

# **ADB's Support for Mongolian/CAREC Transport and Trade Facilitation Initiatives**

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15 December 2009     Ulaanbaatar

# Presentation Outline

- Regional Cooperation for Mongolia
  - Mongolia and the Central Asia Regional Economic Cooperation (CAREC) Program
  - Mongolia-PRC Case Study
  - CAREC Transport and Trade Facilitation Corridors
  - CAREC Sub-regional Trade Facilitation Initiatives
- Key External Partnerships
- Lessons from CAREC Trade Facilitation programs
- CAREC Program Ownership

# Regional Cooperation for MON

- Regional cooperation is of special significance for Mongolia and offers an opportunity to turn itself from a landlocked country into a land-bridge for international trade.
- Regional cooperation is a cross-cutting theme in ADB's new CPS 2010-2013 under preparation.
- Regional cooperation is an area where ADB and its partners have comparative advantage (financial, knowledge, capacity building, and honest broker).
- Mongolia is an active participant in various RCI programs (CAREC, MON-PRC cooperation, UNDP-led Greater Tumen Initiative, etc.).

# Central Asia Regional Economic Cooperation Program

- Started in 1997
- 3Gs
  - Good Neighbors,
  - Good Partners, and
  - Good Prospects
- CAREC sectors
  - Transport
  - **Trade Facilitation**
  - Trade Policy
  - Energy
- In 2008, CAREC GDP (excluding AFG and PRC) was \$221 billion and merchandise trade (excluding AFG) was 60% of GDP



# Case Study: MON-PRC Cooperation

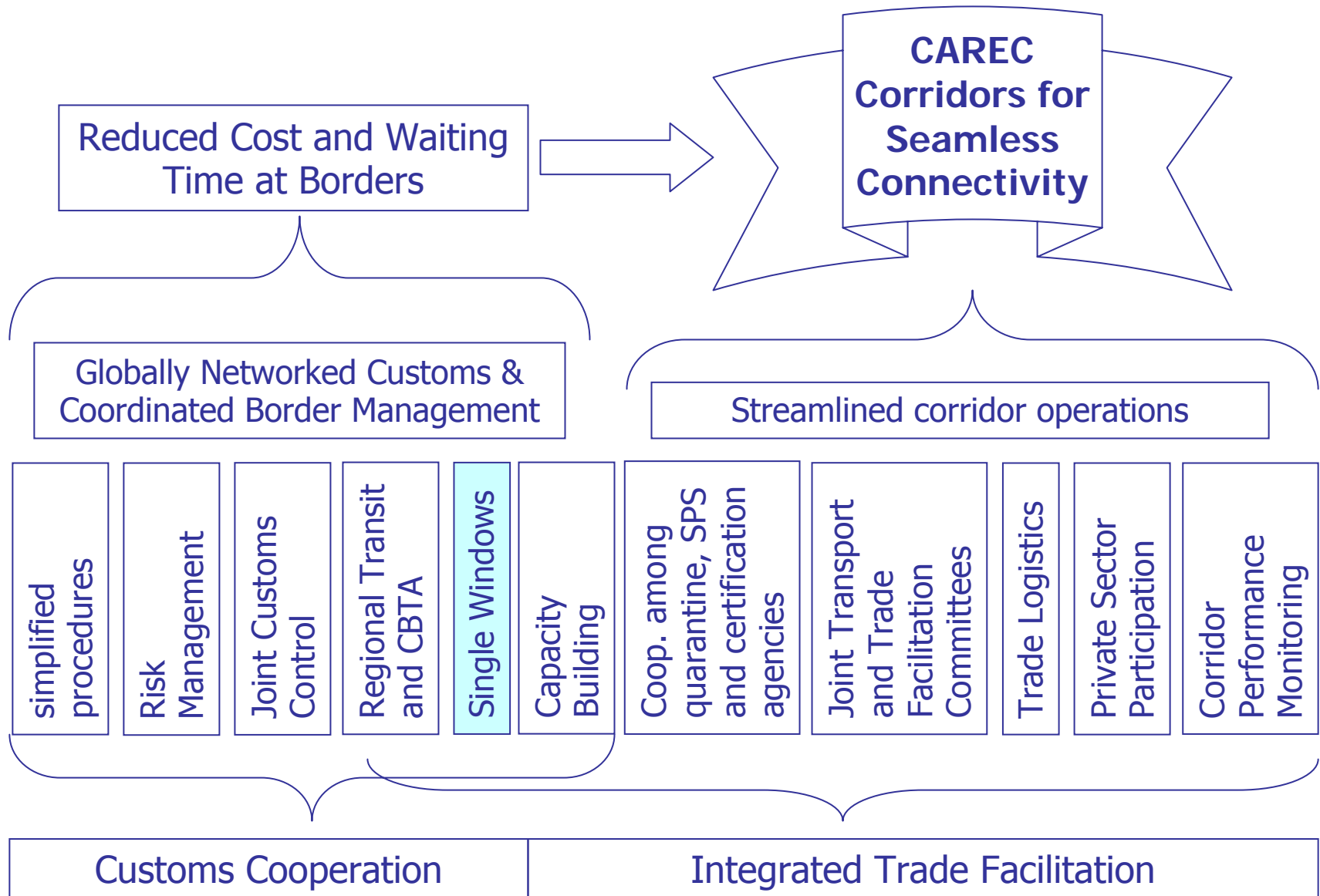
- MON-PRC cooperation is an integral part of CAREC, and focuses more on MON and PRC priorities.
- MON-PRC cooperation program helps further strengthen the close relationship between the two countries.
  - A common border of 4600 km and long historical ties.
  - PRC as MON's biggest trade partner, accounting for over 50% of MON exports and 30% of imports
  - PRC as largest source of FDI for MON (\$1.2 bn accounting for over 50% of total FDI as of 2008)
  - PRC also benefits from trade with MON (natural resources; transit country for trade with Russia and Europe, etc.)
  - Strong commitment to cooperation at the highest political level

# CAREC Transport and Trade Facilitation Corridors

- Establish competitive corridors across the region
- Facilitate efficient movement of people and goods
- Develop sustainable, safe, user-friendly transport and trade networks



# CAREC Trade Facilitation Program



# CAREC Sub-regional Trade Facilitation Initiatives

<ul style="list-style-type: none"><li>• Customs Cooperation Committee (CCC) established in 2002</li></ul>	<ul style="list-style-type: none"><li>– Simplified and harmonized procedures</li><li>– Risk management and post-entry audit</li><li>– Regional Transit Development</li><li>– Joint Customs Control</li><li>– ICT for customs modernization and data exchange</li></ul>
<ul style="list-style-type: none"><li>• Integrated Trade Facilitation program added in 2007 to Support joint Transport and Trade Facilitation Strategy</li></ul>	<ul style="list-style-type: none"><li>– National Joint Transport and Trade Facilitation Committees (NJC) and the Regional Joint Transport and Trade Facilitation Committee (RJC)</li><li>– Single Window Development</li><li>– Trade Logistics Development</li><li>– CAREC Federation of Carrier and Forwarder Associations (CFCFA)</li><li>– Joint transport and trade facilitation Training Assessments and capacity building programs</li></ul>



# Priority Areas – Trade Facilitation

- Trade logistics and border town development
  - ADB-supported study completed in April 2009
  - Aims to harmonize trade logistics and infrastructure development planning in Mongolia and China
  - Focusing on Zamyn-Uud and Erlian which serve as the major gateway for MON-PRC trade and transit traffic
  - Key investment projects identified for Zamyn-Uud, for ADB, government and private financing, with some already in ADB pipeline for MON

# Priority Areas – Trade Facilitation (Cont.)

- Customs cooperation
  - To support the MON-PRC customs cooperation program under the broad CAREC framework
  - Focusing on the pilot-test of MON-PRC joint customs control initiative (a MOU signed on 12 December 2009 on harmonization of cargo manifests; pilot to be officially launched on 15 December 2009)
  - Training programs conducted for MON customs officers on various subjects in Shanghai Customs College

# Priority Areas – Transport

- Transport cooperation
  - ADB-financed study completed in August 2009
  - Aims to harmonize transport planning between MON and PRC's IMAR and northeastern provinces, focusing on road and railway
  - Focusing on improving MON central transport corridor linking Russia and PRC (CAREC Corridor 4b)
  - To improve MON access to seaports in PRC
  - Key investment proposals recommended, particularly for MON, with 2 projects (road and transport logistics) planned for ADB financing in 2010-2011

# ADB-UNESCAP Partnership

- For the CAREC Corridor Performance Measurement and Monitoring program, ADB has used the TCD method developed by UNESCAP, UNESCAP representatives have been participating in ADB workshops/meetings, and we shall work together to improve further the methodology and analysis;
- We are working to consolidate NJCs at the country level so the same NJC will represent the country in various forums (ADB, UNESCAP, ECO, etc.);
- ADB supported, through UNESCAP, the negotiation process of a road transit agreement under Shanghai Cooperation Organization;
- UNESCAP has also supported the Greater Mekong Subregion Cross-Border Transit Agreement process;
- On Single Window (SW) development, we are cooperating in business process analysis and legal framework (both at the national and regional levels).

# SW Building Block: Customs Modernization Project

- Project Title: Customs Modernization Project
- Country/Region: Mongolia, East Asia
- Sector: Industry and Trade
- Total project cost: \$6.76 million
  - ADB loan in the amount of SDR3,375,000 (\$5 million equivalent) from ADB Special Funds resources
  - Grant from the Republic of Korea e-Asia Knowledge and Partnership Fund in the amount of \$500,000
  - Government of Mongolia counterpart financing in the amount of \$1.26 million equivalent
  - \$2.5 million KOICA grant as parallel financing, approved in 2008
- Approved on 20 December 2006
- Financing Agreement signed on 2 February 2007 and effective on 21 May 2007
- Project completion date is 31 May 2010, and the loan closing date is 30 November 2010.

# Project Impact and Outcome

- The Project aims to increase the volume and facilitate the flow of Mongolia's external trade.
- The Project will help
  - ✓ improve efficiency, transparency, and sustainability in customs services and administration
  - ✓ lower the incidence of corruption and smuggling
  - ✓ enhance duty and tax revenue collection
  - ✓ provide a platform for customs ICT to integrate into the e-government systems
  - ✓ improve the investment environment
  - ✓ Facilitate Mongolia's participation in regional cooperation (CAREC, PRC-MON)

# Key Activities and Outputs

- Establishment of Customs Automated Information System (ADB-funded)
  - ✓ Upgrading the existing GAMAS to provide an electronic processing environment to support internet-enabled and Windows-based systems
  - ✓ Interfacing the customs info system with the planned national SEW as part of e-Government initiatives
  - ✓ Improving communications and network infrastructure
- Improvement of the customs-related infrastructure at selected major customs houses and customs border posts (ADB-funded)
- Institutional strengthening and capacity building (eAsia-funded), including business process re-engineering,, interagency coordination, regional cooperation, and public-private partnerships.

# Accomplishments to Date

- Establishment of Customs Automated Information System
  - ✓ MCGA activities reviewed and new business process developed by November 2008
  - ✓ MCGA ICT Master Plan updated by 2008
  - ✓ Contract awarded to KTNET on 1 April 2009
  - ✓ Data center opened on 2 July 2009
  - ✓ **Testing of SW ongoing and acceptance expected by December 2009**
  - ✓ Procurement for workstation ongoing



# Lessons from CAREC and GMS Trade Facilitation programs

- Trade facilitation attracts most interests in sub-regional cooperation programs
  - Stakeholders' own interests
  - International best practices
  - Regional public goods
  - Peer pressure
- Border crossing point (BCP) is the major bottleneck
  - More than three quarters of waiting time and two thirds of costs incurred at the BCPs
  - Modernizing BCPs and streamlining procedures at BCPs will have the most efficiency gains
  - Beyond border measures are also important (i.e., infrastructure to support the development of the logistics industry adjacent to BCPs)

# Lessons from CAREC and GMS Trade Facilitation programs – Cont.

- Transport and Economic Corridors
  - Development of corridors become *raison d'être* for institutional building and prioritization of work programs
  - Transport facilitation and trade facilitation issues need to be addressed together to maximize synergies
  - Cross-Border Transit Agreement formally codifies transport facilitation and trade facilitation arrangements
  - Non-CBTA works are also important
- Top-down and bottom-up approaches will end up at the same place
  - formal arrangements such as customs unions, cross-border transport agreements, and regional transit schemes need a flexible set of trade facilitation measures to implement;
  - informal arrangements that are project focused, tangible, and pragmatic, need to be formally institutionalized

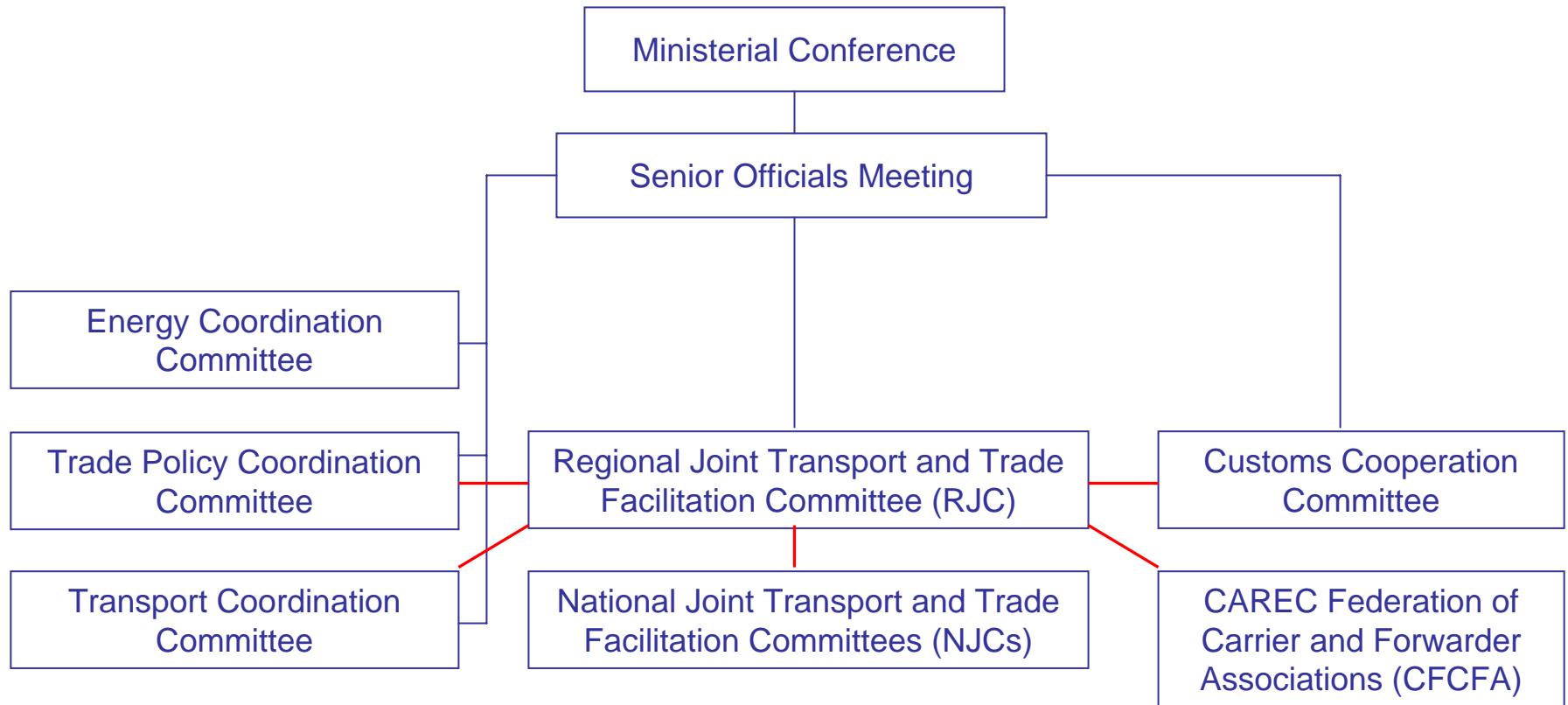
# Lessons from CAREC and GMS Trade Facilitation programs – Cont.

- Effective institutions and institutional structure are necessary conditions for success
  - Need to bring in all stakeholders, particularly the private sector
  - Need to be mindful of specific interests, incentives, territories, and capabilities of different groups
  - Need to be patient and yet engaging
  - Effective donor coordination
- Result oriented
  - Results measurements are important to decide reliability and replicability of specific trade facilitation initiatives
  - Cumulative results measures from the trade facilitation programs tend to be used to solicit more political support for sub-regional cooperation programs

# Lessons from CAREC and GMS Trade Facilitation programs – Cont.

- Key successful factors
  - Ownership of stakeholders
    - Over the implementation of strategies and action plans at the regional level, and over the formulation of national master plans
  - Coordination
    - Among various functional agencies at the national level, among regional groupings of trade facilitation, transport, trade policy, customs, and other regional cooperation mechanisms, and donors and development partners
  - Implementation
    - Of concrete and deliverable projects to build trust among stakeholders involved and deliver results to win confidence of policy makers

# CAREC Overall and Trade Facilitation Related Institutions



———— Reporting to  
———— Represented in

# Thank you



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