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SmartLessons

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Automating the Control of Goods in International Transit: Implementing the TIM in Central America

Regional Initiatives to Advance the Integration Process

In recent years, the Latin America and the Caribbean (LAC) Region has undergone a process of commercial and political integration that has increased connectivity and encouraged physical integration initiatives. In 2008, the Mesoamerica Project—an initiative that includes nine countries in Central America, from Mexico to Colombia (and including the Dominican Republic)—was expanded from the original Plan Puebla Panama (established in 2001) in an effort to integrate the Central American Corridor and Mexico through infrastructure and social projects.

More than 95 percent of commercial goods in the Mesoamerican region—approximately \$6 billion—are transported overland using the Pacific Corridor. This highway, which runs from Puebla, Mexico, to Panama, crosses six national borders, which means it is destined to become the backbone of commercial trade in Mesoamerica. Moreover, it will cut the distance from Panama to Mexico by approximately 300 kilometers. However, the right conditions must be created for this to happen, inasmuch as the infrastructure at the border crossings along the Pacific Corridor is unreliable and inefficient, and the facilities are substandard. These conditions are amplified by limited logistical and operational planning at the borders, lack of information, and lack of regulatory harmonization.¹

The initiative seeks to move beyond the physical integration of its participating countries and into areas of trade facilitation and increased investment in social services, such as health, education, and environmental protection. The project now coordinates more than 100 regional integration projects worth \$8 billion with the objective of increasing intraregional trade through trade facilitation

measures and to give priority to economic geography approaches and regional planning as a means of deepening integration at the regional level.²

Speeding Up the Delivery of Goods through Central America

In 2008, the Integration and Trade Sector (INT) of the Inter-American Development Bank (IDB) designed an innovative project in Central America called International Goods in Transit (or TIM, its Spanish acronym), which has dramatically improved the speed and efficiency of border clearance for goods in transit. The TIM is an electronic system for managing and controlling the movement of goods in transit that harmonizes previously cumbersome procedures into a single electronic document, consolidating information and certifications from various authorities including migration, customs, and health/agriculture.

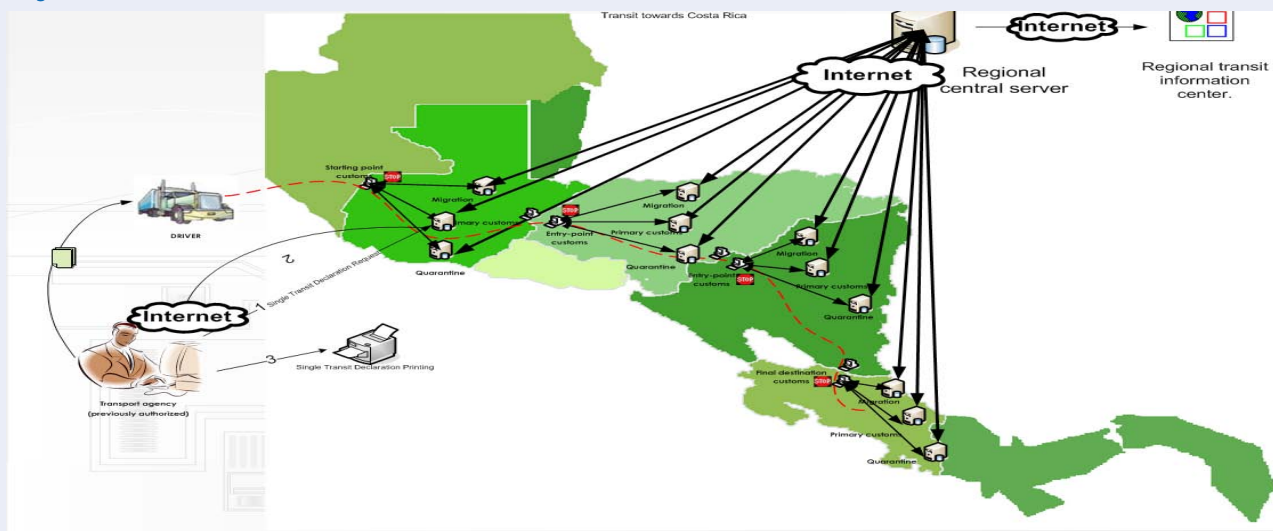
The project is based on three main pillars: (1) **Process reengineering:** TIM harmonizes multiple paper-based declarations into a unique and comprehensive electronic document that gathers all data needed by customs, migration, and phytosanitary agencies; (2) **Information technology:** TIM connects the Intranet systems of all agencies participating in the project. It includes state-of-the-art risk analysis and cargo control systems; (3) **Cooperation:** TIM improves cooperation within the country and between the different agencies operating at border crossings in the Mesoamerican Region.

The TIM is supported by the IDB through a \$2 million nonreimbursable technical cooperation that financed system design and process mapping as well as implementation in one border crossing (El Amatillo) between Honduras and El Salvador. For the second

¹ IDB and WTO (2009) "Implementing Aid for Trade in Latin America and the Caribbean, The National and Regional Review Meetings 2008–2009." <http://idbdocs.iadb.org/wsdocs/getdocument.asp>

² See Guerrero, Lucenti and Galarza (2009) "Trade Logistics and Regional Integration in Latin America & the Caribbean," IDB Working Paper 148. www.iadb.org

Single Customs Procedure for Goods in International Transit



phase of the project, the Bank is providing an additional €950,000 to extend the project to other border crossings in Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama.

From 62 Minutes to 8

Partially based on the highly successful European system, the TIM allows goods in transit to move smoothly across borders to their final destination, rather than be delayed by redundant processes in transit countries, including multiple forms and certifications—a process that used to take an average of 62 minutes per border crossing. Since its implementation at El Amatillo, the TIM has reduced the crossing time for goods in transit to an average of eight minutes and decreased the number of documents submitted. This greatly improves the predictability and quality of the risk analysis of the goods being transported, reduces waiting times drastically, ensures traceability and predictability of goods, improves private-sector competitiveness, optimizes revenue collection, and reduces the environmental footprint of transportation services. Following TIM's implementation in El Amatillo, cargo passage times were reduced by 90 percent, tax and quasi-tax oversight has improved, and the traceability and security of operations have been strengthened.

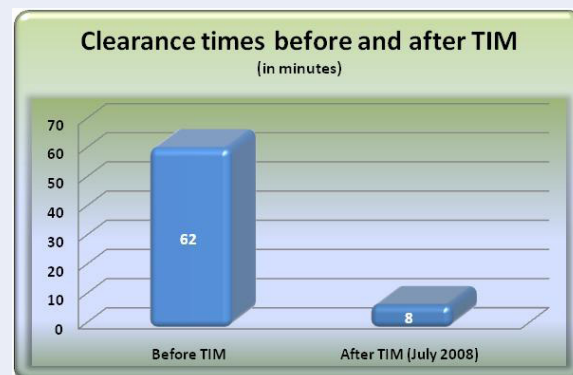
What Has the Implementation of the TIM Taught Us?

The results of the implementation of the TIM in El Amatillo are promising, and the IDB is optimistic that the returns on investment for the second stage of the project will be fruitful. That notwithstanding, the IDB's experience in the design and implementation of the TIM is relevant for identifying a few best practices, both for the implementing countries and for the executing agencies:

- *Political support for harmonizing regulations and processes is critical. Real and full commitment from the highest authorities in every participating country*

contributes to a friendly environment based on mutual trust. Likewise, the executing agency must work closely with governments to ensure sustained interest and commitment. For example, in the case of the TIM, the IDB supported the decision of governments to include the project as one of the priorities highlighted in the Joint Declaration of Chiefs of State at the Presidential Summit of Tuxtla in 2008. In this respect, the choice of project coordinator is also critical to the success of the project. In the case of the IDB, the senior consultant (Alvaro Sarmiento) had experience working in the region, had very good relationships with top government officials, and had the support and confidence of the countries and of the IDB to lead the project with minimal involvement from headquarters. This is often difficult to accomplish when international consultants or firms are hired to undertake lengthy, complicated, and politically sensitive regional activities.

- *Given the number of countries and agencies involved in regional activities, rationalization of actors is the first step in ensuring progress. In the case of the TIM, multiple agencies with heterogeneous characteristics and mandates created competition and conflict that*



Source: IDB

were resolved only by a clear outline of the legal and institutional character of the implementation mechanism. Rather than create a regional legal framework for all countries and agencies for implementation, the IDB proposed devising an execution mechanism that did not involve changes in national legislation. Despite lengthening and, to some extent, complicating the process, this approach reassured all agencies that participation in the project would not result in changes to the status quo through legislative amendments.

- To coordinate and harmonize execution, the technical committee should represent all participating agencies, e.g., customs, migration, sanitary and phytosanitary, represented by senior officials. Decisions should be taken unanimously; otherwise, there is a risk that some of the stronger regional players could control the direction of the project, despite the necessity of including all countries in transit corridors. Identifying leaders within the committee also ensures that support and momentum are maintained at the country level.
- Information technology (IT) platforms must be flexible and open to modifications and

upgrades. Power and speed are essential, but more important is the system's ability to accommodate items in the rapidly changing logistics industry (e.g., radio frequency devices, the Global Positioning System (GPS), and electronic locks). For example, the TIM was able to accommodate the shift from a six-digit tariff classification of goods to an eight-digit one, following its implementation. In addition, IT experts should be familiar with the specificities of the region and design customized programs. In the case of the TIM, the IDB did not follow the initial advice from foreign IT experts to simply replicate the transit system in the European Union (EU). In the EU, transport service providers choose the route that best fits them for goods transiting from, say, Russia to Portugal. However in Central America, transited goods must, by law, follow a predetermined route with specific checkpoints so as to ensure security and traceability of goods going from, for example, Mexico to Panama.

For further details, please see the video produced by BID TV on the TIM (<http://www.iadb.org/news/videos.cfm>) or at 7:29 on this CNN report (<http://www.cnn.com/video/?video/international>).



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