

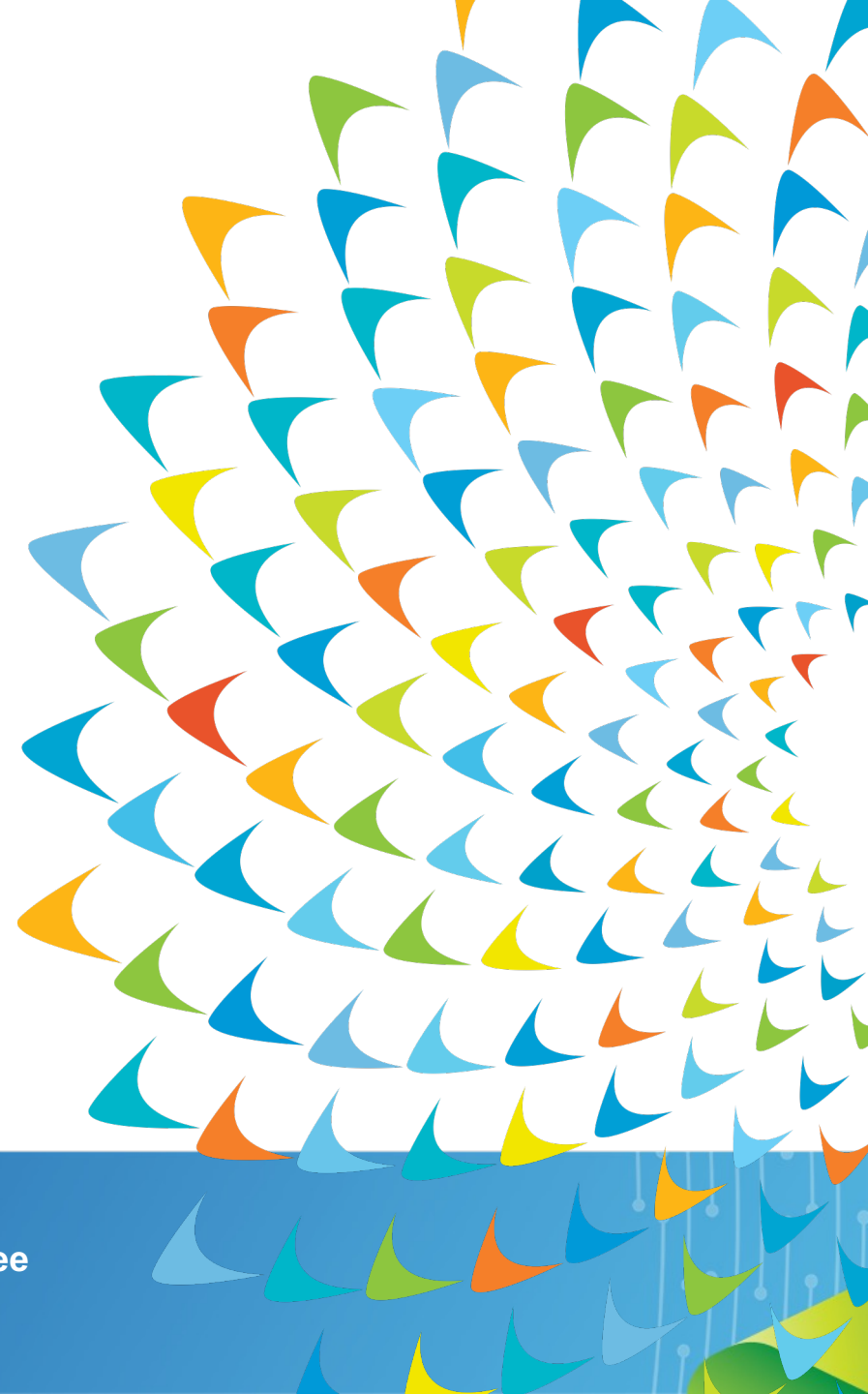


Session 4: Ongoing CAREC Trade Facilitation Initiatives on Customs Services: AEO Program and Cross Border Paperless Trade to Support Green Initiatives

23rd Meeting of the
Central Asia Regional Economic Cooperation (CAREC)
Customs Cooperation Committee

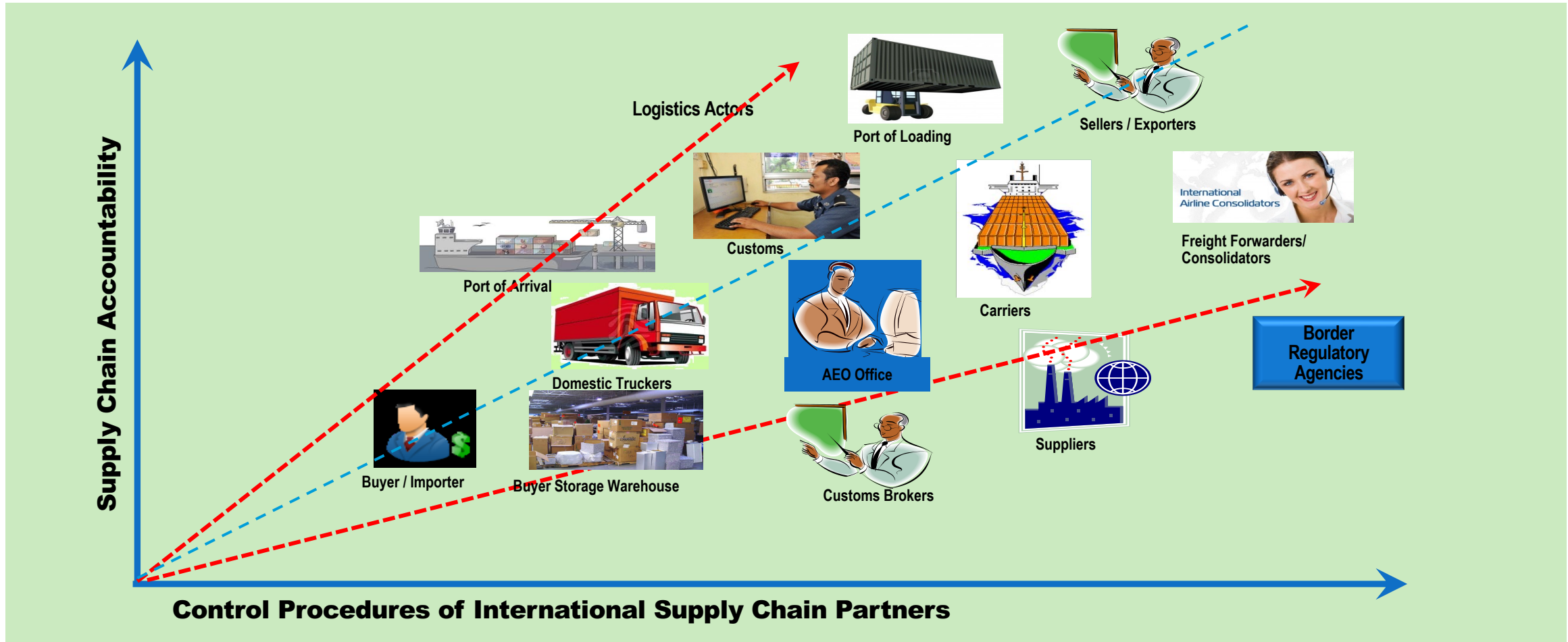
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How to Leverage the AEO Program?



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Enhancing Supply Chain Security (All Stakeholders)

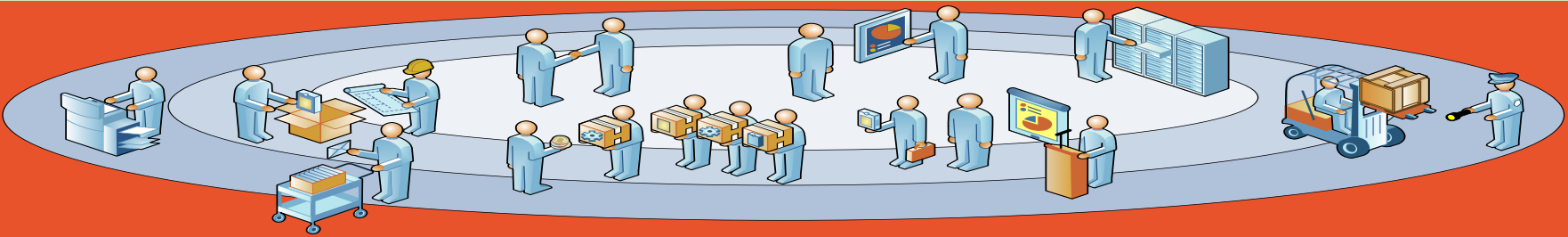


Ecosystem of the AEO Program (Management System)

Managing compliance by setting up controls

Customs-Business Partnership

Customs to Customs Pillar through MRA



Customs – PGAs Inter-agency sharing of AEO-related data

Leverage on the use of modern technology

In return, incentives are given to facilitate movement of legitimate goods

AEO Program Design Principles

Mandate from the Top	Obtain support from the highest levels of the Customs administration
Compliance with International Standards	Ensure commitment to international standards
Professionalism, Integrity and Strategic Direction	Ensure commitment to professionalism, integrity, and continuous training of key staff
Customs-Business Partnership	Strengthen Customs-to-Business partnership
Customs-Partner Government Agencies Partnership	Strengthen coordination between Customs and partner government agencies (PGAs)

Professionalism, Integrity and Strategic Direction

PREVIOUS MINDSET	EMERGING MINDSET
Private sector = adversary	Private sector = strategic partner + force multiplier
Focus on control	Balance between facilitation and control
Physical inspection by default	Intervention by exception
Focus on goods	Focus on data
Limited pre-arrival processing	Decisions before arrival of goods and post-clearance controls
Focus on identifying non-compliance and punishment	Focus on incentivizing compliance
Individual approach to security	Collaborative approach to security

Customs – Partner Government Agency Cooperation

STANDARDS	DESCRIPTION
Partnership	Since the development of the SAFE Framework, the importance of cooperation between Customs and other government and inter-government agencies involved in international trade and supply chain security has increased
Coordinated Border Management	Cooperation across various agencies, especially coordinated border management and is essential at the national level.
Single Window Platform	Cooperation across various agencies in utilizing the single window provides interoperability and dynamic business rules for inter-agency data sharing and support targeting and profiling activities
Effective Cooperation	Given the nature of the global supply chain, particularly with respect to how AEOs function, such effective cooperation needs to be promoted both bilaterally and multilaterally between and among organizations

Positive Reinforcement



Catch

Catch the Trader when doing right
not when doing wrong

- Talk to the compliant trader and not to the violators
- The usual practice is that management knows more the violators and not the quiet performer



Arrange

Arrange 360 feedback mechanism
between Customs and PGAs,
including Customs and the private
sector

- Avoid multiple examinations by involved PGAs
- Avoid continued examination of similar consignment

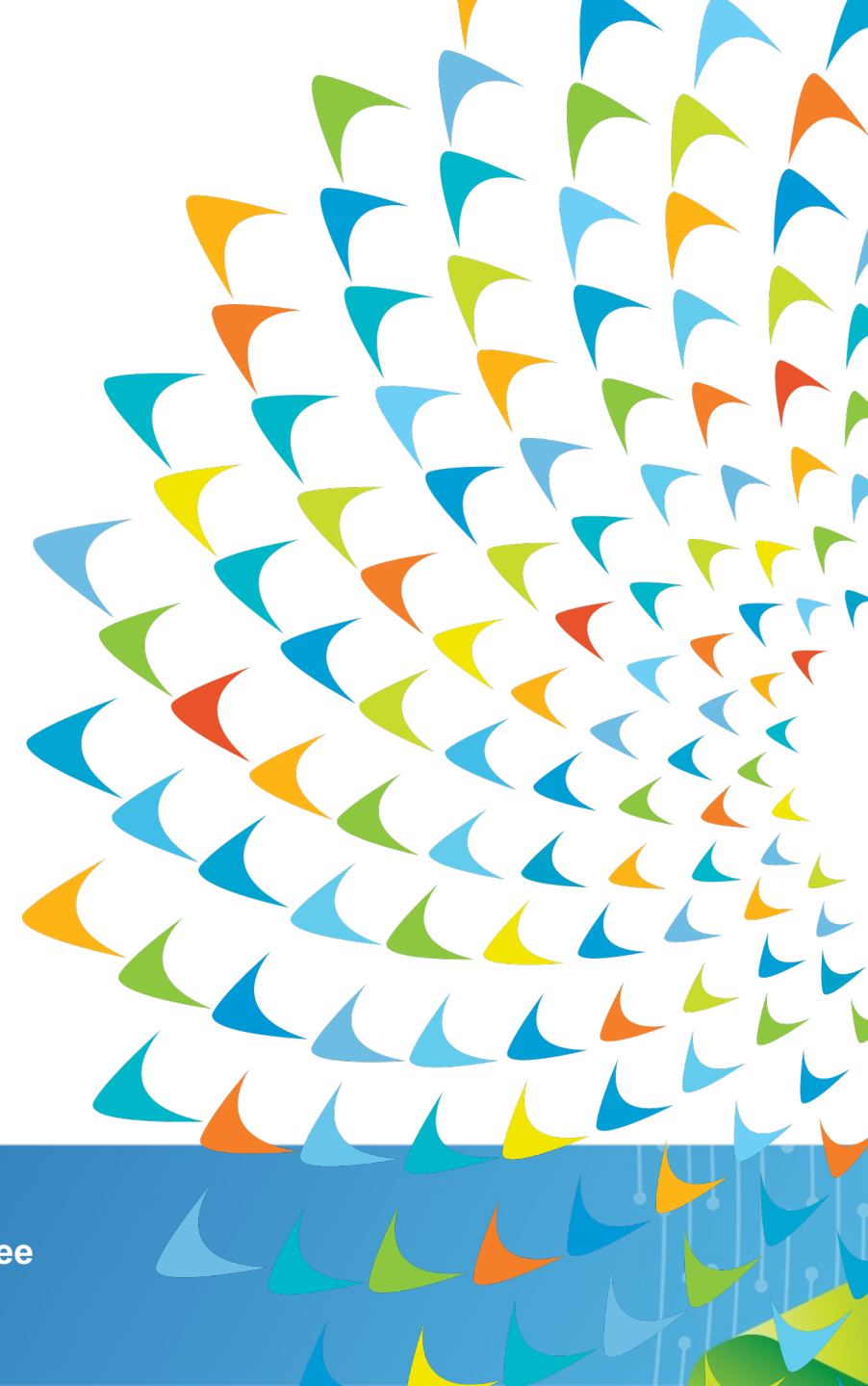


Implement

Implement a Trader's Compliance
Scoresheet

- Proactive monitoring of eligible economic operators for the AEO program
- Well-organized compliance plans help ensure goods move swiftly and securely across borders

Status of AEO Program in CAREC



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Status of the AEO Program

AEO Program in place

- Significant progress in the implementation of AEO program, including trade digitalization and risk management
- All ten respondents conveyed that there is senior-level support and buy-in that will ensure the necessary funding

Nine Countries will join the AEO program's pilot project

- Nine respondents expressed their interest to join the AEO program's pilot project
- One respondent conveyed to be just an observer

Dedicated Team Created

- Six respondents shared that there is a dedicated unit / team created in managing the development of their AEO Program.

Capacity building programs in addressing the development gap

- From these results, Azerbaijan, China, Georgia, Kazakhstan, Pakistan and Uzbekistan Customs have operational AEO programs.
- The rest of the CAREC member countries need more capacity building programs in addressing the development gap

Status of the AEO Program

Paperless Trade Measures that are in place

- Electronic submission of customs declarations by the traders
- Electronic application and issuance of Import/Export Permit, Certificates, Licenses
- Laws and regulations for electronic transactions
- Internet connection available to partner government agency/agencies
- Electronic Single Window Platform (TFA Article 10.4)
- Electronic payment of customs duties and taxes (TFA Article 7.2)
- Electronically exchanged customs data on goods and vehicles moved among countries

Wise use of Single Window

- Eight (8) respondents viewed the wise use of the single window in supporting the AEO program as positive.
- Several countries have operational single window system, and one country is using the platform to obtain permits in real time

Status of the AEO Program

Main Challenges Recognized

- Fluctuating workload with static or declining resources
- Growing business expectations and continuous pressure to meet government revenue
- There are still manual processes in the application of permits and certificates
- Lack of standardized data formats and interoperability among different trade-related systems across government agencies need to be addressed
- Ongoing digitalization issues, trade facilitation and national security objectives
- As the private sector have transformed themselves with digital technologies, expectations for the government to follow suit have also increased.
- But all respondents agreed, the AEO program would provide the impetus to enhance the Customs-Business partnership on trade security and trade facilitation based on trust and mutual respect

Status of the AEO Program

**Technical
Assistance
Requested**

- Benefits for Trusted Partners
- Post validation procedures of security measures and supply chain security best practices, including on-site validation procedure, if necessary
- Raising awareness campaign within Customs
- Security and Compliance Requirements
- Post Authorization Audit, Suspension and Revocation
- Basic concepts of the AEO program
- Customs-Business Partnership and Customs-Trade Regulators (PGAs) partnership in extending the AEO benefits.
- Outreach with PGAs and Trading Community
- AEO Scheme for E-Commerce Shipment Actors
- AEO Scheme for SMEs

Recent AEO-related Activities

Two workshops conducted in 2023:

- i. Virtual Workshop on AEO Program (26 to 27 September 2023)
- ii. Regional Workshop in Enhancing and Accelerating the Implementation of the AEO Program in Central Asia (31 October to 02 November 2023, Tashkent, Uzbekistan)

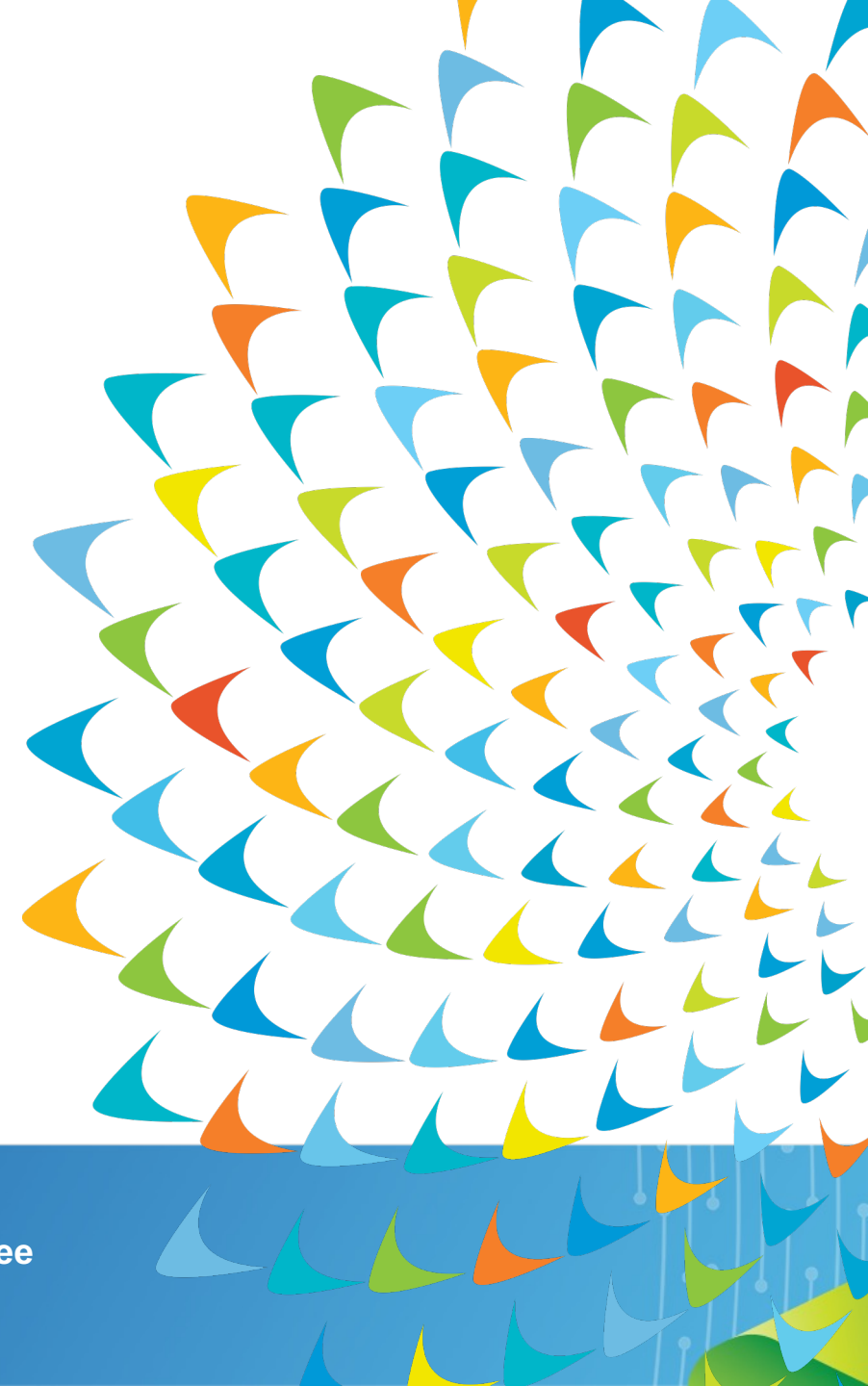


- Encouraged continuous development and implementation of the AEO program and its synergy with integrated Risk Management and National Single Window
- Promoted engaging trading partners for bilateral/regional Mutual Recognition Agreements (MRAs)

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Outcomes of AEO National Workshop in Mongolia



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Recent AEO-related Activities

- National level AEO workshop in Ulaanbaatar, Mongolia conducted in February 2024
- Upcoming national AEO workshop in Astana, Kazakhstan in August 2024.



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Survey Results (1)

- There a senior-level support and buy-in to ensure continued support and necessary funding for its development, implementation, and maintenance.
- Outreach programs that were ticked that can support the development and implementation of the AEO program:
 - A workshop about the 2021 WCO SAFE Framework
 - The synergy between the AEO Program and the Integrated Risk Management
 - Business Continuity for the AEO Program
- There is an interest to join the AEO program pilot project with any other CAREC member country

Survey Results (2)

- The paperless trade measures that are already in place supporting AEO program are:
 - Electronic submission of customs declarations by the traders
 - Electronic application and issuance of Import/Export Permit, Certificates, Licenses
 - Electronic submission of air cargo manifests
 - Electronic application of Preferential Certificate of Origin
 - E-Payment of customs duties/fees (TFA Article 7.2)
 - Laws and regulations for electronic transactions
- The Customs training module for AEO validation is under development

Survey Results (3)

- Risk Management Division is responsible for implementing the AEO program. According to the job profile there are 3 customs officers in charge of the trade facilitation and AEO program.
- The downloadable forms that can be accessed or requested from the AEO management portal are the legal orders, self-assessment questionnaire, AEO brochure and outreach materials.
- Self-assessment questionnaire is already being used by interested applicants.
- Evaluation and validation procedures are already in place
- There is an interest from the Risk Management Division to develop an AEO Operations Manual.
- Seal of integrity for secure containers standards were all complied.

Mapping the AEO Program vs. 2021 SAFE Pillar 1

SAFE Framework of Standards	Validating the AEO Program	Complied
Standard 1 - Integrated Supply Chain Management	Provision 33 of the Customs Law; General Directive No.342 of 2022; General Directive No.287 of 2019	Yes
Standard 2 – Cargo Inspection Authority	Provision 35 of the Customs Law	Yes
Standard 3 – Modern Technology in Inspection Equipment	Provision 232 of the Customs Law	Yes
Standard 4 – Risk Management Systems	CGA Director General Directive No.287 of 2019; CGA Director General Directive No.342 of 2022	Yes
Standard 5 – Selectivity, profiling and targeting	Regulations about selectivity, profiling and targeting are included on Risk Management in Customs Control approved by the CGA Director General Directive No.287 of 2019	Yes
Standard 6 – Advance Electronic Information	The principal clauses to be applied for “Advance electronic information” are the provision 38.2.7 of the Customs Law	Yes

Mapping the AEO Program vs. 2021 SAFE Pillar 1

SAFE Framework of Standards	Validating the AEO Program	Complied
Standard 7 – Targeting and Communication	Regulations about targeting and communication are included on Risk Management in Customs Control approved by the CGA Director General Directive No.287 of 2019	Yes
Standard 8 – Performance Measures	The Regulations about performance measures are included on Risk Management in Customs Control approved by the CGA Director General Directive No.287 of 2019	Yes
Standard 9 – Security Assessments	The principal clauses to be applied for “Security Assessments” are the provision 233.5 of the Customs Law	Yes
Standard 10 – Employee Integrity	Civil Service Law Article 37.1.7.abide by civil servants' code of conduct, organizational culture and order, and uphold the reputation of the civil service; Article 40.The code of conduct of civil servants holding positions stated in subparagraphs 10.1.1 and 10.1.3 shall be established by legislation	Yes
Standard 11 - Outbound Security Inspections	Regulations about outbound security inspections are included on Risk Management in Customs Control approved by the CGA Director General Directive No.287 of 2019	Yes

Mapping the AEO Program vs. 2021 SAFE Pillar 2

SAFE Framework of Standards	Validating the AEO Program	Complied
Standard 1 - Partnership	2021 AEO Regulations (CGA Directive No. A118 dated 17 March 2021)	Yes
Standard 2 – Security	2021 AEO Regulations (CGA Directive No. A118 dated 17 March 2021)	Yes
Standard 3 – Authorization	2021 AEO Regulations (CGA Directive No. A118 dated 17 March 2021)	Yes
Standard 4 – Technology	2021 AEO Regulations (CGA Directive No. A118 dated 17 March 2021); 232.7. The Customs may use information technology for Customs control.	Yes
Standard 5 – Communication	2021 AEO Regulations (CGA Directive No. A118 dated 17 March 2021); Customs control, the Customs shall promote cooperation with its clients and stakeholders.	Yes
Standard 6 – Facilitation	2021 AEO Regulations (CGA Directive No. A118 dated 17 March 2021); 233.4. In order to ensure effective Customs control, the Customs shall promote cooperation with its clients and stakeholders.	Yes

Mapping the AEO Program vs. 2021 SAFE Pillar 3

SAFE Framework of Standards	Validating the AEO Program	Complied
Standard 1 - Mutual Co-operation between Customs and PGAs	Customs Law of Mongolia: Article 272. Cooperation of Customs with Other Ministries and agencies Article 257. Specialist's Involvement in Customs Control Article 258. Involvement of Other State Agencies and Officials in Customs Control	Yes
Standard 2 – Cooperative Arrangement / Procedures	Customs Law of Mongolia: Article 272. Cooperation of Customs with Other Ministries and agencies Article 257. Specialist's Involvement in Customs Control Article 258. Involvement of Other State Agencies and Officials in Customs Control	Yes
Standard 3 – Alignment of Security Programs		No
Standard 4 - Harmonization of National Control Measures		No

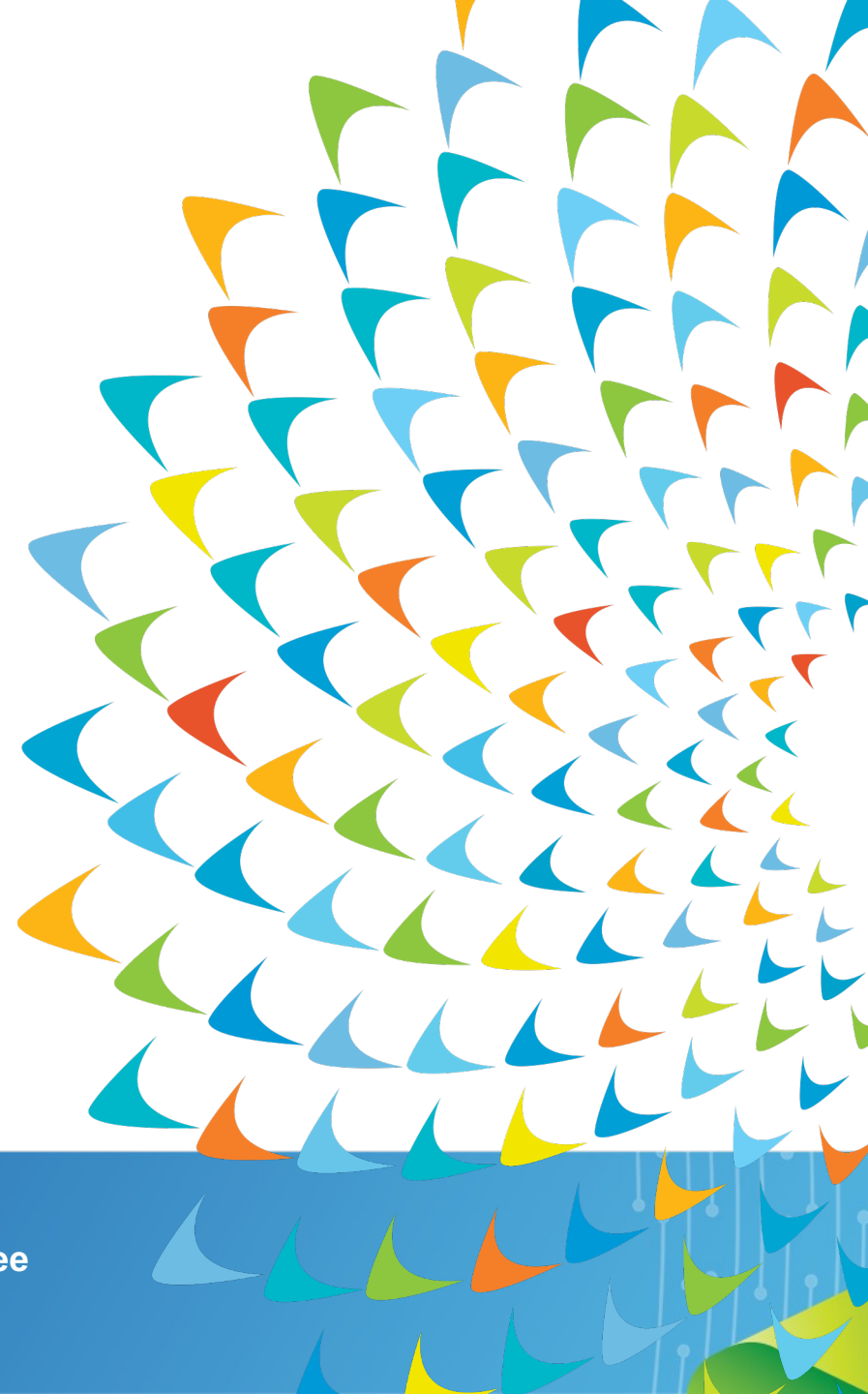
Mapping the AEO Program vs. 2021 SAFE Pillar 3

SAFE Framework of Standards	Validating the AEO Program	Complied
Standard 5 – Development of Continuity and Resumptions Measures		No
Standard 6 – Harmonization of Data Filing Requirements		No
Standard 7 – Mutual Cooperation	Customs Law of Mongolia: Article 272. Cooperation of Customs with Other Ministries and agencies	Yes
Standard 8 – Development of Cooperative Arrangements and Protocols	Customs Law of Mongolia: Article 272. Cooperation of Customs with Other Ministries and agencies	Yes
Standard 9 – Harmonization of Security Programs		No

Recommendations

- Optimize the uptake of the AEO program
- Capacity building activities for the Customs AEO team to comply with the SAFE Framework Pillar 3 standards on the alignment of security measures, harmonization of national control measures, business continuity, harmonization of data filing requirements and cooperation between and among government agencies involved in the AEO program.
- Continue developing training modules for AEO validation, alignment of security modules and business continuity
- Technical support in completing the AEO Operations Manual

Green Initiatives



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What are Green Initiatives?



Green practices are things that both government and business do to reduce their environmental impact, like reducing energy consumption, using eco-friendly materials, promoting sustainable transport, and reducing waste

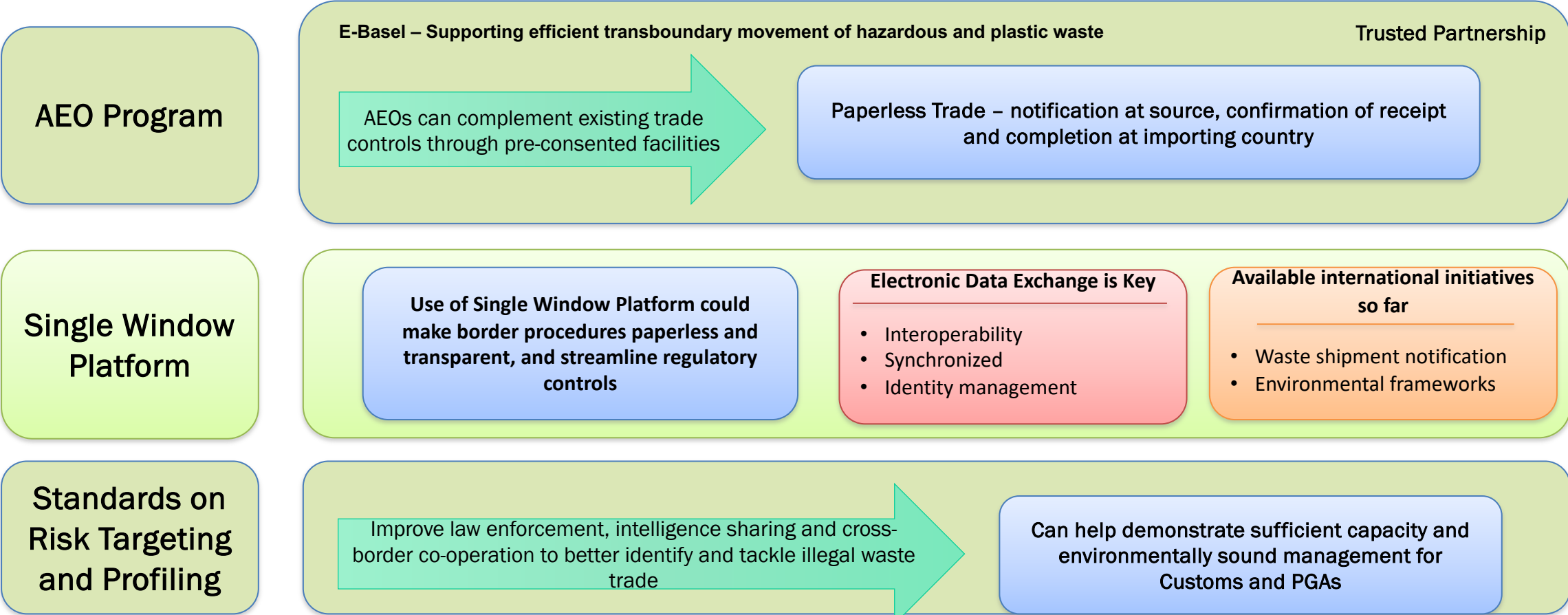


Green practices help to address urgent environmental challenges like climate change, pollution, and the overuse of natural resources



Green practices can benefit organizations by lowering costs, improving efficiency, and promoting a positive public image. They also demonstrate a commitment to ethical business practices, which can help to build trust with customers and stakeholders

Digitalization for Green Initiatives



Ongoing Green Initiatives



Updating all data elements defined in UN CEFAC T by integrating the latest in emerging technologies and supporting green transformation and ESG (Environmental, Social, and Governance) goals within international trade



Incorporate data relevant to emerging technologies by enhancing visibility in supply chains and streamlining decision-making (such as smart containers, digital twins, IoT, and situational awareness)



Defining data needed for specific trade documents to accelerate the adoption of a 100% paperless trade environment, as well data needed for redesigning processes for supply chain excellence

Green Initiatives through Single Window system



Involved stakeholders reap the benefits of electronic access: savings in time and resources since physical submission and collection of documents are eliminated



Provides electronic processing, transparency, efficiency, and predictability through information sharing, event tracking, automated processing, and information exchange



Electronic receipt of communications from OGAs and online support within the NSW for processing applications for permits and cost savings as fewer resources are required to comply

Business Drivers of Cross-border Paperless Trade



Promote regional growth by simplifying, modernizing (paperless trade), and harmonizing export and import processes



Allow economic operators, including small and medium-sized companies, to comply with regulatory requirements to become more competitive in a global market



Combating of illicit activities by forewarning the importing economy to ensure that merchandise is appropriately inspected



Advanced security declarations to reinforce the principle of risk management by assessing the quality of data and act upon it in addressing environmental crimes

Green NTMs that Affect Customs



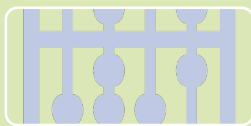
Improving access to medicines and health-care products, while ensuring their safety and predictable efficacy



Reducing human consumption of products that are undeniably harmful to human health (e.g., narcotics and tobacco)



Food safety



Increasing consumption of healthier foods, while reducing consumption of foods or additives that can contribute to the occurrence of non-communicable diseases (i.e., food quality and labelling);



Reducing injuries and deaths on roads (i.e., motor vehicle safety);



Maintaining a safe living environment and reducing exposure to harmful substances (e.g., hazardous chemicals)

Green Logistics Solutions



Integrating sustainability considerations into supplier selection, companies can choose partners with eco-friendly practices and ethical sourcing policies.



Implementing demand forecasting tools and collaborative planning can also reduce inefficiencies and optimize inventory levels, leading to reduced waste and improved resource utilization



Using recyclable or biodegradable materials and optimizing packaging design can significantly reduce the environmental impact of shipping

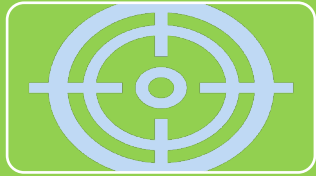


Businesses can utilize real-time data analytics and tracking systems to optimize fleet management, monitor fuel consumption, and identify areas for improvement.



Companies can invest in energy-efficient vehicles and equipment, such as electric or hybrid trucks, and optimize fuel consumption through driver training programs and vehicle maintenance

Addressing the Challenges



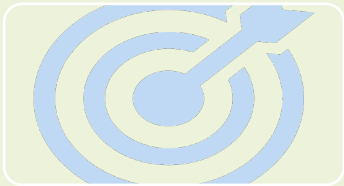
Transparency

- Establish transparent system on rules and requirements
- Conduct risk identification and implement an effective control system
- Conduct outreach and training for involved government agencies and trading community



Simplification and Standardization

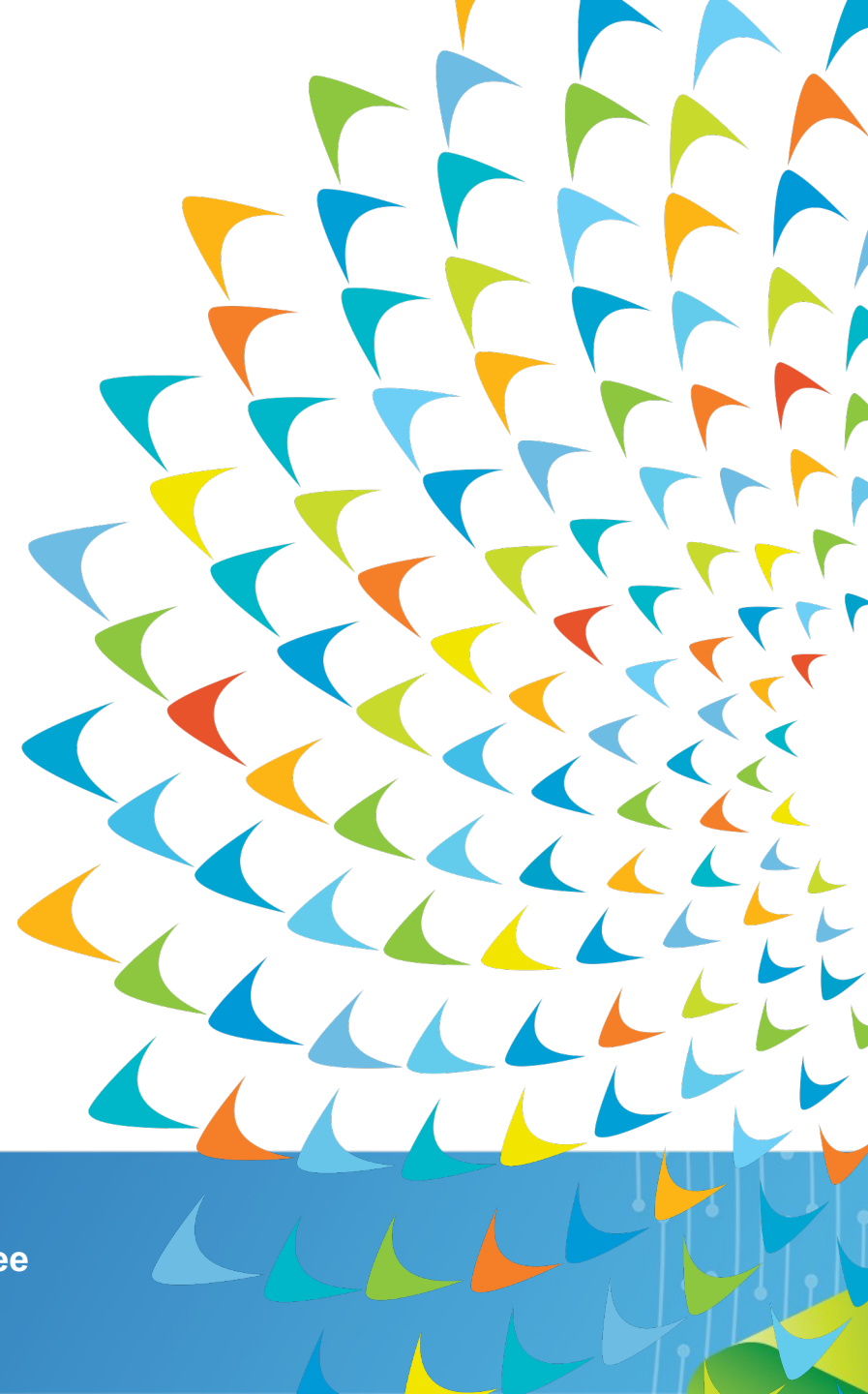
- Simplifying customs trade procedures through digitalization between trading partners
- Agree on risk profiles in simplifying trade procedures through a scoring system for the traders
- Use of international standards and develop further relevant standards



Supply Chain Traceability

- Monitoring and evaluation of product traceability, including systems behaviors affecting the selectivity
- Integrate traceability systems with the Single Window platform
- Coordinate closely with the Enforcement Unit

Thank you



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