

Public-Private Partnership in Border Processes Modernization: Brazil's experience

The origin of the idea of a public-private partnership to modernize Customs

A 1999 study by the Competitiveness Committee of the American Chamber of Commerce in São Paulo identified lead time as a major competitive disadvantage for Brazil, and concluded that there were enormous opportunities to increase Brazil's participation in world trade if cross-border logistics could be made more efficient.

The study revealed that the greatest opportunities for shortening the lead time for Brazilian production lay in border-related processes, and served as the inspiration for creating a private-sector initiative to work with government on improving and modernizing customs processes.

In November 2003, the idea of a Public/Private Alliance to modernize Customs in Brazil was launched at an UNCTAD conference in Rio de Janeiro. The theme for the conference was on the use of ICT to increase trade. The UNCTAD conference provided the adequate international institutional framework to give the idea legitimacy.

Procomex, the Alliance to Modernize Brazil's Foreign Trade

In May of 2004, the Alliance to Modernize Brazil's Foreign Trade, better known as Procomex, was officially established as an informal movement bringing together more than 50 business associations, with the presence of senior officials from Customs and the Ministry of Development, Industry and Trade. By providing a dialogue mechanism for Customs and business, Procomex started the lengthy road of confidence building.

It became evident that this would be a long-term process and that a more formal institutional structure was needed to ensure continuity of the work. Thus, the Procomex Institute was set up in 2005 as the operational arm of the alliance. Companies were asked to participate, providing business-specific

knowhow and financial support. Representatives of participating companies and business associations equally held equal power in the governance of the institute.

A survey of the participating associations and their corporate membership was conducted in 2006 to identify major obstacles and opportunities for growth, and to draw up recommendations for modernizing export/import procedures. At the end of 2006, a process to review and prioritize suggestions was organized with the aid and partnership of senior Customs officials. As a consequence, a formal memorandum of understanding was signed with the Brazilian Internal Revenue Service, to which Customs reports. Five different working groups comprising the private sector and Customs officials were set up based on the priorities identified. These reported monthly on their progress to a meeting between Customs and members of the alliance.

An eight-step process to describe existing problems in import and export procedures

At the beginning of 2011, Procomex prepared a description of existing problems in import and export procedures, and identified opportunities for improvement. The result was an eight-step process to be applied to deal with the identified challenges. The process included the following steps:

- First, meetings were held with all the private sector stakeholders in the logistic chain. All their input was brought together simultaneously to design a process map of how current procedures work.
- Second, these same stakeholders were encouraged to think outside the box and design an innovative map of how the procedures would ideally work.
- Third, these two maps – “as is” and “to be” – were presented to Customs and other government authorities.



- Fourth, government designated a team of high level and knowledgeable Customs specialists.
- Fifth, this team worked together with the private sector to design a new “to be” map.
- Sixth, the Customs team worked with private sector representatives to define an implementation plan – how to move from the processes described in the “as is” map to the ones described in the jointly-designed “to be” map. This plan outlined the necessary changes to systems, norms, legislation and procedures that will be detailed in the operational manual.
- Seventh, joint meetings were held every three months to monitor implementation efforts.
- Eighth, once the implementation process began, the consultative process continued, aiming to clarify language and address issues that arose as the norms were written and the procedures described.

Results of the eight-step process

By August 2014, all the steps described above had been implemented for temporary admissions (TA) and for land, air and sea export procedures. Estimates were that TA approval procedures would shorten from an average 38 days to less than 10 days.

The process above was carried out in 145 all-day meetings held between April 2011 and July 2014. A total of 528 professionals from 188 different companies and 38 business associations participated, as did representatives from seven government agencies. Groups averaged 25 participants per meeting. The output was 51 detailed business process maps and three major implementation reports, dealing with:

- Temporary admissions.
- Export processes.
- Import processes (in production)

One great advantage for Customs is that they have gained a much clearer description of processes in detail as they take place, described graphically by leading professionals involved at each step of the logistic chain. Customs leadership has stated that Customs controls will become more efficient as they move closer to the way that companies control their business operations and the reality of the business processes. This part-

nership gives Customs the knowledge of how the private sector manages its business processes.

In addition to identifying the best and easiest opportunities for change – and there has been significant “low-hanging fruit” – the business process maps are serving as a major input for development of Brazil’s new Single Window. Brazilian products will become increasingly competitive as process times significantly decrease.

For the private sector this alliance provides a structured manner to positively influence public policies that will affect their business.

Individuals participating and working in the process mapping meetings say they benefit from a very intense learning experience. While all are very knowledgeable and competent in some parts of the process, no one knows the whole process in detail. The lively discussion of the sequencing and interdependence of activities provides new insights even for very seasoned and knowledgeable professionals.

The bottom line is a win-win partnership for both the public and private sectors.

Some of the lessons learned

The Brazilian experience is still very young, in terms of institutional development. Brazil faces a long learning curve, but there are already some useful lessons learned to be considered:

- The mission needs to be clearly seen as the platform for the relationship: in the Brazilian case, the mission is making the country more competitive through the modernization of customs processes.
- The model requires the involvement of:
 - government officials with strong political leadership and willingness to lead change and engage with the private sector;
 - a broad representation of associations (these provide political representation and legitimacy); and
 - companies that represent all elements in the value chain: producers, purchasers and all agents that provide services to make goods flow along the supply chain.



- › There needs to be a small permanent structure to provide logistics support and give continuity to the effort.
- › Governance must be totally transparent.
- › A methodology is essential. Procomex used Kaisen, furnished by professionals from Embraer, the airplane manufacturer.
- › The alliance must not defend any sector or corporate interest or try to solve any company-specific issues or problems.
- › Trust is built slowly as individuals learn to respect the value of the relationships, so it takes time and effort. This does not come automatically; it must be built through actions and not just with words.
- › Many companies are reluctant to commit financial resources for projects that do not bring an immediate return, and fewer still are willing to stick it out through difficult times, for example when those opposed to change appear to have the upper hand.
- › There is always going to be resistance to change. This needs to be managed skilfully by leadership in both the government organizations and the private sector.

Conclusion

The Brazilian partnership between the private sector and the Government/Customs is crucial and is rendering exceptional results in an immense, emerging economy. However, it must be further strengthened to meet the new challenges of the quickly changing international trade environment. Cooperation must go deeper, becoming more frequent, better structured and systematic.

Brazil's experience represents one way of developing effective cooperation; something similar could probably be employed in other countries. Our experience suggests that this model and similar initiatives could become instrumental in helping build a new paradigm of partnership that engages all stakeholders to develop the international supply chain.

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