

# Enabling Trade: Catalysing Trade Facilitation Agreement Implementation in Brazil

In collaboration with Bain & Company and the International Trade Centre (ITC)

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# Foreword



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Trade facilitation is the most fundamental tool for taking international trade to the next level. It has the potential to make foreign trade more dynamic, allowing private operators to save time and money, with positive impacts on boosting exports and economic growth as a whole.

In this sense, reaching the Trade Facilitation Agreement (TFA) at the World Trade Organization meeting in 2013 represents a tipping point for the international community. It states the recognition of the importance of the issue, and the desire of national governments to commit to more concrete and ambitious measures in facilitating trade.

Trade facilitation is also a foremost concern for public decision-makers in Brazil. The government is fully aware of not only the challenges that have to be tackled, but also the opportunities that arise from the implementation of a policy that enables and fosters trade across our national borders. Brazil's Portal Único programme, the Single Window project launched in April 2014, represents a milestone in the country's endeavour towards a better trade environment and further economic development. Political will and technical efforts need to be maintained to deliver the progressive results expected for this project, so that it can reach the TFA's goals.

Working with the World Economic Forum was crucial to acknowledge what has been achieved so far, including a satisfying governance structure for the project, a high level of national agencies' coordination, and an effective private and public sector cooperation. It was also decisive in raising awareness about areas needing more attention to ensure the success of the programme.

This report gives a clear view of the effort that has been undertaken and gives us motivation to face the challenges that lie ahead. Much more certainly needs to be achieved in the next three years, and our expectations for the future are as great as those challenges.

# Executive Summary

Countries worldwide are implementing measures to facilitate trade, but it will take years for them to benefit from their investments. This report showcases Brazil's approach to trade facilitation as illustrated by its Single Window project, and highlights other best practices that countries can pursue to successfully implement trade reforms.

## Countries are implementing trade facilitation measures, but are far from achieving competitiveness

On average, the Trade Facilitation Agreement (TFA) forged at the World Trade Organization meeting in Bali, Indonesia, in 2013, has been implemented at a combined 39% rate among developing and least-developed countries, with wide variation. The focus has been on measures related to the release and clearance of goods, and to reducing the formalities in movement of goods. The TFA is effective in addressing some major supply chain barriers, but does not use all the available levers for countries to reach full trading potential. The TFA also does not cover some measures recommended in the World Economic Forum's 2013 report, *Enabling Trade: Valuing Growth Opportunities* – issues related to telecommunications and transport infrastructure, for instance, and business environment. As a result, TFA implementation, while necessary, in many instances could be insufficient to make certain product segments competitive. The countries that will be the most effective will be those that view trade barriers across the end-to-end value chain in their most important industry, and then tackle those barriers to make the industry competitive. Improving that particular industry sets the stage for improvements in others.

## Single Window implementation is a priority for countries

A Single Window is an electronic process in which trade and transport companies can provide standardized information and documents to fulfil import, export and transit-related regulatory requirements. Without such an option, companies must separately submit information and documentation to various agencies. The world has 73 Single Windows, but only about 18 countries have systems that connect all relevant government agencies and create a single entry point of information. Among implemented or ongoing projects worldwide, best practices can be found in Singapore, South Korea, Greece, Ecuador and Costa Rica. Each country illustrates a different, yet successful, approach, such as partnerships with the private sector. *Enabling Trade: Catalysing Trade Facilitation Agreement*

*Implementation in Brazil* thoroughly examines Brazil's exhaustive efforts to establish a Single Window – which serve as a model for implementation.

## Brazil's Single Window implementation illustrates important procedures

Border administration procedures have a major impact on trade in Brazil. In a study of private sector views, published by Brazil's National Confederation of Industry (or CNI) in 2014, companies raised such issues as too many documents, a lack of communication among agencies, a slow and unpredictable analysis process, and sluggish inspection procedures. To solve many of these problems, Brazil launched its Portal Único or Single Window project in 2014. The goal is to make Brazil's trade more competitive by increasing the transparency in procedures for all stakeholders and cutting export and import times. Currently, the average time for exports is 13 days and for imports is 17 days. Improved procedures could result in potential cost savings of \$1.5 billion annually and could add \$24 billion to Brazil's gross domestic product or GDP, according to recent studies by Fundacao Getulio Vargas (or FGV), a Brazilian think-tank.

The Portal Único programme demonstrates good practices, including:

- Brazil has established Portal Único as a state – not a government – project supported by a presidential decree
- The private sector has been involved since the project's start, mapping current business processes, identifying current bottlenecks and discussing solutions
- Brazil set up a managing committee to oversee the project and coordinate the other agencies in the implementation process

Portal Único will address several border administration issues raised by the private sector. For example, it will directly reduce documentation formalities and automate processes. Moreover, the Single Window will indirectly create appropriate tools to support other projects, such as the authorized economic operators programme.

## Solutions and approaches may vary according to country characteristics, but some common factors contribute to successful implementation

1. Governments need to **prepare** an overall structure that encompasses project enforcement, private sector





involvement and proper governance. Next, they need to **diagnose** the main issues that will define the scope and phases of the project and how it connects to other current schemes. Such a diagnostic also is important to **mobilize** stakeholders and plan efforts. Finally, governments need to **execute** the plan with the appropriate support and partnership.

2. **Project enforcement:** For a long-term, multistakeholder project in the public sector to succeed, the first step is to gather political support at the presidential level and make the project a priority for the country.
3. **Private sector involvement:** Involving the private sector at the start in the details of project development is important to shape the solution for end-users and enhance the impact.
4. **Coordinating body:** A coordinating body is essential to ensure effective implementation of a multistakeholder project like a Single Window. A supervisory body can align different priorities and approaches, arbitrate when necessary and speed up decisions.

5. **Diagnostic:** Key performance indicators (KPIs) and a methodology to verify them must be established. Next, it is necessary to identify and map critical issues that affect the KPIs.
6. **Scope and phases:** The stages of the processes must be clarified for all stakeholders, even if some institutions are not involved in some stages.
7. **Integration:** It will be productive to have a broader, integrated trade plan that includes other programmes besides the Single Window, and describes how the programmes will help the country to meet its KPIs.
8. **Solution development:** The technical solution for a Single Window may not be straightforward. It is beneficial to involve an experienced partner.

The recommendations in the Enabling Trade: Valuing Growth Opportunities report are important to remember: trade will improve only when countries reach a “tipping point” at which it becomes profitable for companies to increase trade, and to create that tipping point requires focusing on more than one element of the value chain.



# Introduction

The World Economic Forum's 2013 report, *Enabling Trade: Valuing Growth Opportunities*, showed how lowering supply chain barriers could deliver significant global economic growth. Improving even a restricted set of supply chain hurdles halfway to global best practice could lead to increases of 15% in trade and of nearly 5% in global gross domestic product (GDP). By comparison, completely eliminating tariffs could have a much less significant effect, increasing global GDP by barely 0.7% and exports by 10%.<sup>1</sup> As the report detailed, reducing supply chain barriers benefits nations, producers and consumers.

Reached at the 2013 World Trade Organization (WTO) meeting in Bali, Indonesia, and reinforced by global leaders at the World Economic Forum Annual Meeting 2014 in Davos-Klosters, Switzerland, the Trade Facilitation Agreement (TFA) represents a major step towards minimizing supply chain barriers and reinvigorating global trade. It is designed to encourage effective cooperation on trade facilitation and customs compliance between customs and other border regulatory authorities. Towards this end, the TFA calls for improving border administration efficiency and providing countries with technical help so that they can build their capabilities to expedite the flow of goods.

WTO members embarked upon TFA negotiations after extensive analysis and research on the negative impact of supply chain barriers and the benefits in removing or minimizing them. Among the agreement's prominent elements: reforms and fundamental changes in how governments and private companies operate. For example, the TFA provides for structural flexibility that would enable governments and private companies to respond more easily to change. Also, its proposal for the free movement of goods across borders sets the stage for a truly integrated global economy, with new ways of expanding and creating value.

The TFA was opened for ratification in November 2014, when WTO members finally adopted the required Protocol of Amendment.<sup>2</sup> However, governments can start to remove some supply chain barriers on their own without the ratification. The main hurdles include protectionist measures that limit market access, underdeveloped transportation infrastructure and services, and regulatory environments that preclude small and medium-sized businesses, as well as large companies, alike. For example, Brazil and other nations have implemented a Single Window solution that enables exporters and importers to enter all documentation required by multiple government agencies into a single electronic site.

However, even as governments act on their own to improve the flow of goods, many discover the inherent challenges. Among the most fundamental: supply chains cut across multiple stakeholders, requiring collaboration and leadership that goes beyond local constituents and borders. To demonstrate how countries can overcome such obstacles, the 2013 *Enabling Trade* report featured case studies from Kenya, Nigeria and India, which have successfully addressed such challenges in agriculture.

For instance, Kenya has implemented a fully automated customs system that allows all official documents supporting maritime, air and road shipments to be submitted through a single electronic system, with multiple benefits.<sup>3</sup> The new Single Window system enables carriers to operate more efficiently and save money. It improves compliance, while maintaining the government's revenues from import duties and other taxes. In addition, increased transparency from the consolidated electronic platform reduces the corruption that has plagued international trade in the past. Kenya's government expects the system to help to make the country more competitive and attract foreign direct investment. By dedicating themselves to eliminating supply chain barriers, Kenya and other pioneering countries set in motion a virtuous cycle, raising global productivity and tackling the huge challenge of making the world more productive.

The primary objective of the World Economic Forum's 2014 Enabling Trade initiative is to ensure momentum for the global implementation of the 2013 Bali accord. With that as the goal, the Forum's work with Brazil has helped to catalyse that country's recent progress. *Enabling Trade: Catalysing Trade Facilitation Agreement Implementation in Brazil* showcases Brazil's trade facilitation approach and offers further recommendations. The supply chain barriers that companies face in Brazil are examined and the impact detailed of the pioneering Single Window project. The effort serves as a model for other countries in similar stages of implementing trade facilitation measures.

# Trade Facilitation Efforts Around the Globe

The Trade Facilitation Agreement (TFA) discussed during the 2013 World Trade Organization (WTO) meeting in Bali, Indonesia, focuses on ways to expedite the movement, release and clearance of goods, including those in transit. The pact also sets out ways for effective cooperation between customs and relevant authorities on trade facilitation and customs compliance. Section One contains 12 articles comprising measures for countries to reach those objectives.

1. Publication and Availability of Information: *Spells out the need to publish regulations on trade procedures, taxes and other important requirements, and to create national enquiry points*
2. Opportunity to Comment, Information Before Entry into Force and Consultation: *Makes provisions for comments before laws and amendments related to the movement and release of goods go into force*
3. Advance Rulings: *Provides traders with advance rulings on tariff classification, origin criteria, valuation, exemptions and quotas when requested*
4. Appeal or Review Procedures: *Allows for the right to an administrative/judicial appeal of an administrative decision from a customs/border agency*
5. Other Measures to Enhance Impartiality, Non-Discrimination and Transparency: *Provides the right to appeal inspection procedures and improve their transparency*
6. Disciplines on Fees and Charges Imposed on, or in Connection with, Importation and Exportation: *Allows for transparent requirements related to fees and charges and the imposition of penalties*
7. Release and Clearance of Goods: *Calls for pre-arrival processing, electronic payment, separation of fiscal control from physical release of goods, adoption of risk management controls and the use of post-clearance audits; other provisions include publication of average release times, use of authorized operators, expedited clearance of perishable goods and adoption of procedures for expedited shipments*
8. Border Agency Cooperation: *Provides for coordination among national border regulatory agencies, and aligned procedures between adjacent border posts*
9. Movement of Goods under Customs Control Intended for Import: *Allows for movement of goods from one customs office to another*
10. Formalities Connected with Importation, Exportation and Transit: *Establishes guidelines for governments to*

*review documentation, accept copies, use international standards, establish a Single Window, ban pre-shipment inspection and prohibit mandatory use of customs brokers*

11. Freedom of Transit: *Details the need for governments to not impose non-transport-related fees nor seek voluntary restraints. Includes various disciplines on inspection and guarantee schemes for goods in transit.*
12. Customs cooperation: *Calls for the sharing of information on best practice and cooperation between agencies in exchanging information*

Additionally, Section Three of the agreement includes a recommendation to create a national trade facilitation committee to enhance coordination among stakeholders as they implement the measures.

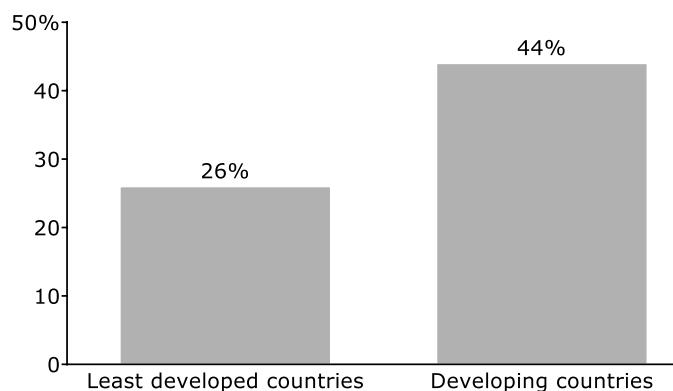
Ratification of these articles undoubtedly will deliver significant benefits for global trade. In fact, the Organisation for Economic Co-operation and Development (OECD) estimates that these measures could cut costs by nearly 13-14% for developing and least-developed countries.<sup>4</sup> However, it is important to keep in mind that the articles serve as a starting point. Several are written as best endeavours and not as binding commitments, so the TFA's effectiveness will depend on the level of ambition and resources countries choose to devote to implementation.

Even before the agreement enters into force, countries have been working on implementing its articles, although relatively slowly, given the complexity of some measures. Through its paper, "Trade Facilitation – State of Implementation", the OECD assessed the progress made by least-developed and developing countries.<sup>5</sup> The combined level of implementation for both groups of countries was 39%, with a wide variation. Based on this research, least-developed countries implemented 26% of the articles while developing countries implemented 44% (Figure 1).<sup>6</sup> Implementation therefore is highly correlated to a country's stage of economic development. For example, on average, Europe's developing countries implemented 60% of the articles while African countries implemented 35%.<sup>7</sup>

While the TFA effectively addresses some key supply chain barriers, it does not consider all the levers available for countries seeking to reach their full trading potential. The accord also does not cover some measures recommended in the World Economic Forum's 2013 report, *Enabling Trade: Valuing Growth Opportunities* – for instance, issues related to telecommunications and transport infrastructure, and business environment. As a result, TFA implementation,

while necessary, in many instances may be insufficient to generate competitiveness in certain product segments. The most effective countries will be those that take an end-to-end view of the barriers across the entire value chain in their most important industries.

**Figure 1: Average Implementation of Trade Facilitation Agreement Articles**



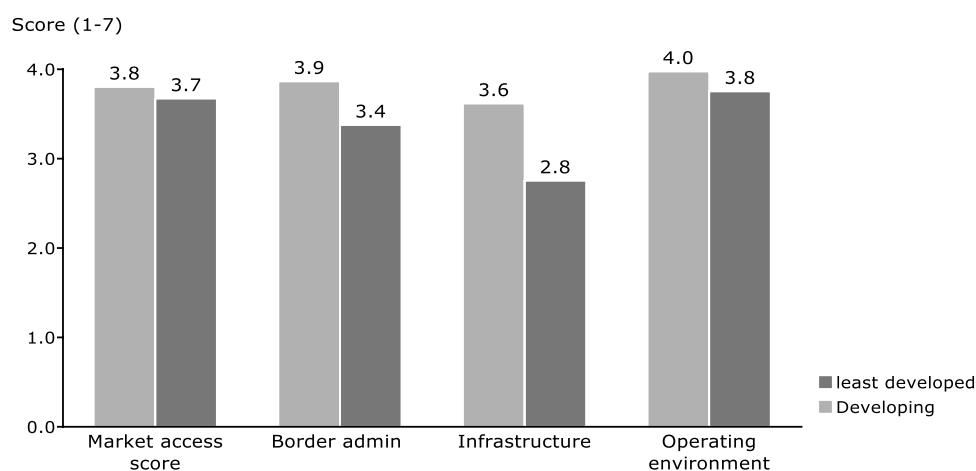
Source: Organisation for Economic Co-operation and Development (OECD) data; trade facilitation indicators; Bain & Company analysis

Trade facilitation implementation is a bigger challenge for least-developed countries than it is for developing countries. In a 2013 survey of 26 countries that measured implementation levels of TFA and other issues, the United Nations Conference on Trade and Development (UNCTAD) determined that one reason countries fail to execute trade facilitation measures is their lack of knowledge about the potential benefits.<sup>8</sup> Another is the countries' early stage of economic development.

The Forum's 2013 *Enabling Trade* report explained how enabling trade may require competitiveness across four main dimensions: market access, business environment, border administration and infrastructure. Least-developed countries grapple with the fundamental challenge of serious gaps in infrastructure. They also face difficulties in creating an adequate environment in which companies can grow and find external markets for their goods. On the Forum's Enabling Trade Index 2014, on a scale from 1 (worst) to 7 (best), infrastructure scores 3.6 for developing countries, compared with 2.8 for least-developed countries. In the index, the Operating Environment measure for developing countries is 4.0, compared with 3.8 for least-developed countries (Figure 2).<sup>9</sup> These infrastructure and operating environment challenges undermine competitiveness and must be addressed before countries improve border administration. In fact, these inadequacies are a major reason why some least-developed countries have not reaped much success with border administration projects.

**Figure 2: World Economic Forum Enabling Trade Index 2014, by Type of Country**

Range: 1 (worst) to 7 (best)



Source: *Global Enabling Trade Report 2014*, World Economic Forum; Bain & Company analysis

Additionally, countries report that execution is further hampered by inadequate information technology (IT) infrastructure. For countries with restricted budgets, the necessary IT investments are costly. Also, leading TFA projects require skills in implementing advanced IT systems and coordinating multiple stakeholders.

Different countries have achieved varying levels of advancement in the TFA articles, which are clustered in three groups of measures related to: transparency of rules, improvement of border administration and general support.

For example, only 40% of developing and least-developed countries have implemented measures dealing with transparency of rules, according to OECD data (Figure 3).<sup>10</sup> One reason for the relatively low level is the need to create or modify a legal framework. In this area, these countries have made the most progress in the requirement to publish information on trade regulations.

Fully 49% of developing and least-developed countries have implemented measures related to border administration. Countries see such measures as having a relatively high



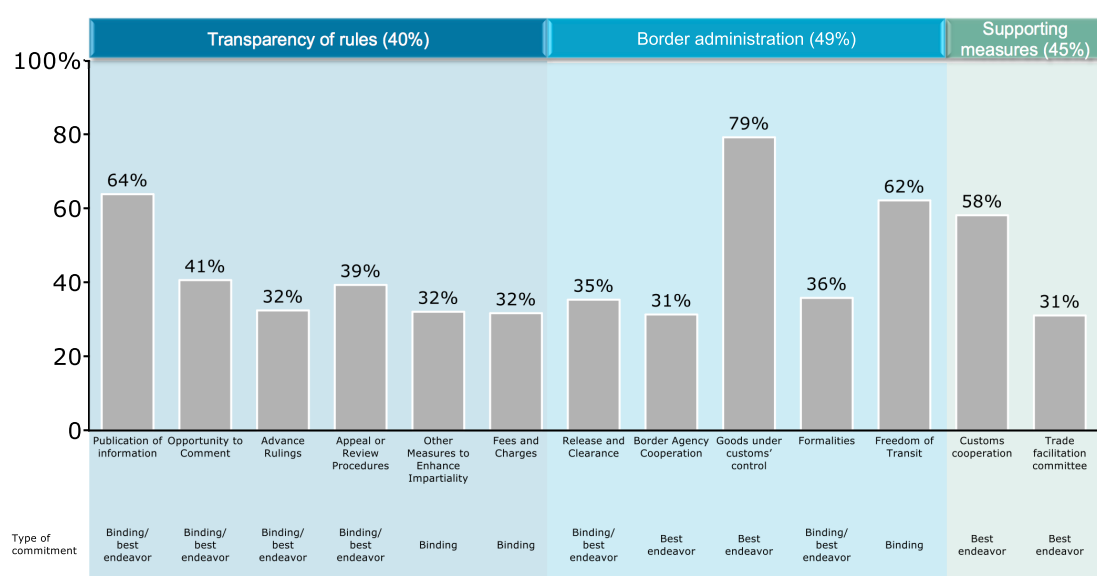
impact, but also as being harder to implement.<sup>11</sup> Within border administration, border agency cooperation provisions have the lowest implementation because these require significant coordination among stakeholders inside the country and beyond its borders – an extremely complex exercise. If the TFA's Article 9, which deals with goods under customs control, were excluded, the execution of border administration measures would be slightly lower than that of transparency of rules.<sup>12</sup>

Meanwhile, OECD research shows that the application of two TFA articles has been particularly modest. Article 7 (Release and Clearance of Goods) has been implemented

by only 35% of the countries, while Article 10 (Formalities Connected with Importation, Exportation and Transit) has been executed by only 36% (Figure 3). In both cases, the low rates likely are due to the diversity of themes and the complexities involved.

Finally, the Bali agreement also calls for setting up a trade facilitation committee that will both advocate the recommendations and facilitate domestic coordination and execution. Thus far, only 31% of countries have created such committees. Among those that have done so, most do not believe that the committees are prepared to deal with all the articles in the TFA.<sup>13</sup>

**Figure 3: Implementation of TFA\* by Article, Developing and Least-Developed Countries**

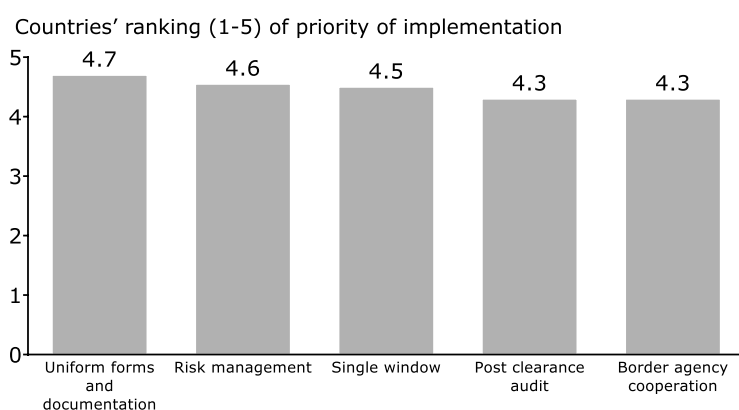


\*TFA = Trade Facilitation Agreement

Source: OECD trade facilitation indicators for developing and least-developed countries, except TFA Articles 5, 9 and 12; trade facilitation committee findings, survey by the United Nations Conference on Trade and Development (UNCTAD); Bain & Company analysis

Countries have diverse strategies for implementation, but some issues have been designated as top priorities: document standardization, establishment of Single Windows, risk management and post-clearance audits (Figure 4).

**Figure 4: Priority of Implementation of TFA\* Articles According to countries surveyed**



\* TFA = Trade Facilitation Agreement

Source: Study of 26 countries, 2013 survey, UNCTAD

Most of the priorities are related to Articles 7 and 10. This suggests countries are looking to apply provisions that promise the biggest improvements in trade costs, regardless of implementation complexity. For instance, streamlining of procedures – which includes setting up a Single Window – could cut trade costs by 2.8%, while automating procedures could cut trade costs by 2.4%, according to an OECD study on trade facilitation indicators.<sup>14</sup> Notably, although the Single Window solution offers substantial long-term promise, it is difficult to implement – Brazil estimates its huge, multistakeholder effort will take four years to complete.

Measures that involve expediting the release of goods depend heavily on systems for information and analysis. Processing significant levels of information may require adaptations by customs agencies and among air operators,

freight forwarders and traders. Given the advanced electronic capabilities required, developing countries are farther along in the process than least-developed countries; their rate of implementation is 53%, compared with 23% for least-developed countries.<sup>15</sup> Establishing authorized economic operators is the least implemented of the measures related to goods release. It requires investment by operators and country-to-country negotiations – investment that is delaying implementation.

Finally, measures on reduction of formalities have a low rate of execution. For example, Single Windows have been set up in 29% of developing countries and only 4% of least-developed countries (Figure 5).<sup>16</sup> The significant difference in those percentages reflects the ability to address complexity, time commitment, technology requirements and cost associated with implementation.

Figure 5: Implementation of TFA\* Articles 7 and 10

% of implementation	Least- developed countries	Developing countries
Release and clearance of goods		
Authorized operators (TFA 7.7)	13%	19%
Risk management (TFA 7.4)	17%	38%
Pre-arrival processing (TFA 7.1)	23%	53%
Separation of release from clearance (TFA 7.3)	42%	32%
Formalities		
Single Window (TFA 10.4)	4%	29%
Simplification of documents (TFA 10.1)	26%	39%
Use of international standards (TFA 10.3)	25%	57%
Pre-shipment inspections (TFA 10.5)	42%	68%
Use of customs brokers (TFA 10.6)	42%	49%

\*TFA = Trade Facilitation Agreement  
Source: OECD data; trade facilitation indicators; Bain & Company analysis

What is a Single Window?

A Single Window is an electronic process in which trade and transport companies can provide standardized information and documents to fulfil all import, export and transit-related regulatory requirements. Without such an option, companies must separately submit information and documentation to the various participating agencies, each of which typically operates different systems and procedures; some countries even maintain manual systems. The redundancy is burdensome for companies, and leads to inadequate controls and poor quality data for government stakeholders. A Single Window enhances the availability and flow of information between traders and the government, while increasing transparency for all parties. In some least-developed countries in Africa, where companies cite border corruption as a weighty issue, a Single Window facility could help to make the processes faster, more transparent and less conducive for corrupt practices.<sup>17</sup>

Given the number of participants and processes involved in trade, a Single Window’s scope may vary significantly in

each country, depending on the automation levels among stakeholders and the resources invested. Generally, a Single Window option spans three stages.

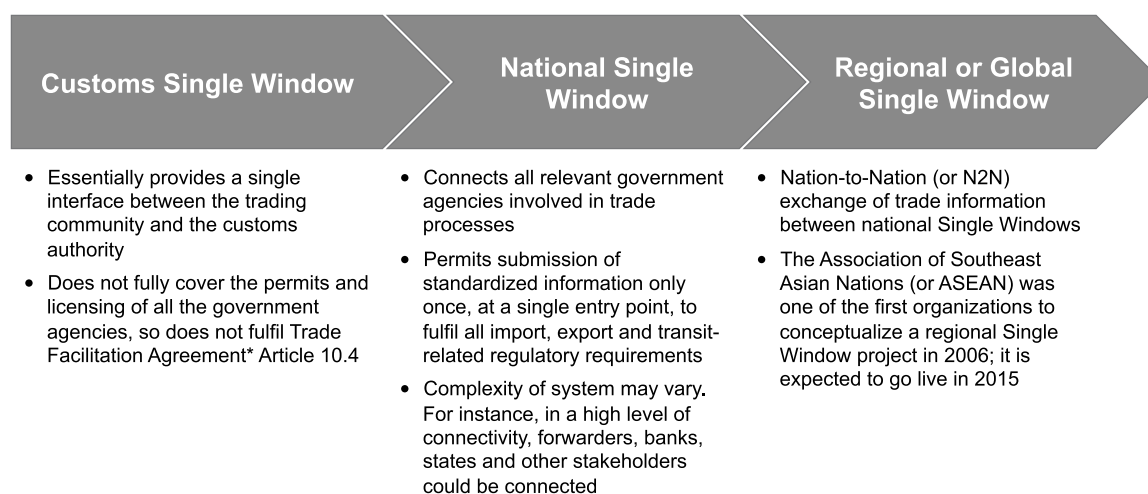
The first stage is the Customs Single Window (a solution that may not qualify as a Single Window according to the TFA definition).<sup>18</sup> This initial effort represents the primary level of customs agency automation and the creation of automated interfaces with the trade community. But it usually does not include other government agencies.

The second stage is the National Single Window, which involves connecting the customs agency automation and the interfaces with other government agencies. This creates a single platform for exchange of information between the trade community and the government. The level of complexity in this second stage varies among different countries. For example, in some countries the integration is expanded to connect such trade community stakeholders as forwarders, banks and countries’ states.

The third, most advanced Single Window is the Regional or

Global Single Window, which extends beyond borders to connect with systems in other countries. For example, the ASEAN Single Window, due to be implemented in 2015, will integrate the National Single Windows of the member-states of the Association of Southeast Asian Nations or ASEAN.

**Figure 6: Defining a Single Window**



\* Reached at World Trade Organization meeting in Bali, Indonesia, in 2013

Source: Bain & Company analysis

**Table 1**

Countries	Year of implementation	# of agencies connected	Time for implementation (years)	Documentation and clearance costs (\$)	Reduction in export time (from 2006 to 2014)	Reduction in import time (from 2006 to 2014)
Azerbaijan	2009	4	4	940	-18%	-31%
Colombia	2006	19	3.5	650	-59%	-73%
Ecuador	2012	19	2	575	-9%	-43%
Ghana	2002	10	3	275	-60%	-33%
Hong Kong SAR, China	2006	-	1.5	105	-57%	-71%
Japan	2003	6	4	195	-	-
Kenya	2007	-	2	680	-42%	-58%
Korea	2006	38	3.5	70	-	-
Macedonia, FYR	2008	15	2	136	-29%	-27%
Malaysia	2009	19	2.5	145	-15%	-20%
Philippines	2009	30	1	190	-12%	-22%
Senegal	2005	11	6	730	-43%	-46%
Singapore	1989	~15	3	170	0%	0%
Sweden	1989	10	2	175	-	-
Thailand	2008	36	2.5	225	-42%	-41%

Source: World Bank; trade facilitation guide, Single Window repository, United Nations Economic Commission for Europe (UNECE); interviews; Bain & Company analysis

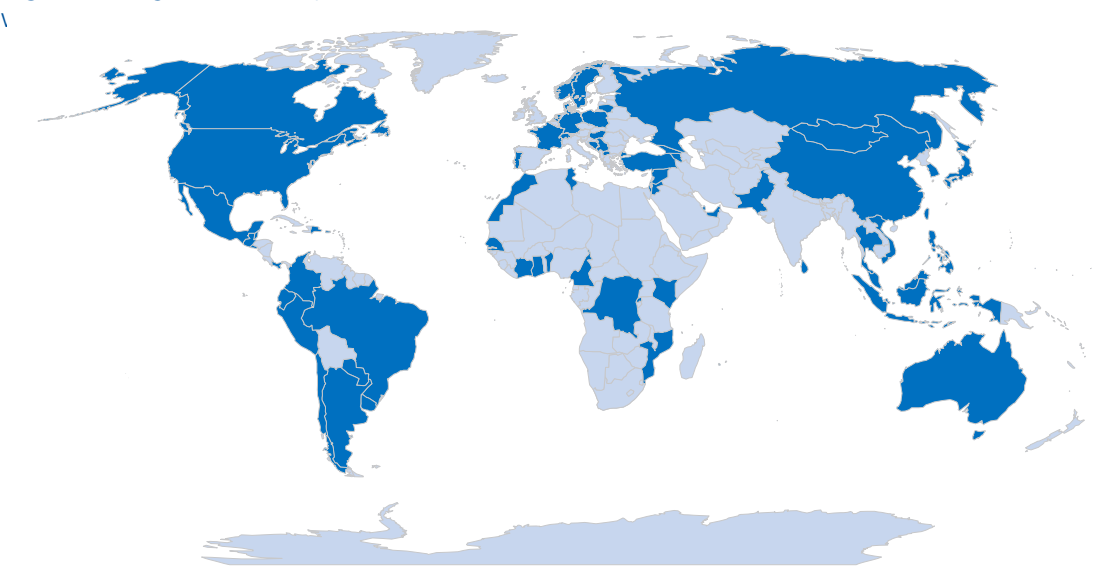


# Good Practices Around the Globe on Single Window and Related Matters

In the late 1980s, Singapore pioneered a successful Single Window. Over the years that system was improved upon and exported. Since then, both developed and developing countries have followed Singapore’s lead, enhancing border administration processes through a Single Window and other automated solutions, reflecting a range of complexity and sophistication. In a 2012 World Bank survey, 73

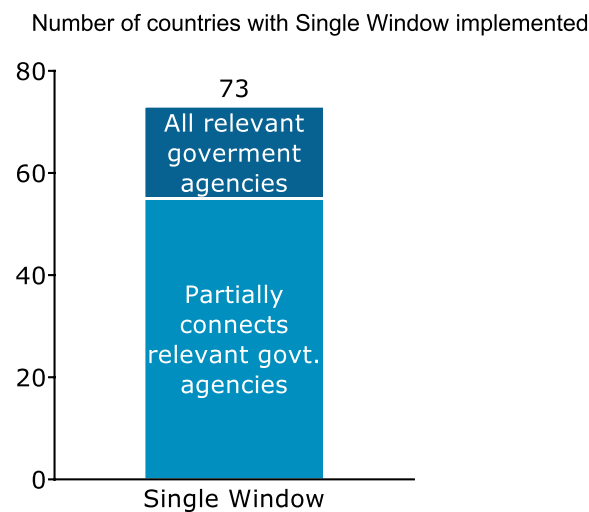
countries reported implementing a Single Window (Figure 8).<sup>19</sup> Most of them had implemented a first-stage Single Window that connects only customs and a few other government agencies. But 18 had established a Single Window with interfaces to all relevant government agencies, and the concept of one entry point for documentation.

Figure 7: Single window implementation



Source: World Bank Doing Business report, 2014

Figure 8: Number of Single Windows in Place



Source: World Bank Doing Business report, 2014

Assessment of a representative sample of Single Window projects from different regions (Africa, Americas, Europe and Asia) identifies a significant variation in project complexity and country backgrounds. For example, it took the Philippines only one year to establish a Single Window facility because most of the agencies involved were substituting their systems in the process. By comparison, it took Senegal six years for full implementation due to a three-year hiatus during the development phase.<sup>20</sup>

Documentation and customs costs contribute to variations among countries in both integration capacity and ability to reduce process complexity. All countries on the list have at least a minimum-capability Single Window facility. They have achieved an average 32% reduction in export time over the past eight years, compared with 13% for countries with no Single Window.<sup>21</sup> For countries with only an early-stage Single Window – such as a Customs Single Window – the percentage is 22%.<sup>22</sup>

While a Single Window improves the efficiency of customs procedures, savings in documentation and customs costs typically are not generated in the early years, given the time

required for implementation. For example, South Korea was among the first to automate customs procedures and today has one of the least expensive documentation and customs costs in the world: \$70 per twenty-foot equivalent unit (TEU) compared with a median of \$195 per TEU among countries with Single Window options.<sup>23,24</sup> But South Korea's low-cost position was established through continuous process improvement over the years. Without doubt, cost cuts like those of South Korea take time to achieve.

Moreover, the cost range for documentation and customs procedures in countries with Single Window options – \$70 per TEU to \$940 per TEU – depends on several factors. Not every operation is processed through a Single Window facility. In Azerbaijan, only 60% of procedures are processed via the Single Window, even though the country has had the system in place for years.<sup>25</sup> Also, licensing and other costs vary among countries, contributing to differing levels of savings.

Each country has its own circumstances, resources and background. Below are some examples of different strategies that countries have adopted to advance Single Window projects.

1. Singapore: Leveraged public and private sector partnership (PPP)
2. South Korea: Phased implementation and roll-out
3. Greece: Single Window option included in the national plan to facilitate trade
4. Ecuador: Partnered with South Korea for system development
5. Costa Rica: Improved existing Single Window facility

### **Singapore: The PPP model**

In the mid-1980s, Singapore moved to strengthen its status as a trade hub by streamlining its trade approvals processes. One of the first countries to establish a Single Window, Singapore since the late 1980s has steadily improved electronic procedures to facilitate trade. Today it serves as a model for efficient exports and imports. The city-state's TradeNet system cut approval-processing time to a maximum of 10 minutes from a maximum of two days.<sup>26</sup> Also, more than 90% of customs and other declarations are made without manual intervention. CrimsonLogic, a private IT company, was selected through an open competitive tender to develop, operate and maintain Singapore's Single Window. The PPP model enables Singapore Customs to leverage its IT partner's expertise to build and operate the system.

Singapore involved the private sector in the implementation process. It created three subcommittees during implementation, covering sea shipping, air shipping and government agencies. Their mandate was to specify functional requirements and propose data standards to improve export and import processes. Each subcommittee developed profiles of essential trade documentation activities and succeeded in whittling down the more than 20 forms used in international trade to a single online form. This

form served as the core of the new computerized system. Moreover, several working groups were formed, with representatives from relevant government agencies and such private sector stakeholders as exporters, importers, terminal operators, shipping agents and freight forwarders.

Implementation followed a segmented approach. First to be executed was electronic processing and approval of import and export permit applications for non-controlled and non-dutiable goods. The second step was to extend electronic processing to controlled and dutiable goods. Automated inter-bank deductions and application for certificates of origin were introduced later. Since 2007 Singapore has been pushing to extend aspects of TradeNet to commercial transactions in the trade community through TradeXchange. The latter includes trade-finance transactions such as cargo insurance applications and supporting documents for factoring applications and commercial documents (including commercial invoices and waybills). The next stage will be to connect TradeXchange to other supply chain steps and national systems.

The result of Singapore's efforts? It has the lowest trade costs worldwide and holds the top spot in logistics rankings by the World Bank and the World Economic Forum.<sup>27</sup>

### **South Korea: The phased implementation**

Single Window implementation in South Korea was led by its customs service, backed by strong political will and budget allocation, as well as a national trade committee with participants from private industry associations, including those for small and medium-sized enterprises (SMEs). Various agencies identified laws and regulations and confirmed import/export requirements. An internet-based clearance portal implemented in phases had connected 38 government agencies as of 2012.<sup>28</sup>

- Phase 1 (2004-2006): Building the Single Window System: Standardized marine/air conveyance reports and passenger/crew lists with the participation of five agencies related to customs, immigration and quarantine. Established internet-based Single Window system, connecting eight governmental agencies

- Phase 2 (2006-2007): Extending the Single Window System: Expanded Single Window, connecting four more agencies

- Phase 3 (2008): Improving the Single Window System: Focused on improving the quality of the system and upgrading to provide a user-friendly environment; two more agencies added

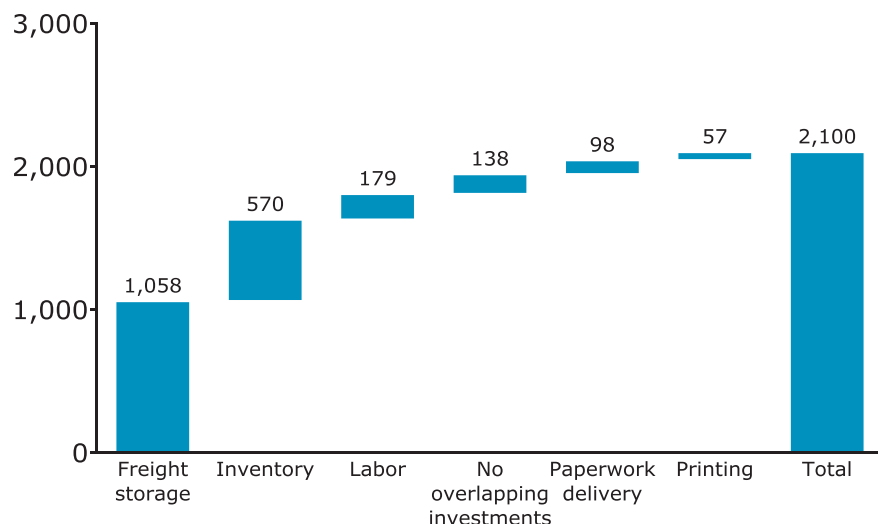
- Phase 4 (2009-2012): Increasing connected agencies: More than 23 agencies connected in sub-phases of five to eight months

Connecting all these agencies was not a straightforward process, given that each was following its own stage of automation and electronic procedure adoption. For example, some participating agencies lacked a computerized verification system. To encompass these

agencies in the Single Window, Korea Customs Service developed a verification system so that agencies without their own structure could electronically manage verifications through the Single Window. This meant that the number of connected agencies could be extended more easily, without the need to develop new individual systems. South Korea

was able to streamline licence approval time to mere hours – contributing to a 25-33% reduction in total export time.<sup>29</sup> The overall changes from Single Window implementation also have allowed South Korea to save \$2.1 billion (Figure 9) per year in costs of freight, inventory, labour and other aspects, according to a World Bank study in 2014.<sup>30</sup>

**Figure 9: South Korea: Annual Savings from Single Window**



Source: World Bank Doing Business data, 2014

### Greece: The national plan to facilitate trade

In 2012, the government of Greece forged a plan to revive the economy. The priority – reverse the country's trade deficit by increasing exports. The agenda included: 1) expand the export base by creating industry-specific policies to grow export companies in the country; 2) provide a comprehensive structure to further support export companies; and 3) support trade facilitation in the country.

Greece took a pragmatic approach, its main objective being to establish a Single Window by late 2015. It hoped to benefit from the movement within the European Union (EU) to create a European Union Single Window and to streamline procedures for exports to Asia. Greece took a five-step approach:

1. Assess the current situation and gather support from other government bodies. The Greek government focused on forming a structure that would ensure the project's continuation. First, it established a supervisory body at the ministerial level, called the Coordination Committee of the National Strategy for Trade Facilitation, with participation from the Ministry of Finance, the Ministry of Foreign Affairs, the Ministry of Development, Competitiveness, Infrastructure, Transport and Networks, the Ministry of Rural Development and Food, and the European Commission.
2. Establish an Operational Steering Committee to coordinate and manage continuous, tight cooperation among all participants (ministries, agencies and business

community) and to supervise common efforts to implement the National Trade Facilitation Strategy and Roadmap of October 2012. The Operational Steering Committee had the appropriate political support and legal authority, and was able to allocate the necessary human resources, set up working groups and assign them specific tasks, timetables, milestones and deliverables. Finally, working groups were created to focus on each of the project's work streams.

3. Establish six key performance indicators (KPIs) to be tracked during the years of implementation:
  - a. Time to export
  - b. Cost to export
  - c. Percentage of physical controls
  - d. Number of companies approved for simplified procedures
  - e. Number of authorized economic operators
  - f. Number of authorized traders of fresh products
4. Perform a pilot phase of analysis. As a case study, Greece analysed the export of feta cheese to Russia by maritime transportation, given the potential and relevance of feta to Greece's economy. The objective was to collect inputs for process redesigns, better understand the real issues undermining competitiveness, and implement quick wins.
5. Prioritize some actions based on their impact on the KPIs and complexity of implementation.



The plan is to implement the national Single Window in late 2015, following updates to the current systems over the past two years, while addressing the challenges. For example, issues such as fee reductions and electronic submission of supporting documents were considered quick wins and were pursued first. The establishment of an authorized economic operator programme and risk assessment for other agencies (besides customs) required additional efforts and were scheduled for a second wave of actions. While it is too early to measure the impact on trade measures, Greece's experience represents a systematic approach to trade facilitation implementation.

### **Ecuador: The Partnership for IT development**

Ecuador successfully implemented new customs and Single Window facilities in 2012 in partnership with South Korea's customs. The main steps for Ecuador:

1. The start of the process was a change in legislation to support trade facilitation reform. Also, the enactment in late 2010 of the Organic Code of Production, Trade and Investment required some changes in trade procedures. The amendments covered such areas as access to data, elimination of the requirement to use customs brokers, clearance against guarantee of payment, and authorized economic operators.
2. Ecuador then began to enhance procedures such as analysis of its risk profile, and invested in X-ray equipment for inspections, leading to a shorter average time for clearance and inspection.
3. For longer-term results, South Korea and Ecuador established an agreement in which Korea Customs Service would provide knowledge and work closely with Ecuador to implement a new system, ECUA-PASS, which was based on South Korea's UNI-PASS. ECUA-PASS focused on customs procedures. A parallel project involved integrating ECUA-PASS and completing the Single Window project. Meanwhile, the Ventanilla unica (VUE or Single Window) would integrate Ecuador's several regulatory agencies to perform trade operations through one system.<sup>31</sup>
4. Institutions within the VUE were responsible for mapping processes. Those related to customs were charted with the support of Korea Customs Service and the private sector.

Electronic signatures eliminated the use of paper in all customs import and export declarations. Ecuador has received over 1.7 million customs declarations electronically, saving \$700,000 annually in paper costs. Additionally, cutting-edge technologies for transmission of declarations have generated annual cost savings of an estimated \$14 million. Electronic payments also have increased. Before ECUA-PASS, only 3% of claims were paid electronically. That rate has jumped to 40%, helping to cut average payment time to less than one day from two days earlier.<sup>32</sup> Finally, Ecuador shortened import clearance time through better risk analysis – the proportions of not-inspected operations rose to 52% from 30% of the total, and of inspected goods fell to 12% from 24% of the total.<sup>33</sup>

### **Costa Rica: The improvement of an existing Single Window**

The establishment of a Single Window facility in Costa Rica was led by PROCOMER (Foreign Trade Corporation), a non-state institution with a board of directors representing both the government and the private sector. The Ministry of Foreign Trade began modernizing customs in 2003, and in the following two years Costa Rica enacted reforms that resulted in the implementation of a first-stage Single Window.

That Single Window harmonized data and computerized information, providing Costa Rica's government departments with databases to support future analysis and potential policy changes. In subsequent years, the workload processed through the system grew four to five times bigger. When it began operating at full capacity, users urged an upgrade. Among the drawbacks of the existing operation: the Single Window included manual procedures and did not allow interoperability among systems. In 2011, the bottlenecks caused by redundant steps and lack of integration spurred Costa Rica to develop a new Single Window for testing with end-users in 2014.

Costa Rica re-engineered several processes, ultimately reaching 44 end-to-end process revisions. Creating the renewed facility involved 16 government agencies. The objective: to attain 100% electronic procedures and to notably reduce the time required in trade processes. The results achieved were impressive. For example, the process of issuing invoices and obtaining approvals to export bananas previously had taken an average of 2.9 hours. It now takes 35 minutes. Importing agrichemicals used to require several authentications and sequential procedures that took 27.5 hours to clear documentation procedures. It now takes 2.2 hours. The new procedures will generate estimated annual savings of \$10 million.

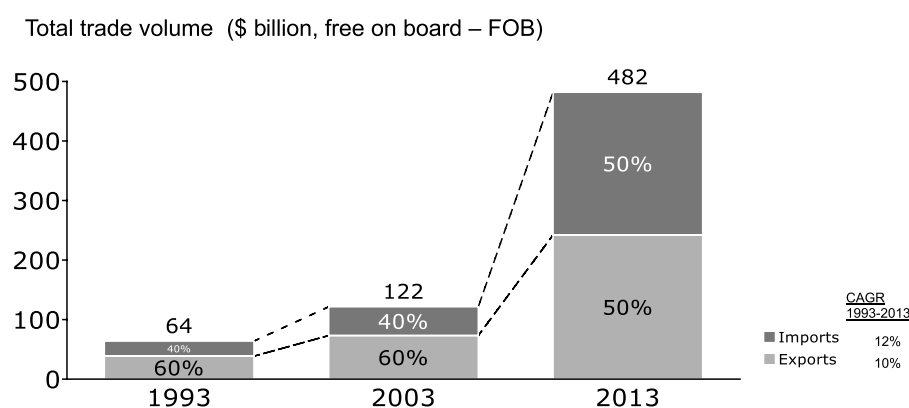
Brazil's ongoing project will be showcased to illustrate a large and successful approach to implementing trade facilitation measures. The country's experience is particularly relevant, given its importance in the global economy and the complexity of the trade barriers that the government and private sector have been working together to reduce.

# Brazil's Economic Development and Trade Evolution

Despite being the eighth-largest economy in the world, Brazil still lacks presence as a major trader.<sup>34,35</sup> Its economy has grown by an average of 2.1% over the past three years, causing some to even question its being on par with the other BRIC countries – Russia, India and China.<sup>36</sup> Looking at recent historical growth rates, Brazil outperformed world growth by 0.8%, while India and Russia outperformed global growth by 1.7-4.8% on average in the past 10 years.<sup>37</sup> Brazil's growth is aligned with Australia's. Both countries

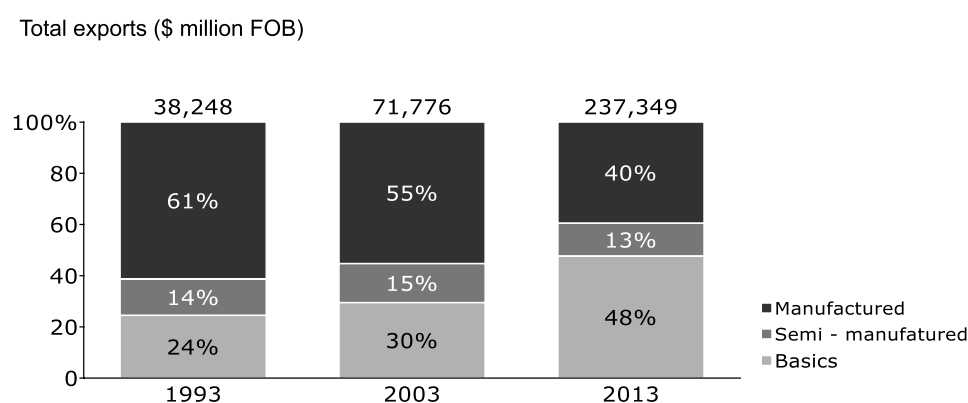
experienced a significant increase in commodities exports. Brazil achieved elevated annual growth rates in trade representing over 10% in the past two decades (Figure 10a).<sup>38</sup> However, the commodity boom that supported Brazil's growth over the past 10 years is slowing. At the same time, Brazil's manufacturing sector is becoming less competitive globally. Ten years ago, approximately 55% of Brazil's exports were manufactured goods. Today the proportion is closer to 40% (Figure 10b).<sup>39</sup>

**Figure 10a: Brazil's Trade Volumes, 1993-2013**



Source: Ministry of Development, Industry and Foreign Trade (MDIC), Brazil; Secretariat of Foreign Trade (SECEX), Brazil

**Figure 10b: Brazil's Exports Mix, 1993-2013**

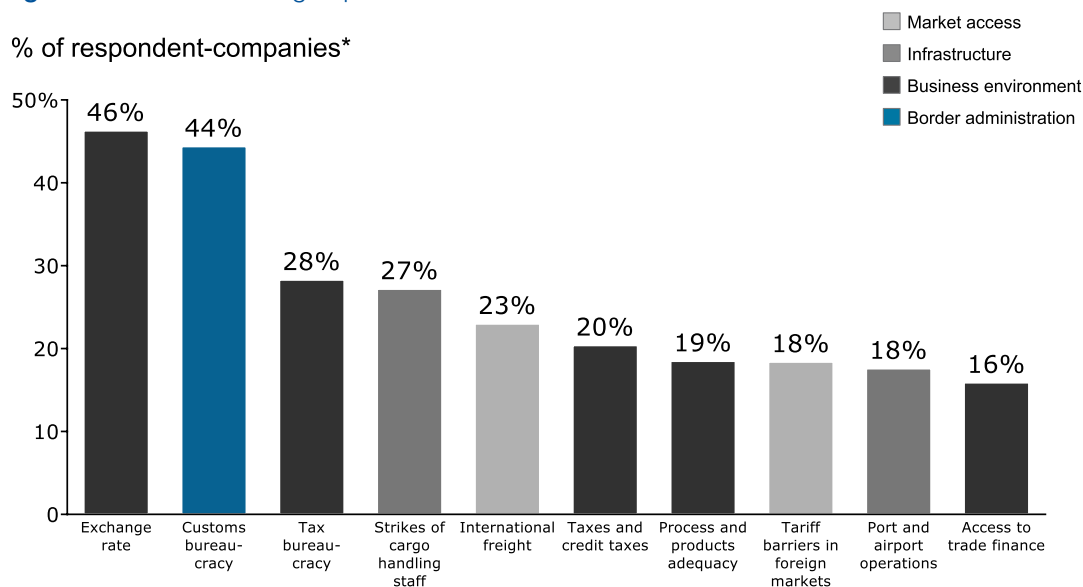


Source: Ministry of Development, Industry and Foreign Trade (MDIC), Brazil; Secretariat of Foreign Trade (SECEX), Brazil

Despite the growth in trade and changes in the exports mix, companies encounter some barriers, which, if eased, could improve trade figures even more. A perception survey conducted by Brazil's National Confederation of Industry (CNI) in 2014 found that 44% of respondent-companies

view customs bureaucracy as a concern that affects their operations (Figure 11).<sup>40</sup> In the findings, customs bureaucracy is just behind worries about the exchange rate, which was relevant at the time of the survey.

**Figure 11: Brazil's Leading Export Barriers**



Note: Data from 2011/2012

\* Of 639 companies surveyed

Source: National Confederation of Industry (CNI), Brazil

Brazil's Single Window facility, Portal Único, is designed to address border administration issues that inflate the time and costs associated with trade.

- Excessive number of documents.** Of the 639 companies surveyed by CNI, 53% report that the excessive number of documents required is a major hurdle to their trade operations.<sup>41</sup> To overcome the bureaucracy, companies indicate they would rather duplicate import documents, creating multiple copies from the same document per shipment. That allows them to compensate for the significant variation in licensing times for different products, and for the possibility of one product delaying an entire shipment.<sup>42</sup>
- Lack of communication among agencies.** One-fourth of the companies raise the lack of communication among agencies as a notable issue.<sup>43</sup> In a single shipment, automotive companies may be required to input data into three or more systems from different government bodies that do not share information with each other, such as Brazil's environmental protection agency (or IBAMA), the National Institute of Metrology, Quality and Technology (INMETRO), and the Secretariat of Foreign Trade (SECEX).<sup>44</sup>
- Slow and unpredictable analysis process.** The time it takes to obtain licences may vary considerably. Imports of specific glass products need approval from INMETRO. Automobile manufacturers report that the time to obtain this approval has increased from 3 days to 11 days on average, to a maximum of 21 days.<sup>45</sup> For air-bag parts, the Brazilian Army wants declarations from origin countries – a requirement unique to Brazil, say the manufacturers. Army approvals usually require in-person visits, and weeks of delay are common during staff vacations, affecting the companies' ability to import necessary parts.

- Slow inspection procedures.** Fully 38% of companies spoke of the excessive time required for inspections.<sup>47</sup> Wood pallets inspection requires analysis of 100% of cargo, although only approximately 10% of total containers show some inconsistency.<sup>48</sup> Also, the lack of pre-arrival procedures adds time to cargo-handling in the port area and container set-up for inspection.

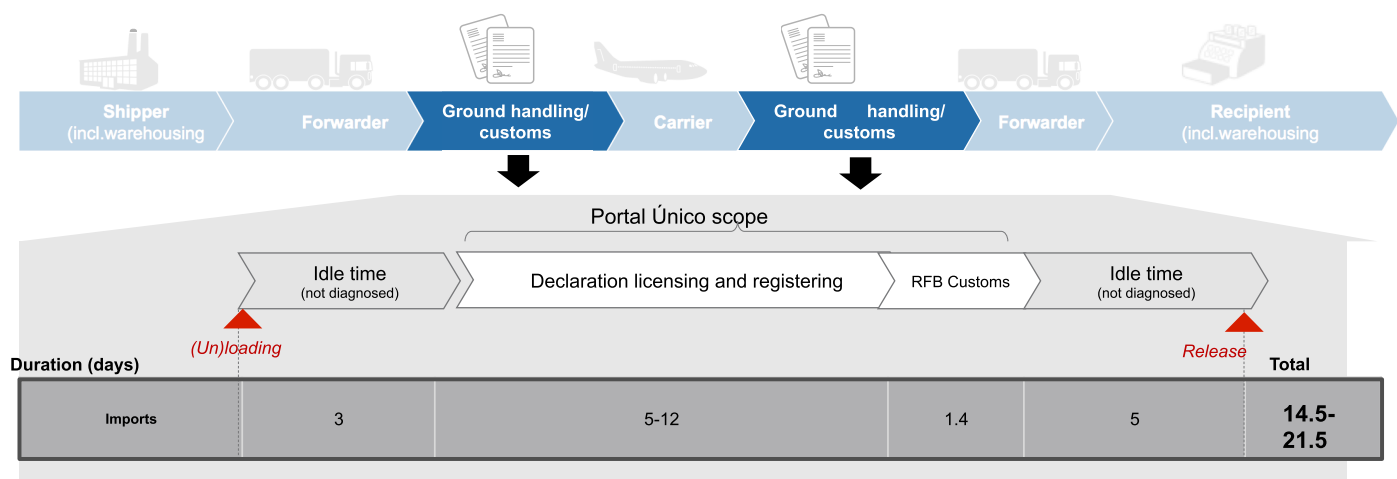
Lower logistics capabilities, higher transportation costs and greater bureaucracy are major trade hurdles in Brazil. The country's indicators on the Forum's Enabling Trade Index have improved little since 2010, and rankings show the potential for a huge impact if the country could perk up.<sup>49</sup>

Brazilian companies face a cost of \$2,215 per container to export, versus global best practice (Singapore) at \$460.<sup>50</sup> It takes an average of 13 days for Brazil to export goods, versus global best practice of six days.<sup>51</sup> These time and cost burdens place Brazilian exports at a significant competitive disadvantage, and producers are forced to compensate through either low-cost production or lower margins. Importing goods into Brazil takes even longer – an average of 17 days.<sup>52</sup> Much of the lengthier time for exports and imports is spent in paperwork and inspection.

Another fundamental issue inhibits trade – stakeholders often lack clarity on the root causes for supply chain delays. In workshops held by the Forum in Brasília, Brazil, on 4 September 2014, representatives from both the government and the private sector discussed the need for a better understanding of supply chain delays. For example, it takes an average of three days for authorities and importers to be notified that cargo has arrived at a port. Following all clearance procedures, the cargo stays at the port for an average of five days during the import process (Figure 12).<sup>53</sup> Although the private sector claims that this delay stems from inadequate infrastructure, which impedes companies' immediate access to their cargo, it is still unclear what actions can resolve the problem and what potential opportunities exist.



Figure 12: Average Import Times from a Customs Study



Source: Receita Federal do Brasil; Rio de Janeiro port study

Undoubtedly, these barriers affect companies differently depending on their size and sector. For example, companies in the primary sector, such as those in agriculture, oil and mining, can overcome much of the paperwork if their operations do not depend on large containers. Also, large companies can take advantage of special customs regimes that expedite clearance.

However, SMEs and large companies without access to these exclusive procedures need better communication, automation and process standardization. To level the playing field, the Brazilian government is investing in projects that will improve trade competitiveness for all companies.

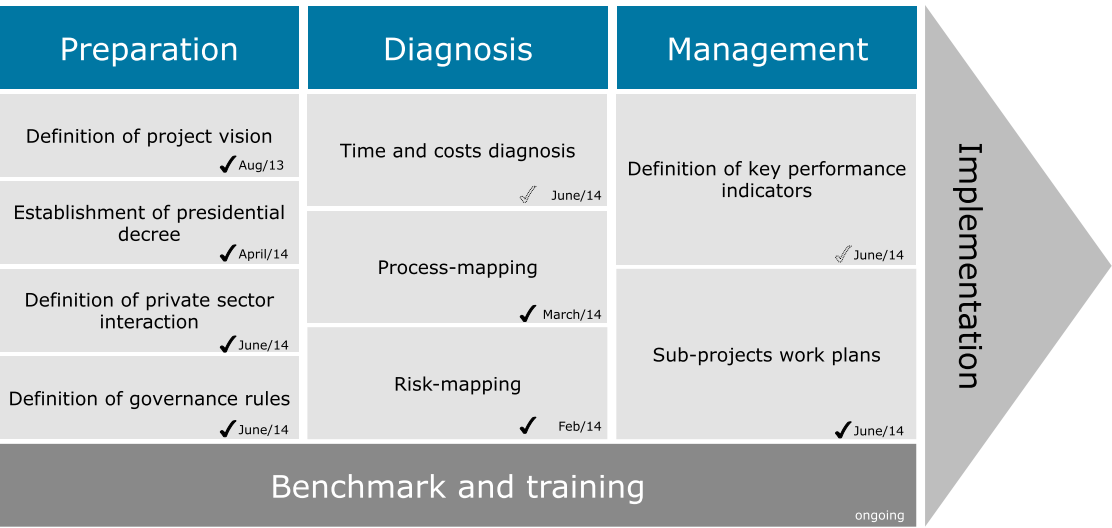


# Brazil’s Approach to Facilitating Trade

To address many of the challenges to efficient trade, Brazil started discussions in 2013 that ultimately led to the creation of a Single Window. Formally launched in April 2014 with a presidential decree, the main task of Portal Único is to make Brazil more competitive in trade procedures, increasing transparency for all stakeholders. The goal is to reduce the average time to export by 38% (to 8 days from 13) and the average time to import by 41% (to 10 days from 17). With one integrated system, Brazil would cut bureaucracy and paper requirements, simplify procedures and make the process user-friendly.

Portal Único is a bold step in the right direction, and will have a direct, positive impact on trade costs, which in turn can affect trade volumes and mix – and, consequently, economic growth. The ambitious plan aims to connect several of the current systems. Not a simple substitution of systems, the Single Window will require coordination of different agencies with possibly different priorities. Currently SECEX and customs (Receita Federal do Brasil, commonly known as Receita Federal) are leading the project; other agencies that participate in trade operations also play a role. Prior to implementation, Brazil completed such critical preparatory activities as conducting a brief diagnosis and setting up a project management operation.

**Figure 13:** Single window planning phase



Source: Interviews with Brazilian government; Bain & Company analysis

### Presidential support

During the preparation phase, the government created structures that would serve as the project’s foundation for the future. Support from major stakeholders, leading up to the president, is helping to strengthen the Single Window project as a top administration priority. For example, the presidential decree established a mechanism for cooperation among relevant agencies and the two bodies managing the project, SECEX and Receita Federal. Moreover, the decree laid out the essential features of the Single Window’s operating model:

- Single electronic site for documents
- Fully computerized procedures

- Harmonized data among documents
- Shared historical databases with government bodies
- Shared information among operators and government bodies
- Use of electronic signatures

The approach represents a decisive, focused start. The objective is to build momentum and ensure alignment and communication, improving the chances of greater benefits during implementation. For example, by identifying each stakeholder’s interest in the project and level of impact, it is possible to adjust the communication approach, frequency and critical messages. As a result, resources can be deployed efficiently and precisely.



## Coordinating bodies and governance

To coordinate the different priorities and views of multiple stakeholders, Brazil created a managing committee with representatives from SECEX and Receita Federal. The committee articulates inter-agency issues, coordinating work streams, working groups and other participating agencies. In addition to the managing committee, the government formed a management body that is open to participation from other relevant agencies. Finally, the project designated the foreign trade board (CAMEX) to arbitrate and articulate inter-ministerial issues. CAMEX is a body with representatives from the State Head of Civil Office (Casa Civil), the Ministry of Development, Industry and Foreign Trade, the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Agriculture, Livestock and Food Supply, the Ministry of Planning, Budget and Management, and the Ministry of Agrarian Development.

Coordination and decision-making are vital in the preparation stage, and work hand-in-hand. Effective synchronization requires a clear process that starts by identifying the key roles and decision points, and then assigning decision owners. This procedure allows all parties to fully understand their roles in important decisions and the levels of involvement required.

The managing committee oversees the entire process but lacks executive power – a situation that could slow down execution if priorities among the agencies change in the future.

## Private sector involvement

Brazil's government signed a cooperation agreement with PROCOMEX Institute, an alliance of associations and large Brazilian companies. PROCOMEX is the main channel through which the government engages the private sector in the Single Window project. Private sector representatives participate in PROCOMEX-led meetings and workshops to map current business processes, identify existing bottlenecks in border administration, and discuss ways to improve procedures. They also help to define and validate the redesigned procedures.

Separately, the government has worked directly with companies to discuss their view of trade barriers and solicit recommendations for refining the Single Window project.

Attracting support and input from the private sector is extremely important. It helps to create a collective view of the targeted “point of arrival”. Brazil has succeeded in creating a vision for the specific steps of the process.

## Diagnosis

The initial diagnosis focused on existing export procedures. Brazil studied approximately 48 processes in the maritime and air modals that involve about 16 government bodies. Those processes have been analysed and will support the definition and redesign of new ones. Moreover, Receita Federal has conducted studies on the current time requirements for imports, mapped from berthing to receipt

of goods by maritime importers in eight important Brazilian ports. The time requirement for each step was measured, with the goal of recognizing the steps with the most potential for improvement. Additionally, the variability of time in each phase was measured. The study identified idle times unrelated to customs or participating agency procedures. The findings will require further analysis for a comprehensive understanding of the root causes.

SECEX and Receita Federal also identified 30 potential risks to a project's successful implementation, ranked according to possible impact and likelihood. The agencies suggested measures to mitigate the risks which covered such areas as technology, redesign complexity and public stakeholder support, as well as the private sector and international organizations.

## Project management

Receita Federal has 35 people and SECEX has 32 working on different sub-projects. The agencies followed a segmented approach that allowed them to take advantage of early results before embarking on full implementation. For example, the website portal, already executed, is making trade operations more accessible. Because digitizing documents may minimize some issues in paper requirements affecting trade operations, that particular effort is scheduled for early implementation. A host of other projects will support the Single Window. For example, data harmonization will deliver a more cohesive set of data from trade operators, eliminating redundancies. A products catalogue and a unified register of operators will provide detailed data to improve risk management tools and boost operators' efficiency. A vital ingredient of project management – a common set of KPIs and progress metrics that helps to track progress and pinpoints possible changes required.

## Project status

Except for the website, all other projects are in the IT specification stage, with the percentage of developed activities ranging from 10% to 50%. Document digitalization will be the next deliverable. In 2015, other projects are likely to be completed: data harmonization, the products catalogue and the unified register of operations. Brazil hopes to roll out the redesigned export process in 2016 and the new import processes in 2017. Some quick wins have already been achieved. For example, tax exemptions will be faster and less complex with the new internet-based drawback systems, which will reduce bureaucracy and deliver potential savings to companies in the short term.

## Lessons learned from Brazil's experience

Brazil's experience serves as a best practice because of the aggressive approach towards addressing the problems inhibiting trade. The improvements will take time and face many challenges. The first step is to highlight the issues and work with the private sector to identify the most important – and start to tackle those. According to the timeline, the implementation phase will begin in 2016. As with any long-term project, the risk exists that priorities may shift over

time. But crucial features in the project not only ensure successful implementation but also help to prevent a moving off course:

1. Brazil has established this programme as a state, not a government, project, providing proper **legislative safeguards** and formalizing the bodies involved.
2. The Single Window project will require process-mapping and discussion among agencies and companies to redefine customs procedures. PROCOMEX, which is leading most of this effort, is formed from the alliance of companies and associations, and the dialogue provides a guarantee of continuation in the future. PROCOMEX also offers a valuable channel for the **private sector to be involved in all the project implementation steps**. Continuing private sector contributions made in workshops will help to maintain the momentum for changes in trade procedures. Also, by engaging the private sector from the beginning, Brazil has encouraged the most relevant competitiveness issues to be addressed. These efforts clearly indicate that the government and the private sector in collaboration can create a win-win scenario.
3. The **managing committee** will oversee the project and coordinate the other agencies in the implementation process. The leading agencies are empowered to involve other bodies and guarantee the development of activities in the proper timeframe. Additionally, a coordinating body at the ministerial level may intervene and arbitrate in the event of divergences.
4. The project established a long-term time frame and prioritized implementation of exports according to the country's priorities.
5. Finally, the Single Window project has the **flexibility** to deal with diverse issues and complement other government projects aimed at improving border administration.

**Figure 14: World Economic Forum Workshop in Brasilia**





# Private Sector View of Key Border Administration Trade Barriers in Brazil

The private sector has its own view on the impact of reducing barriers, with priorities that vary among industries. Over the past several months, qualitative input has been collected from companies and associations representing different sectors: automotive, oil and gas, agriculture, express and shipping. This work has identified the key barriers that must be removed to improve competitiveness in border administration. Portal Único will address directly the reduction of formalities and the automation of processes, and indirectly will create appropriate tools to support other projects such as the authorized economic operator (AEO) programme that Receita Federal is launching.

In a private sector survey and interviews for this report, eight issues emerged as most relevant (Figure 15). At the top are the excessive formalities and documentation, and the lack of pre-arrival processing; these concerns will be addressed by the Single Window solution. The next-most-common issues relate to the physical release of shipments not being separate from fiscal control; these worries will not be directly solved by Portal Único, but will be addressed because the Single Window will feed current databases with information that will benefit other customs projects. The fourth-most mentioned issue of lack of automation, will be affected directly by the Single Window. Finally, the fifth-most common issue of unequal criteria among offices, and the seventh-most mentioned issue of lack of AEOs, will be addressed in part through the enhanced transparency and databases created by the Single Window.

**Figure 15: Ranking of Issues Raised by the Private Sector**

1.	Excessive formalities and document requirements (agencies)
2.	Lack of pre-arrival processing
3.	Physical release not separate from fiscal control
4.	Lack of automation/electronic data interchange
5.	Unequal criteria among officers
6.	Limited operating hours of government bodies
7.	Lack of authorized operators
8.	No de minimis level

Source: Interviews; Bain & Company analysis

Lack of pre-arrival processing: Pre-arrival processing allows companies to start paperwork procedures in advance and communicate trade operations before reaching a port. The earlier that companies send information and receive feedback from government authorities, the sooner they can follow procedures. Today, some pre-arrival processes are available for maritime trade, but not airfreight. Another challenge: the need to prepare advanced information for non-customs procedures.

Consider the possibilities to improve inspection. Today, the inspection of wood pallets starts when the cargo is in the port. Before arrival, the Ministry of Agriculture needs to receive all documentation, and notification that an inspection is required. After an initial analysis, additional handling may be necessary to prepare for a proper inspection, creating added costs.<sup>58</sup> But if the information were to reach the ministry in advance, handling costs at the port could be avoided and time saved in documentation preparation.

Physical release not separate from fiscal control: Brazil is improving its level of same-day release of shipments. In 2012, fully 81% of cargo was released the same day; in 2013 the percentage reached 83%.<sup>59</sup> The Single Window can provide information that enhances analysis and allows the separation of fiscal control in selected cases. Canada uses an efficient risk management tool to increase the speed of goods released, while also improving the quality of analysis. By contrast, in a post-border environment, where pressure for timely release of goods is non-existent, Canadian officers are permitted the time required to comprehensively research, analyse and render appropriate decisions under legislated programmes such as Tariff Classification. As a result, Canada has reduced error rates by almost 10 percentage points.<sup>60</sup> Canadian customs created a web-based database that provides post-clearance audit officers with useful data that reduce misinterpretations in tariff codes outside the customs office.

Lack of authorized operators: Companies in Brazil already can take advantage of special regimes such as blue line and, as authorized operators, can have their trade released automatically without further inspections. However, these regimes are limited to only about 50 selected companies, mainly because only large companies can afford the required investments.<sup>61,62</sup> By comparison, China allows more than 2,000 operators and companies to be classified as AEOs. Customs in Brazil is launching an expanded AEO programme that should be fully implemented in the years ahead.

Excessive formalities and document requirements: This challenge is the one that most stakeholders hope to overcome with the Single Window solution, reducing the formalities in each of the bodies, providing the ability to quickly change information, and creating transparency and information-sharing.

Lack of automation/electronic data interchange: Lack of automation is a broader issue that may require significant investment to resolve. The first step, eliminating paper procedures, was taken by customs. Additionally, when companies mention automation they are suggesting the following:

1. Make most of the procedures available online, leveraging the successful digital certification programme Brazil already has in place
2. Make information more widely available for users. For instance, avoid emails exchanged in import/export procedures
3. Create an interface to communicate automatically, according to international standards, with customs and agencies, for not only regular operations but also potential adjustments

Unequal criteria among officers: Officers in Brazil's different ports often have different interpretations of laws and regulations. Given the numerous points of entry into the country, it is often difficult to equalize the criteria among all officers. Simplifying the criteria should help to ensure all officers operate using the same set of laws and regulations. Training programmes and more senior teams may help, but without simple criteria, it is difficult to achieve equalization. Measures exist to mitigate the inequalities. For example, when customs officials put a case on hold, it can only be cleared by the officials that held the shipment. This requirement can cause considerable delays when the relevant officials are unavailable for several days.<sup>60</sup> An extra layer of complication: officers from different agencies staff the ports. The United States addresses this issue by having

a single officer represent the Internal Revenue Service and all other relevant agencies.<sup>48</sup> Brazil's customs has projects intended to mitigate this barrier. For example, a binding manual of procedures for both customs and stakeholders exists that can be used by both customs and the private sector.

Limited operating hours of government bodies: In Brazil, it may not make sense to extend port operations to a 24/7 activity, which is the policy in other countries. No demand may exist for it. Brazilian customs conducted trials on 24/7 operations in some ports, and determined that it would not result in dramatic gains.<sup>63</sup> However, it would be valuable to study ways for government bodies in such developed areas as Santos and Rio de Janeiro to operate around the clock. Such a move could speed up some procedures and increase flexibility for companies. For instance, the latter could manage Sao Paulo's restrictions on daytime truck circulation. As an example of helpful legislation, consider the act to establish 24-hour operations for the government bodies attending to trade activities for agriculture and minerals.<sup>64</sup>

No de minimis level: This has a greater impact on express companies and is related to a minimum value for exempting customs procedures and taxes. Brazil's current value is 0. By comparison, Chile has a \$30 de minimis.<sup>65</sup>

### Rough estimation of Single Window impact

The Single Window's direct and indirect benefits can be estimated by the transaction cost savings generated from process automation. Fewer delays and fewer days required to prepare and clear documentation can result in lower capital and inventory costs. Total savings could reach nearly \$1.5 billion annually (Figure 16).<sup>66</sup> Meanwhile, streamlined procedures and greater transparency processes can boost trade and the country's gross domestic product (GDP). For instance, recent studies show a potential for GDP to increase by \$24 billion due to Single Window improvements.<sup>67</sup>

Figure 16: Estimated Impact of Brazil's Single Window



Source: KPMG study; World Bank; ANTAQ (Agência Nacional de Transportes Aquaviários); OECD; AliceWeb; Bain & Company analysis

# Conclusions and Recommendations

The implementation of trade facilitation projects, especially a Single Window facility, is a necessary step towards improving international trade. Good practices have come out of Brazil and other countries in their ability to generate political support, involve the private sector and lead with multistakeholders. However, given the complexity of implementing a Single Window, it is important to highlight the topics that governments should emphasize as they embark on project development. First, governments need to prepare structures for project enforcement, private sector involvement and proper governance. Second, they must diagnose the main issues, a basic step before mobilizing and planning the effort, defining the project's scope and phases, and determining how it connects to current projects. Finally, the government needs to execute the plan with the appropriate support and partnership.

## Project enforcement

The first step to ensure success for long-term and multistakeholder projects is to gather political support at the presidential level and make the projects a priority for the country. All the cases described above were successful in generating this support and using it to properly deploy the project.

## Private sector involvement

It is important to involve the private sector at the very beginning of a project's development as a way of shaping the solution for final users and enhancing its potential impact. That means conducting workshops and creating a dialogue among government and private sector leaders aimed at defining the course of the project. Brazil took this a step further by involving the private sector in the redefinition of processes. For example, companies and PROCOMEX are collaborating to collect input from the private sector that will help in the design phase.

## Coordinating body

A coordinating body is essential to ensure successful implementation of any multistakeholder project. A supervisory body with powers to arbitrate when necessary can align the different priorities and approaches. Such a body also can help to speed up decisions. Brazil has a managing committee that coordinates agencies in the implementation process, and CAMEX serves as a supervisory body. One risk that Brazil and other countries may avoid is the slow decision-making process that sometimes occurs when participating agencies are not formally subordinate to the leading bodies. Greece

successfully created trade committees to oversee the projects, as well as steering groups to effectively manage multistakeholder issues.

## Diagnostic

The deeper the diagnostic, the better the implementation. A set of KPIs and the methodology to verify them is also important. For example, Costa Rica has conducted some business process analysis to reduce costs and times of the trade processes. Receita Federal in Brazil has started to track the time required for import procedures; further assessments and detailing of KPIs will be conducted in the near future to help to prioritize and create an implementation strategy.





## Scope and phases

The scope of a Single Window could expand as far as the project leaders' imagination. So prioritization and appropriate phasing is vital, taking into consideration implementation capacity and the possibility of future re-work. Given the number of facilities and entities involved in a Single Window, clarifying the process stages is important, even for institutions that are not to be connected in the earlier phases. It is crucial to have a roadmap that makes accommodation for unforeseen future adjustments. The roadmap, together with a proper diagnostic, would make the prioritization and phasing process straightforward. Examples of good practices are Singapore and South Korea, which are continuously developing their Single Windows, phasing the implementation according to impact and complexity.

## Integration

Brazil's government has several promising projects related to improving trade; the Single Window is one of them. Countries are most productive when they have a broader plan of trade, integrating all the plans and describing how each will help to reach the established KPIs. For example, Greece was able to communicate and integrate its project into a broader agenda of economic recovery.

## Solution development

The level of technological development and use of information from controlling agencies are important issues to keep on the agenda. Brazil's risk management, already in use by customs, is not installed in some other inspection agencies or even licensing procedures. A Single Window should be a tool for government agencies to advance the use of information. In South Korea, for example, some agencies improved their systems after Single Window implementation. Additionally, the technical solution for a Single Window may not be straightforward, so working with institutions that have experienced implementation should be productive. For instance, South Korea and Singapore have been improving their systems for years, so learning from them and their IT solutions could accelerate execution. In addition to those described in this report, supply chain barriers related to logistics and the business environment also undermine competitiveness. The options to address them are:

1. Attack the issues all at once – Governments can rely on diverse departments to work on all the issues
2. Attack issues sequentially – Prioritize issues and work on them in sequence
3. Prioritize actions according to impact and implementation complexity – Governments' important role is to define what actions should be prioritized based on the impact on the country and when the benefits can be collected

The first two options are less productive, given the level of resources and expected time frame for implementation. The third option, however, could yield tangible results in the shorter term. A critical success factor is prioritization, which should be defined by the government. Enabling Trade: Increasing the Potential of Trade Reforms, a Forum report published in 2015, showcases some specific value chains and highlights the gains achieved by focusing on certain sectors and establishing pilot projects.

With all the positive efforts to improve trade, it is important to reinforce fundamental recommendations from the Forum's 2013 and 2014 *Enabling Trade* reports – in the end, products will move only when countries reach a “tipping point” at which it becomes profitable for companies to increase trade, and creating that tipping point requires a focus on more than one element of the value chain.





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# Endnotes

<sup>1</sup> The analysis in this section was by Michael Ferrantino, Marinos Tsigas and Thierry Geiger. The first two are affiliated with the United States International Trade Commission and Thierry Geiger with the World Economic Forum. This analysis is solely the work of the analysts, and is not meant to represent the views of the United States International Trade Commission or any of its commissioners.

<sup>2</sup> [http://www.wto.org/english/news\\_e/news14\\_e/gc\\_rpt\\_27nov14\\_e.htm](http://www.wto.org/english/news_e/news14_e/gc_rpt_27nov14_e.htm)

<sup>3</sup> <http://www.kentrade.go.ke/media/press-release-may28.pdf>, accessed on 16 September 2014

<sup>4</sup> Calculating the potential impact of the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) on trade costs, Organisation for Economic Co-operation and Development (OECD) paper, page 2

<sup>5</sup> Developing and developed countries definition by World Bank: <http://data.worldbank.org/region/LDC> and <http://data.worldbank.org/about/country-and-lending-groups>

<sup>6</sup> OECD trade facilitation implementation data; Bain & Company analysis

<sup>7</sup> OECD trade facilitation implementation data; Bain & Company analysis

<sup>8</sup> *The New Frontier of Competitiveness in Developing Countries: Implementing Trade Facilitation*, United Nations Conference on Trade and Development (UNCTAD)

<sup>9</sup> *Global Enabling Trade Report 2014*, World Economic Forum; Bain & Company analysis

<sup>10</sup> Only developing and least-developed countries were considered in these figures

<sup>11</sup> Countries surveyed about recent efforts and expected impact, *The New Frontier of Competitiveness in Developing Countries: Implementing Trade Facilitation*, UNCTAD

<sup>12</sup> OECD trade facilitation indicators for developing and least-developed countries, except TFA Articles 5, 9 and 12; trade facilitation committee findings, UNCTAD survey; Bain & Company analysis

<sup>13</sup> Countries surveyed about recent efforts and expected impact, *The New Frontier of Competitiveness in Developing Countries: Implementing Trade Facilitation*, UNCTAD

<sup>14</sup> Moisé, E. and Sorescu, S., "Trade Facilitation Indicators: The Potential Impact of Trade Facilitation on Developing Countries' Trade". In *OECD Trade Policy Papers, No. 144*, OECD Publishing, 2013

<sup>15</sup> OECD trade facilitation implementation data; Bain & Company analysis

<sup>16</sup> OECD trade facilitation implementation data; Bain & Company analysis

<sup>17</sup> *Global Enabling Trade Report 2014*, World Economic Forum

<sup>18</sup> According to TFA Article 10, a Single Window should connect all relevant agencies to create the concept of one single entry of information. As in the TFA text: "Members shall endeavour to establish or maintain a Single Window, enabling traders to submit documentation and/or data requirements for importation, exportation, or transit of goods through a single entry point to the participating authorities or agencies."

<sup>19</sup> National Trade Facilitation Strategy and Roadmap, October 2012, <http://www.doingbusiness.org/data/exploretopics/trading-across-borders>

<sup>20</sup> Senegal case, Single Window repository, United Nations Economic Commission for Europe (UNECE)

<sup>21</sup> *World Bank Doing Business* data; Bain & Company analysis

<sup>22</sup> *World Bank Doing Business* data; Bain & Company analysis

<sup>23</sup> *World Bank Doing Business* data, <http://www.doingbusiness.org/data/exploretopics/trading-across-borders>; Bain & Company analysis

<sup>24</sup> *World Bank Doing Business* data, <http://www.doingbusiness.org/data/exploretopics/trading-across-borders>

<sup>25</sup> Azerbaijan case, Single Window repository, UNECE

<sup>26</sup> Singapore case, Single Window repository, UNECE

<sup>27</sup> World Bank logistics performance index and World Economic Forum Enabling Trade Index

<sup>28</sup> South Korea case, Single Window repository, UNECE

<sup>29</sup> South Korea case, Single Window repository, UNECE; Bain & Company analysis

<sup>30</sup> South Korea case, Single Window repository, UNECE

<sup>31</sup> Interviews with representatives of the Ecuador government

<sup>32</sup> Interviews with representatives of the Ecuador government

<sup>33</sup> Interviews with representatives of the Ecuador government

<sup>34</sup> World Economic Outlook online database, October 2014 edition, International Monetary Fund

<sup>35</sup> Despite being the eighth-largest economy, Brazil is ranked 15th, according to WTO 2013 data (imports and exports)

<sup>36</sup> GDP growth (annual %), World Development Indicators, World Bank DataBank

<sup>37</sup> Average annual growth from 2003 to 2013, GDP growth (annual %), World Development Indicators, World Bank DataBank

<sup>38</sup> Brazilian figures from "Exportações brasileiras por Fator Agregado: 1964 a 2013", Brazil's Ministry of Development, Industry and Foreign Trade (MDIC) and Secretariat of Foreign Trade (SECEX); Australian data from "Australia's Trade in Goods and Services 2013", Australia's Department of Foreign Affairs and Trade

<sup>39</sup> Brazilian figures from "Exportações brasileiras por Fator Agregado: 1964 a 2013", Brazil's MDIC and SECEX

<sup>40</sup> Entraves às Exportações Brasileiras, National Confederation of Industry (or CNI) survey, 2014

<sup>41</sup> Entraves às Exportações Brasileiras, National Confederation of Industry survey, 2014

<sup>42</sup> Interview with Toyota representative in Brazil, June 2014

<sup>43</sup> Entraves às Exportações Brasileiras, National Confederation of Industry survey, 2014

<sup>44</sup> Interview with Toyota representative in Brazil, June 2014

<sup>45</sup> Interview with Toyota representative in Brazil, June 2014

<sup>46</sup> Interview with Toyota representative in Brazil, June 2014

<sup>47</sup> Entraves às Exportações Brasileiras, National Confederation of Industry survey, 2014

<sup>48</sup> Comment from Brazilian government representative, World Economic Forum's workshop in Brasília, Brazil, on catalysing trade facilitation in Brazil, September 2014

<sup>49</sup> Bain & Company analysis of World Economic Forum data. The Brazilian indicators of "foreign market access" and "availability and quality of transport services" have dropped since 2010

<sup>50</sup> *World Bank Doing Business*, trade: costs to export per TEU (twenty-foot equivalent unit)

<sup>51</sup> *World Bank Doing Business*, trade: time to export per TEU

<sup>52</sup> *World Bank Doing Business*, trade: time to export per TEU

<sup>53</sup> Figures estimated from Brazilian customs data, Receita Federal, Rio de Janeiro port report, May 2014. Customs export time obtained from Brazilian customs report, *Relatório Aduaneiro Receita Federal*, 2013. Times in each step from exports obtained from Receita Federal, Rio de Janeiro port report, May 2014, mentioning World Bank

<sup>54</sup> Figures estimated from Brazilian government materials

<sup>55</sup> Interviews with Brazilian government

<sup>56</sup> Interviews with Brazilian government

<sup>57</sup> Interviews with Brazilian government

<sup>58</sup> World Economic Forum's workshop in Brasília, Brazil, on catalysing trade facilitation in Brazil, September 2014

<sup>59</sup> Brazilian customs report, *Relatório Aduaneiro Receita Federal*, 2013

<sup>60</sup> UNECE trade facilitation guide, Canada report, on post-audit clearance

<sup>61</sup> Receita Federal website, accessed 21 October 2014

<sup>62</sup> World Economic Forum's workshop in Brasília, Brazil, on catalysing trade facilitation in Brazil, September 2014

<sup>63</sup> Interviews with Brazilian government

<sup>64</sup> Presidência da república, Casa Civil, Law Nº 5.025, 10 June 1966

<sup>65</sup> Interviews with UPS representatives, June 2014

<sup>66</sup> Inventory costs estimated by the potential reduction in days from exports and imports (Brazil today reaching the average of Australia, the US and Argentina); cost of capital obtained from cost of capital study, KPMG, 2013; transaction costs reduction estimated from OECD study (Moisé, E., and Sorescu, S., "Trade Facilitation Indicators: The Potential Impact of Trade Facilitation on Developing Countries' Trade", in *OECD Trade Policy Papers, No. 144*, OECD Publishing, 2013); documentation and clearance costs obtained from *World Bank Doing Business* database 2014; trade volumes from WTO statistical programme

<sup>67</sup> Study from Fundacao Getulio Vargas (or FGV)



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