



Regional Trade Facilitation and Customs Cooperation Program In Support of Joint Transport and Trade Facilitation Strategy

**Seventh Ministerial Conference on
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ABBREVIATIONS

ADB	–	Asian Development Bank
ASYCUDA	–	Automated System for Customs Data
BCP	–	border crossing point
CAREC	–	Central Asia Regional Economic Cooperation
CCC	–	Customs Cooperation Committee
ICT	–	information and communication technology
M&E	–	monitoring and evaluation
NJC	–	national joint transport and trade facilitation committee
PRC	–	People's Republic of China
RJC	–	CAREC Regional Joint Transport and Trade Facilitation Coordinating Committee
TA	–	technical assistance
TIR	–	Transports Internationaux Routiers (International Road Transport)
TSCC	–	Transport Sector Coordinating Committee
TTFS	–	Joint Transport and Trade Facilitation Strategy
UNESCAP	–	United Nations Economic and Social Commission for Asia and the Pacific
UNFFA	–	Union of National Freight Forwards Associations
WCO	–	World Customs Organization
XUAR	–	Xinjiang Uygur Autonomous Region

NOTE

In this report, "\$" refers to US dollars.

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EXECUTIVE SUMMARY

The trade facilitation program of CAREC is comprised of two components aimed at reducing trade costs by (i) promoting concerted customs reform and modernization and (ii) supporting an integrated trade facilitation approach through efficient regional logistics development, better focus on priority trade corridors, enhanced interagency cooperation and public-private partnerships, and support for the joint transport and trade facilitation strategy.

Customs cooperation has been the core trade facilitation program with the Customs Cooperation Committee (CCC) serving as a regional forum to address issues of common interest. The work program in the short to medium term will focus on rationalization and simplification of customs procedures, joint customs control, and regional transit development, information communication technology, data exchange, capacity building, risk management, post-entry audit, customs intelligence, and prevention of customs offences.

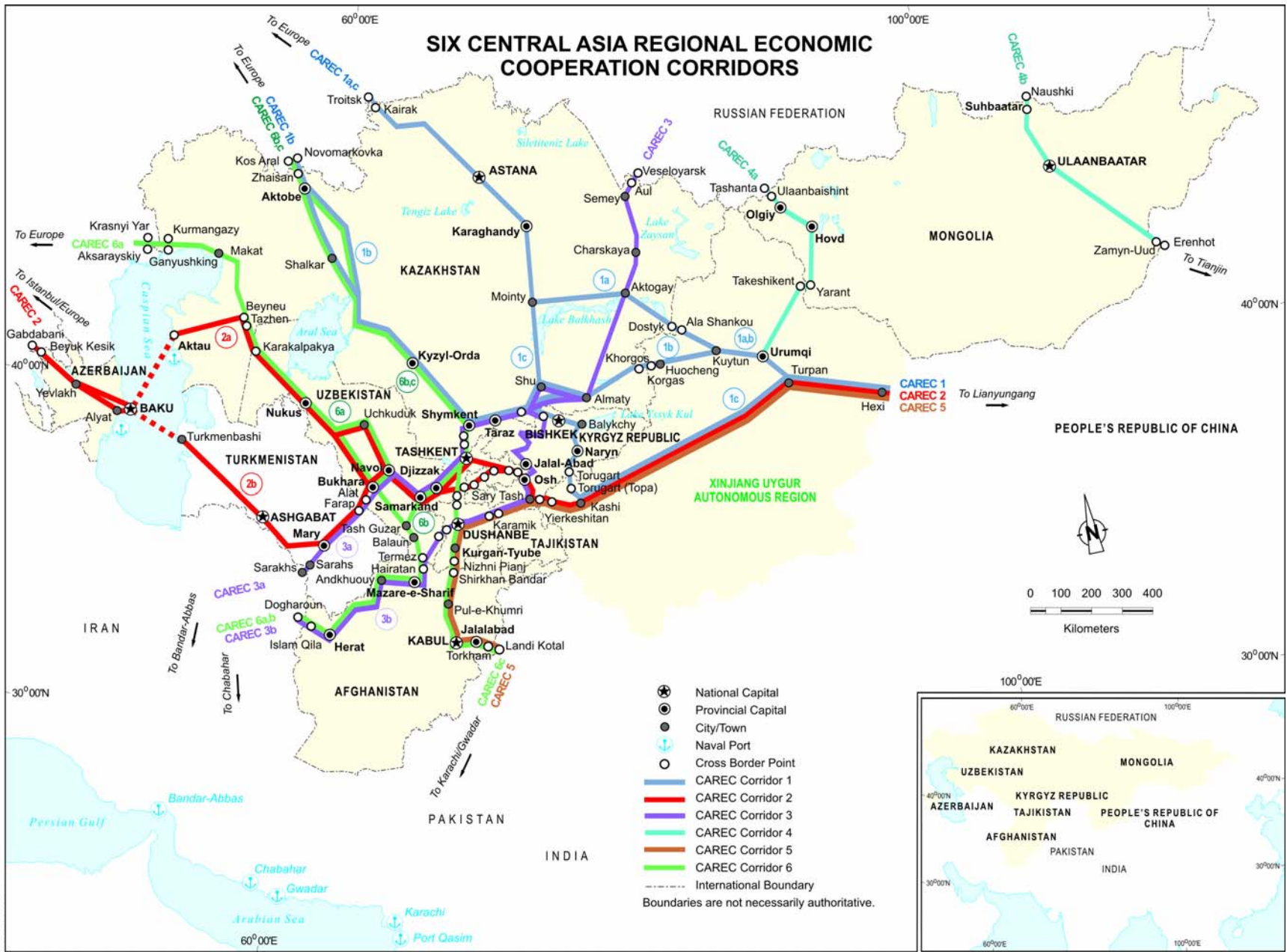
The integrated trade facilitation component of the strategy aims at building on inter-agency cooperation and partnership with the private sector, facilitate the development of an efficient regional logistics industry, and establish a regional mechanism to complement CCC process. The work program will focus on promoting the establishment of national joint transport and trade facilitation committees (NJC) and regional joint transport and trade facilitation committee (RJC); one stop and single electronic window services (SW); priority trade facilitation support for designated CAREC transport and trade facilitation corridors; support to bilateral initiatives to pilot integrated trade facilitation; support for accession to international conventions for integrated trade facilitation; establishment of performance measurement and monitoring system; establishment of a regional forum to harmonize and plan trade logistics development; and facilitation and financing of key investments including public-private partnerships.

MAPS

Countries and Regions under Central Asia Regional Economic Cooperation Program and CAREC Corridors



SIX CENTRAL ASIA REGIONAL ECONOMIC COOPERATION CORRIDORS



I. CUSTOMS COOPERATION

1. The Central Asia Regional Economic Cooperation (CAREC) Customs Cooperation Program was launched in 2002. Progress has been achieved in the five priority areas of (i) simplification and harmonization of customs procedures and documentation, (ii) information and communication technology (ICT) customs modernization and data exchange, (iii) risk management and post-entry audit, (iv) joint customs control, and (v) regional transit development, as well as in other areas of integrated trade facilitation such as trade logistics development, single window, transport corridor performance measurements and capacity building.

2. Work in the five priority areas during the 2002-07 has been coordinated by the Customs Cooperation Committee (CCC) which also promoted bilateral agreements and country-specific customs modernization. The CCC has been successful in creating an environment of trust and cooperation among the customs services of the participating countries and CCC has become a cohesive body within CAREC.

A. Status Report

1. Simplification and Harmonization of Customs Procedures

3. Regarding simplification and harmonization of customs procedures in line with international standards, most CCC members adopted new Customs Codes that are compliant with the revised Kyoto convention.¹ Afghanistan enacted a new Customs Law in 2007 in line with international best practices and simplified/streamlined 27 customs procedures. A single administrative document for customs declaration has been adopted in all Afghanistan customs stations. In July 2008 Mongolia passed a Law on Customs and Law on Customs Tariff. Uzbekistan submitted a new draft customs code, which is revised Kyoto convention compliant, to the government.

4. Kazakhstan is introducing an amendment to their Customs law that will allow other agencies involved in trade facilitation to entrust to Customs certain trade-related functions. An operations administration center that will coordinate the inter-agency cooperative efforts is being set-up.

2. ICT for Customs Modernization and Data Exchange

5. Progress has been satisfactory regarding ICT development in a number of CCC member countries, including in Afghanistan, where the ASYCUDA system is in full operation in Kabul and is being installed in major customs houses in other parts of the country; in Kyrgyz Republic, Mongolia and Tajikistan where ADB projects for customs modernization are progressing smoothly, and effectively becoming integral parts of SW development; and in Uzbekistan where

¹ The Kyoto Convention came into force in 1974 with the aim of simplifying and harmonizing customs procedures in order to facilitate and encourage international trade. The World Customs Organization (WCO) Council adopted the revised Kyoto Convention in June 1999 which elaborates several key governing principles: (i) transparency and predictability of Customs actions; (ii) standardization and simplification of the goods declaration and supporting documents; (iii) simplified procedures for authorized persons; (iv) maximum use of information technology; (v) minimum necessary Customs control to ensure compliance with regulations; (vi) use of risk management and audit based controls; (vii) coordinated interventions with other border agencies; and (viii) partnership with the trade. The Revised Kyoto Convention entered into force on February 3, 2006.

the functionality of the Uniform Automated Information System has been expanded to provide linkages to transport operators and relevant ministries and agencies. Afghan customs recently launched a website providing information on customs code, tariff rates, and rules and regulations that should benefit traders and the public at large.

6. The People's Republic of China (PRC) and Kyrgyz Republic officials and experts met on 28-29 February 2008 to discuss statistics methods used by their respective countries, compared statistics from both sides and analyzed causes of differences in their statistical figures. Likewise on 25-26 March 2008 statistics experts of Kazakhstan and PRC met in Almaty to inform each other on statistics for the first half of the year and compare differences and study causes of such differences

7. Kazakhstan has automated each step of processing at border crossing points and initiated inter-agency data exchange. ADB and the Korea International Cooperation Agency are funding a project on ICT Modernization of Mongolia Customs from 2008-2010.

3. Risk Management and Post-Entry Audit

8. A systematic approach to risk management and post-entry audit is being adopted in many CAREC participating countries, notably in Azerbaijan, Kyrgyz Republic, Kazakhstan, and Uzbekistan. Most CAREC countries have established bilateral agreements with neighboring countries on exchange of information for customs intelligence and prevention of customs offences. However there are glitches in exchange of customs intelligence particularly between Commonwealth of Independent States (CIS) and non-CIS member countries. There is also a need to strengthen ties between customs authorities and other law enforcement agencies at both national and regional levels.

9. In Afghanistan, a risk management module is being integrated into the ASYCUDA system. Mongolia has set-up X-ray equipment at borders with PRC and will soon set-up more X-ray equipment along the border with Russia. Mongolia's new Law on Customs provides that customs control should be based on risk management principles and allows electronic customs data submission.

10. The CCC requested ADB's technical assistance and funding support in areas of prevention of customs offences. The support will be in the form of specific training, enhancement of the framework on exchange of customs intelligence, and establishment of a more streamlined coordination mechanism with other law enforcement agencies in the region. The 7th CCC Meeting considered a proposal to formally establish a liaison mechanism under the CCC umbrella for customs intelligence exchange and management.

4. Joint Customs Control

11. Considerable progress has been made on joint customs control programs between PRC and Kazakhstan and PRC and Mongolia. PRC and Kazakhstan agreed to implement the program in three phases and a pilot joint customs control was officially initiated in Dulata (PRC) and Kalzhat Dulaty (Kazakhstan) on 15 December 2007. The first phase involves the adoption of harmonized Road Loading List filled out by carriers; the second phase will recognize customs inspection results of other party; and the third phase will include implementation of joint customs inspection.

12. Research studies are being conducted on how to further improve PRC-Kazakhstan and PRC-Mongolia joint customs control programs. Research results of the PRC-Kazakhstan study were presented on 13 September 2008 while expert groups and working groups have been established in PRC and Mongolia to conduct a study on joint customs control and provide guidance on the implementation of the pilot projects. PRC has provided Mongolia with Detailed Rules for Implementation of First Stage of China-Mongolia Joint Border Program and templates for Loading List of Inbound/Outbound Road Trucks.

13. ADB suggested further pilot joint customs control should be considered at border crossing points along the identified CAREC transport and trade corridors, with available ADB financial and technical support. The CCC requested ADB's continued support for regional transit pilot schemes that will include performance monitoring and benchmarking, with a view to replicating successful schemes for wider application in the region.

5. Regional Transit Development

14. Moves to develop a simplified transit system have focused on accession to and use of the Convention on the International Transport of Goods under the *Transports Internationaux Routiers* (TIR) Carnet. All CAREC countries except the PRC are contracting parties to the TIR Convention, and the PRC has indicated its intention to accede to the TIR Convention. Problems remain with the approved national associations for the issue of TIR carnets and, most importantly, due to the fixed costs of having TIR-compliant vehicles. Several customs administrations have embarked on bilateral arrangements for a simplified transit system through security deposits.

15. At the 6th annual CCC meeting (2007), Kazakhstan proposed the use of "safe packet" system for movement of goods across border crossing points with neighboring countries Kyrgyz Republic and Uzbekistan. The system is designed to prevent unreliable declaration and to simplify and accelerate the movement of goods. ADB provided consulting services to review the proposal in late 2007 and early 2008. The consultant viewed the safe packet system as implemented in Kazakhstan as a commendable and inexpensive initiative that will contribute to facilitation of trade through faster clearance procedures and at the same increase revenue collection at the border. The "safe packet" system has been introduced through pilots with the Kyrgyz Republic and Kazakhstan plans to implement similar projects with PRC, Tajikistan and Uzbekistan.

6. Other Areas

16. The CCC broadened its scope in 2004 in order to bring in other stakeholders involved in international trade, such as other government agencies and the private sector. As the result, CCC started in 2005 to promote initiatives leading to inter-agency coordination and development of single window and partnerships with the business community.

a. Single Window

17. Significant progress was witnessed in the development of the single window (SW) scheme in a number of CAREC countries as part of an effort to simplify and streamline all trade-related government services and functions. The governments of Kyrgyz Republic and Mongolia have officially endorsed a policy and organizational framework leading to SW development. Substantial work has also been done in Azerbaijan and Kazakhstan.

18. Kyrgyz Republic has approved the concept of SW and issued a Government Resolution directing the Ministry of Economic Development and Trade, State Customs Committee and other involved agencies to prepare a proposal on how to implement the SW concept. Mongolia has likewise established a working committee to be headed by the Ministry of Trade to develop a national program for SW. In Afghanistan, export procedures are being simplified and a SW clearance system for exports, in coordination with other government agencies and the Afghan Chamber of Commerce, is being developed for Kabul Custom House and Kabul Air Cargo. In addition, a Memorandum of Understanding has been signed between Afghan Customs and the Ministry of Commerce to streamline import, storage and clearance procedures of petroleum and lubricants coming from neighboring countries.

19. A Workshop on “Single Window Development for CAREC Trade and Customs Officials” was held on 8–10 July 2008 in Singapore. Various SW models used within the region were presented and benefits derived from the successful implementation of SW systems were discussed. The seminar provided participants with insights on how to apply and adapt SW principles into their own systems. Mongolia and Kyrgyz Republic indicated their specific interests in Singapore’s experience

b. Capacity Building

20. The CCC recognizes that capacity building is important for customs authorities in the region to help them achieve their goals. The PRC Customs and ADB co-sponsored two training programs at the Shanghai Customs College with commendable results. The “CAREC Customs Training Course on Tariff Collection Supervision” was conducted in Shanghai on 3–12 June 2008. Mid-level officials of CAREC customs authorities learned how PRC’s Special Customs Control Areas are managed and operated and the benefits derived from an integrated system of customs control including risk management and supervision of revenue and tariff collection. The training course included sessions on the various World Customs Organization (WCO) training courses and methodologies and how the CAREC countries can avail of these specialized trainings, seminars and distance learning modules to improve their capacities and streamline customs-related processes. A “CAREC Customs Training Course on Anti-Smuggling” was conducted on 19-29 November 2007 to help customs authorities in the CAREC region establish and update effective anti-smuggling procedures in their countries. PRC Customs indicated it will continue the program with similar frequency in the future. The most immediate effort will be on joint customs control to be held in Guangzhou in February 2009.

21. Kyrgyz Customs training center has a well designed training of trainers program and maintains an active relationship with the Russian Customs College. The regional training center of the World Customs Organization’s (WCO) is located in Baku, and with assistance of Azerbaijan Customs Committee holds many regional and international events.

22. The CCC at its 7th Meeting recommended that a study should be carried out for the CCC with the support of ADB to (i) assess training needs not only for customs but also for the broader array of stakeholders involved in trade facilitation; (ii) identify available institutional, financial and human resources both at regional (e.g., at CCC and CAREC Institute level) and national (e.g., customs colleges and training centers) levels; (iii) design standard curricula and tailor-made programs; and (iv) recommend a capacity building framework for trade facilitation that best matches the available resources with identified training needs. The Meeting also recommended the establishment of a common information space to exchange information on available training programs and materials offered by various development agencies.

B. Work Program

23. The CCC will continue to strengthen and broaden the existing customs cooperation program and has adopted a credible plan to support sustained economic growth and improved living standards through the expansion of international and intra-regional trade. The primary goals of the program are to: (i) significantly reduce trade transactions costs and time by improving administrative efficiency, and simplifying, standardizing and harmonizing trade procedures; (ii) promote the free movement of goods and business people; and (iii) enhance the transparency of laws, regulations, procedures and forms, and improve access to trade facilitation information.

24. Customs cooperation among the CAREC countries will continue to be a major focus in the new program. The process of changing the culture of customs administrations from control-orientation to compliance-facilitation has begun and the strategy will support this process.

25. The medium term objective will be to promote concerted customs reforms and modernization, with the CCC serving as a regional forum to address issues of common interest. The work program in the short to medium term will continue to focus on the five priority areas:

- (i) **Simplification and harmonization of custom procedures.** This is the core requirement of the revised Kyoto Convention and the trade facilitation program will continue to support this effort with the ultimate aim of including the procedures and forms of other agencies;
- (ii) **ICT for customs modernization and data exchange.** Automation of customs systems (import, export and transit declarations) will facilitate exchange of information and speed-up clearance times and the movement of traffic across borders;
- (iii) **Risk management and post entry audit.** Audit-based post clearance/post-release control regime is also a requirement of the revised Kyoto Convention. If supported by effective risk management systems and procedures, post-entry audit will significantly reduce customs controls at the borders and enable authorities to allocate scarce resources more effectively;
- (iv) **Joint customs control.** Joint customs control is the initial step towards joint agency controls and eventually single-window controls that will allow traders to lodge information with a single-body to fulfill all import/export related regulatory requirements; and
- (v) **Regional transit development.** Accession to TIR Convention and efficient operations of TIR in CAREC are both important. The work program will continue to support development of prudent bilateral and regional transit arrangements.

II. INTEGRATED TRADE FACILITATION

A. Background

26. Trade facilitation, as defined by the World Trade Organization, is “the simplification and harmonization of international trade procedures, including the activities, practices and formalities involved in collecting, presenting, communicating and processing data and other information required for the movement of goods in international trade.” Trade facilitation relates to a wide range of activities such as import or export procedures (e.g., customs or licensing procedures), transport formalities, and payments, insurance and other financial requirements. It is distinguished from trade policy, as reflected in legislated tariff rates or non-tariff barriers to trade, and from the hard infrastructure of roads, ports, etc. An alternative way of delimiting trade facilitation, which is useful in the CAREC context, is to distinguish between trade costs that arise due to:

- (i) lack of integrated border management, so that complex procedures at the border (or in preparation for crossing the border) impose time and money costs on traders. The policy goal is captured in the idea of “a single window”;
- (ii) lack of coordination between the two sides of the border. The policy goal is that a trader crossing a border will only stop once; and
- (iii) behind the border costs.

27. Studies have documented the excessive border delays and large number of forms needed by importers and exporters in the region. At most borders it is necessary to comply with a range of procedures in addition to customs, including animal quarantine, inspection of plants and other agricultural materials, checks on driving licenses, axle loads and compliance with other rules of the road. Simplification and harmonization of these procedures is a core business of trade facilitation. International agreements on standardized forms can help, but a key requirement is the need to shift policy emphasis to place more weight on trade facilitation rather than trade control.

28. Behind-the-border trade costs, especially the frequent road checks which are often accompanied by an official or unofficial fine, are endemic and considerably raise the cost of doing business in the region. This is an issue which must be dealt with primarily at the national level.

29. Trade facilitation involves not only border measures. The various documents necessary for trade may be available only from offices in the national or regional capitals, while some obstacles (e.g., inspection of trucks for technical or other compliance standards) may occur anywhere on the national territory. Thus, although improvements can be made at the border crossing point, where vehicles often have to go past up to a dozen officials requiring different authorizations, focusing only on customs and border procedures is insufficient.

30. Improved border crossing processing and behind the border measures can potentially result in large economic benefits. Trade facilitation will support higher living standards and pro-poor growth. The impediments to trade fall most heavily on exports other than the main primary product exports (i.e., oil and gas, cotton, and minerals) and on small and medium-sized

enterprises and traders. In sum, trade facilitation is a slow and piecemeal process, but in the CAREC region there is a huge potential pay-off.

B. Status Report

1. Trade Logistics

31. Back-to-back seminars on “Trade Logistics Development and Performance Measurement and Monitoring” were held in Baku, Azerbaijan on 23 April 2008. The Trade Logistics seminar reviewed the state of trade logistics in several CAREC countries and identified common issues or constraints related to further development. These issues could be addressed through broader transport and trade facilitation programs aimed to ensure future transport and trade facilitation investment and technical assistance projects are consistent with trade logistics development needs.

32. Trade logistics studies have been completed for Xinjiang Uyghur Autonomous Region and Inner Mongolia Autonomous Region of PRC, Mongolia, Tajikistan, Kyrgyz Republic; Kazakhstan and Uzbekistan; studies are on-going in Afghanistan and Azerbaijan. A Workshop on Trade Logistics Development was held in Tashkent, Uzbekistan from 2–4 September 2008 and enabled detailed discussion on (i) the country studies including regional issues or constraints to logistics development, and recommendations to address such constraints; and (ii) strategies to promote the development of the logistics sector, encourage public investment as well as strengthen public-private partnerships and regional cooperation projects. The workshop included technical sessions on Methodologies Used in Selecting Locations of Logistics Hubs, Performance Measurement and Monitoring for Trade Logistics and the United Nations Economic and Social Commission for Asia and the Pacific's (UNESCAP) Time-Cost-Distance Methodology.

2. Transport Corridor Performance Measurements

33. The seminar on Performance Measurement and Monitoring of CAREC Corridors proposed a comprehensive set of performance measurements to reflect the efficiency or quality of the CAREC transport and trade corridors' three dimensions: (i) physical infrastructure (transport, logistics, and customs); (ii) customs and other trade/transport regulation and procedures; and (iii) trade logistics. These include: (i) time-cost-distance methodology to record the time and costs incurred in transporting goods from point to point along CAREC corridors; (ii) the time release method to measure the average time taken between the arrival of goods at a border post and their release to the importer/broker; and (iii) simplified trade logistics performance assessments.

C. Work Program

34. The Integrated Trade Facilitation work program will focus on promoting one stop and single electronic window services; priority trade facilitation support for designated CAREC transport/economic corridors; support to bilateral initiatives to pilot integrated trade facilitation; support for accession to international conventions for integrated trade facilitation, establishment of a technical level forum for the range of agencies involved in providing trade facilitation support to the region to improve coordination and develop good practice models; and establishment of monitoring methodologies and mechanisms to measure performance.

- (i) **Support for the CAREC Transport and Trade Facilitation Strategy.** Trade facilitation is conceptually distinct from transport improvements. However there are synergies to be gained by focusing efforts of trade facilitation on the priority corridors identified in the CAREC transport development strategy. The CAREC region is well-suited to a corridors approach to trade facilitation because most intra- and inter-regional trade flows use limited east-west and north-south routes.
- (ii) **Trade logistics development.** The work program will include establishment of a regional forum to harmonize and plan trade logistics development; support for national level trade logistics assessments; and facilitation and financing of key investments including public-private partnerships
- (iii) **Corridor Performance Measurement and Monitoring.** A performance monitoring system will be developed to establish baseline information on the movement of goods and people along the CAREC corridors, identify bottlenecks, and propose actions to solve them.² Performance will be measured and monitored using three methods considered most appropriate for CAREC, each focused on a particular aspect of corridor operations. The Time/Cost Distance Methodology will gather time and cost data associated with transit transport processes to identify constraints along a particular route by looking at detailed breakdown of cost and time involved along every section of such route. Based on the data gathered, further work may be sanctioned using the Time Release study to assess legal and regulatory component and/or the Logistics Performance Index to assess logistics services efficiency. Based on consultations with the CAREC countries during February–March 2008 and a thorough assessment, it is proposed that six sub-corridors (i.e., 1b, 2a, 3b, 4b, 5, and 6c), out of a total of 13 sub-corridors, be selected for pilot performance monitoring. The national transport and trade facilitation committee or similar organization in each CAREC country will oversee performance measurement and monitoring activities.
- (iv) **Strengthening coordination mechanisms and implementation capabilities.** Improved national level coordination and capacity building is seen as a necessary first step towards effective regional cooperation on trade facilitation. The program will strengthen national capacity to measure and monitor progress, co-ordination with other key partners to disseminate good practice, and sharing of experience and program monitoring. It will clearly be important to involve private sector users in the decision and monitoring of trade facilitation measures.

1. Support for CAREC Transport and Trade Facilitation Strategy

35. To better achieve the CAREC vision of “Good Neighbors, Good Partners and Good Prospects”, it was proposed to coordinate efforts of the CAREC participating countries in improving the region’s transport infrastructure and reducing the cost of trade across the region. The Transport and Trade Facilitation Strategy (TTFS) was proposed and endorsed in November 2007 at the 6th CAREC Ministerial Conference. The joint strategy focuses on promoting efficient and fully integrated transport and trade operations and infrastructure with the ultimate goal of supporting social and economic development for the CAREC region. The Action Plan for Implementation of the TTFS has three main goals:

² See Appendix 6: CAREC Corridors Performance Measurement and Monitoring

- (i) Establishment of competitive corridors across the CAREC region.
- (ii) Facilitation of efficient movement across borders.
- (iii) Development of sustainable, safe, and user-friendly transport and trade networks.

2. Trade Logistics Development

36. The trade logistics component of the program will facilitate the development of an efficient regional logistics industry. Trade logistics, defined as the process of planning, implementing, managing and controlling the flow and storage of goods, services and related information from the point of origin to the point of consumption, are the operational component of a corridor and are privately provided. Trade logistics services are crucial to the movement of goods and passengers hence directly affecting the efficiency of trade in the region.

37. An integrated framework for the development of trade logistics in the CAREC region will include both hard (physical) and soft (policies and initiatives) infrastructure involving both public and private sectors.

3. Focusing on Priority Transport and Trade Facilitation Corridors

38. The CAREC region is well-suited to a corridors approach to trade facilitation because most intra- and inter-regional trade flows use a limited number of east-west and north-south routes. Performance measurement would eventually be implemented along all major trade routes. There are six CAREC Corridors³ identified by the Action Plan with investment and technical assistance (TA) projects to support the following the following goals of the TTFS:

- (i) **Establishment of competitive corridors across the CAREC region** to improve connection to markets and reduce transport costs. The projects in the Action Plan will address four major constraints: (a) fragmented regional transport networks and deteriorated infrastructure, (b) high transport costs and long travel times, (c) limited intraregional and transit trade, and (d) insufficient funding for maintenance.
- (ii) **Facilitation of movement through CAREC corridors and across borders** by focusing on (a) Customs reforms and modernization, (b) effective functioning of the national transport and trade facilitation committees, (c) regional logistics development, and (d) private sector participation.
- (iii) **Development of sustainable, safe, and user-friendly transport and trade networks** by (a) minimizing the negative environment and social impacts during the development of the CAREC corridors; (b) replacing aging vehicle fleet with fuel efficient and less polluting equipment; and (c) facilitating movement of people across borders.

39. The TTFS proposes a results-based approach with performance measurement and monitoring, which would allow countries to prioritize areas such as bottlenecks to trade facilitation. Countries working bilaterally or in groups along the corridor will enhance the possibility of significant improvements in time and cost savings along agreed corridors.

³ See maps on pages ii–iii.

4. Strengthening Coordination Mechanisms and Implementation Capabilities

40. Effective trade facilitation involves more than border measures and numerous agencies within and outside the country. It will be essential for representatives of relevant agencies in each country to work in concert to identify the constraints and measures required to improve trade flows, set priorities and timelines to implement those measures and thereby adopt an integrated approach to trade facilitation. To support this effort, the program will assist in the establishment and strengthening of national joint transport and trade facilitation committees. Participation in the national committees will be tailored to ensure effective functioning within each country's relevant government and other structures. At the regional level, the program will assist in the formation of the CAREC Joint Transport and Trade Facilitation Coordination Committee. The program will seek to enhance public-private sector cooperation and provide support to the union for freight forwarders associations or logistics services groups.

III. INSTITUTIONAL ARRANGEMENTS

41. The CCC will continue to meet on a regular basis and to undertake the program of activities set out in the design and monitoring framework with particular focus on the five customs priority areas.⁴ Improved coordination among customs agencies in the region has been a key outcome of the CAREC trade facilitation program in the past and the CCC has achieved much in bringing together the customs administrations in the region to resolve common issues that constrain the flow of goods.

42. Internally, CCC is organized into two working groups, one task force and four expert groups. This organization is effective in bringing forward agendas and engaging in discussions. The CCC is coming to a stage of maturity and is now capable to implement and be accountable for initiatives it carries forward. Based on the fact that the Task Force to initiate pilot-testing of joint customs control (chaired by Kazakhstan) is functioning satisfactorily, the CCC is deliberating on a proposal to establish more focused task forces for better implementation of initiatives, and better budget planning for financial support and technical assistance. Task forces being considered include those to cover issues such as joint customs control, regional transit, capacity building, knowledge products, single window development, and performance measurement and monitoring, among others.⁵ Interested CCC members may submit proposals to establish task forces (e.g., objectives, project scope, costing, and implementing plan) for other CCC members and CCC Secretariat to review. Those proposals that involve bilateral, multilateral and regional cooperation under the CCC framework will receive higher priority for support.

43. In order to achieve the broader objectives of integrated trade facilitation, the range of other national agencies involved in trade and border control need to be engaged. The Implementation Action Plan of the TTFS proposes that national joint transport and trade facilitation coordinating committees (national joint committee, or NJC)⁶ be more formally established consisting of representatives of national level trade facilitation coordination mechanisms. The NJC will include representatives of all government agencies in charge of transport, trade, and border-crossing activities (e.g., Ministry of Transport, Ministry of Trade, Ministry of Economy, Customs, quarantines, sanitary and phyto-sanitary, product standard, security, and immigration) and freight forwarders associations and logistics service providers.

44. The freight forwarders association or trade logistics association in each CAREC county will be engaged to collect the data required for the time/cost-distance analysis of sub-corridors on a quarterly basis. Using the collected data and with ADB assistance, the NJC will undertake the time/cost-distance analysis, review the results, evaluate the constraints, and take corrective actions. Based on the results of the time/cost-distance analysis, the NJC will periodically authorize time-release assessments of particular border points and logistics performance assessments.

45. At the regional level, the overall leadership for TTFS could be provided by the Regional Joint Transport and Trade Facilitation Coordination Committee (RJC), which will be comprised of representatives from the respective NJCs. The CCC and the Transport Sector Coordinating Committee (TSCC) which have been providing significant leadership in their respective areas

⁴ See Design and Monitoring Framework of the Trade Facilitation Work Program in Appendix 1.

⁵ See Appendix 2 for the proposal to add more task forces.

⁶ See Appendix 5 Draft Terms of Reference: Joint Transport and Trade Facilitation Coordination Committees

shall actively coordinate with the RJC. However, for effective execution of the Implementation Action Plan for the TTFS, additional regional groupings would be necessary, such as the Union of National Freight Forwards Associations (UNFFA) and other groups in the broader areas of trade facilitation.

46. The proposed Organizational Arrangement⁷ indicates the RJC, the CCC, NJCs, UNFFA will be effectively working together through a set of strategies, action plans, work programs,⁸ and terms of reference,⁹ as well as through cross-representations. The RJC will annually review the implementation progress of the Action Plan, and will report the results to the Senior Officials' Meetings and Ministerial Conferences.

⁷ See Proposed Organization Arrangement Appendix 2.

⁸ See Trade Facilitation Work Program in Appendix 3b.

⁹ See Terms of Reference for CCC in Appendix 4.

APPENDIX 1: DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Long-Term Impact</p> <ul style="list-style-type: none"> • Sustained economic growth and improved living standards through the expansion of international and intra-regional trade 			
<p>Outcome</p> <ul style="list-style-type: none"> • Greater volume of trade intra- and extra-regionally, due to time and cost savings which result from harmonized cross border regulations, procedures and standards and improved logistics 	<ul style="list-style-type: none"> • Growth of total intraregional trade and trading performance of the individual CAREC member countries 		<ul style="list-style-type: none"> • Adequate resources • Coordination with international institutions • Stable global economy • Commitment of governments
<p>Short- to Medium- Term Objectives</p> <p>1. Customs Cooperation</p> <p>To promote concerted customs reform and modernization and to serve as a regional forum to address issues of common interest</p>	<ul style="list-style-type: none"> • Simplification/Harmonization of Customs Procedures and Documentation • Cargo manifest harmonized • Accession to the Revised Kyoto Convention • Customs Automation • Automation system adopted (Kyrgyz Republic, Tajikistan) and upgraded (Mongolia) • Data Exchange • Data elements for cargo manifests and customs declaration harmonized • Technology solutions for data exchange agreed bilaterally • Joint Customs Control • Pilot testing implemented and extended to other countries • Risk Management, Post Entry Audit, and Customs Intelligence • Risk Management practices adopted and upgraded 	<ul style="list-style-type: none"> • Support to pilot initiatives including: <ul style="list-style-type: none"> - PRC and Kazakhstan - PRC and Mongolia • Training Program on Customs Automation • Provision of technical support to participating countries on data exchange • Support to pilot testing for: <ul style="list-style-type: none"> - Kyrgyz Republic and Uzbekistan - Tajikistan and Kazakhstan • Support to bilateral initiatives including: <ul style="list-style-type: none"> - Kazakhstan and PRC - PRC and Mongolia - Kyrgyz Republic and Kazakhstan 	

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>2. Integrated Trade Facilitation To support an integrated trade facilitation approach through interagency cooperation and partnership with the private sector</p>	<ul style="list-style-type: none"> • Regional Transit Development • PRC's accession to TIR Convention • Bilateral/Trilateral Transit Agreements signed and implemented • Framework for Customs Cooperation • Bilateral agreements on mutual administrative assistance and customs cooperation signed and implemented • Training and Capacity Building <ul style="list-style-type: none"> - Training provided to customs agencies in the designated priority areas • Establish a regional mechanism for integrated trade facilitation to complement and strengthen the CAREC Customs Cooperation Committee Process • Establish national transport and trade facilitation committees • One-stop and single electronic window services • Priority trade facilitation support for the designated CAREC transport/ economic corridors • Bilateral initiatives to pilot integrated trade facilitation approach • Accession to international conventions in support of integrated trade facilitation 	<ul style="list-style-type: none"> • Workshop to share experience and harmonize approaches • Annual meeting of the CAREC national joint transport and trade facilitation committees • Support, in conjunction with ESCAP, for establishing and work program design • Single window workshops (2008) • Enhance ongoing bilateral initiatives • Monitor and support accession to and implementation of international conventions for (Transport and) Trade Facilitation in conjunction with the CAREC TCC and ESCAP 	

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>To facilitate the development of an efficient regional logistics industry</p>	<ul style="list-style-type: none"> • Establish a technical level forum for the range of agencies involved in providing trade facilitation support to the region to improve coordination and develop good practice models • Managing for Results • Establish a monitoring mechanism to measure performance including time/cost/distance surveys, user surveys and administrative data from national agencies • Provide a regional forum to harmonize and plan trade logistics development • Support national level trade logistics assessments • Facilitate and finance and public-private partnerships 	<ul style="list-style-type: none"> • Harmonize support programs • Measure progress • Build on work of other development partners to establish benchmarks and measure progress <ul style="list-style-type: none"> - Emphasize on monitoring designated CAREC corridors • Undertake assessments in CAREC countries • Prepare project proposals suitable for inclusion in bilateral investment programs 	

CAREC = Central Asia Regional Economic Cooperation, CCC = Customs Cooperation Committee, ESCAP = United Nations Economic and Social Commission for Asia and the Pacific, PRC = People's Republic of China, TIR = Transports Internationaux Routiers, TF = Trade Facilitation.

**APPENDIX 2: STATEMENT OF THE SEVENTH MEETING OF THE CUSTOMS
COOPERATION COMMITTEE UNDER THE CENTRAL ASIA REGIONAL ECONOMIC
COOPERATION (CAREC) PROGRAM**

8 – 9 September 2008 Issyk-Kul, Kyrgyz Republic

A. Introduction

1. The Customs Cooperation Committee (CCC), held its Seventh Annual Meeting (the Meeting) in Issyk-Kul, Kyrgyz Republic on 8 – 9 September 2008 to review progress made since its inception in 2002, and also to review the CAREC joint transport and trade facilitation strategy. The new strategy was presented to and endorsed by the CAREC Ministers during their annual meeting in Dushanbe, Tajikistan in November 2007.

2 The Meeting brought together heads/deputy heads and their representatives of customs administrations from Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, People's Republic of China (PRC), Tajikistan, Turkmenistan, and Uzbekistan. Aside from CAREC participating countries, representatives from international and bilateral organizations, including German Technical Cooperation (GTZ), Organization for Security & Cooperation for Europe (OSCE), United Nations Economic Commission for Europe (UNECE), and United States Agency for International Development (USAID) actively participated.

3 To facilitate effective discussion, the program agenda of the Meeting was designed to focus on priority areas of customs cooperation under the CCC framework established since its inception in 2002. These include issues related to (i) rationalization and simplification of customs procedures, such as harmonization with international standards, joint customs control, and regional transit development; (ii) investments both in information communication technology (ICT) and in human resource capacity building, as well as in data exchange; and (iii) critical operational customs issues for trade facilitation such as risk management/post-entry audit; and customs intelligence/prevention of customs offences. The Meeting also discussed ways to strengthen CCC's implementation capability for achieving results.

4 In addition to reviewing progress made in priority areas in the past year and planning for new activities of customs cooperation, the Meeting heard a presentation by CCC Secretariat on the CAREC Joint Transport and Trade Facilitation Strategy (TTFS) and its Action Plan, discussed and proposed an organizational structure to enable CAREC to pursue joint trade and transport facilitation activities while allowing CCC to focus on customs cooperation issues.

5 The Meeting also heard a presentation of Mr. Mario Apostolov of UNECE on issues related to single window systems and data harmonization in line with international standards.

6 The participants at the Meeting expressed their gratitude to the Customs Administrations of Kyrgyz Republic for their warm hospitality and for being the most generous host, as well as for the very efficient arrangements for the meeting together with the ADB, acting as the CCC Secretariat. The participants appreciated efforts made by all the CCC member customs officials for the very informative presentations on various issues and the presentation by UNECE on the topics of single window and data harmonization in line with the international standards, which was timely given that many CCC member countries are embarking on single-window development process.

7. The Meeting reaffirmed its commitment in assuming the lead role in promoting regional customs cooperation initiatives through concerted customs reforms and modernization efforts and deepened regional cooperation, interagency coordination and public-private partnership.

B. Progress and Future Work Program in Priority Areas

8. Successful factors of the CCC program are well recognized. These include camaraderie among the region's customs officials; up-to-date and effective capacity building programs; and concrete achievements through bilateral cooperation. However the previous CCC meetings also noticed that there was still room for improvement, including the need for (i) a more consistent approach in all CCC member countries; (ii) enhancing project implementation capability; (iii) improving coordination with other trade related agencies and stakeholders; and (iv) achieving concrete results, in particular multilaterally.

9. The Meeting noted with satisfaction progress achieved since the Sixth CCC Meeting, particularly on issues marked for improvement earlier. The Meeting recommended a number of initiatives which need regional coordinated efforts at CCC level, and requested continued assistance from ADB. Details are the following:

1. Rationalization and Simplification of Customs Procedures, Joint Customs Control, and Regional Transit Development

10. Regarding simplification and harmonization of customs procedures in line with international standards, most CCC members adopted new Customs Codes that are compliant with the revised Kyoto convention. Afghanistan adopted the new Customs Law last year that streamlined 27 procedures. Uzbekistan submitted a draft of the new Customs Code to the Government which is also revised Kyoto convention compliant. Significant progress was noted in joint customs control efforts, where a number of pilots are being implemented and more are being prepared between Kazakhstan and PRC, Kazakhstan and Kyrgyz Republic, and Mongolia and PRC. In addition to continued efforts for better application of TIR carnets, a number of initiatives are also proposed and will be pilot tested to facilitate regional transit, including those between Kyrgyz Republic and Tajikistan and between Kyrgyz Republic and Kazakhstan. Kazakhstan customs has developed the "safe packet" system which is being introduced through pilots with the Kyrgyz Republic. The plan is to implement similar projects with PRC, Tajikistan and Uzbekistan

11. Significant progress was witnessed in the development of the single window (SW) scheme in a number of CAREC participating countries as part of the effort to simplify and streamline all trade-related government services and functions. Governments of Kyrgyz Republic and Mongolia have officially endorsed a policy and organizational framework leading to SW development. Substantial work has also been done in Azerbaijan and Kazakhstan. Other CCC member countries also made strides in this area, with most of the work led by customs authorities.

12. ADB suggested that further pilot joint customs control should be considered at border crossing points along the identified CAREC transport and trade corridors, with available ADB financial and technical support. The Meeting requested for ADB's continued support for regional transit pilot schemes that will include performance monitoring and benchmarking, with a view to replicating the successful schemes for wider application in the region. The Meeting recommended adoption of international standards in SW development among CCC members, with a view for potential development of a regional SW agreement. Adoption of international

standards and following best practices would also facilitate the streamlining of data and information exchange among CAREC members. The Meeting requested continued ADB support in investment and capacity building in SW development.

2. Information Communication Technology, Data Exchange and Capacity Building

13. The Meeting is satisfied with the progress regarding ICT development in a number of CCC member countries, including in Afghanistan, where the ASYCUDA system is in full operation in Kabul and is being installed in major customs houses in other parts of Afghanistan; in the Kyrgyz Republic, Mongolia and Tajikistan where ADB projects for customs modernization are progressing smoothly, and effectively becoming integral parts of SW development in these countries; and in Uzbekistan where the functionality of the Uniform Automated Information System has been expanded to provide linkages to transport operators and relevant ministries and agencies. Regarding data exchange, PRC and Kazakhstan customs have made significant progress in analyzing causes of discrepancies in trade statistics.

14. The PRC Customs and ADB co-sponsored two training programs at the Shanghai Customs College with commendable results. PRC Customs indicated that they will continue the program with similar frequency in the future. The most immediate one will be on joint customs control to be held in Guangzhou in February 2009. Kyrgyz Customs training center has a well designed training of trainers program and maintains an active relationship with the Russian Customs College. The regional training center of the World Customs Organization's (WCO) is located in Baku, where with assistance of Azerbaijan Customs Committee, many regional and international events are held.

15. The Meeting recognized that capacity building is important for customs in the region to help them achieve their goals. The Meeting recommended that a study should be carried out for CCC with the support of ADB to (i) assess training needs not only for customs but also for the broader array of stakeholders involved in trade facilitation; (ii) identify available institutional, financial and human resources both at regional (e.g., at CCC and CAREC Institute level) and national (e.g., customs colleges and training centers) levels; (iii) design standard curricula and tailor-made programs; and (iv) recommend a capacity building framework for trade facilitation that best matches the available resources with identified training needs. The Meeting also recommended the establishment of a common information space to exchange information on available training programs and materials offered by various development agencies.

3. Risk Management/Post-Entry Audit, Customs Intelligence/Prevention of Customs Offences

16. Systematic approach to risk management and post-entry audit is being adopted in many CAREC participating countries, notably in Azerbaijan, Kyrgyz Republic, Kazakhstan, and Uzbekistan. Most CAREC members also established bilateral agreements with neighboring countries on exchange of information for customs intelligence and prevention of customs offences. However there are glitches in exchange of customs intelligence particularly between CIS and non-CIS member countries. There is also a need to strengthen ties between customs authorities and other law enforcement agencies both internally and regionally.

17. The Meeting requested ADB's technical assistance and funding support in areas of prevention of customs offences. The support will be in the form of specific training, enhancement of the framework on exchange of customs intelligence, and establishment of a

more streamlined coordination mechanism with other law enforcement agencies in the region. The Meeting considered a proposal to formally establish a liaison mechanism under the CCC umbrella for customs intelligence exchange and management.

4. Strengthen CCC's Implementation Capability for Achieving Results

18. Internally, CCC is organized into two working groups, one task force and four expert groups. Such organization is effective in bringing forward agendas and engaging in discussions. CCC is coming to a stage of maturity and it is now capable to implement and be accountable for initiatives it carries forward. Based on the fact that the Task Force to initiate pilot-testing of joint customs control (chaired by Kazakhstan) is functioning satisfactorily, the Meeting discussed the possibilities of establishing more focused task forces for better implementation of initiatives, and better budget planning for financial support and technical assistance. Task forces being considered at the moment will include those to cover issues such as joint customs control, regional transit, capacity building, knowledge products, single window development, and performance measurement and monitoring, among others.¹⁰ The Meeting suggested to interested CCC members to bring forward their proposals to establish task forces (e.g., objectives, project scope, costing, and implementing plan) for other CCC members and CCC Secretariat to review. Those proposals that involve bilateral, multilateral and regional cooperation under the CCC framework will receive higher priority for support. Athlete

5. Proposed an Organizational Structure for CAREC to Pursue Joint Trade and Transport Facilitation

19. The Meeting decided that CCC should keep its focus on regional customs cooperation issues. Integrated trade facilitation mandate envisaged by the TTFS Action Plan should be taken up by the respective national joint trade and transport facilitation committees and the CAREC Regional Joint Transport and Trade Facilitation Coordination Committee, to be composed of representatives from the national committees, should cover regional issues.¹¹

C. Other Businesses

20. The Meeting considered the request by the CAREC Secretariat to select the future host for CCC Meetings to be the same host country for the Ministerial Meeting and Senior Officials Meeting (SOM). The request is based on considerations for better coordination with other CAREC committees and cost efficiency in travel and venue preparation. The Meeting proposed to check if CCC can complete the first round of rotation among CCC members before considering to following the same rotation as the Ministerial Meeting and SOM. At the moment, the CCC Meeting has gone through 7 member countries and the next and last host, according to the order of rotation, would be Tajikistan. Tajikistan delegates requested ADB to send them a formal letter regarding this matter.

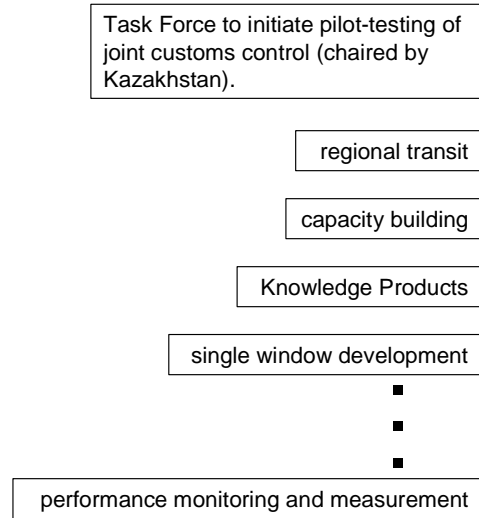
¹⁰ See Attachment A for the proposal to add more task forces.

¹¹ See Attachment A for proposed CAREC Regional Joint Transport and Trade Facilitation Coordination Committee structure

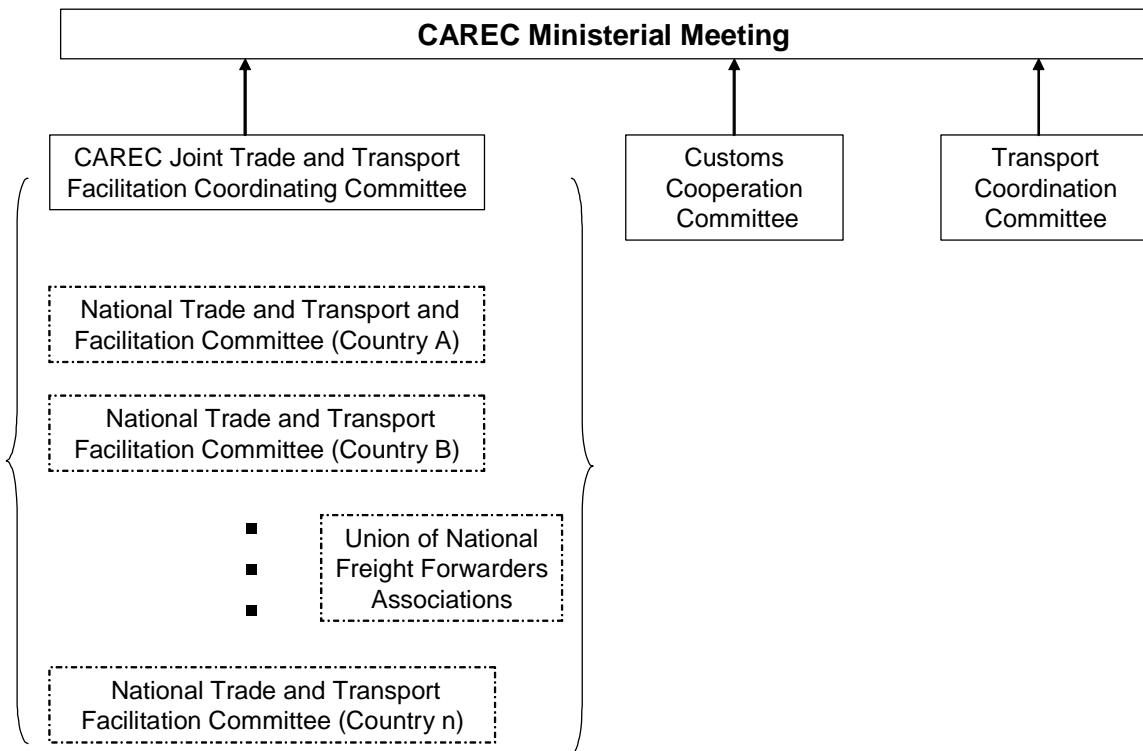
“ATTACHMENT A”

Working Group

Task Force



Proposed Organizational Arrangement



APPENDIX 3a: CAREC CUSTOMS COOPERATION WORK PROGRAM, 2007–08, 2009–2010

Activities	Rationale	2007-2008	2009-2010
Priority Area 1 - Simplification/Harmonization of Customs Procedures			
Aligning national legal instruments with international standards	Simplification and harmonization of customs procedures in line with international standards is the core requirement of the revised Kyoto Convention	<ul style="list-style-type: none"> – Afghanistan became member of WCO; enacted new Customs Law in 2007 and streamlined 27 customs procedures – Mongolia passed Customs Law and Law on Customs Tariff July 2008 – Uzbekistan submitted draft of new Customs Code 	<ul style="list-style-type: none"> – Kazakhstan amendments to Customs Law to allow other agencies to entrust to Customs certain trade-related functions - 2009 – Uzbekistan law to be passed 2009
Consultation and advisory support for pilot initiatives in (JCC) <ul style="list-style-type: none"> – PRC and Kazakhstan – PRC and Mongolia 	PRC proposed programs supporting (a) harmonization of cargo manifest; and (b) mutual recognition of customs inspection and seals/stamps		
Priority Area 2 - ICT for Customs Modernization and Data Exchange			
ICT Development Activities <ul style="list-style-type: none"> – Electronic filing of customs declarations and other documents – Customs payments on-line 	Automation of customs systems will facilitate exchange of information and speed-up clearance times and the movement of traffics across borders	<ul style="list-style-type: none"> – Afghanistan introduced ASYCUDA in Kabul and launched customs website in 2008 	<ul style="list-style-type: none"> – Afghanistan to install ASYCUDA in major customs houses
		<ul style="list-style-type: none"> – Uzbekistan expanded Uniform Automated Information to provide linkage with transport operators and other agencies. – ADB/ Korea ICA project on modernization of Mongolia customs initiated 2008 till 2010 	<ul style="list-style-type: none"> – ADB/ Korea ICA project on modernization of Mongolia customs on-going till 2010

Activities	Rationale	2007-2008	2009-2010
		<ul style="list-style-type: none"> - Kazakhstan automated each step of processing at border crossing points and initiated inter-agency data exchange (Operations Administrative Center) 2008 	
<p>Workshops to study the WCO Data Model</p>	<ul style="list-style-type: none"> - WCO Data Model has been widely introduced in CAREC as a tool to standardize, harmonize and reduce Customs data requirements to improve flow of goods across international borders and reduce industry costs. WCO Data Model incorporates other WCO standardization instruments (Revised Kyoto Convention, ICT Guidelines and Unique Consignment Guidelines and Unique Consignment Reference) - Study proposed to look at possibilities of implementing WCO Data Model and its applicability to current Customs practices within the CAREC, illustrate case studies that will give empirical evidences of the viability of the Model to Customs administration, and ultimately formulate a feasibility of having a regional data model. 	<ul style="list-style-type: none"> - Seminar on Customs Automation & Application of ICT discussed need to develop common data platform based on WCO data model. Beijing PRC 23-25 May 2007 	<ul style="list-style-type: none"> - Assistance in Implementation of WCO Recommendations - Work program to develop CAREC Data Model
<p>Single Administrative Document and Data Harmonization Major topics include</p> <ul style="list-style-type: none"> - Single Administrative Document - Data Harmonization and Single Windows (international best practices, tools and procedures) 	<ul style="list-style-type: none"> - The CCC emphasized the need for continued focus on existing priority areas of the CCC through training and knowledge forums/seminars, in cooperation with international organizations and customs administrations that support the Program. - Workshop to bring together international organizations such as WCO, UNECE and EURASEC to discuss key issues and [procedures on SAD and data harmonization. This will also trigger CAREC countries to initiate development of a work program to establish and implement SAD and data harmonization (e.g. single window) 	<ul style="list-style-type: none"> - UNECE presentation on Single Administrative Document and Data Harmonization on 9 September 2008 	

Activities	Rationale	2007-2008	2009-2010
<p>Provision of technical support to participating countries on data exchange</p> <p>Working Group meetings. Working with NJCs and RJC to develop a work plan for building single windows and data harmonization</p>	<p>– CCC members have discussed establishment of an electronic platform for electronic data exchange between customs administrations and between exporters and importers for fast clearance and effective risk management. Study on feasibility of electronic data exchanges will be necessary</p> <p>Single Window (SW) Systems simplify and streamline all trade related government services and function and thus facilitate flow of goods across borders</p>	<p>– Meeting in XUAR between PRC and Kazakhstan July 2008 re data exchange on loading lists</p> <p>– PRC and Kyrgyz Republic met in Feb. 2008 and PRC and Kazakhstan met in March 2008 to discuss statistics methods</p>	<p>– Study on Feasibility of Electronic Data Platform for CAREC</p> <p>Coordinating Cargo Processing thru a National Single Window 2010</p>
Priority Area 3 - Risk Management, Post-Entry Audit, Customs Intelligence, Anti-drug Smuggling and other Customs Offenses			
<p>Introduction of risk management measures in customs procedures</p>	<p>Audit-based post clearance/post-release control regime is also a requirement of the revised Kyoto Convention. If supported by effective risk management systems and procedures, post-entry audit will significantly reduce customs controls at the borders and enable authorities to allocate scarce resources more effectively</p>	<p>– Afghanistan integrated risk management modules in ASYCUDA</p> <p>– Mongolia installed x-ray equipment at borders with PRC and Distant Direct TV Control System in Ulaan Baator in 2008</p>	<p>– Mongolia to install x-ray equipment at border crossing with Russia 2009</p>
<p>Seminars/Forums on Risk Management techniques, Post-Entry Audit, Customs Intelligence</p> <p>Topics comprise:</p> <p>– International best practices on the risk management and post entry audit with emphasis on case studies illustrating problems and solutions</p>	<p>To augment CAREC officials' knowledge on risk management and post-entry audit, it is worthwhile to conduct another seminar on these areas including case studies on how a certain country/customs administration solved a specific trade facilitation-related concern using these techniques. In addition, the seminar will include technical discussion on customs intelligence while showcasing different models for</p>	<p>– ADB, and Royal Thai Customs, sponsored "Seminar on Implementation Challenges in Risk Management and Post-Entry Audit" on 7 – 9 February 2008,</p>	

Activities	Rationale	2007-2008	2009-2010
<ul style="list-style-type: none"> - Showcase of different customs intelligence models and case studies illustrating problems and solutions - Working group meetings and consultations on the side, but related to the seminar theme 	possible implementation in the CAREC region.	Bangkok	
<p>Support to enhance framework on exchange of customs intelligence</p> <ul style="list-style-type: none"> - Liaison mechanism to streamline coordination with other law enforcement agencies - Specific training for prevention of customs offenses 	At its 7th Meeting, CCC requested for ADB's technical assistance and funding support in areas of prevention of customs offences. The support will be in the form of specific training, enhancement of the framework on exchange of customs intelligence, and establishment of a more streamlined coordination mechanism with other law enforcement agencies in the region. The Meeting considered a proposal to formally establish a liaison mechanism under the CCC umbrella for customs intelligence exchange and management.		<ul style="list-style-type: none"> - Training on prevention of customs offenses 2009
Priority Area 4 - Joint Customs Control			
<p>Pilot testing of joint customs control measures</p>	Joint customs control is the initial step towards joint agency controls and eventually single window systems that will allow traders to lodge information with a single body to fulfill all import/export regulatory requirement.	<ul style="list-style-type: none"> - First phase of pilot joint customs control (harmonized road loading list) between PRC and Kazakhstan initiated December 2007 in Dulata (PRC) and Kalzhat Dulary (Kazakhstan) 	<ul style="list-style-type: none"> - 2nd phase (recognition of customs inspection results of other party) and 3rd phase of pilot (joint customs inspection) 2009-2010 <p>First phase of pilot joint customs control between PRC and MON</p>
			<ul style="list-style-type: none"> - Border Posts Improvement and Joint Border Processing 2009-2017
<p>Legal measures to allow joint customs control at borders</p>		<ul style="list-style-type: none"> - Mongolia's new Customs Law (July 	

Activities	Rationale	2007-2008	2009-2010
		2008) allows for Mutual Recognition Agreements for joint customs control.	
		– “Enforcement Regulation on Joint Customs Control on China-Kazakh Border Customs” was signed in Beijing August 2007	
Field Visits to advanced border crossing areas focusing on Customs Automation and Joint Customs Control	In order to complement the theoretical knowledge CAREC countries have obtained from these seminars, it is imperative for CAREC customs officials to undertake a field visit as to gain experience on how modern trade facilitation tools work. In addition, CAREC countries can obtain knowledge on practical issues relating to these trade facilitation tools.	– ADB, and Royal Thai Customs, sponsored seminar on implementation challenges in joint customs control in February 2007	
Seminar on Integrated Border Management Topics comprise: • Legal issues in connection with integrated border management approach • International best practices, challenges and prospects for CAREC • Working group meetings and consultations on the side, but related to the seminar theme	CCC requested assistance from ADB to support a training of experts on the development and implementation of Integrated Border Management”. The initiative will help CAREC countries achieve “open borders for trade, tourism and other forms of legitimate movement of persons and goods, but borders that are secured and controlled in relation to the threats posed by illegal migration, trafficking in human beings, activities of criminal networks and terrorism.” This will require participation of all trade-related agencies, such as immigration, quarantine, security-related agencies, and customs, among others. This could also reinforce the objective of the ADB-UNECE-EURASEC to promote the establishment of a national single-window facility in CAREC countries.		– Seminar on Joint Customs Control for all CAREC members sponsored by PRC Customs and ADB in 1 st Quarter 2009
Priority Area No. 5 — Regional Transit Development			
TIR accession and implementation assistance	Accession to TIR convention and efficient operations of TIR in CAREC are both important. The program will continue to support development of bilateral and regional transit arrangements	– All CAREC countries except PRC are contracting parties to TIR Convention	– PRC to accede to TIR Convention
Study of Efficacy of safe packet	At 6 th CCC Meeting Kazakhstan proposed use of “safe	– Study funded by ADB	

Activities	Rationale	2007-2008	2009-2010
system	packet” system for movement of goods across border crossing points with Kyrgyz and Uzbekistan. Kazakhstan requested ADB to conduct a study and support pilot tests in Kyrgyz Republic and Uzbekistan	conducted in 2007 and 2008 supported limited pilot in Kyrgyz Republic	
Pilot testing of Safe Packet System in Kyrgyz Republic		– Pilot test in checkpoint at Ak-Jol (Kyrgyz Republic) and Kordai (Kazakhstan) 4 th quarter 2008	– Rolling out schemes to other Kyrgyz and Kazak border crossings – Pilot tests in other countries
Other regional transit arrangements		– Kyrgyz Republic GPS–pilot testing along the route Torugart Naryn-Bishkek	– Simplified Transit Procedures 2009
Training and Capacity Building			
Training Needs and Capacity Assessment and Development of Capacity Building Framework – Assess training needs for customs and other related agencies – Identify and assess capabilities of existing customs training centers and resources – Develop standard curricula and design specialized training programs – Formulate capacity building framework to match training needs and resources	The CCC recognizes that capacity building is important and recommended that a study should be carried out with ADB support to (i) assess training needs not only for customs but also for broader array of stakeholders involved in trade facilitation; (ii) identify available institutional, financial and human resources both at regional (e.g., at CCC and CAREC Institute level) and national (e.g., customs colleges and training centers) levels; (iii) design standard curricula and tailor-made programs; and (iv) recommend a capacity building framework for trade facilitation that best matches the available resources with identified training needs. The establishment of a common information space to exchange information on available training programs and materials offered by various development agencies was also recommended.		– TNCA to start 1 st quarter 2009
Cosponsored seminars and workshops – Seminar in the PRC (any location) senior customs officials and one workshop in Shanghai Customs	– CCC members requested assistance from ADB to support, in cooperation with China Customs, one seminar in China and one workshop in Shanghai	CAREC Customs Training Course on Anti-Smuggling, 19-	– Joint Customs Control Guangzhou in February 2009

Activities	Rationale	2007-2008	2009-2010
College per year for and mid-level customs officials ¹	Customs College per year for senior and mid-level customs officials in the coming 2 to 3 years.	29 November 2007, Shanghai, PRC	
	<ul style="list-style-type: none"> - The agenda for the seminar series would be policy issues related to customs automation, integrated border management, single-window processing/one-stop cargo inspection, etc. to encourage participation of other trade-related agencies and stakeholders. 	<ul style="list-style-type: none"> - CAREC Customs Training Course on Tariff Collection Supervision 3-12 June 2008 - Customs Inspection Technologies for Mongolia June 2008 	

¹ The seminar (any topic) in the PRC is intended for high level CAREC customs officials to participate on any policy debate centering on trade facilitation initiatives of the CAREC TF program. Meanwhile, the workshop in Shanghai Customs College is for mid-level customs officials to dwell on technical and administrative issues related to the program.

APPENDIX 3b: CAREC INTEGRATED TRADE FACILITATION WORK PROGRAM, 2007–2008, 2009 – 2010

Activities	Rationale	2007–2008	2009–2010
Single Electronic Window Development			
Working Group meetings to develop a work plan for building single windows and data harmonization	Single Window (SW) Systems simplify and streamline all trade related government services and function and thus facilitate flow of goods across borders		Coordinating Cargo Processing thru a National Single Window 2010
Amendments to legal instruments to implement single window systems		<ul style="list-style-type: none"> – Kyrgyz Republic approved concept of SW and issued Government resolution to prepare implementation plan. – Mongolia established working committee on SW – Afghanistan developed SW clearance system for exports 	<ul style="list-style-type: none"> – Kazakhstan to set up single customs administration center
Trainings/seminars on Single Window Development		<ul style="list-style-type: none"> – Workshop on Single Window Development for CAREC Trade and Customs Officials 8-10 July 2008 Singapore 	
Support for Joint Transport and Trade Facilitation Strategy			
Institutional Support for Transport and Trade Facilitation <ul style="list-style-type: none"> – Setting up of national joint transport and trade facilitation committees (NJC) and – the CAREC Joint Transport and Trade Facilitation Coordination Committee (RJC) 	At the 7thh CCC meeting in Kyrgyz Republic September 2008, it was decided that CCC should keep its focus on regional customs cooperation issues so as not to dilute its effectiveness. Integrated trade facilitation mandate envisaged by the TTFS Action Plan should be taken up by the respective national joint trade and transport facilitation	<ul style="list-style-type: none"> – Formulation of terms of references for the national committees and regional committee 	<ul style="list-style-type: none"> – Establishment of NJCs – NJC meetings and workshops to develop national action plans 1st & 2nd quarter 2009 – First meeting of RJC 3rd quarter 2009 back-to-back with CCC

Activities	Rationale	2007–2008	2009–2010
Dialogues and meetings with freight forwards associations and other private sector groups to discuss possible federation/union of freight forwarders and other groupings	committees and the CAREC Regional Joint Transport and Trade Facilitation Coordination Committee, to be composed of representatives from the national committees, should cover regional issues		<ul style="list-style-type: none"> – Country consultations with private sector (e.g. freight forwarders associations, chambers of commerce, transport groups) – Regional consultations with regional groupings of private organizations
Coordinated development along priority corridors	The new regional trade facilitation strategy, intends to focus trade facilitation efforts on the designated priority CAREC transport corridors.		<p>Border Crossing Point Infrastructure and Investment on going to 2017</p> <ul style="list-style-type: none"> – Facility and Process Improvements at Border Crossing Points 2009-2015
<p>Seminar/Forum on development of the 6 CAREC corridors</p> <p>Topics comprise:</p> <ul style="list-style-type: none"> – Presentation of results of the survey on border crossing points (BCPs) along the 6 CAREC corridors – Presentation of results of the study on the use of “safe packet system” along the six CAREC corridors – Share experience of TIR and harmonize approaches – Working group meetings and consultations on the side, but related to the seminar theme 	<ul style="list-style-type: none"> – To date, limited information on the current state of the border crossing points are readily available, including their current traffic volume, hindrances at the border crossings, as well as economic and financial sustainability of infrastructure, management and technology utilized in these BCPs. – A comprehensive survey on these BCPs will elicit vital information for CAREC countries to identify the needed intervention to make these BCPs more efficient for regional trade and transit, thus ultimately increasing the viability of the six CAREC corridors. – A seminar/forum on these areas will bring together CAREC trade facilitation officials to discuss and formulate a common work program based on the findings of the studies. 		

Activities	Rationale	2007–2008	2009–2010
Trade Logistics Development			
Conduct of trade logistics studies in all CAREC countries	<ul style="list-style-type: none"> – Part of the new draft trade facilitation strategy is to support logistics assessment and planning with emphasis on the six CAREC corridors. – All CAREC participating countries have completed their trade logistics studies except for Afghanistan where the report is still being finalized. An integrative meeting was held in Sept 2008 to present key findings and recommendations of these studies to the CAREC countries, which will help them in their efforts to develop an integrated approach for trade facilitation and logistics development. 	<ul style="list-style-type: none"> – All country studies have been done and are being finalized 	<ul style="list-style-type: none"> – Annual meeting seminar in Bali, Indonesia
Seminars and workshops to review state of trade logistics in CAREC countries and identify barriers to trade logistics development		<ul style="list-style-type: none"> – Trade Logistics Development Seminar Baku, Azerbaijan 23 April 2008 – Trade Logistics Development Workshop Tashkent Uzbekistan 2-4 September 2008 	
Development and upgrading of logistics centers in the region	Trade logistics services are crucial to the efficient movement of goods and passengers. The promotion of trade logistics development is one of 3 components of the new TTFS	<ul style="list-style-type: none"> – Logistics Development and Capacity Building in XUAR ongoing to 2008 – Development of Khorgas Global Logistics Center on-going to 2010 – Regional Logistics Development 2008-2009 – Logistics Centers and Rail Multimodal Hubs 2008-2010 	
Corridor Performance Measurement and Monitoring			
Seminar/Training on tools and methodologies in reviewing customs processes and procedures	The integrated trade facilitation component will adopt results-based approach to monitor travel time and costs along the priority	<ul style="list-style-type: none"> – Performance Measurement and Monitoring Baku April 	

Activities	Rationale	2007–2008	2009–2010
Topics comprise: <ul style="list-style-type: none"> – UNESCAP’s Time/Cost-Distance Methodology – WCO Time-Release Study – Trade Logistics Performance Assessments 	corridors, and will strengthen interaction with both international technical agencies and regional organizations. Essential to the fulfillment of this concern requires effective coordination with not only with other sector committees within CAREC but also with other regional cooperation mechanisms with similar agenda and approach, including UNESCAP and WCO. The use of UNESCAP survey, also known as “Time/Cost-Distance Methodology”, on the 6 identified CAREC economic corridors is significant in the identification and isolation of bottlenecks along the corridors. On the other hand, the “Time-Release Study” of WCO enables customs to identify problem areas in the clearance process in order to take corrective action to increase efficiency.	2008 <ul style="list-style-type: none"> – Performance Measurement and UNESCAP Time Cost Distance Methodology Tashkent Uzbekistan -4 September 2008. – Corridor Performance Monitoring and Reporting 2008-2011 – Experts to be fielded 4th quarter 2008 	
Corridor Performance Measurement and Monitoring (PMM) along Priority Corridors <ul style="list-style-type: none"> – Coordination with national freight forwarders associations – Training for data gatherers – Data gathering and analysis 			<ul style="list-style-type: none"> – Phased implementation of PMM in 2009
Strengthening cooperation mechanisms and implementation capabilities			
Capacity building in trade facilitation <ul style="list-style-type: none"> – Participants include high-level trade facilitation officials from CAREC participating countries and Donor Agencies Topics comprise: <ul style="list-style-type: none"> – Fostering synergy between CAREC trade facilitation and transport sector committees’ work program – Possible collaboration amongst donor agencies in the CAREC region in facilitating trade 	One of the objectives of the new trade facilitation strategy is to enhance partnership between the CAREC countries, multilateral institutions (MIs), and key international agencies supporting customs reform, trade facilitation and logistics development in the region as well as broaden inter-agency coordination amongst those related to trade facilitation, extending beyond customs administrations. CAREC workshop on technical assistance and capacity building in trade facilitation will put these institutions on-board the trade facilitation agenda, thus forging new partnerships in the CAREC		<ul style="list-style-type: none"> – Workshop on Cooperation Mechanisms with Development Partners 2009

Activities	Rationale	2007–2008	2009–2010
	region to address broader issues of trade facilitation.		
<p>Capacity building for new members of national committees and regional committee on transport and trade facilitation</p> <p>Cosponsored seminars and workshops Workshop series with Singapore International Enterprise (IES) on Single Window Development, Special Economic Zone etc,</p>	Design and implementation of standard trade facilitation courses in coordination with CAREC Institute to enhance implementation and coordination capabilities of the various agencies, including the private sector, involved in trade facilitation will be crucial in fostering cooperative mechanisms that will comprehensively address the complex and inter-related issues that hinder the flow of trade in the region	– Single Window Development Workshop	– Special Economic Zone Development Workshop

BCP = border crossing point, CAREC = Central Asia Regional Economic Cooperation, CCC = Customs Cooperation Committee, ICT = information communication technology, MI = multilateral institution, SAD = Single Administrative Document, SOM = Senior Officials Meeting, UERASEC = Eurasian Economic Community, UNECE = United Nations Economic Commission for Europe, UNESCAP = United Nations Economic and Social Commission for Asia and the Pacific, WCO = World Customs Organization.

APPENDIX 4: TERMS OF REFERENCE – CUSTOMS COOPERATION COMMITTEE

A. Background

1. The CAREC Customs Cooperation Committee (CCC) was created in January 2002 and endorsed by the Ministerial Conference on Regional Economic Cooperation Program hosted by the Asian Development Bank. The Committee was mandated to promote cooperation among the customs organization of the CAREC countries. The CCC has made significant achievements in bilateral cooperation and country specific customs modernization and has been successful in creating an environment of trust and cooperation among the customs services of the participating countries..

B. Objectives

2. The CCC aims to promote regional trade facilitation initiatives through concerted customs reforms and modernization, strengthened inter-agency cooperation and enhanced partnerships with the private sector in order to eliminate trade and other barriers to development. The CCC shall also serve as the regional forum for addressing issues of common interest relevant to customs cooperation and trade facilitation.

C. Participation

3. The CCC is currently composed of the heads and deputy heads of customs organizations of the CAREC member countries namely: Afghanistan, Azerbaijan, the People's Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. Turkmenistan as an observer of CAREC also participates in CCC activities.

D. Scope of Work

4. The major areas of work for the CCC include:

- (i) **Concerted customs reform and modernization.** Continued focus on priority area¹ and a systematic approach in complementing individual member countries' customs simplification and harmonization as well as modernization efforts through promotion of bilateral agreements and cooperation initiatives;
- (ii) **Single-Window Schemes.** Promote initiatives leading to inter-agency coordination and development of single-window schemes and partnerships with the business community; and
- (iii) **Capacity Building.** Training and knowledge forums/seminars, in cooperation with international and customs organizations involved in the region.

¹ Priority areas of the CCC: (a) Simplification/Harmonization of Customs Procedures and Documentation; (b) ICT for Customs Modernization and Data Exchange; (c) Regional Transit Development; (d) Risk Management, Post Entry Audit and Customs Intelligence; (e) Joint Customs Control; (f) Framework for Customs cooperation; and (g) Training and Capacity Building

E. Detailed Tasks

- (i) Coordinate, facilitate and support customs reform and modernization efforts of member countries including bilateral agreements and regional cooperation initiatives;
- (ii) Direct and supervise the implementation of the customs cooperation component of the new trade facilitation strategy/action plan. Regularly review progress of work and formulate policy recommendations for the consideration of their respective governments;
- (iii) Serve as a regional forum to raise, discuss and resolve issues of common interest relating to barriers to trade and development;
- (iv) Coordinate with the other sector committees such as transport cooperation committee and the trade policy committee and with regional cooperation mechanisms such as Shanghai Cooperation Organization, European Asian Economic Cooperation, Joint Transport and Trade Facilitation Coordination Committee and others;
- (v) Encourage the participation and involvement of allied development partners, multilateral development agencies and the private sector in the implementation of the goals of the customs cooperation trade facilitation program and foster inter-committee collaboration and cooperation within CAREC;
- (vi) Supervise and review the conduct of studies that support the effective and efficient implementation of the customs cooperation work plan;
- (vii) Supervise the design and conduct of capacity building programs (trainings, seminars and knowledge sharing) to strengthen implementation capabilities of customs organizations.

APPENDIX 5: DRAFT TERMS OF REFERENCE – JOINT TRANSPORT AND TRADE FACILITATION COORDINATION COMMITTEES

A. Background

1. Recognizing the need to expand intra- and inter-regional trade to spur investments and economic growth in Central Asia, the Asian Development Bank (ADB) has been actively supporting a regional and concerted approach to transport sector development and trade facilitation in the region. Initially, development efforts in these areas were spearheaded by two separate and distinct committees implementing distinct strategies– the Customs Cooperation Committee (CCC) which has made significant achievements in bilateral cooperation and country specific customs modernization and has been successful in creating an environment of trust and cooperation among the customs services of the participating countries; and the Transport Sector Coordinating Committee which has supported the policy of CAREC countries to provide safe, dependable, effective, efficient and fully integrated transport operations and infrastructure. At the September 2007 Central Asia Regional Economic Cooperation (CAREC) Senior Officials Meeting (SOM) in Manila, it was agreed that the two strategies be integrated. The new Joint Transport and Trade Facilitation Strategy (TTFS) and the corresponding Action Plan were endorsed by the CAREC Ministerial Conference held in November 2007 in Dushanbe, Tajikistan.

2. The key elements of the new TTFS strategy are the coordinated improvements of transport infrastructure and logistics, and of trade facilitation, including harmonized cross-border regulations, procedures, and standards along the six priority corridors that have been identified based on a common set of criteria. Implementation of the joint strategy requires the involvement of range of national agencies both public and private that are involved in trade and transport sectors. The Action Plan of the TTFS proposes that national joint transport and trade facilitation coordinating committee (the national joint committee, or NJC) to be formally established consisting of representatives of national level trade facilitation coordination mechanisms. At the regional level, the overall leadership for TTFS could be provided by the CAREC Regional Joint Transport and Trade Facilitation Coordination Committee (Joint TTFCC), which will be comprised of representatives from the respective NJCs. The CCC and the Transport Sector Coordinating Committee (TSCC) which have been providing significant leadership in their respective areas shall actively coordinate with the Joint TTFCC.

A. National Joint Transport and Trade Facilitation Coordinating Committee (NJC)

Objectives:

3. The main objective of the NJC is to promote transport development and integrated trade facilitation efforts at the national level through deepened inter-agency collaboration and enhanced partnerships between the public and private sectors to address broader issues of transport and trade facilitation. The NJC shall also actively encourage the involvement of other sector committees to foster inter-committee collaboration and cooperation within the region.

Participation:

4. The NJC will include representatives of all government agencies in charge of transport, trade, and border-crossing activities (e.g., Ministry of Transport, Ministry of Trade, Ministry of Economy, customs authority, quarantine, sanitary and phyto-sanitary, product standard, security, and immigration) and relevant private sector groups such as freight forwarders associations and logistics service providers.

Scope of Work:

The major areas of work for the NJC include:

- (i) Coordination of the various activities of all agencies involved in transport sector development and trade facilitation in order to develop and implement an integrated national transport and trade facilitation action plan in accordance with the approved Joint TTFS Action Plan;
- (ii) Advice to national governments on accession to international conventions related to trade and transport; and
- (iii) Coordination with international and multi-lateral organizations to mobilize resources and promote investments and funding for the various programs identified in the action plan.

Detailed Tasks:

- (i) Hold consultations, workshops and policy dialogues to:
 - Review and assess all on-going and proposed programs, projects and activities related to transport and trade facilitation in the identified priority corridors;
 - Define the roles and delineate responsibilities of the various public and private sector agencies involved; and
 - Develop national integrated transport and trade facilitation action plan with measurable outputs and timelines;
- (ii) Monitor the implementation of the action plan and take necessary measures to address constraints and issues identified;
- (iii) Supervise and review the conduct of studies that support the effective and efficient implementation of the action plan including the conduct of surveys to establish benchmarks (e.g. corridor performance measurement and monitoring), identify inefficiencies and provide basis for policy and implementation decisions;
- (iv) Supervise the design and conduct of capacity building programs (trainings, seminars and knowledge sharing) to strengthen implementation capabilities of involved agencies;
- (v) Coordinate national positions in negotiation of agreements on trade facilitation/transport;
- (vi) Identify, propose and implement required changes in trade or transport policies and international treaties;
- (vii) Promote application of ICT to trade/transport facilitation;
- (viii) Promote the adoption of best practices in transport and trade facilitation;
- (ix) Disseminate information to industry on changes to border control rules, regulations, procedures and documentation;

- (x) Serve as national focal point for international programs/assistance;
- (xi) Submit a report to the Regional Joint Transport and Trade Facilitation Coordination Committee on the status of the national action plan; and
- (xii) Periodically update the action plan.

B. Regional Joint Transport and Trade Facilitation Coordination Committee

Objectives:

5. The main objective of the CAREC Joint Regional Transport and Trade Facilitation Coordination Committee (RJC) is to provide regional leadership in the implementation of the joint transport and trade facilitation strategy/action plan. The RJC will serve as a regional forum to raise, discuss and resolve issues of common interest relating to barriers to trade and development

Participation

6. The RJC will be comprised of representatives from the national transport and trade facilitation committees and representatives of regional groupings such as unions or federations of national freight forwards or transport groups.

Scope of Work

- (i) Coordinate with the other sector committees such as customs cooperation committee, transport coordination committee and the trade policy committee and with regional cooperation mechanisms such as Shanghai Cooperation Organization, European Asian Economic Cooperation and others in the implementation of the Joint Transport and Trade Facilitation Strategy/Action Plan;
- (ii) Encourage the participation and involvement of allied development partners, multilateral development agencies and the private sector and foster inter-committee collaboration and coordination within CAREC;
- (iii) Encourage the organization of additional regional groupings such as the Union of National Freight Forwards Associations (UNFFA) and other groups in areas of integrated transport and trade facilitation to facilitate the development of an efficient regional trade logistics industry;
- (iv) Support the implementation of national transport and trade facilitation strategies and action plans; and
- (v) In close cooperation with the CAREC Customs Cooperation Committee and the Transport Cooperation Committee: (a) promote the establishment of a regional forum to harmonize and plan logistics development; (b) support national level trade logistics assessments; and (c) facilitate financing of key investments including public-private partnerships.

APPENDIX 6: CAREC CORRIDORS: PERFORMANCE MEASUREMENT AND MONITORING

I. Introduction

1. The Central Asia Regional Economic Cooperation (CAREC) Transport and Trade Facilitation Strategy (the Strategy) and its Action Plan focus on the development of the six CAREC corridors, which will facilitate transport and trade within and through the CAREC region and provide important links among the world's rapidly growing markets around the CAREC region. These corridors are:

CAREC 1: Europe–East Asia (KAZ, KGZ, XUAR)

CAREC 2: Mediterranean–East Asia (AZE, KAZ, KGZ, TAJ, UZB, XUAR)

CAREC 3: Russian Federation–Middle East and South Asia (AFG, KAZ, KGZ, TAJ, UZB)

CAREC 4: Russian Federation–East Asia (MON, IMAR, XUAR)

CAREC 5: East Asia–Middle East and South Asia- (AFG, KGZ, TAJ, XUAR)

CAREC 6: Europe–Middle East and South Asia (AFG, KAZ, TAJ, UZB)

AFG=Afghanistan, AZE=Azerbaijan, KAZ=Kazakhstan, KGZ=Kyrgyz Republic, IMAR=Inner Mongolia Autonomous Region, MON=Mongolia, TAJ=Tajikistan, UZB=Uzbekistan, XUAR=Xinjiang Uygur Autonomous Region.

2. The same strategy and action plan also mandated that performance be measured and monitored periodically to ascertain the current situation along the links and nodes of each CAREC corridor, identify bottlenecks and determine courses of action to take to address such bottlenecks. Three methods that measure and monitor performance has been considered for CAREC, each focused on a particular corridor component. The Time/Cost Distance Methodology will gather time and cost data associated with transit transport processes to identify constraints along a particular route by looking at detailed breakdown of cost and time involved along every section of such route. Based on the data gathered, further work may be sanctioned using the Time Release study to assess legal and regulatory component and/or the Logistics Performance Index to assess logistics services efficiency.

II. Performance Indicators

3. In developing performance indicators and monitoring mechanisms, it is noted that the operation or functioning of a corridor involves: (i) physical infrastructure, (ii) legal framework that governs trade and the provision of trade services as well as inter-government agreements or international treaties, and (iii) logistics services which operationalize policies and programs that manage and control the flow and storage of goods from points of origin to points of consumption.

4. Performance indicators are quantitative and periodic assessment of a process (in this case the movement of goods) that help define and measure progress toward a specific goal. They reflect the efficiency or quality of the corridor's components individually or in combination. It is important for indicators to be comparable across routes, modes of transport, and stops or border posts and links or segments between stops.

5. Costs are measured in terms of payments plus any damage or loss directly related to the movement of the good and transport vehicle.

6. Time is measured in terms of the amount of time taken to complete the movement of the goods from the beginning to the end of the route, also including the delays due to congestion or quality of service.

7. Two additional parameters are reliability and flexibility. Reliability refers to the variation in transit time for a specific combination of services and origin-destination pair. The greater the variability, the harder it is to predict actual transit time and in turn, to coordinate sequential activities in the supply chain, which affects average order cycle time and leads to bunching of arrivals and departures. Flexibility refers to different combinations of cost, time, and reliability that allow suppliers to meet varying demands of consumers.

III. Performance Monitoring Methods

A. Time/Cost – Distance Methodology

8. The “UNESCAP Time/Cost – Distance Methodology” is a graphical representation of cost and time data associated with transport processes. The purpose of the model is to identify inefficiencies and isolate bottlenecks along a particular route by looking at the cost and time characteristics of every section along a route. The methodology allows policy makers to:

- analyze the factors that affect the cost and time required to transport goods using certain routes
- compare - over a period of time - the changes in cost and/or time required to transport goods on a certain route;
- compare and evaluate competing modes of transport operating on the same route; and
- consider alternative transit routes.

9. The entire methodology is in one excel file. There methodology has two parts – Questionnaire (Parts A and B) and the Analysis which consists of graphs that are automatically generated as the questionnaires are filled in.

Part A – General Questions

- *Date of questionnaire completion:* Insert actual date
- *Route description:* If the route analyzed is not provided fill in the detailed information starting with the place of departure; over main cities en route, junctions or highway numbers to place of final destination.
- *Goods:* Enter the type of goods transported (i.e single type of goods vs. multiple types of goods)
- *Quantity:* Enter the quantity of goods transported. (If multiple goods then please indicate quantity by type of good.) “*Nationality of driver*” and “*Country of vehicle registration*” refer to transport by road only. In case of multimodal transports along the route please name nationalities of all drivers and the vehicles involved.
- “*Effective date of transport start*” and “*Effective delivery date of goods*” refer to the dates, when the transport physically leaves its place of departure and when then goods physically arrive at their destination.
- “*Was the transport performed under an international transit system (e.g. TIR, NCTS)?*”: Reply with “yes” or “no”. Please also specify, which international transit system has been applied.

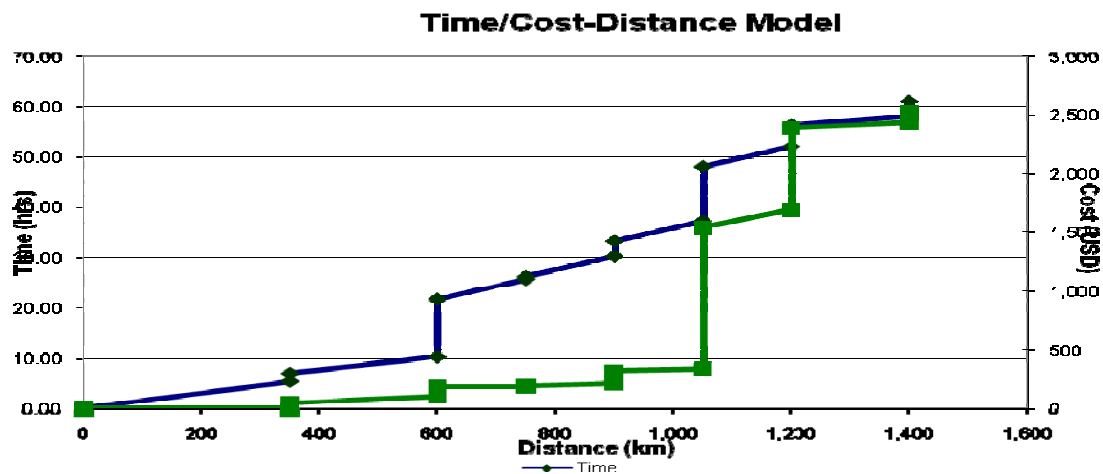
- *Overall distance of the route:* No data entry is required, as it is automatically calculated as the sum of the length of the individual sections of the route (based on the data from Part B).

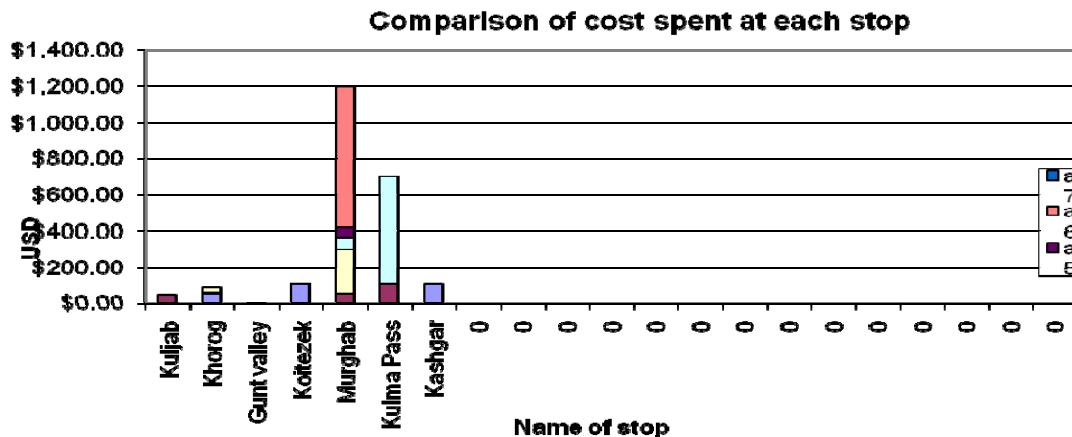
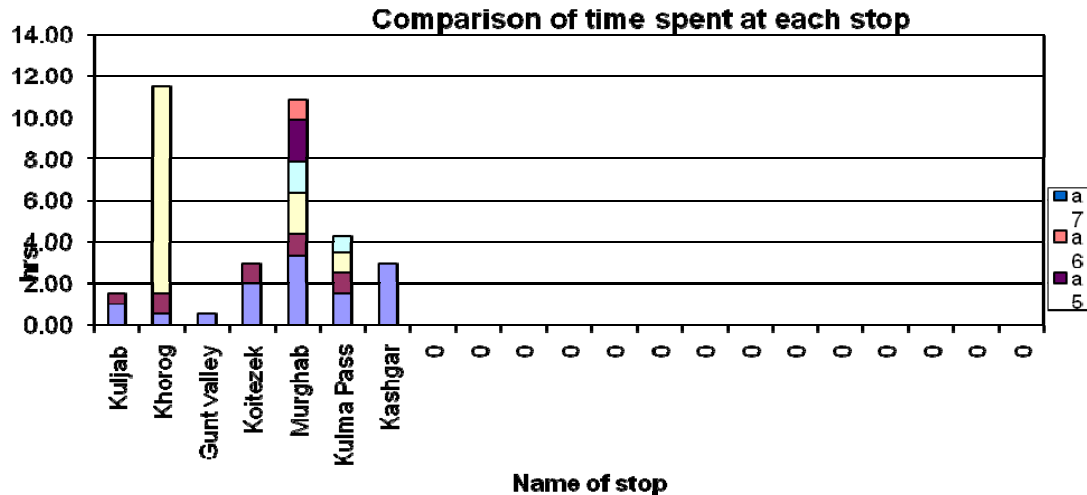
Part B – Route

- Place of departure: Identify the name of city and the name of country.
- Mode of transport: Choose from the drop-down menu, if the mode of transport used is “road”, “rail” or “ship”.
- Distance to next stop: This is the distance (in kilometers.) from the place of departure to the first stop on the route.
- Duration of travel: This refers to the duration of the journey – the time it takes to travel from the place of departure to the first stop. Please specify hours and minutes.
- Costs per leg: The costs per leg (or for each section of the overall journey) refer to the variable costs on that particular leg. Please insert all costs related to the transport en route on that particular section, but exclude costs at stops.
- Repeat the steps for as many times as necessary to provide information on the whole route including all stops.
- Place of next stop: Input the name of the place (e.g. Name of City or village, junction or highway km) and of the country
- Reason for stop: Choose the most suitable reason from the drop-down menu. (“Intermediate stop” refers to all stops except place of departure, border crossings and final destination.)
- Description of stop: Provide a short description of the individual activities undertaken at the stop, including their duration and the costs associated.
- Description of actions: Provide additional relevant information.

Analysis – Graphs

The following graphs are generated from the answers to the above questionnaires (Part A and Part B).





B. Time Release Method

10. At border crossing stops, the World Customs Organization (WCO) Time Release Method will be used. The method measures the average time taken between the arrival of goods at the border post and their release to the importer/broker. The aim is to determine where problems exist in the process, the reasons for these problems, and possible solutions. It recognizes that the international movement of goods involves customs and other national authorities such as port, health, veterinary, agriculture, standards as well as trading community of importers, exporters, brokers, forwarders, carriers, banks and others.

11. Using survey form, each respondent is asked to provide information on various matters. The order of questions below follows a logical sequence of the clearance process.

- (1) Region (use codes)
- (2) Customs office (use codes)
- (3) Name of transporter
- (4) Mode of transport (use codes)
- (5) Type of transport document (use codes)
(Airway bill, Seaway bill, Consignment note, Dispatch note, Manifest, Multi-modal document, Combined documents)

- (6) Transport document number
- (7) Declaration number
- (8) Declarant code (Broker, Clearing Agent, or Self)
- (9) Name and identification number of declarant
- (10) Type of declaration
- (11) (Prescribed forms, Others (invoice, transport document, administrative document, etc.))
- (12) Form of declaration (Manual, or Electronic)
- (13) Type of cargo
(Containerized, FCL/Full Container Load, LCL/Less than Container Load, Non-containerized)
- (14) Goods regimes
(Dutiable, Non-dutiable, Suspension/exemption/relief, Preferential status (bilateral, multilateral, GSP, etc.), Inward processing, Free Zones, Transit, Others (Perishable goods, Express Consignments, Relief consignments))
- (15) Classification of goods
(Tariff heading, Value, Origin of goods, Gross weight)
- (16) Date and time of arrival of the goods at port/airport/land border
- (17) Date and time of unloading – start
- (18) Date and time of unloading – end
- (19) Date and time of delivery to temporary storage
- (20) Date and time of the lodgement of the Goods declaration
- (21) Complete declaration: Yes/No
If No, reasons :
Insufficient information in the Goods declaration
Incomplete documentation (invoice, certificate of origin, certificate of duty/tax exemption/relief, import licence, health certificate, veterinary certificate, others)
- (22) Customs request for the presentation of complete Goods declaration: Yes/No
If Yes: Date and time of Customs request, Date and time of re-presentation
- (23) Date and time of acceptance of the Goods declaration
- (24) Documentary control : Yes/No
- (25) Date and time of the start of documentary control
- (26) Date and time of the end of documentary control
- (27) Physical inspection of the goods: Yes/No
If Yes :
Selection (based on random selection, targeted by risk analysis)
Type of inspection (random/cursory inspection, detailed inspection)
- (28) Date and time of the start of the inspection
- (29) Date and time of the end of the inspection
- (30) Laboratory analysis: Yes/No
If Yes: Date and time of start of laboratory analysis, end of laboratory analysis, laboratory analysis received
- (31) Intervention by agencies other than Customs: Yes/No
If Yes, name of agency (use codes):
(Veterinary services, Agriculture services, Health services, Others (specify))
- (32) Date and time of the start of intervention by other agencies
- (33) Date and time of end of intervention by other agencies
- (34) Date and time of assessment of duty – start
- (35) Date and time of assessment of duty – end
- (36) Method of Payment of Duty and taxes (use codes)

- (Cash, Cheque, Banker's Draft/Order, Electronic Funds Transfer, Others (specify))
- (37) Date and time of payment of duty (if required before release of goods) – start
- (38) Date and time of payment of duty – end
- (39) Date and time of the release of the goods
- (40) Date and time of removal of the goods

C. Logistics Performance Index (LPI)

12. The World Bank's Logistics Performance Index uses a comprehensive approach in measuring critical factors of trade logistics performance such as the quality of infrastructure and logistics services, security of property from theft and looting, transparency of government procedures, macroeconomic conditions, and the underlying strength of institutions. The LPI is based on a web-based questionnaire completed by logistics professionals, i.e. operators or agents of the world's largest logistics services providers. Respondents rate country performance using a 5-point scale on the following 7 areas:

- Efficiency of clearance by customs and border agencies
- Quality of transport and information technology infrastructure for logistics
- Ease and affordability of arranging international shipments
- Competence of the local logistics industry
- Ability to trace and track international shipments
- Domestic logistics cost
- Timeliness of shipments in reaching destination

13. Each respondent also provides time and cost data, including the following:

- Rate of physical inspection (%)
- Customs clearance (days)
- Lead time for export and import (days)
- Number of border agencies for exports, for imports
- Possibility of a review procedure
- Typical charge for a 40-foot container (export and import US\$)

14. The data gathered through the surveys are synthesized or aggregated as weighted average on the 7 areas in a composite index to allow for comparisons across about 150 countries.

IV. Institutional Arrangements in Implementing Corridor Performance Measurement and Monitoring

15. National joint transport and trade facilitation coordinating committees (NJC) or a similar organization in each CAREC country will be established consisting of representatives of national level trade facilitation coordination mechanisms. The NJC will include representatives of (i) all government agencies in charge of transport, trade, and border-crossing activities (e.g., Ministry of Transport, Ministry of Trade, Ministry of Economy, Customs, and agencies in charge of quarantines, sanitary and phyto-sanitary, product standard, security, and immigration); and (ii) freight forwarders associations and logistics service providers.

16. An association of freight forwarders or trade logistics service providers in each CAREC country will be engaged to collect the data required for the time/cost-distance analysis of sub-corridors on a quarterly basis. Using the collected data and with ADB assistance, the NJC will undertake the time/cost-distance analysis, review the results, evaluate the constraints, and take corrective actions. Based on the results of the time/cost-distance analysis, the NJC will periodically authorize time-release assessments and/or logistics performance assessments. ADB will finance performance monitoring activities and will help strengthen the capacity of the NJC (or a similar organization) in each CAREC country.

17. With ADB support, a regional joint transport and trade facilitation committee (RJC) will be established to manage the implementation of the Action Plan, in coordination with NJCs or similar organizations. The Transport Sector Coordinating Committee (TSCC) will be responsible for transport activities of the Action Plan, and the Customs Cooperation Committee (CCC) will focus on customs cooperation activities. The NJCs will report the results of the performance monitoring analysis to RJC, TSCC, and CCC at least annually. Until the RJC and NJCs or similar organizations start to function, ADB will directly administer the integrated trade facilitation activities of the Action Plan. Such implementation arrangements will be reviewed regularly and will be adjusted, as necessary, to ensure the successful execution of the Action Plan.

18. With support of development partners, RJC, TSCC, and CCC will annually review the progress of the Action Plan, and will report the results to the Senior Officials' Meetings and Ministerial Conferences. A midterm review of the Action Plan will be conducted during 2013–2014. The midterm review will refine the Action Plan, as necessary, for its effective implementation in the remaining period.

V. Considerations in Developing Performance Indicators for CAREC

19. Performance measurement and the choice of indicators must be relevant to the requirements of CAREC. To ensure this, objectives must be clearly identified, the strategy for using the results agreed upon, and the entire process understood and accepted by those involved. Performance indicators must include information on the quality of service and reliability, efficiency, assets utilization, financing, and regulatory practices.

20. A more comprehensive performance measure would take into account, in addition to the steps under the UNESCAP, WCO and the World Bank's LPI methods that take place along the corridor, those requirements and procedures that are undertaken even before the goods or transport vehicle are en route, e.g. drivers visas, import licenses, vehicle registration, technical standards certification, etc.

21. Performance targets may use either benchmarks or baseline indicators. A benchmark is usually obtained from ideal conditions where the movement of goods is smooth, i.e. the quality of infrastructure is high, there are no regulatory bottlenecks or arbitrary procedures, and logistics services are efficient. The target in this case is to move towards the benchmark. In contrast, baseline indicators reflect current conditions and therefore existing inefficiencies, low capacities, or poor quality of services, in which case the target is to move away from the baseline. Since benchmarks are difficult to set, baseline indicators are used for practical purposes.

22. Furthermore, in order to pinpoint bottlenecks in the movement of goods, the reasons for any perceived delay must be described in the survey form, e.g. procedure, practice, systems, infrastructure and equipment, organization or human resource.

23. It may also be worthwhile examining performance at the level of each border post in order to compare efficiencies across nodes.

APPENDIX 7: SELECTION CRITERIA FOR CAREC CORRIDORS

Corridors	High Current Traffic Volume	Prospect for economic and trade growth	Capacity to increase connectivity between major population and economic centers	Potential to mitigate delays	Economic and financial sustainability of investing in corridor improvements
CAREC 1 Europe – East Asia	This is the most active corridor for CA export/Import and transit traffic both by road and rail.	Prospect for economic growth remains very good. Witness the high growth in trade between Europe and PRC and construction of the new Khorgas rail connection.	1-b provides good population connectivity Corridor connects major economic centers in Kazakhstan, passing through Astana and Almaty.	Construction of Khorgas line will resolve capacity problems. Few border crossings and therefore high prospect to mitigate delays.	Good prospect for investments in corridor improvements, as EDI is already being used on a limited basis and logistic centers exist or are going to be established.
CAREC 2 Mediterranean – East Asia	This is a TRACECA corridor, with significant trade volumes for CA export/import.	Trade prospect along the corridor is very good. Transport pattern is currently dominated by oil products, but will change with construction of additional pipelines.	This corridor brings strong connectivity throughout Central Asia.	This corridor scores average on this criterion because of intermodal (by sea via Black Sea and Caspian Sea; and by road in Kyrgyz Republic) potential and the relatively high number of border crossings.	Prospect to implement logistic centers are good. The fact that it involves many countries may act as a limitation.
CAREC 3 Russian Federation – Middle East and South Asia	Presently limited volume from Siberia (timber) and large volume between Karachi and Kabul.	This could offer great potential for exports of Siberian timber and minerals and metals from Siberia and Kazakhstan, with general goods coming from Arabian Sea to CA.	Good connectivity (population-economic centers); also connects forest products and mining regions in north and gulf oil production.	Because of change of railway gauge and numerous border crossings, this corridor scores low on this criterion.	This is a railway corridor which should make use of block trains. The fact that it involves many countries may act as a limitation.
CAREC 4 Russian Federation – East Asia	Heavy rail traffic in Mongolian railway.	The Central Corridor will continue to expand with traffic growing on the rail and road. With the completion of the western road, trade between Xinjiang and Russia will expand. Traffic on the western corridor will grow.	Little population connectivity; some interesting economic centers connectivity	Prospects for mitigation of delays are very good on this corridor	Prospects for improvements are very good; new technology can be introduced easily on the rail link.

Corridors	High Current Traffic Volume	Prospect for economic and trade growth	Capacity to increase connectivity between major population and economic centers	Potential to mitigate delays	Economic and financial sustainability of investing in corridor improvements
CAREC 5 East Asia – South Asia	Traffic varies along stretches. Presently more export/import traffic than transit.	Substantial prospect for Pakistan-PRC trade. The corridor is a better alternative than through the Karakoram Highway	Potential for economic resource connectivity between PRC and Pakistan.	Because of change of railway gauge and numerous border crossings, this corridor scores low on this criterion.	Situation in Afghanistan and efficiency of the Pakistan Railway may limit prospect for improvement.
CAREC 6 Europe – Middle East and South Asia	Relatively high rail traffic on the Uzbek and Kazak part and the Afghan border to Pakistan.	Faster and cheaper route from Europe to Arabian Sea implies potential for the corridor to compete with the all-sea route.	Potential for economic resource connectivity between North Europe and Gulf region.	Because of change of railway gauge and numerous border crossings, this corridor scores low on this criterion.	Situation in Afghanistan and efficiency of the Pakistan Railway may limit prospect for improvement.

Source: CAREC Transport Sector Strategy Study.

