

CHALLENGES AND OPPORTUNITIES OF TFA IMPLEMENTATION

Experience from the World Bank Group's Trade Facilitation Support Program



WORLD BANK GROUP

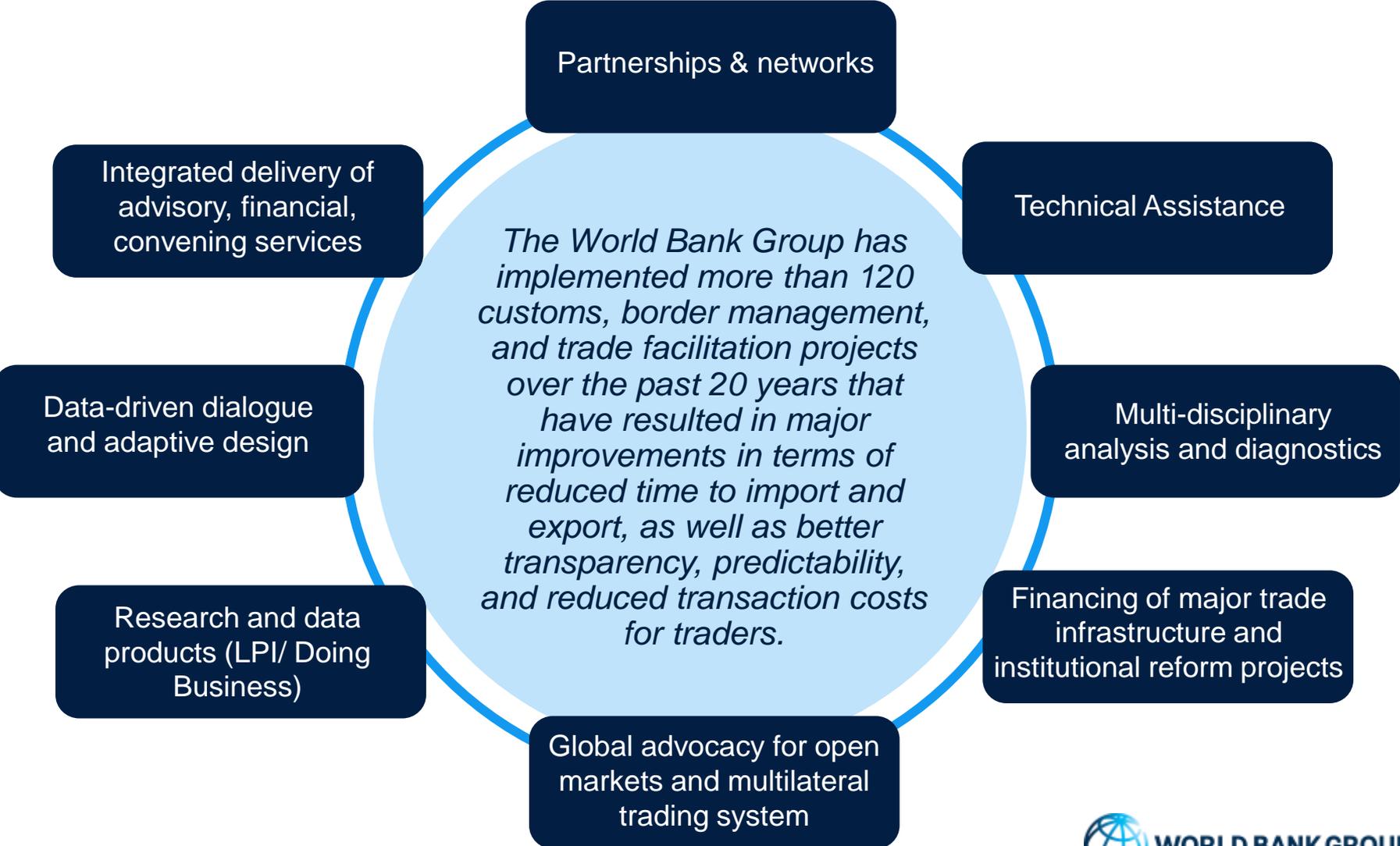
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Global Lead

**Trade Facilitation, Customs Reform
and Border Management**

June 29, 2022

WBG IS A MAJOR PROVIDER OF TRADE-RELATED ASSISTANCE



THE WORLD BANK GROUP'S TRADE FACILITATION SUPPORT PROGRAM



Part of the WBG's support to the WTO's TFA agenda is through the **Trade Facilitation Support Program (TFSP)**



Launched in 2014



Support to 50+ countries



Supported by 9 development partners:

- Australia
- Canada
- European Union
- The Netherlands
- Sweden
- Norway
- Switzerland
- United Kingdom
- USA

TFSP Program Objective

Assist **least developed & developing countries** in reforming and aligning their TF laws, procedures, processes, and systems to enable full & effective implementation of the WTO TFA Agreement

FOCUS OF WBG TRADE FACILITATION INTERVENTIONS



1
Risk-based border clearance



2
Border collaboration & coordination



3
Automation & Single Windows & technology



4
Review of trade-related fees & charges, documents and processes



5
Transparency & predictability



6
National trade facilitation committees



7
International standards, conventions and agreements

In response to Covid-19, support in these areas have been scaled up

IMPLEMENTATION CHALLENGES AND LESSONS LEARNED

Weak or inactive NTFC

- **Early set-up of an NTFC** improves coordination and reduces risk of duplicating funds
- NTFC can take lead to sequence reforms based on priorities
- Requires **legal framework** and **mandate**; and adequate structure and with dedicated staff

Unclear mandates or frequent changes to Customs and OGAs

- Requires clear **legal mandates and legal foundations**
- Codifying interagency agreement establishes the ground rules
- Distribution of contact points on the government side to **ensure continuity of work** despite government changes

Lack of communication, consultation, or coordination

- **Bringing stakeholders together at the early stages**
- Demonstration of national, regional and international **best practices can help motivate reform** efforts
- Coordination can help anticipate resistance between different agencies
- Improved donor coordination and collaboration on the ground

IMPLEMENTATION CHALLENGES AND LESSONS LEARNED

Stakeholders are unaware of the benefits of reforms

- **Bottom-up approach** drives the development of a better solution
- **Early achievable reform** will bring benefits to multiple work areas and spur commitment to reform plans
- **Communicating and measuring the benefits to secure buy-in** from the private sector through open dialogue

Lack of automation and reliance on old paper-based systems

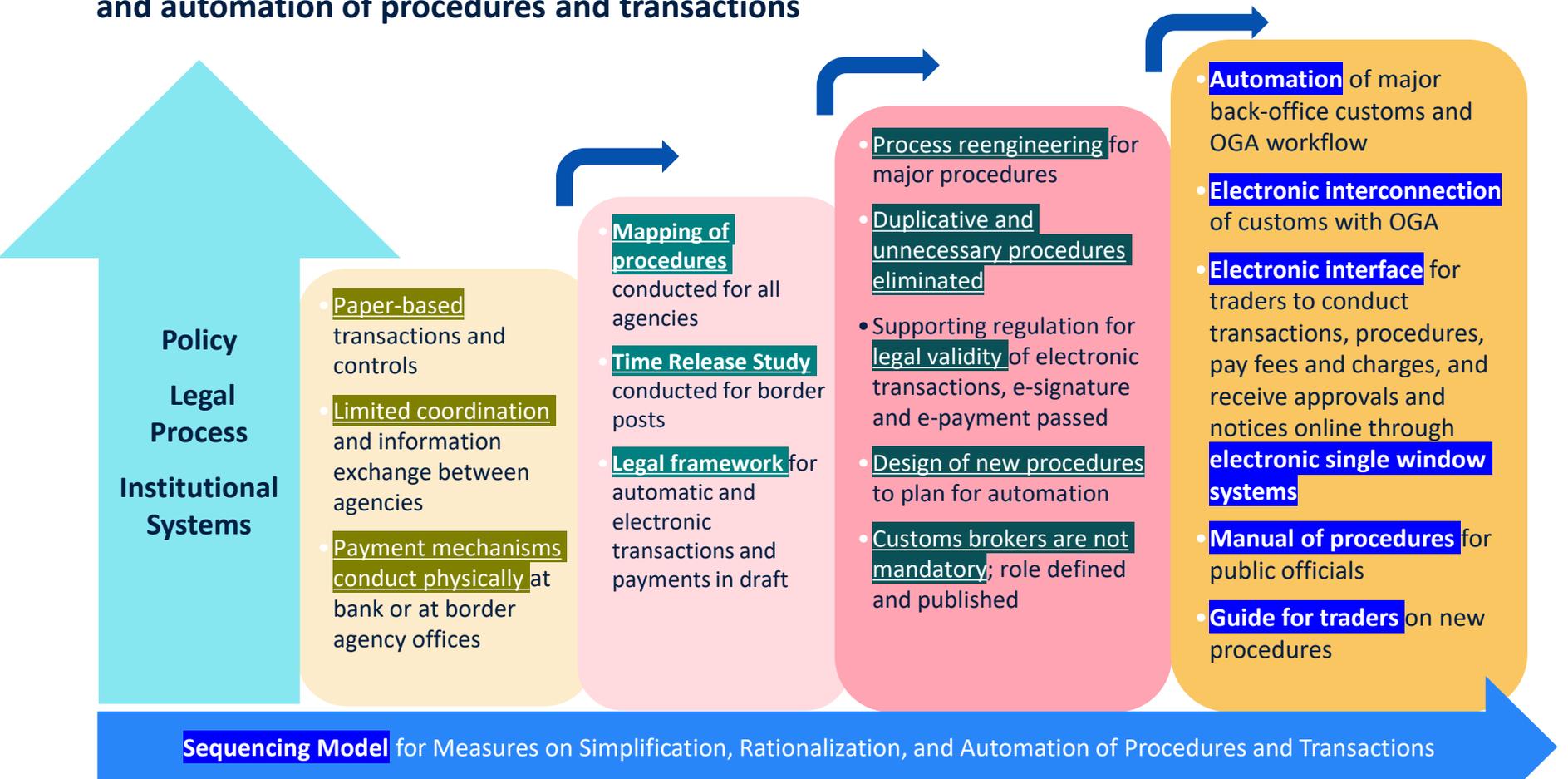
- **Base level of automation across border agencies** is needed
- Adequate automation will enable deployment of TFA to be more effective as all border agencies will be better positioned to implement reforms

Change Management & Capacity of border agencies varies

- Customs often has higher capacity than other agencies; **capacity building across all border agencies is vital**
- CB to enhance overall understanding of trade reforms and ensure that benefits of interventions are maximized is critical
- CB is often also required to ensure client buy-in and cooperation in delivering project results

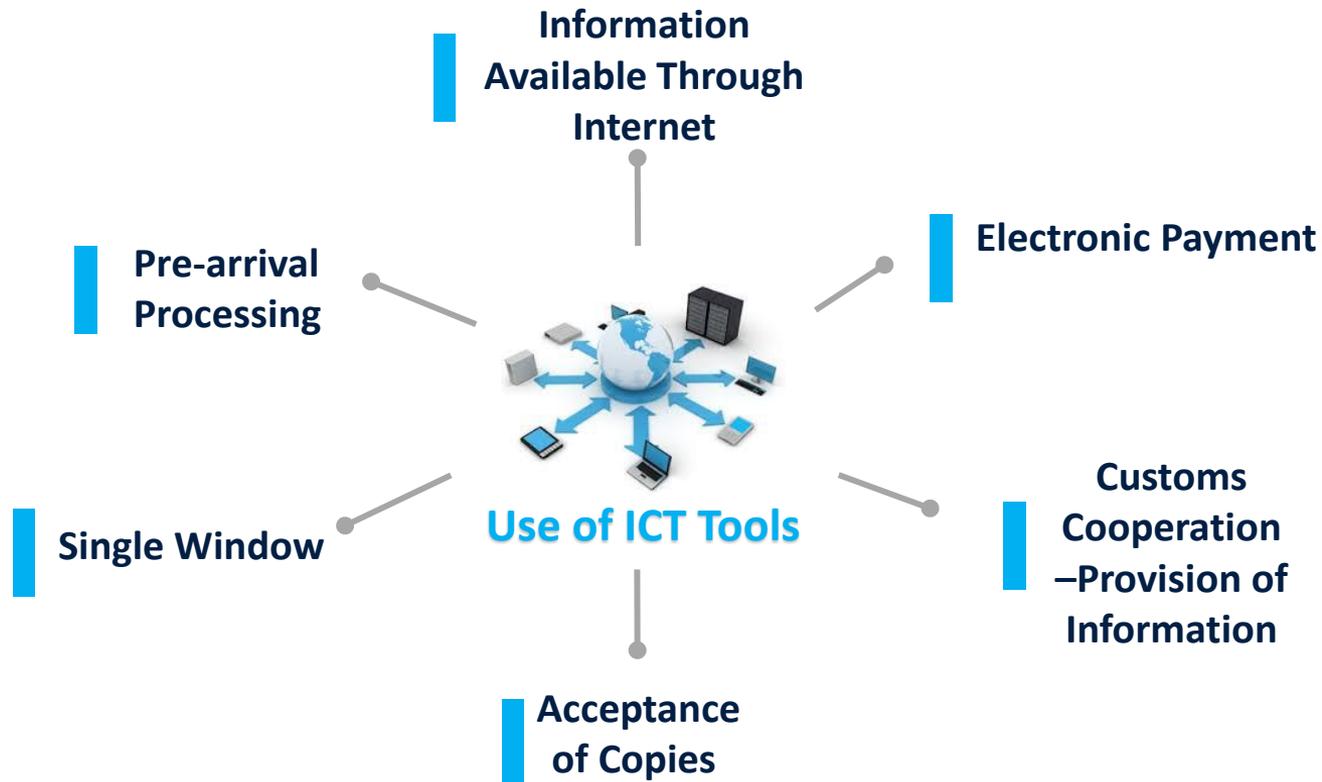
OPPORTUNITIES FOR IMPROVING EFFICIENCY THROUGH SIMPLIFICATION & MODERNIZATION OF PROCEDURES

A conceptual approach for sequencing simplification, rationalization, and automation of procedures and transactions



Baseline + Validation + Monitoring & Evaluation of Impact & Results

DIGITAL SOLUTIONS CAN FAST TRACK TRADE INTEGRATION



REGIONAL VARIATIONS.....

Common challenges across regions

- **Political & economic**
- **Levels of integration**
- **Capacity and capability**
- **Some landlocked (LL), some small island developing states (SIDs)**

South Asia

Least integrated region

Inefficient land borders & Ports

LLDC's

East Asia & Pacific

Regional mix of LLDC's, MICs & SIDs

Strong regional trading bloc

Europe & Central Asia

Regional mix and connected to the Caucuses, Central Asia and Western Europe

EU accession agenda

Middle East & North Africa

No natural corridors

Mix of income levels & political instability

Africa

Low capacity

Many Land borders & long supply chains

Latin America & Caribbean

Regional Integration challenges

Mix of MIC's, SIDs, LL and High income

Example of TFSP Supported Work:

GUATEMALA AND HONDURAS: REMOVING DUPLICATIVE PROCESSES

Overview

Challenge

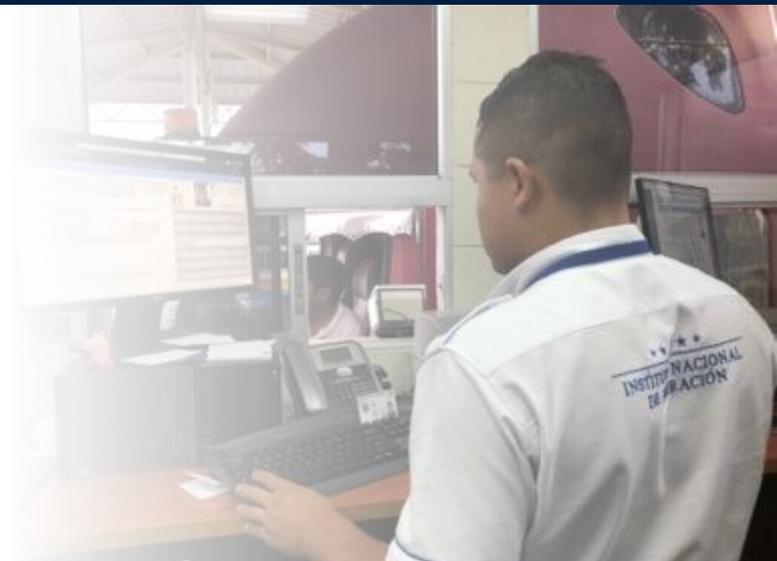
Previously, clearing customs was expensive and time-consuming. Guatemala and Honduras required identical paperwork and duplicate processes on both sides of the border.

Response

The WBG helped both countries integrate their trade procedures and remove duplicative processes with a single online instrument. Through the creation of a “Customs Union” between the two countries, trade procedures were better integrated and aligned.

Results

- ✓ Traders are now only required to visit one single customs post and carry out a single procedure to trade across the border
- ✓ A single online instrument is scanned by a digital reader device and quickly certifies—online—whether an importer already paid the value-added tax on the goods in the destination country
- ✓ Time for traders to cross the border has been cut from up to **10 hours to 7 minutes**
- ✓ According to SIECA, this has led to an **increase of trade of 7% between both countries**



“We now only have to go to a single Customs post and carry out a single procedure to trade across the border in Guatemala and Honduras. This means less time and costs, which leads to more business opportunities with our clients and an increase in trade.”

ARTURO GARCIA CASTRO, GENERAL MANAGER,
GRUPO BIMBO CENTROAMERICA

Example of TFSP Supported Work:

SOUTH ASIA REGIONAL INTEGRATION IN TRADE

Overview

Challenge

South Asia: one of the least integrated regions in the world (less than 5% intra-regional trade flows).

Response

Technical assistance to Nepal, Bangladesh and neighboring Indian states to support revision of Customs codes; simplify and harmonize procedures and documentation; integrate risk management systems into border inspections and clearance; support implementation of electronic processing and automation.

Results

- ✓ Support to develop import/export (IE) code in Nepal, leads to automated transshipment of Nepalese imports via Kolkata Port, India. Nepal customs enables an electronic cargo tracking system for imports, contributing to significant time reduction for transshipped Nepali imports at Kolkata seaport.
- ✓ **Improved alignment to WTO TFA** articles **by at least 30%** achieved in Bangladesh and Nepal.

Results

Bangladesh:

- ✓ Launch of Trade Portal
- ✓ At Chittagong port, elimination of two processes, increased opening hours and connectivity between ASYCUDA and other systems result in **25% reduction in import time**
- ✓ Roll out of online licensing module to substitute manual processing of trade-related export and import permits resulting in **reduction in 2-17 days** depending on permit type.

Nepal:

- ✓ Support provided to integrating risk management practices into border clearance operations result in an **increase in green channel clearance from less than 1% to more than 28% (at Biratnagar) and 45% (at Birgunj)**
- ✓ Harmonization of customs working hours achieved at the above two key border points with India. Reforms = reduction in import and export clearance times.

Additional Opportunities....

1

Build in Monitoring, Evaluation & feedback

2

Focus on Sustainability and continuous improvement of reforms

3

Cement communications with the private sector

4

Move from a national model to a regional resilience model !

Thank you!

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