



Reference Document
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Trade Facilitation Sector Progress Report and Work Plan (October 2015–September 2016)

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I. Sector Progress

A. Introduction

1. The Central Asia Regional Economic Cooperation (CAREC) Transport Sector Coordinating Committee (TSCC) and Customs Cooperation Committee (CCC) jointly implement the refined CAREC Transport and Trade Facilitation Strategy (TTFS 2020). The strategy targets three sector outcomes: (i) establish competitive corridors across the CAREC region, (ii) facilitate the efficient movement of goods and people through the CAREC corridors and across borders, and (iii) develop sustainable, safe, user-friendly transport and trade networks. The trade facilitation (TF) component covers trade and border crossing improvements, customs reform and modernization; coordinated border management; national single window development; and trade-related sanitary and phytosanitary (SPS) reforms and modernization.

2. The trade facilitation program is implemented through coordinating bodies such as the CCC, the CAREC Federation of Carrier and Forwarder Associations (CFCFA) and the SPS ad hoc working groups. The CCC is comprised of heads of customs authorities of CAREC member countries. It serves as a regional forum to address common customs issues among the 10 CAREC participating countries, and to introduce innovations and share knowledge on international best practices. CFCFA is a private sector nonprofit organization.¹ Its major objectives are to facilitate transport, trade and logistics development in the region, and to advance the interests of road carrier, freight forwarder, and logistics service provider associations that are its active members. There are currently 22 member associations.

B. Sector Outcomes and Outputs

3. **Trade facilitation indicators.** Trade Facilitation Indicators (TFIs) provide a benchmark to assess progress of the CAREC trade facilitation program. Road and rail performance markers for the region for the period 2015–2016H1 are shown below:

Table 1: Trade Facilitation Indicators for Development Effectiveness Review(2015–2016H1)

Road Indicators	2015	2015H1	2016H1	YoY
TFI1 Time taken to clear a border crossing (hours)	9.3	9.3	9.5	3%
TFI2 Costs incurred at a border crossing point (\$)	149	157	155	-1%
TFI3 Costs incurred to travel corridor section (\$)	1,341	1,245	1,237	-1%
TFI4 Speed to travel 500 km on CAREC corridor section (kph)	23.2	22.8	23.1	1%

Rail Indicators*	2015	2015H1	2016H1	YoY
TFI1 Time taken to clear a border crossing (hours)	27.4	30.9	24.5	-21%
TFI2 Costs incurred at a border crossing point (\$)	208	210	213	1%
TFI3 Costs incurred to travel corridor section (\$)	1,250	1,350	992	-27%
TFI4 Speed to travel 500 km on CAREC corridor section (kph)	14.0	13.3	14.5	8%

\$ = US dollar; kph = kilometers per hour; TFI1 = trade facilitation indicator #1; YoY = year-on-year.

*Rail sample is comprised of records from Corridors 1 and 4 only.

4. **TFI1: Time taken to clear a border crossing (hours).** In the first half of 2016, time to cross borders on road slightly increased to 9.5 hours compared to 9.3 hours in the same period last year. Rail border crossing, on the other hand, recorded a substantial decline from 30.9 to

¹ The organization was established in 2009 under ADB financing (R-PATA 7353) as a nongovernment and nonprofit organization, and incorporated as a limited company in 2012.

24.5 hours. For road border crossing points (BCPs), lengthy border crossings from Pakistan to Afghanistan at Peshawar (PAK) and Chaman (PAK) affect the overall average for the region. Border crossing time at these BCPs averaged 32 and 36 hours, respectively, largely attributed to long customs clearance, waiting in queues and loading/unloading. Rail border crossing along Corridors 1 (from the People's Republic of China [PRC] to Kazakhstan via Alashankou) and 4 (from the PRC to Mongolia via Erenhot) improved attributed largely to shorter waiting time to enter reloading facilities, resulting from less congestion in rail stations.

5. **TFI2: Costs incurred at a border crossing point (\$).** In the first half of 2016, average costs incurred at road and rail BCPs remained relatively the same compared to the same period last year, sustaining a stable trend in the previous years.

6. **TFI3: Costs incurred to travel corridor section.** Road TFI3 for the first half of 2016 remained steady compared to the same period last year, due to the sustained low transportation cost attributed to lower fuel prices. Rail TFI3, on the other hand, improved due to slight reduction in railway tariffs along Corridors 1 and 4.

7. **TFI4: Average Traveling Speed (kph).** Both trucks and trains registered faster average Speed without Delay in the first half of 2016 at 41.4 kph and 40.4 kph, respectively. Similarly, Speed with Delay (SWD, taking into account border crossing delays and intermediate stops) improved registering an average of 23.1 kph for road and 14.5 kph for rail. The improvement experienced by rail transport is mainly due to improved TFI1, particularly at BCPs along Corridor 1. However, the big difference between the two speed indicators suggests long border crossing delays in the region.

8. **Midterm Review (MTR) of CAREC 2020 Strategy.** An overview of the CAREC Strategy 2020 Midterm Review was presented to the joint 15th CCC annual meeting and 7th CFCFA annual meeting. According to the MTR, CAREC has made substantial progress in addressing the agenda set out in CAREC 2020 and all four priority sectors achieved significant progress. In trade facilitation, CAREC has made progress on establishing the corridor performance measurement and monitoring (CPMM) program, which allows member countries to monitor progress on the transport corridors. CPMM has gained wide recognition among Development Partners and researchers. Other key achievements of the trade facilitation program include: (i) setting up sustainable regional cooperation mechanisms; (ii) introducing international good practice; (iii) improved results management; (iv) adoption of an integrated trade facilitation agenda; and (v) launching of multi-country programs and projects such as the Regional Improvement of Border Services (RIBS) and the Regional Upgrade of SPS Measures for Trade (RUST).

9. The MTR report also highlighted challenges to facilitate trade. Compared with the baseline year 2010, the 2015 CPMM annual report shows that: (i) the time to cross borders has increased; (ii) the costs incurred at a border crossing have declined only marginally; (iii) the nominal costs incurred in traveling a corridor section have increased; and (iv) speed of travel is relatively unchanged. In addition, due to the small-sized investments and inter-agency and inter-country coordination challenges, trade facilitation projects are often given lower priority than large infrastructure projects. Trade facilitation involves close coordination of multiple countries and agencies across various sectors, and existing institutional coordination mechanisms may not be adequate. The work on SPS, for example, is currently supported by ad hoc working groups, while work on national single window development can require the involvement of up to a dozen different agencies. Customs cooperation alone has proved insufficient to address key challenges.

10. The recommended trade facilitation priorities for the remainder of the CAREC 2020 period are to: (i) strengthen core competencies and continue to strengthen regional groupings, support efforts to adopt international good practices, improve results management, develop innovative programs and projects, and build country capacities; (ii) promote integrated trade facilitation and thus improve the flow of goods, information, finance and people across the CAREC region while safeguarding legitimate regulation; (iii) build on the existing integrated trade facilitation agenda, including coordinated border management, single window development, CPMM, private sector engagement, SPS reform and modernization, and immigration and cross-border financial services development; (iv) strengthen coordination among trade facilitation initiatives; (v) reinforce country ownership for trade facilitation programs by building country capability for policy analysis, and program and project formulation; and (v) strengthen inter-subregional linkages beyond the CAREC subregion itself.

C. Operational and Organizational Effectiveness

1. Customs Cooperation

11. **Institutional support.** The CCC remains a stable and cohesive coordination mechanism and all members continue to support the five priority areas: simplification and harmonization of customs procedures; risk management systems; joint customs control (JCC); regional transit; and ICT modernization. In the last few years, technical assistance projects focused on strengthening customs reform efforts and supporting initiatives that push forward the CCC agenda along the five priority areas.

12. Under the regional technical assistance (RETA) on Aligning Customs Trade Facilitation Measures with Best Practices in CAREC, an assessment on the readiness and maturity of existing information systems to exchange information was undertaken for 6 CAREC countries (Azerbaijan, Kazakhstan, the Kyrgyz Republic, Mongolia, and Uzbekistan). Results of the assessment showed that all 6 countries are capable of participating in information exchange and following the same requirements to simplify and harmonize procedures. However, they vary in terms of degree to which they can respond (and is positioned to react) appropriately during information exchange. The assessment recommended to pilot 2 models—a simple information exchange and a complex information exchange.² The pilots are expected to run for 3 years and are expected to later progress towards developing a regional single window. It is also recommended that the CAREC countries develop (i) a mid-term information and communications technology (ICT) strategic plan to lay the foundations for provisioning customs information systems services; and (ii) a CAREC Regional Information Exchange Strategy to support the CAREC 2020 Strategic Framework.

13. The RETA on Facilitation of Regional Transit Trade in CAREC has: (i) identified priority transit corridors, (ii) formulated a comprehensive guarantee mechanism (CGM), (iii) examined the legal and regulatory framework, and (iv) assessed ICT support systems and information sharing. The CGM will allow: (i) insurance companies and Banks to provide guarantees, (ii) a reduction in guarantee levels based upon a trader's compliance history and status, including a complete waiver of guarantee for Authorized Economic Operators (AEOs), and (iii) introduction

² Simple information exchange will involve one-way information exchange in real time where applicable and not involve any integration into the agency's customs information and risk management systems. Complex information exchange system will involve multiple information exchange in real-time using the latest distributed database technology and will involve integration of information exchange into agency's customs information and risk management systems.

of comprehensive guarantees to cover multiple transit movements over a specified period of time. The objective of this initiative is to act as a catalyst for speeding up the movement of goods across the region and enhancing supply chain security. It will help improved business-government cooperation and the adoption of harmonized trade and customs procedures across the region. The proposed CGM will require minimal additional legislation, and considers national and international dimensions. Results of the studies were presented and discussed at an interim workshop in Almaty, Kazakhstan in July 2016; the customs officials and private sector representatives including CFCFA, private insurance companies and freight operators endorsed the proposal to pilot test the scheme. Two options to pilot the CGM were presented: Option A— involving the PRC, Kazakhstan, and the Kyrgyz Republic along CAREC Corridor 1 sub-corridors 1b and 1c from 2018 to 2020; and Option B— involving Azerbaijan and Kazakhstan along Corridor 2 sub corridor 2a.

2. Integrated Trade Facilitation

14. The focus of the trade facilitation program during this period has been to: (i) initiate the implementation of the Common Agenda for Modernization of Sanitary and Phytosanitary Measures through targeted investments in Mongolia, and planned policy advisory support across the region; (ii) support the improvement of border services; and (iii) strengthen monitoring, data analysis, and policy planning to address trade facilitation bottlenecks across CAREC trade corridors.

15. **Project formulation and implementation.** A \$27 million RUST project in Mongolia was signed in December 2015. The loan aims to increase agri-food trade along CAREC corridor 4, sub-corridor 4b,³ and enhance economic diversification to make economic growth sustainable and more inclusive. The project will tackle major inefficiencies of trade in agri-food products by: (i) upgrading laboratories and border crossing point inspection and quarantine facilities,⁴ (ii) establishing an SPS inspection management system, and (iii) aligning SPS control and inspections with international standards. The expected outcome is improved SPS measures in compliance with the World Trade Organization (WTO) and in line with the recommendations of the SPS Common Agenda. The project, which is estimated to cost \$16.25 million, will be implemented over the duration of five years. A technical assistance project addressing food safety issues at a regional level is currently being processed (See Work Program, below).

16. Improvement of border services is being addressed through four RIBS projects in Kyrgyz Republic, Tajikistan, Pakistan, and Mongolia.

17. The RIBS project in the Kyrgyz Republic (approved in April 2013) is modernizing the existing single window facility, and financing the improvement of infrastructure and equipment at the border crossing point of Karamyk located on CAREC corridors 3b and 5. The contract to construct improvements is expected to be signed at end of September 2016 and the master plan for national single window has been approved; work is on-going to draft software specifications. The RIBS project in Tajikistan (approved in coordination with the RIBS project in the Kyrgyz Republic, in April 2013) is financing the development of a single window facility, as well as upgrading border facilities and equipment at Guliston on the Tajik side of the Tajikistan-Kyrgyz border. Physical improvements of the border facilities are in advanced stages. Contracts to procure border control equipment, and office equipment and furniture for BCP Guliston have

³ CAREC Corridor 4b connects the Russian Federation to Mongolia and the PRC.

⁴ Upgrade of laboratories in three *aimags*: Darkhan-Uul, Dornogovi, and Selenge. Investments include inspection, disinfection, and quarantine facilities at Altanbulag and Zamyn-Uud BCPs.

been signed in April and July 2016; the technical working groups, with the assistance of the consulting firm, have started work on institutional and technical support for the national single window scheme. Trade facilitation measures are progressively being implemented and efforts will be intensified after completion of the civil works (i.e., the conduct of Time Release Study (TRS), implementation of integrated border management and joint customs control with the Kyrgyz Republic). The integration of ICT systems across the different agencies involved in the development of the national single window facility is ongoing. In both RIBS projects, physical and process-related improvements will serve to improve Customs service delivery and traffic flows. They share the objective of addressing bottlenecks for transport and trade to improve cost-efficiency, speed and predictability of cross-border flows. They will be implemented over the duration of five years.

18. The RIBS project in Pakistan is a part of the comprehensive Integrated Transport Trade Management Systems project. The expected outcome is reduced cross-border processing time for goods and cargo at Chaman, Torkham, and Wagha BCPs; and increase Pakistan's trade with neighboring countries. The RIBS project will fund the (i) development and improvement of 3 BCPs that are gateways to AFG and on to other CAREC countries (one BCP, Wagha, is with India); and (ii) construction of modern border crossing facilities including end-to-end automation of customs procedures in these BCPs. All safeguards issues have been addressed (land acquisition, displacement of indigenous groups, etc). Loan agreement with ADB is expected to be signed in October 2016 and the Project Management Unit is expected to be functional by December 2016. The project is expected to cost \$250 million for completion by June 2022.

19. The RIBS project in Mongolia was approved in April 2016. The project aims to tackle the core problem of inefficient trade processes by: (i) upgrading and improving facilities and equipment at Altanbulag, Bichigt, and Zamyn-Uud BCPs; (ii) improving communication infrastructure for Customs Automated Information System and interoperable General Authority of Customs and Taxation systems; and (iii) preparatory work for the development of a single window facility. The expected outcome is reduced cost and time of compliance with trade procedures, resulting in increased trade and competitiveness. Implementation of RIBS has started with the establishment of the project steering committee and recruitment of staff of the project implementation unit. The project is estimated to cost \$29.07 million and will be implemented over 5 years.

20. **Training and capacity building.** In collaboration with the World Customs Organization (WCO), ADB organized its first workshop on Coordinated Border Management (CBM) in CAREC, in Ulaanbaatar (May 2016). It involved participants from the various border agencies in Mongolia—the General Authority of Customs and Taxation, the General Agency for Specialized Investigation, and the Immigration Authority and Border Security Agency—who discussed coordination of policies, programs and service delivery. The workshop sought to formulate effective channels for better coordination among cross-border regulatory agencies, in preparation for the forthcoming of the forthcoming investments mentioned above (i.e., upgrading infrastructure at selected BCPs and of SPS regulatory services, and supporting preparatory work for the introduction of a single window facility).⁵ The development of a CBM model will enhance the impact and sustainability of these investments, and could potentially inform the replication in other countries in the region. In coordination with CAREC Institute a Coordinated Border Management regional workshop will be conducted in the Kyrgyz Republic in November

⁵ Approval of two loan projects: Regional Improvement of Border Services for Mongolia (Loan 3887-MON) and Regional Upgrades of Sanitary and Phytosanitary Measures for Trade (Loan 3313-MON), in April 2016 and November 2015, respectively.

to introduce the CBM concept, principles, international best practice and standards to customs and other border management agencies such as immigration, border security, and sanitary and phytosanitary inspection.

21. At a national level, ADB provided capacity building in Kazakhstan, the Kyrgyz Republic, and Tajikistan. Customs administrations in Kazakhstan and the Kyrgyz Republic have set up working groups to conduct the TRS, and requested capacity building support from ADB at the working level, to help operationalize data collection at BCPs. ADB conducted on-the-job training on the implementation of the TRS at key BCPs in Kazakhstan and the Kyrgyz Republic in April 2016. In collaboration with Customs officials, a revised methodology was designed, which will simplify the data input into WCO TRS Software during the data collection process. Customs officials were also provided with an orientation on the mechanics of the CPMM. The interpretation of CPMM data will help countries identify the BCPs with long delays, while TRS data break down the causes for delay across declaration, processing, inspection, examination (if any) and release time. A National TRS Training and Planning Workshop for Tajikistan was conducted on 22–26 August 2016 for customs officials coming from various border crossing points. The TRS expert provided on-site technical support during the actual conduct of the TRS.

22. **Collaboration with the private sector.** CFCFA remains an active partner in the implementation of the CAREC trade facilitation program. CFCFA members continue to provide primary data for the Corridor Performance Measurement and Monitoring exercise. Its 22 active members is expected to expand as the CFCFA work plan for 2017 includes enlistment of new members and recruitment of new enterprises into their national associations to broaden participation of the private sector in CAREC.

23. At the 7th CFCFA Annual Meeting held on 20 September 2016 in Singapore, it was agreed that proposals to adopt best practice standards on liability insurance, information technology, logistics equipment, document preparation, container consolidation services, and contract and trading conditions will be reviewed and considered by the members. The meeting also agreed to upgrade the CFCFA website including developing a “mirror website” in Chinese, and to hold knowledge sharing and training workshop for all members in March in Horgos and training for Mongolia customs in Nankai University in Tianjin, PRC. The CFCFA members also indicated their willingness to participate in the proposed pilots on customs information exchange and the regional transit guarantee mechanism. They emphasized their accessibility and comparative advantage in providing timely and accurate field level data for these pilots.

II. Work Program

24. To help meet sector objectives and achieve CAREC Strategy 2020 goals, the CAREC trade facilitation program will:

Customs Cooperation

- Continue to support the Revised Kyoto Convention (RKC) accession process of CAREC countries and assist with the regulatory reforms in compliance with RKC provisions.
- Technical support to assist customs authorities upgrade existing risk management systems to comply with best practice.
- Support the conduct of pilots for a simple and a complex information exchange mechanism.

Integrated Trade Facilitation

- Continue to support integrated border improvement and trade facilitation initiatives across the region, including exploring how to improve bottlenecks related to immigration issues.
- Support the development of national single window facilities and promote their regional interoperability.
- Support regional transit development.
- Support the implementation of the Common Agenda for Modernization of SPS Measures for Trade Facilitation.
- Continue to expand data collection and analysis particularly on rail data, encourage and enable national level data analysis, and improve results management.
- Undertake joint capacity building activities to strengthen cooperation between the CFCFA and the CCC.
- Continue to serve as a platform for knowledge sharing and adoption of international best practices, and stimulate reforms and modernization.

25. **Technical assistance.** A new regional technical assistance project to further deepen customs modernization and trade facilitation reforms under ongoing ADB initiatives has been approved. It will help implement the regional transit guarantee mechanism, strengthen customs risk management systems, and enhance data exchange and information sharing. In addition, it will support efforts of CAREC countries to improve coordination between their border control agencies both at the national and international levels.

26. Last year's endorsement of the CAREC Common Agenda for Modernization of SPS Measures for Trade Facilitation resulted in two technical assistance projects being prepared: (i) a regional technical assistance project focused on food safety issues including the development of national action plans, establishment a regional coordination mechanism, and building capacity to implement SPS measures to facilitate trade; (ii) a small scale technical assistance project for Turkmenistan.

27. **Results management.** The CAREC trade facilitation program supports the formulation of the CAREC Railway Strategy and, together with the private sector (CFCFA), will coordinate closely with the TSCC in examining the role of logistics development, multimodal transport development, containerization, and ways to improve the quality and professionalism of private logistics services in the overall strategy. CPMM data collection and analysis will be further expanded to support this process, including identifying bottlenecks to transport and trade via rail and deepening understanding of existing constraints to be addressed to improve performance of logistics networks and services.

28. Ongoing technical assistance has identified impediments to effective utilization of tools monitoring the performance of border clearance processes and the flow of cross-border trade. The RETA on Coordinated Border Management for Results financed the training of customs officials in selected countries in order to strengthen their technical knowledge of the Time Release Studies (TRS) methodology, data analysis capability; and to identify priorities in the development of TRS work plans.⁶ The training also helped build the capacity of customs officials and experts from academia and research institutions to make better use of the CPMM tool, encourage national-level analysis of data, and develop concrete measures to address delays at BCPs. The objective is to build local capacity to use TRS and CPMM as complementary tools in

⁶ The RETA on Coordinated Border Management for Results supports (i) the conduct of Time Release Studies, (ii) development of Joint Customs Control mechanisms, and (iii) interagency coordination.

improving border management. A training workshop was conducted in collaboration with the CAREC Institute in Urumqi, PRC in May 2016.⁷ So far, participants from research institutions in Kazakhstan, the Kyrgyz Republic, and Mongolia have indicated their interest to collaborate with ADB and conduct their own analysis using CPMM data.

29. **Investments.** Ongoing RIBS projects, combining trade facilitation and investment in border facilities, are already producing good results. In order to synchronize achievements across the region, ADB proposes to extend RIBS project interventions to new countries, drawing from a detailed assessment of existing bottlenecks identified through CPMM and TRS data analysis. Such interventions would include support to assess the feasibility of interconnectivity of national single windows.

30. In addition, project ideas have to be developed for Regional Improvement of Corridor Efficiency, focusing on the development of third party logistics networks and communication technologies. The project would improve the quality and professionalism of private logistics services. It would coordinate efforts across two or more countries along a geographical corridor, supporting the transition of a transport corridor to a logistics corridor and generating economic activity along the less developed areas in the region.

III. Key Issues for Guidance by the SOM

31. At the joint CCC/CFCEFA meeting, the participants agreed to present the following issues for guidance:

- **Piloting of a customs information exchange mechanism.** Customs administrations need real-time collaboration in facilitating trade and exerting controls. The electronic exchange of information among and between CAREC customs authorities will help attain a secure and timely flow of goods and people along CAREC corridors. An assessment of the readiness and maturity of existing country-level customs information systems concluded that a simple information exchange pilot can be conducted between the Kyrgyz Republic, Tajikistan and Mongolia customs, and a complex pilot can be conducted between Azerbaijan, Kazakhstan, and Uzbekistan.⁸ Both pilots will explore the use of pre-arrival and/or cargo manifest and/or transport documents.
- **Piloting of a CAREC regional transit system, including a comprehensive guarantee mechanism (CGM).** The pilot will introduce a regional transit regime utilizing a single electronic transit document and a new CGM. The CGM would allow:
 - (i) Insurance companies and banks to provide guarantees.
 - (ii) Appropriate guarantee mechanism allowing reduction in quantum of financial security, based on compliance level of a trader determined by the risk management system of the member countries.
 - (iii) Introduction of 'comprehensive guarantees' to cover multiple transit movements over a specified period of time.

The objective of this initiative is to act as a catalyst for speeding up the movement of goods across the region and enhancing supply chain security. It will help improve

⁷ The workshop was entitled "Tools to Improve Border Management: Time Release Study (TRS) and Corridor Performance Measurement and Monitoring (CPMM)".

⁸ Please refer to Footnote #2 in para.13.

business-government cooperation and the adoption of harmonized trade and customs procedures across the region.

- **More investment and technical assistance projects for trade facilitation.** Four CAREC countries (the Kyrgyz Republic, Mongolia, Pakistan and Tajikistan) are implementing RIBS projects and Mongolia has taken action to implement RUST. Based on the latest CPMM report, more BCP pairs in other CAREC countries need improvement including development of national single window facilities and the facilitation of their regional interoperability. These investment needs can be supported by ADB through new projects using the RIBS and RUST modality. Support from SOM is needed to encourage countries to participate in RIBS and RUST.
- **Establishment and strengthening of national trade facilitation committees (NTFCs).** Trade facilitation involves coordination of multiple countries and agencies, including customs, and across various sectors for optimal results. The establishment and strengthening of NTFCs is required per WTO trade facilitation agreement. In addition, establishment of NTFCs and a regional trade facilitation committee is mandated in the CAREC Transport and Trade Facilitation Strategy (2009 and 2020). The midterm review of CAREC 2020 Strategy noted that customs cooperation alone may be insufficient to address the complex challenges of integrated trade facilitation. The CCC supports the establishment of NTFCs and requests SOM endorsement for their establishment.
- **Enhanced cooperation between public and private sector for more effective trade facilitation.** The engagement of the private sector, which has been highlighted in previous years, is evident in the trade facilitation sector through the involvement of the CFCFA. Support for joint capacity building activities (trainings, workshops and regular policy dialogues) to strengthen cooperation between the CFCFA and CCC is needed. The CCC encourages CFCFA to participate in pilot projects.