ADB

# Technical Assistance 8585 REG: Aligning Customs Trade Facilitation Measures with Best Practices in Central Asia Regional Economic Cooperation

Mid Project Review for Output 3: Framework for a CAREC Customs Information Exchange

**Customs Cooperation Committee**
**Bangkok, Thailand**
**April 21 - 22, 2016**

Lauro Vives
International Consultant
Gevity Consulting, Inc.
lvives@gevityinc.com

ADB

# Welcome

Introduction

Methodology

Results

Recommendations

Appendix


**I. Introduction** **3**
- CAREC 2020 4
- Achievements 5
- About TA 8585 6

**II. Methodology** **7**
- IE Assessment Framework 8
  - IE Capabilities 10
  - IE Mechanisms 13
  - Combining IE Capabilities and IE Mechanisms 14

**III. Results** **17**
- Mongolia 18
- Kyrgyz Republic 20
- Uzbekistan 22

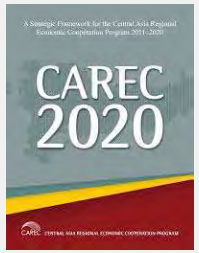
**IV. Recommendation and Next Steps** **24**
- Recommendation 1 25
- Recommendation 2 26
- Recommendation 3 28
- Recommendation 4 29
- Recommendation 5 30

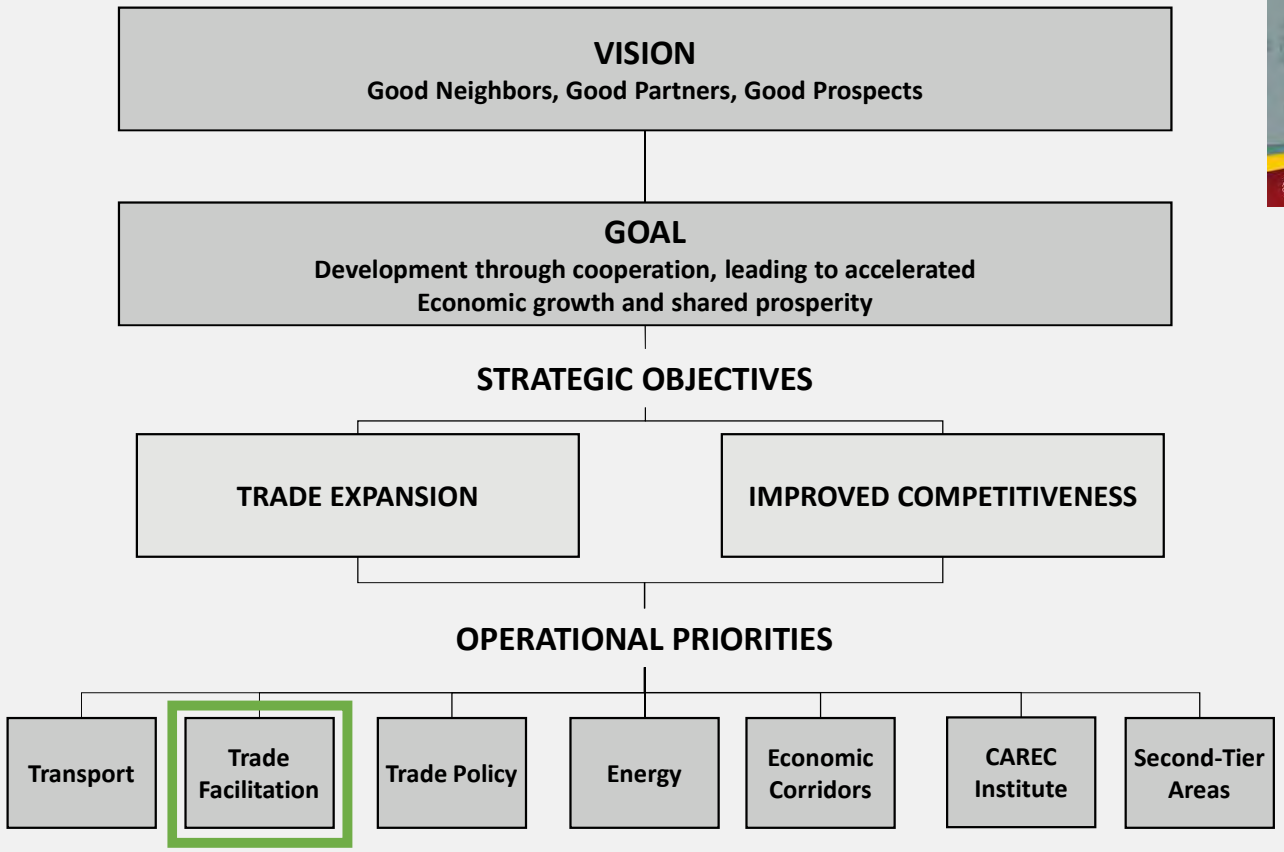
**V. Appendix** **32**
- Abbreviations and Acronyms 33

Introduction
Methodology
Results
Recommendations
Appendix

# INTRODUCTION

# CAREC 2020 Vision, Objectives, and Priorities




**October 2013** Refined TTFS 2020 and Implementation Action Plan was approved by 12th CAREC Ministerial Conference

Introduction
Methodology
Results
Recommendations
Appendix

# A Few Achievements So Far

- Accession to the Revised Kyoto Convention (RKC) by five countries;
- Automation of customs functions with the aid of Information and Communications Technology (ICT), simplification and harmonization of customs procedures; and application of risk management procedures;
- Pilot-testing of Joint Customs Control (JCC) through adoption of a unified cargo manifest and the gradual move toward mutual recognition of inspection results;
- Accession to the Convention on International Transport of Goods Under Cover of TIR Carnets (or TIR Convention) in eight countries for regional transit; and
- Capacity building programs for customs officials and training of trainers for customs training institutes in the region.

**NEXT STEPS**

Take it to the Next Level by integrating trade facilitation through automated Information Exchange amongst CAREC members

# About TA 8585

Introduction
Methodology
Results
Recommendations
Appendix

- **Context:**
  - The Technical Assistance will promote a concerted approach to customs reforms in CAREC countries by applying international best practices.
- **Expected Outcome:**
  - The project will simplify and harmonize clearance procedures at border crossing points in CAREC countries based on best practices.
- **Expected Outputs:**
  1. Action plans to align customs regulations with the Revised Kyoto Convention developed
  2. Proposals for the modernization of risk management systems developed
  3. **Framework for a CAREC customs information exchange mechanisms developed**
     - Deliverables of Component 3 of TA 8585:
       - **3a. Development of Assessment Framework**
       - **3b. Conducting the Assessment Framework**
       - 3c. Proposal of two pilot projects [A]

*[Green Text]: Major focus of this mid-project review*

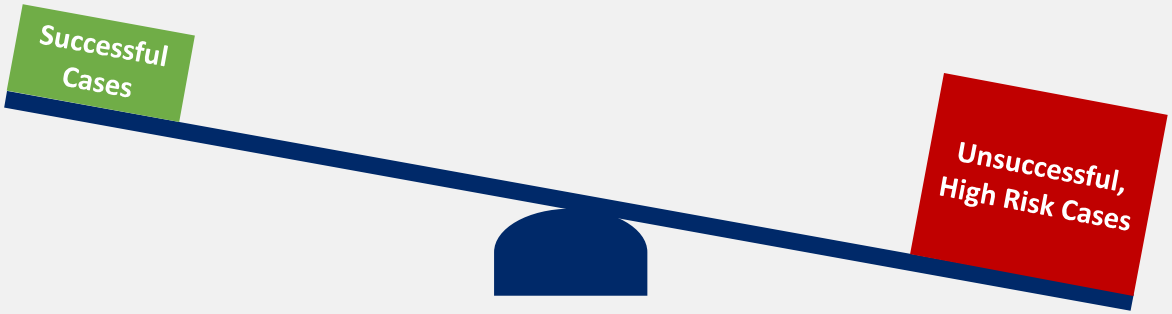
*A – Designing the two pilot projects is not in the scope of the TA*

Introduction
Methodology
Results
Recommendations
Appendix

# METHODOLOGY

Introduction
Methodology
Results
Recommendations
Appendix

# Why Develop an IE Assessment Framework?




- Why does this occur? Answer: Many countries fail to:
  - Accurately identify gaps that need to strengthen;
  - Strategically address gaps through a series of recommendations and actions based key areas;
  - Identify, resolve and share the risks of implementing a regional IE platform between customs authorities; and above all
  - Determine the type and sophistication of IE applications that can be introduced as a pilot then scaled further at a later stage.

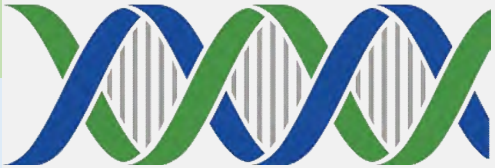
Developing an **IE Assessment Framework** that is pragmatic and prescriptive will help CAREC members address the above issues and increase innovation in regional cooperation

# What is an IE Assessment Framework?

The IE Assessment Framework is defined by the **capabilities** of the customs agencies and the **mechanisms** (i.e. type and complexity of information exchanged).

| | |
|---|---|
| **IE Capabilities** | **Stream 1:** IE Readiness<br>The degree to which Customs is able and willing to participate in information exchange |
| | **Stream 2:** IE Maturity<br>The degree to which Customs can respond (and is positioned to react) appropriately during information exchange. |
| **IE Mechanisms** | **Pillar 1:** Harmonization & Standardization<br>The ability for trade data to be processed, transmitted and re-processed without difficulty between various trading partners[1] and their different technologies |
| | **Pillar 2:** Computerization and Efficiency<br>The degree of automation, integration and process effectiveness |

## IE ASSESSMENT FRAMEWORK



Rather than thinking of Streams and Pillars as separate components, visualize a continuous intertwining of Streams and Pillars to develop a single strand of IE 'DNA'.

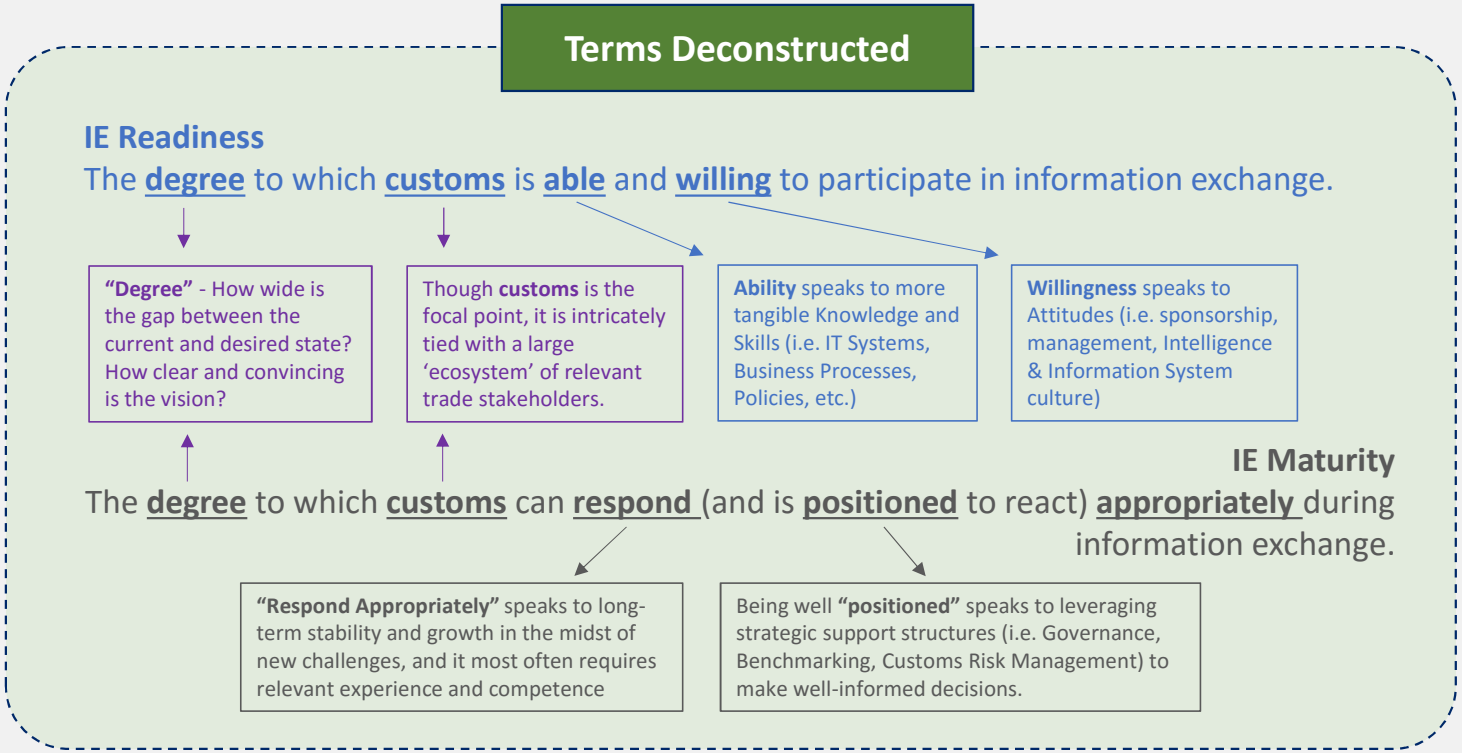
**IE Capabilities and IE Mechanisms are 'two sides of the same coin'.**

1 - Trading partners include relevant stakeholders such as the custom agencies, appropriate inter-government agencies, Authorized Economic Operators (AEO), etc.

# IE Capabilities: IE Readiness and IE Maturity

For countries interested in carrying out IE initiatives, currently there are no practical tools to assess **IE capabilities** until now …

- IE Capabilities include the **Readiness** and **Maturity** of countries to adopt, implement, and maintain IE operations (see next slide)



# IE Capabilities: Key Areas for IE Readiness and IE Maturity

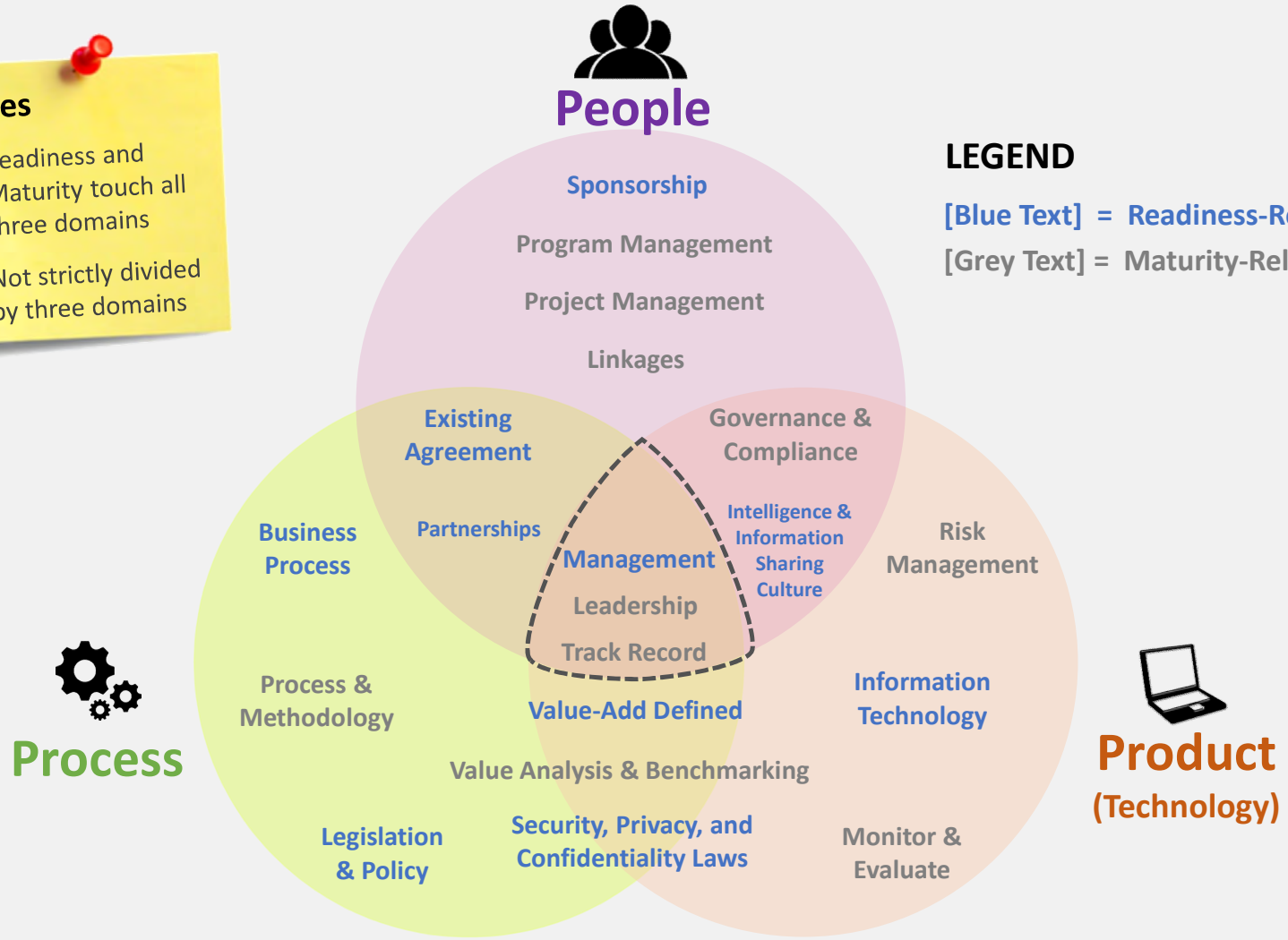
| KEY AREAS FOR IE READINESS | KEY AREAS FOR IE MATURITY |
|---|---|
| 1 Sponsorship | 1 Leadership |
| 2 Existing Agreement in Place | 2 Track Record |
| 3 Value-Add Defined | 3 Linkages |
| 4 Business Process | 4 Value Analysis & Benchmarking |
| 5 Information Technology | 5 Customs Risk Management |
| 6 Management | 6 Process & Methodology |
| 7 Intelligence & Information Sharing Culture | 7 Ability to Monitor & Evaluate |
| 8 Partnerships | 8 Governance & Compliance |
| 9 Legislation & Policy | 9 Project Management |
| 10 Security, Privacy and Confidentiality | 10 Program Management |

*Based on the strengthened definitions of IE Readiness and IE Maturity, one new Key Area ("Customs Risk Management") replaced "Sustainable Operating Model", and other Key Areas were re-categorized (ex. "Intelligence & Information System Culture" and "Legislation and Policy" were moved from Maturity to Readiness)*

# IE Capabilities: 20 Key Areas Across People, Process, and Product

**Notes**

1. Readiness and Maturity touch all three domains
2. Not strictly divided by three domains




**LEGEND**

[Blue Text] = Readiness-Related

[Grey Text] = Maturity-Related

# IE Mechanisms

**Pillar 1** — HARMONIZATION AND STANDARDIZATION

| Simple IE Characteristics |
|---|
| Data Processing |
| "One-Off" Harmonization |
| Non-Standard Language |
| Asynchronous Time / Batch |
| EFT / Electronic Messaging |
| Lack of Document Management |
| Lack of Workflow |

- *E-manifests*
- *Transport Documents*
- *Arrival Information*
- *Payment Facilities*
- *Etc.*

| Complex IE Characteristics |
|---|
| Information Processing |
| Common Interface |
| Common Language |
| Real Time Collaboration |
| Intelligence, Data Mining, Reporting |
| Document Management |
| Active Workflows |

**Pillar 2** — COMPUTERIZATION AND EFFICIENCY

- Every customs agency in CAREC has been automated and modernized, and therefore, **all** countries assessed have the ability to engage in IE in its simplest form.
- Simple IE is a key building block in the customs agencies' integration infrastructure for exchanging information.
- Highly transformative, customs agencies participating in Complex IE shifts from simple data exchange (i.e. Simple IE) with trading partners to a tiered series of standardized, harmonized and automated data and process.

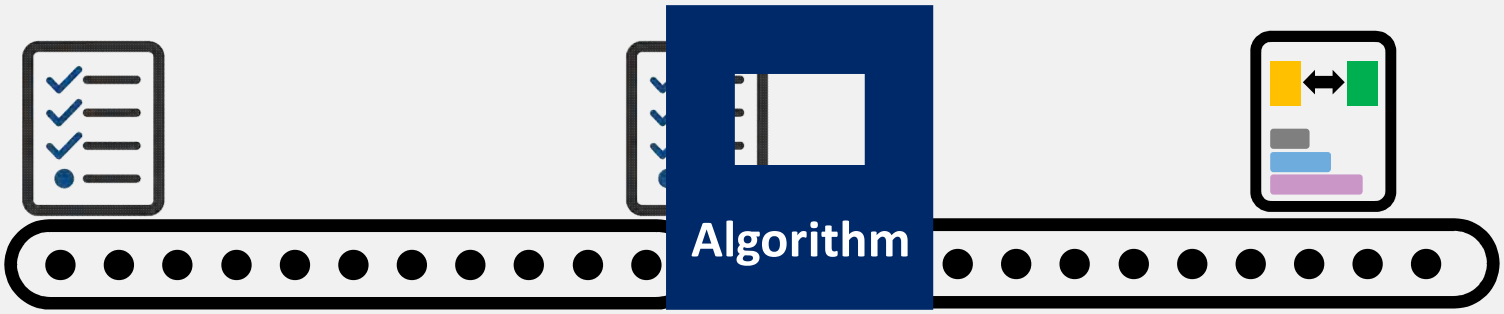
Introduction
Methodology
Results
Recommendations
Appendix

# Putting It All Together: High-Level Overview of Methodology

1 Evaluate Against Requirements

2 Execute Algorithm Against Assessments

3 Review Results




**IE Capabilities**

- **Stream 1:** IE Readiness
- **Stream 2:** IE Maturity

**IE Mechanisms**

- **Pillar 1:** Harmonization & Standardization
- **Pillar 2:** Computerization and Efficiency

**See Next Slide for the IE Assessment Framework**

The Convergence of Both Qualitative and Quantitative Information Produces a Holistic IE Assessment Framework

# IE Assessment Framework (Template)

**Pillar 1** — HARMONIZATION AND STANDARDIZATION

| Simple IE Characteristics |
|---|
| Data Processing |
| "One-Off" Harmonization |
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- *E-manifests*
- *Transport Documents*
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- *Payment Facilities*
- *Etc.*

| Complex IE Characteristics |
|---|
| Information Processing |
| Common Interface |
| Common Language |
| Real Time Collaboration |
| Intelligence, Data Mining, Reporting |
| Document Management |
| Active Workflows |

**Pillar 2** — COMPUTERIZATION AND EFFICIENCY

| | | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 4 | LEVEL 5 |
|---|---|---|---|---|---|---|
| READINESS | 1 | Sponsorship | | | | |
| | 2 | Existing Agreement in Place | | | | |
| | 3 | Value-Add Defined | | | | |
| | 4 | Business Process | | | | |
| | 5 | Information Technology | | | | |
| | 6 | Management | | | | |
| | 7 | Intelligence & Information Sharing Culture | | | | |
| | 8 | Partnerships | | | | |
| | 9 | Legislation & Policy | | | | |
| | 10 | Security, Privacy and Confidentiality | | | | |
| MATURITY | 1 | Leadership | | | | |
| | 2 | Track Record | | | | |
| | 3 | Linkages | | | | |
| | 4 | Value Analysis & Benchmarking | | | | |
| | 5 | Customs Risk Management | | | | |
| | 6 | Process & Methodology | | | | |
| | 7 | Ability to Monitor & Evaluate | | | | |
| | 8 | Governance & Compliance | | | | |
| | 9 | Project Management | | | | |
| | 10 | Program Management | | | | |

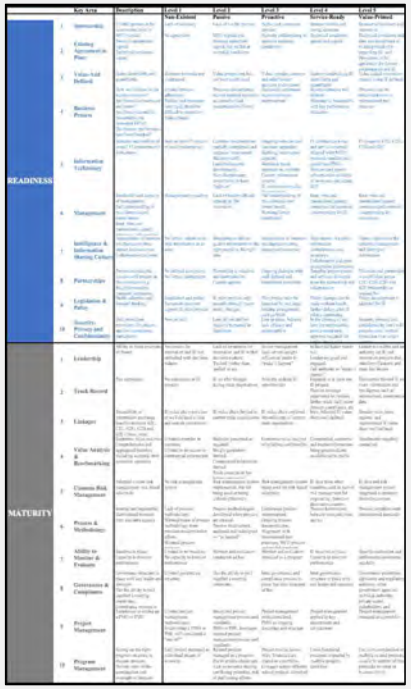
# A Comprehensive Assessment


- Introduction
- Methodology
- Results
- Recommendations
- Appendix


Levels of Requirements

READINESS

MATURITY



100 Requirements per Country

*[20 Key Areas] x [5 Requirements per Key Area]*

x

CAREC

10 Member Countries

=

1000 Evaluations (of Requirements)

Introduction
Methodology
Results
Recommendations
Appendix

# RESULTS

# MONGOLIA

## IE ASSESSMENT FRAMEWORK

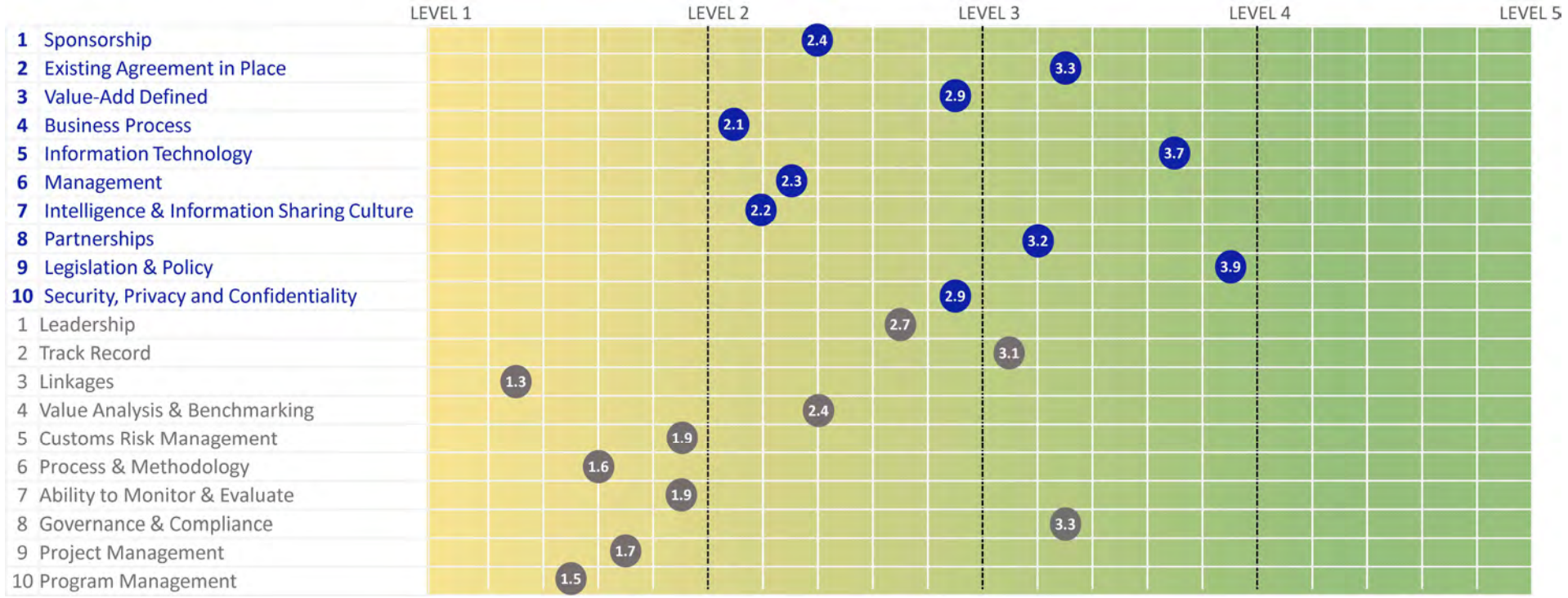
**Pillar 1** — HARMONIZATION AND STANDARDIZATION

| Simple IE Characteristics |
|---|
| Data Processing |
| "One-Off" Harmonization |
| Non-Standard Language |
| Asynchronous Time / Batch |
| EFT / Electronic Messaging |
| Lack of Document Management |
| Lack of Workflow |

- *E-manifests*
- *Transport Documents*
- *Arrival Information*
- *Payment Facilities*
- *Etc.*

| Complex IE Characteristics |
|---|
| Information Processing |
| Common Interface |
| Common Language |
| Real Time Collaboration |
| Intelligence, Data Mining, Reporting |
| Document Management |
| Active Workflows |

**Pillar 2** — COMPUTERIZATION AND EFFICIENCY



# Mongolia

- **Readiness**: Overall readiness score of 2.9
  - Mongolia's readiness is relatively lower due to changes in government and management.
- **Maturity**: Overall maturity score of 2.1
  - Upstream capabilities (non-technical) that need strengthening include disciplines such as management consulting, business process analysis, project management, program evaluation and program management.
  - Require to build technical capabilities of IT staff.
  - Data quality issues hampering automated risk management.
  - Inter-agency linkages is relatively underdeveloped due to lower in NSW maturity.
- **Bottom-line**:
  - Several important "high-readiness" scores including partnership development, information technology flexible and advance looking legislation and policies.
  - Start with very simple file exchanges.
  - Provided improvements are made to Level 1 and 2 scores, outlook is very promising.

| Key Area | Score |
|---|---|
| Sponsorship | 2.4 |
| Existing Agreement in Place | 3.3 |
| Value-Add Defined | 2.9 |
| Business Process | 2.1 |
| Information Technology | 3.7 |
| Management | 2.3 |
| Intelligence & Information Sharing Culture | 2.2 |
| Partnerships | 3.2 |
| Legislation & Policy | 3.9 |
| Security, Privacy and Confidentiality | 2.9 |
| Leadership | 2.7 |
| Track Record | 3.1 |
| Linkages | 1.3 |
| Value Analysis & Benchmarking | 2.4 |
| Customs Risk Management | 1.9 |
| Process & Methodology | 1.6 |
| Ability to Monitor & Evaluate | 1.9 |
| Governance & Compliance | 3.3 |
| Project Management | 1.7 |
| Program Management | 1.5 |

# KYRGYZ REPUBLIC

## IE ASSESSMENT FRAMEWORK

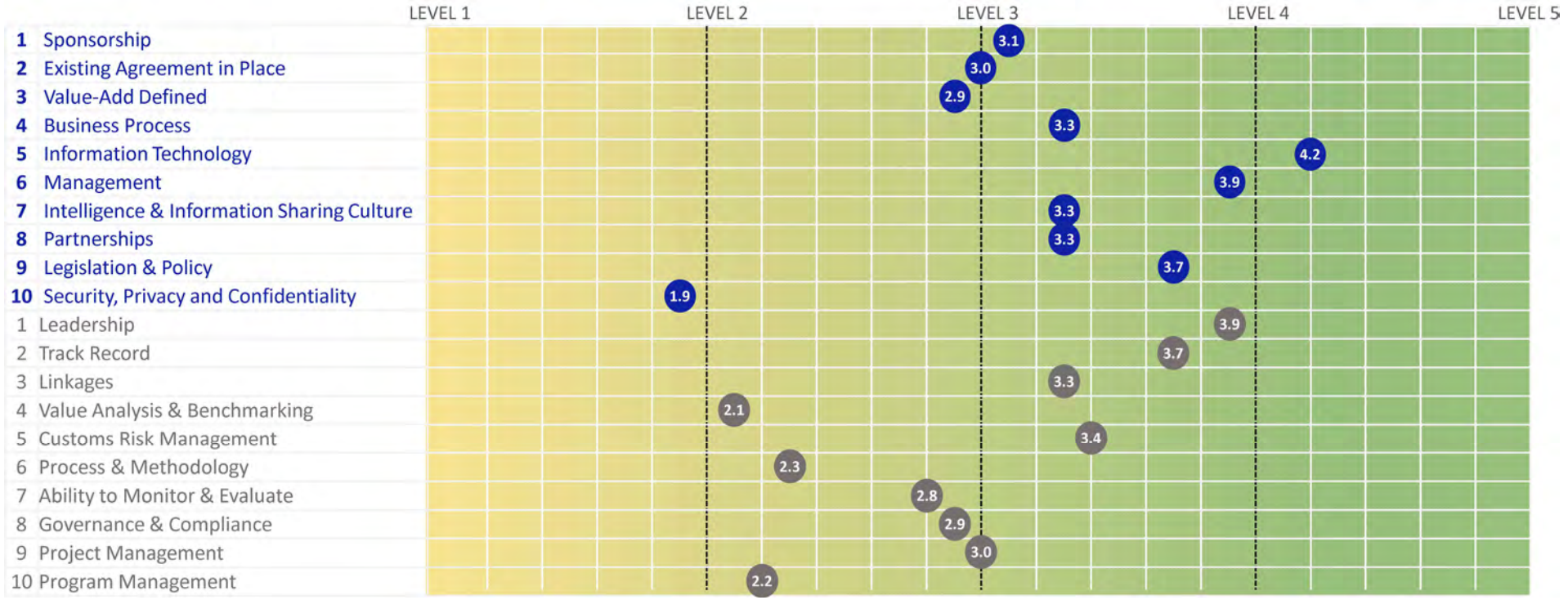
**Pillar 1** — HARMONIZATION AND STANDARDIZATION

| Simple IE Characteristics |
|---|
| Data Processing |
| "One-Off" Harmonization |
| Non-Standard Language |
| Asynchronous Time / Batch |
| EFT / Electronic Messaging |
| Lack of Document Management |
| Lack of Workflow |

- *E-manifests*
- *Transport Documents*
- *Arrival Information*
- *Payment Facilities*
- *Etc.*

| Complex IE Characteristics |
|---|
| Information Processing |
| Common Interface |
| Common Language |
| Real Time Collaboration |
| Intelligence, Data Mining, Reporting |
| Document Management |
| Active Workflows |

**Pillar 2** — COMPUTERIZATION AND EFFICIENCY



# Kyrgyz Republic

- **Readiness:** Overall readiness score of 3.6
  - Demonstrate the Kyrgyz Republic as "ready" except for the lack of Security, Privacy and Confidentiality Laws.
- **Maturity**: Overall maturity score of 3.0
  - Structure, discipline and control still in place after implementation of United Automated Information System in 2012.
  - Upstream capabilities (non-technical) that need strengthening include disciplines such as management consulting, business process analysis, project management, program evaluation and program management.
- **Bottom-line**:
  - Readiness and maturity that go beyond simple file exchanges.
  - Trust model would be difficult to establish without a national Security, Privacy and Confidentiality Laws.

| Key Area | Score |
|---|---|
| Sponsorship | 3.1 |
| Existing Agreement in Place | 3.0 |
| Value-Add Defined | 2.9 |
| Business Process | 3.3 |
| Information Technology | 4.2 |
| Management | 3.9 |
| Intelligence & Information Sharing Culture | 3.3 |
| Partnerships | 3.3 |
| Legislation & Policy | 3.7 |
| Security, Privacy and Confidentiality | 1.9 |
| Leadership | 3.9 |
| Track Record | 3.7 |
| Linkages | 3.3 |
| Value Analysis & Benchmarking | 2.1 |
| Customs Risk Management | 3.4 |
| Process & Methodology | 2.3 |
| Ability to Monitor & Evaluate | 2.8 |
| Governance & Compliance | 2.9 |
| Project Management | 3.0 |
| Program Management | 2.2 |

# UZBEKISTAN

## IE ASSESSMENT FRAMEWORK

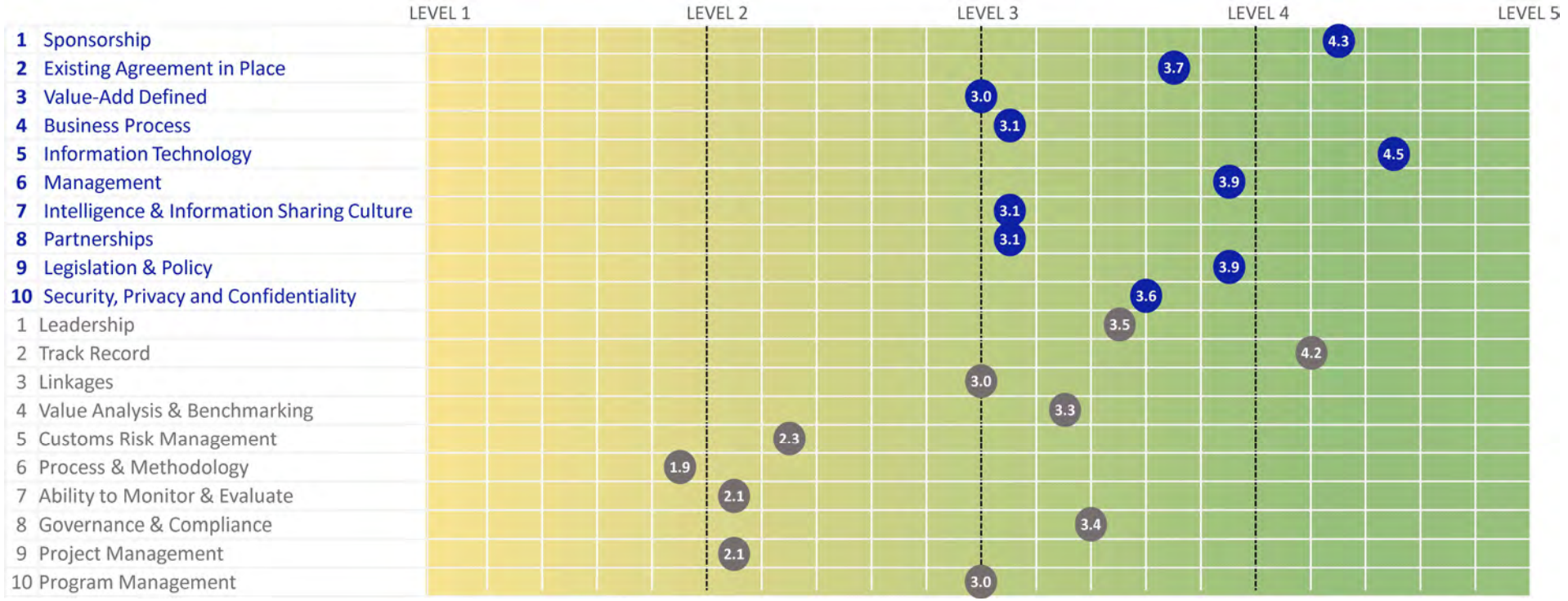
**Pillar 1** — HARMONIZATION AND STANDARDIZATION

| Simple IE Characteristics |
|---|
| Data Processing |
| "One-Off" Harmonization |
| Non-Standard Language |
| Asynchronous Time / Batch |
| EFT / Electronic Messaging |
| Lack of Document Management |
| Lack of Workflow |

- *E-manifests*
- *Transport Documents*
- *Arrival Information*
- *Payment Facilities*
- *Etc.*

| Complex IE Characteristics |
|---|
| Information Processing |
| Common Interface |
| Common Language |
| Real Time Collaboration |
| Intelligence, Data Mining, Reporting |
| Document Management |
| Active Workflows |

**Pillar 2** — COMPUTERIZATION AND EFFICIENCY



# Uzbekistan

- **Readiness:** Overall readiness score of 3.6
  - Ready to be connected to higher and more sophisticated levels of trade information exchange.
- **Maturity**: Overall maturity score of 2.9
  - Core disciplines for launching a successful project to completion and the potential for interoperability with other external systems outside of UAIS.
  - Start adopting international standards on upstream non-technical capabilities in process and methodology, program evaluation and project management.
- **Bottom-line**:
  - One of the customs agencies of CAREC that have been driving for the concept of an IE platform for the region since 2008.
  - Technically ready and mature to implement IE beyond simple file transfers.

| Key Area | Score |
|---|---|
| Sponsorship | 4.3 |
| Existing Agreement in Place | 3.7 |
| Value-Add Defined | 3.0 |
| Business Process | 3.1 |
| Information Technology | 4.5 |
| Management | 3.9 |
| Intelligence & Information Sharing Culture | 3.1 |
| Partnerships | 3.1 |
| Legislation & Policy | 3.9 |
| Security, Privacy and Confidentiality | 3.6 |
| Leadership | 3.5 |
| Track Record | 4.2 |
| Linkages | 3.0 |
| Value Analysis & Benchmarking | 3.3 |
| Customs Risk Management | 2.3 |
| Process & Methodology | 1.9 |
| Ability to Monitor & Evaluate | 2.1 |
| Governance & Compliance | 3.4 |
| Project Management | 2.1 |
| Program Management | 3.0 |

Introduction
Methodology
Results
Recommendations
Appendix

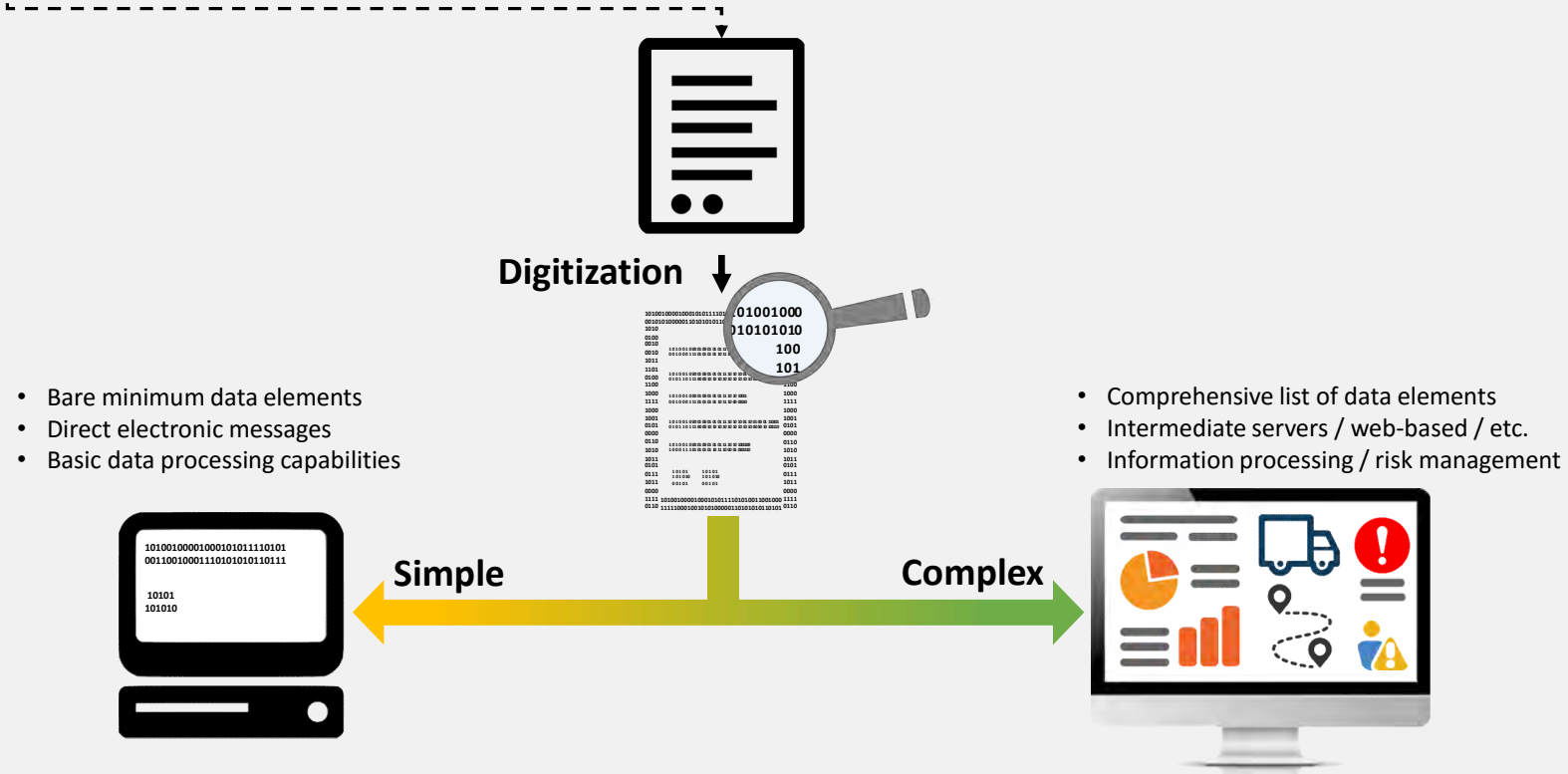
# RECOMMENDATIONS

# **Recommendation 1:** Think Big. Start Small. Scale Fast.

- Based on the IE Assessment, all countries are capable of engaging in IE starting with a simple information exchange.
- This includes matching each country's strengths to determine the degree of automation in driving the synergy of the cooperation and importantly, the details of the technical conditions.
- **Recommendation 1:**
  - Using the IE Assessment results, countries currently in bilateral or regional dialogues should consider incorporating IE solutions.
  - Always start small, use simple file exchanges if necessary to get the initiative moving, and scale up accordingly by considering that each IE application and functionality developed are building blocks to demonstrate value and cultivate stronger trade relations.

# Recommendation 2: E-Manifest and Transport Contracts for Pilots

- In the order of priority and demand, customs agencies have expressed the following IE applications can immediately benefit them.
  - **E-Manifest** to minimize the amount of manual intervention and to reduce fraud;
  - **Transport Contracts** to monitor transport route, means of transport, details of transport vehicle and equipment, packaging used and goods being transported, etc.; and
  - **Pre-arrival Information** to determine the admissibility of goods and decrease activity and congestion at the border.



# Recommendation 2: E-Manifest and Transport Contracts for Pilots

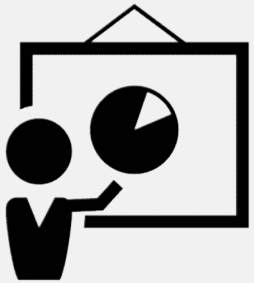
- Propose E-Manifest and Transport Contracts as the two pilots to be proposed under the TA with the participation of PRC.
- Start with a simple file exchange mechanism with plans, over time, to scale up to a more robust IE platform solutions (i.e. common language, common interface, near real-time, active workflows, etc.).
- Since the assessment has not yet been completed, other countries are to be solicited for their inputs on IE applications that can immediately benefit their agencies and for a pilot project.

Exact characteristics (and functionalities) to be included in each step should be determined via. **collaborative negotiations** between participating jurisdictions.

# Recommendation 3: Focused Capacity Building via Training, Workshops, & Courses

- In all custom agencies where assessment has been completed so far, interoperability and integration would require strengthening of upstream capabilities and non-technical skills to minimize risks for failed implementations, missed requirements, business process inefficiencies and process misalignment.

- Employing the IE Assessment results, low maturity scores are in the non-technical key areas such as process and methodology (1.9), project management (2.2), ability to monitor and evaluate (2.2) and program management (2.2).



- **Recommendation 3:**
  - Ongoing professional courses be offered through the CAREC Institute to build capacity and knowledge of customs agencies in these areas.

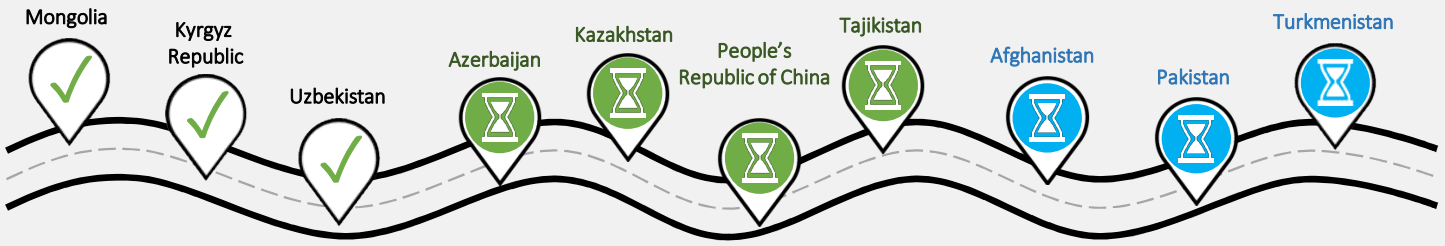
| Key Area | Average IE Score[1] |
|---|---|
| Sponsorship | 3.3 |
| Existing Agreement in Place | 3.4 |
| Value-Add Defined | 2.9 |
| Business Process | 2.8 |
| Information Technology | 4.1 |
| Management | 3.4 |
| Intelligence & Information Sharing Culture | 2.9 |
| Partnerships | 3.2 |
| Legislation & Policy | 3.9 |
| Security, Privacy and Confidentiality | 2.8 |
| Leadership | 3.4 |
| Track Record | 3.6 |
| Linkages | 2.5 |
| Value Analysis & Benchmarking | 2.6 |
| Customs Risk Management | 2.5 |
| Process & Methodology | 1.9 |
| Ability to Monitor & Evaluate | 2.2 |
| Governance & Compliance | 3.2 |
| Project Management | 2.2 |
| Program Management | 2.2 |

Red-colored texts indicate areas of improvement

1 - Mongolia, Kyrgyz Republic, and Uzbekistan

# **Recommendation 4:** Completion and Expansion of IE Assessment

- TA 8585 has resulted in generating an unprecedented and landmark study in global trade facilitation and regional cooperation through the IE Assessment.
- CAREC first hand adopters.
- Outcome provides CAREC members with an unbiased view of each country's strengths, the ability to match capabilities and the prescription to move forward in developing successful IE solutions to facilitate trade efficiently.
- **Recommendation 4:**
  - With approval of CCC and ADB, continue assessment for remaining CAREC countries namely: **Azerbaijan**, **Kazakhstan, People's Republic of China,** and **Tajikistan**.
  - Furthermore, for completeness across all CAREC member countries, consider expanding scope of the assessment to **Afghanistan**, **Pakistan** and **Turkmenistan**.
  - Expect completion target by the next CCC on August 2016.



# Recommendation 5: CAREC Regional ICT Strategy

- Critical TA findings observed the lack of a regional strategy for innovation using ICT.
- In support of the CAREC 2020 Strategic Framework, the first CAREC Regional ICT Strategy will focus on trade facilitation:
  - I. Aligning and augmenting country specific customs ICT strategy with the regional ICT strategy;
  - II. Reducing duplication of efforts and resources of individual countries with efforts to harmonize, standardize and simplify using rationalized international standards;
  - III. Strengthening each country's readiness and maturity in the IE Assessment Framework to increase capacity;
  - IV. Sharing and leveraging architectures, solutions and "lessons learned" in trade facilitation; and
  - V. Providing a path for developing a common vision, requirements and solutions such as a regional IE platform among others.
- **Recommendation 5:**
  - Propose another TA (or piggy-back TA) focused on delivering a CAREC Regional ICT Strategy on trade facilitation.

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# Thank You

Introduction
Methodology
Results
Recommendations
Appendix

# APPENDIX

# Appendix A. Abbreviations and Acronyms

| | |
|---|---|
| ADB | Asian Development Bank |
| C2C | Customs-to-Customs |
| CAIS | Customs Automated Information System |
| CAREC | Central Asia Regional Economic Cooperation |
| CCC | Customs Co-operation Council |
| EFT | Electronic File Transfer |
| IC | International Consultant |
| IE | Information Exchange |
| ICT | Information and Communications Technology |
| JCC | Joint Customs Control |
| PMO / PMU | Project Management Office / Project Management Unit |
| RADDEx | Revenue Authority Digital Data Exchange |
| RKC | Revised Kyoto Convention |
| SCC | State Customs Committee |
| TIR | Transports Internationaux Routiers / International Road Transports |
| TTFS | Transport and Trade Facilitation Strategy |
| UAIS | Unified Automated Information System (of SCC) |
| UNECE | United Nations Economic Commission for Europe |
| WCO | World Customs Organization |
| WTO | World Trade Organization |