

# PUBLIC-PRIVATE PARTNERSHIPS IN TRADE AND TRANSPORT FACILITATION

June 2005

**Public-private partnerships (PPPs)** are designed by and exist between public organizations and corporations, companies, or non-governmental organizations working in collaboration to achieve mutually beneficial results.

In trade and transport facilitation, PPPs bring together stakeholders in trade and transportation to design and implement procedures that improve the efficiency of public and private management of the international supply chain.

## Introduction

In the past 10 years, the world of international trade and transportation has re-invented itself into a global, service-oriented function of national economies. The demand for greater efficiency by government and the private sector is driving both sides to heighten cooperation to achieve their respective goals. This note describes developments in PPPs as they relate to cross-border trade and transportation. It does not address PPPs that are used to provide public services or the development of public infrastructure.

## The Need for PPPs for Trade and Transport Efficiency

Supply chains are created by businesses for the efficient manufacturing, transfer, and trade of goods. A critical parameter in their design is the need to accommodate various government processes created to ensure, *inter alia*, proper tax collection, fulfillment of health, safety, or security requirements, conformance with standards, and fair business practices.

While these regulations bring a range of benefits to the government infrastructure,

they also generate added costs in the supply chain process. These include an increase in the final cost of goods sold to the consumer, a decrease in profits, and, if improperly designed, a deterrent in further investment. For example, the use of convoy requirements to prevent revenue evasion creates long delays and is hence a costly way to operate when contrasted with the guarantee mechanism. Collaboration among stakeholders, both private and public, enables the identification of critical trade and transport impediments and the definition of alternative ways to achieve similar objectives at lower costs.

PPPs provide a forum where stakeholders can develop strategies to remove barriers to efficient trade. By involving private parties with competencies in trade and transport and with vested interests in the success of their businesses, public-private partnerships can develop the most efficient and properly regulated supply chains.

The UN Center for Trade Facilitation and Electronic Business (UN/CEFACT) put forth a recommendation specifically addressing the purpose, methods of creation, and operating structures of PPPs. Titled "*Recommendation No. 4, National Trade Facilitation Bodies*," it emphasizes the importance of these partnerships in order to:

- ◆ Identify issues affecting the cost and efficiency of a country's international trade;
- ◆ Develop measures to reduce the cost



and improve the efficiency of international trade;

- ◆ Assist in the implementation of those measures;
- ◆ Monitor the impact of measures using detailed indicators;
- ◆ Provide a national focal point for the collection and dissemination of information on best practices in international trade facilitation; and
- ◆ Participate in international efforts to improve trade facilitation and transport efficiency.

To view Recommendation No. 4, visit: [http://www.unece.org/cefact/recommendations/rec04/rec04\\_ecetr242e.pdf](http://www.unece.org/cefact/recommendations/rec04/rec04_ecetr242e.pdf)

To view its implementation guidelines, visit: [http://www.unece.org/cefact/recommendations/rec04/rec04\\_ecetr256e.pdf](http://www.unece.org/cefact/recommendations/rec04/rec04_ecetr256e.pdf)

## Parties to PPPs

**Private stakeholders** may include representatives from financial institutions, transportation providers and intermediaries, drivers and operators, brokers and forwarders, and freight terminals. **Public sector representatives** may include border security officials, customs and health authorities, revenue collectors, enforcement agencies, and any government agency with a stake in a product being transported. **Other relevant parties** may include regional bodies, international government and non-government organizations, and national associations.

The combined resources of the private and public sectors can provide many benefits, including an adequate transportation infrastructure, an efficient information and communications technology (ICT) infrastructure, export promotion programs, systems for certifying norms and standards (including sanitary and phytosanitary standards), efficient and fair legal and regulatory structures, and viable research and extension programs.

## Creating PPPs

PPPs assume various forms, but the important focus should be on the trade fa-

cilitation function rather than on the structure of the organization. The need for such cooperation has been discussed above, but the process for developing these partnerships is not widely understood. To be successful, potential parties to any partnership must overcome their traditional beliefs about government and business intentions. For example, the trade community frequently hesitates to meet with government representatives and express its thoughts and concerns for fear of possible retribution through government action. The government often shares this reluctance for fear that the trader might somehow find a technicality in regulations that enables non-compliance with the rules.

An environment in which trust exists between both parties provides a precursor to a good PPP. This approach is supported by the United Nations as part of its aforementioned *Recommendation No. 4* of the UN/CEFACT. The establishment of an effective partnership also requires:

- ◆ Recognition of the need to facilitate trade;
- ◆ Identification of, and commitment to achieving, shared objectives for private sector and government entities to streamline trade and transportation processes;
- ◆ Development of political will for trade facilitation;
- ◆ Availability of champions promoting the agenda either in the public or private sector (or both);
- ◆ Identification of priority actions that can be acted upon rapidly and lead to tangible results;
- ◆ Definition of a plan of mid-term measures;
- ◆ Pooling of resources that can support the partnership; and
- ◆ Willingness to harmonize trade procedures across borders and in accordance with international standards.

National trade facilitation bodies can act as catalysts for such trade facilitation

measures. They can represent their countries in international and regional initiatives aimed at facilitating trade.

Many PPPs created to improve the efficiency of the supply chain are formed by the government entity with the greatest interest in modernizing the existing process. Smaller, growing economies can benefit greatly from the use of PPPs in trade and transport facilitation because those partnerships provide inputs for aspects of the economy that government alone would address in larger economies. The transportation sector has been active in this regard, continually working with customs and border protection agencies.

*For more information, see the International Road Union's paper on Transport Facilitation and the need for the WTO Trade Facilitation negotiations:*

<http://www.iru.org/Presenting/Facilitation/b2441-e.pdf>

Experience shows that governments form more effective programs when they include stakeholders in the process. Some types of trade facilitation partnerships include:

- ◆ Ad hoc committees to address a particular issue:

*BASC:*

<http://www.wbasco.org/english/certification.htm>;

- ◆ Formal organizations supported by the government:

*SITPRO:*

<http://www.sitpro.org.uk/about/index.html>;

- ◆ Semi-formal organizations:

*PRO Committees:*

*SECIPRO-Southeast Europe PRO Committees;*

*EUROPRO Committees*

- ◆ Broader, more informal organizations used to encourage constructive dialogue:

*The ADB's Customs Cooperation Committee;*

- ◆ PPP Corridor Partnerships:

*Walvis Bay Corridor Group:*

[www.wbcg.com.na](http://www.wbcg.com.na);

- ◆ Statutory advisory committees charged by the parliament in an oversight capacity:

*Trade Support Network*

The more formal PPPs often require

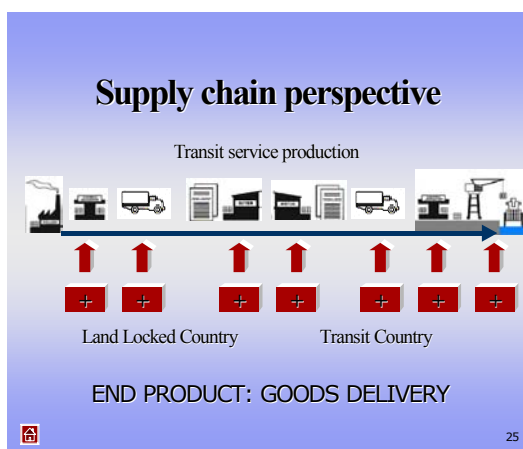
their stakeholders to agree in writing to participate. They can be established through government decrees. Most groups keep written documentation of the responsibilities of each sector and track implementation progress. Other less formal arrangements driven by mutual interest rather than written obligations can also develop.

### Establishing PPP Clusters

Most recent research developments in the field of transit transport corridor management recognize the value of local knowledge and know-how and include the proposal developed by UNCTAD and regional partners in South Asia (with ESCAP), Southern Africa (with WBCG), and South America (with ECLAC):

<http://www.un.org/esa/devaccount/projects/0405.M.html>

This Cluster Corridor Value Chain approach (see chart below) introduces the concept of a stakeholder's collective ownership of the transit corridor. In such a vision, the corridor is seen as a transit service production line and all business and government participants as providers of added value to the end product (i.e., the transit service.)



Trade and transport facilitation clusters that gather service providers develop along the corridor in landlocked, bordering, and seaport regions. These clusters form a network through shared informa-

### Role of PPP in Improving Corridor Efficiency

- ◆ Promotion and Advocacy
- ◆ Planning and Investment Coordination
- ◆ Pricing and Cost Recovery
- ◆ Traffic Control Improvements
- ◆ Documentation Revisions
- ◆ Coordination – CIQS
- ◆ Performance Monitoring
- ◆ Information Dissemination

*For more information, see "Best Practices in Corridor Management," World Bank, Forthcoming.*

## Clusters as Supplements to Committees

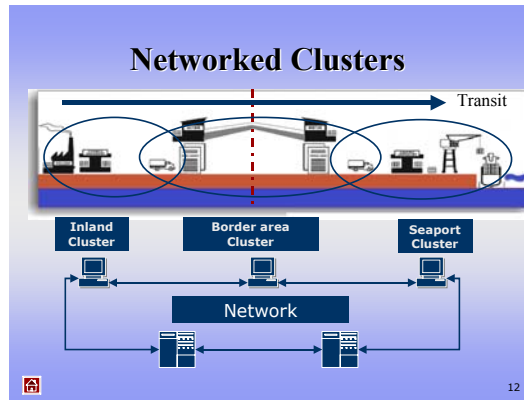
### Committees:

- ◆ Use a top-down, government-led approach;
- ◆ Place an emphasis on policy and regulations; and
- ◆ Require cooperation of higher-ranking government and private sector representatives.

### Clusters:

- ◆ Use a peer-to-peer approach;
- ◆ Place an emphasis on operational solutions; and
- ◆ Require information sharing and joint actions.

tion systems that allow constant monitoring of the corridor operation and the design of improvements.



Educational materials have been developed to facilitate the implementation of the cluster corridor value chain approach. These include:

- ◆ A guide to cluster development to help in the formation of three trade and transport facilitation clusters gathering public and private partners along the corridor: inland, border area, and transit seaport.
- ◆ A handbook on transit corridor analysis which looks at the different aspects of a transit system, including physical and institutional infrastructures, transport services and equipment, procedures and documentation, and regulatory frameworks.
- ◆ A manual on how to apply the supply chain management approach to transit corridor operation and how to define the role of clusters and of each cluster participant in the analysis and improvement of the performance of the corridor.

NOTE: These manuals will be made available on the GFP website.

## Financing PPPs

Sustained financing is another important factor in creating PPPs. A certain blend of financial backers is necessary in order to fund implementation activities so that the collaboration runs smoothly. According to USAID, “public-private agen-

cies and private sector associations generally have five sources of funding: member subscriptions, line items in the government budget, specific levies, grants or capital contributions from donors, and sales of the public-private partnership’s services.” The ability to secure funding is commensurate with the partnership’s capacity to implement activities with visible and tangible results for operators without negatively impacting revenues. This may include priorities, such as abolition of convoy requirements.

Developing an understanding of the respective roles of the partners represents yet another factor in creating public-private partnerships. Those responsibilities that should be specifically addressed include:

- ◆ Purpose of the partnership;
- ◆ Problems the partnership will address;
- ◆ Types of partners involved and the relative involvement of those parties;
- ◆ Nature of the partnership;
- ◆ Extent of the power-sharing; and
- ◆ Funding of the partnership.

It is best that these roles be assigned in a cooperative manner rather than a political one. For instance, the public sector should not retain excessive responsibilities and oversight if it lacks the resources to do so effectively, while the private sector should not overextend itself if it lacks the requisite organizational structure. A clear, authoritative document that sets the parameters of a PPP will facilitate a more successful collaboration.

*For more information, see [the paper submitted to USAID by Nathan Associates](#).*

Institutional structures vary from formal legal entities to informal gatherings that build on established organizations like chambers of commerce. The private sector may wish to utilize partially public institutions such as trade unions and NGOs to fulfill certain obligations. Within a PPP, the two sectors must pool

their strengths and use the advantages of their partner's organization to their own benefit. For instance, the private sector can be included in the identification process by providing innovative solutions and financial support, participating in joint initiatives, and monitoring project results.

### Other Public-Private Cooperative Trade and Transportation Initiatives

By extension, PPPs take many other forms targeted at stimulating the informed compliance of legitimate traders and supply chain operators. This entails training both government and private sector employees and defining special simplified procedures for authorized traders. Informed compliance can be supported by joint training in operations and supply-chain logistics and by the sharing of information through a joint information database. The development of e-government and e-commerce can also bring useful tools to align public and private sector priorities.

*For more information, see US Customs and Border Protection's C-TPAT website.*

Government agency websites are needed to facilitate transparency of requirements for private sector operators and investors. PPPs can support these efforts by providing feedback or working with the public sector to ensure the availability of proper information.

### Conclusion

Coordination between interested stakeholders in the trade and transport sector is critical to the successful modernization and facilitation of cross-border transactions. That coordination is best accomplished in partnerships with all key stakeholders, including government regulators, traders, financial donor governments, recipient government agencies, and the private sector trade intermediaries.

The most critical factors in the creation and operation of a successful partnership are that both the public and private sectors are proactive in trade facilitation and that visible improvements are reached rapidly. To that end, the definition of a priority list supported by performance measurements, before and after improvement, is instrumental, particularly when combined with a focused public dissemination effort.

Donor institutions can often play an important role in providing advice and support to governments to ensure the success of those partnerships. Such partnerships are encouraged to register as national focal points under the GFP website to avoid duplications.

Some of the impediments to the success of such partnerships include a lack of interest, a lack of legal and/or administrative authority, frequent changes in public sector representatives, and a general deficiency of capacity due to financial, technical, or practical circumstances.

*Country-specific examples can be found in CIS 7, Kazakhstan and Turkmenistan as reported in the World Bank's funded study by Eva Molnar, WB and Lauri Ojala, WB Consultant, 2003.*

### Additional Resources and Links

- ◆ [Trade and Transport Facilitation in Southeast Europe Program \(TTFSE\)](#)
- ◆ "Public-Private Sector in Cooperation in Trade Facilitation."  
[http://www.unece.org/trade/forums/forum02/presentations/session\\_iii/rwee.pdf](http://www.unece.org/trade/forums/forum02/presentations/session_iii/rwee.pdf)
- ◆ An analysis of the performance of some national facilitation organizations;  
[http://www.secipro.net/doc\\_meetings/20041001172531102.pdf](http://www.secipro.net/doc_meetings/20041001172531102.pdf)
- ◆ Apostolov, Mario; [UNECE Presentation of Public Private Partnerships and Organization Structure in Support of Trade Facilitation](#);
- ◆ Caucasus Trade Facilitation Conference. "Building up a Sustained Public-Private Partnership." Tbilisi, 18-21 June 2001.
- ◆ CSIS Euro Atlantic Action Commission, 2004;  
<http://www.csis.org/eaac/recommendations.htm>
- ◆ The National Council for Public-Private Partnerships.  
<http://ncppp.org/>.

### Case Study: PRO Committees of Southeast Europe Supporting the TTFSE Program

In Southeast Europe, public-private committees were created with support of the US Government and UNECE in line with Recommendation 4. Some of these committees emerged in the wake of the conflicts that occurred in the region in the 1990s. These committees played an instrumental role in supporting the design and implementation of a regional program of Trade and Transport Facilitation in Southeast Europe (TTFSE), supported by a series of World Bank projects and donor funding.

Their activities entailed, in addition to the traditional agenda identified above: (i) defining training needs for private sector operators; (ii) defining their information requirements; (iii) organizing training for over 6000 individuals in 122 cities in partnership with road transport association and freight forwarders associations; (iv) establishing a regional portal for information on border procedures ([www.ttfse.org](http://www.ttfse.org)); (v) conducting multiple roundtable meetings at local, national, and regional levels ([www.secipro.net](http://www.secipro.net)); and (vi) interacting with a group of high-level Government representatives, the TTFSE Regional Steering Committee. Regular performance monitoring indicators enabled the committees to monitor improvements.

The participation of PRO committees included financial contributions from the corresponding Chambers of Commerce matched with donor financing (US). This led to cost effective solutions tailored to fit country requirements.

- ◆ Raven, John;  
*Trade and Transport Facilitation. A Toolkit for Audit, Analysis, and Remedial Action*; 2001;
- ◆ Economic and Social Commission for Western Asia Region, *Manual for the Establishment of National Trade and Transport Facilitation Committees in the Countries of the Economic and Social Commission for Western Asia Region*; December 2002;  
<http://www.escwa.org.lb/information/publications/division/docs/trans-02-3.pdf>;
- ◆ The North American International Trade Corridor Partnership;  
<http://www.naitcp.org/lowing.htm>
- ◆ Trade Corridors Partnership;  
<http://www.tradecorridors.com/>
- ◆ National Council for Public-Private Partnerships:  
<http://ncppp.org/howpart/ppptypes.html>
- ◆ [http://www.unece.org/cefact/nat\\_bodies.pdf](http://www.unece.org/cefact/nat_bodies.pdf)
- ◆ Jamaica Trade Point,  
<http://www.jamaicatradept.com/aboutUs.html>
- ◆ U.S. Customs and Border Protection's Customs-Trade Partnership Against Terrorism (CTPAT);  
[http://www.customs.ustras.gov/xp/cgov/import/commercial\\_enforcement/ctpat/fact\\_sheet.xml](http://www.customs.ustras.gov/xp/cgov/import/commercial_enforcement/ctpat/fact_sheet.xml)
- ◆ Operation Safe Commerce,  
<http://www.tsa.gov/public/display?theme=44&content=090005198003f277>
- ◆ WCO's Trade Symposium on Supply Chain Security,  
<http://www.wcoomd.org/ie/en/en.html>
- ◆ TTFSE Implementing mechanism  
<http://www.seerecon.org/ttfse/TTFSERoleParties.pdf>

This GFP Note has been produced with the financial assistance of a grant from TRISP, a partnership between the UK Department for International Development and the World Bank for learning and sharing of knowledge in the fields of transport and rural infrastructure services. This Note was prepared by JBC International and reviewed by the World Bank Trade Logistics Group and GFP Steering Committee. The preparation of the GFP Notes was coordinated by Gerald Ollivier, World Bank. The views published are those of the authors and should not be attributed to the World Bank or any other GFP affiliated organization. Additionally, the conclusions do not represent official policy of the World Bank, its Executive Directors, or the countries they represent. For more information, contact Mr. Ollivier at [golliver@worldbank.org](mailto:golliver@worldbank.org).