# WORLD TRADE

# ORGANIZATION

**Negotiating Group on Trade Facilitation**

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## COMMUNICATION FROM PAKISTAN

The following communication, dated 14 July 2006, from the Delegation of Pakistan, is being circulated in advance of the Negotiating Group meeting of 24-26 July.

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## CUSTOMS ADMINISTRATIVE REFORMS (CARE): PAKISTAN'S EXPERIENCE IN TRADE FACILITATION

### I. OVERVIEW

1. The Customs Administrative Reform (CARE) project was initiated by the Central Board of Revenue (CBR)[1] in February 2002 with the fundamental objective of improving the organizational efficiency of the Customs department, enhancing controls and to enable it to adapt to emerging international initiatives requiring exchange of information among Customs administrations. The CARE team has endeavoured to achieve these objectives through: (i) Business process re-engineering, to adopt international best practices; (ii) use of latest information technology tools; (iii) use of standardized protocols for information exchange (use of XML and World Customs Organization (WCO) Data Model); and (iv) use of automated risk management techniques.

2. The system designed under CARE is called Pakistan Customs Computerized System (PACCS). Software application for the system has been developed by a consortium of three software companies, namely, Microsoft, PWC Logistics and AOS, selected through the World Bank's international tendering process.

### II. SCOPE

3. The scope of the CARE project was to develop an end-to-end automated Customs system covering all Customs functions.

4. Due to the very nature of Customs work, the system transcends its boundaries from Customs procedures to other relevant organizations concerned with clearance of international cargo, and various operators involved in the logistic supply chain, such as banks, carriers, and warehouse operators, etc. These include port authorities, terminal operators, on-line branches of government treasury throughout the country, the State Bank of Pakistan, regulatory ministries and departments such as the Ministry of Commerce, quota authorities such as the Sales Tax department or the Engineering Development Board, Export Promotion Bureau, Income Tax departments and CBR Headquarter, provincial excise departments, plant and animal quarantine departments, and other regulatory authorities prescribed in various schemes.

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[1] CBR is responsible for collection of seven direct and indirect federal taxes and duties including the import and export levies.

5.       The Pakistan Customs Computerized System is an integrated system which has the following categories of users:

1.   Customs functionaries, at port of entry and port of destination or exit.
2.   Traders (importers and exporters) including organizations who may import or export cargo, such as Government departments, municipal bodies, UN organizations, embassies and consulates.
3.   Carriers (shipping lines, bonded carriers such as National Logistics Cell [NLC], Pakistan Railways and other authorized carriers).
4.   Ports and Terminal Operators.
5.   Customs Clearing Agents.
6.   Bonded Warehouse Operators.
7.   Ship Chandlers.
8.   Quota authorities, Sales Tax Collectors (for Duty and Tax Remission for Exports [DTRE] and Survey Form).
9.   Regulatory authorities like Ministry of Commerce.
10.  Authorized on-line branches of government treasury.
11.  State Bank of Pakistan.
12.  Federal Bureau of Statistics.
13.  Various other departments.

## III.      COMPONENTS OF PACCS

6.       PACCS is comprised of four essential components:

### 1.      TARIP (Tariff and Integrated Policy)

7.       TARIP is the complete picture of regulations for import or export of cargo to and from Pakistan. It enables the stakeholders to know in advance about import tariff rates, export drawback rates, import and export restrictions, exemptions, documentary and declaration requirements.

8.       TARIP is online and information is always up-to-date (Information is captured at source).

### 2.      INTRA (Integrated Regulatory Authorities)

9.       INTRA is an online nationwide network connecting all stakeholders involved in imports, exports and movement of cargo within the PACCS. User Interfaces for all stakeholders are provided by this component. INTRA provides online registers and accounting to monitor quota regimes in export and imports.

### 3.      ECHO (Enhanced Cargo Handling and Port Optimization)

10.      ECHO is an online connectivity between the carriers, the PACCS and Terminal Operators / Port authorities. ECHO provides the following advantages:

*   One electronic document for the carriers.
*   Online inventory and monitoring of ports. No Customs staff at the gates (e-gates).
*   Seamless, Transits and Transhipments without Customs requirements.
*   No requirement by Customs for Export manifest.
*   Risk screening prior to arrival of the vessel, the terminal operator receives cargo handling instructions while offloading, increasing his output and efficiency.
*   Instant duty drawbacks with the sail of vessel.

**4.      ACCESS (Automated Customs Clearance System)**

11.      ACCESS is the core Customs system which covers all Customs functioning through an automated risk-management based system covering the following:

- Advanced Carrier declaration.
- Advanced screening for Risky Cargo.
- Goods declaration with off line support.
- Payment Management System.
- Risk Management System.
- Assessment Management System.
- Clearance Management System.
- Status Reporting System.
- Law Cell.
- Adjudications.
- Auctions.
- Warehousing.
- Licensing.
- Transits and Transhipments.

**IV.      SALIENT FEATURES OF THE PACCS**

12.      The PACCS is a completely paperless one window system accessible from anywhere in the country and only requires PACCS User ID, and internet connectivity. This highly sophisticated risk management system is fully automated and works 24x7 on the basis of self assessment.

**V.      FUNCTIONAL MODULES OF THE PACCS**

13.      The PACCS Software Application has various modules such as the *User Management System* (defines access level and authority of each person interacting with the system); *Goods Declaration System* (defines various procedures for importers and exporters for Customs clearance)*; Risk Management System* (targets various risks in different areas and triggers actions according to prescribed parameters and procedures); *Assessment Management System* (performs automated computation of all duties and taxes on the basis of pre-defined formulas); *Payment Management System* (online Connectivity to authorized branches of treasury); *Carrier Declaration System* (facilities to carriers and their agents to file and amend their manifests online and port clearance to incoming and outgoing vessels without physical documents); *Clearance Management System* (Releases or holds import and export cargo on the basis of pre-defined outcomes of various systems. triggers and flags from Risk Management System, assessments, examinations, position of cargo (i.e., whether arrived or not), payments of duties and taxes, furnishing of securities and documents where necessary); and *Examinations Management System* (allocates resources to and records data from, Customs activities at port, such as inspections, weight check, drug check, or laboratory testing).

14.      The other modules include EDI with ports, Adjudications Management System, Refund Management System, Duty Drawbacks on Exports, Warehousing Management System, Valuation, Post Release Verifications, Classification Committee, Recoveries, Licensing and Transits Management System.

## VI.    IMPLEMENTATION STRATEGY

15.    To launch an extensive multi-organizational system of this nature and magnitude, the CBR decided to implement it in phases. The CARE Pilot Project was the first phase through which all components of the system have been put in place.  However, it is limited by geography, at the Karachi International Container Terminal (KICT) which deals with about one-third of import and export cargo cleared through Karachi Port.

16.    In terms of functionality, the PACCS covers all Customs procedures, all modes of transport, i.e., land, air, sea, and multi-modal, and all types of cargo, i.e., containerized, LCL, or bulk.

## VII.    ACHIEVEMENTS AND TRADE FACILITATION

17.    The PACCS was inaugurated on 18 April 2005. It is successfully achieving and delivering its objectives. As can be seen below, Customs efficiency and port throughput has increased phenomenally:

- ❑ Reduction in steps in vessel clearance
  26 steps – 01 step

- ❑ Reduction in steps in Goods Declaration clearance
  34 signatures and 62 verifications – 01 step electronic declaration. All verifications are automatic online and from source.

- ❑ Reduction in customs processing time
  04 days ~ 08 hrs
  (More than 70% consignments are cleared within 1 hour)

- ❑ Reduction in dwell time of cargo at port
  11 days ~ 04 days (Each day reduction saves USD5 million to trade) (Report on National Trade Corridor (NTC) by the World Bank).

- ❑ Reduction in examinations
  Examination of cargo has come down from 100% to 4% in case of imports and 2% in case of exports.

- ❑ Enhanced predictability and transparency
  An integrated tariff has been developed and placed on the web; hence the trade is aware in advance of all the legal requirements regarding import or export of every commodity to and from Pakistan.

- ❑ Refunds and Rebates
  Export rebates are very facilitative since the Goods Declaration itself is an application for rebate, so rebates are now filed in a single step and cheques are issued within 48 hours of export of goods as compared to 90 days in the conventional process. Similarly refunds are online and are given in the same time frame as rebates.

- ❑ No un-receipted expense (Zero corruption)
  There is no contact between the tax payer and the tax collector; there are no groups and HS specific appraisers or examiners. All assessments and examinations are decided by the system based on the Risk Management System and are auto allocated to assessors and examiners if required based on workload. The importer/exporter information is filtered off by the machine as such the tax collectors are not aware of the taxpayer's identity and vice versa.

❑ Virtual Collectorate
PACCS is virtual Customs. An importer or exporter can file his declaration from anywhere in the country over the web, pay his duties and taxes in any other city since banks in various cities are online with PACCS; and clear his cargo from the port of arrival. Similarly a declaration filed from Peshawar may be assessed by an appraiser, if required, in Karachi (1700 Kms away from Peshawar). The system routes work based on workload without consideration for physical location since physical location is immaterial in cyberspace; this makes collusions between taxpayer and taxpayer collector extremely difficult.

❑ Standardization and best practice
PACCS has been built to international standards. The system has been subjected to independent evaluation in terms of business processes. Mr. Dietmar Jost, one of the architects of the Customs Data Model at the WCO, as independent evaluator of PACCS in his report dated 30 June 2006, concluded that *"PACCS has met the twin goals of trade facilitation and Customs control"*. PACCS is currently being technically tested by Microsoft for best international practices in terms of software.

18.    The PACCS will be rolled out throughout the country by June 2007.

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