

Establishing a National Single Electronic Window in Mongolia

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October 1, 2009





INTRODUCTION

- ❑ Background to mission
- ❑ Trade Facilitation in Current Global Crisis
- ❑ Review of Key Trade Facilitation Concepts
- ❑ Current Status of Trade Facilitation Initiatives in Mongolia
- ❑ Implications for expediting a Single Electronic Window
- ❑ Issues for Consideration
- ❑ Next Steps?

Background to Mission

- ❑ MNCCI Request to UNESCAP
- ❑ ESCAP'S COMPARATIVE ADVANTAGE IN TRADE FACILITATION
 - ❑ Tools, Advice, Capacity Building
 - ❑ Intra-agency capabilities on Trade Facilitation (**plus** Transportation, Private Sector and Development, Information Technology etc)

World Economy - Context

- Investment in transport infrastructure and border control technology systems can help support economic recovery and lower trade **costs in the long-term**. Study shows that an improvement of road networks in 27 Eastern European and Central Asian countries could increase trade by as much as 50%
- Removing technical and regulatory barriers in standards can also reduce trade costs in a time of crisis. Can be carried out quickly and with **relatively little investment**.
- Outside of big infrastructure projects, countries can focus their efforts on **lowering trade costs** through reforming their regulatory standards

World Economy - Context

- Global trade projected to decline by 9% in 2009 (WTO)
- Action on trade facilitation (standards harmonisation, customs modernization and infrastructure investment) seen as crucial to global growth
- Potential big impact on trade facilitation reforms from lowering trade costs
- In developing countries trade costs associated with logistics, administration, and regulation often exceed trade costs associated with tariffs
- Administrative costs of compliance with various customs procedures estimated to represent 7-10% of value of global trade (UNESCAP)
- Border related costs on all CAREC corridors are about 50% of total activities costs (CAREC)

World Economy - Context

- Harmonized standards and the specific national rules related to testing, certification, and accreditation can help lower trade costs through lower production costs for products sold in multiple markets.
- The **time and distance between markets matter** a great deal more in a competitive environment **characterized by lower demand**. Just one additional day in product delays prior to shipping cuts trade by at least 1 percent

World Bank

Trade transactions time impedes trade...

If average export time...

**Sub-Saharan
Africa**

35.6 days

South Asia

32.5 days

**E. Europe
& C. Asia**

29.3 days

**Middle East &
N. Africa**

24.8 days

**East Asia
& Pacific**

24.5 days

**Latin America
& Caribbean**

22.2 days

Is reduced to ...

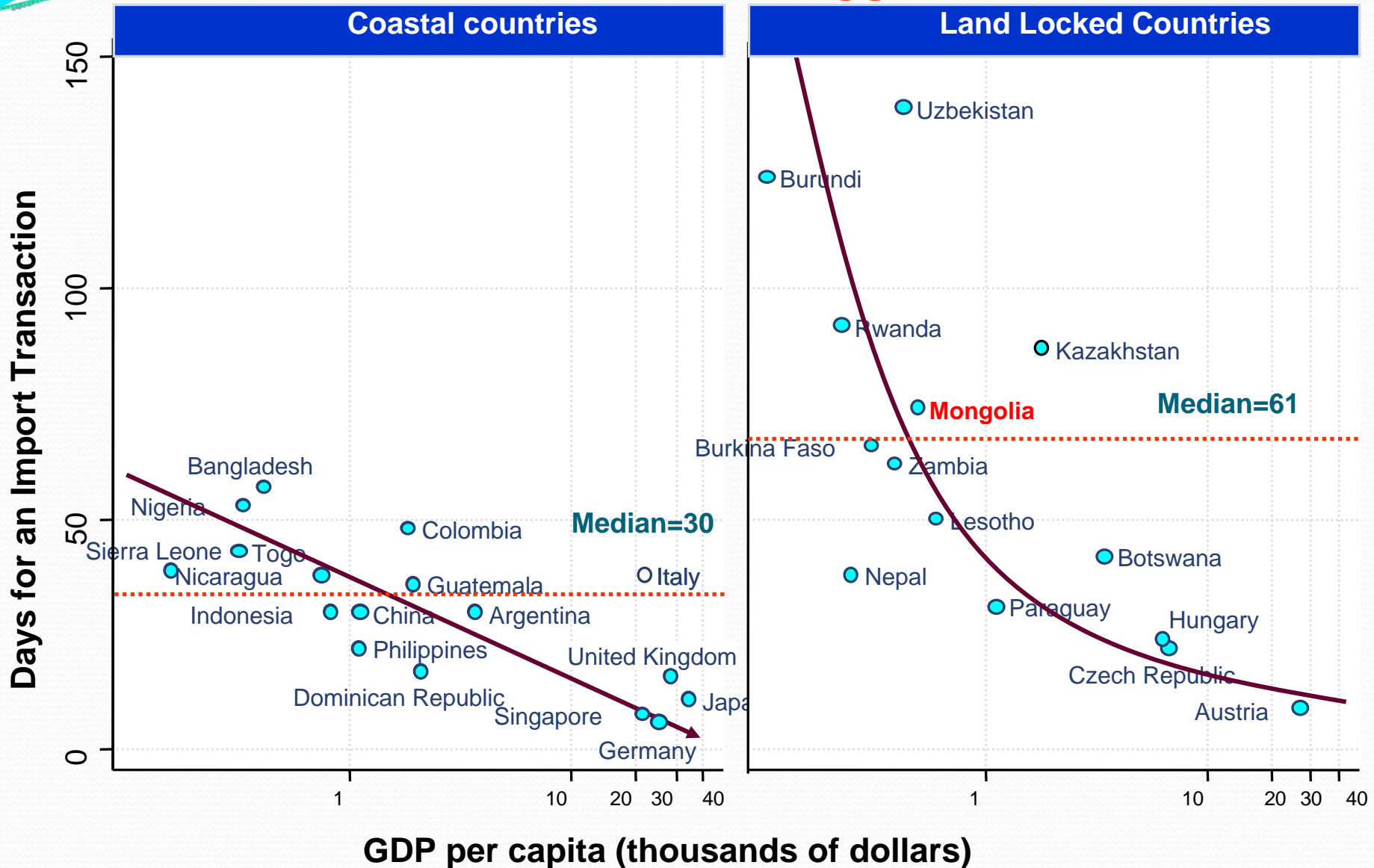
**OECD
Average:
9.8 days**

Global Trade increases by...

US \$2.3 trillion

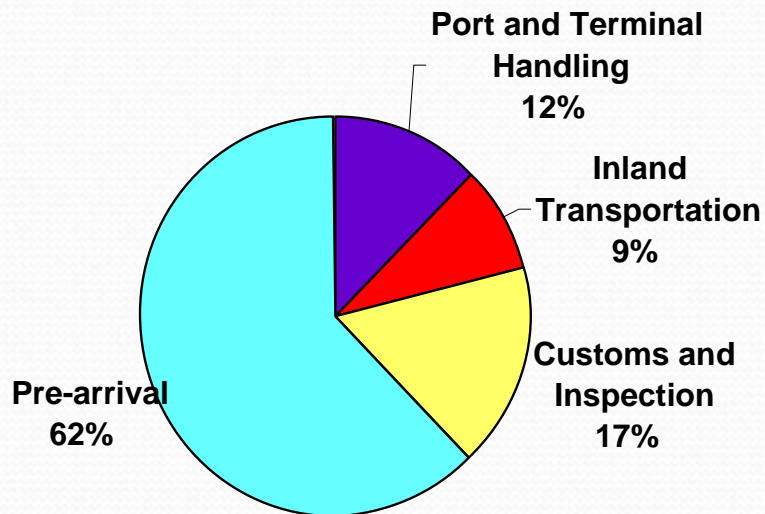
**Direct implications for growth, private investment,
jobs and poverty reduction**

Landlocked Countries face bigger constraints



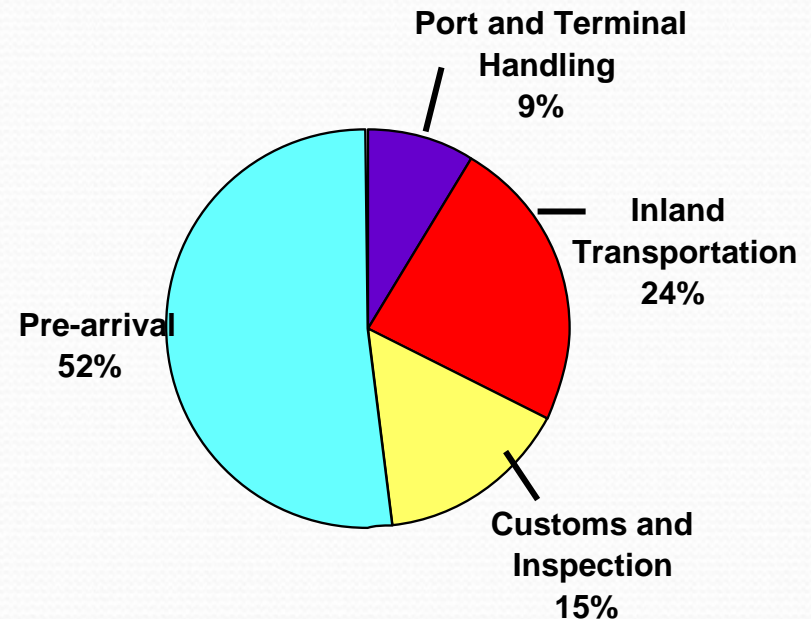
**Of the total time to import a container,
hard infrastructure accounts:**

About a fifth



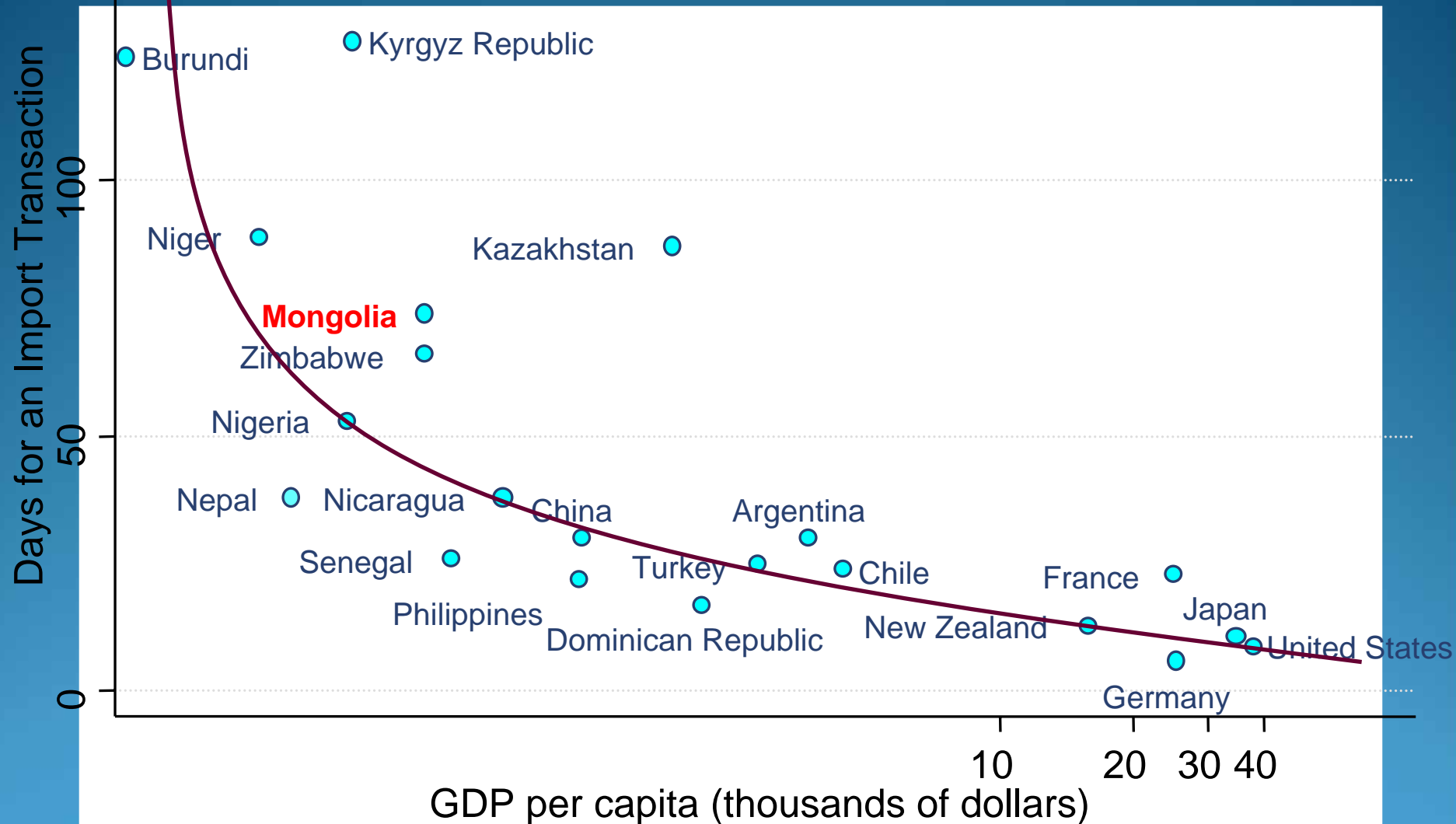
Coastal Countries

About a third

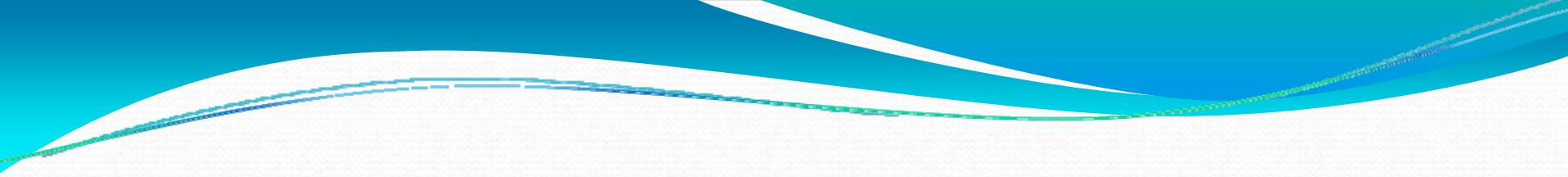


Landlocked countries

Poorer countries take longer to process trade transactions



Source: World Bank Global Logistics Indicators Survey 2007



*Countries need help to ease access to markets
through efficient trade facilitation and trade
logistics systems and services*

- Across all CAREC corridors, border-related costs are about 50% of total activities costs (ADB 2009)
- Of this, customs clearance costs is the most expensive
- Second most expensive is the cost for health, phytosanitary +veterinary inspections
- Distance from markets and transport costs of getting goods to market is an added burden
- Requires concerted effort to address costs which **can** be controlled – eg. costs of customs and other procedures
- *For landlocked countries like Mongolia – need for focus on **Trade Facilitation** as an overarching strategy but also on role of **Trade Logistics** in addressing constraints*

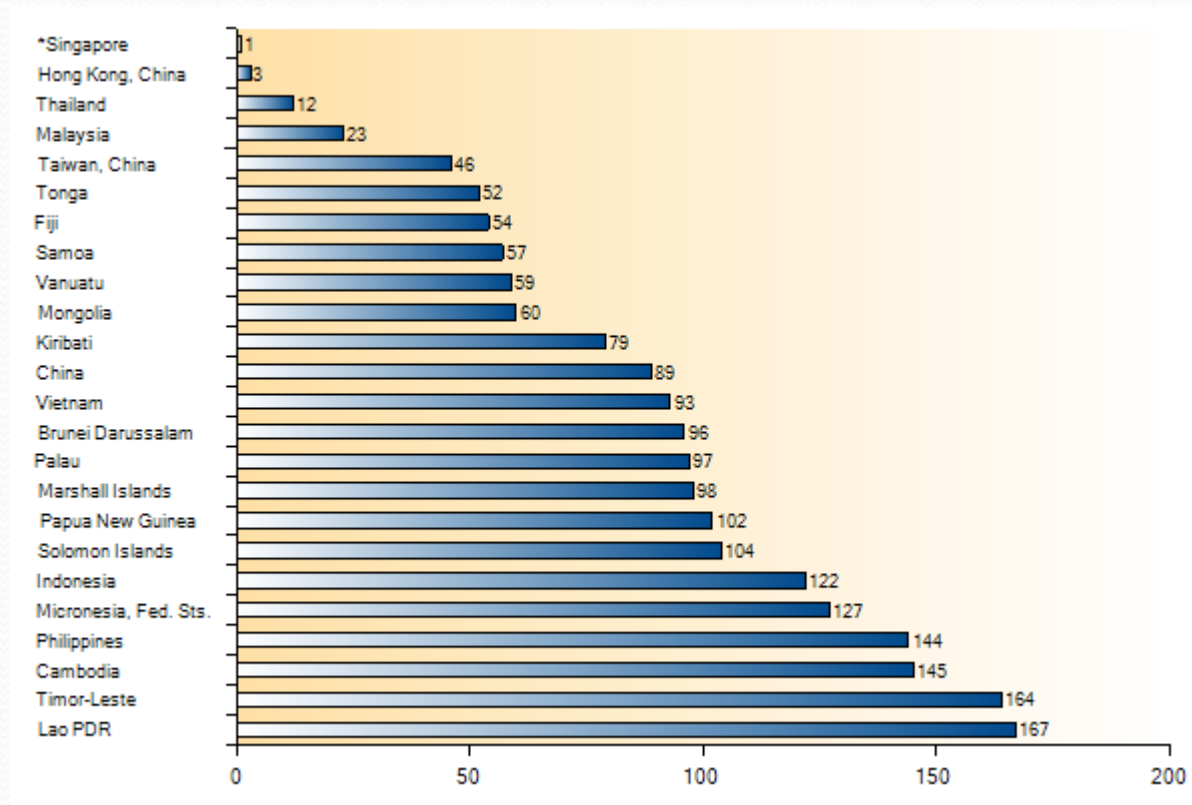
Trade Facilitation and Trade Logistics - **Measurements of Competitiveness**

- ❑ *Global Competitiveness Report 2009* (World Economic Forum)
- ❑ *Doing Business Report 2010* (World Bank)
- ❑ *Logistics Perception Index 2007* (World Bank)

Global Competitiveness Rankings 2009

	2009	2008
Switzerland	1	2
United States	2	1
Singapore	3	1
Korean Republic	19	13
Japan	8	9
Thailand	36	34
Mongolia	117	100
China,	29	30
Russian Federation	63	51
Kazakhstan	67	66

Doing Business 2010



Trading Across Borders data - Mongolia	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank		156	155
Cost to export (US\$ per container)	1807	2131	2131
Cost to import (US\$ per container)	2274	2274	2274
Documents to export (number)	8	8	8
Documents to import (number)	8	8	8
Time to export (days)	33	49	46
Time to import	33	49	47

Mongolia's Ranking vs Selected Economies and Comparator Countries (Trading Across Borders 2010)

• Singapore	1
• Korean Republic	8
• Japan	17
• Taiwan, China	33
• China	44
• Mongolia	156
• Russian Federation	162
• Kazakhstan	182

Mongolia: Trading Across Borders 2010

- Documents to export (number) 8
- Time to export (days) 46
- Cost to export (US\$ per container) 2131
- Documents to import (number) 8
- Time to import (days) 47
- Cost to import (US\$ per container) 227

Logistics Performance Index 2007

Country	LPI	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Domestic logistics costs	Timeliness
Malaysia	3.48	3.36	3.33	3.36	3.4	3.51	3.13	3.95
Thailand	3.31	3.03	3.16	3.24	3.31	3.25	3.21	3.91
China	3.32	2.99	3.2	3.31	3.4	3.37	2.97	3.68
Indonesia	3.01	2.73	2.83	3.05	2.9	3.3	2.84	3.28
Vietnam	2.89	2.89	2.5	3	2.8	2.9	3.3	3.22
Papua New Guinea	2.38	2	2	2.57	2.29	2.29	3.43	3.14
Philippines	2.69	2.64	2.26	2.77	2.65	2.65	3.27	3.14
Cambodia	2.5	2.19	2.3	2.47	2.47	2.53	3.21	3.05
East Asia & Pacific (regional average)	2.58	2.41	2.37	2.64	2.54	2.53	3.04	3.01
Lao PDR	2.25	2.08	2	2.4	2.29	1.89	2.13	2.83
Solomon Islands	2.08	1.73	2	2.36	2.1	2	2.73	2.3
Mongolia	2.08	2	1.92	2.5	1.8	2	3	2.25
Timor-Leste	1.71	1.63	1.67	1.5	1.6	1.67	3.33	2.25
Myanmar	1.86	2.07	1.69	1.73	2	1.57	2.92	2.08

Global Logistics Indicators

Dimensions of measurement: Examples

<u><i>Time</i></u>	<u><i>Cost</i></u>	<u><i>Complexity</i></u>	<u><i>Efficiency</i></u>
Total time for a trade transaction	Total cost for a trade transaction	Signatures for a trade transaction	No. of containers unloaded per berth hour
Document processing time	Port & terminal charges	Number of documents per transaction	Port shutdown days
Customs clearance	Document Processing	Percent of containers inspected	Inland transport speed
Technical control	Customs clearance cost	Level of inspection	Frequency of vessel calls at port
Vessel turnaround	Inland freight	Criteria for inspection	
Vessel waiting time for berth			
CSI related time			

Global Crisis- Opportunity?

- ❑ World Trade- no longer falling (as fast) but path to recovery is still shaky

.....presents opportunity for countries to do 'house-keeping' until global trade recovers to previous levels

- ❑ Realign domestic policies and reform programmes
- ❑ Rethink export-led strategies
- ❑ Review economic development path



Review of key trade facilitation concepts

Trade Policy Context- Doha Negotiations

- ❑ Still relevant? Recall rationale for negotiations....
 - ❑ Problems encountered by traders
 - ❑ Implications for business, government and consumers:
 - ❑ Increased transactions costs
 - ❑ Border delays accounting for up to 20% of total time taken to get goods to market
 - ❑ Higher consumer prices
 - ❑ Lower trade and investment flows
 - ❑ Loss of revenue as a result of mal practice and illicit trade
 - ❑ Biggest losers seen as SME operators who lack resources to manage cumbersome administrative procedures
 - ❑ Transit countries face reduced export competitiveness

Trade Policy Context- Doha Negotiations

□ *How An Agreement on Trade Facilitation will help:*

- Measures proposed to reduce and simplify import /export fees would lessen financial burdens and speed up clearance procedures
- Also measures to expedite border operations by permitting pre-arrival processing and post-audit control, advance rulings and risk assessment
- Proposals to improve publication and availability of rules would increase predictability and transparency
- Transit problems would be reduced through implementation of proposals aimed at limiting and simplifying related fees etc



Trade Facilitation

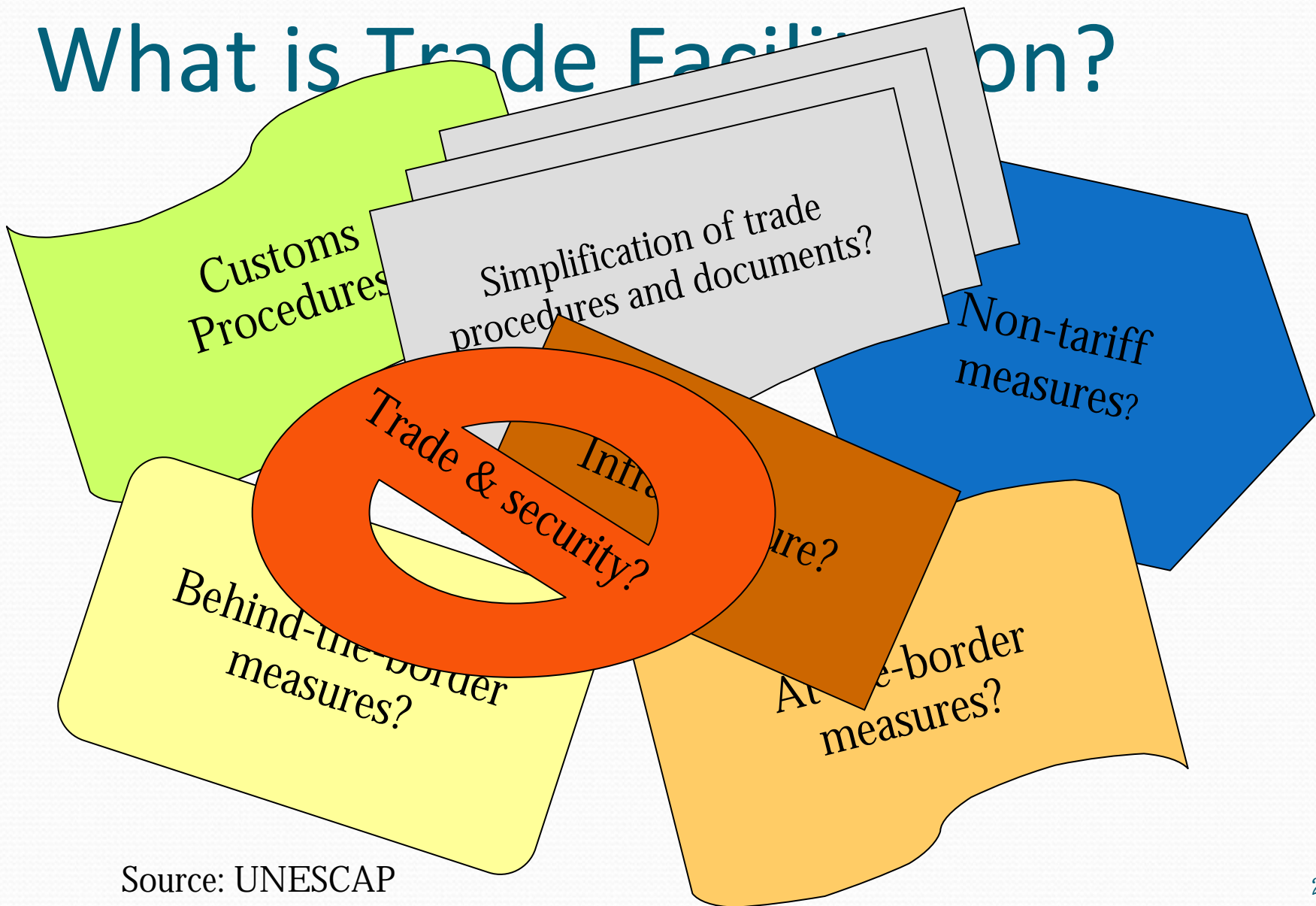
Definition, Scope and Measurement

- No standard definition in public policy circles
 - Broader definition:
 - ‘Streamlined regulatory environment, deeper harmonisation of standards and conformance to international regulations’
 - Narrower definition
 - ‘Improved efficiency in the administrative procedures and logistics at ports and customs’

Trade Facilitation- Scope

- Moving target as regards scope ... but substantial agreement on what constitutes its general principles
 - Logistics of getting goods from ports; documentation associated with moving goods across borders
 - Transparency in operations of customs, regulatory agencies
 - Harmonization of standards, conformity with international regulations
 - Non-tariff barriers
 - Business environment in which trade transactions take place

What is Trade Facilitation?



Definition of Trade Facilitation

WTO:

**“the simplification and harmonization of international trade procedures”
covering the “activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade”**

Definition of Trade Facilitation

UN/CEFACT:

"the simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment.

Within this definition, procedures are the activities, practices and formalities required for the movement of goods in international trade. Information flows include both data and documents."

Definition of Trade Facilitation

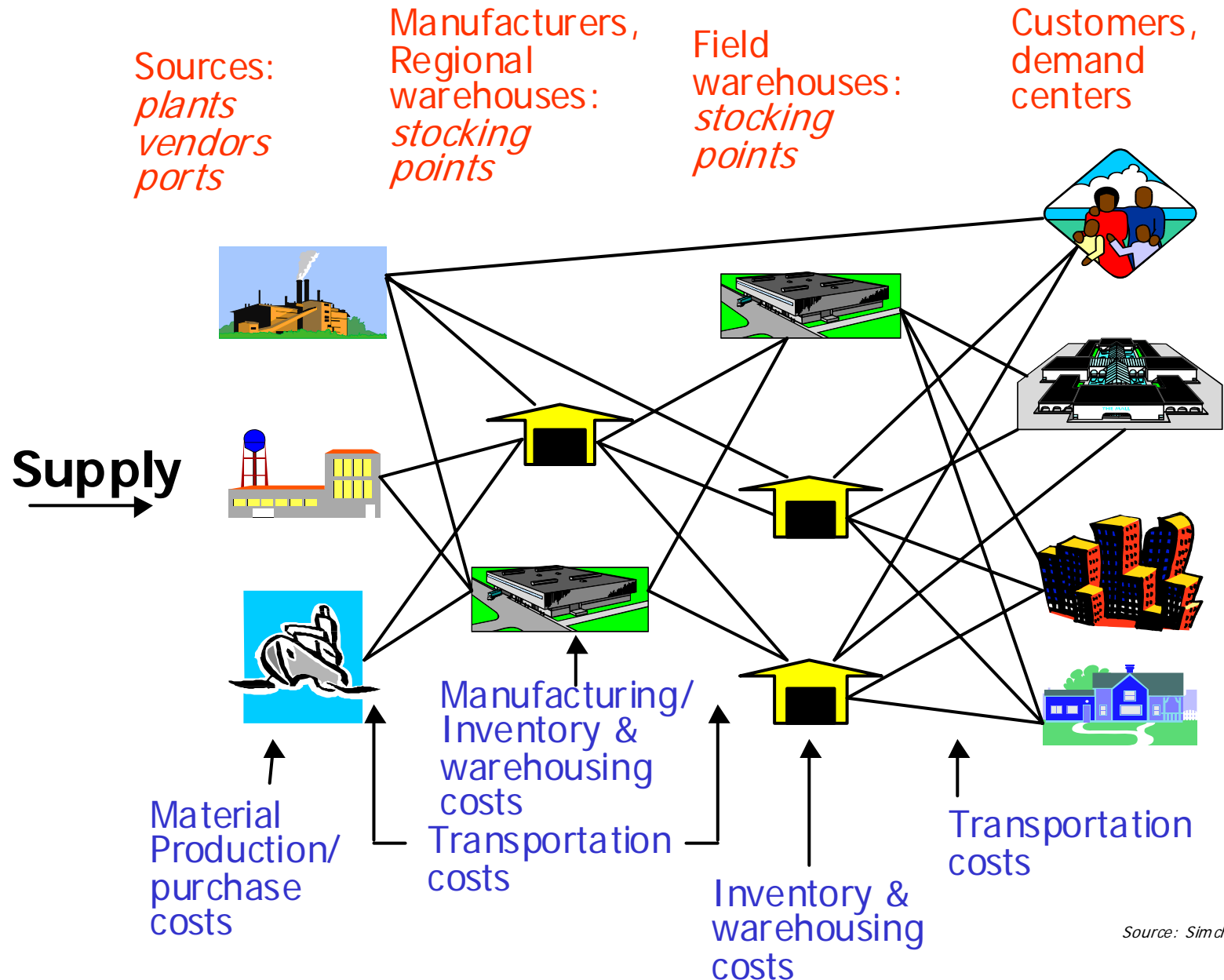
APEC:

“Trade facilitation generally refers to the simplification, harmonization, use of new technologies, and other measures to address procedural and administrative impediments to trade.”

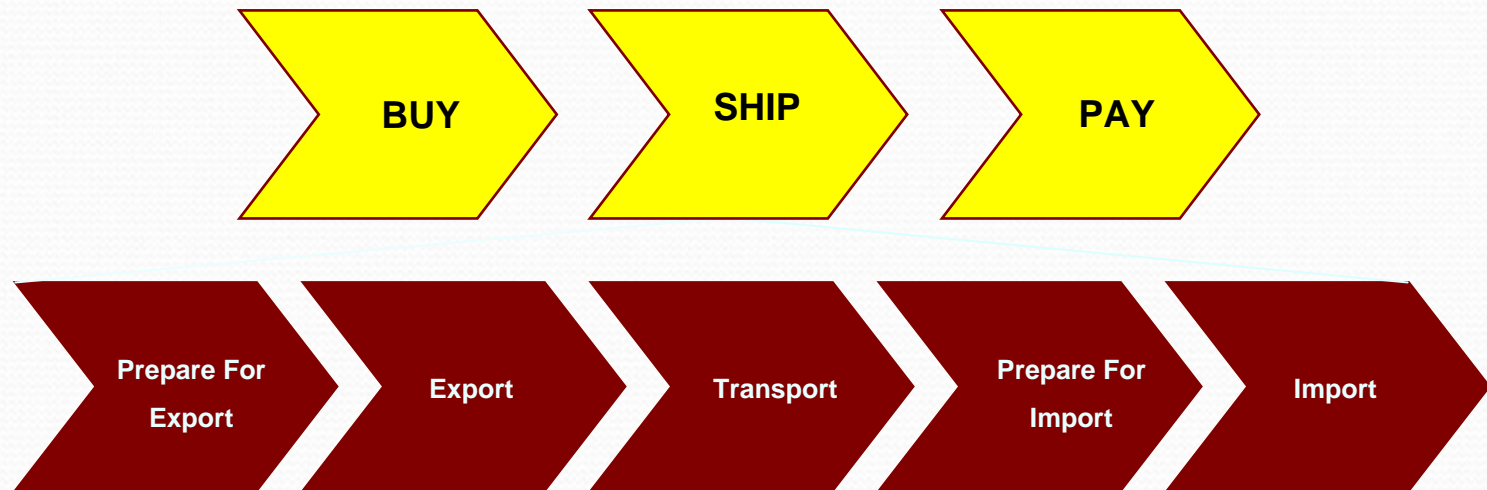


From Trade Facilitation Concept to Single Electronic Windows

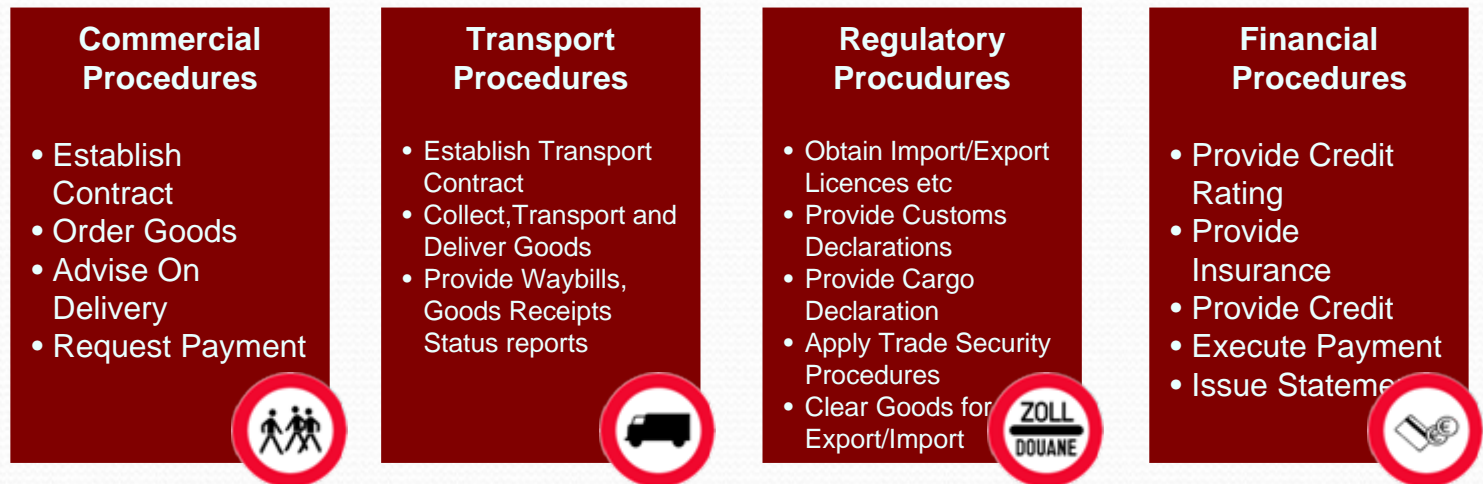
Supply Chain



UN/CEFACT SUPPLY CHAIN REFERENCE MODEL



INVOLVES



Efficient Trade Facilitation and Trade Logistics



- ✓ **Simplification and harmonization of procedures including documentation;**
- ✓ **Automation/ Single Window System**
- ✓ **Technical support to introduce risk-based management systems for inspections**
- ✓ **Capacity building in customs and technical control agencies**
- ✓ **Public awareness among wider stakeholder groups incl. business community**

Single Electronic Windows

- Integrated electronic platform
- Enables parties involved in trade and logistics to lodge standardised documents and information
- A **single point of entry** for import, transit and export documents
- Individual elements only required once

Single Electronic Window

□ Three main **operating** models:

- Single Authority e.g. Sweden
- Single Automated System e.g. USA
- Single Information Transaction System
e.g. Republic of Korea, Singapore, Hong
Kong, China

Expected Benefits

- **Government:**
 - Increased Customs revenue collection & control
 - Improved traders compliance
 - More effective deployment of resources
 - Encouragement of foreign investment
- **Traders:**
 - **Imports:** reduced overall delivery costs
 - **Exports:** increased competitiveness through reduced transaction costs
 - Increased transparency and predictability
- **Service Providers:**
 - New business opportunities for door to door logistics

Government

- Ministry of Trade/Economy
- Ministry of Transport
- Ministries of Finance
- Ministry of Agriculture
- Ministry of Health
- Customs Authorities
- ICT Ministry/ Agency
- Interior Ministry
- Ministry of Justice
- Veterinary, plant and quarantine agencies
- Port/ airport authority

Private sector

Business Community

- Manufacturers
- Suppliers
- Exporters
- Importers
- Chambers of Commerce
- National trade facilitation committees

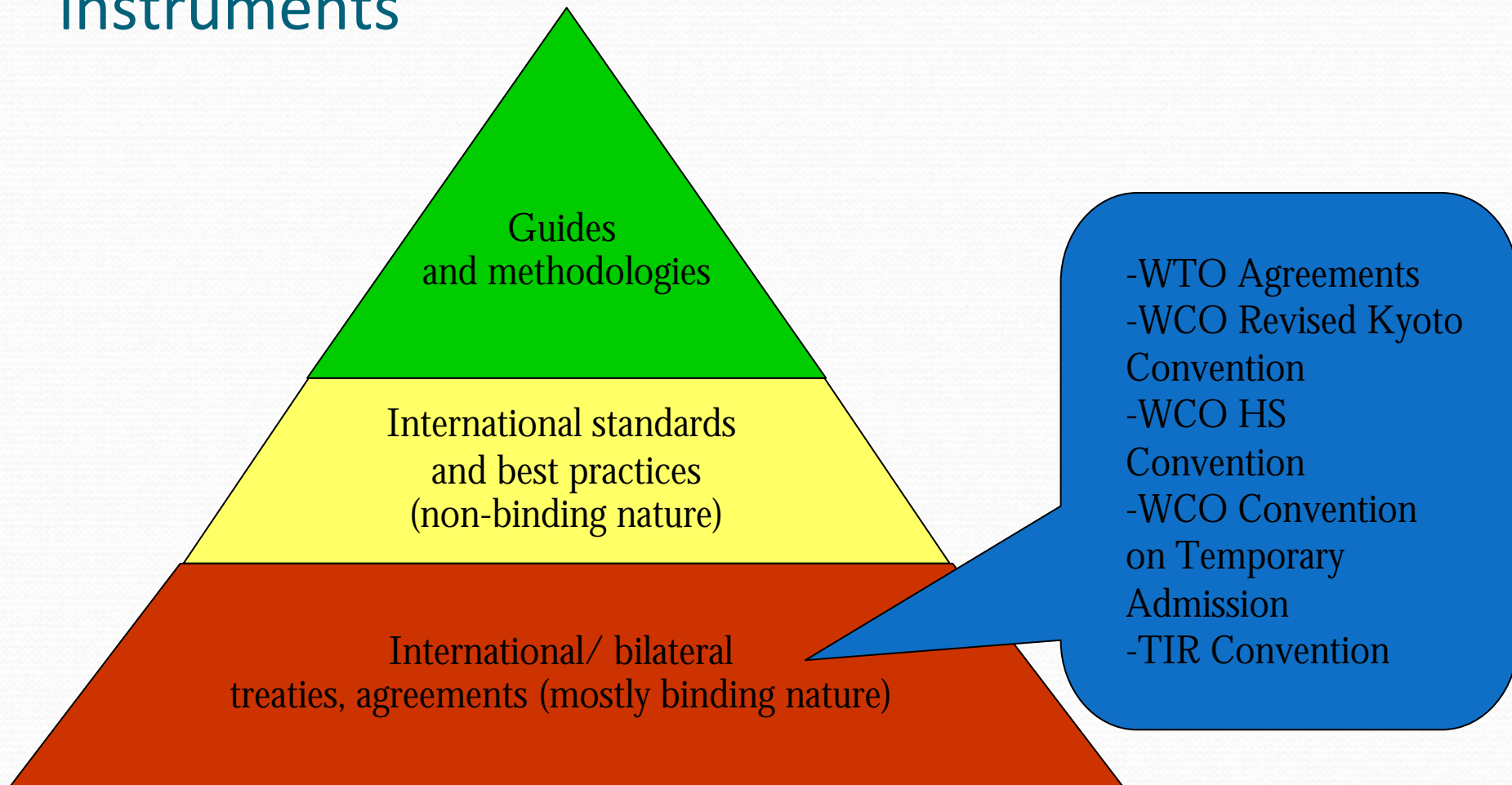
Service providers

- Customs brokers
- Transport operators
- Freight forwarders,
- Third party logistics operators
- Software companies
- Single window and paperless trade service entities
- Insurance companies and banks.

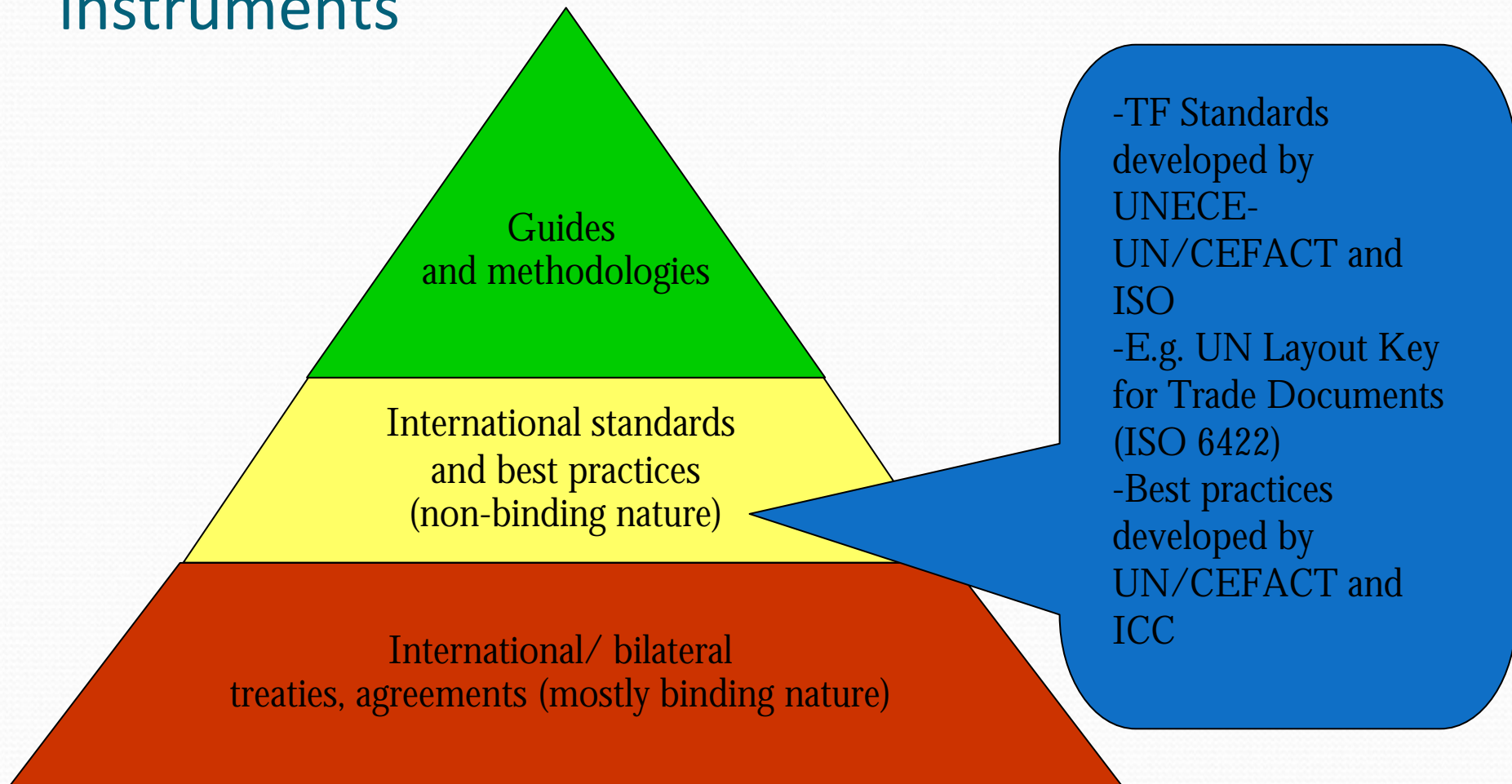


Trade Facilitation Instruments, Tools, and Methodologies

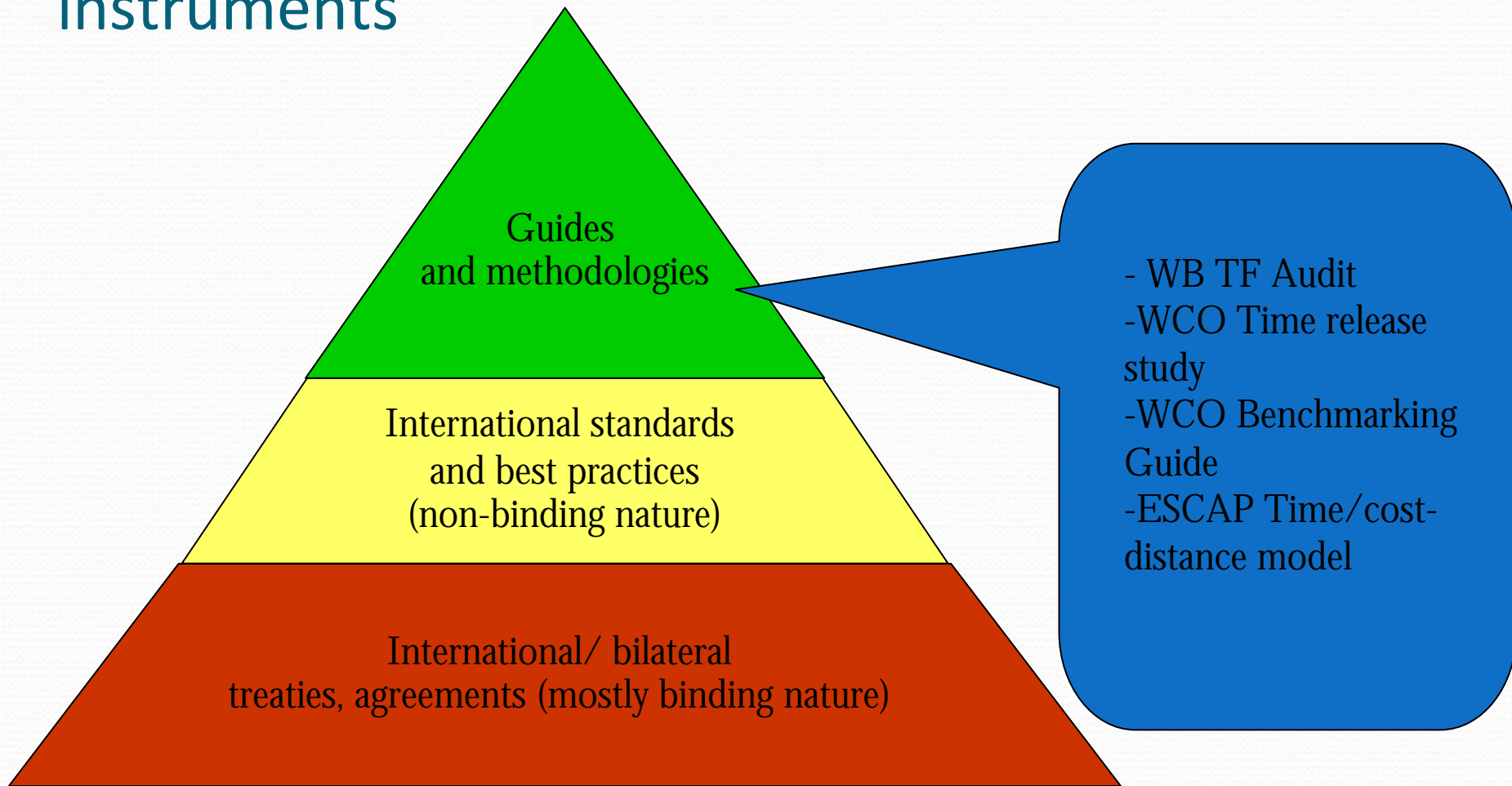
Internationally-agreed trade and transport instruments



Internationally-agreed trade and transport instruments



Internationally-agreed trade and transport instruments





Current Status of Trade Facilitation Initiatives in Mongolia

Mongolia trade facilitation initiatives- Progress report - Institutional

- 2005 - MNCCI submits a proposal for establishment of a National SEW to GOM based on Recommendation No 33 of UN/CEFACT
- 2006 - Resolution No 251 on establishment of a SEW passed by GOM
- 2006 – Minister of Finance assigned to lead the initiative
- 2006 – Working Group established , led by Information Communication Technology Authority

Mongolia trade facilitation initiatives- Progress report - Institutional

- SEW Working Group consists of:
 - Vice-Minister for Ministry Trade and Industry
 - Vice Minister of Mining and Energy
 - Director General of MGCA
 - Vice Director of Specialised State Inspection Agency (SSIA)
 - Chairman and CEO of MNCCI
 - Director of Mongolian Agency for Standards and Metrology (MASM)

Mongolia trade facilitation initiatives-

Progress report - Institutional

- Purpose of the WG was to establish legal and IT framework for simplified and harmonised government online services using latest ICTs
- 2007 – National Programme to Establish a SEW is approved under Order of Government of Mongolia
- 2007? – MNCCI revives SEW initiative along with MGCA
- 2008 - organized national workshop on the *Use of the UNESCAP Time/Cost/Distance methodology* with ESCAP
- 2009 – New Working Group formed , led by MNCCI and MGCA
- First task of the WG is to identify the list of documents and data elements for harmonisation. Deadline- mid 2009
- 2009 –Other stakeholders invited to join the WG

Mongolia trade facilitation initiatives- Progress report -Institutional

- 2009 - currently working with ADB to implement the CAREC Transport and Trade Corridors performance measurement and Monitoring project
- 2009- leading charge (with MGCA) to revive SEW programme in Mongolia.

Mongolia trade facilitation initiatives-

Progress report - Customs

- ✓ Asycuda - GAMAS - KTNET
- ✓ One Stop Service at Border Posts
- ✓ E-trading between Customs and the biggest traders
- ✓ Introduction of internet payment for duties and taxes
- ✓ Improvement in the provision of timely and accurate information on customs procedures and initiatives
- ✓ Risk management adopted (in the broadest sense) with plans for a bigger Risk Management system based on modern selectivity indicators including intelligence
- ✓ Post clearance audit has been introduced. More robust version planned in line with enhanced Risk Management systems

Mongolia trade facilitation initiatives- Progress report -OGAs

- MASM
 - Prepared a preliminary assessment of IT requirements, accompanying budget
 - To comply with TBT provisions, amendments have been made to the new law
- GASI
 - Plans to start 'one stop window' at Central Office in Nov 2009
 - On-line registration –control system planned between Central Office and Zamyun-Ud in last quarter 2009
- ICTA
 - Drafted four E-Related legislation. Awaiting approvals from Ministry of Justice and subsequently to be passed by Parliament.
- Ministry of Transport, Construction and Works
 - Coordinating Transit Mongolia project, other major transport and infrastructure projects that will support trade and logistics

Mongolia trade facilitation initiatives-

Progress report -MNTTFC

Action plan:

- To participate and work with the regional and international agreements on transit transportation and others...
- To implement on Single Electronic Window to facilitate foreign trade including
- To implement the GS1 system and barcoding system in all warehousing, logistics center and transportation entities

Mongolia trade facilitation initiatives- Progress report -MNTTFC

- To establish logistic centers in UB, Zamiin-Uud and Altanbulag according to the international standards .
- To renew the railway park and to strengthen its activities
- To improve infrastructure and build the road through the following route such as Zamiin-Uud-Choir-Sainshand-UB-Altanbulag, Yarantai-Ulaanbaishint 748 km, Sumber-Undurkhaan-Baganuur-Nalaikh-UB-Lun 2595 km
- To renew and approve the standard of freight forwarders
(MNCCI)

Mongolia trade facilitation initiatives- Progress report – Other Stakeholders

- National Committee on Trade and Transport Facilitation
- Donors: USAID, ADB, IFC/World Bank, UNDP
 - Carec Corridors (ADB)
 - Zamyn-Ud Logistics Centre (USAID, IFC)
 - Trade capacity development project (Phase2) (UNDP)
- Logistics Providers
- Importing and Exporting Community- 21,000 private companies and individuals involved in foreign trade



Factors affecting implementation of Mongolia's SEW

Factors affecting implementation of Mongolia's SEW

- Differing concepts and understanding of *Single Electronic Window*
- Different level of computerisation in relevant agencies
- Lack of a **coordinated** plan for implementing a SEW
- Weak capacity in some OGAs, limiting their effectiveness and efficiency
- SEW as previously defined was very limited in scope (originally seen as just a trade declaration to customs and other govt agencies)
- No articulated VISION or BIG PICTURE' context to anchor the SEW
- Competing interests, high profile projects like Transit Mongolia reduces message of potentially far reaching effect of the SEW
- To date, no results to show- which could attract a senior level champion

Phase I
Quick Wins
4 -6 months

Streamline procedures

- Reduce number of signatures
- Coordination of information

Risk-based inspections

Agree on risk criteria for inspections

Other

- Appoint a high level champion
- 'SEW Master Plan'
- Start public awareness programme

Phase II
More systemic Reform
Up to 3 years ?

**Single
Window**

**Streamline/ harmonize
procedures**

- Converge to SAD
- Reduce # steps for exports
- Eliminate trade permit declarations

Risk based inspections

- Simultaneous physical inspections
- A delegated single system
- Inspections based on risk profiling

Impact

FDI/Private
investment

Employment

Trade volumes/
share of exports

Cost savings to
businesses

Issues for Consideration

- Invest in a communications programme
- Address issues associated with OGA's' disinterest: *'What is in it for me?'*
- How should the renewed SEW Working Group relate to the MNFTTFC?
- What is the optimal structure for the WG ...in the first 6 months...in the next 36 months?
- Deciding on an operating model for the SEW
- Deciding on a business model – PPP, P or G?
- Funding for capacity building . Many options - UNESCAP, UNECE, TFF, Aid for Trade. But will need a PLAN
- Keep key donors involved, excited. They also need an answer to *'How will this work for me'*
- Embrace the principle of building blocks - incremental steps towards major milestones
- Establish objective measures of success –refer to DBR's Trading Across Borders, LPI etc

NEXT STEPS?





Thanks for your attention!

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