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*Technical Report*

# **Institutionalizing the Performance Management System in the Bureau of Customs**

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Prepared for

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# Preface

This report is the result of technical assistance provided by the Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE) Activity, under contract with the CARANA Corporation, Nathan Associates Inc. and The Peoples Group (TRG) to the United States Agency for International Development, Manila, Philippines (USAID/Philippines) (Contract No. AFP-I-00-00-03-00020 Delivery Order 800). The EMERGE Activity is intended to contribute towards the Government of the Republic of the Philippines (GRP) Medium Term Philippine Development Plan (MTPDP) and USAID/Philippines' Strategic Objective 2, "Investment Climate Less Constrained by Corruption and Poor Governance." The purpose of the activity is to provide technical assistance to support economic policy reforms that will cause sustainable economic growth and enhance the competitiveness of the Philippine economy by augmenting the efforts of Philippine pro-reform partners and stakeholders.

By letter dated August 23, 2006, Commissioner Napoleon L. Morales of the Bureau of Customs (BOC) requested EMERGE assistance in explaining how to formulate a performance management system (PMS), a performance appraisal system and performance contracts, so that the BOC Lateral Attrition Implementation Committee could develop its own system of measuring, monitoring, rating and rewarding good performance in compliance with the Lateral Attrition Act of 2005. With USAID approval, EMERGE responded to this request by organizing a PMS orientation workshop for about 25 middle to top BOC officials conducted by the EMERGE PMS team presently working with the Bureau of Internal Revenue (BIR) to install a PMS system there. The workshop participants recognized their limitation in implementing a full blown PMS. The BOC has yet to develop the performance measures the participants have identified in the workshop. Among the measures, the Bureau has data on only one measure: financial collection. Secondly, the Commissioner has yet to create a Planning unit of the Bureau, which would be responsible for managing the PMS process. Thirdly, the legal framework of the Bureau's PMS needs to be enabled. The Bureau is presently thinking of coming up with a PMS Customs Memorandum Order (CMO) containing the legal framework for the office PMS, goal allocation methodology, rewards and attrition framework. This technical assistance activity builds on the project level outputs that EMERGE consultants were able to produce with BOC stakeholders at their PMS Workshop Orientation in September 2006. The consultants will work closely with the BOC Lateral Attrition Implementation Committee, advising them how they may attain the above performance milestones.

This report documents the process and methodology for the goal allocation, PMS installation framework, rewards and attrition and the enabling mechanism which is the CMO. The task was undertaken by several members of the EMERGE BIR PMS Team, namely Marie Herminia Soriano, Team Leader and Performance Measurement/OD Specialist, Lee De Dios, Economist, Joel Grenas, Goal Allocation Researcher, Ana Lea Uy, Legal Adviser, John Paul Vergara, Rewards Framework Specialist, Edwin Siao, Systems Analyst/Developer and Blanca Pasaporte, PMS Documentation Specialist.

The views expressed and opinions contained in this publication are those of the authors and are not necessarily those of USAID, the GRP, EMERGE or the latter's parent organizations.

# Overview

This Report on Institutionalizing the Performance Management System (PMS) in the Bureau of Customs (BOC) contains the initial tools and system for PMS implementation in the Bureau. The Guidebook includes four Chapters:

- **Chapter 1: Performance Management Installation Framework** contains the guiding principles in the implementation of the PMS. It discusses the results of an office evaluation done at the Port of Manila (POM) as the pilot site of the project, to determine the level of readiness of the Bureau for PMS installation. Based on these findings, it provides some recommendations on the nationwide installation of PMS in the BOC.
- **Chapter 2: Goal Allocation Methodology** presents an approach for allocating revenue targets among the Districts, the use of collective targets for individuals and requisites for implementation.
- **Chapter 3: Rewards Framework** describes a framework that is based on performance and recognizes the variations in accountabilities of the offices and employees in the BOC.
- **Chapter 4: Customs Memorandum Order (CMO)** presents the enabling measure, which shall catalyze the full scale implementation of the Attrition Act of 2005 in the BOC.

**PMS Installation  
Recommendations**

This chapter presents the guiding principles in the implementation of PMS. It discusses the results of an office evaluation done at the POM to determine the level of readiness of BOC for the installation of PMS. Based on these observations, some implications and recommendations for PMS installation and implementation are mapped out. Considering the complexity of the changes subsumed with PMS implementation and the level of resistance for PMS at the BOC, the PMS project installation is assessed to be “high risk”. To manage the risks, this section recommends a phased implementation approach over the next three (3) years. PMS teams will be taught and empowered to install the system across Districts and manage the resistance towards the PMS. Hopefully this approach ensures greater ownership and buy-in of the PMS by BOC critical stakeholders.

**Chapter 1: Performance  
Management System  
Installation Framework**

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## Objectives

This chapter aims to provide its *target readers, the BOC-PMS Teams<sup>1</sup>*, guidelines in the installation and implementation of a Performance Management System based on the PMS workshop conducted with BOC management in September 2006 and focus group discussions and interviews conducted with the Port of Manila (POM) management in February-March 2007.

## Acronyms

Table 1: List of acronyms used in Chapter 1

<b>ACDD</b>	Auction and Cargo Disposal Division
<b>ADKAR</b>	Level of awareness, desire, knowledge, ability and reinforcement
<b>BOC</b>	Bureau of Customs
<b>BSC</b>	Balanced Scorecard
<b>CBWD</b>	Common Bonded Warehouse Division
<b>CIIS</b>	Customs Intelligence and Investigation Service
<b>DBCC</b>	Development Budget and Coordinating Committee
<b>ESS</b>	Enforcement and Security Service
<b>FED</b>	Formal Entry Division
<b>FS</b>	Financial Service
<b>GTMBWD</b>	Garments and Textile Manufacturing Bonded Warehouse Division
<b>HRS</b>	Human Resource Service
<b>IED</b>	Informal Entry Division
<b>IICO</b>	Interim Internal Control Office
<b>LBD</b>	Liquidation and Billing Division
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MISTG</b>	Management Information Systems and Technology Group
<b>MMBWD</b>	Miscellaneous Manufacturing Bonded Warehouse Division
<b>PES</b>	Performance Evaluation System
<b>PMIS</b>	Performance Management Information System
<b>PMS</b>	Performance Management System
<b>POM</b>	Port of Manila
<b>PSCO</b>	Planning and Systems Control Office
<b>PPBWD</b>	Private/Public Bonded Warehouse Division
<b>WAD</b>	Warehousing Assessment Division

## Definitions

Table 2: Definition of terms used in Chapter 1

<b>Republic Act No. 9335, also known as the Attrition Act of 2005</b>	This was passed by the Third Congress of the Philippines on January 19, 2005 and approved by the President on January 25, 2005. The law seeks to improve the revenue collection performance of the Bureau of Internal Revenue and Bureau of Customs.
<b>Balanced Scorecard</b>	It is a strategy management and implementation tool that looks at performance of offices in BOC from the following perspectives: financial, customer satisfaction, process improvements and organizational learning and growth.
<b>Change management</b>	Specific actions that can be taken to manage the people side of installing change, in this paper, the installation of the Performance Management System.

<sup>1</sup> These are the PMS Sponsors, Process Owners and Monitoring and Evaluation Teams, details of which are discussed on pages 1-21 to 1-26.

<b>Mission</b>	It describes the mandate and core purpose of the organization at the Bureau, District or Division level.
<b>Performance Management System</b>	It is a four-stage management system composed of target setting, monitoring, evaluating and rewarding.
<b>Scorecard</b>	The Performance Scorecard serves as the contract that binds offices and individuals to pre-identified financial and non-financial targets.
<b>Strategy</b>	The means towards the attainment of an organization's vision, mission, development thrusts.
<b>Strategy map</b>	It serves as an implementation roadmap. It describes the strategic objectives that the organization must deliver if it is successfully attain its mission and vision.
<b>Target</b>	It defines the expected level of performance required for each measure.
<b>Vision</b>	It is a vivid description of the organization's desired future for itself so that it can better achieve its mission.
<b>Weight</b>	This indicates the priorities at the objectives and measure level. Weight assignment across objectives and measures should always total 100%.

## Guiding principles

The Implementing Rules and Regulations of the 2005 Attrition Act require the use of a Performance Management System (PMS) in implementing the rewards and incentives for officials and employees of the Bureau of Customs (BOC). The Commissioner of Customs shall evaluate annually the performance of the various offices and personnel of the Bureau using a PMS that is fair, objective and accurate, and whose results are not only verifiable but also replicable.

The PMS follows a four-stage process composed of performance planning, monitoring, evaluating, and rewarding. In performance planning, objectives, performance measures and targets are established and cascaded from the office to the individual levels. Monitoring involves periodically checking and systematically documenting performance at the office and individual levels so that necessary adjustments in priorities and strategies can be made. Evaluation involves the process of assessing whether the performance targets are attained and determining ratings for actual performance. The results of performance evaluation are used as basis for rewards and continuous improvements.

The Bureau's PMS follows the Balanced Scorecard (BSC) approach in the design and installation of the PMS. It is a strategy management and implementation tool that looks at performance of an organization from a balanced set of perspectives such as:

- *Financial*: It includes efforts of the BOC that directly contribute to increased collection.
- *Customer*: It pertains to all strategic objectives leading to increasing compliance and satisfaction levels of BOC customers.

- *Process improvement:* It captures all strategic objectives of the Agency to improve its core operations processes. These core processes may be in the areas of assessment/valuation, trade facilitation, and enforcement, warehousing and case resolution.
- *Organizational learning and growth.* It subsumes all strategic objectives contributing to improvement in BOC human resource competence, integrity and professionalism. IT also includes efforts of the BOC to improve the quality of its work life.

The PMS uses several tools to ensure effective alignment of performance measures/data across offices and individuals. These are the strategy map, scorecard, measures dictionary, PMS process map and the Performance Management Information System (PMIS).

- The Strategy Map is used to translate the vision and mission of the Bureau of Customs into inter-related strategic objectives. It serves as the guiding framework in the formulation of office and individual performance scorecards. All the performance measures or key performance indicators in performance scorecards are linked to these objectives.
- The Performance Scorecard serves as the contract that binds offices and individuals to pre-identified financial and non-financial targets. Performance Scorecards are mutually agreed-upon and signed by raters and ratees after the target setting and evaluation processes.
- The Measures Dictionary is a reference document containing detailed information about each measure in the scorecard.
- The PMS process map details the activities of the PMS Teams in ensuring alignment of targets across offices during the target setting, integrity of data during the monitoring process and consolidation and analyses of data during the evaluation stage. The PMS Teams are composed of the PMS Sponsors, Owners and M&E Teams. The PMS Sponsors are composed of the Customs Commissioner (CusCom), Executive Committee (EXECOM) and District Collectors. The PMS Owners are the Financial Service, Interim Internal Control Office (IICO) and Human Resource Service (HRS). The Financial Service focuses on financial collection data at the Office level while the IICO on non-financial performance data at the Office level and the Human Resource Service on performance data at the individual level.

- The last tool is the *Performance Management Information System* (PMIS) which is a web-based application that supports the Office PMS (OPMS) process. Its installation and implementation is a major component of the OPMS since it is the system that facilitates the encoding and processing of measurement data to arrive at performance ratings for offices. It has the following modules:

Planning/ Target-setting - includes the setting up and generation of Office Contracts.

Evaluation – includes the generation of worksheets for consolidating and uploading actual performance data, and rating of office performance.

Management Reports – includes standard reports that provide management with data for analysis and decision-making.

With all tools installed, the PMS is a potent tool that can provide quantitative and qualitative explanations on the organizational determinants of good and poor performance. With good performance measures properly documented and evaluated, one is able to systematically define the areas of strength and improvement of an office which becomes a basis for office target setting, continuous improvement and organizational rewards.

The next section focuses on the experience in the pilot site, the Port of Manila (POM), in an effort to determine the PMS installation framework and approach in the BOC based on observations, focus group discussions, interviews, with the POM District Collector, Deputy Collectors, Division Chiefs and customers.

## **The Case of Port of Manila (POM)**

Last September 2006, several District Collectors and representatives of the Office of the Commissioner attended a four-day orientation workshop on the PMS. The workshop provided a venue for the participants to gain a shared understanding of the PMS as a management tool. It also allowed the participants to apply the PMS tools.

After the workshop, Deputy Commissioner Reynaldo Umali asked for the technical assistance of EMERGE in the installation of PMS in the BOC. He suggested the POM as the site for validating the outputs of the workshop and “diagnosing” the level of readiness of the BOC for the implementation of a PMS.

Focus group discussions and interviews were conducted by EMERGE with the District Collector, the Deputy Collectors and the Division Chiefs of POM in February-March of 2007 to:

- Determine the level of readiness of the POM for the installation of the PMS by conducting a sample office evaluation using the BOC

Strategy Map, Scorecards and Measure Dictionary as reference tools.

- Recommend an approach towards the installation of the PMS.

## *Observations*

This section presents the observations of the EMERGE team on PMS practices at the POM on two areas: the PMS process itself and the performance measures currently being tracked, monitored and evaluated at the office level.

### **Performance Management System Process**

*Target setting process:* Performance management requires that performance measures and targets are well defined, aligned, cascaded and the target setting process continuously improved. In POM, the following are noted:

- Collection target is clear in POM, its Group and Division Heads. However, ownership of the collection targets is rather low. There is no understanding why some divisions are given collection targets. There is no ownership and buy-in of the basis of the goal allocation.
- Collection target is imposed by the Development Budget Coordinating Committee (DBCC). It is further “imposed” by the Finance Service across Ports. Within the POM, the Division Chiefs do not understand how the collection goal is allocated. The following Offices have collection targets: Formal Entry Division (FED), Informal Entry Division (IED), Warehousing Assessment Division (WAD), Private/Public Bonded Warehouse Division (PPBWD), Common Bonded Warehouse Division (CBWDO, Miscellaneous Manufacturing Bonded Warehouse Division (MMBWD), Garments and Textile Manufacturing Bonded Warehouse Division (GTMBWD), Auction and Cargo Disposal Division (ACCD), Liquidation and Billing Division (LBD), Bonds Division, and the Sub-Ports S. Harbor, Masinloc, Mariveles, Limay, FTI, Rosario, Postal, and Laguna.
- The POM does not seem to have a formal planning process. The Divisions chiefs submit their “plans” to the Administration Group on a yearly basis. The Deputy Collector for Administration does not remember having formulated any plans recently until a colleague reminded her that plans are submitted to her. The District Collector on the other hand has a “secret marketing strategy.”
- Only collection target seems to be clear among the Division Chiefs during the interviews. They were asked for the existence of performance measures elicited during the September workshop but most of them point to another office as the unit responsible for collecting such data. When the office referred to was asked for the data, these offices refused to give the data, claiming that such data are confidential.

*Monitoring process:* Performance management presumes the presence of a well-functioning reporting system. Focus group discussions and interviews with POM top and middle management reveal that:

- Daily, weekly, monthly and yearly reports are generated for collection-related measures. Other performance measures are not as religiously and periodically monitored.
- Other outcome measures such as compliance level of importers as a result of assessment or output metrics such as additional payment due to appraisal are documented but not summarized, evaluated, analyzed and used as bases for action. Thus, most metrics do not have baseline performance data for 2006.
- The PMS process necessitates establishing actual performance through an office evaluation by obtaining baseline data. In an effort to establish 2006 actual performance for the POM based on the scorecard developed with the Operations and Administration Groups, the team requested the Collector for Administration and the Chief of the Administrative Division to assist in gathering baseline data for the metrics. Unfortunately, there was no feedback from their end so the team decided to visit the offices to obtain the needed data on abandonment shipments and number of hold and alert orders issued. The Enforcement and Security Service (ESS) Chief alleged the Office does not track the metric but the Customs Intelligence and Investigation Service (CIIS) does. An interview with the CIIS Chief yielded negative results and so with the Collection Service, which according to him tracks actual figures. The next stop was the Assistant Chief of the Law Division. Sad to say, according to her, the staff keeping the data is on leave and the Division could not provide the information on the same day. A check with the Assistant Chief of the Auction and Cargo Disposal Division (ACDD) did not do any good.
- A precondition for timely submission of reports is an efficient management information system. The source of most data in POM is the MISTG and CIIS, but this is not yet designed to provide data on overall office performance with balanced set of measures. Interviews reveal that a current system is being developed where other performance data such as entries processing flow will be system generated.
- Performance data are generally treated confidential. There seems to be no system or mechanism for making office performance results transparent.

Evaluation and continuous improvement process. A critical attribute of a working PMS is the use of office evaluation results as bases for continuous improvement.

- Offices are evaluated on collection metric alone. Determinants of good office performance are not analyzed and established.
- Individuals are evaluated using the Performance Evaluation System (PES) which is not perceived to be effective in distinguishing high from low performers. Evaluation at the individual level is based on self assessment. Raters such as the Section, Division and Group Heads sign the evaluation sheets so ratees can claim their annual two thousand pesos merit bonus.

### **Performance measures**

BOC Strategy Map validated. Division Chiefs present in the January 31 workshop<sup>2</sup> validated the strategy map<sup>3</sup> drafted by the District Collectors in the September 2006 workshop.

They agreed with the strategic objectives captured in the Strategy Map. They agreed that for them to exceed their collection target, they need to improve the compliance and satisfaction levels of their stakeholders. For them to impact on the compliance behavior and satisfaction levels of their customers, they need to strengthen their internal control and monitoring systems, enhance trade facilitation and enforcement of laws and expedite resolution of administrative cases.

They also underscored that for these process improvements to take place they need to be able to attract, develop and maintain competent personnel with integrity.

POM Scorecard formulated. The Deputy Collector for Assessment, 7 Assessment Division Chiefs, 11 Operations Division Chiefs, 3 Collectors from the Sub-ports and 2 Division Chiefs from the Administration Group were coached to formulate their Office Scorecards. They were asked to validate the performance measures identified at the BOC level which are applicable to their Division. The table below shows the measures applicable to the POM. The Division chiefs were also asked to give baseline data for 2006 but only measures with the check symbol have actual data for the previous year.

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<sup>2</sup> The list of participants who validated the BOC Strategy Map is in Appendix 1.

<sup>3</sup> The BOC Strategy Map is the result of the strategy mapping exercise with 15 District Collectors and representatives of the Office of the CusCom last September 2006, validated by POM participants. This is shown in Appendix 2.

Table 3: Performance measures identified at the BOC Level which are monitored/tracked at the POM level

OBJECTIVE	MEASURE	FORMULA	OG	AG	Adm
Exceed collection performance	1. Revenues collected	$\frac{\text{Actual collection}}{\text{Assigned goal/target}}$	✓	✓	✓
	2. Collection growth	$\frac{\text{Collection this year}}{\text{Collection last year}}$	✓	✓	✓
	3. Amount collected from shipments subjected to WSD	$\frac{\text{Number of shipments subjected to WSD}}{\text{Total number of shipments referred to the Law Division}}$			
	4. Additional revenue generated from alerts and hold orders	$\frac{\text{Revenue generated from alerts and hold orders}}{\text{Total revenue generated}}$			
Improve compliance level of stakeholders	5. Increase in collection as a result of assessment of imports	$\frac{\text{Value of imports declared}}{\text{Value of imports assessed}}$			
Improve enforcement process	6. Number of contraband detected	$\frac{\text{Number of violations detected}}{\text{Number of containers subjected to X-ray}}$			
	7. Number of alert and hold orders issued	$\frac{\text{Number of alert and hold orders issued}}{\text{Total number of shipment processed}}$			
	8. Number of shipments subjected to WSD	$\frac{\text{Number of shipments subjected to WSD}}{\text{Total number of shipments put on alert or hold order}}$	✓	✓	✓
	9. Number of cases won	$\frac{\text{Number of cases won}}{\text{Number of decided cases}}$	✓	✓	✓
	10. Number of CBWs issued order of closure	$\frac{\text{Number of warehouses issued order of closure}}{\text{Number of cases forwarded by different warehousing divisions}}$			
	11. Number of abandonment shipments resolved	$\frac{\text{Number of abandonment shipments resolved}}{\text{Total number of abandonment shipments}}$			
Promote trade facilitation	12. Number of import cargoes processed	$\frac{\text{Number of import entries processed}}{\text{Number of import entries received}}$	✓	✓	✓
	13. Number of export entries processed	$\frac{\text{Number of export entries processed}}{\text{Number of export entries}}$			

OBJECTIVE	MEASURE	FORMULA	OG	AG	Adm
		received			
	14. Volume of imports cleared	$\frac{\text{Volume of imports cleared}}{\text{Volume of imports received}}$			
	15. Increase in collection as a result of assessment of imports	$\frac{\text{Value of imports declared}}{\text{Value of imports assessed}}$			
	16. Turn -around time in the release of shipments to importers	$\frac{\text{Current average processing time per entry for current year}}{\text{Average processing time for last year}}$			
	17. Number of entries processed under the selectivity system	$\frac{\text{Number of red/yellow/green}}{\text{Total entries filed}}$			
	18. Number of super green lane users	$\frac{\text{Number of super green lane users}}{\text{Total number of importers}}$	✓	✓	✓
	19. Number of importers subjected to post entry audit	$\frac{\text{Number of importers subjected to post entry audit}}{\text{Number of importers}}$			
Organizational learning and growth	20. Technical staff complement	$\frac{\text{Number of technical staff complement}}{\text{Current personnel strength}}$	✓	✓	✓

*POM Measure Dictionary crafted.* The Division Chiefs helped craft the Measures Dictionary which captures clarifications on each measure of the Performance Scorecard.

*However, completion of the PMS Evaluation was a feat.* While the Office Performance Scorecards were formulated up to the Division level, computing for the Office ratings could not be completed because of difficulty in accessing /retrieving actual performance data. This implies either the performance measures are not yet documented, monitored, consolidated, evaluated and used as basis for any decision making.

**Offices currently tasked to define, consolidate and analyze performance data**

The Finance Service (FS) currently defines, consolidates and analyzes collection data across ports of the BOC. On the other hand, the Human Resource Service (HRS) consolidates the Performance Evaluation reports at the individual level. The IICO will be tasked to analyze and consolidate office performance data. For the POM, only

collection data is consolidated by the Data Monitoring Office for submission to the Office of Customs Commissioner.

## Implications for PMS Installation

### *Scoping the change*

The implementation of the Attrition Act necessitates the installation of the PMS for the whole agency, across ports, divisions, sections and individuals.

The change will directly impact on top and middle managers of the BOC. Installing PMS in BOC entails changes in defining, selecting, allocating and evaluating financial and non-financial measures. It involves cascading and aligning performance targets across offices and individuals. It means re-tooling managers and supervisors in PMS. More than these, top and middle managers will have to be taught to manage change in their respective units. The District Collectors, their Deputy Collectors and Division Chiefs across ports will play a critical role in the sustained implementation of the PMS.

It will also target the teams who will oversee the installation and implementation of the PMS. These are the PMS Sponsors, PMS Owners and M&E Teams. They will have to learn to analyze performance data at the office and individual levels using a more balanced set of performance measures. They will have to learn to use the automated system that will make performance monitoring and evaluation user-friendly and manageable.

Eventually, regular employees will also be affected by the PMS. They will have to accept more defined and specific targets at the office and individual levels. They will have to document their performance. They will go through a process of evaluation that is aligned with the results of office evaluation. Decisions regarding human resource systems, such as rewards, attrition, training and development, and movements will now have to take into consideration the results of the PMS.

The PMS entry points for change are multiple and may be clustered into the following:

#### ***Tasks/Behavioral:***

- Top and middle managers will have to do performance target setting, monitoring, evaluation and rewarding and ensure compliance of the staff with the set standards.
- Individuals will now have to comply with the defined performance standards and learn to document their performance.

***Processes/Systems:***

- Performance target setting, monitoring, evaluation and rewarding processes will be institutionalized.
- Performance measures will be aligned, deployed, tracked and evaluated at the office and individual levels.
- Evaluation and computation of rewards at the office and individual levels will be system generated.
- Human Resource systems will be aligned with the results of the PMS.

***Standards:***

- Financial and non-financial standards will be identified, standardized, deployed and used as bases for decision making such as human resource movements, training and development, rewards and attrition.
- Emerging good practices/determinants of good performance at the office and individual levels will be documented and consistently used as BOC-wide benchmarks.
- Good practices are established, repeated and continuously enhanced.

These changes will have to be introduced in an **incremental, progressive manner. The PMS project installation will have to adopt a phased-implementation approach.** This means few but “critical” set of performance measures will be identified and carefully tracked across ports initially until they are cascaded to the offices and individuals.

For the first year, recommended critical performance measures that need to be tracked, aside from collection are assessment versus declared values and average turn-around time in the release of goods under the three selectivity schemes: red, yellow and green. The first is a good indicator of quality of assessment. The latter, if consistently tracked and analyzed is a good indicator of process improvement. More performance measures will be added as the Agency sees fit. It also means that at the onset, Agency measures will be cascaded until the Port/District and Group levels only.

For the second year, the Port/District measures will be cascaded to the Division and Section levels.

For the third year, the Division and Section level measures will be cascaded to the individual levels.

Thus, the timeframe for the full and comprehensive installation of the PMS at the office and individual levels will be at least three (3) years.

**All these imply that for PMS to be installed and implemented in a sustained manner, a well-mapped out change management strategy will have to be crafted by the PMS Teams.**

The next section focuses on the level of readiness of the BOC for the changes that go with the implementation of the PMS.

### ***Assessing the level of readiness of the BOC for the PMS installation***

**Resistance level:** Resistance to the PMS is high because the system is associated with the implementation of the Attrition Act. All 15 District Collectors refused to sign the performance contracts presented by Customs Commissioner Napoleon Morales in the Command Conference held last March 19, 2007. Several employees staged a rally during their lunch break to protest the penalty clause in the Lateral Attrition Law last March 30, 2007. Change management strategies focusing on top and middle management will form a critical component in the BOC-PMS installation.

**Capacity for change:** Organizations have limited capacities for change. If the organization is experiencing a large degree of change, then implementing yet another change can be difficult. A number of changes in BOC are in the pipeline. These are the implementation of Integrity Development Action Plan, computerization of the BOC core export processes and the Organization Rationalization Plan. The installation of the PMS will have to consider other change initiatives of the BOC because other change initiatives will potentially target the same people.

**Leadership styles and predisposition to change:** Leadership styles play an important role in change management planning. Studies show that sponsorship and management support are key success factors for the installation of the PMS.

The leadership structure in BOC is perceived to be centralized with decisions emanating largely from the top management. The District Collectors form part of that management structure. They are a powerful block to reckon with in the implementation of the PMS. They will have to define the strategic directions of the Districts, identify measures and manage the resistance at the District level. The middle managers such as the Deputy Collectors and Division Chiefs, on the other hand, are the ones who have direct access and influence on the employees of BOC. It is equally important that they are allies in the installation and sustained implementation of the PMS, because they can yield the desired influence on the employees.

Both the District Collectors and Deputy Collectors have high resistance to the PMS because it is associated with the implementation of the Attrition Act.

Initial actions will have to be geared towards winning the minds and hearts of the District and Deputy Collectors towards the installation and sustained implementation of the PMS. Just like any change initiative, it will be a good exercise to identify the potential allies and “villains” in the PMS installation. A different “change management” approach will have to be adopted for each key stakeholder.

### Recommendations on the installation of the PMS

Considering that the PMS installation has to involve the whole Agency, the changes are multi-pronged and the resistance level of the top and middle management is high, installing the PMS in BOC falls in the quadrant labeled “high risk”.

Figure 1: Risk Profile of PMS in BOC

Change Characteristics	Large Change	<b>1. Large radical change to change resistant organization</b> <i>PMS installation in BOC is high risk</i>	<b>2. Large, radical change to change ready organization</b> <i>Medium risk</i>
	Small Change	<b>3. Small, incremental change to change resistant Organization</b> <i>Medium risk</i>	<b>4. Small, incremental change to change ready Organization</b> <i>Low risk</i>
		Change Resistant Organization	Change Ready Organization
Organizational Attributes			

Since the project is high risk, the following actions are recommended.

- *Adopt a phased implementation approach in the installation of the PMS.*
- *Prepare for the change. Form and train the PMS Teams to install the PMS.*
- *Manage the change.*
- *Implement the change by institutionalizing the performance management cycle.*
- *Reinforce the change.*

## *Adopt a phased implementation approach*

The installation of a full-scale PMS will take some time.

For the first year, critical few BOC-District level performance measures will be adopted across ports by the top management. This means targets are clearly defined, documentation tools mutually agreed on and used. It also entails evaluating, comparing and analyzing the performance of ports against these measures. For the first year, possible metrics aside from collection recommended and approved by CUSCOM Napoleon Morales on April 17, 2007 are:

**Table 4: Recommended critical few measures for Year 1 of PMS**

Possible measures for the Operations Offices
Assessed values/Declared values
Amount collected as a result of alert orders issued
Number of alert orders issued
Amount collected from post entry audit conducted
Number of post entry audit conducted
Amount collected from seizure cases
Number of seizure cases
Number of RAT cases filed in DOJ
Number of RAT cases favorably resolved
Ratio of dutiable entries versus non-dutiable entries
Ratio of warehouse entries versus export entries

These metrics will be presented to the District Collectors for validation. The next step entails installing standardized documentation formats that will be used to monitor performance across ports. Examiners will now have to encode both declared and assessed values. This is potentially threatening to many because it is an added work but with clear and decisive instructions from top and middle management, the examiners will have no choice but to comply. Documentation of this one metric alone will be met with a lot of resistance. This has to be anticipated and proactively managed.

For the second year, more measures may be added and cascaded from the District/Group to the Division and Section levels. Ports will now be clustered according to pre-determined factors. Based on these factors, ports with the same core processes such as all free ports, seaports and airports will now be grouped together with the assumption that they may have the same contracts.<sup>4</sup>

For the third year, Section level scorecards may be cascaded to the individual levels.

<sup>4</sup> Possible clustering of ports is reflected in Appendix 3.

A summary of the possible progression in the installation of the PMS is shown in the table below.

Table 5: Proposed installation timeline

<b>Installation Timeline</b>		
<b>Year 1</b> Office performance contracts contain balanced set of measures at the BOC and District Levels	<b>Year 2</b> Office performance contracts contain balanced set of performance measures at the BOC, District, Division and Section levels	<b>Year 3</b> Office performance contracts are cascaded to the individual level
<b>Target setting</b>		
PMS Sponsors such as the CusCom, EXECOM and 15 District Collectors choose BOC-wide performance measures. All Districts adopt the performance measures. Performance targets, monitoring and evaluation processes are standardized across districts to make performance analyses and comparisons feasible.	PMS Sponsors will now have to multiply sponsorship of the PMS. District targets will be cascaded to the Division and Section levels.	Individual performance contracts are aligned with office performance contracts. Section level metrics cascaded to the individual levels. Competencies required to produce outputs identified. Competencies used as "hub" for aligning BOC Human Resource Systems.
<b>Monitoring</b>		
Agency and District Scorecard ratings are monitored periodically.	Districts, Divisions and Sections are monitored periodically.	Individual performance contracts monitored on a semestral basis.
<b>Evaluation</b>		
Agency and Districts are evaluated based on the pre-agreed set of performance measures. Individuals are still evaluated using the old system, PES.	Districts, Divisions and Sections are evaluated; Similar offices compared. Individuals are still evaluated using the PES.	Individuals are evaluated using the PES that is aligned with the Office Scorecards.
<b>Rewarding</b>		
Offices are rewarded based on Scorecard ratings. Individuals are rated using the rewards framework.	Offices are rewarded based on Scorecard ratings. Individuals are rated using the rewards framework.	Individuals are rewarded based on financial and non-financial measures
<b>Change management</b>		
Visible, sustained top management sponsorship of the project is required. A communication plan focusing on the rationale and gains of the PMS should be instilled in top and middle BOC managers across ports.	Deputy collectors are trained to be effective "coaches" to their personnel in the sustained implementation of the PMS. They are also trained on anticipating and managing possible resistance to the PMS.	Individuals are trained to align their targets to the office and monitor their performance using pre-structured monitoring tools; Section chiefs taught to evaluate performance.

Installation Timeline		
Year 1 Office performance contracts contain balanced set of measures at the BOC and District Levels	Year 2 Office performance contracts contain balanced set of performance measures at the BOC, District, Division and Section levels	Year 3 Office performance contracts are cascaded to the individual level
District collectors are trained and coached on the skills involved in PMS: strategic and aligned target setting, monitoring and documentation of performance data, evaluation and continuous improvement of offices and cascade of performance data to the individual level. They are also trained how to manage potential resistance in the installation of the PMS.		
<b>Office Performance Management Information System (OPMIS)</b>		
PMIS used as a stand alone system.	PMIS used as a stand alone system.	PMIS may be integrated with existing management information systems in BOC.

***Prepare for change by forming and training the PMS Teams***

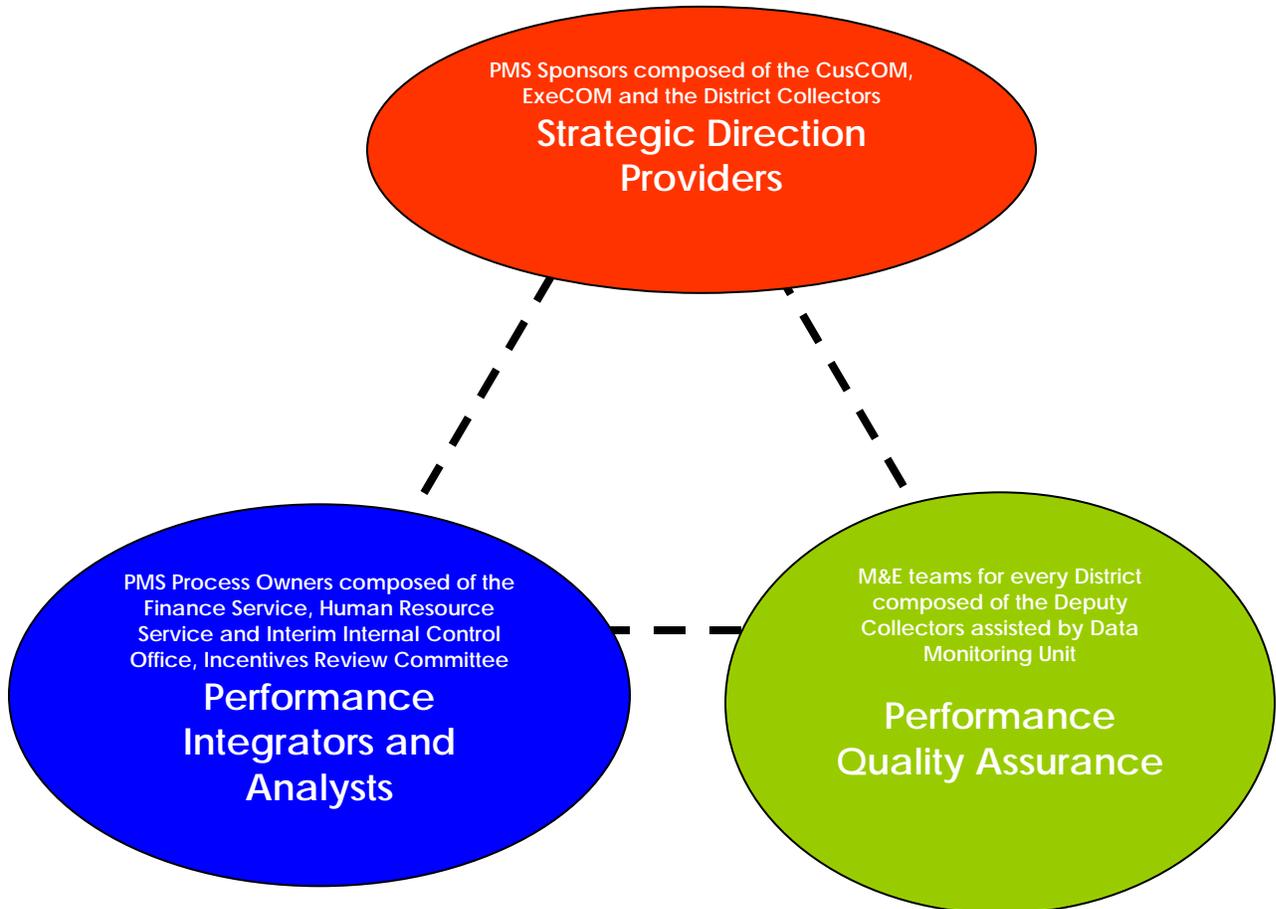
The PMS installation process will have to be steered and managed by critical stakeholders internal to BOC for more ownership and buy-in of the system. The PMS teams will be formed with distinct and complementing roles. It shall be composed of three levels of stakeholders:

- The **PMS sponsors** shall champion the PMS and provide strategic directions. They shall be composed of the CusCom, EXECOM and the 15 District Collectors.
- The **PMS process owners** shall provide technical support to the PMS sponsors. They will consolidate and analyze performance data of the Agency. They will also communicate the performance results of the BOC. They shall be composed of the Finance Service, Human Resource Service and Interim Internal Control Office.
- The **PMS Monitoring & Evaluation Teams** shall ensure the integrity of the performance data in the Districts. They shall be composed of the Deputy Collectors across Districts. Studies show that middle managers have the most access and influence on the employees.

It is critical that the Deputy Collectors are allies in the installation of the PMS.

A diagram showing the relationship among the PMS critical stakeholders is shown below.

Figure 2: The PMS Stakeholders, their composition and roles



The PMS Teams are assessed on their level of ADKAR or **A**wareness, **D**esire, **K**nowledge, **A**bility and **R**einforcement on the roles that they will assume in the implementation of the PMS.

Table 6: ADKAR level of BOC-PMS Stakeholders

		ADKAR Level by PMS team			Remarks
		Sponsors	Process Owners	M&E Teams	
<b>A</b>	Awareness of the need for PMS	High	High	Low	Some sponsors and process owners attended the PMS orientation in September 2006. They have a high level of awareness for the need for PMS.
<b>D</b>	Desire to participate and support the PMS	Low	High	Low	PMS is associated with Attrition Act implementation which is encountering high level of resistance among the District Collectors. PMS Sponsors and ME Teams are attributable based on the Implementing Rules and Guidelines; the Process Owners are not attributable, thus they are not threatened by the installation of PMS.
<b>K</b>	Knowledge on PMS processes e.g. performance target setting, monitoring, evaluating, analyzing.	Low	Low	Low	Deeper understanding of PMS required.
<b>A</b>	Ability to implement required PMS skills	Low	Low	Low	More coaching sessions on PMS skills required.
<b>R</b>	Reinforcement to sustain the change				Attrition Law provides for a sizeable amount of reward.

With a low level of awareness, desire, knowledge and ability to implement the PMS, the PMS Teams will have to go through a combination of structured training and coaching sessions with different focus for each team based on the roles that they will play in the installation and implementation of the PMS in BOC.

The following are the priority training and coaching interventions for the PMS Teams.

Table 7: Training and Coaching Sessions for PMS Sponsors

Priority #1:	Training and Coaching Sessions for PMS Sponsors
ADKAR level of PMS Sponsors	Awareness of rationale of PMS is high after the attendance to PMS workshop in September 2006; Resistance to the Attrition Act is high. All 15 District Collectors refused to sign the performance contracts presented by Customs Commissioner Napoleon Morales in the Command Conference held last March 19, 2007. Knowledge on PMS still needs more deepening through skills application.
Competency Gaps (in Knowledge, Skills, and Attitudes/Orientation form)	Lack of capability in PMS including selecting, cascading, documenting and analyzing performance measures;  Lack of knowledge and skills in managing change, including people, systems, and tasks
Training/Coaching Objectives	Training and coaching sessions on PMS and change management shall be given this group. PMS will focus on the technical side of change; change management will focus on the people side of change. Both training programs aim to: <ul style="list-style-type: none"> <li>▪ Increase the level of understanding and appreciation of PMS</li> <li>▪ Develop a plan for installing PMS in their District</li> <li>▪ Develop a change management plan to address resistance to the PMS.</li> </ul>
Expected Outputs	<ul style="list-style-type: none"> <li>▪ BOC Strategy Map</li> <li>▪ BOC scorecard</li> <li>▪ District Scorecard/Measure Dictionary</li> <li>▪ PMS Installation Plan in own District</li> </ul>

Priority #1:	Training and Coaching Sessions for PMS Sponsors
	<ul style="list-style-type: none"> <li>▪ PMS-Change Management Plan in own District</li> </ul>
Proposed Approach	<p>Combination of training and coaching sessions</p> <p>1<sup>st</sup> training/coaching session shall focus on PMS concepts and completion of PMS Installation Plans. PMS Tools will be applied such as the Strategy Map, Scorecards, Measure Dictionary and PMS Process map. This will be conducted in 3 instructional days (preferably on a Saturday, Sunday and Monday).</p> <p>2<sup>nd</sup> training/coaching session shall dwell on the people side of change at the District Level. Change management tools e.g. Sponsorship Roadmap, Resistance Management, Communication Plan, Training and Coaching Plans will be mapped out. This will also be conducted in 3 instructional days.</p> <p>Expected participants are the CusCom, EXECOM and the 15 District Collectors of the BOC.</p>
Proposed training and coaching content	<p>The following are some content areas of this training intervention:</p> <ul style="list-style-type: none"> <li>▪ PMS Basics</li> <li>▪ PMS Tools</li> <li>▪ PMS Installation framework</li> <li>▪ Change management concepts and tools</li> </ul>

Table 8: Training and Coaching Sessions for PMS Owners

Priority #2:	Training and Coaching Sessions for PMS Owners
ADKAR level of PMS Owners and other issues	<p>The Process owners have a high level of awareness of and desire to implement the PMS. However, knowledge and skills level in specific PMS skills are required.</p> <p>The Finance Service has yet to formulate and apply a clear financial goal allocation framework.</p> <p>The Interim Internal Control Office has yet to learn to apply the PMS Tools so they can effectively coach the offices in the identification and cascade of performance measures. This office is currently not tasked to evaluate and analyze office performance. Another office will yet be formed to perform such functions. Personnel will still be deployed to this Office.</p> <p>The Human Resource Service has yet to align he Individual PES with Office PMS.</p>
Competency Gaps (in Knowledge, Skills, and Attitudes/Orientation form)	Lack of knowledge and capability in PMS including selecting, cascading, documenting and analyzing performance measures;
Training/Coaching Objectives	<p>As a result of the training and coaching sessions on Financial Goal allocation, Office and Individual PMS, the participants should be able to:</p> <ul style="list-style-type: none"> <li>▪ Develop/apply a financial goal allocation framework in deploying financial goals across districts/divisions in BOC</li> <li>▪ Apply the PMS tools</li> <li>▪ Develop performance documentation, analytical tools and management reports</li> </ul>
Expected Outputs	<ul style="list-style-type: none"> <li>▪ Financial goal allocation framework</li> <li>▪ Performance documentation tools</li> <li>▪ Performance management and analyses reports</li> <li>▪ BOC PMS Process Map</li> </ul>
Proposed Training and Coaching Content	Training sessions on:

Priority #2:	Training and Coaching Sessions for PMS Owners
	<ul style="list-style-type: none"> <li>▪ Goal allocation framework</li> <li>▪ PMS tools</li> <li>▪ Office Documentation tools</li> <li>▪ Office Performance evaluation</li> <li>▪ PMS Process Map</li> </ul> <p>Coaching sessions on the application of concepts:</p> <ul style="list-style-type: none"> <li>▪ District targets, Means of verification tools and sample analyses</li> <li>▪ Division Targets, Means of verification tools and sample analyses</li> <li>▪ Individual targets, means of verification tools and same analyses</li> </ul>

Table 9: Training and Coaching Sessions for PMS M&E Teams

Priority #3:	Training and Coaching Sessions for PMS Monitoring and Evaluation Teams
ADKAR level of PMS Monitoring and Evaluation Teams	<p>Resistance to the Attrition Act by this group is also high although still latent.</p> <p>Level of awareness, desire, knowledge, and ability on PMS processes by this group is low. Only the POM has attended workshop on PMS.</p>
Competency Gaps (in Knowledge, Skills, and Attitudes/Orientation form)	<p>Lack of knowledge and capability in PMS including selecting, cascading, documenting and analyzing performance measures;</p> <p>Lack of knowledge and skills in managing change and resistance.</p>
Training/Coaching Objectives	<p>As a result of the training and coaching sessions on PMS and change management, this group should be able to:</p> <ul style="list-style-type: none"> <li>▪ Enhance their level of understanding and appreciation of PMS and their roles in its implementation</li> <li>▪ Validated the Sponsors' PMS Installation Plan in the District</li> <li>▪ Validated the Sponsors' Change management plan to address resistance to the PMS in the District</li> <li>▪ Developed an approach for ensuring integrity of performance data in their District.</li> </ul>
Expected Outputs	<ul style="list-style-type: none"> <li>▪ PMS Installation Plan validated</li> <li>▪ PMS Change Management Plan validated</li> <li>▪ Plan or approach for ensuring integrity of performance data in the District</li> <li>▪ Means of verification tools</li> <li>▪ Strategy Map, Scorecard, Measure Dictionary validated</li> </ul>
Proposed Training/Coaching Content	<ul style="list-style-type: none"> <li>▪ PMS Basics and Tools</li> <li>▪ Change Management Basics and Tools</li> <li>▪ Office and Individual performance analyses and evaluation</li> </ul>

## *Manage the change*

For PMS sponsors in the BOC to have a high stake in the PMS installation and implementation processes, they are taught to install the PMS in their respective districts. The PMS installation plan shall contain the technical aspect of the change: what measures will be monitored, how these will be monitored and evaluated using various PMS tools such as the Strategy Map, Scorecard, Measure Dictionary, Process Map and Management Information System.

Aside from mapping out a PMS Installation Plan, the PMS sponsors are also expected to manage potential resistance to the PMS in their respective Districts. The PMS Team will be taught to formulate a Change Management Plan which is basically a set of processes and tools that can be used to manage the human side of PMS installation. Studies show that to meet the objectives of any project, both the technical and the people side of projects should be carefully mapped out. The Change Management plan shall contain the following:

### **PMS Team Roadmap**

This shows the main activities, roles and responsibilities of the PMS Sponsors, Owners and M&E Teams at each phase of the PMS project to sustain the PMS installation/implementation processes. There should be a shared understanding of roles and expectations from each member of the PMS Team across the phases of the PMS Installation Process.

*Who will perform:*

- **PMS Team** consisting of the PMS Sponsors, Owners and M&E Teams

*How it is performed:*

- Prepare a plan where roles, strategies and activities by the PMS Team are mapped out at each phase of the PMS project.
- The major phases of the PMS project are (1) Start-up and Design (2) Implementation and (3) Continuous Improvement.
- The strategies and activities are further categorized by the primary target audiences: PMS Sponsors, PMS Owners and M&E Teams
- The Table below shows possible activities with the rows representing key roles/project timing and the columns representing the primary target audiences.

Table 10: Sample PMS Team Roadmap

	<b>PMS Sponsors</b>	<b>PMS Owners</b>	<b>PMS M&amp;E Teams</b>
Key People	CusCom, EXECOM and District Collectors	HR Service, Internal Control Office and Finance Service	Deputy Collectors in the Ports
Key Roles	Champion the PMS installation	Sustain the PMS installation and implementation process	Ensure the integrity of performance data in the District.
Start up and Design	<ul style="list-style-type: none"> <li>▪ Seek outside expertise in training the PMS Sponsors on PMS and Change Management</li> <li>▪ Identify Office level performance measures.</li> <li>▪ Formulate a PMS Installation &amp; Implementation Plan</li> <li>▪ Formulate a Change Management</li> <li>▪ Firm up BOC Strategy Map, Scorecards, and Measure Dictionary.</li> <li>▪ Create key messages that they will use to increase level of awareness and desire for the installation of a PMS.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Select the right team members</li> <li>▪ Firm up office goal allocation framework for both financial and non-financial metrics</li> <li>▪ Firm up PMS Process Map.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Seek outside expertise in training the PMS Sponsors on PMS and Change Management</li> <li>▪ Validate the PMS Installation Plan</li> <li>▪ Validate Change Management Plans</li> <li>▪ Formulate Performance Integrity/Quality assurance plan.</li> </ul>
Implementation	<ul style="list-style-type: none"> <li>▪ Implement the PMS Installation &amp; Implementation Plans.</li> <li>▪ Communicate the rationale of the PMS.</li> <li>▪ Manage resistance in the Port.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Manage the PMS Implementation Process</li> <li>▪ Implement the PMS/ Change Management Plans</li> <li>▪ Coach the PMS Sponsors and M&amp;E Teams</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implement the PMS Installation &amp; Implementation Plans.</li> <li>▪ Formulate means of verification tools</li> <li>▪ Ensure submission of performance data reports</li> </ul>
▪ Year 1	▪ Cascade the	▪ Ensure	▪ Cascade the

	<b>PMS Sponsors</b>	<b>PMS Owners</b>	<b>PMS M&amp;E Teams</b>
Key People	CusCom, EXECOM and District Collectors	HR Service, Internal Control Office and Finance Service	Deputy Collectors in the Ports
Key Roles	Champion the PMS installation	Sustain the PMS installation and implementation process	Ensure the integrity of performance data in the District.
	Strategy Map <ul style="list-style-type: none"> <li>▪ Align District Scorecards with the BOC</li> <li>▪ Check the quality of the Measures Dictionary.</li> <li>▪ Ensure documentation and evaluation of required performance data</li> <li>▪ Check the quality of data sources.</li> <li>▪ Use evaluation data as basis for next year planning.</li> </ul>	alignment in performance measures from the BOC to the District levels	Strategy Map <ul style="list-style-type: none"> <li>▪ Align District Scorecards with the BOC</li> <li>▪ Check the quality of the Measures Dictionary.</li> <li>▪ Ensure documentation and evaluation of required performance data</li> <li>▪ Check the quality of data sources.</li> <li>▪ Use evaluation data as basis for next year planning.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Year 2</li> </ul>	<ul style="list-style-type: none"> <li>▪ Align Division and Section Scorecards with the District.</li> <li>▪ Ensure improvements in performance measures</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure alignment in performance measures from the District to the Division/Section levels</li> </ul>	<ul style="list-style-type: none"> <li>▪ Align Division and Section Scorecards with the District.</li> <li>▪ Ensure improvements in performance measures</li> </ul>
<ul style="list-style-type: none"> <li>▪ Year 3</li> </ul>	<ul style="list-style-type: none"> <li>▪ Align Individual Scorecards with the Division and Section levels.</li> <li>▪ Ensure improvements in performance measures</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure alignment in performance measures from the Division/Section levels to the individuals</li> </ul>	<ul style="list-style-type: none"> <li>▪ Align Individual Scorecards with the Division and Section levels.</li> <li>▪ Ensure improvements in performance measures</li> </ul>
Continuous improvement	<ul style="list-style-type: none"> <li>▪ Ensure continuous improvements in the PMS process</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure continuous improvements in the PMS process</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure continuous improvements in the PMS process</li> </ul>

## Resistance Management Plan

This is a proactive approach in managing resistance to the PMS. During the Start-up and Design Stage, forms of resistance must be anticipated by the PMS Sponsors, specifically the District Collectors, in their respective Districts.

*Who will perform:*

- PMS Sponsors and M&E Teams

*How it is performed:*

- Define the forms and possible causes of resistance for the most affected levels in BOC for each port.
- Define a strategy for managing resistance to the PMS.
- Prepare a resistance management plan. Communicate the resistance management plan with the PMS Process Owners.

*Approach:*

- Identify the forms and root causes of resistance.
- PMS Sponsors and M&E Teams should address and manage the resistance in their respective ports.
- In most cases, resistance is best managed by the Division and Section Chiefs. The PMS Installation/Implementation and Change Management Plans must be communicated to the Division and Section Chiefs.
- Communicate the consequences for not supporting the PMS implementation.
- Implement the consequences for not supporting the PMS Implementation. Speed in dealing with resistance must be quick and decisive.
- Seek expert support in the coaching of PMS Sponsors, M&E Teams and Division and Section Chiefs in the management of resistance, if needed.

## Communication Plan

This entails developing a communication matrix that includes targeted audiences, key messages, and frequency of communications, delivery mechanisms and senders. This is needed to create a roadmap of the required communications across the phases of the PMS installation.

*Who will perform:*

- PMS Owners

*How it is performed:*

- Identify the audiences. These are the people who are most impacted by the PMS installation project. For the first year, this will

be the District Collectors, Deputy Collectors, Division and Section Chiefs.

- Identify key messages for each audience for each phase of the project.
- Determine content packaging, delivery mechanism (email, one-on-one meetings) and sender.
- Prepare and present the Communication Plan to the PMS Sponsors and M&E Teams.
- The output of the PMS Communication Plan will be a table like the one below for each target audience.

Table 11: Sample Communication Plan Template

Target audience			
Phase of the project	Message content	Delivery mechanism	Sender

## Training Plan

This is critical in building the knowledge and ability in the installation, implementation and continuous improvement in the PMS process.

Training shall focus on the following:

- PMS skills such as performance target setting, monitoring and analyses and evaluation.
- Performance measures alignment from the BOC to the Districts, Division, and Section and Individual levels.
- Construction of M&E Tools

*Who will perform:*

- Managed by the HR Office; Seek external expertise if needed

*How it is performed:*

- Identify the audiences that require training. Priority should be given to the PMS Process Owners, PMS Sponsors and M&E Teams; others are the Division and Section Chiefs and employees.
- Identify skills needed during the installation and implementation of the PMS
- Conduct the required training.

## Coaching Plan

The Coaching Plan defines the support needed by the PMS Teams during the PMS installation and implementation process. The PMS teams must be empowered to implement the PMS and manage the resistance that go with its installation. A good coaching plan enables

the PMS Teams to become effective coaches during the implementation of the PMS.

*Who will perform:*

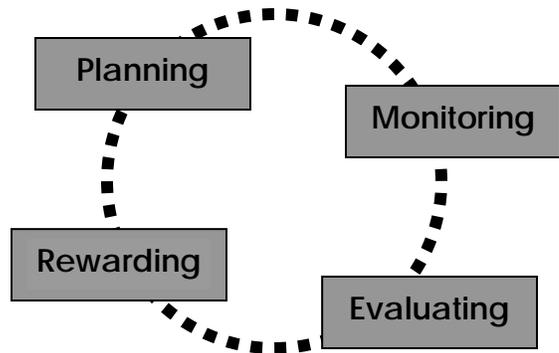
- Managed by the HR Office; Seek external expertise if needed

*How it is performed:*

- Develop coaching requirements and activities for the PMS Owners, PMS Sponsors and M&E Teams across stages of the PMS implementation process.

### Implement the change

Once there is a clearer understanding of the need for PMS, its implementation activities and the roles of the critical stakeholders in its implementation, the BOC is geared up for PMS. This means that Districts will now go through a yearly institutionalized process of defining office targets, monitoring and evaluating performance.



The **target setting phase** entails defining the performance measures and targets. For year 1, the measures will be at the District/Group levels. For year 2, District and Group measures will be cascaded to the Division and Section levels. For year 3, the Section measures will be cascaded to the individual levels.

Table 12: Major activities during the target setting phase

Activities	Who will perform	Time frame		
		Yr 1	Yr 2	Yr 3
Articulate the District and Division Mission and Vision.	PMS Sponsors	✓	✓	✓
Translate the mission and vision statements into a strategy map.	PMS Sponsors	✓	✓	✓
Formulate the Scorecards at the District level.	PMS Sponsors	✓	✓	✓
Capture the operational definition, data source, target and rating scheme of each measure at the office level in the measure dictionary.	PMS District Collectors , PMS M&E Teams and PMS Process Owners	✓	✓	✓
Cascade the Scorecards at the District to the Division and Section levels.			✓	✓
Cascade the Division and Section Scorecards to the Individual level.				✓

The **monitoring phase** involves the documentation and management of performance at the office and individual levels to ensure targets are attained. The specific steps are

Table 13: Major activities during the monitoring phase

Activities	Who will perform	Time frame		
		Yr 1	Yr 2	Yr 3
Ensure presence of monitoring mechanisms and means of verification tools.	PMS M&E Teams	✓	✓	✓
Assess quality of information and appropriateness of data sources.	PMS M&E Teams	✓	✓	✓

Activities	Who will perform	Time frame		
		Yr 1	Yr 2	Yr 3
Track and analyze performance data.	PMS Process owners	✓	✓	✓
Take corrective actions.	PMS Sponsors	✓	✓	✓

The **evaluation phase** involves the process of consolidating performance data and determining ratings for actual performance at the office and individual levels. The specific steps are:

Table 14: Major activities during the evaluation phase

Activities	Who will perform	Time frame		
		Yr 1	Yr 2	Yr 3
Compute overall performance rating at the District and Group levels	PMS Process Owners	✓		
Compute performance rating at the District, Group, Division and Section levels	PMS Process Owners	✓	✓	
Compute performance rating at the District, Group, Division, Section and Individual levels.	PMS Process Owners	✓	✓	✓
Analyze strengths and areas for improvement at the office level	PMS Teams			
Do comparative office performance analysis	PMS Process Owners	✓	✓	✓
Analyze strengths and areas for improvement at the individual level	PMS Teams			✓
Do comparative individual performance analysis	PMS Process Owners			✓
Enhance areas of strength and address gaps in next performance management cycle.		✓	✓	✓
Consolidate and communicate performance results.		✓	✓	✓

The **rewarding phase** involves the distribution of rewards across offices and individuals of the BOC, assuming the District/Division exceeds its collection targets.

Table 15: Major activities during the rewarding phase

Activities	Who will perform	Time frame		
		Yr 1	Yr 2	Yr 3
Assign weights to each individual and office.	PMS Process Owners	✓	✓	✓
Distribute the rewards.	PMS Process Owners	✓	✓	✓

The performance management cycle starts again with the intention of enhancing areas of strength and addressing areas for improvement at the office and individual levels.

### ***Reinforce the change***

For PMS to be implemented in a sustained basis, reward Districts that are implementing the PMS. Collect and analyze installation and implementation issues related to PMS. Diagnose gaps and manage

resistance. Implement corrective actions to districts not implementing the PMS. A possible course of action is to consider the presence of a working PMS as a factor for deploying **office rewards**.

## Appendices

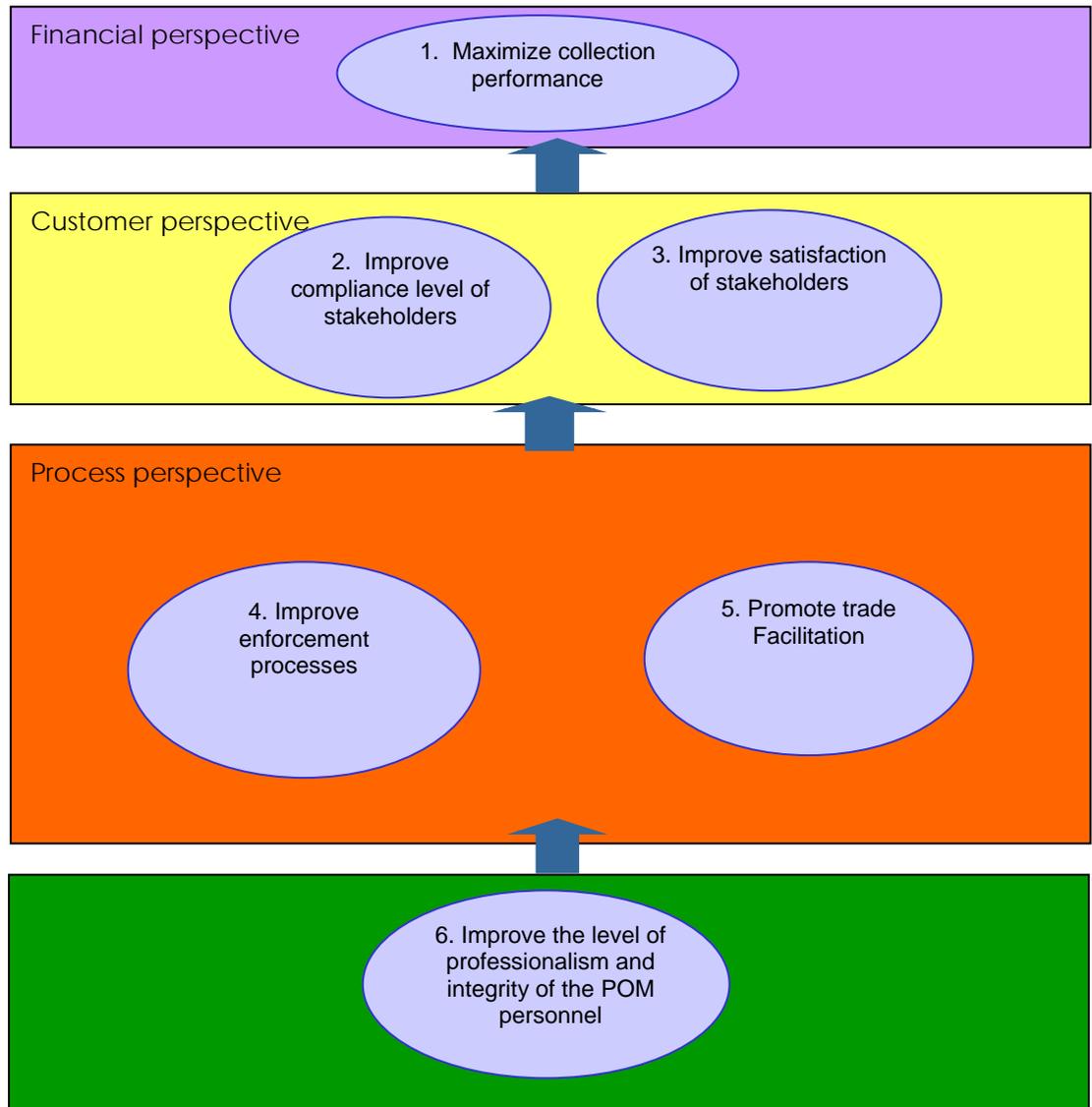
### *1. The list of participants who validated the BOC Strategy Map and Scorecard.*

Name	Office/Designation
1. Arsenia C. Ilagan	Chief, Garments and Textile MFTG Bonded Warehouse Division
2. Ellen G. Handumon	Chief, Administrative Division
3. Gliceria R. Umandap	Chief, Liquidation and Billing Division
4. Nicky Earle L. Hortillas	Chief, Law Division
5. Raymund P. Cabigon	Chief, Warehouse Inspection Division
6. Romalino G. Valdez	Chief, Miscellaneous Manufacturing Bonded Warehouse Division
7. Sonia C. Togonon	Deputy Collector for Administration
8. Vida D. Aggarao	Chief, Collection Division
9. Louie C. Adviento	Chief, Export Division
10. Lowell L. Medija	Chief, Common Bonded Warehouse Division
11. Wilnora Cawile	Chief, Internal Control Office
12. Ramon O. Hernandez Jr.	Acting Chief, Customs Container Control Division
13. Amelia V. Castro	Acting Chief, Informal Entry Division
14. Rafael Crisol Jr.	Acting Chief, ACDD
15. Melita O. Del Rosario	Assistant Chief, Private/Public Bonded Warehouse Division
16. Romulo Pagulayan	Chief, Formal Entry Section
17. Wilmar Bernados	Assistant Chief, Bonds Division
18. Argus Rey S. Thompson	Assistant Chief, Piers and Inspection Division
19. Raymond Ventura	Office of the Deputy Collector for Operations

## 2. Strategy Map of BOC

**Mission Statement:** We are a government agency tasked to collect revenues, duties and taxes for the government to finance projects and services for the Filipino people; suppress smuggling to protect trade and industry;

**Vision Statement:** A world class customs service more responsive to clients' needs supportive of government goals, adhering to world's best practices and fostering cooperation with the private sector in building a dynamic organization that every Filipino can truly be proud of.



### 3. Possible office clusters by category

Port/Subport	Seaport	Airport	Seaport/ Airport	Freeport	Warehousing	Special Operation
OCOM						
POM	X			x	X	
Mariveles	X					
FTI					x	
Limay	X					
Laguna				X		
Cavite				X		
MICP	X					
NAIA		X				
DHL						X
Paircargo						X
PSI-PAL						X
MIASCOR						X
Cargohaus						X
Clark		X		x		
Subic	X					
Morong						
San Fernando	X	X		X		
Sual						
Aparri						
Baguio						
Laoag						
Batangas	X					
Siain						
Puerto Princesa						
Legaspi	X					
Jose Panganiban						
Cebu			x	x		
Mactan		X				
Dumaguete	X					
Iloilo	X					
Pulupandan						
Tacloban	X			X		
Isabel						
Catbalogan						
Davao			X		X	
General Santos	X					
Mati	X					
Parang	X					
Zamboanga			X			
ZIA		X				
Jolo	X					
Basilan	X					
Bongao	X					
Surigao	X				X	
Bislig	X					
Nasipit	X					
Cagayan de Oro	X			X	X	
Ozamis	X					
Iligan	X					

**Description**

The collection target of BOC is determined by the Development Budget and Coordinating Committee. This chapter presents a method for allocating revenue targets among the Districts, the use of collective targets for Individuals, and requisites for implementation. It also describes how adjustments may be made in the DBCC assumptions.

# Chapter 2: Setting District Collection Targets

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## Objectives

This chapter aims to:

- Describe the current method of allocating the DBCC-imposed collection target of BOC among its Districts
- Propose an alternative allocation method in the interim
- Propose a long-term method for allocating the collection target of the BOC among its Districts, or the District targets among their component units, and the use of collective targets for Individuals.
- Describe the adjustments that can be made in the DBCC estimate to reflect realized values of the parameters
- Identify issues that must be addressed for rational target allocation to be achieved

Only financial targets are considered in this Chapter, as the main bases for evaluating performance that will subsequently be complemented by non-financial performance measures.

## Outputs

- Methodology for allocating the collection target for the interim and long-term
- Data Processing Manual (Appendix)
- DBCC Assumptions and Adjustments
- Organization for Target Allocation and Adjustments

## Acronyms

ACOS	Automated Customs Operations System
AFMA	Agriculture and Fisheries Modernization Act
AFTA	ASEAN Free Trade Area
BOC	Bureau of Customs
BOI	Board of Investments
CBW	Customs Bonded Warehouse
CIIS	Customs Intelligence and Investigation Service
CIF	Cost plus insurance and freight
DBCC	Development Budget Coordinating Committee
DOF	Department of Finance
FOB	Free-on-board
HS	Harmonized System
IRRs	Implementing Rules and Regulations
NFA	National Food Authority
NSO	National Statistics Office
PMS	Performance Management System
PEAG	Post-Entry Audit Group

RA	Republic Act
RPEB	Revenue Performance Evaluation Board
TEF	Tax Expenditure Fund
VAT	Value-added tax
WAMU	Warehouse Assessment and Monitoring Unit

## Framework and Guiding Principles

As one of the major revenue-generating agencies of the government, BOC performance has been evaluated mainly on the basis of its ability to deliver on its collection targets. This is now underscored under the Attrition Law, which provides for rewards to and attrition of BOC personnel on the basis of surpluses or shortfalls relative to the collection target.

Collection targets must therefore be determined and allocated *rationally*. Such rationality in this context entails the following:

- a. rational targets recognize that BOC revenue is determined by exogenous factors as well as effort<sup>1</sup>
- b. rational targets recognize that exogenous factors may not remain constant during the year
- c. rational targets require quality verifiable information

The Development Budget Coordinating Committee (DBCC) determines the annual collection target of BOC. This amount is based on the projected values of the variables comprising actual collection as well as a forecast growth in collection efficiency for the year. The former are beyond the control of BOC, with projected variables depending on DBCC assumptions about the economy, while the latter represents an estimate of BOC-induced improvements in compliance or reductions in leakages. This legally-prescribed annual target is fixed despite any changes that may have taken place with respect to the assumed parameters. The revenue estimate also makes use of ex-post data on collection that already incorporates the level of effort, which is defined as the actual application of tariff and Customs laws that may be different from what is appropriate.

The above considerations drive the method proposed in this Chapter of allocating the collection target of BOC down to its Districts and Offices, Divisions, Sub-Ports, Units, Sections and attributable individuals so that the allocation:

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<sup>1</sup> For instance, the IRRs provide that the setting of individual targets shall “strive towards the ability to ascribe changes in taxpayer behaviour to specific actions of officials and employees”.

- is rational, replicable, transparent, and fair;
- utilizes all available verifiable data and information; and
- mitigates any potential perverse incentives against good performance and integrity among BOC personnel.

For 2007, the target collection is the only yardstick in the BOC Performance Management System (PMS). In future years, the balanced scorecard of the PMS will be expanded to take non-financial metrics into account as well.

## **Current Method**

### ***General Procedure***

Revenue targets are allocated among the collection districts in the following manner:

Step 1. Calculate historical shares of each district in actual collections per broad type of import (crude, petroleum products, non-oil) and type of tax (duties, VAT, excise).

Step 2. Apply these shares to the DBCC-imposed targets categorized under existing measures (crude, petroleum products, non-oil, by type of tax) and new measures (e.g. lifting of exemptions, VAT increase, excise tax by commodity type) to get district targets under each. These are summed up to get each district's total target.

Step 3. Percentage deviations of each district's collections from their respective targets in the previous year are examined in order to "balance off" low and high targets. Shifts in jurisdictions such as the transfer of subports or particular accounts to other districts are also considered in adjusting targets.

Step 4. Calculate monthly targets based on actual figures in the previous year.

### ***Current Allocation of the 2007 Target***

The DBCC imposed the following targets on BOC for 2007, specifying not only the total but targets classified according to duties, VAT, and excise taxes, further segregating the amount that falls under the existing system and those that are expected from new tax measures.

TABLE 1. DBCC PROGRAMMED REVENUE TARGET (P million)

	Duties	VAT	Excise	TOTAL
<b>EXISTING</b>	<b>61985</b>	<b>88705</b>	<b>14360</b>	<b>165051</b>
Non Oil		88705		135023
Crude Oil				7746
Petroleum Products				22282
<b>NEW</b>				<b>63158</b>
LEGISLATIVE				
Excise tax on motor vehicles (349) + Sin taxes on cigarettes (388) + Sin taxes on liquor (300)			1037	
VAT rate increase (15666) + Lifting of VAT exemptions on coal (820) + on crude oil (32675) + on petrol prods (12173)		65226 (61334 +3892)		
Less: reduced excise tax on petrol prods			-3892	
EXECUTIVE: Administrative measures (787)	551	236		
<b>TOTAL</b>	<b>62536</b>	<b>154167</b>	<b>11505</b>	<b>228208</b>

The procedure for allocating the 2007 collection target was as follows:

Step 1. District shares in actual collections were computed by commodity and tax type. For 2007, the average of each district's performance for the period 2001-2006 was used as the basis for total collections by commodity category, 2006 performance was the basis for VAT shares, while the average for 2004-2006 was the basis for excise tax shares. These shares are summarized in Table 2. Crude oil imports enter only through the Port of Manila and Batangas. The programmed value of non-cash imports called the Tax Expenditure Fund (TEF)<sup>2</sup> are reported under the Office of the Commissioner (OCom), which does not have any collection target.

TABLE 2. CALCULATED DISTRICT SHARES IN COLLECTIONS BY COMMODITY &amp; TAX TYPE (%)

PORT	Average for 2001-2006			Average for 2006				Average 2004-2006			
	Total Collections			Total D	VAT			Excise Tax			
	Crude A	Petrol prods B	Non- oil C		Crude E	Petrol prods F	Coal G	Non- oil H	Tob I	Alc J	MV K
San Fernando	0	0	0.7	0.5	0	0	51.24	0.8	0	0	0
Port of Manila	62.5	20.3	31.6	34.8	64.0	18.0	5.88	29.3	22.1	36.4	43.2
MICP	0	3.9	40.1	24.4	0	2.0	0	44.0	71.7	52.3	8.4

<sup>2</sup> Represents tax subsidy to government agencies since they are allowed to defer payments of duties to BOC. Considered as part of revenue under the Attrition Law but excluded under the IRRs.

## Goal Allocation Methodology

NAIA	0	0	13.3	8.3	0	0	0	12.0	2.0	0.1	0
Batangas	37.5	65.7	6.7	21.6	36.0	69.0	37.58	6.7	0	0	45.6
Legaspi	0	0	0.02	0	0	0	0	0	0	0	0
Iloilo	0	0.1	0.2	0.2	0	0	0	0.2	0	0	0
Cebu	0	0.1	3.1	2.0	0	0	0	3.1	0	3.2	0.1
Tacloban	0	0.1	0.3	0.2	0	0	0	0.5	0	0	0
Surigao	0	0	0.05	0	0	0	0	0.1	0	0	0
Cagayan de Oro	0	0.5	1.5	1.0	0	1.0	5.3	1.6	0	0	0
Zambo-anga	0	0	0.1	0	0	0	0	0	0	0	0
Davao	0	0.3	1.0	0.7	0	0	0	1.0	0	0	0
Subic	0	8	1.2	1.8	0	8.0	0	0.6	4.2	8.0	2.7
Clark	0	1	0.3	0.3	0	1.0	0	0.3	0	0	0
OCom/ TEF	0	0	0	4.2	0	0	0	0	0	0	0

Step 2. The estimated shares are applied to the DBCC targets shown in Table 1, differentiated according to existing and new measures. District shares under existing measures are summarized below. The columns used from Table 2 are indicated. Adjustments to the targets are made by the Financial Services Division, and shown in parentheses as deductions from or additions to the computed share.

TABLE 3. 2007 DISTRICT SHARES UNDER EXISTING MEASURES (P million)

DISTRICT	Crude Oil (Duties, VAT) apply col A	Petroleum Product (Duties, VAT, Excise Tax) apply column B	Non-Oil Imports (Duties, VAT, Excise Tax) apply column C	TOTAL
TARGET	7746	22282	135023	165051
San Fernando	-	-	551 (815 - 264)	551
Port of Manila	4839	4815 (4515+300)	38352 (38382 - 30)	48005
MICP	-	871	48727 (48733 - 6)	49598
NAIA	-	-	15300 (16169 -1000 +131)	15300
Batangas	2907	14334 (14633 - 299)	8469 (8141 + 328)	25711
Legaspi	-	0	21	21
Iloilo	-	29	273 (267 + 6)	302
Cebu	-	33	4089 (3725 + 364)	4122
Tacloban	-	21	372 (315 + 57)	393
Surigao	-	0	62 (59 + 3)	62
Cagayan de Oro	-	104	1858 (1847 + 11)	1962
Zamboanga	-	4	69 (68 + 1)	73
Davao	-	63	1424 (1169 + 255)	1487
Subic	-	1786	1588 (1471 + 117)	3374
Clark	-	222	355 (328.5 + 26.5)	577
OCom	-	-	6285 (5774+511)	6285
TEF	-	-	7226	7226

New measures affecting BOC collections in 2007 are classified into legislative and executive measures as itemized in Table 1. Under legislative measures are the VAT-related reforms of RA 9337 which consisted of (a) an increase in the VAT rate from 10% to 12%, (b) the lifting of exemptions on coal, crude oil, and petroleum products, and (c) reduction of excise tax on kerosene, diesel and fuel oil as a

mitigating measure, (d) excise taxes on motor vehicles, tobacco, and alcohol. The net effect of (b) and (c) is already accounted for under the targets for petroleum products below. Adjustments to district targets are shown in parentheses as deductions from or additions to the calculated targets.

TABLE 4. 2007 DISTRICT SHARES UNDER NEW MEASURES: VAT REFORMS  
(P million)

	Lifting of Exemptions			VAT rate increase apply col H	TOTAL
	Crude apply col E	Petroleum products apply col F	Coal apply col G		
TARGET	32675	12173	820	15666	61334
San Fernando	-	0	320 (420-100)	110 (120-10)	431
Port of Manila	18772 (20772-2000)	2237	148 (48+100)	4890 (4590+300)	26048
MICP	-	275	-	6588 (6888-300)	6862
NAIA	-	-	-	1673 (1873-200)	1673
Batangas	13903 (11903+2000)	8375	308	1256 (1046+210)	23842
Legaspi	-	-	-	2	2
Iloilo	-	29	-	34	63
Cebu	-	23	-	484	507
Tacloban	-	23	-	72	94
Surigao	-	-	-	8	8
Cagayan de Oro	-	98	43	247	388
Zamboanga	-	1	-	6	7
Davao	-	54	-	151	205
Subic	-	937	-	95	1032
Clark	-	122	-	49	170
OCom	-	-	-	-	-

The fourth legislative measure in the preceding paragraph comes from the rationalization of excise taxes on motor vehicles, and the indexation of taxes on sin products i.e. cigarettes and fermented liquor.

Executive measures consist of administrative initiatives to: (a) improve assessment, (b) increase law enforcement, (c) strengthen internal audit, (d) check transshipment, (e) expand Super Green Lane, (f) collect from demandable assets, (g) expand computerization, and others. Collections from these are shown in Table 5.

TABLE 5. 2007 DISTRICT SHARES UNDER NEW MEASURES: EXCISE TAXES AND ADMINISTRATIVE (P million)

DISTRICT	Administrative Measures apply col D	Excise Taxes			Total Excise Taxes
		Tobacco apply col I	Alcohol apply col J	Motor Vehicles apply col K	
TARGET	787	388	300	349	1037

## Goal Allocation Methodology

San Fernando	4	-	-	0	0
Port of Manila	286 (285.6 +0.4)	86	109	151	346
MICP	201	278	157	29	465
NAIA	68	8	0	-	8
Batangas	178	-	-	159	159
Legaspi	0	-	-	-	-
Iloilo	1	-	-	-	-
Cebu	16	-	9	0	10
Tacloban	2	-	-	-	-
Surigao	0	-	-	-	-
Cagayan de Oro	8	-	-	0	0
Zamboanga	0	-	-	-	-
Davao	6	-	-	-	-
Subic	14	16	24 (24.4-0.4)	9	49
Clark	3	-	-	0	0

Step 3. Revenue targets per district are the sum of revenue expected from existing and new measures, summarized in Table 6.

TABLE 6. SUMMARY OF DISTRICT SHARES IN BOC 2007 TARGET (P million)

DISTRICT	Existing Measures	New Measures			TOTAL
		VAT Reforms	Excise Tax	Administrative	
San Fernando	551	431	0	4	985
Port of Manila	48005	26048	346	286	74685
MICP	49598	6862	465	201	57125
NAIA	15300	1673	8	68	17050
Batangas	25711	23842	159	178	49890
Legaspi	21	2	-	0	24
Iloilo	302	63	-	1	366
Cebu	4122	507	10	16	4655
Tacloban	393	94	-	2	490
Surigao	62	8	-	0	70
Cagayan de Oro	1962	388	0	8	2359
Zamboanga	73	7	-	0	80
Davao	1487	205	-	6	1698
Subic	3374	1032	49	14	4470
Clark	577	170	0	3	750
OCom	6285				6285
TEF	7226				7226
TOTAL	165051	61334	1037	787	228208

## Alternative Method for 2007

An alternative to the current practice of target allocation is proposed for 2007 as an interim method while data for the implementation of the long-term method is still being organized. Compared to the current method that uses historical shares as the basis for allocation, the

alternative method discourages underperformance by making poor performers deliver their collection shortfalls in the previous year.

The procedure is as follows:

Step 1. Calculate each district's collection shortfall in 2006. Sum this up.

TABLE 7. DISTRICT COLLECTION SHORTFALLS IN 2006 (P million)

DISTRICT	2006 TARGET	2006 CASH COLLECTION	SHORTFALL
San Fernando	958	893	-64
Port of Manila	67140	65998	-1142
MICP	59124	46603	-12521
NAIA	17476	15216	-2260
Batangas	30847	40866	
Legaspi	17	17	-0.06
Iloilo	147	306	
Cebu	5202	4012	-1190
Tacloban	351	455	
Surigao	80	44	-36
Cagayan de Oro	3111	1866	-1245
Zamboanga	52	56	
Davao	1560	1356	-205
Subic	3802	3331	-472
Clark	584	585	
OCom/TEF	5524	10301+6270	
TEF			
TOTAL	195976	198175	-19135

Step 2. Calculate the difference between the 2007 BOC target and the 2006 BOC cash collection. From this difference, remove the sum of the districts' shortfalls.

	P Million
2007 TARGET	228208
2006 CASH COLLECTION	198175
SUM OF SHORTFALLS	19135
REMAINING TARGET	10898

Step 3. Allocate this remainder among the districts on the basis of their respective shares in the 2006 cash collection.

TABLE 8. DISTRICT SHARES IN REMAINING TARGET

DISTRICT	SHARE IN 2006 CASH COLLECTIONS (%)	DISTRIBUTION OF REMAINING TARGET (Pm)
San Fernando	0.45	49
Port of Manila	33.30	3629
MICP	23.52	2563
NAIA	7.68	837
Batangas	20.62	2247
Legaspi	0.01	1
Iloilo	0.15	17
Cebu	2.02	221
Tacloban	0.23	25
Surigao	0.02	2
Cagayan de Oro	0.94	103
Zamboanga	0.03	3
Davao	0.68	75
Subic	1.68	183
Clark	0.30	32
OCom/TEF	8.36	911
TEF		
TOTAL	100.00	10898

Step 4. Compute the 2007 target for each underperforming district (marked with asterisks) as the sum of its 2006 cash collection, 2006 collection shortfall, and share in the remainder in step #3. Compute the 2007 target for each performing district as the sum of its 2006 cash collection and share in the remainder in step #3.

TABLE 9. 2007 DISTRICT TARGETS (P million)

DISTRICT	2007 TARGET BASED ON ALTERNATIVE METHOD	2007 TARGET BASED ON CURRENT METHOD
San Fernando*	1007	985
Port of Manila*	70770	74685
MICP*	61687	57125
NAIA*	18313	17050
Batangas	43113	49890
Legaspi*	18	24
Iloilo	323	366
Cebu*	5423	4655
Tacloban	480	490
Surigao*	82	70
Cagayan de Oro*	3214	2359
Zamboanga	59	80
Davao*	1635	1698
Subic*	3986	4470
Clark	617	750
OCom/TEF	17482	6285+7226
TOTAL	228208	228208

## Proposed Method for District and Sub-District Targets

### *Methodology and Data Requirements*

The allocation of the BOC target collection will be done at three levels: (a) across Districts including the Office of the Commissioner; (b) across Divisions, Sub-ports, Units, and/or Sections under each District, and (c) across individual attributable personnel.

1. A replicable statistical procedure using available verifiable data will measure the relative contribution of each exogenous variable to the percentage change in collection per District. The following variables, if data on them are available and if found to be statistically significant in explaining collection performance, may be used. Collections will include duties, VAT, excise tax, and non-tax revenue.
  - import values (declared and assessed)
  - commodity composition of imports
  - number of entries
  - exchange rate
  - imports selected Green, Yellow, Red
  - duty-exempt or nondutiable imports (under warehousing, AFMA, AFTA, etc)
  - tax credits and deferred payments
  - proportion containerized
  - number of personnel
  - budget
  - port infrastructure
  
2. The above statistical procedure produces the estimated percentage contributions of the exogenous variables to each District's historical collection performance and collection effort or efficiency growth. The latter is estimated as a residual between the actual collection performance of the District and that portion of the collection that is explained by the exogenous variables. The residual is attributable to the intensity and quality of the District's collection effort.
  
3. The weighted sum of the respective estimated percentage contributions of the exogenous variables and the collection efficiency growth is the estimated percentage that will be used in computing the shares of each District in the target collection of the Bureau. The Commissioner may increase the target collection efficiency growth of a District if in his/her judgment its collection performance needs to be improved. The Commissioner may be

guided by the following factors in adjusting collection efficiency growth: support infrastructure available and quality of the personnel at the District.

4. The Districts' estimated percentage changes in collection as may be adjusted by the Commissioner are applied to BOC's actual collection in the current year or up to the last month of the current year where information on actual collection is available, to obtain the absolute amounts per District. These are then converted to District shares.
5. The District shares are applied to the BOC target for the following year to obtain the absolute amounts of the target per District.

The same exercise for allocating the BOC target among the Districts may be used to estimate the targets of each Division or equivalent level, i.e. Sub-Ports, Units, or Sections, if verifiable data for each variable at the level of Districts, Sub-Ports, Units, or Sections is available.

If data is not available to allow a decomposition of the factors explaining Division, Sub-Port, Unit, or Section collection performance, some other replicable allocation of the target collection of the District to which these units belong may be used, e.g., historical shares of Division, Sub-Port, Unit, or Section collections.

### ***Data Processing Manual (see Appendix 1)***

The statistical procedure for allocating revenue targets across the Districts or Sub-Districts is described separately in the Appendix.

### ***Test Results***

To illustrate the proposed long-term method for target allocation, available data from ACOS and the Financial Service covering the period 2002-2006 was processed following the steps outlined above. The data was too aggregated to allow estimation at the sub-District level, excluded 5 ports, and was missing in some months for one port. Import values were also the declared rather than the actual assessed values of the commodity. Nevertheless, while not ideal and complete, the exercise is useful in showing how the method works.

Step 1. A statistical technique called regression is used to explain the systematic dependence of one variable upon others, removing the accidental variations and yielding an average relationship.<sup>3</sup> In this case, collections (C) per District, computed as the sum of duties, VAT, and excise tax revenue, is the dependent variable to be explained by the following independent or exogenous variables at each District. The corresponding variable name is indicated in parentheses.

- import values (Val)
- number of entries (Ent)
- exchange rate (Exr)
- nondutiable import value (Non) - covers warehousing, AFMA, AFTA, and other relevant regulations
- tax credits (TCC)
- deferred payments (Def)
- port characteristics (as dummy variable PD)- to capture differences in port infrastructure and efficiency, or commodity composition in each port
- month of year (as dummy variable MD) - to capture seasonality of imports

The relationship of collections (C) for each port  $j$  per month of the year  $t$  is formally specified in the following equation as one of dependence on port characteristics (PD) and seasonality (MD), number of entries (Ent), import value (Val), tax credits (TCC) and deferred payments (Def), non-dutiable values (Non) and a residual.

$$C_{t,p} = e^{A_p + \sum_{i=1}^{11} \alpha_i MD_i + \sum_{j=1}^{14} \delta_j PD_j} Ent_{t,p}^{\beta_1} Val_{t,p}^{\beta_2} Exr_{t,p}^{\beta_3} TCC_{t,p}^{\beta_4} Def_{t,p}^{\beta_5} Non_{t,p}^{\beta_6} \epsilon_{t,p}$$

The equation is expressed in natural logarithm (ln) terms to yield percentage changes in collection per District for a given percentage change in each explanatory variable. Thus the beta coefficients ( $\beta$ ) signify the contributions of one-unit changes in each explanatory variable to a one-unit change in collection per District:

$$\ln C_{t,p} = A_p + \sum_{i=1}^{11} \alpha_i MD_i + \sum_{j=1}^{14} \delta_j PD_j + \beta_1 \ln(Ent_{t,p}) + \beta_2 \ln(Val_{t,p}) + \beta_3 \ln(Exr_{t,p}) + \beta_4 \ln(TCC_{t,p}) + \beta_5 \ln(Def_{t,p}) + \beta_6 \ln(Non_{t,p}) + \ln(\epsilon_{t,p})$$

<sup>3</sup> The procedure is provided in statistical software packages and described in the Appendix.

The regression procedure is performed on the available data as specified in this manner. Several runs may be attempted for different combinations or specifications of the variables and the best fit is selected (i.e. the specification with the highest adjusted R-squared). Variables with the correct sign that are statistically significant (i.e. based on the t-statistic) then explain collection performance and are used to predict changes in collections per District.

The estimated equation is:

$$\ln C_{i,p} = \hat{A}_p + \sum_{i=1}^{11} \hat{\alpha}_i MD_i + \sum_{j=1}^{14} \hat{\delta}_j PD_j + \hat{\beta}_1 \ln(Ent_{i,p}) + \hat{\beta}_2 \ln(Val_{i,p}) + \hat{\beta}_3 \ln(Exr_{i,p}) + \hat{\beta}_4 \ln(TCC_{i,p}) + \hat{\beta}_5 \ln(Def_{i,p}) + \hat{\beta}_6 \ln(Non_{i,p})$$

The regression produced the following constant and beta coefficients. Italicized t-statistics indicate which, are the significant explanatory variables. A choice may be made whether to use only the significant, or all, independent variables in the next steps of the estimation. In our example, all explanatory variables were used.

**TABLE 10. REGRESSION RESULTS**

VARIABLE	$\exists$	t-statistic
Constant	3.095	
Febdum	0.069	0.796
Mardum	0.040	0.479
Aprdum	0.045	0.552
Maydum	0.024	0.286
Jumdum	0.029	0.342
Juldum	0.186	2.197
Augdum	0.106	1.232
Sepdum	0.132	1.625
Octdum	-0.017	-0.201
Nocdum	0.048	0.574
Decdum	0.083	0.964
Dum1 (San Fernando)	1.416	3.005
Dum2B (MICP)	-0.149	-2.257
Dum3 (NAIA)	-0.342	-3.555
Dum4 (Batangas)	0.404	1.115
Dum6 (Iloilo)	-0.833	-1.787
Dum7 (Cebu)	0.191	1.393
Dum10 (Cagayan de Oro)	0.379	1.274
Dum12 (Davao)	0.244	1.239
Dum13 (Subic)	0.251	1.212
ln(Ent)	0.096	1.088
ln(Val)	0.922	14.299
ln(Exr)	-1.614	-3.523
ln(TCC)	0.007	0.381
ln(Def)	0.074	5.509
ln(Non)	0.015	0.701

The dummy variables are in relation to a default, January in the case of month dummies and Port of Manila in the case of port dummies. Their beta coefficients thus indicate performance in relation to the default. For instance, the above-unity beta coefficient for San Fernando (dum1) shows that its performance is better than that of the Port of Manila. Dummy variables may hence be used as an indicator of relative performance.

Step 2. The total derivative of the estimated equation is used to estimate each District's growth in collections:

$$\frac{\Delta C_{t,p}}{C_{t,p}} = \hat{A}_p + \sum_{i=1}^{11} \hat{\alpha}_i MD_i + \sum_{j=1}^{14} \hat{\delta}_j PD_j + \hat{\beta}_1 \frac{\Delta Ent_{t,p}}{Ent_{t,p}} + \hat{\beta}_2 \frac{\Delta Val_{t,p}}{Val_{t,p}} + \hat{\beta}_3 \frac{\Delta Exr_{t,p}}{Exr_{t,p}} + \hat{\beta}_4 \frac{\Delta TCC_{t,p}}{TCC_{t,p}} + \hat{\beta}_5 \frac{\Delta Def_{t,p}}{Def_{t,p}} + \hat{\beta}_6 \frac{\Delta Non_{t,p}}{Non_{t,p}}$$

This requires forecasts of each explanatory variable. Since we are using monthly data, month-on-month growth of each explanatory variable for each port is first calculated. That is, the import value of a District in January 2003 is compared with its January 2002 figure, and so on. On this basis, the value for the next month in the next year is forecasted. The table below shows the month-on-month percentage changes and forecasts for the Port of Manila as an example.

**TABLE 11. MONTH-ON-MONTH CHANGES IN EXOGENOUS VARIABLES AND FORECASTS FOR PORT OF MANILA**

Port of Manila	$\frac{\Delta Ent_{t,p}}{Ent_{t,p}}$	$\frac{\Delta Val_{t,p}}{Val_{t,p}}$	$\frac{\Delta Exr_{t,p}}{Exr_{t,p}}$	$\frac{\Delta TCC_{t,p}}{TCC_{t,p}}$	$\frac{\Delta Def_{t,p}}{Def_{t,p}}$	$\frac{\Delta Non_{t,p}}{Non_{t,p}}$
Jan 2003	-0.1096	0.1824	0.0419	2.2396	-0.7582	-0.4292
Jan 2004	0.2664	0.2542	0.0366	-0.4131	4.7818	1.23478
Jan 2005	-0.2814	-0.0298	0.0043	-0.3585	-0.8984	-0.1405
Jan 2006	0.1215	-0.5386	-0.0565	-0.7064	14.285	-0.0361
Forecast Jan 2007	0.0356	-0.6448	-0.0753	-2.0054	14.2154	0.1083
Feb 2003	-0.1234	0.4667	0.0545	2.0660	2.3092	0.2524
Feb 2004	-0.0629	0.1918	0.0369	0.1382	1.4905	-0.1238
Feb 2005	-0.2118	-0.2061	-0.0224	-0.6053	0.2027	0.7567
Feb 2006	0.1962	-0.2636	-0.0547	-0.6984	0.7093	-0.5104
Forecast Feb 2007	0.1520	-0.6000	-0.0931	-2.0340	-0.3440	-0.2582
Mar 2003	0.2442	1.4917	0.0690	2.3697	-0.3924	0.3649
Mar 2004	0.0849	0.0457	0.0314	-0.6688	-0.2468	-0.1749
Mar 2005	-0.3391	-0.2777	-0.0331	-0.3782	2.9235	1.0204
Mar 2006	0.2421	-0.3472	-0.0592	2.3008	0.7227	-0.4452
Forecast Mar 2007	-0.0495	-1.2319	-0.1102	0.9269	2.3806	-0.1174
Apr 2003	-0.0441	-0.0545	0.0357	1.9115	0.9534	-0.3507
Apr 2004	-0.0037	0.6513	0.0586	-0.6956	0.3305	0.1177
Apr 2005	-0.2613	-0.5623	-0.0253	1.8546	6.8483	0.5060

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Apr 2006	0.3392	-0.0316	-0.0575	-0.8083	-0.1315	-0.3956
Forecast Apr 2007	0.2306	-0.2855	-0.0880	-0.8367	2.8159	0.0328
May 2003	-0.1530	-0.0071	0.0536	2.1942	0.6579	0.2229
May 2004	-0.0489	0.5123	0.0636	-0.7712	-0.6441	-0.1567
May 2005	-0.0587	0.0744	-0.0269	-0.6641	14.5429	1.4467
May 2006	0.1444	-0.0483	-0.0407	27.2611	-0.4694	-0.5895
Forecast May 2007	0.1915	-0.0075	-0.0810	25.8319	6.4732	0.0224
Jun 2003	-0.0379	-0.0777	0.0594	0.6763	1.2876	1.2214
Jun 2004	0.0481	0.4443	0.0484	-0.0516	-0.1104	-0.1315
Jun 2005	-0.0151	0.2489	-0.0144	-1.0000	0.6465	0.9921
Jun 2006	0.0246	-0.5663	-0.0367	1.0000	-0.0349	-0.7493
Forecast Jun 2007	0.0360	-0.4030	-0.0735	0.1618	-0.3555	-0.8640
Jul 2003	-0.0957	0.4013	0.0616	-0.6960	0.2130	-0.0459
Jul 2004	-0.2433	-0.2235	0.0417	2.0807	-0.8135	0.2982
Jul 2005	-0.0948	-0.2074	0.0010	-0.5673	10.2164	0.1759
Jul 2006	0.4181	-0.0081	-0.0644	8.1223	-0.4443	-0.4371
Forecast Jul 2007	0.4185	-0.3125	-0.0948	8.1866	4.5574	-0.3262
Aug 2003	-0.0370	0.1049	0.0618	-0.0626	-0.2021	0.5262
Aug 2004	-0.0780	-0.1830	0.0153	0.6217	0.1359	0.0866
Aug 2005	-0.1183	0.6955	0.0021	-0.5993	3.5389	0.0693
Aug 2006	0.4757	-0.4466	-0.0820	6.4336	-0.4142	-0.2267
Forecast Aug 2007	0.4350	-0.1513	-0.1119	6.1653	1.4563	-0.4552
Sep 2003	0.0084	-0.0172	0.0555	1.0987	-0.6207	0.0702
Sep 2004	-0.0089	0.4658	0.0216	-0.5829	-0.6149	0.5287
Sep 2005	-0.1830	-0.2053	-0.0010	-0.6855	27.4737	0.8844
Sep 2006	0.4368	-0.2813	-0.1025	3.8116	-0.7764	-0.5906
Forecast Sep 2007	0.3411	-0.3753	-0.1307	2.9195	13.2708	-0.1835
Oct 2003	-0.0188	-0.2274	0.0387	-0.0517	-0.9650	0.4568
Oct 2004	-0.1440	0.4735	0.0253	-0.3432	-0.2346	-0.0300
Oct 2005	-0.0560	-0.4065	-0.0112	0.8795	2.5370	0.3611
Oct 2006	0.5099	0.4629	-0.1024	-0.5446	4.3116	-0.2941
Forecast Oct 2007	0.4913	0.3734	-0.1273	-0.0790	6.0626	-0.3420
Nov 2003	-0.0587	-0.1227	0.0387	-0.7787	-0.7421	0.4889
Nov 2004	-0.0041	0.2417	0.0172	3.9894	0.5162	0.3410
Nov 2005	-0.2551	-0.5682	-0.0313	-0.4882	0.8426	0.3502
Nov 2006	0.4117	1.4436	-0.0865	1.7172	0.1857	-0.3879
Forecast Nov 2007	0.3134	1.2208	-0.1214	1.8625	0.9781	-0.4573
Dec 2003	-0.5000	-0.7350	0.0360	0.2520	-0.9390	0.3419
Dec 2004	2.6088	8.5849	0.0133	0.5332	-0.7825	-0.2342
Dec 2005	-0.0934	-0.4611	-0.0458	-0.2103	52.5728	0.8086
Dec 2006	0.3611	0.3249	-0.0773	5.5898	-0.0431	-0.2724
Forecast Dec 2007	0.5644	0.4618	-0.1182	5.3586	26.7128	-0.0391

The forecasted values for each District are next multiplied by the beta coefficients, and summed up. Again using the Port of Manila example, they are as follows:

**TABLE 12. ESTIMATED PERCENTAGE CONTRIBUTIONS OF EXOGENOUS VARIABLES AT THE PORT OF MANILA**

POM	$\hat{\beta}_1 \frac{\Delta Ent_{t,p}}{Ent_{t,p}}$	$\hat{\beta}_2 \frac{\Delta Val_{t,p}}{Val_{t,p}}$	$\hat{\beta}_3 \frac{\Delta Exr_{t,p}}{Exr_{t,p}}$	$\hat{\beta}_4 \frac{\Delta TCC_{t,p}}{TCC_{t,p}}$	$\hat{\beta}_5 \frac{\Delta Def_{t,p}}{Def_{t,p}}$	$\hat{\beta}_6 \frac{\Delta Non_{t,p}}{Non_{t,p}}$	TOTAL
Jan	0.0034	-0.5945	0.1215	-0.0140	1.0519	0.0016	0.5699
Feb	0.0146	-0.5532	0.1503	-0.0142	-0.0255	-0.0039	-0.4319
Mar	-0.0048	-1.1358	0.1779	0.0065	0.1762	-0.0018	-0.7818
Apr	0.0221	-0.2633	0.1420	-0.0059	0.2084	0.0005	0.1039
May	0.0184	-0.0069	0.1307	0.1808	0.4790	0.0003	0.8023
Jun	0.0035	-0.3715	0.1187	0.0011	-0.0263	-0.0130	-0.2875
Jul	0.0402	-0.2881	0.1529	0.0573	0.3372	-0.0049	0.2947
Aug	0.0418	-0.1395	0.1805	0.0432	0.1078	-0.0068	0.2269
Sep	0.0327	-0.3460	0.2110	0.0204	0.9820	-0.0028	0.8974
Oct	0.0472	0.3442	0.2055	-0.0006	0.4486	-0.0051	1.0399
Nov	0.0301	1.1256	0.1960	0.0130	0.0724	-0.0069	1.4302
Dec	0.0542	0.4258	0.1907	0.0375	1.9767	-0.0006	2.6844

Step 3. The percentage contributions of the exogenous variables are summed up for each District per month.

**TABLE 13. SUM OF ESTIMATED PERCENTAGE CONTRIBUTIONS OF EXPLANATORY VARIABLES PER DISTRICT**

PORT	$\hat{\beta}_1 \frac{\Delta Ent_{t,p}}{Ent_{t,p}} + \hat{\beta}_2 \frac{\Delta Val_{t,p}}{Val_{t,p}} + \hat{\beta}_3 \frac{\Delta Exr_{t,p}}{Exr_{t,p}} + \hat{\beta}_4 \frac{\Delta TCC_{t,p}}{TCC_{t,p}} + \hat{\beta}_5 \frac{\Delta Def_{t,p}}{Def_{t,p}} + \hat{\beta}_6 \frac{\Delta Non_{t,p}}{Non_{t,p}}$											
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
POM	0.57	-0.43	-0.78	0.10	0.80	-0.29	0.29	0.23	0.90	1.04	1.43	2.68
1	14.78	0.59	0.36	-0.09	2.94	-4.96	-0.04	-1.53	-0.26	0.93	1.57	-211.11
2B	-0.01	-0.05	0.01	0.00	0.06	0.36	0.84	0.60	0.39	0.64	0.50	1.50
3	0.13	-0.13	0.64	0.67	0.61	0.49	1.19	0.75	0.60	0.83	0.77	0.57
4	0.53	0.13	0.82	-0.64	-0.26	-1.17	-0.18	-0.60	-0.12	1.20	-2.07	-0.89
6	-0.79	178.4	-6.50	-1.44	-14.9	135.1	1.59	224.96	0.05	1.25	9.31	-1.76
7	-0.42	-1.85	-1.53	-1.26	-0.57	-0.27	0.31	12.95	0.03	58.55	1.53	-1.20
10	1.56	-0.31	-28.28	-3.71	-0.12	0.43	0.24	0.03	1.69	0.51	0.89	-2.16
12	4.57	0.50	-2.36	-0.38	4.44	-0.04	-0.18	0.46	0.12	0.34	0.22	-0.80
13	0.16	-3.42	-0.64	-0.44	-0.94	-1.35	-1.08	-1.00	-1.46	0.63	-0.43	-2.10

To these sums are added the constant and contributions of the dummy variables, to obtain the total estimated percentage contributions per District per month.

For the default District (POM) and in the default month (January) the estimated percentage contributions are equal to:

$$\frac{\Delta C_{t,p}}{C_{t,p}} = \hat{A}_p + \hat{\beta}_1 \frac{\Delta Ent_{t,p}}{Ent_{t,p}} + \hat{\beta}_2 \frac{\Delta Val_{t,p}}{Val_{t,p}} + \hat{\beta}_3 \frac{\Delta Exr_{t,p}}{Exr_{t,p}} + \hat{\beta}_4 \frac{\Delta TCC_{t,p}}{TCC_{t,p}} + \hat{\beta}_5 \frac{\Delta Def_{t,p}}{Def_{t,p}} + \hat{\beta}_6 \frac{\Delta Non_{t,p}}{Non_{t,p}}$$

while in the other months:

$$\frac{\Delta C_{t,p}}{C_{t,p}} = \hat{A}_p + \sum_{i=1}^{11} \hat{\alpha}_i MD_i + \hat{\beta}_1 \frac{\Delta Ent_{t,p}}{Ent_{t,p}} + \hat{\beta}_2 \frac{\Delta Val_{t,p}}{Val_{t,p}} + \hat{\beta}_3 \frac{\Delta Exr_{t,p}}{Exr_{t,p}} + \hat{\beta}_4 \frac{\Delta TCC_{t,p}}{TCC_{t,p}} + \hat{\beta}_5 \frac{\Delta Def_{t,p}}{Def_{t,p}} + \hat{\beta}_6 \frac{\Delta Non_{t,p}}{Non_{t,p}}$$

For the other Districts (1, 2b, 3, 4, 6, 7, 10, 12, 13) in January:

$$\frac{\Delta C_{t,p}}{C_{t,p}} = \hat{A}_p + \sum_{j=1}^{14} \hat{\delta}_j PD_j + \hat{\beta}_1 \frac{\Delta Ent_{t,p}}{Ent_{t,p}} + \hat{\beta}_2 \frac{\Delta Val_{t,p}}{Val_{t,p}} + \hat{\beta}_3 \frac{\Delta Exr_{t,p}}{Exr_{t,p}} + \hat{\beta}_4 \frac{\Delta TCC_{t,p}}{TCC_{t,p}} + \hat{\beta}_5 \frac{\Delta Def_{t,p}}{Def_{t,p}} + \hat{\beta}_6 \frac{\Delta Non_{t,p}}{Non_{t,p}}$$

and from February to December the estimate is equal to:

$$\frac{\Delta C_{t,p}}{C_{t,p}} = \hat{A}_p + \sum_{j=1}^{14} \hat{\delta}_j PD_j + \sum_{i=1}^{11} \hat{\alpha}_i MD_i + \hat{\beta}_1 \frac{\Delta Ent_{t,p}}{Ent_{t,p}} + \hat{\beta}_2 \frac{\Delta Val_{t,p}}{Val_{t,p}} + \hat{\beta}_3 \frac{\Delta Exr_{t,p}}{Exr_{t,p}} + \hat{\beta}_4 \frac{\Delta TCC_{t,p}}{TCC_{t,p}} + \hat{\beta}_5 \frac{\Delta Def_{t,p}}{Def_{t,p}} + \hat{\beta}_6 \frac{\Delta Non_{t,p}}{Non_{t,p}}$$

Each District's share in 2006 monthly collections are used as weights:

**TABLE 14. DISTRICT SHARES IN MONTHLY COLLECTIONS IN 2006**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
POM	0.05	0.06	0.07	0.08	0.13	0.07	0.08	0.07	0.07	0.12	0.11	0.08
1	0.11	0.01	0.02	0.08	0.13	0.09	0.32	0.07	0.13	0.02	0.02	0.01
2B	0.07	0.06	0.09	0.08	0.09	0.08	0.09	0.10	0.08	0.09	0.09	0.07
3	0.07	0.06	0.10	0.10	0.09	0.08	0.08	0.08	0.07	0.10	0.10	0.08
4	0.05	0.06	0.09	0.07	0.11	0.09	0.09	0.11	0.05	0.10	0.07	0.10
6	0.04	0.27	0.03	0.03	0.01	0.14	0.06	0.03	0.14	0.05	0.14	0.04
7	0.06	0.10	0.10	0.11	0.06	0.06	0.09	0.12	0.09	0.07	0.06	0.07
10	0.31	0.07	0.05	0.07	0.04	0.10	0.11	0.06	0.07	0.06	0.05	0.03
12	0.05	0.10	0.08	0.13	0.09	0.11	0.10	0.13	0.07	0.05	0.04	0.05
13	0.07	0.08	0.09	0.06	0.15	0.08	0.09	0.12	0.06	0.10	0.05	0.04

Multiplying the sums by their weights per month for each District results in weighted sums of the estimated percentage contributions of the exogenous variables. These are added up so that for a given port, the annual growth estimate is

$$\frac{\Delta C_p}{C_p} = \sum_{t=1}^{12} \frac{\Delta C_{t,p}}{C_{t,p}} \left( \frac{C_{t,p}}{C_p} \right) = \hat{\phi}_p$$

**TABLE 15. ANNUAL GROWTH ESTIMATE PER DISTRICT**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	PORT $\phi_p$
POM	0.19	0.17	0.17	0.27	0.51	0.21	0.27	0.25	0.29	0.51	0.50	0.44	3.78
1	2.06	0.05	0.08	0.35	1.00	-0.04	1.49	0.21	0.56	0.12	0.11	-1.98	4.02
2B	0.21	0.19	0.26	0.23	0.26	0.28	0.36	0.38	0.28	0.34	0.32	0.32	3.42
3	0.20	0.17	0.33	0.34	0.30	0.28	0.33	0.29	0.25	0.34	0.35	0.26	3.43
4	0.21	0.23	0.41	0.20	0.37	0.21	0.31	0.32	0.19	0.49	0.10	0.27	3.31
6	0.06	48.72	-0.11	0.03	-0.09	19.87	0.26	7.82	0.35	0.18	1.66	0.03	78.76
7	0.19	0.15	0.17	0.22	0.17	0.19	0.35	2.02	0.33	4.45	0.30	0.15	8.67
10	1.55	0.24	-1.15	-0.01	0.12	0.41	0.42	0.20	0.36	0.25	0.20	0.04	2.63
12	0.41	0.38	0.08	0.39	0.71	0.36	0.33	0.50	0.25	0.19	0.15	0.14	3.90
13	0.23	0.00	0.25	0.17	0.37	0.17	0.22	0.28	0.12	0.41	0.14	0.06	2.43

Step 4. This annual collection growth estimates, as may be adjusted by the Commissioner, are applied to BOC’s actual collection in the current year or where information on actual collection is available, to obtain the absolute amounts per District. The projected collection per District is equal to

$$\hat{C}_p = (1 + \hat{\phi}_p)C_p$$

These are then converted to District shares

$$\sigma_p = \frac{\hat{C}_p}{\sum_{p=1}^{15} \hat{C}_p}$$

**TABLE 16. DISTRICT SHARES IN PROJECTED COLLECTIONS**

DISTRICT	$\phi_p$	2006 Collection (P million)	Projected Collection $\hat{C}_p$	Shares in Projected Collection (%) $\sigma_p$
POM	3.78	68574	71166	36.84
1	4.02	1174	1221	0.63
2B	3.42	47857	49494	25.62
3	3.43	15216	15738	8.15
4	3.31	39889	41209	21.33
6	78.76	259	463	0.24
7	8.67	4787	5202	2.69
10	2.63	2591	2659	1.37
12	3.90	1716	1783	0.92
13	2.43	4156	4257	2.20
TOTAL for 10 PORTS			193193	

Step 5. The District shares are applied to the BOC target for the following year to obtain the absolute amounts of the target per District.

Our example, which is limited to 10 Districts, shows the following distribution of the 2007 target.

**TABLE 17. ALLOCATION OF 2007 TARGET BASED ON SHARES OF 10 DISTRICTS**

	Shares in Projected Collection (%) $\sigma_p$	DISTRIBUTION OF 2007 TARGET BASED ON DISTRICT SHARES OF 10 PORTS ONLY
POM	36.84	84065
1	0.63	1443
2B	25.62	58464
3	8.15	18591
4	21.33	48678
6	0.24	547
7	2.69	6145
10	1.37	3141
12	0.92	2106
13	2.20	5029
TOTAL for 10 PORTS		228208

The Commissioner may increase the target collection efficiency growth of a District if in his/her judgment its collection performance needs to be improved. The port dummy variable, which serves as a proxy for port infrastructure and efficiency, indicates relative port performance as well, and may be used as a guide for adjusting collection effort of each District.

If the Commissioner decides to compel port j to perform better, the same equation is adjusted with a policy decision parameter v per port.

$$\frac{\Delta C_{t,p}}{C_{t,p}} = \varphi_p + \hat{A}_p + \sum_{i=1}^{11} \hat{\alpha}_i MD_i + \sum_{j=1}^{14} \hat{\delta}_j PD_j + \hat{\beta}_1 \frac{\Delta Ent_{t,p}}{Ent_{t,p}} + \hat{\beta}_2 \frac{\Delta Val_{t,p}}{Val_{t,p}} + \hat{\beta}_3 \frac{\Delta Exr_{t,p}}{Exr_{t,p}} + \hat{\beta}_4 \frac{\Delta TCC_{t,p}}{TCC_{t,p}} + \hat{\beta}_5 \frac{\Delta Def_{t,p}}{Def_{t,p}} + \hat{\beta}_6 \frac{\Delta Non_{t,p}}{Non_{t,p}}$$

### Framework for Individual Targets

It is proposed that the target of the lowest grouping that an attributable individual directly belongs to shall serve as that individual's target, so that all individuals in that group share a *collective or pooled* target. Thus if the group an attributable individual immediately reports to is a Section, Division, Sub-Port, or Unit, then the target of that Section, Division, Sub-Port, or Unit, shall serve as his/her target.

This proposal follows a consideration of the alternative bases for individualized targets, including equal shares, weighted shares using position and function factors, regular-client ("suki") system, or

supervisory discretion. The advantages and disadvantages of each, tabulated below, show that the collective target would be better as long as it is combined with individual performance evaluation that minimizes free-riding by poor performers.

	INDIVIDUALIZED	COLLECTIVE
<b>A D V A N T A G E S</b>	<ul style="list-style-type: none"> <li>• Encourages competition to process as many entries as possible</li> <li>• Rewards high performers</li> </ul>	<ul style="list-style-type: none"> <li>• Ease of administration</li> <li>• Does not require equal access to entries</li> <li>• Functions even if entries have dissimilar contents, multiple-processors, multiple-HS</li> <li>• Functions despite frequent personnel movement</li> <li>• No need to attribute effort to each individual</li> </ul>
<b>D I S A D V A N T A G E S</b>	<ul style="list-style-type: none"> <li>• Makes the assignment of entries crucial</li> <li>• Assumes that entries have similar contents</li> <li>• Assumes single processor per entry</li> <li>• Makes attribution of effort crucial for entries processed by multiple individuals</li> <li>• Difficult to implement with multiple-HS entries</li> <li>• Difficult to implement with frequent movement of personnel</li> <li>• Carries a disincentive once an individual meets his target</li> </ul>	<ul style="list-style-type: none"> <li>• Doesn't distinguish between poor and high performers, and encourages free-riding and demoralizes high performers</li> </ul>

In a group that consists of individuals of different rank (as reflected in actual tasks rather than designation), although the collective target will apply to all, those that have a higher rank will have greater responsibility and therefore a corresponding greater weight in terms of rewards as well as attributability. This will be reflected in their performance evaluation, which will consider mitigating factors and individual effort or efficiency separately. Thus an individual with a higher rank will be assigned more weight or points compared to one in a lower position.

The collection target of an attributable individual who belongs to a group that does not have a collection target will be determined on the basis of the source of revenue comprising the individual's responsibility. For instance, the target of an administrative officer who

takes charge of the sales of official forms will be based on the historical trend of such sales.

Transferees or those in acting capacities shall be considered regular members of the Division they are assigned to and assume the collective target.

## Issues to be Addressed

There are minimum conditions for the rational allocation of targets: information requirements must be met, and certain operational practices and the coverage of target assignments must be reexamined.

### *Quality of Information*

At present the information required by the methodology is not available from the ACOS database or the Districts. (a) ACOS captures only the declared values of imports that the system assesses based on HS codes, rather than actual assessments at the District. Some ports and time periods are also missing from the database. (b) There is no certainty whether all lodged entries get processed and encoded into ACOS. Changes in the entries are not reflected in the database, so that there is no way of knowing if an undervalued, misclassified, or misdeclared entry was ultimately assessed properly. (c) District data is too aggregated and does not include certain variables that affect collection performance.

At the minimum, complete, accurate, and verifiable information must be a top BOC priority through diligent record-keeping by the Districts combined with random checks. This must be complemented by information from independent sources, such as on economic or industrial activity at the local level and prices, which are particularly valuable for explaining or benchmarking port performance. The Revenue Collection Monitoring Group must take an active role in the generation, organization, and evaluation of District revenue information in order to ensure their integrity and quality. Assigning staff specialists to one port each to analyze the determinants of their collections and verify collection data would enable RCMG to track port performance more effectively.

## *Practices*

### **Frequent movement of personnel**

BOC particularly suffers from the frequent movement of personnel. Transferring is so rampant that any inventory listing of personnel per port easily becomes inaccurate within a month. Transfers may be initiated by the employee, and are effected when both the originating and destination units pose no objection, following the rule that the number does not drop in the former by up to, nor increase in the latter by more than, 10% of plantilla positions. Transferees usually bring their item along with them, although their tasks change when they move.

Frontline operations attract the greatest number of transferees in contrast to back offices, which are usually severely undermanned. At the extreme, employees in administrative or support positions move to revenue-related units. This implies the incentive to be involved in the processing of import entries. District Collectors are concerned over their inability to exercise authority over such transferees despite being under their responsibility.

Frequent personnel movement has implications on District, section, or individual targets. Assuming that the actual manpower complement in each unit reflects real workload requirements, movements must be controlled if not frozen once targets are set to ensure that all personnel, whether regular or acting, will contribute to the unit's collection. Movements complicate the setting and monitoring of individualized targets, making pooled or collective targets easier to administer.

### **"Suki" system**

Since import entries may be filed at any port, officials and employees cultivate long-term relationships with importers/brokers to ensure that collections are sustained. This "suki" system, also considered "marketing" or "trade facilitation", works to the advantage of both sides since they become familiar with each other's requirements. Entries are therefore not randomly assigned to assessors as they are lodged at the port but go to the importer's regular assessor. In turn, the importer chooses his regular assessor each time he files an entry.

This practice would cause difficulty in the case of individualized targets that require equal access of personnel to each import entry as it is filed. This again makes pooled or collective targets the more

advantageous method, especially since the contents of import entries vary widely in value, number or type of commodity, and so forth.

### ***Coverage of Target Allocation***

1. Districts or individuals with no revenue generating functions may have to be assigned independently estimated targets

Currently, targets are given to divisions and individuals that only mainly deal with non-tax revenue, or have no assessment, audit, or collection functions.

For instance, the Operating Division oversees Customs Bonded Warehouses (CBWs) that receive and store conditionally-free imports of raw materials used in the manufacture of export products. Bonds for warehoused goods are eventually cancelled upon full liquidation of the raw materials utilized in production, allowable withdrawals for local consumption of BOI-registered enterprises is a decision of the CBWs and not the Operating Division, and importations in excess of quotas or not in the list of raw materials are strictly disallowed. The Division's regular revenue comes only from warehousing fees, forms, penalties and surcharges, and wastages. Tax revenue can only be realized if there is non-compliance or conversion of imports to consumption entries. Even then, importers usually opt for bonds adjustment rather than cash payments. Tax revenue is thus minimal and unpredictable. Assigning a share of the BOC revenue target to the Operating Division encourages the diversion of imports to domestic consumption.

Warehousing targets would be better estimated on the basis of the determinants of its collections such as the exports of CBW users and the reasons for withdrawals of BOI-registered enterprises. For example some CBWs are used by industries that have been drastically affected by international developments such as the removal of export quotas on garments, or the relocation of manufacturers to lower-cost countries or to export processing zones. A more realistic determination of the Operating Division targets combined with effective monitoring would minimize leakages.

Likewise, some administrative positions in which the key duty is to sell forms and issue official receipts are assigned targets. In this case, it would be more appropriate to base the target on a forecast of collectibles from the sales of forms.

Other non-dutiable imports due to special laws such as the Agriculture and Fisheries Modernization Act (AFMA) and agreements such as the ASEAN Free Trade Agreement (AFTA), must also be determined independently. Similarly, tax credits, which are granted by agencies outside of the BOC, and deferred payments on government imports, must be estimated more explicitly rather than assuming historical growth alone.

2. Units or individuals that are not allocated targets yet contribute to revenue, participate in import clearance procedures, or get credited for collections, may have to be reconsidered

Support units such as the PEAG contribute to revenue but are not currently assigned any targets. Offices that have no targets are credited with collections, e.g. duties on NFA imports are credited to the Office of the Commissioner, which does not have any collection target, and WAMU collections are not credited to the Operating Division.

Certain personnel who participate in the clearance process are not assigned any collection targets, e.g. CIIS agents who inspect entry documents.

3. Designations or positions have varying tasks or responsibilities

The responsibilities accompanying some designations are not uniform and depend on the division they are assigned to, such as in the case of Customs Operations Officers. Some have revenue-related functions while others do not have any. Salary grades of similar positions may also differ. Actual tasks or responsibilities rather than designation alone must be the basis for rank and thus of rewards and attritability.

## **DBCC Assumptions and Adjustments**

The Department of Finance (DOF) estimates for the DBCC the BOC revenue target for the year in the middle of the preceding year, on the basis of assumptions about economic activity combined with historical collection data. Since changes are likely to occur with respect to these assumed parameters that are out of the control of the BOC, flexibility must be allowed.

In fact the IRRs accompanying the Attrition law provide that attrition must first give due consideration to all relevant factors affecting the level of collection, including economic causes as determined by the

Revenue Performance Evaluation Board (RPEB). While this recognizes the ex post implications of economic causes on attrition, their impact on target-setting has to be considered as well.

To illustrate the impact on targets of deviations between the assumptions and realized parameters, the 2006 record is examined. The assumptions or programmed values used in 2006 are tabulated as follows, with their corresponding actual or realized values:

**TABLE 18. PROGRAMMED AND REALIZED VALUES OF DOF PARAMETERS**

PARAMETER	2006 PROGRAM	REALIZED	Data Source
Exchange rate (P/\$)	56	51.3143	BSP
Imports (FOB, \$m)	52677	51470	NSO
Imports (CIF, \$m)	57945	53632	NSO
Non-oil imports (FOB, \$m)	47485	43281	NSO
Non-oil imports (CIF, \$m)	52234	45185	NSO
Crude oil imports ((FOB, \$m)	5192	5143	NSO
Crude oil imports (CIF, \$m)	5711	5323	NSO
Petroleum product imports (FOB \$m)		2781	NSO
Petroleum product imports (CIF \$m)		2878	NSO
Share of nondutiable to non-oil imports	60%	60.9%	BOC
Average tariff on non-oil imports	4.9%	5.5%	BOC
Share of VAT-exempt non-oil imports	33%	Same	DOF
Deferred payments (P million)	8382	3301	BOC
Tax credits (P million)	3212	12287	BOC
Excise taxes on non-oil imports (P million)	4880	5002	BOC
Excise taxes on petroleum, alcohol, tobacco (P million)	17185	10259	BOC
Excise taxes on petroleum products (P million)		5755	BOC

Realized values about imports come from the National Statistics Office (NSO), which consolidates these from import entries<sup>4</sup> as they are filed at the BOC. At this time of year NSO import data are available only for the period January to November 2006, necessitating the extrapolation of the December figure from the average share of December imports in total annual imports for the years 2002 to 2005. To get the CIF equivalent, the average proportion of insurance and freight was added to the FOB value. This method was used to arrive at 2006 estimates of total CIF imports, non-oil imports, and mineral fuel imports, which was in turn the basis for crude oil imports.

The other realized values come from actual collection data of BOC for 2006, except for the share of VAT-exempt non-oil imports, which was estimated by the Department of Finance in 1998.

<sup>4</sup> The import entries are consolidated at the time they are lodged rather than liquidated, hence reflecting declared values rather than assessed values.

Using the programmed parameters, target revenue is estimated separately under new and existing measures by the DOF. New measures are either legislative or executive. Under the former are the VAT-related reforms of RA 9337 which consisted of (a) an increase in the VAT rate from 10% to 12%, (b) lifting of exemptions on coal, crude oil, and petroleum products, (c) reduction of excise tax on kerosene, diesel and fuel oil as a mitigating measure, (d) rationalization of excise taxes on motor vehicles and indexation of taxes on sin products cigarettes and fermented liquor. Executive measures consist of administrative initiatives to: (a) improve assessment, (b) increase law enforcement, (c) strengthen internal audit, (d) check transshipment, (e) expand Super Green Lane, (f) collect from demandable assets, (g) expand computerization, and others.

Using the realized values of the parameters, target duties, VAT, and excise taxes under both existing and new measures are reestimated together following the worksheet used by the DOF below. The last column gives the details of the computation.

**TABLE 19. REESTIMATED DUTIES, VAT, AND EXCISE TAXES**

	Program (Jan 2006)	REESTIMATED TARGETS	
<b>MACROECONOMIC ASSUMPTIONS</b>			
GDP, Real	1270346		
GDP growth, Real	6.30%	5.5%	
Exchange Rate	56	51.3143	
Price of Oil (US\$/barrel)	29.17	61.567	
Imports, FOB (US\$m)	52677		
Import growth, US\$ terms	11%		
Import growth, Peso terms	11%		
Tariff rate, Non-Oil Imports, Existing	4.92%	5.5%	
Tariff rate, Non-Oil Imports, New	4.92%		
<b>A. IMPORT DUTIES</b>			
Total Imports (FOB, \$m)	52677	51470	add average Dec 2002-05 share to actual Jan-Nov 2006 imports
Total Imports (CIF, \$m)	57945	53631.74	add 4.2% to get CIF equivalent
<b>Collections from Non-Oil Imports</b>			
Non-Oil Imports (FOB, \$m)	47485	43281	add average Dec 2002-05 share to actual Jan-Nov 2006 imports
Non-Oil Imports (CIF, \$m)	52234	45185.364	add 4.4% to get CIF equivalent
less: non-dutiable non-oil imports	31348	27517.8867	actual 60.9%

Goal Allocation Methodology

Assumed nondutiable/nonoil ratio	60%	60.90%	
Dutiable non-oil imports (CIF \$m)	20886	17667.4773	
Assumed exchange rate	56	51.3143	
Dutiable non-oil imports (CIF Pm)	1169594	906594.232	
Assumed average tariff	4.90%	5.50%	actual
Import duties before TC/DF	57544	49862.6827	
less: assumed deferred payments (DF)	8382	3301	actual
less: assumed tax credits (TC)	3212	12287	actual
Estimated duties collectible from Non-Oil Imports (Pm)	45950	<b>34274.6827</b>	
<b>Collections from Crude Oil Imports</b>			
Crude Oil Imports (FOB \$m)	5192	5143	add average Dec 2002-05 share (from Mineral Fuels) to actual Jan-Nov 2006 imports
Crude Oil Imports (CIF \$m)	5711	5323.005	add 3.5% (from Mineral Fuels) to get CIF equivalent
Assume 100% dutiable			
Assumed exchange rate	56	51.3143	
Dutiable crude oil imports (CIF Pm)	319827	273146.275	
Assumed tariff rate	3%	3%	
Estimated duties collectible from Crude Oil Imports (Pm)	9595	<b>8194.38826</b>	
<b>Collections from Petroleum Product Imports</b>			
Petroleum Product Imports (FOB \$m)		2781	added average Dec 2002-05 share (from Mineral Fuels) to actual Jan-Nov 2006 imports
Petroleum Product Imports (CIF \$m)		2878.335	add 3.5% (from Mineral Fuels) to get CIF equivalent
Assume 100% dutiable			
Assumed exchange rate		51.3143	
Dutiable petroleum product imports (CIF Pm)		147699.746	
Assumed tariff rate		3%	
Estimated duties collectible from Petroleum Product Imports (Pm)		<b>4430.99237</b>	
<b>B. VAT</b>			
Non-Oil Imports (CIF, \$m)	52234	43281	add average Dec 2002-05 share to actual Jan-Nov 2006 imports
less: VAT-exempt Non-Oil Imports	17237	14282.73	Use programmed 33%

Goal Allocation Methodology

Assumed VAT exempt ratio	0.3300		
Non-Oil imports subject to VAT	34996	28998.27	
Assumed ratio of dutiable/taxable Non-Oil Imports	40%	40%	Use programmed 40%
Estimated dutiable/taxable Non-Oil (\$m)	13993	11599.308	
Assumed exchange rate	56	51.3143	
Estimated dutiable/taxable Non-Oil (Pm)	783628	595210.371	
plus: import duty (average tariff)	38554	32736.5704	actual 5.5%
excise taxes on Non-Oil	4880	5002	actual
Tax base subject to VAT (Pm)	827063	632948.941	
VAT rate	10%	12%	
Estimated VAT collectible on Non-Oil Imports (Pm)	82706	<b>75953.8729</b>	
<b>VAT from Crude Oil</b>			
Dutiable Crude Oil Imports (CIF Pm)		273146.275	
plus: import duties		8194.38826	
Tax base subject to VAT		281340.664	
VAT rate		12%	
Estimated VAT collectible from Crude Oil (Pm)		<b>33760.8796</b>	
<b>VAT from Petroleum Products</b>			
Dutiable Petroleum Product Imports (CIF Pm)		147699.746	
plus: import duty		4430.99237	
plus: excise tax		5755	actual
Tax base subject to VAT		157885.738	
VAT rate		12%	
Estimated VAT collectible from Petroleum Product Imports (Pm)		<b>18946.2886</b>	
<b>C. OTHER COLLECTIONS</b>			
Excise taxes (petroleum, alcohol, tobacco)	17185	<b>10259</b>	actual; assumed to include motor vehicle, cigarettes, fermented liquor

These reestimated revenue targets by type of tax are then compared with the programmed targets of DOF/DBCC for 2006, and actual BOC collections.

**TABLE 20. REESTIMATED REVENUE TARGET (P million)**

	Duties	VAT	Excise	TOTAL
Non-oil	34275	75954		
Crude oil	8194	33761		
Petroleum products	4431	18946		
TOTAL	46900	128661	10259	185820
TEF (programmed)				5524
TOTAL Cash				180296
New measures: administrative				900

**TABLE 21. PROGRAMMED REVENUE TARGET (P million)**

	Duties	VAT	Excise	TOTAL
Existing	55545	82706	17185	155436
New	2720	36746	1077	40540
TOTAL	58265	119452	18262	195976
TEF				5524
TOTAL Cash				190452

**TABLE 22. ACTUAL BOC COLLECTIONS (P million)**

	Duties	VAT	Excise	TOTAL
Non oil	57440			
Crude oil	7873			
Petroleum products	3078			
TOTAL	68391	118955	10760	198175*
Bureau of Treasury (Cash)				187874
TEF (implied)				10301

\*adjusted

The above figures imply that the excess of actual total collections (P198175 million) over originally programmed target collections (P195976 million) is equal to P2199 million. The excess of actual cash collections (P187874 million) over the reestimated target revenue less programmed TEF (P180296 million) is equal to P7578 million. Including collections from administrative measures in this yields P6678 million.

Other possible adjustments to the targets that have been suggested by the District Collectors are as follows:

- a. When necessary, distribute the collection that is credited to the Office of the Commissioner to those Districts that processed the imports that yielded this collection, e.g. NFA imports
- b. Adjust targets on a monthly or quarterly basis to take parameter changes into account. Changes in both directions would have to be accepted.

## Organization for Target Allocation and Adjustments

1. The Financial Service under the Revenue Collection Monitoring Group will assume the following responsibilities in connection with the allocation of targets and adjustments in the assumptions:
  - a. *Goal Allocation*
    - i. Organize Desk Staff to specialize in each major District who will (1) collect data from the District to be used in target allocation, (2) collect data including but not limited to economic or industrial activity at the local level and prices, from independent sources such as the NSO, DOF, Bangko

Sentral ng Pilipiinas, Department of Trade and Industry, Department of Agriculture, Department of Energy, other government agencies, private sector associations and academic libraries, (3) analyze the determinants of port collections, (4) conduct random checks to verify the accuracy of data particularly assessed values.

- ii. Assign staff to hold office in each major District in order to ensure completeness and accuracy of record-keeping and integrity and quality of data.
- iii. Undertake the statistical procedure(s) needed to implement goal allocation.
- iv. Prepare and submit to the Commissioner the annual target goal allocation of Districts and their respective Divisions, providing a copy to the PMS Owner.

*b. Ex Post Target Allocation*

- i. Gather the relevant data on the realized values of the exogenous variables explaining actual collection.
- ii. Estimate the target collection of the Bureau based on the realized parameters following a replicable and transparent procedure.
- iii. Submit an analysis of the estimate's implications on the Bureau's collection performance in the preceding year.

2. Each District shall exercise due diligence in record-keeping and provide complete monthly data on the variables enumerated below to the Financial Service not later than 1 October of the year. This shall consist of data at the Division level and include all Divisions under the District, providing a copy to the PMS Owner.
  - import values (declared and assessed)
  - commodity composition of imports
  - number of entries
  - exchange rate
  - imports selected Green, Yellow, Red
  - duty-exempt or nondutiable imports (under warehousing, AFMA, AFTA, etc)
  - tax credits and deferred payments
  - proportion containerized
  - number of personnel
  - budget
  - port infrastructure
3. Each District Head shall allocate the District target to the attributable individuals under his/her jurisdiction following the guiding principles and methodology. The individual goal allocation shall be submitted to the Commissioner by 1 December of the year through the Financial Service.

4. The Financial Service shall be guided by the following *indicative* deadlines:
  - a. Obtain the data from each District not later than 1 October and organize the information from all sources.
  - b. Calculate the target allocation of each District and Division by 31 October.
  - c. Submit the resulting allocated targets to the Commissioner on 1 November of the year.
  - d. Disseminate the approved goal allocation to the District Heads on 7 November of the year.
  - e. Collect from the District Heads the allocated targets of attributable individuals by 30 November.
  - f. Consolidate the goal allocation lists and submit to the Office of the Commissioner by 1 December, providing a copy to the PMS Owner.
5. The Commissioner shall issue a Customs Memorandum Order containing the District, Division and individual targets and forward it to the DBCC in the first week of December.

# Statistics Manual

The allocation of targets among the Districts or their component units will make use of statistical procedures such as forecasting and regression to explain the systematic dependence of one variable upon others. This Annex describes the steps in preparing the data and performing these procedures.

## Appendix to Chapter 2: Data Processing Manual

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## Objectives

This Manual describes the steps to be followed in processing the data needed for determining the collection targets of Districts and the component units under them. It then explains the regression procedure using the Statistical Packages for the Social Sciences (SPSS), and enumerates the tools used to interpret the results of the regression.

## Output

- Data processing procedures

## Acronyms

ACOS	Automated Customs Operations System
AVT	Ad Valorem Tax
BOC	Bureau of Customs
BSP	Bangko Sentral ng Pilipinas
CUD	Customs Duties
EXC	Excise Tax
Forex	Foreign Exchange
HS Code	Harmonized System Code
MISTG	Management Information Systems and Technology Group
RCMG	Revenue Collection and Monitoring Group
SAS	Statistical Analysis System
SGD	Safeguard Duties
SPSS	Statistical Packages for the Social Science
TCC	Tax Credit Certificate
VAT	Value Added Tax

## Summary

The data processing method described in this Manual mainly utilizes Microsoft Excel. Step by step procedures are discussed and sample screen shots are provided to enable the user to visualize the datasets that will be generated. It is assumed here that the user is familiar with Windows-based software and has working knowledge of the features of Microsoft Excel.

The Statistical Package for Social Science (SPSS) is also utilized for regression analysis. The versions now available in the market are Windows-based and can be used with relative ease. Like any Windows application, one only needs to click on the topic/command (usually located at the top of the screen) and the sub-topics become available in a drop-down menu. Other statistical software (e.g. SAS,

Stata, Eviews) can be utilized as long as the needed regression outputs can be generated.

## Data Preparation

To determine the allocation of the BOC target, several sources of data have been identified. Monthly data from both the MISTG and the Districts are usually needed to complement one another.

### *Sources of Data*

**Management Information Systems and Technology Group (MISTG)** is the principal unit responsible for maintaining the Automated Customs Operations System (ACOS) which captures the information on import entry declarations. However it is the declared rather than actual assessed values of imports that are obtained. For this target allocation exercise, the MISTG furnished a semi-processed dataset composed of monthly imports aggregated at the 4-digit HS code at the port level for the years 2002-2006. The dataset was saved in Excel, with the following variables and data type/format:

Variable	Data type/format
1. Port	String
2. Year	Numeric
3. Month	Date
4. HS Code	String
5. No. of entries	Numeric
6. Description	String
7. Volume	Numeric
8. Value	Numeric
9. Ad valorem tax (AVT)	Numeric
10. CSD	Numeric
11. Customs Duties (CuD)	Numeric
12. DOE	Numeric
13. DPD	Numeric
14. Excise Tax (EXC)	Numeric
15. Fines (Fin)	Numeric
16. Value added Tax (VAT)	Numeric
17. SGD (Safeguard duties)	Numeric

**Statistics Division**, which is under the Revenue Collection and Monitoring Group (RCMG), processes the daily collection reports submitted by each District. These reports consist of cash and non-cash collections broken down into Tax Credit Certificate (TCC) and deferred payments, oil and non-oil, etc.

The following monthly data processed by the Statistics Division were used in this exercise.

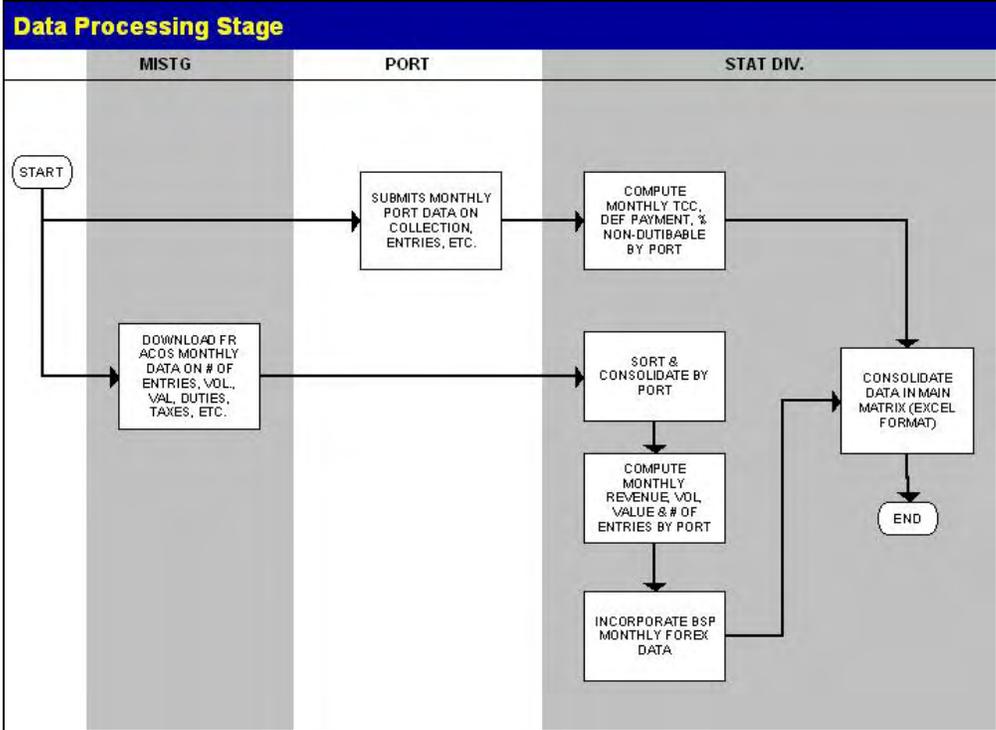
Variable	Data type/format
1. Cash Collection	Numeric
2. Tax Credit Certificates Collection	Numeric
3. Deferred Payment Collection	Numeric
4. Percent Share of Non-Dutiable Value	Numeric

**Districts.** Aside from the data processed by the Statistics Division, other significant data that are available at the District level should be provided for use in the regression.

**BSP.** While the MISTG maintains a database of foreign exchange rates that were applied on filed import entries, this was not included in the dataset provided. Monthly average foreign exchange rates published by the Bangko Sentral ng Pilipinas (BSP) were used instead.

### *Consolidation and processing of data*

The data processing stage is summarized in the succeeding process flowchart. It shows the steps to follow in processing the data provided by MISTG and the Districts.



The format of data furnished by the MISTG necessitates segregation and consolidation by port. Hence, various files should be created in which to transfer the segregated port data. The variable names in each of the files must, however, remain intact and in order on the first row of the worksheets (also called the header row).

Segregation can be done easily using Excel. The first step is to open the original MISTG data in Excel and perform the sort function. Before doing this, the whole active sheet (columns and rows that contain the needed information) must be highlighted. After highlighting, click the **Data** tab and select **Sort**. The user will be prompted by the following screen:

	A	B	C	D	E	F	G	H
1	PORT	MONTH	HSCODE	NOENT	DESCRIPTION	VOLUME	VALUE	AVT
2	P04	1	1001	6	Wheat and meslin	27,127,972	390,891,192	
3	P04	1	1201	2	Soya beans	31,003,398	286,722,158	
4	P04	1	2501	8	Salt and pure sodium chloride; sea water	11,042,000	72,308,524	
5	P04	1	2523	2	Portland cement, aluminous cement, persulphate cement, etc	32,000,000	57,583,680	
6	P04	1	2618	2	Granulated slag (slag sand) from the manufacture of iron or steel			
7	P04	1	2701	2	Coal, briquettes, ovoids and similar manufactured from coal			
8	P04	1	2709	10	Petroleum oils and oils obtained bituminous minerals, crude			
9	P04	1	2710	10	Petroleum oils, etc., (excl. crude preparations thereof, nes			
10	P04	1	2710	12	Petroleum oils, etc., (excl. crude preparations thereof, nes			
11	P04	1	2711	2	Petroleum gases and other gas hydrocarbons			
12	P04	1	2711	16	Petroleum gases and other gas hydrocarbons			
13	P04	1	2711	16	Petroleum gases and other gas hydrocarbons			
14	P04	1	2804	2	Hydrogen, rare gases and the			
15	P04	1	2811	2	Other inorganic acids and their oxygen compounds of non-met			
16	P04	1	2815	2	Hydroxides and peroxides of potassium	6,299,446	19,670,430	
17	P04	1	2815	4	Hydroxides and peroxides of sodium or potassium	8,296,770	35,147,928	
18	P04	1	2833	2	Sulphates; alums; peroxsulphates (persulphates)	99,910	4,360,736	

Select first the **Port** then **Month** (in ascending order)

Select **Header Row** since the variable names are incorporated in the file at the first row

The user selects the sorting variable(s) to be used, the order of sorting (ascending or descending) and the option indicating whether a header row is present or not. For this exercise, the primary sorting variable is Port and the secondary sorting variable is Month since the MISTG files were grouped annually. Click the **OK** button when the sorting variables have been selected. The rows that contain similar port codes (e.g. PO1, PO2A, PO2B, etc.) have to be segregated and transferred manually to a separate file or worksheet by highlighting them and clicking **Edit > Cut** and **Edit > Paste** and saving them appropriately under unique filenames.

After segregating the data into their respective Port file, the next step is to consolidate them into monthly totals. For each port, the subtotals for the number of entries, volume, value, and the rest of the variables are computed. This can be done by clicking on **Data > Subtotal** and selecting **Month** as the subtotal changing variable. The variables by which the subtotals will be applied should also be selected. In the subtotal mini screen (shown below), the user has to select **Sum** (the function to be employed) and tick the variable names needed.

Select Month (variable that will prompt the totaling)

Select Sum and check all the variables that will have sub-total.

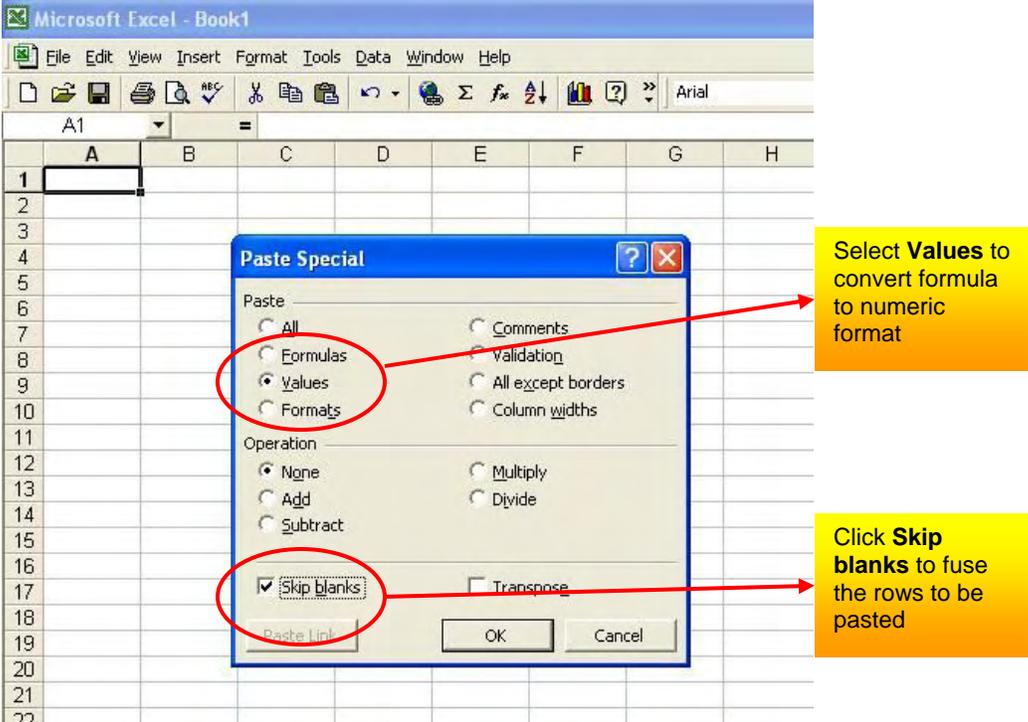
The user should note that the subtotals are in formulas and inserted exactly at the point when the month changed. To expedite the capture of these monthly subtotals, the worksheet where the summarized subtotals is located should be selected. This can be done by clicking the 2<sup>nd</sup> summary worksheet that is located on the left side of the screen (as shown in the next figure).

Click the 2<sup>nd</sup> worksheet to go to the summarized subtotals

Sub-totals are summarized accordingly

As the subtotals are still physically attached to the active worksheet, they must be copied into a new worksheet (e.g. Port Main Matrix) where data will be consolidated. To do this, the user must click on the **Edit > Go to** tabs. Successive small command screens will pop up and the user needs to click the **Special** button on the first then select the **Visible cells** option on the next small command screen. The user will notice that the cells of the subtotals will automatically be highlighted when the **OK** button is clicked.

To copy the subtotals, the user must click the **Edit > Copy** tabs then proceed to a new worksheet. Once in the new worksheet, the user has to paste the copied cells into it. However, instead of the usual **Paste** command, the **Paste Special** should be used now. The user must remember that the subtotals are in formulas and they have to be converted into numeric values. To facilitate this, the user must choose the **Values** option and tick the **Skip blanks** from the **Paste Special** screen. The succeeding figure illustrates this process.



The resulting worksheet (shown below) will now be used as the District/Port’s template for the Port Main Matrix where other

variables will be incorporated. The user has to manually input the year and months since Excel reformatted them when the subtotal process was done. It is suggested that months be inputted in numeric format for easy manipulation later.

1	YEAR	MONTH	HSCODE	NOENT	VOLUME	VALUE	AVT
2	1	Total		779.00	142,283,288.00	1,482,809,552.00	10,784,029.00
3	2	Total		282.00	10,794,802.00	132,313,488.00	8,802,382.00
4	3	Total		801.00	28,396,203.00	602,401,721.00	18,852,775.00
5	4	Total		256.00	49,532,317.00	727,062,306.00	-
6	5	Total		167.00	3,171,981.00	91,611,815.00	434,783.00
7	6	Total		435.00	14,044,516.00	921,629,759.00	632,969.00
8	7	Total		539.00	60,236,273.00	735,385,618.00	3,172,049.00
9	8	Total		450.00	106,759,837.00	890,603,080.00	3,773,194.00
10	9	Total		481.00	135,676,772.00	964,573,480.00	11,384,188.00
11	10	Total		1,328.00	183,955,072.00	1,489,755,518.00	12,671,721.00
12	11	Total		944.00	46,384,251.00	626,585,677.00	11,448,324.00
13	12	Total		541.00	58,206,783.00	1,029,309,361.00	7,128,929.00
14	1	Total		2,087.00	219,821,395.00	3,475,472,601.00	18,725,325.00
15	2	Total		650.00	41,155,865.00	999,338,228.00	3,834,940.00
16	3	Total		1,077.00	95,872,357.00	2,046,085,792.00	3,312,611.00
17	4	Total		1,207.00	107,182,689.00	1,494,973,605.00	8,954,920.00
18	5	Total		704.00	44,346,743.00	451,045,235.00	5,309,016.00
19	6	Total		3,632.00	312,339,391.00	3,020,341,571.00	25,859,446.00
20	7	Total		3,650.00	310,722,767.00	2,966,547,200.00	16,606,423.00
21	8	Total		3,145.00	194,077,813.00	3,407,254,534.00	18,214,929.00
22	9	Total		3,361.00	372,468,142.00	5,532,030,079.00	19,167,405.00
23	10	Total		3,037.00	421,821,200.00	4,958,481,843.00	21,521,176.00

Ensure that the header row contains all the needed variables

Years and months should be inputted manually

### Preparation of the Port Main Matrix

The Port Main Matrix is the worksheet (in Excel format) that contains all the given port's consolidated data needed for the regression. This worksheet contains the monthly data that was processed above and the data that the Statistics Division (TCC, deferred payment, etc.) processed.

Using the Excel file of monthly processed port data, **Revenue** can be computed. A separate column has to be inserted in the worksheet and labeled accordingly in the header row for this purpose. For this exercise, the revenue was calculated as:

$$\text{Revenue} = \sum (\text{ad valorem tax, customs duties, excise tax, VAT}).$$

The formula has to be copied in all cells that are parallel to the months. After calculating Revenue, it is important to convert the formula cells to values to make it compatible with the data format of SPSS.

Only the essential variables from the processed port data that are needed for the exercise have to be retained in the worksheet. These variables are revenue, number of entries, import volume and import value. The rest of the variables are deleted.

In addition to the above variables, the monthly foreign exchange data of BSP and the data processed by the Statistics Division (TCC, deferred payment and percent share of non-dutiable) are included in the Port Main Matrix. These variables are saved in separate files and must be configured so that the format (years and months) match with the processed port data above. Incorporating the additional variables can be accomplished with relative ease by just copying (from the source file) and pasting them to the Port Main Matrix worksheet.

Similarly, the data required from the Districts, once provided, must be incorporated in the Port Main Matrix.

The succeeding screen shows all the variables for the Port of Manila after they were incorporated in the Port Main Matrix.

Microsoft Excel - boc-method3

File Edit View Insert Format Tools Data Window Help

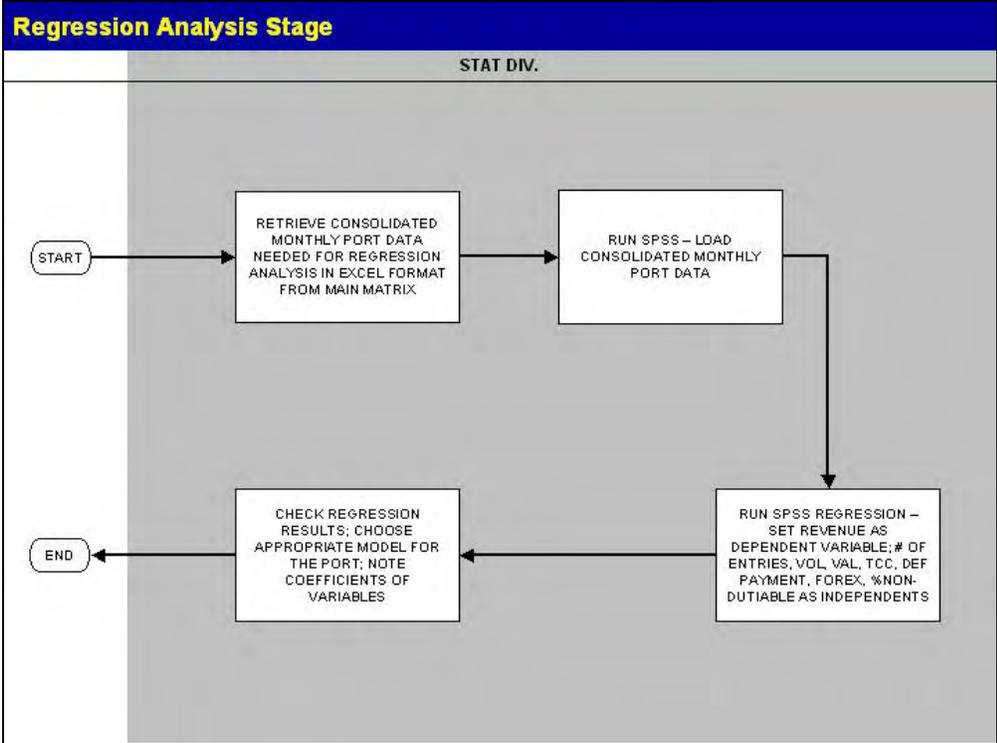
C3 = 3742754133.23

1	YEAR	MONTH	PO2AREV	PO2AENT	PO2AVOL	PO2AVAL	PO2AFOREX	PO2ATCC	PO2ADEF	PO2A-HOHDUT	PCTHOH
2	2002	1	3,322,888,193	25,061	1,882,699,123	45,941,771,514	51,4097	27,450,279	85,604,002	23,367,937,242	0.5086
3	2002	2	3,742,754,133	23,242	2,185,191,886	36,013,399,584	51,2817	35,453,644	24,116,625	12,561,915,839	0.3488
4	2002	3	3,159,659,522	23,126	1,336,548,787	32,301,790,686	51,0661	80,813,863	294,086,721	13,392,201,331	0.4146
5	2002	4	4,462,709,303	31,038	4,664,582,782	69,341,779,831	50,9872	74,388,960	38,143,089	24,950,402,671	0.3598
6	2002	5	4,145,857,103	31,529	2,697,060,719	47,680,426,169	49,8383	50,960,154	88,141,386	13,892,264,613	0.2914
7	2002	6	4,217,696,342	27,802	3,916,143,636	57,783,807,677	50,4065	89,440,871	107,514,312	10,081,913,283	0.1745
8	2002	7	4,879,496,568	32,249	2,454,580,648	46,739,472,500	50,5963	97,345,869	305,020,126	17,767,798,859	0.3801
9	2002	8	4,840,269,525	28,552	3,577,467,571	51,992,482,473	51,7931	87,378,737	181,567,012	11,948,476,527	0.2298
10	2002	9	4,711,564,520	26,841	2,941,367,524	49,520,845,833	52,1292	86,129,972	238,762,225	12,460,691,454	0.2516
11	2002	10	6,024,588,678	29,530	4,994,931,593	70,507,676,151	52,9070	135,486,875	621,379,214	13,922,593,216	0.1975
12	2002	11	4,899,892,068	30,067	2,583,521,961	56,323,250,489	53,3082	89,425,752	270,421,943	10,129,964,632	0.1799
13	2002	12	2,207,386,725	12,345	1,345,916,635	24,467,522,149	53,5195	46,236,284	162,315,383	13,727,895,883	0.5611
14	2003	1	4,312,350,854	22,314	2,843,825,807	54,321,127,946	53,5635	88,926,882	20,698,654	13,337,313,852	0.2455
15	2003	2	4,704,003,667	20,374	3,042,004,514	52,819,308,066	54,0748	108,700,022	79,807,741	15,732,872,293	0.2979
16	2003	3	6,089,206,450	28,773	2,627,362,842	80,486,592,447	54,5909	272,316,271	178,677,284	18,279,530,273	0.2271
17	2003	4	6,246,209,651	29,670	3,440,244,896	65,565,178,346	52,8068	216,585,041	74,509,133	16,199,182,177	0.2471
18	2003	5	4,743,435,488	26,706	2,459,347,855	47,342,707,418	52,5072	162,779,268	146,128,919	16,988,563,138	0.3588
19	2003	6	5,174,166,009	26,555	2,213,671,244	53,292,897,686	53,3992	149,930,465	245,951,066	22,395,721,108	0.4202
20	2003	7	5,496,581,012	29,164	2,236,392,312	65,495,940,676	53,7138	29,594,711	369,979,929	16,952,374,710	0.2588
21	2003	8	4,702,114,573	27,496	2,476,325,716	57,447,347,985	54,9914	81,907,855	144,871,284	18,235,396,230	0.3174
22	2003	9	4,457,019,240	26,865	1,896,147,920	48,671,448,459	55,0235	180,764,663	90,554,553	13,334,879,667	0.2740
23	2003	10	6,136,854,827	28,976	2,164,419,786	54,471,781,855	54,9520	128,479,805	21,743,036	20,282,720,531	0.3724
24	2003	11	5,959,023,787	28,303	2,031,950,555	49,414,786,790	55,3718	19,793,033	69,742,698	15,082,240,826	0.3052
25	2003	12	754,444,871	6,173	119,761,800	6,484,545,019	55,4451	57,885,579	9,896,364	18,422,045,329	2.8409
26	2004	1	6,009,840,994	28,259	3,434,468,705	68,127,093,707	55,5261	52,192,199	119,675,290	29,805,931,081	0.4375
27	2004	2	5,110,316,110	19,093	2,198,826,336	62,947,414,415	56,0696	123,724,027	198,760,056	13,785,820,995	0.2190
28	2004	3	6,361,589,502	31,217	3,934,807,641	84,168,201,319	56,3029	90,184,995	134,584,820	15,082,152,477	0.1792
29	2004	4	5,959,947,584	29,559	5,423,913,616	108,269,235,743	55,9039	65,931,699	99,136,789	18,105,464,033	0.1672
30	2004	5	4,910,990,936	25,401	3,472,874,592	71,596,240,085	55,8453	37,240,404	52,004,582	14,326,404,651	0.2001
31	2004	6	5,565,986,760	27,832	3,757,237,854	76,970,670,508	55,9848	142,194,957	218,802,040	19,451,158,471	0.2527
32	2004	7	4,218,589,050	22,068	2,271,600,799	50,858,671,440	55,9527	91,173,648	69,010,542	22,007,499,424	0.4327
33	2004	8	5,049,118,716	25,352	1,465,707,657	46,935,149,937	55,8342	132,829,828	164,558,024	19,814,781,126	0.4222
34	2004	9	4,833,131,774	26,626	3,005,289,085	71,341,722,784	56,2132	75,393,917	34,872,912	20,384,658,734	0.2857
35	2004	10	5,140,421,713	24,804	3,867,183,102	80,263,523,974	56,3414	84,379,217	16,641,260	19,673,229,993	0.2451
36	2004	11	5,373,111,130	28,186	2,156,203,065	61,360,171,968	56,3221	98,755,005	105,742,993	20,224,992,875	0.3296
37	2004	12	4,124,137,866	22,277	2,368,596,446	62,153,586,978	56,1828	88,751,503	2,152,784	14,107,767,311	0.2270
38	2005	1	4,920,206,617	20,307	2,592,050,349	66,094,075,883	55,7662	33,481,064	12,156,636	25,618,139,254	0.3876
39	2005	2	3,709,847,218	15,049	1,614,926,440	49,975,293,599	54,8128	48,832,928	239,039,214	24,217,993,915	0.4846

... \ DIST1 \ POM \ MICP \ DIST3 \ DIST4 \ DIST6 \ DIST7 \ DIST10 \ DIST12 \ DIST13 / ...

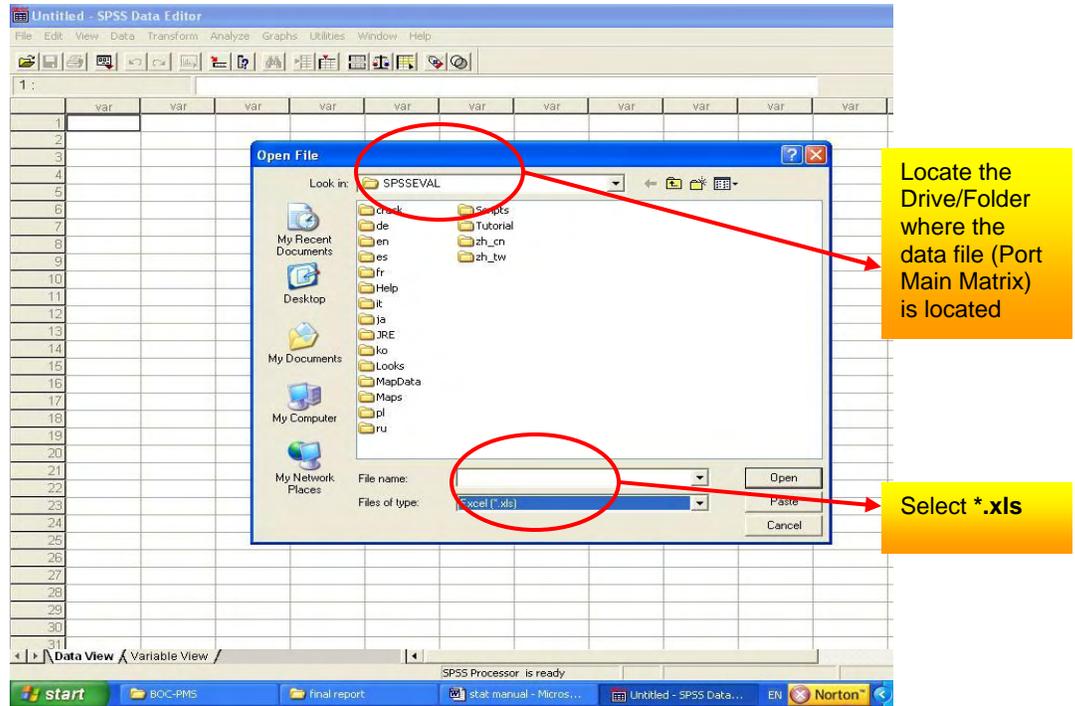
### Performing Regression

Any statistical software capable of running a regression can be used in this exercise. The values generated for R- squared, coefficients, T and F statistics are the outputs necessary for evaluation. The following process flowchart illustrates the steps for performing the regression.



*Retrieving the file containing the data to be processed*

SPSS is opened by clicking on the SPSS icon located at the SPSS for Windows program folder. Once the SPSS is in operation, the next step is to open or load the data (Port Main Matrix) to be processed. In this exercise, the data file was created with Excel. To load this to SPSS, just click on the **File > Open > Data** tabs. The user will be prompted by the following screen:



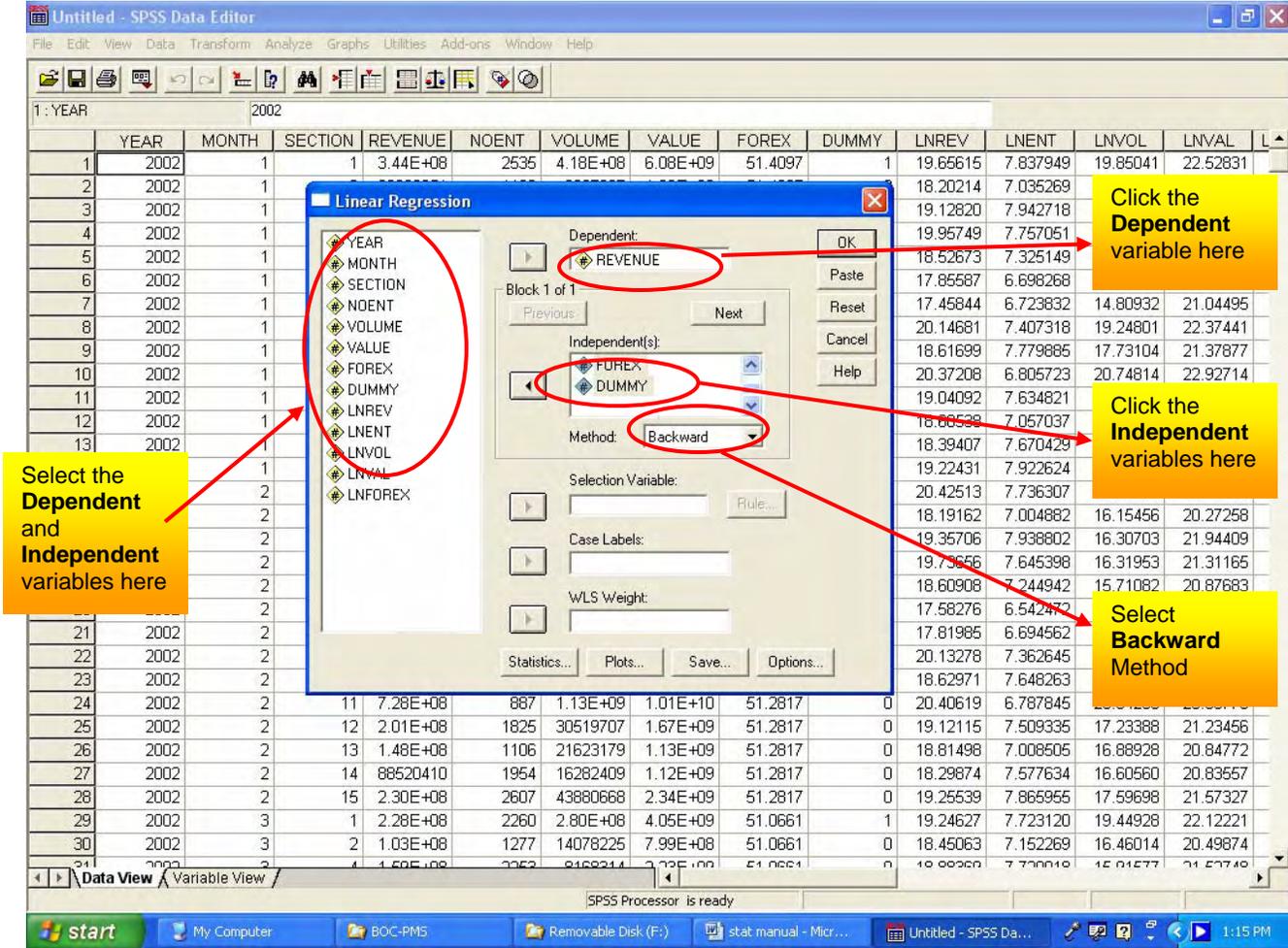
Remember to click on the **File of type** button and choose **\*.xls** (since this is the file extension name of Excel files), then locate the folder or drive that contains the file to be processed (e.g. Port Main Matrix). Click the **Open** button when the drive/folder has been located.

The SPSS data editor screen is similar to an Excel screen where cells are arranged in columns and rows. At the bottom left side, the **Data View** and **Variable View** folder tabs can be seen. The **Data View** folder shows all the variables at the header row and the data across all rows. On the other hand, the **Variable View** contains all the variables and their respective type or attributes. Changes in the attributes of the variables (e.g. numeric to date, numeric to string, etc.) can be made in the **Variable View** mode.

The user must note that one can perform the regression analysis even in the **Data View** or **Variable View** mode.

### *Running the Regression*

After the attributes of the variables have been fixed, the user is now ready to perform the regression analysis. To do this, the user must click on the **Analyze** tab and then select **Regression > Linear**. The user will be prompted by the following screen:



The important thing remember in this process is to identify the dependent and independent variables properly. For this exercise, the model specified **Revenue** as the dependent variable and **exchange rate, TCC, deferred payment, number of entries, import volume, import values and non-dutiabale values** as independent variables. As soon as the dependent and independent variables are listed, the user must click the **OK** button to run the regression analysis.

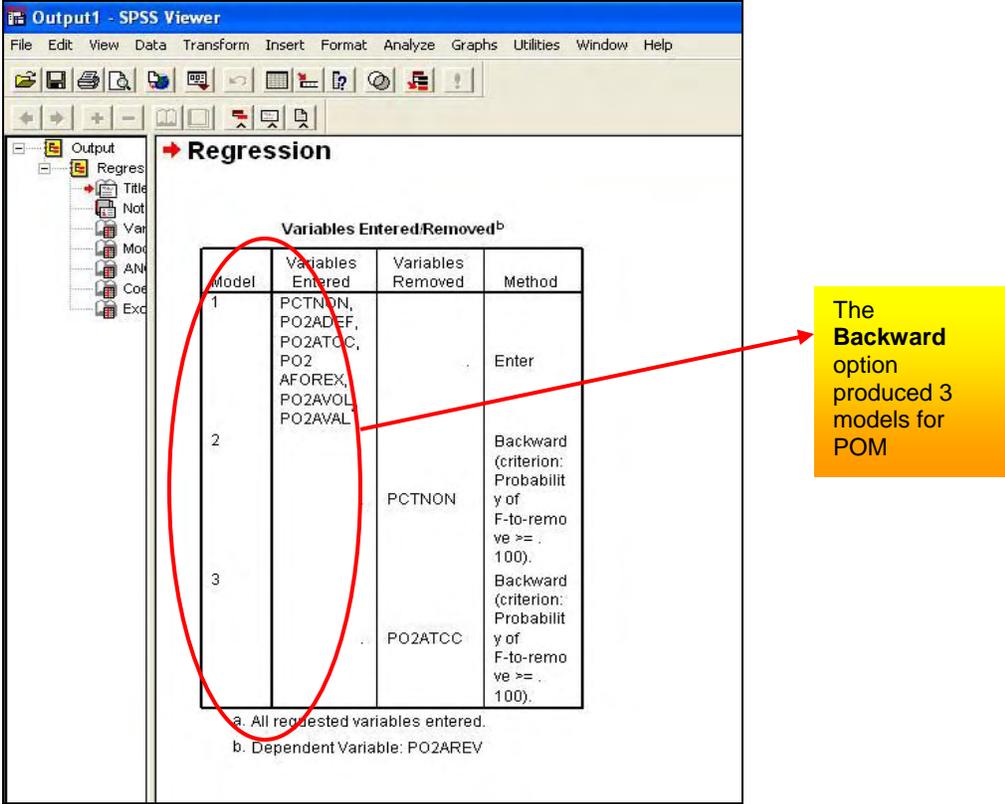
Note:

Method selection allows you to specify how independent variables are entered into the analysis. Using different methods, you can construct a variety of regression models from the same set of variables.

- **Enter (Regression).** A procedure for variable selection in which all variables in a block are entered in a single step.
- **Stepwise.** At each step, the independent variable not in the equation which has the smallest probability of F is entered, if that probability is sufficiently small. Variables already in the regression equation are removed if their probability of F becomes sufficiently large. The method terminates when no more variables are eligible for inclusion or removal.
- **Remove.** A procedure for variable selection in which all variables in a block are removed in a single step.
- **Backward Elimination.** A variable selection procedure in which all variables are entered into the equation and then sequentially removed. The variable with the smallest partial correlation with the dependent variable is considered first for removal. If it meets the criterion for elimination, it is removed. After the first variable is removed, the variable remaining in the equation with the smallest partial correlation is considered next. The procedure stops when there are no variables in the equation that satisfy the removal criteria.
- **Forward Selection.** A stepwise variable selection procedure in which variables are sequentially entered into the model. The first variable considered for entry into the equation is the one with the largest positive or negative correlation with the dependent variable. This variable is entered into the equation only if it satisfies the criterion for entry. If the first variable is entered, the independent variable not in the equation that has the largest partial correlation is considered next. The procedure stops when there are no variables that meet the entry criterion.

### *Interpreting the Regression Results*

SPSS produces several outputs in every regression run. The first output enumerates the variables entered/removed in the model. In the case of the regression run for POM, three (3) models were tested when the Revenue was regressed against the independent variables. As shown in the figure below, Model 1 is where all the listed independent variables were used to explain the behavior of POM Revenue. For Models 2 and 3, the proportion of non-dutiable imports and the TCC were removed respectively.



Notes for Output 1:

**Model** - SPSS allows you to specify multiple models in a single regression command. This tells you the number of the model being reported.

**Variables Entered** - SPSS allows you to enter variables into a regression in blocks, and it allows stepwise regression. Hence, you need to know which variables were entered into the current regression. If you did not block your independent variables or use stepwise regression, this column should list all of the independent variables that you specified.

**Variables Removed** - This column listed the variables that were removed from the current regression. Usually, this column will be empty unless you did a stepwise regression.

**Method** - This column tells you the method that SPSS used to run the regression. "Enter" means that each independent variable was entered in usual fashion. If you did a stepwise regression, the entry in this column would tell you that.

The next output produced by SPSS is the Model Summary where the R statistics including the standard error of the estimates are listed. In the case of POM, the R-square of the 3 models ranges from 0.723 to 0.733. This means that about 72% to 73% of the deviation of the POM revenue can be explained by the independent variables. As a general rule, the closer the value of R-square to 1, the better the model is.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.866 <sup>a</sup>	.733	.703	841744236
2	.865 <sup>b</sup>	.732	.707	836092911
3	.860 <sup>c</sup>	.723	.702	842615479

a. Predictors: (Constant), PCTNON, PO2ADEF, PO2ATCC, PO2AFOREX, PO2AVOL, PO2AVAL  
b. Predictors: (Constant), PO2ADEF, PO2ATCC, PO2AFOREX, PO2AVOL, PO2AVAL  
c. Predictors: (Constant), PO2ADEF, PO2AFOREX, PO2AVOL, PO2AVAL

**ANOVA<sup>d</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1E+020	6	1.720E+019	24.280	.000 <sup>a</sup>
	Residual	4E+019	53	7.085E+017		
	Total	1E+020	59			
2	Regression	1E+020	5	2.060E+019	29.475	.000 <sup>b</sup>
	Residual	4E+019	54	6.991E+017		
	Total	1E+020	59			
3	Regression	1E+020	4	2.543E+019	35.818	.000 <sup>c</sup>
	Residual	4E+019	55	7.100E+017		
	Total	1E+020	59			

a. Predictors: (Constant), PCTNON, PO2ADEF, PO2ATCC, PO2AFOREX, PO2AVOL, PO2AVAL  
b. Predictors: (Constant), PO2ADEF, PO2ATCC, PO2AFOREX, PO2AVOL, PO2AVAL  
c. Predictors: (Constant), PO2ADEF, PO2AFOREX, PO2AVOL, PO2AVAL

The 3<sup>rd</sup> output produced by SPSS is the Analysis of Variance (ANOVA) table where the sum of squares, degrees of freedom and F values are listed. The p-value or Sig. is usually compared to the alpha level (typically 0.05) and, if lower than the latter, one can conclude that the independent variables reliably predict the dependent variable. One can say that the group of variables **number of entries, volume, value, TCC, deferred payments, Forex**, etc., can be used to predict **Revenue**.

Notes for Output2:

**Model** - SPSS allows you to specify multiple models in a single **regression** command. This tells you the number of the model being reported.

**R** - R is the square root of R-Squared and is the correlation between the observed and predicted values of dependent variable.

**R-Square** - R-Square is the proportion of variance in the dependent variable (**science**) which can be predicted from the independent variables. Note that this is an overall measure of the strength of association, and does not reflect the extent to which any particular independent variable is associated with the dependent variable. R-Square is also called the coefficient of determination.

**Adjusted R-square** - As predictors are added to the model, each predictor will explain some of the variance in the dependent variable simply due to chance. One could continue to add predictors to the model which would continue to improve the ability of the predictors to explain the dependent variable, although some of this increase in R-square would be simply due to chance variation in that particular sample. The adjusted R-square attempts to yield a more honest value to estimate the R-squared for the population. Adjusted R-squared is computed using the formula  $1 - ((1 - Rsq)(N - 1) / (N - k - 1))$ . From this formula, you can see that when the number of observations is small and the number of predictors is large, there will be a much greater difference between R-square and adjusted R-square (because the ratio of  $(N - 1) / (N - k - 1)$  will be much less than 1). By contrast, when the number of observations is very large compared to the number of predictors, the value of R-square and adjusted R-square will be much closer because the ratio of  $(N - 1) / (N - k - 1)$  will approach 1.

**Std. Error of the Estimate** - The standard error of the estimate, also called the root mean square error, is the standard deviation of the error term, and is the square root of the Mean Square Residual (or Error).

Notes for Output3 (Anova Table):

**Model** - SPSS allows you to specify multiple models in a single **regression** command. This tells you the number of the model being reported.

**Sum of Squares** - These are the Sum of Squares associated with the three sources of variance, Total, Model and Residual. These can be computed in many ways.

Conceptually, these formulas can be expressed as:

SS<sub>Total</sub> The total variability around the mean.  $S(Y - \bar{Y})^2$ .

SS<sub>Residual</sub> The sum of squared errors in prediction.  $S(Y - \hat{Y}_{\text{predicted}})^2$ .

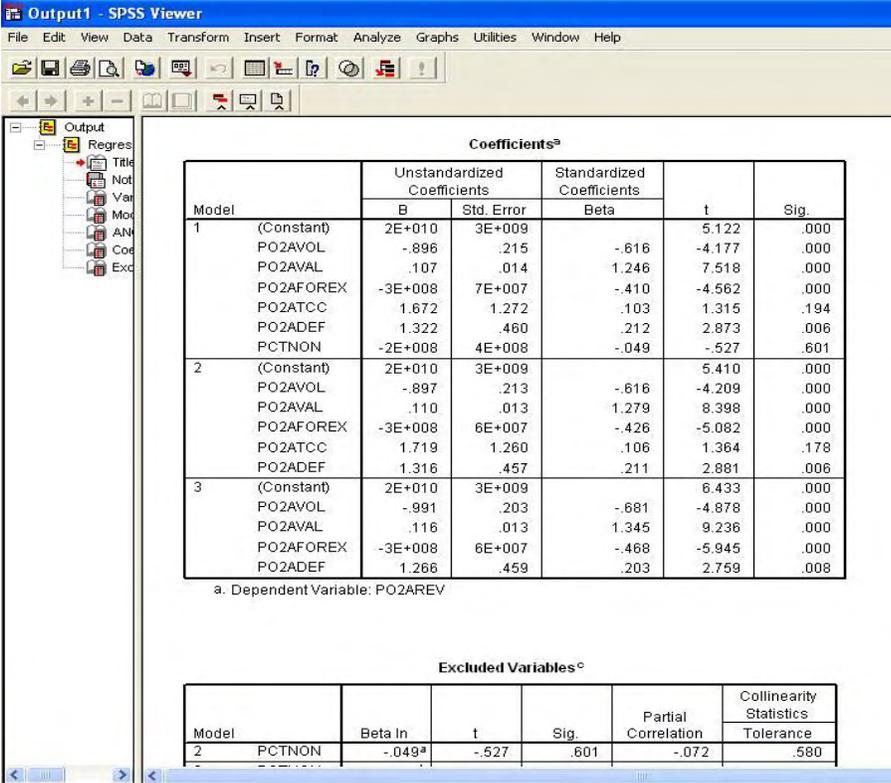
SS<sub>Regression</sub> The improvement in prediction by using the predicted value of Y over just using the mean of Y. Hence, this would be the squared differences between the predicted value of Y and the mean of Y,  $S(\hat{Y}_{\text{predicted}} - \bar{Y})^2$ .

**df** - These are the degrees of freedom associated with the sources of variance. The total variance has N-1 degrees of freedom. The model degrees of freedom corresponds to the number of predictors minus 1 (K-1).

**Mean Square** - These are the Mean Squares, the Sum of Squares divided by their respective DF. These are computed so you can compute the F ratio, dividing the Mean Square Regression by the Mean Square Residual to test the significance of the predictors in the model.

**F and Sig.** - The F-value is the Mean Square Regression divided by the Mean Square Residual. These values are used to answer the question "Do the independent variables reliably predict the dependent variable?". The p-value is compared to alpha level (typically 0.05) and, if smaller, you can conclude that the independent variables reliably predict the dependent variable. If the p-value were greater than 0.05, you would say that the group of independent variables does not show a statistically significant relationship with the dependent variable, or that the group of independent variables does not reliably predict the dependent variable. Note that this is an overall significance test assessing whether the group of independent variables when used together reliably predict the dependent variable, and does not address the ability of any of the particular independent variables to predict the dependent variable. The ability of each individual independent variable to predict the dependent variable is addressed in the table below where each of the individual variables are listed.

The 4<sup>th</sup> and significant output produced by SPSS is the Matrix of Coefficients. These are the estimates that tell you about the relationship between the independent variables and the dependent variable. They indicate the amount of increase or decrease in Revenue that would be predicted by a 1-unit increase in the predictor. In the following example for Model 1, for a unit increase in the value of imports, one can expect the Revenue of POM to increase by 0.107 units.



**Challenges**

An effective goal allocation model can be implemented only if data is of good quality and complete. The preceding exercise was done with a very limited set of data. Further improvements can be made once the Districts collect and provide the required data.

**Rewarding performance**

This chapter describes a rewards framework that is based on performance and recognizes the variations in accountabilities of the offices and employees in the BOC.

## **Chapter 3: Rewards Framework**

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## Objectives

This chapter outlines a framework for the distribution of rewards across employees and offices of the Bureau of Customs, assuming some reward amount has been allocated to the Bureau or its performing districts, according to the provisions of the Attrition Act of 2005 (AA). An information system implementing the framework is also described.

## Outputs

- Rewards Framework
- Sample Simulations
- Rewards System (PMIS: Rewards)

## Acronyms

BOC	Bureau of Customs
PMIS	Performance Management Information System (Note: only rewards management is implemented for this project)
AA	Attrition Act of 2005
OPMS	Office Performance Management System
PES	Performance Evaluation System

## Definitions

Office	Pertains to a section, district, division, service, or group in the BOC that is subject to office evaluations.
Employee	A salaried individual assigned to an office in the BOC.
Employee Rating	A number between 2 and 10 assigned to an employee in the BOC for a given year. Ratings are based on the performance of that office or employee; the system currently in use is the standard Performance Evaluation System (PES).
Office Rating	A number between 1 and 5 assigned to an office in the BOC for a given year. Ratings are based on the performance of that office or employee and are obtained through an Office Performance Management System (OPMS), initially based on collection performance only.
Employee Reward	The reward amount assigned to an employee for a given year
Office Reward	The reward amount assigned to an office for a given year
Fixed Reward Share	The component of employee rewards that is not dependent on performance
Merit Reward Share	The component of employee rewards that is dependent on the employee's performance
Weight	In the case of rewards distribution for employees, this is a number associated to an employee that indicates that employee's relative share of the total reward. This applies to the merit reward share only. Weights also indicate the relative share of an office in the case of distribution of rewards to offices.
Factor	A number used in the computation of weights. Several factors are multiplied to determine weight. There are factors for different categories such as function, position, attritability, employee rating, office rating, office size and goal size.

## Guiding principles and methodology

The following were the guiding principles used in the formulation of this rewards framework:

1. *Performance-based rewards.* Employee rewards should be dependent on performance at the individual level and at the office level to encourage both individual excellence and teamwork. Office rewards should be primarily based on the performance of an office.
2. *Levels of accountability.* Employees in the BOC have varying levels of accountability with respect to the collection performance of the offices they report to. Accountability indicators include the employee's function, position, and whether or not that employee is attritable. These indicators, together with performance indicators, shall be used as bases for differentiation of employee rewards.
3. *Variations in Office Size and Goal Size.* Offices in the BOC have significant variations in terms of number of employees in an office as well as the collection goal size (or difficulty) assigned to that office. These variations should also be incorporated in the rewards framework.
4. *Internal equity.* Employees with the same circumstances (position, function, attritability, individual performance, and office-level indicators) should have the same rewards across offices.

The rewards framework presented in this chapter was a result of an iterative process. Simulations were carried out for each version of the framework, and then presented to BOC officials for their feedback, from which a revision of the framework and/or necessary parameters was made. The latest version of the framework and its parameters are presented in this document.

## Rewards framework

The rewards framework details a system of distribution using the following inputs:

- Collection targets and performance data at the BOC and district level
- Percentage allocations for the different components of the reward (i.e., employee rewards versus office rewards, fixed rewards versus merit rewards)
- Office data describing relative differences (i.e., number of employees and collection goal) between the offices
- Employee data describing each employee's accountabilities (salary grade/position/designation, function, attritability)
- Performance ratings for offices and employees

The outputs of the system are:

- Reward for each office
- Reward for each employee

Section 4 of the AA provides for rewards at both the employee and office levels, assuming the BOC exceeds its collection target. Section 5 of the AA provides for rewards assuming a particular collection district exceeds its target (in the event that the BOC does not exceed its target); in this case, only office rewards apply (District Incentives). The framework described here can be used to distribute employee rewards and office rewards under either Section.

In case Section 4 of the AA applies, a fraction of the BOC excess, known as the **Rewards and Incentive Fund**, will be set aside for rewards. A portion of this Fund (at least 25%) will be for employee rewards and the remaining portion will be for office rewards. Furthermore, a small portion of employee rewards may be distributed evenly across all employees in the Bureau and the rest of the amount is distributed based on performance and accountability. Several parameters are therefore required as a prerequisite to this framework:

- EMPPCT: Percentage for employee rewards
- OFCPCT: Percentage for office rewards  
(Should equal 100% - EMPPCT)
- FIXEDPCT: Percentage of employee rewards set aside  
for fixed rewards
- MERITPCT: Percentage of employee rewards set aside  
For merit rewards (should equal 100% - FIXEDPCT)

Suppose REWFUND is the resulting rewards fund for a given year when Section 4 of the AA applies. The following amounts are derived accordingly:

$$\text{EMPFUND} = \text{REWFUND} * \text{EMPPCT}$$

(Amount allocated for employee rewards)

$$\text{OFCFUND} = \text{REWFUND} * \text{OFCPCT}$$

(Amount allocated for office rewards)

$$\text{FIXEEMP} = \text{EMPFUND} * \text{FIXEDPCT}$$

(Amount allocated for fixed employee rewards)

$$\text{MERITEMP} = \text{EMPFUND} * \text{MERITPCT}$$

(Amount allocated for merit-based employee rewards)

## *Employee rewards*

The reward amount for a given employee will have two components, a fixed reward and a merit reward:

Reward for an Employee = Fixed Reward (FR) + Merit Reward (MR)

### Fixed reward

The fixed reward is determined by dividing the total fixed reward amount evenly among all employees in the Bureau. Suppose N is the number of employees in the Bureau; the fixed reward per employee is computed as follows:

FR (Fixed Reward) =  $\text{FIXEDEMP} / N$

It is also possible to restrict fixed rewards to particular employees in the Bureau, if top management deems it appropriate to do so. For instance, a cutoff for employee performance and/or the performance of the office that the employee belongs to may be imposed, so that only those employees meeting the cutoff are eligible for fixed rewards. In this case, the value N will be less than the total number of employees in the BOC.

### Merit reward

Employee merit rewards are computed using the following method. Weights are first assigned to each employee in the Bureau. The weights represent the relative merit rewards share of the given employee. These weights are obtained by multiplying several factors associated to an employee. Factors may vary from year to year. Based on a workshop conducted with the BOC in September 2006, and after succeeding consultations with BOC officials, the following factors have emerged:

- position factor (PF)
- function factor (FF)
- attritability factor (AF)
- employee rating factor (RF)
- office rating factor (OF)
- goal size factor (GF)

Each employee will have a position factor (PF), a function factor (FF), an attritability factor (AF), and an employee rating factor (RF). The office that an employee is under will also have an office rating factor (OF) and a goal size factor (GF). The values for these factors will depend on employee circumstances and will come from predetermined tables presented in a separate section. It is possible that one of these factors is 0, implying no merit reward for the given employee.

Suppose:

$W_i$  = weight assigned to employee  $i$ , computed as

$$PF * FF * AF * RF * OF * GF$$

$S$  = sum of all  $W_i$ 's

Then:

$$MR_i (\text{Merit Reward for employee } i) = \text{MERITEMP} * W_i / S.$$

The total reward for an employee is simply the sum of the computed fixed and merit reward amounts.

$$TR_i (\text{Total Reward for employee } i) = FR + MR_i$$

## *Office rewards*

A similar process applies to rewards distribution at the office level, although rewards in this case will not have a fixed component. Three factors apply at the office level: office rating factor (OF), goal size factor (GF) representing the difficulty level of the collection goal of an office, and a size factor (SF) representing the number of employees in that office.

- office rating factor (OF)
- goal size factor (GF)
- office size factor (SF)

The proposed factor values are presented in a separate section.

Suppose:

$W_i$  = weight assigned to office i, computed as  $OF * GF * SF$

S = sum of all  $W_i$ 's

Then:

$OR_i$  (Reward for office i) =  $OFCFUND * W_i / S$ .

## *District rewards*

In case Section 5 of the AA applies (the BOC does not meet its target), then only districts that exceed their collection targets will be entitled to rewards and only office rewards will apply. Rewards will be determined using a method similar to the one described in the previous section. The same formulas apply, although computations will be made per district. The term OFCFUND will be replaced by DISTFUND, representing the *District Incentive* allocated for offices in a performing district:

Suppose:

$W_i$  = weight assigned to office i, computed as  $OF * SF * GF$

S = sum of all  $W_i$ 's for an office given (performing) district

Then:

$DR_i$  (Reward for office i) =  $DISTFUND * W_i / S$ .

## Factor tables

In this section, factor tables are presented for the different factor categories. The factor values found in these tables will be used in the computation of weights as discussed in the previous section. The factor tables are a result of several consultations with BOC officials. Note, however, that these tables are provided for demonstration only and are still subject to formal approval from top management.

### *Employee Factors*

Employees will be categorized according to their position, function, and atritability. This means that each employee will fall under a particular position category, function category, and atritability category, based on policies approved by top management. These categories, in turn, determine the factors to be used during rewards distribution.

Function categories capture the actual function carried out by an employee. Initially, categories such as "Assessment", "Audit", "Enforcement", "Legal" and "Operations" were included to distinguish between these different roles. These were later simplified to three categories:

Function Category	Factor (FF)
Top Management	10
Line	9
Support	8

Note that the factor values indicated in the above table implies that Support personnel get 20% less than Top Management personnel, all other things being equal. "Line" personnel are non-support personnel in collection districts, and personnel under this category get 10% less than Top Management personnel.

Position categories capture the rank and designation of a given employee. Although plantilla item data serve as a reasonable starting point when determining position categories, it should be emphasized that the categories should capture *actual* assignments of personnel.

Categorizations will be based on the “effective” salary grade of the employee, according to the assignment he/she currently occupies.

Position Category	Factor ( PF)
SG 30	15
SG 29	14
SG 28	13
SG 27	12
SG 26	11
SG 25	10
SG 24	9
SG 21-23	8
SG 19-20	7
SG 16-18	6
SG 11-15	5
SG 7-10	4
SG 4-6	3
SG 1-3	2

It is reasonable to assume that attritable personnel should get more rewards than those who are not attritable, all other employee characteristics being equal. The following table captures this distinction.

Attritability Category	Factor (AF)
Attritable	12
Not Attritable	5

Performance rating factors enable a rewards system that is performance based. The current employee performance rating system is the Performance Evaluation System or PES. The table below illustrates PES ratings and factors that corresponding to each employee rating.

Employee Rating	Factor ( PF)
2	0.5
3	0.5
4	0.5
5	5
6	5
7	6
8	6
9	8
10	8

*Office factors*

Employee weights also include indicators at the office level, particularly office performance and goal size. Performance ratings at the office level and their corresponding factors are given in the following table.

Office Rating	Factor ( PF)
1	0
2	1
3	6
4	9
5	10

Office ratings should be generated from an Office Performance Management System (OPMS). In the absence of a full-blown OPMS, ratings can be dependent on collection performance alone, for instance:

Collection Performance (actual over target)	Office Rating
Below 92.5%	1
92.5% to 99%	2
99% to 100%	3
100% to 107.5%	4
Above 107.5%	5

Goal size categories and factors represent the level of difficulty associated with an office in terms of meeting their collection goal. This may be based purely on the collection target amount although other indicators may be used. The following table shows categories and their corresponding factors.

Goal Size Category	Factor (GF)
1	6
2	8
3	10
4	11
5	13
6	15

Determination of goal categories can be based on the following:

Collection Target	Goal Category
Below 0.8B	1
0.8B to 3B	2
3B to 10B	3
10B to 30B	4
30B to 50B	5
Over 50B	6

The Office Rating and Goal Size factor tables are used in the determination of employee rewards. The same tables are used for office rewards. In addition, for office rewards, Office Size Factor is included. Here, the actual number of employees in the office will be used as the corresponding factor.

## Challenges

Several challenges were encountered in the formulation of this framework, among them:

1. **Reliability of the PES.** The PES has been perceived to be an unreliable measure for individual performance, particularly since most if not all of the employees get ratings of 8 or higher. As such, the PES ratings do not really discriminate high performers from low performers.
2. **Plantilla positions versus actual assignments.** Many employees in the Bureau have actual assignments different from their plantilla positions. This means that they occupy positions and functions that may be inconsistent with their formal positions and functions.
3. **Effect of employee transfers and promotions.** There are cases where employees transfer mid-year, which brings into question the office they belong to when it comes to computing their rewards. Promotions also occur mid-year; what is the salary grade/position of the employee (for rewards purposes) in this case?
4. **Rewards for employees of non-performing offices.** Should employees under a non-performing office receive rewards?
5. **Readiness and availability of the required data.** Are the employee and office data needed to determine factors (and consequently, rewards) readily available?
6. **Process of finalizing factor tables.** How are the factor values and tables finalized? Which office proposes these values? Which office approves them?

## Recommendations

1. Regarding the reliability of the PES, it is recommended that the PES be used nonetheless, although factor differences need not be significant. In the future, an alternate system for individual performance ratings can be formulated to arrive at a more reliable indicator that discriminates performance; factor values may then be revised accordingly.
2. Actual positions and functions, not plantilla assignments, should be used for rewards purposes. An "effective salary grade" could be established for each employee, reflecting their actual position. The corresponding function category of an employee should also be based on the employee's actual assignment.
3. In the case of a mid-year promotion, the latest position will apply when determining rewards; however, the actual position held takes precedence whenever there is a discrepancy. In the case of transfers, office factors can be prorated according to the length of stay in a particular office.
4. If it is the policy that every employee in a non-performing district should have zero reward, even if the Bureau exceeds its target, then the office factor associated to a low rating should be set to zero. Fixed rewards may or may not be given to such employees by establishing an appropriate cutoff.
5. The Human Resource Management Division (HRMD) shall be responsible for ensuring that the data needed for rewards distribution are available. This includes establishing categories for each of the factors for each employee in the BOC, consistent with approved policies.
6. It is recommended that the HRMD propose the factor categories and values as well as other parameters, to be approved by the Commissioner and the Revenue Performance Evaluation Board (RPEB).

## Simulations

The following is a simulation of employee and office rewards assuming the Bureau exceeds by PhP 2B, and Section 4 of the AA applies.

The following parameters will be used in this simulation:

EMPPCT: 25%  
 OFCPCT: 75%  
 FIXEDPCT: 10%  
 MERITPCT: 90%

The above parameters yield the following amounts:

BOC EXCESS		2,200,000,000
BOC REWARD		330,000,000.00
OFFICES		82,500,000.00
EMPLOYEES		247,500,000.00
- fixed	10%	24,750,000.00
- merit	90%	222,750,000.00

The following are sample port collection target and performance data, with their associated performance ratings and goal size categories:

PORT	TARGET	ACTUAL	PERCENT	RATING	GOAL SIZE CATEGORY
BOC	195,976.11	198,175.00	101.12%	4	3
SAN FERNANDO	957.51	893.13	93.28%	2	2
POM	67,140.34	65,998.18	98.30%	2	6
MICP	59,124.25	46,603.38	78.82%	1	6
NAIA	17,476.17	15,208.71	87.03%	1	4
BATANGAS	30,847.49	40,865.76	132.48%	5	5
LEGASPI	17.18	17.10	99.53%	3	1
ILOILO	146.69	306.05	208.64%	5	1
CEBU	5,202.47	4,012.03	77.12%	1	3
TACLOBAN	350.51	454.80	129.75%	5	1
SURIGAO	80.04	43.93	54.89%	1	1
CAGAYAN DE ORO	3,111.02	1,865.67	59.97%	1	3
ZAMBOANGA	51.81	55.87	107.84%	5	1
DAVAO	1,560.49	1,355.85	86.89%	1	2
SUBIC	3,802.39	3,350.54	88.12%	1	3
CLARK	583.75	585.11	100.23%	4	1

From the preceding inputs, the following reward amounts result. Employee and Office rewards are shown. Note that there are over 4000 employees in the Bureau, but only a selected set of employees are presented in the simulation for demonstration purposes.

CD	POSITION	SG	FUNCTION	PES	OPMS	ATT	GOAL	RF	PF	FF	OF	AF	GF	WEIGHT	PERCENT	FIXED	MERIT	SHARE
BOC	COMMISSIONER	30	TopMgt	8	4	Yes	3	8	15	10	9	12	10	972000	0.387%	5,159.47	881,178.88	886,338.38
BOC	MESSENGER	2	Support	8	4	No	3	8	2	8	9	5	10	43200	0.017%	5,159.47	38,274.82	43,434.09
BOC	DEPUTY COMMISSIONER	28	TopMgt	8	4	No	3	8	13	10	9	5	10	351000	0.140%	5,159.47	310,981.28	316,140.74
CD1	COLLECTOR V	25	TopMgt	8	2	No	2	8	10	10	1	5	8	24000	0.010%	5,159.47	21,283.88	26,423.15
CD1	COLLECTOR IV	24	Line	8	2	No	2	8	9	9	1	5	8	19440	0.008%	5,159.47	17,223.58	22,383.05
CD1	COO I	11	Line	8	2	No	2	8	5	9	1	5	8	10900	0.004%	5,159.47	9,568.85	14,728.13
CD2A	COLLECTOR VI	28	TopMgt	8	2	No	6	8	11	10	1	5	15	49500	0.020%	5,159.47	43,858.33	49,015.81
CD2A	COLLECTOR V	25	TopMgt	8	2	No	6	8	10	10	1	5	15	46000	0.018%	5,159.47	39,889.39	45,028.87
CD2A	CCOO	24	Line	8	2	No	6	8	9	9	1	5	15	36450	0.014%	5,159.47	32,294.21	37,453.68
CD2A	COO V	20	Line	8	2	No	6	8	7	9	1	5	15	28350	0.011%	5,159.47	25,117.72	30,277.19
CD2A	ADMIN. OFFICER I	11	Support	8	2	Yes	6	8	5	8	1	12	15	43200	0.017%	5,159.47	38,274.82	43,434.09
CD2A	COO I	11	Line	8	2	Yes	6	8	5	9	1	12	15	48800	0.019%	5,159.47	43,058.94	48,218.42
CD2B	COLLECTOR VI	28	TopMgt	8	1	Yes	6	8	11	10	0	12	15	0	0.000%	5,159.47	0.00	5,159.47
CD2B	COLLECTOR V	25	TopMgt	8	1	Yes	6	8	10	10	0	12	15	0	0.000%	5,159.47	0.00	5,159.47
CD3	COLLECTOR V	25	TopMgt	8	1	Yes	4	8	10	10	0	12	11	0	0.000%	5,159.47	0.00	5,159.47
CD4	COLLECTOR V	25	TopMgt	8	5	Yes	5	8	10	10	10	12	13	938000	0.372%	5,159.47	828,283.37	834,442.85
CD4	COLLECTOR IV	24	Line	8	5	Yes	5	8	9	9	10	12	13	758160	0.302%	5,159.47	671,719.53	676,879.00
CD4	COO III	18	Line	8	5	Yes	5	8	8	9	10	12	13	505440	0.201%	5,159.47	447,813.02	452,972.49
CD4	HRMO I	11	Support	8	5	No	5	8	5	8	10	5	13	158000	0.062%	5,159.47	138,213.90	143,373.37
CD4	COO I	11	Line	8	5	Yes	5	8	5	9	10	12	13	421200	0.168%	5,159.47	373,177.52	378,338.99
CD7	COLLECTOR V	25	TopMgt	8	1	Yes	3	8	10	10	0	12	10	0	0.000%	5,159.47	0.00	5,159.47
CD7	COLLECTOR V	25	TopMgt	8	1	Yes	3	8	10	10	0	12	10	0	0.000%	5,159.47	0.00	5,159.47
CD7	COO V	20	Line	8	1	Yes	3	8	7	9	0	12	10	0	0.000%	5,159.47	0.00	5,159.47
CD7	LEGAL OFFICER II	17	Support	8	1	No	3	8	8	8	0	5	10	0	0.000%	5,159.47	0.00	5,159.47
CD7	COO III	18	Line	8	1	Yes	3	8	8	9	0	12	10	0	0.000%	5,159.47	0.00	5,159.47
CD7	COO I	11	Line	8	1	Yes	3	8	5	9	0	12	10	0	0.000%	5,159.47	0.00	5,159.47
CD7	WAREHOUSEMAN III	11	Support	8	1	Yes	3	8	5	8	0	12	10	0	0.000%	5,159.47	0.00	5,159.47
CD8	COLLECTOR V	25	TopMgt	8	5	Yes	1	8	10	10	10	12	8	432000	0.172%	5,159.47	382,748.17	387,905.65
CD9	COLLECTOR V	25	TopMgt	8	1	Yes	1	8	10	10	0	12	8	0	0.000%	5,159.47	0.00	5,159.47
CD10	COLLECTOR V	25	TopMgt	8	1	Yes	3	8	10	10	0	12	10	0	0.000%	5,159.47	0.00	5,159.47
CD11	COLLECTOR V	25	TopMgt	8	5	Yes	1	8	10	10	10	12	8	432000	0.172%	5,159.47	382,748.17	387,905.65
CD12	COLLECTOR V	25	TopMgt	8	1	Yes	2	8	10	10	0	12	8	0	0.000%	5,159.47	0.00	5,159.47
CD13	COLLECTOR VI	28	TopMgt	8	1	Yes	3	8	11	10	0	12	10	0	0.000%	5,159.47	0.00	5,159.47
CD13	COLLECTOR V	25	TopMgt	8	1	Yes	3	8	10	10	0	12	10	0	0.000%	5,159.47	0.00	5,159.47
CD14	COLLECTOR VI	28	TopMgt	8	4	Yes	1	8	11	10	9	12	8	427880	0.170%	5,159.47	378,918.71	384,078.18
CD14	COLLECTOR V	25	TopMgt	8	4	Yes	1	8	10	10	9	12	8	388900	0.155%	5,159.47	344,471.55	349,631.03
														251414664		222,750,000.00	247,500,000.00	

CODE	PORT	SIZE	OPMS	GOAL	OF	SF	GF	WEIGHT	PERCENT	SHARE
BOC	BOC	1315	4	3	9.00	1315.00	10.00	118350.00	70.31%	58,003,677.26
CD1	SAN FERNANDO	57	2	2	1.00	57.00	8.00	456.00	0.27%	223,486.92
CD2A	POM	1438	2	6	1.00	1438.00	15.00	21570.00	12.81%	10,571,519.38
CD2B	MICP	320	1	6	0.00	320.00	15.00	0.00	0.00%	0.00
CD3	NAIA	662	1	4	0.00	662.00	11.00	0.00	0.00%	0.00
CD4	BATANGAS	98	5	5	10.00	98.00	13.00	12740.00	7.57%	6,243,910.84
CD5	LEGASPI	57	3	1	6.00	57.00	6.00	2052.00	1.22%	1,005,691.13
CD6	ILOILO	50	5	1	10.00	50.00	6.00	3000.00	1.78%	1,470,308.68
CD7	CEBU	169	1	3	0.00	169.00	10.00	0.00	0.00%	0.00
CD8	TACLOBAN	60	5	1	10.00	60.00	6.00	3600.00	2.14%	1,764,370.41
CD9	SURIGAO	67	1	1	0.00	67.00	6.00	0.00	0.00%	0.00
CD10	CAGAYAN DE ORO	161	1	3	0.00	161.00	10.00	0.00	0.00%	0.00
CD11	ZAMBOANGA	77	5	1	10.00	77.00	6.00	4620.00	2.74%	2,264,275.36
CD12	DAVAO	185	1	2	0.00	185.00	8.00	0.00	0.00%	0.00
CD13	SUBIC	45	1	3	0.00	45.00	10.00	0.00	0.00%	0.00
CD14	CLARK	36	4	1	9.00	36.00	6.00	1944.00	1.15%	952,760.02
								168332.00		82,500,000.00

## **Appendix 1:**

# **Performance Management Information System (PMIS) Rewards User's Manual**

## Appendix 1: PMIS-Rewards User's Manual

### DESCRIPTION

The PMIS Rewards System is a stand-alone database system designed to support and enable the rewards distribution. This section presents the different components of the Rewards System.

### REWARDS SYSTEM FUNCTIONS AND FEATURES

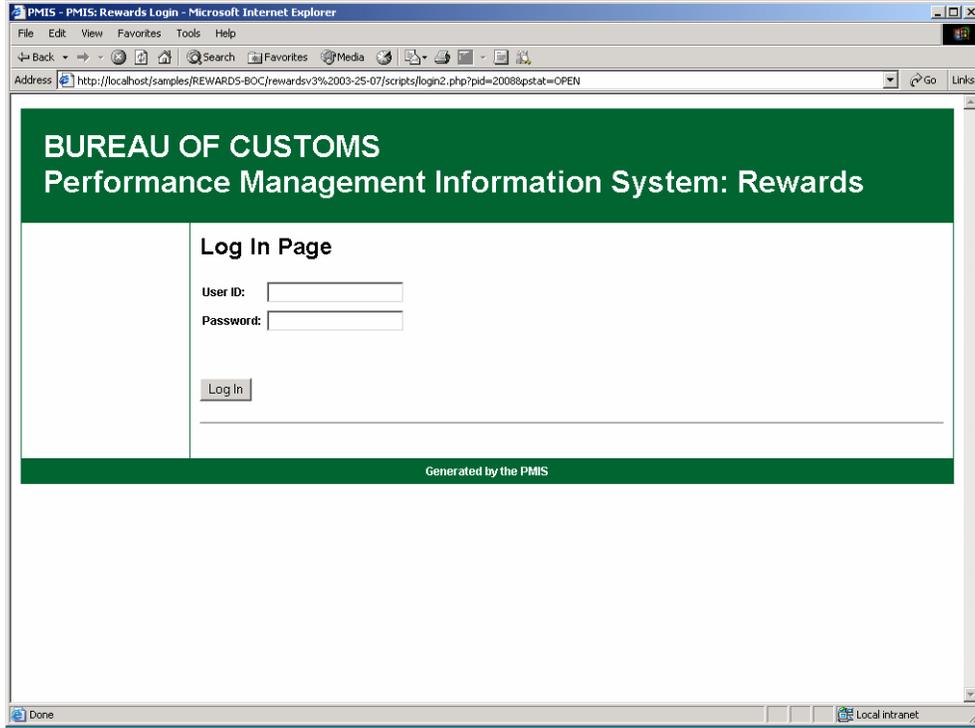
The Rewards System supports computation of rewards distribution to offices and individuals. Obtaining the office and individual rewards involves 3 key activities: (1) setting up factors, (2) uploading office and employee performance data, and (3) computing rewards.

### Logging In

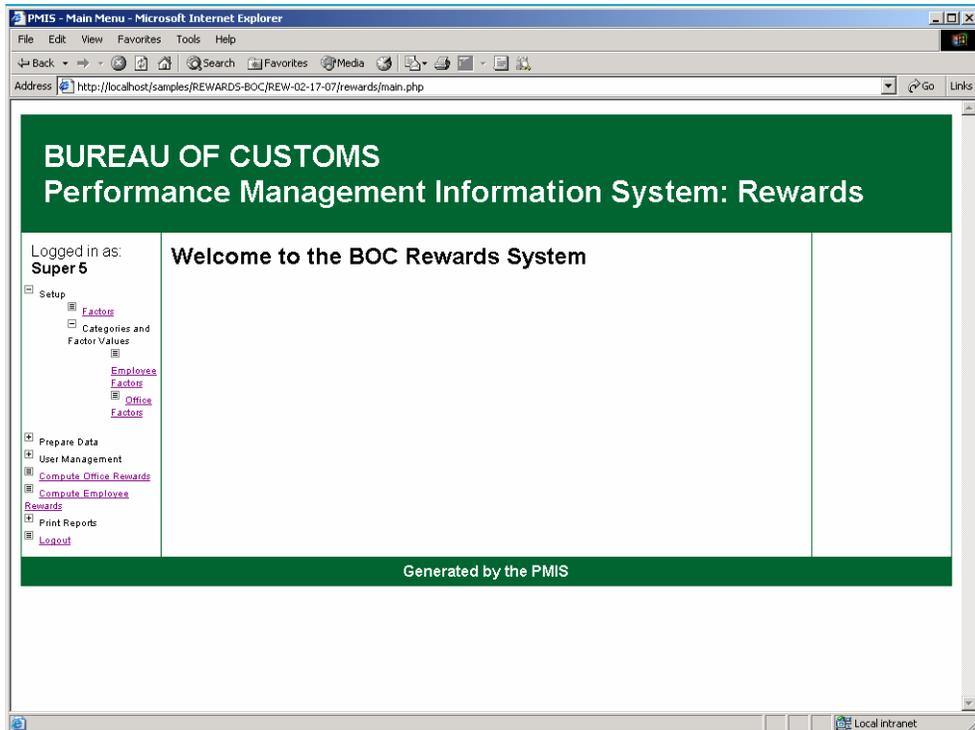
To log in to the BOC Rewards System, open Internet Explorer and type the following on the address bar:



When the Rewards System startup page appears, enter User ID and Password to log in.



Upon entering a valid User ID – Password combination, the following screen is presented showing the Rewards System start page.



## **SYSTEM ADMINISTRATION**

### **Installation**

Installation of the Rewards System involves setting up the web server. This requires installation of the following system software components:

- Web Server (Apache)
- Database Server (MySQL)
- Scripting Language (PHP)

Once these components have been installed, the files containing the Rewards System can be copied onto the PC.

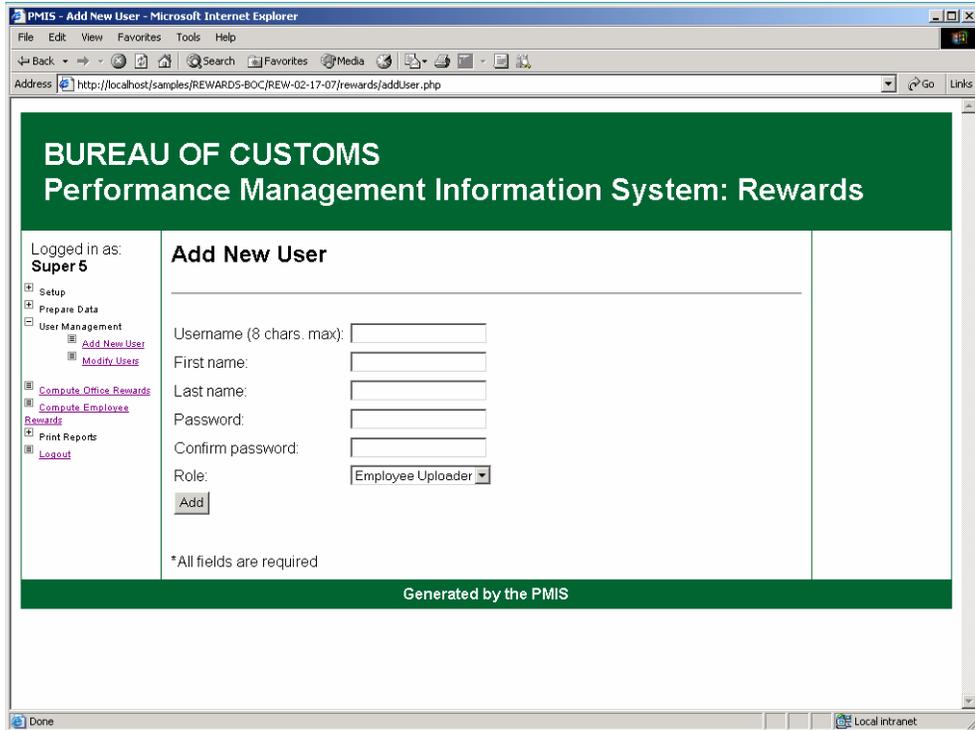
Please see Installation of Rewards System in installation CD for more details.

### **User Management**

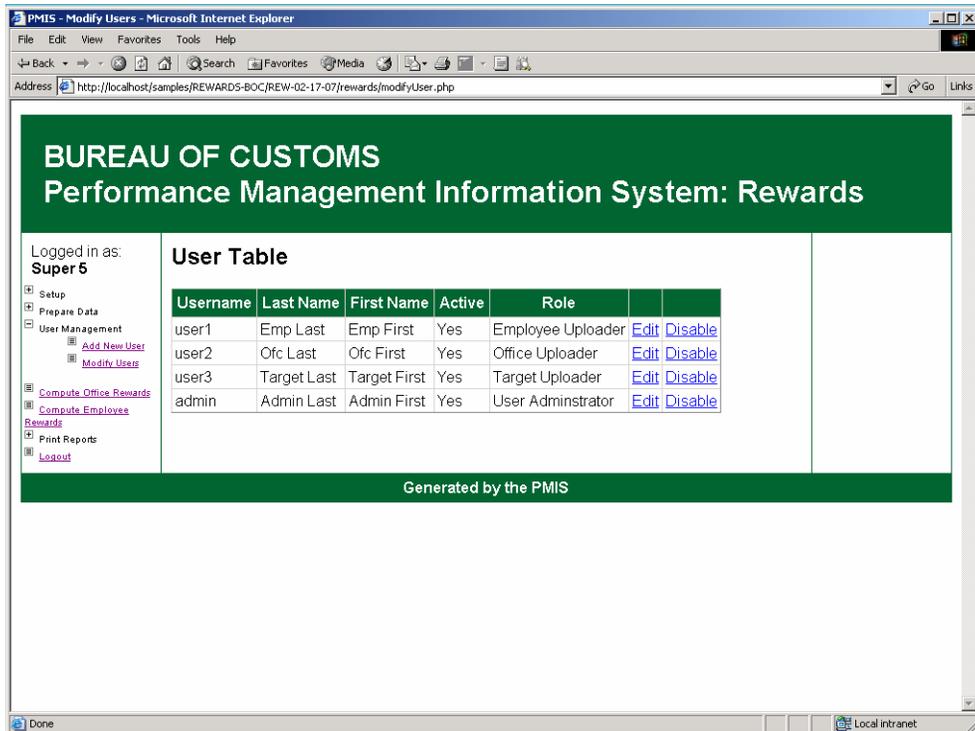
To maintain security and integrity of data, users will be authenticated and authorized before they are allowed to use the system. Each user will be provided a login name and password. The system has been developed to grant or limit access to users based on the roles assigned to the users.

User management involves adding and removing users from the system.

1. To add a new user, click User Management > Add New User.



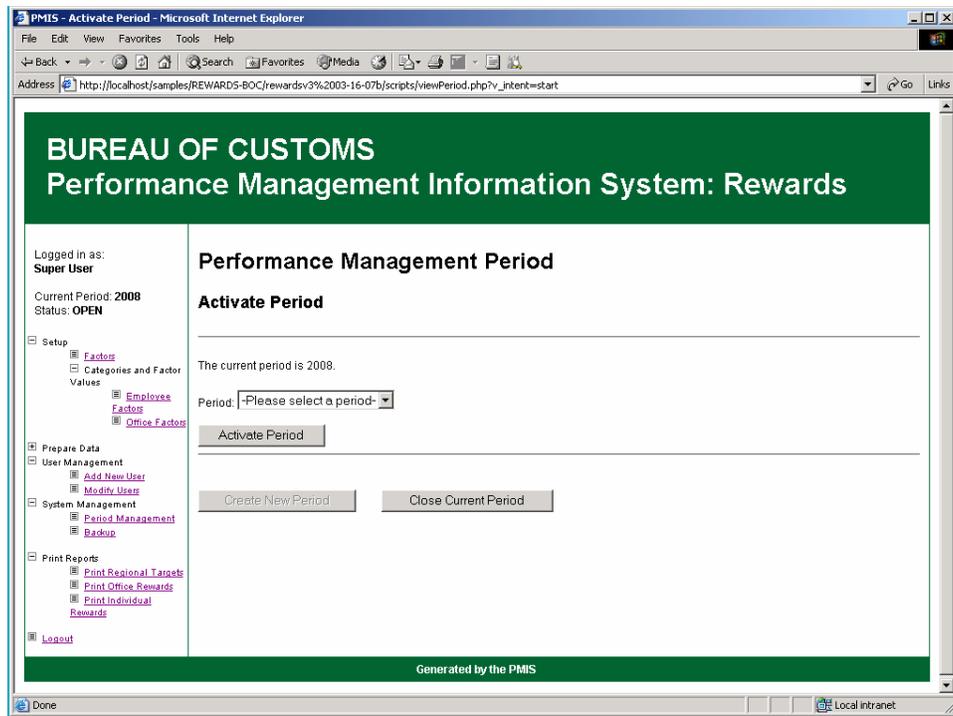
2. To edit or disable a user, click User Management > Modify User



## System Maintenance: Managing Evaluation Periods

The period management facility enables storage, management and maintenance of multiple evaluation periods simultaneously. It allows creation, activation and closing of evaluation periods.

1. To navigate through the available evaluation periods, click System Management > Period Management.
  - a. Choose the evaluation period from the dropdown list.
  - b. Once a period has been selected, click the Activate button to view the period.



2. To create a new period, click System Management > Period Management.
  - a. Activate latest period available in the database.
  - b. Click Create New Period.

### Notes:

- A new period can only be created if the current period is the latest period available in the database.
- The system limits the total number of open periods to a maximum of 2 periods.

3. To close a period, click System Management > Period Management.
  - a. Click Close Current Period.

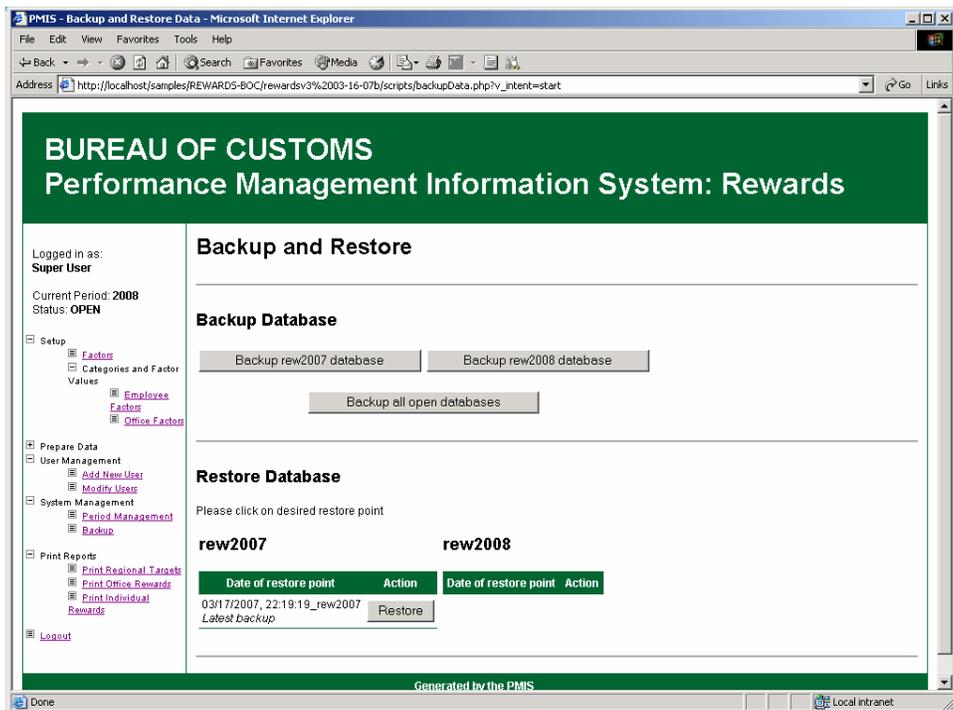
### System Maintenance: Backing Up and Restoring Data

The system's backup and restore feature allows users to backup evaluation periods along with the data therein whenever needed. It also provides a restore facility from which users may select backups that have been made on specific dates as restore points.

1. To backup system data, click System Management > Backup

The backup database section allows users to backup open databases either individually or by batch

- a. To backup a specific evaluation period, select the period database instance, and click the corresponding button.
- b. To backup all open databases, click Backup all open databases.



2. To restore data that has been backed up, click System Management > Backup.

The restore database section lists down all the evaluation periods that have been backed up along with the specific backups/restore points for each

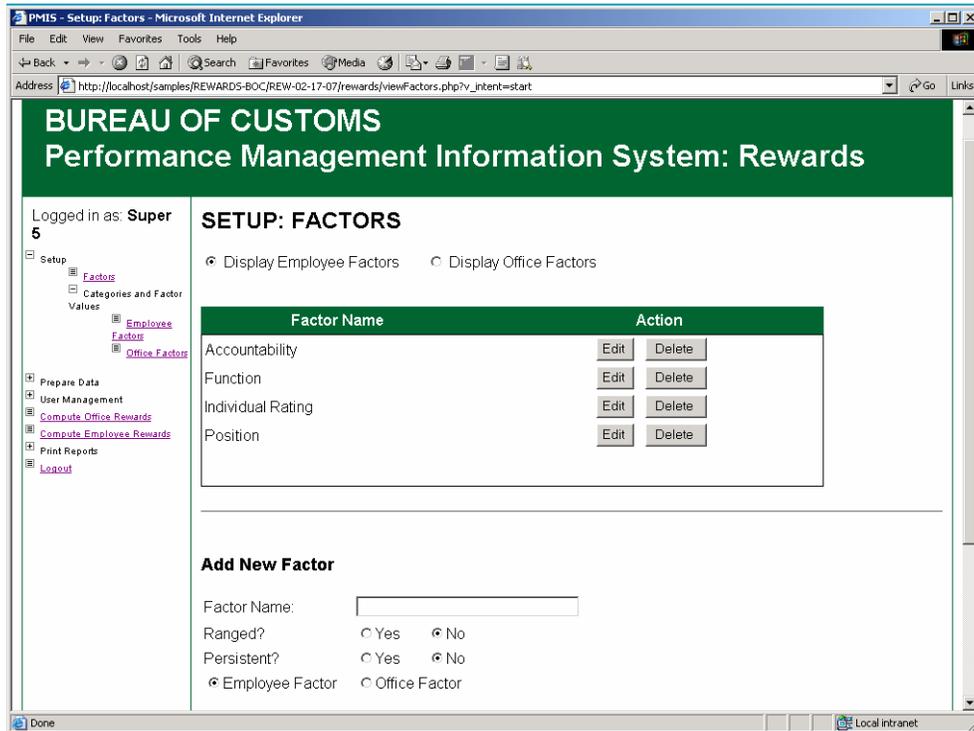
evaluation periods. The restore points for each period are identified by the date the backup was made.

- a. Select the restore point desired.
- b. Click the Restore button corresponding to the desired restore point.

## Setup Factors

The Setup Factors page of the Rewards System allows users to encode, view, modify and remove employee and office factors.

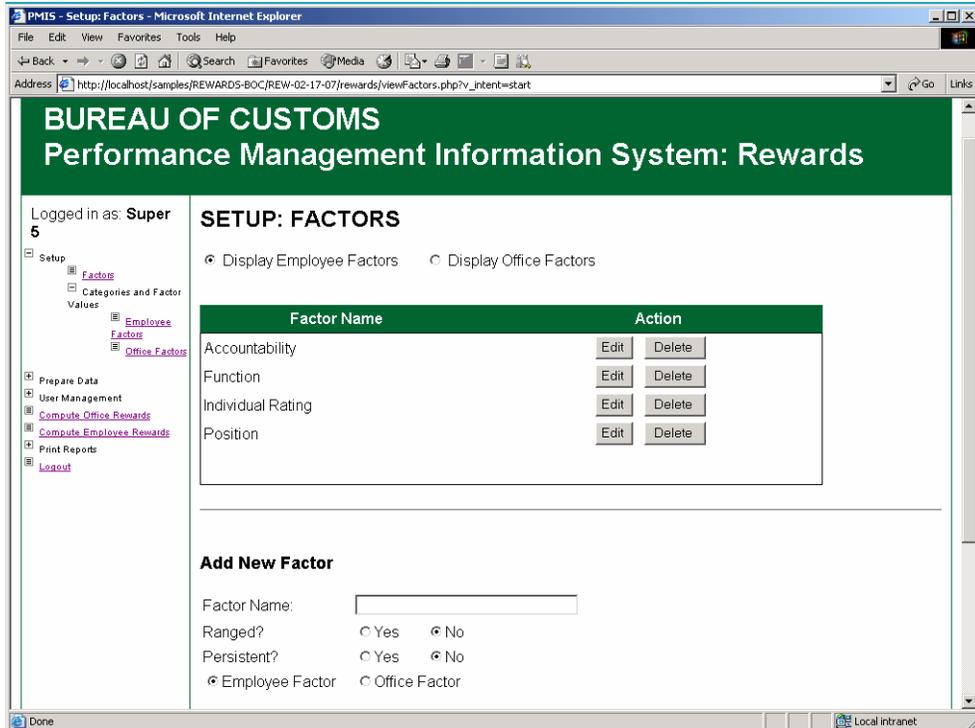
1. To create a new factor, click Setup > Factors.



In the Add New Factor Section:

- a. Encode the new Factor Name
- b. Indicate if the rating values of the factor are fixed or ranged
- c. Indicate if the factor is persistent for all evaluation periods
- d. Specify if the factor is an Employee Factor or an Office Factor
- e. Click Add Factor

2. To edit a factor's name, click Setup > Factors.



In the Setup Factor Section:

- a. Display Employee / Office Factors by selecting the corresponding label
  - b. Once the set of Employee / Office Factors appear in the list box, click the Edit button corresponding to the factor name to be modified
3. To delete a factor, click Setup > Factors.

In the Setup Factor Section:

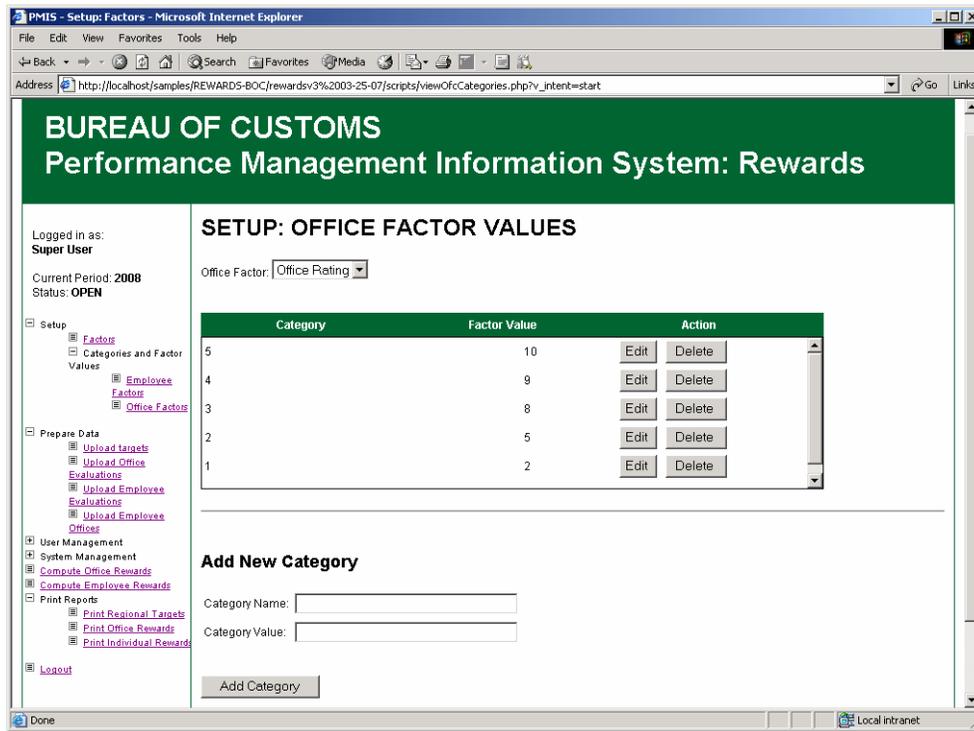
- a. Display Employee / Office Factors by selecting the corresponding label
- b. Once the set of Employee / Office Factors appear in the list box, click the Delete button corresponding to the factor to be erased

## Setup Factor Categories and Factor Values

The Setup Factor Categories and Factor Values page allows users to specify the categories and values for existing office and employee factors.

### Setting Office Factor Categories and Factor Values

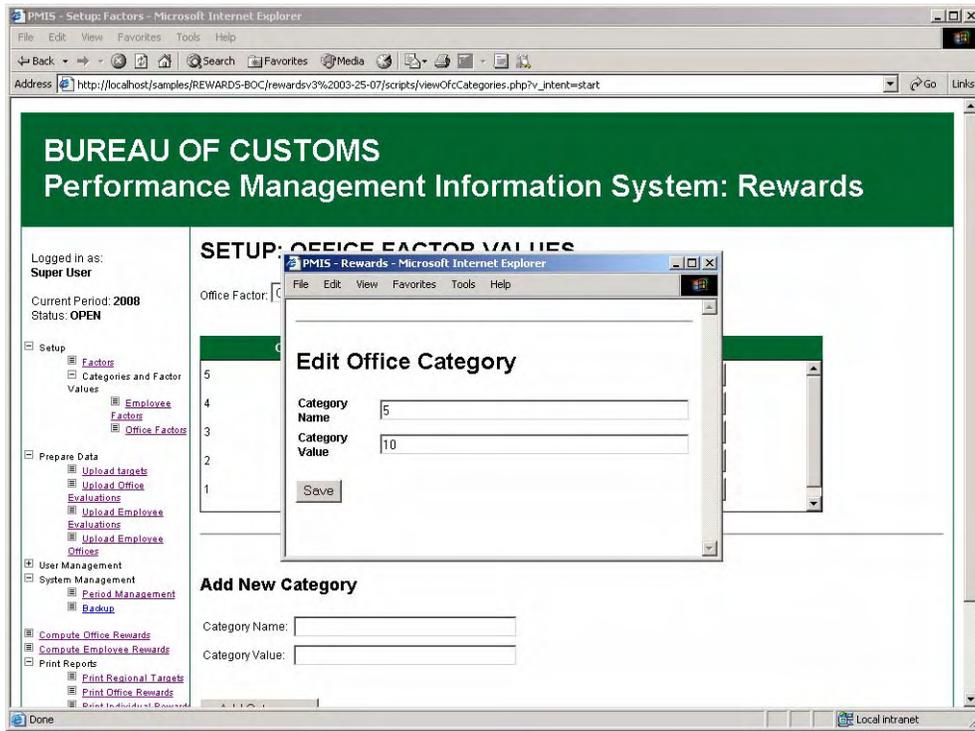
- To add office factor categories and values, click Setup > Categories and Factor Values > Office Factors.



- Select the Office Factor from the dropdown list in the Setup Office Factor Values section
  - Once the set of Office Factor Categories appear in the list box, enter the Name and Value of the new category to be added in the Add New Category section
  - Click on Add Category button
- To edit office factor categories and values, click Setup > Categories and Factor Values > Office Factors.

In the Setup Factor Values Section:

- Select the Office Factor from the dropdown list
- Once the set of Office Factor Categories appear in the list box, click the Edit button corresponding to the factor category to be modified



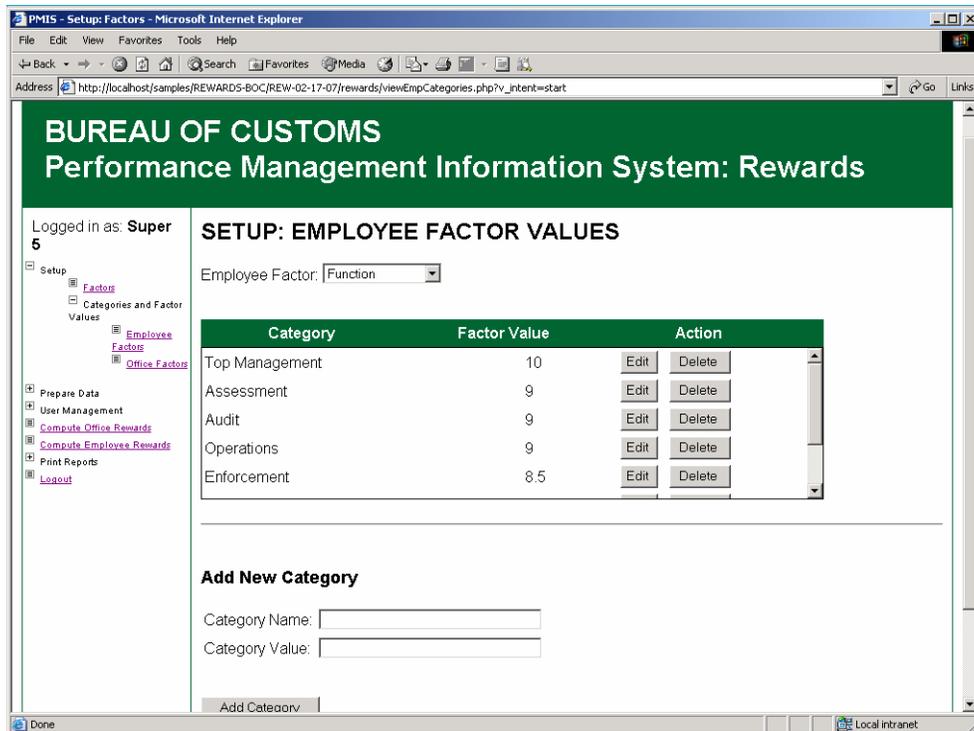
- c. In the Edit Office Category popup box, modify the Category Name and/or Category Value.
  - d. Click Save
3. To delete office factor categories and values, click Setup > Categories and Factor Values > Office Factors.

In the Setup Office Factor Values Section:

- a. Select the Office Factor from the dropdown list
- b. Once the set of Office Factor Categories appear in the list box, click the Delete button corresponding to the desired factor

### Setting Employee Factor Categories and Factor Values

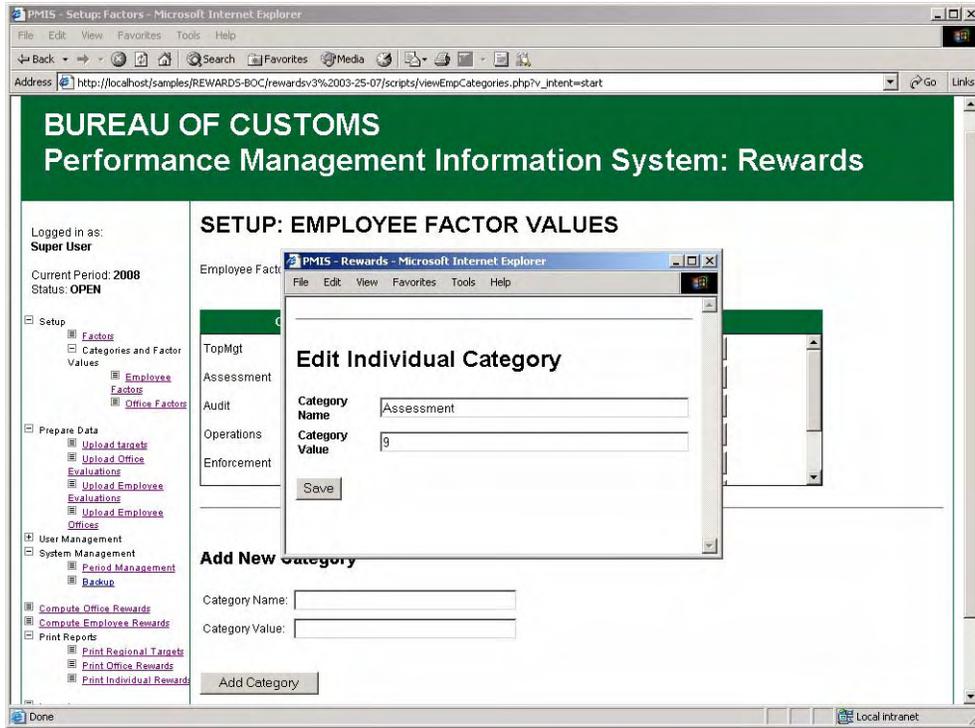
1. To add employee factor categories and values, click Setup > Categories and Factor Values > Employee Factors.



- a. Select the Employee Factor from the dropdown list in the Setup Employee Factor Values section
  - b. Once the set of Employee Factor Categories appear in the list box, enter the Name and Value of the new category to be added in the Add New Category section
  - c. Click on Add Category button
2. To edit employee factor categories and values, click Setup > Categories and Factor Values > Employee Factors.

In the Setup Factor Values Section

- a. Select the Employee Factor from the dropdown list in the Setup Employee Factor Values section
- b. Once the set of Employee Factor Categories appear in the list box, enter the Name and Value of the new category to be added in the Add New Category section
- c. Click on Add Category button



- d. In the Edit Office Category popup box, modify the Category Name and/or Category Value.
  - e. Click Save
3. To delete employee factor categories and values, click Setup > Categories and Factor Values > Employee Factors.

In the Setup Office Factor Values Section:

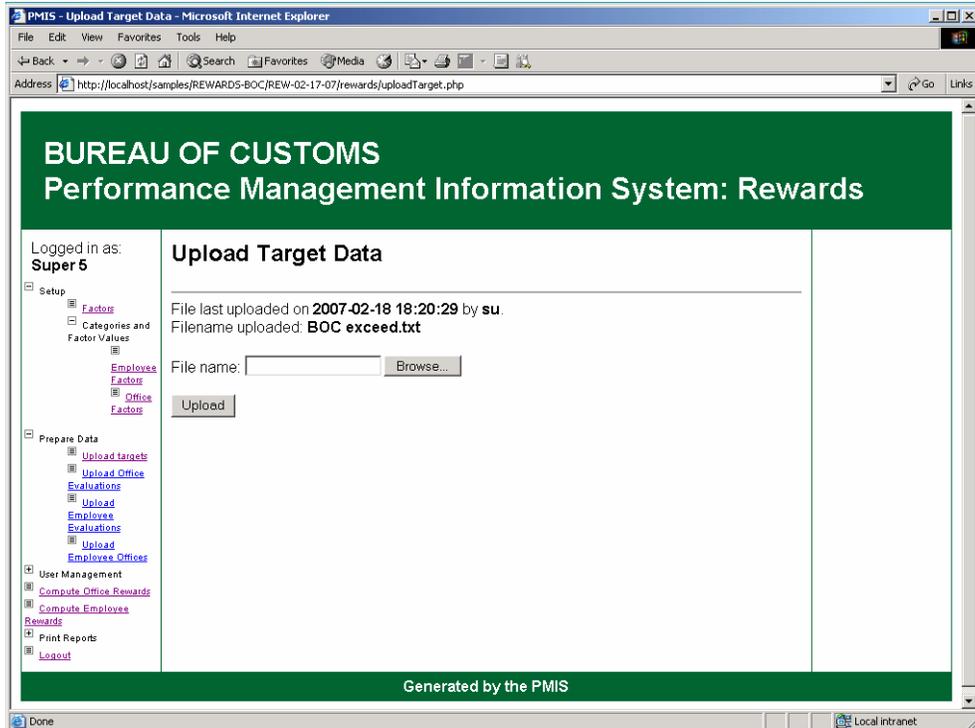
- a. Display Employee Factors by selecting the corresponding label
- b. Once the set of Employee Factor Categories appear in the list box, click the Delete button corresponding to the desired factor

## Uploading Office and Employee Performance Data

The Prepare Data section enables users to upload district, office and employee performance data onto the PMIS Rewards System.

### Uploading District Targets

1. To upload district targets, click Prepare Data > Upload Target



2. Click the Browse... button and select the file to upload
3. Click Upload

### INPUT FORM: District Targets Data Worksheet

The District Targets Data Worksheet is a tab delimited text file used for encoding collection performance data for all districts to be evaluated. The worksheet also indicates the targets allocated for each of the districts enumerated.

The file should have the following information, using the given order of the columns:

District ID	District Name	TARGET	ACTUAL	EMP %	OFC %	FIXED %	PERFORMANCE %	OFC CUTOFF	EMP CUTOFF
-------------	---------------	--------	--------	-------	-------	---------	---------------	------------	------------

ROW 1: This ROW will ALWAYS contain data for the entire BUREAU as is denoted by BOC as its DISTRICT ID. ROWS 2 onwards will contain data for the DISTRICTS (in no particular order).

COLUMN 1: contains the District ID

**Note: The District IDs entered in this worksheet must correspond with the District IDs in the subsequent worksheets when referring to the same district. Otherwise, the system will not be able to compute rewards properly.**

COLUMN 2: contains the District Name

COLUMN 3: target for the given district

COLUMN 4: actual collection for the given district

COLUMN 5: the % of the total budget allocated for rewards that will be distributed to employees

COLUMN 6: the % of the total the % of the total budget allocated for rewards that will be distributed to offices

**Note: The amounts entered for COLUMNS 5 & 6 must total 100**

COLUMN 7: the % of total rewards that will be allotted as fixed rewards

COLUMN 8: the % of total rewards that will be allotted as merit rewards

COLUMN 9: office rating required for employees of a given office to receive fixed rewards

COLUMN 10: individual rating required for employees to receive fixed rewards

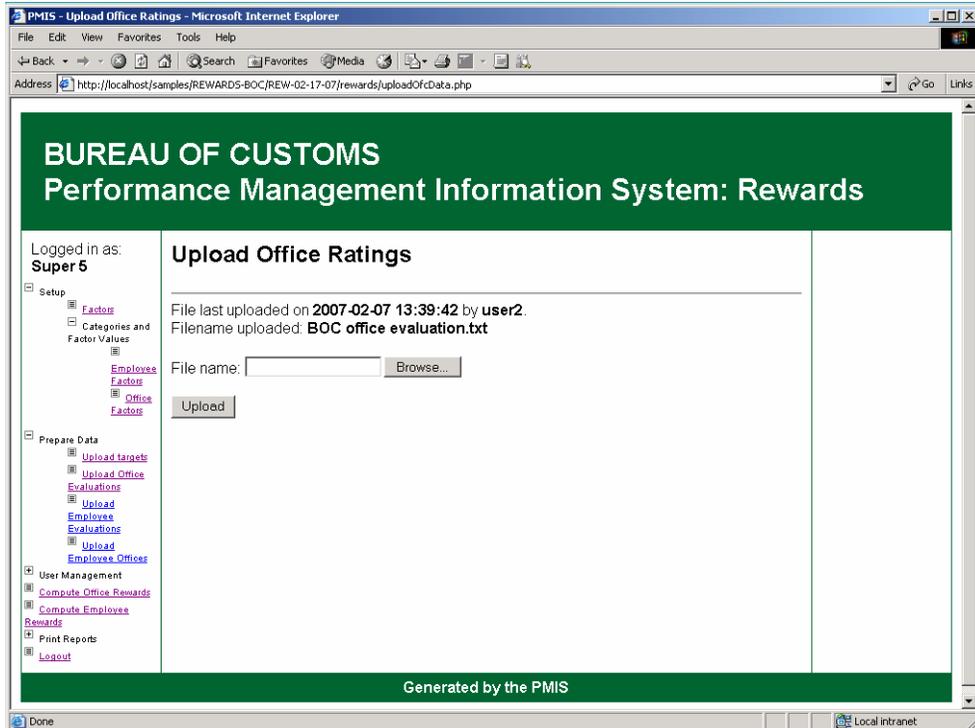
**Note: for COLUMNS 5 to 10, only ROW 1 will be filled out. The contents for these columns refer to the general parameters to be followed when computing for office and individual rewards. As such, these values will only apply to the Bureau.**

Following is sample of this worksheet.

District ID	District Name	TARGET	ACTUAL	EMP %	OFC %	FIXED %	PERFORMANCE %	OFC CUTOFF	EMP CUTOFF
BOC	BOC	15000000000	17000000000	75	25	5	95	2	1
OCOM	OCOM	2000000000	2050000000						
MANAGEMENT AND TEMANAGEMENT AND T	MANAGEMENT AND TEMANAGEMENT AND T	2000000000	2050000000						
OFFICE OF THE ASST. OFFICE OF THE ASS	OFFICE OF THE ASST. OFFICE OF THE ASS	2000000000	2050000000						
MANAGEMENT AND TEMANAGEMENT AND T	MANAGEMENT AND TEMANAGEMENT AND T	2000000000	2050000000						
FINANCIAL MANAGEMI FINANCIAL MANAGEM	FINANCIAL MANAGEMI FINANCIAL MANAGEM	2000000000	2050000000						
BUDGET DIVISION	BUDGET DIVISION	2000000000	2050000000						
PI ANNING & POLICY EPI ANNING & POLICY	PI ANNING & POLICY EPI ANNING & POLICY	2000000000	2050000000						

## Uploading Office Evaluations

1. To upload Office Evaluations, click Prepare Data > Upload Office Evaluations



2. Click the Browse... button and select the file to upload
3. Click Upload

### INPUT FORM: Office Evaluation Data Worksheet

The Office Evaluation Data Worksheet is a tab delimited text file where basic office information to be used by the Rewards System will be entered. The worksheet also entails classifying offices onto the categories which they belong based on the predetermined office factors.

The file should have the following information, using the given order of the columns:

Office ID	Office Name	District ID	Office Size	Office Factor #1	Office Factor #2	Office Factor #3	.....	Office Factor N
-----------	-------------	-------------	-------------	------------------	------------------	------------------	-------	-----------------

COLUMN 1: (Office ID)

Contains the ID for a given office. It is recommended to use the OFFICE IDs used by the BOC.

**Note: The Office IDs entered in this worksheet must correspond with the Office IDs in the subsequent worksheets when referring to the same office. Otherwise, the system will not be able to compute rewards properly.**

COLUMN 2: (Office Name)

Contains the complete Office Name for the specified office.

COLUMN 3: (District ID)

The DISTRICT ID of the respective office.

COLUMN 4: (Office Size)

Official headcount of the number of employees in the given office.

COLUMN 5 onwards: (Office Factors)

From COLUMN 5 ONWARDS, each column's heading will be the name of office factors, listing all of the office factors.

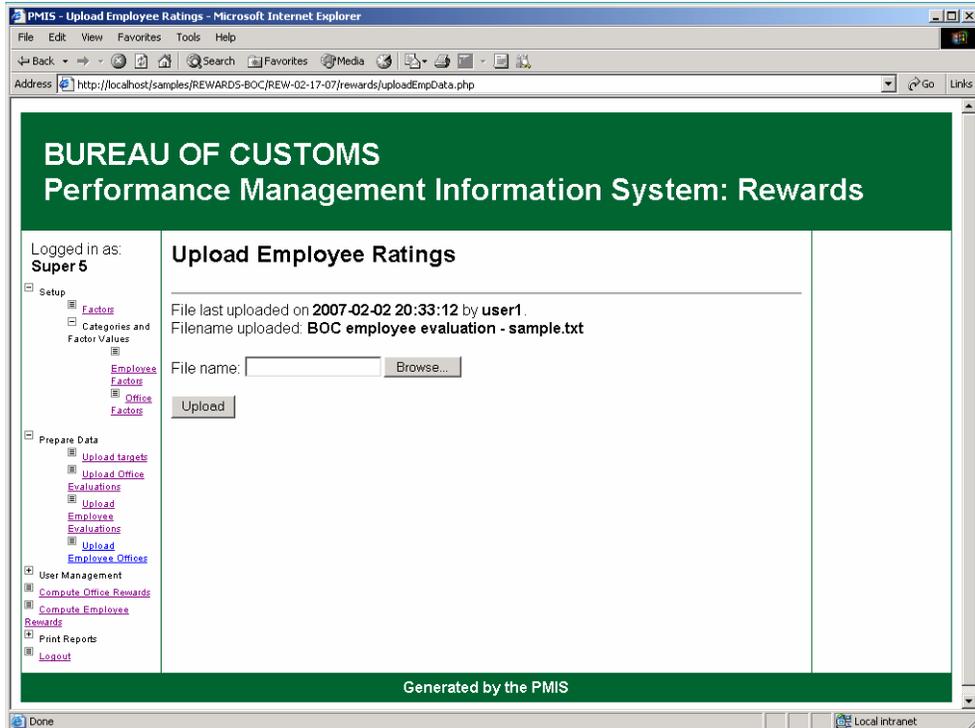
If for example: there are 4 office factors, then  
 Office factor #1 will be at column 5,  
 Office factor #2 at column 6,  
 Office factor #3 at column 7,  
 and Office factor #4 at column 8

Following is a sample of this worksheet, where there is only 1 office factor, namely Office Rating.

	A	B	C	D	E
1	Office ID	Office Name	District ID	Office Size	Office Rating
2	BOC	BOC	BOC	72	1.77
3	SAN FERNANDO	SAN FERNANDO	SAN FERNANDO	68	2.44
4	POM	POM	POM	76	1.83
5	MICP	MICP	MICP	64	2.03
6	NAIA	NAIA	NAIA	49	3.57
7	BATANGAS	BATANGAS	BATANGAS	53	1.85
8	LEGASPI	LEGASPI	LEGASPI	47	2.82
9	ILOILO	ILOILO	ILOILO		
10	CEBU	CEBU	CEBU		
11	TACLOBAN	TACLOBAN	TACLOBAN		
12	SURIGAO	SURIGAO	SURIGAO		
13	CAGAYAN DE ORO	CAGAYAN DE ORO	CAGAYAN DE ORO		

### Upload Employee Evaluations

1. To upload Employee Evaluations, click Prepare Data > Upload Employee Evaluations



2. Click the Browse... button and select the file to upload
3. Click Upload

**Note:** In simulation runs done using approximately 6,000 employees of the Bureau, total uploading and processing time for employee data was 15 minutes.

### INPUT FORM: Employee Evaluation Data Worksheet

The Employee Evaluation Data Worksheet is a tab delimited text file that will contain basic employee information along with their respective individual performance ratings.

The final component of the worksheet involves classifying each employee onto the categories which they fall under based on the employee factors that have been determined.

The file should have the following information, using the given order of the columns:

ID Number	Last Name	First Name	MI	Employee Factor #1	Employee Factor #2	Employee Factor #3	.....	Employee Factor N
-----------	-----------	------------	----	--------------------	--------------------	--------------------	-------	-------------------

COLUMN 1: (ID Number)

Contains employee's ID number.

**Note: The TIN Numbers entered in this worksheet must correspond with the TIN Numbers in the subsequent worksheets when referring to the same employee. Otherwise, the system will not be able to compute rewards properly.**

COLUMN 2: (Last Name)

Contains the employee's Last Name.

COLUMN 3: (First Name)

Contains the employee's First Name.

COLUMN 4: (MI)

Contains the employee's Middle Initial.

COLUMN 5 onwards: (Employee Factors)

From COLUMN 5 ONWARDS, each column's heading will be the name of employee factors, listing all of the employee factors.

If for example: there are 5 employee factors, then  
 Employee factor #1 will be at column 5,  
 Employee factor #2 at column 6,  
 Employee factor #3 at column 7,  
 Employee factor #4 at column 8,  
 and Employee factor #5 at column 9

Following is a sample of this worksheet, where there have been 4 employee factors created in the setup factors page, specifically:

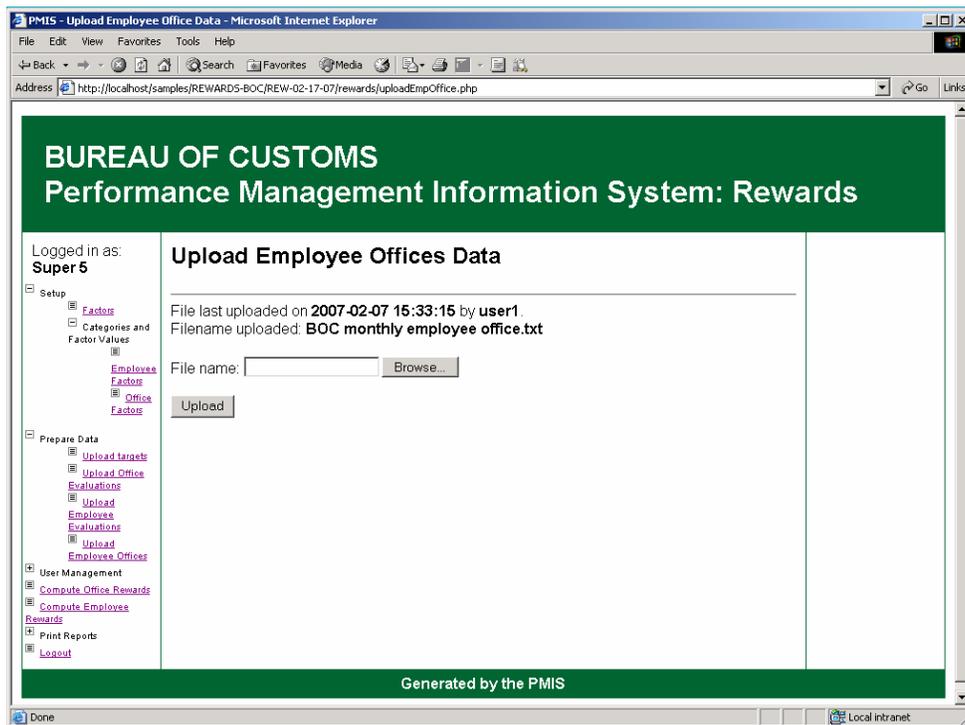
- (1) Individual Rating,
- (2) Position,
- (3) Function,
- (4) Accountability.

	A	B	C	D	E	F	G	H
1	TIN Number	Last Name	FirstName	MI	Individual Rating	Position	Function	Accountability
2	229319813	Tejero	Luwill	P	8.62	Clerical	ASSESSMENT	Not Attribable
3	207295824	Buico	Ebelita	S	8.04	Clerical	AUDIT	Not Attribable
4	149498501	Vera	Elvira	R	0	Manager	TOP MANAGEMENT	Attribable
5	147406048	Alde	Glenn	B	8.77	Staff	SUPPORT	Attribable
6	131863384	Bele	Aurora	F	9.08	Officer	ASSESSMENT	Attribable
7	131854587	Mateo	Emelina	R	8.78	Officer	OPERATIONS	Attribable
8	149257136	Roldan	Rochelle	M	8.58	Officer	LEGAL	Attribable
9	131889299	Suba	Fiametta	V	8.85	Chief	OPERATIONS	Attribable
10	131861850	Mercado	Flor	M	8.84	Chief	ENFORCEMENT	Attribable

## Upload Employee Offices

In order to accommodate the reality of employees being reassigned to different offices during the span of an evaluation period, the system requires employee monthly office data to be submitted. The employee monthly office worksheet will specify the offices an employee was assigned to for every month in the period. The system then prorates the office rating factors based on the employee's tenure in a given office.

1. To upload Employee Monthly Office Assignments, click Prepare Data > Upload Employee Offices



2. Click the Browse... button and select the file to upload
3. Click Upload

**Note:** In simulation runs done using approximately 6,000 employees of the Bureau, total uploading and processing time for employee data was 15 minutes.

## INPUT FORM: Employee Monthly Office Data Worksheet

The Employee Monthly Office Data Worksheet is a tab delimited text file used for inputting the office where employees were associated with for each month of the evaluation period.

Performance Management Information System-Rewards

The file should have the following information, using the given order of the columns

ID Number	Last Name	First Name	Middle Initial	1	2	3	4	5	6	7	8	9	10	11	12
-----------	-----------	------------	----------------	---	---	---	---	---	---	---	---	---	----	----	----

COLUMN 1: (ID Number)

Contains employee's TIN number.

COLUMN 2: (Last Name)

Contains the employee's Last Name.

COLUMN 3: (First Name)

Contains the employee's First Name.

COLUMN 4: (Middle Initial)

Contains the employee's Middle Initial.

COLUMN 5 to 16: (Calendar Months)

COLUMNS 5 to 16 are labeled from 1 to 12 in order. Each number corresponds to the month number of the Bureau's calendar year. For example, if the calendar year begins at January and ends at December, then COLUMN 5, which has a heading of 1, will refer to January, with COLUMN 6 referring to February, and so on, until reaching COLUMN 16, which will represent December. The entries for each cell will be the Office ID where the employee was assigned to for the particular calendar month.

Following is a sample of this worksheet.

*(Note that the months begin at column E, and end at column P, which will represent month #12)*

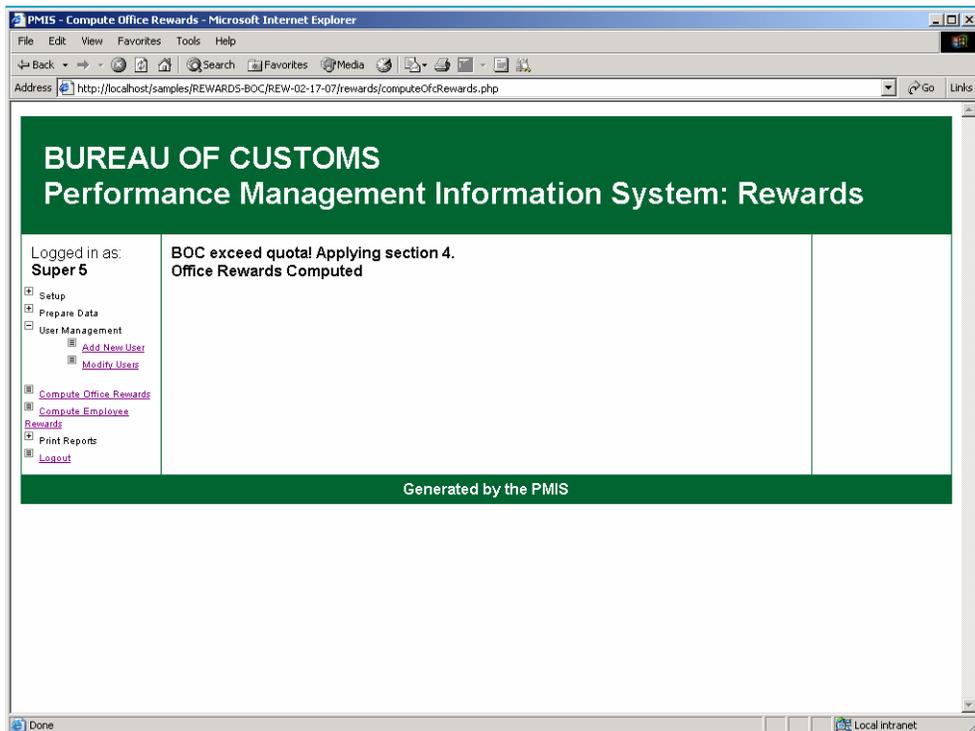
	A	B	C	D	E	F	G	H	I	J	K
1	TIN Number	Last Name	First Name	Middle Initial	1	2	3	4	5	6	7
2	229319813	Tejero	Luwill	P	POM						
3	207295824	Buico	Ebelita	S	OCOM	OCOM	OCOM	POM	POM	POM	POM
4	149498501	Vera	Elvira	R	OCOM						
5	147406048	Alde	Glenn	B	OCOM						
6	131863384	Bele	Aurora	F							
7	131864587	Mateo	Emelina	R							
8	149257136	Roldan	Rochelle	M							
9	131889299	Suba	Fiametta	V							
10	131861860	Marrado	Flore	M							

## Rewards Computation

### Computing Office Rewards

This process generates the office rewards based on the district and office data that were uploaded to the system.

1. To compute for office rewards, click Compute Office Rewards

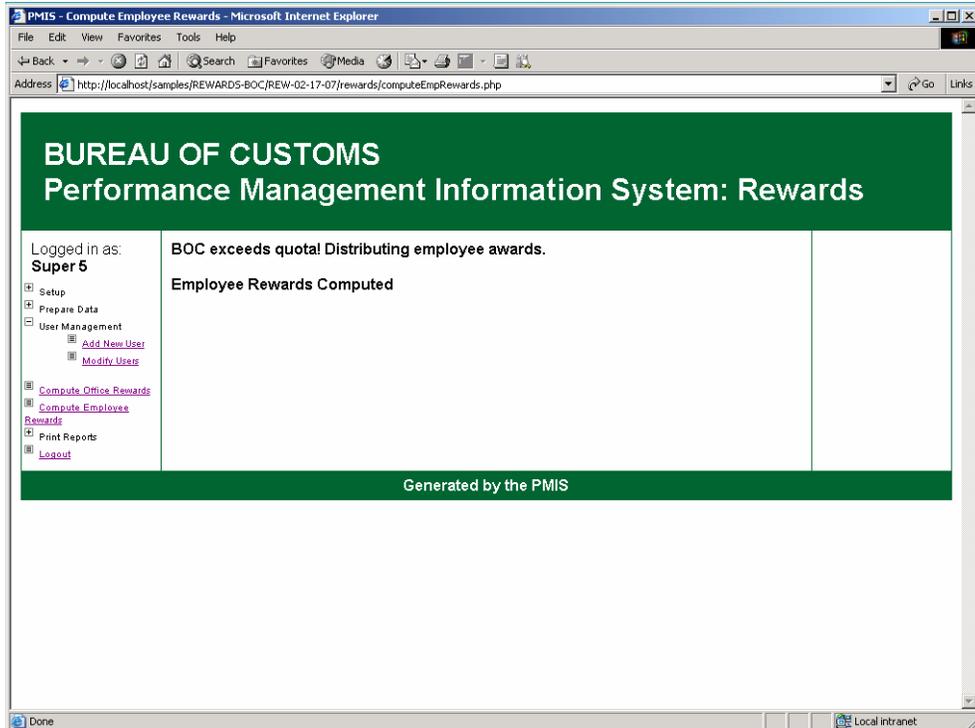


Following the computation of the office rewards, the screen outputs the result of the computations.

### Computing Employee Rewards

This process generates individual rewards based on the district, office and employee data that were uploaded to the system.

1. To compute for individual rewards, click Compute Employee Rewards



This screen presents the outcome of the system's computation of employee rewards.

**Printing Reports**

1. To print the District Targets report, click Print District Targets

District ID	District Name	Target	Actual	Difference
RR01	Sample Region 1	3,948,900,000.00	4,172,520,000.00	223,620,000.00
RR02	Sample Region 2	1,295,170,000.00	1,399,120,000.00	103,947,000.00
RR03	Sample Region 3	830,983,000.00	858,455,000.00	27,472,300.00
RR04	Sample Region 4	4,477,780,000.00	3,486,450,000.00	-991,321,000.00

2. To print the Office Rewards report, click Print Office Rewards

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### UNIT REWARDS

**Total reward allocated for units: Php 15,750,000.00**

**RR01 - Sample Region 1**

Unit ID	Unit Name	Size	Office Rating	Weight	Portion	Reward
CEBU	Port of Cebu	64	5	320	320 / 1689	Php 2,984,010.00
NP	North Port	76	2	152	152 / 1689	Php 1,417,410.00

**RR02 - Sample Region 2**

Unit ID	Unit Name	Size	Office Rating	Weight	Portion	Reward

**RR03 - Sample Region 3**

Unit ID	Unit Name	Size	Office Rating	Weight	Portion	Reward
MIN	Port of Mindanao	53	2	106	106 / 1689	Php 988,455.00

**RR04 - Sample Region 4**

Unit ID	Unit Name	Size	Office Rating	Weight	Portion	Reward
VIS	Port of Visayas	47	5	235	235 / 1689	Php 2,191,390.00

3. To print the Individual Rewards Report, click Print Individual Rewards

Employee Rewards - Microsoft Internet Explorer

File Edit View Favorites Tools Help

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## EMPLOYEE REWARDS

**Total reward allocated for employees: Php 6,750,000.00**

TIN	Last Name	First Name	MI	Function	Position	Individual Rating	Accountability	Weight	Portion	Reward
147406048	Alde	Glenn	B	8	4	6	5	5944	5944 / 44191	Php 907,922.00
131863384	Bele	Aurora	F	9	6	8	10	7288	7288 / 44191	Php 1,113,210.00
207295824	Buico	Ebelita	S	9	2	6	5	5300	5300 / 44191	Php 809,554.00
131854587	Mateo	Emelina	R	9	6	6	5	6268	6268 / 44191	Php 957,412.00
131861850	Mercado	Flor	M	8.5	8	6	10	7167	7167 / 44191	Php 1,094,730.00
149257136	Roldan	Rochelle	M	8.5	6	6	10	7540	7540 / 44191	Php 1,151,710.00
131889299	Suba	Fiametta	V	9	8	6	10	0	0 / 44191	Php 0.00
229319813	Tejero	Luwill	P	9	2	6	5	2556	2556 / 44191	Php 390,419.00
149498501	Vera	Elvira	R	10	10	0	10	2128	2128 / 44191	Php 325,044.00

**Customs Memorandum Order  
on Attrition Act Implementation**

This chapter presents the proposed Guidelines and Customs Memorandum Order for the full scale implementation of Attrition Act of 2005 in the Bureau of Customs.

**Chapter 4:  
Customs Memorandum  
Order**

**Table of Contents**

SCOPE OF THE CMO .....	2
HIGHLIGHTS OF THE CMO .....	2
GUIDELINES .....	2
RECOMMENDATIONS .....	2
CUSTOMS MEMORANDUM ORDER .....	4

## Scope of the Guidelines and the CMO

This chapter presents the proposed Guidelines and Customs Memorandum Order for the full scale implementation of Attrition Act of 2005 in the Bureau of Customs.

## Highlights of the CMO

Title 1: General Provisions

Title 2: Allocation of Goal

Title 3: Attrition of Personnel

Title 4: Reassignment of Personnel

Title 5: Distribution of Rewards and Incentives

Title 6: Establishment of the Performance Management System

Title 7: Reportorial Requirements

Title 8: Transitory Provisions

## Guidelines

1. Guidelines on the Allocation of Goal
2. Guidelines on Implementation of Performance Management System
3. Policies and Guidelines in the Distribution of Rewards and Incentives under Attrition Act
4. Policies and Guidelines on Attrition of Officials and Employees

## Recommendations

1. The BOC management must move towards the immediate approval of the proposed Guidelines by the Revenue Performance and Evaluation Board (RPEB). Thereafter, the CMO drafting team must be re-convened in order to ensure that the CMO is in harmony with RPEB approved guidelines.
2. There is a need to create more venues for discussion and consultation with various stakeholders about the implementing guidelines of the Attrition Act and the proposed CMO. This is to provide a forum for clarification of issues and also to allay fears of

officials and employees about the perceived adverse impacts of the implementation of Attrition Act to them.

3. The BOC management must exert political will to implement the policies embodied in the proposed guidelines and the CMO. It must also provide support, both in terms of human and financial resources, especially to the PMS sponsors, process owners, and monitoring and evaluations teams.

## Customs Memorandum Order

The draft Customs Memorandum Order is found in Appendix 1. The CMO also contains several annexes as follows:

- a. List of Attributable Positions in BOC
- b. Indicative Time Line for Implementation of Attrition Act
- c. List of Material Documents Required for Implementation of this Order
- d. Framework for Computing Rewards and Incentives Under Attrition Law
- e. Sample Expenditure Plan
- f. PMS Implementation Guidelines

## Guidelines

The draft guidelines are found in Appendix 2, 3, 4, and 4. These are as follows:

- a. Guidelines on Allocation of Goal
- b. Guidelines on Implementation of Performance Management System
- c. Policies and Guidelines in the Distribution of Rewards and Incentives under the Attrition Act
- d. Policies and Guidelines on Attrition of Officials and Employees

Republic of the Philippines  
DEPARTMENT OF FINANCE  
BUREAU OF CUSTOMS  
MANILA

**CUSTOMS MEMORANDUM ORDER No. \_\_\_\_\_**

**TO:** All Customs Officials and Employees

**SUBJECT:** Implementation Guidelines for Attrition Act of 2005 (Republic Act No. 9335).

Pursuant to Republic Act No. 9335, and its implementing rules and regulations ("IRR"), this Order is issued to optimize the revenue generating capability and collections of the BOC of Customs.

**CHAPTER I: GENERAL PROVISIONS**

SECTION 1. OBJECTIVES – This Order is issued to achieve the following objectives:

- a) To provide a framework for rationally allocating revenue targets both at the District and individual level;
- b) To prescribe policies, procedures, and guidelines in the implementation of the Performance Management System (PMS) in the BOC;
- c) To provide policies, framework and procedures, in the distribution of rewards and incentives in the BOC pursuant to Sec. 4 and 5 of the Attrition Act;
- d) To provide criteria and procedures for removing from service Officials and employees whose revenue collection falls short of the target in accordance with Sec. 7, Rule V of the Attrition Act;
- e) Lastly, to prescribe the duties and responsibilities of units, officials, and employees pertaining to allocation of revenue targets, establishment of performance management system, attrition, and distribution of rewards and incentives to Employees and Officials.

SECTION 2. SCOPE - All Officials and Employees in the BOC of Customs (BOC) regardless of employment status, with at least six (6) months of service shall be covered by this order.

Pursuant to Section 4(h) and (f) of the IRR, an "Official" is a person who is appointed to and occupies a third level position while an "Employee" is a person who is appointed to and occupies either a first or a second level position.

## **CHAPTER II: ALLOCATION OF GOALS**

### **SECTION 3. GUIDING PRINCIPLES**

- a) The Attrition Act provides that the collection surplus or shortfall relative to the target as adjusted for realized values of exogenous variables, respectively, shall be the basis for attrition of BOC's personnel. (by analogy to Sec. 19, Rule V, IRR.)
- b) The allocation of the collection target of the BOC shall be based on a system that is rational, replicable, transparent and fair. It must mitigate any potential perverse incentives against good performance and integrity among Officials and Employees. A rational target allocation recognizes the following principles:
  1. BOC revenue is determined by exogenous factors as well as effort.
  2. Exogenous factors may not remain constant during the year.
  3. Rational targets require quality verifiable information.

### **SECTION 4. OPERATIONAL POLICIES**

The allocation of the BOC target collection shall be done at three levels namely (a) across Districts including the Office of the Commissioner, (b) across Divisions, Sub-ports, Sections or other component units under each District (hereafter referred to as Sub-Districts), and (c) across individual attributable personnel.

- a) Across Districts and Office of the Commissioner
  1. Verifiable Data: The statistical procedure to be used in determining the BOC collection target per District shall involve the use of verifiable data to determine the relative contribution of the following exogenous variables to the percentage change in collection per District and the Office of the Commissioner. Collection shall include duties, value-added taxes, excise taxes, and other revenue. These

exogenous variables, shall include, but not be limited to the following:

- i. import values (declared and assessed)
- ii. import volumes
- iii. commodity composition of imports
- iv. number of entries
- v. exchange rate
- vi. number of personnel
- vii. value of imports selected Green, Yellow, and Red
- viii. value of duty-exempt imports (granted under special laws such as the Export Incentives Act, AFMA, or trade agreements such as the AFTA, etc)
- ix. tax credits and deferred payments
- x. value of containerized imports
- xi. non-tax revenue
- xii. budget
- xiii. port infrastructure

Data for any of these variables to be used in the above-stated replicable statistical procedure must be verifiable and statistically significant in explaining collection performance.

2. Statistical Procedure: The application of the statistical procedure shall produce the respective estimated percentage contributions of the exogenous variables to the District's historical collection performance and collection efficiency growth.
  - i. The weighted sum of the respective estimated percentage contributions of the exogenous variables and the collection efficiency growth is the estimated percentage that shall be used in computing the shares of each District in the target collection of the BOC.
  - ii. The Commissioner may increase the target collection efficiency growth of a district if in his or her judgment, the District collection performance needs to be improved. In adjusting the target collection efficiency growth, the Commissioner may be guided by factors such as 1) support infrastructure available and 2) quality of the personnel at the District.
  - iii. The District estimated percentage changes in collection as may be adjusted by the Commissioner are applied to BOC's actual collection in the current

year or up to the last month of the current year where information on actual collection is available, to obtain the absolute amounts per District, which are then converted to District shares.

- iv. The District shares are applied to the BOC target for the following year to obtain the absolute amounts of the target per District.

b) Across the Sub-Districts

1. Subject to the availability of each of the verifiable data at the level of the Sub-Districts,, the same statistical procedure as described above may be repeated to estimate the targets for said offices.
2. If data is not available to allow a decomposition of the factors explaining the Sub-District's collection performance, some other replicable allocation of the target collection of the District to which these units belong to may be used, such as but not limited to historical shares of the Sub-District's collections.

c) Division Across Its Attributable Individuals

1. The collection target of the lowest grouping or unit that an attributable individual directly belongs to shall serve as that individual's target. All individuals in the said group shall share a collective or pooled target. (Example: if the group that an attributable individual immediately reports to is a Section, Division, Sub-Port, or Unit, then the target of that Section, Division, Sub-Port, or Unit, shall serve as his or her target.)
2. The Head of the unit or group shall also assume its target.
3. Individual performance shall be evaluated in order to ensure similar effort among the individuals in a unit or group.
4. In a unit or group that consists of individuals of different ranks, although the collective target will apply to all, those that have a higher rank will have greater responsibility and therefore a corresponding greater weight in terms of rewards as well as attributability. This will be reflected in their performance evaluation, which will consider mitigating factors and individual effort separately.
5. The collection target of an attributable individual who belongs to a unit or group that does not have a collection target shall be determined on the basis of the source of revenue comprising that individual's work responsibility.

6. Transferees or those in acting capacities shall be considered regular members of the unit or group, they are assigned to and shall assume the collective target.

## SECTION 5. ROLES AND RESPONSIBILITIES

The following roles and responsibilities shall be performed by various agencies in BOC.

- a) The Financial Service under the Revenue Collection Monitoring Group shall assume the following responsibilities in connection with:

1. Goal Allocation

- i. Organize Desk Staff to specialize in each major District who will (1) collect data from the District to be used in target allocation, (2) collect data including but not limited to economic or industrial activity at the local level and prices, from independent sources such as the National Statistics Office, Department of Finance, Bangko Sentral ng Pilipinas, Department of Trade and Industry, Department of Agriculture, Department of Energy, other government agencies, private sector associations and academic libraries, (3) analyze the determinants of port collections, (4) conduct random checks to verify the accuracy of data particularly assessed values.
- ii. Assign staff to hold office in each major District in order to ensure completeness and accuracy of record-keeping and integrity and quality of data.
- iii. Undertake the statistical procedure(s) needed to implement goal allocation.
- iv. Prepare and submit to the Commissioner the annual target goal allocation of Districts and their respective Divisions, providing a copy to the PMS Owner.

2. Ex Post Target Goal Allocation

- i. Gather the relevant data on the realized values of the exogenous variables explaining actual collection.
- ii. Estimate the target collection of the BOC based on the above realized data following a replicable and transparent procedure.
- iii. Submit the estimate and analysis of the estimate's implications on the BOC's collection performance in the preceding year.

- b) Each District shall provide complete monthly data on the variables enumerated in Section 4(a)1 above, at the Division level including all Divisions under the District, to the Financial Service and to the Planning and Systems Control Office (PSCO)/ Interim Internal Control Office (IICO) not later than 1 October of each year.
  
- c) Each District Head shall allocate the District target to the attributable individuals under his or her jurisdiction following the guiding principles and methodology for allocating the Division target across attributable individuals. The individual goal allocation shall be submitted to the Commissioner by 1 December of each year through the Financial Service.
  - i. The Financial Service shall be guided by the following indicative deadlines:
  - ii. Obtain the data from each District not later than 1 October and/or from other sources such as the National Statistics Office.
  - iii. Calculate the target allocation of each District and Division by 31 October.
  - iv. Submit the resulting allocated targets to the Commissioner on 1 November of each year.
  - v. Disseminate the approved goal allocation to the District Heads on 7 November of each year.
  - vi. Collect from the District Heads the allocated targets of attributable individuals by 30 November.
  - vii. Consolidate the goal allocation lists and submit to the Office of the Commissioner and the PSCO/IICO by 1 December.
  - viii. The Commissioner shall issue a Customs Memorandum Order (CMO) containing the District, Division and individual targets and forward it to the DBCC in the first week of December.

### **CHAPTER III. ATTRITION OF PERSONNEL**

#### **SECTION 6. GENERAL POLICY**

All personnel of the BOC of Customs who have revenue collection target shall be subject to attrition. They shall include the District Collectors, and their deputies, as well as other personnel of the BOC performing assessment, audit and collection functions as provided in Sec. 17, Rule V of the IRR of the Attrition Act.

## SECTION 7. CRITERIA IN DETERMINING PERSONNEL SUBJECT TO ATTRITION

- a) All Officials and Employees including District Heads and assistant district head who have revenue collection targets;
- b) District/Port Collectors and their deputies as well as customs officers assigned in services, divisions, or units with collection targets; and
- c) All other Personnel performing assessment, audit and collection functions.

For this purpose, the positions listed in the BOC Commissioner's Memorandum to the Secretary of Finance dated 24 November 2006, hereto attached as "**Annex A**" shall be subject to attrition.

## SECTION 8. ACTUAL DUTIES OF PERSONNEL SHALL BE CONTROLLING

In determining whether or not an Official or Employee is subject to attrition under Section 7 of the Act and Rule V of the IRR, it is not the official designation or title of the position that controls but the actual duties performed and the existence of a financial target as reflected in such Official's or Employee's performance contract. Personnel designated to perform non-assessment and non-collection functions even if holding positions normally having financial targets and/or performing assessment, audit, or collection functions shall not be subject to attrition. Provided, that the designation to such non-assessment and non-collection functions has been effective for at least one semester.

## SECTION 9. REQUIRED PERIOD IN THE POSITION

The Official or Employee must have been working or holding the attritable position for at least six (6) months of service before he or she can be subject to attrition.

## SECTION 10. GROUND FOR TERMINATION

Personnel holding any of the positions aforementioned shall be separated or removed from the service when the collection performance of such Employee or Official falls short of his or her individual collection target by 7.5 %. (Sec. 18 Rule V of the IRR)

However, a decision to terminate shall be made only after due consideration of (a) all relevant factors affecting collection as provided in the IRR and this order and (b) mitigating circumstances

such as the personnel's performance ratings under the performance management system and upon compliance with substantial and procedural due process. The performance ratings under PMS shall be measured using factors such as office and individual performance, position, function and others.

#### SECTION 11. WHEN TERMINATION SHALL NOT APPLY

- a) Where the District or area of responsibility is newly created, not exceeding two years in operation, and has no historical record of collection performance that can be used as basis for evaluation {Sec. 18 (a) Rule V of the IRR}
- b) Where the Official or Employee is a recent transferee in the middle of the period under consideration unless the transfer was due to nonperformance of revenue targets or potential nonperformance of revenue targets {Sec. 18 (b) Rule V of the IRR}

#### SECTION 12. RELEVANT FACTORS AFFECTING COLLECTION PERFORMANCE

- a. Economic difficulties brought about by natural calamities or *force majeure* suffered by any District or area of responsibility covered by Officials or Employees as may be determined by the Board (Sec. 18 (b), Rule V of the IRR).
- b. The following factors shall be taken into account only if these have not been considered in setting BESF targets:
  - i. Enactment of a law that repeals revenue measures, reduces tax and tariff rates, grants tax exemptions, or otherwise results in the diminution of the tax base or of taxable transactions and activities, including the entry into force of a treaty or an international agreement that the Philippines entered into resulting in preferential treatment for certain taxpayers or transactions: Provided that the Board shall have the final authority to determine the affected District or Districts as well as the amount of revenues deemed foregone due to such enactment or entry into force {Sec. 19 (a) Rule V of the IRR}.
  - ii. Reduction by the President of tariff rates under Section 401 of the Tariff and Customs Code of the Philippines {Sec. 19 (b) Rule V of the IRR}.

- iii. Exercise by the President of the power to open or close any port of entry under Section 702 of the Tariff and Customs Code of the Philippines {Section 19 (c) Rule V of the IRR}.

### SECTION 13. NON-DISCIPLINARY NATURE OF SEPARATION

Employees and Officials who are separated from the service by virtue of Section 7 (a) of the Attrition Act shall be deemed dropped from the rolls in accordance with Civil Service Laws, Rules and Regulations, without prejudice to the receipt of whatever benefits are due to the Official or Employee concerned, including reemployment to other government agencies, at the discretion of the appointing authority concerned.

### SECTION 14. OPERATIONAL POLICIES

The following operational policies shall be adopted in accordance with the Time Table as provided in "**Annex B**".

#### a) Execution of Performance Contracts

1. After the issuance of a CMO containing District, Division and individual targets, a Performance Contract shall be executed by all attributable individuals. The Performance Contract shall be prepared by the following:
  - i. The Performance Contract between the District Collector and the Commissioner shall be prepared by the PSCO/IICO.
  - ii. The Performance Contract between the District Collector and all Officials and Employees under his or her jurisdiction shall be prepared by the Collector.
2. Employees and Officials concerned must execute the aforementioned Performance Contract and forward these signed documents to the PSCO/IICO on or before the start of the year.

#### b) Monitoring and Evaluation:

1. The PSCO/IICO and the Human Resource Service (HRS) shall collate and monitor the duly executed performance contracts. The evaluation of individual performance shall be conducted annually. However, semestral reports on office performance shall be generated for purposes of monitoring individual performance evaluation as required

by the Attrition Act, and other purposes. The semestral report shall be submitted to the Board.

2. At the end of the year, the PSCO/IICO shall evaluate and determine who among the Employees or Officials holding attributable positions failed to reach the assigned collection target. The PSCO/IICO shall base their findings on the summary of individual weekly performance collection report as consolidated by the HRS. The PSCO/IICO will present a list of personnel who failed to reach the assigned collection target to the Commissioner.

c) Review by the Commissioner :

1. The Commissioner shall review the recommendation made by PSCO/IICO and after which, he or she shall issue an order to those who failed to reach the assigned collection target to show cause why he or she should not be attrited. The personnel concerned must submit his or her explanation to the Commissioner not later than 15 days after receipt of the aforementioned order from the Commissioner.
2. After due consideration of the explanation made by the personnel concerned and all relevant factors/mitigating circumstances allowed under this order, the Commissioner shall decide whether there is basis to recommend a certain individual for termination/attrition or reassignment. Thereafter, the Commissioner shall present the list of attributable personnel to the Revenue Performance Evaluation Board for approval.

d) Decision by the Board:

1. The Board shall issue a final decision as to who should be removed or separated from the service. Such decision shall be immediately executory.
2. A copy of the final decision of the Board shall be transmitted by the Office of the Commissioner to the concerned Official or Employee.

e) Motion for Reconsideration and Appeal:

1. An Official or Employee whose employment is terminated by virtue of the final decision of the Board may initially file a motion for reconsideration with the

Board, through the Commissioner, within fifteen days from receipt of such decision.

2. Thereafter, Officials appointed by the President may file and appeal at the Office of the President, while all the rest of the Officials and Employees may appeal to the Civil Service Commission or the Office of the President, as the case may be, within 15 days from receipt of the copy of the decision of the Board pursuant to Sec. 20 of the IRR.
3. The Decision of the Board shall be final and executory after the lapse of the reglementary period for filing of motion for reconsideration or an appeal or where no motion or appeal has been filed.

#### **CHAPTER IV: REASSIGNMENT OF PERSONNEL**

##### **SECTION 15. GENERAL POLICY**

The Commissioner of Customs pursuant to Section 703 of the Tariff and Customs Code of the Philippines shall have the power to assign Employees in the best interest of service and as often as exigency of the service may require. (Sec. 18, last paragraph, Rule V of the IRR). The Commissioner shall exercise this power to improve human resource competence and optimize the revenue generating capability of the BOC.

The concept of reassignment provided in Rule VII, Section 11 of the Omnibus Rules Implementing Book V of EO 292, defined as "the movement of an Employee or Official from one organizational unit to another in the same agency not involving a reduction in rank, status or salary" shall be considered and strictly adhered to when moving personnel.

**SECTION 16. GROUNDS FOR REASSIGNMENT OF PERSONNEL** –The following shall be considered as grounds for reassignment of personnel in connection with the implementation of the Attrition Act.

- a) Refusal to sign the Performance Contract
- b) Unsatisfactory performance within the contract period as may be shown by a personnel's monthly or quarterly performance report.
- c) Failure to reach the assigned annual financial target.
- d) Non-submission of material documents required for the implementation of this Order as specified in "Annex C".

- e) Good performance, as a basis for reassignment to more challenging positions/functions.
- f) Other similar circumstances as the best interest of service may require.

SECTION 17. OPERATIONAL POLICIES - The following operational policies shall be adopted in regard to reassignment of personnel.

- a) Any request for reassignment may be initiated by the Head of any Unit/Division, District Collector or by the PSCO/IICO.
- b) All requests for reassignment of personnel shall be transmitted to the Office of the Commissioner. Upon receipt of the request for reassignment, the Commissioner shall transmit the request to the Lateral Attrition Implementation Committee (LAIC) for evaluation.
- c) The LAIC will require the PSCO/IICO to submit a report containing an evaluation of the past revenue collection performance of the personnel. Thereafter, LAIC will evaluate the case of Employee or Official proposed to be reassigned by considering his or her performance based on the PSCO/IICO report, among others. LAIC shall also request the Human Resource Service to recommend new posting for the concerned personnel, in case of reassignment.
- d) Thereafter, the Commissioner shall exercise his or her authority to reassign personnel taking into consideration the recommendations of LAIC.

## **CHAPTER V: DISTRIBUTION OF REWARDS AND INCENTIVES**

### SECTION 18. GENERAL POLICY

Rewards and Incentives shall be apportioned among the various Units and personnel of the BOC, pursuant to Section 4 and Section 5 of the Attrition Act and Rule III of its Implementing Rules and Regulations.

A "Unit" shall refer to a Service, Collection District, Ports, Sub-Ports, Division, Section or Office in the BOC.

## SECTION 19. COVERAGE

The system of rewards and incentives shall cover all Officials and Employees, regardless of employment status, with at least six months of service.

## SECTION 20. TYPES OF REWARDS AND INCENTIVES

### a) Individual Rewards

Individual Rewards pertain to monetary benefits or cash given to the Officials or Employees in case BOC as a whole exceeds its revenue collection target. It is distributed according to individual's performance evaluation rating.

### b) Unit Rewards

Unit Rewards pertain to non-monetary benefits given to a Unit which has exceeded its revenue collection target in case the BOC as a whole exceeds its own revenue collection target. It shall be sourced from twenty five (25%) of the Rewards and Incentives Fund.

It shall take the form of non-monetary benefits designed to enhance personnel development within the Unit, implement measure to improve collection, efficiency, promote training and personnel development and improve work environment within the Unit.

It shall not be distributed as additional salaries, allowances or any other additional emoluments or remuneration to a Unit's Officials and Employees.

### c) District Incentives

District Incentives shall refer to incentives given to a Collection District that exceeds its target even if the BOC, as a whole fails to meet its revenue target by less than ten (10%) percent.

District Incentives shall also be distributed in the form of non-monetary benefits.

## SECTION 21. REWARDS AND INCENTIVES FUND

- a) The Rewards and Incentives Fund, created pursuant to Section 4 of the Act, shall be sourced from the collection of the BOC in excess of its revenue collection target of the

year, as determined by the Development Budget and Coordinating Committee (DBCC) in the following percentages:

<i>Excess of Collection over the Revenue Targets</i>	<i>Percent (%) of the Excess Collection to Accrue to the Fund</i>
30% or below	15%
More that 30%	15% of the first 30% plus 20% of the remaining excess.

- b) The Fund shall be allocated, distributed and released by the Revenue Performance Evaluation Board of the BOC, in accordance with the rules and regulations issued by the same.
- c) A minimum of twenty five (25) % of the Fund shall be allocated as Unit Reward and Incentive.

#### SECTION 22. BASIS FOR REWARDS AND INCENTIVES

- a) Performance ratings of individuals and offices shall be the basis for determining rewards under Sections 4 and 5 of the Attrition Act.
- b) Office and individual performances shall be measured using the BOC's performance management system.

#### SECTION 23. REWARDS FRAMEWORK

This framework shall be followed in the distribution of Rewards and Incentives in accordance with the Attrition Act.

- a) Individual Rewards
  1. The grant of reward to individuals shall be based on a combination of the performance of Employee/Officials and the performance of the office to which he or she is assigned to as translated into individual and office ratings, respectively.
  2. The office ratings shall be based on the Office performance management system while the individual rating shall be based on Individual performance management system.

3. The process of determining the amount of reward for each Employee or Official shall involve the assignment of weights for selected factors based on personnel's performance and position. The weights shall represent the relative share of each personnel against the total reward. The weight for a given personnel shall be obtained by multiplying several factors that represent personnel's performance or accountability. The factors will come from predetermined tables as approved by the Commissioner of Customs as further described in "**Annex D**". These factors will show the Official's or Employee's relative contribution to the aggregate amount of the excess collection over the targeted amount of tax revenue to be collected by the BOC.
  4. In determining these factors, the higher rewards and incentives shall accrue to Officials and Employees who exercise greater responsibilities. Hence, those who occupy higher positions shall correspondingly be entitled to greater rewards and incentives.
  5. Individuals holding positions subject to attrition, as provided for in Section 17, Rule V of the IRR, shall be entitled to an additional premium in view of the risk of attrition inherent in such position.
  6. The rewards of Officials and Employees who provide support services to revenue collection both in the National Office and in Collection Districts, but do not have direct revenue collection functions, shall also be determined using the BOC's performance management system.
  7. An individual who is transferred in the middle of the period shall be entitled to a pro-rata share in the rewards.
- b) Unit Rewards
1. The Unit rewards shall be distributed based on selected factors as may be approved by the Commissioner of Customs.
  2. The Unit Rewards shall be determined based on a particular Unit's contribution to the aggregate amount of excess revenue collection of the BOC.

c) District Rewards

1. In case of application of Section 5 of the Attrition Act, the distribution of District Incentives to the various offices under a District shall be based on selected factors as may be approved by the Commissioner of Customs.
2. District Incentives will not be applicable in the following cases:
  - i. Any District which deliberately foregoes any revenue collection in any given year as part of the scheme to avoid a higher allocated target for the subsequent year shall not be entitled to a District Incentive in such subsequent year notwithstanding its having exceeded its allocated target.
  - ii. A District shall be deemed to have deliberately foregone revenue collection when, after it has reached or exceeded its annual target before the end of the year, its collection for the remaining period decreased significantly compared to its collection for the remaining period in the previous years. Provided , that the remaining period shall be at least one (1) month.
  - iii. A decrease in collection of at least 20% shall be deemed significant unless extenuating circumstances similar to those enumerated in Section 18, Rule V of the IRR are determined to be present by the Board.

SECTION 24. OPERATIONAL POLICIES

The following operational policies shall be adopted in accordance with the Time Table as provided in "**Annex B**".

- a) The PSCO/IICO shall manage the Rewards System which shall electronically compute the scores for each factor as provided in the Rewards Framework. At the end of each year, the HRS and the PSCO/IICO shall generate a list of individuals and Units/Districts entitled to rewards and incentives. This list shall be referred to as the "Rewards Distribution List."
- b) Based on the report of PSCO/IICO and the HRS, the Deputy Commissioner for Internal Administration Group shall present

the Individual and Unit/District Rewards' Distribution List for consideration of the Commissioner.

- c) The Commissioner shall present the Rewards Distribution List to the Revenue Performance Evaluation Board for approval.

#### SECTION 25. PREPARATION OF EXPENDITURE PLAN

An Expenditure Plan refers to a program of expenses consisting of list and cost of supplies equipment and services needed in (1) enhancing personnel development, (2) implementing measures to improve collection efficiency, (3) promoting training and personnel development, and (4) improving the work environment within the Unit. The preparation of Expenditure Plan shall be consistent with the Guidelines on Utilization of Unit/District Rewards that will be issued by the BOC. A sample template of Expenditure Plan is provided in "**Annex E**".

- a) Each Unit of District in the BOC shall submit to the Financial Management Office (FMO), not later than November 30 of each year, its contingent Expenditure Plan for the succeeding year for the utilization of its share in the Rewards Fund, in the event the BOC exceeds its target or in case a District becomes entitled to District Incentive according to the Attrition Act.
- b) The final Expenditure Plan of each Unit/District shall be submitted to the FMO on or before March 1 of each year.
- c) The Expenditure Plans of various Units/Districts shall be consolidated by Budget Division of the FMO to come up with the BOC's proposed Consolidated Expenditure Plan.
- d) Based on the Consolidated Expenditure Plan, the FMO shall present to the Commissioner the proposed distribution of the Rewards Fund to deserving individuals, Units/Districts for his or her approval.
- e) Once approved by the Commissioner, the proposed distribution of the Fund shall be submitted to the Board on or before the deadline it shall prescribe pursuant to Sections 12 and 30 (b)(iv) of the IRR.
- f) In the event of accrual of rewards based on Sec. 4 or 5 of the Attrition Act and subject to release of the funds by the Department of Budget and Management (DBM), the Accounting Division of the FMO shall be tasked to

implement the proposed distribution of rewards and incentives among the various Officials, Employees and Units or Districts, as the case maybe, based on the Consolidated Expenditure Plan approved by the Revenue Performance Evaluation Board.

## **CHAPTER VI: ESTABLISHMENT OF PERFORMANCE MANAGEMENT SYSTEM**

### SECTION 26. GENERAL POLICY

- a) The performance of the various offices and personnel of the BOC shall be evaluated annually using a Performance Management System (PMS) that is fair, objective and accurate, and whose results are not only verifiable but also replicable.
- b) The PMS shall follow a four-stage process composed of performance planning, monitoring, evaluating, and rewarding. In performance planning, objectives, performance measures and targets are established and cascaded from the office to the individual levels.
- c) The BOC shall adopt a phased in implementation approach in installing its full scale PMS following the PMS Implementation Guidelines in "**Annex G**".
- d) Pending the installation of a full scale PMS, the BOC shall utilize the financial metric (revenue collection performance) in evaluating the performance of personnel.

### SECTION 27. ROLE OF THE PLANNING AND SYSTEMS CONTROL OFFICE (PSCO)/ INTERIM INTERNAL CONTROL OFFICE (IICO)

The PSCO/ IICO shall ensure that the PMS is installed in accordance with the PMS Implementation Guidelines. Further, it shall coordinate with the Financial Service in implementing the rewarding/atrriting phase of the PMS.

## **CHAPTER VII. REPORTORIAL REQUIREMENTS**

### SECTION 28. BOC Representation in the Revenue Performance Evaluation Board.

- a) The members of Employees' or Officials' organizations as may be duly recognized by the BOC shall elect the following

representatives to the Board: one (1) Official and two (2) Employees.

- b) Only Officials may elect the representative of the "Official's Group" to the Board. In the same manner, only Employees may elect the representatives of the "Employee's Group" to the Board.

#### SECTION 29. PREPARATION OF BOC PERFORMANCE REPORTS

- a) Within one month from the end of each semester, the Financial Service shall prepare the BOC performance reports required under Section 28 of the IRR and present the same to the Commissioner for approval. The reports shall be submitted semi-annually, and the last report shall be annualized.
- b) Once approved by the Commissioner, the reports shall be submitted to the Board as well as to Congress, within two months after each period covered by the report in accordance with Section 30(b)(vi) and (d)(i) of the IRR.

### **CHAPTER VIII. OTHER SANCTIONS**

SECTION 30. No Employee or Official is allowed to process import entries covering commodities not belonging to his or her section. Any BOC personnel found to be violating this provision shall be subject to disciplinary measures under Rule IX of the Omnibus Rules Implementing Book V of the Executive Order No. 292 (series of 1987) as amended and other Civil Service laws, rules and regulations.

### **CHAPTER IX. TRANSITORY PROVISIONS**

SECTION 31. TRANSITORY PROVISIONS – Inasmuch as the Implementing Rules and Regulations of the Attrition Act was issued on 22 May 2006, the documents required to be submitted to the Board for fiscal year 2006 shall be prepared in accordance with the following schedule:

- a) Not later than thirty (30) days from the issuance of this Order, the Collection District that exceeds its target for CY 2006 shall submit to the FMO its proposed Expenditure Plan for the utilization of its rewards.
- b) Not later than thirty (30) days from the issuance of this Order, each Unit shall submit to the FMO its proposed expenditure plan for the utilization of the Fund in the event the BOC exceeds its target for CY 2006.

SECTION 32. REPEALING CLAUSE – All existing customs memorandum orders, and other issuances inconsistent herewith are hereby repealed, modified or amended accordingly.

SECTION 33. EFFECTIVITY – This Order shall take effect immediately.

NAPOLEON MORALES  
Commissioner  
BOC of Customs

## **LIST OF ANNEXES**

- a) List of Attributable Positions in BOC
- b) Indicative Time Line for Implementation of Attrition Act
- c) List of Material Documents Required for Implementation of this Order
- d) Framework for Computing Rewards and Incentives Under Attrition Act
- e) Sample Expenditure Plan
- f) PMS Implementation Guidelines

**ANNEX A -- LIST OF ATTRITABLE POSITIONS**

(See Excel Files)

(See page 3-18 for a sample of the over 4,000 positions.)

**ANNEX B -- INDICATIVE TIME TABLE**

Activity	Date
<b>1. GOAL ALLOCATION</b>	
DBCC formally communicates to the Board the over all collection goal of BOC.	September
DCR-RCMG shall prepare a List of Collection Targets per District.	October
District Collector shall assign targets for all individuals under his or her jurisdiction.	November
Commissioner will issue a CMO containing individual and district targets and forward it to the DBCC.	First week of December
<b>2. EXECUTION OF PERFORMANCE CONTRACTS</b>	
Office Performance Contracts	Second Week of December
Contract between the Office of the Commissioner and the District Collector.	Second Week of December
Contract between the District Collector and individual under his or her jurisdiction.	Third Week of December
Submission of Signed Performance Contracts to PSCO/ IICO.	Fourth Week of December
<b>3. MONITORING OF PERFORMANCE</b>	
District Collector shall submit the revenue collection performance report of each attritable individual under his or her jurisdiction to PSCO/ IICO.	Weekly
PSCO/ IICO will manage the PMS system.	Year round
<b>4. EVALUATION OF PERFORMANCE</b>	
<b>a) Attrition</b>	
PSCO/IICO shall present to the Commissioner a List of Attritable Employees or Officers	Second Week of January
Commissioner will order personnel in danger of being attrited to explain why they should not be terminated.	Third Week of January
Commissioner will submit names of personnel proposed to be attrited to the Revenue Performance Board for approval.	February
RPEB releases the names of personnel to be attrited.	March
<b>b) Rewards</b>	
PSCO/IICO will prepare the Rewards Distribution List.	First Week of January
Depcom for IAG will present to the Commissioner the Rewards Distribution List.	February
Commissioner will present the Rewards Distribution List to the Revenue Performance Evaluation Board for approval	March
<b>5. FINAL STEPS:</b>	
<b>a) ATTRITION</b>	
A copy of the final decision of the Board shall be transmitted by the Office of the Commissioner to the concerned Official or Employee.	March

<b>b) DISTRIBUTION OF REWARDS</b>	
<b><i>Preparation Of Expenditure Plan</i></b>	
Each Unit/District will prepare an Expenditure Plan for its share in the utilization of Fund in case BOC exceeds its target (or District exceeds its target) and submit it to the FMO.	
o Contingent Expenditure Plan	End of November
o Final Expenditure Plan	Second Week of February
Budget Division of FMO will consolidate the EPs and present the Consolidated Expenditure Plan to the Commissioner.	Last Week of February
Commissioner will present Consolidated EP for approval by the Board.	March

### ANNEX C -- LIST OF MATERIAL DOCUMENTS

<b>Documents</b>	<b>Person In Charge</b>
1. Performance Contract	Employee/Official
2. Monthly Performance Report	District Collector
3. Semestral Performance Report	PSCO/IICO
4. Annual Performance Report	Financial Service

## ANNEX D -- FRAMEWORK FOR COMPUTING REWARDS AND INCENTIVES UNDER ATTRITION LAW

### Part I: KINDS OF REWARDS AND INCENTIVES

#### A. PERSONNEL REWARDS

The reward amount for a given personnel will have two components, a fixed reward and a merit reward:

$$\text{Reward for a Personnel} = \text{Fixed Reward (FR)} + \text{Merit Reward (MR)}$$

##### **Fixed Reward**

The fixed reward is divided evenly among all personnel in the BOC.

Suppose  $N$  = the number of personnel in the BOC; the fixed reward per personnel is computed as follows:

$$\text{FR (Fixed Reward)} = \text{FIXEDEMP} / N$$

It is also possible to restrict fixed rewards to particular personnel in the BOC, if top management deems it appropriate to do so. For instance, a cutoff for personnel performance and/or the performance of the office that the personnel belongs to may be imposed, so that only those personnel meeting the cutoff are eligible for fixed rewards. In this case, the value  $N$  will be less than the total number of personnel in the BOC.

##### **Merit Reward**

Personnel merit rewards are computed using the following method:

a) Weights are first assigned to each personnel in the BOC. The weights represent the relative merit rewards share of the given personnel. These weights are obtained by multiplying several factors associated to a personnel. Factors may vary from year to year. Based on a workshop conducted with the BOC in September 2006, and in succeeding consultations with BOC Officials, the following factors have emerged:

1. position factor (PF)
2. function factor (FF)
3. accountability factor (AF)

4. personnel rating factor (RF)
5. office rating factor (OF)
6. goal size factor (GF)

Each personnel will have a position factor (PF), a function factor (FF), an accountability factor (AF), and an employee rating factor (RF). The office covering a certain personnel will also have an office rating factor (OF) and a goal factor (GF). The values for these factors will depend on personnel circumstances and will come from predetermined tables presented in a separate section. It is possible that one of these factors is 0, implying no merit reward for the given personnel.

Suppose:

$W_i$  = weight assigned to personnel  $i$ , computed as

$$PF * FF * AF * RF * OF * GF$$

$S$  = sum of all  $W_i$ 's

Then:

$$MR_i (\text{Merit Reward for personnel } i) = \text{MERITEMP} * W_i / S.$$

Total reward for a personnel is simply the sum of the computed fixed and merit reward amounts.

$$TR_i (\text{Total Reward for personnel } i) = FR + MR_i$$

## B. UNIT REWARDS

A similar process applies to rewards distribution at the office level, although rewards in this case will not have a fixed component. Three factors apply at the office level: **office rating factor (OF)**, **goal size factor (GF) representing the difficulty level of the collection goal of an office**, and **a size factor (SF) representing the number of personnel in that office**. The proposed factor values are presented in a separate section.

1. office rating factor (OF)
2. goal size factor (GF)
3. office size factor (SF)

Suppose:

$W_i$  = weight assigned to office i, computed as  $OF * GF * SF$

S = sum of all  $W_i$ 's

Then:

$$OR_i \text{ (Reward for office i)} = OFCFUND * W_i / S.$$

### C. DISTRICT REWARDS

In case Section 5 of the Attrition Act applies (the BOC does not meet its target), then only districts that exceed their collection targets will be entitled to rewards and only office rewards will apply. Rewards will be determined using a method similar to the one described in the previous section. The same formulas apply, although computations will be made per district. The term OFCFUND will be replaced by DISTFUND, representing the *District Incentive* allocated for offices in a performing district:

Suppose:

$W_i$  = weight assigned to office i, computed as  $OF * SF * GF$

S = sum of all  $W_i$ 's for an office given (performing) district

Then:

$$DR_i \text{ (Reward for office i)} = DISTFUND * W_i / S.$$

## Title II: FACTOR TABLES

In this section, factor tables are presented for the different factor categories. The factor values found in these tables will be used in the computation of weights as discussed in the previous section.

### A. Employee Factors

All personnel will be categorized according to their position, function, and attritability. This means that each personnel will fall under a particular position category, function category, and attritability category, as defined by top management. These categories, in turn, determine the factors to be used during rewards distribution.

Function categories capture the actual function carried out by an personnel. Initially, categories such as "Assessment", "Audit", "Enforcement", "Legal" and "Operations" were included to distinguish between these different roles. These were later simplified to three categories:

Function Category	Factor (FF)
Top Management	10
Line	9
Support	8

Note that the factor values indicated in the above table implies that Support personnel get 20% less than Top Management personnel, all other things being equal. "Line" personnel are non-support personnel in collection districts, and personnel under this category get 10% less than Top Management personnel.

Position categories capture the rank and designation of a given employee. Although plantilla item data serves as a reasonable starting point when determining position categories, it should be emphasized that the categories should capture *actual* assignments of personnel. Categorizations will be based on the "effective" salary grade of the personnel.

Position Category	Factor (PF)
SG 30	15
SG 29	14
SG 28	13
SG 27	12
SG 26	11
SG 25	10
SG 24	9
SG 21-23	8
SG 19-20	7
SG 16-18	6
SG 11-15	5
SG 7-10	4
SG 4-6	3
SG 1-3	2

It is reasonable to assume that attritable personnel should get more rewards than those who are not attritable, all other personnel

characteristics being equal. The following table captures this distinction.

Attritability Category	Factor (AF)
Attritable	12
Not Attritable	5

Performance rating factors enable a rewards system that is performance based. The current personnel performance rating system is the Performance Evaluation System (PES). The table below illustrates PES ratings and factors that corresponding to each personnel rating.

Employee Rating	Factor (PF)
2	0.5
3	0.5
4	0.5
5	5
6	5
7	6
8	6
9	8
10	8

## B. Office Factors

Employee weights also include indicators at the office level, particularly office performance and goal size. Performance ratings at the office level and their corresponding factors are given in the following table.

Office Rating	Factor (PF)
1	0
2	1
3	6
4	9
5	10

Office ratings should be generated from an Office Performance Management System (OPMS). In the absence of a full-blown OPMS, ratings can be dependent on collection performance alone, for instance:

Collection Performance (actual over target)	Office Rating
Below 92.5%	1
92.5% to 99%	2
99% to 100%	3
100% to 107.5%	4
Above 107.5%	5

Goal size categories and factors represent the level of difficulty associated with an office in terms of meeting their collection goal. This may be based purely on the collection target amount although other indicators may be used.

Goal Size Category	Factor ( GF)
1	6
2	8
3	10
4	11
5	13
6	15

Determination of goal categories can be based on the following:

Collection Target	Goal Category
Below 0.8B	1
0.8B to 3B	2
3B to 10B	3
10B to 30B	4
30B to 50B	5
Over 50B	6

The Office Rating and Goal Size factor tables are used in the determination of personnel rewards. The same tables are used for office rewards. In addition, for office rewards, Office Size Factor is included. Here, the actual size of the office will be used as the corresponding factor.

**ANNEX E - SAMPLE EXPENDITURE PLAN**

BOC OF CUSTOMS

EXPENDITURE PLAN

UNIT or DISTRICT INCENTIVE (per R.A. 9335)

CY \_\_\_\_\_  
(In Thousand Pesos)

REVENUE REGION: \_\_\_\_\_

TYPE OF EXPENSES	QUANTITY	COST PER UNIT	TOTAL AMOUNT

Prepared by:

Approved by:

\_\_\_\_\_

\_\_\_\_\_

## **ANNEX F -- PMS IMPLEMENTATION GUIDELINES**

### SECTION 1. POLICY GUIDELINES:

- a) The Implementing Rules and Regulations of the 2005 Performance Attrition Act require the use of a Performance Management System (PMS) in distribution the rewards and incentives for Officials and Employees of the BOC of Customs (BOC).
- b) The Commissioner of Customs shall evaluate annually the performance of the various offices and personnel of the BOC using a PMS that is fair, objective and accurate, and whose results are not only verifiable but also replicable.
- c) The PMS follows a four-stage process composed of performance planning, monitoring, evaluating, and rewarding. In performance planning, objectives, performance measures and targets are established and cascaded from the office to the individual levels. Monitoring involves periodically checking and systematically documenting performance at the office and individual levels so that necessary adjustments in priorities and strategies can be made. Evaluation involves the process of assessing whether the performance targets are attained and determining ratings for actual performance. The results of performance evaluation are used as basis for rewards and continuous improvements.
- d) The BOC's PMS follows the Balanced Scorecard approach in the design and installation of the PMS. It is a strategy management and implementation tool that looks at performance of an organization from a balanced set of perspectives such as:

- i. Financial - It includes efforts of the BOC that directly contribute to increased collection.
  - ii. Customer - It pertains to all strategic objectives leading to increasing compliance and satisfaction levels of BOC customers.
  - iii. Process improvement - It captures all strategic objectives of the Agency to improve its core operations processes. These core processes may be in the areas of assessment/valuation, trade facilitation, and enforcement, warehousing and case resolution.
  - iv. Organizational learning and growth - It subsumes all strategic objectives contributing to improvement in BOC human resource competence, integrity and professionalism. It also includes efforts of the BOC to improve the quality of its work life.
- e) The performance management system uses several tools to ensure effective alignment of performance measures/data across offices and individuals. These are the strategy map, scorecard, measures dictionary, PMS process map and the performance management information system.
- i. The Strategy Map is used to translate the vision and mission of the BOC of Customs into inter-related strategic objectives. It serves as the guiding framework in the formulation of office and individual performance scorecards. All the performance measures or key performance indicators in performance scorecards are linked to these objectives.
  - ii. The Performance Scorecard serves as the contract that binds offices and individuals to pre-identified financial and non-financial targets. Performance Scorecards are mutually agreed – upon and signed by raters and ratees after the target setting and evaluation processes.
  - iii. The Measures Dictionary is a reference document containing detailed information about each measure in the scorecard.

- iv. The PMS process map details the activities of the PMS Teams in ensuring alignment of targets across offices during the target setting, integrity of data during the monitoring process and consolidation and analyses of data during the evaluation stage. The PMS Teams are composed of the PMS Sponsors, Owners and Monitoring and Evaluation (M&E) Teams. The PMS Sponsors are composed of the BOC Commissioner, EXECOM and District Collectors. The PMS Owners are the Financial Service, Interim Internal Quality Control Service and Human Resource Service. The Financial Service focuses on financial collection data at the Office level while the Interim Internal Quality Control Service on non-financial performance data at the Office level and the Human Resource Service on performance data at the individual level.
- f) The last tool is the *Performance Management Information System* (PMIS) which is a web-based application that supports the OPMS process. Its installation and implementation is a major component of the OPMS since it is the system that facilitates the encoding and processing of measurement data to arrive at performance ratings for offices. It has the following modules:
- i. Planning/ Target-setting - includes the setting up and generation of Office Contracts.
  - ii. Evaluation – includes the generation of worksheets for consolidating and uploading actual performance data, and rating of office performance.
  - iii. Management Reports – includes standard reports that provide management with data for analysis and decision-making.
- g) With all tools installed, the PMS is a potent tool that can provide quantitative and qualitative explanations on the organizational determinants of good and poor performance. With good performance measures properly documented and evaluated, one is able to systematically define the areas of strength and improvement of an office which becomes a basis for office target setting, continuous improvement and organizational rewards.

SECTION 2. INSTALLATION TIMELINE :

The installation of a full-scale PMS will take some time. The following is the installation timeline of PMS for BOC.

a) YEAR 1

Activity	Indicators
Main Deliverable	Office performance contracts that capture a balanced set of performance measures. The BOC Scorecard shall be firmed up and cascaded up to the District level based on pre-identified clustering.
Monitoring	Agency and District Scorecard ratings are monitored periodically.
Evaluation	Agency and Districts are evaluated based on a balanced set of performance measures. Individual are evaluated using the PES.
Rewarding	Offices are rewarded based on Scorecard ratings. Individuals are rated using the rewards framework.
Change Management	Visible, sustained top management sponsorship of the project is required. A communication plan focusing on the rationale and gains of the PMS should be instilled in top and middle BOC managers across ports.  District collectors are trained and coached on the skills involved in PMS: strategic and aligned target setting, monitoring and documentation of performance data, evaluation and continuous improvement of offices and cascade of performance data to the individual level. They are also trained how to be effective change managers.
OPMIS	PMIS used as a stand alone system to assess office and individual performance ratings.

b) YEAR 2

Activity	Indicators
Deliverable	Office performance contracts contain balanced set of performance measures. BOC and District Scorecard enhanced and cascaded to the Group, Division and Section levels.
Monitoring	All Offices are monitored periodically.

Evaluation	All Offices are evaluated based on a balanced set of performance measures. Individuals are evaluated using the PES.
Rewarding	Offices are rewarded based on Scorecard ratings. Individuals are rated using the rewards framework.
Change Management	District collectors are trained to be effective "coaches" to their personnel in the sustained implementation of the PMS. They are also trained on anticipating and managing possible resistance to the PMS.
OPMIS	PMIS used as a stand alone system to assess office and individual performance ratings.

c) YEAR 3

Activity	Indicators
Deliverable	Individual performance contracts are aligned with office performance contracts.
Monitoring	Individual performance contracts monitored on a semestral basis.
Evaluation	Individuals are evaluated using the PES that is aligned with the Office Scorecards.
Rewarding	Individuals are rewarded based on financial and non-financial measures
Change Management	Individuals are trained to align their targets to the office, monitor their performance using pre-structured monitoring tools and accept feedback during the evaluation stage.
OPMIS	PMIS used as a stand alone system to assess office and individual performance ratings.

SECTION 3. STAKEHOLDERS AND IMPLEMENTORS

The PMS installation process will have to be steered and managed by critical stakeholders internal to BOC for more ownership and buy-in of the system. The PMS teams will be formed with distinct and complementing roles. It shall be composed of three levels of stakeholders. The relationship among the PMS critical stakeholders is in Annex A.

- a) The PMS sponsors shall champion the PMS and provide strategic directions. They shall be composed of the Customs Commissioner (Cuscom), EXECOM and the 15 District Collectors.

- b) The PMS process owners shall provide technical support to the PMS sponsors. They will consolidate and analyze performance data of the Agency. They will also communicate the performance results of the BOC. They shall be composed of the Finance Service, Human Resource Service and Interim Internal Control Office.
  
- c) The PMS Monitoring & Evaluation Teams shall ensure the integrity of the performance data in the Districts. They shall be composed of the Deputy Collectors across Districts. Studies show that middle managers have the most access and influence on the Employees. It is critical that the Deputy Collectors are allies in the installation of the PMS.

**GUIDELINES ON THE  
ALLOCATION OF  
REVENUE TARGETS FOR  
DISTRICTS, OFFICIALS  
and EMPLOYEES**

Republic of the Philippines  
**REVENUE PERFORMANCE EVALUATION BOARD**  
Bureau of Customs  
Manila

**GUIDELINES ON THE ALLOCATION OF REVENUE TARGETS FOR DISTRICTS, OFFICIALS  
and EMPLOYEES**

Pursuant to the provisions of Sec. 6, Rule II of the Implementing Rules and Regulations of the Attrition Act of 2005, the Revenue Performance Evaluation Board (RPEB) hereby prescribes the system of rationally allocating revenue targets for Districts, Officials and Employees.

**SECTION 1. POLICY GUIDELINES**

- a) The Attrition Act provides that the collection shortfall relative to the target as adjusted for realized values of exogenous variables, respectively, shall be the basis for attrition of the Bureau's personnel. (Sec. 19, Rule V, IRR)
  
- b) The allocation of the collection target of the Bureau shall be based on a system that is rational, replicable, transparent and fair. It must mitigate any potential perverse incentives against good performance and integrity among Officials and Employees. A rational target allocation recognizes the following principles:
  - 1. BOC revenue is determined by exogenous factors as well as effort.
  - 2. Exogenous factors may not remain constant during the year.
  - 3. Rational targets require quality verifiable information.

**SECTION 2. OPERATIONAL POLICIES**

The allocation of the BOC target collection shall be done at three levels namely (a) across Districts including the Office of the Commissioner, (b) across Divisions, Sub-ports, Sections or other component units under each District (hereafter referred to as Sub-Districts), and (c) across individual attributable personnel.

a) Across Districts and Office of the Commissioner

1. Verifiable Data: The statistical procedure to be used in determining the BOC collection target per District shall involve the use of verifiable data to determine the relative contribution of the following exogenous variables to the percentage change in collection per District and the Office of the Commissioner. Collection shall include duties, value-added taxes, excise taxes, and other revenue. These exogenous variables, shall include, but not be limited to the following:
  - i. import values (declared and assessed)
  - ii. import volumes
  - iii. commodity composition of imports
  - iv. number of entries
  - v. exchange rate
  - vi. number of personnel
  - vii. value of imports selected Green, Yellow, and Red
  - viii. value of duty-exempt imports (granted under special laws such as the Export Incentives Act, AFMA, or trade agreements such as the AFTA, etc)
  - ix. tax credits and deferred payments
  - x. value of containerized imports
  - xi. non-tax revenue
  - xii. budget
  - xiii. port infrastructure

Data for any of these variables to be used in the above-stated replicable statistical procedure must be verifiable and statistically significant in explaining collection performance.

2. Statistical Procedure: The application of the statistical procedure shall produce the respective estimated percentage contributions of the exogenous variables to the District's historical collection performance and collection efficiency growth.
  - i. The weighted sum of the respective estimated percentage contributions of the exogenous variables and the collection efficiency growth is the estimated percentage that shall be used in computing the shares of each District in the target collection of the Bureau.
  - ii. The collection efficiency growth is a residual between the actual collection performance of the District and that portion of

the collection which is explained by the exogenous variables. The residual is attributable to the intensity and quality of the Bureau's collection performance effort.

- iii. The Commissioner may increase the target collection efficiency growth of a District if in his or her judgment the District collection performance needs to be improved. In adjusting the target collection efficiency growth, the Commissioner may be guided by factors such as 1) support infrastructure available and 2) quality of the personnel at the District.
- iv. The District estimated percentage changes in collection as may be adjusted by the Commissioner are applied to BOC's actual collection in the current year or up to the last month of the current year where information on actual collection is available, to obtain the absolute amounts per District, which are then converted to District shares.
- v. The District shares are applied to the BOC target for the following year to obtain the absolute amounts of the target per District.

**b) Across the Sub-Districts**

1. Subject to the availability of each of the verifiable data at the level of the Sub-Districts, the same statistical procedure as described above may be repeated to estimate the targets for said offices.
2. If data is not available to allow a decomposition of the factors explaining the Sub-District's collection performance, some other replicable allocation of the target collection of the District to which these units belong to may be used, such as but not limited to historical shares of the Sub-District's collections.

**c) Across Its Attributable Individuals**

1. The collection target of the lowest grouping or unit that an attributable individual directly belongs to shall serve as that individual's target. All individuals in the said group shall share a collective or pooled target. *(For instance, if the group that an attributable individual immediately reports to is a Section, Division, Sub-Port, or Unit, then the target of that Section, Division, Sub-Port, or Unit, shall serve as his/her target.)*

### SECTION 3: ROLES AND RESPONSIBILITIES

The following roles and responsibilities shall be performed by various agencies in BOC.

- a) The Financial Service under the Revenue Collection Monitoring Group shall assume the following responsibilities in connection with:

1. Goal Allocation

- i. Organize Desk Staff to specialize in each major District who will (1) collect data from the District to be used in target allocation, (2) collect data including but not limited to economic or industrial activity at the local level and prices, from independent sources such as the National Statistics Office (NSO), Department of Finance (DOF), Bangko Sentral ng Pilipinas, Department of Trade and Industry, Department of Agriculture, Department of Energy, other government agencies, private sector associations and academic libraries, (3) analyze the determinants of port collections, (4) conduct random checks to verify the accuracy of data particularly assessed values.
- ii. Assign staff to hold office in each major District in order to ensure completeness and accuracy of record-keeping and integrity and quality of data.
- iii. Undertake the statistical procedure(s) needed to implement goal allocation.
- iv. Prepare and submit to the Commissioner the annual target goal allocation of Districts and their respective Divisions, providing a copy to the PMS Owner.

2. Ex Post Target Goal Allocation

- i. Gather the relevant data on the realized values of the exogenous variables explaining actual collection.
- ii. Estimate the target collection of the BOC based on the above realized data following a replicable and transparent procedure.
- iii. Submit the estimate and analysis of the estimate's implications on the BOC's collection performance in the preceding year.

- b) Each District shall provide complete monthly data on the variables enumerated in Section 4(a) 1 above, at the Division level including all

Divisions under the District, to the Financial Service and to the PSCO/IICO not later than 1 October of each year.

- c) Each District Head shall allocate the District target to the attributable individuals under his or her jurisdiction following the guiding principles and methodology for allocating the Division target across attributable individuals. The individual goal allocation shall be submitted to the Commissioner by 1 December of each year through the Financial Service.
- i. The Financial Service shall be guided by the following indicative deadlines:
  - ii. Obtain the data from each District not later than 1 October and/or from other sources such as the National Statistics Office.
  - iii. Calculate the target allocation of each District and Division by 31 October.
  - iv. Submit the resulting allocated targets to the Commissioner on 1 November of each year.
  - v. Disseminate the approved goal allocation to the District Heads on 7 November of each year.
  - vi. Collect from the District Heads the allocated targets of attributable individuals by 30 November.
  - vii. Consolidate the goal allocation lists and submit to the Office of the Commissioner and the PSCO/IICO by 1 December.
  - viii. The Commissioner shall issue a Customs Memorandum Order containing the District, Division and individual targets and forward it to the DBCC in the first week of December.

**D. EFFECTIVITY:**

These guidelines shall take effect immediately.

Approved by the Revenue Performance Evaluation Board (RPEB)  
this 19<sup>th</sup> day of April 2007, in Manila, Philippines

**MARGARITO TEVES**  
Secretary  
Department of Finance

**ROLANDO ANDAYA, JR.**  
Secretary  
Department of Budget and Management

**ROMULO NERI**  
Secretary  
National Economic and Development Authority

**NAPOLEON MORALES**  
Commissioner  
Bureau of Customs

**GUIDELINES IN THE  
IMPLEMENTATION OF  
The PERFORMANCE  
MANAGEMENT SYSTEM**

Republic of the Philippines  
**REVENUE PERFORMANCE EVALUATION BOARD**  
Bureau of Customs  
Manila

**GUIDELINES IN THE IMPLEMENTATION OF  
PERFORMANCE MANAGEMENT SYSTEM FOR BUREAU OF CUSTOMS**

Pursuant to the provisions of Sec. 25, Rule VI of the Implementing Rules and Regulations of the Attrition Act of 2005, the Revenue Performance Evaluation Board (RPEB) hereby prescribes the system of performance evaluation for Bureau of Customs.

**SECTION 1. POLICY GUIDELINES:**

- a) The Implementing Rules and Regulations of the 2005 Performance Attrition Act require the use of a Performance Management System (PMS) in distribution the rewards and incentives for officials and employees of the Bureau of Customs (BOC).
- b) The Commissioner of Customs shall evaluate annually the performance of the various offices and personnel of the Bureau using a Performance Management System (PMS) that is fair, objective and accurate, and whose results are not only verifiable but also replicable.
- c) The Performance Management System (PMS) follows a four-stage process composed of performance planning, monitoring, evaluating, and rewarding. In performance planning, objectives, performance measures and targets are established and cascaded from the office to the individual levels. Monitoring involves periodically checking and systematically documenting performance at the office and individual levels so that necessary adjustments in priorities and strategies can be made. Evaluation involves the process of assessing whether the performance targets are attained and determining ratings for actual performance. The results of performance evaluation are used as basis for rewards and continuous improvements.
- d) The Bureau's PMS follows the Balanced Scorecard approach in the design and installation of the Performance Management System. It is a strategy management and implementation tool that looks at performance of an organization from a balanced set of perspectives such as:

- i. Financial - It includes efforts of the BOC that directly contribute to increased collection.
  - ii. Customer - It pertains to all strategic objectives leading to increasing compliance and satisfaction levels of BOC customers.
  - iii. Process improvement - It captures all strategic objectives of the Agency to improve its core operations processes. These core processes may be in the areas of assessment/valuation, trade facilitation, and enforcement, warehousing and case resolution.
  - iv. Organizational learning and growth - It subsumes all strategic objectives contributing to improvement in BOC human resource competence, integrity and professionalism. IT also includes efforts of the BOC to improve the quality of its work life.
- e) The Performance Management System uses several tools to ensure effective alignment of performance measures/data across offices and individuals. These are the strategy map, scorecard, measures dictionary, PMS process map and the performance management information system.
  - i. The Strategy Map is used to translate the vision and mission of the Bureau of Customs into inter-related strategic objectives. It serves as the guiding framework in the formulation of office and individual performance scorecards. All the performance measures or key performance indicators in performance scorecards are linked to these objectives.
  - ii. The Performance Scorecard serves as the contract that binds offices and individuals to pre-identified financial and non-financial targets. Performance Scorecards are mutually agreed -upon and signed by raters and ratees after the target setting and evaluation processes.
  - iii. The Measures Dictionary is a reference document containing detailed information about each measure in the scorecard.

- iv. The PMS process map details the activities of the PMS Teams in ensuring alignment of targets across offices during the target setting, integrity of data during the monitoring process and consolidation and analyses of data during the evaluation stage. The PMS Teams are composed of the PMS Sponsors, Owners and Monitoring and Evaluation (M&E) Teams. The PMS Sponsors are composed of the BOC Commissioner, EXECOM and District Collectors. The PMS Owners are the Financial Service, Interim Internal Quality Control Service and Human Resource Service. The Financial Service focuses on financial collection data at the Office level while the Interim Internal Quality Control Service on non-financial performance data at the Office level and the Human Resource Service on performance data at the individual level.
- f) The last tool is the *Performance Management Information System (PMIS)* which is a web-based application that supports the OPMS process. Its installation and implementation is a major component of the OPMS since it is the system that facilitates the encoding and processing of measurement data to arrive at performance ratings for offices. It has the following modules:
- i. Planning/ Target-setting - includes the setting up and generation of Office Contracts.
  - ii. Evaluation – includes the generation of worksheets for consolidating and uploading actual performance data, and rating of office performance.
  - iii. Management Reports – includes standard reports that provide management with data for analysis and decision-making.
- g) With all tools installed, the PMS is a potent tool that can provide quantitative and qualitative explanations on the organizational determinants of good and poor performance. With good performance measures properly documented and evaluated, one is able to systematically define the areas of strength and improvement of an office which becomes a basis for office target setting, continuous improvement and organizational rewards.

**SECTION 2. INSTALLATION TIMELINE:**

The installation of a full-scale PMS will take some time. The following is the installation timeline of PMS for BOC.

**a) YEAR 1**

<b>Activity</b>	<b>Indicators</b>
Main Deliverable	Office performance contracts that capture a balanced set of performance measures. The BOC Scorecard shall be firmed up and cascaded up to the District level based on pre-identified clustering.
Monitoring	Agency and District Scorecard ratings are monitored periodically.
Evaluation	Agency and Districts are evaluated based on a balanced set of performance measures. Individual are evaluated using the PES.
Rewarding	Offices are rewarded based on Scorecard ratings. Individuals are rated using the rewards framework.
Change Management	Visible, sustained top management sponsorship of the project is required. A communication plan focusing on the rationale and gains of the PMS should be instilled in top and middle BOC managers across ports.  District collectors are trained and coached on the skills involved in PMS: strategic and aligned target setting, monitoring and documentation of performance data, evaluation and continuous improvement of offices and cascade of performance data to the individual level. They are also trained how to be effective change managers.
OPMIS	PMIS used as a stand alone system to assess office and individual performance ratings.

**b) YEAR 2**

<b>Activity</b>	<b>Indicators</b>
Deliverable	Office performance contracts contain balanced set of performance measures. BOC and District Scorecard enhanced and cascaded to the Group, Division and Section levels.
Monitoring	All Offices are monitored periodically.
Evaluation	All Offices are evaluated based on a balanced set of performance measures. Individuals are evaluated using the PES.
Rewarding	Offices are rewarded based on Scorecard ratings. Individuals are rated using the rewards framework.
Change Management	District collectors are trained to be effective "coaches" to their personnel in the sustained implementation of the PMS. They are also trained on anticipating and managing possible resistance to the PMS.
OPMIS	PMIS used as a stand alone system to assess office and individual performance ratings.

**c) YEAR 3**

<b>Activity</b>	<b>Indicators</b>
Deliverable	Individual performance contracts are aligned with office performance contracts.
Monitoring	Individual performance contracts monitored on a semestral basis.
Evaluation	Individuals are evaluated using the PES that is aligned with the Office Scorecards.
Rewarding	Individuals are rewarded based on financial and non-financial measures
Change Management	Individuals are trained to align their targets to the office, monitor their performance using pre-structured monitoring tools and accept feedback during the evaluation stage.
OPMIS	PMIS used as a stand alone system to assess office and

	individual performance ratings.
--	---------------------------------

### SECTION 3. STAKEHOLDERS AND IMPLEMENTORS

The PMS installation process will have to be steered and managed by critical stakeholders internal to BOC for more ownership and buy-in of the system. The PMS teams will be formed with distinct and complementing roles. It shall be composed of three levels of stakeholders. The relationship among the PMS critical stakeholders is in Annex A.

- a) The **PMS sponsors** shall champion the PMS and provide strategic directions. They shall be composed of the Customs Commissioner (Cuscom), EXECOM and the 15 District Collectors.
- b) The **PMS process owners** shall provide technical support to the PMS sponsors. They will consolidate and analyze performance data of the Agency. They will also communicate the performance results of the BOC. They shall be composed of the Finance Service, Human Resource Service and Interim Internal Control Office.
- c) The **PMS Monitoring & Evaluation Teams** shall ensure the integrity of the performance data in the Districts. They shall be composed of the Deputy Collectors across Districts. Studies show that middle managers have the most access and influence on the employees. It is critical that the Deputy Collectors are allies in the installation of the PMS.

#### D. EFFECTIVITY:

These guidelines shall take effect fifteen days after its publication in the National Administrative Register (NAR) of the University of the Philippines Law Center.

Approved by the Revenue Performance Evaluation Board (RPEB)  
this 19<sup>th</sup> day of April 2007, in Manila, Philippines

**MARGARITO TEVES**  
Secretary  
Department of Finance

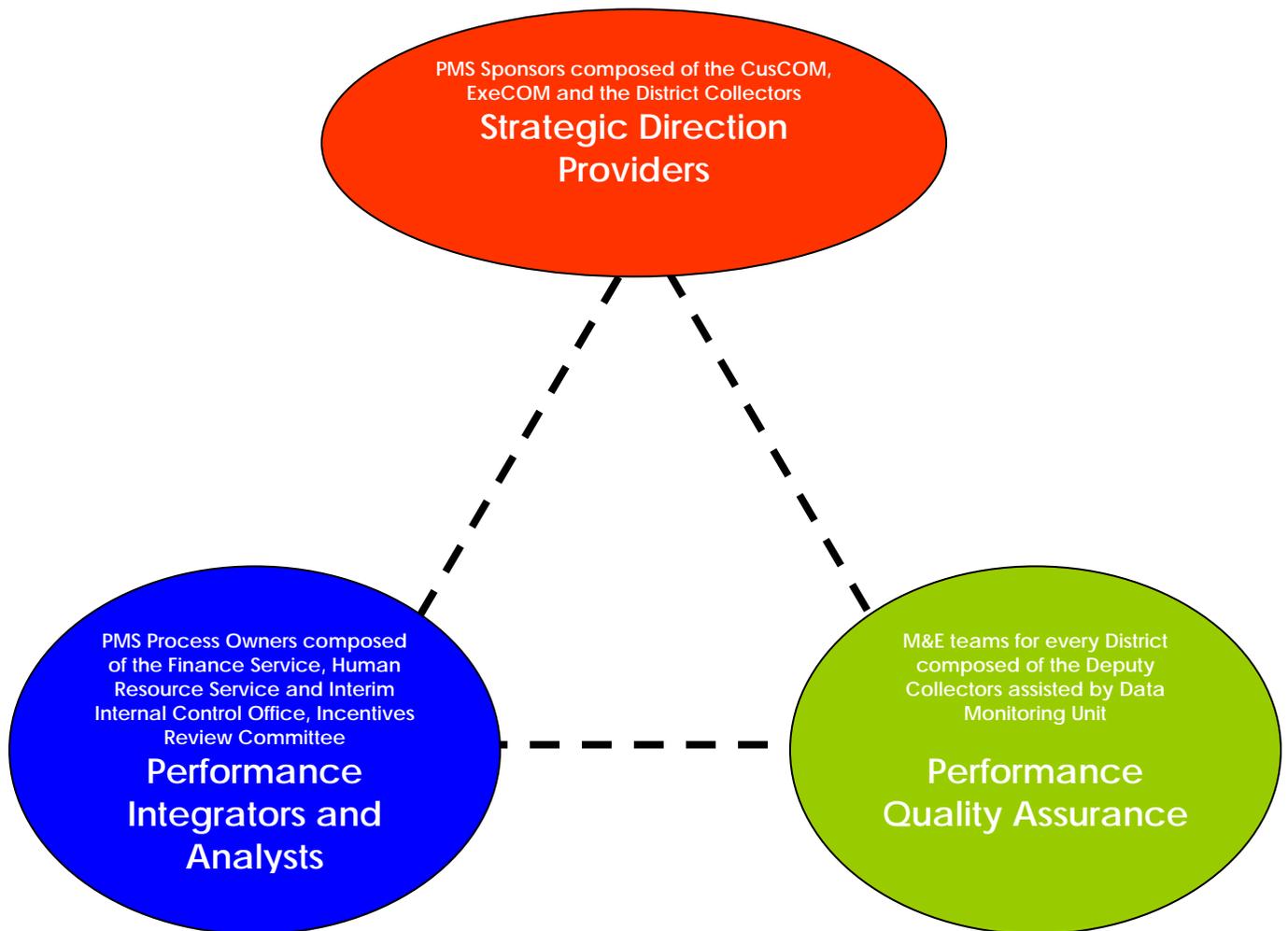
**ROLANDO ANDAYA, JR.**  
Secretary  
Department of Budget and Management

**ROMULO NERI**  
Secretary  
National Economic and Development Authority

**NAPOLEON MORALES**  
Commissioner  
Bureau of Customs

ANNEX A

RELATIONSHIP OF PMS CRITICAL STAKEHOLDERS



**POLICIES AND  
GUIDELINES IN THE  
DISTRIBUTION OF  
REWARDS AND  
INCENTIVES UNDER THE  
ATTRITION LAW**

Republic of the Philippines  
**REVENUE PERFORMANCE EVALUATION BOARD**  
Bureau of Customs  
Manila

**POLICIES AND GUIDELINES IN THE DISTRIBUTION OF REWARDS AND INCENTIVES  
UNDER THE ATTRITION LAW**

Pursuant to the provisions of Sec. 25 (a) of the Implementing Rules and Regulations of the Attrition Act of 2005, the Revenue Performance Evaluation Board (RPEB) hereby prescribes the rules and guidelines for the allocation, distribution and release of the Rewards Fund due to the Bureau as provided for in the Section 4 of the Act and for the allocation, distribution and release of District Incentive due to a District as provided for in Section 5 of the Act.

**1. GENERAL POLICY:**

Rewards and Incentives shall be apportioned among the various Units, Officials and Employees of the Bureau, pursuant to Section 4 and Section 5 of the Attrition Act of 2005 and Rule III of its Implementing Rules and Regulations (IRR).

**1.1. Coverage:**

The system of rewards and incentives shall cover all officials and employees, regardless of employment status, with at least six months of service.

An "Official" is a person who is appointed to and occupies a third level position while an "Employee" is a person who is appointed to and occupies either a first or a second level position.

**1.2. Types of Rewards and Incentives:**

**1.2.1. Individual Rewards**

Individual Rewards pertain to monetary benefits or cash given to the Officials or Employees in case BOC as a whole exceeds its

revenue collection target. It is distributed according to individual's performance evaluation rating.

### **1.2.2. Unit Rewards**

Unit Rewards pertain to non-monetary benefits given to a Unit which has exceeded its revenue collection target in case the BOC as a whole exceeds its own revenue collection target.

A "Unit" shall refer to a Service, Collection District, Ports, Sub-Ports, Division, Section or Office in the BOC.

Unit Rewards shall be sourced from twenty five (25%) of the Rewards and Incentives Fund.

It shall take the form of non-cash benefits designed to enhance personnel development within the Unit, implement measure to improve collection, efficiency, promote training and personnel development and improve work environment within the Unit.

It shall not be distributed as additional salaries, allowances or any other additional emoluments or remuneration to a Unit's Officials and Employees.

### **1.2.3. District Incentives:**

District Incentives shall refer to incentives given to a Collection District that exceeds its target even if the BOC, as a whole fails to meet its revenue target by less than ten (10%) percent.

District Incentives shall also be distributed in the form of non-monetary benefits.

## **1.3. Rewards and Incentives Fund:**

1.3.1. The Rewards and Incentives Fund, created pursuant to Section 4 of the Act, shall be sourced from the collection of the Bureau in excess of its revenue collection target of the

year, as determined by the Development Budget and Coordinating Committee (DBCC) in the following percentages:

<i>Excess of Collection over the Revenue Targets</i>	<i>Percent (%) of the Excess Collection to Accrue to the Fund</i>
30% or below	15%
More that 30%	15% of the first 30% plus 20% of the remaining excess.

Collection target shall refer to the original estimated revenue collection expected of the BOC for a given year as stated in the in the Budget of Expenditures and Sources of Financing (BESF) submitted by the President to Congress.

- 1.3.2. The Fund shall be allocated, distributed and released by the Revenue Performance Evaluation Board (Board) of the Bureau, in accordance with the rules and regulations issued by the same.
- 1.3.3. A minimum of 25% of the Fund shall be allocated as Unit Reward and Incentive.

**1.4. Basis for Rewards and Incentives:**

- 1.4.1. Performance ratings of individuals and offices shall be the basis for determining rewards under Sections 4 and 5 of the Attrition Act of 2005.
- 1.4.2 Office and individual performances shall be measured using the BOC's performance management system.

**1.5. Rewards Framework:**

The following framework shall be followed in the distribution of Rewards and Incentives in accordance with the Attrition Act of 2006.

## **1.5.2 Individual Rewards**

- 1.5.1.1.1.** The grant of reward to individuals shall be based on a combination of the performance of Employee/Officials and the performance of the office to which he or she is assigned to as translated into individual and office ratings, respectively.
- 1.5.1.1.2.** The office ratings shall be based on the Office performance management system while the individual rating shall be based on Individual performance management system.
- 1.5.1.1.3.** The process of determining the amount of reward for each Employee or Official shall involve the assignment of weights for selected factors based on personnel's performance and position. The weights shall represent the relative share of each personnel against the total reward. The weight for a given personnel shall be obtained by multiplying several factors that represent personnel's performance or accountability. The factors will come from predetermined tables as approved by the Commissioner of Customs as further described in "**Annex A**". These factors will show the Official's or Employee's relative contribution to the aggregate amount of the excess collection over the targeted amount of tax revenue to be collected by the BOC.
- 1.5.1.1.4.** In determining these factors, the higher rewards and incentives shall accrue to Officials and Employees who exercise greater responsibilities. Hence, those who occupy higher positions shall correspondingly be entitled to greater rewards and incentives.

**1.5.1.1.5.** Individuals holding positions subject to attrition, as provided for in Section 17, Rule V of the IRR, shall be entitled to an additional premium in view of the risk of attrition inherent in such position.

**1.5.1.1.6.** The rewards of Officials and Employees who provide support services to revenue collection both in the National Office and in Collection Districts, but do not have direct revenue collection functions, shall also be determined using the BOC's performance management system.

**1.5.1.1.7.** An individual who is transferred in the middle of the period shall be entitled to a pro-rata share in the rewards.

## **1.5.2 Unit Rewards**

**1.5.1.2.1.** The Unit rewards shall be distributed based on selected factors as may be approved by the Commissioner of Customs.

**1.5.1.2.2.** The Unit rewards shall be determined based on a particular Unit's contribution to the aggregate amount of excess revenue collection of the BOC.

## **1.5.2 District Rewards**

**1.5.1.3.1.** In case of application of Section 5 of the Attrition Act, the distribution of District Incentives to the various offices under a District shall be based on selected factors as may be approved by the Commissioner of Customs.

**1.5.1.3.2.** District Incentives will not be applicable in the following cases:

Any District which deliberately foregoes any revenue collection in any given year as part of the scheme to avoid a higher allocated target for the subsequent year shall not be entitled to a District Incentive in such subsequent year notwithstanding its having exceeded its allocated target.

A District shall be deemed to have deliberately foregone revenue collection when, after it has reached or exceeded its annual target before the end of the year, its collection for the remaining period decreased significantly compared to its collection for the remaining period in the previous years. Provided that the remaining period shall be at least one (1) month.

A decrease in collection of at least 20% shall be deemed significant unless extenuating circumstances similar to those enumerated in Section 18, Rule V of the IRR are determined to be present by the Board.

## **2. OPERATIONAL POLICIES**

The following operational policies shall be adopted in accordance with the Time Table as provided in **Annex B**.

### **2.1 Execution of Performance Contracts**

After the issuance of a CMO containing District, Division and individual targets, Performance Contracts shall be executed by all attributable individuals. The Performance Contract shall be prepared by the following:

- i. The Performance Contract between the District Collector and the Commissioner shall be prepared by the PSCO/IICO.
- ii. The Performance Contract between the District Collector and all Officials and Employees under his or her jurisdiction shall be prepared by the Collector.

Employees and Officials concerned must execute the aforementioned Performance Contract and forward these signed documents to the PSCO/IICO on or before the start of the year.

## 2.2 Monitoring and Evaluation

The PSCO/IICO shall manage the Rewards System which shall electronically compute the scores for each factor as provided in the Rewards Framework. At the end of each year, the HRS and the PSCO/IICO shall generate a list of individuals and Units/Districts entitled to rewards and incentives. This list shall be referred to as the "Rewards Distribution List."

Based on the report of PSCO/IICO and the HRS, the Deputy Commissioner for Internal Administration Group shall present the Individual and Unit/District Rewards' Distribution List for consideration of the Commissioner.

The Commissioner shall present the Rewards Distribution List to the Revenue Performance Evaluation Board

### **2.2. Preparation of Expenditure Plan:**

An Expenditure Plan refers to a program of expenses consisting of list and cost of supplies equipment and services needed in (1) enhancing personnel development, (2) implementing measures to improve collection efficiency, (3) promoting training and personnel development, and (4) improving the work environment within the unit. The preparation of Expenditure Plan shall be consistent with the Guidelines on Utilization of Unit/District Rewards that will be issued by the BOC. A sample Expenditure Plan is provided in **Annex C**.

2.2.1. Each Unit of District in the Bureau shall submit to the Financial Management Office (FMO), not later than November 30 of each year, its contingent Expenditure Plan for the succeeding year for the utilization of its share in the Fund in the event the Bureau exceeds its target or in case a District becomes entitled to District Incentive according to the Attrition Act.

2.2.2. The final Expenditure Plan of each Unit/District shall be submitted to the FMO on or before March 1 of each year.

- 2.2.3. The Expenditure Plans of various Units/Districts shall be consolidated by Budget Division of the FMO to come up with the Bureau's proposed Consolidated Expenditure Plan for the utilization of the Fund as required by Section 11 of the IRR.
- 2.2.4. Based on the consolidated Expenditure Plan, the FMO shall present to the Commissioner the proposed distribution of the Rewards Fund to deserving individuals, Units/Districts for his/her approval.
- 2.2.5. Once approved by the Commissioner, the proposed distribution of the Fund shall be submitted to the Board on or before the deadline it shall prescribe pursuant to Sections 12 and 30 (b)(iv) of the IRR.
- 2.2.6. In the event of accrual of rewards based on Sec. 4 or 5 of the Attrition Law and subject to release of the funds by the DBM, the Accounting Division of the FMO shall be tasked to implement the proposed distribution of rewards and incentives among the various Officials, Employees and Units or Districts, as the case maybe, based on the Expenditure Plans approved by the Commissioner and the Board.

**3. EFFECTIVITY:** These guidelines shall take effect immediately.

Approved by the Revenue Performance Evaluation Board (RPEB)  
This 19<sup>th</sup> day of April 2007, in Manila, Philippines

<b>MARGARITO TEVES</b> Secretary Department of Finance	<b>ROMULO NERI</b> Secretary National Economic and Development Authority
<b>ROLANDO ANDAYA, JR.</b> Secretary Department of Budget and Management	<b>NAPOLEON MORALES</b> Commissioner Bureau of Customs

## ANNEX A - FRAMEWORK FOR COMPUTING REWARDS AND INCENTIVES UNDER ATTRITION LAW

### Part I: KINDS OF REWARDS AND INCENTIVES

#### A. PERSONNEL REWARDS

The reward amount for a given personnel will have two components, a fixed reward and a merit reward:

Reward for a Personnel = Fixed Reward (FR) + Merit Reward (MR)

##### Fixed Reward

The fixed reward is divided evenly among all personnel in the BOC.

Suppose N = the number of personnel in the BOC; the fixed reward per personnel is computed as follows:

$$\text{FR (Fixed Reward)} = \text{FIXEDEMP} / \text{N}$$

It is also possible to restrict fixed rewards to particular personnel in the BOC, if top management deems it appropriate to do so. For instance, a cutoff for personnel performance and/or the performance of the office that the personnel belongs to may be imposed, so that only those personnel meeting the cutoff are eligible for fixed rewards. In this case, the value N will be less than the total number of personnel in the BOC.

##### Merit Reward

Personnel merit rewards are computed using the following method:

a) Weights are first assigned to each personnel in the BOC. The weights represent the relative merit rewards share of the given personnel. These weights are obtained by multiplying several factors associated to a personnel. Factors may vary from year to year. Based on a workshop conducted with the BOC in September 2006, and in succeeding consultations with BOC Officials, the following factors have emerged:

1. position factor (PF)

2. function factor (FF)
3. accountability factor (AF)
4. personnel rating factor (RF)
5. office rating factor (OF)
6. goal size factor (GF)

Each personnel will have a position factor (PF), a function factor (FF), an accountability factor (AF), and an employee rating factor (RF). The office covering a certain personnel will also have an office rating factor (OF) and a goal factor (GF). The values for these factors will depend on personnel circumstances and will come from predetermined tables presented in a separate section. It is possible that one of these factors is 0, implying no merit reward for the given personnel.

Suppose:

$W_i$  = weight assigned to personnel  $i$ , computed as

$$PF * FF * AF * RF * OF * GF$$

$S$  = sum of all  $W_i$ 's

Then:

$$MR_i (\text{Merit Reward for personnel } i) = \text{MERITEMP} * W_i / S.$$

Total reward for a personnel is simply the sum of the computed fixed and merit reward amounts.

$$TR_i (\text{Total Reward for personnel } i) = FR + MR_i$$

## B. UNIT REWARDS

A similar process applies to rewards distribution at the office level, although rewards in this case will not have a fixed component. Three factors apply at the office level: office rating factor (OF), goal size factor (GF) representing the difficulty level of the collection goal of an office, and a size factor (SF) representing the number of personnel in that office. The proposed factor values are presented in a separate section.

1. office rating factor (OF)
2. goal size factor (GF)
3. office size factor (SF)

Suppose:

$W_i$  = weight assigned to office i, computed as  $OF * GF * SF$   
 $S$  = sum of all  $W_i$ 's

Then:

$$OR_i (\text{Reward for office } i) = OFCFUND * W_i / S.$$

### C. DISTRICT REWARDS

In case Section 5 of the Attrition Act applies (the BOC does not meet its target), then only districts that exceed their collection targets will be entitled to rewards and only office rewards will apply. Rewards will be determined using a method similar to the one described in the previous section. The same formulas apply, although computations will be made per district. The term OFCFUND will be replaced by DISTFUND, representing the *District Incentive* allocated for offices in a performing district:

Suppose:

$W_i$  = weight assigned to office i, computed as  $OF * SF * GF$   
 $S$  = sum of all  $W_i$ 's for an office given (performing) district

Then:

$$DR_i (\text{Reward for office } i) = DISTFUND * W_i / S.$$

## Title II: FACTOR TABLES

In this section, factor tables are presented for the different factor categories. The factor values found in these tables will be used in the computation of weights as discussed in the previous section.

### A. Employee Factors

All personnel will be categorized according to their position, function, and atritability. This means that each personnel will fall under a particular position category, function category, and atritability category, as defined by top management. These categories, in turn, determine the factors to be used during rewards distribution.

Function categories capture the actual function carried out by an personnel. Initially, categories such as "Assessment", "Audit", "Enforcement", "Legal" and "Operations" were included to distinguish between these different roles. These were later simplified to three categories:

Function Category	Factor (FF)
Top Management	10
Line	9
Support	8

Note that the factor values indicated in the above table implies that Support personnel get 20% less than Top Management personnel, all other things being equal. "Line" personnel are non-support personnel in collection districts, and personnel under this category get 10% less than Top Management personnel.

Position categories capture the rank and designation of a given employee. Although plantilla item data serves as a reasonable starting point when determining position categories, it should be emphasized that the categories should capture *actual* assignments of personnel. Categorizations will be based on the "effective" salary grade of the personnel.

Position Category	Factor (PF)
SG 30	15

SG 29	14
SG 28	13
SG 27	12
SG 26	11
SG 25	10
SG 24	9
SG 21-23	8
SG 19-20	7
SG 16-18	6
SG 11-15	5
SG 7-10	4
SG 4-6	3
SG 1-3	2

It is reasonable to assume that attritable personnel should get more rewards than those who are not attritable, all other personnel characteristics being equal. The following table captures this distinction.

Attritability Category	Factor (AF)
Attritable	12
Not Attritable	5

Performance rating factors enable a rewards system that is performance based. The current personnel performance rating system is the Performance Evaluation System (PES). The table below illustrates PES ratings and factors that corresponding to each personnel rating.

Employee Rating	Factor (PF)
2	0.5
3	0.5
4	0.5
5	5
6	5
7	6
8	6
9	8
10	8

## B. Office Factors

Employee weights also include indicators at the office level, particularly office performance and goal size. Performance ratings at the office level and their corresponding factors are given in the following table.

Office Rating	Factor ( PF)
1	0
2	1
3	6
4	9
5	10

Office ratings should be generated from an Office Performance Management System (OPMS). In the absence of a full-blown OPMS, ratings can be dependent on collection performance alone, for instance:

Collection Performance (actual over target)	Office Rating
Below 92.5%	1
92.5% to 99%	2
99% to 100%	3
100% to 107.5%	4
Above 107.5%	5

Goal size categories and factors represent the level of difficulty associated with an office in terms of meeting their collection goal. This may be based purely on the collection target amount although other indicators may be used.

Goal Size Category	Factor ( GF)
1	6
2	8
3	10
4	11
5	13
6	15

Determination of goal categories can be based on the following:

Collection Target	Goal Category
Below 0.8B	1

0.8B to 3B	2
3B to 10B	3
10B to 30B	4
30B to 50B	5
Over 50B	6

The Office Rating and Goal Size factor tables are used in the determination of personnel rewards. The same tables are used for office rewards. In addition, for office rewards, Office Size Factor is included. Here, the actual size of the office will be used as the corresponding factor.

## ANNEX B – INDICATIVE TIMELINE

Activity	Date
<b>1. GOAL ALLOCATION</b>	
DBCC formally communicates to the Board the over all collection goal of BOC.	September
DCR-RCMG shall prepare a List of Collection Targets per District.	October
District Collector shall assign targets for all individuals under his or her jurisdiction.	November
Commissioner will issue a CMO containing individual and district targets and forward it to the DBCC.	First week of December
<b>2. EXECUTION OF PERFORMANCE CONTRACTS</b>	
Office Performance Contracts	Second Week of December
Contract between the Office of the Commissioner and the District Collector.	Second Week of December
Contract between the District Collector and individual under his or her jurisdiction.	Third Week of December
Submission of Signed Performance Contracts to PSCO/ IICO.	Fourth Week of December
<b>3. MONITORING OF PERFORMANCE</b>	
District Collector shall submit the revenue collection performance report of each attritable individual under his or her jurisdiction to PSCO/ IICO.	Weekly
PSCO/ IICO will manage the PMS system.	Year round
<b>4. EVALUATION OF PERFORMANCE</b>	
<b>a) Attrition</b>	
PSCO/IICO shall present to the Commissioner a List of Attritable Employees or Officers	Second Week of January
Commissioner will order personnel in danger of being attrited to explain why they should not be terminated.	Third Week of January
Commissioner will submit names of personnel proposed to be attrited to the Revenue Performance Board for approval.	February
RPEB releases the names of personnel to be attrited.	March
<b>b) Rewards</b>	
PSCO/IICO will prepare the Rewards Distribution List.	First Week of January
Depcom for IAG will present to the Commissioner	February

the Rewards Distribution List.	
Commissioner will present the Rewards Distribution List to the Revenue Performance Evaluation Board for approval	March
5. FINAL STEPS:	
a) ATTRITION	
A copy of the final decision of the Board shall be transmitted by the Office of the Commissioner to the concerned Official or Employee.	March
b) DISTRIBUTION OF REWARDS	
<i>Preparation Of Expenditure Plan</i>	
Each Unit/District will prepare an Expenditure Plan for its share in the utilization of Fund in case BOC exceeds its target (or District exceeds its target) and submit it to the FMO.	
o Contingent Expenditure Plan	End of November
o Final Expenditure Plan	Second Week of February
Budget Division of FMO will consolidate the EPs and present the Consolidated Expenditure Plan to the Commissioner.	Last Week of February
Commissioner will present Consolidated EP for approval by the Board.	March

**ANNEX C - SAMPLE EXPENDITURE PLAN**

**BUREAU OF CUSTOMS**

**EXPENDITURE PLAN**  
**UNIT or DISTRICT INCENTIVE (per R.A. 9335)**  
**CY \_\_\_\_\_**  
**(In Thousand Pesos)**

**REVENUE REGION:**

\_\_\_\_\_

TYPE OF EXPENSES	QUANTITY	COST PER UNIT	TOTAL AMOUNT

Prepared by:

\_\_\_\_\_

Approved by:

\_\_\_\_\_

**POLICIES AND  
GUIDELINES ON  
ATTRITION OF  
OFFICIALS AND  
EMPLOYEES**

Republic of the Philippines  
**REVENUE PERFORMANCE EVALUATION BOARD**  
Bureau of Customs  
Manila

**POLICIES AND GUIDELINES ON ATTRITION OF OFFICIALS AND EMPLOYEES**

Pursuant to the provisions of Sec. 25 (b), Rule VI of the Implementing Rules and Regulations of the Attrition Act of 2005, the Revenue Performance Evaluation Board (RPEB) hereby prescribes the criteria and procedures for removing from the service Officials and Employees whose revenue collection falls short of the target in accordance with Sec. 7 of the Act.

**1. GENERAL POLICY:**

All personnel of the Bureau of Customs who have revenue collection targets shall be subject to attrition. They shall include the District Collectors, and their deputies, as well as other personnel of the Bureau performing assessment, audit and collection functions as provided in Sec. 17, Rule V of the IRR of the Attrition Act.

Pursuant to Section 4(h) and (f) of the IRR, an "Official" is a person who is appointed to and occupies a third level position while an "Employee" is a person who is appointed to and occupies either a first or a second level position.

For this purpose, the positions listed in the BOC Commissioner's Memorandum to the Secretary of Finance dated 24 November 2006, hereto attached as **Annex A**, shall be subject to attrition.

**1.1. Criteria in Determining Personnel Subject to Attrition:**

- 1.1.1. All Officials and Employees including District Heads and Assistant District Head who have revenue collection targets;
- 1.1.2. District/Port Collectors and their deputies as well as customs officers assigned in services, divisions, or units with collection targets; and

1.1.3. All other personnel performing assessment, audit and collection functions.

1.2. Actual Duties of Personnel shall be Controlling:

In determining whether or not an Official or Employee is subject to attrition under Section 7 of the Act and Rule V of the IRR, it is not the official designation or title of the position that controls but the actual duties performed and the existence of a financial target as reflected in such Official's or Employee's performance contract. Personnel designated to perform non-assessment and non-collection functions even if holding positions normally having financial targets and/or performing assessment, audit, or collection functions shall not be subject to attrition. Provided, that the designation to such non-assessment and non-collection functions has been effective for at least one semester.

1.3. Required Period in the Position:

The Official or Employee must have been working or holding the attritable position for at least six (6) months of service before he or she can be subject to attrition.

1.4. Ground for Termination:

1.4.1. Personnel holding any of the positions aforementioned shall be separated or removed from the service when the collection performance of such Employee or Official falls short of his or her individual target by 7.5 %. (Sec. 18 Rule V of the IRR)

1.4.2. However, a decision to terminate shall be made only after due consideration of (a) all relevant factors affecting collection as provided in the IRR and this Order and (b) mitigating circumstances such as the personnel's performance ratings under the performance management system and upon compliance with substantial and procedural due process. The performance ratings under PMS shall be measured using factors such as office and individual performance ratings, position, function and others.

## 1.5. Grounds for Reassignment of Personnel

The Commissioner may also exercise its power to reassign personnel to fully implement the Attrition Act based on the following:

- 1.5.1. Refusal to sign the Performance Contract
- 1.5.2. Unsatisfactory performance within the contract period as may be shown by a personnel's monthly or quarterly performance report.
- 1.5.3. Failure to reach the assigned annual financial target.
- 1.5.4. Non-submission of material documents required for the implementation of the Attrition Act such as performance contract, performance report, etc.
- 1.5.5. Good performance, as a basis for reassignment to more challenging positions/functions.
- 1.5.6. Other similar circumstances as the best interest of service may require.

## 1.6. When Termination shall not apply:

- 1.6.1. Where the District or area of responsibility is newly created, not exceeding two years in operation, and has no historical record of collection performance that can be used as basis for evaluation {Sec. 18 (a) Rule V of the IRR}
- 1.6.2. Where the Official or employee is a recent transferee in the middle of the period under consideration unless the transfer was due to nonperformance of revenue targets or potential nonperformance of revenue targets {Sec. 18 (b) Rule V of the IRR}

## 1.7. Relevant Factors to be considered in evaluating performance of personnel:

- 1.7.1. Economic difficulties brought about by natural calamities or *force majeure* or economic causes as may be determined by the Board (Sec. 18 (b), Rule V of the IRR)
- 1.7.2. The following factors shall be taken into account only these factors have not been considered in setting BESF targets:

1.7.2.1. Enactment of a law that repeals revenue measures, reduces tax and tariff rates, grants tax exemptions, or otherwise results in the diminution of the tax base or of taxable transactions and activities, including the entry into force of a treaty or an international agreement that the Philippines entered into resulting in preferential treatment for certain taxpayers or transactions: Provided that the Board shall have the final authority to determine the affected District or Districts as well as the amount of revenues deemed foregone due to such enactment or entry into force {Sec. 19 (a) Rule V of the IRR}.

1.7.2.2. Reduction by the President of tariff rates under Section 401 of the Tariff and Customs Code of the Philippines {Sec. 19 (b) Rule V of the IRR}.

1.7.2.3. Exercise by the President of the power to open or close any port of entry under Section 702 of the Tariff and Customs Code of the Philippines {Section 19 (c) Rule V of the IRR}.

1.8. Non-Disciplinary Nature of Separation:

Employees and Officials who are separated from the service by virtue of Section 7 (a) of the Attrition Act shall be deemed dropped from the rolls in accordance with Civil Service Laws, Rules and Regulations, without prejudice to the receipt of whatever benefits are due to the official or employee concerned, including reemployment to other government agencies, at the discretion of the appointing authority concerned.

## 2. OPERATIONAL POLICIES

The following operational policies shall be adopted in accordance with the Time Table as provided in **Annex B**.

### 2.1 Allocation of Collection Goal

2.1.1 The Deputy Commissioner for Revenue Collection and Monitoring Group shall present the distribution of collection target by Collection District to the Commissioner for his or her approval.

2.1.2 Based on the collection goal of the District, the District Collector shall assign the collection target for Officers and Employees of the Bureau under his or her jurisdiction.

2.1.3 A Customs Memorandum Order (CMO) showing the collection target per District and up to individual level shall be issued by the Commissioner.

## 2.2 Execution of Performance Contracts

2.2.1 After the issuance of a CMO containing District, Division and individual targets, separate performance contracts shall be executed by each attributable individual. The Performance Contract shall be prepared by the following:

2.2.1.1 The Performance Contract between the District Collector and the Commissioner shall be prepared by the PSCO/IICO.

2.2.1.2 The Performance Contract between the District Collector and Official or Employee under his or her jurisdiction shall be prepared by the Collector.

2.2.2 Employees and Officials concerned must execute the aforementioned Performance Contract and forward the signed documents to the PSCO/IICO on or before the start of the year.

## 2.3 Monitoring and Evaluation:

2.3.1 The PSCO/IICO and the Human Resource Service (HRS) shall collate and monitor the duly executed performance contracts. The evaluation of individual performance shall be conducted annually. However, semestral reports on office performance shall be generated for purposes of monitoring individual performance evaluation as required by the Attrition Act, and other purposes. The semestral report shall be submitted to the Board.

2.3.2 At the end of the year, the PSCO/IICO shall evaluate and determine who among the Employees or Officials holding attritable positions failed to reach the assigned collection target. The PSCO/IICO shall base their findings on the summary of individual weekly performance collection report as consolidated by the HRS. The PSCO/IICO will present a list of personnel who failed to reach the assigned collection target to the Commissioner.

2.2. Review by the Commissioner :

2.2.1. The Commissioner shall review the recommendation made by PSCO/IICO and after which, he or she shall issue an order to those who failed to reach the assigned collection target to show cause why he or she should not be attrited. The personnel concerned must submit his or her explanation to the Commissioner not later than 15 days after receipt of the aforementioned order from the Commissioner.

2.2.2. After due consideration of the explanation made by the personnel concerned and all relevant factors/mitigating circumstances allowed under this order, the Commissioner shall decide whether there is basis to recommend a certain individual for termination/attrition or reassignment. Thereafter, the Commissioner shall present the list of attritable personnel to the Revenue Performance Evaluation Board for approval.

2.3. Attrition of Personnel:

2.3.1. The Board shall issue a final decision as to who should be removed or separated from the service. Such decision shall be immediately executory.

2.3.2. A copy of the final decision of the Board shall be transmitted by the Office of the Commissioner to the concerned Official or Employee.

2.4. Motion for Reconsideration and Appeal:

2.4.1. An Official or Employee whose employment is terminated by virtue of the final decision of the Board may initially file a motion for reconsideration with the Board, through the

Commissioner, within fifteen days from receipt of such decision.

2.4.2. Thereafter, Officials appointed by the President may file and appeal at the Office of the President, while all the rest of the Officials and Employees may appeal to the Civil Service Commission or the Office of the President, as the case may be, within 15 days from receipt of the copy of the decision of the Board pursuant to Sec. 20 of the IRR.

2.4.3. The Decision of the Board shall be final and executory after the lapse of the reglementary period for filing of motion for reconsideration or an appeal or where no motion or appeal has been filed.

2.5. Reassignment of Personnel:

2.5.1. Any request for reassignment may be initiated by the Head of the Unit/Division, District Collector, or PSCO/IICO.

2.5.2. All requests for reassignment of personnel shall be transmitted to the Office of the Commissioner. Once the Commissioner receives the request for reassignment, he or she shall transmit the request to the Lateral Attrition Implementation Committee (LAIC) for evaluation.

2.5.3. The LAIC will require the PSCO/IICO to submit a report containing an evaluation of the past revenue collection performance of the personnel. Thereafter, LAIC will evaluate the case of the employee to be assigned by considering his or her revenue collection performance based on PSCO/IICO report and other relevant factors. LAIC will also request the Human Resource Service to recommend new posting for the personnel, in case s/he will be reassigned.

2.5.4. After evaluation of the recommendations of the LAIC, the Commissioner shall exercise his/her authority to reassign personnel taking into consideration the recommendations of LAIC.

**3. EFFECTIVITY:**

These guidelines shall take effect immediately.

Approved by the Revenue Performance Evaluation Board (RPEB)  
this 19<sup>th</sup> day of April 2007, in Manila, Philippines

**MARGARITO TEVES**  
Secretary  
Department of Finance

**ROLANDO ANDAYA, JR.**  
Secretary  
Department of Budget and Management

**ROMULO NERI**  
Secretary  
National Economic and Development Authority

**NAPOLEON MORALES**  
Commissioner  
Bureau of Customs

ANNEX B - INDICATIVE TIME TABLE

Activity	Date
<b>1. GOAL ALLOCATION</b>	
DBCC formally communicates to the Board the over all collection goal of BOC.	September
DCR-RCMG shall prepare a List of Collection Targets per District.	October
District Collector shall assign targets for all individuals under his or her jurisdiction.	November
Commissioner will issue a CMO containing individual and district targets and forward it to the DBCC.	First week of December
<b>2. EXECUTION OF PERFORMANCE CONTRACTS</b>	
Office Performance Contracts	Second Week of December
Contract between the Office of the Commissioner and the District Collector.	Second Week of December
Contract between the District Collector and individual under his or or her jurisdiction.	Third Week of December
Submission of Signed Performance Contracts to PSCO/ IICO.	Fourth Week of December
<b>3. MONITORING OF PERFORMANCE</b>	
District Collector shall submit the revenue collection performance report of each attritable individual under his or her jurisdiction to PSCO/ IICO.	Weekly
PSCO/ IICO will manage the PMS system.	Year round
<b>4. EVALUATION OF PERFORMANCE</b>	
<b>a) Attrition</b>	
PSCO/IICO shall present to the Commissioner a List of Attritable Employees or Officers	Second Week of January
Commissioner will order personnel in danger of being attrited to explain why they should not be terminated.	Third Week of January
Commissioner will submit names of personnel proposed to be attrited to the Revenue Performance Board for approval.	February
RPEB releases the names of personnel to be attrited.	March
<b>b) Rewards</b>	
PSCO/IICO will prepare the Rewards Distribution List.	First Week of January
Depcom for IAG will present to the Commissioner the Rewards Distribution List.	February
Commissioner will present the Rewards Distribution List to the	March

Revenue Performance Evaluation Board for approval	
5. FINAL STEPS:	
a) ATTRITION	
A copy of the final decision of the Board shall be transmitted by the Office of the Commissioner to the concerned Official or Employee.	March
b) DISTRIBUTION OF REWARDS	
<i>Preparation Of Expenditure Plan</i>	
Each Unit/District will prepare an Expenditure Plan for its share in the utilization of Fund in case BOC exceeds its target (or District exceeds its target) and submit it to the FMO.	
o Contingent Expenditure Plan	End of November
o Final Expenditure Plan	Second Week of February
Budget Division of FMO will consolidate the EPs and present the Consolidated Expenditure Plan to the Commissioner.	Last Week of February
Commissioner will present Consolidated EP for approval by the Board.	March