

**Minutes of the
Joint Meeting of Working Groups and Proposed Work Program**

(As Endorsed by

**Working Group on Simplification and Harmonization of Customs Procedures,
And
Working Group on Customs Control, Risk, Management, and Information and
Communication Technology Development)**

**Almaty, Kazakhstan
21 – 25 April 2003**

I. INTRODUCTION

1. The Customs Cooperation Committee (CCC) in its First Meeting in August 2002, in Urumqi, People's Republic of China (PRC), endorsed a seven-point Common Action Plan (CAP) and institutional arrangements for its implementation. The CCC is represented by the heads of customs administrations of Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, PRC, Tajikistan, Turkmenistan, and Uzbekistan. It provides an apex institutional framework for a coordinated approach to regional customs reforms and modernization. The CAP calls for joint initiatives in the following areas:

- (i) Simplification and harmonization of customs procedures and documentation,
- (ii) Development of border posts and facilities,
- (iii) Development of simplified transit systems,
- (iv) Data and information sharing and ICT development for customs operations,
- (v) Development of risk management and post-entry audit,
- (vi) Development of a regional intelligence system, and
- (vii) Capacity building for regional customs organizations.

2. To operationalize the CAP, the CCC set up two Working Groups on (i) Simplification and Harmonization of Customs Procedures, chaired by the PRC customs authority; and (ii) Customs Control, Risk Management, and Information and Communication Technology Development, chaired by the Uzbekistan customs authority.

3. The Working Group Meeting held during 21-25 April 2003 in Almaty, Kazakhstan aimed to develop and agree on detailed work programs, time-bound schedules, and specific institutional mechanisms for their operationalization. The five-day Meeting consisted of twodays of plenary sessions chaired by the heads of PRC and Uzbekistan delegations, twodays of breakout sessions facilitated by ADB staff and resource persons, and a concluding session on the last day for the heads of country delegations to finalize and to endorse the draft Work Program.¹ It was agreed that the Work Program would be immediately implemented and progress would be reported to the CCC at its second Meeting tentatively scheduled in early October.

4. This Minutes and proposed Work Program, written in English, is the definitive text embodying the understanding of the members of the Working Groups. The Russian translation of the Minutes is solely for the convenience of the Russian-speaking delegates. The English version of the Minutes shall be used for future references.

¹ The detailed work program is summarized in the attached Matrix.

II. INITIATIVES

A. Harmonization and Simplification of Customs Documentation and Procedures

5. Procedures for customs clearance, border crossing operations, and transit within the region are insufficiently harmonized and do not fully conform to international standards. Such procedures were instituted for an economic and trading environment that have been overtaken by international trends, and are generally not compliant with the Revised Kyoto Convention that provides a customs model for meeting the current demands of international trade. Complex varied procedures and documentation requirements have inhibited trade flows among as well as with countries outside the region. Concerted customs legislative and policy reforms by member countries to support harmonization and simplification, as well as regional cooperation through joint training and sharing of experiences in adapting to best practices can accelerate the process.

6. Delegates suggested it was important to identify types of customs documents and procedures that need to be included in the effort of simplification and harmonization as there are two types of customs documents: (i) customs declaration supporting documents, and (ii) supporting commercial/commodity documents. The delegates also underscored the need to take stock of existing multilateral initiatives and how they match with national initiatives; and identify areas of synergy and best value added through regional efforts. Given language difficulties, it is critical to establish common data elements that are needed in harmonizing and simplifying customs declarations.

7. The specific focus of the initiative will be on border procedures. It is essential to have an understanding of each country's status in relation to signing and implementing international customs and customs-related conventions. To achieve this objective, the delegations agreed upon the following components:

- (i) Analysis of each country's accession to conventions and international customs agreements;
- (ii) Preparation of a report examining each country's progress in harmonization and simplification of border procedures relative to the Revised Kyoto Convention;
- (iii) Submission of recommendations for harmonization and simplification of border procedures; and
- (iv) Submission of recommendations for standardization of documents and requirements.

B. Development of Border Posts and Facilities

8. Long waiting times at most border posts can be attributed to inadequate border infrastructure, insufficient quality and quantity of technical equipment and materials, poor border design with shortfall of facilities in one area and a surplus in another, complicated procedures focused on centralised control, and multiple border organisations (up to nine at many crossings) working in isolation. However, delays in border crossings are perceived as principally customs-related. Despite best efforts, border audits conducted between 1995 and 2002 found that performance of border posts did not improve in the region. Proposals such as streamlining border functionalities, single window and joint border processing (which is recommended by the Revised Kyoto Convention) are all viable options to improve border post performance.

9. Delegates all understood the potential substantial benefits to be gained from joint border processing in terms of better service and effective use of border facilities. They underscored the importance of pilot testing of joint border processing at selected border sites among the member countries.² However, they

² Pilot site should not be too small to yield a significant impact, but not too large for the high risks involved. Posts along the PRC and Kazakhstan border and Kazakhstan and Kyrgyz Republic border have been mentioned as potential sites.

also indicated that such an initiative would invite issues such as the acceptability of prosecution by a foreign authority of violations in another country's territory. More analysis will be needed to identify these legal issues. Additionally, there is a lack of clear common understanding about the concept of joint processing and its implications in terms of customs controls and operational procedures. Streamlining border functionalities must include agencies such as immigration control, quarantine, sanitary. Hence effective inter-agency collaboration and delegation is important. Notably, there has been progress in bilateral border cooperation including the exchange of operational information at borders. Continued efforts at enhancing bilateral cooperation that would lead to joint border processing are an effective policy option.

10. The proposed Work Program is designed to address two key constraints prior to the selection of pilot sites, as at this stage no delegates from two adjacent countries indicated that they could proceed with a pilot until these issues were addressed. Tasks planned by the Working Group include (i) preparation of a working paper to examine operational options and legal implications of joint border processing; (ii) discussion and agreement upon the methodology for introduction of a pilot project, and site selection, and (iii) fielding a study tour to visit successful joint border processing sites in other parts of the world subject to funding availability.

C. Development of Simplified Transit System

11. Transit stands out as one of the most important issues because most member countries are landlocked economies. Current transit systems in the region suffer from (i) lack of mutual recognition of customs control procedures including customs seals and stamps, (ii) lack of involvement of stakeholders in the development of transit systems i.e. transport operators and private sector, and (iii) lack of bank guarantee arrangements for transit goods.

12. Delegates discussed and recognized that although the TIR carnet system has been available to most countries in the region to facilitate transit, the actual application has not been satisfactory due to high costs associated with the TIR system and the lack of conducive policy and other supports. In addition, a large volume of transit trade is not covered under this system.³ While wider utilization of TIR is encouraged, delegates also indicated that there is a need to develop an alternative transit system for the region.

13. Development of a regional transit system is a multidimensional task. Issues need to be addressed include simplification of both customs and non-customs related procedures, streamlining and efficient use of modern infrastructure, interfacing with other entities such as the transport and finance sectors; and effective adoption of information technology for information sharing. The Working Group has proposed to prepare a detailed work program consisting of the following components

- (i) Endorsement of a multilateral agreement for mutual recognition of customs control procedures and documentation for transit (including recognition of customs seals and stamps);
- (ii) Application of bank guarantee schemes and insurance policies as transit guarantee services;
- (iii) Improvement of the acceptability of the TIR carnet at border crossings and removal of arbitrary transit fees;
- (iv) Examination of other transit systems
- (v) Improvement of the functionalities of border infrastructure for transit;
- (vi) Establishment of modalities/protocols for improvement of communication and exchange of information between border control agencies,
- (vii) Adoption of the Common Transit Procedural System (such as transit visa, unified transit fees and tariffs, and non-discriminatory transit system); and
- (viii) Upgrades of transport systems to multi-modal means.

14. The Working Group endorsed the conduct of a workshop to examine the feasibility of establishing mutually recognized guarantee services (identified by TRACECA as a major constraint in the region). The Kazakhstan delegation suggested hosting the workshop in Almaty tentatively in October 2003. The Kyrgyz

³ For example, rail transports and goods that cannot be containerized are not covered.

delegation agreed to prepare an issues paper with the assistance of ADB on transit guarantees and circulate the paper to other member country delegations before the proposed workshop.

D. Data and Information Sharing and ICT Development for Customs Operations

15. Adequate IT infrastructure not only facilitates trade through automation, but also fundamentally changes the concept of customs services through the introduction of various IT-enabled customs techniques such as risk management and real-time information sharing with relevant agencies within and across national borders. However, most member countries under this initiative do not have adequate IT infrastructure to support the application of various modern customs techniques or allow data sharing. Difficulties in exchanging data with other countries are also due to the lack of effective protocols, poor mechanisms or infrastructure to exchange data electronically, and fear of unequal exchange of information.

16. Several member customs are currently embarking on modernization efforts by undertaking needs assessment and developing an open and cost-effective customs modernization plan. Careful selection of IT architecture is the most crucial step for the (i) introduction of a full declaration processing system, (ii) introduction of various modern customs techniques such as risk management, (iii) sharing of information by supporting “electronic data interchange” (or a harmonized national data transfer system as recommended by the TRACECA), and (iv) establishment of a regional intelligence system for combating drug-trafficking, smuggling of weapons and other illegal transactions.

17. The Working Group recognized that each country is principally responsible for modernizing its customs administration and developing an IT strategy according to their economic environment and constraints. It is important however, that the IT plan for customs modernization be an integral part of a comprehensive communication network of the country, serving all government agencies. The IT strategy should be aimed at facilitating operations, statistics and information exchange within and across countries. A new IT system should have standardized interfaces, allow flexibility in terms of supporting migration from existing systems, support modern customs practices (such as single-window and joint border processing), and link with other systems (such as accounting).

18. The Working Group has proposed a detailed work program including the following components:

- (i) Exchange information on the use of classifiers and develop a code-translation table to be shared with all participating countries;
- (ii) Study ICT application in other regional transit systems;
- (iii) Feasibility study of the adoption of a bar code system for quick joint identification of bills of lading and cargo declarations; and
- (iv) Recommendation and development of an information exchange mechanism among member customs.

E. Development of Risk Management and Post-Entry Audit

19. Risk management is a systematic method of identifying, analyzing, evaluating, treating, and monitoring risks involved in the customs process. Risk management is a key component of customs modernization and forms the backbone for adopting international best practices in line with the Revised Kyoto Convention and the WTO Valuation Agreement. Risk management requires credible post-entry audit and effective use of ICT.

20. Most member customs still rely on 100% inspection, partly due to a lack of knowledge of risk management and IT infrastructure in systematically identifying and profiling risks. Other necessary requirements which are generally lacking in the region are self-compliance and self-regulation procedures

for importers and exporters, regional cooperation for data sharing (for risk profiling), and most importantly, institutional capability for post-entry audit that is necessary for effective risk management.

21. Delegates indicated that despite difficulties, certain preliminary measures for identifying risks have already been adopted for their work, although not all countries have the same level of technical capabilities to fully adopt sophisticated risk management systems implemented by customs administrations in developed economies.

22. The work program will include an assessment of current risk management practices of individual countries in all areas of customs operations, from pre-arrival to post-entry control. The assessment will be followed by recommendations on ways to upgrade national risk management systems, possible data sharing arrangements to address regional concerns taking national legislation into account, and capacity building activities for post-entry audit.

F. Development of a Regional Intelligence System

23. Illegal cross-border transactions such as drug trafficking and gun smuggling are recognized as a major regional issue. Ineffectiveness in combating smuggling is partly due to inadequate intelligence gathering and lack of regional cooperation and coordination in this area. A regional intelligence system aimed at sharing trade and intelligence information among the customs and law enforcement agencies across borders can help effectively combat illicit trade. The Meeting provided an opportunity to consider a number of initiatives for the development of a regional intelligence system in the region.

24. The Working Group endorsed the conduct by ADB of a needs assessment study which consists of the following components: (i) analysis of the nature and extent of illicit trade, including types of goods, production and trade volumes, sources and destinations, channels, modes of transport and methods; (ii) stock taking of existing regional programs for intelligence gathering and sharing; (iii) evaluation of the performance of existing regional intelligence system, including capacities, effectiveness, equipment, intelligence sources, and adaptability; (iv) proposal for strengthening existing regional intelligence system including funding, schedule, and human resource requirements, (v) training of customs officers in tracking and tracing, and (vi) identifying possibilities for coordination with express delivery carriers. Delegates expressed concerns about potential duplication of the RILO network of WCO and the possibility that a separate regional intelligence network may affect national access to the RILO network. Delegates recommended that the study focus on how to enhance their participation in the RILO network and how they can make the RILO network more effectively address regional intelligence needs.

III. OTHER MATTERS

25. The Working Group Meeting endorsed the Kyrgyz delegation's proposal to host a regional customs seminar in Issy-kul in August. The Seminar will focus on transit issues, ICT for customs operations, and modern customs practices such as post-entry audits.

Appendix: Work Program

Initiatives	Tasks	Activity/output	Implementation Arrangements	Implementation period	Assistance
1. Development of border posts and facilities	Description of various options for Joint Border Processing	<ul style="list-style-type: none"> Working paper on the different types of joint processing/control to be considered, explaining the concepts, operational requirements and experience of each Recommendations on which type of joint processing/control most appropriate to the Region 		June - July 03	<ul style="list-style-type: none"> Technical Assistance from ADB for a Border Expert – 4-6 man months; Technical coordination - 4 man months
	Legal evaluation of joint processing	<ul style="list-style-type: none"> Evaluation of their current customs legislation in the context of possible introduction of joint border processing List the specific articles and clauses in the legislation that potentially inhibit joint processing Examine the degree of these legal constraints and indicate possible solutions Prepare a report indicating the position in each country If no two neighboring countries can proceed with a pilot due to the legal constraints, then the issue will be referred back to the CCC 		Aug - Sept 03	
	Methodology for introduction of the pilot project	<ul style="list-style-type: none"> Identify how to undertake a pilot project, specify the steps needed to develop a pilot, both in terms of the requirements by customs, but also how to engage the other border authorities Identify changes in technology and infrastructure and the cost both for a pilot and a long-term joint border post 		Oct 03	
	Site selection	<ul style="list-style-type: none"> Obtain provisional commitment from two neighboring member customs to undertake a one-year pilot joint border-crossing program Other member Customs confirm selected location as a suitable basis for the pilot program for this CCC initiative 		Oct 03	
	Visit program	<ul style="list-style-type: none"> Visit border(s) where the selected type of joint border processing/control is being operated 		Nov 03	
	Implementation of joint border crossing	<ul style="list-style-type: none"> A one-year pilot project will be implemented at the selected pilot site Quarterly progress report Recommendations on permanent joint processing facility and whether any additional modifications 		Jan – Dec 04	
	Pilot replication	<ul style="list-style-type: none"> Analysis to be undertaken of the pilot program Reassessment to be made against the constraints identified Extend the joint processing 		Jan – Feb 05	

Initiatives	Tasks	Activity/output	Implementation Arrangements	Implementation period	Assistance
2. Simplification and harmonization of customs procedures and documentation	Reports on conventions and international customs agreements	<ul style="list-style-type: none"> • Questionnaire to be completed by each country indicating the dates of accession • Bilateral border crossing agreements • Situation in relation to the reforms of national Customs Code 	Border Crossing Working Group	June - July 03	<ul style="list-style-type: none"> • Technical Assistance from ADB up to 4 man months • Technical coordination – 6 man months (Part time only)
	Report on country situations of accession to the Revised Kyoto Convention relating to border crossings	<ul style="list-style-type: none"> • Extend TRACECA Harmonization of Border Crossing Procedures for Central Asian Republics and Azerbaijan, to PRC and Mongolia 		June - Nov 03	
	Proposals for Harmonization and Simplification of Border Procedures	<ul style="list-style-type: none"> • Report prepared by the ADB be circulated to each working group for consultation prior to agreeing a final submission to the CCC 		Dec - Jan 04	
	Standardization of Documents and Requirements	<ul style="list-style-type: none"> • Detailed list of customs and transport documents required for a standard import, export or transit movement by road or rail across its borders • Analyze the degree of harmonization and standardization among the countries and prepare proposals for improvement 		June - Sept 03	
3. Development of simplified transit systems	Simplification, standardization, and mutual recognition of customs control procedures and documentation for transit (including recognition of customs seals and stamps)	<ul style="list-style-type: none"> • Document outlining an agreement including the implementing documents for internal agencies that will regulate simplification and standardization and customs controls, plus mutual recognition of transit documents, stamps and seals. • Regional agreements on mutual recognition of seals and stamps • Bilateral agreements with and between PRC and Mongolia 	<ul style="list-style-type: none"> • National transit system task forces consisting all the relevant agencies • Regional transit system task force 	May - Dec 2003	No need for ADB funding

Initiatives	Tasks	Activity/output	Implementation Arrangements	Implementation period	Assistance
	<p>Consultation with banks and insurance companies (or international agencies providing such services) to determine the feasibility of establishing mutually recognized guarantee services (identified by TRACECA as a major constraint in the region)</p>	<ul style="list-style-type: none"> • Seminar in Almaty in October 2003 • Best practice model • Model legislation and regulations • Model insurance guarantee system for transit • Prepare a Comparative Analysis Report on national insurance legislation regarding transit guarantee and disseminate the report to other member countries • Comparative Analysis Report presented at the Seminar, with the objective of initiating transit insurance guarantees in member countries where applicable 	<ul style="list-style-type: none"> • Kazakhstan Customs prepare the venue for the Seminar • Kyrgyz Customs and ADB prepare documents 	<p>May- Nov 2003</p>	<p>2 months int'l consultant</p>
	<p>Improve acceptability of the TIR Carnet at border crossing points and the removal of arbitrary transit fees on key transit routes</p>	<ul style="list-style-type: none"> • Instruction by Customs to all border crossing points to comply with all the provisions of the TIR Convention • TIR Convention compliance training courses at the relevant border crossing points together with a continuous training program facilitated by Customs Training Schools; use the Uzbekistan and Kazakh border crossing point as one location for training • Resolve regional TIR problems and disseminate regional and international best practices in CAR to improve TIR carnet's attractiveness and effectiveness • Sharing the lessons learned from the TIR operations that have been established in Kazakhstan, Kyrgyz Republic, and Uzbekistan and Tajikistan 	<ul style="list-style-type: none"> • Create interagency working groups on TIR issues in each country for better TIR use • Create a regional TIR task force • Comparative Analysis Report prepared by Uzbekistan Customs and disseminated to all members 	<ul style="list-style-type: none"> • Aug - Dec 2003 for Training • Sept 2003 - 2005 for Performance indicators and ratios, targets • Jul - Oct 2003 Instructions • Aug - Sept 2003 TIR Problem Task Force created 	<p>None</p>
	<p>Examine other transit systems</p>	<ul style="list-style-type: none"> • Visit to EU accession states such as the Czech Republic and Croatia, etc., • Terms of Reference together with agreed commitment by all members to the development of the regional transit system • Meeting with TRACECA regarding funding the EU Visit • Information on procedures and documentary requirements to be placed on national customs web sites • Place draft regional transit plans on the web sites 		<ul style="list-style-type: none"> • Sept 2003 EU accession country customs and specific border crossing visit • April - May 2003 TRACECA visit funding meetings 	<p>Int'l consultant to prepare TOR</p>

Initiatives	Tasks	Activity/output	Implementation Arrangements	Implementation period	Assistance
	Infrastructure constraints at key border crossing points	<ul style="list-style-type: none"> • Functional criteria agreed and disseminated • Design criteria agreed and adopted by design institutes • Choose a pilot border crossing point to implement removal of constraints and measure the benefits (performance indicators) • Implementation plan to include 3 main phases: (i) Removal of constraints which require no investment, (ii) Removal of constraints, which need small investment, (iii) Removal of constraints which need large scale investment • Investment by donor agencies and government • Infrastructure Working Group delivery of final report with recommendations • Delivery of final report with recommendations for implementation 	Border infrastructure working group formed	June 2003 - 2004 / 2005	None
	Basic IT support and the improvement of communication and exchange of information between border control agencies	<ul style="list-style-type: none"> • Report prepared jointly by PRC and Kazakhstan customs experience on exchange transit information • Report on EU Transit System, and to include the prospects of a regional transit system (RTS) disseminated by international expert to all members • Protocol between member states regarding the creation of a regional transit system • Development of an Implementation Plan for the regional transit system • Budget for the RTS 		July 2003 - 2004 / 2005	3 months int'l consultants (IT can customs procedures)
	Joint efforts to meet the requirements for adopting the Common Transit Procedural System	<ul style="list-style-type: none"> • Forum in Almaty hosted by Kazakhstan Customs Control Agency • Comparative analysis of fees and tariffs separate from TRACECA coverage • Recommendations for the implementation of the Common Transit Procedural System by an international transit expert and national transit experts • Regional agreements to implement Common Transit Procedural System 	National and Regional Task Force at Ministerial level	May - Dec 2003	4 month int'l consultants

Initiatives	Tasks	Activity/output	Implementation Arrangements	Implementation period	Assistance
	Upgrading transport systems to multi modal means	<ul style="list-style-type: none"> • Meetings with the respective Ministries of Transport and rail authorities to ascertain the need, feasibility and results of management system improvements and the results of investment in equipment and infrastructure to existing road / rail and also maritime multi modal terminals • Meetings with international donor agencies and governments regarding funding plus national economic and fiscal incentives for foreign direct investment and domestic investment • National Reports on Multi-Modal Terminal needs together with an agreed funding plan 		June 2003 - June 2004	None
4. Data and information sharing and ICT development for customs operations	Exchange information on use of classifiers used on customs and develop a code-translation table	<ul style="list-style-type: none"> • Conduct a comparative study on the data elements and coding system being used in customs declaration on both sides 	Study group led by Kazakhstan and PRC		
	Study the ICT application in the regional transit system	<p>Studying the two systems</p> <ul style="list-style-type: none"> • The Russian system is currently in use from the European border to Kazakh, Mongolian and PRC borders • The New Computerized Transit System. The most recent version of it is currently in testing phase in Estonia before extension to all Baltic States 	A study group should be constituted		
	Feasibility study of adoption of a bar code	Establish the feasibility of a bar code system for quick joint identification of bill of lading and cargo or declaration and goods.			
	Information exchange mechanism	Recommend and develop an information exchange mechanism among member customs			

Initiatives	Tasks	Activity/output	Implementation Arrangements	Implementation period	Assistance
5. Development of risk management and post-entry audit	Assessment of current risk management practices to evaluate the readiness in risk management of individual countries.	<p>The study shall cover various areas of customs operations, from pre-arrival to post-entry control and shall include the following:</p> <ul style="list-style-type: none"> • Extent of computerized processing of goods • Tools used to mine and analyze the data • Risk assessment (selectivity and profiling) • System for addressing risk and non-compliant behavior • System of incentives to encourage compliance • Post seizure analysis • Personnel skills and personnel performance measures relating to risk management • Financial incentives given to customs personnel for performance • Training on risk management techniques • Post-entry audit capability • Legal basis • Organization • Procedures • Skills • Due diligence by the private sector 	The experts' group on risk management	<ul style="list-style-type: none"> • Expert's workshop in August 2003 • Working visit to observe risk management and post entry audit systems in September 2003 	
	The assessment will be followed by recommendations to address regional concerns, taking into account national legislations.	<ul style="list-style-type: none"> • Ways to upgrade national risk management systems • Possible data sharing arrangements to address regional concerns, taking into account national legislations. • Capacity building for post-entry audit 		<ul style="list-style-type: none"> • Training Seminar hosted by PRC customs authority 	
6. Development of a regional intelligence system	Needs assessment study	<ul style="list-style-type: none"> • Analysis of the nature and extent of illicit trade, including types of goods, production and trade volumes, sources and destinations, channels, modes of transport and methods; • Stock taking of existing regional programs for intelligence gathering and sharing; • Evaluate perform of existing regional intelligence system, including capacities, effectiveness, equipment, intelligence sources, and adaptability • Proposal for strengthening regional intelligence system including funding, schedule, and human resource requirements, • Training of customs officers in tracking and tracing, and • Identify possibilities for coordination with express delivery carriers. 			ADB conducts of the needs assessment

