



**USAID**  
FROM THE AMERICAN PEOPLE



# CUSTOMS SECTOR ASSESSMENT

## USAID TIMOR-LESTE

### Overview of the Assessment

To build upon the customs modernization reforms currently being undertaken by the Customs Authority in Timor-Leste, the United States Agency for International Development (USAID)/Timor-Leste requested the Learning, Evaluation, and Analysis Project (LEAP III) to assess the current operational and legal environment within the customs sector. The review sought, *inter alia*, to determine the Customs Authority's adherence to international norms and best practices, with a particular focus on trade facilitation. The assessment examined the current systems, policies, and procedures relating to the processing of imported and exported goods, including the application of risk management principles, the increased use of the Automated System for Customs Data (ASYCUDA) World system, the development of human resource systems, communication and information exchange with stakeholders, and the readiness of the Customs Authority to support the Government of Timor-Leste's objective of accession to the World Trade Organization (WTO) and Association of Southeast Asian Nations (ASEAN). The assessment also included an overview of technical assistance provided by USAID to the Customs Authority since 2017, such as the Customs Reform Project (CRP) and the impact of the activities undertaken to date. Overall, the assessment sought to identify any continued gaps in the government's customs reform efforts and provided recommendations for further assistance.

## **Methodology**

The assessment team employed both primary and secondary research methodologies to collect quantitative and qualitative data. The assessment team began by conducting a comprehensive literature review of documents provided by USAID, including the quarterly and annual reports prepared by the USAID CRP team, along with other publicly available studies related to the Customs sector. Following the conclusion of the literature review, the assessment team conducted a series of key informant interviews (KIIs) and focus group discussions (FGDs) with both public and private sector participants in the international trade supply chain, including customs and other Border Management agencies, transport operators, freight forwarders, customs brokers, and port and airport officials. The assessment team also convened a series of meetings with members of the USAID CRP Team, discussing the activities undertaken as part of their reform program initiative, including the achievements made, the obstacles encountered, and future activities. The team also held meetings with a number of non-Customs stakeholders including the Director General of the Ministry of Foreign Affairs and Cooperation responsible for ASEAN accession, a senior representative of the Ministry of Finance, the former Head of the Fiscal Reform Commission, and other diplomatic and donor community officials, including representatives from the Australian Embassy and USAID.

## **Assessment Findings**

The assessment found that while current customs modernization initiatives, in particular the USAID CRP, have positively impacted Timor-Leste, further activities are required to accomplish the objectives of the Fiscal Reform Plan. The USAID CRP has rightly focused its activities on delivering the essential building blocks needed to develop and sustain a modern customs administration, such as the establishment of benchmarks, regular reporting of performance, provision of workplace mentoring and support, introduction of revised customs procedures like risk management, and enhanced use of the ASYCUDA World system. Despite this progress, the Customs Authority must address the following gaps in order to fulfill the overall aims and objectives of adhering to strict international standards. These include:

- Many of the requirements associated with the simplification and harmonization of customs procedures are not being complied with. The broad requirements associated with the application of risk management, in particular, have not been addressed, and the capacity of the ASYCUDA World automated system is not being fully utilized.
- Human resource management issues within the Customs Authority negatively impact the adoption and implementation of the Customs reform and modernization efforts.
- Conflicts exist between national legislation and the changes required by the Customs Authority to align with global best practice. The team also noted ongoing delays in ratifying proposed legislations, such as the new Organic Decree-Law and the Code of Conduct, which impact the timely delivery of the customs modernization agenda of the Customs Authority.
- Failure to live up to the Framework of Standards to Secure and Facilitate Global Trade (SAFE) commitments on broad stakeholder consultation and communication in order to establish proposed single window capability.