

TC ABSTRACT

I. BASIC PROJECT DATA

Country/Region:	Latin America and the Caribbean
TC Name:	Strengthening of Customs Administrations in Latin America and the Caribbean.
TC Number:	RG-T2366
Team Leader/Members:	Sandra Corcuera (INT/TIU), Team Leader, Joaquim Tres (INT/INT) Alternate Team Leader; Matthew Shearer (INT/INT); Kaori Yamazaki (INT/INT); Aurelio Garcia (INT/TIU) and María Rospide (INT/TIU).
Type of Project	Client Support
Reference to Request:	IDBDOCS-#38871909
Date of TC Abstract:	April 1, 2014
Beneficiarie(s):	Customs Administrations of Latin America and the Caribbean.
Executing Agency and Contact:	Inter-American Development Bank, through the Integration and Trade Sector (INT/INT).
IDB Funding Requested:	US\$1,260,000
Local Counterpart Funding:	US\$252,000
Disbursement Period:	36 months
Required Start Date:	May 15, 2014.
Types of consultants:	Individuals and firms.
Prepared by Unit:	INT/INT.
Unit of Disbursement Resp.:	INT/INT.
Included in Country Strategy:	No
TC included in CPD:	No
GCI-9 Sector Priority:	No. 4 Regional and Global Competitiveness and Integration

II. OBJECTIVE AND JUSTIFICATION

- 2.1 Given the increase in the global trade flows and the growing complexity of the international logistic chains, Customs Administrations have become key institutions to facilitate and secure trade, and collect revenue. In the last decade there has been substantial progress in the region due to internal reform initiatives, partnerships with the private sector and creation of collaboration networks in the implementation of trade facilitation and security measures at both the regional and global levels¹. The WCO has

¹ Reforms and initiatives supported by the SAFE Framework to Facilitate and Secure Global Trade of the World Customs Organization (WCO).

supported these efforts by strengthening regional institutions² and Customs capacities. The IDB as the leading development institution in the region has developed numerous Customs modernization programs and regional initiatives.³

- 2.2 Customs Administrations have made substantial efforts to implement good practices which have generated positive results. Despite the progress made, Customs processes in the region are still redundant⁴, labor intensive and expensive with an average of 18 days for exports and 20 days for imports, still well below the 10 and 11 days respectively for OECD countries.⁵ These results are partially caused by systemic deficiencies in several areas of Customs Administrations such as strategic planning, inter-institutional collaboration (especially when it comes to exchanging information and establishing coordinated processes), risk management, training, and the diagnosis and evaluation of their own performance beyond the level of revenue collection, amongst others. The World Trade Organization (WTO) has recently agreed the “Agreement on Trade Facilitation” in the 9th Ministerial Meeting in Bali, which aims to expedite Customs procedure, improve effective revenue collection, and promote cooperation among Customs Administrations⁶. Customs of WTO member countries are obliged to implement this international standard.⁷ Hence, the **objectives of this technical cooperation project (TC)** are to support the strengthening of Customs Administrations in the region, and to create an intra-regional platform that enhances their cooperation and sharing of best practices while giving them opportunities to learn advanced methods and practices of Customs Administrations outside the region.
- 2.3 The Agreement on Trade Facilitation is noteworthy in that the key prerequisite for compliance with the agreement is not political will, but rather technical and institutional capacity. The IDB in collaboration with the WCO, WTO and other strategic partners has developed and is implementing a capacity-building program on integration that needs scaling up in the face of the needs of the region and the Bali Agreement, the largest area of which is trade facilitation and security. The present TC presents an opportunity for scaling up the Program’s impact, engaging Japan, a country with the highest trade facilitation and security standards, and for high visibility for the Japan Fund, which has supported trade facilitation but has not yet been involved in these recent high-profile capacity-building efforts.
- 2.4 This TC is in line with the priority to support “Regional and Global Competitive Integration” set forth in the IDB’s Report on the Ninth General Capital Increase of Resources (AB-2764) (GCI-9). This operation supports the efforts of the Bank and WCO in the region⁸ in the framework of the MOU signed in March 2001⁹ and the commitment of carrying out joint and coordinated actions in the Region.

² Including the creation of Regional Office in Buenos Aires, Capacity Building Centers in Brasilia and Santo Domingo, and Vice Presidency for the Americas based in Guatemala.

³ ATN/JF-11756-RG; ATN/FG-11778-RG; ATN/FG-11336-RG; ATN/FG-9357-RG; ATN/FG-9848-RG; ATN/FG-8783-RG; ATN/CC-10873-RG.

⁴ According to UNCTAD, a typical Customs operation requires the participation of 30 players, 40 documents, 200 data fields, and 60-70% of which are re-entered at least once, and 30% up to 30 times.

⁵ Trading Across Borders, World Bank, 2011.

⁶ The Trade Facilitation Bali Agreement will be adopted in July 2014 and needs to be ratified by July 2015.

⁷ See http://wto.org/english/thewto_e/minist_e/mc9_e/desci36_e.htm. The existing WCO tools support its implementation.

⁸ See letter from Secretary General of the WCO, to President of IDB (IDBDOCS 36755442).

⁹ See Memorandum of Understanding (IDBDOCS 36714615).

III. DESCRIPTION OF ACTIVITIES AND OUTPUTS

- 3.1 **Component I: Support to strengthen the operational capacities of Customs Administrations.** The objective is to train Customs Administrations to design and implement modernization projects and processes. It is foreseen: (i) to support Customs and other relevant officials through the delivery of online tutored (courses) and facilitated (Communities of Practice) professional-technical programs for Customs procedures, risk management, and other related trade facilitation topics.¹⁰
- 3.2 **Component II: Support to intra-regional collaboration among Customs Administrations.** The objective is to provide a platform for exchanging best practices between Customs administrations which strengthens their operational capacities. It is foreseen: (i) to support and promote the creation of regional technical thematic networks by developing South-South cooperation initiatives, in areas such as risk management and authorized economic operator (AEO) to disseminate the knowledge already generated in the region; (ii) to support the participation of Customs representatives in regional forums, dialogues and technical committees within the LAC region and in capacity building activities with Japan Customs; and (iii) to support a regional operational plan of IDB/WCO¹¹ with thematic workshops and seminars.

IV. INDICATIVE BUDGET (US\$)

Components/Description	IDB	Local	Total
Component I: Support to strengthen the operational capacities of Customs Administrations	700,000	154,000	854,000
Component II: Support to inter-regional collaboration among Customs Administrations.	450,000	98,000	548,000
Monitoring and Evaluation	50,000		50,000
Contingencies	60,000		60,000
Total	1,260,000	252,000	1,512,000

Beneficiaries will provide counterpart (up to 20%) for the logistical support and all the necessary equipment to carry out regional workshops and technical missions.

V. EXECUTION AGENCY

- 5.1 The IDB will be the executing agency through the Integration & Trade Sector.

VI. PROJECT RISKS AND ISSUES

- 6.1 The potential risks are the difficulty of communication and coordination because every Customs Administration in the region is involved in this TC. However, they are low because 1) the WTO Trade Facilitation Agreement that requires Customs Administration to implement its measures has unanimously agreed between the WTO members at the Ministerial level, 2) there are strong interests of these Customs in improving their technical capacities in order to comply with the WTO Agreement; and 3) the WCO, as the requesting entity, engages to cooperate with the IDB closely to implement this TC through the WCO Regional Office for Capacity Building (ROCB) and the Vice

¹⁰ Resources of the present TC will adopt a proven, highly successful business training model and will complement and leverage other resources from multilateral resources, the Bank's own resources, and even some prospective loans.

¹¹ This plan is designed with inputs from the Regional Planning Meeting organized by the IDB and WCO and which takes place every year at IDB Headquarters (see Annex Plans 2011-2012).

Presidency for Latin America and the Caribbean. Given these supports, the IDB serves as an executing agency in its role as a facilitator of knowledge and dialogue mechanisms and as an honest broker to mitigate the risks. Also, the political commitments confirmed by the WTO Agreement mitigate these risks.

VII. ENVIRONMENTAL AND SOCIAL CLASSIFICATION

- 7.1 This operation has been pre-classified as Category C by the Environmental and Social Safeguard System of the Bank. (see [Safeguard Policy Filter and Safeguard Screening Form](#))

**RG-T2366: Strengthening of Customs Administrations in LAC
Results Framework – Indicators and Data Sources**

	Results Statement	Indicator	Baseline	Target 2014	Target 2015	Target 2016	Total	Data Source
TC Outcomes	Strengthened institutional capacities to modernize Customs procedure	Customs Administrations engaged in capacity building and strengthened.	0	8	10	8	26	Project files at executing agency (INT).
	Strengthened south-south cooperation in the region	Customs Administrations participating in regional technical thematic network	0	10	10	6	26	Project files at executing agency (INT).

	Results Statement	Indicator	Baseline	Target 2014	Target 2015	Target 2016	Total	Data Source
Output Component 1	Capacity Building activities to strengthen the operational capacity of Customs Administrations	Number of online courses delivered	0	7	10	8	25	Project files at executing agency (INT).
		Number of Government officers trained	0	280	400	320	1000	List of participants. Project files at executing agency (INT).
		Number of women trained	0	112	160	128	400	List of participants. Project files at executing agency (INT).
Output Component 2	Customs to Customs collaboration strengthened	Number of regional technical thematic networks developed and supported	1	1	1	0	3	Project files at executing agency (INT).
		Number of exchange program outside the LAC	0	0	1	1	2	Project files at executing agency (INT).
		Number of regional dialogues and workshops	0	3	4	3	10	Project files at executing agency (INT).