

## **WCO Revenue Management Conference**

10-11 December 2009

Brussels, Belgium

### ***Opening remarks by Kunio Mikuriya Secretary General of the World Customs Organization***

Ladies and Gentlemen,

Welcome to the heart of the global customs community. It is a great pleasure and honour to speak on an issue that is of vital importance to WCO Members, especially in the developing world. I would also like to thank all speakers and moderators for coming to Brussels to discuss approaches on revenue management.

It is well-established that Customs is instrumental in contributing to socio-economic development through revenue collection and the facilitation of legitimate trade, and by providing increased security to the global supply chain and protecting society. We have gathered here to discuss and debate methods to achieve fair, effective and efficient revenue collection. It is a responsibility that has been and will continue to be at the top of Customs administrations' agenda for many years to come. Ultimately, we must remember that effective revenue management enables many countries to fund vital government programmes for healthcare, law enforcement, poverty reduction and environmental protection. Without this funding many governments would be unable to provide even the basic level of service to society. That is why the WCO must do what it can to assist its Members who have revenue collection as a key responsibility.

In the global context the financial crisis has put pressure on many of our Members. International trade volumes plummeted in 2008 and while there has been some stabilization, trade has not fully recovered to the highs of 2007 and may not for many years.

The pressure on Customs administrations derives from the obvious correlation between lower international trade volumes and lower Customs income. However revenue targets still exist and sometimes they remain at an unrealistic level. Such targets are harmful for the economy. Customs measures for revenue collection, security and safety should not be used as new barriers or generate additional delays. At the beginning of the crisis there were fears of protectionism. However protectionism may come in a more invisible form through the implementation of revenue collection. Thus by no means should Customs become a new barrier by introducing new measures. It is for governments to introduce realistic revenue targets. The use of risk management supported by Customs-to-business partnerships is a key element in this field. Working together we can join global efforts to retain confidence in the global trading system.

Working together we can fight against commercial fraud, the use of falsified documents on values and origin, and counterfeiting. During the WCO Policy Commission sessions we heard concerns from Africa, where one of the most burning issues is fake medicines that threaten the health and safety of people. The economic downturn might enforce this trend. The WCO remains vigilant on the impact of the global financial crisis and has in fact launched several specific initiatives to counteract this impact. We are trying to transfer the crisis into an opportunity for the Customs community.

We have engaged with the G20 by offering recommendations on trade facilitation and capacity building. At the same time Customs should advise its governments on how to set realistic revenue targets. The WCO has also initiated a revenue package to help its Members improve the efficiency and effectiveness of revenue collections. A series of regional seminars on the revenue package have been organised in East and Southern Africa and in the Asia Pacific regions, and we received a lot of positive feedback on the package.

I hope that during the conference we will receive feedback as well. Apart from technical areas we also have to address the management area. That is why we propose to provide a platform for discussing ideas on how to make revenue management more fair, effective and efficient. We are fortunate to have prominent experts and practitioners who will guide us by sharing their success stories and lessons learned.

One of the key objectives of the conference is an emphasis on the relationship between Customs and tax authorities. Although Customs and tax are different animals, we have to work together. The major questions of interest refer to the outcomes of the merger of Customs and tax agencies and methods to improve coordination and cooperation between them.

To make revenue collection more fair, effective and efficient, there are several building blocks. The WCO's Customs in the 21<sup>st</sup> Century strategic policy is very instrumental in this regard. Ten building blocks envisaged in this document should be applied not only to security and trade facilitation, but also to revenue collection.

The first building block is *Globally Networked Customs*, and certainly we have to work together with Customs administrations to share and exchange information for risk analysis. The second building block, *Coordinated Border Management*, is related not only to immigration and health administration, but also to tax administration among others. It should be seen as a meaningful dialogue and enhanced cooperation with other border regulatory authorities. The third element of Customs in the 21<sup>st</sup> Century is dedicated to *Risk Management*. We will develop a Risk Management Compendium which will be of great assistance for enhanced revenue collection. It will include topics dealing with the setting up of a targeting centre, elaborate profiling, targeting, and risk indicators. Risk management is also very important for trade facilitation.

The *Customs-Trade partnership*, which is the fourth building block, is crucial to establish a meaningful dialogue between the public and private sector. Next year in 2010 on the occasion of International Customs Day on 26 January, we will launch the Customs-business partnership as our annual theme. I encourage all Customs administrations to think about possibilities to improve this partnership which is the basis of risk management. The standards and tools offered in the fifth block, *Modern Working Methods*, are aimed at trade facilitation and simplifying procedures. In particular the WCO revised Kyoto Convention which promotes trade facilitation through simplified and harmonized Customs procedures, and the SAFE Framework of Standards, which is focused on the security and facilitation of global trade.

The sixth block, *Enabling Technologies*, promotes the increased use of technology and includes a part on revenue. This year we organised the Technology and Innovation Forum. In the revenue part we can use technology, tax stamps for example, to trace goods, etc. As IT is the core of the revised Kyoto Convention, we will be organising an IT conference in April, in Dublin (Ireland), which has already become an annual event. Thus we offer as many opportunities as possible for you to exchange your views on technology. The seventh block, *Enabling Legal Powers*, deals with legal competence. With respect to revenue management it should be used to review Customs legislation to address commercial fraud adequately.

The eighth building block, *Professional Culture*, encourages a knowledge-based, service-oriented culture which is the foundation of good management. Increasingly we are working on research with other Customs administrations, research institutions, universities, and international organizations to provide more knowledge. The ninth building block is *Capacity Building* which is the cornerstone and one of the priorities of this Organization. One of its objectives is to connect with other stakeholders and donors. We are pleased that the IMF, the OECD, the World Bank and other institutions are present today, as they will be able to see the need for capacity building and hopefully provide more assistance in this area.

And finally, the tenth block is devoted to *Integrity*. This issue is often raised during regional seminars on the revenue package and during sessions of the WCO Policy commission. Integrity is very important to ensure fair, efficient and effective revenue collection. These ten building blocks could be used by Customs administrations to review their revenue functions. Using these building blocks will help Customs strengthen its leadership and obtain firm political support which will lead to a well-functioning Customs administration.

I thank you for your attention and interest in the subject and I look forward to fruitful discussions.

Thank you.

### ***Closing remarks by Kunio Mikuriya***

Ladies and Gentlemen,

This Conference has confirmed that revenue management continues to be of the utmost interest and importance to many WCO Members. The Conference has identified valuable instruments, experiences, best practices, tools and capacity building opportunities to assist WCO Members with their revenue management responsibilities. The discussion has shown that risk management that integrates two elements that Customs should assure, namely, trade facilitation and control whether it is for purposes of revenue management, supply chain security, or community protection, remains very important. This Conference also discussed the impact of the global economic downturn and its resultant reduction in trade volumes that have lowered revenues. In addition, it is apparent that tax avoidance has increased during the crisis. Finally, this Conference has issued a clarion call that more needs to be done by the

WCO, by WCO Members themselves, and by partner organizations to assist WCO Members, especially in the developing world, with their core responsibilities.

We have talked about organizational structure. It was Chairman of the Office of the Revenue Commissioners in Ireland, Josephine Feehily, who said that *strategy and leadership* are more important than the organizational model. And this was backed up by other speakers, such as the Director of Customs and Excise at Her Majesty's Revenue and Customs in the United Kingdom, Mike Norgrove, who mentioned that the structure should be *fit for purpose*. I could not agree more – if we have outstanding strategy and leadership supplemented by the use of WCO instruments and tools, the organizational structure will take care of itself.

The choice of organizational structure has been discussed. Michael Waweru, Kenya Revenue Authority's Commissioner General, talked about the success stories of the revenue authority model, and also identified what the elements of success were and what lessons had been learned. He underlined the importance of *continuity and sustainability of leadership* in the reform process. Thus, perseverance is necessary. Enriko Aav, the Director General of the Estonian Tax and Customs Board summarized what is important in the strategy; namely, how to *improve compliance* and how to reduce the burden on legitimate trade – trade facilitation in other words. He also noted the importance of risk management and communication.

When choosing a revenue model it is necessary to consider the conditions under which Customs operate as well as the national environment. Juan Toro from the IMF pointed out that it is clear from the discussions that there are *many different forms* apart from the revenue authority model. It is also clear that revenue authorities are *complex and expensive* to set up. Mr. Toro said that the IMF does not advocate the establishment of revenue authorities as a panacea or cure-all. It is a part of the overall reform programme and I agree with his view.

There is also the issue of the *cost of reform*. As mentioned by Mr. Waweru, there must be appropriate *funding* from the Treasury, not only from development partners, to successfully implement reforms. It will give a measure of flexibility to the choice.

There is a continued need to work closely with our colleagues in the private sector. As the Director General of Customs from Morocco, Abdellatif Zaghoun, put it, the *Customs-to-Business partnership is not a choice, but a necessity*. Such partnerships must be based on *ethical principles* and *transparency*.

At the time of revenue management reform, Customs skills must not be lost. Carol West, the Chairperson of WCO Private Sector Consultative Group stressed that there is a risk in reform, especially organizational integration, that the highly technical and unique skills of Customs officers can be damaged. This is one area where we have to be really careful. She also emphasized the importance of *predictability* in Customs controls. This of course is a key tenet of the *WCO's revised Kyoto Convention*, and we maintain that predictability is crucial not only for trade facilitation but also for better revenue management.

*Enhancing integrity* also contributes to better revenue management. Data analysis shows that corruption does not cause inefficiency, but rather *inefficiency causes corruption*. Thus, *reducing red tape* is not only beneficial for trade facilitation, but is very helpful for integrity and revenue management. Participants had extensive discussions on how to reduce corruption, including such measures as internal investigations, audit, codes of conduct, and data analysis.

Performance data can greatly assist us to do our job better. As Bryane Michael from the Stockholm School of Economics indicated, it should *not* be about *a test or an evaluation*; it should *not* be about *pointing a finger*; it should be about *improving organizational output*. In this respect Seán Moriarty from the OECD noted that *benchmarking* could play an important role. And linked to this point, performance data should be about *outcomes* not inputs.

We have also heard about the *importance of information exchange and information technology*; these are crucial elements that must be mastered to improve performance. Related to that, Jian Liu from China's Mission to the EU talked about the importance of *international cooperation* in combating commercial fraud. Peter Malinga, Commissioner of Customs and Excise in Uganda had a good point about the need for information and data management based on collected data. International cooperation, as emphasized by Mr. Liu, is one way, but how to actually make better use of data for revenue management purposes is what we must cope with.

The WCO has conducted a series of regional seminars to discuss revenue management or the revenue package, and one recurrent issue is how we can deal with informal trade. In this area, Herminio Sueia from the Mozambique Revenue Authority shared their interesting experience on how to invite the informal trade sector to become part of the formal trade sector by offering special tax incentives and a tax

number. In this area, cooperation with tax administrations and other government agencies is indispensable. How to address the informal trade sector is one of the issues that the WCO wishes to continue to explore.

Finally, *capacity building* is key to modernization for revenue organizations. We heard a very interesting presentation from Maria Elena Botero from Colombia Customs about the use of information technology to facilitate exchange of information between Customs and tax. We also heard about the Estonian Customs and Tax unified IT system. We would like to see these kinds of systems that enhance the exchange of information between Customs and tax authorities, supported by advanced information technology. Christian Saborowski from the World Bank demonstrated its tool TRIST to forecast the impact of tariff reforms on trade. Together with the presentation by Bryane Michael, they showed the power of data.

In conclusion, I would like to thank all of you for making this Conference a great success. I would also like to thank the speakers and moderators for the expertise they have shared with us. Last but not least, I would like to thank the audience, who not only asked excellent questions, but shared insightful comments. Your energy is greatly appreciated. All presentations and the background paper as well as a summary of this Conference will be loaded on our website to share this information, not only with participants, but also with others including our 176 Members, and our partners.

Finally, I would like to thank my friend and colleague Chriticles Mwansa from the Zambia Revenue Authority for chairing the event. Your leadership during this Conference has proved a great asset, and I really appreciate your contribution. I wish all a safe trip back home.

Thank you.