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PUBLIC-PRIVATE PARTNERSHIPS BRIEFS

El-Salvador: Trade Inspections



Overview

The Government of El Salvador has procured a ten-year import, export, and transit verification project. The procurement arrangement is governed by a Concession Contract for Goods Inspections Services through the Use of Non-Intrusive Equipment and Services. The project will add transparency, reduce processing times and paperwork, and enhance the accuracy of customs valuation and duty procedures.

MIGA is supporting Cotecna S.A. of Switzerland (COSA) shareholder loan to Cotecna de El Salvador S.A. de C.V. MIGA's guarantees will help facilitate trade, boost government revenues, and support the creation of local jobs.

This series showcases how the World Bank Group supports the development and implementation of public-private partnerships. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

Background

El Salvador is the smallest country in Central America geographically but it has the fourth largest economy in the region. With the global recession, real GDP contracted in 2009 and economic growth has since remained low, averaging less than 2 percent from 2010 to 2013. Remittances accounted for 16 percent of GDP in 2013 and international trade represents about 30 percent of the GDP.

El Salvador was the first country to ratify the Dominican Republic-Central American Free Trade Agreement (CAFTA-DR), which has bolstered the export of processed foods, sugar, and ethanol, and supported investment in the apparel sector amid increased Asian competition. Its Doing Business rank has improved since the introduction of the project to 73 (out of 189 countries) but it is still in the middle of its neighboring countries.

Project Description

A consortium established by COSA was contracted to provide import verification services to the government under a 10-year build, operate, and transfer contract. The contract involves the financing, procurement, installation, and operation of import inspection equipment, including nine high-energy X-Ray scanners, six pallet scanners for air freight, seven trace detectors, four truck weighbridges, and one data control center that will coordinate and centralize all scanning operation centers in real time.

The project is fully in line with the priorities of the government's 2012 Reform Act aimed at simplifying customs processes. At the end of the 10-year service contract, best-practice inspection equipment and procedures will be transferred to the government. Cotecna El Salvador will provide training to the Customs Administration to prepare capacity for their eventual future takeover of operations. Cotecna El Salvador plans to employ about 135 local staff.

World Bank Group Role

MIGA has extended a \$23.8 million guarantee for a period of up to 12 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. The guarantee has been extended to COSA.

Outcomes

COSA El Salvador will introduce scanning technology that will reduce the clearance time for imported goods, thereby helping to reduce the cost of doing business for local importers and their clients and contributing to international trade. The technology will also help prevent duty evasion and result in a more accurate assessment of the value of imported goods. At the end of the contract period it will ensure that the El Salvadorean government inherits the capacity to manage these simplified, global best practices in trade verification on its own.



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