

The Impact of IT-based Trade Facilitation Measures on Philippine SMEs

Loreli C. de Dios

Center for the Advancement of Trade Integration and Facilitation



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Philippine SMEs

- Definition:
 - Micro/cottage: 1-9 workers, <P3m (<\$60K) assets
 - Small: 10-99 workers, P3m-<15m (\$60K-<\$300K) assets
 - Medium: 100-199 workers, P15m-<100m (\$300K-\$2m) assets
 - MSMEs comprise 98% of all enterprises and 66% of employment; SMEs comprise 8.7% of enterprises and 32% of employment
 - Sectors: wholesale and retail trade (83% of enterprises 73% of employment), manufacturing (37% of enterprises, 43% of employment)
 - 70% of 1000 exporters are SMEs
 - MSMEs account for 25% of export revenue
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Use of IT at the Bureau of Customs

- ❑ 1976: mainframe computer to capture transactions data & generate databases; manifest clearance system
- ❑ 1992-1998: Customs Reform and Modernization program using ICT
 - Automated cargo processing, from assessment and collection to control of cargo, using ASYCUDA software, computers and servers for 21 ports and wide area network
 - Payment and online release systems, integrated into the Automated Customs Operations System (ACOS)
 - Lodgement through Electronic Data Interchange and Direct Traders Input
 - Advance submission of manifest information
 - ~~Selectivity based on risk management~~

Use of IT at the Bureau of Customs

□ 2000-2004:

- export documentation added;
- Super Green Lane facility
- transaction valuation and post-entry audit

□ 2005 to present:

- computerization improvement program (software upgrade, import and assessment, exports, resources and operations management, funds monitoring modules, transactional portal)
 - Electronic to Mobile (E2M) to allow end-to-end cargo clearance
 - electronic lodgement through Value-Added System Providers (VASPs)
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- Client Profile Registration System (CPRS)

Previous assessments of impact

- ❑ 1996 automation simplified procedures (e.g. from 10 documents, 90 steps, and 40 signatures), shortened release time from 10 days to 3 hours, selected 26% yellow and red
 - ❑ Gains tempered, with 44% selected in 2000, 71% in 2002, 90% in 2004; 21.6 hours clearance in 2000
 - ❑ 2003: time from lodgement to clearance was 36 hours (green), 35 hours (yellow), 29 hours (red)
 - ❑ 2004: 1 to 5 days saved from cargo arrival to release, representing the delay in arrival of PSI document required for lodgement; cargo processing still 5.4 days
 - ❑ 2006: no appreciable improvements in clearance time
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Cargo clearance procedures

- ❑ 25 steps, mainly from lodgement to release, involving several actors (Customs personnel, bank, port operator, broker)
 - ❑ 15 steps have been automated
 - ❑ 4 steps are importer/broker-initiated, of which **electronic lodgement** is the most recent major automated step
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Customs brokers as SME survey respondents

- The majority of trade is conducted through brokers, i.e. 90% of importers regardless of size use Customs brokers to be cost-effective;
 - Historically, complicated tariffs and trade regulations made brokers indispensable and as they were widely used, their operations came under Customs accreditation
 - In 1957 brokerage became a profession when a licensure exam and academic requirements were specified by law
 - In 2008 a new law prescribed that documents shall be signed only by brokers (excluding those employed by companies), disallowed corporate practice, and prohibited brokers from advancing clients' payments
- To date there are 4800 licensed Customs brokers.
Most are self-employed or in professional partnerships

Respondents' profile

- ❑ 67 respondents
- ❑ The majority have brokerage companies either as sole proprietor or partner
- ❑ On the average, spent 12 years in brokerage, have 12 employees, 7 clients
- ❑ 60% have both 1-9 employees and 1-9 clients
- ❑ 82% use own computer; 11% use other terminals; 52% use both own and other computers
- ❑ 18% who do not have their own IT system are the SMEs with 0-9 employees
- ❑ 70% did not invest in IT, either because they do not need it or are not able to invest

Accessibility and use of electronic lodgement by SMEs

- ❑ E-lodgement is open to any CPRS-registered client, and at any computer with internet connectivity
 - ❑ Prior to this, brokers had to lodge manually at the EEC or be EDI- or DTI-enabled which was costly; Super Green Lane also required EDI and charged lodgement fees
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Respondents' response to electronic lodgement

- ❑ 30% invested in IT (equipment purchase, subscription to provider for internet access)
 - ❑ 73% trained personnel in e-lodgement
 - ❑ 33% made organizational changes
 - ❑ 33% adjusted company procedures
 - ❑ 13% set aside funds or configured their IT systems
 - ❑ 10% did not have to make any adjustments
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Impact of electronic lodgement

- ❑ lodgement time dropped to 1 hour or less (for 65%) compared to 1/2 to 1 day before
 - ❑ clearance time of 1-2 days did not change
 - ❑ volume of entries rose for 27%, dropped for 57%; did not change for 16%
 - ❑ 90% say trade was facilitated in terms of:
 - Remote lodgement anywhere there is internet, 24/7
 - can save and view entry anytime, no need to queue for ASYCUDA
 - Convenience, facility, and speed
 - Reliable information on the entry, less paper routine
 - ~~Less manpower needed~~
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Effect of IT-based TF measures on Philippine SME trade

- ❑ With current worldwide recession, SME trade is affected more by depressed demand than by access, technology, or procedural difficulties
 - ❑ However exports contributed 39% to GNP in 2007 and the export sector grew by 4.4% in 2008; given the 25% share of MSMEs in export revenue and 70% proportion of exporters that are SMEs, it is likely that the increased exports of food, home furnishings, and agricultural products originated from SMEs at least
 - ❑ Electronic lodgement reduces transactions costs in terms of lodgement time, in turn lowering total cost burdens and costs per unit of export
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Components that are important in TF for SMEs

- ❑ Connectivity problems are cited by overwhelming majority (79%)
 - ❑ IT investments are found costly by 31% - electronic lodgement frees them from these
 - ❑ Frequency of technical/systems breakdown
 - ❑ Lack of preparation by the government, indicated by less-than-full implementation of electronic lodgement that requires personal follow up
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Suggestions to ensure that IT-based TF measures help SMEs

□ System

- Enable system to accommodate heavy lodgement traffic during office hours
- Add computers, provide free unit at BOC
- Use user-friendly software
- Invest in IT infrastructure at all ports
- Ensure fast and easy access to system; back up system

□ Information, education, awareness

- Give proper information; promptly publish clear guidelines
- Train staff for free; hold seminars for stakeholders

□ Procedures

- ~~Make e-lodgement available 24/7 in real time~~
- Strictly implement self-lodgement by brokers

Other interventions

- ❑ Complete the computerization improvement program; implement the new procedures in all ports
 - ❑ Address constraints occurring in the lodgement-to-clearance interval
 - Selectivity criteria
 - HS descriptions
 - Hardware and software deficiencies at online release and assessment, facilities for physical inspection
 - ❑ Address constraints occurring between berth to discharge of cargo
 - Turnover of vessel by BOC to arrastre
 - Insistence of vessel owners to use own equipment
 - ❑ Implement fully a National Single Window
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