

## **Transport facilitation: Experts workshop in Peru**

This issue of the FAL Bulletin analyzes transport facilitation and its impact on national competitiveness. To this end, Paula Carolina Pérez summarizes the main presentations and conclusions from the ECLAC experts' workshop in Lima, Peru in June 2009. For more information please contact [trans@eclac.org](mailto:trans@eclac.org)

### **1. Introduction**

Transport facilitation is an increasingly important and widely discussed topic on development agendas in both public and private organizations. This topic, which has been recognized by various international agencies and can be found in multiple international agreements, can be defined as a participatory process between public and private institutions, which seeks to reduce logistical costs and delays associated with the movement of freight and passengers within a given territory. To this end, transport facilitation seeks to simplify, standardize, unify and harmonize the procedures, processes and paperwork involved in the process.

Many countries —both in Latin America and around the world— have sought to implement policies aimed at eliminating and simplifying the procedures related to the facilitation of trade and transport, with a view to improving the competitiveness of their products and streamlining procedures to reduce costs and time associated with international transport of goods.

In conjunction with Peru's Ministry of International Trade and Tourism (MINCETUR), the Infrastructure Services Unit and the Washington Office of ECLAC organized the "**Taller de trabajo sobre facilitación del transporte (Transport facilitation workshop)**" in June 2009, which was financed by the Canadian International Development Agency (CIDA) and ECLAC.

The meeting was attended by government representatives and members of the Peruvian private sector with ties to foreign trade and infrastructure services. The workshop was designed to provide an overview of facilitation studies undertaken by ECLAC, and to gather representatives in the broad fields of facilitation, transport and logistics to discuss a work agenda for identifying existing obstacles to and possible solutions for improving competitiveness in Peru.

The opening session of the workshop was led by Peru's Vice Minister of Transport, José González Quijano, and presentations were made by Ricardo J. Sánchez from the Natural Resources and Infrastructure Division and Rex García from the Washington Office. The presentations highlighted the important role of transport facilitation in the economic and social development of countries, and recognized the effective collaboration of the Canadian International Development Agency (CIDA) in improving the conditions for trade and transport in the region.

Luis Torres, National Director of Development and Foreign Trade from Peru's Ministry of Trade and Gonzalo Prialé, from the Association for Development of National Infrastructure, provided an overview of the current situation in Peru and its interests in terms of facilitation, with special emphasis on the role of transport facilitation in the country's development. Other active participants included the Maritime Association of Peru, the National Port Enterprise, the Institute for Economic and Social Studies, the National Industrial Society, the Peruvian Association of Port Operators, the Export Defense Council, the National Association of Exporters, the Ministry of Foreign Affairs, the National Tax Administration Office, the Association for the Development of National Infrastructure, the National Port Authority, the Peruvian Association of International Freight Agents, the Peruvian Association of Maritime Agents and the Ministry of Transport and Communications.

This bulletin provides a brief account of the main presentations and discussions from the workshop<sup>1</sup>, which essentially sought to identify and propose real solutions to transport facilitation obstacles. The ECLAC representatives gave an account of the current studies that have been undertaken in the area of logistics costs and of technical assistance programmes in the region and in Peru in particular.

---

<sup>1</sup> For additional information and to view the documents mentions here, please visit: <http://www.eclac.org/id.asp?id=36764>

In this sense, it is helpful to review the contents of the ECLAC preparatory document entitled “**The current state of logistics and transport in Latin America**”, which mentions that logistics and transport services constitute one of the greatest challenges for economic and social development in the region as a whole and in each of the countries, considering their relative underdevelopment compared to more advanced countries and regions, and the excess costs present in the chains.<sup>2</sup>

Due to the complexity inherent in the logistics, storage, distribution and transport markets, States must develop strategies to design, maintain and adapt their infrastructure using public policies that ensure coordinated action of the public and private sectors together with civil society.

## 2. Identifying problems in transport facilitation

Just as trade facilitation has significantly improved the development of international trade, transport facilitation will be most effective if infrastructure services are improved, particularly national, regional and international facilitation. In this light, the presentation made by Mariela Martínez Rivas, entitled “**Transport Facilitation in the Andean Region**” analyzed the current state of transport facilitation in Peru and Colombia. Ms. Martínez examines the barriers to intra- and extra-regional trade for these two countries, with special emphasis on the effects of logistics chains in national segments, and goes on to make policy recommendations that could lead to improvements.

The barriers that were identified included non-traditional export initiatives which create complex logistical structures and potentially lead to freight interruptions, border delays and excess transport costs associated with multiple sets of regulation, poor quality infrastructure and lack of competitiveness in the transport industry. Other factors, including the growing supply of transport services, the highly dispersed nature of the sector (dominated by small-scale enterprises and individual agents), regulations that respond to individual situations rather than strategic planning, insecurity in transport operations and the lack of special treatment for movement of passengers, call for a series of urgent measures in both the public and private sectors to achieve a satisfactory solution which benefits national competitiveness.

---

<sup>2</sup> Taken from the workshop presentation document “*Facilitación del transporte: una agenda para la identificación y solución de obstáculos*” Lima, Perú, 10 June 2009.

This work also explored various legal and conceptual frameworks which provided a legal and technical foundation for the research, including the recommendations made by United Nations entities, and the decisions related to transport taken by the Andean Community of Nations, among others. The presenter went on to analyze the geographic and economic implications of signing free trade agreements with the United States, considering the substantial requirements they have in the area of process facilitation.

There have been initiatives undertaken in both countries, as well as in the rest of the region, to develop strategies for competitiveness based on logistical planning that included trade and transport facilitation aspects. This has been reflected in public policies, technical regulations and in the creation and improvement of infrastructure that rely on concerted and calculated plans, as well as other administrative procedures, such as the foreign trade single window and information systems. Although these procedures are constantly undergoing improvements and are being developed over time to achieve tangible results, they are essentially measures which seek to reduce logistics and transport costs and to facilitate trade and transport.

Gonzalo Prialé, from the Association for the Development of National Infrastructure, focused on infrastructure development and maintenance in Peru, promoting the benefits of public-private partnerships for building infrastructure that is socially and economically profitable. In addition, Patricio Rozas from ECLAC gave an overview of infrastructure and transport facilitation in the region, as well as of the trends in public-private partnerships in infrastructure and related services in the region.

Lastly, Paula Pérez presented her work entitled "**International maritime facilitation: facilitation standards or spirit**", which referred to the multiple efforts undertaken by international organizations to provide regulatory parameters and recommendations aimed at facilitating international transport. In the same vein, through an explanation of how important synergy, coherence and a holistic point of view can be for these international efforts, it is clear that the international response should include both technical cooperation and implementation of international agreements which provide accepted guidelines and establish the rules of the game in the area of trade facilitation.

Thus, through a brief review of the World Trade Organization (WTO) work on standards and recommendations (including the 1996 Singapore Ministerial Declaration and the well-known July 2004 Package), the 2005 issuance of the World Customs Organization (WCO) **Framework of Standards** to Secure and Facilitate Global Trade and the significant contribution made by the International Maritime Organization (IMO) with the Convention on Facilitation of International Maritime Traffic (FAL Convention) and its multiple amendments, the author highlighted the regulatory tools States have at their disposal to develop domestic procedures and public policies in the areas of trade and transport facilitation.

Given the important role that maritime transport plays within the field of facilitation, two aspects that States should take into account in the areas of transport, logistics, development and competitiveness were highlighted. The first was the ship-port interface and the need for established procedures to avoid and prevent repetitious or unnecessary delays, procedures, paper-work or formalities —both at arrival and departure— to ensure the efficient transport of passengers and freight. The second aspect is the importance of striking a balance between facilitation and protection, to ensure secure and economically efficient operations. In fact, several studies on transport of goods have shown that maritime transport accounts for 90% of international goods transport and is a relatively sustainable and economical means of transport. Nonetheless, many international organizations, including the IMO, have stated that maritime transport could become onerous in terms of time-loss, absent pertinent measures to coordinate and facilitate transport processes through collaboration and exchange of information among the numerous public authorities (customs, health, migration, ports, maritime, plant and animal control), private agents (transport agents and users) and other entities involved in the ship-port interface. The degree to which the participating entities and individuals are able to coordinate amongst themselves will have a direct bearing on the efficiency of international maritime transport and port operations.

Key elements of achieving such a balance are: appropriate actions taken by public authorities, free flow of information, collaborative work among those involved in transport processes, respect for the authority and responsibilities of all related entities, involvement of businesses and users in the facilitation process and active and timely State participation. These aspects are also critical for obtaining advantages in facilitation and competitiveness, as they contribute port efficiency and effectiveness.

The presenters concluded that facilitation transcends international standards and requires coherent national standards that are consistent with the situation in each country, are both up-to-date and forward-thinking and that take into account the needs of the public and private sectors, with the understanding that any entity that promotes a standard should focus on cooperation rather than taking centre stage. Moreover, it will be necessary to have those working in the transport sector receive ongoing training, civil servants with social protection and well-being and, finally, the principles and values necessary to ensure that their business or agency acts with vocation, institutional commitment, honesty and understanding. In this way, facilitation can be seen as not just a tool, objective or standard, but rather a positive spirit of collaboration between individuals, agencies and procedures.

### **3. Obstacles to integrating infrastructure, transport and logistics policies: the case of Peru**

In his presentation, the Vice Minister of Transport made reference to the situation of rural Peru, analyzing Peru's current road system and the government initiatives to provide institutional support to regions to make improvements to the system. His highly informative presentation went beyond an analysis of the current situation and included a map of future roadway projects, an identification of locations for routine road maintenance, a proposal for a vision for intermodal planning and a plan to develop logistics and transport services.

On this topic, the Vice Minister made a particularly valid point when referring to *"...services that advance integrated solutions to promote diversification and the emergence of new value-added logistics services in the country and to satisfy the needs of the productive sector at all levels, such that they contribute to the competitiveness of the economy and the efficiency of existing and future transport infrastructure"*.

Significant progress has been made with the Transport and Logistics Policy, which was designed to identify policy guidelines, logistics infrastructure and financing needed to develop and implement actions to support and increase competitiveness in the productive sector by adopting best practices in transport and logistics in Peru. The policy is based on the following aspects: intermodal and connected infrastructure, supply-chain integrity, integrated logistics infrastructure systems, diversification of logistics services and linking information and communications technologies to logistics services.

### **4. Decision making in transport public policies**

One of the principal concerns of ECLAC is the lack of integrated public policies for infrastructure, transport and logistics. For that reason, Georgina Cipoletta, of ECLAC, cited some international cases of successful integration of all three aspects into a single public policy. Ms. Cipoletta began by underlining the importance of logistics for trade, growth and economic development, not just in any one country, but around the world. Thus, logistics costs can be seen as playing an even greater role than tariff barriers in overall trade costs. In addition, in analyzing this issue's relevance and repercussions, she concluded that improving logistics and transport performance reduces trade costs, increases competitiveness, helps identify and develop new markets, increases investment, production, growth and economic development with repercussions at all levels of the State, but particularly from a social standpoint.

The last ECLAC presentation was that of Gabriel Pérez Salas, who successfully tied together all of the issues brought up during the day and analyzed them from a Latin American perspective. His presentation essentially touched on institutional coordination, legal and institutional obstacles and the design and operation of physical infrastructure. Mr. Pérez concluded his presentation with a series of basic recommendations.

In the area of institutional coordination, he stressed the need for internal coordination at the country level, to overcome domestic leadership disputes over national competitiveness and support the implementation of unified practices and coordination in negotiating free trade agreements as they relate to trade and transport facilitation. This is essentially a question of having a long-term vision that recognizes the strategic importance of facilitation for countries.

Other coordination difficulties can be found at the regional level, including lack of coordination in processes that increase border delays and a lack of policies to simplify and eliminate paperwork and red tape. This can occur when individuals are unfamiliar with or mistakenly apply national or international rules leading to red tape that prevents effective coordination for trade facilitation, as well as for dealing with piracy, contraband and corruption.

To resolve this lack of coordination at the national and regional level, ECLAC proposes having shared national strategies that are clear, coherent and ongoing. Although these strategies will have regional impact, they should be developed in conjunction with the business sector at the national level and later coordinated region wide. This would require a high degree of commitment and political will on the part of States to lead and develop legal initiatives, as well as an exhaustive review of systems, processes and procedures.

The category of **legal obstacles** essentially consists of the myriad of obsolete rules and regulations that do not adequately address the growing complexity of logistics which require sophisticated services, as well as modern and flexible legal frameworks. It is also critical to level the playing field in legislative and tax-related issues among national and international means of transport and users.

The **institutional obstacles** noted by ECAC include the lack of a long-term vision, where transport facilitation is seen as a strategic priority for States rather than a line item that can be cut in times of crisis by reducing or eliminating the human and economic resources involved in the process. A lack of governmental commitment to facilitation can affect the degree to which the recommendations and instruments on transport facilitation issued by international organizations can be implemented, as well as the degree to which information and available technological tools can be efficiently utilized.



Addressing these issues is largely a question of strengthening institutional capacity through increased training, professionalization and investment in ICTs, as well as reinforcing the means of coordination with the private sector.

There is also a **lack of technical studies and statistical data** needed to support decision making regarding eliminating wait times at border crossings and reducing logistics costs, among other issues. Similarly, there is a clear need for policy coordination at the various levels of government and among different types of regulation.

Lastly, the **obstacles associated with physical infrastructure** and transport services discussed during the presentation included: insufficient investment on connecting national and regional transportation systems; unfamiliarity with and minimal adherence to international facilitation guidelines; a lack of standards for general technical characteristics and labeling of physical infrastructure; deficient regulation (and lack of standardization among vehicle and transport operators); lack of requirements and procedures for roadway maintenance projects and insufficient development of infrastructure capable of providing efficient and effective intermodal transport.

## 5. Conclusions and recommendations

The conclusions drawn from this workshop are that, particularly in the case of Peru, there are significant challenges in the design and operation of infrastructure services that call for institutional improvements in the areas of design, regulation and funding. More and better investment in this sector, either in the form of direct investment or through public-private partnerships, should be based on a national logistics plan that integrates different modes of transport along with logistics and service chains to promote the country's development and its regional and international competitiveness.

Special attention should also be placed on strengthening the government's capacity to propose and implement policies to improve the supply and quality of transport services in close coordination with the private sector, through actions aimed at increasing management, training and a greater reliance on businesses in the transport sector, particularly in ground transport.

Access to information and coordination between the public and private sectors are also critical for facilitating and streamlining procedures and for the timely exchange of information. To this end, the periodic exchange of statistical data and use of ICTs in the sector can be seen as important tools for improving national competitiveness.



Infrastructure and transport policies should be based on a comprehensive vision of service and include aspects such as logistics, security, environmental protection and land use, among others.

Lastly, as an example of the synergy witnessed in many international agencies, it is interesting to recall the words of two different United Nations agencies on two separate occasions that wholly reflect the results of the workshop and the needs of Latin America:

*“Trade (and transport) facilitation is not just about standards and technology; it is equally about rationalizing and integrating business and administrative processes. While international organizations and donors can assist countries, it is up to their Governments to effectively implement changes. This calls for a strong and continuous political will, supported by appropriate facilitation mechanisms (e.g. facilitation bodies, clusters, etc.), at national and subregional levels.”* (UNCTAD)

*“The logic is clear: regulatory efficiency may mean that infrastructure services have a greater or lesser impact on development, but it is the institutional environment that provides the conditions and context which allow the State, regulatory efficiency and public-private partnerships to improve service quality”.* (ECLAC 2009)

**The following recommendations emerged from the Lima workshop:**

Transport systems should integrate networks and hubs that rely on technology, information and communications in order to achieve data-supported logistics coordination. The region’s transport infrastructure services should be strengthened from a legal, technical, administrative and economic standpoint.

Effective interaction and communication between the public and private sectors should be sought as a means to enhance the security of transport management. Efforts should be made to improve communication and the exchange of information among government authorities in order to contribute to international trade, while still ensuring comprehensive security.

Ongoing education and training on standards, practices, technical aspects and the repercussions of this kind of work for government authorities, businesses and service-providing agencies is clearly the best and most comprehensive way to develop transport and facilitation. Such training would also help those working in this area to see transport facilitation not as an imposition, but rather a vocation or "spirit".

Emphasis must be placed on institutional aspects. All members of the transport process team should receive strong and sound support from the State with the means to realize their potential.

National policies should prevail when administrations change.

The policies that are implemented need to be comprehensive in nature and not the result of multiple sector plans. They should be developed with a view to improving the competitiveness and productivity of the goods and services imported and exported by a country.

Clear and coherent legislation must be condensed into a single legal corpus to facilitate its implementation and ensure consistency among national and regional policies, thus boosting its synergistic effect.

A collective mentality must be fostered, where the needs of the country are put first and emphasis is placed on the process and not the means of transport.

Efforts should be made (within each country's ability) to initiate, continue and strengthen concepts such as the international trade single window, capacity building and the coordination and articulation of strategic policies, standards and plans.

In short, although every country is different and there is no one-size-fits-all solution, logistics and facilitation are factors for competitiveness which can only be achieved through participation in several areas including education, investment, infrastructure, knowledge, standards and long-term policies.