

Colombia Trade Logistics Program



EASING ACCESS TO MARKETS

Reforming Trade Logistics in Colombia

Overview

The Colombia Trade Logistics Project aims to reduce time and cost to import and export for Colombian traders with streamlined systems and procedures including, the electronic Single Window for Foreign Trade (VUCE) and a risk-based inspections regime. Among results already demonstrated by the project, time to trade has reduced by 30 percent for traders who obtain licenses through the VUCE. In the two years since project launch, the government of Colombia has already implemented over 15 reforms and issued more than 25 pieces of legislation aimed solely at facilitating trade logistics.

Challenge

Colombia had been suffering from conflict between rebel groups and paramilitary forces through the 1990s. While successive governments favored some liberalization, the political instability hindered economic growth. Over the past decade, the government helped stabilize a large part of the country, championed economic growth, promoted an enabling business environment and as a result attracted significant foreign investment. The Colombian government also proactively sought to negotiate and sign free trade agreements with international and regional partners. This has opened doors for Colombian goods to the European Union, European Free Trade Association (EFTA) countries, Central America, Panama, and Korea, amongst many others. Colombia still faces challenges. Colombia's largest exports – oil, coffee, textiles, and apparel – require competitive supply chains that cost-effectively deliver just in time, secure quality goods. For instance, Colombia still does not have world-class road infrastructure to reduce time to market. Most companies are located away from the ports, and traders must cross the Andes Mountains for goods to be able to arrive or leave the country. In addition to the above, security issues make the movement of cargo slower and riskier, with significant losses from pilferage and physical damage. The Trade Logistics Project was initiated in response to this demand to ease Colombia's access to markets in order to enable the country's firms become more competitive in regional and global markets.

MULTIMEDIA

More Results



over 15

reforms/improvements have taken place

30%

of time to trade reduced for traders who obtain licenses from VUCE

Approach

42%

of reduction in time to export

The Trade Logistics Advisory Product, developed by the Investment Climate Advisory Services of the World Bank Group helps clients address regulatory, policy and administrative barriers to improve trade logistics supply chains. Our clients are governments and the private sector, with special emphasis on low-income, conflict-affected, landlocked, and International Development Association (IDA) member countries. Regional trade logistics programs, particularly in Africa, Latin America and the Caribbean, are increasingly important to assist developing countries in capitalizing the benefits of trade. Reforms focus on:

- Simplifying and harmonizing procedures and documentation;
- Introducing risk management in border inspections and clearance; and
- Implementing electronic processing, automation, and "single window" systems.

Working with a diverse group of stakeholders in Colombia—including other World Bank Group teams, government agencies, international trade organizations, and the private sector, the Trade Logistics team employed an innovative scalable delivery model. This rapid response project generated quick win reforms and built client trust, confidence and momentum. These quick wins were followed by intensive efforts to address systemic issues undermining efficient trade logistics systems and services. In general, the overall impact of the projects is to help client countries: (i) increase investment in key tradable sectors; (ii) increase share of exports; and (iii) create productive jobs.

MORE INFORMATION

- » Colombia and the World Bank
- » Country Partnership Strategy 2008-2011
- » Active projects
- » Lending volume
- » Economic and Sector Work
- » All publications
- » All publications
- » Doing Business
- » Colombia Data
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Results

The Colombia Trade Logistics Project supports the government's objective to establish a fully operational Single Window for Foreign Trade (VUCE in Spanish), which links 19 government agencies and the Colombian private sector, as well as the implementation of a risk based inspections regime at the four seaports in the country. Since its launch in 2008, over 15 reforms/improvements have taken place. Sample reforms include:

Certificate of Origin: Filing of Certificates of Origin (CO) can now be done through the electronic VUCE. Users can request digital COs through the VUCE. They will no longer have to approach the Ministry of Trade or pay a fee for the forms previously used. All support documentation for COs can now be submitted electronically as attached files.

Risk Management: Customs must mandatorily use risk assessments to determine the inspections cargo must undergo.

Cargo tracking system: A Single Cargo Tracking System has been implemented to generate greater control on the cargo that enters and leaves the country while improving facilitation.

Technical control agencies: The launch of an online registry for trade transactions eliminates the need to submit certain trader related documents physically to the Ministry of Trade, Industry and Tourism.

All these reforms have had a direct impact on Colombia's trade competitiveness through reduced transactions time. Time to export has reduced from 24 days in 2008 to 14 days in 2010 (42 percent reduction) while time to import has fallen from 20 to 14 days (30 percent reduction). Research indicates that a 10 percent reduction in trade transactions time for Colombia implies an increase in exports to the tune of US\$740 million (Subramanian, Anderson and Lee, 2010). Also, there are considerable direct cost savings to firms through reduced inventories and reduced carrying charges in transit. Even conservative partial estimates of

direct cost savings to a medium sized firm with US\$150 million revenue is US\$3.5 million, based on a field level case study.

Bank Contribution

The total cost for the Colombia Trade Logistics Project is about US\$1.1 million over a three-year period. The International Finance Corporation (IFC) funds constitute US\$230,000. The external funding leverage ratio is high – over 40 percent is direct cash contributions by the government of Colombia, plus more funds in parallel financing. The remaining funds are from donors such as Spain and Norway.

Partners

The Colombia project team works in close collaboration with IFC's regional departments, IFC's Infrastructure Investment team, other Investment Climate teams like Doing Business Reform Advisory, the World Bank's Poverty Reduction and Economic Management Unit (PREM) and Sustainable Development (SD) departments, the Colombian government agencies, and crucially the Colombian private sector. The team also works closely with Norway and Spain, which have provided co-financing.

Moving Forward

The Colombia Trade Logistics Project is the first pilot of the Trade Logistics Advisory Product in Latin America, along with two other pilots in Africa - Rwanda and Liberia. Globally, the demand for the Trade Logistics advisory program has risen exponentially with projects in Africa (Liberia, Burkina Faso, Mali, Kenya, EAC regional program), Middle East (Yemen), South Asia (Bangladesh, India, Nepal and Bhutan), and Central Asia (Armenia). Given the demonstrated results of the Colombia fast track project, the product has become a core program of assistance for the Latin America and the Caribbean region. Similar trade logistics projects have been initiated in Peru, Honduras and the Caribbean (St Kitts, Grenada, St Lucia and Dominica).

Learn More

Colombia Trade Logistics Project (564767). Starting date: July 1, 2008. End date: June 30, 2011 Trade Logistics Product (A new investment climate website is under development and expected to go live shortly).