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APEC Ease of Doing Business Phase 2 – Diagnostic Trip Report on Capacity Building Program for Trading Across Borders for Government of Peru

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APEC Ease of Doing Business Phase 2 – Capacity Building Program for Trading Across Borders for **Government of Peru**

Diagnostic Study Report

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Final

Diagnostic Study Team:

Jonathan KOH Tat Tsen

Viboon CHAOJIRAPANT

Anchit SOOD

Juliana VARRONI

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2. About APEC Ease of Doing Business

2.1 Background

Asia-Pacific Economic Cooperation (APEC) is a forum for 21 Pacific Rim economies that seeks to promote free trade and economic cooperation throughout the Asia-Pacific region.

In 2009, APEC launched an Ease of Doing Business (EoDB) Action Plan to improve the business environment in the Asia-Pacific region by promoting regulatory reforms that make it cheaper, faster and easier to do business.

The Action Plan takes as a starting basis the World Bank's Doing Business report. Based on inputs from the business sector and member economies, five priority areas were identified from amongst the 10 areas covered by the World Bank's report to help focus APEC's efforts. The five areas deemed to pose the greatest regulatory barriers for businesses in the APEC region were:

1. Starting a Business
2. Getting Credit
3. Trading Across Borders
4. Enforcing Contracts
5. Dealing with Permits.

In this regard, six APEC economies stepped forward to co-champion capacity building efforts to help APEC member economies improve their performance in the five priority areas above. The six Champion Economies are Hong Kong, China; Japan; Korea; New Zealand, Singapore, and United States.

In the area of Trading Across Borders, Singapore and Hong Kong, China would be the Champion Economies providing assistance to Learner Economies.

The APEC Ease of Doing Business Action Plan is to take place in two phases:

Phase 1 - Singapore, in cooperation with Hong Kong, China, organised a two-day workshop that took place in Sendai, Japan from 18-19 September 2010. The objective of the workshop was to impart knowledge as well as share experiences with the Learner

Economies.

Phase 2 - Singapore will work closely with Learner Economies to arrange for Diagnostic Trips to the Learner Economies, after which a customized Action Plan will be drawn up based on the Diagnostic Trip Report produced.

3. Introduction

This report is based on the one-week Diagnostic Trip by the Singapore consultants to Lima, Peru, to consult with stakeholders in the international trade area. The key agenda of the meetings was to understand the current business and regulatory environment in Peru as it relates to Trading Across Borders, and identifying the constraints and areas for improvement that would help Peru in its Trading Across Borders performance.

This report of the Diagnostic study shall address:

- key issues in Peru to address in improving Trade Across Borders
- specific recommendations or strategies
- brief assessment of the expected costs and benefits of such reform

At the kick-off meeting with National Competiveness Council and Deputy Ministry of Foreign Trade's APEC Directorate teams, the consultants were to identify and recommend reforms in the public sector, and to focus on concrete reforms with the following guidelines in mind:

1. Who is responsible for the reform?
2. What type of reform is needed?
3. How to carry out the reform?
4. What is the cost for the reform?
5. Who will finance the reform?
6. Timeline for the reform?
7. General framework for the reform?

The Diagnostic Trip was conducted from 17 to 21 October 2011.
The table below shows various stakeholder meetings conducted during the diagnostic trip:

Date	Institution of the Peruvian Government / Private Sector
17 Oct	Ministry of Economy and Finance (MEF) - National Competitive Council
	Ministry of Economy and Finance (MEF) - General Directorate of International Economics, Competition and Productivity Affairs (DGAECYP)
	Ministry of Foreign Trade and Tourism (MINCETUR)
	National Society of Industries (SNI)
18 Oct	National Superintendence of Customs and Tax Administration (SUNAT) – National Deputy Superintendence of Customs (Aduanas)

19 Oct	Exporters Association (ADEX)
	National Council of Physical Distribution Users of Goods (CONUDFI)
	Foreign Trade Society (COMEXPERU)
	Ministry of Transport and Communication (MTC)
	National Superintendence of Customs and Tax Administration (SUNAT) – National Deputy Superintendence of Customs (Aduanas)
20 Oct	DP World Callao S.A.
	National Port Authority (APN)
	Peruvian Association of Maritime Agents (APAM)
21 Oct	National Service of Agrarian Health (SENASA) - Ministry of Agriculture
	Directorate General of Health (DIGESA) - Ministry of Health
	Freight Forwarder's Association (APACIT)

In addition to information collected during the trip, information received from stakeholders via email after the trip, and information gathered during research are also taken into consideration and presented in this report.

4. Peru's Trade Facilitation Indicators

4.1 What is Trade Facilitation?

Trade facilitation seeks to improve the regulatory interface between government bodies and traders at national borders. It looks at how procedures and controls governing the movement of goods across national borders can be improved to reduce associated cost burdens and maximise efficiency while safeguarding legitimate regulatory objectives.

There are many definitions of trade facilitation. The three commonly known definitions are by World Trade Organisation (WTO), United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) and International Chambers of Commerce (ICC).

WTO defines trade facilitation as:

> *The simplification and harmonisation of international trade procedures.*

UN/CEFACT defines it as:

> *The simplification, standardisation and harmonisation of procedures and associated information flows required to move goods from seller to buyer and to make payment.*

ICC defines it as:

> *The adoption of a comprehensive and integrated approach to simplifying and reducing the cost of international trade transactions, and ensuing that the relevant activities take place in an efficient, transparent and predictable manner based on internationally accepted norms and standards and best practices.*

In broader usage, trade facilitation can include measures taken by public and private sectors, reduction in nontariff barriers, and improvements in physical facilities to smooth the movement of shipments by reducing time in transit. Thus, it may encompass both hard and soft infrastructure that facilitates trade.

4.2 International Measures for Trade Facilitation

Ability to compete in the trade logistics is critical for developing countries to harness global trade and reap the benefits of globalization. Success in integrating global supply chains starts with the ability of firms to move goods across borders rapidly, reliably, and cheaply.

There are many factors that can hinder or facilitate trade. Many countries are unaware of these factors, and how international organizations and private sectors asses their logistics and trade systems and processes. Thus, many countries are not able to identify the problematic areas and devise solutions to improve them.

However, there are many cross-country assessments and rankings of the logistics and trade facilitation systems and processes. Two of the most highly regarded assessment and international rankings are:

- Trading across Borders by World Bank
- Logistics Performance Index by World Bank

4.2.1 Trading Across Borders

A critical component of a country's ability to compete internationally is its capacity to move goods, people, and conveyances across its borders in a secure and facilitative way. In the modern global market, economies can only flourish if the commercial enterprises can import and export without excessive regulations, procedures, costs, and delays while simultaneously ensuring that opportunities for exploitation by terrorists and other criminals be minimized or eliminated.

Doing Business is an annual survey conducted by the World Bank and International Finance Corporation. Now in its sixth series, this annual survey analyses and presents quantitative indicator data in the following 10 areas:

- Starting a business
- Dealing with construction permits
- Employing workers
- Registering property
- Getting credit
- Protecting investors
- Paying taxes
- Trading across borders
- Enforcing contracts
- Closing a business

For trade facilitation purposes, the most relevant indicator is the Trading Across Borders (TAB) indicator. Trading Across Borders looks at the procedural requirements for exporting and importing a standardised cargo of goods. Every official procedure is counted -- from

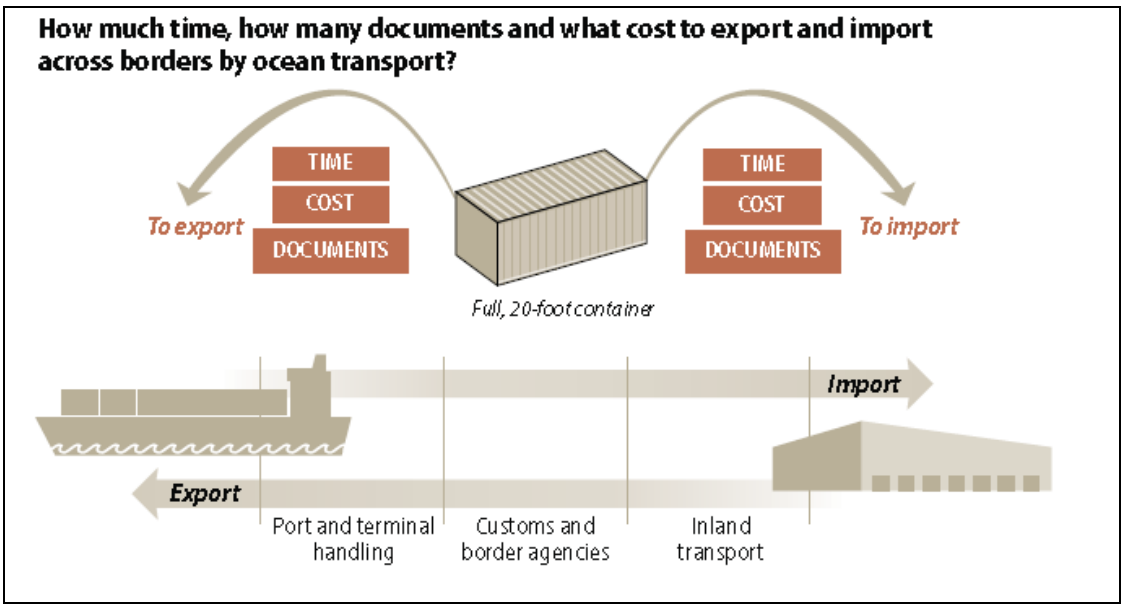
the contractual agreement between the 2 parties to the delivery of goods -- along with the time necessary for completion. The sub-indicators under Trading Across Borders are:

- Number of all documents required to export/import goods
- Time necessary to comply with all procedures required to export/import goods, and
- Cost associated with all the procedures required to export/import goods

The table below shows what the Trading Across Borders measures:

What does Trading Across Border measure?	
Documents required	• Bank documents • Customs clearance documents • Port and terminal handling documents • Transport documents
Time required (exclude transport time beyond the borders)	• To obtain all the necessary documentation • For inland transport • For Customs clearance and inspections • For port and terminal handling
Cost incurred (exclude non-official costs)	• To obtain all the necessary documentation • For inland transport • For Customs clearance and inspections • For port and terminal handling

For import, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the factory warehouse. For export, the procedures measured range from the packing of the goods at the factory to the departure from the port of exit.



4.2.2 Logistics Performance Index

The Logistics Performance Index (LPI) is an in-depth cross-country assessment of the logistics gap among countries. The survey was designed and administered by the World Bank (International Trade and Transport Departments) in cooperation with the Turku School of Economics in Finland (TSE, Finland). It provides a comprehensive picture of supply chain performance - from customs procedures, logistics costs, and infrastructure quality to the ability to track and trace shipments, timeliness in reaching destination, and the competence of the domestic logistics industry using a 5-point scale.

LPI is based on a survey of the logistics professional worldwide (global freight forwarders and express carriers), providing feedback on the logistics "friendliness" of the countries in which they operate and those with which they trade.

Using a 5-point scale, LPI is the simple average of the country scores on the seven key dimensions:

- Efficiency and effectiveness of the clearance process by Customs and other border control agencies
- Quality of Transport and IT infrastructure for logistics
- Ease and affordability of arranging shipments
- Competence in the local logistics industry (e.g., transport operators, customs brokers)
- Ability to track and trace shipments
- Domestic logistics costs (e.g., local transportation, terminal handling, warehousing)
- Timeliness of shipments in reaching destination

The LPI suggests that policymakers should look beyond the traditional "facilitation agenda" and focus on trade-related infrastructure and application of information technology in customs.

4.3 Peru's Ranking in Trade Facilitation

In this section, Peru's latest Trading Across Borders and Logistics Performance Index rankings are analysed and assessed.

4.3.1 Trading Across Borders

The table below depicts Peru's TAB indicators over the last 7 years from 2006 to 2012. It shows that Peru has improved vastly, rising from a rank of 93 in 2006 to 56 in 2012 (out of

183 economies).

A distinct improvement was reported in the TAB 2010 report, which showed a great improvement in the time for export which was reduced from 23 days in 2010 to 12 days in 2011; and time for import which was reduced from 24 days in 2010 to 17 days in 2011. These reductions in the time indicator, has resulted in the jump of Peru's overall TAB ranking from 91 in 2010 to 56 in 211.

In the latest report of 2012, Peru has maintained its indicators of 2011, as well as her ranking of 56.

Year	Peru's Trading Across Borders Indicators						
	Peru's TAB Rank	Documents to export (number)	Time to export (days)	Cost to export (US$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US$ per container)
2006	..	8	24	..	13	31	..
2007	93	7	24	800	13	31	820
2008	71	7	24	590	8	31	670
2009	93	7	24	875	8	25	895
2010	91	7	23	875	8	24	895
2011	56	6	12	860	8	17	880
2012	56	6	12	860	8	17	880

The TAB 2010 report noted that Peru is the economy which had most improved in the ease of trading across borders. The same report pointed Peru's new web-based electronic data interchange system, the Customs Management system called SIGAD, has helped to speed up document submission as well as clearance time. Thus, there were fewer physical inspections of cargo needed at customs offices thanks to further implementation of risk-based inspections, though report also noted that there remains room for improvement. The introduction of the Advance Clearance system (Despacho Anticipado) and the payment deferrals for import duties and taxes has also reduced import time, since cargo no longer needs to sit at the port until tariffs and tax payments are settled.

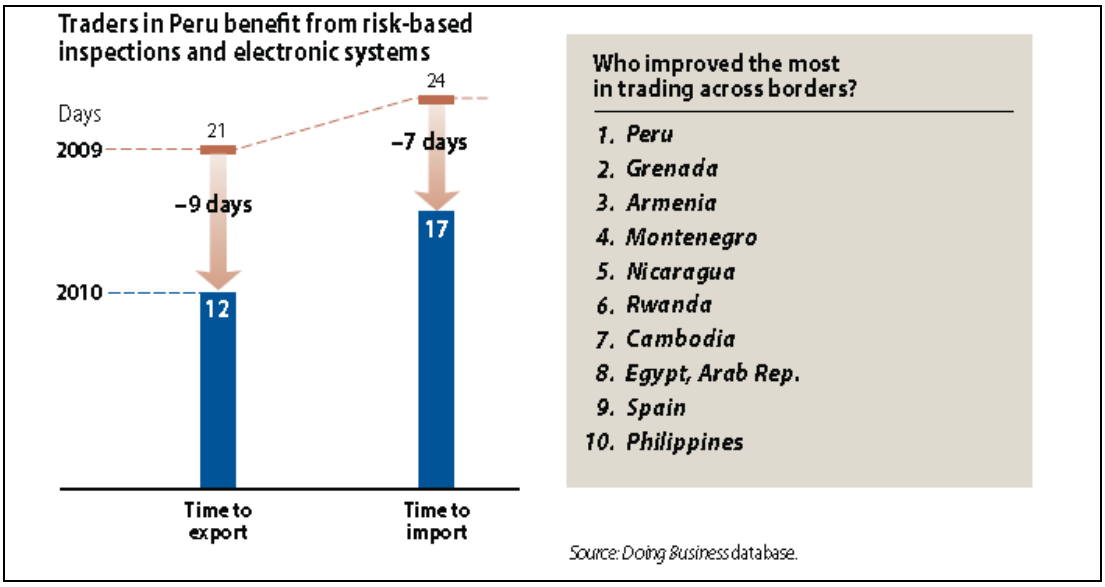
TAB 2010 report also highlighted a driving force for improvements in trade facilitation in Latin America and the Caribbean, as in Peru, as well as Colombia and the Dominican Republic Negotiations was the introduction of the free trade agreements (FTAs) with the United States.

Some of the initiative in Peru to ease trade had been somewhat motivated by the need to

comply with the Customs Administration and Trade Facilitation requirements in the United States - Peru Trade Promotion Agreement (PTPA) concluded in April 2006.

These requirements include the need to provide for the release of goods within 48 hours upon of arrival; provide for electronic submission and processing to speed up cargo; and to adopt risk management regime so that inspection activities are focused on high-risk goods, thus simplifying clearance and movement of low-risk goods.

The TAB 2010 report highlighted the impact of Peru's risk management regime, the days for export and import had dropped 9 and 7 days respectively; this vast improvement propelled Peru's TAB's ranking from 91 to 56.



The table below shows Peru's TAB indicators in its 2012 edition of the TAB report.
In the 2012 report, it is noted that the total time for export / import is 12 and 17 days respectively. The accounts for the time spent in documents preparation, customs clearance and technical control, ports and terminal handling and inland transportation and handling.

Time spent for document preparation accounts for over 40% of the overall, which poses for further improvement.

From the cost point of view, the cost for export and import is respectively at USD860 and USD880. For the number of documents required for export and import, the number of documents required is 6 and 8, respectively.

Name of Procedures	Export		Import	
	Duration (Days)	Cost (USD)	Duration (Days)	Cost (USD)
Documents preparation	5	150	7	150
Customs clearance and technical control	2	100	3	120
Ports and terminal handling	3	330	5	330
Inland transportation and handling	2	280	2	280
Totals	12	860	17	880

Documents	Export documents:	Import documents:
	1. Bill of lading 2. Certificate of origin 3. Commercial Invoice 4. Customs export declaration 5. Packing list 6. Terminal handling receipts	1. Bill of lading 2. Cargo release order 3. Certificate of origin 4. Collection order 5. Commercial Invoice 6. Customs import declaration 7. Packing list 8. Terminal handling receipts

4.3.2 Comparative Analysis of Peru's Trading Across Borders Indicators

The next table below shows Peru's 2012 TAB indicators, as well as her neighbouring economies in the Latin America.

Peru's 2012 TAB indicators shows that it is considerably better that the Latin America & Caribbean Average. Besides Panama, Peru is the highest ranked TAB economy in Latin America, just ahead of her APEC neighbours, Mexico and Chile.

Economy	TAB Ranking	Export			Import		
		Documents (number)	Time (days)	Cost (USD)	Documents (number)	Time (days)	Cost (USD)
Latin America & Caribbean		6	18	$1,257	7	20	$1,546
Panama	11	3	9	$615	4	9	$965
Peru	56	6	12	$860	8	17	$880
Mexico	59	5	12	$1,450	4	12	$1,780
Chile	62	6	21	$795	6	20	$795
El Salvador	69	8	14	$845	8	10	$845
Costa Rica	73	6	13	$1,190	7	15	$1,190
Guyana	82	7	19	$730	8	22	$745

Nicaragua	83	5	24	$1,140	5	23	$1,220
Colombia	87	5	14	$2,270	6	13	$2,830
Puerto Rico (U.S.)	101	6	15	$1,300	10	16	$1,300
Argentina	102	7	13	$1,480	7	16	$1,810
Honduras	103	6	18	$1,242	8	22	$1,420
Brazil	121	7	13	$2,215	8	17	$2,275
Ecuador	123	8	20	$1,455	7	25	$1,432
Uruguay	125	9	17	$1,100	9	22	$1,330
Bolivia	126	8	19	$1,425	7	23	$1,747
Paraguay	154	8	33	$1,440	10	33	$1,750
Venezuela, RB	166	8	49	$2,590	9	71	$2,868

4.3.3 Pronounced Asymmetry in Peru's Export / Import Indicators

The interesting to note that for the Time for Export / Import indicator, the Time for Import for Peru is considerable more than Export – by 5 days. Such asymmetry is more pronounced in the case of Peru, compared with the other economies in Latin Americas. Interestingly, the difference in Mexico is nil, while in Chile, import incurs less delays than export.

Discounting oil-exporting Venezuela, the 5 more days incurred for Import in Peru, is more than the Latin America / Caribbean Average.

Economy	Time to export (days)	Time to import (days)	Import - Export Time
Venezuela, RB	49	71	22
Peru	12	17	5
Ecuador	20	25	5
Uruguay	17	22	5
Honduras	18	22	4
Brazil	13	17	4
Bolivia	19	23	4
Guyana	19	22	3
Argentina	13	16	3
Latin America & Caribbean	18	20	2
Costa Rica	13	15	2
Puerto Rico (U.S.)	15	16	1
Panama	9	9	0
Mexico	12	12	0
Paraguay	33	33	0
Chile	21	20	-1
Nicaragua	24	23	-1
Colombia	14	13	-1
El Salvador	14	10	-4

Similarly, for the number of documents for Export / Import indicators, export in Peru requires

2 more documents than import, as the table below shows. The number of documents needed for import in Peru is twice more than Mexico. Again, this is one of the highest in the Latin Americas.

Economy	Documents to Export	Documents to Import	Import - Export Docs
Puerto Rico (U.S.)	6	10	4
Peru	6	8	2
Honduras	6	8	2
Paraguay	8	10	2
Latin America & Caribbean	6	7	1
Panama	3	4	1
Costa Rica	6	7	1
Guyana	7	8	1
Colombia	5	6	1
Brazil	7	8	1
Venezuela, RB	8	9	1
Chile	6	6	0
El Salvador	8	8	0
Nicaragua	5	5	0
Argentina	7	7	0
Uruguay	9	9	0
Mexico	5	4	-1
Ecuador	8	7	-1
Bolivia	8	7	-1

This indicates that Imports compared with Exports in Peru are more tedious to conduct.

This Diagnostic study attempt shall study into this asymmetry, and to ascertain whether it is due to unique situation in Peru, and whether this is can be further areas for improvements.

4.3.4 Logistics Performance Index

For Peru's Logistics Performance Index assessment, the World Bank survey showed Peru with the following score and ranking:

	Peru	
	Score	**Rank**
Customs	2.50	64
Infrastructure	2.66	56
International shipments	2.75	93
Logistics competence	2.61	71
Tracking and tracing	2.89	70
Timeliness	3.38	79
Overall LPI	**2.80**	**67**

Overall, Peru ranks 67 out of 155 countries in the survey, which is a healthy sign.

The following tables provide the 2010 Logistics Performance Index assessment for Peru, vis-à-vis selected APEC economies.

Country	LPI	Customs	Infra-structure	International shipments	Logistics competence	Tracking & tracing	Timeliness
Singapore	4.09	4.02	4.22	3.86	4.12	4.15	4.23
United States	3.86	3.68	4.15	3.21	3.92	4.17	4.19
New Zealand	3.65	3.64	3.54	3.36	3.54	3.67	4.17
Korea, Rep.	3.64	3.33	3.62	3.47	3.64	3.83	3.97
Malaysia	3.44	3.11	3.5	3.5	3.34	3.32	3.86
Chile	3.09	2.93	2.86	2.74	2.94	3.33	3.8
Mexico	3.05	2.55	2.95	2.83	3.04	3.28	3.66
Peru	2.8	2.5	2.66	2.75	2.61	2.89	3.38
Latin America & Caribbean (regional average)	2.74	2.38	2.46	2.7	2.62	2.84	3.41

Peru's LPI indicators were slightly above the average for Latin America & Caribbean region. However, compared with its neighbours, namely Mexico and Chile, it has a considerably lower rank, for the overall LPI, as well as in each of the sub-indicators, as shown in the table below.

	Peru	Singapore	Chile	Mexico

Overall LPI	score	2.8	score	4.09	score	3.09	score	3.05
	rank	67	rank	2	rank	49	rank	50
Customs	score	2.5	score	4.02	score	2.93	score	2.55
	rank	64	rank	2	rank	41	rank	62
Infrastructure	score	2.66	score	4.22	score	2.86	score	2.95
	rank	56	rank	4	rank	50	rank	44
International shipments	score	2.75	score	3.86	score	2.74	score	2.83
	rank	93	rank	1	rank	94	rank	77
Logistics competence	score	2.61	score	4.12	score	2.94	score	3.04
	rank	71	rank	6	rank	48	rank	44
Tracking & tracing	score	2.89	score	4.15	score	3.33	score	3.28
	rank	70	rank	6	rank	40	rank	45
Timeliness	score	3.38	score	4.23	score	3.8	score	3.66
	rank	79	rank	14	rank	44	rank	54

In the "International Shipment" category, Peru fared badly, ranked 93. Chile fared as lowly being one rung below Peru, while Mexico ranked 77. Generally the assessment of the South American economies of APEC fared badly in this category compared with their Asian counterparts. There are considerably room for improvements.

In conclusion, Peru's rankings in trade facilitation indexes are healthy. They are better than that of many countries in the region, but there is still room for improvement if it wants to get into the top 50 ranking in the indexes, or to be comparable with countries in the Organisation for Economic Co-operation and Development (OECD).

4.4 Infrastructure in Peru

According to the Peru Ministry of Transport and Communication (MTC) Statistical Yearbook 2010, Peru has an extensive system of roads that cross most of the mountain and coastal regions. However, of the 84,244 kilometers of roads, only about 18% or 15,312 kilometers are paved. The government dedicated a significant number of resources to building and rebuilding the highway system throughout the 1990s and 2000s. The principal roads are the Pan-American Highway, which runs the length of the country down the coast; the Central Highway, which connects the capital, Lima, to the Andean highlands; and the Marginal Highway, which penetrates deep into the north eastern jungle region.

The nation's rail system, which was privatized in 2000, services highland mining operations. Passenger service on the rail system is limited to certain areas, particularly serving the tourist trade between the highland provinces of Puno, Cusco, and Arequipa. Several highways are in the process of being privatized and the process should conclude this year. One highway, in the province of Arequipa, has already been privatized.

Peru has 110 airport facilities, of which 11 are international airports, 26 domestic airports, 65 airfields serving small, private planes, and lastly 8 heliports. The principal airport is the Jorge Chavez International Airport located in Callao, Lima, with other modern airfields in the major cities. Of the total number of airports, 58 have paved runways. Jorge Chavez International Airport was given in concession in February 2001 and 5 other airports, including the tourist destination Cusco are in the final stages of concession.

The Jorge Chavez International Airport is currently being operated by a consortium which includes Frankfurt Airport Services Worldwide (32.75%), German airport operators, Bechtel Enterprises International Ltd (42.75%), Singapore Changi Airport Enterprise Pte. Ltd (10%) and Cosapi S.A. (14.5%), a Peruvian construction company. The consortium signed a 30-year concession agreement with the Government of Peru and Lima Airport Partners SRL was the company organized by the consortium to fulfil the concession agreement. It is responsible for managing, operating, maintaining, developing and expanding the airport.

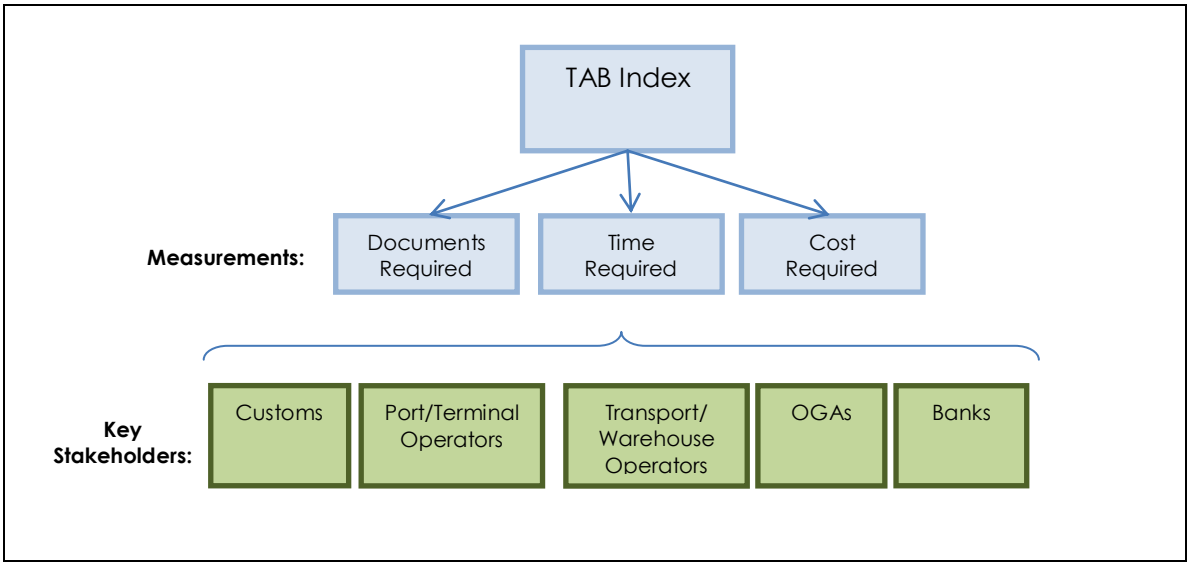
Lima Airport Partners will invest over $1.4bn over a 30-year period, to provide for a new runway, air-sea cargo hub and a new passenger terminal. The annual passenger traffic is expected to increase to 21.7 million and the cargo volume to 566,000t annually by 2020.

Peru has a series of excellent, deep-water ports. The largest port facility is in Callao, the port city adjacent to Lima. In addition to Pacific Ocean ports, the country also has 3 large river ports: Iquitos, Pucallpa, and Yurimaguas. Iquitos is located on the Amazon River, while the other 2 ports are located on major tributaries. Peru has 8,598 kilometers of navigable riverways. Lake Titicaca, located on the border with Bolivia, is the world's highest navigable lake.

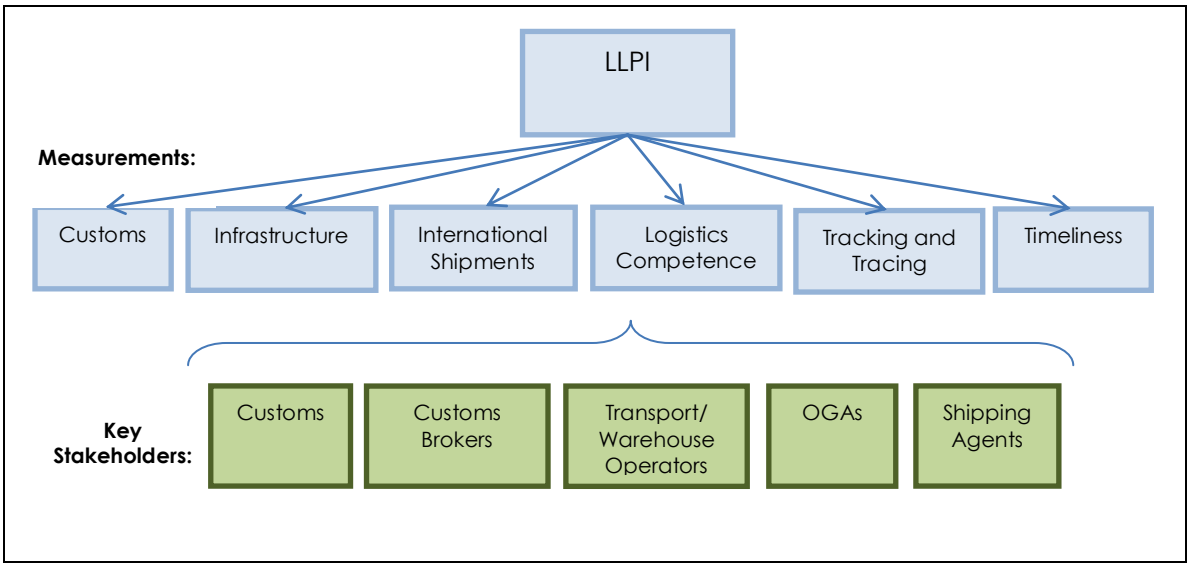
4.5 Key stakeholders

In order to identify the key stakeholders that will impact Peru's trade facilitation effort, there is a need to know what measurements are taken into account when compiling the Trading Across Borders index, and the Logistics Performance Index.

In the case of Trading Across Borders, the key stakeholders who can affect Peru's ranking are SUNAT (Customs), port and terminal operators, transport and warehouse operators, government agencies that issue import/export permits, and banks.



For Logistics Performance Index, the key stakeholders are SUNAT, government agencies that handles infrastructure, shipping agents and local logistics industry which includes transport and warehouse operators, and customs brokers.



The identified stakeholder groups are then mapped to the actual stakeholders in Peru:

Trade Facilitation Stakeholders	Stakeholders specific to Peru
Customs	SUNAT and MEF
Port/Terminal Operators	**Sea Ports:** APM, DP World, and APN **Air Ports:** Lima Airport Partners, Aeropuertos del Peru (north), and Aeropuertos Andinos del Peru (south)

Transport/Warehouse Operators	ASMARPE (maritime association) ASSPOR (warehouse operator association)
OGAs	**For permits:** SENASA, DIGESA, DIGEMID, ITP, PRODUCE, DICSCAMEC **For infrastructure:** MTC **For foreign trade:** MINCETUR
Banks	Central Reserve Bank of Peru
Customs Brokers	AAAP (customs brokers association)
Shipping Agents	APACIT (freight forwarders association) APAM (shipping agent association)
Traders	ADEX, CONUDFI, COMEX, Lima Chamber of Commerce

Therefore the diagnostic trip's visits were arranged such that the consultants would visit the above stakeholders.

4.6 Vision & Trajectory

The goal of the Diagnostic Trip is to focus on ways in which Peru could make it faster, cheaper and easier to trade across borders. Specifically, it seeks to achieve recommendations on the following points:

- Ways to improve coordination amongst relevant government regulatory agencies;
- Ways to tackle reforms holistically and ensure smooth transitions to new systems and processes;
- Ways to take advantage of information technology (IT) to speed up service delivery, such as by developing paperless or Single Window systems to allow services to be delivered in a more seamless manner;
- Assess and recommend how best to involve the private sector as service providers in the design, development and/or implementation of new processes, such as via Private-Public Partnerships (PPP); and
- Recommend solutions that are cost-efficient, and also sustainable in the medium to long term.

The long term vision of Peru government is to improve its trade procedures and processes thus improving its economy's competitiveness. A clear indicator that Peru has achieved this would be to improve Peru's ranking in both TAB and LPI indicators.

5. Stakeholders Observation

The key stakeholders in trade facilitation have been identified in section 4.3. In this section, how each stakeholder contributes to the trade facilitation effort in Peru will be highlighted. There will be observation made on their contribution, and how these contributions match up with the best practices in the industry will be analysed.

5.1 Ministry of Economy and Finance (MEF)

The Ministry of Economy and Finance (MEF) of Peru is the government body charged with the planning and execution of the economic policies for Peru, with the following goals:

- To optimize the economic and financial activities of the nation
- To establish macroeconomic activity
- To achieve the sustainable growth of the nation's economy

The Ministry is headed by a Minister, Mr. Luis Miguel Castilla, supported by two Vice Ministers – one for the Economy and one for the Treasury, and a General Secretariat.

MEF have to propose measures for promoting more productivity, supervising foreign trade operations, as well as economic and financial integration policies. In this sense, MEF is responsible for customs politics.

5.1.1 National Competitiveness Council (CNC).

One of the coordination and advisory bodies for the MEF is the National Competitiveness Council (CNC). The CNC is a coordinating committee created by Supreme Decree No. 024-2002-PCM and attached to the Ministry of Finance in December 2009. The Council has the following functions in competitiveness:

- Detects barriers and define strategic priorities.
- Drives and tracked cross reforms.
- Articulate policies among public, private and academy
- Directs and provides information.
- Evaluates and tracks competitiveness policies until their implementation.

Currently, CNC is in charge of promoting, with the assistance of public and private sectors, policies and strategies to increase levels of competitiveness for Peru, so as to achieve improved quality of life for the citizens of Peru.

One of its goals is to improve Peru's competitiveness through improving the 10 key areas which are measured by the World Bank Doing Business Report. One of the areas is the Trading Across Borders measurement, which CNC is keen to look into and to work with other stakeholders to improve it.

One of the key challenges for the CNC is the monitoring and ascertaining the cost / benefits of various reforms, assuring a framework to promote competitiveness, yet with safeguards against undesired practices.

5.1.2 CNC's role in Trade Facilitation

As part of its purview in overseeing the competitiveness of Peru as a whole, trade promotion and facilitation is one aspect of CNC's oversight. However, CNC does not have direct involvement or visibility in development Peru's trade facilitation initiatives, e.g. the VUCE or other initiatives by Customs.

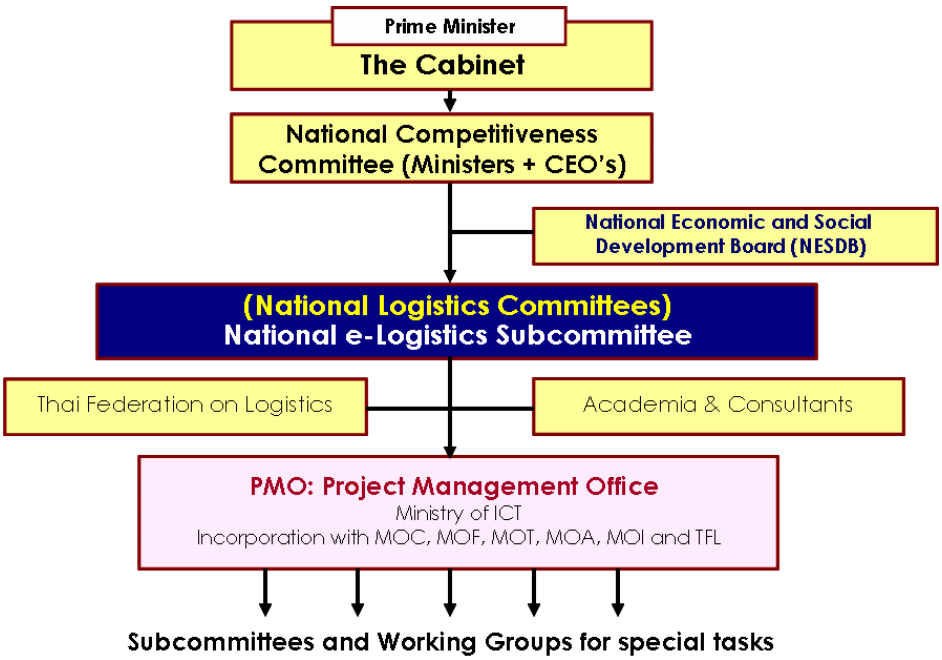
This could lead to incoherence and misalignment in the overall management and implementation of Peru's trade facilitation policies, as well as objectives. It is important that the overall arching development of trade facilitation policies and execution / management of initiatives to enhance trade facilitation be managed by sufficiently senior levels of governments, so as to ensure the successful deliverables of the outcomes.

5.1.3 Recommended Best Practices

The Asia Pacific region is changing at a fast pace and some countries in the Asia Pacific region had begun the trade reform process. Countries which the World Bank Regional Profile: APEC (2012) report cited are Chile, Russian Federation, Brunei, Indonesia, Philippines, and Thailand. Of the afore mentioned countries, Thailand took a similar path as Peru, where a National Competitiveness Committee was setup to provide the leadership in trade facilitation. The Thai experience is largely successful and is introduced in the following section as a case study.

Case Study: Thailand's Institutional Framework for enhancing Trade Facilitation

The diagram below depicts Thailand's National Institutional Framework[1] to develop their Efficiency in Logistics for National Competitiveness. The key body – the National Competitiveness Committee is a high level body which comprises public-private strategic committee, chaired by the Prime Minister and comprised of economics-related Ministers and key private leaders (e.g. Chambers of Commerce, Bankers' Association, Industry Federation etc). This National Competitiveness Committee initiated a task force to develop a Logistics Development Master Plan for national logistics competitiveness, and established the National Logistics Committee



[1] Thailand Single-Window e-Logistics - Roadmap & Architecture, Somnuk Keretho, Presentation at the APEC Symposium on the Assessment and Benchmark of Paperless Trade 2005, Beijing China

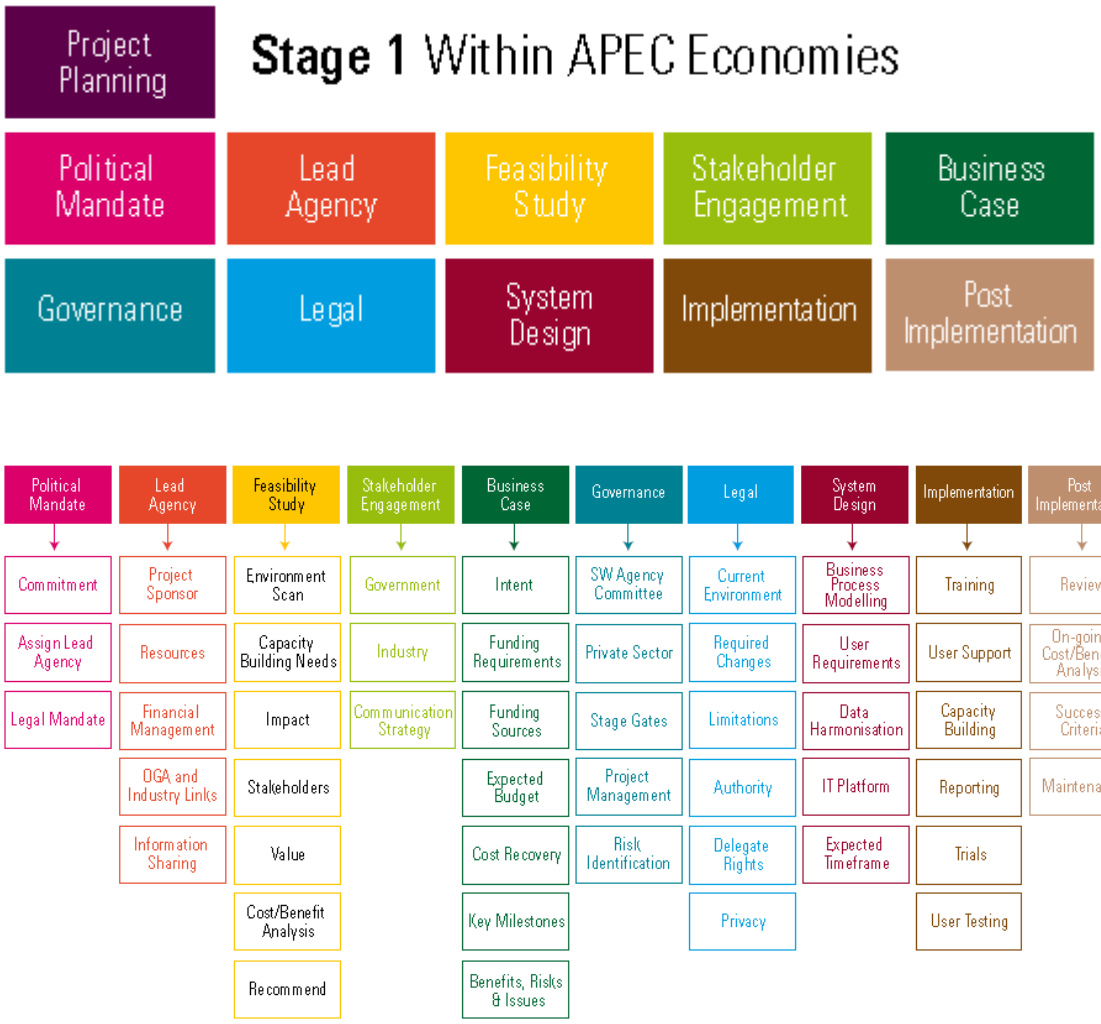
Recommendation to improve coordination amongst relevant government regulatory agencies

Peru currently lacks a sufficiently high level national committee to pursue a "whole-of-government approach" for its trade facilitation or logistics agenda.

It is recommended Peru establish a national trade facilitation committee, vested with appropriate authority to drive the country's trade facilitation efforts (considering both exports and imports, as well as considering all transport modalities) and enhancement of trade logistics in the country.

The committee should preferably be chaired by top political masters, supported by an overall lead agency such as the CNC. This will signal to both public and private industries that there is commitment at the highest level of the government.

The suggested roles and responsibilities of the national trade facilitation committee can follow the APEC Single Window Implementation guidelines, which is depicted in the following diagrams.



Of interest to CNC, is the development of the business case for the various trade facilitation reforms and initiatives. It is proposed that support the National Trade Facilitation Committee, various working committees should also be established to study in greater details the issues and to determine the cost / benefits of the reforms needed. These working groups would also oversee the implementation of the reforms in each of their own areas and ensure that the outputs of the initiatives meet the desired outcomes.

5.2 Ministry of Foreign Trade and Tourism (MINCETUR)

The Ministry of Foreign Trade and Tourism of Peru (MINCETUR) is the ministry in charge of issues pertaining to foreign trade of the Government of Peru, which includes international trade negotiation, the promotion of exports of goods and services, and the Peru Trade Mark. In addition, it has the responsibility of promotion of Tourism in Peru.

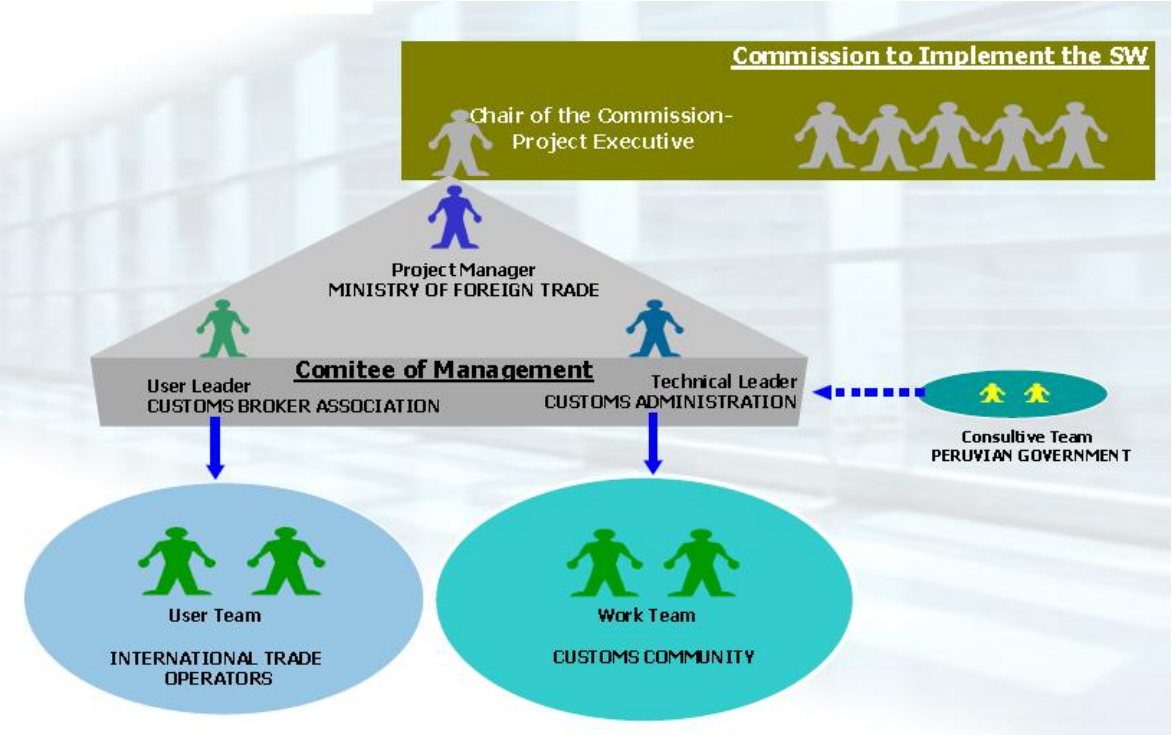
MINCETUR carries out international trade negotiations in the framework of the Peruvian government's macroeconomic policy and follows the rules of the World Trade Organization (WTO), of which Peru is a member country. It focuses its efforts on trade flows and international trade patterns to obtain better access to international markets for Peruvian exports, and to maximize the benefits of Peru's participation in trade agreements with other countries. Peru already has trade agreements with 52 countries, with major trading partners in US, Europe and Asia.

There are 25 regions in Peru, and specifically, MINCETUR wants to work with the Peru Small and Medium Enterprises (SME) in each region to achieve this export target. MINCETUR oversaw a 28% increase in export trade in 2011. (Its goal is to reach 49 billion US dollars in export value for 2012 by promoting intra-region export trade.)

5.2.1 Observation

Currently, MINCETUR is the lead agency overseeing Peru's trade policies with other countries, as well as the agency in charge of the Peruvian Single Window – VUCE.

MINCETUR is also the Project Manager of the VUCE Single Window project, working within one "management committee" which also includes SUNAT (as the technical leader) and the Customs Brokers Association (representing the user community). This management committee is supported by a "user team" represented by international trade operators and a "work team" represented by the Customs community. The diagram below depicts the project organisation structure for the VUCE project.

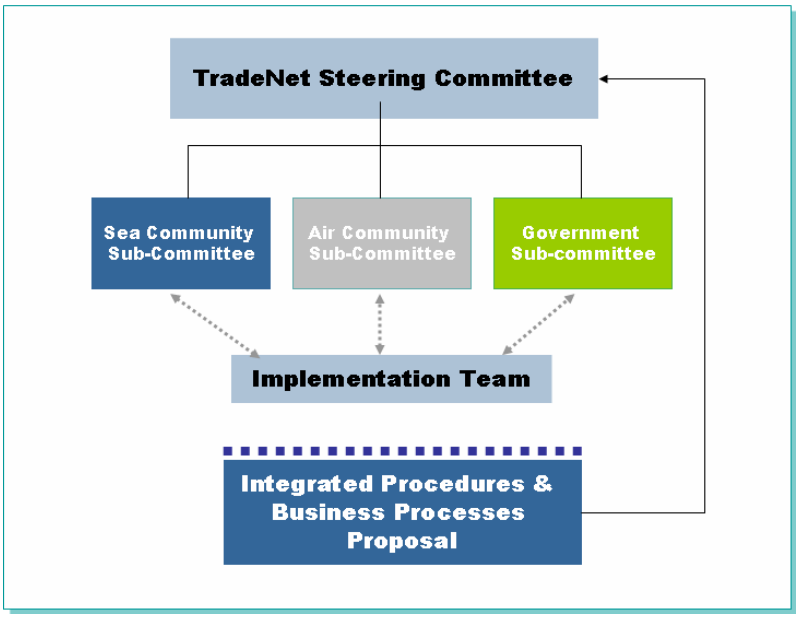


5.2.2 Recommended Best Practices

In the case of APEC economies, Singapore's implementation of TradeNet, the world's first Single Window for trade, was the subject of three separate Harvard Business Review papers. One of the critical success factors frequently acknowledged by the papers is the government leadership in the setup of high-level committees to implement TradeNet. The Singapore experience is introduced in the following section as a case study.

Case Study: Singapore's TradeNet Implementation Structure

When Singapore's Single Window, TradeNet, was first initiated, the TradeNet Steering Committee was created to oversee the entire process, and it was sub-divided into three working committees, one each for the maritime, and air community, and other for the government agencies and statutory boards. The diagram below depicts the TradeNet Project Structure. Rendering support for the working committee was the staff from the project implementation team. The working committee met regularly over several months, investigate trade procedures and developed profiles of essential trade documentation activities that need to be incorporated in the new set of procedures. Each working committee produced a report, which the staff from the implementation team consolidated into an "Integrated Procedures Report" which served as the blueprint for procedural reforms.



The Singapore example provides an inclusive framework that involves all the stakeholders of the trading community.

Recommendation to Peru's Single Window Management Committee

As in the case of Singapore, it is recommended for VUCE management structure to involve more stakeholders' that encompasses Peru's trade and logistic sector. Besides the management committee and the current user and work teams, it is recommended that "working committees" that comprise a broader representation of the entire trading community as well as the public sectors be established. The terms of reference for these working committees would be to propose improved trade processes and procedures and obtain consensual agreement to "streamline trade". This include the streamlining of procedures and protocols of the many different agencies and organisations into a set of coherent and simplified procedures that can be automated, and effect more paperless information flow.

There are two key advantages in this:

1. More stakeholders' participation will reduce the risk of failure for the project as key concerns from stakeholders can be addressed early, and there will be better buy-in to the project.
2. More stakeholders' participation will also mean that change management can be anticipated early and preparation can start in parallel to the development of the system.

For the case of Peru's VUCE, it is recommended the respective working committees include representative from the three transportation modals - air, maritime and land transport industry – so as to review and propose procedural reforms, while a separate working committee comprising of government agencies (e.g. SENASA, DIGESA, DIGEMID, PRODUCE, etc) be established to formulate improve regulatory procedures to enhanced trade documentation.

5.3 National Superintendence of Tax Administration (SUNAT)

National Superintendence of Customs and Tax Administration (SUNAT) is a Public Decentralized Institution of the Economy and Finance Sector, and with autonomy in matters of administration, economy, finance, budget, and technical operations in all its procedures. According to Supreme Decree 061-2002-PCM, SUNAT has absorbed National Customs Superintendence, assuming the functions, faculties and attributions that by law corresponded to the institution.

Peru is founder member of the Andean Community of Nations (CAN), and it is an associate member of the MERCOSUR, comprising of the majority of countries in South America. Peru share a common 8-digit tariff code with other CAN members. Tariff is on average 2.5% of CIF, with VAT another 18%. 60% of goods imported into Peru has 0% tariff rate.

Customs contributed about US$73 million to the government treasury last year, which was about 26% of total government revenue, which comprises VAT 22%; Duties 2%; Other Taxes 2%.

Peru's trade volume has been growing steadily over the past years, and this poses a challenge to SUNAT. While it places priority of on promoting trade facilitation, it also has to balance that with the need to prevent contrabands and illegal goods being smuggled in and out of the country. There is also a need to prevent loss of revenue through better risk management and valuation systems.

In the risk management area, SUNAT has implemented its new risk assessment tool which is used in the new Customs Management System (NSIGAD) for Import and Advanced Clearance regimes. It has plans to implement it for other regimes in the coming year as

new modules of the NSIGAD are being rolled out. The new tool makes use of data mining and random selectivity.

In the valuation area, SUNAT has also developed a new system to determine Customs value for goods, which should enable better collection of tariff and tax. For example, the new system will be able to track raw material price and will disallow manufactured products' final prices to be lower than the total of its raw material.

The United States - Peru Trade Promotion Agreement signed in April 2006 called for specific Customs Administration and Trade Facilitation requirements that have great impact on SUNAT operations in particularly to adopt simplified customs procedures for the efficient release of goods. The Agreements calls for the release of goods within 48 hours of arrival; and at the point of arrival, without temporary transfer to warehouses or other facilities. It also placed greater emphasis on advance clearance and express consignment for air cargo. There was a need to have advance information about cargo and passengers.

SUNAT has made some major changes to its customs regimes in the last 2 to 3 years. However, there are still issues such as:

- Low adoption rate of the Advance Clearance regime;
- VUCE and NSIGAD have yet to be integrated;

SUNAT coordinates with MINCETUR on the Peru Single Window, the Ventanilla Unica de Comercio Exterior (VUCE), where the Ministry is the administrator of VUCE.

5.3.1 Observation

SUNAT is involved in the development both NSIGAD and VUCE at the same time. Asides from the development of VUCE, SUNAT has Phase Two of the NSIGAD to implement, which will include manifest processing and electronic payment systems, etc.

It is also researching into new technology for risk management, valuation, and business intelligence. Plus there are other on-going smaller projects on informational platforms, virtualization technologies, and digitalization of documents.

5.3.2 Recommended Best Practices

Outsourcing the development of IT Systems

In Singapore, the Singapore Customs is the lead government authority for the Single

Window (TradeNet) as well as its Customs Management System (eCustoms). However, it does not develop these systems in-house. Instead it sets the policy, direction and technical requirements, and outsources the design, development and implementation to vendors.

The IT department of SUNAT is very well established with very strong technical skill and capability. However, the demands of ICT of a large organisation such as SUNAT can be tremendous. The resources at SUNAT IT Department may be stretched to cope with the changing needs especially with regards to Customs Administration and Trade Facilitation needs.

It is recommended that SUNAT considers the outsourcing of its system development and implementation to selected Peruvian-owned IT companies or system integrators. In doing so, providing Peruvian companies the opportunity to develop large scale e-government system will also offer the opportunity for these companies to develop their capabilities and track record. International consultancies can also be co-opted to support and impart expertise and capacity building.

5.4 National Port Authority (APN)

The Autoridad Portuaria Nacional (APN) or National Port Authority is a public agency under the Ministry of Transport and Communications. It is responsible for the development of the national Port System, encouraging private investment in ports and coordination of various public and private actors involved in port activities and services. Its objective is to establish and build a strong maritime community port linking all shipping agents and port development, state and private with a common goal: strengthening the competitiveness of domestic ports to cope with the phenomenon of globalization and the challenges posed by the need to fully develop their export sector.

As the government body overseeing the development of ports in Peru, APN has the important role of implementing government policies set by the Ministry of Transport and Communication (MTC). It determines policies and gives concessions when privatising ports, and it also manages the private port and terminal operators.

5.4.1 Observation

APN is working together with MINCETUR the development of a Ventanilla Única Portuaria (VUP) or Port Single Window. The concept and work on the Peru Port Single Window –VUP first started with Portel, a Spanish company which belongs to Telefonica. Then SOGET a

French IT provider got involved and worked with APN in 2007 to develop the Port Information System (SIP), but that too seem to have stopped.

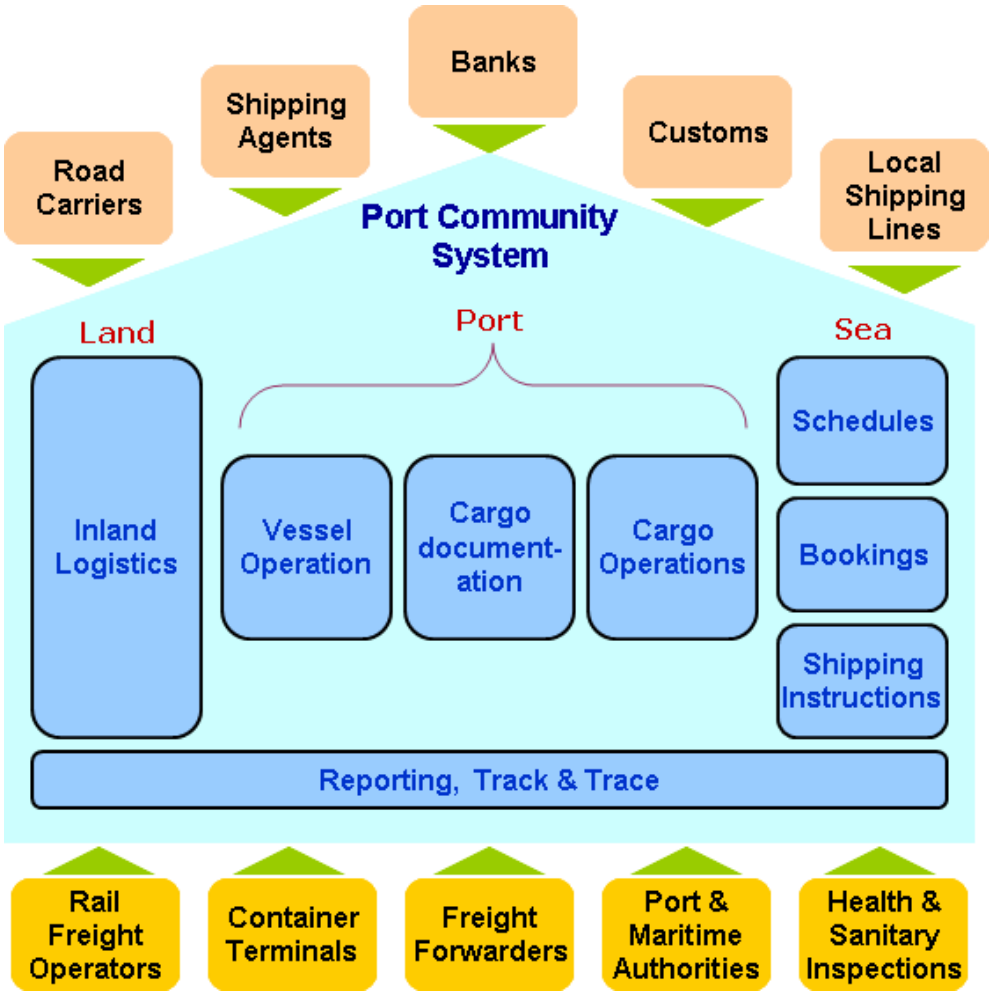
Recently, the VUP project is taken up by APN again; this time to be developed under the same framework as VUCE, and with the help from the advisors and the team that developed VUCE.

There is a subtle difference between a Port Single Window, and a Port Community System, as defined below[2]:

- Port Single Window: System which provides local level information about the vessel to the authorities on a port level, that has B2G (Business to Government) character.
- Port Community System: A tool to exchange messages in port environment, having a commercial and logistic nature, which has B2B (Business to Business) character.

In essence, Peru requires a PCS that provides for the B2B linkages between the entities and users of the port. After the PCS is established, APN can link it up with the VUCE and NSIGAD to create B2G linkages

[2] Single Window implementation in Customs Environment, Kari Suvila, 2007, National Board of Customs, Finland.



By most definition, a national Single Window is the single facility for trade facilitation. Therefore, it is essential that the VUP is designed as a Port Community System (PCS) (rather a "Single Window" per se) which shall seamless integrates with VUCE.

5.5 National Service of Agrarian Health (SENASA)

The National Service of Agrarian Health (SENASA) is a decentralized public agency of the Ministry of Agriculture of Peru. It is the national authority and the official body of Peru in agricultural health.

SENASA maintains a monitoring system of plant and animal health, protecting the country from entry of pests and diseases not found in Peru. It operates a quarantine system for pests of plants and animals in places where there is import operations.

SENASA provides inspection services, testing and certification of plant and animal health. It registers and controls pesticides, seeds, veterinary drugs, and animal feed.

For import and export, SENASA plays an important role because it issues phyto-sanitary certificates to traders for the agriculture goods they transport. In addition, for import, SENASA regulate and inspects plants and plant products, animals and animal related products.

SENASA conducts inspection at border offices as well as ports, working with SUNAT officers during the inspection. For example if goods are channelled to green or yellow lanes, SUNAT inspectors have to wait till SENASA officers have completed their inspection before releasing the goods. In red lanes, both sets of officers will carry out joint inspection together. An entrance permit or an authorisation letter will be issued within 2 hours after the inspection of goods as all consignment with goods that fall into SENASA controlled items will need a permit.

5.5.1 Observation

SENASA currently conducts 100% inspection for all animals and plants samples, even when the goods are from approved exporters. This averages about 45 inspections a day in the port of Callao. SENASA currently has two offices in Callao, one in DP World terminal, and the other in its own inspection centre. SENASA is wondering whether some form of Risk Management system will enable them to reduce the need for 100% inspection, as the inspections are conducted separately from Customs, it slows down the cargo clearance for importers.

SENASA has its own IT system which is external to VUCE. This system has several modules and is used by SENASA for its own processes. Some of the modules have been integrated with VUCE to obtain normal goods declaration, but in the future the goal is to integrate them all with VUCE which will then act as a single user interface for the SENASA IT system.

Currently due to the separation of SENASA's IT system and VUCE system, the agency has to use both in parallel. Right now, only the phyto-sanitary certificate is issued through VUCE and not the import permit. In addition, simplified declaration for low value goods (< US$5000) has not been integrated into the VUCE.

Electronic certificate is not issued or accepted yet, but SENSASA is working with the Animal and Plant Health Inspection Service (APHIS) to accept their certificate.

5.5.2 Recommended Best Practices

In order to improve efficiency of cargo clearance and save time and cost for both SENASA and the importers, it will be necessary to reduce 100% inspection, and differentiate between low risk and high risk cargo. For this to happen, three things can be done in the short term:

1. Incorporate risk management analysis in SENASA for screening of the cargo
2. Introduce blanket license or permit in VUCE to approved traders and reduce the need for issuing permits for each consignment.
3. Integrate SENASA blanket license number into the import declaration form.
4. Carry out more post clearance audit activities on those companies given the blanket permits.

Below is an illustration on how it would work:

By introducing blanket license for low risk goods, importers need not obtain individual import permit for each consignment. The blanket license is effective for multiple consignments or for a period of time and will be issued by SENASA through VUCE.

SUNAT then has to change its NSIGAD import declaration form such that it can accept the SENASA blanket license number in a data field. Once the importer has obtained the blanket license, he can enter the license number into the import declaration form in addition to the usual information he needs to fill in.

Upon receiving the import declaration form, NSIGAD will carry out its usual processing and also route a copy of the declaration data to SENASA through VUCE interface. Thus the importer will not have to go through SENASA inspection as he already has a blanket license, but instead the importer will be subjected to periodic and ad-hoc post clearance audit by SENASA.

Other than reducing 100% inspection, SENASA can also harmonize their internal product codes with the HS Codes and use HS Codes for identification of goods controlled by SENASA.

Lastly, there is probably a need to speed up the integration of all SENASA issued permits into VUCE so that it does not have to use multiple IT systems in parallel for permit processing.

5.6 Directorate General of Health (DIGESA)

The Directorate General of Health (DIGESA) is the technical and regulatory body regulating and supervising environmental health issues. It provides leadership at the national level with proposal and enforcement of national policy on environmental health, basic sanitation, food hygiene, environment protection and the general health of the population.

For import and export, DIGESA plays an important role because it issues certificates to exporters for the goods they are exporting, as well as permits and licenses for the goods that they are importing.

The certificates and permits can be consignment based, they may be valid for a batch of goods, or valid for a specific period of time. Some of the certificates which DIGESA issues are:

- Official health certificate for export of food and drink for human consumption
- Certificate of use licensing of imported product
- Certificate of free marketing food and beverages
- Registration licensing of food and drink for human consumption
- Sanitary authorization toys for importing stationery
- Health authorization for disinfectants and household pesticides, industrial and public health (domestic and imported)
- Permit for the importation of disinfectants and household pesticides, industrial and public health (not intended for trade)
- Sanitary permit for importation of Solid Waste

In addition, DIGESA is one of the key participants in the VUCE implementation. DIGESA is part of the Phase 1 implementation of the VUCE implementation of restricted goods. When VUCE went live, traders could start using it to apply for the above certificates and permits.

5.6.1 Observation

DIGESA also raised concerns they have regarding permit and license processing through VUCE. First and foremost is that through automated systems such as VUCE, some importers and exporters have been discovered to send in supporting documents which are illegally modified. These modified documents were scanned and uploaded to the system. DIGESA officers find it difficult to identify whether an uploaded supporting document is legitimate

or not based solely on the scanned images.

The second concern is the time needed by DIGESA to process a request for certificate for export. Exporters can submit their export documents just 48 hours prior to cargo leaving the port, but often, DIGESA is not able to process their application on time before departure. This is due mainly to the number of supporting documents which DIGESA has to download and verify - at least 4 documents, including Packing List and Certificates. These scanned documents are usually large and take time to download as well as view as there are not enough bandwidth to the DIGESA computers, thus affecting their productivity in processing the certificate applications.

DIGESA does not currently do 100% inspection, although the law requires the ministry to do inspection as part of the condition which certificate is granted.

When an alert is issued for certain goods anywhere in the world, DIGESA has to make a decision to stop the importation and distribution of that type of product. But DIGESA does not have officers in all Peru ports and border posts, so they need to document and communicate with SUNAT manually and rely on customs inspectors to stop the product.

While DIGESA issues certificates and permits through VUCE, they use a different classification system, instead of the HS Code which VUCE / Customs use. DIGESA classifies food products according to the classification method recommended by the Food and Agriculture Organization of the United Nations (FAO).

5.6.2 Recommended Best Practices

In order for DIGESA not to have to do 100% inspection, it is recommended that risk management techniques be used by DIGESA, as similarly recommended for SENASA. It is also recommended for DIGESA to consider issuing a blanket license to approved traders for multiple consignments, as well as introducing post clearance audit.

Other than the above, there are two additional items which can help to improve DIGESA's efficiency:

1. It is recommended that VUCE enable regulatory agencies the ability to have built in processing rules which can be dynamically updated. The business rules will be applicable to import or export permit application, and eventually also applicable to import and export declaration when VUCE and NSIGAD are linked up. Dynamic and adjustable business rules need to be built into VUCE such that DIGESA (and

other regulatory agencies) can have better control of goods from entering the country. Thus regulatory agencies such as DIGESA can dynamically set and adjust business rules on whether a specific type of controlled goods can enter Peru freely, or need manual intervention. For example, whenever a specific type of goods has to be restricted (e.g. beef from a country with "mad cow" disease outbreak), DIGESA can change the rules in VUCE such that all cargo containing beef will need to be manually inspected and approved before it can be cleared. This dynamic change in rules with VUCE would allow regulatory agencies to react to fast changing situation.

2. Another recommendation will be for VUCE to add a "query response" message to any permit application from traders. This means that if DIGESA officer notices any suspicious or doubtful supporting documents, they can send a message to the applicant to get the original document inspected by DIGESA officers before the permit can be approved online.

5.7 DP World Callao

Previously, the Empresa Nacional de Puertos SA (ENAPU) was created in 1970 to manage and operate Peru's ports. ENAPU was responsible for the operation, maintenance, and administration of all ports in Peru, which included 11 ports in the northern regions, three in the southern regions, four in the eastern interior regions, and five in the central region, including the Port of Callao.

ENAPU S.A. administers and develops the Port of Callao under state ownership. The Port of Callao serves a vast hinterland that contains Lima, Huanuco, Cerro de Pasco, Ayacucho, Huancavelica, and Junin. Located in the Pacific Basin on Peru's central coast, the Port of Callao holds an important strategic position on the inter-oceanic routes for vessels crossing the Panama Canal and the Straits of Magellan.

The Port of Callao serves Peru's capital city and the rest of the country through a network of roads that extend to the north and south and into the central mountain region. The Port of Callao is connected by road with the Jorge Chavez International Airport, located about four kilometers northeast of the Port of Callao, and to the nation's railroad that crosses the Andes Mountain range. In 2009 the Port of Callao handled approximately 1.1 million TEU, most of it using ships' cranes.

DP World Callao is a greenfield terminal in the port of Callao.
DP World Callao - comprised of Dubai Ports and Spanish firm Uniport - was awarded the terminal's 30-year concession, starting from 2006 after submitting a proposal that involves total investment of US$617 million, including $144 million for the common port area. Construction of Phase One of DP World Callao began in April 2008.

The terminal commenced operations during second quarter of 2010, and comprises a 21ha facility (mostly reclaimed from Callao harbour) with two container berths. The construction project included dredging the harbour channel and vessel turning basin to a depth of 14m (formerly 11m), with 16m depth at the DP World terminal.

Phase II of the project is designed to add a further 310m of quay line and additional cranes. DP World Callao is a state-of-the-art facility, transforming container operations at the Port of Callao. The modern cranes and deeper water have resulted in strong demand to use the new facility - allowing shipping lines to deploy large, gearless vessels in place of the previous requirement for ships fitted with cranes. The increased capacity will also provide the opportunity for Callao to increase its role in the handling of transhipment containers, positioning Callao to become the premier transhipment port for South America's West Coast.

DP World Callao now has an operating annual capacity of around 850,000 TEU (twenty foot equivalent container units) and is located in the south zone of the port of Callao, covering an area of 225,000 sq. meters. Its two berths, each 350 metres with a 16 metre draft, are capable of handling two post-Panamax vessels of around 8,000 TEU at the same time. The terminal has six Super Post Panamax giant gantry cranes, and 18 rubber tyred gantry cranes (RTGs).

As the container terminal operator, DP World plays a key role in Trade Facilitation in Peru. Its efficiency in handling containers at the port, the throughput of the port, the time and cost it takes to unload or load a ship are all important.

5.7.1 Observation

Most storage and services were moved “off docks” for clearance, and customs processes were adapted to conduct the cargo clearance off docks.

For example, the customs law specifies that goods must be cleared at the point of arrival. Originally this means within the port area, but the law was extended to cover “off docks”

too. This thus created some problem with cargo clearance as cargo clearance within the port area is well regulated by the authorities, but those cargo stored "off docks" are not as well regulated.

The second issue raised was that customs law does not dictate where containers have to be cleared. Therefore it is up to the importers to decide – and they have to make this decision 15 days before the ship reaches the port. With this regulation, as most shipping lines have business relation or business integration with the storage operators, they usually select cargo to be stored and cleared "off docks" even though DP World insisted that its port has enough space for storage and clearance of containers.

DP World opined to the diagnostic team that if the Advance Clearance regime promoted by SUNAT is to succeed, then the customs law may have to be changed to disallow "off docks" clearance as DP World has no power to determine whether a container stays or move out of the port for clearance.

DP World has its own IT system, which it calls NAVIS. This system receives e-document from shippers, for example the manifest. However, there is no integration or exchange of information between NAVIS and Customs' SIGAD. Information which customs need from DP World or shippers have to be input through the SIGAD's user interface. This isolation of the port operator's computer system is also the same with the other port operator, APM.

5.7.2 Recommended Best Practices

The issue of Advance Clearance is not an easy one to resolve and it is recommended that DP World works closely with SUNAT and the trading community to identify the main problem and work towards resolution together.

On the other hand, communication between DP World and the port community of the services and facilities available at the port can be improved. For example, a website could be setup by DP World for the Callao Port community. This website can contain information on services and facilities at the port, as well as Frequently Asked Questions (FAQ) for the Callao Port users. This will lead to greater transparency on the processes, cost and time savings for port users.

DP World is also encouraged to link their IT systems, such as NAVIS, with VUCE and NSIGAD. This interfacing of DP World's port system will enable better information and data sharing between them, and thus better risk assessment and visibility of the goods passing through

the Callao Port. Ultimately it will also save time and cost for the port users. For instance, carriers and freight forwarders can submit manifest just once to the VUCE and this information can be shared to NAVIS and NSIGAD. This model is also used in Singapore to link critical systems with TradeNet via TradeXchange.

6. Import and Export Observation

This section lists the observations that were made during the one week Diagnostic Trip. Specifically, there will be emphasis on findings related to import and export procedures as well as matters which may either improve or hinder trade facilitation effort by the Peru stakeholders.

6.1 Trade Volume and Infrastructure

Peru's trade volume has been growing in leaps and bounds over the past years. It now has the second most free trade agreements (13) in Latin America, and there may be more agreements coming in the near future.

With the growing trade, there is a need for better infrastructure, whether it is highways, ports, or internet connectivity. Current solution to the need for better infrastructure is to let the private sectors build them by giving concessions to building and operating. For example, the government is building highways (IIRSA) via private concessions; it is in the final stages of considering tender for operating the Cusco airport and the North Terminal of the Callao Port.

As the trend of giving concession to private sectors to build and operate large infrastructure projects, there is some concern that this may drive up the cost of trading. Especially because there is no transparency in charges by the private sectors once they start the operation of ports and highways. The National Industries Society (SNI) has informed that transport and handling costs for containers come to about 70% of the final export costs.

6.1.1 Observation

Peru's trading is more or less still limited to traditional trading partners such as the Latin America countries and USA.

There is currently more export initiatives than import. In the export area, Promperu is the organization responsible to look into export competitiveness. SNI promotes technical standards, and INDECOPI is the standards organization for Peru. Promperu communicates with SMEs what the standards are and help them with information to meet standards of the importing company. However, in the import area, there is still no such clear leading government agency, although MINCETUR is currently leading the regulation and project

initiatives focused on facilitating imports.

Another issue identified is that due to the large number of SMEs in Peru, there is a need for the government to equip them with knowledge in import and export, as well as provide assistance to them.

6.1.2 Recommended Best Practices

There is no centralized trade agency to oversee both import and export issues in Peru. The question is which agency can play this role? Can CNC or MINCETUR be the one?

In the case of Hong Kong, the Hong Kong government setup an agency called the Trade and Industry Department (TID) to lead, support and facilitate the development of its trade and industry. TID is responsible for conducting Hong Kong's international trade relations, implementing trade policies and agreements, as well as providing general support services for SMEs. It has representative offices in several countries. As an one-stop agency taking the lead in trade and trade related matters, TID is involved in both export as well as import facilitation.

As Peru's trade volume increases, there is a needfor a "trade development" body to bring about "one-stop shop" for businesses and the trading community to access information and work closely with the government on import and export matters.

6.2 Recent Customs Reforms

In the past 10 years, Peru has gone through two phases of Customs reform. The first was in the year 2000, and was extensive and wide-reaching, impacting on:

- individuals (customs agents, accounting, etc.)
- systems (IT)
- infrastructure (controls)
- legislation, and
- power of digression (avoid wimps on interpretation of law)

In 2009, there was another reform, and this time it was to amend the previous reform to divide customs process into pre clearance, clearance and post clearance. Post clearance audit was included as part of risk management process.

Subsequently in 2010, advanced clearance process was introduced. It was mainly

triggered by the FTA with USA, where customs law was changed to include clearance within 48 hours of entry to a port. This is termed Early Clearance (Despacho Anticipado).

6.2.1 Peru Advanced Customs Clearance Regime

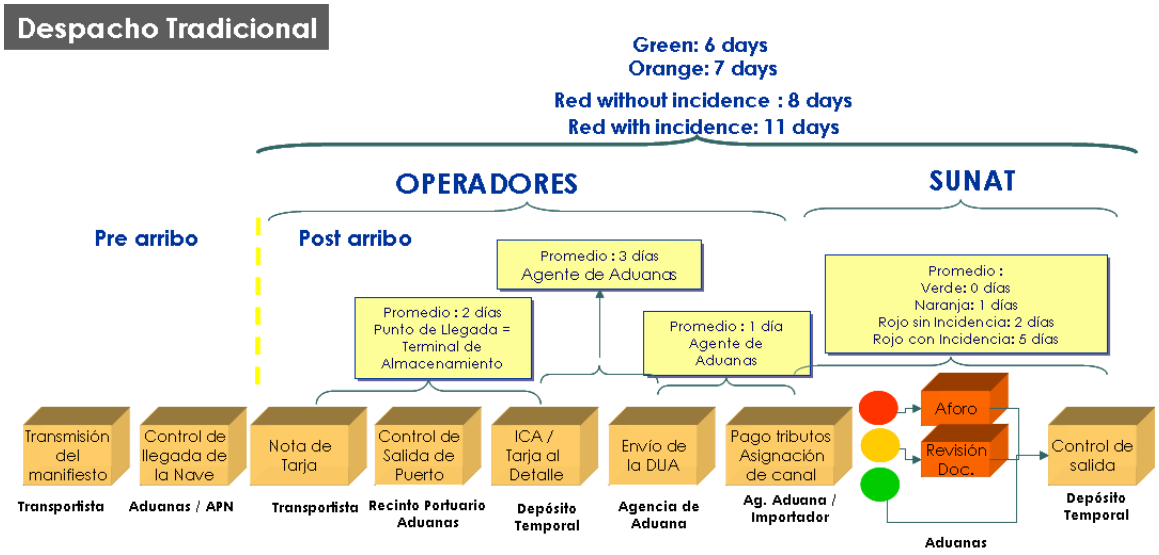
While the Advance Customs Clearance procedures have been in use since the end of the 90s, these are mainly in the form of pre-arrival clearance with transfer to the importer's premises.[3] The customs procedures has to be amended to cater for increased trade volume, the requirements contained in trade agreements as well as needs of the trading community.

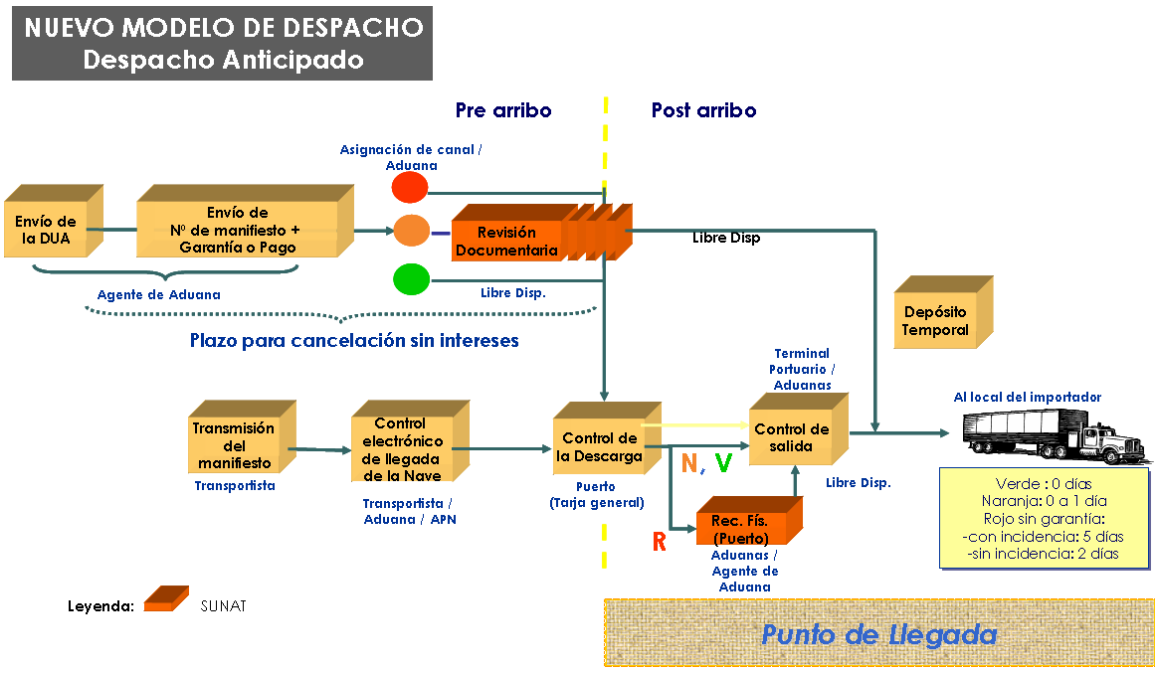
The latest advanced cargo clearance initiative is drawn from the enactment of the Foreign Trade Facilitation Law (2007) and its Regulations (2008), which established the legal framework for the customs processing of goods and the implementation of the measures needed to fulfil Peru's commitments under the Customs Procedures and Trade Facilitation chapters of its trade agreements, in particular the 2006 United States - Peru Trade Promotion Agreement. This was followed by the new General Customs Law (2008) and its Regulations (2009), which provide the legal basis for the new procedures.

Accordingly, SUNAT has been carrying out a process of adaptation of the regulations relating to customs clearance, in coordination with units specially set up for the purpose, including the New Customs Clearance Procedure (NPDA) team responsible for the regulatory and procedural aspects and the New Integrated Customs Management System (NSIGAD) team responsible for the implementation and redesign of IT processes and systems.

The intention was gradually to expand the use of Advance clearance by seeking to make so called "normal modality" to "exceptional modality", thus making most of the current imports to be still under "exceptional modality".

[3] Trade Facilitation: Implementation of the "Advanced Customs Clearance System"- José Espinoza, Head of Customs Clearance Procedures Division, September 2011



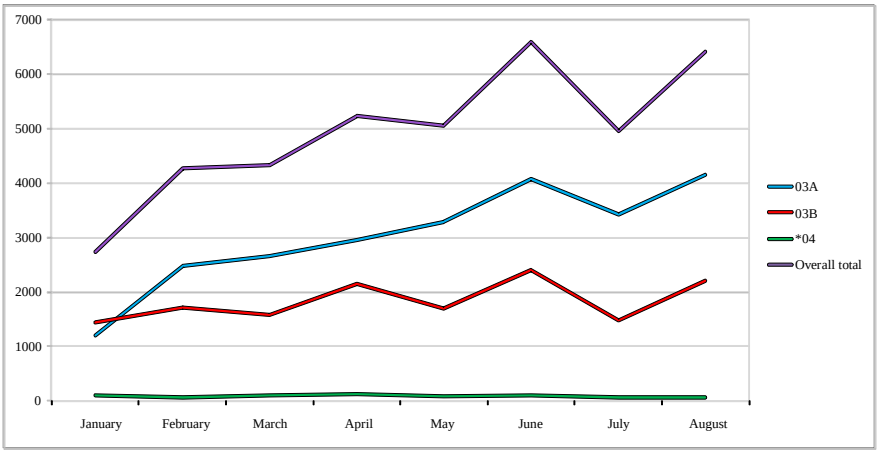


Under the advance import clearance procedure, declaration is registered and the cargo manifest is electronically transmitted before the vessel arrives. This allows for risk assessment to be done, and if it is green lane, the cargo release may be granted within 48 hours of unloading.

Depending on their needs, importers may opt for the following Advance Clearance procedures:

- with unloading and transfer of the goods for release within the port terminal (03A);
- with unloading and transfer of the goods for release in temporary storage) (03B); and
- Advance Clearance with unloading and transfer to the importer's premises, authorized as a special primary zone – the so-called "off dock" method (04).

The following diagram depicts the trends in Advance Clearance by Declaration and Type of Unloading for the period January-August 2011.



It should be noted that up until 2006 advance clearance with transfer to the importer's premises was the only mode to be implemented. Previously, 90% of cargo at port has to be transferred to off dock to warehouses outside the port. Goods are moved from port to warehouses without clearances, but guarantee is paid. This mode is now deemed as exception.

6.2.2 The situation at Callao Port

The diagnostic team interviewed the Callao Customs and found the current status as follows:

- Advanced Clearance with unloading and transfer of the goods for release within the port terminal – 12.5%
- Clearance via off-dock – 82%
- Urgent Clearance for bulk cargo = 5.5%

6.2.3 Observation

- There is a low take up of the new advanced clearance; SUNAT mentioned that

about 18% of importers use Advance Clearance regime.

- The intention to have move away from the off-dock mode, to have goods release within the port terminal also face difficulties. The logistics industry as well as the traders preferred to maintain "off dock" clearance mode, due to perceived concerns of the increased cost and the lack of space within the port terminals.
- Importers and shippers who have the say on whether their goods remained within the port terminals for clearance are reluctant, and generally preferred for the cargo to be moved to warehouse or released. Most of them have existing contracts to honour, which required the cargo to off-docks. In additional, importers may be attracted to the credit terms given by warehouse operators. Generally, the key perception is that moving the cargo "off dock" for clearance is cheaper than retaining them at the docks.

6.3 Export

Since 2000, there has been a consolidation of trade policy to be more open and competitive, and great strides were made to change the law in order to facilitate trade. Export has traditionally been the focus point in trade for the Peruvian government, which introduced), the National Strategic Export Plan or the Plan Estratégico Nacional Exportador (PENX). The PENX comprises four components:

1. Export Sector Operational Plans;
2. Master Plan for the Facilitation of International Trade;
3. Regional Strategic Plans for Export; and
4. Export Culture Plan (in preparation).

The plan covers a timeframe from 2003 and 2013. Much progress had been made exporting locally produced goods and the introduction of new goods to the market. There were 6000 activities originally, of which around 1285 are left to date. Currently only 64% of PENX has already been implemented, therefore the government may consider to extend PENX beyond 2013.

In addition to PENX, the government also has the Strategic Regional Exports Plan (PERX). The plan has advanced a lot in the past 2 years, because PERX's team has been travelling to each region trying to improve its usage, showing its importance and advantages.

With the above plans in place, and with the FTAs that Peru has signed with various countries, the volume of export is improving. Top exporting countries are the USA,

European countries as Spain and Switzerland, China and other Latin American countries.

One issue which came about was that because the majority of traders in Peru are SMEs, they may not have the knowledge to take advantage of the FTAs which Peru has signed. At the same time, they may also not be aware of how to obtain the Certificate of Origin (CO) as these requires meeting the rules of origin which can be complicated. As a result, exporters tend to export to neighbouring countries which they are familiar with, and export to non-traditional trading partners has been slow to pick up.

6.3.1 Observation

As the trade volume grows, there is also a realisation that there is a need to establish and promote the Peruvian brand. Currently there is no global brand for Peru because 60% of export is in the form of raw material, while imports are usually in the form of finished goods. The few recognizable brands from Peru are Inca Kola and Sapolio (detergent brand). This fact, coupled with the fact that 95% of the companies in Peru are SMEs means that there had been few, if any, global Peruvian brands.

6.3.2 Recommended Best Practices

Even though Peru's export is mainly raw material, there is much to gain to promote and market more indigenous and locally produce to the world. Peru should explore establishing Peruvian brand and standards for its raw materials and thereafter, its processed goods. A case in point is the success of Australian Wool industry, in marketing their Woolmark brand into the world's best known textile fibre brand. Their marketing and promotion efforts have enabled the brand to be very well established the world over in the apparel, interior textiles and home laundry sectors. The Woolmark brand is owned by Australian Wool Innovation Limited (AWI), the world's leading wool textile organisation.
Through the Woolmark licensing program which the AWI operates, it ensure that any product bearing the Woolmark logo would meets strict wool quality and performance criteria. This is an attempt by AWI to differentiate its wool raw material and products from its competitors, as well as an assurance to consumers that its product meets certain quality standard.

Another example would be the Blue Mountain Coffee trade mark which the Jamaica Coffee Industry Board certifies to differentiates its superior coffee from other country's coffee.

For Peru, it is recommended that the standard certification and brand promotion of the

unique Alpaca wool and related products should be explored. Another possible Peruvian product to promote is the Peruvian silver.

6.4 Import and Advance Clearance

Peru's import process includes the submission of manifest prior to declaration.

The manifest process is as follows:

1. Transporter has to send the Bill of Lading and the Master Manifest 48 hours before goods arrival at the port.
2. Freight Forwarder then has only 12 hours allowance to submit the House Manifest after step #1 above is acknowledged by Customs.
3. Once ship arrives and unloads, supporting documents have to be sent, including the consolidated manifest.
4. If no prior declaration has been submitted, then goods have to be stored in warehouse first till the declaration is cleared. There are 2 days of free storage for the 2 major port operators.

The submission of sea and air manifest is currently done electronically, while land manifest is still acceptable in paper form. There is a pilot program at 6 customs offices (with 4 million password/users) to use a new system where manifest is submitted via CUSCAR and XML messages. This service is provided by 2 Value Added Network Services Providers.

In addition to manifest processing, Risk Assessment is also being carried out on import declaration. This is done by the system and it assigns the lanes automatically. Currently, about 7% of declarations will go to the red lane, 12% will be in yellow lane and the rest will be routed through the green lane.

Restricted goods will be inspected by regulatory agencies either together or separately from Customs, while SENASA will carry out 100% checks as they have no system for risk assessment.

In 2009, Customs introduced the Advanced Clearance to encourage importers to clear their cargo within 48 hours after arrival at port. However, to date, only about 18% of importers use this regime.

6.4.1 Observation

Advance Clearance is not well received by importers and here are some reasons given by interviewees for the slow take up rate:

- For many years, prior to the privatisation of ports, private warehouse space supplements the storage space available at the port. Over the years, forwarders and importers have developed deep relationships and mutual dependencies with the private transporters and warehouse operators. Thus it is not easy to change their cargo clearance arrangements.
- As most importers and consignees are SMEs, they may not have enough storage space on site and prefer to have their goods stored at the warehouses outside the port. At the same time the private warehouse operators also provide facilities for consolidating and deconsolidating cargo to and from containers.
- Advance Clearance regime incurs additional cost, for example customs bond is needed, and there is also an increase in port and terminal fees to be posted by the forwarders and importers therefore they shun it.

In addition, there are some issues with manifest submission. Namely, the freight forwarders association feels that the 12 hours allowance is too little time given to the forwarders to submit the House Manifest.

6.4.2 Recommended Best Practices

Advance Clearance is beneficial to both the importers and the government as it helps in risk assessment and cargo can be cleared from the ports fast.

The reluctance of importers to use the Advance Clearance regime resulting in the lower take up rates requires further collaboration between the trading community, terminals operators and SUNAT. It is recommended that a multi-party task force be set up to help resolve the issues at hand, and recommend necessary policy intervention and institutional adjustments to increase the rate of adoption for advanced clearance. As some of the reasons are given may be due to wrongly placed perceptions, it is recommended for this task force can induce further industry discussion to correct the misplaced perceptions.

Ultimately, the solution will need to come from discussion and stronger collaboration with stakeholders so that road blocks need to be identified and cleared together.

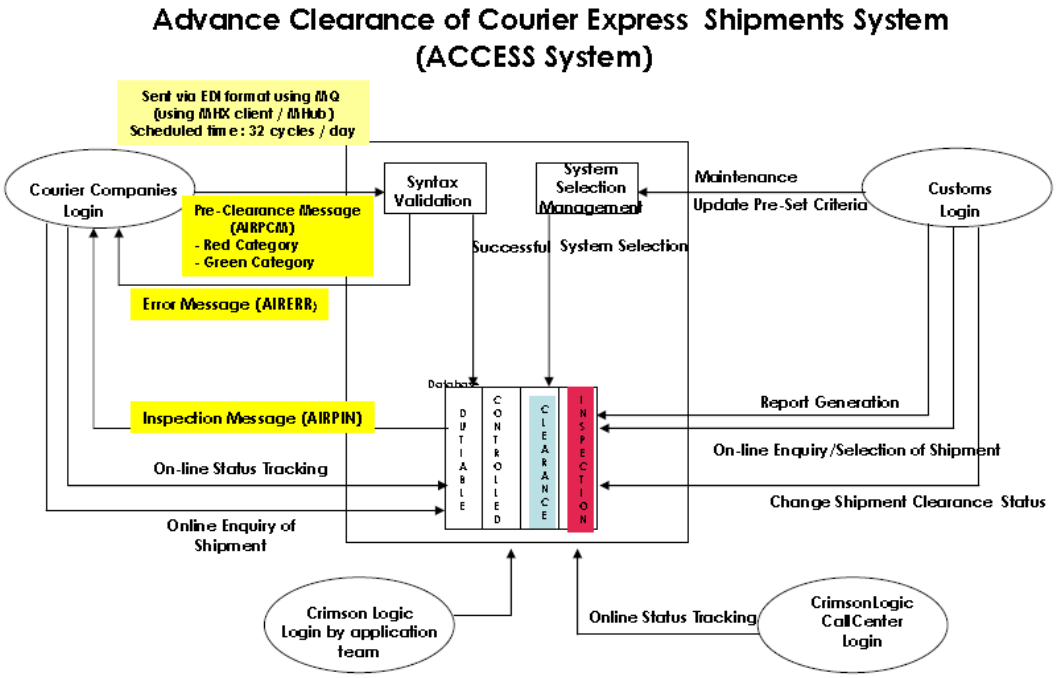
6.4.3 Advanced Clearance for Air / Express Cargo

It is also recommended SUNAT provides for advanced clearance to be extended for the air cargo, in particular for express cargo.

In the case of Singapore, the Advanced Cargo Clearance for Express Shipments System (ACCESS) was established as a collaboration initiative between Air Express Companies (AEC) and Singapore Customs. The ACCESS allows the AECs to submit pre-clearance shipment information for the air express shipments via EDIFACT messages. The Singapore Customs shall provide pre-determined business rules to the ACCESS system to determine whether the express cargo needs inspection. Upon submission of the pre-clearance information, the return status from Singapore Customs shall be generated within 20 minutes.

The ACCESS enables for

- Faster clearance of cargo through streamlined shipment documentation process.
- Real-time information provides the latest shipping information and an accurate calculation of duty payment at customs checkpoints.
- Increased visibility of cargo ensures that controlled and dutiable shipments are identified for inspection.
- Reduced paperwork through elimination of multiple forms preparation to different parties involved in the clearance process.
- Less congestion at customs checkpoint with faster cargo clearance.



7. Information Technology Observation

Information technology (IT) plays a crucial role in trade facilitation. In the pre-Internet days, Single Window systems would invariably require a front-end client for traders to access the back-end Single Window main system. These front-end clients, frequently referred to as thick clients, are software programs that have to be installed at the traders' premises. The continued support and maintenance of these front-end clients necessitates the existence of first-tier service providers to service the ICT needs of the trading community. Since all of these incur additional cost to the traders, this becomes a barrier for the large number of small enterprises who cannot justify such costs in view of their low trading volumes.

Today, with the pervasiveness of the Internet and its associated technologies, the leveraged use of ICT for the Single Window development is imperative.

Many of the current Single Window technical requirements focus on the use of web-based technologies for better trading-community access to the Single Window portal. The use of browsers to access the Single Window system becomes pervasive, reducing the need for the front-end thick client. This allows traders to come "on board" to the Single Window in an easier and almost cost-free manner.

One of the significant technologies for the Single Window is the use of messaging and message translation technologies to enable messages to be exchanged, processed and analysed in a secured manner. When Singapore's TradeNet was first developed, in the late 1980s, it used a proprietary "Information Exchange Engine" developed by IBM that comprised 1.2 million lines of assembly code. Great advancements in secured messaging handling and processing technologies have provided Single Window implementers with a greater choice of messaging/translation engines, capable of handling increasingly massive amounts of trade message interchanges in a scalable and secure manner. This development has reduced the cost and overall duration of Single Window development to reasonable levels.

Another recent ICT innovation that significantly impacts the Single Window is the Services-Oriented Architecture (SOA). An SOA utilizes methodologies for designing and developing software to enable interoperability. Designing the Single Window using SOA principles will enable a web-based Single Window environment to integrate widely disparate systems and applications and to use multiple implementation platforms. Hence, a Single Window

using the SOA integration approach provides a flexible integration model for online and transactional processing through a messaging architecture (such as those previously described above).

Two significant advances in ICT development are expected to dominate the Single Window development landscape in the coming years: cloud computing and mobile computing.

The advent of cloud computing where applications are served with data that is stored on the Internet "in the clouds" and can be accessed and shared by the parties involved in the supply chain operation has evoked various degrees of interest.

Some Single Window initiatives already make use of cloud technology. One recent example is the Trans-Kalahari Corridor regional Single Window, which employs cloud computing to automate the Customs processes and exchanges between the Customs authorities of Botswana, Namibia and South Africa.

But cloud computing for Single Windows is still very new and there have been many issues that may arise such as data quality, data privacy and security, misuse of information, reliability, liability, lawful authority for data access and many others.

It is therefore unlikely that Single Window implementation would consider operating the public "cloud" where access to the data is given to the general public. Alternatives such as "private clouds" where data and services are restricted to authorized parties may be a possible option.

Second, the ubiquitous mobile computing and radio frequency identification technology is a phenomenon that will change the way trade transactions will be done in the coming years. Soon, desk-bound computers will no longer be required for data entry and retrieval. The combination of smart devices, tablets with scanners and wireless technology will transform the logistics and supply chain into dynamic, highly traceable and visible environments. Data and information shall be captured in real-time while the cargo is on the move. All these will transform the Single Window landscape drastically.

New ways and means to interconnect the Single Window and external systems with all these devices and appliances, will mean that the real-time flow of data and information, disseminated almost at the the same time as they are received, will present a set of new

issues and challenges. Information management at the speed of thought would be the new operating envelope.

7.1 The Single Window Concept

7.1.1 What was the initial idea behind the SW concept?

Global trade expanded rapidly during the 1980s and 1990s. The resulting complexity and speed of the modern supply chain and the number of parties involved greatly increased the requirements for information controlling the flow of goods. But despite the breakneck developments in information and communications technologies (ICT) and trade data-exchange standards during the same time, trade documentation exchanges remained mostly paper-based. However, in the modern trade environment such paper-based exchanges cannot satisfy the need for efficiency and security.

One omnibus means of addressing this problem that has gained considerable momentum over the past years is the so called "Single Window" facility.

The UNECE Recommendation Number 33 defines the "Single Window" 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/transhipment-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once.

The idea of a "Single Window" implies at the national-wide approach of streamlining control of the movement of goods, and necessitates the close cooperation between all involved governmental authorities and agencies, and the trading community.

7.1.2 Different forms of "Single Window"

According to the World Bank's Trading Across Border 2012 report, out of 150 economies surveyed, 49 have introduced a Single Window, of which only 20 have a Single Window system that links all relevant government agencies. The remaining 29 have a Single Window that has not yet linked the government agencies.

Single Window facilities are being established at an increasing rate in all five continents. From recent issues of Single Window tenders, it appears that most are in developing countries.

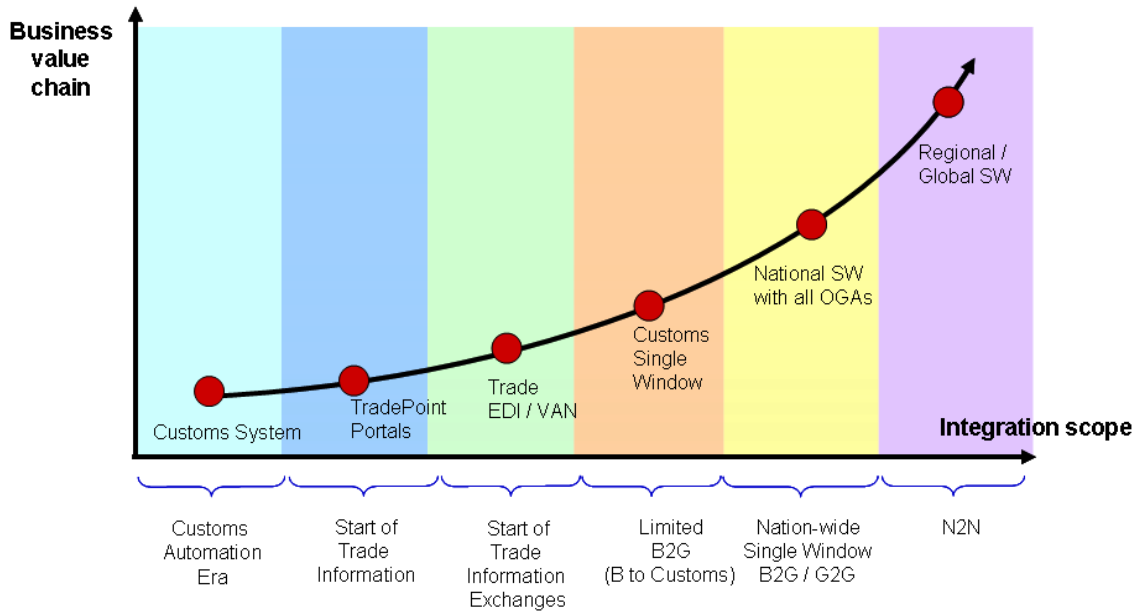
Practice	Economies[a]	Examples
Using electronic data interchange	130[b]	Belize; Chile; Estonia; Pakistan; Turkey
Using risk-based inspections	97	Morocco; Nigeria; Palau; Suriname; Vietnam
Providing a single window	49[c]	Colombia; Ghana; Republic of Korea; Singapore

a. Among 159 economies surveyed for electronic data interchange, 152 for risk-based inspections and 150 for single window.
b. Twenty-six have a full electronic data interchange system, 104 a partial one.
c. Twenty have a single-window system that links all relevant government agencies, 29 a system that does not.
Source: Doing Business database.

Indeed, many developed countries do not have a national Single Window or have only recently started to work on Single Window implementation. Most countries of the European Union, for example, have no national Single Window. On the other hand, many countries in Africa, Asia and Latin America have started or completed their national Single Windows.

Governments have introduced a range of inter-agency collaborative systems to manage export- and import-related procedures. These systems perform certain functions and meet certain criteria of the Single Window, as described in UNECE Recommendation 33.

The figure below depicts the typical evolution of Single Window development.



7.1.3 Single Window – The Case of Singapore TradeNet

The Singapore TradeNet is a nationwide electronic trade clearance as well as an electronic data interchange (EDI) network system to facilitate trading community in exchanging structured trade documents and information electronically.

It provides a single window access for the trading community to connect to the Singapore Customs and 35 Government controlling units. Through Government mandate, 100% of the trade declarations are submitted electronically via TradeNet. It receives trade information from the trader in different message format, translates the message format and routes to the relevant controlling units for processing (approval/rejection) based on the business rules, through one single process. TradeNet processes some 9 million trade permit applications per year, of which 90% are processed within 10 minutes and some 70,000 Certificates of Origin yearly.

Trade documentation in Singapore has a high degree of paperless transaction - more than 80%. The legal framework that allows for paperless environment was also enacted quite early. The Evidence Act was amended in 1997 to allow the use of electronic records as evidence in the courts. In July 1998, the Electronic Transactions Act (ETA) was enacted to provide a legal foundation for electronic signatures, and gives predictability and certainty to contracts formed electronically. The Singapore ETA follows closely the UNCITRAL Model Law on Electronic Commerce, which is setting the framework for electronic commerce in many countries.

7.1.4 Operating Model for Single Window – Case of Singapore, Hong Kong and Chinese Taipei

As countries are moving to provide streamlined paperless services, and providing the trading community with Single Entry Window access to government trade-related services, the existence of value-added services provider (either by private / public organization) is a well established best practice.

In the case of Singapore, the operator of TradeNet - CrimsonLogic), while fully owned by government-linked entities, is operated as a private company with its profit & loss obligations. Beyond the start-up capital, it does not receive any funding or subsidies. It sustains itself by creating revenue through developing new products and services and looking for new markets.

Similarly in Hong Kong, a commercial entity - Tradelink Electronic Commerce Limited (Tradelink) was set up by the Hong Kong government, to be the operator of the trade facilitation platform for the Hong Kong Government and trading community. Operations of Tradelink are sustained primarily by revenue from fees charged.

Likewise, in the case of Chinese Taipei, TradeVAN was established by in 1990 as a customs clearance network to speed up the movement of inward and outward sea and air cargo. The system resulted in a reduction of processing time for customs clearances from 4 hours to 15 minutes, the online payment of duties and a facility to submit inquiries regarding the clearance processes. TradeVan processed 9 million customs declarations in the year 2000.

In some instances, where there is no existing value added service provider for trade facilitation, a Special Purpose Vehicle (SPV) can be setup to offer the valued add services. In 1986, when Singapore was planning for its TradeNet, there was no service provider available in the country. It was decided that a special purpose vehicle – Singapore Network Services (now CrimsonLogic) was to be established to build and operate the Singapore TradeNet. This SPV is established with the Trade Development Board, and agencies in charge of maritime, aviation and telecommunications as shareholders.

By setting up a SPV, the government would be able to reduce the cost and risk in development and operating the Single Window. The SPV should be allowed to charge transaction fees so that the operations of the Single Window will be self-sustaining. The SPV will also be responsibility for the mass adoption of the Single Window services, so that the trading community are fully abreast with the benefits of the Single window.

Some of the SPVs set up in various countries to operate the trade facilitation platform is depicted below.

Government Owned SPV

- Singapore - CrimsonLogic
- Japan - NACCS
- Chinese Taipei – TradeVAN

Public or Public-Private SPVs

- Hong Kong – TradeLink
- Korea – KTNet
- Ghana - GCNet
- Mauritius – MNS
- Madagascar - GasyNet

7.2 Peru's Single Window – Ventanilla Única de Comercio Exterior (VUCE)

The Peruvian Single Window (VUCE) concept started as early as 2005, when the MINCETUR conducted a study to determine the feasibility of a Single Window. Between 2005 and 2007, various initiatives and laws were passed to facilitate the creation of VUCE. In October 2007, the Peru government approved the regulation to implementing the VUCE.

A project management committee consisting of representatives of MINCETUR, SUNAT and the Customs Broker Association was formed to guide VUCE development. MINCETUR was the lead organization in the committee. Below the management committee were two working committees, one consisted mainly of end-users while the other consisted of SUNAT officers.

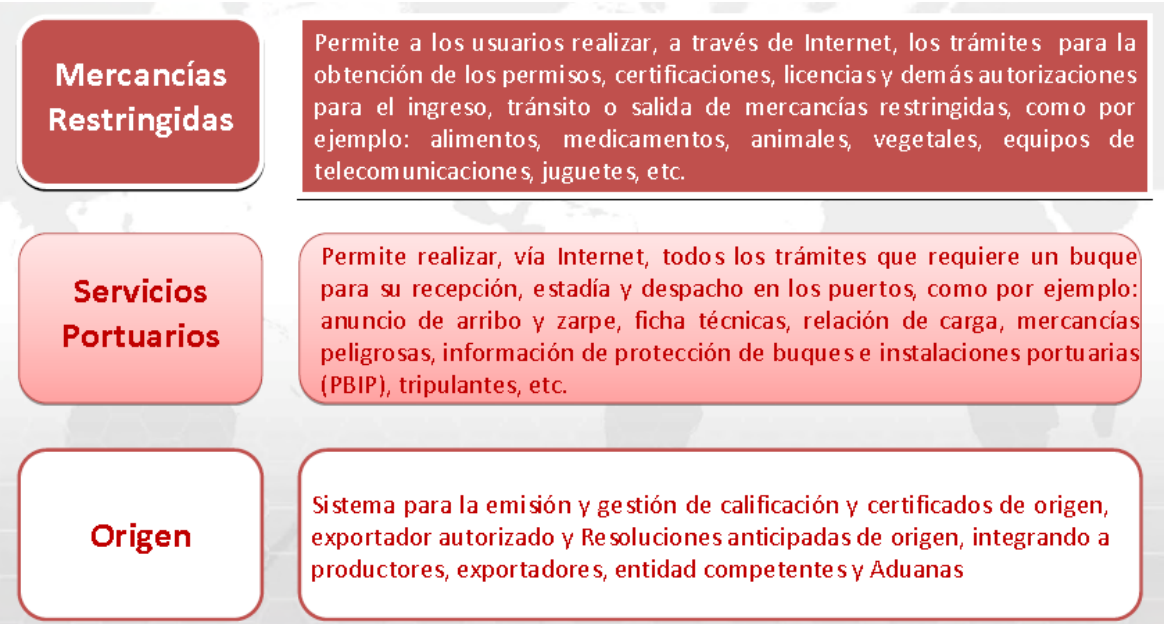
The Peruvian Single Window – VUCE has been defined as:
"The integrated system that allows parties involved in international trade to lodge documents and information for fulfil import, transit and export-related regulatory requirements, by electronic means."

The VUCE had 3 objectives to meet:

1. To have a faster clearance with simple and standarized procedures.
2. To utilize mainly electronic means.
3. To allow electronic integration among agencies of the public sector.

VUCE is developed via a phased approach.

There are 3 planned phases of the VUCE as depicted in the diagram below:



VUCE Phase 1 – The 1st stage of VUCE covers the only restricted goods, and provide for the electronic application, processing and receipt of permits, certificates, authorizations or licenses for the import or export of six government agencies, namely:

The 6 government agencies that are currently connected to VUCE are:

- DIGESA and MINSA for food safety permits
- PRODUCE for fish and fish products permits
- MINAG and SENASA for primary processed food permits
- DIGEMID for medicine and pharmaceutical goods permits

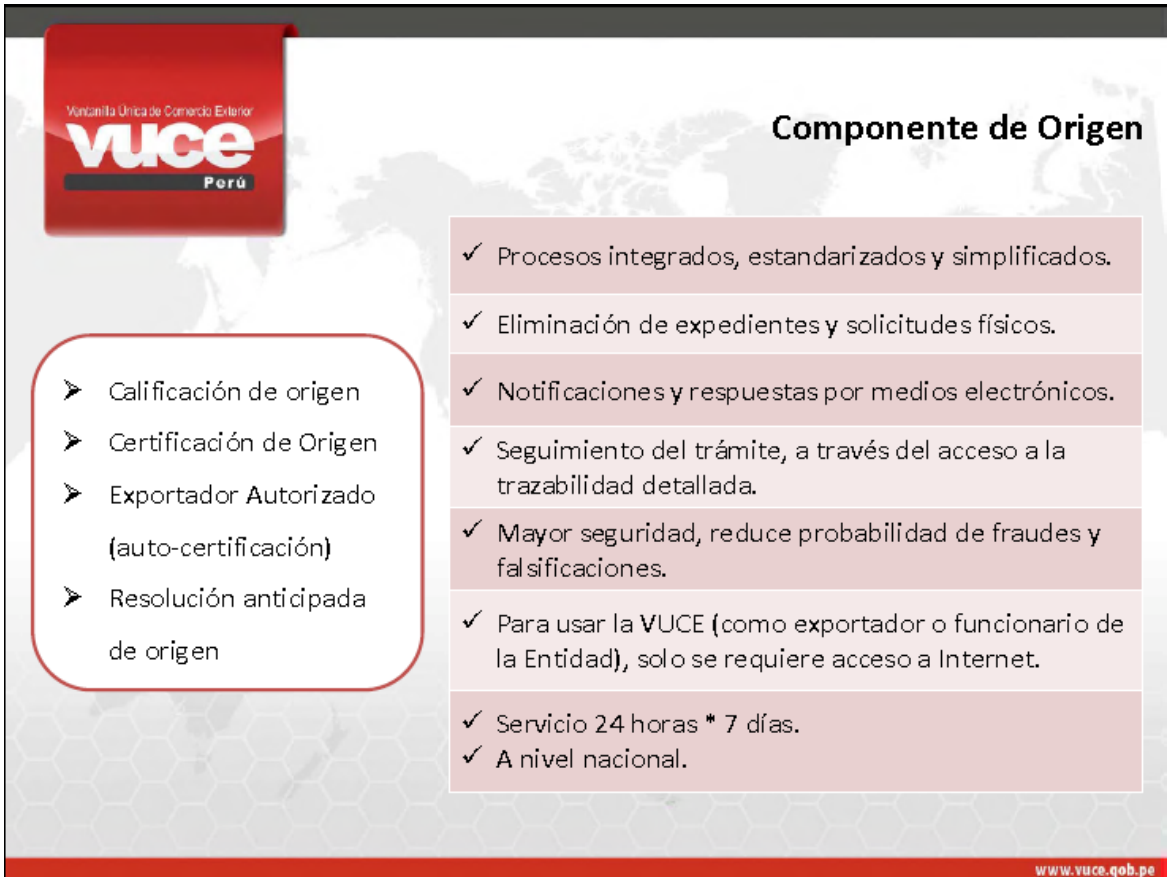
The volume of restricted goods represents about 20% of total Peruvian foreign trade.

Till date, VUCE shall enable traders to apply and obtain permits and authorizations for 82 procedures representing 65% of the total restricted goods under 6 government agencies have been implemented. This is out of a total of 252 procedures under 17 government agencies. There are about 5000 companies using the permit application with a total of about 5300 transactions per month. It is estimated that a saving of $50 per transaction is derived from the use of VUCE.

The development took more than 2 years and VUCE Component 1 officially started operation in June 2010. The development was carried out in-house by the MINCETUR IT team with some help from IT out-sourcing companies. Operation and support is also by the same team.

VUCE Phase 2 - The second component to VUCE is the integration of port services. All ship information (e.g. arrival, clearance, departure notice, load ratio, dangerous goods, ISPS information, crew, etc can be sent to VUCE via port systems. The first stage of development for this component is completed.

VUCE Phase 3 - The third component is the application for the Certificate of Origin through VUCE. This component is expected to go live by end of 2011.



7.2.1 Observation

Currently, VUCE handles mainly permit and licence application. It does not process cargo manifest as well as customs declarations; both of which are submitted directly to the customs management system, SIGAD. Cargo manifest are sent directly from shipping lines / agents to the Customs, although VUCE does receive manifest information through direct interface with SIGAD. It is envisaged that both the manifest and declaration would be processed through VUCE in the future, but there is no set timeframe for this yet.

The VUCE services is provided free of charge to exporters and importers via the VUCE web portal www.vuce.gob.pe. This model is of concern, as it creates a 'free-of-charge service' mindset among trading community who may take such services for granted and not seriously differentiate between the 'needs' and the 'wants'. On the government's end, there would be an ever increasing cost to maintain and operate the VUCE and yet achieve superior service level which would be very to sustain over the long term. It would also very difficult to introduce charges later on, once the "free-of-charge" mindset takes hold.

A roadmap for the development of the Single Window has been developed with the

assistance of a Korean company, KTNet, which the VUCE shall be developed based on the roadmap.

VUCE and the SUNAT's Customs system, NSIGAD is using the same database, therefore if the company/individual is a user of SUNAT system, then they can use VUCE directly. The development and operation of VUCE is carried out by MINCETUR, which is fully funded by the Peruvian Government. There are no service providers for other value added services. Payment can be done via e-payment, with no transaction charges levied.

7.2.2 Has the VUCE reduce the Trading Across Border indicators

The World Bank's Doing Business – Trading Across Border Report 2012 highlights that in Peru, number of documents required for export and import, the number of documents required is 6 and 8, respectively. However, the time needed for document preparation accounts for over 40% of the overall delay.

The number of documents for export was previous 7 in 2010, and there had been a drop to 6 documents between 2010 and 2011, possibly as a result of introduction of VUCE in 2010.

In contrast, in Panama's case, 3 and 4 documents are required for export and import respectively. It is noted that while Panama has yet implement their Single Window system, their TAB indicators may be primarily due to the goods being processed via the Panama Canal, rather than for inbound / outbound cargo.

Since VUCE is still relatively new, having launched its Phase 1 in 2010, its overall impact to positively improve on Peru's TAB indicators remains to be seen. Reducing the total number of paper-based documents and the time needed for documentation preparation is a clear area for improvement, which VUCE should play a critical role.

However, VUCE Phase 1 focused with only the permits and licences for restricted goods.
In order to achieve significant impact, the scope of VUCE needs to be expanded to cover for all export and import regimes, for all cargo across all three modalities – sea, air and land.

7.2.3 Recommended Best Practices

1. One-time submission to a Single Window is a basic premise of the Single Window Environment. Trade and transport actors submit data at different points in time in the course of a transaction in international trade. A Single Window may require submission of only the incremental data to reflect a change or progression in the transaction. The Single Window should avoid re-submission of data to the extent that such data was part of an earlier submission. The ability to link-up individual submissions of data by a trader is part of key aspect of a Single Window. Hence, it is essential, besides permits and licences, the VUCE should be expanded to be the single entry point for goods manifests as well as customs declarations data. In effect, the VUCE should serve as the single facility where trade documents are electronically submitted. The VUCE should receive, validate and route the trade submissions to various parties such as the SUNAT – NSIGAD, Port Authorities, as well as the other government agencies for subsequently processing and approvals. The VUCE should also serve as the catalyst for increased paperless trade document.

2. Another important facility for the VUCE to provide is the Risk Management functionalities that can be use by the other government agencies. It is noted that while the NSIGAD already incorporates risk management functionality, this is only available for Customs use. For e.g. Ministry of Agriculture (SENASA) conducts 100% inspection for all animals, plants and by products. Risk management techniques should be avail to all other government agencies so as to reduce the number of inspection required by these agencies needed at the ports and borders. Incorporating the risk management techniques in the VUCE to be accessed by government agencies such as SENASA is a means to achieve this.

3. It is recommended that the VUCE should be interfaced with the various stakeholders besides NSIGAD. The critical external systems that VUCE should interface include:
   - Backend Systems used by the other government agencies (e.g. SENASA) with oversight on trade
   - Port terminal operator systems (e.g. DP World's NAVIS system)
   - Bank payment gateways

4. It is noted that the VUCE is currently fully funded by the government. There will be considerable capital and recurrent charges as the VUCE is expanded to provide for the effective Single Window. As VUCE services are provided free of charge,

there is no means for any recoup of the investments poured into VUCE. In the long run, this may not be sustainable. The Government of Peru may wish to study into the various operating models (the case of Singapore, Hong Kong and Chinese Taipei has been highlighted in the preceding section). It is recommend that the continual operations and support of the VUCE to be managed by a dedicated entity. This entity should operate as a commercial concern, and be allowed to charge for the VUCE services so that it can maintain VUCE as a self sustaining operation. By having a entity that manages and operates VUCE as a "commercial concerns" instead of an extended department of a government ministry allows the offerings of VUCE to be more nimble and responsive to trading community' needs and focus on bringing value to its customers. A Service Level Agreement (SLA) can be imposed onto the VUCE operator to ensure quality service performance.

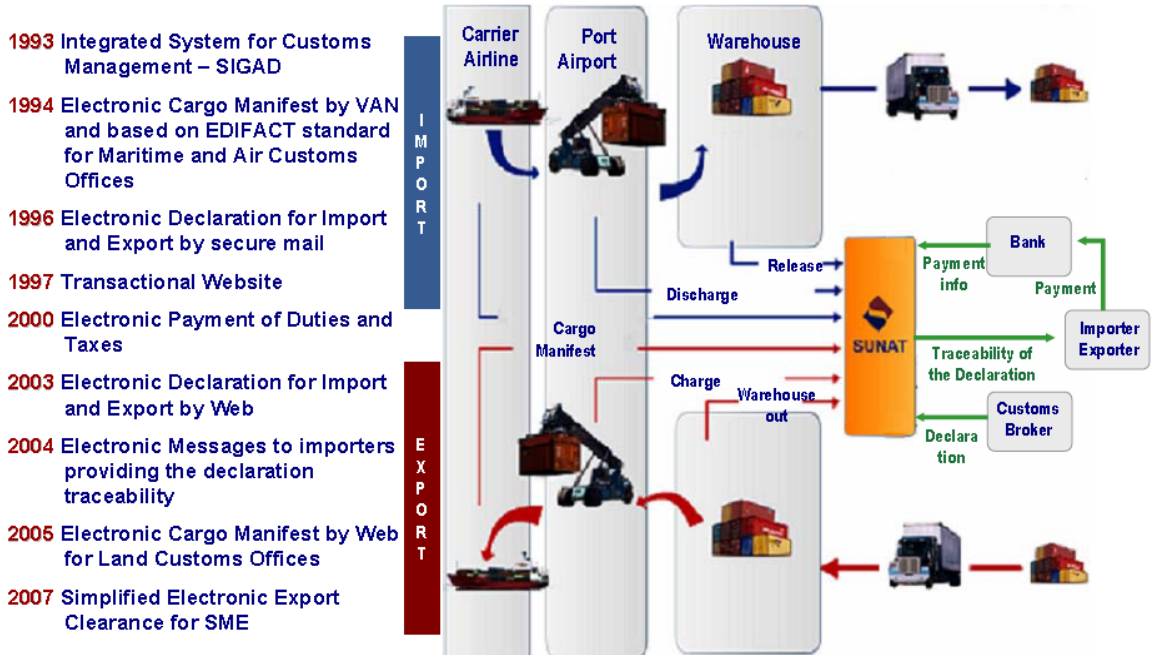
5. The Government of Peru should consider allowing for various service providers that can offer value-added service offerings in addition to the VUCE services. These value added service provider (VASP) can acts as an intermediary between the trading community and VUCE, and offer specific value added services that VUCE does not provide such as data transformation between formats (EDI to XML, EDI to EDI, etc.). The VASPs can service a given vertical or industry and shall greatly enhance the capability for the government trade agencies and the port community to exchange proprietary-based message formats with any entity in Peru and globally.

6. It is also recommend that Peru consider the adopting of the United Nations Economic Commission for Europe - UNECE's Single Window Implementation Framework (SWIF) for the VUCE development. When implementing a Single Window, Government officials need to manage many interlinked issues coming from very different disciplines such as trade policy, trade procedures, change management, laws and regulations, standards and technology. The success of VUCE project depends on the ability of the policy and project managers to address and resolve these issues efficiently in a manner that is supported by all stakeholders. To support government project managers of Single Window projects, UNECE developed the Single Window Implementation Framework (SWIF), which provides the managerial tool to plan and implement Single Window projects. SWIF combines the latest standards and best practice for designing efficient enterprise architectures for large-scale, collaborative interagency information systems with the knowledge of and lessons learned by experienced implementers. The guiding

principles underpinning the SWIF are phasing and alignment. Single Window implementations need to align various information systems and business strategies within the national but also international setting and developments for the long-run success. Adopting the SWIF for the VUCE provides a coordination mechanism between the overall Programme and sub-projects.

7.3 Customs Management System (SIGAD)

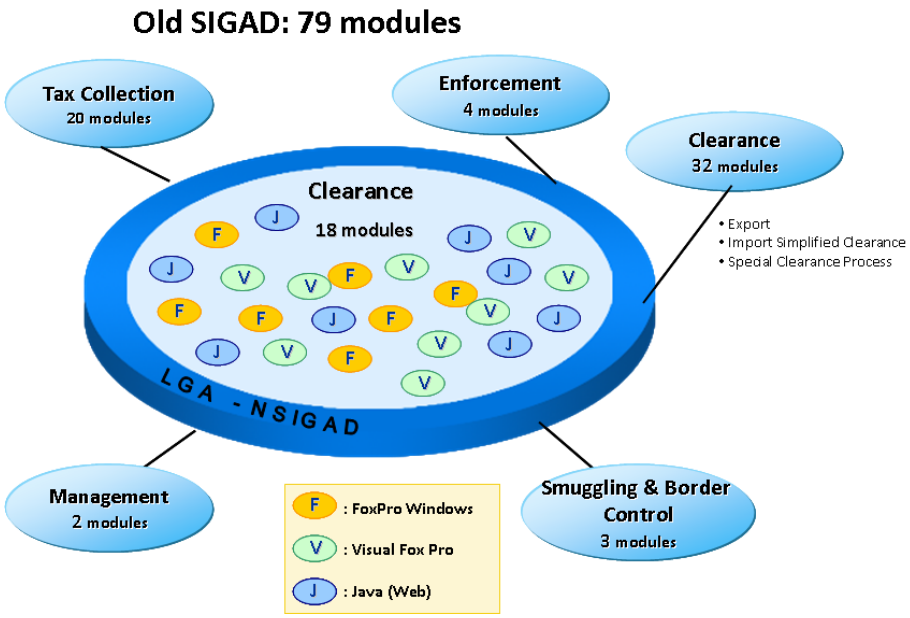
The Peru Integrated System for Customs Management (SIGAD) was first developed in 1993, when the first version was launched. The diagram and table below shows development progression of the SIGAD:



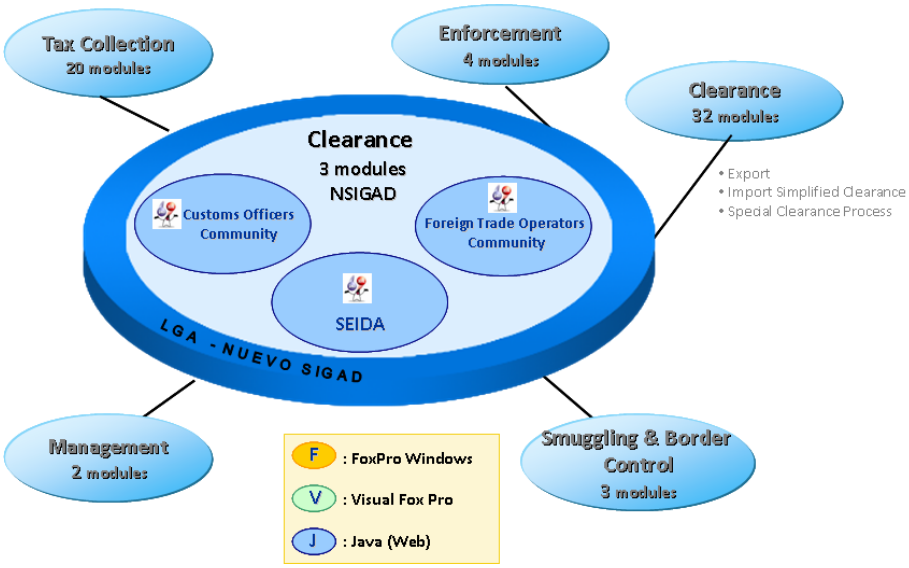
Year	Development
1993	Launch of SIGAD
1994	Submission of sea/air manifest by EDIFACT message
1996	Submission of import and export declaration by email
2000	Electronic payment of duties and taxes
2003	Submission of import and export declaration by web forms
2005	Submission of cargo manifest by web forms
2007	Submission of simplified export clearance for SME
2010	Launch of New SIGAD (NSIGAD) – web based

The SIGAD had 79 modules and was developed using a combination of Java and FoxPro

(FoxPro Windows and Visual FoxPro).



In 2010, SUNAT launched the New SIGAD (NSIGAD) which was implemented in 6 Customs Offices in Peru, excluding the Callao Port: Paita, Ilo, Mollendo, Salaverry, Chimbote and Pisco. The NSIGAD was developed with Java, Oracle and Web 2.0 technology. It conforms to WCO data model version 2 and UN/CEFACT standards (CCL, NDR and CCTS).



There is plan to progressively introduce the NSIGAD to the rest of the Customs Offices, with total cutover by the end of year 2012.

The second stage of the NSIGAD development is planned from 2012 to 2014, and it will include manifest submission, integration with VUCE, and support for Risk Management processes.

The NSIGAD also includes features like non-intrusive scanning module, and data-mining and business intelligence module.
The Risk Module of NPDA (New Customs Clearance Model) was launched since January 2010. This module supports all processes (cargo manifest, entry and exit of goods, express courier, and non-intrusive control - scanners) and it is built in Java environment with data mining models. The application of risk analysis techniques was also introduced in other customs regimes for e.g. inward processing, and selected restricted goods through the VUCE.

7.3.1 Observation

The development of NSIGAD is according to the timeline set by SUNAT. Though there is a plan to implement it in stages, there seem to be a lack of visibility and a published roadmap to the stakeholders in the private sector.

It is noted that four features which NSIGAD is currently lacking are:

1. manifest / declaration reconciliation;
2. linking to VUCE for permit and license verification and reconciliation;
3. consolidation of data fields with government agencies; and
4. use of a Single Administrative Document (SAD) for submission to customs and other government agencies.

7.3.2 International Practices for Customs System

Unique Consignment Reference (UCR)

The fundamental consideration behind the UCR concept derives from the need for Customs authorities to facilitate legitimate international trade, while, at the same time, enforcing necessary instruments for efficient and effective audit-based controls.

There is an increasing trend for Customs authorities to maintain a comprehensive audit trail from the origin to the destination of the total trade transaction. In the context of security and trade facilitation, the concept of the UCR provide for a limited amount of transactional information required to be presented to Customs by enabling Customs to carry out risk assessment prior to the importation of the goods. In the long term, the UCR

paves the way for the increased use of authorized trader regimes such as the AEO scheme. From the Customs point of view, the UCR is intended to provide continuity of the audit trail from source to destination to facilitate the move to more audit-based controls.

The UCR has the capability to replace the traditional Cargo and Goods declarations and to provide or give access to the necessary data for the accomplishment of all obligations pertaining to a given consignment. However, this can only be contemplated by Customs on the condition that the 'end-to-end' audit trail is complete. For this reason, the allocation of the UCR at source is strongly encouraged.

Authorized Economic Operator (AEO) Programme

One of the driving forces for development of the AEO initiative is the rising momentum in the international community to secure trade while facilitating legitimate trade, as is addressed in the adoption of the WCO SAFE AEO guidelines in 2006. The AEO programme is essentially a trade facilitation instrument, with the aim to enhance security through granting recognition to reliable operators (AEO) and promote best practices at all levels in the international supply chain.

The AEO has its origins in the revised Kyoto Convention, which contains standards on "authorized persons", and national programmes. The AEO also shares some elements with other Customs compliance programmes, which are focused on fiscal rather than security criteria. The WCO SAFE Framework defines an AEO as:

"a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs Administration as complying with WCO or equivalent supply chain security standards. AEOs include inter alia manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors".

The AEO programme is intended to include all economic operators to enhance security along all points of the supply chain.

As of July 2010 the WCO AEO Compendium informed that 30 AEO programmes in 56 countries (27 EU Member states have a single, uniform programme) have been instituted. Within the APEC, five AEO programmes have been in place (Japan, China, Korea, New Zealand, Singapore, Malaysia, United States, and Canada). In the Americas regions, Argentina have already has their AEO programme while Costa Rica, Guatemala and Colombia are planning to launch their programmes.

Peru has yet to implement the AEO programme, although preliminary work has begun,

and a pilot program to schedule to start in 2011.

7.3.3 Recommended Best Practices

1. It is recommended that SUNAT considered the introduction of the UCR concept within the development of the SUNAT. A UCR is akin to an "electronic staple" that is linked to individual shipments of goods, and applies to the entire consignment of goods. At any stage in the process, the UCR provides the unique link to all relevant details on the import transaction, binding information from the supplier, carrier, freight forwarder, and importer, to the actual movement of goods. As the UCR provides a unique audit trail, it supports greater efficiency as SUNAT move from having less inspection at the ports/borders to more post-clearance audits. It facilitates the crucial reconciliation of customs transactions with importers' records. It is also the key element needed to move forward with automated pre-clearance Customs procedures.

2. SUNAT must accelerate the introduction of the AEO program, and pursue recognition agreement with the other APEC economies who already have established their AEO programs.

7.4 Peru's Port Single Window (VUP)

There is currently a lack of an electronic platform for the Peru port industry, represented by the National Port Authority (APN), the port operators (DP World Callao and APM Terminals), port users and other trading association, to interact and exchange critical information, e.g. cargo manifest, dangerous cargo declaration, etc., between themselves and to government bodies such as Customs, etc. In a nutshell, the Peru sea port industry lacks an electronic platform for:-

- Business-to-Government exchanges
- Business-to-Business exchanges
- Real-time document and container tracking

A Port Single Window (VUP) was considered to serve as the single centralised system that enables private parties in the port community, such as shipping lines, shipping agents, freight forwarders, traders, port operators, etc. to share and exchange information among themselves as well as with government agencies such as the Port Authority (APN) and Customs. The VUP aims to improve the efficiency and productivity of the operations of the port through automation of work processes and electronic processing.

The concept and work on the Peru Port Single Window (VUP) first started with Portel, a Spanish company which belongs to Telefonica.

Subsequently, SOGET, a French IT provider proposed to APN in 2007 to develop the Port Information System (SIP), but that too seem to have stopped.

Recently, APN has intended to pursue the VUP project concept again, this time under the framework of VUCE. The proposed plan is to develop VUP with the help from the advisors and MINCETUR team that developed VUCE.

APN intends for VUP to facilitate the operations of the ports, reducing the paper flow as well as bringing all documentation within the port community under a single portal. However, it foresees issue in bringing the various agencies through VUP and currently the project is still in its initial stages.

7.4.1 International Practices for Port Community System

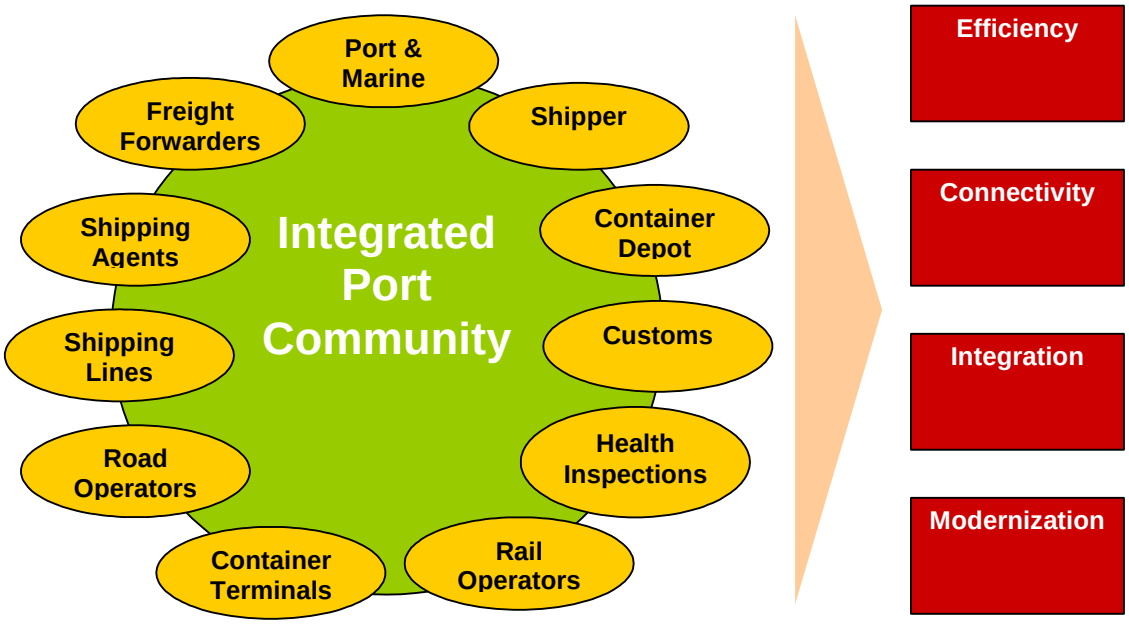
A port is a complex, multi-stakeholder and multi-actor organizational environment that hosts operational activities. It involves the interaction and information exchange between the various units within the terminal such as documentation, planning, yard and gate operations as well as the port users, namely shipping lines / agents, trucking companies, freight forwarders, shippers and consignees, stevedores, etc. Within each of these groups, there is constant exchange of information.

The various stakeholders rely heavily on the availability of timely and accurate information to make operational and strategic decisions. These decisions will in turn convert into productive activities which will lead to the overall efficiency of the terminal and individual stakeholders. A simple example of operational decision will be the nomination of empty containers stored in the terminal for stuffing or shipment. With accurate information on dwell time of empty containers in the terminal, shipping lines will be able to achieve a balanced re-cycling of containers by nominating the long staying containers first. At the strategic level, timely reports on the analysis of throughput of the shipping lines and average dwell time of its containers versus the terminal's total and average will allow management to re-look at its current strategies and craft out plans to reinforce its strengths and overcome its weaknesses. The manual process of port and trade documentation and processing entails a lot of operational inefficiency and incurs

tremendous unproductive time and resources.

A Port Community System (PCS) or Port Single Window facilitates end-to-end information workflow and creates value for port authority, terminal operator, port users, trade and logistics businesses and other government agencies. A primary outcome of the PCS would be to achieve excellent level of enterprise integration for different players, thereby increasing the business value for all the players in the Port Community.

The implementation of a Port Community System enables the ports to improve their competitiveness, which will in turn help to reduce costs and increase the speed of cargo movements.



7.4.2 Observation

The VUP is still in the planning stages by the National Port Authority (APN) and development has not started yet. However, as VUP is supposed to be developed under the same framework as VUCE.

7.4.3 Recommended Best Practices

1. It is recommended that the development of the VUP / Peruvian Port Community should proceed expeditiously. However, measures are needed to ensure that the

VUP is integrated with the VUCE. This can be ensured if there is a maritime working committee established within the VUCE management structure as recommended in the preceding section.

2. The VUP should be a centralized web based system that serves all ports in Peru, and the general maritime industry. The VUP should be designed to provide with the following:
   - A neutral and open electronic platform enabling secure exchange of information between public and private port stakeholders; and automates port and logistics efficient processes through a single submission of data and connecting transport and logistics chains
   - A Messaging and Translation services to enable stakeholders to transact and send information securely and reliably to each other in any type of message format e.g. EDI to XML to flat files – in real-time or batch over the Internet. The port users such as shipping line / agents will be able to send the vessel related and container related messages through the VUP in any format including ANSI X12, ebXML, RosettaNet, Web Services, EDIINT / AS2 or CSV. They will be able to transact messages using major transport protocols such as HTTPS, SFTP, SMTP/SMIME, MQ series, ebMS depending on the systems used by the shipping line / agent.
   - An Enterprise Application Integration message brokering services to facilitate information exchange with the external business stakeholders, port authorities and the government/regulatory agencies.
   - A digital signature facility for signing of the messages before submission. The messages can be encrypted and decrypted so that the message content is securely transferred and stored in the central repository

8. Analysis and Recommendations

8.1 Summary of Recommendations

Based on what has been observed and researched on the current situation, a summary table of the recommendation is presented in the following page:

The **Recommendations** column is the list of recommendations which Peru should consider implementing in order to improve its trade facilitation.

The **Time Frame** column divides the implementation action plan time frame in Short, Medium, and Long term, where

- Short term means action that could be undertaken within 1 year
- Medium term means action that could be undertaken between year 1 and year 3
- Long term means action that could be undertaken beyond year 3

The **Degree of Impact** column measures the degree of impact through the implementation of the recommendation proposed. The degree of impact is broadly segregated into Low, Medium and High impact.

The **Action** column depict the next steps need to act upon this recommendation.
The Estimated Investment column provides an estimate of the capital outlay involved to put in place the recommendation. It does not include any recurrent cost require to maintain the recommendation on a continual basis.

The **Effort** column looks at the effort required to implement the recommendation. The effort scale ranges from "Low", "Medium" to "High". The effort here is more tangible in nature and it may not correlate to the investment required.

The **Suggested Funding mode** column explore the possible funding that Peru can explore to fund this recommendation. The Funding Agency suggests possible funding source for these recommendations. This is important especially if the investment cost is high.

No.	Recommendation	Time Frame	Degree of Impact	Action Items	Estimate Investment (US million)	Effort	Suggested Funding Mode
1	Establish a national trade facilitation committee, with appropriate authority to drive all trade facilitation efforts	Short-Term	5	To establish a National Committee on a national level chaired by very senior representation of public and private sectors. The committee should report to the Office of the President.	0.20	Medium	Self funded
2	Establish further working committees include air, maritime and land transport industry to review and propose procedural reforms	Short-Term	4	Restructure / expand management and supporting committees of the VUCE	0.20	Low	Self funded
3	Explore the set up of a "trade development" agency to provide "one-stop shop" for businesses and the trading community	Medium-Term	4	To set up the task force to study into the establishment of such agency	0.20	Low	Technical assistance funded
4	VUCE to be expanded as a single entry for all trade information submission e.g. to include goods manifests and customs declarations	Medium-to-Long Term	5	To revise VUCE development plan to incorporate for manifest and declaration processing thru' the VUCE	8.00	High	Combination of Self funded / PPP / Grants from IDB
5	Promote Risk Management assessment via VUCE to the other government agencies	Medium-Term	3	To provide risk assessment training and pilot the its use to selected agencies	1.00	Medium	Technical assistance funded
6	Enable VUCE to provide regulatory agencies to incorporate dynamic built-in processing rules to automate processing of permit and licences approvals	Short-Term	3	To introduce the business rules engine into the VUCE	2.50	Medium	Self funded
7	Expedite integration of VUCE with other critical external systems (OGA, Port terminal operator systems, Payment gateways)	Medium-Term	4	To provide the interfacing if VUCE to NSIGAD, SENASA, DP Wprld NAVIS and other systems	3.00	High	Combination of Self funded / PPP / Grants from IDB
8	Set up of operational entity / Special Purpose Vehicle to operate VUCE	Short-Term	4	To explore set up of the SPV thru' public-private partnership model	0.50	Medium	Self funded
9	Introduce charging of service fees for VUCE services	Short-Term	3	Review the services and develop the transaction fee structure	0.50	Medium	Self funded
10	Allow for value added service providers to offer value-added service offerings in addition to the VUCE services	Short-Term	3	Review the service delivery model of VUCE, and create the tier of VASPs	0.20	Low	Self funded
11	Adopting UNECE Single Window Implementation Framework (SWIF) for the VUCE development	Short-Term	3	Seek training and advise from UNECE for adoptation of SWIF	0.20	Low	Technical assistance funded
12	SUNAT considered the introduction fo the UCR concept	Medium-Term	4	To study into the introduction of UCR	0.70	Medium	Technical assistance funded
13	SUNAT accelerate the introduction of the AEO programme, and pursue for mutual recognition agreement with other countries	Medium-Term	4	To accelerate the introdcution of the AEO in a limited form	0.30	Low	Technical assistance funded
14	SUNAT considers the outsourcing of its system development to Peru system integrators	Short-Term	3	To initiate outsourcing of limited work to test and develop the local companies capabilties	0.10	Low	Self funded
15	SUNAT provides for advanced clearance to be extended for the air / express cargo.	Medium-Term	4	To provide the policy and expand on VUCE / NSIGAD to provide the services	3.00	Medium	PPP
16	Development of the VUP / Peruvian Port Community which is integrated to VUCE	Medium-to-Long Term	5	To develop the VUP / Peruvian Port Community System	10.00	High	Combination of Self funded / PPP
17	Set up task force between the trading community, terminals operators and SUNAT to explore interventions and institutional adjustments to increase use of advanced cargo clearance regime.	Short-Term	4	To set up the task force	0.10	Low	Self funded
				Total Estimated	30.70		

For reference, the table below shows the section where each of the recommendation comes from:

No.	Recommendation	Section
1	Establish a national trade facilitation committee, with appropriate authority to drive all trade facilitation efforts	5.1.3
2	Establish further working committees including air, maritime and land transport industry to review and propose procedural reforms	5.2.2
3	Explore the set up of a "trade development" agency to provide "one-stop shop" for businesses and the trading community	6.1.2
4	VUCE to be expanded as a single entry for all trade information submission e.g. to include goods manifests and customs declarations	7.2.3
5	Promote Risk Management assessment via VUCE to the other government agencies	5.5.2, 7.2.3
6	Enable VUCE to provide regulatory agencies to incorporate dynamic built-in processing rules to automate processing of permit and licenses approvals	5.6.2
7	Expediate integration of VUCE with other critical external systems (OGA, Port terminal operator systems, payment gateways)	5.7.2, 7.2.3
8	Set up of operational entity / Special Purpose Vehicle to operate VUCE	7.1.4
9	Introduce charging of service fees for VUCE services	7.2.3
10	Allow for value added service providers to offer value-added service offerings in addition to the VUCE sersvices	7.2.3
11	Adopt UNECE Single Window Implementation Framework (SWIF) for VUCE development	7.2.3
12	SUNAT considered the introduction of the UCR concept	7.3.3
13	SUNAT accelerate the introduction of the AEO programme, and pursue for mutual recognition agreement with other countries	7.3.3
14	SUNAT considers the outsourcing of its system development to Peru system integrators	5.3.2
15	SUNAT provides for advanced clearance to be extended for the air / express cargo	6.4.3
16	Development of the VUP / Peruvian Port Community which is integrated to VUCE	7.4.3
17	Set up task force between the trading community, terminals operators and SUNAT to explore interventions and institutional adjustments to increase use of advanced cargo clearance regime	6.4.2

8.2 Suggested Ways Forwards

Based on the recommendations in the previous section, the following 3-dimension Portfolio Analysis is examined below. On the horizontal axis is the Time frame, while on the vertical axis is the Effort required. The size of each circle depicts the Impact.

8.2.1 Short-term Action Plan – harnessing low hanging opportunities

Located at the lower left quadrant, are 9 "low hanging fruit" recommendations that can contribute considerable impact to the trade facilitation, and can be implemented with short timeframe, incurring lesser effort and cost (total about $5.5M).

It is recommended that this group of recommendations be considered to more immediate implementation, within the next 12 months.

No.	Recommendation	Time Frame	Degree of Impact
2	Establish further working committees include air, maritime and land transport industry to review and propose procedural reforms	Short-Term	4
5	Promote Risk Management assessment via VUCE to the other government agencies	Medium-Term	3
6	Enable VUCE to provide regulatory agencies to incorporate dynamic built-in processing rules to automate processing of permit and licences approvals	Short-Term	3
9	Introduce charging of service fees for VUCE services	Short-Term	3
10	Allow for value added service providers to offer value-added service offerings in addition to the VUCE services	Short-Term	3
11	Adopting UNECE Single Window Implementation Framework (SWIF) for the VUCE development	Short-Term	3
12	SUNAT considered the introduction fo the UCR concept	Medium-Term	4
14	SUNAT considers the outsourcing of its system development to Peru system integrators	Short-Term	3
17	Set up task force between the trading community, terminals operators and SUNAT to explore interventions and institutional adjustments to increase use of advanced cargo clearance regime.	Short-Term	4

With regards to recommendation No. 2 (Establish further working committees include air, maritime and land transport industry to review and propose procedural reforms). This recommendation proposes to have the working committees for VUCE to be structured to look into the business processes of the key trade and logistics modalities – land, sea and air.

The current project management committee consisting of representatives of MINCETUR, SUNAT and the Customs Broker Association, and the two working committees, consisted mainly of end-users and SUNAT officers. The recommendation proposed the inclusion of the trade and logistics stakeholders (for land, sea and air respectively) to study and propose improvements to the current processes and procedures.

With regards to recommendation No. 5 (Promote risk management assessment via VUCE to the other government agencies). This recommendation proposes the inclusion of the Risk Management functionalities within the Trade Single Window, VUCE, so that the other government agencies could utilize a common risk assessment for their purposes.

It is noted that while the NSIGAD already incorporates risk management functionality, this is only available for Customs use. For example, Ministry of Agriculture (SENASA) conducts 100% inspection for all animals, plants and by products.

Therefore risk management techniques should be encouraged and made available to all other government agencies so as to reduce the number of inspection required by these agencies needed at the ports and borders. Incorporating the risk management techniques in the VUCE to be accessed by government agencies such as SENASA is a means to achieve this.

8.2.2 Medium-term Action Plan - Leveraged opportunities

In the upper top quadrant are 3 "leveraged" opportunities which require more efforts in the near term.

No.	Recommendation	Time Frame	Degree of Impact
3	Explore the set up of a "trade development" agency to provide "one-stop shop" for businesses and the trading community	Medium-Term	4
13	SUNAT accelerate the introduction of the AEO programme, and pursue for mutual recognition agreement with other countries	Medium-Term	4
15	SUNAT provides for advanced clearance to be extended for the air / express cargo.	Medium-Term	4

The 3 initiatives would also incur a heavier investment totalling about $3.5M.

It is recommended that this group of recommendations be considered to near term ~ within the next 24 months.

With regards to recommendation No.3 (Explore the set up of a "Trade development" agency to provide "one stop shop" for business and the trading community). It is noted that there is no "centralized trade agency" to oversee both import and export issues in Peru.

Hence this recommendation proposes the setup of a coordinated centralized "trade development" agency to lead, support and facilitate the development of Peru's trade

and industry, and conducting Peru's international trade relations, implementing trade policies and agreements, as well as providing general support services for SMEs. As the one-stop agency taking the lead in trade and trade related matters, this agency can lead in both export as well as import facilitation.

As Peru's trade volume increases, there is an increasing need for this "trade development" agency to bring about a closer collaboration between the Peru's businesses and the trading community to work closely with the government on import and export matters.

With regards to recommendation No.13 (To accelerate the implementation of the OAS program and mutual recognition agreements). The recommendation is to propose the implementation of the Authorized Economic Operator (AEO) (not OAS) program and mutual recognition agreements.

This important trade facilitation programme seeks to reinforce the supply chain supply in order to facilitate international trade. It shall also serve as an improvement instrument of private and governmental competitiveness, and allow SUNAT to manage risk, maximizing its efforts in "high risk" operations.

It is noted that SUNAT has already piloted the AEO scheme for 7 operators; this recommendation proposes an acceleration of this initiative and subsequently to seek mutual recognition of the AEO program with Peru's major trading partners as already done in various IDB countries.

With regards to recommendation No.15 (SUNAT provides for advanced clearance to be extended for the air / express cargo). The recommendation is to propose that the advanced cargo clearance regime being instituted for maritime cargo, and particularly in the Callao Maritime Customs Office be extended for air / express cargo, so that to promote Peru, and especially Lima, as the air cargo hub for Latin America.

By providing the means for advanced customs clearance, Peru can offer incentives and attractions to air and express cargo operators to use Lima Airport as the Latin America hub. The model to develop Peru as the air / express cargo express hub would be Singapore Changi Airport (as the Asian hub) and Amsterdam Airport Schiphol (as the European hub).

For example in Singapore, the Advanced Cargo Clearance for Express Shipments System

(ACCESS) was established as a collaboration initiative between Air Express Companies (AEC) and Customs. This allows for faster clearance of cargo through streamlined shipment documentation process, and thereby promotes the location as a regional hub.

In the case of Peru, Lima Airport is very strategically located, and this recommendation proposes a streamlining of the air cargo clearance procedures to facilitate faster clearance, and promote the use of Lima as the air cargo hub for Latin America

8.2.3 Medium-to-Long Action Plan – Strategic investments

At the right hand half of the portfolio analysis, there are 5 recommendations which are more strategic in nature, requiring significant effort, time and cost ($21.7M) to implement, but rendering a high degree of impact to Peru's trade facilitation indicators.

No.	Recommendation	Time Frame	Degree of Impact
1	Establish a national trade facilitation committee, with appropriate authority to drive all trade facilitation efforts	Short-Term	5
4	VUCE to be expanded as a single entry for all trade information submission e.g. to include goods manifests and customs declarations	Medium-to-Long Term	5
7	Expedite integration of VUCE with other critical external systems (OGA, Port terminal operator systems, Payment gateways)	Medium-Term	4
8	Set up of operational entity / Special Purpose Vehicle to operate VUCE	Short-Term	4
16	Development of the VUP / Peruvian Port Community which is integrated to VUCE	Medium-to-Long Term	5

It is recommended that planning for the execution of these recommendations be proceeded in the near term, and planned for completion and realisation of impact within 3 to 5 years timeframe.

With regards to recommendation No.1 (Establish a national trade facilitation committee, with appropriate authority to drive all trade facilitation efforts). This recommendation is in line with the UN/CEFACT Recommendation No. 4 [4] which recommends that Governments

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establish and support national trade facilitation bodies with balanced private and public sector participation in order to:

- identify issues affecting the cost and efficiency of their country's international trade;
- develop measures to reduce the cost and improve the efficiency of international trade;
- assist in the implementation of those measures;
- provide a national focal point for the collection and dissemination of information on best practices in international trade facilitation; and
- participate in international efforts to improve trade facilitation and efficiency.

We believe that the establishment of such as National Trade Facilittaion Committee vested with the appropriate authority and powers will provide Peru with a necessary nexus to promote and implement trade facilitation improvements in Peru.

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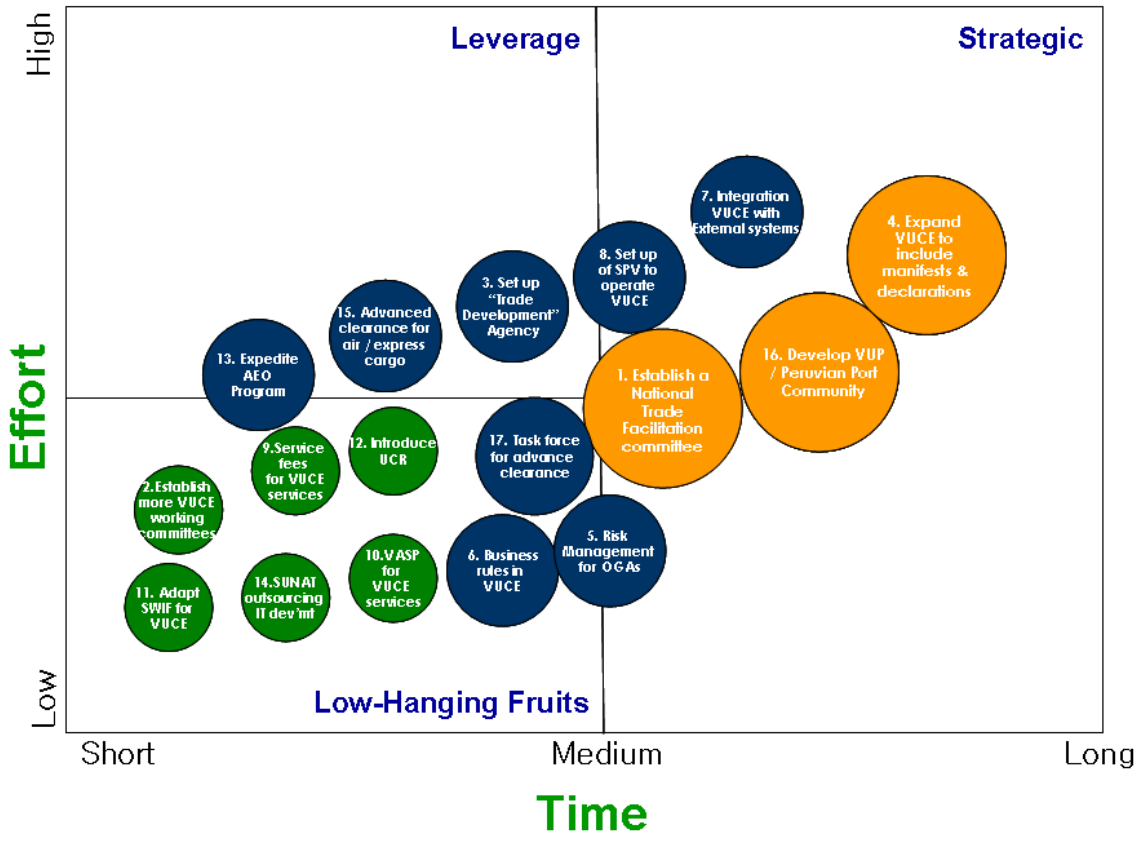
http://www.unece.org/fileadmin/DAM/cefact/recommendations/rec04/rec04_ecetrd242e.pdf

Portfolio Analysis of Recommendations



9. The Way Forward to Improve Peru's TAB Indicators

9.1 Strategy for Improving Trade Facilitation Indicators

The Diagnostic Study had looked into various issues and proposes a total of 17 recommendations in the preceding section.

The current ranking of Peru in TAB 2012 is 56. While, Peru has come a long way in improving the TAB from 91 to 56, there are still considerable improvements to be made, especially in comparison with fellow APEC economies. Peru's LPI current indicators also point to many areas that can be improved.

It is important to note that while Peru improves her trade facilitation status, there are also efforts in other countries, particularly the neighbouring countries such as Panama, Chile, Costa Rica to improve their trade facilitation as well.

Therefore the absolute improvement ranking in TAB is less important than the comparative improvement, benchmarked against neighbouring and fellow economies in APEC.

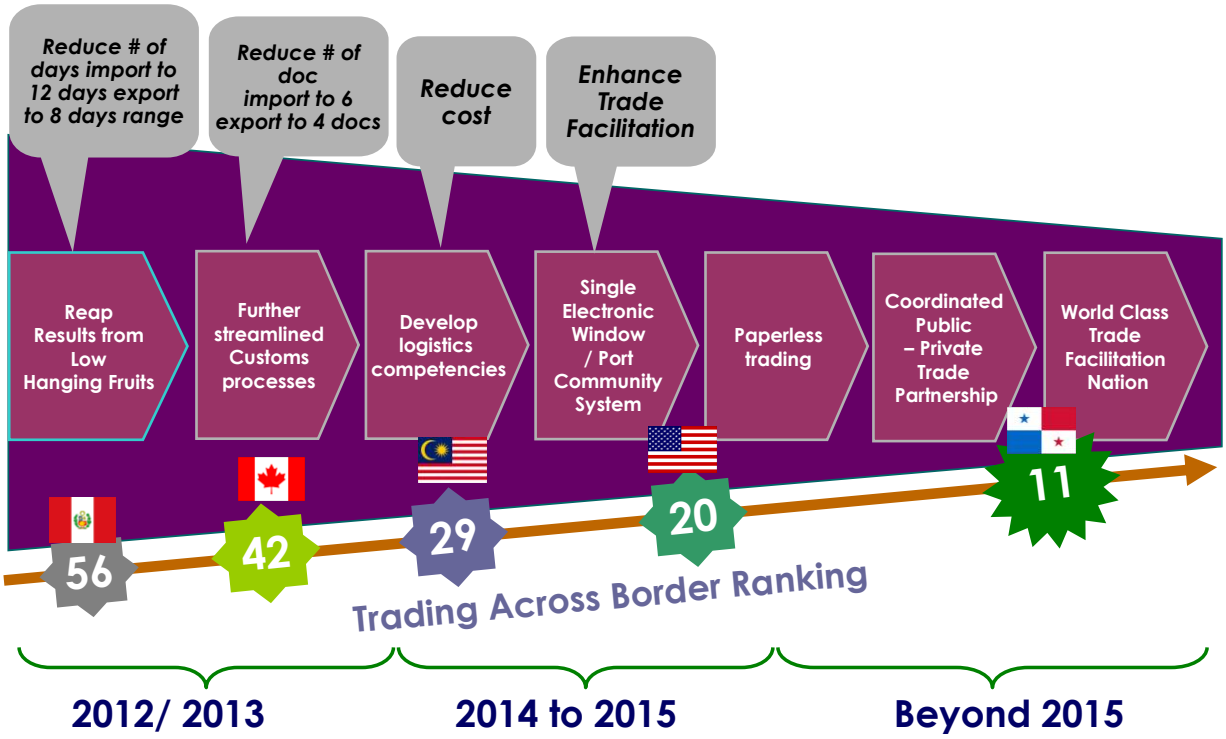
The TAB ranking by the World Bank is nonetheless, indicative of perception of Peru's trade facilitation and logistics climate. It would make an impact of on foreign direct investments (FDIs), for potential investors, and shipping lines in establishing a presence in Peru.

The below diagram postulate the improvement of Peru's TAB ranking if concrete actions are taken immediately as per the recommendations proposed in the preceding section.

If the low hanging opportunities are well executed, there should be impact realisation that should be reflected in the number of days from import and export, as well as reducing the number of paper based documents. The diagram below postulates a reduction of the days to import and export to improvement of 4 to 5 days.

If this is achieved, Peru's TAB ranking (assuming the rank of other countries remains) would be similar to that of Canada's, at #42, an improvement of 14 rungs.

The Roadmap for Excellence



As the initiatives bring to bear fruits, the total number of paper-based documents for import and export is expected to be reduced, and it is hoped that as document preparation is considerably reduced, so will the total cost for import and export. In the medium term of the next 24 months, it is hope that Peru attain the level similar to Malaysia at rank #20, by 2014 ~ 2015.

As the strategic initiatives starts to make the significant impact in the next 3 to 5 years, as of expected of them, it is hope that considerable improvements in Peru's TAB would match the current levels as in United States, who is currently ranked #20.

Peru should therefore aim to be amongst the world's top 20 nations in trade facilitation within 5 years.

Beyond this, the main benchmark is Panama, who is the top ranked economy in Latin America at #11 in 2012, although this is mainly due to the logistics efficiency of its Panama Canal.

The ultimate realistic goal for Peru shall be overtake Panama, in terms of trade facilitation, and reach amongst the top 10 economies for TAB.

This requires the concerted execution of strategy, full support of the private sector, and equally if not, more important, the political will to see the reforms through.

Regardless of the TAB ranking, it is important that Peru continues to enhance her trade facilitation status and attain the efficiency and effectiveness that is needed to support her ever increasing trade volume which will be continue to grown exponentially as Peru persevere on her stride towards economic growth and prosperity.

----- End of Report ----

10. Appendix 1: List of Abbreviations

Abbreviations	Full Form
APEC	Asia-Pacific Economic Cooperation
EoDB	Ease of Doing Business
FTA	Free Trade Agreement
ICT	Information and Communications Technology
IT	Information Technology
LPI	Logistics Performance Index
NSIGAD	New Peru Customs Management System
OGA	Other Government Agency
PCS	Port Community System
PPP	Private-Public Partnership
SIGAD	Peru Customs Management System
SME	Small and Medium Enterprise
SOA	Service Oriented Architecture
SPV	Special Purpose Vehicle
TAB	Trading Across Borders
VUCE	Peru Single Window System
VUP	Peru Port Single Window System