A note from the World Bank clarifies some of the main challenges that customs reforms face in developing countries, and particularly in low-income countries (LICs), with the possible approaches that can be followed in order to increase their efficiency. Customs reforms, the report notes, are complex because they have to find the right balance between three fundamental functions that customs administrations perform, so that none of them outweighs the others. These functions are: facilitating trade, collecting revenue, and ensuring the security of imports at the border.

In developing countries, the role of customs is heavily focused on revenue collection, often sacrificing the trade facilitation role these administrations should also play. This is especially the case in low-income countries, where Customs collect between 30 and 60 per cent of total tax revenue, making them a key source of domestic revenue mobilisation.

The note also analyses the challenges in implementing anti-corruption reforms, and the importance for Customs to coordinate, cooperate and exchange intelligence information with other agencies in order to increase their efficiency. For example, proper coordination with Police, Ministries of Finance, and tax authorities can make the role that such administrations play in combating illicit financial flows more effective.

The report also warns on the risks of modernization of IT Customs management systems and equipment, pointing out that computerization should be conceived as a tool, rather than an end in itself, as it happens in most cases. Accordingly, before launching modernization reforms aimed at upgrading IT tools or procuring new technologies to improve efficiency of Customs, an accurate analysis should be made of problems affecting the effective use of the IT infrastructure that is currently used by such administrations, so to avoid that these problems will re-appear after the introduction of the new IT equipment.