

TECHNICAL ASSISTANCE COMPLETION REPORT

Division : CWGF

TA No., Country and Name:			Amount Approved: \$500,000.00	
TA 4450-KGZ: Capacity Building and Institutional Strengthening for the Customs Modernization and Infrastructure Development			Revised Amount: N.A.	
Executing Agency: Ministry of Finance	Source of Funding: Japan Special Fund	Amount Undisbursed: \$23,570.00	Amount Utilized: \$476,430.00	
TA Approval Date: 26 November 2004	TA Signing Date: 9 February 2005	Fielding of First Consultants: 3 October 2005	TA Completion Date Original: 31 December 2007	Actual: 31 December 2007
			Account Closing Date Original: 31 December 2007	Actual: 31 May 2008
<p>Description</p> <p>Given its small population base and geographic location, integration with the global market has been one of the main pillars of the Kyrgyz Republic's development strategy. The Kyrgyz Republic implemented comprehensive trade liberalization reforms during the 1990s and in 1998 became the first Central Asian Country to accede to the World Trade Organization. However, integration with regional and global markets has been difficult, in large part due to the remaining weaknesses in customs regulations and procedures and poor border-post conditions.</p> <p>To support the Government's trade facilitation efforts, the Asian Development Bank (ADB) approved a project loan¹ in November 2004 aimed at improving the efficiency and transparency of customs services. The two main components of the project included: (i) establishment of a unified automated information system (UAIS),² and (ii) strengthening of border-post infrastructure and equipment.</p> <p>The objective of the accompanying technical assistance (TA) was to ensure that (i) customs modernization is supported by appropriate institutional structure and the business processes of the State Customs Committee (SCC); and (ii) border-post infrastructure development is carried out with sound supervision and quality assurance.</p> <p>The project loan and the TA were a continuation of ADB's support for customs reforms and modernization following the 2002 launch of the Regional Trade Facilitation and Customs Cooperation Program (RTFCCP). During the initial phase of the RFTCCP, ADB supported the strengthening of legal and regulatory framework and the operational efficiency of customs organizations through a program loan and a regional TA.</p> <p>Expected Impact, Outcome and Outputs</p> <p>The TA aimed to facilitate project implementation and to maximize its impact through improvements in the institutional structure and business processes of the SCC. The TA comprised three components: (i) change management for customs modernization; (ii) reengineering of customs business processes; and (iii) quality and security features for UAIS and border-post infrastructure development.</p> <p>Change Management. This component aimed to review the organizational structure and human resource policy and propose necessary improvements to support the customs modernization efforts.</p> <p>Business Process Reengineering. This component aimed to help ensure the customs practices and procedures are in line with those prescribed by international standards (such as the Revised Kyoto Convention and World Customs Organization agreements).</p> <p>Quality and Security Assurance. This component aimed to support information and communications technology (ICT) systems development audit to establish quality and security assurance for UAIS and for the border-post equipment.</p> <p>Delivery of Inputs and Conduct of Activities</p> <p>The TA was highly relevant in the context of Government priorities and development needs.</p> <p>The consulting firm NCS Pte. Ltd. was engaged by ADB in October 2005. The consultants under NCS comprised international (17.3 person-months) and national consultants (70.7 person-months), including Customs Modernization/Change Management Specialists, Customs Automation Specialists, ICT Quality and Security Assurance Specialists and Civil Works/Construction Supervision Specialist. The terms of references were fully met. The inception, mid-term and draft final reports were submitted largely on schedule, but the finalization of the draft final report was delayed because of the significant time required for translation, change in key SCC personnel (see below),</p>				

¹ ADB. 2004. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grants to the Kyrgyz Republic and the Republic of Tajikistan for the Regional Customs Modernization and Infrastructure Development Project*. Manila (Loans 2113-KGZ and 2114-TAJ).

² The UAIS concept includes not only hardware and software for customs automation, but also modern customs techniques (e.g. simplified customs procedures and risk management systems), management information system and change management.

need for further clarification of and some revisions to the recommendations under the change management component, and problems in scheduling the final TA workshop.

The final workshop was conducted during 8–9 November 2007. The workshop was attended by SCC, Ministry of Finance, Ministry of Economic Development and Planning, State Taxes and Collection Committee, Ministry of Transport and Communication, as well as the private sector such as Customs Brokers Association, Forwarder Association, Bishkek Business Club and International Business Council.

The TA also supported a study tour to Singapore in November 2006. Six staff members from SCC participated in the tour.

TA implementation by the executing agency (Ministry of Finance) and the implementing agency (SCC) was satisfactory. The IA in particular showed ownership and leadership during TA implementation. However, the organizational changes, including the removal from office of the project director (Deputy Chairman of SCC) during the prolonged period of political certainty that followed the Tulip Revolution in March 2005 adversely affected TA implementation.

TA implementation by ADB was satisfactory. TA implementation and supervision was conducted in coordination with the activities under the regional TA on customs coordination,³ which enhanced TA outcome by facilitating ongoing policy dialogue between ADB and Kyrgyz authorities, as well as with other customs administrations in the region. While the change in ADB project officer, around the same time that the project director was removed from office inevitably resulted in some delays, this did not undermine TA outputs and outcomes.

Evaluation of Outputs and Achievement of Outcome

TA deliverables as set forth under the scope of activities were accomplished. In line with the TA objectives, the main outputs included: (i) key requirements of the UAIS application components including ICT to support operation; (ii) proposed organizational structure to support the customs modernization process; (iii) an action plan to rehabilitate border post facilities and inland clearance points, and (iv) specific recommendations for change management.

The final workshop, which was attended by a large group of stakeholders from both the government as well as the private sector, contributed in increasing awareness and building consensus on the way forward in trade facilitation reforms.

Notwithstanding the delays mentioned above, the TA provided a comprehensive set of recommendation and implementation plan for customs modernization. The TA outputs have guided the implementation of the project loan, which is now proceeding smoothly after an initial delay.⁴ However, as the project loan is at a relatively early stage of implementation, a more complete assessment of the TA outcomes can only be conducted when implementation is more advanced.

Overall Assessment and Rating

The TA is rated successful. The TA was in line with Government priorities and the country's development needs, and was well formulated in close consultation with all stakeholders. A number of factors led to implementation delays, but the TA outputs have been effective in guiding critical reforms in customs administration.

Major Lessons

Two main lessons have emerged. First, change management and business process reengineering is a difficult process. The recommendations made under the TA were initially not fully understood and accepted by the authorities, and required substantially more efforts at building awareness and consensus than originally envisaged.

Second, in determining study tour locations, the need for showcasing state-of-the-art technology and procedures should be balanced against their relevance and replicability in the participant country. While the 4-day study tour to Singapore was well organized and comprehensive, some aspects were not relevant in the Kyrgyz context given the vast difference in the levels of development of the two countries, and the resource and capacity gaps.

Recommendations and Follow-Up Actions

The project loan is still at a relatively early stage of development. Given the time that has lapsed since TA completion, the relevance of the TA recommendations should be assessed on a continuous basis during project implementation and necessary revisions made if warranted by changes in circumstances and needs. Likewise, the need for further capacity building support, especially for change management and business process reengineering, should be assessed.

³ ADB. 2002. *Technical Assistance for Trade Facilitation and Customs Cooperation*. Manila (TA 6058-REG, attached to ADB. 2002. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grants To Kyrgyz Republic and Republic of Tajikistan for the Regional Trade Facilitation and Customs Cooperation Program*. Manila [Loans 1926-KGZ and 1927-TAJ]).

⁴ The reasons for the initial delay in project implementation are largely the same as those for the TA. The changes in Government structure following the March 2005 events necessitated both changes in implementation arrangements and extensions to the loan effectiveness deadline. The loan became effective in February 2006—about 15 months after approval.