

EXECUTIVE SUMMARY

Simplification of procedures to promote competitiveness: Single Windows and other instruments that improve the business climate of countries

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International organizations most often recommend a virtual one stop shop such as the Single Window for Foreign Trade (Spanish acronym: VUCE, Ventanilla Unica de Comercio Exterior). This model is undoubtedly the most successful scheme available.

A Single Window for Foreign Trade (VUCE) "is defined as a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once." (UN/CEFACT, 2005)

Trade facilitation includes the simplification of customs procedures, the harmonization of technical standards, such as those for labeling or weight and measurement units, and regulations between regions, such as sanitary measures. More broadly, trade facilitation also includes the automation of customs, improvements in ports and roads, and other mechanisms that reduce effective prices for customs¹ and trade (Hertel, McDougall, and Itakura, 2001) operations.

Countries that have implemented VUCEs report the following benefits: procedural simplification; a reduction in the time needed for obtaining permits and licenses; transparency in the interaction between public and private sector actors (traceability); reductions in the cost of their customs dispatchers traveling from one institution to another; reduced stationery- and certification-related costs; economies of scale in investments and technological maintenance; statistical control of public and private commercial decisions and transparency and financial security in the use of electronic payments.

The original VUCE scheme — a physical structure where entities were assembled — may have improved processing times for users, but it did not solve the problem of the physical transfer of documents. This scheme is evolving such that all procedures have become virtual in countries such as Costa Rica and Colombia. Chile and Mexico are launching pilot programs in August and September 2011, respectively.

¹ Single Windows gather all procedures prior to a customs operation. The essential difference between a customs procedure and customs operation is that the latter provides a final destination for merchandise, which is then out of Customs control.

Most foreign trade single windows arose as a solution to cumbersome customs clearance procedures within models promoting export, which makes attempting to describe a structural model complex. What is clear is that countries must answer some basic questions when starting a change toward a new model:

- Is the country prepared to start a VUCE project?
- What type of VUCE is required?
- Who should belong to the VUCE?
- How will participating entities be invited?
- Who will be the project leader or facilitator?
- With what resources will the VUCE be financed and how will it be sustained?
- What actions shall have to be taken and in what timeframes?
- What technology requirements, modifications, or improvements will be required?

In order to establish the ideal framework for initiating a VUCE process it is worth mentioning that, even if there is agreement on a point of departure and the political will exists to set it up, a staggered implementation approach can be taken, according to a given country's unique requirements. It is therefore impossible to define a single path towards VUCE creation and implementation. Nonetheless, if this were possible, an ideal framework for establishing whether or not a country enjoys the necessary political and technological conditions to set up an VUCE might be established by the observation of certain similarities shown in the various plans of previous successful cases.

Research has brought the following results to light:

- There is no ideal VUCE model, nor a rigid plan that lays down the steps to be taken; everything depends on each country's unique requirements and political organization.
- The VUCEs must be continually reinvented, adapted and energized. If not, they may stop functioning, either due to an increase in procedures, or to the lack of regulatory modernization and procedural simplification.
- Without governmental guidance from the highest level it is hard to predict how quickly entities will join the VUCE initiative.
- Without a level playing field and a culture of risk management in the internal procedures of all VUCE participating entities, there will always be divergences in information quality and accuracy.

- VUCEs require all entities to adapt their operations and legislation to aim at safe and fast clearance, based on a single macro procedure.
- Unless there is executive oversight of the Single Window initiative, meaning that regular inspection visits are implemented, the VUCE's impact becomes limited.
- The impact of a Single Window – and of facilitation as a whole – will only be partial unless there is both public and private sector commitment and teamwork.
- Each country should analyze the strengths and weaknesses of its technological structure and information technology security; all aspects must be examined and an objective starting point established.
- An VUCEs location might depend on the institution with the greatest information technology capacity, although an electronic government project is ideal.

These are some of the recommendations that have arisen from this study:

- To establish clear project boundaries for the kind of VUCE structure that a country chooses to implement, which sets out the role to be played by the private sector in this meta-country, and takes SMEs and their needs into account.
- To comprehend that a VUCE's effective reach goes beyond non-tariff requirements.
- To inter-connect VUCEs according to regions and thereafter via LAC-wide nodes, in order to facilitate information exchange between trading partners.
- To promote urgent implementation of the digital signature in order to guarantee security in electronic data-exchange processes.
- To plan for the increase in procedures, by designing an extendable technological structure that can continue to respond in both time and form to the growth in trade.