



Central Asia Regional Economic Cooperation Program

Reference Document
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June 2013

Trade Facilitation Sector Progress Report and Work Plan (November 2012–April 2013)

**Senior Officials' Meeting
Central Asia Regional Economic Cooperation
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I. KEY DEVELOPMENTS

A. Sector Implementation

1. This progress report covers activities conducted since the October 2012 Central Asia Regional Economic Cooperation (CAREC) Senior Officials' Meeting (SOM). The prospective work plan covers activities scheduled to take place over the next six months (May–October 2013).

2. The CAREC Corridor Performance Measurement and Monitoring (CPMM) collect time and cost data on shipments along the six priority CAREC corridors that provide intermediate outcome indicators to monitor and evaluate the transport and trade facilitation strategy (TTFS) implementation, contributing the trade facilitation indicators (TFIs) for the CAREC Development Effectiveness Review. The results for 2012 compared with 2010 and 2011 are shown below.

		Trade Facilitation Indicators					
		2010 Baseline Value		2011		2012	
		Mean	Median	Mean	Median	Mean	Median
TFI1	Time taken to cross a border crossing point (in hours)	8.7	4.1	7.9	4.1	10.9	4.2
TFI2	Cost incurred at border crossing clearance (in US\$)	186.4	114.0	156.2	90.0	157.3	76.0
TFI3	Cost incurred to travel a corridor section (in US\$, per 500km per 20 ton)	711.8	404.7	959.4	636.9	999.3	620.5
TFI4	Speed to travel on CAREC corridors (in kph), SWOD	35.2	37.5	38.0	39.9	37.8	35.5
	Speed to travel on CAREC corridors (in kph), SWD	23.5	22.6	21.9	20.2	22.9	25.0

km = kilometer, kph = kilometers per hour, SWD = speed with delay, SWOD = speed without delay, TFI = trade facilitation indicator.

Source: CAREC CPMM Reports.

3. In 2012, the average time to cross a border crossing point (BCP) increased compared to the previous years. The median estimates of time to cross a BCP since 2010, however, remained the same which indicated that the increase in average time observed can be attributed to outlier samples where shipments incurred significant delays when entering the Belarus–Kazakhstan–Russia Customs Union economic space and, in some extreme cases, due to adverse weather conditions and temporary closure of the borders to transit shipments. The average cost incurred at border crossing clearance has minimal increase from 2011 and still less costly compared to 2010. However, the cost to travel a corridor section, which primarily comprised fuel prices, driver salaries, and other operating cost, has increased for the second consecutive year since 2010. The average speed to travel on CAREC corridors which accounted for the delays at BCP showed slight improvement compared to 2011.

4. In March 2013, in Almaty, Kazakhstan, the CAREC CPMM was introduced to the government officials, other development partners, carriers and forwarders associations, and the academe to (i) review and share the experience accumulated to date in conducting CPMM in CAREC and (ii) discuss how to make best use of the data to stimulate greater efforts at facilitating trade.

5. The CAREC program's transport initiatives works with the private sector through the CAREC Federation of Carrier and Forwarder Associations (CFCFA) to facilitate trade in the region. CFCFA, with 21 members from the 10 CAREC countries, is a cooperation mechanism for the CAREC region's national associations to solve topical issues and an instrument of public private partnership expansion for developing transport and logistics in the region. The CFCFA Annual Meeting held in December 2012 has provided an opportunity for knowledge sharing with CFCFA's sister organization, the Freight Transport Association of the Greater Mekong Subregion program, and with the United Nations Economic and Social Commission for Asia and the Pacific officials who shared the organization's latest practices and initiatives on transport and trade facilitation.

6. The International Convention on the Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention or RKC) is the basis for simplifying and harmonizing Customs procedures and advocates best practice in Customs administration. Accession to RKC has been one of the cornerstones of the CAREC Customs Cooperation Committee (CCC) program. Five CAREC countries have not yet acceded to the Convention, while the other five are working to improve their compliance. On 27–28 February 2013, about 30 officials from Customs, Ministry of Economy and Budget Planning, and government training center of the CAREC countries participated in the CAREC RKC workshop that aims to (i) raise awareness and develop an understanding on what is required to comply with and accede to the RKC; (ii) familiarize Customs officials with World Customs Organization (WCO) self-assessment tools available to guide CAREC countries during the accession process; and (iii) identify assistance needed by CAREC countries to complete accession requirements and improve compliance. The workshop was conducted in partnership with WCO.

7. The CAREC Regional Improvement of Border Services (RIBS) Project was approved by the Board of Directors of the Asian Development Bank (ADB) in April 2013. The project will (i) develop a national single window (NSW) based on international standards and requirements to ensure regional interoperability and serve as an effective tool for harmonizing data and (ii) address physical infrastructure needs at BCPs along priority CAREC corridors in the Kyrgyz Republic and Tajikistan.

8. The Integrated Trade Facilitation "At the Border" and "Behind the Border": Reforms and Implementation study tour was conducted on 10–13 April 2013 in Georgia. The tour aimed to provide opportunity for customs officials and representatives of border management agencies from CAREC countries to learn from Georgia's Customs institutional reforms, border management strategy, and other integrated trade facilitation measures.

9. To cover some of the key customs topics identified in the CAREC training needs assessment for trade facilitation, ADB in partnership with the General Administration of Customs of the People's Republic of China (PRC) conducted a training workshop courses in Shanghai Customs College (SCC) on 20–31 May 2013 which aims to provide an opportunity of practical learning and experience sharing for officers from CAREC customs services on various subjects related to customs modernization and management.

10. The Report on the Development of a Sanitary and Phytosanitary (SPS) Plan for CAREC Countries will be published in June 2013. This SPS publication and assessment is part of the CAREC TTFS. CAREC countries share similar agro-ecosystems, products, and agricultural practices, and thus often encounter similar food safety, and animal and plant health issues. The report is intended to help stimulate the CAREC countries to facilitate trade within and beyond

the region by adopting international SPS standards, applying SPS procedures smoothly and efficiently, and investing in SPS-related infrastructure.

B. Addressing Actions Proposed to Implement CAREC 2020 and Ongoing Key Issues

1. Priority Actions Proposed in the 2011 CAREC DEfR

- Conduct a midterm review of the Transport and Trade Facilitation Strategy (TTFS) and its Implementation Action Plan

11. **Action initiated:** The midterm review of the TTFS is intended to (i) confirm the status of priority projects, (ii) revisit the CAREC corridor alignments in light of updated projections on traffic and trade flows and the recent inclusion of Pakistan and Turkmenistan in CAREC, (iii) strengthen the integration of hard (physical infrastructure) and soft (trade and transport facilitation) aspects of the TTFS, (iv) consider multimodal transport dynamics and logistics development, and (v) refine the TTFS, including its results framework. On 14 September 2012, ADB approved the technical assistance financing the conduct of the TTFS midterm review.

12. **Next steps:** A stock-taking exercise is underway and country consultations were conducted in late May 2013. The Stock Take report will be presented at the June 2013 CAREC Transport Sector Coordinating Committee (TSCC) and SOM. Refinements introduced to the TTFS during the TSCC and SOM will be presented to the 12th CAREC Ministerial Conference for consideration.

- Maximize the benefits of CAREC corridors by identifying key non-physical barriers to cross-border transport and feasible approaches to implementing transport facilitation agreements in the CAREC corridors.

13. **Action initiated:** ADB has approved a concept for a technical assistance to support the modernization of SPS measures in CAREC countries. Partial funding for the technical assistance has been awarded by the People's Republic of China Regional Cooperation and Poverty Reduction Fund. Additional funding is being sought to ensure that the technical assistance program can be carried out as envisaged in the concept.

14. To revalidate and investigate the causes behind CPMM findings, ADB is supporting the conduct of time release studies (TRS) by CAREC countries' Customs services. A technical assistance concept paper has been approved for Japan Fund for Poverty Reduction (JFPR) funding. The technical assistance will also support CAREC countries' efforts to expand joint customs control (JCC) pilots and launch coordinated border management (CBM) pilots.

15. **Next steps:** A proposed (for 2014) Regional Upgrade of SPS Measures for Trade project to support the modernization of CAREC SPS measures by rationalizing and updating SPS facilities and developing mechanisms for mutual recognition of SPS-related certifications issued by CAREC countries has received support from the Asian Development Fund subregional allocation.¹ Project formulation and CAREC country participation will be informed by outputs from the pending SPS technical assistance.

¹ ADB's Strategy and Policy Department has made available \$50 million in cofinancing for this project from the Asian Development Fund's subregional allocation. Accessing these funds will require a corresponding allocation of Performance-Based Allocation resources by ADF-eligible country programming teams.

16. The technical assistance funding CPMM was replenished in December 2012 that provided resources for the conduct of CPMM through 2013. Should the TTFS midterm review conclude that there is continued value in conducting CPMM; additional funding will be needed to ensure that future years are covered. ADB is working to identify possible sources.

- To sustain operations growth, (i) update the medium-term priority project list endorsed at the Ministerial Conference of 2012 and (ii) commence mainstreaming priority projects into national development plans of the CAREC countries.

17. **Action initiated:** Since the 11th Ministerial Conference, the CAREC RIBS Project has been approved by ADB's Board of Directors. Detailed investments in BCPs and NSW under the RIBS Project were identified for the Kyrgyz Republic and Tajikistan. Mongolia has recently renewed its interest in the project. ADB has proposed to discuss again the terms and conditions of Mongolia's participation in the project.

18. **Next steps:** ADB missions to Mongolia in May–July 2013 will discuss and confirm with the government the investment requirements to be covered by Mongolia's participation in the RIBS project.

- To counter the drop in finance mobilization, step up efforts to explore cofinancing opportunities among CAREC governments, multi- and bilateral institutions, other development partners, and the private sector.

19. **Action initiated:** With WCO's technical endorsement, the CAREC trade facilitation technical assistance for Aligning Customs Trade Facilitation Measures with Best Practices, Coordinated Border Management for Results, and Facilitation of Regional Transit Trade will be funded by JFPR.

20. **Next steps:** Technical assistance project profiles were transmitted together with the approved concept papers to the Japanese Ministry of Finance in May 2013. The technical assistance reports are being prepared and funding and approval is anticipated by June 2013.

- Ensure relevant sector-focused training and capacity-building activities are implemented through the CAREC Institute.

21. **Action initiated:** CAREC Institute and the CAREC trade facilitation team jointly conducted the first two training workshops as part of a series of capacity-building activities. A CPMM workshop was conducted in March 2013 in Almaty to identify ways to make comprehensive use of CPMM data. A learning opportunity for CAREC decision-makers to benefit from Georgia's trade facilitation reforms was conducted in April 2013.

22. **Next steps:** CAREC Institute and the CAREC trade facilitation team are designing further capacity-building programs together with ADB Institute. These programs will also provide the substance for subsequent knowledge products. Capacity-building activities on the conduct of TRS, RKC accession and compliance, and risk management remain a priority. Capacity-building activities developed in conjunction with CAREC Institute will sustain programs designed for CAREC Customs officials (specialized customs training conducted by the SCC) and CAREC private sector partners (trade logistics training).

2. Actions Identified in the Wuhan Action Plan

23. Renovation of BCPs. The RIBS project will improve the physical infrastructure at BCPs along the priority CAREC corridors. Other projects have funded investments in cross-border infrastructure as part of a broader agenda (e.g., customs modernization for Kyrgyz Republic and Tajikistan; upgrade of roads leading to BCPs). ADB is proposing technical assistance for CBM for Results to conduct TRS at priority BCPs, expand JCC pilots, and launch CBM pilots and promote CBM by strengthening interagency coordination.

24. Adoption of new/amended customs codes. CAREC countries have enacted or amended Customs codes guided by the RKC. Five CAREC countries have acceded to the RKC; five others are at various stages of the accession process. The CAREC WCO RKC workshop was conducted in February 2013 to support the CAREC countries' RKC accession and compliance. ADB is proposing a technical assistance on Aligning Customs Trade Facilitation Measures with Best Practices designed to help CAREC customs authorities to further align their customs policies and procedures with the WCO RKC.

25. Investing in automated Customs information systems. ADB has completed three investment projects that funded the development and introduction of automated information systems for the Customs services of the Kyrgyz Republic, Mongolia, and Tajikistan. The World Bank is making similar investments in Afghanistan and Kazakhstan.

26. Moving toward establishment of national single windows. The approved RIBS project will build upon the ADB investments in automated Customs information system to establish the NSW of the Kyrgyz Republic and Tajikistan. These NSW will accommodate eventual CAREC-wide single window connectivity and interoperability. Azerbaijan has introduced its NSW and expanded the number of agencies using or participating in the NSW. The World Bank's Customs Modernization Project for Kazakhstan includes an NSW component. The Republic of Korea's International Cooperation Agency is investing in the development of an NSW for Uzbekistan. The next critical step will be to initiate information sharing protocols among CAREC countries' NSW to augment risk management efforts, support the expansion of Authorized Economic Operator program, enable mutual recognition of laboratory test results for goods subject to SPS measures, etc.

27. Upgrading border control risk management systems. Together with the CAREC Institute and the ADB Institute, the CAREC trade facilitation team conducted in April 2013 a learning opportunity for CAREC trade facilitators to study Georgia's trade facilitation reforms. In May 2013, CAREC Customs officials gained knowledge on risk management from the courses conducted in SCC in PRC. Proposed technical assistance is designed to support a review of legal issues which may impede some CAREC countries from introducing a risk management approach to vehicle inspection at BCPs.

3. Resolution of Ongoing Key Issues

28. The scope and impact of the Belarus–Kazakhstan–Russia Customs Union continues to evolve. Russia's accession to the World Trade Organization (WTO) in August 2012 and Kazakhstan's efforts to complete accession by end of 2013 may support the smooth flow of trade between Customs Union economic space and CAREC countries that are WTO members (Pakistan, PRC, Mongolia, the Kyrgyz Republic, and Tajikistan). The Kyrgyz Republic has drafted a 'road map' for its contemplated accession to the Customs Union and is scheduled for

adoption in June 2013. CPMM will continue to monitor the time and cost involved in shipping goods into the Customs Union economic space.

29. CAREC 2020 implementation is underway. Anticipated refinements to the TTFS will include harmonizing the TTFS with CAREC 2020. This will provide CAREC with a consistent and consolidated transport and trade facilitation program over the next 7 years.

30. The CPMM, since 2010, estimated that around 20% of traded goods in the region are perishables and the five most common delays included SPS-related inspections. Increased cross-border trade and transit activity heighten the need to modernize SPS measures that ensure food safety for consumers and prevent the spread of pests or disease among animals and plants. SPS reform and modernization form part of the ongoing CAREC Program trade facilitation agenda—regional initiatives to harmonize and upgrade SPS measures and their application could potentially facilitate trade of agriculture produce, meat, and dairy products beyond the region. The ADB publication in early June 2013 presented the initial assessment of SPS measures in the region and SPS development plan for CAREC countries. Proposed regional technical assistance will support the development of this plan and a proposed regional project will be processed in 2014 to support the modernization of CAREC SPS measures.

II. KEY ISSUES FOR GUIDANCE BY THE SOM

31. Trade facilitation is multi-dimensional, complex, and presents challenges for institutional coordination. Confronting these challenges is the role envisaged in the Transport and Trade Facilitation Strategy for the National Joint Transport and Trade Facilitation Committees (NJC). While several CAREC countries have established NJCs, they will have to meet regularly and chaired by an authority that can persuade member agencies. If these organizational issues can be overcome, ADB technical assistance is available to strengthen NJC secretariats. Interagency single window working groups can also be transformed—engage different stakeholders and enhance their commitment—to deal with broader integrated trade facilitation issues which may provide a basis for establishing functional NJCs.

32. The trade facilitation agenda is becoming broader and deeper. CFCFA is becoming more active and autonomous in advancing a private sector perspective in dialogue with CAREC trade regulators. The role of the private sector is increasing in prominence and providing support in developing innovative solutions can help the private sector address supply chain constraints (e.g., leasing, logistics, etc.). This issue will be the main theme of this year's Asia Pacific Trade Facilitation Forum in Beijing on 10–11 September in which we seek active CAREC participation.

33. Trade facilitation and trade and investment liberalization should be implemented hand-in-hand. It is important to improve coordination with trade policy partners to support free trade agreement negotiations, customs union impact assessment, and subregional and WTO efforts to promote trade and foreign direct investment.

III. CHANGES TO SECTOR ACTION PLAN

34. The Trade Facilitation Work Plan submitted at the November 2011 SOM remains fundamentally unchanged. Action to implement the new initiative on SPS is underway and capacity-building activities for customs (TRS training) continue. Capacity-building activities developed in conjunction with the CAREC Institute will sustain programs designed for CAREC Customs officials (specialized customs training conducted by SCC) and CAREC private sector partners (trade logistics training). Further updates may be introduced following the refinements to the TTFS.