

**BRAZIL**



# *Time Release Study*

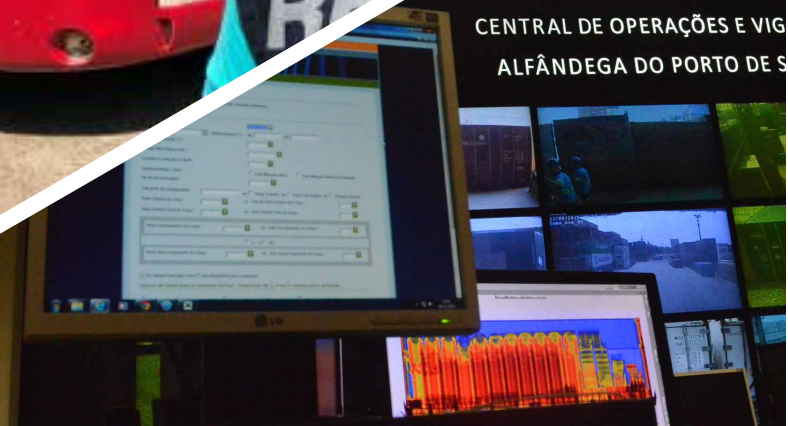
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CENTRAL DE OPERAÇÕES E VIGILÂNCIA  
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**Receita Federal**



# TIME RELEASE STUDY BRAZIL

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# EXECUTIVE SUMMARY

This is the first study on time required to release goods, based entirely on the World Customs Organization (WCO) methodology, carried out in the country. This study was conducted by the Special Secretariat of the Federal Revenue of Brazil (RFB) throughout 2019, with active participation of the most representative public agencies in the control of foreign trade operations, such as the Secretariat of Foreign Trade (Secex), the Brazilian Health Surveillance Agency (Anvisa) and the Ministry of Agriculture, Livestock and Supply (MAPA). Key representatives of Brazil's private players in foreign trade also participated in the study, such as the Procomex Institute, the Customs Brokers' Union, the Brazilian Association of Port Terminals and the Brazilian Association of Customs Terminals and Warehouses (Abtra).

The study on time required to release goods gained even more relevance after the entry into force of the World Trade Organization (WTO) Trade Facilitation Agreement, which provides for the implementation of this type of survey, as well as expressly mentioning WCO's Time Release Study (TRS) methodology.

## Data

From the outset, the survey followed the WCO methodology, which ensures the data's reliability and wide national and international acceptance of its results. Brazil's Time Release Study was submitted to independent consultants for review and relied on the support of the World Bank.

The data collected represent more than a report measuring the performance of agents in the Brazilian import logistics chain from the perspective of a public agency. It is an indepth and comprehensive analysis of the stages of the import process and the times measured in carrying out import licensing, customs clearance, and physical release of goods from the moment they arrive in the national territory. **The actions of different agents at each stage of the process were measured and analyzed.**

## SCOPE

The data collected and analyzed in this study refer to import procedures that started in Brazil during June and July of 2019, represented by the totality of "Consumption" import clearances, without customs transit or application of the warehousing regime, in the sea and air modes. The data relating to the road mode were collected at the two main points of entry of goods into the country and represent approximately half (46%) of the total volume imported in this mode.



# FLAWS AND STAGES IN IMPORT

## Understanding the import flows and their component stages

The analysis evidenced the need for dividing the import process into 4 flows, depending on the number of their component stages as well as their complexity - the more stages, the more complex. The flows are detailed as follows:

### Flow 1

Depicted in the flowchart by a green dashed line. It is comprised of imports selected for the green channel, and for which there is no need for licensing by administrative control bodies after the cargo arrives in the country. Such declarations account for 87.25% of total operations;

### Flow 2

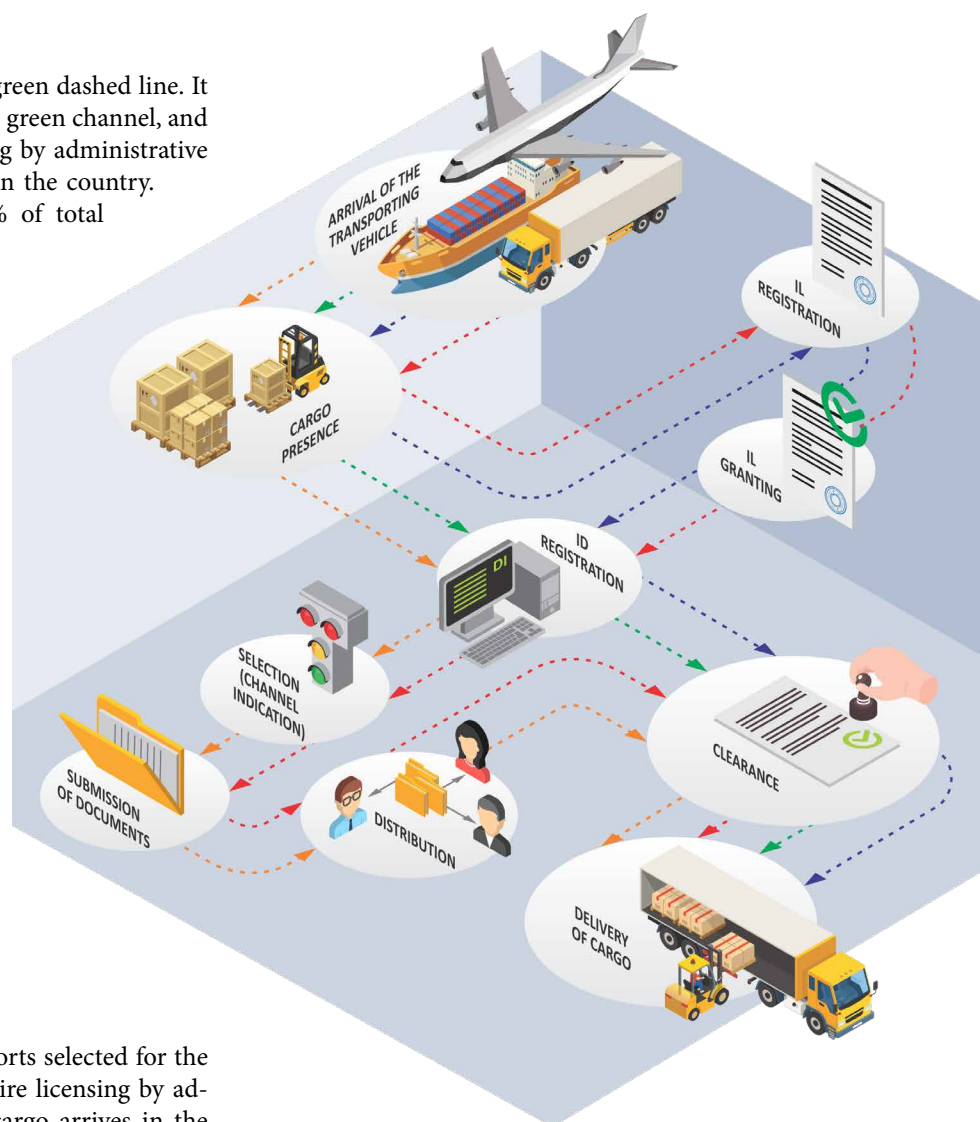
This flow includes green channel declarations that require licensing by administrative control bodies after the cargo arrives in the country. It accounts for 10.42% of total operations and is depicted in the flowchart by a blue dashed line;

### Flow 3

Depicted in the flowchart by the orange dashed line, this flow is applied to imports selected for the yellow and red channels and which do not require licensing from administrative control bodies after the cargo arrives in the country. It accounts for 2.09% of total operations;

### Flow 4

Finally, this flow applies to imports selected for the yellow and red channels and that require licensing by administrative control bodies after the cargo arrives in the country. It accounts for about 0.24% of total operations. It is depicted by the red dashed line in the flowchart.



# MAIN FINDINGS

## Main findings

The main findings, characteristics and recommendations of the study are summarized below:

**1** The import process was mapped and broken down into different stages, in order to provide precise identification of those responsible for each of the procedures and, consequently, facilitate the identification of opportunities for improvement in processes and performance.

**2** The data refer to the time measured **from the arrival of the goods** in the country to their actual **physical exit from the bonded warehouse**.

**3** In this study, 4 main flows of increasing complexity have been identified, as well as bottlenecks in all flows, especially those involving a greater number of agents and stages. For time measuring purposes, significant stages of each flow were also identified as well as their primary responsible agent.

- The simplest flow, composed of 4 stages, accounts for 87.25% of total operations.
- The more complex flow consists of 9 stages and accounts for less than 0.2% of total imports.

### MAIN INFORMATION COLLECTED

- The average time measured, considering all modes, was **7.5 days**.



- More than **87% of goods** imported are physically released in less than **7 days**, counted from their arrival in the country.
- **65%** of the total average time spent in **Anvisa's authorization** processes stem not from actions under the agency's responsibility, but mainly from the payment of fees and the bank payment clearing times.
- The **customs clearance** stage, under the responsibility of RFB, accounts for **less than 10%** of the total time measured.
- The average time for imports carried out under the **Clearance on Water modality** is **73% lower** than that for other modalities.
- The actions under **the responsibility of private agents**, notably importers (or their representatives – customs brokers), international carriers and depositaries, represent **more than half of the total time** spent in all flows analyzed.

**4** The study specifically addresses transport modes and customs units responsible for import processing, allowing comparisons to be made. This makes it easier to tackle bottlenecks identified at the local level, as well as map and disseminate good practices.

**5** Diligent action of importers and/or their representatives in carrying out procedures for registration of the declaration, delivery of the goods after clearance and handing of instructive documents to RFB has the potential to generate an average reduction of more than 40% of total times.

**6** The percentage of selection of declarations for physical and/or documentary inspection channels, of less than 5%, was strongly aligned with international guidelines on the use of risk management methodology;

**7** Significant differences (up to 70%) between the average time of consenting bodies in different locations indicate the need for harmonization of practices and standardization of application analysis deadlines.

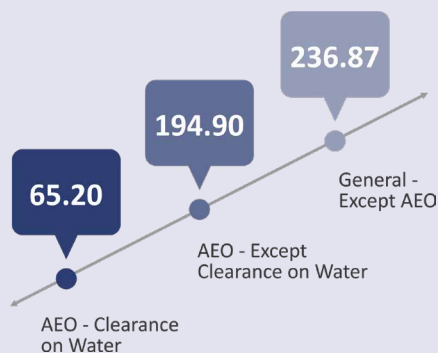
**8** Import processes that present a higher customs, sanitary and/or phytosanitary risk have more complex import flows. The highest average release times were identified in these processes, which represent less than 3% of the sample.



### CLEARANCE ON WATER

The use of Clearance on Water represents a major advance in reducing average release times. In the comparison of operations in the sea mode, it was found that the time required to carry out a Clearance on Water operation is approximately 73% less than operations carried out by non-AEO operators. In comparison with AEOs that used other forms of declaration, especially because of the need for Licensing after the cargo arrived in the country, the reduction is also large, reaching 66%.

Sea mode - Comparison among the clearance modalities average times (in hours)



# SOLUTIONS UNDER DEVELOPMENT

## Solutions under development

- 1** The new air cargo control, due to be implemented in 2020, is based on intensive risk assessment and is expected to reduce cases of human intervention in the physical flow of the cargo by up to 90%.
- 2** The anticipation of information provided by importers to public agents even before the arrival of goods in the country will positively affect the stages of IL Registration and ID Registration, since both will be completed by the Importer before the physical arrival of the cargo.
- 3** Advanced and coordinated risk management among the relevant public agentes, with the selection channel being disclosed upon Cargo Presence registration, will provide greater logistic agility and reduce storage needs, therefore reducing the total time for Delivery of Cargo to the importer.
- 4** Advanced and coordinated risk management combined with simultaneous execution of administrative and customs controls will positively impact the entire flow, allowing the control bodies to work concomitantly in a single inspection window, reducing the need for cargo movement.
- 5** The Foreign Trade Centralized Payment module on the Single Portal will concentrate and automate the payment of taxes levied on the foreign trade as well as eliminate the need to wait for bank clearing.
- 6** The electronic submission of information and documents in a single window on the Single Portal will enable the elimination of information redundancies as well as process simplification for importers. At the same time, it will also enable better equalization of the control bodies workforce which can perform inspections from any place in the country, regardless of where the cargo is located.
- 7** The Integrated AEO project will expand the program benefits by means of integrating the RFB and the administrative control bodies in a partnership with reliable operators, reducing the need for human intervention in the physical flow of the cargo and ensuring greater security for the society.
- 8** Advanced submission of information on wood packaging to MAPA in the sea mode, allowing for selection prior to Cargo Arrival in the country so that port operators will be able to conduct ship unloading more efficiently.
- 9** Simplification of the regulatory framework for all public bodies to joining the Single Portal, as a means to facilitate the fulfillment of obligations by private agents.

# RECOMMENDATIONS

## Recommendations

Opportunities for improvement were identified and actions were proposed applying, in general, to virtually all flows, transport modes and units analyzed. The recommendations, many of which were formulated with the assistance of private sector representatives, are presented below:



Adopt periodic measurement and publication of average release times, following WCO methodology (TRS).



Simplify the import tax refunding process for cases arising from procedures conducted by foreign agents in ICA or other issues that result in ID cancellation.



Ensure support and resources to finalize solutions already under development, such as the Single Portal Program.



Measurement of times, segregated by stages and by unit, of all the consenting bodies involved in the processes, identifying the causes of variations between the units and adopting best practices.



Maintain close contact among all players during the time elapsed between release and delivery, addressing possible solutions, such as improving the model for charging warehousing fees.



Rank customs brokers and bonded warehouses according to their performance in foreign trade.



Harmonize mandatory procedures and sharing of good practices among the units, including batchmaking frequency for risk management and working hours of the teams on weekends and holidays.



Adopt solutions for remote physical inspections.



Start transit between warehouses of the same unit before the end of the unloading operation.



Mandatory attachment of instructive documents for ID registration.



Strengthen port community using the COLFAC (Local Committees on Trade Facilitation) to promote local solutions, particularly as regards communications between public and private stakeholders through the development of Port Community Systems.



Creation of a unified tax collection module to tackle both the issue of ICMS collection for delivery of goods and the need to wait for the clearing of the Union Payment Slip GRU payment slip in the case of processes involving Licensing.



Perform administrative and customs controls in parallel, with analysis of licensing requests and import declaration carried out concurrently.



## Conclusions

The publication of this study, in addition to providing a baseline for measuring gains obtained with the implementation of the Single Import Declaration (DUIMP) of the Single Foreign Trade Portal, expected to be operational next year, reveals the gains already obtained in the improvement processes implemented by the Federal Revenue of Brazil and other agencies involved in the import process.

While many of the results demonstrate Brazil's advances and improve stakeholders' perception of the logistical process of importing goods, several opportunities for improvement have been identified. If, on the one hand, there is room for advancing the procedural routines of all public bodies involved in the process, it is also clear that increasing the efficiency of private agents such as international carriers, depositaries, importers and customs brokers has the potential to raise the process to even higher levels and significantly reduce total times

Another important factor for improving import times is the way in which the control bodies operate, with sequential steps and actions. Since administrative control is always carried out before customs control, this has a negative impact on the speed of the process. This condition significantly delays the registration of the ID for flows 2 and 4. For example, in flow 2, the sum of the average times between the stages between Cargo Presence and the ID Registration exceeds 50% of the total time, taking almost 170 hours.

The payment of fees charged by the administrative control bodies also proved to be an obstacle to the speed of the process, since the payment and bank clearing of the GRU take up the largest amount of time in the license granting process. The impact on the IL Granting stage ranges from 64% (sea: 140.28 hours) to 78% (air: 171.85 hours), affecting Flows 2 and 4 significantly.

For all 4 flows, it was found that the Delivery of Cargo is negatively impacted also by the need to comply with obligations related to SEFAZ, i.e. ICMS payment or exemption. Most states do not have automated systems or processes, requiring importers to submit physical documents and pay bank slips. In a future version of the study, further detailing of this stage may contribute to a better assessment of the time required for the activities included in it, as well as to the development of improvement actions. In any case, the need to harmonize and automate payment methods is evident.

The TRS is an ongoing process, which does not end with the publication of this report. An even more important stage (Phase 4 of the methodology) begins now, with the adoption of an action plan to eliminate the main bottlenecks found. The initiatives of the Single Foreign Trade Portal Program, the advances of the Brazilian Authorized Economic Operator Program, in addition to other customs modernization measures already underway or to be implemented, can now count on a reliable tool for measuring and disseminating the gains obtained. The TRS is expected to act as a trigger and baseline for the assessment of future developments.



# Receita Federal

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