Workshop: Undertaking Feasibility Studies on Cross-border Paperless Trade

National Feasibility Study on Cross-border Electronic Exchange of Trade-related Data or Documents: The Philippines

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OBJECTIVES

This feasibility study focuses on answering the following questions:

- What **specific data/documents** should be used for cross-border electronic exchange between the Philippines and potential partner countries?
- Which **partner countries should be prioritized** for this electronic exchange of trade data/documents?
- To carry out this electronic exchange of the identified data/document with the identified partner country, what **systems and processes need to be improved/harmonized**?
- What are the **costs and benefits of doing this electronic exchange**, and of improving the systems/processes necessary?

OVERVIEW OF THE METHODOLOGY

"Mapping the different stages of the cargo clearance process, for each major trade actor involved"

The feasibility study is centered on a mapping exercise aimed at understanding the degree of digitalization at each stage of an end-to-end cargo clearance process for each major trade actor involved.

1. **Prior to Customs Formalization**
   - Pre-departure / Pre-arrival
   - BRA procedures
2. **Transportation (Movement of Goods to Port)**
   - Transport/Logistics processes
   - Loading / Unloading
   - International Transport
3. **Customs procedures (Goods Clearance and Payment)**
   - Submit Customs Declaration
   - Selectivity
   - Assessment
   - Banking and Insurance procedures
   - Customs Release
4. **Logistics Operators**
   - Receipt of the Customs release
   - Billing of arrastre and terminal handling fees and payment
   - Release of goods from the Customs Port District
   - Delivery to Importer's Premises
5. **Closure processes**
   - Data Warehousing System
   - Electronic Notification

DATA COLLECTION

The primary method of obtaining the necessary data is through conducting an online survey of the below trade actors involved in the end-to-end cargo clearance process:

1. Border Regulatory Agencies
2. Customs Authority
3. National Trade Facilitation Council – Governance and Technical
4. Trader Exporter/Importer/Customs Broker/Agent*
5. Freight forwarder/Transport Operator/ Carrier/Seaport/Airport Authority*

METHODOLOGY AND MANAGEMENT

	Survey Methodology
Data Collection	• Data collection for this feasibility study is based on the following: (i) desk research of relevant materials and information, as presented in previous sections and also in later sections of this report; (ii) **surveys that were distributed to targeted respondents in coordination with BOC, TRGAs and economic operators** (the trading community and logistics actors); and (iii) **interviews with government officials and private sector representatives** • Survey questions were tailored for different categories of trade actors, and were designed to cover a wide breadth and depth of perspectives on cross-border exchange, including technical challenges faced in implementing a robust and effective electronic data exchange

Targeted Respondents	• The actors and entities surveyed in this exercise were:
	  • **National Trade Facilitation Committee** – (consulted only on policy and governance issues
	  • **Customs Authority** (Bureau of Customs)
	  • **Trade Regulatory Government Agencies** (licensing / sanitary / phytosanitary)
	  • **Trading Community** (Exporter, Importer and Customs Broker)
	  • **Port Community** (Freight forwarders, consolidator, shipping line and carriers)

DATA COLLECTION

- A face-to-face consultation together the **Philippine Bureau of Customs National Trade Facilitation Champions (IT and Operations Customs Officers)** was also conducted. The consultative session served as valuable input to the feasibility study for the Philippines on the electronic exchange of trade-related data and documents, as well as an in-depth analysis to evaluate the feasibility of electronic exchange systems and their potential benefits.

"On behalf of the Bureau of Customs, I convey our commitment to facilitating trade and ensuring the efficient and effective movement of goods across borders. We believe that the implementation of paperless trade will not only help us achieve these objectives but also enhance transparency and reduce expenses," said Customs Commissioner Bienvenido Y. Rubio during his Opening Remarks.



SURVEY SCORING ON DIGITALIZATION PROCESS

1. No. – sequential order of questions with a naming convention of "T11"
   - A – the customs regime
   - 99 – sequential order
2. Questions
3. Y/N – yes or no
4. S – self-assessment score from 1 – 5
   - 5 – means fully digitized
   - 4 – means that majority of the processes are already digitized, except for a few manual processes
   - 3 – means some of the key processes are already digitized but need more support in covering digitizing other key manual processes
   - 2 – means manual processes are prevalent except for a few digitized procedures
   - 1 – all manual processes
5. Elaboration of status
6. On-going improvement and possible suggestions in digitizing the processes

One-Time Registration					
No.	Questions	Y/N	S	Elaboration on Status	On-going Process Improvement
T11	Does your automated application have the ability to connect / process a one - time registration of your company with Customs Authority and BRAs system that will allow electronic submission of cargo clearance requisites?				
T12	Does your automated application have the ability to connect / process a one - time registration of your company with any Single Window enabling platform or similar system that will allow electronic submission of cargo clearance requisites?				
T13	Does your organization have the ability to receive a unique reference number (registration process) from Customs, BRAs, or Single Window platform that you can use as part of your master data management?				

EXECUTIVE SUMMARY

- The Philippines is technically and legally ready to exchange electronic data across borders with partner economies
- This is reflected in the survey responses from Customs officials, who indicated that that their core operations are already digitalized, with the exception of a few processes that are still manual
- Thus, only freely importable items can be cleared paperless (goods that may be freely imported without the need for import permits, clearances or licenses)
- Challenges exist that hamper the digitalization of trade processes, such as the lack of standardized data formats and interoperability among different trade-related systems across government agencies



EXECUTIVE SUMMARY

Based on the survey responses, the top three documents identified for prioritization for cross-border exchange are the **certificate of origin, export declaration and phytosanitary certificate**

As for the top three potential trading partners, both co-chairs of the Philippine Trade Facilitation Committee indicated **China, Japan, and the Republic of Korea**

A clear need highlighted by survey respondents is for the systems of Customs and TRGAs to be made more **interoperable and integrated**, which would benefit SMEs as the easing of trade processes are expected to impact their operations and service delivery disproportionately



HOW CAN SMES BENEFIT IN SHIFTING TO PAPERLESS TRADE?

- SMEs account for 99.5 % of firms and 63.2 % of employment in the Philippines
- Evidence shows that selling inputs is particularly important: manufacturing SMEs have a higher tendency than larger firms to export goods and services that are sold directly into GVCs
- Another way for SMEs to benefit from GVCs is through indirect exports, or by supplying intermediate goods and services to larger firms, which then export the final goods
- In order for SMEs to benefit from the country's move towards paperless trade, there is a need for them to be better connected and resourced and have better visibility



HOW CAN SMES BENEFIT IN SHIFTING TO PAPERLESS TRADE?

- Awareness of paperless trade is still low among SMEs
- What they know is that manual processes are still prevalent in handling and verifying permits and certificates that are needed by Customs and TRGAs to expedite cargo shipments
- Thus, it is important to focus on the underlying requisites of the SMEs by adopting cross-border paperless trade that can potentially reduce e-commerce transactions costs
- An important development in the Asia-Pacific region that could translate into opportunities for SMEs to tap huge markets is the entering into force of the RCEP
- The RCEP holds the potential to help SMEs participate in the growing digital economy and leverage opportunities in increasing the export coverage for Philippine electronics manufacturers

SURVEY OF THE PUBLIC SECTOR

	Survey Results and Discussion
Philippine Trade Facilitation Committee	• The partner economies that should be prioritized for cross-border electronic exchange are **China, Japan, Republic of Korea, United States and Hongkong, China**, as suggested by the DTI-BITR and BOC • Government agencies that can decide on which partner countries to prioritize the exchange are the **Department of Foreign Affairs, Bureau of Customs, Department of Trade and Industry, Department of Finance and the NTFC** • The TRGAs that are technically ready for cross-border exchange are the **BOC, Bureau of Plant Industry (BPI) and STMO** • The cross-border documents that are being considered for pilot projects are the **Certificate of Origin, Export Declaration, and the Electronic Phyto Sanitary Certificate (e-Phyto)** • The systems and processes that need to be improved for any pilot exchange are the **Single Window, Customs Processing System and the TRGA systems** • The Customs and TRGAs have an existing legal framework for any pilot exchange • The findings and recommendations of this feasibility study will be utilized for ongoing and future implementation of AEO MRAs and customs modernization • **The estimated budget per year allocated for digitalization activities is approximately USD 2 million**

SURVEY OF THE PUBLIC SECTOR

	Survey Results and Discussion
Customs Authority (Pre-departure and Pre-arrival processes) Note: The questionnaire was sent to more than 10 key officials of the Bureau of Customs, of whom four responded	• **The pre-departure processes are mostly automated except for a few manual processes**. The electronic commercial invoice, packing list, and other pre-departure information are submitted as attachments prior to customs formalization or the goods declaration process. • **The expected time of departure is usually provided to the Port Authority, including the electronic manifest and the means of transport documents before the declarant can submit the export declaration for clearance** • Only Customs Brokers and Exporters registered with the Client Profile Registration System (CPRS) are allowed to lodge electronically the Export Declaration SAD in the BOC E2M system through the BOC Accredited Value-Added Service Providers (VASPs) • Exporters are required to secure the export clearance, license and/or permits for regulated products from government agencies using the Philippine National Singe Window (PNSW) platform prior to filing of the export declaration with Customs. However • **For import regime, it was also pointed out that the commercial invoice, packing list, bill of lading, inward manifest and other pre-arrival information are required as supporting documents prior to accepting the customs import declaration SAD**

SURVEY OF THE PUBLIC SECTOR

	Survey Results and Discussion

Customs Authority (Logistics processes)	• **All respondents said that electronic payment with logistics actors is fully automated using the BOC core customs system (E2M) and electronic payment system (PAS6)**
	• More improvements are in the pipeline in relation to electronic payment
	• However, some documents from shippers are still submitted in printed forms such as the shipper's letter of instruction, inland bill of lading and ocean bill of lading
	• All respondents said that the E2M system for export regime is now fully automated. Customs reference identifier for export declaration is "E" while mode of declaration type for clearance is "EX" followed by a procedure code that could be any of the following:
	  • 1000 – permanent export of domestic origin
	  • 1021 – permanent export after temporary entry for customs outward processing procedure
	  • 1022 – permanent export after temporary entry in unaltered state
	• **No amendment of lodged export declarations is allowed**
	• The export declaration could be cancelled but this has to be requested in writing and within 15 days of its submission

SURVEY OF THE PUBLIC SECTOR

	Survey Results and Discussion
Trade Regulatory Government Agencies Note: The questionnaire was sent to more than 30 TRGA officials, of whom 20 responded	Digitalization Challenges: • There are ongoing initiatives such as the Single Window, Coordinated Border Management, One-Stop Border Posts, Time Release Study, National Trade Repository, etc., which have some common themes, and which promise significant improvements in border management and clearance times • Yet, TRGAs still face technical, institutional, and procedural problems that have proved extremely difficult to overcome • As a result, **manual processes are still prevalent, and the silo approach is the easiest way for TRGAs to progress individually and to declare compliance with government reform requirements** • **The majority of the respondents noted that less than 30% of the digitalization processes are paperless** • Only four respondents gave the maximum score of 5 for all the questions on the processes of the export regime • **Most of the respondents said that their agency was still developing their automated proc**edures • Four respondents said that securing a permit to import, lodgement, assessment, release, and gate pass involve human intervention and are not a continuous procedure. A processed entry is still required to be routed (by hardcopy) to complete the record keeping process

SURVEY OF THE PUBLIC SECTOR

	Survey Results and Discussion
Trade Regulatory Government Agencies Note: The questionnaire was sent to more than 30 TRGA officials, of whom 20 responded	For the **export regi**me, the following lists selected comments from the responses received: • The full digitalization is in process. Digitalization is currently on VIS - Vessel Information System only • **Strongly suggest that to be able to be compliant through fully digitalized procedure, a centralized customs clearance system be implemented (e.g., eCO, e-assessed processed SAD, etc)** • **Required permits for export declaration are processed partially digitalized for air & sea** • Not applicable to an "oversight" agency or the agency mandate is only for policy-making and monitoring but not part of the license or permit approval process • We can use email in sending the supporting LCPO data to Customs and trading community for now • **Suggest standardizing the digitalization for export** for both air & sea and ensure that the assessment and e-Airway Bill are always updated/tally on breakdown • Still conceptualizing on how to fully digitalize • Still at the planning stage • The Dangerous Drugs Board (DDB) has already been using an online platform called online application for certification and exemption information system (OACEIS). Enhancement is ongoing

SURVEY OF THE PUBLIC SECTOR

	Survey Results and Discussion
Trade Regulatory Government Agencies Note: The questionnaire was sent to more than 30 TRGA officials, of whom 20 responded	For the import regime, the following lists selected comments from the responses received: • The **majority of the respondents noted that less than 40% of the digitalization processes are paperless**. Also, the majority of the respondents gave the maximum score of 5 for all the questions on the processes of the import regime • **The need for a digitalized inter-agency sharing of information is possible once BOC is already included in the procedure or as part of the agency's licensing syste**m • The request for inter-agency sharing of information to support BOC's cargo processing system is now in its planning stage • No information available in relation to the question "Does the TRGA's risk management system have the ability to be triggered by pre-arrival notification of freight information in digitized format (e.g. manifest, bill of lading, etc.), but the suggested feature is nice to have • Not applicable to an "oversight" agency, or the agency mandate is only for policy-making and monitoring but not part of the license or permit approval process • Using LinkBiz Portal of Landbank for the electronic payment of customs duties and taxes, including transaction fees • Dangerous Drugs Board (DDB) is issuing certification and exemption through the OACEIS

SURVEY OF THE PRIVATE SECTOR

	Survey Results and Discussion
Logistics Actors Note: The questionnaire was sent to more than 20 logistics companies, of whom 9 responded	For the export regime, the following lists selected comments from the responses received: • **The majority of the respondents said that more than 50% of the digitalization processes are paperless**. Also, the majority of the respondents gave the maximum score of 5 for all the questions on the processes of the export regime • **Many companies have ongoing digitalization activities and are continuously finding new ways to overcome challenges and provide the best possible interoperability with Customs and TRGA systems**, with the intent of minimizing manual processes • Freight orders are coordinated manually • Digital manifest are electronically submitted to Customs • Information sharing and submission of electronic messages are available depending on the shipping / airline • Some payments are still manually done • **Tracking of status is done through the Customs Portal** • In relation to the need for the trader or broker to get the shipping documents, email or electronic notifications for the shipping charges to be paid are provided

SURVEY OF THE PRIVATE SECTOR

	Survey Results and Discussion
Logistics Actors Note: The questionnaire was sent to more than 20 logistics companies, of whom 9 responded	For the import regime, the following lists selected comments from the responses received: • **The majority of the respondents said that more than 50% of the digitalization processes are paperless** • Receiving freight orders from consignor for presentation of the goods at the point of arrival is still paper-based (manual process) • **Processing freight papers needed for onward journey or any request or any request by the counterpart transport at the destination country is still paper-based** • Some payments are online, but some are still manual • Informing the destined port of arrival the expected time of arrival and content of freight (“manifest) in digitized form depends on the shipping lines application system • **Need further info for transport licenses** requested by the importer in processing the necessary transport licenses required by the TRGAs (e.g. dangerous goods, regulated goods, etc.). Note: International forwarders have additional skills that allow them to assume preparation of import-export-documents, procedures with TRGAs if necessary, and customs clearance of the goods.

SURVEY OF THE PRIVATE SECTOR

	Survey Results and Discussion
Trading Community Note: The questionnaire was sent to more than 20 trading community actors, 12 of whom responded. The Trading Community actors' that participated in the survey consist of the of the **Exporter, Importer and Customs Broker**	Digitalization Challenges: • Interviewed SMEs expressed their concerns about digitalization. A commonly held view among them regarding the concept of paperless could be seen in the following comment: "**We don't care how the government would do it, whether through a visual snapshot of a paper document – either a scanned or a pdf version – or through portal or electronic messaging; as long as we can clear our shipments without physically going to Customs or TRGAs**, we are okay with that" • Further, they suggested that the government address the overlapping responsibilities of regulatory agencies by merging some agencies to provide a more dynamic coordination between BOC and TRGAs • **SMEs recognize that the implementation of paperless trade initiatives could result in an expedited cargo clearance process, and more efficient logistic visibility that uses technology to track their shipments, which provides them with a sense of confidence about their shipment**

SURVEY OF THE PRIVATE SECTOR

	Survey Results and Discussion
Trading Community Note: The questionnaire was sent to more than 20 trading community actors, 12 of whom responded. The Trading Community actors' that participated in the survey consist of the of the **Exporter, Importer and Customs Broker**	For the export regime, the following lists selected comments from the responses received: • Single Window System only covers import and export permits • Key applications in relation to other Customs regimes are being developed • **Registration process varies depending on the agency. For BOC, accreditation is applied through the E2M system, but manual docs are still submitted** • Yes, the NSW system can route, send and receive electronic documents • Yes, HS or AHTN (ASEAN Harmonised Tariff Nomenclature) codes can be used when searching data in using the Trade Repository in knowing the licenses and permits required for exportation or importation of goods. • Current systems are not interoperable • **Yes, Export declarations are already automated** • Health certificates are still manual • Loading freight papers are still manual • Letter of Credit processing is still manual

SURVEY OF THE PRIVATE SECTOR

	Survey Results and Discussion
Trading Community Note: The questionnaire was sent to more than 20 trading community actors, 12 of whom responded. The Trading Community actors' that participated in the survey consist of the of the **Exporter, Importer and Customs Broker**	For the import regime, the following lists selected comments from the responses received: • **The majority of the respondents said that more than 50% of the digitalization processes are paperless** • PH exchanges ATIGA e-Form D through TRADENET / ASW systems • Electronic manifests are available online and can be submitted to BOC system • Providing the list of permits / licenses / certificates that are needed to complete the customs formalization, as supporting documents to an import declaration can be submitted through a separate customs portal/ ticketing system • **Customs declarations are fully digitalized** • **The NSW and Customs systems are separate systems, the NSW provides date and time stamps and email notifications** • Not all permits can be applied online • Inspections/examination schedules are done/coordinated through the separate system portal • BOC has a facility for electronic payment (PAS6) • Letter of Credit is still manually processed

UPDATES TO THE READINESS ASSESSMENT

- Continuing the enhancement of trade-related electronic systems and other trade IT projects;
- Updating the Philippine National Single Window (PNSW) to handle all types of documents in cross-border trade;
- National Government Data Center Project; National Government Portal
- Integrated Business Permits and Licensing System; Adherence to the National ICT Ecosystem Framework;
- Implementation of the e-Government Master Plan 2022;
- Conducting an Annual Vulnerability Assessment and Penetration Test (VAPT);
- Ensuring stability of the BOC's Electronic-to-Mobile (e2M) system;
- Strict implementation of the Anti-Red Tape Act law;
- Data harmonization according to available international standards such as UN EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport) and those from WCO;
- Greater focus on capacity-building and budgetary support;
- Full implementation of the AEO Program; and
- BOC should draft the plan on how to implement the ATA Carnet

IMPLICATIONS FOR CROSS-BORDER EXCHANGE

A. **What specific documents should be used for cross-border electronic exchange between the Philippines and potential partner economies?**



1. Preferential and Non-Preferential Certificate of Origin

The Philippines' joining of the live data exchange of the e-CO message within ASEAN has strengthened the ASEAN single market. Similarly, it is expected that expanding the coverage of the electronic exchange of the certificate of origin with non-ASEAN Trading Partners would boost global market access for the Philippines and provide tremendous benefits for SME exporters and manufacturers in the country



2. Export Declaration

In December 2021, the Philippines started exchanging the electronic ACDD with the ASEAN Member States, which supports their risk targeting and profiling activities. Further, this exchange will optimize the management of trade facilitation activities and contribute to achieving full visibility of cross-border cooperation in the ASEAN region. Incentives through risk-based and trade facilitation support are being worked out by BOC for participating exporters

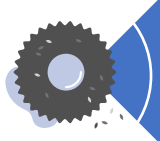
3. Phytosanitary Certificate

The third document that is proposed to be exchanged is the Phytosanitary Certificate. In international trade, various types of sanitary and phytosanitary (SPS) certificates are issued by regulatory agencies at the time of export. The Philippines is now testing the ePhyto exchange with Indonesia and Thailand in preparation for the cutover to live operation in August 2023.

**subject to further validation with BOC*

IMPLICATIONS FOR CROSS-BORDER EXCHANGE

B. **Which partner economy should be prioritized for this electronic exchange of trade data/documents?**



1. China

Total trade between the Philippines and China has continued to grow over the recent years, with the Philippines' imports from China growing at an average annual rate of 20.7 percent from 2010 to 2022. This led to China becoming the Philippines' largest trading partner in 2022



2. Japan

Japan is one of the Philippines' major foreign investors and has been a major trading partner. Japan has also been the biggest single source of official development assistance to the Philippines. The Philippine agricultural exports, which are subject to immediate tariff removal under Japan-Philippines Economic Partnership Agreement, include marine products such as frozen lobsters, frozen shrimps and prawns, fruits and vegetables such as coconuts, cashew nuts, etc.



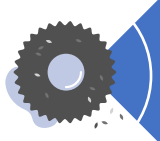
3. Republic of Korea

In 2021, South Korea exported $9.23B to Philippines such as integrated circuits, refined petroleum, and cooper wire. While the Philippines exported 3.19B to South Korea such as integrated circuits, office machine parts and bananas. The Philippines should export more agricultural products to South Korea to address the huge trade imbalance

**subject to further validation with BOC*

IMPLICATIONS FOR CROSS-BORDER EXCHANGE

C. **Systems and processes that need to be improved / harmonized**



One concern is proper linking, alignment, and interfacing. In addition to that, given the NSW current system's mandate to be a nationwide platform, proper training and efficient technical support is highly essential



All data are being submitted in MS Excel format for logging and reporting, which means data management is a challenge in the absence of a cloud- based server. In lieu of their upgrading process for better client service, one feature they are eyeing is an analytics dashboard for evidence-based decision-making

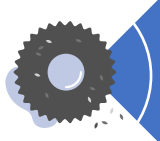


When it comes to data management, some agencies still produces printouts of the applications to serve as back-up copies. In addition to that, if data entered by the applicant is insufficient, the application will automatically be rejected and will potentially be part of the manual check

**subject to further validation with BOC*

IMPLICATIONS FOR CROSS-BORDER EXCHANGE

D. What are the costs and benefits of conducting electronic exchange



The Department of Budget and Management has proposed a P12.47-billion (approximately US$220 million) allotment in 2023 for the transformation and digitalization of government processes and transactions across national government agencies, in line with the vision of the Marcos administration



For this 2023 budget, a section on digital payments of government financial transactions was included. The Executive Order 170 signed by former President Duterte calls for the adoption of digital payments for government disbursements and collections. The implementation of digitalizing the government frontline agencies is well underway, in which the implementing rules and regulations have been crafted and are now under consultation



The World Bank-funded PCMP was officially launched in March 2021. It has a total cost of $104.38, of which $88.28 million would be funded through WB's officials development assistance, and the balance shouldered by the government

**subject to further validation with BOC*

RECOMMENDATIONS

- Strengthen capacity-building programs and consultations
- Implement a standardized digital data governance
- Use of the National Single Window Platform
- The need for a harmonized data-sharing agreement
- The need for Identity Management and Trade Data Protection
- Leverage modern technology
- Develop an AEO Scheme for SMEs
- Tap the Value-Added Service Providers

THANK YOU