

**FORUM ON PUBLIC-PRIVATE PARTNERSHIP FOR CUSTOMS MODERNIZATION**  
**14-16 October 2004**  
**Manila, Philippines**

**SUMMARY OF PROCEEDINGS**

**Key Messages**

Customs modernization is a key thrust of the Regional Trade Facilitation and Customs Cooperation Program (RTFCCP).<sup>1</sup> For RTFCCP members that are pursuing modernization, various country experiences can serve as a valuable source of information on planning, financing, phased implementation arrangements, and consultations with all the stakeholders.

Modernization entails improved procedures, skills, customs post infrastructure, and automation. These changes may require revisions in legislation. Automation through the use of information technology is crucial in simplifying procedures, reducing manual operations, providing easier access to users, or implementing management information systems to address risks and improve the business process.

Because modernization involves significant changes, it is important to ensure support for the modernization effort and ensure its sustainability through effective change management. A key aspect of change management is consultation with both customs personnel and traders and their representatives, and address the issue of how automation will affect their career and business.

The private sector is recognized as a partner in many government undertakings. This is shown in numerous arrangements where certain procedures are performed by private entities or subcontracted to private companies, or activities are planned in close coordination with the affected parties. Business groups actively promote partnership with the government to ensure that customs service contributes to a conducive environment for private sector development.

Experience has shown that crucial factors for a successful modernization efforts are: (i) management commitment and support, or having a reform “champion” at the highest level, (ii) a definite goal and strategy, (iii) sustainable long-term plan that is benchmarked and monitored, and (iv) support from the international development community.

The benefits of modernization include: (i) automation of routine tasks and reduced paper transactions and signatories that simplify work and minimize red tape, (ii) better selectivity and surveillance, (iii) improved reduced cargo release time and improved security, and (iv) swift and error-free payments. In turn these reduce vulnerabilities to fraud, tax evasion, or discretion, reduce corruption, and enhance transparency and efficiency.

The landlocked nature of the countries in the region implies that customs transit arrangements are important for trade facilitation. As a prime example of cooperation, members encourage forging of transit agreements.

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<sup>1</sup> The member countries include Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, People's Republic of China, Tajikistan, Turkmenistan and Uzbekistan.

## Introduction

The Asian Development Bank (ADB) and Philippine Bureau of Customs (BOC) jointly organized a Forum on Public-Private Partnership for Customs Modernization from 14-16 October 2004 in Manila, as part of the work program for regional customs cooperation. Participants were customs officials from the RTFCCP member countries. The main objective of the Forum was to learn primarily from the experience of Philippine customs modernization, on efforts to develop a master plan for customs modernization (and automation, in particular), adoption of change management, and partnership with the private sector.

The Forum provided comprehensive information on the modernization experience of the Philippines and the role of the private sector. These were presented by the customs officials and private sector representatives who were themselves involved in the effort. Some participants also described their own newly-initiated modernization programs.

In his welcome address, **Mr. George Jereos, Commissioner, BOC**, noted that the forum is a rare opportunity to share lessons of the Philippine customs modernization experience with fellow customs officers with whom interactions are limited by geographical considerations. Started about ten years ago, Philippine customs modernization was a gradual process that entailed careful planning, progressive adaptation of the plan and strategy to the changed situations, and collaboration with partners from the private sector. Philippine customs service is still undergoing “growing up pains” in its desire to attain world-class status and implement international best practices. He expressed hope that the forum would enlighten and motivate everyone to tread the difficult but rewarding path to modernization.

In her opening remarks, **Ms. Noy Siackhachanh, Director, Governance, Finance, and Trade Division (ECGF), East and Central Asia Department, ADB**, expressed gratitude to the Philippine Bureau of Customs for hosting and co-sponsoring the event. She pointed out that regional customs cooperation is a flagship activity of ADB’s Central Asia`Regional Economic Cooperation Program, which is a major ADB initiative. The presence of senior officials reflected the importance they attach to trade facilitation and regional customs cooperation. The participation of women professional staff has also been a key factor for the success of the program and the source of productive meetings in the past.

Ms. Siackhachanh noted that the theme of the forum recognizes the significant role of the private sector in customs modernization. The reform of legal frameworks, use of risk management to facilitate trade while maintaining effective control, automation, and knowledge transfer, all benefit from a strong partnership with the private sector. The private sector plays an important role at all stages of customs modernization from conceptualization to financing and implementation. One way of forging partnership is for customs to focus on its core business while outsourcing some of its non-core functions to the private sector. The Philippine experience can provide a reference point for RTFCCP members’ modernization master plans, particularly in leveraging private sector strength to accelerate customs modernization. ADB is privileged to be a facilitator of the modernization efforts, and an honest broker for forging partnerships between customs and the private sector.

## Conceptualization of the Modernization Master Plan: The Case of the Philippine Bureau of Customs

**Mr. Jaime Taborda, Chief, Planning and Information Systems Division, Management Information Systems and Technology Group, BOC**, described the conceptualization process of the Philippine customs modernization master plan. Prior to 1990, the computerization of

BOC's procedures was undertaken but it attained minimal impact. Modernization commenced in 1992 when the Department of Finance requested World Bank to fund for a comprehensive Tax Computerization Project, a critical high-level initiative covering customs and tax agencies. As a condition, WB required institutional reforms under a Tax Reform Program. US\$12 million was allocated to BOC, which has been one of the largest government IT projects. The Project essentially involved the implementation of a customized ASYCUDA++, a software developed by the United Nations Conference on Trade and Development (UNCTAD), in major ports nationwide. Together with collection and release systems, this was called the Automated Customs Operations System (ACOS).

Preparatory activities consisted of high-level planning, detailed information systems planning, and reengineering of systems and procedures. The Project was aligned with the government's medium-term development plan and national priorities, and addressed the operational concerns of the general public, clients, and BOC management. Related legislation and budget had to be approved by the Government. Industry associations, relevant government agencies, and major multilateral institutions were consulted. Mobilization took place with a preparatory survey, bidding, site preparation, training, budgeting, and coordination with relevant agencies and stakeholders.

### **Strategies and Experiences in the Implementation of the Philippine Customs Modernization: A Private Sector Perspective**

**Mr. Tony Tissington, Director, Public Sector – Asia, UNISYS**, offered a private sector view of the Philippine customs modernization effort. He recounted that the Government awarded two contracts, one to UNCTAD to adapt the ASYCUDA++ software to BOC, and the other to UNISYS for system integration, project management and control, change management and training, and management of facilities. These contracts combined provided the total turn-key implementation of the Customs Modernization Project. Both contracts were completed in 1999. The Project took a phased approach and involved all stakeholders throughout the process.

Mr. Tissington observed that the Project emphasized four main areas: (i) customs reforms, which, among others, established simplified clearance procedures and customs declaration forms, increased penalties for smuggling, modified valuation system, improved assessment of duties and taxes, and consolidated customs legislation; (ii) modernization of the workplace, that included improving working conditions and providing hardware, software and telecommunications equipment; (iii) computerization of import operations, with the installation of dedicated servers in large ports and regional servers for smaller ports, and establishment of an email system; and (iv) change management, to prepare BOC personnel and other stakeholders for the revised procedures through communication of objectives to personnel and users, an organizational change program, skills development, and transition management.

Mr. Tissington described ACOS, which covers all automated steps for importing cargo, comprising of import entry processing, collection, release, and reconciliation systems. Import entry processing system allows (i) electronic submission of *manifest* data from airlines and shipping lines, (ii) electronic encoding of *import entries* via Entry Encoding Centers (EEC) or Direct Trader Input (DTI) facilities, (iii) *selectivity* to filter and route shipments to the red, green, or yellow lane for maximum use of resources, and (iv) automatic *assessment* of duties and taxes of declarations. Computer applications for collection, release and reconciliation include (i) accurate transmittal of information on prepaid duties and taxes with *Abstract Secure System*, (ii) verification of payment through *Automatic Matching of Payments and Payables*, (iii) *Online Release System* which instructs cargo handlers to release the cargo, and (iv) *Remittance*

*Reconcile System* which determines that payments are ultimately received by the National Treasury.

Other Project activities include planning and control, quality assurance, site design and preparation, and continuing technical support. A key activity was the definition, design, and introduction of new business processes that leveraged the efficiencies and capabilities of the new systems environment. Another essential component of successful implementation was Customer Relations Management with a plan that identified a strategy, defined service procedures, analyzed service applications to support service delivery, and developed enabling infrastructure.

Mr. Tissington identified the following among the Project's benefits: (i) less paper transactions, from 10 documents in triplicate and about 91 steps to one Single Administrative Document (SAD), for the whole process that simplified work and minimized red tape, corruption, and tax evasion; (ii) reduced cargo release time from 6-8 days to 4 hours-2 days; (iii) better targeting with computerized selectivity; (iv) improved security with cargo inspection only at designated areas and stages; and (v) swift and fraud- and error-free electronic transmittal, matching, and verification of payments. Due to successful financial control and project planning, a total of 21 sites were covered under the Project instead of the original 8 sites planned. An evaluation by customs and trade organizations from several countries concluded that professional support from a competent private company is important for the successful operation of a modern customs environment.

The open discussion covered other aspects of the implementation experience. BOC took over the management of the project after 5 years of implementation, created a position for Deputy Commissioner for IT, amalgamated staff positions and recruited personnel. BOC interacts with the Bureau of Internal Revenue to check brokers' identifications, submits information to the National Statistics Office, and coordinates with the National Treasury. Its close working relationship with the private sector contributed to the Project's success and reduced the need for BOC to finance support infrastructure. For instance, the Philippine Chamber of Commerce and Industry (PCCI) has set up and is operating the Entry Encoding Centers, while brokers have ACOS terminals at their premises.

In response to queries, several clarifications were made. An e-Commerce law exists in the Philippines, although rules for electronic signatures are still being formulated. ACOS computes value added tax automatically together with excise and other duties. Selectivity was built as a series of filters, the contents of which are developed by a Risk Management Group.

### **Computerization as an Agent of Change in a Customs Organization, Role of Change Management and Partnership with the Private Sector**

**Mr. Alexander Arevalo, Deputy Commissioner, BOC,** started by presenting BOC's 5-point agenda consisting of: (i) revenue collection, (ii) trade facilitation, (iii) enforcement of customs/tariff laws, (iv) professionalization, and (v) good governance.

The electronic trading community in the Philippines consists of carriers; port, arrastre and warehouse operators; industry; traders; banks; service providers; and other government agencies. BOC maintains an interagency information exchange system with the Office of the President, Department of Finance, National Economic Development Authority, Department of Budget Management, Department of Agriculture, Department of Trade and Industry (DTI), Bangko Sentral ng Pilipinas (central bank), National Statistics Office, and Bureau of Internal

Revenue. It is imperative that all these stakeholders are consulted to ensure the success of customs modernization effort.

Mr. Arevalo echoed Mr. Tissington's observations on the benefits of the Tax Computerization Project to include: (i) less paper transactions (from paper to electronic manifest and electronic lodgment only) and reduced signatories (from 40 to 4), (ii) reduced cargo release time (from maximum of 10 days to minimum of less than 3 hours), (iii) better selectivity or profiling of suspected goods (with the automated system), and (iv) less vulnerability to fraud (with secure electronic payment and online release system).

He noted that about 95% of import entries are lodged at the Entry Encoding Centers, which contribute 83% of revenue; around 5% go through Electronic Data Interchange Value Added Network (EDI/VAN); and a few go through Direct Trader Input facilities or the Internet. The selectivity process sends an entry either to the red lane for physical examination, yellow lane for documentary check, green lane where no inspection takes place, or the super green lane or directly to the importer's premises. Around 3% of the volume passes through the super green lane straight to importers' premises.

In establishing relationship with the private sector, BOC follows the partnership business model in which either the industry group or donor agency mediates between BOC and the user, or BOC deals directly with the user and the provider.

Mr. Arevalo summarized the lessons learned by the Philippines as follows:

- **Have an IT champion.** No less than the head of the customs administration should be the main advocate for customs modernization through IT development.
- **Develop a long-term plan.** This denotes a comprehensive modernization master plan that includes strategy for managing changes and consultation with all stakeholders.
- **Benchmark and track.** Identifying specific indicators and determining achievements of target from a baseline level are helpful in ensuring the project's success through periodic assessments.
- **Focus on the agency mandate.** Keeping clear sight of the customs administration's vision and mission throughout project implementation would ensure that modernization efforts are aligned with the administration's mandate.
- **Mobilize private sector participation and support.** The private sector has mutual interest in trade facilitation and customs modernization. "All you need to do is ask (for appropriate support)."
- **Acquire support from high government levels.** The BOC commissioned ADB for a comparative study of its budget against other Asian countries, and used this as basis for seeking higher budgetary support from the President.
- **Solicit and nurture international donor support.** Efficient use of resources from multilateral/bilateral development institutions would gain their trust and help ensure continued support.
- **Aim for win-win situations and address the issue of "what's in it for me?"** The value of change management is crucial in attaining broad-based support that could spell the success of modernization efforts. Initially, no personnel lost his/her job since this project was particularly sensitive to this concern, thus automation was not pursued at the expense of staff's livelihood.
- **Plan for sustainability and continuity.** BOC recognizes that it has a limited budget but nonetheless it needs to upgrade its computers, automate more processes, implement the evolving business model, and eventually reach "the queueless, cashless, paperless state for anyone, anytime, anywhere and with any device." After the Tax Computerization Project up

to 3 years ago, BOC has not received any government support. To regain government support, an upgrade of the computer system is being actively pursued through the BOC-World Economic Forum Trade Enhancement Initiative (WEF TEI) and the President's e-Governance Fund. The WEF-TEI aims to enable developing countries to improve their customs process through the application of a practical framework for customs modernization. It is steered by the private sector, NGOs, international organizations, academic institutions, and regional/trade associations. The e-Governance Fund pursues similar objectives.

Mr. Arevalo emphasized that "there is no one correct way to institute computerization or reform but there are mistakes that can be avoided."

The open discussion revolved around the utilization of new technology and arrangements with the private sector. Mr. Arevalo explained that declarations are lodged through the EEC which encodes all 82 items in the SAD and submits these to BOC. Importers, brokers, and encoders were trained on the contents of the SAD. BOC personnel are required to have appropriate computer training, where it is emphasized that "peopleware", software, and hardware constitute three pillars of customs automation, all are equally important. There is a move towards Internet lodgment and three companies are now being accredited for this purpose.

Criteria for instant release through the super green lane facility include (i) a long track record as a company, (ii) no pending case with BOC or prior incidents of technical smuggling, (iii) nature of product, and (iv) country of origin.

BOC is considering utilizing mobile phones, in view of its widespread use, for billing and payment of duties, broadcasting of cargo status, websurfing and email, so that customs procedures will be at the speed of short message service. This is part of future plans since it requires integration with a telephone company.

### **Leveraging Development Assistance for Accelerated Customs Modernization**

**Mr. Gulomjon Babaev, Minister of State Revenue and Duties, Republic of Tajikistan,** recounted Tajikistan's efforts at customs modernization. He pointed out that the Regional Trade Facilitation and Customs Cooperation Program obtained positive evaluation during the Senior Officials' Meeting in September 2004. Tajikistan has undertaken activities in support of the RTFCCP, including revision of the Customs Code. He acknowledged the importance of building and reconstruction of border posts and equipping them with control facilities and modern information technology, which requires considerable resources. Thus, he welcomes the proposal for ADB to provide technical assistance of \$500,000 to accelerate modernization and extend a loan of \$10.7 million for which negotiations are ongoing.

He emphasized that transport corridors also need to be developed and in this regard, pursuing a transit agreement with the Kyrgyz Republic is vital. However, he noted that post transport communications, banking and customs infrastructure, and the financial situation make it difficult to comply with conditions of the proposed transit agreement. Tajikistan proposes that the solution be found within the customs cooperation framework, and may involve transport through third countries, use of other mechanisms and deposits, in particular the 1975 TIR Convention, or an electronic system for goods logistics control. Alternatively, the example of the Kazakhstan-Kyrgyz Republic Agreement may be followed. This should be taken up at the next CCC meeting.

Mr. Boboev further related that they have established a post-entry audit group, with positive results achieved within a short time. Training on risk management and post-entry audit in 2005 would be useful. He reported that drug trafficking is worsening and heroin production is increasing but arresting the problem is also becoming more difficult. The organized effort to combat it should be more focused, involve other countries and Afghan representatives, and obtain the support of international agencies. This will be proposed as a regional and bilateral initiative. He remarked that the professional capacities of customs staff must also be enhanced, and this will need assistance through the RTFCCP.

**Mr. Kubanychbek Kulmatov, Deputy Director, Department of Customs Services of the Committee for Revenue under the Ministry of Finance, Kyrgyz Republic,** described the Kyrgyz Republic customs reform and modernization strategy as consisting of simplification and unification of customs clearance and control procedures, improved management and human resource development through enhanced professional skills, automation or ICT for effective data collection, and better logistics control through border post development and infrastructure. Their revised Customs Code has recently been approved. Progress has been possible through cooperation and long-term support from the business sector and non-interference of customs in business.

A \$7.5 million ADB loan for customs modernization is expected to be approved by ADB in November 2004 to improve efficiency and transparency of customs service, reinforce ongoing legal reforms, simplify customs procedures, and facilitate trade and promote regional cooperation. The project, similar to Tajikistan's, will develop a unified automated information system, and border post infrastructure. Technical assistance of \$500,000 covers reengineering of the customs business process, assurance of quality and security of the information system, and consultations with staff and clients to ensure sustainability.

During the open discussion, Mr. Boboev expressed gratitude to the Kyrgyz delegation for understanding their concern regarding the proposed bilateral transit agreement, while Mr. Kulmatov recognized that the Kyrgyz Customs encountered the same problems in pursuing a transit agreement with Kazakhstan.

Although it was noted that the \$0.5 million technical assistance grant to complement the work under the loan may not be sufficient considering the Philippine experience, both countries believed they were making headway and will thus proceed steadily. Arevalo cited ASEAN's similar experience with the Single Window project, which targets full implementation in 16 years despite limited funding. He expressed hope that the participants have learned enough during this Forum to have clearer strategies and feasible implementation plans. In turn, he disclosed that he was going to share with ASEAN what he learned from this Forum.

### **Making Customs Automation Sustainable: Role of Trade Associations**

**Ms. Noemi Saludo, President, PCCI** described the private sector's contribution to customs modernization. As a background, Ms. Saludo introduced PCCI as the oldest national business group with 125 industry associations and 1,300 corporate members. It has worked with BOC on various customs projects.

Ms. Saludo shared her view that the primary concern of governments is to set standards for customs operations to foster an attractive business environment for investment and growth. For its part, PCCI promotes private-public partnership and has supported the landmark customs automation project through setting up computerized lodgment facilities such as the EEC and

EDI gateway. This has improved cargo clearance procedures, reduced discretion, increased transparency and efficiency, and improved surveillance. However, the increased volume of transactions has rendered current infrastructure to be insufficient, resulting in delays, unnecessary storage, detention, additional electrical charges, and pilferage, in turn giving rise to high business costs and revenue loss.

PCCI plans to embark on an enhanced program to address security concerns and ensure competitiveness of local industries. They propose a long-term solution that involves the provision of equipment at no cost to government, by bidding it out to IT companies and charging reasonable fees to recover costs. Ms. Saludo noted that X-ray equipment needs to be installed in major ports for speedy, accurate and efficient inspection, better security, and to allow data storage and sharing for transparency and verification. Private port operators may help fund this and fees may be charged to recoup costs. PCCI believes in the strategic importance of the private sector's proactive partnership with BOC, in view of the forthcoming negligible tariffs and full impact of globalization.

In the open discussion that followed, technical information was requested on the type of proposed X-ray equipment. Ms. Saludo suggested the likelihood of obtaining gamma-ray equipment by 2005 (and mentioned a specific brand perceived to be of high quality and low price) since it can fall under a build-operate-transfer, or build-operate-own arrangement. The use of one brand implies ease and low cost of maintenance.

Participants sought clarification on the EEC arrangement, i.e. whether PCCI is an associated partner, or acting as customs broker. Ms. Saludo explained that PCCI is a non-profit organization, and assists accredited members only. The \$0.80 encoding fee which it charges covers cost of operations. The SAD is encoded for submission to BOC. Brokers and traders are responsible for the information, commissioning the encoder to lodge the entry on their behalf. An identification code protects the transaction and identifies the trader. For non-PCCI members, accreditation is required to access the DTI and EDI gateway.

### **Valuation Aspects of Risk Management**

**Mr. Richard Giggall, Global Valuation Manager, SGS**, shared the valuation aspects of risk management. While noting that trade facilitation is a major initiative of the WTO and WCO, he clarified that the idea of fast release, minimum documentation, and minimum inspection does not mean that customs would abandon its role of control and enforcement. Duty collection is still important especially where duty rates are high and government revenue depends on customs duties.

Risk management can help bridge the two seemingly contradictory goals of facilitation and control, and makes use of limited resources to concentrate on high-risk shipments. It is one of four modern customs control processes together with advance or self-declaration, selectivity of control, and post-release audit.

The objectives of risk management are to (i) allow customs to adopt quick, objective, and correct decisions on the level of risk of a particular transaction and the form of control to be applied, (ii) increase efficiency and effectiveness of control by limiting costly physical control to cases where deemed necessary, and (iii) transform customs into an "invisible", client-friendly and trade-facilitating organization. Risk management requires operational procedures, transaction-specific information, profiling skills, and IT for automated profiling and alerts.



Mr. Giggall identified several aspects of valuation risks such as: (i) duty rates and frequency of traffic (the higher the rate of duty, the higher the incentive to undervalue and commit fraud), (ii) country of export/production/origin (sales from certain tax-shelter countries may connote that the goods are being over-valued for income tax purposes), and (iii) omissions from dutiable value such as royalties, commissions, subsequent proceeds. Active fraud or intentional undervaluation are usually associated with high duties, high-risk goods or countries while the omissions constitute "passive" fraud. Treatment of fraud is found in international valuation agreements (Article 17) and WCO instruments.

SGS approaches valuation risk with its "Profiler," a fully automated system examining presence in the country of sale/production/export, double invoicing, existence of the seller, price range comparisons to establish doubts regarding the truth or accuracy of the transaction value, identical/similar goods, and global history of risk entities.

The open discussion revolved around the SGS database. Mr. Giggall explained that it is based on information from all exporting sources and customs experts on risky transactions, as well as those gathered during their process of certifying companies. Their database is used internally for all SGS contracts.

He stressed that the SGS program is developed gradually with their clients, from the definition of the risk parameters to technical infrastructure and equipment. He emphasized that it is important to look at a country's needs, and cooperate with customs and government entities. SGS has a different set rather than more information compared to customs, which knows its own importers and have certain agreements on information sharing. SGS strengthens customs' database and supplements it with export, transit, or offshore information.

### **Risk Management System in the Philippines**

**Mr. Jairus Paguntalan, Chief, Intelligence Division, Customs Intelligence Investigation Service, BOC**, discussed the Philippine Customs' risk management system. He defines risk management as the systematic application of management procedures and practices to provide customs with information to address movements that present a risk. The process involves establishing the context, identifying, analyzing, prioritizing, addressing risks, and monitoring and review of compliance measurement. BOC employs risk management in order to use limited resources better and balance trade facilitation with control. Risk areas with revenue implications are customs duty and internal taxes, tariff quotas, and preferential tariffs, while those with non-revenue implications are narcotics, firearms, pornography, endangered species, and counterfeit goods.

Mr. Paguntalan distinguished between three types of risk management. Strategically, BOC reviews information to sift out areas of low risk and intervene only where necessary. Operationally, it applies risk management in determining audit level of importers, or deployment of resources. Tactically, officers guided by procedures combined with information, experience and skill, decide which cargo or passengers to search.

Information comes from intelligence, seizure reports, interviews with law enforcers and knowledgeable persons from transport and trade sectors, and documents. Profiling is based on collection and systematic analysis of information to identify high-risk shipments. The selectivity mechanism automatically subjects an import entry declaration to criteria/rules which route it to the red (document and physical examination), yellow (documentary check only), or green lane (released without inspection).

A Risk Management Group was created in BOC to establish a system of setting and changing selectivity parameters, ensure an efficient information pipeline from all sources, continuously profile clients and maintain a database. To defy the possibility that importers have “profiled” the selectivity criteria, a proportion of green lane entries are subjected to changes. Criteria are reviewed regularly and the proportion of hits can be changed anytime or tied with other criteria. Alert orders can also be issued anytime if fraud is suspected. Screens are now accounts-based rather than transaction-based.

To further facilitate trade, the Super Green Lane was established for large taxpaying registered importers with no false information or unsettled obligations that are accredited beforehand. Cargo goes straight to the importer’s premises. This excludes traders with tendency to underdeclare, and agricultural quarantineable products which require physical examination.

The open discussion focused the manner of establishing the list of reliable importers. This was explained to be based on checking track record for violations of the law, background investigation of company owners or officers, and consulting with government agencies. Being in the list is not an assurance of green lane entries. Documents required include the record of officers, brokers, tax identification, articles of incorporation, and business permit. Ocular inspection is also done. It takes two weeks for a new importer to be accredited, with both random and annual inspections.

### **Singapore’s TradeNet System: Role of the Private Sector in Development and Management**

**Mr. Leo Querubin, General Manager, Crimson Logic Philippines**, presented the experience of another service provider. Before 1987, Singapore Customs manually processed 10,000 transactions daily with 4 to 20 documents per shipment handcarried to 35 agencies, taking 2 to 4 days to complete. TradeNet came in as a trade facilitation tool that became fully operational in 1989. By 1991, there were 800 subscribers out of 2,200 exceeding the targeted 500 by 1993. Traders, air cargo agents, shipping agents, and freight forwarders now submit declarations to TradeNet which processes them and transmits them to the 35 agencies, automatically deducting fees, printing permits and clearing cargoes. As a result, processing time was reduced from 2-7 days to 10 seconds or less, fees dropped from \$6-\$12 to \$3.80, and documents were reduced from 3-35 to one. TradeNet handles 20,000 to 30,000 trade declarations daily, with 95% processed in less than 3 minutes, providing government with processing fees, import sales tax and customs duties, and is UN/EDIFACT compliant. TradeNet’s critical success factors include a definite goal and strategy, single lead agency, creation of a steering committee, level playing field for all vendors, clear selection criteria, and implementation of change management.

During the open discussion, it was explained that TradeNet has around 60,000 rules in processing an entry, depending on the country’s tariff code and customs policies. The customs declaration and other forms can be downloaded from the Internet, and documents may be either manually or electronically submitted. It takes a minimum of 24 hours to accept electronic declarations.<sup>2</sup> Risk management is handled separately but uses information from TradeNet. Since most of the information in all the documents is basically the same, TradeNet provides the venue for a single submission. In some countries, TradeNet works with audit firms such as SGS to confirm the information. In special cases where shipment has arrived prior to issuance of permit by other agencies, a trigger will inform TradeNet before submitting documents to

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<sup>2</sup> TradeNet accepts electronic submission only. And the questions regarding the 24 hours was about the requirements of other countries like US and Canada on the minimum requirement for the submission of declarations. In Canada, they require 24 hours submission of declaration before lading.

Customs. To ensure security, access is limited to qualified subscribers and can be either of two ways, (i) through the service bureau, or (ii) subscription in which a user ID and password are given.

### **Revenue Control/Enhancement System**

**Mr. Dennis Pantastico, Chief, Systems Development Division, Management Information Systems and Technology Group, BOC**, focused on the Electronic Payment and Revenue Reconciliation System. In view of the problems with security and diversion of payments, BOC and the Banker's Association of the Philippines implemented this joint project in 1995. It initially used diskettes but was upgraded to hardware-based smart card technology for encryption/decryption through the Philippine Clearing House, and later further enhanced to software decryption. By 2003, it was upgraded from EDI to browser-based technology and will soon include mobile broadcasting and equipment.

Diagrams summarized the various electronic payment arrangements at BOC. About 89% of daily transactions involve electronic payment via the Philippine Clearing House, 4% use diskettes, 3% use in-house authorized agent banks or are non-cash payments (tax credits, exemptions, government accounts, tentative release goods), and 1% use the internet. Face-to-face transactions take 2 hours turnaround time while the non-face-to-face transactions take 30 minutes. In the electronic remittance process, a 10-day holding period is allowed for banks. The new e-payment system to be implemented will be seamless and take less than 3-minute turnaround time. Revenue reconciliation is premised on the equality of assessment, payment, and remittance.

In the open discussion, self-assessment was explained to mean that a client knows the amount to be paid prior to lodgment, implying an awareness and compliance with laws. The current system ensures that the payment is made to the bank prior to the entry declaration. Unlinked provincial ports constitute 6% of total revenue, and will be linked under the ongoing project by 2005.

### **Closing Remarks**

Heads of delegations expressed their gratitude to the Philippine Bureau of Customs and resource persons from the private sector for sharing their experiences and valuable information. The opportunity to meet and exchange views with colleagues in the wide Asian region enabled the delegates to see modernization issues in a broader perspective. The participants also lauded ADB for organizing the Forum. They reiterated their appreciation to ADB for its continued technical assistance, confirming that its work always brings positive results.

There was consensus that globalization and increased trade requires certain conditions for customs to operate. Countries which are in the process of modernizing their respective agencies using IT can benefit from international experience in this endeavor. In this respect, the Forum has been meaningful and has challenged them to identify their objectives properly and reflect on a proper path to modernization. The visit to BOC showcased the results of difficult work and use of technology that can serve as a model for other customs administrations. It demonstrated the importance of international cooperation and partnership with the private sector. The performance of the business community is crucial to economic development, thereby it is desirable that public-private cooperation is sustained.

In his closing remarks, **Deputy Commissioner Arevalo** reminded the participants that for customs modernization to succeed, they should always keep in mind the interdependences and interrelations of its different components. While computerization is the most talked-about mode of modernization, he emphasized that computers are merely catalysts, and that human resources are still the prime movers of modernization. He expressed hope that the participants would improve upon the Philippine customs' success and avoid its mistakes. He highlighted the great potential of synergy and mutual benefit in pushing for public-private collaboration and teamwork, and urged the participants to optimize of this combination. He also underscored the value of effective coordination among the CCC members in their modernization efforts, in view of their common borders.

**Mr. Jeffrey Liang, Senior Trade Economist, ECGF, ADB**, recognized the hospitality of BOC and their generosity in sharing knowledge and experiences. Philippine customs has imparted both what to do and what not to do in customs modernization, which is crucial in the face of limited resources. Together, CCC must determine what strategies to adopt. BOC has demonstrated that there are many ways that customs can work with the private sector. As the Secretariat, ADB will continue to support CCC's partnership with the private sector.