



TERMS OF REFERENCE
CFCFA Work Group 1
Standardization and Adoption of International Best Practices

A. Background

1. The CAREC Federation of Carrier and Forwarder Associations (CFCFA) is an international non-government and non-profit organization uniting carrier, freight forwarder, and logistics associations of the Central Asian Regional Economic Cooperation (CAREC) countries, as well as other countries. The purpose of CFCFA is to facilitate transport, trade and logistics development, and advance the interest of road carriers, freight forwarders and logistics providers associations that are its active members. The objectives of CFCFA include:

Contributing a private sector perspective to CAREC transport and trade facilitation efforts

- (i) Strengthen cooperation between carrier and forwarder and logistic services provider associations in promoting transport, logistics and trade facilitation in the CAREC region and between the CAREC countries and other countries;
- (ii) Work with international government and non-government organizations, CAREC and other countries' governments to improve regional trade, transport and logistics efficiencies, as well as to identify and remove barriers to their development;
- (iii) Raise public awareness on regional transport, trade and logistics issues, and facilitate their resolution;
- (iv) Develop and promote strategies, programs, recommendations and regional technical cooperation projects aimed at developing high-quality, efficient and safe transport and logistics services;
- (v) Support CAREC member countries in implementing regional transport and logistic projects through the associations that are active CFCFA members;

Supporting relevant government agencies in improving transport and trade facilitation policies and infrastructure

- (vi) Support the governments in establishing conditions conducive to the development of transport, forwarding and logistic activities, and foreign economic relations in the Union member countries;
- (vii) Further implementation of regional transport and logistics projects in the member countries;
- (viii) Further development of Euro-Asian land transport;
- (ix) Promote development of multi-modal transport;
- (x) Counter discrimination of transport types and development of monopolism in provision of transport, forwarding and logistic services;

Enhancing professionalism within road carrier and freight forwarder industries

- (xi) Consolidate efforts of the national associations that are active members to improve efficiency of the domestic and international transport;
- (xii) Adoption of international best practices in transport and logistics;
- (xiii) Unify, improve and simplify national and international regulatory documents and procedures to improve transportation and trade;
- (xiv) Raise the level of professionalism, efficiency and quality of CAREC road carriers, freight forwarders and logistics companies.

2. At the 22 February 2011 CFCFA Executive Board Meeting in Chongqing, Mr. Berik Bulekbayev of Kazakhstan Freight Forwarder Association (KFFA), representing Mr. N. Issingar, reported on CFCFA achievements since its formal establishments in March 2010:

- (i) The institutional framework of the CFCFA has been set up. Constitution and By-laws of CFCFA including principles of CFCFA operation and basic documents required for CFCFA operation have been drafted and approved, Chairman, Vice-Chairman and Executive Board members have been elected.
- (ii) Government institutions of CAREC countries and international organizations operating in the CAREC region have been informed about the establishment, purpose and objectives of the CFCFA and cooperation relationships in various forms have been established.
- (iii) CFCFA priority projects are determined, and work started on the implementation of projects which can help Federation to become the effective organization for solving regional problems.
- (iv) CFCFA website has been designed, launched and is being improved; members can view the website: cfca.net and offer suggestions for further improvement.

3. In order to share the workload of Chairman and Vice-Chairman, to keep the work program focused on agreed on priorities, and to encourage ownership and active participation of all Executive Board members in CFCFA activities, it was agreed that 3 working groups (WG) will be created:

- (i) **Standardization and adoption of international best practices.** The WG will focus on the need for standardization and introduction of better international practices across the CAREC region in various aspects of operations of CFCFA members, and organize related capacity building activities;
- (ii) **Cross-border transport and trade.** The WG will tackle impediments of cross border movements of goods and people,¹ liaise with other government agencies and CAREC bodies to offer practical solutions and launch pilot programs;
- (iii) **Organization and funding.** The WG will suggest ways for better organization of the Federation to benefit from its members' practical experiences and relationship at country and regional level, and identify potential funding sources and operations that can be revenue generating for long term sustainability of the Federation.

B. Objectives of the Standardization and International Best Practices Group (SIBP)

¹ Certain specific issues, such as the difficulty in timely obtaining visas by drivers and business people can be tackled by the cross-border transport and trade WG.

4. Article 2 of the CFCFA Constitution states that one of the federation's strategic objectives is to "*Ensure proper and effective adoption of international best practices in transport and logistics*".

5. To fulfill the strategic objective, the SIBP Group shall focus on two key areas :

- (i) **Standardization** – This is a process of conforming to a pre-defined performance (which can be a target level or workflow), so that the performance can be consistent in different situations (organizations, countries, departments). The tactical goal of standardization is consistency, because variations or deviations are the principal causes of problems.
- (ii) **International Best Practices** – This is the adoption of world class performance in countries or organizations (which can include Non-Government Organization and Private Companies). Various tools and techniques can be used, such as benchmarking, process engineering and train the trainers workshops.

6. Both standardization and best practices are required and when used together, can achieve powerful results. It is not enough to standardize for standardization sake, because the company must identify which process is critical. Similarly, it is not easy to adopt best practices if the behaviours of different elements in an organization continue to differ.

7. Thus, the SIBP Group will need to address the following **key issues** :

- (i) What are the key areas in the transport and logistics sector that need to be standardized?
- (ii) What is the methodology for the review, development, refinement and publication of a standard?²
- (iii) Which countries / organizations can serve as a role model for best practices?

C. Participation

8. Each Executive Board member should serve on at least one working group. All non-Executive Board members should also join at least one specific work group, but not more than two.

D. Scope of Work

9. Since the objective of standardization and adoption of international best practices is to improve performance, it is essential to understand what factors drive performance. High performance organizations do not rely on a single factor. To drive high performance in a sustainable manner, it is important to consider the influence of three key factors shown in Figure 1.

At the heart of high performance organization is '**People**', also called staff or associates. This includes the management, operations and administrators. They are pertinent to the success of any organization, just like CFCFA is successful

² For instance, the ISO uses a six stages methodology to produce a standard. See Appendix A.

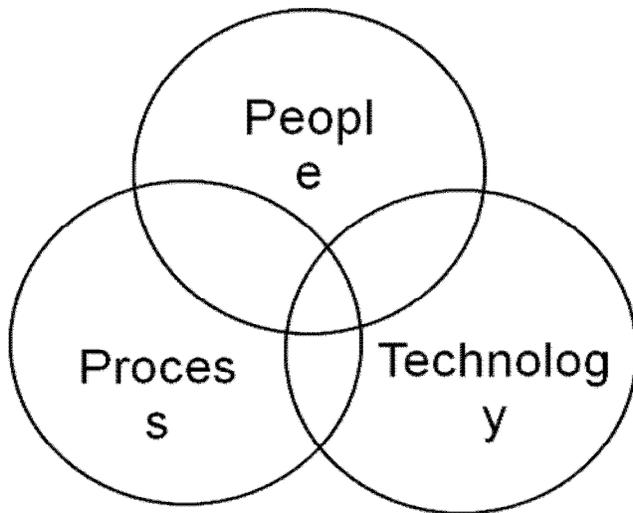


Figure 1 : Factors that Drive Performance

due to the Executive Board and the Members.

Process is the next cornerstone. As CFCFA, the key processes involve all logistical activities to facilitate cross-border trade.

Contemporary logistics is no longer simply moving and storing materials efficiently. Massive amount of information are exchanged. Thus, how to manage, analyze and utilize information become imperative to drive productivity and accuracy. This is where **technology** comes in.

10. Private sector can lead change. Nonetheless, the SIBP can face a unique obstacle. It is the possible intervention or rejection of proposed standards by the national government. At present, there is a plethora of technical standards in each country covering the regulation of vehicles to the handling of perishables. Each country has a different degree of maturity and comprehensiveness in standards. Thus, for all CAREC member countries to adopt the same standards may take an extended period of time.

11. While SIBP recognizes this constraint, this does not mean that the work is not meaningful. A possible way is to adopt a two-pronged approach. First, SIBP continues to conduct work and identify key areas that have 'gaps' currently, and search for international best practices that are relevant, instructive and feasible for CAREC to adopt. After careful review, applicable best practices can be proposed for CFCFA to approve as 'Recommended Standard'. For certain practices that may be possible to implement within the private sector, 'Recommended Standard' can be elevated to 'Approved Standard'. Publication of standards, training and audit can then follow to promote the standards across CAREC. One possible standard under this scenario is the work skills qualification for the logistics sector. CFCFA can develop a curriculum of courses that train and upgrade logistics professionals. After going through the course, the professionals are certified and this certification is recognized in CAREC. The SIBP can work with international organizations like FIATA, IRU and UNESCAP on such training.

12. The second action is that SIBP needs to maintain an ongoing dialogue with the public agencies, notably the Customs Administration, Trade and Transport ministries, Standards Institutes and other relevant organizations. CFCFA may not have the authority to implement standards independently, because the nations may already have another standards, or no such standards exist but there is resistance to adopt standards from another country. Thus, CFCFA can use its regional and neutral platform to 'encourage' a Recommended Standard with the concurrence of the public agencies through cooperation, collaboration and communication. The SIBP will serve as the liaison arm for CFCFA on these standards promotion and adoption. One possible standard that fall under this category is the use of a standardized trade document for cross border movement of goods.

E. Detailed Tasks

13. Based on the framework described in 'Scope of Work', the SIBP will focus on standardization and best practices in three areas, namely **people**, **process** and **technology**.

14. **People** : Human talents are the most important resources in any organizations. The effectiveness of any programs rely on staff to plan, action, improve and implement. As economies in Central Asia become more integrated with international trade, the demand for logistics professionals will rise sharply. This will create a demand for more schools, training institutions and learning centres to train new students, convert existing professionals not working in logistics sector, as well as upgrade the current skills of logisticians. After some time, it is inevitable employers ask how qualified are the graduates from different training centres. The SIBP can take a proactive step in this area. The specific tasks can include

- (i) Map out the necessary skill sets of different logistics professionals³.
- (ii) Compare the efficacies of different training and development models for logistics professionals in the world (e.g. apprenticeship, vocational training, retraining, government incentives.)
- (iii) Advocate the best practices in training and development.
- (iv) Design certification courses which address different market needs of the logistics industry.
- (v) Assess different training centres and explore the feasibility of partnership in training and development.

15. **Process** : This area deals with the standardization and best practices in operational activities of the transport and logistics services. The framework provides an overview of the different possible areas for SIBP to review and standardize.

³ A freight forwarder may require a different skill set from a warehouse operator. Similarly, a supply chain specialist needs to look at strategic issues, while a transport manager focuses on transport issues.

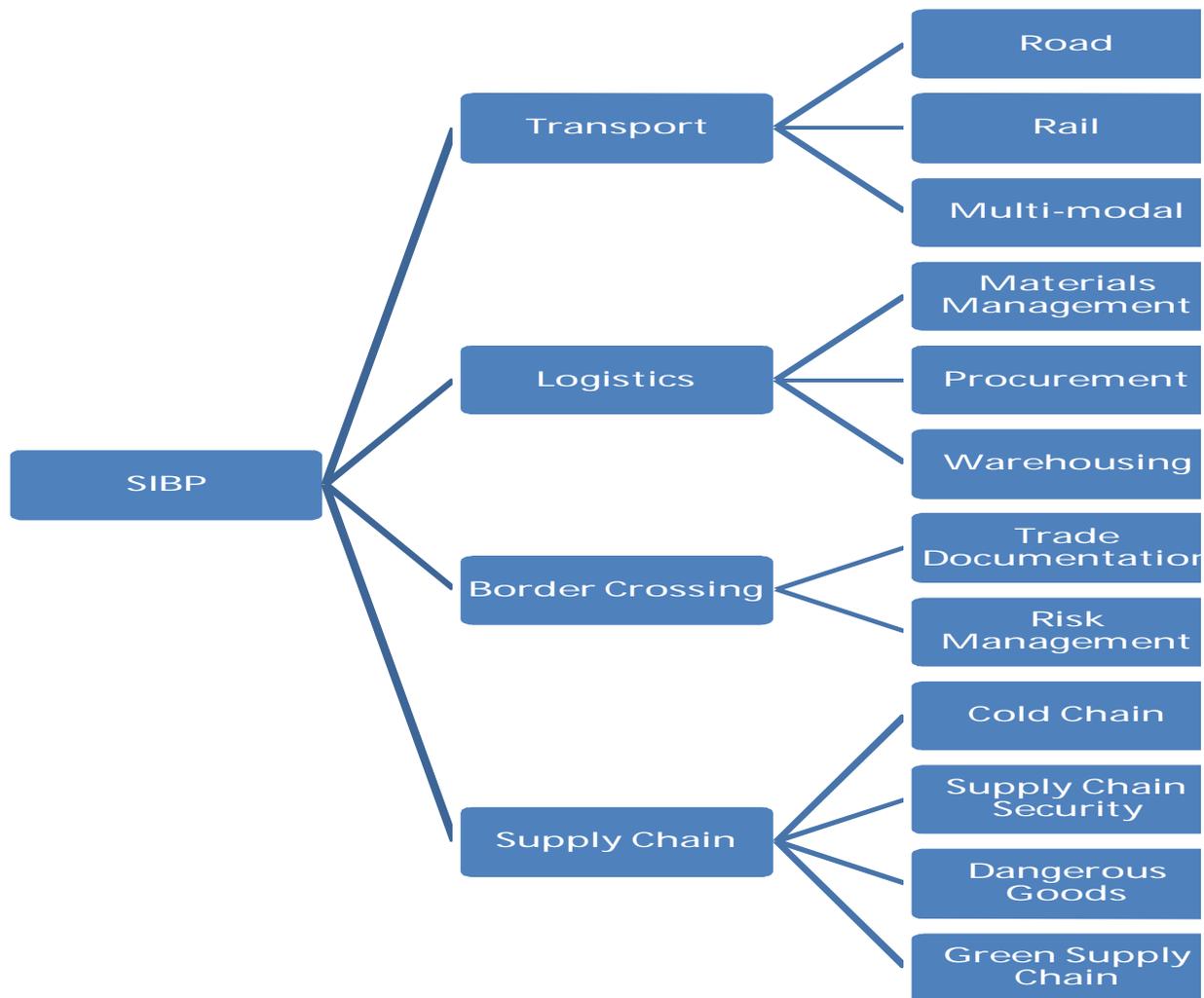


Figure 2 : Standardization and Best Practices Framework (Process)

16. While there are different and multiple processes possible for a standardization initiative, there are some common efforts required for each effort. The following activities, while not exhaustive, serve as a guide to the efforts required :

- (i) Establish the key performance indicators (KPIs) for each operation.
- (ii) Study different international best practices.
- (iii) Identify and shortlist the most effective and applicable best practices.
- (iv) Perform a detailed process map.
- (v) Review the process map and information and assess the feasibility of developing a standard.
- (vi) Communicate regularly with the other working groups. The efforts on 'process' are closely related to the working group on cross-border and corridor development. To avoid duplicate efforts and leverage on one another, a liaison person from each working group can be appointed to serve as a single and centralized contact point.

17. For instance, SIBP may take on an initiative on 'Border Crossing', and study how to improve current performance⁴. SIBP may refer to the Corridor Performance Measurement and Monitoring (CPMM) results and benchmark against the best performing corridor. Alternatively, SIBP can refer to international standards such as the results published by World Bank's Doing Business, under the section 'Trading Across Border'. The time and cost of importing and exporting a twenty footer container (TEU) are published, which can be used as target KPIs for selected corridors. SIBP then examines how other countries achieve those standards. A particular area is 'risk management', in which customs do not conduct physical and full inspection of trucks and containers. SIBP then describes what transport companies and freight forwarders can do, so that the target KPIs for border crossing can be achieved.

18. It is not necessary for SIBP to 're-invent' the wheel, if existing and relevant standards are available. SIBP can review the standards and determine the suitability to the Central Asia region. For example, ISO 28000 is already available for supply chain security, while HACCP (Hazards Analysis Critical Control Point) is an international standard used by many companies involved in food production and transportation, which can be referred for cold chain transport initiative by SIBP.

19. **Technology** : This is the enabler for optimizing the overall logistical performance. As the transport and logistics businesses involve massive amount of information, the ability of collect, process, and communicate data become paramount for organization to achieve high performance. Without technical standards between trading parties, the flow of information may require manual intervention at times, which reduces productivity and increases inaccuracy.

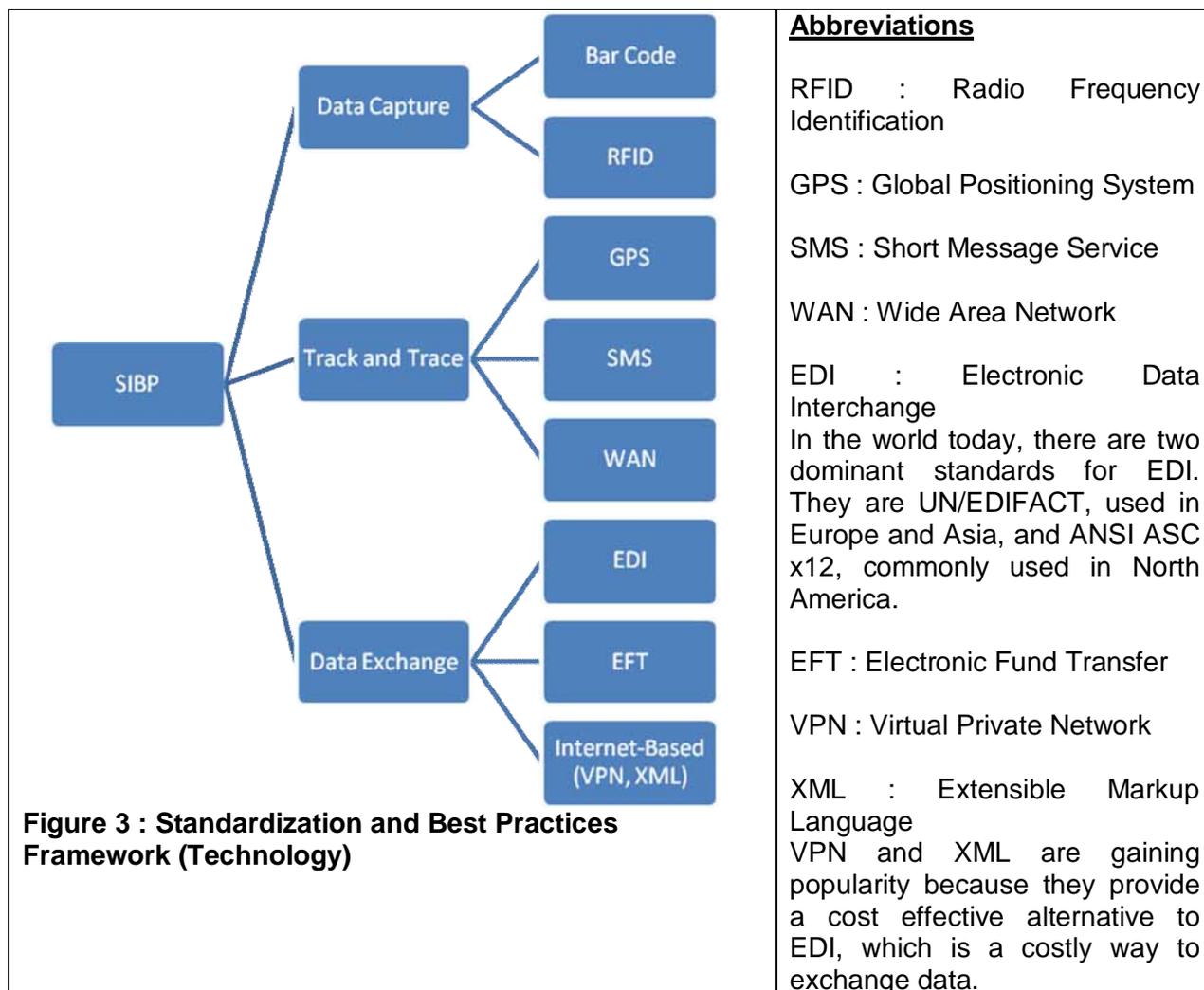
20. An overview of the standardization and best practices adoption possible for 'Technology' is provided in Figure 3.

21. Three specific areas deserve SIBP's attention. They are data capture, track and trace and data exchange. Data capture deals with technological innovation to collect information efficiently. This is commonly done using bar code systems. The latest innovation is the use of near field communication called RFID. The standardization efforts on these can greatly improve factory, warehouse and distribution KPIs.

22. Track and trace is another important area, especially when dangerous goods, urgent cargoes and perishables are transported. Matured economies typically employ the use of GPS or SMS, coupled with WAN to relay data.

23. Finally, data exchange is very useful for organizations to exchange data. Standardization and best practices in this area can easily increase productivity and accuracy, and shorten lead time in supply chains. In matured supply chains, advanced techniques such as quick response and efficient consumer response rely on data exchange to work effectively.

⁴ From the Corridor Performance Measurement and Monitoring (CPMM) effort supported by Asian Development Bank, data reveals that border crossing increases the time and costs significantly.



24. Some specific detailed tasks include

- (i) Review the areas reviewed in 'process'.
- (ii) Identify the areas where technology can be leveraged (either in data capture, track and trace or data exchange).
- (iii) Study the current technological solution available.
- (iv) Explore alternative solution which may be more cost-effective, scalable or customizable.
- (v) Determine if standardization is possible. For instance, each CAREC member country may be using different bar code standard now. SIBP may advocate a certain bar code standard (or at least a popular standard for a targeted industry, if it is too challenging to implement a regional standard).
- (vi) Where standardization is not possible, but the practices can serve as a useful case study for other members, develop a best practice report and share with members. For instance, a company may be using a warehouse management system (WMS) to run a modern distribution centre. A case study can be written to share the benefits and limitations of using a WMS, the differences before and

after the implementation, as well as the challenges and solutions in adoption of new technology.

25. For the CFCFA meeting from 9-10 August 2011, this Working Group should complete the following deliverables

- (i) Confirm the Group members.
- (ii) Elect the leaders (Chairman and Deputy Chairman).
- (iii) Review the areas for standardization and international best practices adoption.
- (iv) Develop a working plan for the next 12 months.
- (v) Determine the deliverables for each month in the working plan.
- (vi) Agree on milestones for each quarter.

26. In summary, this document explains the importance of standardization and adoption of best practices. In particular, three areas – people, process and technology are key elements for the Working Group to consider. For implementation, the scope of work and detailed tasks are described.

Appendix A – INTRODUCTION TO STANDARDS ORGANIZATIONS

There are three influential organizations that promote standards. The first one is **ISO**, which is very active in Europe and Asia Pacific. Many companies adopt the ISO 9000 and 9001 standards. These certifications are considered as necessary conditions for a company to prove its competency. The second organization is **ANSI**, which is the national de facto standards organization in the United States. These organizations are introduced below. The third organization is GS1, which was formed relatively late compared to ISO and ANSI. However, GS1 standards are very relevant for supply chain and are increasingly used by organizations to facilitate information transfer.

International Standards Organization (ISO)

Founded in 1947, ISO is a non-governmental organization, based in Geneva, Switzerland. Membership comprises of national standards agencies in 162 countries. All programs are coordinated by the central secretariat in Geneva. It is the world's largest developer and publisher of international standards.

ISO has three membership categories:

- *Member bodies* are national bodies that are considered to be the most representative standards body in each country. These are the only members of ISO that have voting rights.
- *Correspondent members* are countries that do not have their own standards organization. These members are informed about ISO's work, but do not participate in standards promulgation.
- *Subscriber members* are countries with small economies. They pay reduced membership fees, but can follow the development of standards.

International Standards are developed by ISO technical committees (TC) and subcommittees (SC) by a process with six step :

- Stage 1: Proposal stage
- Stage 2: Preparatory stage
- Stage 3: Committee stage
- Stage 4: Enquiry stage
- Stage 5: Approval stage
- Stage 6: Publication stage

ISO has three income sources. Firstly, ISO has subscription income from member bodies ("the national body" most representative of standardization in its country). These subscriptions are in proportion to each country's gross domestic product and trade figures. Second, ISO publishes technical standards which are for sale. A third source of income is derived when ISO conducts or manages specific projects related to standardization for countries or organizations.

American National Standards Institute (ANSI)

Founded in 1918, the American National Standards Institute (ANSI) has a mission that states *“To enhance both the global competitiveness of U.S. business and the U.S. quality of life by promoting and facilitating voluntary consensus standards and conformity assessment systems, and safeguarding their integrity”*. As the voice of the U.S. standards and conformity assessment system, ANSI empowers its members and constituents to strengthen the U.S. marketplace position in the global economy while helping to assure the safety and health of consumers and the protection of the environment.

The Institute oversees the creation, promulgation and use of thousands of norms and guidelines that directly impact businesses in nearly every sector: from acoustical devices to construction equipment, from dairy and livestock production to energy distribution, and many more. ANSI is also actively engaged in accrediting programs that assess conformance to standards – including globally-recognized cross-sector programs such as the ISO 9000 (quality) and ISO 14000 (environmental) management systems.

GS1

Founded in 1977, **GS1** is an international not-for-profit association dedicated to the development and implementation of global [standards](#) and solutions to improve the efficiency and visibility of [supply and demand chains](#) globally and across multiple sectors. The GS1 System of standards is the most widely-used supply-chain standards system in the world.

GS1's main activity is the development of the **GS1 System**, a series of standards designed to improve supply-chain management. The GS1 System is composed of four key standards: [Barcodes](#) (used to automatically identify things), [eCom](#) (electronic business messaging standards allowing automatic electronic transmission of data), [GDSN](#) (Global Data Synchronisation standards which allow business partners to have consistent item data in their systems at the same time) and [EPCglobal](#) (which uses [RFID](#) technology to immediately track an item).

GS1, formerly called 'EAN International', adopted the name 'GS1' in 2005. GS1 has its head office in [Brussels](#). There are GS1 member organizations in 108 countries.