

After completing two years of implementation of the Trade Facilitation in Customs Cooperation (TFCC) Project, the Project Division is obligated to ensure that the Project is on the right track by conducting internal monitoring and evaluation of the Project's various interventions conducted for the 15 PACP member administrations under AWP 1 and 2 of 2012 and 2013 respectively. The purpose of such mission is to find out the status of the interventions that the TFCC project has completed for the 15 PACP member administrations to date and also to update respective administrations about the upcoming activities that the TFCC Project has planned for the next phase. Monitoring and Evaluation is instrumental in all project implementations. Although they may be adopted and managed under different modalities, the ultimate aim is to provide an early warning concerning any unwarranted deviation with regard to initial project plan. This information is used to assess the physical and financial progress of the project and the achievement of results to date. It is important to note that the outcomes of the internal Monitoring and Evaluation missions will form the integral part of the report for any upcoming European Union independent Mid-Term Review missions conducted annually. Under the AWP 2, the Project Division has completed the Monitoring and Evaluation missions for Palau, FSM, Tuvalu, Niue, Tonga, Vanuatu, Solomon Islands, Kiribati and recently RMI. The remaining countries are Fiji, PNG, Samoa, Nauru, Timor Leste and Cook Islands which have been included under AWP3 for implementation.



The TFCC planned activities are geared towards enhancing PACP Customs Services compatibility with the international standards and these measures are building blocks to setting an enabling environment conducive for increasing private sector competitiveness and increasing international market access for the exports from member countries.

The TFCC Project interventions are aimed at improving trade facilitation through improved Customs management and efficient systems.

The implemented Activities continue to be based on the TFCC Project's originally prescribed three (3) Key Result Areas, namely:

- Result 1: Improved and sustainable institutional capacity of the OCO Secretariat**
- Result 2: Internationally-compliant customs legislation developed, adopted and enacted by PACPs**
- Result 3: Internationally Compliant Customs Processes and Systems in use in PACPs**

The structure of the TFCC Project activities comprises six (6) activities under KRA 1, six (6) activities under KRA 2 and fifteen (15) activities under KRA3. The outcomes of these activities must contribute directly to the objectives of the Key Result Areas and ultimately to the TFCC and SPEITT objectives. In 2012 and 2013, the Project has implemented a number of activities for the 15 PACP member administrations towards assisting them to improve their systems and procedures to enhance their alignment with international standards and best practice.

Country	Activities to Date	Activities Planned	Problems/Constraints	Mitigation Regime	Estimated Project expenditure to date (per country)
	<p>Completed Completed Completed Completed</p> <p>AWP2-2013</p> <p>Completed Completed Completed Completed Completed Completed Completed Completed</p>	<p>IT Feasibility Study</p> <p>Twining Program 1</p> <p>Regional Workshop on Intelligence</p> <p>Regional Workshop on Investigation</p> <p>AWP2-2013</p> <p>IT Development: Develop of Corporate Plan</p> <p>Regional Group Working on RGD</p> <p>Regional Group Working on HCS</p> <p>Twining Program</p> <p>Baseline Survey</p> <p>-Benchmarking of Release Time Study</p> <p>-Benchmarking Customers Satisfaction Study</p> <p>-Benchmarking Compliance Level</p>	<p>➤ The major constraint the OCO anticipated is associated with the ability of the Administration to sustain Customs Modernization programmes.</p> <p>➤ There are planned activities for AWP2 to be rolled over to AWP3.</p> <p>➤ There is still a need to improve automation systems and the equipment for border security.</p> <p>➤ The lack of Political Support by Nauru</p>	<p>➤ Conduct training and capacity building for the administration to bridge the knowledge gaps identified.</p> <p>➤ The OCO is working on developing a policy and appropriate plan to address this issue on medium and long term basis.</p> <p>➤ The TFCC proposed for an extension of the project and this was addressed during 2013 TFCC Mid-Term Review.</p> <p>➤ The OCO is coordinating future assistance to complete this need for the Nauru.</p> <p>➤ The OCO has conducted mission to resolve this issue.</p>	<p>AWP1: 13,306€</p> <p>AWP2: 73,615 €</p> <p>TOTAL: 86,921€</p>
Niue	<p>Completed Completed Completed</p>	<p>AWP1-2012</p> <p>Twining Program 1</p> <p>Regional Workshop on Intelligence</p> <p>Regional Workshop on Investigation</p> <p>Regional Workshop on Post Clearance Audit</p>	<p>➤ The major constraint that the OCO anticipated is associated with the ability of the Administration to sustain Customs Modernization programmes.</p>	<p>➤ Conduct training and capacity building for the administration to bridge the knowledge gaps identified.</p>	<p>AWP1: 10,596€</p>
	<p>Completed</p> <p>On-going AWP3</p> <p>Completed Completed Completed Completed Completed Completed Completed Completed Completed Completed Completed Completed Completed</p>	<p>National Workshop on Rules of Origin</p> <p>AWP2-2013</p> <p>Legislation Review</p> <p>Legislation Stakeholders Consultation</p> <p>National Workshop on HCS</p> <p>Diagnostic Study</p> <p>IT Feasibility Study (PC Trade)</p> <p>IT Installation and Development</p> <p>Develop of Corporate Plan</p> <p>National Workshop on PCA</p> <p>National Workshop on HM</p> <p>National Workshop on Intelligence</p> <p>Regional Group Working on RGD</p> <p>Regional Group Working on HCS</p> <p>Twining Program</p> <p>Baseline Survey</p> <p>- Benchmarking of Release Time Study</p> <p>- Benchmarking Customers Satisfaction Study</p> <p>- Benchmarking Compliance Level</p>	<p>➤ There are planned activities for AWP2 to be rolled over to AWP3.</p> <p>➤ There is still a need to improve automation systems and the equipment for border security.</p>	<p>➤ The OCO is working on developing a policy and appropriate plan to address this issue on medium and long term basis.</p> <p>➤ The TFCC proposed for an extension of the project and this was addressed during 2013 TFCC Mid-Term Review.</p> <p>➤ The OCO is coordinating future assistance to complete this need for Niue.</p>	<p>AWP2: 61,590 €</p> <p>TOTAL: 82,186€</p>
Falau	<p>Completed Completed Completed Completed Completed Completed Completed</p>	<p>AWP1-2012</p> <p>Diagnostic Study</p> <p>IT Feasibility Study</p> <p>Twining Program 1</p> <p>Legislative Updates and Review</p> <p>Regional Workshop on Intelligence</p> <p>Regional Workshop on Investigation</p> <p>Regional Workshop on Post Clearance Audit</p> <p>Regional Workshop on HCS</p> <p>National Workshop on Harmonising Coding Systems</p>	<p>➤ The major constraint the OCO anticipated is associated with the ability of the Administration to sustain Customs Modernization programmes.</p>	<p>➤ Conduct training and capacity building for the administration to bridge the knowledge gaps identified</p> <p>➤ The OCO is working on developing a policy and appropriate plan to address this issue on medium and long term</p>	<p>AWP1: 158,302€</p>



Country	Activities to Date	Activities Planned	Problems/Constraints	Mitigation Regime	Estimated Project expenditure to date (per country)
	<p>Completed Completed AWFS AWFS</p> <p>Completed Completed Completed AWFS AWFS Completed Completed Completed Completed Completed Completed Completed Completed Completed Completed Completed</p>	<p>AWP2-2013 TFDC Monitoring and Evaluation Study IT Installation and Development Develop of Corporate Plan Code of Conduct in compliance with Aneka Declaration</p> <p>National Workshop on Risk Management National Workshop on Intelligence National Workshop on Investigation National Workshop on WTD Valuation National Legislation Training for Private Sector and Government Officials PC Trade Feasibility Study National Workshop on Rules of Origin Regional Group Working on Rules of Origin Regional Group Working on HDS TFDC Monitoring and Evaluation Study Twinning Program Baseline Survey - Benchmarking of Release Time Study - Benchmarking Customers Satisfaction Study - Benchmarking Compliance Level National Workshop on RCO</p>	<p>> There are planned activities for AWP2 to be rolled over to AWP1.</p> <p>> There is still a need to improve automation systems and the equipment for border security.</p>	<p>basic.</p> <p>> The TFDC proposed for an extension of the project and this was addressed during 2013 TFCC Mid-Term Review.</p> <p>> The OCO is coordinating future assistance to complete this need for Pohn.</p>	<p>AWP2: 199,000 €</p> <p>TOTAL: 357,300€</p>
PNG	<p>Completed Completed Completed</p> <p>Ongoing Completed Completed Completed Completed Ongoing</p>	<p>AWP1-2012 Regional Workshop on Intelligence Regional Workshop on Investigation Regional Workshop on Post Clearance Audit</p> <p>AWP2-2013 Feasibility Study on Single Window National Workshop on Rules of Origin (ROO) Regional Group Working on RCO Regional Group Working on HDS Twinning Program Baseline Survey</p> <p>- Benchmarking of Release Time Study - Benchmarking Customers Satisfaction Study - Benchmarking Compliance Level</p>	<p>> There is still a need to improve automation systems and equipment for border security.</p> <p>> There are planned activities for AWP2 will be rolled over to AWP1.</p>	<p>> The OCO is coordinating future assistance to complete this need for PNG.</p> <p>> The TFDC proposed for an extension of the project and this was addressed during 2013 TFCC Mid-Term Review.</p>	<p>AWP1: 41,367€</p> <p>AWP2: 119,815 €</p> <p>TOTAL: 160,600€</p>
Samoa	<p>Completed Completed Completed Completed Completed Completed</p> <p>AWFS AWFS AWFS AWFS AWFS AWFS AWFS AWFS Completed Completed Completed</p>	<p>AWP1-2012 Regional Workshop on Intelligence Regional Workshop on Investigation Regional Workshop on Post Clearance Audit Baseline Survey - Benchmarking of Release Time Study - Benchmarking Customers Satisfaction Study - Benchmarking Compliance Level</p> <p>AWP2-2013 Code of Conduct in compliance with Aneka Declaration National Workshop on WTD Valuation National Legislation Training for Private Sector and Government Officials Feasibility Study on Single Window National Workshop on PCA National Workshop on Intel National Workshop on Investigation National Workshop on RIM National Workshop on Rules of Origin Regional Group Working on RCO Regional Group Working on HDS Twinning Program</p>	<p>> The major constraint the OCO anticipated is associated with the ability of the Administration to sustain Customs Modernisation programmes.</p> <p>> There are planned activities for AWP2 to be rolled over to AWP1.</p> <p>> There is still a need to improve automation systems and the equipment for border security.</p>	<p>> Conduct training and capacity building for the administration to bridge knowledge gaps identified.</p> <p>> The OCO is working on developing a policy and appropriate plan to address this issue on medium and long term basis.</p> <p>> The TFDC proposed for an extension of the project and this was addressed during 2013 TFCC Mid-Term Review.</p> <p>> The OCO is coordinating future assistance to complete this need for Samoa.</p>	<p>AWP1: 16,345€</p> <p>AWP2: 22,890 €</p> <p>TOTAL: 39,235€</p>
Solomon Islands	<p>Completed Completed Completed</p> <p>Completed Completed Completed</p>	<p>AWP1-2012 Diagnostic Study IT Feasibility Study National Workshop on Harmonising Coding System Twinning Program II Legislative Updates and Review Regional Workshop on Intelligence</p>	<p>> The major constraint that the OCO anticipated is associated with the ability of the Administration to sustain Customs Modernisation programmes.</p>	<p>> Conduct training and capacity building for the administration to bridge the knowledge gaps identified.</p> <p>> The OCO is working on</p>	<p>AWP1: 120,197€</p>



PROJECT MANAGEMENT DIVISION (CONTINUED...)

As part of the European Union procedural requirements, External Monitoring is conducted annually for all the EU Funded projects. The European Union and other Key Actors in the Aid & Development Universe have adopted the ROM-Result Oriented Mission as its default methodology, entailing the use of standard procedures which takes place by means of short fact-finding visits to Project operational base and sites.

In September 2013, the independent Mid-Term Review (MTR) mission was engaged by the European Union to assess the development of various project funded activities under the 10th EDF Program. The MTR findings revealed that TFCC Project has been effective, efficient and relevant and have made satisfactory progress towards the achievement of the project objectives despite some difficulty in its operating environment and some implementation challenges. The impact of TFCC, though not measurable, seems likely to exceed expectations as unpredicted long-term positive effects begin to be realized. Furthermore, it is quite early to judge the project sustainability as some smaller Pacific Island nations are yet to fully embrace the interventions introduced under the TFCC Project. To overcome this hurdle, it was suggested that there is a need to re-examine the way some of the training is delivered and provide provisions of post classroom practical training and mentoring which may help the smaller Pacific Island nations to grasp in-depth knowledge of the changes introduced to enable sustainability. It was also acknowledged that the TFCC Project is highly coherent with and contributes to EU's Aid for Trade Strategy. The promotion of Visibility is comparatively good. The exhibition of EU logos at all events and workshops and the preparation of the documentary DVD do have great merit and provides an avenue for showcasing the European Union Actions in the Pacific region.

The independent MTR mission has also highlighted that TFCC will require an extension in order to complete a number of activities that are crucial to the overall success of the program objectives and results. It was recommended that a minimum of one (1) year extension is needed but given that the TFCC was arbitrarily reduced from the planned 48 to 36 months, it will require an extension until end of 2016.



¹ Report on the independent Mid-Term Review of the Trade Facilitation in Customs Cooperation (TFCC) Component commissioned by the European Union

ANNEX 1: CORE OPERATIONS AUDITED FINANCIAL STATEMENT

**Oceania Customs Organization Secretariat
Special Purpose Financial Statements
31 December 2013**

**Oceania Customs Organization Secretariat
Special purpose financial statements
For the year ended 31 December 2013**

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Oceania Customs Organization Secretariat
Special purpose financial statements
For the year ended 31 December 2013

Statement by the Head of Secretariat

In my opinion:

- (1) the accompanying statement of income and expenditure is drawn up so as to give a true and fair view of the results of the Secretariat for the year ended 31 December 2013;
- (2) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of the Secretariat's affairs as at 31 December 2013;
- (3) the accompanying statement of changes in funds is drawn up so as to give a true and fair view of the movement in funds of the Secretariat for the year ended 31 December 2013; and
- (4) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Secretariat for the year ended 31 December 2013.

Dated at Suva this *7th* day of *November* 2014



.....
Allwyn Netto
Head of Secretariat



INDEPENDENT AUDITORS' REPORT

Report on the Special Purpose Financial Statements

We have audited the accompanying special purpose financial statements of Oceania Customs Organisation Secretariat (the 'Secretariat'). The special purpose financial statements comprise the Balance Sheet of the Secretariat as at 31 December 2013 and the Statements of Income and Expenditure, Statement of Changes in Funds and Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Secretariat's Responsibility for the Special Purpose Financial Statements

The Secretariat is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with its accounting policies and for such internal control as the Secretariat determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free from material misstatement.

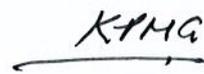
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of special purpose financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretariat, as well as evaluating the overall presentation of the special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the special purpose financial statements give a true and fair view of the financial position of the Secretariat as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with its accounting policies.

10th November, 2014
Suva, Fiji


KPMG
Chartered Accountants

Oceania Customs Organization Secretariat
Statement of income and expenditure
For the year ended 31 December 2013

	2013	2012
	\$	\$
Income		
Development partners	949,477	2,311,669
Members contribution	463,938	427,532
Contribution in kind	238,766	180,499
Other income	10,515	117,356
Total income	<u>1,662,696</u>	<u>3,037,056</u>
Expenditure		
Audit fees	22,660	13,225
Bank fees	6,657	9,551
Doubtful debts	134,292	72,241
General administration	534,620	439,199
Personnel costs	1,697,715	1,785,732
Unrealised exchange loss	93,136	24,251
Workshops/trainings/meetings	<u>222,079</u>	<u>316,585</u>
Total expenditure	<u>2,711,159</u>	<u>2,660,784</u>
(Deficit) / Surplus of Income over Expenditure	<u>\$ (1,048,463)</u>	<u>\$ 376,272</u>

The above Statement of income and expenditure should be read in conjunction with the accompanying notes.

Oceania Customs Organization Secretariat
Statement of financial position
As at 31 December 2013

	Notes	2013 \$	2012 \$
Assets			
Current assets			
Cash	2	28,248	414,014
Accounts receivable	3	<u>46,199</u>	<u>651</u>
Total current assets		<u>74,447</u>	<u>414,665</u>
Non-current assets			
Plant and equipment	4	<u>133,785</u>	<u>168,745</u>
Total assets		<u>208,232</u>	<u>583,410</u>
Liabilities			
Current liabilities			
Bank overdraft	2	126,415	-
Accounts payable	5	141,816	-
Accrued expenses	6	386,253	32,378
Advance general contributions	7	81,072	56,107
Employee entitlements		<u>137,296</u>	<u>111,082</u>
Total current liabilities		<u>872,852</u>	<u>199,567</u>
Net Assets		<u><u>\$ (664,620)</u></u>	<u><u>\$ 383,843</u></u>
Represented by:			
Reserves		(664,620)	383,843
Total Reserves		<u><u>\$ (664,620)</u></u>	<u><u>\$ 383,843</u></u>

The above Statement of financial position should be read in conjunction with the accompanying notes.

Oceania Customs Organization Secretariat
Statement of changes in funds
For the year ended 31 December 2013

	2013	2012
	\$	\$
Balance at the beginning of the year	383,843	7,571
Income		
AUSAID	949,477	903,169
NZAID	-	1,408,500
Members contribution	463,938	427,532
Contribution in kind	238,766	180,499
Other income	<u>10,515</u>	<u>117,356</u>
Total income	<u>1,662,696</u>	<u>3,037,056</u>
Expenditure		
Less: total expenditure	<u>(2,711,159)</u>	<u>(2,660,784)</u>
Total Reserves	<u>\$ (664,620)</u>	<u>\$ 383,843</u>

The above Statement of changes in funds should be read in conjunction with the accompanying notes.

Oceania Customs Organization Secretariat Statement of cash flows

For the year ended 31 December 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Contribution from members		578,618	314,483
Contribution from development partners		949,477	2,403,353
Payment to suppliers and employees		(1,976,891)	(2,257,754)
Interest and other receipts		<u>10,215</u>	<u>25,672</u>
Net cash (outflow) / inflow from operating activities		<u>(438,581)</u>	<u>485,754</u>
Cash flow from investing activities			
Proceeds from sale of fixed assets		300	-
Purchase of fixed assets		<u>(73,900)</u>	<u>(32,750)</u>
Net cash outflow from investing activities		<u>(73,600)</u>	<u>(32,750)</u>
Net (decrease) / increase in cash held		(512,181)	453,004
Cash at the beginning of the year		<u>414,014</u>	<u>(38,990)</u>
Cash at the end of the year	2	<u>\$ (98,167)</u>	<u>\$ 414,014</u>

The above Statement of cash flows should be read in conjunction with the accompanying notes.

Oceania Customs Organization Secretariat
Notes to and forming part of the special purpose financial statements
For the year ended 31 December 2013

1. Summary of significant accounting policies

The special purpose financial statements are prepared in accordance with Oceania Customs Organization Secretariat's accounting policies. This special purpose financial statement excludes the 10th European Development Fund.

(a) Basis of accounting

The special purpose financial statements have been prepared in accordance with the historical cost convention and on a going concern basis using the accounting policies described below. Unless otherwise stated, the policies are consistent with those of prior years.

(b) Functional and presentation currency

The functional and presentation currency is the Fiji dollar. Transactions conducted in foreign currency have been translated at the exchange rate at the date of transaction. The balance of funds at year end is translated to Fiji dollar at the year-end bank buying rate. Any unrealised exchange differences occurring is taken to the Secretariat's Statement of Income & Expenditure.

(c) Revenue recognition

- (i) **Contribution**
General contributions are recorded as income on an accrual basis. Those not received as at year end are fully provided for. Travel contributions are recorded as income on an 'as and when received' basis.
- (ii) Donor funds are recognised as income in the Statement of Income and Expenditure in the year of receipt.
- (iii) **Interest**
Interest is recognised on an accrual basis.
- (iv) Contribution in kind is recognised as income in the year of receipt. Contributions in kind represent office space provided by Fiji Revenue & Customs Authority as Fiji Government contribution towards the organisation based on agreement signed by both parties on 19 February 2010 for a term of 5 years. The agreement includes provision of office space and associated utilities free of charge.

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand, cash at bank and bank overdraft.

Oceania Customs Organization Secretariat

Notes to and forming part of the special purpose financial statements

For the year ended 31 December 2013

1. Summary of significant accounting policies - (Cont'd)

(e) Plant and equipment

Plant and equipment are stated at cost or at valuation by professional appraisers. Fixed assets are depreciated over their estimated useful lives.

Plant and equipment are depreciated at the following rates:

Furniture, fittings and equipment	20%
Computer equipment	40%
Motor vehicle	20%

Unless specifically provided for in the donor agreements, assets bought using donor funding are capitalised.

(f) Accounts receivables

Receivables, including Member contributions, are stated at cost less an allowance for doubtful debts.

The collectability of the debts is assessed at year end, and an allowance is made for any specific doubtful debt. In respect of outstanding Member contributions, provision is made for all contributions not received at year end.

(g) Employee entitlements

Employee entitlements represent the amount which the Secretariat has a present obligation to pay resulting from employees' services provided up to balance date. Current rates of pay are used in the calculation of entitlements.

(h) Accounts payables and accrued expenses

Commitments at year end include commitments for goods supplied and services rendered at the close of year and any other commitments entered into or liability incurred but not discharged at the close of the year.

(i) Income tax

OCO is exempt from income tax under the Fiji Diplomatic Privileges and Immunities Act.

Oceania Customs Organization Secretariat
Notes to and forming part of the special purpose financial statements
For the year ended 31 December 2013

1. Summary of significant accounting policies - (Cont'd)

(j) Reserves

The Reserves of the Secretariat reflects the accumulated surplus or deficit from the Secretariat's Funding – AUSAID Management, NZAID Management and Operational Funds.

(k) Comparative information

Comparative information has been restated where necessary to achieve consistency in presentation.

Oceania Customs Organization Secretariat
Notes to and forming part of the special purpose financial statements
For the year ended 31 December 2013

	2013	2012
	\$	\$
2 Cash		
Cash on hand	-	408
Operational Fund	17,017	164,213
AUSAID Management Fund	3,047	112,182
NZAID Management Fund	1,443	4,496
Consultancy Fund	<u>6,741</u>	<u>132,715</u>
	28,248	414,014
Less: bank overdraft	<u>126,415</u>	-
	<u>\$ (98,167)</u>	<u>\$ 414,014</u>
3 Accounts receivable		
Other receivables	159,130	651
Member contributions	<u>110,821</u>	<u>89,460</u>
	269,951	90,111
Less: provision for doubtful debts	<u>223,752</u>	<u>89,460</u>
	<u>\$ 46,199</u>	<u>\$ 651</u>
4 Plant and equipment		
Office furniture and computer equipment	225,053	151,153
Less: accumulated depreciation	<u>148,504</u>	<u>65,840</u>
	<u>76,549</u>	<u>85,313</u>
Motor vehicle	130,979	130,979
Less: accumulated depreciation	<u>73,743</u>	<u>47,547</u>
	<u>57,236</u>	<u>83,432</u>
	<u>\$ 133,785</u>	<u>\$ 168,745</u>
5 Accounts payable		
Amount owing to project – EDF 10 Fund	<u>\$ 141,816</u>	<u>\$ -</u>
6 Accrued expenses		
Accrued Salaries and wages	328,675	14,113
Educational Allowance	15,408	-
Accounting fees	33,231	13,225
Other accruals	<u>8,939</u>	<u>5,040</u>
	<u>386,253</u>	<u>32,378</u>

Oceania Customs Organization Secretariat

Notes to and forming part of the special purpose financial statements

For the year ended 31 December 2013

7	Advance general contributions Prepayments by members	\$ 81,072	\$ 56,107
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8 Related party

Identity of related parties

The Secretariat has a related party relationship with its executive officers.

	2013	2012
	\$	\$
<i>Key management personnel</i>		
During the year the following persons were the executives identified as key management personnel with the greatest authority and responsibility for planning, directing and controlling the activities of the Secretariat:		
Kulufeinga Anisi Bloomfield	Head of Secretariat	
Selwa Nandan	Trade Management & Facilitation Advisor	
Dr. Saia Kami	Research & Development Advisor	
Clement Taipala	Law Enforcement & Security Division Advisor	
Nathaniel Tuisseke	Finance Manager	
Paul Meredith	Corporate Services Manager	

The aggregate compensation of the key management personnel comprises of short term benefits only and is set out below:

Short term benefits	<u>1,038,814</u>	<u>967,167</u>
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Member Administrations

1. American Samoa
2. Australia
3. Cook Islands
4. Federated States of Micronesia
5. French Polynesia
6. Guam
7. Nauru
8. New Caledonia
9. New Zealand
10. Norfolk Islands
11. Northern Marianas
12. Niue
13. Palau
14. Papua New Guinea
15. Republic of Fiji
16. Republic of Kiribati
17. Republic of Marshall Islands
18. Republic of Vanuatu
19. Samoa
20. Solomon Islands
21. Timor Leste
22. Tonga
23. Tuvalu
24. Wallis and Futuna



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