The World Bank

PREM*notes*

ECONOMIC POLICY

Good practice in trade facilitation: lessons from Tunisia

Tunisia's experience shows how information and communications technology can be used to facilitate trade—cutting costs, saving time, and increasing international competitiveness. It also highlights the conditions that make these benefits possible.

Although trade liberalization can create jobs and raise incomes, these benefits can easily be undermined if trade transactions involve excessive costs and delays—reducing a country's export competitiveness. Trade facilitation efforts aim to reduce such costs and delays by simplifying trade procedures and document flows, modernizing customs and port systems, promoting quality and safety standards, and improving trade logistics.

In recent years several countries have used information and communications technology to achieve one or more of these goals. Tunisia provides a good example of stakeholders coming together to simplify trade procedures and automate documentation and customs requirements. In fact, it is the first country in the Middle East and North Africa that has succeeded in applying information and communications technology to the entire range of trade documents. When other countries in the region (such as Morocco) have used such technology, they have focused on customs and ports, overlooking other practices and procedures that impose transactions costs on trade activities. This note summarizes the context and challenges, key initiatives, impact, and success factors of Tunisia's efforts.

Context and challenges

Over the past two decades Tunisia's trade has been increasingly liberalized, with domestic firms gaining greater access to export markets through an agreement with the European Union and adherence to World Trade Orga-

nization rules. But despite initiatives in the 1980s to streamline the flow of information on merchandise trade, trade transactions remained costly and inefficient through the 1990s. Customs clearance requirements, port logistics and procedures, and quality assurance checks strained resources and imposed significant costs on both the government and the private sector.

In the late 1990s cargo spent an average of 8 days in Tunisian ports—and in many cases up to 18 days—due to customs, port, and technical control procedures, compared with a few hours in Singapore and 4 days in Argentina and Brazil. Similarly, customs clearance required an average of 4 days in Tunisia—and in many cases up to 7 days—while it took just 25 minutes in Singapore, 1 hour in Morocco, and 3 hours in Argentina. Moreover, Tunisian customs officials physically inspected 50–80 percent of imported merchandise, while the corresponding shares were less than 5 percent in Singapore, 15 percent in Morocco, and 30 percent in Argentina.

Further complicating matters, Tunisia's procedures for external trade required that documents be processed by multiple entities: the Ministry of Commerce, banks, the port authority, and the customs agency, as well as the usual professional organizations such as customs brokers, shipping agents, and freight forwarders. The inefficiencies of these trade document processing and clearance practices are illustrated in figure 1, where the lines indicate the main document

Facilitating trade creates jobs and raises incomes

exchanges that had to be carried out physically—meaning that hard copies of documents had to be delivered and in some cases picked up again (after several days) for further processing.

Underlying these inefficiencies were 19 distinct steps required for import transactions and 15 steps for export transactions. (Some of these steps did not apply to offshore companies, which by definition do not operate in the domestic market. Still, there was a need to standardize processes and streamline procedures so that all traders could benefit. This was particularly important because the distinction between offshore and onshore enterprises will disappear once the agreement with the European Union is fully implemented in 2008.) Beyond the costs involved, these cumbersome processes severely impeded the ability of Tunisian companies to respond to or accept short-notice orders, further undermining their competitiveness.

Key initiatives

In 1999 the Tunisian government—supported by the World Bank through the Export Development Project—introduced comprehensive measures to facilitate trade, starting with the simplification and automated processing of trade documents. The project focused on streamlining customs and inspection procedures and using information and communications technology to improve the information exchange associated with cargo handling and clearance.
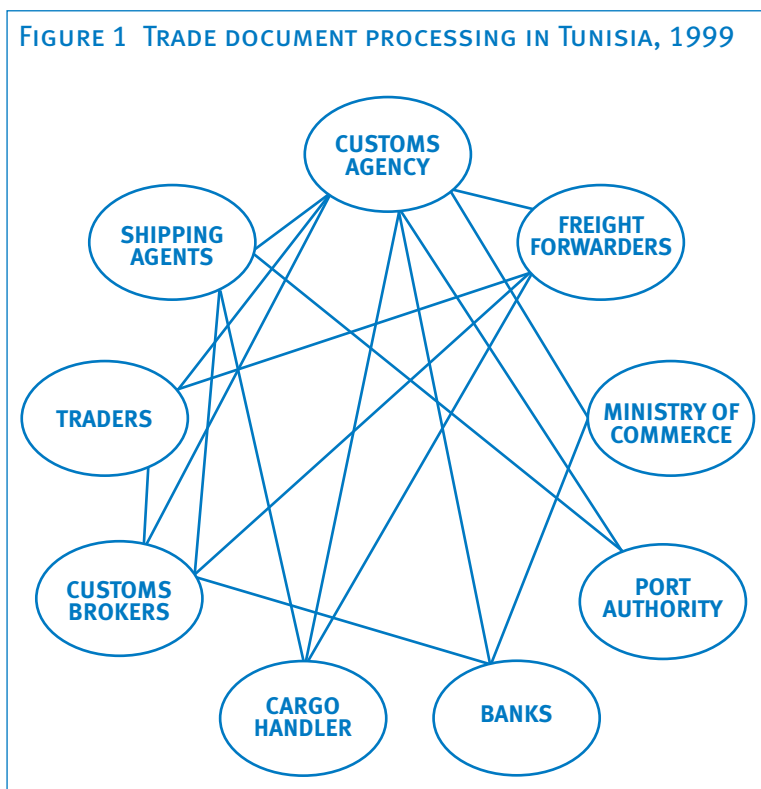
Simplifying and standardizing documents
The reforms were based on the adoption of international standards for trade documentation (a process initiated a few years earlier with support from the European Commission) and significant coordination among various stakeholders. Two documents previously required by the authorities were eliminated, and three (the Certificate for External Trade, submitted by importers and required by the Central Bank for foreign exchange control, the customs declaration, and technical control documents) were redesigned to reduce duplication and standardize terminology, with the customs declaration aligned with international standards. In addition, two of the four documents required for goods removal were eliminated. The development of electronic formats for trade documents made it easier to share information among stakeholders and process the information contained in the documents.

Introducing Tunisie Trade Net
In 2000 a semipublic agency, Tunisie Trade Net (TTN), was established to operate a value added network that provides electronic data interchange for stakeholders and to expedite flows and processing of trade documents. TTN shareholders include 10 government agencies, including the national port authority and Tunis Air, and 18 private organizations, including several banks and the Tunisian Internet Agency. The system works with all the actors involved in international trade, including the customs agency, Ministry of Commerce, technical control agencies, Central Bank, ports, and private traders, agents, freight forwarders, customs brokers, and banks (figure 2).

Three main documents are processed through the TTN system: the Certificate for

Tunisia has vastly simplified trade...

FIGURE 1 TRADE DOCUMENT PROCESSING IN TUNISIA, 1999

External Trade, the customs declaration, and technical control documents. In addition, the system processes online tariff payments. A connection to the TTN server enables participants to exchange documents and messages with other participants. Shipping manifests and customs declarations are sent over the network, reducing processing times. In addition, manifest data are available to the cargo handling operator in electronic format, eliminating the need for the handler to capture data and improving planning and operations. TTN provides a flexible user interface: trade professionals (customs brokers, freight forwarders, ship agents, and so on) use client-based applications designed to process large numbers of transactions, while occasional users can opt for a Web-based interface.

TTN employs 45 staff, 25 of whom are experts in information technology. Users pay TTN about $70 a month to access its network, as well as a processing fee per document ($3 for each of the three required documents).

Other efforts

Several other measures were needed to complement the above actions, including:
- Enhancing the customs computer system to support international message and document standards for automation of manifest acquittal and processing of customs declarations. (These changes have reduced personal contacts between declarants and customs officials, facilitated more rapid, transparent, and consistent processing of customs declarations and eliminated routine manual checks, and enabled risk management by allowing data submitted through declarations to be compared with predefined parameters to identify nonconforming patterns.)
- Developing Ministry of Commerce information systems to electronically process approvals for restricted goods through TTN, eliminating manual delivery and collection of the Certificate for External Trade to and from the Ministry of Commerce.
- Installing three scanners at key border and port locations to speed verification of consignments. (Though not a perfect substitute, scanning and analysis of a full
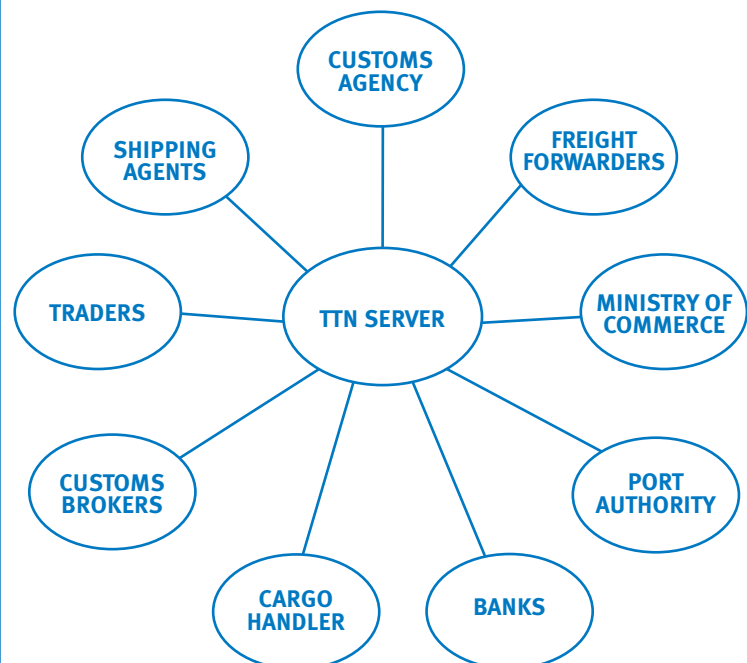
container load takes an average of 2 minutes, whereas manual verification requires up to 12 hours and three customs staff. At the port of Rades the use of scanners has reduced by about two-thirds the number of trucks waiting for container verification.)

Impact

Although it is too early to assess the full impact of the above initiatives, there is evidence that Tunisia's investments in trade facilitation have dramatically reduced import and export processing times. Imported goods can now be cleared from ports in an average of 3 days, compared with 8 days a few years ago. For example, manifest processing after the completion of vessel operations used to take up to 4 days—but electronic processing has cut that to 1–2 days. Payment of customs and port duties and storage charges now takes only a few hours, rather than a full day. The time needed to prepare and process customs declarations has dropped to 15 minutes, down from as long as 3 days. In 2003 the physical inspection of goods reached the target level of 15 percent, down from 50–80 percent in late 1998.

...dramatically reducing import and export processing times

FIGURE 2 TRADE DOCUMENT PROCESSING IN TUNISIA AFTER IMPLEMENTATION OF TUNISIE TRADE NET (TTN)

Electronic processing of ship manifests has generated savings for the maritime cargo handling operator by eliminating the need to capture data already available through the electronic manifest and improving vessel and yard operations through the earlier availability of accurate data. Moreover, the TTN experience has shown how information and communications technology can increase the efficiency of government administrative processes. As a result the TTN platform is being considered for electronic procurement services and other e-government applications.

Success factors

Tunisia's experience points to the dramatic improvements in trade clearing that can result when administrative and political commitment combines with advances in information and communications technology. But there is much more involved than simply applying technology to trade documents. Perhaps the most important prerequisite is commitment at the highest level of government. This was made possible in Tunisia by the close involvement of the minister of commerce, who was also the chairman of the Superior Export and Investment Council, a cross-ministerial committee reporting directly to the president of Tunisia.

The second main factor for success was cooperation among private and government stakeholders at all stages of the reform process. This was achieved by creating a steering committee and a technical committee composed of key stakeholders at the early stages of the process. These committees were instrumental not only in the design of the initiatives, but also in their implementation.

The third factor was the adoption of a regulatory framework that allowed and supported electronic processing and signatures. Among the most important changes were allowing value added network services to be supplied through telecommunications and the Internet, introducing a new, streamlined customs declaration procedure and procedures for submitting and processing external trade documents through the TTN system, and recognizing the legal validity of electronic documents and signatures.
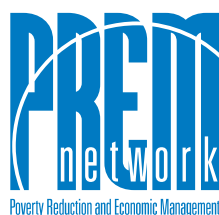
Other success factors included:
- Simplifying customs requirements.
- Extending electronic processing to all import and export administration and other agencies involved in trade transactions, and developing their "back offices" to handle electronic processing of trade documents.
- Adopting internationally recognized standards and codes to ensure a common language among different users and in different countries.
- Aligning the relative costs of processing documentation on paper and online.

Further reading

Alavi, Hamid, and Donald Lim Fat. 2003. "An Initial Impact Evaluation of the Bank's Trade Facilitation Support under Tunisia Export Development Project." World Bank, Washington, D.C.

> Tunisia's success has involved much more than applying technology to trade documents

Prepared for World Bank staff