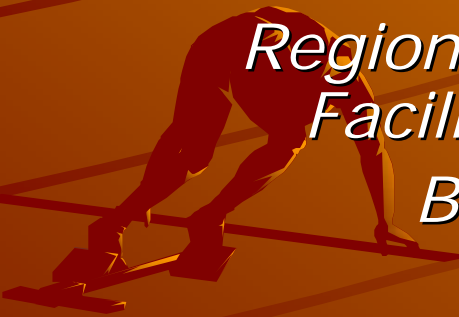


Vietnam Customs Reform

Duc Minh Pham, World Bank in Vietnam
*Regional Consultation on Issues in Trade
Facilitation and Human Development
Bangkok, August 16-17, 2005*



Outlines

- ◆ Why Vietnam Customs Reform
- ◆ Key principles
- ◆ VCMP: core components
- ◆ Some lessons

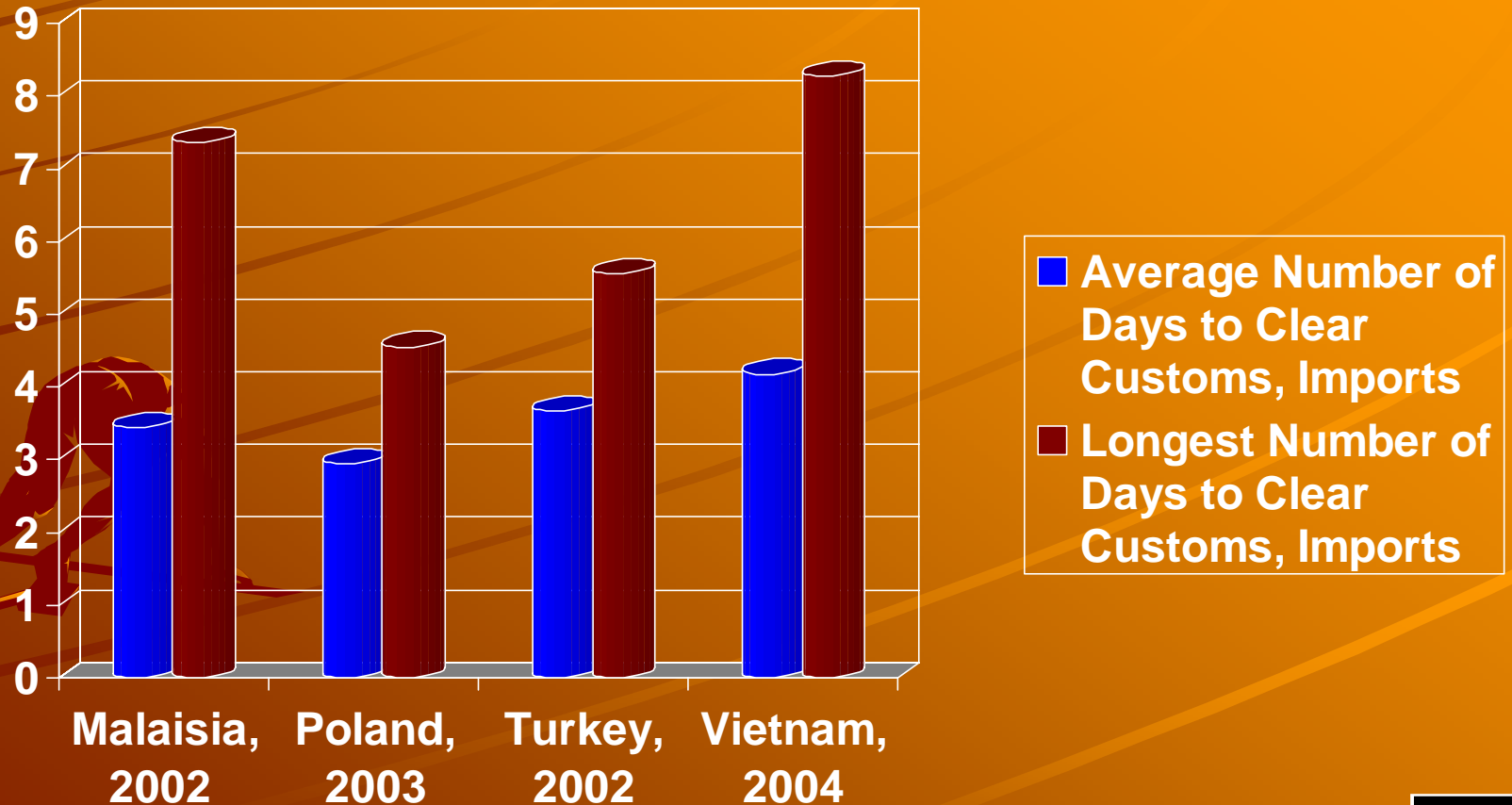


Why Vietnam Customs Reform

- ◆ Effect of economic reform would reach its end if quality of public administration and governance could not be sufficiently improved
- ◆ Loosing competitive positions: GCI declines from 39th position in 1998 to 77th position in 2003
- ◆ Transition economy: considerable increase in number of small importers
- ◆ WTO accession as top priority
- ◆ Increased security concerns
- ◆ Vietnam Customs are considered slow, unresponsive, inconsistent, and vulnerable to corruption



Vietnam Customs: Slow Clearance

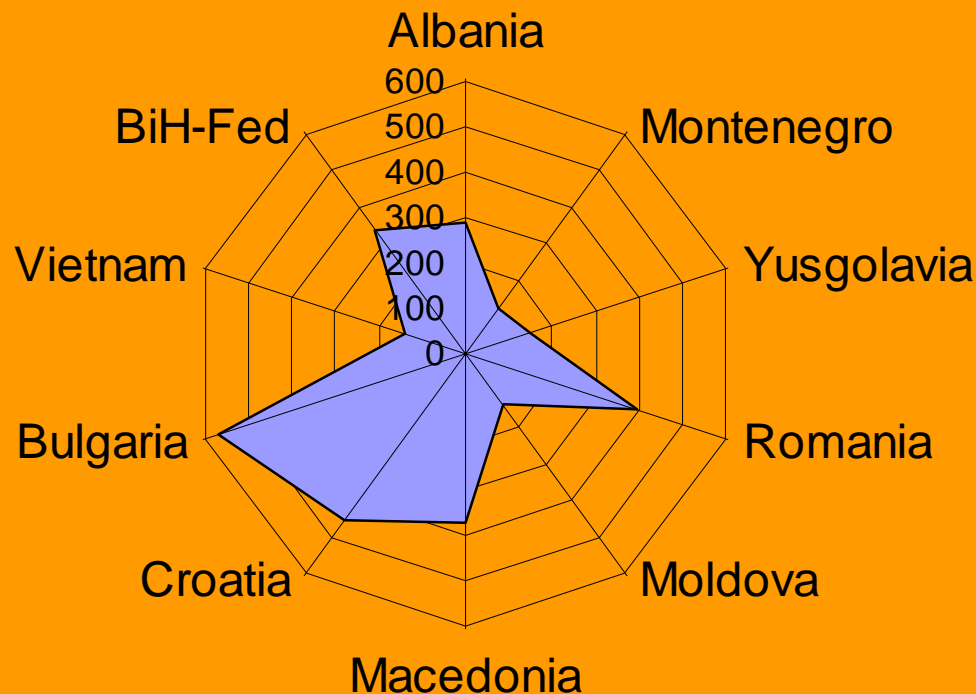


Source: Vietnam ICA 2005 Database



Vietnam Customs: Low Productivity

Number of Declarations per Staff per year, Vietnam compared to SEEs, 2002

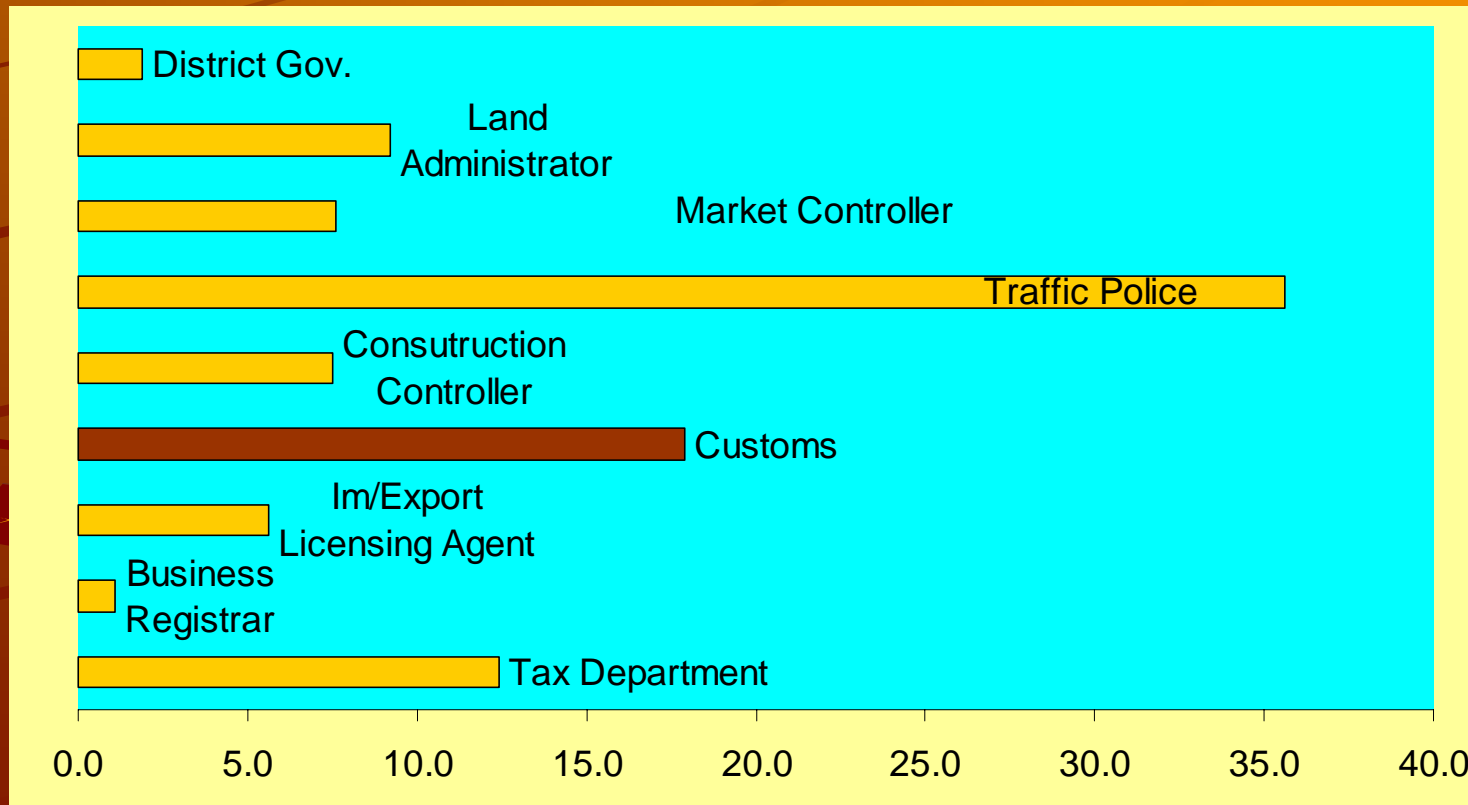


Source: Customs Modernization Handbook, World Bank, 2004



Vietnam Customs: Vulnerable to Corruption

Vietnam ICA 2005: % of respondents saying the officials in corresponding agents are expecting bribe to widespread corruption



Source: Vietnam ICA 2005 Database



Vietnam Customs Reform Objectives

- ◆ Increase administrative efficiency of trade reform including export growth and import liberalization
- ◆ Enhance revenue collection
- ◆ Improve foreign trade statistics
- ◆ Reduce risks and costs of transitional frauds and crimes
- ◆ Facilitate WTO accession
- ◆ Improve business environment and country competitiveness
- ◆ One of PAR's breakthroughs



Customs Reform – Current / Future

CURRENT

- ◆ Control focus
- ◆ Physical verification
- ◆ Physical control focus
- ◆ Focus on non-compliance
- ◆ One size fit all
- ◆ Ltd use of IT
- ◆ Ltd cooperation w/ trade
- ◆ Ltd cooperation at border

FUTURE

- ◆ Facilitation / Control balance
- ◆ Post clearance audit
- ◆ Info-based focus
- ◆ Compliance & non-compliance
- ◆ Flexible solutions
- ◆ Maximum use of IT
- ◆ Partnership with trade
- ◆ Single window approach



Key Principles for VCM

- ◆ Strong ownership:
 - Top political support
 - Clear management mechanism
 - Policy coherence
- ◆ Build on good diagnostic study
- ◆ Inclusiveness:
 - Stakeholders: MoF / GDVC, MoT, MoTransport, MPI, OOG, GSO, enforcement committee, VCCI, business etc.
 - Donors: WB, IMF, ADB, JICA, EU, USAID etc.
- ◆ Comprehensiveness:
 - Closely linked with PRSCs / WTO accession program / Multi-modal transport regulatory review etc..
 - avoid specific focus i.e. revenue - or IT- driven
- ◆ Clear and measurable indicators



Vietnam Customs Modernization

Core Project Components

Customs Systems & Procedures

Organization & Management

ICT



Component 1: Customs Systems & Procedures

◆ Legal Framework

- Consistent with Revised Kyoto Convention

◆ Intervention by exception

- Risk management
- Commercial intelligence
- Post clearance controls and audits
- Client segmentation



Component 1 (cont.): Customs Systems & Procedures

- ◆ Harmonized and simplified business process
 - Clearance
 - Revenue collection
 - Review and administration of exemption
 - Customs applications
 - Documentation requirements
 - Trade statistics
 - Passenger processing



Component 1 (cont.): Customs Systems & Procedures

◆ Transparency and consistency

- Provision of information
- Advance rulings
- Cooperation and partnership
- Appeals and reviews

◆ Compliance and enforcement

- Surveillance
- Investigations
- Enforcement intelligence
- Penalty regime



Component 2: Organization and Management

- ◆ Organizational restructuring
 - New organizational structure and rationalization
- ◆ Resource management
 - Human resource management
 - HRD
 - Financial resource management
 - Physical resource management



Component 2 (cont.): Organization and Management

◆ Chance management

- Establish change management unit
- Client service standards and measurement

◆ Integrity and good governance

- Integrity / anti-corruption program based on WCO's Revised Arusha Declaration
- Development of a National Integrity Action Plan



Component 3: Information and Communication Technology

- ◆ Planning and management
 - Regulatory framework
 - HR requirements
 - Telecom environment
 - System / software requirement
- ◆ Development and maintenance
 - Adequate funding for system development
 - User fees & charges
- ◆ Infrastructure



Vietnam Customs ICT: Current Status

- ◆ ASYCUDA was installed (1993-1996) but never used to its real capacity due largely to lack of necessary legislative and procedural changes at the time
- ◆ However, apparently well functioning declaration processing system is currently in place.
- ◆ Core functions that are recently computerized:
 - Declaration processing and statistical data capture
 - Duty calculation, supervision of debt and payments
 - Valuation
 - Supervision of violations
 - Inward processing



Four Stages of ICT Use

1. Physical inspection; little attention for trade facilitation; revenue maximization; paper based process; ICT replicates manual processes.

2. Risk management become part of Customs; trade facilitation is on the agenda; external information exchange started.

3. Heavy reliance on ICT use: direct trader input and self assessment; risk management is sophisticated and focus on compliance and intervention by exception.

4. Customs are part of the full trade logistics chain where all members of the trading community are connected in an electronic network.

Vietnam
Customs
today

Key Lessons

- ◆ No “one size fits all”
- ◆ Political will and senior management commitment are critical
- ◆ Adequate human and financial resources
- ◆ ICT is essential in a modern Customs, but it primarily needs to get Customs business right.



THANK YOU

