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Exporting by Mail - An Innovative Trade Facilitation Tool

There are many firms mostly -micro and small- that are de facto excluded from the export chain by virtue of their location (operating in small villages or cities with minimum or no support for export services), information (knowing what it takes and how one exports), cost of export services (need to use customs and logistics agents), lack of knowledge of proper packaging, etc. Our solution was to design a new tool that would tackle all of those problems. This tool is exporting by mail.

Background

The Competitiveness and Trade Project was implemented by the World Bank in Peru with the objective of facilitating exports by micro and small firms located all over the country. The Bank team, building on the Brazilian experience, worked with the National Tax Administration Superintendency (SUNAT) and with the Office of the Prime Minister (PCM), the Trade Ministry, the Export Promotion Agencies (PROMPERU and PROMPEX) and the Post Office to develop and implement the tool. Even with minimal publicity, the response has been extraordinary. This approach is currently being considered or/and implemented in a number of other countries as well, with or without World Bank involvement.

How it works

This trade facilitation program is called "Easy Export." An individual or firm needs to take a package to the nearest post office (although pick-up service from the Post-Office is also available), which provides free packaging. The sender has to fill out a form (export declaration) on the Internet (available at the post office if needed). The post office weighs the package and scans the export declaration form. The user pays the fee for the type of service desired. End of story.



What is being exported

Jewelry, alpaca and cotton garments, food supplements (natural products), cosmetics, wood art and crafts, shoes and leather, processed food, metal tools, etc.

Restrictions

The value limit is US\$2,000 (later to be extended to US\$10,000). Maximum weight is 30 kilograms. There are also limitations on the size: the sum of the three dimensions cannot exceed 3 meters. However, there is no limit to the number or frequency of packages to be sent.

Impact

Within six months since the start of the program, more than 300 firms have used Easy Export to ship goods with a value of more than US\$300,000, and the trend is sharply increasing. Most of the users are new exporters – microentrepreneurs and small firms. Many of these are in some of the poorest areas of the country. And the trend is ever increasing. Since the beginning of the program, the monthly rate of increase in the number of firms and packages has been over 30 percent.

Benefits

Highly simplified trade logistics: The exporter does not need to use a customs agent, logistics agent, or freight forwarder, or to consolidate the merchandise, and even the packaging is provided for. All that is needed is to go to a post office (one that has a scale and a paper scanner) and to use the Internet to fill in the export declaration for the tax agency.

Other benefits

Competitive tariffs, and three types of service: urgent - 4 to 5 days delivery; rush - 7 to 10 days; and economical - 15 to 20 days. This includes free packaging, pick-up service, tracking, insurance coverage and frequent user discounts and even credit services. All services are priced for cost recovery, so there is no subsidy.

Lessons Learned

The key motivation was to address the concerns of both the micro and small producers that trade initiatives were only for the “big” guys. The issue can be politically sensitive, so we decided to bring policymakers on board early on. We secured the support of the Prime Minister, and under his leadership we brought in the critical players: SUNAT, the Minister of Trade, PROMPERU, PROMPEX and the Post Office. We also brought in the Brazilians to learn from their experience. While there were some concerns in the beginning, when we explained the details of the program, we acquired the strong support and endorsement of those key players.

Where we did find some resistance was from the private

customs agents, perhaps understandably, since they felt they would be losing business. A compromise was reached based on setting a maximum value of the packages to be exported (US\$2,000) but with the agreement that we would revise the maximum value a year down the road (the plan is to extend it to US\$10,000). Another critical element was to secure financing for the post offices, since for the program they needed a scale, a paper scanner, and in some cases Internet access (the latter if access was not available in the village, since the export declaration has to be sent to SUNAT by Internet). We addressed that issue by committing some funds from the World Bank project.



The project was implemented in two phases. We started by equipping 29 post offices, and in a second phase, based on results, we would go to 60. To keep the process simple, we designed a quite simple export declaration form to be filled in via the Internet.

We noticed that in many remote places, small cities and villages, firms did not use or have access to proper packaging. The solution was to provide the packaging at the post office, and that has proven critical for the success of the program. And to address the limited mobility of some of the users, the program provides pick-up service through the post office. Finally, to address some of the concerns of the microfirms, the post office also offers insurance and even credit services (the post office was responsible for finding the proper partners for those services).

Another critical element was the support led by the Export Promotion Agency to locate clients abroad. Reaching to the Diaspora to identify friends and relatives and small distributors as possible clients and recipients was critical. A Web page and an online interactive database facilitate the contacts.

1) What we could have done better

Peru has signed a relatively large number of free trade treaties. Most products exported to countries covered by the treaties have zero tariffs, but to receive that benefit,

a certificate of origin is needed, stating that the product and or parts were produced in Peru. That certificate is usually provided by a government agency or chamber of commerce. However, in most small cities that service is not offered. We did not think of that as an issue then, but we are working on a solution that is relatively simple - the digitalization of the certificate of origin, which will allow access online.

We needed a more systematic publicity and information campaign, not only on the existence of the program but also on the associated services offered and the range of products that could be exported. Even as the impact has been significant, surveys have indicated that many firms were not aware of the option (that was not surprising, since there was not a significant public information program). That is being corrected.

Another improvement that would enhance the impact - and we are working on it - is the use of a local intermediary or broker to disseminate information about the program, to inform about products in demand, to facilitate identification of buyers abroad, etc. We believe this will lead to increased use of the service, to the benefit of the micro and small producers.

2) Critical elements for success

As successful as the program has been, it will be even more successful when a broad publicity campaign is in place, an information and training program to identify potential clients abroad is functioning, certificates of origin are digitalized, an Easy Export Web portal has been launched, e-commerce tools are further enhanced, and all post offices are provided with scales and paper scanners.



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