



# Completion Report

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Project Number: 46026-001  
Technical Assistance Number: 8586  
May 2020

## Facilitation of Regional Transit Trade in Central Asia Regional Economic Cooperation

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## TECHNICAL ASSISTANCE COMPLETION REPORT

<b>TA Number, Country, and Name:</b> TA 8586-REG: Facilitation of Regional Transit Trade in Central Asia Regional Economic Cooperation		<b>Amount Approved:</b> \$1,500,000.00	
		<b>Revised Amount:</b> Not applicable	
<b>Executing Agency:</b> Asian Development Bank	<b>Source of Funding:</b> Japan Fund for Poverty Reduction	<b>Amount Undisbursed:</b> \$159,887.68	<b>Amount Used:</b> \$1,340,112.32
<b>TA Approval Date:</b> 16 December 2013	<b>TA Signing Date:</b> 16 December 2013	<b>TA Completion Date</b>	
		<b>Original Date:</b> 30 April 2016	<b>Latest Revised Date:</b> 30 September 2017
		<b>Financial Closing Date:</b> 22 December 2017	<b>Number of Extensions:</b> 2
<b>TA Type:</b> Policy and advisory TA			

### Description

At the core of the Central Asia Regional Economic Cooperation (CAREC) trade facilitation agenda is the customs cooperation work led by the Customs Cooperation Committee (CCC), comprising heads of customs administrations of CAREC member countries.<sup>1</sup> The CCC works to promote concerted customs reform and modernization, focusing on five priority areas: simplification and harmonization of customs procedures and documentation, information and communication technology (ICT) for customs modernization and data exchange, risk management and post-entry audit, joint customs control, and regional transit development. This regional technical assistance (TA) was designed to help the CCC build a robust foundation for regional transit development to connect all CAREC member countries. CCC members agreed during a meeting in September 2013 that the TA reflected CCC objectives in the area of regional transit and gave their full support to the TA project's development and implementation.

### Expected Impact, Outcome, and Outputs

The intended impact of the TA was enhanced cross-border transit in CAREC corridors. The intended outcome was regional cooperation in customs transit improved for intraregional trade along CAREC corridors. The impact and outcome were to be achieved through the delivery of three outputs: (i) establishment of a single regional guarantee mechanism; (ii) assessment of requirements for a streamlined legal and regulatory framework for regional customs transit; and (iii) identification of a set of recommendations on ICT system development for regional transit regime.

### Implementation Arrangements

The Asian Development Bank (ADB) was the executing agency. The Public Management, Financial Sector, and Regional Cooperation Division of the East Asia Department administered the TA in close collaboration with the CAREC Unit, Central and West Asia Department. ADB coordinated closely with established development partners such as the World Customs Organization and the Japan Customs and Tariff Bureau. The TA report estimated that 20.0 person-months (international) and 70.0 person-months (national) of intermittent consulting services would be needed in the areas of customs transit, transport, and trade facilitation. Consultants were primarily engaged through the consulting firm PADECO that was mobilized on 20 September 2014. PADECO's contract was completed on 30 November 2016. A national consultant was recruited for 153 working days to assist the PADECO international consultants by researching and compiling documents and information, translating documents, organizing training seminars and other events, and providing administrative and logistical support. All consultants were recruited in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Upon TA completion, 26.5 person-months of international consultancy inputs and 46.8 person-months of national consultancy engagement had been acquired for a total of 73.3 person-months of consultant services overall. The TA report estimated implementation required 26 months. However, the TA was extended twice: first, on 28 August 2014 for 12 months, from 30 April 2016 to 30 April 2017 because of delays in the consultant recruitment process which consequently delayed the start of TA implementation; and secondly on 20 April 2017 for 5 months, from 30 April 2017 to 30 September 2017 to allow for assessment of Georgia's customs transit system. This assessment had not been anticipated during the design phase as Georgia joined CAREC only in 2016. The TA utilized 89% of the project funds as it organized fewer training and workshops than envisaged.

As the executing agency, ADB ensured coordination with the line ministries and agencies involved in TA implementation in all the CAREC countries and led a TA inception workshop mission in April 2014. Three subsequent TA review

<sup>1</sup> For most of the TA implementation period, CAREC comprised 10 member countries: Afghanistan, Azerbaijan, the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. Georgia joined the CAREC partnership in 2016.

missions brought the CAREC member countries and the consultant teams together to present and validate the various consultant TA reports, discuss findings, and decide next steps.

### Conduct of Activities

The TA outputs were delivered in line with the project's design and monitoring framework (DMF). Following the inception workshop (April 2014; Baku, Azerbaijan) and submission of the inception report in November 2014, PADECO attended several CAREC events to work further with CCC members and develop the main components under the TA. In addition to the mission review workshops, events where consultants participated included (i) the 14th CCC Meeting (August 2015; Ulaanbaatar, Mongolia) to present the Draft Research Report on Transit Flows and progress on the development of the single transit guarantee mechanism; (ii) the Mid-term Review of CAREC 2020 (April 2016; Bangkok, Thailand) to present the approved Research Report on Transit Flows and the Report on the Single Guarantee Mechanism; (iii) an Interim Workshop (July 2016; Almaty, Kazakhstan) with over 60 CAREC delegates; and (iv) the 15th CCC Meeting (September 2016; Singapore). A TA Final Workshop was held (December 2016; Baku, Azerbaijan) to conclude the project and agree on next steps for the preparation and pilot testing of the single guarantee mechanism, now called the CAREC Advanced Transit System (CATS). Georgia attended this workshop for the first time as a full member of CAREC. As an unplanned additional activity for the TA, PADECO conducted a workshop and rapid capacity analysis of Georgia Revenue Service (Georgia Customs) in 2016 to enable their participation in the regional transit pilot scheme.

PADECO submitted their draft final report in September 2016 and the final report in March 2017, including summaries of the following individual reports: (i) Research Report on Transit Flows, (ii) Single Guarantee Mechanism Report, (iii) Legal and Regulatory Framework Report, and (iv) ICT Solutions for Transit Report. The consulting firm reports served as evidence of delivery of the following outputs:

**Output 1: Establishment of a single regional guarantee mechanism.** The TA aimed to develop a single regional guarantee mechanism for the transit chain of international shipments passing through two or more CAREC countries. This would avoid inefficient application of multiple national-level transit regimes on an individual shipment crossing multiple borders, and offer a complementary alternative option to the international road transport transit regime, which is considered costly by several CAREC countries. The TA developed (i) the principles for a general regional transit regime to serve as a blueprint international transport and transit facilitation agreement for bilateral, trilateral, and regional agreements between the CAREC customs administrations; and (ii) the specific technical requirements for a regional transit guarantee mechanism that may be applied in the CAREC region, either region-wide or to a subset of CAREC countries. The TA further provided detailed recommendations and technical guidance in the consultant Single Guarantee Mechanism Report for development of the single regional guarantee mechanism, called CATS. CATS included two important innovations that ensured the comprehensive nature of the transit guarantee mechanism: (i) the ability to vary the guarantee levels to reflect the risk posed by the individual transit operator, and (ii) a facility to guarantee a number of transit movements over a period of time. The CATS mechanism was designed to be implemented through authorized economic operator programs, and through a single electronic transit document supported by a business-to-customs and customs-to-customs data exchange mechanism.

**Output 2: Assessment of requirements for a streamlined legal and regulatory framework for regional customs transit.** To support a regional transit framework, the TA sought to assess the compatibility between national transit legislations of CAREC countries. The findings of the assessment would inform a set of draft requirements for a regional transit system that took into consideration national and international regulatory dimensions. The TA reviewed the existing legal and regulatory frameworks relevant for transit regimes in each CAREC country; analysed international and national legal instruments on transit; and assessed existing global, international, and multilateral conventions, as well as regional, plurilateral, and bilateral agreements. The TA Legal and Regulatory Framework Report identified (i) proposed legal provisions to be introduced in each CAREC country in support of transit regimes; (ii) required changes in multilateral and bilateral agreements; (iii) required changes in primary laws; and (iv) required changes in secondary laws such as regulations, decrees, resolutions. Most importantly, this extensive assessment helped identify compatibility between and among the countries' transit laws and regulations and the areas where specific actions were required to start developing a mutually compatible regulatory framework to support a regional transit regime.

**Output 3: Identification of a set of recommendations on ICT system development for the regional transit regime.** The TA aimed to assess the existing use and application of ICT in transit operations in CAREC countries, and identify opportunities to enhance ICT to support the development of a regional transit system. The TA conducted an in-depth assessment of the existing customs ICT systems relevant to transit regimes in CAREC countries. Noting that customs administrations use different platforms and approaches for automation processes, the TA recommended use of a unified interface for all countries ready to participate in pilot implementation of the CATS mechanism, and to support the interchange of all data, messages, and notifications within the proposed guarantee mechanism. It further suggested that CATS (i) be based on a unified information system; (ii) provide data exchange in the agreed format of a single transit document, and message exchange features; (iii) include automated payment processing and/or control; and (iv)

use reliable, safe communication channels as a fail-safe measure. The TA recommended an ICT system architecture in the ICT Solutions for Transit Report, specifying the general requirements and components for an information system implementing CATS. It also laid out an ICT system architecture for implementation of a CATS pilot project, and developed a pilot implementation plan and schedule. At the TA Final Workshop (December 2016), CCC members agreed that the CATS pilot would be conducted along CAREC corridor 2A, and that Azerbaijan, Georgia, and Kazakhstan would jointly implement the pilot phase.

#### Technical Assistance Assessment Ratings

Criterion	Assessment	Rating
Relevance	The TA was <i>relevant</i> . It was aligned with ADB's Strategy 2020; CAREC 2020; the midterm review of the CAREC Transport and Trade Facilitation Strategy; and CCC priority areas. <sup>2</sup> The three outputs were complementary and created a solid basis for development of a regional transit system for CAREC countries. Policy and advisory was the appropriate TA type for the project, providing recommendations to improve legal and regulatory frameworks in support of the implementation of a regional transit regime, and recommendations for the regional guarantee mechanism and supporting ICT systems. Clear linkage is seen between the TA outputs and the outcome indicator that targeted increased transit trade along the CAREC corridors where the agreed customs transit regime would be piloted.	Relevant
Effectiveness	The TA is rated <i>effective</i> . The outcome and outputs were delivered. The three outputs comprised the most critical steps in developing a regional customs transit system and robustly supported and contributed to achievement of the outcome indicator. Although the regional transit system was originally envisaged with participation of the People's Republic of China, this did not ultimately work and the PRC withdrew. The entry of Georgia into the CAREC partnership in 2016 and its strong commitment to the regional transit system, however, provided a timely and fortuitous alternative, without which the outputs and outcome would not have been met.	Effective
Efficiency	The TA is rated <i>efficient</i> . The consulting firm delivered expected outputs in a timely manner. After extension of the TA, it was also able to deliver an unplanned assessment in the three output areas for Georgia, which joined CAREC only in 2016. This additional assessment proved critical to achievement of the outcome indicator as Georgia is one of the three countries participating in the CATS pilot. The TA utilized slightly more than 89% of the project funds with the larger part allocated to the consultant firm. Although the firm was a significant expense, the high quality of the consultant team ensured good value for these costs.	Efficient
<b>Overall Assessment</b>	The TA is rated <i>successful</i> overall. It was relevant, effective, and efficient. The weighted overall performance score is 2.	Successful
<b>Sustainability</b>	The TA is rated <i>likely sustainable</i> . The project provided timely and relevant development of the CATS prototype single regional guarantee mechanism for more effective transit trade in the CAREC region. All CAREC countries demonstrated strong interest in the development of the CATS model, and the three participating countries—Azerbaijan, Georgia, and Kazakhstan—have remained committed to fulfillment of the CATS pilot under subsequent ADB TA support to the CCC. A fourth CAREC country has already requested ADB to help it assess the benefits of joining the CATS agreement in its pilot phase; more are expected to follow.	Likely sustainable

#### Lessons Learned and Recommendations

Design and/or planning	Although only Azerbaijan, Georgia, and Kazakhstan ultimately committed to pilot implementation of the CATS prototype, the TA demonstrated the benefit of
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<sup>2</sup> ADB. 2014. [Strategy 2020: Working for an Asia and Pacific Free of Poverty](#). Manila; ADB. 2012. [CAREC 2020: A Strategic Framework for the Central Asia Regional Economic Cooperation Program 2011–2020](#). Manila; and ADB. 2012. [Technical Assistance for Central Asia Regional Economic Cooperation: Midterm Review of the Transport and Trade Facilitation Strategy and Implementation Action Plan](#). Manila.

	involving all CAREC countries in the learning and design phase of the regional transit single guarantee mechanism. By completion of the TA, all CAREC customs administrations were fully aware of the technical and operational dimensions of CATS, and of the benefits it aimed to bring. This should strengthen country ownership of the CATS mechanism and potentially make it easier for additional CAREC countries to join the CATS transit regime in the future.
Implementation and/or delivery	The TA highlighted the need to remain flexible throughout project activities and open to new possibilities. Georgia joined CAREC only in 2016, in the latter stages of TA implementation, but opened up and expanded the intraregional connectivity options for CAREC corridor 2 to the extent that this became the best choice for pilot implementation of CATS. TA implementation arrangements were sufficiently flexible, including availability of budget, to commission a rapid technical assessment of Georgia's transit regime and regulatory frameworks during a 5-month extension of the TA for this purpose. This assessment provided critical data and evidence that informed the choice of corridor 2 for the pilot.
Knowledge building	The TA has contributed to development of a new technical product (the regional transit system) that has not been implemented between CAREC countries before at a regional level (i.e., between more than two countries at the bilateral level). The evidence-based TA research and reports have described the process required to equip all CAREC member countries with the relevant knowledge to join and expand the CATS/ICE initiative following implementation of the pilot phase. The TA also provided a good example of how ADB can provide relevant policy advisory and independent assessment to its developing member countries, using the evidence-based research prepared under the TA.
Stakeholder participation	Cross-border transit models and agreements typically take much longer than the duration of an ADB TA to develop. However, the CATS mechanism was prepared from scratch within less than three years. The value of ADB subregional platforms was seen in the close coordination and collaboration of all CAREC countries in the CATS design process. Under the auspices of the CCC, CAREC customs administrations had spent more than 10 years working on regional cooperation activities and the level of trust and confidence of the countries with each other eased the process of developing the tools and procedures for the CATS international transit mechanism.
Partnership	The TA has further strengthened operational partnerships between the customs administrations of the three participating countries: Azerbaijan, Georgia, and Kazakhstan. It helped grow the levels of trust and confidence of all parties to ensure the commitment needed to progress to the phase pilot of CATS/ICE, and directly contributes to ADB's regional cooperation and integration objectives and goals.
Replication and/or scaling up	The TA demonstrated the practical advantages of identifying and focusing on a smaller subset of a large multicountry partnership for pilot implementation of an activity. The larger group were fully involved in the development of CATS, which should be advantageous when the mechanism is replicated in other CAREC countries.

#### Follow-up Actions

ADB, through the CAREC Program and the CCC platform, in particular should continue to support priority areas of trade and trade facilitation reform and modernization of the CAREC countries. ADB has since provided additional technical assistance to (i) develop the ICT architecture for CATS, including the common information exchange system; (ii) finalize the CATS Agreement; and (iii) launch the pilot phase.

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## DESIGN AND MONITORING FRAMEWORK

[illegible]

**Actual Key Activities with Milestones****1. Establishment of a single regional guarantee mechanism**

- 1.1 Develop questionnaires for various stakeholders (by May 2014): Completed.
- 1.2 Undertake consultations with potential guarantee organizations (banks and insurance companies), transporters, and customs (by December 2014): Completed.
- 1.3 Assess feasibility on how national guarantees could be extended across borders (by March 2015): Completed.
- 1.4 Analyze potential methods of developing a chain guarantee system (by June 2015): Completed.
- 1.5 Prepare implementation plan for pilot testing of the transit regime (by December 2015): Completed.
- 1.6 Launch regional customs transit along at least one CAREC corridor (by February 2016): Prepared but not launched.

**2. Assessment of requirements for a streamlined legal and regulatory framework for regional customs transit**

- 2.1 Conduct legislative evaluation to assess compatibility between the countries' national transit legislation (by March 2015): Completed.
- 2.2 Prepare a set of draft requirements for a regional transit system taking into consideration national and international dimensions (by May 2015): Completed.

**3. Identification of a set of recommendations on ICT system development for regional transit regime**

- 3.1 Assess current use of ICT in transit operations in CAREC countries (by May 2015): Completed.
- 3.2 Develop system requirements and operational scope of an ICT system in support of the regional transit regime (by July 2015): Completed.

**Actual Inputs**

Japan Fund for Poverty Reduction: \$1,340,112.32

Government: \$50,000 (estimated in-kind contribution from the government in the form of counterpart staff, office space, and other services to the consultants).

CAREC = Central Asia Regional Economic Cooperation, CATS = CAREC Advanced Transit System, CCC = Customs Cooperation Committee, ICT = information and communication technology, MOU = memorandum of understanding, TA = technical assistance.

Source: Asian Development Bank.



## TECHNICAL ASSISTANCE COST

**Table A2.1: Technical Assistance Cost by Activity**  
(\$'000)

Item	Amount	
	Original	Actual
1. Consultants	1,030.00	1,055.57
2. Training, seminars and/or conferences	375.00	284.51
3. Miscellaneous TA administration	20.00	0.03
4. Contingency	75.00	0.00
<b>Total</b>	<b>1,500.00</b>	<b>1,340.11</b>

TA = technical assistance.

Source: Asian Development Bank.

**Table A2.2: Technical Assistance Cost by Financier**  
(\$'000)

	Japan Fund for Poverty Reduction
1. Original	1,500.00
2. Actual	1,340.11
3. Unused	159.89

Source: Asian Development Bank.