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Q1: Respondent details

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Q2: Country or Customs territory

- MULTILATERAL OR REGIONAL DEVELOPMENT BANK

Q3: Organization

Public sector

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Q4: Title of case story

How to Reduce Trade Costs with Modest Investments - The Foreign Trade Single Window in Latin America and the Caribbean

Q5: Case story focus

Trade Facilitation.

Q6: Case story abstract

Today, logistics and transport costs represent one of the main obstacles to increasing the participation of Latin America and the Caribbean (LAC) countries in international trade. On average, logistics and transport costs are three times higher than tariffs.

Small and Medium size Enterprises (SMEs) are among the most affected by such inefficiencies and cannot afford the costs to overcome them. Logistics and transport costs can be reduced by investing in connectivity infrastructure but this is challenging in the current economic slowdown in most LAC, countries especially for commodity exporters.

However, infrastructure investments are not the only option. Logistics and transport costs can be addressed by tackling inefficient international trade procedures, which require more modest investments but ambitious political and administrative will.

The growing attention given to these trade costs is reflected in the conclusion of the World Trade Organization (WTO) Agreement on Trade Facilitation in Bali in 2013. The Inter-American Development Bank (IDB) Aid for Trade Strategic Thematic Fund (AfT) has been an important and effective tool in supporting LAC countries' efforts to facilitate trade contributions to the AfT Fund have served as an operational framework aimed at addressing supply-side obstacles, such as excessive red tape, inadequate financing, institutional weakness or poor infrastructure, thereby contributing to the WTO's 2005 Aid for Trade Initiative.

Q7: Who provided funding?	Bilateral donor
Q8: Project/Programme type	Regional
Q9: Your text case story	<i>Respondent skipped this question</i>
Q10: Lessons learnt	<i>Respondent skipped this question</i>

WTO-OECD 2017 Aid for Trade – Case Story

How to Reduce Trade Costs with Modest Investments

The Foreign Trade Single Window in Latin America and the Caribbean

Today, logistics and transport costs represent one of the main obstacles to increasing the participation of Latin America and the Caribbean (LAC) countries in international trade. On average, logistics and transport costs are three times higher than tariffs. These costs became more apparent due to: (i) dramatic reductions in tariffs – average tariffs in LAC went down from 40 percent to 10 percent over the past three decades; (ii) insufficient investment in infrastructure – LAC invests less than 2 percent of GDP in infrastructure; and (iii) inefficient procedures for conducting international trade.

Small and Medium size Enterprises (SMEs) are among the most affected by such inefficiencies and cannot afford the costs to overcome them. When SMEs have to provide the same information in different formats to multiple public and private entities it constitutes a waste of time, money and resources, curtailing their competitiveness and ability to participate in international value chains. Logistics and transport costs increase the price of goods by 15%, cause delays and very often result in unpredictable processes. However, as a general rule, only 25% of such delays are due to inadequate infrastructure; the remaining 75% are due to inefficient administrative procedures. Can anything be done to help those SMEs?

Logistics and transport costs can be reduced by investing in connectivity infrastructure but this is challenging in the current economic slowdown in most LAC, countries especially for commodity exporters. However, infrastructure investments are not the only option. Logistics and transport costs can be addressed by tackling inefficient international trade procedures, which require more modest investments but ambitious political and administrative will.

The growing attention given to these trade costs is reflected in the conclusion of the World Trade Organization (WTO) Agreement on Trade Facilitation in Bali in 2013 (now ratified). Some of the key areas addressed in the Agreement on Trade Facilitation include: Authorized Economic Operator (AEO) programs that provide for the accreditation and certification of trusted traders, the coordinated management of border agencies within one country and between neighboring countries, and the Single Window for Foreign Trade (in Spanish: *Ventanilla Única de Comercio Exterior*, or VUCE). The VUCE is an online platform set up by a government agency, usually led by Ministries of Trade, Finance and their Customs Administrations, to carry out international trade procedures in a streamlined and efficient manner, reducing the number of transactions, time and costs for economic operators. The VUCE also facilitates the participation of firms in global value chains, especially SMEs that have limited resources to comply with repeated and cumbersome international trade procedures. The most advanced feature of a VUCE is its capacity to connect and inter-operate across multiple borders: international trade procedures are carried out through electronic means from the country of origin, through transit,

until the final destination country. The VUCE not only reduces costs for firms but it also reduces costs in foreign trade administrations and increases their quality of service.

Since its inception in 2008, [the Inter-American Development Bank \(IDB\) Aid for Trade Strategic Thematic Fund \(AfT\)](#) has been an important and effective tool in supporting LAC countries' efforts to facilitate trade. The contributions from Canada, Chile, Switzerland, and the United Kingdom to the AfT Fund have served as an operational framework aimed at addressing supply-side obstacles, such as excessive red tape, inadequate financing, institutional weakness or poor infrastructure, thereby contributing to the WTO's 2005 Aid for Trade Initiative. Later, Canada, Colombia, Mexico, Spain and the United States joined efforts to complement the AfT Fund establishing the Multidonor Regional Infrastructure Integration Fund (RIIF) and the European Union (EU), Japan and Korea have also provided support to integration projects in LAC. Through non-reimbursable technical assistance, the AfT and the RIIF Funds have supported global, regional and national priorities in the “*software*” (*regulatory frameworks*) and “*hardware*” (*infrastructure investments*) of trade and integration through priority areas such as:

- Implementation of trade agreements;
- Expansion and diversification of trade;
- Reduction of transaction costs;
- Compliance with agricultural export standards;
- Regulatory harmonization;
- Targeted and results-oriented capacity building; and
- Leveraging financial resources for integration investments, mainly through loans

Resources of the AfT and RIIF jointly approved 49 projects totaling US\$33 million in grants.

Building on these funds' successful achievements, in 2016 the IDB merged AfT and RIIF topics into the new *Multidonor Regional Integration Fund* (RIF). The RIF covers challenging and emerging aspects of LAC's regional and global integration agenda, i.e., implementing and taking advantage of trade agreements, reducing logistics and transport costs, and promoting productive integration while continuing to support intergovernmental platforms and emerging integration initiatives.

One particular tool that the AfT and RIIF funds deployed to eliminate some of the inefficiencies in international trade procedures and that will be maintained under the RIF is the establishment of VUCEs thorough the LAC region. To date, 14 LAC countries¹ have engaged in designing, implementing or upgrading their VUCEs with tangible outcomes. The IDB, in collaboration with its donors, multilateral organizations and borrowing member countries, has carried out [research](#), [public-private policy dialogues](#), [capacity-building](#), and technical assistance, creating a virtuous circle for VUCEs in the LAC region and in some cases their interoperability as is the case for the VUCEs of the Pacific Alliance member countries (Chile, Colombia, Mexico and Peru).

¹ Argentina, Barbados, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Jamaica, Nicaragua, Peru, Panama, Trinidad and Tobago, and Uruguay

Figure 1: VUCE’s Virtuous Cycle of Knowledge and Operations



Source: Inter-American Development Bank

I. Research

IDB’s research program identifies trade costs and measures the impact of trade facilitation interventions in the region. The findings of our most recent publication “[Out of the Border Labyrinth](#)” suggest that trade expanded because of such trade facilitation measures, including the VUCE. The empirical method used in this study has been applied to evaluate three recent VUCE investment loans (Peru, Argentina, and Trinidad and Tobago), and as an input for the Bank’s capacity building-program in this area.

II. Policy Dialogue

Measuring impact contributes to consensus building, energizing political will and further coordination among LAC countries, which in turn is promoted through a variety of dialogues that the IDB convenes with its clients. In 2015, the “[Regional Policy Dialogue](#) (RPD) on Single Windows” sought to make progress on the interoperability of VUCEs in the region, and to extend the dialogue on good practices for integrating private sector solutions into the design and implementation of VUCEs.

The IDB’s [Americas Business Dialogue](#) (ABD) brings together more than 60 business associations from 30 countries in the Americas. This dialogue serves as a unique platform to offer a regional dimension for the promotion and implementation of the VUCE.

Likewise an RPD validated the development of Strategic Agendas on Integration (SAIs) with focus on specific regions and topics. SAIs are documents that build upon existing priorities and initiatives to put forward operational proposals in support of global and regional integration. For example, the Caribbean SAI identified the following areas of collaboration: offshoring services, maritime transport, air transport and VUCEs.

III. Capacity Building

In order to create and sustain a critical mass of expertise, the Bank also offers [capacity building on topics relating to trade facilitation](#) as well as other areas. Specifically on the VUCE, the Bank's Capacity Building Program on Integration and Trade has implemented [25 online tutored courses](#), in Spanish, English and Portuguese between 2012 and 2017, and trained more than 800 public officials in LAC. The Program has also implemented a [Single Window Community of Practice](#) that includes 350 certified participants to date, who already completed 15 hours of weekly study over the total 9 weeks of the course.

IV. Technical Cooperation Interventions

The AfT and RIIF Funds have provided support for the establishment of VUCEs on a regional basis and at country-level. An example of the former is the [Inter-American Network of Single Windows \(RedVUCE\)](#), which is a virtual platform of technical working groups on establishing the legal, technical and regulatory architecture required for the interoperability of national VUCEs in Mesoamerica. Each country has a strategic action plan to join forces, avoid duplication, assess risks and streamline import/export procedures. The goal is to apply international best practices to achieve the interconnection of national VUCEs to ensure region-wide electronic exchange of reliable information and data in real time.

Another example of the IDB's regional technical cooperation (TC) support to VUCE initiatives, financed by the [Regional Public Goods Initiative](#), is the interoperability among the Pacific Alliance (PA) countries. The PA countries have accomplished the first ever electronic exchange through their VUCEs in the LAC region. These countries are now able to exchange a harmonized phytosanitary certificate to export/import agricultural products. The next phase will focus on zoo-sanitary certificates, customs declarations and commercial invoices. It will also seek to broaden the participation of Observer States of the PA that are equipped with the technological requirements to interoperate with the PA, e.g., Costa Rica, Trinidad and Tobago and Uruguay.

Additionally, partnering with the EU, a technical cooperation project aims at strengthening the economic integration in Central America (CA) in line with CA's Trade Facilitation and Competitiveness Strategy, the Road Map for a CA Customs Union and the Trade Facilitation Agreement of the WTO. This action will support trade facilitation and capacity to trade through the following components (i) modernization and convergence of regional regulatory frameworks,

and (ii) Trade Facilitation regional IT infrastructure: the CA's digital trade platform, which includes the interoperability of VUCEs in CA.

Finally, a project aims to strengthen LAC countries' capacities to advance the trade facilitation agenda at regional level, including VUCEs in Argentina and Brazil.

V. Sustainability

The IDB's efforts to promote the implementation of VUCEs in the LAC region have been leveraged with countries' own efforts to carry the work forward to its fruition. Thus, fourteen countries have engaged in investment loans with the Bank that either focus solely on the VUCE or include a component for the creation, implementation, upgrade or interoperability of VUCE.

Example of What Can Be Achieved

Peru

The IDB, through the AfT Fund and an investment loan, has supported the establishment of Peru's VUCE. Thanks to these projects, Peru is expanding its VUCE to a world-class single window. The Ministry of Commerce, Industry and Tourism of Peru (MINCETUR) has made compelling progress in terms of efficiency, increased number of users, improved quality of the services provided and financial savings. The VUCE in Peru resulted in the following outcomes in 2015:

- 15 participating agencies
- More than 31,000 registered users
- 273 administrative procedures covered, thereby reducing manual transactions
- Time has been reduced each year by 30%
- More than 10 million sheets of paper saved
- Estimated total savings of US\$50 million, including reductions in travel, time and paper.

Moreover, Peru expects to further decrease the number of days to carry out international trade procedures from 8.4 in 2014 to 6.4 in 2021, as well as to reduce the average logistic costs.

Overall, the AfT and the RIIF Funds have helped to place VUCEs at the center of LAC's efforts to reduce trade costs, facilitate trade and improve the quality of the public service to firms and citizens alike. Sustainability has been guaranteed by subsequent loans that are bringing LAC's VUCEs in line with the most recent generation of worldwide single windows, to contribute to the ultimate goal of overcoming cost-related obstacles that impede trade growth in the LAC region, especially for SMEs, and the continued support to trade policy and trade facilitation initiatives through the new RIF Fund.