**Notes from
CAREC Single Window Implementation Seminar: Azerbaijan Case Study
6-8 July 2010, WCO Training Center, Baku, Azerbaijan**

I.   Introduction

1.   The CAREC Trade Facilitation Program has been actively promoting the adoption of single window (SW) systems to simplify and streamline transport, freight forwarding, trade logistics and customs operations, and enhance the overall competitiveness of CAREC countries. Initiatives in support of SW development include co-organizing seminars (with International Enterprise Singapore in 2008 and 2009) to introduce SW concepts and best practices, and engaging a Consultant in 2009 to prepare case studies on SW development in selected CAREC countries, the findings of which were presented during the SW seminar in Singapore in July 2009. ADB is also proposing a regional project on border crossing point (BCP) improvement and SW development. The SW component of the regional project will include support for development of national SWs (NSWs) and a regional platform to enable data exchange and information sharing between NSWs.

2.   The "CAREC Single Window Implementation Seminar: Azerbaijan Case Study" is the third in a series of seminars on SW development. This seminar aimed to (i) discuss and distill lessons from Azerbaijan's experience in designing, developing and implementing its national SW system, and (ii) consider possible approaches towards the development of a regional platform to facilitate exchange of trade data among CAREC countries. A field visit to the Bilasuvar BCP was also conducted on the last day of the seminar to observe SW actual operations

3.   In his remarks, **Mr. Aydin Aliyev,** Chairman, State Customs Committee of the Republic of Azerbaijan, welcomed participants and expressed readiness to share Azerbaijan's experience in SW development and implementation.

4.   **Mr. Satya Prasad Sahu,** World Customs Organization (WCO), informed the participants that the development of a single electronic window (SEW) is well aligned with one of the building blocks of the WCO roadmap ("Customs in the 21st Century" or C21): Coordinated Border Management. He emphasized that, although Customs has a key role in SW development, the active participation and cooperation of other government agencies is vital.

5.   **Ms. Virginia Cram-Martos**, UNECE, in her opening remarks, stressed the importance of standards and rules governing exchange of goods, services and payments, and the key roles of UNECE and ESCAP in the development of standards for trade facilitation and electronic business and the dissemination and promotion of these international standards and recommendations, respectively.

6.   **Mr. Jeff Procak**, ADB, thanked State Customs Committee of Azerbaijan (AZE) for hosting the seminar, and development partners – WCO, ESCAP and UNECE – for their participation. He noted that the seminar is an excellent opportunity for countries to share experiences and best practices on SW development.

II.   Discussion Highlights

7.   **Mr. Yann Duval**, ESCAP, briefly defined the SW concept (a single entry point for one time submission of documents and information to fulfill all import, export and transit-related

regulatory requirements) and its scope (i.e., should ideally cover all procedures in the international supply chain). He underscored the importance of ensuring interoperability of SWs among countries to allow exchange of information. He then proceeded to define consensus building as the process of allowing various stakeholders to work together to develop a mutually acceptable solution, and identified the following key steps towards building consensus for SW:

(i) <u>identify need</u> for SW – provide evidence that a problem exists and a NSW is necessary (e.g. low ranking in international benchmarks such as the World Bank's Doing Business survey)

(ii) <u>secure mandate</u> by linking NSW to strategic policy framework will help secure and sustain necessary political will and support

(iii) <u>identify and increase awareness</u> of broad range of stakeholders – not just Customs but other government agencies involved in trade and logistics as well as academic expertise (with technical knowledge on SW development)

(iv) <u>engage stakeholders</u> to ensure mutually acceptable SW solutions early (at design) and in a sustainable manner (by institutionalizing coordination among agencies, and organizing public private sector consultations)

(v) <u>other consensus building elements</u> such as international standards and recommendations (UNECE Recommendation 33, which is widely considered as the overarching guideline on establishment of SW) which provide an objective basis for SW adoption, and external mandates supported by bilateral and multilateral agreements.

Mr. Duval also underscored the importance of sustaining consensus through continuous political commitment, budget provision, and monitoring for accountability.

A.   Azerbaijan Case Study

8.   **Mr. Chan Fook Seng**, Crimson Logic, offered the following key <u>success factors</u> for SW development and implementation in AZE: (i) political will and perseverance in implementing (ii) clear mandate and high level commitment (as evidenced by the issuance of a Presidential Decree to integrate all border control functions under Customs); (iii) support of other government agencies; (iv) conduct of background work even before actual implementation (e.g. business process analysis (BPA), data harmonization, feasibility study); (v) lessons learned from international best practices; (vi) creation of various functional departments within Customs (single authority model under UNECE Recommendation 33); (vii) capable and willing lead agency (Customs); and (viii) backed by appropriate information and communication technology.

9.   He also discussed <u>how AZE was able to overcome challenges</u> through strong political will and perseverance, systematic change management process, awareness raising and public education, internal staff training, and partnering with the private sector; and summarized <u>lessons from the AZE SW case study</u>: (i) each country must choose most appropriate model based on an assessment of its own situation; (ii) data harmonization and BPA must come first; (iii) cooperation and coordination among concerned government agencies are very important; (iv) SW should be a national goal and stakeholders across all sectors should share this view; other essential factors are (v) working closely with the private sector; (vi) a service-oriented attitude (vi) supported by relevant technology.

10.   Mr. Chan also discussed the <u>scope for future expansion of AZE SW</u>, which may include**:** (i) full electronic system (paperless) but using risk management tools in some cases to ensure that declarations are accurate; (ii) electronic fund transfer for payment of duties and taxes; (iii) further integration with systems of other agencies (such as Ministry of Taxes, State Statistics, Railway, Seaport, etc.); and (iv) expansion of scope of services to include

business to business (B2B), business to government (B2G), government to government (G2G; regional and international) exchange of information. .

11.   According to **Mr. Shahin Baghirov**, AZE Customs recognized that SW is an important tool for trade facilitation since such a system can help: (i) simplify customs formalities, (ii) simplify procedures for obtaining permits, and (iii) ensure proper coordination among agencies. He reported that preliminary steps undertaken (by AZE Customs) prior to SW development and implementation included studying documents such as international norms and standards, and experience of other countries; and review and analysis of related legal frameworks.

12.   Mr. Baghirov also highlighted the importance of strong political will and legal mandate as success factors for SW implementation in AZE. The use of a SW system is beneficial to the business community, to the government, and to the economy as a whole. The business sector can benefit from improved transparency and increased predictability, which can minimize opportunities for corruption with concomitant reduction in costs and increase in profits (from faster clearance times). For governments, SW often brings increased revenues from more accurate collection of customs duties and other charges. He noted that the AZE business community was initially skeptical of the benefits of a SW system but eventually realized gains that can result from its implementation.

13.   In his presentation, **Dr. Igbal Babayev**, AZE Customs, provided an overview of Customs' organizational structure and missions. He then proceeded to discuss the development and project implementation strategies for Customs' united automated information control system (UAICS or Customs SW), its scope and coverage [Customs to Business, B2B, Customs to Customs (WCO)], its components (business structures, customs, banks, other government agencies) and basic elements (technical platform, business process management, customs procedures). He also explained the stages of transition to a paperless technology at Customs (from automated systems to BCPs > automated customs clearance > automated systems > paperless technology) and plans to integrate with SW systems of other government agencies towards a NSW. He likewise presented the project benefits to the government and private sector of Customs SW, including statistics showing significant reduction in time for customs control at borders following SW implementation.

14.   **Mr. Kiazim Samedov**, also of AZE Customs, explained Customs' goods clearance system (for obtaining and processing permits, certificates of compliance, licenses) and risk management system. He also reported on Customs Single Automated Information and Management System (SW principle for customs clearance), which aims to simplify customs goods clearance procedure, and the timetable for its implementation.

B.   International Standards and Best Practices

15.   In his presentation, **Mr. Markus Pikart,** UNECE, outlined the role of UNECE in the development of trade-related recommendation, standards, and tools, including UN/CEFACT Recommendation 33. He identified 4 important steps to automate data processing for SW: (i) BPA and simplification, which involves an analysis and description of the business process in the supply chain; (ii) data and document simplification to harmonize, simplify, and standardize data using standards and tools like the UN Layout Key (standard template for trade documents), code lists for trade data and UNTDED (standard definitions for trade terms and data elements); (iii) data model (a collection of data elements such as the WCO Data Model or UN/CEFACT core components): and (iv) development of digital documents using the UN EDIFACT and extended marked-up language (XML) standards.

16.   In summary, Mr. Pikart emphasized that SW requires simplification of processes and data for cross border trade. He reiterated that development partners like UNECE and WCO provide the set of standards and tools to support these processes while UNECE/ESCAP provide capacity building activities to promote and disseminate these standards.

17.   **Mr. Satya Prasad Sahu**, WCO, provided an overview of the key functions of Customs: (i) revenue administration; (ii) transport and logistics facilitation; (iii) trade policy implementation; (iv) health and public safety; and (v) internal security. He indicated that the choice of services for SW would essentially depend on the national customs agency. He identified the following building blocks or prerequisites for setting up a SW system: (i) participating cross border regulatory agencies must agree on issues such as business processes to be interoperated, SW services to be provided (e.g. information services, operational messaging, business computing), legal basis for information exchange between border agencies, a regional SW; (ii) participating cross border regulatory agencies must agree on the physical infrastructure/model for SW – whether a one stop shop or integrated service window; and (iii) SW environment

19.   Mr. Sahu also discussed the WCO Data Model, which is a collection of data elements that enables harmonization and standardization of trade information and data requirements. He pointed out the benefits of using the WCO Data Model (such as reduced costs to trade by simplifying data requirements, improved reporting and compliance through improved quality of data) stated that the WCO Data Model meets requirements of several international conventions, and is aligned with widely used international standards.

18.   In her presentation, **Ms. Eva Chan**, Pan-Asian Alliance (PAA), provided an overview of PAA. She informed that the alliance (established in 2000) has a membership consisting of 10 service providers including SW operators in different countries (e.g. Crimson Logic, Singapore). She explained that PAA facilitates cross border B2B and B2G exchange since members are connected directly to trading partners and logistics providers as well as with Customs). She pointed out the following benefits of cross border data exchange:

- Greater transparency, efficiency, and procedural uniformity of cross-border transportation of goods.
- Leads to simplification of rules and procedures
- Alignment of procedures and adherence to international standards
- Standardization of documents and electronic data requirement
- Exchange of advance cargo information increase efficiency of Customs Risk Management System through ongoing verification of consignment integrity and avoiding unnecessary duplication of controls.
- Expediting movement, release and clearance of goods by increasing accuracy of data and data reusability
- Complements paperless trading implementation

19.   She explained that the ASEAN SW (ASW) is the environment where NSWs of ASEAN countries operate and integrate to accelerate ASEAN economic integration by 2020, and informed that the key differences between ASW and PAA include:

	Pan-Asian Alliance	**ASEAN Single Window**
Supporting Framework	– APEC project – bilateral in nature – PAA framework	– ASEAN project – multilateral (Malaysia, Indonesia, Philippines) – ASW legal framework
Service Scope/Coverage	– cross-border B2B exchange – among PAA members; and also between exporters and importers	– cross border G2G exchange – national SWs

Use of electronic certificate of origin	– by importers as supporting document to import declaration for customs clearance – paperless implementation	– by customs authority to validate supporting documents to import declaration for customs clearance – hard copy may be required –

20.   Ms. Chan also mentioned the following <u>considerations for regional SW Implementation</u> as it applies to CAREC countries:
- scope of regional SW services, B2B, G2G but cross border B2G is not common.
- types of implementation approaches: (i) centralized;(ii) decentralized and fully localized (iii) distributed with regional assets
- requirement for Legal framework varies between the business-driven (e.g. PAA) and government-driven regional SW initiatives (ASW)

and emphasized that vision, financial and human resources are requisites for establishing a regional alliance. She concluded her presentation with the following key observations:
- Government driven initiatives focus on (i) improving regional competitiveness (ii) facilitating customs clearance process at Customs Administrations; and (iii) exchange of trade and regulatory documents
- Business driven initiatives focus on facilitating the business community's needs to fulfill the regulatory requirement

C.   Sharing of Experiences

21.   Country presentations focused on the status/progress made by CAREC countries in designing, developing and implementing NSWs.

	Status/Progress	Future Plans	Scope for ADB assistance
Afghanistan	– Various regulatory agencies conduct checks and inspections at the border	– Develop mechanism for coordinated border management with Customs playing a lead role – Customs to be given enforcement powers and delegated responsibilities by other Ministries (Agriculture, Public Health, etc)	–
Kazakhstan	– Draft Law has been prepared to simplify procedures for issuing permits by state bodies	– establish web portal for exchange of information	–

Kyrgyz Rep	– Laws and Government decrees to enable SW have been approved
	– SW Implementation Pilot Project (ongoing) with GTZ support
	  o BPA of licensing agencies
	  o System setup
		– SW Core Project 2011 for ADB funding will involve integration of government agencies business processes	–

Mongolia	– NSW working group (WG) composed of members from Mongolia Customs and Mongolia National Chamber of Commerce and Industry was established in 2009 – Technical WGs (business process, data, technology, legal etc) have been created	– Harmonization of Trade-Related Documents – Draft laws on e-signature, e-transactions, security/privacy pending	–
PRC	– International trade administrations (e.g. MOFCOM, PRC GAC) have achieved network management on a national scale	Introduction of public platform for economic and trade cooperation (B2B, G2G, B2G) to promote collaboration of: – information (B2G, B2B) – logistics (service between	Suggestions for CAREC regional SW development – expedite implementation of NSWs

	Status/Progress	Future Plans	Scope for ADB assistance
		consignor and carrier, logistics enterprises) – finance (electronic trade settlement)	– PRC expressed willingness to share SW experience with CAREC countries
Tajikistan	– Government Plan of Action for the establishment of a SW system for export/import and transit procedures has been approved – Five Year Program to implement a SW scheme for export/ import and transit clearance was developed by SW WG and subsequently approved by Government Decree	– Introduction of a single automated information and communication channel for document and information submission, and processing by concerned agencies – SW to be managed by SW Center to be established in the form of a state unitary enterprise	– Expressed support for plans to establish a regional SW for CAREC countries
Uzbekistan	– An interagency WG has been established to research and develop a SW concept – A work plan to simplify trade procedures has been drafted and approved by the WG – WG priority areas include (i) analysis of legal framework; (ii) study of international experience (iii) developing proposals to simplify trade procedures (iv) drafting of SW concept paper – Implementation of Single Electronic Information System for Foreign Trade Operations for registration of foreign trade contracts	– Seek assistance from international financial institutions (e.g. ADB) to: (i) finance equipment upgrade; (ii) technical and advisory assistance to develop SW concept paper	–

22.   **Mr. Yann Duval**, UNECE, gave an overview of the objectives, activities and 2010/11 work of the UN Network of Experts for Paperless Trade in Asia and the Pacific (UNNeXT) Project, which aims to establish a community of experts to facilitate and implement SW and paperless trade in the Asia-Pacific region. He informed participants that CAREC countries are welcome to nominate national focal points and help identify and commit experts to participate in the WG.

23.   **Mr. Jeff Procak**, ADB, presented the objectives, key features, scope and selection criteria, financing plan and timetable for the proposed CAREC regional project for BCP improvements and SW development. He informed participants of the target to have loan agreements signed at the 10th Ministerial Conference in 2011 as part of the 10th year commemorative activities for CAREC.

D.   Comments and Other Issues Raised During Discussions

24.   In response to questions from participants regarding the <u>steps undertaken to develop and implement SW </u>(for customs control and clearance of goods and vehicles) <u>in AZE</u>, Customs informed that the promulgation of the Presidential Decree (PD) No 12 on November 2008 underpinned SW development in the country. Under said PD, overall control at BCPs was delegated to Customs. The functions of 4 other border agencies (Ministries of Agriculture, Health, Transport, and Internal Affairs) were transferred to Customs. Thus, Customs consolidated all border procedures under one counter. Skilled manpower (veterinarians, doctors, etc) was hired to perform functions previously done by border agencies.

25.   It was stressed, however, that preliminary work on SW establishment began even before issuance of said PD, including a business process analysis (2007). Other steps taken include capacity building for border officials (2008), creation of a SW commission within Customs (2008), hardware and software development (2009).

26.   In order to obtain buy-in/support of stakeholders for SW development/implementation, relevant government regulatory and private sector agencies were consulted from the early stage of development, and were represented in coordination meetings. Information/ Awareness raising on SW implementation and the benefits and cost savings that that can be derived from implementation were also undertaken through mass media and forums with private sector.

27.   Customs informed that strategies are in place to link AZE national SW with those of other countries but admitted the need to resolve issues to facilitate mutual exchange of information with neighboring countries

III.   Conclusion and Next Steps

28.   CAREC countries are on varying stages of SW development and they can learn from AZE's SW experience. However, countries need to adapt lessons from AZE's case and international best practices to country specific situations.

29.   UNECE has developed a SW questionnaire and expressed willingness to help undertake assessments of NSWs.

30.   Mr. Baghirov, AZE Customs, acknowledged ADB's willingness to address countries development needs, and suggested that projects (not just for SW development) be submitted for consideration during the 9th CCC meeting in Tokyo. He thanked experts and participants for insights provided during the seminar, and expressed gratitude to those who helped organize the seminar.

IV.   Notes from Bilasuvar BCP visit

31.   Seminar participants also visited the Bilasuvar BCP on 8 July 2010 to observe actual SW operations in the BCP facility.

32.   Border Crossing Procedures. Drivers go through the following steps to secure cargo clearance: (1) vehicle inspection, (2) submission of documents at processing center; (3) data from documents are entered into system following which a unique transaction receipt with barcode is issued; (4) customs inspection and quarantine; (5) computation and payment of charges (based on type and weight of cargo, vehicle axle); (6) issuance of permit; (7) release of goods. Average clearance time is about 15-20 minutes.

33.   Participants were also briefed on the new Special Task Control system, which was launched in April 2010. The electronic video system allows simultaneous supervision and monitoring of activities at various BCPs.