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**Presentation of the Deputy Chairman
of Customs Control Agency, Republic of Kazakhstan, at the 3-d Session of the Heads
of Customs Cooperation Committee**

Peking, 21-24 April, 2004

Dear ladies and gentlemen!

I would like to take the opportunity for expressing our gratitude to the ADB for arranging this event as always in a wonderful way and also to thank the management of the PRC Customs Authorities for the warm welcome and hospitality extended and making it possible to meet again with the colleagues and discuss the opportunities for further cooperation.

The working meetings held since the time of the first session of the CCC allowed us to make a significant progress and I would like to point out that the Action Plan is being realized in practice, the discussions held during those sessions covering such issues as transit development, joint customs control and information technologies were of great importance for the Republic of Kazakhstan customs authorities, and I believe their practical implementation will be accomplished in the nearest future.

The Republic of Kazakhstan Government Program for 2003-2006 assumes development of transit corridors, completion of the process of becoming a party to the international agreements and conventions in force in the field of motor transport. The Program also includes rehabilitation and construction of highways and, in particular, that of rehabilitating the Алматы-Bishkek motor road. Work will be continued to provide traffic for the regular container train passing along the Northern corridor of the TransAsian main railway.

There is an ongoing process of technical retrofitting railways aimed at shifting traffic over to modern technologies with the emphasis made on container shipments and introducing progressive information management systems. It is assumed to further develop automated information networks and integrate them with the international information transport network. Measures are being undertaken to open new cargo routes between the Aktau port and those in the basin of the Caspian sea. Even this short list of items proves the fact that the objectives contemplated within the framework of the ADB Program are of priority importance for us.

Hierarchy in the Customs

Chairman of the Customs Control Agency (CCA) RK
Deputy Chairman of the CCA RK
Chief of the Department / Division of the CCA RK
Deputy Chief of the Department / Division of the CCA RK, Chief of the Customs Division/ Customs
Head of the Department / Division Unit of CCA RK, Deputy Chief of the Customs Division / Customs

The customs authorities report to the RK President and Government and about 6000 staff is engaged in the Customs.

Sixteen regional departments of customs control operate on the territory of the Republic of Kazakhstan, there are 7 customs houses, 158 customs points and 65 control and entry points.

Right now special emphasis is laid on the economic component in the performance of the customs authorities of the Republic. As a result of their activities in 2003 the amount of 198.5 bln. KZT was transferred to the Republican budget as the revenue obtained from customs charges and taxes. The assumed and projected amount of 183.3 bln. KZT was executed by 108,3 % thus contributing to the budget 15.2 bln. KZT additionally.

The number of declarations executed in 2002 amounted to 297470 and in 2003 it made up 356880.

As compared to 2002 in the accounting period the total amount of revenues from customs charges and taxes increased by 43.2 bln. KZT comprising 27,8 %.

In the overall tax receipts from January through December of 2003 the share of revenues obtained from customs charges and taxes accounted for 19 % and in the total revenue of the state budget this indicator made up 18 % while in the total revenues of the Republican budget it came to 30 %.

The provided high performance indicators obtained as a result of executing revenue collection functions of the customs authorities were achieved not only for account of increasing the number of taxable subjects but also due to improving the quality of customs administration. In 2002 as compared to 2001 the growth of withdrawal ratio on customs payments and taxes came to 1,7% and during the accounting year there was admitted no reduction in the indicator.

With the objective to further enhance the activities of the Republic of Kazakhstan customs authorities, customs administration and to provide economic safety and also to optimize and simplify customs procedures under Resolution # 1019, dated October 3, 2003, the RK Government adopted the Program on Development of the RK Customs for the Years of 2004-2006. The Program of development is aimed at further improvement of customs operations in all aspects so as to efficiently address the issues confronting the customs authorities at this stage. The Program has been developed by the Customs Control Agency with the involvement of all the concerned ministries and agencies of the Republic.

Dynamic increase in customs revenues is the immediate result of the overall positive trends relating to the economy growth, weighed investment policy, steady growth of indices of net external assets belonging to the public sector and also of a number of other key economic factors that contributed to the increase of external trade turnover and respectively of the amount of revenues obtained from customs payments and taxes and transferred to the budget.

The priority task for the management of customs authorities at this stage includes further improvement of forms and practices of customs control, development of a simplified system of customs transit along with ensuring safety of borders and delivery control.

The Republic of Kazakhstan customs authorities make every effort to gradually eliminate barriers existing in trade relations, reduce physical and non-physical hurdles concerning

customs clearance, transit through customs territory of the state and also to develop intra-regional trade relations, transport and communication infrastructure.

Unfortunately, customs clearance procedures concerning crossing borders and transit with the countries adjoining to our state and within the region are insufficiently harmonized and they do not fully comply with international standards. Complicated and diverse procedures and documents hamper trade flows both inside the region and with the countries outside the region.

Work is being currently done in the Republic to create a uniform system of control on the state border of the Republic of Kazakhstan, specifically in the frontier railway stations and motor road crossings.

For the purposes of improving quality and reducing time for customs procedures and checking on the borders the RK customs authorities have submitted proposals to the Government on setting up and developing control and entry points at the motor road crossing points. The above measure will allow the participants of external economic activities, transport and freight forwarding companies as well as physical persons to complete the required border crossing procedures in one place, in a very short time, i.e. following the principle of "One Stop".

Control over motor vehicles crossing the state border of the Republic of Kazakhstan is carried out by controlling authorities at the point of entry under the principle of "One Stop".

The next step conducive to simplification of completing customs procedures on the border, may be that of using at customs clearance and transit of single security and payment forms for customs payments and taxes similar to the ones used for bank guarantees, and also microprocessor card technologies.

Issues related to customs procedures are being consistently upgraded in the Republic of Kazakhstan: like many of them are simplified, the time required for completing customs control and formalities is reduced. There has been introduced a three-stage customs clearance and control mechanism at specialized points, that is centers of customs clearance. Such mechanism is in conformity with the principle of splitting customs control to documentary and actual ones and it allows to shorten the duration of completing customs procedures following the principle "To the Day".

In order to determine good enough and required forms of customs control over the goods shipped via the customs border of the RK and over the passing vehicles there has been developed the Concept of Risk Analysis that will allow:

- to determine threats and risks arising in the process of customs clearance and customs control;
- to identify the possibility for minimizing risks arising in the process of customs clearance and customs control;
- to develop techniques for rating efficiency of the forms used for customs control of risk groups;
- to specify actions undertaken with respect to the goods and vehicles passing through the customs border of the RK;
- to provide the opportunity for using selective forms of customs inspection;
- to develop the policy of relationship with the participants of external economic activities.

Systematic work has been carried out since 1997 on automation of the operations performed by both customs authorities and customs points located straight at the borders of the Republic of Kazakhstan.

There has been introduced and being updated Customs Automated Information System (CAIS) that allows to considerably speed up customs clearance and simplify the procedure of crossing customs borders for trucks.

There has been installed hardware both in the Customs Control Agency and territorial customs authorities and also there has been operationalized software with the SAFETIR system that allows to maintain control over the cargoes shipped under the IMT system. Introduction of the SAFETIR program allowed to efficiently and timely forward information on the movement of vehicles operating under the IMT system to the MSAT database. In addition there is a possibility to promptly respond to unexpected delays of trucks crossing the borders under the IMT permits.

The activities aimed at simplifying customs procedures include an important measures on excluding to the maximum extent “the human factor” at customs control and customs clearance.

It is planned to install **Automated System of Goods Delivery Control (ASGDC)** and put it into operation in the major routes of cargo fluxes within the current year.

The Automated System of Goods Delivery Control incorporates the following systems:

- video-recording and video-supervision of vehicles and containers;
- identification of license plate numbers (irrespective of weather conditions and no matter how dirty the license plates are), containers;
- classification of vehicles based on weight and size;
- communication of information to the data acquisition Center and to the customs of destination;
- electronic sealing of containers, vehicles;
- positioning and tracking down;
- recording / reading, storing and processing information;

Equipping customs authorities of the Republic of Kazakhstan with the ASGDC will allow:

- **to have complete information on goods and vehicles crossing the customs border of the RK (at any time);**
- **to provide on-line control (visual inclusive) over the movement of goods through the customs border and across the territory of the Republic of Kazakhstan;**
- **to secure safety and delivery of goods to the customs of destination;**
- **to exclude the cases of potential “false transit” of goods;**
- **to exclude to the maximal extent “the human factor” in carrying out customs control and to optimize the number of staff with the customs authorities.**

With the objective of simplifying customs formalities at transit of goods shipped by railway transportation the Customs Control Agency in conjunction with the Association of National Freight Forwarders of Kazakhstan (ANFK) is developing the “Preferential Customs System” project.

The PCS project is intended to simplify transit rail shipments by way of ensuring payment of customs charges and taxes by the guarantee providing organization. And in doing that the

guarantee providing organization shall take upon itself the responsibility for the non-delivery of goods to the customs of destination.

It is assumed that payment of customs charges shall be secured by insurance guarantees similar to those under the IMT Convention (1975).

In one of the crossing points at the Kazakhstani and Chinese border there has been installed stationary inspection and examination system TC-SCAN with the intention to expedite customs clearance procedure, upgrade inspection quality, reduce the number of unregulated cargo delays, detect contraband as well as to improve the efficiency and quality of customs control and also to inspect various closed containers without opening them.

It is scheduled to install at the "Dostyk" customs the TC-SCAN railway scanning system made by the "NUCTECH" Joint-Stock Company manufacturing nuclear equipment. The principle of operating the system is based on application of linear accelerator.

The systems are furnished with the software that ensures compliance with the technical requirements to scanning traveling objects, putting information out on the display and providing registration, processing, storage and communicating the information to the AWS of the operator. It also provides for recording details of the object (like the number of the truck's license plate, its weight, number of pieces), identification of images and differentiation of organic materials from metal items.

Development of a simplified system of customs transit along with the assurance of border safety and control of delivery will not be achievable without cooperating with the business community. The customs authorities of Kazakhstan have signed with the associations participating in international trade Memorandum on introduction of risk reducing principles based on a duly forward-looking system and that is, as we understand, the responsibility of the business community for quality and strict compliance with the requirements of the RK legislation. In addition, it is planned to draft a concept on reducing the level of risks involved for the participants of external economic activities.

The RK customs authorities interact with other law-enforcement agencies. Cooperation with the customs authorities of the adjoining countries is intended for obtaining information on goods in transit shipped via the territory of the above indicated states as well as on mutual trade.

With the support of the ADB we believe it would be possible to undertake measures aimed at introducing the WCO developed Concept of "Reasonable Frontier" in our region. It will allow to ensure simplification of customs control procedures, assist in developing transit shipments and keeping borders in safety and also to apply the WCO models with regard to goods of high risk and use common approaches to information sharing and getting preliminary information from the importing country.

In our view the most important thing about using the WCO recommendations is that the customs administrations of these states will end up using common approaches, which will allow all the countries to speak same language, use same requirements and practices.

1) *Establishment of joint control*

The issue of establishing joint control is worth of a special attention since it represents one more factor contributing to simplification of customs procedures and it is aimed at reducing time by excluding repetition of one and the same operations at the customs border.

There is no doubt that the principle of joint customs control / cargo processing assumes cutting the number of stops at crossing customs border as a result of concentrating actions performed by the frontier institutions of the two countries on one single point for each of the directions.

Draft intergovernmental agreement on interaction and information exchange between frontier customs authorities on the Kazakh and Kyrgyz border and the draft of Technological scheme between the Customs Control Agency and the Kyrgyz Republic on joint control at the "Kordai"- "Akzhol" posts have been developed. Financial estimates required for setting up the respective infrastructure have been prepared. The Kazakhstani Party confirms its readiness to proceed to implementing the project in the shortest possible time.

The RK Customs Control Agency undertakes actions on exchanging information between the frontier customs "Korgas" (RK) - "Horgos" (PRC).

The communicated information exchange (twice a month) allows to analyze the identified deviations and take measures for decreasing the number of such discrepancies.

At the Bole meeting of the RK and PRC frontier institutions held on Boley (PRC) on November 10-12, 2003, the parties paid a special attention to the issue of information sharing between the customs authorities of the two states and for the purposes of accelerating communication of information on mutual trade and also on the national laws of the two countries the parties agreed to create an information platform between Customs management of Urumqi, PRC and the Customs Control Agency of the RK.

To speed up the process of operationalization and to efficiently exchange information the Customs Control Agency of the Republic of Kazakhstan believes that it would be appropriate to request the ADB to consider the possibility of rendering support for creating the information platform between the customs authorities through providing conditions for the necessary meetings, negotiations and also for respective technical and methodological assistance.

2) Development of simplified transit systems

As stated above customs authorities of the Republic of Kazakhstan undertake every possible measure for developing transit potential of our state. Thus, on March 26 of this year there was signed intergovernmental Agreement with the Kyrgyz Republic on transit of goods by trucks via the Republic of Kazakhstan. Implementation of this Agreement will ensure movement of goods from/to Kyrgyzstan both without transferring on deposit customs payments due and without accompanying. The procedure for the KR is an exception to the rule. For providing similar facilities to cargoes shipped from other states it is necessary to develop appropriate systems.

We would like to confirm the necessity of developing a regional system of guarantees since it is the only way to set up an efficient system of regional transit only through following this way it will be possible to create an effective system of regional transit. Customs authorities of the RK have scheduled facilitation of such a workshop for mid-April. Holding of this workshop and meeting planned for December and involving the concerned parties, like banks, insurance companies, customs brokers, national chambers of commerce, transport associations, in our view, will allow to make a progress in addressing this issue and also spreading the available experience to other states of the region.

3) Exchange of data and information, development of ICT

Works on upgrading Customs Automated Information System started in the years of 2002-2003 are pending in 2004 and the above works have to do with the amendments made to the

customs legislation within the framework of the newly enacted Customs Code of the Republic of Kazakhstan and also with necessity to interact on information exchange with other government agencies in the Republic and member-countries of the EurAsian Economic Council in part concerning compliance with the alternating regulatory requirements, introduction of the respective modifications into the logic of the technological processes, use of progressive technologies for updating the outdated but still in use technical solutions as well as for optimization of the database structure. I will not go to further details of issue in question since our specialists will be presenting a detailed report.

Proposals of the RK CCA

Simplification and harmonization of customs procedures and documentation

1. We consider there is a possibility with the support of the ADB to undertake measures on operationalizing the WCO developed Concept of “Reasonable Frontier” in our region. It will allow to ensure simplification of customs control procedures, facilitation of transit development and also to secure safety of the borders, use of both the WCO model concerning goods involving high risks and common approaches to implementation of information sharing and obtaining preliminary information from the importing country. In using the WCO recommendations the most important thing, from our perspective, is that the customs administrations of the states will be using common approaches and that will allow everyone to speak same language, use same requirements and practices.

2. To speed up the process of operationalization and to efficiently exchange information the Customs Control Agency of the Republic of Kazakhstan believes that it would be appropriate to request the ADB to consider the possibility of rendering support for creating the information platform between the customs authorities through providing conditions for the necessary meetings, negotiations and also for respective technical and methodological assistance.

Development of simplified transit systems

1. To continue the work on developing the regional system of guarantees. To accept the information of the Republic of Kazakhstan customs authorities on the workshop and meeting with the participation of the concerned parties, like banks, insurance companies, customs brokers, national chambers of commerce, transport associations. To hold a similar workshop within the region.

Organization of joint control

1. The ADB will propose the donors operating in the region to join their efforts and raise funds for designing and constructing a cargo terminal at the Kazakh-Kyrgyz border. It will be a concrete measure aimed at developing trade in the region and marketing transit potential of our states.

2. Assistance of the ADB in conducting monitoring of the benefits obtained as a result of operationalizing the procedure and extending the experience to other sections of the border.

Exchange of data and information, development of ICT

As to the use of information technologies we propose the following:

- to use the mechanism of information sharing based on both replicating data between servers of the participating countries and employing web-technologies. XML-format will be used as a format for presenting data. For information messages elements of

the data developed at the meeting of experts in August of last year will be used (enclosed);

- to carry out analysis on compatibility of regulatory and reference information of the countries participating in the project and also of the software used;
- to arrange a training workshop on sharing experience in use and introduction of bar codes taking the EU as an example;
- to develop draft standard agreement on information sharing on goods in transit within the region.

For the purposes of implementing the stated proposals to set up a working group on ICT that would include one expert from customs authorities of every country participating in the project.

Creation of risk analysis system

1. To assist the customs authorities of the Republic of Kazakhstan in creating the system of risk analysis through involving a highly qualified international expert with the subsequent dissemination of the experience to other customs authorities of the region.
2. To assist the customs authorities of the Republic of Kazakhstan in learning the experience and the system of risk analysis used by the Customs of the PRC.