

# INVESTMENT CLIMATE IN PRACTICE

## TRADE LOGISTICS

### DEVELOPING A SINGLE WINDOW TO FACILITATE TRADE IN SENEGAL

In 1995 a reform group headed by Senegal's Ministry of Trade introduced a single window system for electronic trade facilitation as part of a reform agenda to improve the country's business environment. Launched in 2004, the system transformed customs clearance, streamlining the process through transparent, electronic transactions initiated by a single request from the importer or exporter. Traders could collect and process the necessary documents and authorizations prior to customs declaration in about half a day rather than the four days required before the system was implemented. With its real-time data, government agencies could better monitor and control transactions, contributing to more secure transactions and revenues. This note highlights key issues in Senegal's decision to develop a customized system and offers lessons for governments in managing diverse stakeholder requirements and expectations.

The idea to use a single window<sup>1</sup> for customs clearance in Senegal emerged during the mid-1990s when the Department of Foreign Trade, a division of the Ministry of Trade, sought to improve the overall trading environment and promote trade and foreign investment. Stagnating growth in the early 1990s had led the government to undertake ambitious economic programs, starting with a 50 percent devaluation of Senegal's currency in 1994. Supported by the International Monetary Fund, the World Bank, and other multilateral agencies, the government began to

implement reforms designed to foster growth and development by reducing the government's role in the economy, improving public sector management, and enhancing incentives for the private sector.

At the time, trade-related regulatory requirements and customs clearance procedures were onerous and time-consuming—and often not transparent. Traders had to file separate requests with every public and private agency involved in the clearance process. They typically needed more than four

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This note is one in a series developed by the Trade Logistics team of the World Bank Group's Investment Climate Advisory Services. The series focuses on implementation aspects of recent trade reform initiatives and risk management issues. The Trade Logistics team advises governments in developing and transition economies on improving their import, export, and risk management systems and procedures to increase their potential for trade and investment.

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days to collect all the required documents, which then had to be attached to their import declarations for inspection by the customs administration.

A meat importer, for example, was required to file an import declaration form with the inspection body, along with the invoice, then go to his bank to obtain the payment terms.<sup>2</sup> At the bank, the importer provided an exchange permit to pay import fees to the consignor. He obtained an insurance policy, then visited the livestock department with his certificate of origin to obtain a phytosanitary certificate and a food product importation permit from the department responsible for quality control.

These requirements helped ensure that traders complied with various customs-related rules and regulations—including those aimed at protecting human, plant, and animal health—and that the government collected all relevant duties, taxes, and charges applied to exports and imports. But it became increasingly clear to policymakers in the Ministry of Trade that customs clearance procedures were too cumbersome and that other countries, such as Singapore, had succeeded in implementing information technology solutions to streamline processes without compromising health and safety.

A key trigger for trade reform occurred in 1995 when a delegation from the Department of Foreign Trade participated in a symposium sponsored by the United Nations Conference on Trade and Development. Once back in Senegal, the head of the Senegalese trade delegation launched a formal initiative to improve trade facilitation, with the support and assistance of Senegal's Ministry of Trade and the United Nations' Trade Point Program.<sup>3</sup>

## DESIGNING THE SYSTEM

The Ministry of Trade realized at the outset that engaging both the public and private sectors was essential to improving trade facilitation. In 1995 the ministry created the Association pour l'Efficacité Commerciale (AEC) as a think tank to develop ways to facilitate trade. AEC was comprised of representatives from key private sector associations involved in trade—including groups for importers and exporters, shipping companies, and banks—as well as customs and other government agencies involved in customs clearance. Based on AEC's

recommendation, the government established Trade Point Senegal (TPS) in 1996 as an independent body to facilitate trade broadly and implement a single window for customs clearance that would also provide commercial information to support export initiatives.

Senegal's single window was designed in three stages:

- ❑ Deciding on a model.
- ❑ Developing consensus among stakeholders.
- ❑ Developing the technical parameters for the system.

### Deciding on a model

The first step was to decide on a virtual single window system. A virtual window would eliminate red tape and ensure that the service would be available nationwide. In opting for a virtual single window, the authorities sought to simplify procedures (through a single file request), reduce processing times (requests would be processed in real time), and lower costs (traders would not need to visit multiple offices).

### Developing consensus among stakeholders

The second step was to consult with all stakeholders and secure agreement on the operational model. This step was a lengthy process because stakeholders expressed a broad range of preferences.

Streamlining procedures and standardizing data and documents were not addressed at the beginning; these were considered thorny issues that might create an impasse between businesses eager to speed up the process and public agencies inclined to maintain the status quo. The most important objective was to get a consensus on trade facilitation through the use of information technology. Through interviews with the end users of the single window, TPS conducted an assessment to gather information about the needs and expectations of traders, insurance companies, port officials, clearing agents, and customs representatives in both the public and private sectors. Workshops, seminars, and meetings were held to update stakeholders on a regular basis. Feedback from these events was addressed and suggestions deemed essential and technically feasible were integrated into the plan. The approach used during the assessment phase was effective because it involved all stakeholders, and as a result,

it helped TPS understand and address their needs in developing the system.

During this process the need to bolster stakeholder capacity (in terms of equipment and training) became apparent. As a result, the initial phase of implementation included free training sessions for stakeholders and users, a six-month pilot phase with coaching for high-volume users, a help desk for users during the pilot phase (which is still operational), and the establishment of a facilitation center for low-volume, occasional users who cannot connect directly to the system.

### Developing the technical features of the system

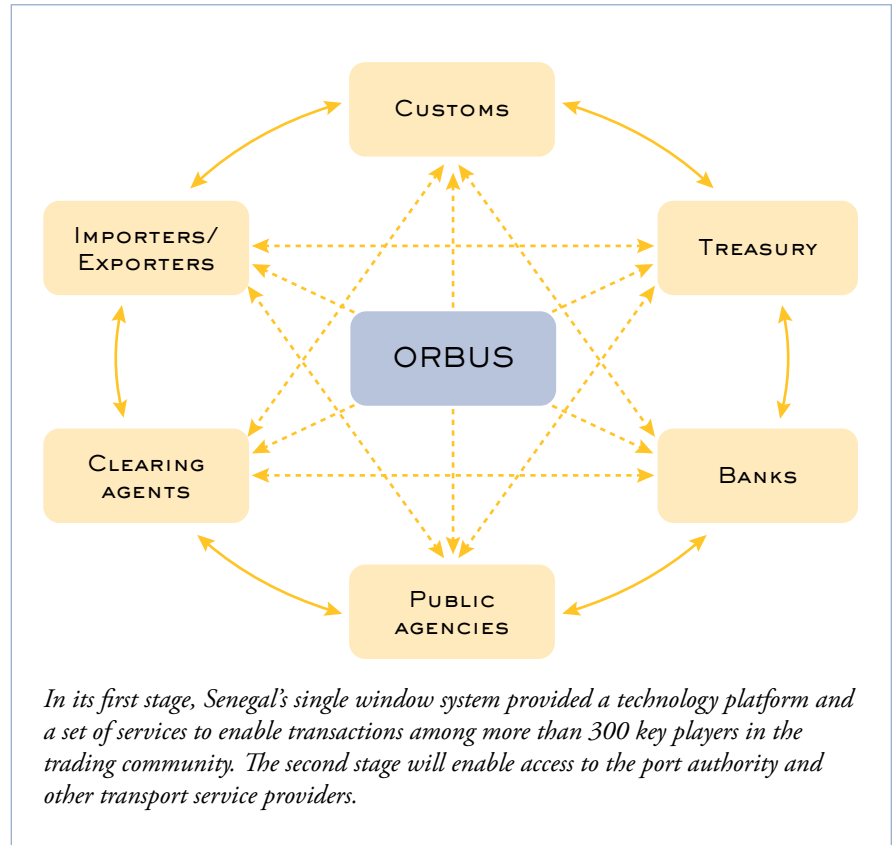
To identify the most suitable model for Senegal, a TPS team visited a number of countries that had automated their border control systems. The team visited Singapore in 1996, which at the time was operating the only single window model in the world. Impressed with the high level of organization and coordination at Singapore Network Services, the TPS team first considered replicating Singapore's system. But it soon became clear that Singapore's system would not be suitable for implementation in Senegal for two reasons. First, the government in Senegal was at a very early stage of using information technology; customs and the public agencies operated in a much less automated environment than their counterparts in Singapore. Second, legal and organizational constraints in Senegal prevented the use of automated processes in certain trade-related procedures at that time.

The TPS team decided that it was best to develop a customized system. In 1996 TPS launched a study to identify the needs of all members of the trading community as the basis for a customized, single window solution. A workshop was held to bring together key private and public entities to unveil the study's recommendations.

## SENEGAL'S VIRTUAL SINGLE WINDOW

Senegal's single window system, ORBUS,<sup>4</sup> was launched in 2004. The implementing organization, GIE GAINDE 2000, was founded as a partnership between public and private sector organizations<sup>5</sup> in Senegal to develop and implement the single window system.

**FIGURE 1: STAKEHOLDER CONTACTS ENABLED BY SENEGAL'S SINGLE WINDOW SYSTEM**



The system was designed to enable trade transactions through electronic exchanges between stakeholders (Figure 1). Its main objectives were to bring stakeholders of foreign trade into closer contact; improve working conditions; simplify and harmonize procedures; reduce the costs and time to trade; and introduce new technologies in the administration and among the trade community.

The single window system replaced numerous trade documents and applications previously required for trade pre-clearance with a single form submitted electronically by the trader. Through its web-based interface, the system automatically dispatches the single form to the various public and private bodies involved in the transaction.

After the trader submits his initial request, the system tells him which electronic documents are required for the requested transaction, and the request is automatically sent to the appropriate stakeholders

involved in the transaction, such as the banks, insurance company, and inspection service. Similarly, a separate, web-based interface for the customs authority and other agencies connected to the system enables them to receive and process trade requests. Through built-in functions, processing officers validate the requests, ask for modifications, or reject the applications (Figure 2).

### QUANTIFYING THE BENEFITS OF SENEGAL'S SINGLE WINDOW SYSTEM

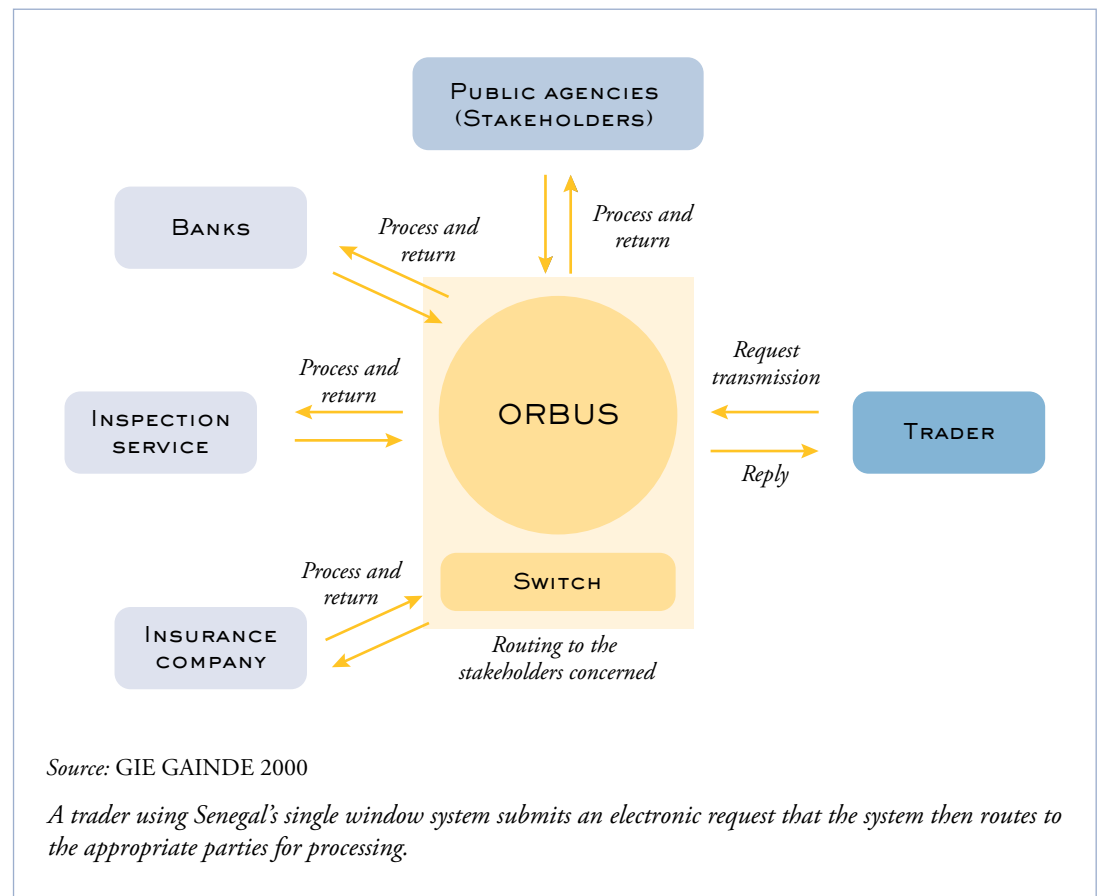
Senegal's single window system for customs declarations, now handling nearly all of the country's imports and exports, has streamlined the process for stakeholders in the public and private sectors, vastly simplifying trade transactions in Senegal (Box 1). The system has reduced pre-clearance

times and formalities-related costs for traders, improved the quality of the service offered to clients, and nearly eliminated paperwork.

Among the most evident benefits were that traders needed less time to clear customs and to collect the necessary documents and authorizations prior to customs declaration—a process cut from more than four days to half a day, or less. After the system's launch, processing of trade declarations became more efficient over time.

More efficient trade processes resulted in increased customs revenues (from around \$625 million in 2005 to more than \$1 billion in 2008).<sup>6</sup> After fees associated with trade transactions were collected through the single window and transferred to the relevant agencies, these agencies reported increases in revenues from streamlined and centralized fee collections.

FIGURE 2: SENEGAL'S SINGLE WINDOW



Cost savings directly resulting from the single window system are difficult to quantify, but several company costs were eliminated, including those incurred when traders conducted individual transactions with various government agencies, inquired on the status of files, and paid their employees to complete numerous documents.

The single window was implemented at a total cost of slightly more than \$6 million between 1996 and 2004. Operating and maintenance costs for the system totaled about \$1.75 million per year. The company implementing and operating the single window system reports that the system has been financially self-sustaining since its launch in 2004, covering all its operational, research, and development costs. The customs administration pays a large portion of the system's maintenance costs because its central servers are hosted and shared by customs.

## LESSONS IN MANAGING STAKEHOLDER INPUTS AND INVOLVEMENT

### Secure high-level support from both the public and private sectors

Garnering high-level support for customs reform required meeting with relevant ministries, departments, and businesspeople before and during the design of the single window. TPS delivered a clear, consistent message to all stakeholders: *the government had decided to automate border control systems, and their involvement and support were critical to achieving that goal.* Some private sector entities resisted initially because they perceived the effort as a government project, but the private sector came to see the potential benefits of automation and ultimately played a central role in the development and implementation of the system.

### Identify and address stakeholder needs and expectations

During the customs reform process, the TPS team spent a great deal of time systematically consulting with critical stakeholders: traders, insurance companies, port stakeholders, clearing agents, the customs administration, and other government agencies. A broad range of preferences were sought and expressed through the assessment interviews, workshops, seminars, and meetings. Each step in the system's design was validated with the affected stakeholders before an application or feature was adopted. "Proximity management"—close

## BOX 1: KEY BENEFITS OF SENEGAL'S SINGLE WINDOW SYSTEM

The single window system has streamlined trading processes for stakeholders in both the public and private sectors, helping to improve the investment climate and position Senegal as the "business friendly" location envisioned by its leaders nearly two decades ago. The single window system:

- ❑ Offers traders the convenience of a single form, submitted electronically, replacing numerous steps and procedures.
- ❑ Reduces customs document collection and clearance times and costs as manual processes, document handling, and signatures are replaced by automatic electronic processes.
- ❑ Reduces corruption in customs clearance procedures by eliminating human interactions, allowing files to be traced and performance standards instituted.
- ❑ Improves the efficiency of government revenue collection due to increased duty and tax payment compliance among traders and decreased corruption.
- ❑ Provides clear and accurate trade data for policymaking.
- ❑ Increases the use of information technology at public agencies.
- ❑ Improves the trade and investment environment as transactions become more efficient, transparent, and predictable.

collaboration with stakeholders at the managerial and operational levels to avert possible hitches—was critical because procedures and staff within the key organizations were constantly changing.

### Promote broad ownership of the project

Several government agencies took the position that the single window would erode their standing in the trade process by eliminating the need for people to give or refuse some authorizations. Thus it was important for TPS to develop consensus among agencies, emphasizing that the project was a national initiative intended to benefit the country as a whole.

### Ensure the support and involvement of the customs administration

Any effort to automate border control systems would have been virtually impossible without the support and leadership of the customs authority, the central agency enforcing trade-related regulation at the borders. The objectives of Senegal's customs administration in terms of automation and technology

## Box 2: Planned Single Window Initiatives in Senegal

Senegal plans to further develop its single window system through several projects and upgrades, including:

- ❑ Data exchange pilot projects with Europe and Asia
- ❑ Extension of the single window scope to logistic services
- ❑ Paperless Trade Project
- ❑ Electronic payment services
- ❑ Upgrade of the platform (architecture, technologies, and hardware)
- ❑ Improvement of functionalities

adoption were explicitly prioritized to help secure customs' support for the single window project. Customs eventually became the agency tasked with processing all documents collected through the single window system.

### **Convince employees that their jobs are not at risk**

Automation of administrative procedures simplifies manual procedures, and staff in the agencies involved may fear that jobs will be lost. This concern was compounded in Senegal by the inability of some managers, in 1996, to envision their staffs working in electronic exchanges. To manage and address these issues, constant communication was maintained with staff at affected agencies to keep them informed about organizational changes resulting from the reforms, and staff were trained in computer-related tasks that replaced the manual procedures. Managers in the affected agencies were also invited to accompany the 1996 international tour of single window systems in other countries.

## CONCLUSION AND OUTLOOK

The introduction of a single window system for customs clearance in Senegal tested the government's ability to satisfy disparate stakeholder interests in realizing its vision of enhanced competitiveness in international trade and commerce. While customs reform occurred in the context of broad efforts to better integrate Senegal into the world economy, the design and development of the system ultimately relied on committed leadership and keenly involved stakeholders.

The government aims to sustain Senegal's reform momentum and continues to enhance Senegal's competitiveness in regional and global trade. The "Accelerated Growth Strategy"—led by the High Investment Council chaired by Senegalese President Abdoulaye Wade—prioritizes foreign investment and economic integration at the regional and international levels, including the harmonization and modernization of customs.

The government is working to adapt the single window to the changing needs of stakeholders and is addressing remaining bottlenecks in the customs area. The single window will be integrated with other trade systems at customs, the ports, and the Treasury Department, which have been mandated to move to paperless transactions and 24-hour operation at the Port of Dakar. An upgrading of the customs pre-clearance and clearance platforms is central to these initiatives, as well as to pilot projects that will link Senegalese trading systems to selected platforms internationally (Box 2). *For more information, contact Uma Subramanian, Global Product Leader, Trade Logistics (usubramanian@worldbank.org).*

## ENDNOTES

- <sup>1</sup> A “single window” system for trade goods clearance allows traders to lodge information with a single body to fulfill all import- and export-related regulatory requirements. This “entrance” is managed by one agency, which informs all the appropriate agencies and directs combined controls.
- <sup>2</sup> Cotecna Inspection SA of Switzerland operates a liaison office in Senegal under a three-year contract to provide import verification services on behalf of the government of Senegal. The Multilateral Investment Guarantee Agency of the World Bank Group issued a guarantee covering the project investment.
- <sup>3</sup> The United Nations Trade Point program is an UNCTAD initiative launched in 1994 to help small and medium-size enterprises access trade opportunities and benefit from

trade facilitation based on information communications technology. Senegal adopted the initiative in 1995.

- <sup>4</sup> ORBUS refers to the pre-clearance, single window customs declaration system. GIE GAINDE 2000 is the company created to operate ORBUS. TRADE X is the international name for the customs management system currently used in Senegal; its local name is GAINDE. CORUS is the electronic payment system connected to the other systems.
- <sup>5</sup> Eighty percent of capital is held by the Committee for the Management of Customs Automation Services, a joint body comprising public (customs, treasury) and private (port stakeholders, professional trade unions) entities. The remaining 20 percent is held by private computer firms.
- <sup>6</sup> Customs revenues grew from CFA327 billion in 2005 to CFA467 billion in 2008.

## IN PRACTICE

The *Investment Climate IN PRACTICE* note series is published by the Investment Climate Advisory Services of the World Bank Group. It discusses practical considerations and approaches for implementing reforms that aim to improve the business environment. The findings, interpretations, and conclusions included in this note are those of the author and do not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent.

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