

**ASIAN DEVELOPMENT BANK**

**TAR: OTH 36027**

**TECHNICAL ASSISTANCE  
FOR THE  
REGIONAL TRADE FACILITATION  
AND CUSTOMS COOPERATION PROGRAM  
(PHASE II)**

**December 2004**

## ABBREVIATIONS

|        |   |   |
|--------|---|---|
| ADB    | – | Asian Development Bank  |
| CAREC  | – | Central Asia Regional Economic Cooperation                        |
| CCC    | – | Customs Cooperation Committee                                     |
| DMC    | – | developing member countries                                       |
| ECA    | – | East and Central Asia   |
| IMF    | – | International Monetary Fund                                       |
| MI     | – | multilateral institution  |
| PRC    | – | People's Republic of China  |
| RTFCCP | – | Regional Trade Facilitation and Customs Cooperation Program       |
| TA     | – | technical assistance  |
| TIR    | – | Transports Internationaux Routiers (International Road Transport) |
| WTO    | – | World Trade Organization  |

## TECHNICAL ASSISTANCE CLASSIFICATION

|                                 |   |   |
|---------------------------------|---|---|
| <b>Targeting Classification</b> | – | General intervention  |
| <b>Sector</b>                   | – | Industry and trade  |
| <b>Subsector</b>                | – | Trade   |
| <b>Themes</b>                   | – | Sustainable economic growth, Governance, Regional cooperation   |
| <b>Subthemes</b>                | – | Fostering physical infrastructure development, Addressing information and communication technology issues, and Anticorruption |

## NOTE

In this report, "\$" refers to US dollars.

|   |
|---|
| This report was prepared by J. Liang, Governance, Finance and Trade Division, East and Central Asia Department. |
|---|

## I. INTRODUCTION

1. Transition to market economy and private sector-led development is a feature common to all developing member countries (DMCs) of the Asian Development Bank (ADB) in the East and Central Asia (ECA) region.<sup>1</sup> Development of an enabling trading environment is an integral part of the transition strategies and has been rigorously pursued by the DMCs through trade policy reforms and trade facilitation measures. A regional approach has emerged in the effort as reflected in (i) the collective commitment to accede to the World Trade Organization (WTO) and reforms of trade policies according to WTO Rules and Agreements, and (ii) concerted efforts to reform customs codes and modernize customs services as a key measure for trade facilitation.

2. ADB plays a major role in support of a regional and concerted approach for trade policy reforms and trade facilitation. A Regional Trade Facilitation and Customs Cooperation Program (RTFCCP) was launched in 2002 as part of the broad Central Asia Regional Economic Cooperation (CAREC) Program, supported by major multilateral institutions (MIs).<sup>2</sup> To support WTO accession and trade policy reforms, a Trade Policy Committee coordinated by the International Monetary Fund (IMF) was recently established as part of the CAREC Program.

3. The RTFCCP is a three-pronged strategy: (i) supporting reforms of customs codes and modernization of customs physical infrastructure, (ii) fostering customs intermediaries (such as customs brokers) and their participation in providing customs services, and (iii) promoting regional customs cooperation to address issues of common interest and complementing country-specific support. The initial phase of the RTFCCP consisted of program loans for the Kyrgyz Republic and Tajikistan to support customs legal and institutional reforms, project preparatory technical assistance (TA) for customs modernization and infrastructure development for the two DMCs, and a regional TA supporting regional customs cooperation and complementing project and program loan support. A Regional Customs Modernization and Infrastructure Development Project for the Kyrgyz Republic and Tajikistan is expected to be approved by ADB in 2004 to help reinforce the ongoing customs legal reforms, improve efficiency and transparency of customs services, and provide requisite physical infrastructure for deepening regional customs cooperation.

4. The regional TA has been supporting a program of activities jointly developed by the DMCs in the ECA region and the institutional mechanism for carrying out the work program. To provide strategic guidance and effective supervision, a Customs Cooperation Committee (CCC) consisting of the heads of the customs administrations of participating DMCs was established in 2002 with ADB serving as the secretariat. In its first meeting in August 2002, the CCC endorsed a seven-point joint action plan calling for concerted effort to harmonize customs legal frameworks and procedures, promote modern customs practices based on risk management and joint customs control, explore alternative transit arrangements, and promote customs data sharing and greater application of information and communications technology (ICT) for automation of customs services. Five expert groups and two working groups were established to carry out the joint action plan and report progress to the CCC.

5. ADB has taken a pragmatic approach in support of regional customs cooperation. The regional TA has financed a large number of activities consisting of (i) regional and bilateral initiatives and (ii) country-specific proposals for training, needs assessment, and diagnostic studies in preparation for customs legal reforms and infrastructure development. It has

---

<sup>1</sup> The developing member countries (DMCs) in the East and Central Asia (ECA) region consists of Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, the People's Republic of China, Tajikistan, Turkmenistan, and Uzbekistan.

<sup>2</sup> Major multilateral institutions supporting the CAREC Program are Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank.

supported the expert group and working group meetings each year in an effort to identify shared priorities and firm up the joint work plan.

6. The RTFCCP has achieved visible progress to date and has increasingly been recognized as a flagship program of the CAREC Program. It has benefited from support from major bilateral and multilateral institutions, particularly World Customs Organization (WCO), European Union through its Program of Transport Corridor in Europe-Caucasus-Central Asia, Swiss Agency for Development and Cooperation, IMF, United Nations Development Programme, United States Agency for International Development, and World Bank. The establishment of the coordination group of the major MIs at the 2nd Ministerial Conference on 11–12 November 2003 in Tashkent has further strengthened aid coordination for the CAREC Program, and the RTFCCP in particular. A brief summary of progress in phase I of the RTFCCP is in Appendix 1.<sup>3</sup>

## II. ISSUES

7. Experience with the RTFCCP and ADB's other subregional cooperation programs shows that regional cooperation initiatives are labor- and resource-intensive. Adequate technical assistance must be ensured to keep the momentum of regional cooperation and produce tangible results in the medium and longer term. The RTFCCP is at its nascent stage. Technical support from ADB is crucial for its success and sustainability.

8. Another lesson learned is that the approach and priority of regional cooperation must be based on country and regional circumstances. The DMCs joining the RTFCCP are at different stages of customs legal reforms and infrastructure development. Their capacity and commitment to regional customs cooperation vary considerably. Given such differences in cooperation capacity and customs infrastructure conditions, the RTFCCP should proceed with a phased and pragmatic approach that focuses on promoting bilateral initiatives and their pilot-testing as a key priority area. This approach is different from other subregional cooperation initiatives where the participating DMCs have more comparable capacity and the focus has been on entering regional agreements. The emphasis on capacity building and knowledge sharing marks another difference from other subregional cooperation initiatives. Support for bilateral initiatives and training and knowledge-sharing will remain two priority areas in phase II of the RTFCCP.

9. Support for country-specific initiatives will be another priority area of phase II support. DMCs' commitment to customs legal reforms and modernization is key to the success and sustainability of customs cooperation. Simplification and harmonization of customs procedures and documentation ultimately depend on convergence of the customs legal framework among the participating member countries. Phase II of the RTFCCP will continue to provide support for needs assessments and diagnostic studies, and preparation of modernization strategies and investment plans. Support for accession of the People's Republic of China (PRC) to the Customs Convention on the International Transport of Goods also known as the TIR Convention<sup>4</sup> will be another country-specific activity with strong regional ramification. The TIR Customs Transit System based on the TIR Convention is the only international transit system based on common procedures and documentation. The PRC is the only participating DMC in CAREC that has not acceded to the TIR Convention. PRC's TIR accession could (i) become a catalytic tool for harmonization and simplification of customs procedures between the PRC and other participating member countries, and (ii) potentially transform Central Asia into a modern

---

<sup>3</sup> Detailed progress is in ADB. 2004. *Regional Trade Facilitation and Customs Cooperation Program: Progress and Future Directions*. Manila.

<sup>4</sup> Transports Internationaux Routiers (International Road Transport).

“silk road” or “land bridge” connecting East Asia with Europe through the TIR Customs Transit System.

10. In carrying out phase II of the RTFCCP, priority will be given to proposals and initiatives that broaden the scope of trade facilitation. The experience of the Kyrgyz Republic and Kazakhstan with pilot-testing of their joint border control initiative shows that the benefit of trade facilitation cannot be fully realized unless all the border agencies (e.g., border guards) and private sector stakeholders are consulted and broadly support the trade facilitation initiative. A coordination mechanism must be established to streamline border procedures beyond customs procedures. Therefore, a joint proposal by the Kyrgyz Republic and Kazakhstan for consultation with other border agencies and private sector stakeholders could potentially help broaden the RTFCCP’s trade facilitation agenda.

11. Another issue is the effort to include trade facilitation in the ongoing Doha Round of WTO negotiations. Some WTO member countries and the private sector are actively exploring the possibility of bringing trade facilitation into the WTO negotiations and making simplification of cross-border procedures a mandatory requirement for all WTO members. While there is broad recognition of the economic and social benefits of trade facilitation, some WTO’s developing members are not enthusiastic to reach an agreement on trade facilitation for fear of lack of capacity to undertake additional economic and policy adjustments, and increased exposure to trade disputes. Phase II of the RTFCCP will help examine the implication of WTO negotiations on trade facilitation for the DMCs, in partnership with WTO and private sector stakeholders.

12. To effectively use ADB’s TA resources and broaden the learning experiences, DMCs joining other subregional cooperation initiatives will be invited to attend the RTFCCP on a case-by-case basis, particularly Afghanistan which adopted the RTFCCP’s joint action plan as the cooperation framework with DMCs in Central Asia. ADB will also proactively cooperate with the major MIs supporting the CAREC program and other partners relevant to trade facilitation.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Purpose and Output**

13. The broad goal of the RTFCCP is to facilitate trade and develop an enabling development environment in the ECA region through development of simplified and harmonized customs legal frameworks and trade procedures. The purpose of the proposed regional TA<sup>5</sup> is to support phase II of the RTFCCP and complement other modalities of support (such as program and project loans) that achieve (i) concerted customs legal reforms and harmonized customs procedures, and (ii) strengthened regional customs cooperation.

14. The expected outputs of the TA include (i) adoption of revised customs codes by DMCs in the ECA region; (ii) customs modernization for data sharing with the establishment of customs automation systems compatible with each other; (iii) adoption of risk management-based customs control procedures as part of broad customs modernization efforts; (iv) implementation of the bilateral transit agreements among Kazakhstan, Kyrgyz Republic, and Tajikistan; (v) establishment of an information platform, pilot-tested initially among selected DMCs; (vi) PRC’s accession to the TIR Convention; and (vii) support for accession to WTO and negotiations on trade facilitation. The TA framework is in Appendix 2.

---

<sup>5</sup> The TA first appeared in *ADB Business Opportunities* (Internet edition) on 1 April 2004.

## B. Methodology and Key Activities

15. Building on progress to date, ADB, as the CAREC secretariat, will continue to take a selective and pragmatic approach in support of regional customs cooperation. The TA will deliver results by supporting a combination of (i) regional and bilateral activities, and (ii) country-specific proposals with strong regional orientation. The annual CCC meeting and the working or expert group meetings will be maintained to ensure leadership and development of the joint works program reflecting shared priorities. Major activities agreed upon by the country delegates during the Senior Officials' Meeting on 13–14 September 2004 in Almaty are summarized in paras. 16-19.

16. **Country-Specific Activities with Strong Regional Orientation.** To support concerted customs reforms and infrastructure development, the TA will support diagnostic studies and needs assessments including (i) support for revising the customs codes as requested by Azerbaijan and Uzbekistan;<sup>6</sup> (ii) needs assessment for customs automation and development of border post infrastructure requested by Uzbekistan; (iii) feasibility study, consultation, and development of an implementation plan for PRC's accession to the TIR Convention in partnership with the United Nations Economic Commission for Europe and International Road Transport Union, which administer the international TIR Customs Transit System; and (iv) diagnostic studies and associated training to help introduce risk management-based modern customs control practices as requested by Kazakhstan, Tajikistan, and Uzbekistan.

17. **Regional Initiatives.** Regional initiatives will center on (i) training and knowledge sharing, and (ii) support for bilateral initiatives. Regional training will focus on (i) accession to and implementation of the TIR Convention, and (ii) development of a regional framework for a risk management system in light of country experiences with the risk management practices. These two regional events will be cofinanced with the Government of the PRC as its support for the CAREC Program announced in the recent Senior Officials' Meeting.

18. Regional forums for knowledge sharing will focus on country experiences in developing integrated master plans for customs automation. Such master plans include not only functional and technical design of the automated system and implementation, but also measures such as reengineering of customs business practices, change management, training of staff, and consultation with private sector stakeholders. Lack of emphasis on the latter is the major source of failure or increased cost in customs modernization. The TA will help broaden learning experiences in the development of master plans and implementation by sponsoring the CCC forums in partnership with the governments of Singapore and the Republic of Korea. Both countries successfully introduced their integrated customs information systems and have gained ample experience in managing the process of customs modernization in partnership with the private sector.

19. A list of the major regional and bilateral initiatives that are proposed by DMCs and will be supported by the TA follows:

- (i) bilateral consultation forum on joint customs control involving all border agencies and private sector stakeholders of the Kyrgyz Republic and Kazakhstan;
- (ii) development of an information platform for data sharing initially between the Kyrgyz and PRC customs, and between the Kazakh and PRC customs;
- (iii) regional training on risk management cofinanced with PRC Customs;
- (iv) regional training seminar on TIR in 2005, cofinanced with PRC Customs;

---

<sup>6</sup> Kazakhstan introduced a revised Customs Code in May 2003. Supported by ADB's program loans and the TA, the Kyrgyz Republic introduced the revised Customs Code in July 2004. Tajikistan is expected to introduce the revised Code by the end of 2004.

- (v) forums on customs automation in partnership with the governments of Singapore (2005) and the Republic of Korea (2006);
- (vi) forum on Doha round of negotiations on trade facilitation (2006);
- (vii) annual CCC meetings and working group meetings; and
- (viii) regular consultations initially among the Kyrgyz Republic, Kazakhstan, and Tajikistan customs for development of unified automated customs information systems.

### **C. Cost and Financing**

20. The total cost of the TA is estimated at \$1,120,000, of which \$900,000 is proposed to be provided by ADB on a grant basis from the ADB-funded TA funding program. The governments participating in the regional TA will contribute around \$220,000 equivalent in total by providing counterpart staff, office space, and support for training, seminars, and conferences. Details of the cost estimates are in Appendix 3.

### **D. Implementation Arrangements**

21. ADB will be the Executing Agency for the TA. The Governance, Finance and Trade Division of the East and Central Asia Department will administer and implement the TA with support from the concerned customs administrations and other stakeholders. The CCC will serve as the policy coordinating body providing oversight to TA implementation. Technical work under the TA will be coordinated by the working groups and expert groups.

22. No activity in the territory of a country will be financed by ADB under the TA unless such member country has concurred to such financing.

23. The TA will require consultants and resource persons for 20 person-months (10 international and 10 domestic) of intermittent services. The consultants and resource persons will be customs legal specialists, risk management/post entry audit experts, transit and TIR specialists, and customs modernization/automation specialists. In view of the TA's varied activities, the specialists will be engaged on an individual basis in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for selecting domestic consultants. The outline terms of reference for consultants and resource persons are in Appendix 4. Equipment procured under the TA will be undertaken in accordance with ADB's *Guidelines for Procurement*. The TA, planned for 3 years, is expected to start in January 2005 and be completed in December 2007.

## **IV. THE PRESIDENT'S DECISION**

24. The President acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$900,000 on a grant basis for the Regional Trade Facilitation and Customs Cooperation Program (Phase II), and hereby reports this action to the Board.

## HIGHLIGHTS OF PROGRESS IN THE REGIONAL TRADE FACILITATION AND CUSTOMS COOPERATION PROGRAM (RTFCCP) PHASE I<sup>1</sup>

1. **Training and Knowledge Sharing.** Support for training and regional forums for knowledge sharing were the main focus of region-wide activities. The developing member countries (DMCs) attach great importance to training and knowledge sharing because these are relevant to individual countries' ongoing customs reforms and modernization. Knowledge on customs-related World Trade Organization (WTO) agreements (e.g., rules of origin and valuation), and the International Convention on the Simplification and Harmonization of Customs Procedures, commonly known as the "Revised Kyoto Convention," facilitated customs legal reforms. The Revised Kyoto Convention has been serving as a blueprint for customs reforms and modernization worldwide. Sharing of country experiences in the use of information and communications technology for transit development and customs automation helped the design of customs modernization strategies and investment plans in light of lessons learned elsewhere. Training was conducted on major international customs conventions and customs-related WTO agreements. Three regional forums were held to compare customs legal frameworks and share country experiences in customs automation.

2. **Bilateral Initiatives.** Emphasis on bilateral initiatives reflects the nature of regional cooperation and the pragmatic approach adopted by the Asian Development Bank (ADB) in support of regional cooperation. Regional customs cooperation requires strong country ownership and takes time to realize its full potential. Bilateral initiatives by nature rest on strong country commitment of at least two countries and have strong demonstration effects for becoming regional initiatives. In view of the varied stages of customs modernization and disparity in countries' capacity for cooperation, this pragmatic approach proved effective in advancing the joint action plan and achieving tangible results in transit development, sharing of customs data, and adoption of joint customs control. Major bilateral initiatives supported by the technical assistance (TA) are the following:

- (i) pilot-testing of joint customs control between the Kyrgyz Republic and Kazakhstan customs, effective 1 July 2004;
- (ii) consultation and preparation of a data-sharing agreement between the Kyrgyz Republic and the People's Republic of China (PRC) Customs, signed in September 2004;
- (iii) development of a transit agreement between the Kyrgyz Republic and Kazakhstan, signed on 26 March 2004;
- (iv) consultation between the Kyrgyz Republic and Tajikistan customs in entering into a transit agreement by the end of 2004;
- (v) development of an agreement for mutual administrative assistance between the PRC and Uzbekistan customs, to be signed during the Third CCC meeting in December 2004; and
- (vi) consultation between the Kyrgyz Republic and Tajikistan customs in preparing a regional project for customs modernization and infrastructure development supported by ADB.

3. **Country-Specific Initiatives with Strong Regional Orientation.** Individual countries' effort to reform the customs code and modernize customs services in line with the Revised Kyoto Convention is the key to achieve harmonized customs procedures among the DMCs in

---

<sup>1</sup> For more details, see [http://www.adb.org/Documents/Events/2004/CCC/Customs\\_Reforms\\_Modernization/RTFCCP\\_framework.pdf](http://www.adb.org/Documents/Events/2004/CCC/Customs_Reforms_Modernization/RTFCCP_framework.pdf)

the East and Central Asia (ECA) Region. The TA supported individual countries' reforms of the customs codes, particularly in the Kyrgyz Republic and Tajikistan where such reforms are the key item in the policy program supported by two program loans. In the Kyrgyz Republic, the TA funded a detailed diagnostic study to compare the existing Customs Code with the Revised Kyoto Convention, and supported the revision of customs procedures based on the newly adopted Customs Code. For Tajikistan, the TA funded a review of the draft Customs Code. The TA financed detailed capacity assessment for the Kyrgyz Republic and Uzbekistan to prepare for adopting risk management-based customs control practices. A comprehensive customs modernization strategy and investment plan is being developed for Mongolia under the TA. These assessments and diagnostic studies made training relevant to individual countries' needs and enriched regional forums for sharing customs modernization strategies and experiences.

4. **Support for the Institutional Framework and Working Arrangement.** The TA funded a joint working group meeting and four expert group meetings to develop detailed work programs and implementation arrangements for joint initiatives. The CCC meeting has been held annually to ensure leadership and strategic guidance in regional customs cooperation. Six working papers were prepared on all the priority areas identified in the joint action plan to facilitate discussions in those events.<sup>2</sup>

5. **Lessons Learned.** Regional customs cooperation activities have proved to be labor and resource-intensive. Each regional activity required extensive pre-event consultation to ensure that the program and agenda reflected the shared interests of the Regional Trade Facilitation and Customs Cooperation Program (RTFCCP) member countries. Indeed, cooperation has been a process of identifying shared priorities and narrowing the focus of cooperation activities. This suggests that regional customs cooperation target modest goals, focusing on activities with strong country ownership and demonstration effects.

6. As catalyst and secretariat of CAREC, ADB should take a phased approach, focusing its support initially on bilateral initiatives that have the strong commitment of at least two RTFCCP member countries. ADB should also provide support in pilot-testing bilateral initiatives that if proven successful, can be introduced in other RTFCCP member countries. The recent efforts to gear support toward bilateral initiatives (such as data sharing and transit agreements) is a step toward this direction.

7. Commitment to customs reforms and modernization by RTFCCP member countries is key to the success and sustainability of customs cooperation. All the proposed joint activities (such as joint border processing, data sharing and transit development initiatives) will ultimately depend on individual countries' efforts in customs legal reform and modernization. The regional customs cooperation activities and country-specific modernization efforts must complement and reinforce each other.

8. Effective aid coordination is critical in extending concerted support and in maximizing the impact of development assistance. Several development partners in the region give priority assistance to trade facilitation and regional customs cooperation. The coordination group established among the major multilateral institutions at the 2nd Ministerial Conference on 11–12 November 2003 in Tashkent is a vehicle to strengthen aid coordination in support of the Central Asia Regional Economic Cooperation, and the RTFCCP in particular. RTFCCP member countries can help strengthen aid coordination by sharing information and informing the secretariat of assistance provided by all development partners.

<sup>2</sup> See [http://adbweb/Documents/Events/2003/ccc/Second\\_Mtg/default.asp#documents](http://adbweb/Documents/Events/2003/ccc/Second_Mtg/default.asp#documents).

## REGIONAL TECHNICAL ASSISTANCE FRAMEWORK

| <b>Design Summary</b>  | <b>Performance Indicators/Targets</b>   | <b>Monitoring Mechanisms</b>   | <b>Assumptions and Risks</b>   |
|--|---|--|--|
| <p><b>Goal</b><br/>Enhanced trade and an enabling economic environment in the East and Central Asia (ECA) region</p>                           | <p>Increased trade volumes and customs revenue collection compared with the base year, 2004</p>   | <p>Government statistics<br/><br/>Regional Trade Facilitation and Customs Cooperation Program (RTFCCP) progress report</p>   |  |
| <p><b>Purpose</b><br/>Concerted customs legal reforms and harmonized customs procedures<br/><br/>Strengthened regional customs cooperation</p> | <p>Progress in concerted customs legal reforms as evidenced by endorsement of the revised customs codes and regulations by the RTFCCP member countries, and progress in harmonizing customs procedures as confirmed through periodic progress report on the RTFCCP<br/><br/>The RTFCCP becomes an effective and sustainable customs cooperation arrangement as evidenced by new initiatives proposed by RTFCCP members beyond the activities identified in this TA.</p> | <p>Endorsement of revised customs codes and regulations by RTFCCP member countries<br/><br/>RTFCCP progress report<br/><br/>Asian Development Bank (ADB) loan and TA review missions</p> | <p><b>Assumptions</b><br/>Continued support of multilateral institutions (MIs) for the RTFCCP through technical assistance (TA)<br/><br/>With assistance from MIs, development of comprehensive customs reforms and modernization plans by Azerbaijan, Uzbekistan, and other RTFCCP member countries; identification of areas of support required from MIs; RTFCCP member countries' commitment to implementing the bilateral transit agreements, and agreeing on the scope of data to be shared through an information platform</p> |
| <p><b>Outputs</b><br/>(i) Adoption of the revised customs codes by selected RTFCCP member countries</p>  | <p>Submission to Parliament of revised customs codes of Azerbaijan, Mongolia and Uzbekistan within 3–4 years</p>  | <p>Parliament ratifications and Government resolution<br/><br/>ADB loan and TA review mission</p>  | <p><b>Assumptions</b><br/>Senior management leadership in customs reforms and modernization with establishment of team dedicated to customs</p>  |

Continued on next page

| <b>Design Summary</b>   | <b>Performance Indicators/Targets</b>  | <b>Monitoring Mechanisms</b>   | <b>Assumptions and Risks</b>   |
|---|--|--|--|
| <p>(ii) Customs modernization with the establishment of customs automation systems compatible with each other for data sharing</p> <p>(iii) Adoption of risk management-based customs control procedures as part of broad customs modernization efforts</p> <p>(iv) Implementation of the bilateral transit agreements among Kazakhstan, Kyrgyz Republic, and Tajikistan</p> <p>(v) Establishment of an information platform, pilot-tested initially among selected countries</p> <p>(vi) The PRC's accession to the Transport Internationaux Routiers (TIR) Convention</p> | <p>Introduction of the core application systems of the unified automated information systems by the Kyrgyz Republic and Tajikistan in 5 years</p> <p>Further enhancement of automated information systems by Azerbaijan, Kazakhstan, Mongolia, and the People's Republic of China (PRC)</p> <p>Risk management practices based on automated information systems introduced in Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan in 2–5 years</p> <p>Establishing detailed operation procedures for the bilateral transit agreement between the Kyrgyz Republic and Kazakhstan by the end of 2005</p> <p>Kazakhstan and the PRC agree on the scope of data sharing and undertake technical studies for an information platform in 2005.</p> <p>Detailed plan for PRC's accession to the TIR Convention introduced in 2005, and accession expected within 3 years.</p> | <p>RTFCCP progress report</p>  | <p>reforms and modernization</p> <p>MIs' technical assistance and financial support</p> <p>Adequate budget support for customs modernization from the Government and Ministry of Finance</p> <p>RTFCCP member countries are committed to the implementation of the bilateral agreement reached.</p> <p><b>Risk</b><br/>Lack of leadership from chairpersons of the working groups /task forces of the RTFCCP</p> |
| <p><b>Activities</b></p> <p>(i) Country-specific activities with strong regional orientation</p> <p>(a) Support for the revision of the Customs Code as requested by Azerbaijan, Mongolia, and Uzbekistan;</p>  | <p>MIs and the RTFCCP member countries agreed on the work plans and time tables for technical assistance in early 2005.</p> <p>Consultants fielded based on</p>  | <p>RTFCCP progress report</p> <p>ADB loan and TA review missions</p> | <p><b>Assumptions</b></p> <p>Adequate TA resources</p> <p>RTFCCP member countries' commitment to customs reforms and modernization</p> <p>Active participation of member countries in</p>  |

Continued on next page

| <b>Design Summary</b>   | <b>Performance Indicators/Targets</b>   | <b>Monitoring Mechanisms</b> | <b>Assumptions and Risks</b>   |
|---|---|------------------------------|--|
| <p>(b) Needs assessment for customs automation and development of border post infrastructure requested by Mongolia and Uzbekistan;</p> <p>(c) Feasibility study, consultation, and development of an implementation plan for PRC's accession to the TIR Convention in partnership with the United Nations Economic Commission for Europe (UNECE) and International Road Transport Union, which administer international TIR Customs Transit System; and</p> <p>(d) Diagnostic studies and associated training to help introduce risk management-based modern customs control practices as requested by Kazakhstan, Tajikistan, and Uzbekistan.</p> <p>(ii) Regional initiatives</p> <p>(a) Bilateral consultation forum on joint customs control involving all the border agencies and private sector stakeholders of the Kyrgyz Republic and Kazakhstan;</p> <p>(b) Development of an information platform for data-sharing initially between the Kyrgyz and PRC customs, and between the Kazakhstan and PRC customs;</p> <p>(c) Regional training on risk management cofinanced with the PRC Customs;</p> <p>(d) Regional training seminar on TIR, cofinanced with PRC customs;</p> | <p>the time tables agreed upon</p> <p>Consultants fielded to support needs assessment in 2005</p> <p>Consultants fielded to assist in conducting feasibility study and develop implementation plan in 2005</p> <p>Consultation meeting held with UNECE and International Road Transport Union (IRU) agreed on detailed accession plan and schedule by early 2006.</p> <p>Consultants fielded to undertake diagnostic studies and conduct training in 2005</p> <p>Consultants and resource persons' final reports submitted by the end of their respective engagement periods</p> <p>Consultation forum planned and held in 2005</p> <p>Bilateral discussion initiated in 2005</p> <p>Training event conducted in 2005 and the RTFCCP agree on a common framework on risk management based on bilateral and regional training and needs assessment</p> |                              | <p>all activities and commitment to adhere to agreed upon schedule</p> <p>Commitment of PRC customs management for PRC's TIR accession</p> <p>Adherence to commitments stipulated in the bilateral agreements/ Memorandum of Understanding</p> <p>Consultants and resource persons produce quality reports and conduct effective training.</p> |

Continued on next page

| <b>Design Summary</b>  | <b>Performance Indicators/Targets</b>  | <b>Monitoring Mechanisms</b>  | <b>Assumptions and Risks</b>  |
|--|--|---|---|
| <p>(e) Forums on customs automation in partnership with the governments of Singapore and Republic of Korea;</p> <p>(f) Forum on Doha Round of Negotiations on Trade Facilitation (2006); and</p> <p>(g) Regular consultation initially among the Kyrgyz Republic, Kazakhstan, and Tajikistan customs for development of unified automated customs information systems.</p> | <p>conducted</p> <p>Respective forums completed (in 2005 on customs automation in Singapore, and in 2006 for Republic of Korea; in 2006 for the Doha Round Forum)</p> <p>At least one bilateral consultation meeting held on development of customs automation systems among Kyrgyz Republic, Kazakhstan, and Tajikistan</p> |   |   |
| <p><b>Inputs</b></p> <p>Consultants</p> <p>Provision for meeting expenses</p> <p>Miscellaneous TA Administration and Support</p> <p>Governments' counterpart</p> <p>Staff time</p>   | <p>\$260,000</p> <p>Person-months<br/>International: 10<br/>Domestic: 10</p> <p>\$500,000</p> <p>Conduct of activities with Government counterpart support</p> <p>Person-months for review missions, including attendance in seminars, conferences, and workshops:<br/>Professional staff: 10<br/>Support staff: 14</p>      | <p>Project account's Commitment and disbursements</p> <p>Back-to-office reports</p> | <p><b>Assumptions</b></p> <p>Availability of competent consultants</p> <p>Timely recruitment of consultants</p> <p>Governments are able to provide necessary counterpart support.</p> |

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

| <b>Item</b>  | <b>Cost</b>   |
|--|---------------|
| <b>A. Asian Development Bank Financing<sup>a</sup></b>           |               |
| 1. Consultants and Resource Persons                              |               |
| a. Remuneration and Per Diem                                     |               |
| i. International   | 184.0         |
| ii. Domestic   | 6.0           |
| b. International and Local Travel                                | 60.0          |
| c. Reports and Communications                                    | 10.0          |
| 2. Training, Seminars, and Conferences                           | 500.0         |
| 3. Equipment   | 40.0          |
| 4. Miscellaneous Administration and Support Costs                | 10.0          |
| 5. Contingencies   | 90.0          |
| <b>Subtotal (A)</b>  | <b>900.0</b>  |
| <b>B. Government Financing</b>                                   |               |
| 1. Office and Logistical Support                                 | 45.0          |
| 2. Training, Seminars, and Conferences                           | 130.0         |
| 3. Counterpart Staff, and Administrative and Translation Support | 45.0          |
| <b>Subtotal (B)</b>  | <b>220.0</b>  |
| <b>Total</b>   | <b>1120.0</b> |

<sup>a</sup> Financed by Asian Development Bank's technical assistance funding program.  
Source: Asian Development Bank staff estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. International Consultants and Resource Persons (10 person-months)

1. The following international consultants and resource persons will be recruited on an individual basis. The person-months indicated are primarily for planning purposes. Sufficient flexibility based on periodic progress assessment, will be allowed in determining the duration of expertise inputs required from these specializations. The international consultants will be under the supervision of the Asian Development Bank (ADB) task manager, with the guidance of the director of the Governance, Finance and Trade Division. The reporting requirements will include the following: (i) preparing country reports including inception, midterm, and final reports; and (ii) preparing training materials and conducting training; and (iii) conducting other tasks as requested by the ADB task manager.

#### 1. Customs Legal Specialist (2.5 person-months)

2. The consultant will do the following:

- (i) review the existing codes vis-à-vis the Revised Kyoto Conventions, international customs conventions, customs-related World Trade Organization (WTO) agreements; and the revised customs codes recently adopted by other Regional Trade Facilitation and Customs Cooperation Program (RTFCCP) member countries;
- (ii) highlight the common features and major differences of the revised customs code recently adopted by the RTFCCP member countries;
- (iii) suggest a new customs framework, and recommend changes and amendments of specific articles and provisions according to the review conducted, with special attention to legal provisions on modern customs practices such as joint customs control, risk management and post-entry audit;
- (iv) recommend customs regulations to be amended and new regulations to be adopted based on the proposed revised customs codes;
- (v) organize training and dissemination seminars; and
- (vi) extend other advisory assistance to RTFCCP member countries and support other RTFCCP activities as requested by the task manager.

#### 2. Risk Management and Post Entry Audit Specialist (2.5 person-months)

3. The consultant will do the following:

- (i) conduct individual countries' needs analyses to assess the capacity of each country's customs control practices (e.g., pre-clearance, clearance, and post-clearance);

- (ii) analyze types of import goods that are the major sources of revenue collection, including their volumes, sources and destinations, and modes of transport;
- (iii) assess the effectiveness of individual countries' customs intelligence systems, particularly data- and intelligence-sharing mechanisms among customs administrations and various law enforcement agencies;
- (iv) formulate broad risk management that is appropriate for each country including identification of risk areas (e.g., goods classification, valuation, rules of origin, quota, and transit fraud); selectivity, risk profiling (including quantitative and qualitative data), and targeting;
- (v) establish standardized procedures on post-entry audit according to the risk profile of the shipments (e.g., for low-risk transactions, reconcile with banks the customs duties paid; for medium risks, document verification procedures; and for high-risk cases, procedures for physical examination of the merchandise);
- (vi) formulate recommendations to expedite and streamline customs control procedures and documentation requirements;
- (vii) provide training to introduce risk management-based modern customs control practices and contribute to the adoption of the risk management and post-entry systems; and
- (viii) develop a regional framework for a risk management system in light of country assessments and experiences with risk management practices.

**3. Transit and TIR Specialist (2.5 person-months)**

4. The consultant will do the following:

- (i) conduct a feasibility study and consultation, and develop an implementation plan for accession of the PRC to the TIR Convention;
- (ii) conduct diagnostic studies to assist the RTFCCP member countries in implementing the TIR Convention (e.g., Tajikistan);
- (iii) provide advisory support in developing and implementing bilateral transit agreements;
- (iv) formulate recommendations to improve the acceptability of the TIR carnet<sup>1</sup> at border crossings and for removal of arbitrary transit fees on key transit routes; develop modalities for improving communication and exchange of information between border-control agencies; and improve border-crossing facilities;
- (v) provide expert advice on the effective use of information and communications technology for transit development; and

---

<sup>1</sup> TIR carnet is a customs transit document used for an international transit operation of goods.

- (vi) provide regional training or seminars on implementation of the TIR Convention, and support the RTFCCP as requested.

**4. Customs Modernization and Automation Specialist (2.5 person-months)**

5. The consultant will do the following:

- (i) conduct detailed needs assessment for customs automation, including assessment of the operations environment, telecommunications, local and wide area networks, hardware, databases, system software, and application needs leading to architectural analyses, functional and technical specifications of all customs control procedures, operations-support systems (such as valuation), management information system, (such as intranet), database<sup>2</sup> and communications network requirements of the unified automated information system;
- (ii) contribute to the production of detailed architectural design and integration plan, and development of comprehensive customs reforms and modernization programs of selected RTFCCP member countries;
- (iii) determine the scope of change required for introducing and upgrading the automated customs information systems, including (a) customs codes and procedures to be revised in relation to a customs-related WTO Agreement, the Revised Kyoto Convention, modern customs practices; (b) change management, and (c) change in human resource policy and skills mix;
- (iv) develop an information platform to support bilateral data-sharing initiatives;
- (v) design training and stakeholder consultation plans; and
- (vi) conduct training and other RTFCCP activities as requested.

**B. Domestic Consultants and Resource Persons (10 person-months)**

6. Domestic consultants and resource persons will be recruited to assist the international consultants. The domestic consultants will have extensive and in-depth regional and local knowledge and good contacts in various areas of customs operations. The domestic consultants will be guided and supervised by the respective international consultants whom they are expected to support by, among others, translating various documents into English; researching and compiling Government policies, regulations, and adopted procedures; and ensuring that work by the international consultants is appropriate to the regional situation. The domestic consultants who are expected to possess sufficient experience in their relevant fields, will include the following: (i) customs legal specialist (2.5 person-months); (ii) risk management and post entry audit specialist (2.5 person-months); (iii) transit and TIR specialists (2.5 person-months); and (iv) customs modernization and automation specialist (2.5 person-months).

---

<sup>2</sup> Including a database on transaction values to reduce under-invoicing.