

The Use of ICT in Customs Administration

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Introduction

Reliance on ICT is not a choice but a necessity in the tax field:

- Need to become more effective (more revenue)
- Private sector demands better services
- Need to become more efficient: more work with same or fewer resources.
- Private sector uses modern ICT -

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Overview of Presentation

- 1. ICT serves process modernization, not the other way around.
- 2. Stages of ICT use need to adjust to circumstances and ambitions: "one size does not fit all".
- 3. ICT implementing strategy.
- 4. Build your own or buy "off the shelf".
- 5. Evaluating ICT for Customs

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1. ICT handmaiden of customs modernization.

- No customs service or tax service can operate in a full manual manner.
- The use of ICT is often hampered by (i) the continuation of manual processes along side the ICT, (ii) legal obstacles, (iii) complex procedures.
- Often ICT projects in taxation and customs focus on the computerize of existing complex practices : a recipe for problems and disappointments.

Conclusion : the implementation of ICT must follow process simplification. The Trojan horse factor (Ghana and Bangladesh examples)

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Benefits of using Computerized processes in Customs

- Better control over international consignments
- Improved control over exemptions and duty suspension
- Reduced cargo release times
- Closer cooperation with other border agencies (SW)
- Uniform application of customs regulations
- Increased predictability for traders
- Systematic risk management approach is possible
- Reduced officer discretion –integrity benefit
- Better Management Information System (MIS)
- More efficient revenue collection and accounting
- Better and more timely statistics
- Better HR, financial and technical resource management

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2. ICT use evolves with customs practices

The four stages of ICT use.

- Customs focuses on physical inspection, revenue maximization, paper based processes; little attention for trade facilitation. ICT replicates manual processes.
- Risk management becomes important. Some DTI. Information is collected and analyzed and trade facilitation is on the agenda. Some information is exchanged with other government agencies.
- Heavy reliance on the use of ICT: DTI and self assessment, risk management is sophisticated, focus on compliance and intervention by exception.
- Customs are part of the trade logistics chain where all members of the trading community are connected in an electronic network; Single Window as used in Singapore, Ghana.

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3. Implementing ICT requires a strategy

- Implementing a coherent ICT strategy does not come spontaneously. It requires a disciplined sequence of activities, events and processes.
- Good ICT implementation need to be complemented by associated changes to legislation, a review of organizational structure and human resource management policies, revised cargo clearance policies, and enhanced operational procedures.

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1. Strategy must reflect a desire/need to change.

- Catching up with modern trade practices (Electronic Manifest Declaration, EDI, electronic payments).
- Commitments to WTO and WCO Agreements require new ways of doing things (valuation, trade facilitation, ongoing WTO TF Negotiations).
- Aging legacy systems often require system upgrade; opportunities to improve and modernize.
- Trojan Horse opportunity

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2. Provide responsibility for the reform. A Steering Committee (SC)

- SC initiates, guides and reviews the ICT Initiative. SC provides a structure, giving focus and continued attention.
- Operational staff. not ICT staff should dominate the SC
- DG Customs should head the SC, but Ministry of Finance should be on the SC (to provide the funds later on). Role of private sector stakeholders (e.g Senegal) and customs staff representatives.
- Government ICT experts and even external ICT consultants can be called in.

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3. Planning

3.1 Strategic planning : A four step process

- Define Objectives-Vision and obtain commitment to the ICT approach.
- Undertake GAP analysis : Vision versus diagnosis. What needs to be fixed : Where do we want to go?
- Asses the readiness of the organization.
- Define strategy to fill the GAP.

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▪ 3.2 Project planning

- The overall modernization project consists of many subprojects that each require individual planning and control.
- Responsibilities, deliverables and timetables need to be identified.
- The subprojects include : legal, HR, diagnostic of the present state of affairs, identification of best practices, budgeting, resource mobilization, and so forth.

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▪ 3.3. System development process

- Choice between a bespoke system (“off the shelf”) or a “build your own” system. More on this later.
- Procurement . WB’s international competitive bidding process, is a best practice and goes a long way to provide value for money, while preserving the integrity of a very vulnerable process.
- Implementation: Pilot site testing and gradual implementation or wholesale; issues of transition and back up.

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4. Build Your Own or “Off the Shelf”

Often Contentious issue : Some pointers

Build your own

Pros: geared to national requirements, builds up national ICT capacities, permits national upkeep and adjustments as Customs owns the computer codes. At times such modules complement off the shelf systems (risk assessment, MIS, management of suspense regimes, drawback system).

Cons: Difficult to make it just right, (reinvent the wheel), frequent cost overruns, danger that system will not reflect best practices but national idiosyncrasies, very expensive. National expertise; Yes but consultants may not always be available later on. Difficulty to ensure tie in of custom build modules with the rest of the customs management system.

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▪ “Off the shelf”

▪ **Pros :** Way to acquire a tested system that incorporates best practices. From UNCTAD the software is free. Benefit from implementation expertise of software provider. Assistance with maintenance and upgrades (varies according to provider).

▪ **Cons :** Some systems lack certain modules that need to be customs designed. Maintenance and assistance can be slow and costly. Source code often not provided.

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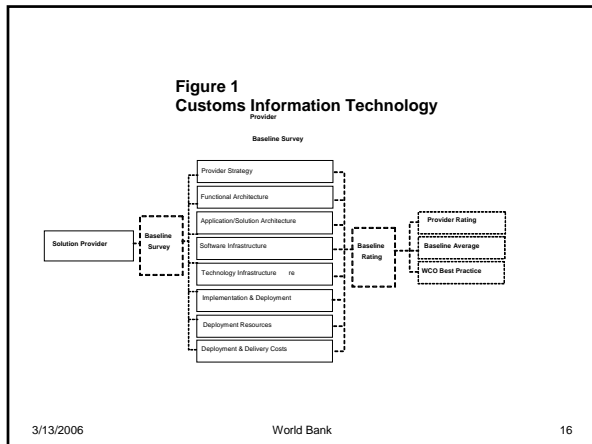
5. Evaluation of ICT Solutions for Customs

- A must in project preparation
- Technical and financial evaluation
- Based on intensive interviews : solution providers, national solutions and users, procurement guidelines of the WB.

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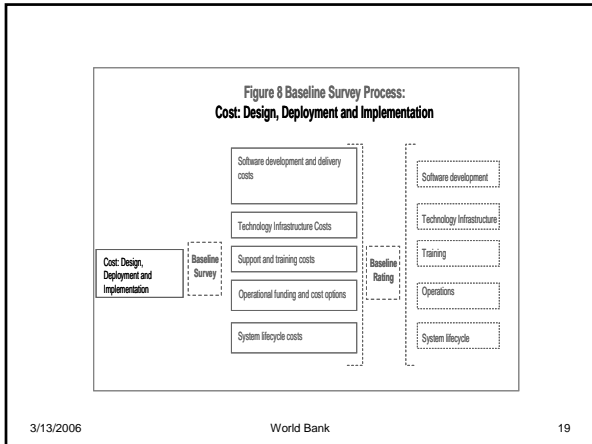
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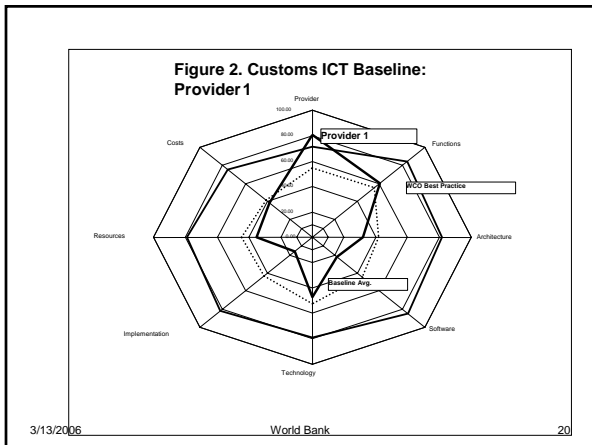
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- ## Strategy of Provider
- Vision and Principles
 - Solutions and Services
 - Capacity Building and Assistance
 - Value and Impact
 - Experience and Expertise
 - Stability and Investment
 - Consumers and Installed base
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- ## Functional Architecture
- Data and Information management
 - Passenger processing
 - Goods declaration and processing
 - Import-export-transit
 - Cargo management and control
 - Payment processing
 - Revenue accounting
 - Valuation/tariff and tax
 - Risk management
 - Audit bases controls
 - MIS
 - Etc.
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5. Conclusions

- ICT is essential in a modern Customs.
- ICT changes constantly and needs costly maintenance and upgrading : life cycle budgeting is a must.
- ICT design is too important to be left to technicians; need to get the customs business right.
- Using ICT effectively is a management challenge that goes way beyond technological issues.

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Thank you for your attention

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