IDB's *Software* for Integration and Cross Border Trade

**INTER AMERICAN DEVELOPMENT BANK**

Integration and Trade Sector (INT/TIN)

Vicepresidency of Sectors and Knowledge (VPS)
INTER AMERICAN DEVELOPMENT BANK (IDB)

- Regional Development Bank for Latin America and Caribbean (LAC) countries (26 borrower countries, 25 non borrower countries). 2 Landlocked countries (Bolivia and Paraguay)

- Lending threshold USD11,000 M (2015)

- Improve regional and economic integration is one of the institutional priorities

- Aligned to the agenda and priorities of VPOA and SDGs, and with international standards/agreements established by WCO and WTO.
ECONOMIC AND TRADE CONTEXT IN LAC

• Trade is an important source for development and growth (40% of GDP)
• Complex trade agreement architecture within the LAC region and with other countries and trade blocks (Pacific Alliance, Mercosur) Customs duties have decreased dramatically.
• Challenges:
  o Less share of Global Trade (7%) in comparison of other developing regions (19%)
  o Low participation in Global Value Chains (< 50%) in comparison with other regions in the world (>60%). Low diversification and value addition in their economies and exports
  o Low levels of interregional trade (20%) in comparison to other regional blocs (36% to 60%)
THE ROOTS OF THE PROBLEM

- Quantity and quality of transport and infrastructure at ports of entry (land, air, maritime)
  > Costs
- Reduced optimization and lack of coordination of legal framework, policies, regulatory aspects and operational processes applied to border management
  > Time

< Border Crossing Efficiency
< Competitiveness
BORDER MANAGEMENT EFFICIENCY INDICATORS

“Eficiencia y transparencia de las administraciones fronterizas”


1= Very inefficient
5 = Very efficient
PROPOSED & ONGOING SOLUTIONS

Coordinated Border Management (CBM) & Border Crossing Improvement

Elements:
• Legal and regulatory aspects based on international standards
• Inter Institutional Coordination
• Processes optimization (harmonization, simplification and coordination)
• Automatization based on interoperability models and schemes
• Border Infrastructure to sustain functionalities and processes (control and facilitation)
• Private Sector engagement
• Border Communities (social and economic aspects at the border)
• Improvement of Transit Regimes (policy, regulatory, infrastructure, Technology)

Current interventions: Central América, Ecuador-Colombia, Ecuador-Perú, Argentina-Chile.
IDB ROLE AND METHODOLOGY

IDB Role
• Facilitator & Coordinator
• Technical & Capacity Building
• Funding

Methodology
• Integral: Software and Hardware
• Balanced: Control and Facilitation
• Inclusive: Cooperative
• Binational and Regional
PRINCIPAL CHALLENGES & OPPORTUNITIES

- Weak vision of complexities of current logistic chains (GVC, Just in Time).

- Lack of resources & prioritization of border management as a tool for trade policy and security. Focus on revenue.

- Lack of legal frameworks and understanding of the role and contribution of each of the different entities in the process of CBM.

- Lack of knowledge of the optimal sequence of the elements for effective management of operations at the border (infrastructure versus processes).

- Scarce engagement with the final users. Need to create strategic alliances with the private sector and need to focus on quality of service.

- Requires parallel interventions: political, technical, financial & socioeconomic
IMPROVEMENT OF TRANSIT REGIMEN (i)

- International Transit of Merchandise System (TIM in Spanish)
- Policy, Regulatory, Infrastructure and Technologically aspects

- Implemented in Central America (ports, border crossings, internal custos, warehouses, Free Zones)
  https://www.youtube.com/watch?v=7oxpjtw0laQ
  https://www.youtube.com/watch?v=zRnWUbNwzL4

- Ecuador-Colombia 2014-2016 (pilot project)
  https://www.youtube.com/watch?v=voJwMmmI07E
Challenges
• Complex and bureaucratic (manual, paper #institutions #controls #countries)
• Vulnerable with fiscal and para fiscal risks (constant loss of transit vehicles and cargo)
• Inefficient in times and costs (17km/hour in the corridor)

Objectives
• Reduce the physical interventions at the border crossings
• Reduce the fiscal and para fiscal risks ...to increase the traceability and control
• Reduce the costs and times at the border
• Increase the export capacity
Solutions and interventions

- To harmonize and simplify processes
- To promote the coordination amongst the institutions (customs, migration and quarantine)
- To promote the coordination amongst two or more countries
- To establish a technological layer to achieve the interoperability of the systems in real time and also with the private user
- To exchange information electronically and in advance
- To provide quality information for the risk management systems
- To improve the legal basis and the regimen of transit at national and regional level
- To develop infrastructure to support the process
IMPROVEMENT OF TRANSIT REGIMEN (iv)

IDB Role
• To facilitate the coordination amongst countries and institutions
• To provide technical support for the implementation and to provide funding
• To support the capacity building for implementers and users
• To support the evaluation of the impact of the TIM in trade

Current situation
• TIM Centroamerica in full implementation. Administered by SIECA. It is auto managed and funded through the payment of 1usd per transit declaration
• TIM Ecuador and Colombia. Discussions at regional level with SGCAN and 4 countries (EC, CO, PE, BO) to analyse the viability of TIM and its regional sustainability
Thank you!

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