



Completion Report

Project Number: 38177-013
Loan Number: 2113-KGZ(SF)
June 2014

Kyrgyz Republic: Regional Customs Modernization and Infrastructure Development Project

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Asian Development Bank

CURRENCY EQUIVALENTS

Currency unit – som (Som)

		At Appraisal 15 October 2004	At Project Completion 31 December 2012
Som1.00	=	\$0.023	\$0.021
\$1.00	=	Som43.02	Som47.42

ABBREVIATIONS

ADB	–	Asian Development Bank
BCP	–	border crossing point
ICT	–	information and communication technology
KTNET	–	Korea Trade Network
PCSW	–	pre-customs single window
PMO	–	project management office
SCS	–	State Customs Service
TA	–	technical assistance
UAIS	–	unified automated information system

NOTE

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

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BASIC DATA

A. Loan Identification

1.	Country	Kyrgyz Republic
2.	Loan Number	2113-KGZ(SF)
3.	Project Title	Regional Customs Modernization and Infrastructure Development Project
4.	Borrower	Kyrgyz Republic
5.	Executing Agency	Ministry of Finance
6.	Amount of Loan	SDR5,106,000
7.	Project Completion Report Number	PCR: KGZ 1445

B. Loan Data

1.	Appraisal	
	– Date Started	30 July 2004
	– Date Completed	19 August 2004
2.	Loan Negotiations	
	– Date Started	11 October 2004
	– Date Completed	13 October 2004
3.	Date of Board Approval	26 November 2004
4.	Date of Loan Agreement	24 February 2005
5.	Date of Loan Effectiveness	
	– In Loan Agreement	24 May 2005
	– Actual	23 February 2006
	– Number of Extensions	2
6.	Closing Date	
	– In Loan Agreement	30 June 2010
	– Actual	31 December 2012 (Loan Account Closing: 18 April 2013)
	– Number of Extensions	3
7.	Terms of Loan	
	– Interest Rate	1.0% per annum during grace period 1.5% per annum thereafter
	– Maturity (number of years)	32
	– Grace Period (number of years)	8

8. Disbursements

a. Dates

Initial Disbursement	Final Disbursement	Time Interval
18 December 2006	18 April 2013	76 months
Effective Date	Original Closing Date	Time Interval
23 February 2006	30 June 2010	52 months

b. Amount (SDR)

Category or Subloan	Original Allocation	Last Revised Allocation	Amount Canceled	Net Amount Available	Amount Disbursed	Undisbursed Balance
1. Civil Works	1,089,000	1,204,000	93,072	1,110,928	1,110,928	0
2. Equipment						
2A. ICT	880,000	912,000	11,293	900,707	900,707	0
2B. Other Equipment	775,000	646,000	223,030	422,970	422,970	0
3. Consultant Services	481,000	572,000	17,608	554,392	554,392	0
4. Training, Fellowships, and Workshops	236,000	17,000	17,000	0	0	0
5. Software Development	1,176,000	1,371,000	(928)	1,371,928	1,371,928	0
6. Awareness Campaign	55,000	15,000	11,287	3,713	3,713	0
7. Operating Cost	177,000	177,000	75,229	101,771	101,771	0
8. Interest Charge	118,000	118,000	33,183	84,817	84,817	0
9. Unallocated	119,000	74,000	74,000	0	0	0
Total	5,106,000	5,106,000	554,774	4,551,226	4,551,226	0

() = negative, ICT = information and communication technology

c. Amount (\$)

Category or Subloan	Original Allocation	Last Revised Allocation	Amount Canceled	Net Amount Available	Amount Disbursed	Undisbursed Balance
1. Civil Works	1,599,589	1,860,106	140,922	1,719,184	1,719,184	0
2. Equipment						
2A. ICT	1,292,597	1,401,141	17,098	1,384,043	1,384,043	0
2B. Other Equipment	1,138,367	990,073	337,694	652,379	652,379	0
3. Consultant Services	706,522	875,259	22,833	852,426	852,426	0
4. Training, Fellowships, and Workshops	346,651	25,740	25,740	0	0	0
5. Software Development	1,727,380	2,107,377	(1,406)	2,108,783	2,108,783	0
6. Awareness Campaign	80,787	22,969	17,089	5,880	5,880	0
7. Operating Cost	259,988	270,583	113,905	156,678	156,678	0
8. Interest Charge	173,325	182,331	50,242	132,089	132,089	0
9. Unallocated	174,794	112,045	112,045	0	0	0
Total	7,500,000*	7,847,624	836,162	7,011,462	7,011,462	0

() = negative, ICT = information and communication technology

* Amount at loan approval 26 November 2004.

9.	Local Costs (Financed)	
–	Amount (\$ million)	1.748
–	Percent of Local Costs	63.79
–	Percent of Total Cost	21.85

C. Project Data**1. Project Cost (\$ million)**

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	4.83	5.26
Local Currency Cost	4.54	2.74
Total	9.37	8.00

2. Financing Plan (\$ million)

Cost	Appraisal Estimate	Actual
Implementation Costs		
Borrower Financed	1.87	0.99
ADB Financed	7.33	6.88
Other External Financing	0.00	0.00
Total	9.20	7.87
IDC Costs		
Borrower Financed	0.00	0.00
ADB Financed	0.17	0.13
Other External Financing	0.00	0.00
Total	9.37	8.00

ADB = Asian Development Bank, IDC = interest during construction

3. Cost Breakdown by Project Component (\$ million)

Component	Appraisal Estimate	Actual
Development of the Unified Automated Information System (UAIS)	4.64	3.28
Border-post infrastructure development	2.72	3.84
Taxes and duties	1.35	0.75
Contingencies	0.49	0.00
Interest charge	0.17	0.13
Total	9.37	8.00

4. Project Schedule

Item	Appraisal Estimate	Actual
Contract with Consultants		
Establishment of PMO	January 2005	August 2006
Contract for UAIS TOR development	January 2005	March 2008
Contract for BCPs designs development	April 2005	June 2008
Contract for auditing of project accounts	June 2005	January 2008
Contract for development of UAIS	January 2005	December 2009
Contract for development of UAIS	January 2005	December 2010
Civil Works Contract		
Date of Award	January 2006	June 2009
Completion of Work	December 2007	November 2012
Procurement of Anti-smuggling Equipment		
First procurement	January 2006	November 2009
Last procurement	January 2008	December 2012
Procurement of Hardware		October 2011
Completion of Equipment Installation	July 2005	March–December 2012

BCPs = border crossing points, PMO = project management office, TOR = terms of reference, UAIS = unified automated information system

5. Project Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
From 29 November 2004 to 30 July 2005	Successful	Successful
From 31 July 2005 to 30 January 2006	Successful	Unsuccessful
From 31 January 2006 to 29 July 2007	Successful	Successful
From 30 July 2007 to 30 August 2007	Successful	Successful
From 31 August 2007 to 30 December 2010	Successful	Successful
From 31 December 2010 to 30 June 2011	On Track	
From 1 July 2011 to 30 June 2012	Potential Problem	
From 1 July 2012 to 31 December 2012	On Track	

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members
Inception	28 February–4 March 2005	3	15	h, i, j
Review	21–31 May and 15–20 June 2007	2	26	a, b
Review	5–15 October 2007	2	14	a, b
Review	5–16 June 2008	2	26	a, c
Review	1–30 December 2008 and 20 January 2009	3	64	a, c, d
Mid-Term Review	29 June–21 July 2009	3	51	a, c, e
Review	14–24 December 2009	3	27	a, c, e
Review	22 July–2 August 2010	2	16	f, c
Review	15–25 December 2010 and 17–20 January 2011	2	26	f, c
Review	8–15 June 2011	2	12	f, c
Review	25–31 January and 19–30 March 2012	2	30	f, g
Project completion review	5 November–5 December 2012	3	18	f, d, g

a = economics officer, b = senior finance and administration assistant, c = assistant project analyst, d = international staff consultant (customs specialist), e = portfolio management specialist, f = senior economics officer, g = project analyst, h = Director, East and Central Asia Department, Governance, Finance and Trade Division, i = associate operations analyst, j = principal trade economist

I. PROJECT DESCRIPTION

1. On 26 November 2004, the Asian Development Bank (ADB) approved the Regional Customs Modernization and Infrastructure Development Project.¹ An SDR5.106 million (\$7.5 million) loan was approved from ADB's Asian Development Fund to the Government of the Kyrgyz Republic to finance 80% of the cost of the Kyrgyz Republic's component of the regional project. It was to complement ADB's Regional Trade Facilitation and Customs Cooperation Program, approved in December 2002,² which supported customs reform and modernization in the Kyrgyz Republic and Tajikistan.³ The project objectives were (i) improved efficiency and transparency of the customs services, reinforcing the ongoing customs legal reforms and simplification of the customs procedures; and (ii) trade facilitation and promotion of regional customs cooperation through concerted customs reforms and modernization in East and Central Asia. To achieve these objectives, the project focused on the following two major components.

2. **Unified automated information system development.** This component consisted of three interrelated subcomponents: (i) developing the core unified automated information system (UAIS) application systems and associated operation support systems; (ii) developing communications infrastructure to support UAIS operations, providing and strengthening the communication links between customs headquarters, regional customs offices, customs border posts, and inland clearance points; and (iii) providing training and a public awareness campaign to ensure sustainability and broad-based support for customs modernization efforts.

3. **Border crossing points infrastructure development.** This component aimed to (i) improve border crossing point infrastructure and facilities, (ii) provide customs operations and anti-smuggling equipment, and (iii) extend capacity building and promote interagency border cooperation.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

4. The project design at appraisal was assessed *partly relevant* due to overambitious design, but its relevance was enhanced during implementation and it was rated *relevant* upon completion. The project was developed in 2004 as a continuation of ADB support for customs reform and modernization in the Kyrgyz Republic and Tajikistan following the launch of the Regional Trade Facilitation and Customs Cooperation Program in December 2002. The project was consistent with the strategic objectives and policies of the Government of the Kyrgyz Republic and ADB. The National Poverty Reduction Strategy of the Kyrgyz Republic, 2003–2005⁴ sought to reduce poverty by promoting private-sector-led economic growth, including through trade facilitation and customs modernization. ADB's country strategy and program for the Kyrgyz Republic for 2004–2006⁵ and regional cooperation strategy and program for 2005–

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.

² ADB. 2002. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grants and a Regional Technical Assistance Grant to the Kyrgyz Republic and Republic of Tajikistan for Regional Trade Facilitation and Customs Cooperation Program*. Manila.

³ Subsequent references to the project in this report relate only to those aspects relevant to the Kyrgyz Republic.

⁴ Government of the Kyrgyz Republic. 2002. *National Poverty Reduction Strategy of the Kyrgyz Republic, 2003–2005*. Bishkek.

⁵ ADB. 2003. *Country Strategy and Program: Kyrgyz Republic, 2004–2006*. Manila.

2007⁶ prioritized regional cooperation, emphasizing trade and transport infrastructure. At completion, the project was consistent with the government's medium-term development program 2012–2014⁷ in (i) eliminating excessive bureaucratic barriers and corruption through governance reforms, and (ii) restoring and strengthening the investment climate.

5. At appraisal, despite noting that “the customs administration of the Kyrgyz Republic is relatively young, with weak institutional capacity, low efficiency, and poor governance,” the project report and recommendation to the President (and the related project framework [Appendix 1]) proposed a complex and sophisticated set of reforms within an ambitious time scale of 5 years. It also included subcomponents intended to create “cooperative partnerships between border inspection agencies and traders to simplify border-post procedures, and provide effective coordination and management of border-post facilities,” and “some peripheral training elements—risk management and post-entry audit, investigation techniques.”

6. During implementation, project relevance was enhanced through revisions to address the capacity of the State Customs Service (SCS) and changing needs over time, i.e. (i) adjustments to the software specifications⁸ as the foundation for the UAIS development process, (ii) changing the scope of the rehabilitation works, and (iii) extensions to the project period to achieve expected outcomes and outputs. The project was *relevant* upon completion and, currently, it remains *highly relevant* as it has enabled the SCS to (i) develop an effective automated customs clearance system rolled out to all 37 border crossing point (BCPs), and (ii) construct three well-designed and modern BCPs.

B. Project Outputs

7. The project achieved outputs through planned activities, with minor technical deficiencies explained in paragraphs 8-24.

1. Unified Automated Information System Development.

8. The development of the UAIS comprised three subcomponents: (i) development of core application systems for the UAIS, (ii) development of communication infrastructure, and (iii) human resource development and a public awareness campaign. The first two subcomponents were *fully achieved*, while the third one was *partly achieved*. The UAIS included software development and hardware procurement to automate customs declarations, incorporating modern customs techniques including simplified customs procedures and risk management. It is an internal SCS system, operated solely by the customs officers to process declarations made by traders and brokers.

a. Development of Core Application Systems of the Unified Automated Information System

9. This subcomponent established the operating environment and developed the core operating systems for the UAIS. The target was 60% of declarations processed through the UAIS by the end of the project. Delayed effectiveness and start-up because of political instability and frequent changes in the government in 2005–2006 and 2010 resulted in an overall delay in

⁶ ADB. 2004. *Regional Cooperation Strategy and Program, 2005–2007*. Manila.

⁷ Government of the Kyrgyz Republic. 2012. *Medium-term Development Program, 2012–2014*. Bishkek.

⁸ Prepared in accordance with IEEE Standard 830-1998 (Institute for Electrical and Electronics Engineers Recommended Practice for Software Requirements Specifications)—ISBN 0-7381-3099-0.

project implementation. The underlying reasons for the delays in the development of the UAIS were (i) poor quality of the software requirements specification produced for the development of the UAIS software; (ii) delayed selection of the contractor for UAIS software development; and (iii) overoptimistic time scale set at appraisal for the development, testing, and rollout of the UAIS software.⁹ By 31 December 2012, the UAIS was tested and rolled out and was fully operational in BCPs throughout the northern parts of the country, as well as in major BCPs in the southern parts of the country. System rollout to the remaining minor BCPs in the southern parts of the country, linked to training for the UAIS users and managers, was implemented throughout 2013 and completed by the end of the year. The appropriate UAIS policy documents (a charter, backup policy, and security policy) were also developed. By the end of 2012, the SCS reported a 70% achievement rate in UAIS processing of customs declarations (100% achievement from 1 January 2014). Processing time for customs declarations decreased from 60 minutes in 2005 to 5–15 minutes in 2012. The SCS's annual report for 2012¹⁰ states that corruption levels have declined due to lower face-to-face involvement in customs processing.

10. UAIS functionality was achieved in accordance with the technical specifications agreed at system development start-up, as adjusted through fully documented change requests agreed between the SCS and the system developer. The automated broker workplace, an essential system component, allows for customs declarations generation through data entry into a series of related on-screen fields. The risk management system is operational, automatically assigning clearance and/or control channels (green, yellow, red, and black), and generating on-screen alerts and instructions for examining officers. At the central level, risk profiles were reviewed and adjusted according to their perceived efficacy. The report generation function of the system has proven to be effective. The external banking interface was also operational, allowing online payments (although so far only through one government-approved bank) and the regular uploading of official exchange rate data. Data was regularly exchanged with the State Tax Service and the National Statistics Committee via email and in the extensible markup language format. The imported data was filtered and stored in a dedicated area of the UAIS database. The external interface of the UAIS with the pre-customs single window (PCSW)—supported by another ADB-financed project¹¹—was also successfully tested.¹²

11. In general, the functionality of the UAIS was appropriate, with the format logical control protocol rejecting errors in linked data fields and rejecting the majority of keying errors. This feature forces users to check the accuracy of the input data into the system, indirectly developing a better understanding of the documents and processes involved. The software developed by Crown Agents/Screen is free of licensing restrictions and is the property of the SCS. The UAIS had the benefit of a 1-year warranty until 31 December 2013, and a 5-year maintenance agreement with the main contractor (Crown Agents). Crown Agents issued a right for the maintenance of the UAIS to its local subcontractor, Screen. The SCS can choose to alter or further develop the UAIS in future without restriction or charge.

⁹ The SCS signed a contract on 29 December 2010 with Crown Agents for Oversea Governments and Administrations, in association with Screen (Crown Agents/Screen). This consortium began its work on 10 January 2011 and completed the contract on 31 December 2012.

¹⁰ SCS. 2013. *Annual Report for 2012*. Bishkek.

¹¹ ADB. 2008. *Report and Recommendation of the President to the Board of Directors on the Proposed Investment Climate Improvement Program System Support Project*. Manila.

¹² Data can be transferred to the UAIS by creation of folders containing approved import- and export-related licences and permits via the automated broker workplace module, which has a dedicated field for that purpose. This has been separately confirmed with the state-owned enterprise, Single Window Centre.

12. The original single procurement package was divided into two packages: (i) UAIS software development, and (ii) UAIS hardware procurement. This was based on the decision to develop tailor-made software addressing the needs of the SCS. Delays in the procurement of the UAIS hardware occurred because of the need to await endorsement of the hardware technical specifications by the UAIS developer, to comply with the technical specifications for the newly developed UAIS. Procurement was completed, and in general the SCS has managed the process satisfactorily.

13. Overall, the UAIS design and implementation can be considered *successful*. During project implementation, adequate interagency coordination for the UAIS systems development and operation were ensured at the working level, with the other information technology systems being developed for different agencies (tax services, Treasury, Ministry of Justice, Ministry of Finance, and others).

b. Development of the Communication Infrastructure

14. The UAIS is adequately supported by satellite-based communications infrastructure.¹³ Satellite transmitters located at key points around the country connect the regional UAIS sites to the central server at the SCS. Pilot testing of the quality of communications using satellite antennas at three remote BCPs has been satisfactorily completed, and 14 additional antennas to service the remaining UAIS sites at BCPs have been procured and installed.

c. Human Resource Development and Public Awareness Campaign

15. This subcomponent covered the following activities: (i) training customs officers on basic computer skills and applications systems; (ii) advanced training on system administration, network management, systems development, and systems maintenance and support; (iii) training on modern customs techniques based on risk management and post-entry audit; and (iv) stakeholder and border agency consultation to ensure sustainability and broad-based support for the modernization effort and simplification of border procedures through automation.

16. The training on basic computer skills and application systems was addressed through the UAIS training program developed by Crown Agents and Screen. All system users, supervisors, and managers were trained in the various UAIS modules and applications. Comprehensive, high quality training packages were developed and published, which acted as the system user reference material. A select group of the most competent user trainees are expected to act as UAIS trainers for their colleagues on an ongoing basis. In total, 554 customs services staff and 111 customs clearance officers from brokerage firms were trained in the UAIS. However, the more advanced training in systems administration and maintenance, network management, system support, and further system development and upgrading provided through the project was limited. This is an area that is currently covered by SCS resources. Limited training in customs risk management techniques was delivered. This training was designed mainly to enable the SCS risk management department to use the UAIS risk management module to develop risk profiles, with that process set in a wider knowledge context. No training in post-entry audit was delivered through the project, although the risk management training covered the basics of system-based control. This partial coverage was not

¹³ The decision to use satellite-based communication channels instead of the originally planned fiber optic communication network was taken because of the inability of Kyrgyz Telecom to provide secure connections to the remote customs posts, and the fiber optic communication network was regarded as too costly.

a cause for concern, as the risk management training that focuses on the UAIS capabilities was deemed appropriate and adequate. As of the end of 2013, 700 end users of the UAIS (569 SCS staff and 131 customs brokers) received training on the UAIS.

17. SCS efforts for public awareness have been limited to the production of information booklets describing the scope, coverage, and benefits of the project as a whole. SCS was not very active in advocating customs reforms to the general public.

2. Border Crossing Points Infrastructure Development

18. This component comprised (i) improvement of the BCP infrastructure and facilities, (ii) provision of customs operations and anti-smuggling equipment, and (iii) capacity building and interagency border cooperation. The increased scope for rehabilitation of the integrated BCPs caused the SCS to limit the number of BCPs that it intended to rehabilitate. The government has sought other resources, both from the budget and other development partners, for the larger-scale rehabilitation of some of the BCPs originally planned under the project. By the end of 2013, the government was able to rehabilitate 11 BCPs, including the three BCPs covered under the project. The first subcomponent was *partly achieved*, while the two others were *achieved*.

a. Improvement of the Border Crossing Point Infrastructure and Facilities

19. Three BCPs were rehabilitated. The original plan to develop the infrastructure of 10 BCPs was scaled down to two major BCPs (Chon–Kapka and Kyzyl–Kiya) and one smaller BCP (Kulundu) because of increased scope for the rehabilitation of integrated BCP infrastructure, instead of minor rehabilitation of a border post as envisaged at appraisal. The integrated BCP includes the functions of five agencies (border service, customs, health, transport, and agriculture) present at the BCP. This change in scope was stipulated by the government decree adopted in December 2007,¹⁴ which set new technical requirements and standards for integrated BCP infrastructure. The new decree defined the quality of the modern BCP rather than minor rehabilitation of a large number of BCPs. The change in scope was approved by ADB in 2009. The comprehensive approach to the BCP system was a part of the overall implementation of the PCSW, supported by another ADB-financed project (footnote 11).

20. The design and layout of the reconstructed BCPs at Chon–Kapka and Kyzyl–Kiya were generally acceptable, and made the best use of the available space at each site. An unresolved land ownership issue at Kyzyl–Kiya resulted in the truck examination module location having limited but manageable access.¹⁵ All of the facilities necessary for the effective control of border traffic are in place, and all of the border agencies working at each BCP seem to be satisfied with the arrangement.¹⁶ The project was categorized as 'C' for environment, involuntary resettlement and indigenous people, as no or insignificant environmental and social risks were anticipated

¹⁴ Decree of the Government #587, as of 13 December 2007, stipulates new technical requirements for a comprehensive integrated BCP, adequate for proper operation of all five agencies present (border service, customs, health, transport, and agriculture). The decision on the construction or rehabilitation of any BCP is taken by the Defense Council of the Kyrgyz Republic.

¹⁵ According to the SCS decision, the design of the BCPs was made to avoid any land acquisition or resettlement issues.

¹⁶ The civil works of satisfactory design and quality for a total budget of \$1.719 million were evaluated to have been *efficient* and included ground works; construction of access roads and parking; water, gas, and electricity connections; waste water facilities; construction of modular office buildings; a vehicle examination shed; a weigh station; staff accommodation; storage; toilets; dog kennels; and landscaping.

during the project implementation. Given that all BCPs are located on border land category, where stringent tenure regime applies and no private or illegal uses are permitted, there were no resettlement concerns reported. The project remained C for environment throughout the project implementation, as changes in the project scope were not associated with any significant environmental risks that required mitigation measures. The BCPs rehabilitation was carried out as per the national requirements, and the operation of the BCPs is governed by both national and inter-state regulations related to environment and sanitary safety.

21. During the last project extension (approved in May 2012), ADB approved additional construction works at three smaller BCPs (Karamyk, Karkyra and Kulundu) to use project savings. However, because of harsh weather conditions at the highly elevated Karkyra and Karamyk sites, these civil works were not undertaken. The civil works of satisfactory design and quality adequate for operation of the smaller BCP at Kulundu were completed by 25 December 2012. During 2007–2013, five BCPs were rehabilitated (Ak–Jol, Ak–Tilek, Irkeshtam, Kairagach, and Kyzyl–Bel) using government budget funds and other development partner financing. The negotiations on rehabilitation of the major BCP, Torughart, are ongoing with the Government of the People’s Republic of China, while the Karamyk BCP will be rehabilitated under the ADB Central Asia Regional Economic Cooperation (CAREC) Regional Improvement of the Border Services Project.¹⁷ The decision on rehabilitating the Karkyra BCP is still pending because of the anticipated accession to the Customs Union¹⁸ which may remove the need for rehabilitation of this BCP.

22. Two factors remain a challenge for the SCS, as they negatively affect the return on this investment. First, the Government of Uzbekistan has unilaterally closed the border at Kyzyl–Kiya (a decision taken after the BCP construction was almost complete), currently making the BCP nonoperational. Bilateral negotiations between the two governments are ongoing in an effort to resolve this issue, but it is an unanticipated event beyond the scope of the project and SCS powers to resolve. Second, the border services troops at both Chon–Kapka and Kyzyl–Kiya (and, according to the SCS, at other BCPs) are (i) subjecting export goods and private vehicles to routine searches; and (ii) forcing all inward and outward passengers and pedestrians to walk, with their baggage, from one end of the BCP to the other, in all weather conditions. Such control practices undermine efforts to set up modern BCPs and efficient trade and transport facilitation, and are not justified on the grounds of security or protection at BCPs, which should be informed by the risk management control practices.

b. Provision of Customs Operations and Anti-smuggling Equipment

23. Anti-smuggling equipment weighbridges have been successfully procured and installed at Chon–Kapka, Kairagach, Kyzyl–Bel, and Kyzyl–Kiya BCPs. Other types of equipment (Appendix 6) have been procured and installed at 21 BCPs. Ten power generators and 28 inverters were procured and installed to ensure uninterrupted operation of the UAIS hardware.

¹⁷ ADB. 2013. *Report and Recommendation of the President to the Board of Directors on the Proposed Loan and Grant for the CAREC Regional Improvement of the Border Services Project*. Manila.

¹⁸ In May 2014, the Kyrgyz Republic signed a road map for accession into the Customs Union, which is currently formed by Belarus, Kazakhstan, and the Russian Federation. According to the road map, the Kyrgyz Republic is expected to reform its legislation, border and customs facilities, and other infrastructure in conformity with the requirements of the union.

c. Capacity Building and Interagency Border Cooperation

24. This subcomponent included training of customs officers on modern customs control practices. It was intended to create cooperative partnerships between border inspection agencies and traders to simplify border-post procedures, and provide effective coordination and management of border-post facilities. Other than the training of customs officers on the UAIS and some workshops, there was limited capacity building activity undertaken during project implementation. However, the government is actively working on improving interagency border cooperation, with significant enhancements due to two factors: (i) comprehensive design of BCPs with unified management practice, and (ii) cooperation for creation of the PCSW. This cooperation is expected to expand further under the CAREC Regional Improvement of the Border Services Project (footnote 17).

C. Project Costs

25. At appraisal, the project costs were estimated at \$9.375 million equivalent and were to be financed by (i) an ADB loan of \$7.500 million from the Asian Development Fund, and (ii) \$1.875 million from the Government of the Kyrgyz Republic. Some minor reallocations were made between project categories to address project requirements. Costs for the civil works were higher than estimated, because of the larger scope for rehabilitation of the comprehensive integrated BCPs (para. 19). Ultimately, the project was implemented within its estimated costs by scaling down the number of BCPs, utilizing about \$8.006 million or 85% of the appraisal estimate. ADB's financing amounted to \$7.011 million. During 2011–2013, the rehabilitation of three BCPs (Ak–Tilek, Kairagach, and Kyzyl–Bel) was financed out of the government's own budget, for a total of Som140.896 million (\$2.900 million equivalent). The government is also seeking other sources of financing for the rehabilitation of BCPs. The government's actual expenditures amounted to \$0.995 million, net of construction costs, for the own-funded additional three BCPs. The government contribution was significantly lower than targeted at the appraisal stage because of changes to the tax code, introduced in October 2008, which reduced the value-added tax from 20% to 12% and reduced the number of taxes from 16 to 8. The final project costs and financing plan are in Appendix 4.

D. Disbursements

26. At project completion the total loan disbursements amounted to SDR4.551 million (\$7.011 million equivalent, or 89% of the loan amount). Interest charges amounted to SDR0.085 million (\$0.132 million equivalent). The amount of SDR0.555 million was canceled upon loan account closing. The first disbursement was made on 18 December 2006, 10 months after loan effectiveness, because of weak capacity of the project management office (PMO) at the initial project start-up phase. The final disbursement was made on 18 April 2013. A breakdown of annual disbursements is in Appendix 8. The majority of disbursements were made for the software development (\$2.109 million), civil works (\$1.719 million), and information and communication technology (ICT) equipment (\$1.384 million). Certain delays in disbursements compared to the projected disbursement occurred because of the delayed recruitment of the UAIS software developer and delayed UAIS hardware procurement, which was linked to the UAIS software development. This also affected the imprest account turnover ratio, which fluctuated from zero during 2006–2008 to 1.98 in 2010, and further increased to 3.43 in 2013. The details of imprest account turnover ratios are given in Appendix 9. The imprest account was opened in the Kyrgyz Investment and Credit Bank with a ceiling of \$500,000 and was closed on 31 December 2012. The use of imprest account procedures had a positive impact on

implementation. It supported the investment project's cash flow requirements, since no funds were available to prefinance investment project activities.

E. Project Schedule

27. The project experienced implementation delays. As a result of the political instability in the Kyrgyz Republic, which occurred after Board approval in 2004, the loan became effective only in February 2006, 1.5 years later. Given the importance of the project's successful implementation for other ongoing automation projects (for the State Tax Service, the Treasury, the banking system, and others) the original loan closing date of 30 June 2010 was extended to 30 June 2011. Because of complications in the procurement process of the core application systems of the UAIS, and to allow full completion of the UAIS testing and rollout, the project was further extended until 30 June 2012 and, for the third time, until 31 December 2012.

28. A series of problems with the consultants led to considerable delays in the implementation of the UAIS component of the project. On 18 December 2009, the SCS signed a contract for the UAIS development with S&T System Integration and Technology Distribution (S&T) in association with Akforta and ERP Kazakhstan. This consortium was, however, unable to do more than the basic mobilization of experts in January 2010. Following further political upheavals in the country in April 2010, S&T informed the government of its inability to continue the work. The contract was duly cancelled in June 2010. To replace S&T, the SCS undertook another round of consultant selection. It finally signed a contract on 29 December 2010 with Crown Agents for Oversea Governments and Administrations, in association with Screen (Crown Agents/Screen). This consortium began its work on 10 January 2011, finished the contract on 31 December 2012, and continued to support the UAIS until the end of the 1-year warranty period on 31 December 2013.

29. The procurement process for the development of the UAIS communication infrastructure was delayed by these events, since the required technical specifications were to be developed by the UAIS contractor. Similarly, procurement of information and communication technology (ICT) hardware for the UAIS was not completed until 2012. On 29 October 2010, ADB approved a second extension of the loan closing date by an additional year until 30 June 2012. Following a review by ADB's Office of Information Systems and Technology staff in March 2012, a further 6-month extension of the project until 31 December 2012 was agreed to allow sufficient time for (i) full testing of the UAIS, (ii) rollout of the UAIS to all major BCP posts, and (iii) completion of the training for the end users of the UAIS.

30. The civil works at Chon–Kapka and Kyzyl–Kiya were to be completed by 31 December 2009. However, worse than expected weather conditions and electricity blackouts prevented the civil works contractor (Kerbenjolkurulush in association with two other local partners) from undertaking these works by the agreed date. The contracts were completed by 30 April 2010. The civil works at Kulundu BCP were completed on 25 December 2012. All changes to project scope and implementation arrangements are summarized in Appendix 2.

F. Implementation Arrangements

31. The project followed the implementation arrangements envisaged at appraisal without major modifications, and were rated *satisfactory*. The Ministry of Finance was appointed as the executing agency, with the SCS (then known as the State Customs Committee of the Committee for Revenue under the Ministry of Finance) as the implementing agency. The SCS deputy head was appointed a project director to coordinate overall implementation of the project

activities. Establishing an adequately staffed PMO with a full-time PMO director assisted by a group of qualified technical and administrative specialists (including loan financial manager and accountant, procurement specialist, ICT specialists, customs infrastructure specialists, office manager, and interpreter) within the SCS was also the correct decision, although due consideration should have been given to building its capacity to operate effectively from the outset. To help address the start-up delays, the project was handed over for administration from ADB headquarters to the Kyrgyz Resident Mission on 15 April 2007. This allowed for more efficient day-to-day communication with the executing and implementing agencies, building the capacity of the PMO and the implementing agency, and facilitating close monitoring of the project activities. Project steering committee meetings were held rarely because of political instability and frequent changes in government.

G. Conditions and Covenants

32. The government complied with all except one covenant. While the project steering committee was established, it did not meet twice a year, or as needed, as required in the covenant, because of frequent changes in the government. The SCS submitted the audited financial statements to ADB in a timely manner; only the first statements for the financial year 2006 were submitted with a delay. Financial statements were audited in accordance with the international auditing standards and the external auditor, Marka Audit Bishkek, expressed an unqualified opinion on the audited statements for every implementation year. ADB reviewed all audit reports with management letters and was satisfied with the quality of the reports. No loan covenants were modified, suspended, or waived.

H. Consultant Recruitment and Procurement

33. At appraisal, it was estimated that 20 person-months of international consultants for project implementation support and 45 person-months of national consultants were needed. The firm Korea Trade Network (KTNET) of the Republic of Korea was engaged by the SCS in March 2008 to produce the terms of reference for the UAIS system development and the related communications infrastructure. For the UAIS system development, on 29 December 2010 the SCS engaged Crown Agents in association with Screen (para. 28). The consortium began its work on 10 January 2011 and completed the assignment on 31 December 2012. The consulting firms were selected in accordance with ADB's *Guidelines on the Use of Consultants* using the quality- and cost-based selection method. The executing and implementing agencies requested that priority be given to quality, as the development of the UAIS was complex and highly specialized, and the impact of the assignment on the outcome of the project was significant as the development of the UAIS was the major outcome of the project. ADB approved the change of quality- and cost-based selection weightings from 80:20 quality–cost to 90:10.

34. For BCP infrastructure development, the SCS engaged the design institute Kyrgyzgiprostoi on 6 June 2008 to develop detailed designs, as stipulated by Government Decree #587,¹⁹ for construction works at all 29 automobile-accessible BCPs (out of a total of 37 BCPs) in the Kyrgyz Republic. These detailed designs have been used by the SCS for rehabilitation of BCPs, either using government funds or development partner resources, including funds from another ADB project (footnote 17). The work under this contract was

¹⁹ Government Decree #587, as of 13 December 2007, stipulates new technical requirements for a comprehensive interagency BCP operation, adequate for proper operation of all five agencies present at the BCP (border service, customs, health, transport, and agriculture). The decision on the construction or rehabilitation of any BCP is taken by the Defense Council of the Kyrgyz Republic.

completed on 15 August 2009. This was an additional output achieved under the project, not planned at appraisal. The procurement of civil works and goods was done in accordance with ADB's *Procurement Guidelines* using national competitive bidding for civil works and international competitive bidding for goods.

I. Performance of Consultants, Contractors, and Suppliers

35. The performance of KTNET is rated *unsatisfactory*. Engaged under a contract valued at more than \$300,000 and involving 28 person-months of inputs, the firm produced two sets of low-quality terms of reference documents with long delays: one for the UAIS Corporate Network, and the other for the UAIS Communication Channels. The documents failed to explain properly the requirements for the UAIS development. KTNET's contract was eventually cancelled on 31 May 2009. ADB engaged a staff consultant in December 2008²⁰ for 2 months to finalize the terms of reference for the consulting firm for the development of the UAIS.

36. The performance of the Crown Agents/Screen is rated *satisfactory*. The contractor worked from the start in close partnership with the SCS to deliver the UAIS on time and to agreed specifications. Good collaboration between the SCS and Crown Agents helped increase the SCS level of commitment to the project, and to provide the necessary counterpart resources. The development of the automated broker workplace, a critical feature of the UAIS, was a consultant's initiative. Various policy documents and training manuals produced by the contractor were of good quality, and have been used as references after project completion.

37. The consulting services provided by the design institute Kyrgyzgiprostroï are rated *satisfactory*. The services provided by the civil works contractors which constructed the Chon–Kapka, Kulundu, and Kyzyl–Kiya BCPs (Kerbenjolkurulush in association with two other local partners and another firm [MCPMK-2]) were assessed to be of *satisfactory* quality despite the delays caused by the adverse weather conditions. The performance of contractors and suppliers for the delivery of the UAIS hardware, and anti-smuggling and other equipment for BCPs is rated *satisfactory*.

J. Performance of the Borrower and the Executing Agency

38. Overall, the performance of the executing and implementing agencies was *satisfactory*. The implementing agency was inexperienced in project procurement and lacked clear understanding of how to proceed with a major ICT design-and-build development. This posed challenges during the project start-up phase and contributed to delays in project implementation. The Project Steering Committee meetings should have been held more frequently by the executing and implementing agencies to guide the project implementation. With regular support and guidance from ADB, the performance of the implementing agency steadily improved. By 2011, project implementation was being managed effectively and ownership of project results improved significantly, which in turn added to sustainability. The consultative committee, which includes government, private sector representatives, brokers, and other participants of trading operations and was chaired by the head of the SCS, served as a platform for dialogue, discussions of problems, and initiation of trade reforms or legal and regulatory changes.

²⁰ The international consultant (customs specialist) was hired from ADB's staff consultancy budget to help the government finalize the terms of reference for the UAIS development.

K. Performance of the Asian Development Bank

39. ADB's overall performance was *satisfactory*. While there were some weaknesses in the project design, ADB was proactive in providing guidance for the executing and implementing agencies, and granting essential approvals both for project revisions and extensions. Regular missions were fielded and the joint-venture arrangements allowed better support from ADB headquarters. ADB's review mission held in December 2008 and the midterm review held in June 2009 were critical in maintaining the relevance of the project. ADB work with the government allowed adjustments to create a system which would (i) underpin, further develop, and extend existing SCS software systems and functionality; and (ii) be capable of interfacing with other ICT systems, such as the PCSW and other systems developed for the tax service, Treasury, and others.

III. EVALUATION OF PERFORMANCE

A. Relevance

40. The project is rated *relevant* to achieve improved efficiency and transparency of customs services, and improved trade facilitation and promotion of regional customs cooperation. The project was rated *partly relevant* at the design stage. The changes introduced during project implementation to better align the project with the capacity level of the customs administration and to address the changed needs over time enhanced its relevance. The project was relevant at completion. The project remains consistent with the government's development plans and strategies. The UAIS is highly relevant in the broad context of improving trade facilitation in the Kyrgyz Republic. The new system should progressively permit more rapid clearance of import and export consignments, with a commensurate reduction both in bureaucratic procedures and opportunities for corruption. The existence of a fully functioning UAIS is essential for the success of the PCSW, with which it is designed to interface. The three reconstructed BCPs comply fully with the selection criteria and modern standards for BCP infrastructure.

B. Effectiveness in Achieving Outcome

41. The project is rated *effective*. Its desired outcomes—improved efficiency and transparency of customs services, and trade facilitation and promotion of regional customs cooperation—were achieved. All four outcome indicators were achieved. The automation of the customs service with the full UAIS rollout improved the efficiency and transparency of customs services. Customs revenue collection in 2012 was \$639 million, which is five times the \$114 million collection level in 2003. As of the end of 2012, the SCS reported a 70% achievement (100% from 1 January 2014) in customs declarations processing through the UAIS. Processing time for customs declarations significantly decreased, from 60 minutes to 5–15 minutes. According to the annual SCS reports, corruption levels have declined because of less human interference in the customs procedures. As of the end of 2012, the number of customs irregularities fell to 3,076 from 4,488 cases in 2005, and is expected to fall further.

42. The government is in the process of reviewing and reforming its trade facilitation strategy, which forms a part of the national development strategy, in line with the anticipated accession into the Customs Union (footnote 18). The SCS continued to implement the Action Plan of the Customs Service Development Strategy for 2011–2013, approved in December 2010 and the new Customs Service Development Strategy for 2014–2017, approved in 2013. To improve customs legislation, the SCS has supported passage through parliament of eight laws aimed at simplifying administrative procedures regulating external trade, and streamlining the function

and management of the SCS. The SCS has also reformed its organizational structure, setting up units for customs procedures methods, analytical and operational work, and strengthened SCS operational functions. The SCS set up hotline numbers at each customs post and provides information on the hotline numbers and an email address in the customs declaration forms. Any participant of trading operations can file a complaint to the head of the local SCS department or complain directly to the SCS head using hotline numbers or email.

43. Customs cooperation is promoted through the Kyrgyz–Tajik cross-border transit and transport agreement which was signed in May 2004, and through the data sharing agreement with the People’s Republic of China was signed in September 2004.

C. Efficiency in Achieving Outcome and Outputs

44. The project is rated *less than efficient*, mainly because of initial delays in project implementation which led this 5-year project to be completed over 8 years. Eight out of nine output indicators were achieved. The physical outputs of the project (UAIS implementation and BCP infrastructure) were completed using 80% of funds. The UAIS software and hardware was installed at all 37 BCPs, which also introduced green corridors and selective inspections. All BCPs are connected to the SCS headquarters through both satellite and landline communications systems. Three BCPs were rehabilitated under the project because of the increased scope for rehabilitation of integrated BCPs. Two major BCPs—Chon–Kapka and Kyzyl–Kiya²¹—were fully rehabilitated; equipped with hardware, anti-smuggling, and other equipment; and thus transformed into modern BCPs. At one BCP (Kulundu), temporary facilities sufficient for small BCP operations were rehabilitated. Construction works of satisfactory design and quality at three BCPs for a total cost of \$1.719 million (at \$0.469 million per BCP on average) are evaluated to be *efficient*. Funds were used in a cost-effective way. During 2011–2013, three BCPs (Ak–Tilek, Kairagach, and Kyzyl–Bel) were financed out of the government budget, at around \$0.9 million each. These BCPs are of a comparable size to the rehabilitated BCPs under the project. The negotiations on rehabilitation of the major BCP, Torughart, are ongoing with the Government of the People’s Republic of China, while the Karamyk BCP is to be rehabilitated under the CAREC Regional Improvement of the Border Services Project (footnote 17). By the end of 2013, the government was able to rehabilitate 11 BCPs (including three BCPs covered under the project).

45. The project supported the installation of the UAIS in all 37 BCPs. The UAIS allows centralized processing of importers and exporters and automatic calculation of duties and taxes (which was not possible at the start of the project), and reduces the opportunities for unofficial trade. According to the latest 2013 Business Environment and Enterprise Performance Survey,²² the country’s business climate has significantly improved since 2008, yet corruption remains one of the key obstacles to doing business. The survey states that there are significant improvements observed in customs administration in terms of an almost twofold reduction in unofficial payments and improvements in customs and trade, which is no longer seen as being an obstacle to doing business. While a re-evaluation of the project’s economic internal rate of return has not been undertaken, the automated customs declaration system, improved BCP facilities, and simplified customs procedures have led to more efficient and transparent customs services and improved the enabling environment for trade.

²¹ The scope change is explained in para. 19.

²² World Bank. 2013. *Business Environment and Enterprise Performance Survey in the Kyrgyz Republic*. Bishkek.

46. The detailed designs, as stipulated by Government Decree #587 (footnote 19), for construction works at all 29 automobile-accessible BCPs (out of total 37 BCPs) in the Kyrgyz Republic were developed. These detailed designs have been used by the SCS for rehabilitation of BCPs, using either government funds or development partner resources, including funds from the CAREC Regional Improvement of the Border Services Project. This was an additional output achieved, and was not planned at appraisal. The status of achievements against the indicators in the project framework is in Appendix 1.

D. Preliminary Assessment of Sustainability

47. Sustainability of the project is rated *likely*. The government is making efforts to ensure the sustainability of the project through sufficient budget and resource allocations for the operation and maintenance of the UAIS and the BCP infrastructure. However, this should be ensured through annual budget allocations. The SCS should adopt and implement various recommendations (included in Section IV) for operation and maintenance of the UAIS and BCP infrastructure. The sustainability of the project is assessed according to following criteria:

- (i) **Operation and maintenance of the unified automated information system and the border-post infrastructure.** The UAIS had the benefit of a 1-year warranty, until 31 December 2013, and 5-year maintenance agreement with the main contractor (Crown Agents). Crown Agents issued a right for the maintenance of the UAIS to its local subcontractor, Screen. The SCS (a) secured annual budget allocations of Som4.6 million for 2014; and (b) requested a budget allocation of Som5.5 million for maintenance, technical and advisory support, and upgrade of the system for 2015. This may be necessary if the legislation changes, driven by the Kyrgyz Republic's expected accession into the Customs Union within the next few years. The budget for UAIS operation and maintenance will be allocated from the republican budget on a compulsory basis. The SCS seems to be budgeting properly for maintenance of the BCPs in its annual budget. The SCS outsources BCP maintenance to the state-owned enterprise Customs Infrastructure, established in 2010.
- (ii) **Capacity building and public awareness raising activities.** During project implementation the SCS undertook regular capacity building of its staff, in addition to the training financed under the project. However, there is still weak capacity among customs officers on overall information technologies and the UAIS. The SCS implemented a UAIS training plan which, by the end of 2013, trained 700 end users of the UAIS (569 SCS staff and 131 customs brokers). To ensure uninterrupted UAIS operation, the SCS will continue UAIS training of different modules for up to 200 customs officers annually, undertaken regularly at the SCS training center. The SCS conducts consultations through its consultative committee with the government, traders and customs brokers, and other participants of trading operations on the changes to customs policies, legislation, and tariffs.

48. Under the CAREC Regional Improvement of the Border Services Project, efforts in streamlining interagency cooperation and overall enhancing of the cross-border trade in Central Asia and with the rest of the world are being continued. This project will further enhance the PCSW and ensure that it is fully integrated with the UAIS and is robust and fully functional.

E. Impact

49. **Economic impact.** Trade grew significantly from \$2.5 billion in 2005 to \$8.9 billion in 2013. According to the latest World Trade Report 2012,²³ the Kyrgyz Republic's trade regime—which ranked 15th out of 125 countries (in 2011) with an average tariff rate of 3.3%—was more open than that of an average European or Central Asian country (4.4%) or low-income country (11.6%). It is difficult to measure the extent to which the trade turnover increase could be attributed to the project, yet it is clear that improved customs administration and modernization efforts affect trade. The level of foreign direct investment also increased from \$132 million in 2005 to \$757 million in 2013, which may reflect overall improvement in the investment climate and business environment. According to the World Bank 2012 Logistics Performance Index, the index for the Kyrgyz Republic slightly worsened from 2.62 in 2011 to 2.35 in 2012 (the same as in 2008). This can be attributed to the trade disruptions and border closures after the 2010 civil unrest and political crises in the country. But during 2011–2012 trade rebounded strongly, especially for non-gold sectors. The Logistics Performance Index subcategories ranking on efficiency of customs and quality of infrastructure have improved. The Kyrgyz Republic outperforms most of the Commonwealth of Independent States countries in the customs dimension of the index.

50. **Institutional impact.** The SCS has identified a number of positive factors that it assigns directly to the project. These include (i) the reduction of 15 regional customs offices to six, (ii) a large increase in the collection of customs duties, and (iii) reduced corruption.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

51. Although project implementation was delayed compared with the schedule prepared at appraisal, the project was implemented as conceived and its impact, outcome, and outputs were *largely achieved*. Targets for the outcome indicators were *substantially met* (paras. 41–43). The original project framework specified three outputs: (i) development of the UAIS; (ii) development of border-post infrastructure; and (iii) human resource development, public awareness, and border interagency cooperation, and these were *largely achieved* (paras. 44–46)

52. On the basis of the preceding assessment, the project is rated *relevant, effective, less than efficient*, and *likely to be sustainable*. Overall the project is rated *successful*. The government is putting sufficient efforts into ensuring the sustainability of project achievements, through sufficient budget and resource allocations for the operation and maintenance of the UAIS and BCP infrastructure. The CAREC Regional Improvement of the Border Services Project is continuing efforts in streamlining interagency cooperation and overall enhancing of cross-border trade in Central Asia and with the rest of the world.

B. Lessons

53. **Project implementation capacity of the executing and implementing agencies.** The provision of training for the executing and implementing agencies at the outset, not only in ADB procurement procedures but also in project management techniques, would probably have

²³ World Trade Organization. 2012. *World Trade Report 2012*. Geneva.

reduced the project start-up delays. Future projects should include appropriate training to new executing and implementing agencies at start-up.

54. **Training in basic information and communication technology skills.** While the project recognized the importance of training in basic ICT skills for users of the UAIS, it left the provision of this training to the executing and implementing agencies. Because this is a prerequisite for any large-scale ICT system development, future projects should set this as an appropriate loan covenant.

C. Recommendations

1. Project Related

55. The implementing agency should ensure adequate capacity of the ICT department to operate the UAIS to ensure sustainability of the project results. The implementing agency should continue to allocate sufficient resources in the annual budget for operation and maintenance of all equipment, and to ensure training and retraining of the staff.

56. The government should ensure close collaboration of the SCS and the state-owned enterprise single window in the Karamyk BCP design and construction, as well as the expansion of the PCSW software under the CAREC Regional Improvement of the Border Services Project.

57. The executing and implementing agencies should continue their active public awareness campaign on the UAIS and other customs reforms. Public awareness campaigns for projects of this nature are critical, as such efforts help governments gain broad-based support for modernization efforts by all stakeholders, including the direct beneficiaries of the project.

2. General

58. **Project design.** The first prerequisite for any modernization project, especially if it is covering change management and automation of business processes, should be the availability of a clear sector development strategy. The project's original design was too ambitious in scope. Future projects of this nature should ensure that the design is more focused and more consistent with available resources. ADB should consider the inclusion of professional technical expertise, including in ICT, at the design phase in projects of this type.

59. **Interagency cooperation for information and communication technology systems development and operation.** Interagency coordination for ICT systems development and operation is critical. Governments must take the necessary measures to ensure technological compatibility of the ICT systems developed for different agencies (tax and customs services, central treasury, justice and finance ministries, and others). Adequate financial resources should be allocated for operation and maintenance of the ICT systems, as well as to improve the capacity of the ICT departments within these agencies.

PROJECT FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks	Actual Achievement
Goal Promotion of international trade and an enabling environment for private sector development	Increased international trade (baseline: \$2.5 billion in 2005) and foreign direct investment (baseline: \$132.0 million in 2005)	Government's economic and social statistics; and statistics compiled by international financial institutions		Achieved. Trade totaled \$8.9 billion in 2013. The level of foreign direct investment increased to \$757 million.
Purpose Improved efficiency and transparency of customs services	Corruption reduced and quality of customs services improved as reflected in periodic surveys of traders' and brokers' perceptions	<p>Periodic surveys conducted by the CSD</p> <p>Consultation through the project steering committee and the existing Consultative Council with traders and brokers</p> <p>Survey conducted under the Project and technical assistance</p> <p>Quarterly report on customs revenue collection</p> <p>Incidences of smuggling and drug trafficking captured as compiled by the CSD</p> <p>Reports prepared for the Customs Cooperation Committee meeting, senior officials' meetings, and</p>	<p>Senior management leadership of the Executing Agencies and accountability of a team in the implementing agencies dedicated to customs modernization and customs cooperation will continue.</p> <p>Further trade liberalization and tariff reduction poses a risk for revenue collection in the short run.</p> <p>Adequate budget support</p> <p>International development institutions facilitate regional customs cooperation with adequate technical assistance and staff support</p>	<p>Achieved. The Financial Intelligence Service under the government was established in September 2005, while the Anticorruption Service of the State National Security Committee was established on 14 December 2011.</p> <p>As of the end of 2012, the SCS reported a 70% (100% from 1 January 2014) achievement in processing of customs declarations through the UAIS. Processing time for customs declarations decreased from 60 minutes to 5–15 minutes. According to internal SCS reports, corruption is assessed to have declined because of less human interference in customs procedures.^a</p> <p>According to the latest 2013 Business Environment and Enterprise Performance Survey, the country's business climate has significantly improved since 2008, yet corruption remains one of the key obstacles to doing business. Significant improvements have been observed in the customs administration, e.g., an almost twofold reduction in unofficial payments and improvements in customs and trade policies, which are seen as being no longer an obstacle to doing business.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks	Actual Achievement
	<p>Revenue collection increases by 25% by the end of the project implementation compared with the baseline measurements (\$114 million in 2003 for the Kyrgyz Republic)</p> <p>Incidences of smuggling and irregularities in customs declaration reduced by the end of the project (baseline: 4,488 cases in 2005)</p>	<p>the Ministerial Conference for the Central Asia Regional Economic Cooperation Program</p>		<p>In addition, in 2010 the Council of Public Oversight (CPO) was formed at the SCS to monitor the operational efficiency, increase accountability, and reduce corruption within the SCS. The CPO is composed of representatives of civil society, academia, and the private sector (associations, professionals, trade unions, and experts) and plays a supervisory role. In addition, the Consultative Committee, which includes government, private sector representatives, brokers, and other participants of trading operations and is chaired by the head of the SCS, serves as a platform for a regular dialogue and discussion of any problems and initiation of legal or regulatory changes in the area of trade. Information on both the CPO and consultative committee work is regularly updated on the official website of the SCS (www.customs.gov.kg).</p> <p>Achieved. Customs revenue collection in 2012 was \$639 million, which is five times the \$114 million level of collections in 2003.</p> <p>Achieved. As of the end of 2012, the number of customs irregularities fell to 3,076 from 4,488 cases in 2005. The number of irregularities is expected to fall further. It should also be noted that the SCS capacity to capture the irregularities has improved.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks	Actual Achievement
Trade facilitation and promotion of regional customs cooperation	Transit agreement signed between the Kyrgyz Republic and Tajikistan by the end of 2004; a data sharing agreement between the Kyrgyz Republic and the PRC signed by the end of 2004			Achieved. The Kyrgyz–Tajik transit agreement was signed in May 2004, while a data sharing agreement with the PRC was signed in September 2004.
Outputs Development of a unified automated information system (UAIS) Border-post infrastructure development	<p>Number of customs declarations filed and processed through the automated systems; system rollout expected last quarter in year 2 of project implementation, and 60% of declarations expected to be processed through automation by the end of year 5.</p> <p>Import and/or truck clearance time monitored at pilot border posts; baseline indicators and target will be determined through survey in year 1. (baseline: 60 minutes in 2005)</p> <p>Incidences of undervaluation, fraudulent declarations, and contraband captured at pilot border posts and the overall incidences compiled by the customs headquarters to decline (baseline: 4,488 cases in</p>	<p>CSDs' internal reports and publications on smuggling and irregularities in customs declaration</p> <p>Project management office (PMO) quarterly reports</p> <p>Survey conducted by the CSDs and under the TA</p> <p>TA reports</p> <p>Asian Development Bank (ADB) staff review missions</p>	<p>Project implemented smoothly as envisaged under customs modernization</p> <p>Master plans developed by the EAs and CSDs</p> <p>Effective implementation of Change management to manage resistance from vested interest groups benefiting from lack of transparency and inefficient customs systems.</p> <p>Strong emphasis on consultation with private sector stakeholders and relevant agencies</p> <p>Intensive training with clearly defined outcomes (e.g., staff reaching higher professional levels and ability to operate the automated declaration processing</p>	<p>Achieved. Number of customs declarations processed through UAIS reached 180,500, around 70% of the total, yet the project schedule was too ambitious and the system rollout was only possible by the end of 2012.</p> <p>Achieved. Processing time for customs declarations decreased from 60 minutes in 2005 to 5–15 minutes in 2012.</p> <p>Achieved. As of the end of 2012, the number of customs irregularities fell to 3,076 from 4,488 cases in 2005. The number of irregularities is expected to fall further. It should also be noted that the SCS capacity to capture the irregularities has improved.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks	Actual Achievement
Human resource development, public awareness campaign, and border interagency cooperation (to support implementation of components 1 and 2)	2005) Number of border posts will introduce "green corridors" and selective inspections supported by the risk management system and post-entry audit; 10 major border posts will introduce risk management practices by the end of project implementation. (baseline: 0 in 2005)		system)	Partly achieved. 37 BCPs introduced green corridors and selective inspections. Three BCPs were rehabilitated under the project. Two major BCPs—Chon–Kapka and Kyzyl–Kiya (originally envisaged 10 BCPs but reduced to two BCPs, as explained in para. 19 of main text) were fully rehabilitated; equipped with hardware, anti-smuggling, and other equipment; and thus transformed into modern standard BCPs. At one BCP (Kulundu) temporary facilities, sufficient for small BCP operation, were rehabilitated. The UAIS, installed at all 37 BCPs, creates post-entry risk profiles according to Kyrgyz legislation. Therefore, every operation is being screened using the risk profiles.
	New human resource policy introduced (based on the review and recommendations of the accompanying TA) by early 2006			Achieved. The new human resource policy was introduced in 2010 that envisages improved selection, appointments, promotion procedures, as well as opportunities for training and capacity development. In 2012, the human resources policy was revised to ensure full UAIS rollout, and O&M.
	Institutional structure reorganized and new business processes introduced in light of change management efforts and review supported by the TA, by the end of 2006			Achieved. For implementation of the Customs Service Development Strategy 2011–2013, the new institutional structure was adopted in 2011, which introduced a special department dedicated to the UAIS rollout and O&M, among other things.
	Number of trained officers reached			Achieved. According to the UAIS training plan, all UAIS end

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks	Actual Achievement
	<p>higher professional levels as defined by newly introduced human resource policy</p> <p>Number of staff qualified to operate the automated information system</p> <p>Border-post procedures streamlined in consultation with the other border agencies and private sector stakeholders</p>			<p>users (554 staff of the SCS and 111 customs brokers) were to be trained prior to the UAIS rollout. As of December 2012, 449 SCS staff (77% of total) and 91 specialists (82% of total) of the broker companies were trained to use the UAIS. The rest were trained in 2013 as the training was linked to the UAIS rollout to minor BCPs in the southern part of the country. As of the end of 2013, 700 end users (569 SCS staff and 131 customs brokers) of the UAIS had received training.</p> <p>Achieved. According to the new human resources policy, all promotions are done through attestation, which now includes satisfactory UAIS operation for the SCS staff.</p> <p>Achieved. Border post procedures are streamlined according to Government Decree #587, as of 13 December 2007. Moreover, the Consultative Committee, which includes government, private sector representatives, brokers, and other participants of trading operations and is chaired by the head of the SCS, serves as a platform for a regular dialogue and discussion of any problems and initiation of legal or regulatory changes in the area of trade. The information on consultative committee work is regularly updated at the official website of the SCS (www.customs.gov.kg).</p>
<p>Activities</p> <p>Development of the UAIS</p> <p>Border-post infrastructure development</p> <p>Human resource</p>	<p>Exports and imports clearance will be automated, and management information systems will be established</p> <p>About 10 border posts in the Kyrgyz</p>	<p>PMO progress reports</p> <p>ADB review missions</p>	<p>Inadequate attention to planning and development of the master plans for all projects components</p> <p>Selection of qualified</p>	

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks	Actual Achievement
development, public awareness campaign, and border interagency cooperation (to support implementation of components 1 and 2)	<p>Republic will be rehabilitated and constructed, and control facilities reorganized in line with best practices in trade facilitation.</p> <p>About 28 border posts will be connected to the customs headquarters system</p> <p>Number of customs officers undergoing ICT training courses and on-the-job training on the automated system and customs equipment (to be determined in the detailed plan)</p> <p>Number of consultation meetings and workshops organized for customs officers, traders, and other border agencies as part of change management efforts, streamlining of border procedures, and public awareness campaign (to be determined in the detailed plan)</p>		<p>consulting firms and individual consultants under the loan and TA</p> <p>Selection of competent PMO Director and specialists</p> <p>Timely release of the counterpart funds</p> <p>Effective project implementation for procurement and disbursement</p> <p>Lack of experience with ADB's project procedures</p>	

BCP = border crossing point, CSD = Customs Services Department, CPO = council for public oversight, EA = executing agency, ICT = information and communication technology, O&M = operation and maintenance, PMO = project management office, SCS = State Customs Service, TA = technical assistance, UAIS = unified automated information system.

^a Source: End-project survey by the SCS held in 2012. Quarterly and annual reports of the SCS on the implementation of the action plan for the Customs Service Development Strategy 2011–2013.

SUMMARY OF CHANGES IN PROJECT SCOPE AND IMPLEMENTATION ARRANGEMENTS

Date of Approval	Type of Change	Subject	Details
5 August 2005	Minor change	Change in implementation arrangements	Extension of the deadline for loan effectiveness to 25 Oct 2005
17 February 2006	Minor change	Change in implementation arrangements	Extension of the deadline for loan effectiveness to 24 Feb 2006
18 June 2007	Minor change	Change in implementation arrangements	Changing executing and implementing agency titles
4 March 2008	Minor change	Change in scope and implementation arrangements	Changes in the person-months of the international and national consultants' input
22 January 2009	Minor change	Change in implementation arrangements	Waiver of prequalification of national contractors for civil works contracts of less than \$1 million
14 April 2009	Minor change	Change in scope	Reduction in the number of the border posts planned for reconstruction under the project
15 April 2009	Minor change	Change in implementation arrangements	To allow the project to recruit an international firm to develop the software for the Unified Automated Information System using quality- and cost-based selection
16 April 2009	Minor change	Change in implementation arrangements	A change of the quality- and cost-based selection weightings from 80:20 to 90:10 for selection of a consulting firm for the development of software for the Unified Automated Information System
16 November 2009	Minor change	Extension of loan closing date	Extension for 12 months from 30 June 2010 to 30 June 2011
4 December 2009	Minor change	change in implementation arrangements	Changing the name of the implementing agency from State Customs Committee to State Customs Service
29 October 2010	Minor change	Extension of loan closing date	Extension for 12 months from 30 June 2011 to 30 June 2012
17 May 2012	Minor change	Extension of loan closing date	Extension for 6 months from 30 June 2012 to 31 December 2012

Source: Asian Development Bank.

STATUS OF COMPLIANCE WITH LOAN COVENANTS

Financial Covenants	Implementation Status
<p>1. Section 4.02(a), Project Account: The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iv) furnish to ADB, as soon as available but in any event not later than six (6) months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.</p>	Complied with.
<p>2. Section 4.02(b), Project Account: The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the Borrower's auditors, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.</p>	Complied with.
<p>3. Section 4.03, Quarterly Reports: Without limiting the generality of Section 6.05(a) of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Project and on the operation and management of the Project facilities.</p>	Complied with.
<p>4. Section 4.04, Project Inspection: The Borrower shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.</p>	Complied with.
<p>5. Schedule 3 para 8 (a), Imprest Account/Statement of Expenditures: Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at a bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. The initial amount to be deposited into the imprest account shall not exceed the equivalent of \$500,000..</p>	Complied with.
<p>6. Schedule 3 para 8 (b), Statement of Expenditures (SOE) procedure may be used for reimbursement of eligible expenditures for and to liquidate advances provided into the imprest account, in</p>	Complied with.

Financial Covenants	Implementation Status
accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$20,000.	
7. Schedule 3 para 9, Conditions of Withdrawals from Loan Account: Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until a PMO shall have been established in a manner satisfactory to ADB.	Complied with.
Other Covenants	
8. Schedule 6 para 1, Project Executing Agency: As the Project Executing Agency, MOF shall have overall responsibility for carrying out the Project. The Chairman of Committee for Revenue shall be the Project Director with overall responsibility for project management. A senior staff of State Customs Department shall be the Deputy Project Director.	Complied with.
9. Schedule 6 para 2, Project Steering Committee: The Project Steering Committee (PSC) shall be established by MOF immediately after the Effective Date to provide the overall guidance and coordinate issues related to Project implementation. PSC shall serve as a mechanism for consultation with relevant government agencies and private sector stakeholders. PSC shall be chaired by the Chairman of CR and shall comprise the head and deputy head of CSD, representatives of relevant ministries and agencies such as the Drug Control Agency and private sector stakeholders. PSC shall meet twice a year, or as needed.	Partly complied with. PSC was established, meetings took place, but not as regularly as scheduled because of frequent changes in the government.
10. Schedule 6 para 3, The Project Management Office (PMO): The PMO shall be set up within CR for the day-to-day implementation of the Project.	Complied with.
11. Schedule 6 para 4, Established, Staffed, and Operating PMO: The Borrower shall ensure that PMO will remain adequately staffed throughout project implementation. PMO shall be headed by a full-time qualified PMO Director selected on a competitive basis, acceptable to ADB. The PMO Director shall be assisted by a group of qualified technical and administrative specialists including loan finance officer/accountant, procurement specialist, ICT/training specialists, customs infrastructure specialists and office manager/interpreter, all of whom shall be selected on a competitive basis.	Complied with.
12. Schedule 5 para 1, Fielding of Consultants: The services of consultants shall be utilized in the carrying out of the Project, particularly with regard to: (a) systems analysis and design (technical specifications, hardware and software strategy); (b) systems development and integration; (c) systems implementation; and (d)	Complied with.

Financial Covenants	Implementation Status
border infrastructure/civil engineering; and project management advices.	
<p>13. Schedule 6 para 5, Master Plan:</p> <p>The working group consisting of staff from the MOF and CR will be responsible for preparing a master plan for the development of UAIS and border-post infrastructure development. The Borrower shall ensure that the master plan will be completed within one year from the Effective Date. With regard to UAIS, the master plan will include, but not limited to, and technical specifications, priority and sequencing of the development of various application systems for the UAIS, piloting testing, change management, consultation, and training measures. The Borrower shall ensure successful implementation of the master plan, including the training measured thereunder.</p>	Complied with.
<p>14. Schedule 6 para 6, Counterpart Funding:</p> <p>The Borrower shall ensure timely allocation and provision of all counterpart funds and resources necessary for the successful implementation of the Project. By end of each year of project implementation, CR will prepare and submit to MOF an operation plan for the following year indicating the counterpart financing requirement.</p>	Complied with.
<p>15. Schedule 6 para 7, Project Monitoring and Evaluation:</p> <p>The Borrower shall ensure the establishment of a project performance management system within one year from the Effective Date. Key indicators and baseline conditions will be developed through survey and incorporated in the regular reporting system. Project monitoring and evaluation reports will be submitted to ADB on a quarterly basis. Project impacts will be evaluated upon the completion of the Project accounting to a schedule and terms of reference to be agreed upon by CR and ADB.</p>	Complied with.
<p>16. Schedule 6 para 8, Project Review:</p> <p>The Borrower and ADB will jointly review the Project at least twice during the first year of project implementation and at least once a year thereafter, and will monitor overall performance of the PMO. A comprehensive midterm review of the project will be undertaken after three (3) years from the beginning of project implementation to identify and problems and constraints encountered and assess the need for mid-term modification of the Project scope and implementation arrangements.</p>	Complied with.
<p>17. Schedule 6, para 9, Investment Plan:</p> <p>The Borrower shall ensure that an investment plan for upgrading the UAIS and customs infrastructure will be developed by the end of the third year of project implementation.</p>	Complied with.
<p>18. Audit Report #04/231 (Audit of Contract Variations, 24 Feb 2004):</p> <p>The Borrower and the EA should seek ADB's approval prior to any substantial contract variation based on the existing provision in the loan agreement.</p>	Complied with.

COMPARISON OF APPRAISAL AND ACTUAL PROJECT COSTS

Project Cost Estimates and Financing Plan by Source at Appraisal and Actual
(\$ '000)

Item	Appraisal Estimates						Actual					
	ADB Financing			Government Financing		Total	ADB Financing			Government Financing		Total
	Foreign	Local	Total	Local	Local	Project	Foreign	Local	Total	Local	Local	Project
	Exchange	Currency	Cost	Currency	Currency	Cost	Exchange	Currency	Cost	Currency	Currency	Cost
A. Investment Cost												
1. Civil Works	0.720	0.880	1.600	0.200	1.080	1.800	0.773	0.947	1.719	0.246	1.193	1.965
2. Equipment and Vehicles												
a. ICT equipment	1.293	0.000	1.293	0.000	0.000	1.293	1.384	0.000	1.384	0.000	0.000	1.384
b. Other Equipment	0.522	0.000	0.522	0.000	0.000	0.522	0.515	0.137	0.652	0.000	0.137	0.652
c. Equipment support	0.000	0.616	0.616	0.000	0.616	0.616	0.000	0.000	0.000	0.000	0.000	0.000
3. Consulting services										0.000		
a. International	0.440	0.000	0.440	0.000	0.000	0.440	0.350	0.000	0.350	0.000	0.000	0.350
b. National	0.000	0.037	0.037	0.000	0.037	0.037	0.000	0.000	0.000	0.000	0.000	0.000
c. Project management	0.000	0.230	0.230	0.000	0.230	0.230	0.000	0.503	0.503	0.000	0.503	0.503
4. Training, fellowships, and workshops	0.049	0.298	0.347	0.000	0.298	0.347	0.000	0.000	0.000	0.000	0.000	0.000
5. Software development	1.500	0.228	1.728	0.000	0.228	1.728	2.109	0.000	2.109	0.000	0.000	2.109
6. Awareness compaign	0.000	0.080	0.080	0.000	0.080	0.080	0.000	0.006	0.006	0.000	0.006	0.006
7. Operating costs	0.000	0.260	0.260	0.000	0.260	0.260	0.000	0.157	0.157	0.000	0.157	0.157
8. Taxes and Duties	0.000	0.000	0.000	1.354	1.354	1.354	0.000	0.000	0.000	0.749	0.749	0.749
Subtotal (A)	4.524	2.629	7.153	1.554	4.183	8.707	5.131	1.748	6.879	0.995	2.743	7.874
B. Contingencies	0.136	0.025	0.161	0.321	0.346	0.482	0.000	0.000	0.000	0.000	0.000	0.000
C. Interest charge	0.173	0.013	0.186	0.000	0.013	0.186	0.132	0.000	0.132	0.000	0.000	0.132
Total project costs	4.833	2.667	7.500	1.875	4.542	9.375	5.263	1.748	7.011	0.995	2.743	8.006

ADB = Asian Development Bank, ICT = information and communication technology
Sources: Asian Development Bank and project implementation unit.

LIST OF BORDER CROSSING POINTS WITH INSTALLED UNIFIED AUTOMATED INFORMATION SYSTEM

№ Customs Authority / Subdivision

1	Eastern customs
2	BCP Balykchi
3	BCP Karakol
4	BCP Naryn
5	BCP Torughart
6	Western customs
7	BCP Chon–Kapka
8	BCP Talas
9	Train customs Severnaya
10	BCP Karabalta / BCP Kaindy
11	BCP Belovodsk
12	BCP Sokuluk
13	BCP Alamedin
14	BCP Avtomobilnyi
15	BCP Bishkek-1
16	BCP Railway station
17	BCP Kant
18	BCP Tokmok
19	Customs Manas
20	BCP “KMM”
21	BCP Muza
22	Central Customs
23	BCP Bishkek
24	BCP Ak-Jol
25	BCP “BTS”
26	BCP STF-Service
27	BCP Kyrgyz–Mebel
28	BCP Karabalta
29	BCP Chaldybar
30	BCP Ak-Tilek
31	BCP Kenbulun
32	BCP FEZ “NVZ”
33	BCP FEZ Ak-Chii
34	Batken customs
35	Osh customs
36	Jalal-Abad customs
37	SCS Central Office

BCP = border crossing point, FEZ = free economic zone, SCS = State Customs Service
Source: State Customs Service of the Kyrgyz Republic.

LIST OF BORDER CROSSING POINTS REHABILITATED AND WITH INSTALLED ANTI-SMUGGLING EQUIPMENT

No	Post Name	Servers and switching equipment	Computer and office equipment	Generators	Inverters	Scales	Other equipment	Satellite antennas	Video equipment
State Customs Service and Reserve Center									
1	SCS	201	472	1	7			1	
Train Customs "Severnaya"									
2	DOM, DPVCR, CPMD, ASD	59	128	1	1				
3	BCP "Kaindy" and «Karabalta»	1	1	1	1				
4	BCP "Alamedin" and "Avtomobilnyi"	1	1	1	1				
5	BCP "Bishkek-1"	1	1						
6	BCP "Railway station "	1	1						
7	BCP "Kant"	1	1						
8	BCP "Tokmok"	1	1						
9	BCP "Sokuluk"	1	1						
10	BCP "Belovodskoe"	1	1						
Central Customs									
11	PCCD, DOM, CPMD, ASD	90	172		1				
12	BCP "Ak-Jol"	1	1	1	1				
13	BCP "Business-Trans-Service"	1	1		1				
14	BCP "Avtomobilnyi"	1	1		1				
15	BCP "STF-service" (for the goods arrived from China)	1	1		1				
16	BCP "Chaldybar"	1	1	1	1				
17	BCP "Kyrgyzmebel"	1	1						
18	BCP "Kara-Balta"	1	1						
19	BCP "Ak-Tilek", BCP "Tokmok"	1	1	1	1			1	
20	BCP "Ken-Bulun"	1	1						
21	BCP "Tokmok"	1	1	1	1				
22	BCP "NVZ" FEZ Bishkek	1	1						
23	BCP "Ak-Chii"	1	1						
24	BCP "Jayl"								
25	BCP "Kamyshanovka"								
26	BCP "Energo" Customs Clearamce Group Group of preliminary procedures, BCP	1	1						
Eastern Customs									
27	ASD, CPMD, DPVCR	37	38						
28	BCP "Torugart"	1	1	1	1			1	
29	BCP "Naryn-cargo"	1	1						
30	BCP "Balykchi"	1	1		1				
31	BCP "Issyk-Kul-airport"	1	1						
32	BCP "Karakol"	1	1						
33	BCP "Karkyra"								
34	BCP Naryn								
35	BCP "Karakol-airport"								

No	Post Name	Servers and switching equipment	Computer and office equipment	Generators	Inverters	Scales	Other equipment	Satellite antennas	Video equipment
Customs "Manas"									
36	ASD, CPMD, DPVCR, BCP "Manas-airport", BCP "KMM"	8	38		1				
37	CG "Muza"	1	1						
Western Customs									
38	ASD, CPMD, DPVCR	22	18						
38	BCP "Chon-Kapka avtodorojnyi"	1	1	1	1	1	vehicle state registration number identificator		6 surveillance video cameras, traffic lights, barriers
39	BCP "Kichi -Kapka"								
40	BCP "Kurkuro"								
41	BCP "Talas"	1	1						
Osh Customs									
42	DOM, CPMD, PCCD ID, ID, DTC, DPVCR				1				
43	BCP "Irkeshtam"			1	1	2	vehicle state registration number identificator		6 surveillance video cameras, traffic lights, barriers
44	BCP "Dostuk"				1				
45	BCP "Kara-Suu"								
46	BCP "Kara-Myk"								
47	BCP "Bor-Dobo"								
48	BCP "Kara-suu railway"				1				
49	BCP "railway Osh"				1				
50	BCP "airport-Osh"								
51	BCP "Osh"								
52	BCP "Irkeshtam"							1	
53	BCP "Avtomobilnyi"								
Jalal-Abad Customs									
54	DOM, CPMD, DPVCR				1				
55	BCP "Bek-Abad"								
56	BCP "Baimak"								
57	BCP "Madaniyat"								
58	BCP "Seidikum"								
59	BCP "Kensai"								
60	BCP "Sakaldy"								
61	BCP "railway Shamaldy-Sai"								
62	BCP "railway Jalal-Abad"								
63	BCP "Maily-Suu"								

No	Post Name	Servers and switching equipment	Computer and office equipment	Generators	Inverters	Scales	Other equipment	Satellite antennas	Video equipment
Batken Customs									
64	DOM, CPMD, DTC, DPVCR				1				
65	BCP "Kyzyl-Kiya"					1	vehicle state registration number identificator		6 surveillance video cameras, traffic lights, barriers
66	BCP "Kyzyl-Bel"								
67	BCP "Kairagach"								
68	BCP "Kulundu"								
69	BCP "Kadamjai"								
70	BCP "Otukchu"								
71	BCP "Kojokurum"								
72	BCP "Batken"								
73	BCP "railway Kyzyl-Kiya"								

ASD = accounting and statistics division, BP = border post, BCP = border crossing point, CG = customs group, CPMD = customs procedures monitoring division, DOM = department of organizational management, DPVCR = division on prevention of violation of the customs regulations, DTC = division of drug trafficking control, ID = integrity division, PCCD = post customs control division, SCS = State Customs Service

Source: State Customs Service of the Kyrgyz Republic.

PROJECT IMPLEMENTATION SCHEDULE

Components and Activities ^a	2005				2006				2007				2008				2009				2010				2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Start-up Activities																																
Establish project management office (PMO) and recruit consultants																																
Review customs legislations, systems, structure, and resources																																
Define performance criteria, quality standards																																
Prepare implementation plans																																
Component 1: Development of the UAIS																																
1.1: Development of Core Application Systems of the Unified Automated Information System (UAIS)																																
1.1.1 Review existing information and communication technology (ICT) infrastructure, databases, and procedures																																
1.1.2 Develop information plan, and hardware/software strategies																																
1.1.3 Prepare preliminary systems design, define architecture																																
1.1.4 Produce final functional and technical specifications																																
1.1.5 Develop, integrate and test priority application systems																																
1.1.6 Procure system components and hardware																																
1.1.7 Implement application systems, system software, Management Information System (MIS), Data Base Management System (DBMS)																																
1.1.8 Sytems maintenance and operations																																
1.2: Development of Communication Infrastructure																																
1.2.1 Review existing communications infrastructure/local area network (LAN)																																
1.2.2 Design, install and maintain communications hardware & software																																

	2005				2006				2007				2008				2009				2010				2011				2012			
Components and Activities ^a	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.3: Human Resource Development (HRD) and Public Awareness Campaign																																
1.3.1 Prepare HRD plan, including training and staffing plans ^b																																
1.3.2: Implement change management; train customs staff on ICT																																
1.3.3: Design and conduct public consultation and awareness campaign ^b																																
Component 2: Border-Post Infrastructure Development																																
2.1: Improvement of Customs Border-Posts and Facilities																																
2.1.1: Survey and prioritize border posts in selected areas and prepare bid documents for renovation and construction of border posts																																
2.1.2: Renovate existing border posts in selected areas																																
2.1.3: Equip renovated border posts; strengthen laboratories at headquarters (HQ)																																
2.2: Provision of Customs Operations and Anti-Smuggling Equipment																																
2.2.1: Determine priority posts and prepare bid documents																																
2.2.2: Procure and allocate customs operations and anti-smuggling equipment																																
2.3: Capacity Building and Border Interagency Cooperation																																
2.3.1: Conduct consultation and strengthen interagency cooperation for effective border management ^b																																
2.3.2: Retrain customs staff at border posts and clearances on equipment and modern customs procedures																																
Project Management																																

DBMS = Data Base Management System, HQ = headquarters, HRD = Human Resource Development, ICT = information and communication technology, LAN = local area network, MIS = Management Information System


PMO = project management office, UAIS = Unified Automated Information System


Notes:

a. Components and activities as defined in the appraisal implementation schedule (RRP, Appendix 7). Actual implementation is indicative.

b. Uncertain if these activities were actually undertaken.

Legend

 Proposed at appraisal.

 Actual implementation.

DISBURSEMENTS BY YEAR

Annual Loan Disbursements against Annual Projections
(\$ million)

Year	Projected	Actual
2006	0.050	0.000
2007	0.050	0.005
2008	0.100	0.467
2009	0.100	1.501
2010	2.814	0.342
2011	2.590	0.912
2012	1.650	2.876
2013	0.000	0.909
Total	7.354	7.011

Source: Asian Development Bank.

ANNUAL IMPREST ACCOUNT TURNOVER RATIO^a

Year	Turnover Ratio
2006	...
2007	...
2008	0.87
2009	2.04
2010	0.57
2011	0.59
2012	1.11
2013	3.00

(...) = data not available.

^a Cumulative amount of liquidation/average amount of the advance.

Source: Asian Development Bank.

CONTRIBUTION TO THE ADB RESULTS FRAMEWORK

No.	Level 2 Result Framework Indicator	Target	Methods/Comments
<i>Regional Cooperation and Integration</i>			
1	Cross-border cargo volume facilitated (tons per year)	Annual cross-border cargo volume increases	According to the State Customs Service statistics, collected regularly at all BCPs, annual cross-border cargo volume was 7.1 million tons in 2005; 7.4 million tons in 2009; 8.6 million tons in 2012 and 9.8 million tons in 2013. Average cargo of the international trucks was about 50 tons per truck.

Source: State Customs Service of the Kyrgyz Republic.