

# **FINAL REPORT**

## **FEASIBILITY STUDY ON IMPLEMENTATION OF THE CUSTOMS TRANSIT RELATED PROVISIONS OF THE ECO TRANSIT TRANSPORT FRAMEWORK AGREEMENT**

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## ABBREVIATIONS AND ACRONYMS

AEO	-	Authorised Economic Operator
BCP	-	Border Crossing Point
CTQs	-	Customs Transit Questionnaires
CMR	-	Convention on the contract for the International Carriage of Goods by Road
CRM	-	Customs Reform and Modernization
ECO	-	Economic Cooperation Organization
ECO RMT	-	ECO Regular Monitoring of Trucks
IDB	-	Islamic Development Bank
IRU	-	International Road Transport Union
MVTPL	-	Motor Vehicle Third Party Liability
NELTI	-	New Eurasian Land Transport Initiative
PMU	-	Project Management Unit
RKC	-	Revised Kyoto Convention
TIR	-	Convention on International Transport of Goods under Cover of TIR Carnets
TOBB	-	Union of Chambers and Commodity Exchanges of Turkey
WTO TFA	-	World Trade Organization Trade Facilitation Agreement
TTFA	-	(ECO) Transit Transport Framework Agreement
WCO	-	World Customs Organization

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## **Executive Summary**

The Transit in the Customs term means moving goods from one place to another place nationally or internationally without paying Customs duties and taxes. The issue of Customs Transit was recognized since the era of the General Agreement on Tariff and Trade (GATT), 1947 which defined freedom of Transit under its Article V. By signing the Marrakesh Agreement in 1994, the World Trade Organization (WTO) was established and replaced the GATT. The WTO adopted the Trade Facilitation Agreement (TFA) in 2013 which defined "Freedom of Transit" under the Article 11. From ten ECO Member countries, only five countries are WTO members and four countries are observers.

The facilitation of transit transport in the ECO region is highly important since seven out of ten ECO member states are landlocked countries. Under the Transit Transport Framework Agreement (TTFA), all activities are directed towards removal of non-physical barriers, harmonization of regulations and the accession of the Member States to international transport and trade facilitation conventions and standards. Particularly, Articles 5, 8, 9, 28, 29 and Annex VII address Customs issue and control. It is noted that under Customs Transit, subjects of processing procedures, control/enforcement on Customs Transit by the Customs authorities and Customs Transit related facilities where it is processed need to be considered and analyzed.

This feasibility study, reviews and analyses the ECO member country's current operational customs transit procedures and systems focusing on major challenges in the border crossing transit and identifies various/different requirements of the Member States for implementation of the Customs provisions of the TTFA as well as border crossing points of regional/international importance. The ECO Member States Transit System status versus International related Conventions and Agreements mentioned in the TTFA will be also analyzed. The projects under the Customs Reform and Modernization (CRM) Projects in the ECO Member States are scored and prioritized utilizing the Turkey's TOBB experience as a model in this regards.

The study shows that most of the Customs Code and its guideline are made in line with international requirements and guideline. However, some issues concerning implementation of the Agreements/Conventions and Guidelines are at the ground level. For example the transit goods can be processed without intervention since there is no commercial transaction in the transit countries. Therefore, if at the border crossing points a separate entry gate would be specified for transit goods, the process of clearance would speed up and avoid unnecessary congestion.

Nineteen (19) projects under CRM have been also provided which are scored and prioritized. At the end, the report provides a number of specific recommendations and proposals.

## **Introduction**

The Economic Cooperation Organization (ECO) is an intergovernmental regional organization to promote multi-dimensional and regional cooperation and create socio-economic growth and development in its ten member states, i.e., Islamic Republic of Afghanistan, Republic of Azerbaijan, Islamic Republic of Iran, Republic of Kazakhstan, Kyrgyz Republic, Islamic Republic of Pakistan, Republic of Tajikistan, Republic of Turkey, Turkmenistan and Republic of Uzbekistan.

Among the objectives of the ECO, the following three are deeply related to this feasibility study:

- Sustainable economic development of Member States
- Progressive removal of trade barriers and promotion of intra- regional trade; Greater role of ECO region in the growth of world trade; Gradual integration of the economies of the Member States with the world economy;
- Development of transport & communications infrastructure linking the Member States with each other and with the outside world;

The Transit Transport Framework Agreement (TTFA) is the ECO's basic document in the transport sector. It is a comprehensive document and the primary driver of all activities related to the removal of non-physical barriers, harmonization of regulations, and the accession of the member states to international transport and trade facilitation conventions and standards.

### **Scope of work of this feasibility study**

The feasibility study will cover the following:

- Analyzing each ECO member country's current operational customs transit procedures and systems, identification and analysis of various/different requirements of the Member States for implementation of the Customs provisions of the TTFA including identification and analysis of differences and conflicting requirements for the implementation of TTFA as well as border crossing points of regional/international importance
- Providing solutions (concrete activities/project) proposed for effective implementation of the customs transit related provisions of TTFA and estimation of costs implied by each proposed solution;
- Identifying border crossing points of regional/international importance and drafting the list of the prioritized projects for modernization of the selected border crossing gates taking into account ECO member country's Customs development needs based on desk research, field visits and information provided by the countries through completing Customs Transit questionnaires (CTQs),

- Suggesting/introducing models for guiding the efforts of the member countries for development of the selected border crossing points where best practice of Turkey's TOBB has been decided as a model for other member states;
- Analyzing the existing transit transport legislative frameworks in the region and providing recommendations on how to ensure consistency between the TTFA versus national frameworks;
- Preparing a detailed programme for strengthening the institutional capacity of the Member States in implementing the international conventions/agreements enlisted in the TTFA;

### **Customs Transit**

**Transit in the Customs terms** means moving goods from one place to another place nationally or internationally without paying Customs duties and taxes. Chapter 1 of Specific Annex E to the Revised Kyoto Convention (RKC)<sup>1</sup> defines Customs Transit as “the Customs procedure under which goods are transported under Customs control from one Customs office to another”.

The issues needed to be considered for Customs Transit are its processing procedures, control/enforcement on Customs Transit by the Customs authorities and Customs Transit related facilities where it is processed. This feasibility study focused on these three points and some other related issues.

**The Customs Transit processing procedures** involve its legislation, documents required for Customs Transit and its steps or procedure flow. Depending on the type of the goods to be transited, certain license may be required by the concerned authority. Also, depending on the mode of transit such as vehicles, trains and vessels, the procedure and required document slightly differs, and depending on the type of document the transit operator may use such as TIR Carnet or CMR and consignment notes, Customs procedures and required documents are different, but the data needed for such clearance is very similar.

**Customs control/enforcement on Customs Transit** covers the issue of risk based transit management on examination of the transit cargo and its carrying vehicle and persons, guarantee for the customs duty and taxes while transiting the goods within the territory of transiting country and Customs seal or fastening, Customs escort, designation of transportation route and monitoring of movement of goods, perhaps by GPS.

**Customs Transit related facilities where it is processed** discusses the type of transit facilities, transit procedure computerization, goods examination area and X-ray examinations facilities, warehouses and its clearance office management.

This feasibility study report discusses above three issues as a whole as they are deeply relates to each other.

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<sup>1</sup> **Revised Kyoto Convention (RKC)**; The International Convention on the Simplification and Harmonization of Customs procedures (Kyoto Convention) entered into force in 1974 and was revised and updated to ensure that it meets the current demands of governments and international trade. [http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/conventions/pf\\_revised\\_kyoto\\_conv.aspxstudy](http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/conventions/pf_revised_kyoto_conv.aspxstudy)

## 1. The Customs Transit transport procedures in the ECO Member States;

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### A. Afghanistan

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#### i. National Transit Law and Regulations:

- Afghanistan applies TIR Regulations for transit procedures. (The background; the Islamic Republic of Afghanistan joined TIR Convention in 1976 but has not been active in the TIR for several years as a result of conflicts in the country. Within the framework of follow up provisions of the TTFA, a National Capacity Building Workshop on TIR System was organized in Afghanistan on May 2010 in Kabul. As a result Afghanistan started implementation process of the TIR Convention. Afghanistan Chamber of Commerce and Industries announced the reactivation of TIR and it was subsequently re-launched on 4 September 2013.)
- According to the Afghanistan Customs Law, Chapter 10, Customs Processes, Article 75 to 77 and 80 provide rules of Customs transit procedures and Article 78 and 79 provide transit security and its exemption rules. (*The English version of the law is available at WIPO website:*<http://www.wipo.int/edocs/lexdocs/laws/en/af/af003en.pdf>.)
- Afghanistan has concluded an agreement with Pakistan titled “Afghanistan - Pakistan Transit Trade Agreement 2010 (APTTA)” on 28<sup>th</sup> of October 2010 which provides detailed rules on transit procedures.

#### ii. Transit Clearance Procedures and document required in road and railway transport:

The scope of transit is defined in the Article 75 (1) of the Afghanistan Customs Law which reads as follows: “goods that have entered Afghanistan with the intent of moving through Afghanistan to another country”. Since Afghanistan is in process of re-activation of TIR Convention, its transit declaration will be applied.

#### iii. Computerization and information sharing:

Afghanistan has implemented the ASYCUDA system across the Border Customs and the transit is processed under the ASYCUDA system.

Afghanistan has information sharing with Tajikistan and Pakistan electronically.

#### iv. Cost of Transit operation and the guarantee for transit:

- Afghanistan is under process of reactivation of the TIR system.
- Current transit procedure under the ASYCUDA system costs 100 USD PER 25 TON

#### v. GPS application:



The GPS seals are applied for transit goods moving to Afghanistan from Karachi Port. Afghanistan is also able to monitor the movement of goods through the program provided by the Pakistan.

**vi. Safety and security issue:**

The issue of safety and security in Afghanistan is highly concerned by international community. The international transport operators carry the goods up to Afghanistan border crossing point and then it is transshipped to the Afghani trucks. It is also practical for Afghani registered trucks without cargoes to enter Iran and move to Bandar Abbas port and load their goods.

**vii. Consultant's observation**

Afghanistan has strong supports by the international community. The Customs Department of Afghanistan recently improved its website homepage making its rules and activity more transparent to international community. <http://customs.mof.gov.af/en>  
Afghanistan has decided to reactivate the TIR Carnet transit system and its preparation for operation is at its final stage. The Customs Department of Afghanistan is working hard to meet the international standard of Customs procedures. If the safety and security issues are resolved it would be easier to extend more support to the Afghanistan Customs Department.

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## **B. Azerbaijan**

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**i. National Transit Law and Regulations:**

The State Customs Committee of the Republic of Azerbaijan has its website and the Customs Code is available at the site. <http://www.customs.gov.az/en/>.

The Customs Code Chapter 29 Transit, Article 174 provides the scope of International transit.

**ii. Transit Clearance Procedures and document required in road and railway transport:**

During the visit of Consultancy team to Astra border crossing point, the Customs clearance procedures in Azerbaijan was examined. The detail of clearance procedure is available at the Annex VI of the mission report page 61 to 69. The capture of truck data is conducted by CCD Camera set at the entrance gate of Astra border.

As concerns the clearance procedure, the truck driver has to get out from the truck but the document acceptance office and releasing office is in the same room. Moreover Azerbaijan Customs has been given the power to control licensing issues such as phytosanitary, plant quarantine and veterinary matters concurrently. The Customs also collect permit entry tax. It seems that most of the standard clearance requirement issues are handled by Customs as a

single window and in a convenient manner. The Customs website issued the result of time release survey “Time release study on border crossing times of trucks” conducted in 2015 as below. The data is available from January to October of 2015 for 11 month. This indicates that 70% of the trucks are cleared from Customs within 20 minutes, which is quite efficient and fast.

#### January 2015

Border Customs	Number of trucks (share in %)		
	Not more than 20 minutes	From 20 to 60 minutes	More than 60 minutes
Siniq Korpu Post, Tovuz Customs Administration	78.01	17.87	4.12
Astara Customs Administration	73.33	23.35	3.32
Mazimchay Post, Balakan Customs Administration	71.85	25.76	2.39
Bilasuvay Post, Bilasuvay Customs Administration	75.44	21.68	2.88
Samur Post, Xachmaz Customs Administration	68.33	28.77	2.90

#### October 2015

Border Customs	Number of trucks (share in %)		
	Not more than 20 minutes	From 20 to 60 minutes	More than 60 minutes
Siniq Korpu Post, Tovuz Customs Administration	69.80	21.86	8.34
Astara Customs Administration	60.29	31.05	8.66
Mazimchay Post, Balakan Customs Administration	61.32	30.45	8.23
Bilasuvay Post, Bilasuvay Customs Administration	65.21	26.44	8.35
Samur Post, Xachmaz Customs Administration	59.32	31.51	9.17

Data source: <http://customs.gov.az/en/srhdckmeuzreeng2015.html>

### iii. Computerization and information sharing:

Azerbaijan Customs has implemented e-declaration system and its system is awarded “NETTY-2016 Azerbaijan National Internet Award” with the project of “The system of acceptance of electronic customs declarations for clearance of goods and vehicles”.

The Single Window System is realized in Azerbaijan and the truck registration data and Customs clearance data is linked together with license data.

The information sharing is realized between the entry point and exit point of the borders. The clearance data exchange between Azerbaijan Customs and Iran Customs has not realized.

### iv. Cost of Transit operation and the guarantee for transit:

The trucks have to apply for the permission for international cargo transportations by automobile transport by the Azerbaijan state road transport service. The cost is 100US\$ or 150US\$ depending on the nationality of the truck.

The Customs also collect Transportation tax. Once the weight of truck is more than 37 tons, it is 0.15 Euro/ km and road maintenance fee.

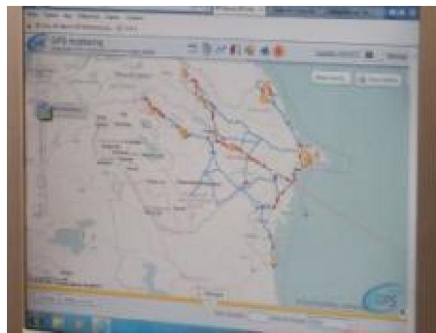
### v. GPS application:

Azerbaijan use the GPS monitoring Seal called “Beni Lock”. Inside the key is incorporated with sim card and battery. The battery will last for 3 days which is enough for transit within Azerbaijan.



Azerbaijan utilizes the online GPS System. This system allows monitoring the movement of the trucks in the territory of Azerbaijan.

If you put the computer mouse to a certain truck it automatically pops up and shows the truck information which includes the cell phone number of the driver. Monitoring customs



officer can call the driver anytime if he stops at certain place more than expected time, or if the truck takes the route not indicated by the Customs upon entry into the Azerbaijan territory. It is informed that since applying this system, no more smuggling or diversion of cargo have been reported within the Azerbaijan territory.

#### **vi. Safety and security issue:**

Nagorno-Karabakh area is the subject of a continuing dispute between Azerbaijan and Armenia.

#### **vii. Consultant's observation**

The Customs clearance flow at the Astra border crossing point was pretty impressive. The clearance facility is located following the flow of clearance procedure. With the computerized system the data handled at separated office in the BCP is connected with IT system which seems does not stress the truck drivers. The Customs is given the power to handle most of the border crossing requirement by the Government and a single window system or one stop processing system has been realized.

The number of trucks that cross the border daily are 100 to 200. The border crossing facility is well established separating the flow of people crossing the border (700,000 persons/year(2000/day)) and the trucks, buses and private cars (80,000 trucks/year (120/day)). In comparison though, It is not like Kapikule BCP (border between Turkey and Bulgaria) where they can enjoy large number of traffic of people and vehicles but with the scale of middle level of volume of traffic this Astra border crossing can be a model for similar volume of traffic at other border crossing point.

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## C. Iran

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### **i. National Transit Law and Regulations:**

Iran Transit Directory 2002, Special Issue introduces “The Law of Transit of Foreign Goods through the Territory of Islamic Republic of Iran” and “Implemental Regulations of the Law of Transit of Foreign Goods through the Territory of Islamic Republic of Iran”.

The implementation regulations provide detail procedures.

### **ii. Transit Clearance Procedures and document required in road and railway transport:**

The transit clearance procedures are explained in detail in the above implementation regulations.

The transit procedures at Bandar Rajaei port which was visited by the consultancy team are as follows.

- Step 1 Manifest from shipping agent will be submitted electronically to port authority in advance of the arriving of the cargo vessel to the port.
- Step 2 When the vessel arrives at the port and the containers (goods) are unloaded, they are placed at the warehouse for declaration preparation. Delivery Note or Warehouse Receipt will be issued by the warehouse operator.
- Step 3 The necessary documents for transit declaration will be prepared by the Customs Broker or the International Transport Operator. The transit declaration data will be input to Integrated Comprehensive Customs System (ICCS) by the Customs brokers or the transit operators.
- Step 4 When the data is sent to the ICCS and it is accepted by the system, it automatically issues the transit declaration number.
- Step 5 The Customs broker or the International Transport Operator submits two copies of the declaration documents to the Customs transit office.  
The documents needed to be attached are:  
Delivery order, Invoice, Packing list, B/L and warehouse receipt.  
If needed, health or animal quarantine certificates will be also attached.
- Step 6 Customs officer examines the declaration and will accept the document if further requirement and verification is not required. The documents are binded and sealed by the Customs. The Set of document when combined is called B-Jack.
- Step 7 The cost for deposit of the transit guarantee security under the CMR is 0.02% of Customs value (CIF) as premium. The transit guarantee security is issued through the insurance company computer system located at the Customs transit clearance office. The TIR carnet is not used for incoming cargo to Shahid Rajaei

Port for transit to other countries.

- Step 8 After above transit procedures are finished, Customs conduct physical examination of the goods based on the selectivity criteria and random selection, which is about 10% of the declarations.
- Step 9 The containers or the goods are allowed to load on trucks and are subsequently sealed by the gate Customs officers. The Customs seal number and the image of X ray scan are kept in the ICCS and shared internally (nationally) among Customs offices in Iran.

At the Dogharoun border , the set of document provided by the international transport operators or clearing agents are bulky, however these clearance documents include items other than those directly linked to Customs and categorically pertain to transport or other license related documents. Documents for Customs transit clearance purpose should be reduced to a minimum.

The implementation regulation Article 29 of Iran guides that the following documents are required for transit declaration:

- A. For the goods arrived by land:
1. C. M. R, in case of submission of photocopy, the presentation of its original to the transiting customs is obligatory for the purpose of certification and confirmation.
  2. Photocopy of invoice.
  3. Photocopy of packing list in cases of non-uniform commodity.
- B. For goods arrived by sea:
1. A copy of bill of lading.
  2. Delivery order of transit goods.
  3. Photocopy of invoice.
  4. Photocopy of packing list in cases of non-uniform commodity.
- C. For goods arrived by train:
1. Bill of lading or its photocopy confirmed by the Railway Company of Islamic republic of Iran.
  2. Photocopy of invoice
  3. Photocopy of packing list, if necessary.
- D. For goods arrives by air:
1. Airway bill or its photocopy verified by the concerned airline or its agent.
  2. Photocopy of invoice.
  3. Photocopy of packing list, if necessary.

**iii. Computerization and information sharing:**

Iran Customs developed its own ICT system called Integrated Comprehensive Customs System (ICCS) in 2015 and it is implemented in all the Customs offices of Iran. The transport company operator can transmit the declaration, including transit declaration, electronically while sitting in its office. With this system Customs can share the transit declaration information internally among different borders of Iran.

International information sharing was tested only one time with Turkey when Iran and Turkey conducted pilot project on E-TIR system.

**iv. Cost of Transit operation and the guarantee for transit:**

**Cost of Transit operation**

No special cost is required for Customs Transit procedure.

For the guarantee of transit 0.02% of CIF value is calculated.

Iran Customs conducted its own research on Truck drivers and provided below information regarding the cost of transit at other countries:

**Tolls and costs paid by Iranian Trucks moving to CIS countries and Afghanistan**

Destination	Mutual duties	Insurance	Air pollution	Charjo bridge	Payment without receipt	Disinfection, Quarantine, Police	declaration	Heights	Passport checking	Escort	Road pass	Route	Parking	Remarks (highly traffic product(s))	Total \$
Turkmenistan	160	75	0	95	100	20	0	0	15	0	0	0	3	250	793
Uzbekistan	400	20	0	95	50	10	0	182	0	185	0	0	3	600	1,715
Tajikistan	230	0	0	95	50	20	0	0	10	0	0	0	8		413
Kyrgyz Republic	0	30	30	95	50	0	0	0	0	0	0	0	2	0	207
Kazakhstan	0	0	0	95	850	0	0	0	0	0	0	0	3	3000	3,978
Afghanistan	104	0	0	0	150	0	180	0	30	0	100	56	10	0	730

**Guarantee for transit**

As for the guarantee for transit of the goods, Iran has implemented the modern approach as such that assessing the guarantee amount is based on the assessed risk.

**v. GPS application:**

Iran Customs apply offline GPS system.

**vi. Safety and security issue:**

Iran basically does not have safety and security issues in its territory.

**vii. Consultant's observation**

Iran Customs Administration has developed its own ICT system for Customs business management and its implementation is almost done. Iran is recognized as a sea gateway to CIS countries and is improving its sea port and customs transit system. Iran is applying large X-ray examination system with its own budget at different border crossing ,sharing its image information within Iran Customs Administration at different borders. This approach of comparing scan image data would be an easy way to conduct examination and can satisfy customs on the security of the transit goods. If this X-ray scanned image at the entry point of Iran can be shared among neighboring countries it would contribute to speeding up of the physical examination at other border crossing points.

Regarding identification of fraud, it was reported that among the world wide transit operations conducted in the year 2014, the operations conducted under TIR has exceeded 3millions issues. The IRU also reported that 150 transits has been described as irregular (0.005%) operations. It includes some Iranian's case. (Pakistan reported 7 case in the last 5 years and 1 from Kyrgyz).

In the Interviews with the stakeholders in Iran such as International Transport Operators and Customs Brokers Union, they emphasized on existing good relations between Iran Customs Administration and themselves. The road is well paved and in good condition. The only weakness or problem that was perceived in Iran was that about 5,000 bogie were piled up or kept at Sarakhs station. This is a very inefficient situation where rail transportation is not used much.

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## **D. Kazakhstan**

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**i. National Transit Law and Regulations:**

Kazakhstan became the member of the Eurasia Economic Community. The rule of Customs Union Code is applied in Kazakhstan. The Article 182, Article 215 to Article 228 provides detail procedure for Customs transit.

**ii. Transit Clearance Procedures and document required in road and railway transport:**

Transit clearance process is as follows;

**When using TIR Carnet**

The customs of departure provides TIR carnet in accordance with the provisions of TIR Convention and two set of transportation, commercial and other documents comprising a part of customs declaration

**When not using TIR Carnet**

- International or domestic bill of lading, or any other documents certifying the presence and the content of the contract for sea (river) transportation, airway bills, railway bills, documents stipulated by the World Postal Union, forwarding documents, and other standard documents stipulated by the international agreements in the sphere of transport, transport charters and codes, other legislation and legal acts being issued subsequently can be considered as the transportation documents.
- In case of usage of the transit declaration transportation (shipment), commercial and/or other documents, including those specified in the international treaties containing information mentioned in Item 3 of Article 182 of the Customs Code of the Customs Union (hereinafter referred to as CU) , the customs of departure provides with two set of said documents.

**Documents required in Transit**

The following documents are required in road and railway transport:

**By Road**

Customs of departure accepts the following documents as transit declaration in accordance with Para 3 Article 182 of the Customs Code of the CU:

- filled in sheets of transit declaration
- TIR carnet completed with all transportation and commercial documents;
- ATA carnet with relevant transportation and commercial papers
- transportation and, commercial and/or other documents;
- main sheete/exemplar of passenger customs declaration in case of usage as a transit declaration for customs declaring by a declarant of imported goods with accompanied luggage for personal use or vehiches/s.

Transportation document/paper can be used as the basis for transit declaration in case of usage as a transit decalation for transportation and commercial papers. the rest can be used as an intergal part of the package.

**By Railway**

Transit declaration under OSJD or OTIF rules and regulations (CIM/SMGS consignment note)

- Invoice
- Phytosanitarycertificate in case of necessity



- Permission of authorized body

### **iii. Computerization and information sharing:**

#### **Computerization**

- The Committee of State Incomes of the Ministry of Finance undertakes activities to automate customs operations, equip with new technical means for customs control in order to increase passage capacity of border crossing points, improve of the quality of customs control and minimize the human factor. Since first of January 2011 under the frameworks of the common customs transit procedure, these are being undertaken.
- The Electronic system called “Customs transit system” in the Republic of Kazakhstan, including a number of integrated and automated systems, enabling to carry out control of goods and vehicles from the time of entry at the border point up to their arrival at the destination.
- The System has been developed in order to increase the efficiency and strengthen the control of movement of goods in line with customs transit procedure.
- There are ongoing activities on introduction of Integrated Automated Systems such as automated system of registration of vehicles (ASRV), Automated system of control of delivery of goods (ASCDG), inspection complex (IC) in Electronic copies of Customs declaration (ECCD) in the format of Goods of the Customs Union (GCU) in order to assure control of customs operations at border crossing points of the Customs Union (CU), namely the control of technical means which starts at the entrance of border crossing point by the automated system of registration of vehicles. The system is being explored for visual and automated control of incoming/outgoing vehicles of the customs territory of the CU through automated registration of the state registered plates.
- Customs apply stationary and mobile technical means of non-intrusive inspection such as IC (inspection complex). Intra-scope inspections facilities equipped with processing system and image analysis located at border crossing points are used by customs for visual inspection of railway trains, vehicles, goods and containers without unsealing/utilizing non-intrusive method.
- The GCU also contains information being received from weighing and measurement of parameters of vehicles and video control, used by customs for control of weight and parameters of vehicles.
- Upon arrival at the destination, a carrier submits Transit Documents/TIR and other available papers for completion of customs transit procedure. At the destination within an hour from the time of submission of the papers by a carrier, registration is performed as specified with regulations in order to finalize customs transit procedures.
- The aim of GCU is to assure reliable and full-fledged electronic data base with data of all integrated control systems of movement of vehicles through Customs Union and

placement of goods and vehicles under customs transit procedure.

### **Information sharing**

#### **Road:**

ISCPM – Information System of Central Prompt Management

#### **Railway:**

SCPM – Information System of Central Prompt Management

### **iv. Cost of Transit operation and the guarantee for transit:**

#### **Cost of Transit operation**

- The cost of TIR Carnet is 100USD.
- No extra charges are being involved for transit declaration

#### **The guarantee for transit**

##### **Road**

KazATO is a Guarantee Association in Kazakhstan which provides guarantee to its members.

Entrance fee for KazATO:

- For full member of KazATO – 480000 KZT
- For associated member of KazATO – 360000 KZT

Annual membership fee:

- 1 – 5 vehicles – 27000 KZT
- 6 – 10 vehicles – 54000 KZT
- 11 – 20 vehicles – 135000 KZT
- More than 20 – 270000 KZT

##### **Railway**

The price of movement of goods can be calculated via automated calculation software which contains references on appellation, code, category of danger of goods, code of station, type of train and loading crane and other data:

### **v. GPS application:**

The GPS is not applied in Kazakhstan.

### **vi. Safety and security issue:**

There is no concern for safety and security issues in Kazakhstan.

### **vii. Consultant's observation**

Kazakhstan and Kyrgyz became the member of Eurasian Customs Union as a result of which there is no border crossing issues among them.

Kazakhstan plays an important role in transit transport through road and railways between European countries and China. China has established several routes to carry the cargo through railroad with Kazakhstan. These initiatives suggest that the transportation through railroad is much faster than maritime transport. It is noted that transportation by sea from China to Europe through Suez channel takes around 45 days. As concerns transportation by railways, the problem is a gauge difference of railroad between China (1435mm) and Kazakhstan (1520mm). Bogie changing at the border crossing points takes about one day. Computerized Customs clearance system has been implemented since 2011. It was informed during the visit of consultancy team to Aktau port, that the clearance procedure takes about 30 minutes if it is pre-declared, if not takes around 10 hours.

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## **E. Kyrgyz Republic**

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### **i. National Transit Law and Regulations:**

- The law of the Kyrgyz Republic of December 31, 2014 No. 184 "About customs regulation in the Kyrgyz Republic";
- The customs code of the Customs union ( is accepted by the Decision of Interstate Council of the Eurasian economic community in November 27, 2009 No. 17);
- The law of the Kyrgyz Republic of December 19, 1997 N 99 "About accession of the Kyrgyz Republic to the Customs Convention on the international transportation of goods with application of the book of IRU»
- The temporary regulation about the order of customs control of transportation of goods within the IRU procedure;
- The instruction about special features of performing of customs operations when placing goods under a customs procedure of customs transit approved by the resolution of the government of the Kyrgyz Republic of August 10, 2015 No. 564;
- The decision of the Commission of the Customs union of 18.06.2010 N 289 (an edition of 06.10.2015) "About a form and an order of filling of the transit declaration";
- The decision of the Commission of the Customs union of August 17, 2010 No. 438 "About the order of performance of customs operations by customs authorities related with submission, registration of the transit declaration and completion of a customs procedure of customs transit";

### **ii. Transit Clearance Procedures and document required in road and railway transport:**

- The Customs of departure accepts the transit Declaration documents containing the information specified in paragraph 3 of article 182 of the Customs code of the Customs Union.

- Submission of the transit Declaration must be accompanied by the documents submitted to the customs office of departure:
- documents confirming powers of the person when declaring goods:
- documents confirming the right of possession, use and (or) disposal of goods;
- Regarding the carrier
  - the transport (shipment) documents;
  - transportation (shipment) documents; B/L or CMR
  - commercial documents;
  - documents confirming compliance to the prohibitions and restrictions related to the movement of goods across the customs border of the Eurasian economic Union/ if such transfer is permitted under these documents;
  - documents confirming the country of origin of the goods
  - documents confirming the payment of customs duties and taxes
  - certificate of approval of the international transport vehicle for the transport of goods under customs seals and stamps
  - documents that can identify the goods (description of goods, drawings, scale images, photographs, illustrations, shipping documents, etc.)
  - document on registration and nationality of the vehicle of international transport (carriage of goods by road transport)
- As for commercial documents; submitted invoices, specifications, shipping and packing lists and other documents used in foreign trade
- As for transport documents; international or domestic consignment note, bill of lading or other document confirming the existence and content of the contract of carriage, air cargo waybills, rail waybills, the documents envisaged by acts of the Universal Postal Union, forwarding documents, and also other standard documents envisaged by international agreements in the field of transport
- In case of use of transport (shipping), commercial and (or) other documents as a transit Declaration containing the information specified in paragraph 3 of article 182 of the Customs code of the Customs Union, two complete sets of mentioned documents will be submitted to the customs office of departure.
- In case of transportation of goods using TIR Carnet, the customs office of departure present the TIR Carnet
- Transit Declaration can be presented in the form of transport (shipping), commercial and (or) other documents
- If the documents are accepted as a transit Declaration but do not contain all the information specified in current paragraph, missing information must be attached to such transit Declaration or be attached to the documents submitted to the customs authority.
- The customs authority is not entitled to claim the declarant to submit other information,

### **iii. Computerization and information sharing:**

- Real-time SafeTIR is implemented in the Kyrgyz Republic, which automates the customs operations on TIR and allows to get the status and validity of each TIR Carnet at any moment in real time. Also, the SafeTIR system allows transferring data to the International road transport Union about the termination of TIR operations.
- The developer of the Unified Automated Information System (UAIS) of the customs service of the Kyrgyz Republic carried out work on synchronization of the SafeTIR with UAIS. On 17 July 2013, UAIS updated and launched with embedded block of automatic data transfer on termination of TIR Carnets in the IRU (SafeTIR). The successful receipt of necessary information of automatic database is confirmed by the IRU.
- Information sent to the IRU are as follows:
  - TIR Carnet reference number
  - Final (F) or partial (P) termination
  - Page number
  - Customs office
  - Registration number in the register of TIR Carnets
  - Date of completion of the TIR operation
  - The termination clause (R) or without (OK)
- The Kyrgyz Republic also introduced a system on electronic transmission of preliminary information with regard to TIR-EPD and operates on industrial scale throughout the territory of the Kyrgyz Republic from August 25, 2014.

### **iv. Cost of Transit operation and the guarantee for transit:**

#### **Cost of Transit operation**

- The price of TIR Carnet issued in Kyrgyz Republic is about 180 USD
- For customs escort of each vehicle transporting the goods, customs escort fee is applied in the amount of one tenth of the estimated rate for each kilometer of distance.  
For example the cost of the calculated index in the Kyrgyz Republic is 100 KGS. (By the exchange rate of the National Bank of the Kyrgyz Republic from 31.01.2016 (1 USD= 75.89 KG som)
- All the vehicles have to pay “Ecological Duty” by the Ministry of Forest for protection of environment purpose. The Customs is tasked to collect such duty. The rate of duty is different by the type of vehicle, such as truck, motor bike bus or private car.

#### **The guarantee for transit**

- “Association of international Road Transport Operators of the Kyrgyz Republic «AIRTO KR» is a non – profit, voluntary association of legal persons who implement road transportation of goods and (or) passengers, including international traffic, and (or) assisting in road transport development.

- AIRTO KR is authorized to issue TIR Carnets to all TIR Carnet holders on the territory of the Kyrgyz Republic, which fully satisfies all the necessary conditions for the TIR Convention, the rules and regulations of the IRU.

**v. GPS application:**

The GPS system is not applied in the Kyrgyz Republic.

**vi. Safety and security issue:**

There are no specific concerns on safety and security issues in Kyrgyz Republic. The only concern is about closing the border between Kyrgyz Republic and Uzbekistan without notification since 2010.

**vii. Consultant's observation**

- The Eurasian Customs Union (EACU) was established by Kazakhstan, Kyrgyz Republic, Russia, Belarus and Armenia. Kyrgyz Republic became the member of EACU since 2105. Under Customs Code of Customs Union, all customs borders checking is removed among themselves. Therefore there is no customs procedure between Kazakhstan and Kyrgyz Republic.
- Russia is providing its assistance and supports to the Kyrgyz Republic under the “Agreement between the Government of the Kyrgyz Republic and the government of the Russian Federation on the provision of technical assistance to the Kyrgyz Republic in the framework of the accession process to the Eurasian economic Union ratified by the Law of the Kyrgyz Republic in May 18, 2015 No. 102”. This assistance would cover the construction of the Checkpoints through external border of member States of the Eurasian Economic Union and conversion of checkpoints in accordance with international treaties and acts in the sphere of customs regulation, the right components of the Eurasian economic Union.
- Asian Development Bank (ADB) is also providing its supports to Kyrgyz Republic for improvement of border services under the Central Asia regional economic cooperation (CAREC). The aim of the project is improvement of border crossing including modernization and equipping of the terminals, roads and walkways coated, as well as communications, electricity, water and drainage; establishment of a national single window in the Kyrgyz Republic; capacity building in the provision and supervision of the project.
- Kyrgyz Republic is taking its own initiative to improve the working environment of Customs and border crossing facilities.
- Weakness of the Kyrgyz is the relationship with Uzbekistan which is a policy matter.

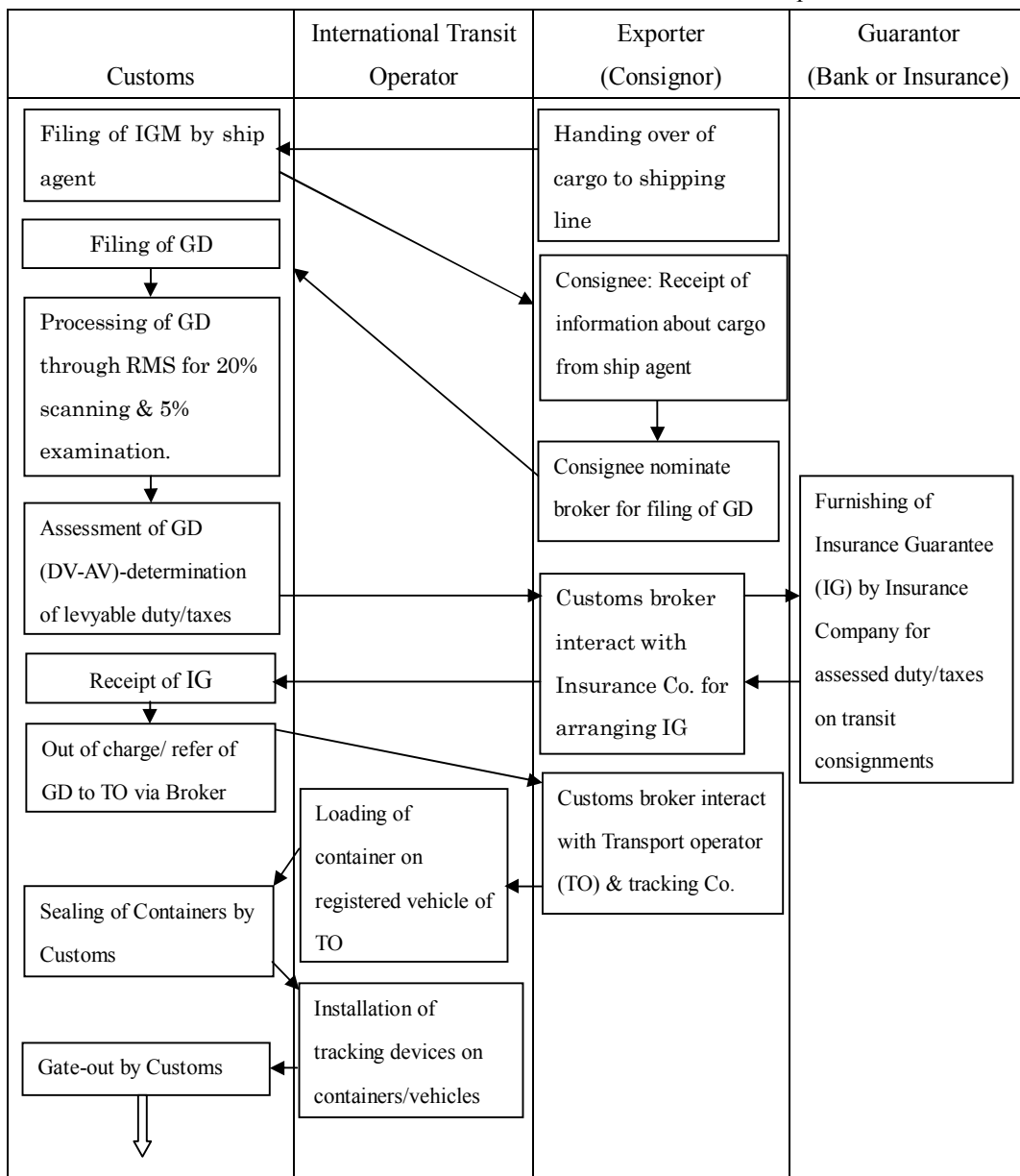
## F. Pakistan

### i. National Transit Law and Regulations:

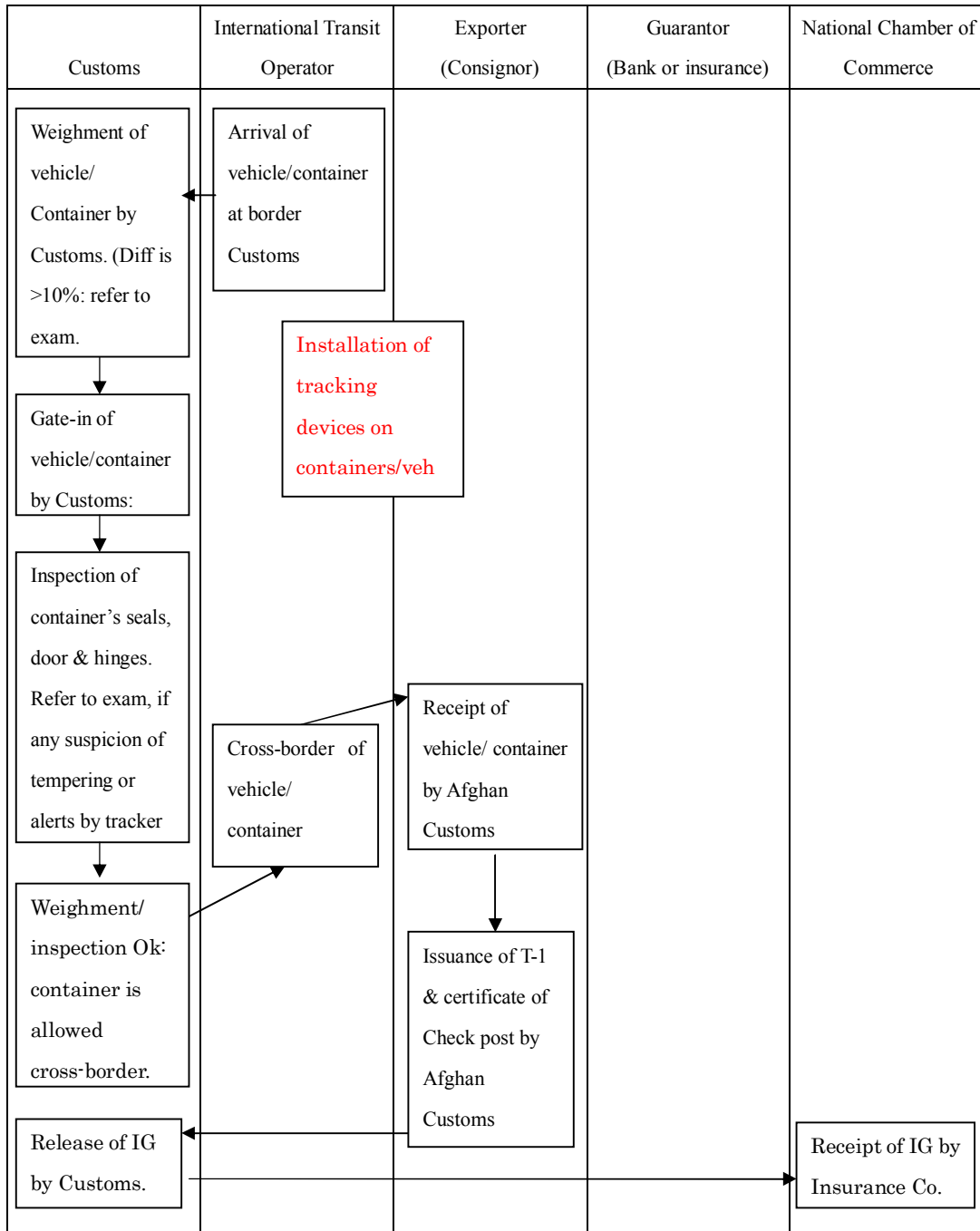
- Custom Act, 1969. (Annex-A)
- Customs Rules, 2001. (Sub-chapter-VII of Chapter-XXI: annex-B1 & Chapter-XXV: Annex-B2)
- Customs General Order No. 10 of 2012. (Annex-C).

### ii. Transit Clearance Procedures and document required in road and railway transport:

When initial declaration is made to Customs for Transit: Karachi Seaport



When declaring Transit at country's Land exit Border.



**The documents required for transit declaration**

**By Road**

1. TIR Carnet transit declaration:

Pakistan has recently acceded to TIR Convention and its implementation is in progress (signing of legal documentation with IRU, guarantee association, staff training for practical roll out).



2. Goods Declaration (Annex-F).
3. Temporary Admission Document (TAD) for vehicles.
4. Road Pass (applicable under ATTA 1965, but still being used)

#### **By Railway**

Pakistan has recently acceded to COTIF and its implementation is in progress.

#### **iii. Computerization and information sharing:**

- The “WeBox paperless system” has been developed in Pakistan Customs for web based clearance of goods. The system allows to process the documents (transit goods declaration/invoice) of 92% of trucks with cargo within one day.
- WeBox system is connected to both borders of Pakistan (Torkham and Chamman) with Afghanistan. There is real time confirmation about the location and exit of truck from Pakistan territory. Due to tracking system, all Afghani transit trucks remain in 24hrs surveillance.
- Pakistan Customs has given access to Government and Customs of Afghanistan on WeBox. Transport companies and Afghan Importers/exporters who are registered by the Ministry of Commerce of Afghanistan in WeBox system and are allowed to access to Pakistan Customs.
- There is data sharing protocol between Afghanistan and Pakistan customs. Afghanistan Customs informs its counterparts once the trucks enter to Afghanistan.
- A TIR module is being developed for the WeBox system to handle TIR carnets in the future.

#### **iv. Cost of Transit operation and the guarantee for transit:**

##### **Cost of Transit operation**

- No charges are being levied by Pakistan Customs on transit goods to Afghanistan.
- Pak-Iran border: Trucks/Trailers cross the border with valid carnet-de-passage and it costs about US \$ 100/- for 10 page book.

##### **The guarantee for transit**

The Following companies are providing guarantee system for transit operation.

- Various Insurance Companies i.e., UBL Insr., Pakistan General Ins., Habib Ins., Crescent Star Ins., Asia Ins.
- Automobile Association of Pakistan, Lahore.
- Islamic Chamber of Commerce & Industry, Karachi.

#### **v. GPS application:**

- There is a tracking company “M/s. TPL Trakker (Pvt.) Ltd.” which provides tracking of 100% trucks via designated routes, charging \$60 for tracking services per truck.
- It is reported that the smuggling records has been reduced drastically since applying this system.

#### **vi. Safety and security issue:**

- Safety and security issue is a major concern in Pakistan, particularly at the area of its borders with Afghanistan.
- The Pakistani transporters carry all goods destined to Qandahar/Kabul. These trucks bring back the export cargoes of Afghanistan to Pakistan too. Afghan drivers are not allowed beyond Peshawar.

**vii. Consultant's observation**

The goods destined to Afghanistan from abroad through Pakistan and the goods exported from Pakistan to Afghanistan used to have a problem at the border as the goods were smuggled back to Pakistan without paying any duties and taxes. It was a major concern which affects economy of Pakistan. This problem was resolved somehow by computerizing and tracking system in Pakistan and good cooperation by Afghanistan. Pakistan has implemented the GPS system therefore the enforcement by the Customs has become easier than before using GPS.

With support of ADB, the border crossing point with Afghanistan such as Torkham, Chaman and Wahga will be fully equipped with border complexes to facilitate legitimate trade.

Pakistan is taking good initiative to further improve the transit trade with Afghanistan. The security issue is the main concern which needs to be resolved.

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**G. Tajikistan**

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**i. National Transit Law and Regulations:**

The Customs Code of the Republic of Tajikistan Article 79 to 92 provides transit rules of Tajikistan (source: <http://www.customs.tj/index.php?lang=en>).

**ii. Transit Clearance Procedures and document required in road and railway transport:**

Information is not available.

**iii. Computerization and information sharing:**

Information is not available.

**iv. Cost of Transit operation and the guarantee for transit:**

- a) Freight vehicles with load carrying capacity of:
- up to 10 tons - 100 USD;
  - from 10 to 20 tons - 150 USD;
  - over 20 tons - 200 USD;

b) Buses with the following number of seats:

- up to 12 - 45 USD;
- from 13 to 30 - 70 USD;
- over 30 - 100 USD;

c) Motor cars - 25 USD;

d) Motorcycles - 10 USD.

#### **Fees for customs escort of goods and transport**

Fees for customs escort of goods and transport are collected in accordance with the Resolution of the Government of the Republic of Tajikistan “On approval of rates of customs fees for customs services” from December 2, 2005, № 472 and is set at 2 USD for every 10 km.

Foreign transport vehicles, carrying cargo and using MDP books, are free from customs escort fees.

#### **v. GPS application:**

Information is not available.

#### **vi. Safety and security issue:**

Information is not available.

#### **vii. Consultant's observation**

Tajikistan Customs Service is expected to involve in ECO TTFA activities and make contribution to the ECO.

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### **H. Turkey**

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#### **i. National Transit Law and Regulations:**

1. Turkish Customs Code - 2015 Updated Version

2. The TIR Convention, 1975 as of 10 .10. 2013:

<http://hukuk.gtb.gov.tr/data/5461dbcbf2937027d4c9d294/TIR%20Convention.pdf>

3. The Convention on a Common Transit Procedure as of 5.12.2013:

[http://ab.gtb.gov.tr/data/55c8a0ef1a79f5af8c87b9a4/Convention%20on%20the%20Common%20Transit%20Procedure\\_Consolidated%20Version\\_En.pdf](http://ab.gtb.gov.tr/data/55c8a0ef1a79f5af8c87b9a4/Convention%20on%20the%20Common%20Transit%20Procedure_Consolidated%20Version_En.pdf)

4. The Convention on the Simplification of Formalities in Trade in Goods as of 27.04.2015:

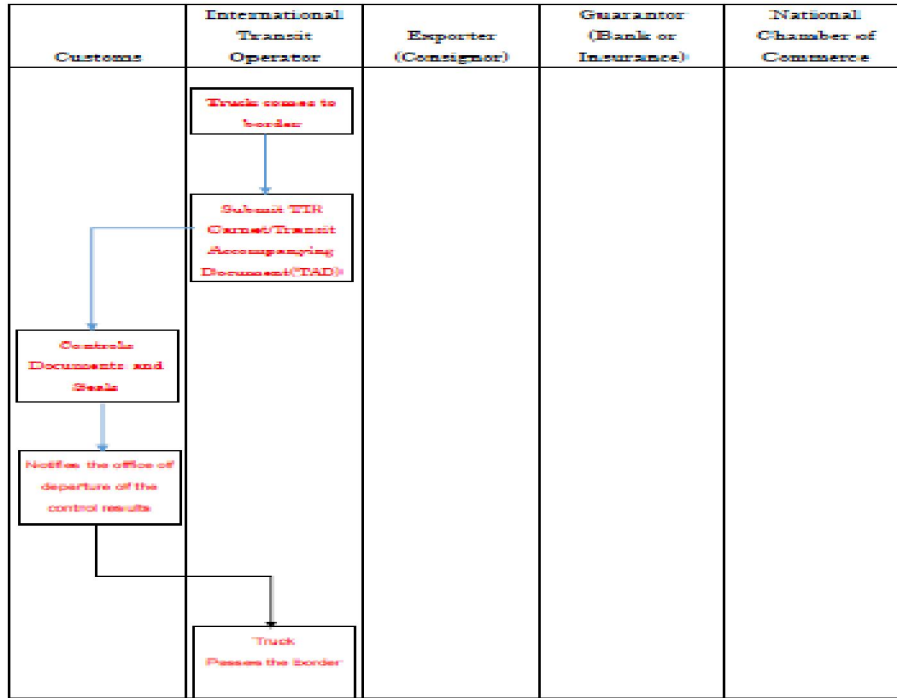
<http://ab.gtb.gov.tr/data/55c8a0ef1a79f5af8c87b9a4/Consolidated%20Version-conventio>

**ii. Transit Clearance Procedures and document required in road and railway transport:**

**Transit Clearance Procedures**

Flowchart of Transit in/out declaration procedure by Road is as follows;

When declaring Transit at country's Land exit Border.



Further information on transit clearance procedures in Turkey is available in Annex II 6.

**Document required in road and railway transport**

**TIR Carnet transit declaration**

- Invoice
- CMR

**Other transit declaration forms**

- Transit Declaration (Transit Accompanying Document)
- Invoice and CMR

**By Railway**

- Transit Declaration (Transit Accompanying Document)
- CIM Document
- CIM document is compared with the T1 Customs accompanying document and if there is a missing document such as invoice or origin, they are obtained from consignor.

**iii. Computerization and information sharing:**

### **Computerization**

Road and Railway:

- New Computerized Transit System (NCTS) is used to exchange transit declarations in scope of Common Transit transportations
- According to the Common Transit Convention whole transit declarations should be lodged electronically at the office of departure and sent to whole customs offices en route before vehicle leaving the office of departure.

### **iv. Cost of Transit operation and the guarantee for transit:**

#### **Cost of Transit operation**

There is no charge for Transit declaration which is lodged electronically, pay TL 60 for stamp tax for each declaration.

#### **The guarantee for transit:**

##### **Road:**

- Under TIR system each TIR Carnet provides 60.000 Euro guarantee.
- For the transit operations other than TIR, Inspection officers have the authority to detect the value of the goods and calculate the guarantee amount. They do their checks according to the rules which are laid in the Articles 28 - 36 of Community Customs Code.
- The cost of the guarantee differs depending on the type and amount of the guarantee.
- TOBB -The Union of Chambers and Commodity Exchanges of Turkey (National Guaranteeing Association for TIR) is the Guarantee Association in Turkey.
- For the T1-T2/TR transit operations there are 84 different companies who have the right to issue the guarantee.
- Authorized Economic Operator can use a fixed amount, lump sum guarantee.

### **v. GPS application:**

- The tracking device (GPS trackers) is utilized for trucks which carry risky cargos. (List of risky goods is in the 33rd annex of Implementing Provisions of Customs Code No. 4458)
- Turkey used off line GPS System due to GPS battery which is not enough to keep working 5 to 6 days. Therefore the system only sends the location signal every 5 minutes.
- According to risk assessment and intelligence, “Vehicle Tracking Mobile Units” are locked to some transit cargo passing through Turkey. If any alarm occurs during their transition, mobile teams will look into the situation immediately.

**vi. Safety and security issue:**

At the borders of Turkey with Syria and Iraq, there are concerns about safety and security issue.

**vii. Consultant's observation**

- The clearance procedure at Turkey is well computerized and the border management is organized. Transit data sharing among the Turkish customs is well established and control on the goods is working.
- The large X-ray examination machine is used in Turkey. At the Gurbulak border, only one X-ray machine is working which causes problems and traffic for entrance of trucks to Turkey.
- There is job rotation/shifting system for officers working at the borders of Turkey. During the visit of Consultancy team to Gurbulak, insufficient number of officers working at the border was reported. It was informed that the number of officers will be doubled.
- There is also a problem of office opening hours for plant and animal quarantine at Gurbulak, which opens only morning time of weekdays for plant quarantine and only Monday morning for animal quarantine. This would be a matter of policies and should be resolved amicably.

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**I. Turkmenistan**

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**i. National Transit Law and Regulations:**

Article 44 to 57 of the Customs Code of Turkmenistan provides guideline on transit processing.

**ii. Transit-Clearance Procedures and document required in road and railway transport:**

**Transit Clearance Procedures**

Transit clearance procedure in Turkmenistan is as follows: gate control, document acceptance, payment of fees, and large X-ray physical examination of cargo, physical examination of truck and driver space and attaching customs seal.

**Documents required in road and railway transport**

**By Road**

TIR Carnet transit declaration

- waybill, invoice, packing list

**By Railway**

- waybill, invoice, packing list

**iii. Computerization and information sharing:**

**Computerization**

The clearance system is computerized.

**Information sharing**

The transit information is shared among the national border crossing offices through e-mail.

**iv. Cost of Transit operation and the guarantee for transit:**

**Cost of Transit operation**

Entry permit at Serakhs border which indicates the cost of transit is as follows;

- ✓ For vehicle disinfection US\$ 5
- ✓ For entry and transit passage US\$150
- ✓ For processing the documents US\$5

Other cost element indicated in the document other than the above are:

- ✓ For quarantine controlled cargo examination
- ✓ For compensation of the fuel cost
- ✓ Third party liability insurance
- ✓ For processing the transit declaration's amendment
- ✓ Bank commission

The cost is not indicated in the document.

Regarding the cost for escort, it is 10 Manats for 1 hour.

**Guarantee for transit**

Bank guarantee and insurance company guarantee are applied for transit goods.

**v. GPS application:**

No GPS is applied.

**vi. Safety and security issue:**

Safety and security is not a serious issue in Turkmenistan except for the bordering area with Afghanistan.

**vii. Consultant's observation**

Turkmenistan recently upgraded most of the main border posts with modern building. You can see them in their website. <http://www.customs.gov.tm/tk>

Turkmenistan provided detail statistics of traffic of all borders (Annex III IV V of its CTQs ) which demonstrate that Customs is monitoring the volume of traffic and managing the Customs business.

Several issues were reported such as long waiting time at the border, frequently checking by police during truck journey, long process of collecting visa to Turkmenistan. The illicit drugs smuggled in to the Turkmenistan are the major concern. Therefore in depth examinations are conducted for intercepting them.

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## **2. Analysis of implementation of the TTFA and its Customs provisions (based on Member States inputs to Customs Transit Questionnaires (CTQs))**

The main purpose and objective of the Transit Transport Framework Agreement is stipulated in the Article 2 of the Agreement and also its Annexes.

The Customs related provisions of Article 2 are underlined as follows:

- i) to facilitate the movement of goods, luggage and passengers through the respective territories of the Contracting Parties and provide all necessary facilities for transit transport under the provisions of this Agreement.
- ii) to ensure the safety of goods, luggage and passengers and avoidance of unnecessary delays during the transit traffic through territories of Contracting Parties;
- iii) to cooperate and coordinate the efforts of the Contracting Parties to avoid the incidence of customs frauds and tax evasion and harmonizing necessary administrative affairs dealing with transit traffic.

More specifically, the Article 28 of the TTFA stipulates the Customs related issues according to which: "Contracting Parties shall establish a Customs Transit System for the cargo and means of transport, in accordance with the relevant international customs conventions for the purpose of facilitating the movement of goods in their territories."

For this purpose, the TTFA addresses a wide range of Customs related issues in its Agreement, such as;

- Article 5: customs duties and taxes,
- Article 9: expeditious clearance of transit traffic,
- Article 29: Simplification and Harmonization of Customs Procedure,
- Article 30: consolidation and alignment of documentation,
- Article 31: notification of change/s in documentation and procedures,
- Article 32: basic documentation and procedures,
- Article 34: domestic legislation, and
- Article 35: international Conventions.

With regards to simplification and harmonization of customs procedures, the Article 29 of the TTFA calls the Contracting Parties to take measures to simplify the Customs controls of the means of transport, goods, luggage and passengers passing through their territories.

To this end, specific provisions have been provided for in Annex 7 of the TTFA as Customs Control, which includes the provisions on:

- Article 2: Coverage of Annex (Scope of transit covered under this Annex VII)
- Article 3: Duties and Taxes in Customs Transit Operations;

Article 5: Business Hours and Competence of Frontier and Customs Offices for Customs Transit;

Article 6: Goods Declaration for Customs Transit;

Article 7: Customs Seals and Fastenings;

Article 8: Technical Qualifications of the Sealable Means of Transport;

Article 9: Special Specifications for the Non-sealable Means of Transport.

Article 10: Mutual Administrative Assistance including Communication of Information

Article 11: Notification of Inaccuracies

Article 12: Permission to Store Goods,

Article 13: Operations Permitted for Goods Stored

Article 14: Documents to Cover Storage

Article 15: Priority of Certain Consignments

Addendum-1: Particulars of a consignment note

Addendum-2: Minimum requirements to be met by customs seals and fastenings

In general, the core issue of the project is to establish a Regional Customs Transit system in the region in full compliance with the TTFA's requirements. The consultant's analysis of TTFA is attached as Annex III.

According to information provided by the ECO member countries (please refer to Annex II), interviews made with stakeholders, discussion made with the Customs officers, observations and findings made at several international border crossing visits (please refer to Annex VI), a plan of action has been prepared. This Plan is provided at the end of Report.

### **3 Customs Transit by International Agreements and Analysis of the ECO Member States Transit System mentioned in the TTFA**

Customs Transit is an internationally recognized issues since the era of GATT 1947. It is succeeded in the Marrakesh Agreement of establishing the WTO in 1994 as Article V "Freedom of Transit". Thereafter it was included in the Trade Facilitation Agreement as the Article 11 "Freedom of Transit". Although only five members of ECO are members of WTO, the other four countries have observer status in WTO (International Agreements are attached as Annex I).

The detail of the Transit procedures are guided in the Revised Kyoto Convention of WCO as specific annex E, standard and guideline. All of the ECO members are WCO members. WCO is a body which supports implementing WTO trade related rules by developing agreements such as RKC. Following the spirit and rules of WTO, it is worth to study WTO related transit rules.

### **3.1 WTO and Customs Transit**

#### **3.1.1. Marrakesh Agreement of establishing the WTO, Article V: Freedom of Transit**

##### **(General Agreement on Tariff and Trade 1994 (GATT 1994))**

Article V of the GATT 1994 is titled “Freedom of Transit” and stipulates the key principles, such as (1) no distinction shall be made based on the flag, origin, place of departure, entry or exit, destination or ownership of goods, vessels or any other means of transport;

(2) prohibition of unnecessary delays or restrictions;

(3) exemption from Customs duties, transit duties and other transit-related charges,

(4) reasonable level of charges and

(5) most favored nation treatment with regard to charges, regulations and formalities.

All of these key principles are reflected in the WTO Trade Facilitation Agreement (WTO TFA).

#### **3.1.2 WTO Trade Facilitation Agreement**

The Trade Facilitation Agreement covers the important issues relating to transit operations.

Article 9 (Movement of goods intended for import under customs control) obliges WTO Members to allow goods intended for import to be moved to the Customs office where the goods will be released or cleared. This requirement is categorized as national transit. In addition, Article 1 (Publication and availability of information) requires that the transparency of transit procedures be enhanced by utilizing the Internet.

Article 8 (Border agency cooperation) requires that each member of WTO shall ensure that its authorities and agencies responsible for border controls and procedures dealing with the importation, exportation, and transit of goods cooperate with one another and coordinate their activities in order to facilitate trade. The Article 8 further guides to

- coordinate working hours and days,
- alignment of procedures and formalities;
- development and sharing of common facilities;
- joint controls; and
- establishment of one stop border post control.

Article 10 (Formalities connected with importation, exportation and transit) states that requirements in terms of transit formalities and documentation must be minimized.

Article 11 (concerning freedom of transit) strengthens the principles of freedom of transit, and introduces transit measures that include;

- prohibition of voluntary restraints (paragraph 3),
- physically separate infrastructure (paragraph 5),
- minimum documentation requirements and formalities (paragraph 6) and

- pre-arrival filing (paragraph 9).

Article 11 also lays down several requirements regarding guarantees, covering such matters as

- forms,
- limitation of requirements,
- discharge without delay,
- comprehensive guarantees,
- availability of relevant information, and
- limitation of Customs convoys or Customs escorts.

These principles are essential to ensure the effectiveness of the guarantee system and contribute to the smooth movement of transit goods. It is worth mentioning that these important principles are applicable to both a chain of national guarantees and an international guarantee system

The Article 11 encourages WTO Members to

- cooperate and coordinate with one another with a view to freedom of transit (paragraph 16), and
- each WTO Member is encouraged to appoint a national transit coordinator to which all enquiries and proposals can be addressed (paragraph 17).

The new transit measures introduced by this Article are directly linked to the concerns and challenges that land locked developing countries (LLDCs) are facing today. The implementations of these measures improve transit operations and bring considerable economic benefits to LLDCs.

### **3.2 International Convention on the Harmonization of Frontier Controls of Goods**

UNECE Harmonization Convention of 1982 aims at reducing the requirements for completing formalities as well as the number and duration of controls, in particular by national and international co-ordination of control procedures and of their methods of application, in order to facilitate the international movement of goods. This Convention applies to all goods being imported or exported or in transit, when being moved across one or more maritime, air or inland frontiers. This Convention applies to all controls and services of the Contracting Parties. Among the ECO members only three countries are not yet the contracting parties to this convention, namely Afghanistan, Pakistan and Turkmenistan.

#### **International Convention on the Harmonization of Frontier Controls of Goods**

Important observation by the Consultant is as follows:

<b>Excerpts of Harmonized Convention</b>	<b>Observations/Remarks</b>
<b>Article 7 Co-operation between adjacent countries</b>	
Whenever a common inland frontier is crossed, the Contracting Parties concerned shall take appropriate measures, whenever possible, to	

facilitate the passage of the goods, and they shall, in particular:	
(a) <u>endeavour to arrange for the joint control of goods and documents, through the provision of shared facilities;</u>	The shared facilities is the One Stop Border Post which is designed for both bordering countries' authorities to work together in one building. In Africa several OSBP facilities such as Taveta-Holili between Kenya and Tanzania is already in operation. Information exchange among border authorities is poor among ECO member countries. Only limited borders such as Bazargan /Gurbulak are exceptions. This is one of the areas where ECO countries should consider to improve and remedy.
<b>Article 10 Goods in transit</b>	
1. The Contracting Parties shall, wherever possible, <u>provide simple and speedy treatment for goods in transit</u> , especially for those travelling under cover of an international Customs transit procedure, <u>by limiting their inspections to cases where these are warranted by the actual circumstances or risks.</u> Additionally, they shall take into account the situation of land-locked countries. <u>They shall endeavour to provide for extension of the hours and the competence of existing Customs posts available for Customs clearance for goods carried under an international Customs transit procedure.</u>	Many borders still have long queues for crossing.  The Consultant has observed at Sarakhs, Iran is extending border opening time when needed, and Kyrgyz border crossing point neighboring with Uzbekistan are open 24/7.
<b>Annex 1 Harmonization of Customs Controls and Other Controls</b>	
<b>Article 1 Principles</b>	
2. In application of this principle, it is possible if appropriate to <u>carry out all or part of these controls elsewhere than at the frontier, provided that the procedures used contribute to facilitate the international movement of goods.</u>	Large traffic borders have internal clearance station or large parking area for smooth movement along with the border crossing area. However, middle sized borders (daily truck traffic is 100 to 300) seems having problem as they may not enjoy the scale merit. The Consultant observed the borders like Dogharoun of Iran Sarakhs/Serakhs of

	Iran and Turkmenistan, Astra of Iran was congesting as perhaps due to increased volume of traffic which compared to the existing area exceeds its capacity.
<b>Article 3 Organization of Controls</b>	
1. <u>When several controls have to be carried out at the same place, the competent services shall make all appropriate arrangements to carry them out simultaneously</u> , if possible, or with the minimum delay. They shall endeavour to co-ordinate their requirements as to documents and information.	Simultaneous control or examination of the goods and vehicles are recommended by this Article.  An example of such is Azerbaijan, if the Customs has the power to cover the part of other government agencies such as plant quarantine or animal quarantine it would be possible.
<b>Article 4 Result of Controls</b>	
1. In all matters dealt with by this Convention, <u>control services and Customs shall exchange all relevant information as soon as possible</u> so as to ensure that controls are efficient.	National Border Authorities/ the Task Force proposed shall have periodical meeting and establish good coordination relationship with each other.
2. On the basis of the <u>results of the controls carried out, the competent service shall decide on the subsequent treatment of the goods, and if necessary, shall inform the services responsible for other controls</u> . On the basis of this decision Customs shall subject the goods to the appropriate Customs procedure.	It is recommended that Customs feedback on the results of the control to be carried out to respective agencies.
<b>Annex 8 Facilitation of border crossing procedures for international road transport</b>	
<b>Article 3 International road transport operations</b>	
1. In order to facilitate the international movement of goods, the <u>Contracting Parties shall regularly inform all parties involved in international transport operations in a harmonized and coordinated manner on border control requirements for international road transport operations</u> in force or planned as well as on the actual situation at borders.	This is a very important measure need to be taken. When border crossing authority need to take action (change rules or procedures), it should be informed to public or the transporting community at least one month in advance so that already commenced international transportation will not be affected.
2. Contracting Parties shall endeavour to transfer, to	Same as above.

<p>the extent possible and <u>not only for transit traffic, all necessary control procedures to the places of departure and destination of the goods transported by road so as to alleviate congestion at the border crossing points.</u></p>	
<p><b>Article 6 Border crossing points</b></p>	
<p>In order to <u>ensure that the required formalities at border crossing points are streamlined and accelerated,</u> the Contracting Parties shall meet, as far as possible, the <u>following minimum requirements for border crossing points open for international goods traffic:</u></p>	
<p>(i) <u>facilities enabling joint controls between neighboring States (one-stop technology), 24 hours a day,</u> whenever justified by trade needs and in line with road traffic regulations;</p>	<p>One Stop Border Post idea is not only one-side-border/one-stop-shop but both sides of the borders' related agencies work at one building. By this approach, examination can be coordinated between both border agencies and can avoid two time examinations at both sides.</p>
<p>(ii) <u>separation of traffic for different types of traffic on both sides of the border</u> allowing to give preference to vehicles under the cover of valid international Customs transit documents or carrying live animals or perishable foodstuffs;</p>	<p>Differentiate the border crossing lane for TIR trucks, Transit goods trucks and other import/export goods will achieve this requirement and is strongly recommended.</p>
<p><b>Article 7 Reporting mechanism</b></p>	
<p>With regard to Articles 1 to 6 of this Annex, the Executive Secretary of the Economic Commission for Europe of the United Nations (UNECE) shall carry out, every second year, a survey among Contracting Parties on progress made to improve border crossing procedures in their countries.</p>	<p>Periodical monitoring of border from by third party (from outside of the ECO region) would show real situation of the border.</p>

### 3.3 WCO and Customs Transit

#### 3.3.1 Revised Kyoto Convention (RKC)

The RKC provides a comprehensive set of uniform principles for simple, effective and predictable Customs procedures with effective Customs control. It thus responds to the key needs of modern-day Customs administrations and the demands of international trade, by providing a balance between the Customs functions of control and revenue collection and the needs of trade facilitation.

### 3.3.2 RKC Specific Annex E Chapter 1 (Customs Transit)

RKC Specific Annex E focuses on Customs Transit. This Chapter provides for a transit system which is intended to achieve maximum facilitation for the movement of goods under Custom control in international transport, as well as providing transit countries with the requisite security and Customs guarantees. It outlines facilitative measures such as open transport supported by timely information (rather than requiring the sealing of the transport unit), and simplified procedures granted to authorized consignors and consignees. The essential elements required for a transit system are also reflected in this Chapter. For instance, it includes practical standards concerning responsible persons, authorized consignors and consignees, formalities at the office of departure, Customs seals and the time limit for transit.

Both the TFA and the RKC encourage the development of further cooperative arrangements to facilitate transit operations. Thus, paragraph 16 of Article 11 of the TFA requests WTO Members to cooperate and coordinate with one another. Cooperation may include an understanding on charges, formalities and legal requirements, and the practical operation of transit regimes. Such arrangements provide for the harmonization of Customs transit procedures, the exchange of information and common IT transit systems. The RKC recommends that Contracting Parties carefully consider the possibility of acceding to international agreements relating to Customs transit.

Even though all of the ECO countries are the member of WCO, only four members, namely Azerbaijan, Kazakhstan, Pakistan and Turkey have ratified RKC convention. Yet RKC is an international Customs procedure guideline and it is recommended to follow.

Below reflects part of the list I and its level of implementation:

Revised Kyoto Convention	Observations/Remarks	
<b>Specific Annex E</b>	○ <b>Comply</b> △ <b>Partially comply</b> X <b>Need to take action</b>	
<b>13. Standard (Time limit for transit)</b>		
When the Customs fix a <u>time limit for Customs transit, it shall be sufficient</u> for the purposes of the transit operation.	△	International Transport operator reported that Turkmenistan provides strict days for transit and in case of unforeseeable/inadvertent delays, the drivers have to go to the office however far it may be, to apply for the extension of the transit period, which by itself causes another delay and



		inconvenience.
17. Recommended Practice (Acceptance of foreign Customs seals)		This recommended practice should be applied.
<u>Customs seals and identification marks affixed by foreign Customs should be accepted for the purposes of the Customs transit operation unless :</u>	X	The Consultant observed that TIR Carnet transit goods started from Turkey had 3 seals namely Iran, Turkmenistan, Uzbekistan on one truck. If a seal was already attached at one point, the subsequent Customs and control posts need to respect it and record it in the document.
- they are considered not to be sufficient;	X	
- they are not secure; or	X	
- The Customs proceed to an examination of the goods.	o	Iran conducted examination and affixed new seal.
<u>When foreign Customs seals and fastenings have been accepted in a Customs territory, they should be afforded the same legal protection in that territory as national seals and fastenings.</u>	X	This part is not assured by ECO member Customs Code or Transit regulations.
24. Standard (Notification of termination)		
<u>As soon as the goods are under its control, the office of destination shall arrange without delay for the termination of the Customs transit operation after having satisfied itself that all conditions have been met.</u>	Δ	The Consultant heard a case of late discharge of transit security

### 3.3.3 General Annex Chapter 5 Security (General principles of guarantees for transit)

A guarantee system ensures that the Customs duties and taxes which are at risk during a transit operation are covered at all times until the goods are presented to the Customs office of destination. At the same time, a guarantee system also serves another important function; it is the only available solution for increasing the likelihood that the goods will be presented to Customs at the office of destination as requested, and do not disappear en route.

There are two types of guarantee systems, namely a national guarantee system and an international guarantee system. A national guarantee system is implemented by one country and does not involve any other country. Where an international arrangement on guarantees is not applicable and transit

goods are transported across several countries, transit operators need to deposit guarantees at all borders. On the other hand, there are regional or international guarantee systems based on an international legal framework. Considering the possible complexity of regional transit operations, a regional or international guarantee system is more efficient than a chain of national guarantees.

Chapter 5 of the RKC General Annex is about guarantees. The RKC covers the same principles as the TFA. The below table indicates the similarities between the TFA and the RKC in terms of guarantees for transit.

Principles	TFA (Article 11)	RKC General Annex, Chapter 5
Limitation of guarantees	11. Where a Member requires a guarantee in the form of a surety, deposit or other appropriate monetary or non-monetary instrument for traffic in transit, such guarantee shall be limited to ensuring that requirements arising from such traffic in transit are fulfilled.	5.6. Standard Where security is required, the amount of security to be provided shall be as low as possible and, in respect of the payment of duties and taxes, shall not exceed the amount potentially chargeable.
Discharge without delay	12. Once the Member has determined that its transit requirements have been satisfied, the guarantee shall be discharged without delay.	5.7. Standard Where security has been furnished, it shall be discharged as soon as possible after the Customs are satisfied that the obligations under which the security was required have been duly fulfilled.
Comprehensive guarantee	13. Each Member shall, in a manner consistent with its laws and regulations, allow comprehensive guarantees which include multiple transactions for same operators or renewal of guarantees without discharge for subsequent consignments.	5.5. Standard When security is required to ensure that the obligations arising from a Customs procedure will be fulfilled, the Customs shall accept a general security, in particular from declarants who regularly declare goods at different offices in the Customs territory.

Availability of relevant information	14. Each Member shall make publicly available the relevant information it uses to set the guarantee, including single transaction and, where applicable, multiple transaction guarantee.	5.1. Standard National legislation shall enumerate the cases in which security is required and shall specify the forms in which security is to be provided.
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**Discharge of guarantees**

Both the RKC and the TFA require the discharge of guarantees without delay once the obligation has been fulfilled. Paragraph 12 of Article 11 of the TFA states that “Once the Member has determined that its transit requirements have been satisfied, the guarantee shall be discharged without delay”. Standard 5.7 of the RKC corresponds to this paragraph.

It reads “Where security has been furnished, it shall be discharged as soon as possible after the Customs are satisfied that the obligations under which the security was required have been duly fulfilled”.

**Comprehensive guarantees**

An individual guarantee covers a single transit operation. This is sufficient for transit operators who do not manage transit operations very frequently. However, where transit operators need to deposit guarantees on a regular basis, the accumulation of individual guarantees causes an administrative burden both for the transit operator and for the Customs administration. In this regard, the TFA and the RKC provide for the acceptance of a comprehensive guarantee which may cover several transit operations.

The TFA states that “Each Member shall, in a manner consistent with its laws and regulations, allow comprehensive guarantees which include multiple transactions for same operators or renewal of guarantees without discharge for subsequent consignments”. For its part, the RKC states that “When security is required to ensure that the obligations arising from a Customs procedure will be fulfilled, the Customs shall accept a general security, in particular from declarants who regularly declare goods at different offices in the Customs territory”. Although the RKC uses the term “general security”, it is safe to assume that this corresponds to “comprehensive guarantee”. Neither the TFA nor the RKC obliges Customs administrations to accept comprehensive guarantees under all circumstances. If necessary, Customs can temporarily disallow a comprehensive guarantee when a transit operator does not comply with the laws and regulations.

Customs administrations usually have a standard procedure for granting a comprehensive guarantee, in

which they calculate the amount of the guarantee based on the volume of the operations carried out by the applicant, and determine at which Customs office the comprehensive guarantee is to be furnished.

The amount of a comprehensive guarantee should only be fixed at a level equal to the full amount of the duties and taxes when it is intended to cover Customs operations for goods presenting a high risk of fraud. Wherever possible, general security should be kept to a minimum amount that will cover all the considerations of national requirements. Some Customs administrations reduce the amount of comprehensive guarantees, taking into account sound finances, sufficient experiences and/or other relevant factors.

Important observation made by the Consultant is as flows;

Revised Kyoto Convention	Observations/Remarks	
<b>General Annex CHAPTER 5 SECURITY</b>	<ul style="list-style-type: none"> <li>○ Comply</li> <li>△ Partially comply</li> <li>X Need to take action</li> </ul>	
5.5. Standard		
When security is required to ensure that the obligations arising from a Customs procedure will be fulfilled, the <u>Customs shall accept a general security</u> , in particular from declarants who regularly declare goods at different offices in the Customs territory.	△	Iran has general security system. Others cannot be confirmed.
5.7. Standard		
Where security has been furnished, <u>it shall be discharged as soon as possible after the Customs are satisfied that the obligations under which the security was required have been duly fulfilled.</u>	△	The Consultant was reported a case where it took more than one month to discharge the security.
5. Recommended Practice (Authorized consignors and authorized consignees)		
The Customs should approve persons as <u>authorized consignors and authorized consignees</u> when they are satisfied that the prescribed conditions laid down by the Customs are met.	△	AEO for authorized consignors and authorized consignees operators was implemented by Turkey. Others are not confirmed.

### 3.4 TIR Carnet and International Guarantee

The TIR Convention (Customs Convention on the International Transport of Goods under

Cover of TIR Carnets) is a multilateral treaty to simplify and harmonize the administrative formalities of international road transport.

A feature of the TIR Convention is that the international transit operation is covered by a single transit document, the TIR Carnet. The TIR Convention establishes an international guarantee chain among Contracting Parties, which allows simple access to the required guarantee. The TIR guarantee chain is administered by the International Road Transport Union (IRU) in Geneva (Switzerland), a non-governmental organization representing the interests of road transport operators world-wide. The guarantee chain is backed up by several large international insurance companies.

The TIR Carnet is a recommended transit system in the ECO TTFA and commonly used by the ECO members. Currently all ECO Member States are contracting parties to the TIR Convention. The international trend is that the carnet issued number is decreasing. One of the factors is the EU countries situation. The EU has introduced common and community transit system which is operated electronically within the community.

Countries/ Numbers issued	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Afghanistan</b>	-	-	-	-	-	-	-	50	0	0
<b>Azerbaijan</b>	5,500	9,000	9,500	7,600	7,800	9,100	11,400	10,300	4,800	3,800
<b>Iran (Islamic Republic of)</b>	48,000	52,000	48,000	58,000	54,000	78,000	85,000	105,000	90,000	85,000
<b>Kazakhstan</b>	32,650	39,050	32,150	31,000	30,050	24,500	19,000	25,000	24,200	18,500
<b>Kyrgyzstan</b>	11,450	18,100	17,050	15,050	14,050	20,700	17,100	22,200	20,900	9,300
<b>Pakistan (Not yet implemented)</b>										
<b>Tajikistan</b>	300	500	400	900	700	1,500	2,950	3,500	4,000	2,500
<b>Turkey</b>	689,000	788,500	765,000	490,000	701,500	672,000	685,000	540,500	385,500	325,100
<b>Turkmenistan</b>	1,000	1,000	1,000	2,000	3,200	4,700	6,000	7,500	11,000	13,000
<b>Uzbekistan</b>	4,500	7,000	5,000	6,500	9,000	14,100	17,500	7,500	9,000	9,000
<b>Sub-Total (ECO members)</b>	792400	915150	878100	611050	820300	824600	843950	721550	549400	466200
<b>ratio to the world</b>	22.01%	29.75%	26.99%	27.40%	29.07%	26.82%	26.72%	24.71%	28.25%	31.07%
<b>Total (World)</b>	3,599,850	3,076,250	3,253,800	2,230,400	2,822,200	3,074,500	3,158,300	2,920,150	1,945,050	1,500,450

#### TIR Carnet issued

Source from <http://www.unece.org/fileadmin/DAM/tir/figures/TIRCarnets15.pdf>

IRU is promoting the use of TIR carnet by increasing the guarantee amount and expanding the user area into Africa and other regions. The IRU developed e-TIR which is easier to use among members and promotes information exchange.




The consultant observed that when goods arrived at international sea port and destined to land locked countries, the TIR cannot be used. For example the goods arrived at Bandar Abbas and carried to Uzbekistan, Tajikistan, and Kyrgyz and beyond, it has to go through (transit) several countries but the TIR Carnet cannot be initiated from Iran. It must be prepared from the goods originating country.


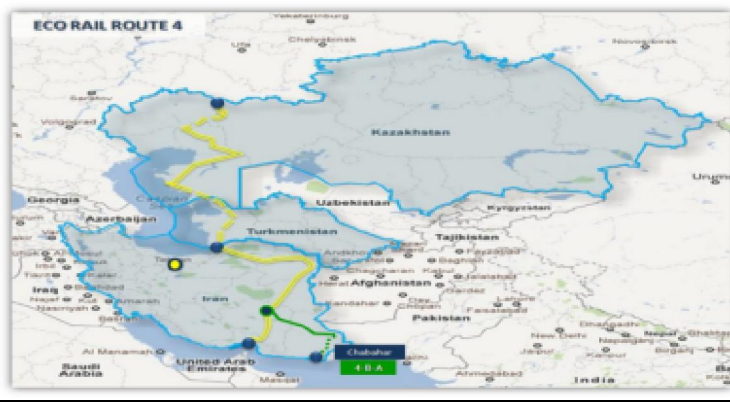

## 4. Border crossing points of Regional/International importance in the ECO Region and the Model of best practice border in the region

### 4.1 Border crossing points of Regional/International importance in the ECO Region

The 1st phase of the ECO/IDB Joint Project has successfully come to the end in 2013. The Railway and Road components under the project have resulted in preparation and approval of the ECO Railway and Road Networks Development Plans.

In Railway Development Plan, five priority Rail Routes were identified in the region. These routes are:


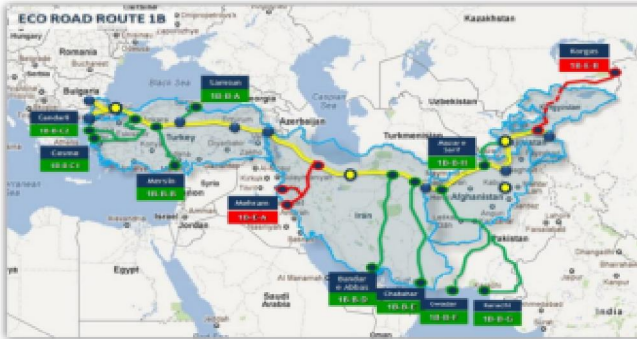


Route	Description	Border crossing points
ECO Rail Route 1	Turkey-Iran-Pakistan 	<ul style="list-style-type: none"> <li>• Kapikoy/Razi</li> <li>• Mirjavah/Taftan</li> </ul>
ECO Rail Route 2A	Turkey-Iran-Turkmenistan-Uzbekistan-Kazakhstan 	<ul style="list-style-type: none"> <li>• Kapikoy/Razi</li> <li>• Sarakhs/Serakhs</li> <li>• Farab/ Khojadavlet</li> <li>• Tashkent/ Saryagash</li> </ul>
ECO Rail Route 2B	Turkey-Iran-Afghanistan-Tajikistan-Kyrgyzstan 	<ul style="list-style-type: none"> <li>• Kapikoy/Razi</li> <li>• Ma'dan e Sangan/ Herat</li> <li>• Bandar/Nijniy</li> <li>• Karamyk/Sary</li> </ul>

<p>ECO Rail Route 3</p>	<p>Azerbaijan-Iran</p> 	<ul style="list-style-type: none"> <li>• Astara/Astara</li> </ul>
<p>ECO Rail Route 4</p>	<p>Kazakhstan-Turkmenistan-Iran</p> 	<ul style="list-style-type: none"> <li>• Uzen/ Bereket</li> <li>• Godurolum/ Inchehbrun</li> </ul>
<p>ECO Rail Route 5</p>	<p>Kazakhstan-Uzbekistan-Turkmenistan-Iran</p> 	<ul style="list-style-type: none"> <li>• Saryagash/ Tashkent</li> <li>• Khojadavlet/ Farab</li> <li>• Serakhs/Sarakhs</li> </ul>

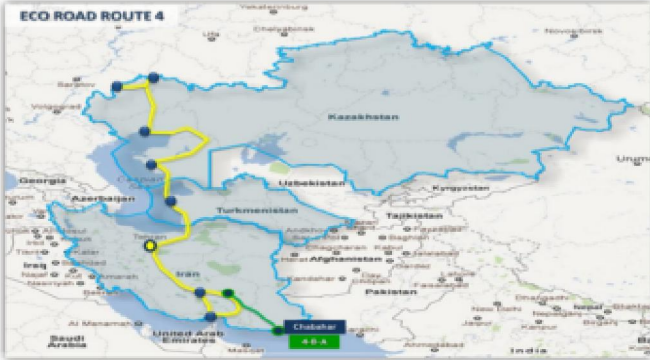


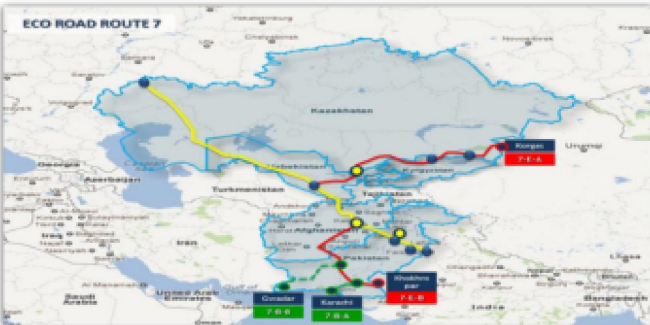


In Road Networks Development Plan, 7 priority Road Routes were identified in the region.

These routes are:

Route	Description	Border crossing points
ECO Road Route 1A	Turkey-Iran-Pakistan 	<ul style="list-style-type: none"> <li>• Bazargan/Gurbulak</li> <li>• Mirjaveh/Taftan</li> </ul>
ECO Road Route 1B	Turkey-Iran-Afghanistan-Tajikistan-Kyrgyzstan 	<ul style="list-style-type: none"> <li>• Bazargan/Gurbulak</li> <li>• Dogharoun/Islam Qala</li> <li>• Sherhan/Nizhny</li> <li>• Jirgental/ Karamyk</li> </ul>
ECO Road Route 2	Turkey-Iran-Turkmenistan-Uzbekistan-Kazakhstan-Kyrgyzstan 	<ul style="list-style-type: none"> <li>• Bazargan/Gurbulak</li> <li>• Sarakhs/Serakhs</li> <li>• Farab/Alat</li> <li>• Ghisht Koprik/ Zhibek Zholy</li> <li>• Sypatay Batyr/ Chaldayar</li> </ul>
ECO Road Route 3	Azerbaijan-Iran 	<ul style="list-style-type: none"> <li>• Astra/Astra</li> </ul>



<p>ECO Road Route 4</p>	<p>Kazakhstan-Turkmenistan-Iran</p> 	<ul style="list-style-type: none"> <li>• Zhana Ozen/ Bekdash</li> <li>• Godurolum/Pol</li> </ul>
<p>ECO Road Route 5</p>	<p>Kazakhstan-Kyrgyzstan-Uzbekistan-Turkmenistan-Iran</p> 	<ul style="list-style-type: none"> <li>• Korday/Akzhol</li> <li>• Chaldayar/ Syptay Batyr</li> <li>• Zhibek Zholy/ Ghisht Koprik</li> <li>• Alat / Farab</li> <li>• Serakhs/Sarakhs</li> </ul>
<p>ECO Road Route 6</p>	<p>Kazakhstan-Kyrgyzstan-Tajikistan-Afghanistan-Pakistan</p> 	<ul style="list-style-type: none"> <li>• Korday/Akzhol</li> <li>• Karamyk/Labi</li> <li>• Nizhny Pyanj/Sherhan</li> <li>• Towrkham/ Peshawar</li> </ul>
<p>ECO Road Route 7</p>	<p>Kazakhstan-Uzbekistan-Afghanistan-Pakistan</p> 	<ul style="list-style-type: none"> <li>• Beineu/ Beleuli</li> <li>• Termez/ Khairaton</li> <li>• Towrkham/ Peshawar</li> </ul>

## **4.2 The Model of best practice border in the region**

The detail of the border is reported in the Kapikule site visit of mission report (Annex VI). The construction and management of a border facility through Build Operate Transfer (BOT) approach by the TOBB / GTI is an ideal way to build such a huge facility.

The GTI is a company invested by private companies of TOBB members of Turkey and registered to and recognized by the Turkish government. It decides its own activities by GTI's own initiative, and it is authorized by the Turkish Government. The GTI is very much interested in reducing border waiting time as it is in the interest of most of the TOBB members and trading companies. The presentation made by GTI at Kapikule site visit is attached as Annex XX

### **BOT**

BOT is a concept of running public facility or infrastructure by Build Operate Transfer concession approach. Putting this concept into the Kapikule border crossing, the GTI explained it as follows;

**B** as, Build. The facility of the border crossing infrastructure and its commercial area will be built by the GTI.

**O** as, Operate. The border crossing infrastructure and its facility (Duty free shop, Insurance and other public facilities) will be managed by the GTI and earn revenue.

**T** as, Transfer. The border crossing infrastructure and facilities will be transferred to the public (Government) free of charge.

The construction site of the border crossing is provided by the Turkish government free of charge. The revenue for the GTI from BOT concession is only US\$6 (TL 18) from the use of the weighbridge during the passing of each Truck , US\$8 (TL 25) from those drivers who are using the parking lot for trucks and the Duty Free shop sales. The detail of total revenue and expenditure was not provided by the GTI however considering the volume of passengers and the number of cars and trucks passing through Kapikule, you may envisage that it would be manageable.

### **The Consultant analysis**

The Kapikule border crossing is one of the success sites where BOT system worked. The Kapikule is a passage between Europe and Turkey and it is not only for Trucks and Lorries that pass through the site but also lots of people visit Turkey as Turkey is a vacation destination for European people. With this blessed location, there is enough passage to recover the cost of investment by the GTI. Also the site was well designed for necessary clearance procedures and large enough to handle the volume of cargo, trucks and visitors.

From the presentation made by the GTI, the Consultant made a very rough revenue estimation

and found that the scale of volume is quite large to earn enough revenue to manage the site with small amount of facility fee collected by the use of the weighbridge during the passing of the trucks which is US\$6 for each truck and the fee received from those drivers who are using the parking lot for trucks is US\$8 (TL25).

The Consultant made a very rough estimation of revenue by the GTI, which can be done by just multiplying number of trucks and cars that passed the border. Build Operate Transfer revenue from the Kapikule border would be as follows;

**KAPIKULE BORDER GATE (After Modernization)**



**In 2015; From the presentation made by the GTI**

- **476.000 trucks**
- **1.065.000 passenger vehicles**
- **4.8 million passengers**

**Rough estimation of income and expenditure for Kapikule**

- Use of the weighbridge during the passing of the trucks:  
476,000 x US\$6 = US\$ 2,856,000
- 50% of vehicles' drivers who are using the parking lot:  
238,000 x US\$8= US\$1,904,000
- Sales of duty free shop and other service such as restaurant and glossary + $\alpha$
- Total revenue/ year US\$ 4,760,000+ $\alpha$
- 20 years operation= US\$95,200,000+ $\alpha$

The response to the Customs Transit Questionnaires (CTQs) by the Turkey National Expert reported that number of trucks cross the border is as follows;

Coming in (Import Transit) and going out (Export Transit) truck number at Kapikule

Type of operation	2012	2013	2014	2015
Coming in	241.750	218.221	229.021	
Going out	239.759	211.208	215.534	
Total	481.509	429.429	444.555	476.000

The actual construction cost (2005-2007) information of Kapikule was not provided by the GTI but the planned investment amount is US\$280million and US\$200million was already realized. According to the GTI, if it is constructed in this year (2016) it will cost about 60 to 70 million US\$. By considering the rough estimation as above, it seems it would be enough to recover the investment. The consultant made revenue estimation at other Turkish borders. It is attached as Annex VIII of this report.

The part of expenditure is not informed but according to the GTI around 200 people are working as employee by the GTI at Kapikule and in total more than 1,000 people are working including employees by the tenant. The maintenance cost would not be negligible. The total tax paid by the GTI to Turkey Government since started its operation is US\$24Milloin. And according to the GTI, moreover, 60 million dollars of additional tax revenue have been paid to the state. Until now, 200 million dollars of investment have been realized by the GTI.

Therefore to build a new Border Crossing facility by BOT concession agreement, we have to study what is the ideal formula to recover the investment. Setting an ideal fee to recover the cost of investment and the user of the facility would agree is another issue. If the needs arise from other ECO countries the GTI said they are happy to study its possibility by using their experience that build and managing 15 border crossing site by using BOT in Turkey.

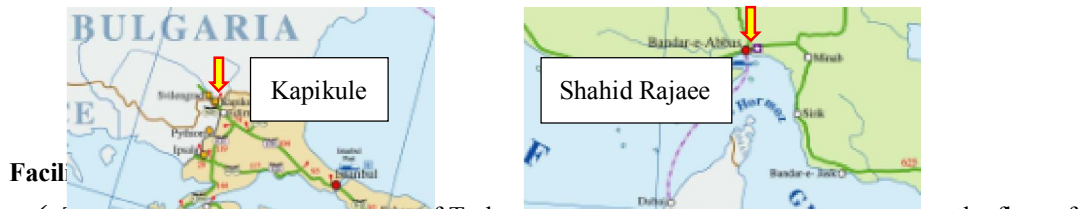
#### 4.3 Visits to border crossing points-Practical experience

The following sites were visited by the Consultancy Team to observe real situation at the border, particularly the Customs transit procedures and its facility:

1. Kapikule, Turkey and Bulgaria (3 March 2016)
2. Shahid Rajaei, Port of Bandar Abbas city of Iran (7 March 2016)
3. Dogharoun/Islam Qala, Iran and Afghanistan (9 March 2016)
4. Sarakhs/Serakhs, Iran and Turkmenistan (10 March 2016)
5. Astara/Astara, Iran and Azerbaijan (14 March 2016)
6. Bazargan/Gurbulak, Iran and Turkey (17 March 2016)
7. Dostuk, Kyrgyz and Uzbekistan (22 March 2016 )
8. Kyzyl Kiya, Kyrgyz and Uzbekistan (23 March 2016 )
9. Kyzyl- Bel, Kyrgyz and Tajikistan (23 March 2016)

The below map shows its location. The detail of visit report is attached to this feasibility study report as Annex VI.





- ✓ The Kapikule border which GTI of Turkey constructed is well designed following the flow of clearance procedures of transit.
- ✓ The BOT concession agreement approach would be possible when enough revenue can be collected from the operation by the private company.
- ✓ One of the reasons of long queue of trucks at some of the border crossing points is the narrow bridge between the borders. The self-efforts such as constructing border facilities including wider bridges are observed at Serakhs of Turkmenistan, Sarakhs/Serakhs Bridge between Iran and Turkmenistan, Kyrgyz Republic Border Crossing facilities and a plan of constructing bridge Astra between Azerbaijan and Iran border crossing. All ECO member countries are taking their own initiatives to improve the border crossing facilities and equipment.
- ✓ Some of the borders crossing facilities are not paved. It turns out to be quite inconvenient particularly when it rains and the grounds become muddy. Dogharoun, the border crossing zero point between Iran and Afghanistan was not paved and as a result, when it rains, all the bumps are covered by water creating a safety threat for vehicles. There were cases where bus or trucks turned over and lie on its side. The Astra border of Iran is partially unpaved.
- ✓ Because of availability of only one lane for the border crossing procedures, clearance process must be dealt one by one. If the border has two lanes for one way and the other is allocated to only transit cargoes and urgent cargoes, the congestion problem will be eased.
- ✓ At the Train cargo handling terminal, The Consultant observed a lot of bogies are left at the large lane switching station area. They said more than 5000 bogies are kept at Sarakhs. If one set of cargo train is consisting of 50 wagons 100 bogies will be used, 5000 bogies are for 500 trains of 50 wagons trains. The Consultant considers it as a very big loss of resources.

#### **Computerization of procedures**

- ✓ All of the borders visited are equipped with computer clearance system which is assisting customs for clearance procedures.
- ✓ With the computerized clearance system the clearance information are transmitted to the next office of customs which are exit border from the country or import clearance procedure office.
- ✓ The transit cargo information is not shared between both sides of the border Customs.

#### **Documents need for transit declaration**

- ✓ The transit procedures are done by using CMR or TIR carnet with limited number of documents required such as Invoice, Packing List and Insurance Premium for guarantee of transit goods.
- ✓ In Iran, the documents are scanned and shared through the computerized clearance system among Customs offices both at sea, land border and inland Customs clearance office at Iran. This system

will make it possible to share the original documents among the Customs or even other border agencies. The Consultant observed such system at Azerbaijan and Turkey, also.

- ✓ The documents include large X-Ray scanned image of truck and container which would be easier and faster for Customs to check the cargo without opening it.

#### **Security for transit and customs seal**

- ✓ Security for transit are provided with insurance premium which is common among ECO countries.
- ✓ Customs apply a Customs seal for most of the cargo going out from the Customs area at the border or ports.
- ✓ At Azerbaijan and Pakistan the GPS monitoring seal are applied to the transit cargo, which Customs officer in charge say it is effective for preventive purposes. Turkey uses it only for high risk cargoes. GPS seal seems an expensive tool to apply but at Turkey that cost of the seal is not charged to users but covered by the Customs own expenses.
- ✓ The Customs seal applied by previous country is not respected and maintained, and new customs seal is applied. The Consultant observed three Customs seals applied on the same truck without removing previous seals.

#### **Risk based system for targeting physical examination**

- ✓ Risk based selectivity system is applied for picking up or targeting the declaration to be examined.
- ✓ Customs also apply random selection to pick up a cargo for physical examination.
- ✓ The precursor chemicals material for manufacturing dangerous drug are intercepted at Dogharoun of Iran which certain risk based system is working.
- ✓ The selection seems not based on the importer, exporter or transporter profile but on the goods with high Customs duty rate.
- ✓ Rate of physical examination is 10% for most of the borders, but in case where the number of traffic is limited, all the declaration was examined.

#### **X-ray examination system**

- ✓ Not all the borders are equipped with large X-ray examination system which will help to confirm the contents of the truck cargoes. If the border has more than 100 containers or trucks passing in and out every day, it would be worth to consider installing it.
- ✓ In Iran the X-ray scanned image was shared through computerized system within the Customs. It is effective to compare the image of in and out of the country.
- ✓ If the scanned image is shared between borders crossing Customs offices X-ray scanning could be performed once. Examination coordination or cooperation, if can be made between neighboring borders, would be cost effective for both Customs and Business community.



### **Passenger examination facility for crossing the border**

- ✓ At most of the borders many people cross the border for various reasons. It is not just for sightseeing but for medical check, daily shopping, or working across the border and commuting if necessary on daily or weekly bases.
- ✓ The border crossing facility has a separate route or area for passengers distinct from cargo truck route, however where the bridge between the borders is shared between people and vehicles like in Astra border, it is potentially unsafe.
- ✓ The passenger examination area is equipped with radiation check system, passport control and X-ray baggage examination system. At some countries the green and the red channel was introduced at the passenger examination area.

### **Information sharing among Customs**

- ✓ It is observed that both side of the border have very limited dialogue among Customs officers.
- ✓ At certain borders periodical meetings are held among the officers concerned.

### **Informal (without receipt) payment of fees**

- ✓ Informal payments of fees are reported in the past research such as NELTI3 conducted by IRU.
- ✓ During the current mission, unofficial payment was actually reported during the interview ~~to~~ with a truck driver where police required certain amount by stopping the driver or when the driver parked his truck at the road side.
- ✓ Iran submitted an intensive list of payments made by truck drivers who paid such amount during international transport operations. The list is made by conducting hearings to the truck drivers and other concerned persons but the list does not mention when, where and how the unofficial payment was made. The list is attached to the annex of the mission report of Serakhs/Sarakhs part.

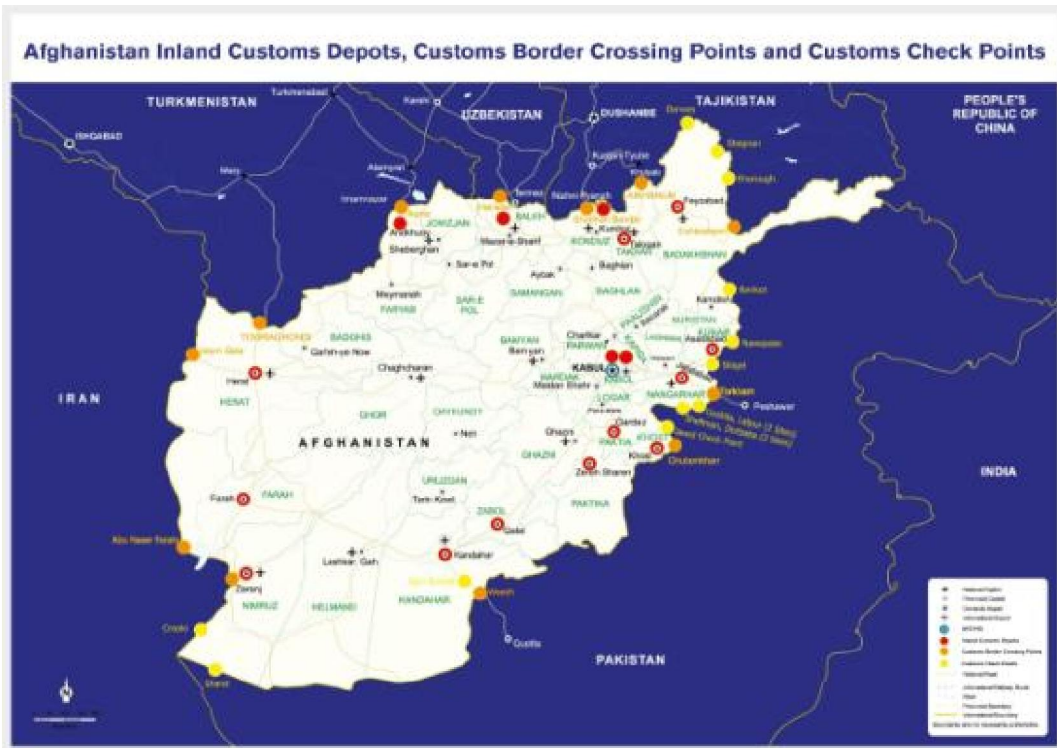
### **Customs as a border authority**

- ✓ The Azerbaijan Customs performs the function of other border agencies such as plant quarantine or veterinary of animals and transport permit, which are quite convenient for processing at the border. Single window, single processing is applied.

## **4.4 Border crossing points map**

Border crossing points map is submitted in the CTQs by Afghanistan, Kazakhstan, Kyrgyz Republic and Turkey. It shows the border crossing points of member countries. For other countries please refer to the ECO road map, which The Consultant cut and paste in this section for easy reference.

## Afghanistan



## Azerbaijan





## Iran



## Kazakhstan



## Kyrgyz Republic



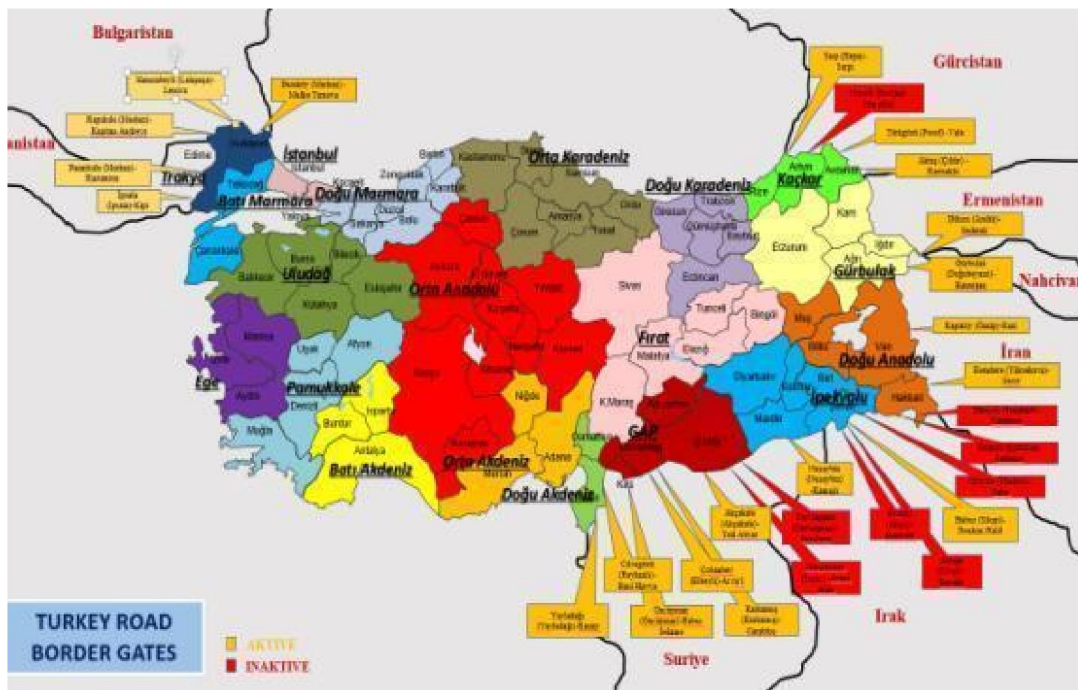
## Pakistan



## Tajikistan



## Turkey





## Turkmenistan



## Uzbekistan



## **5. Customs Reform and Modernization (CRM) Projects Development Plan**

### **5.1 Customs Reform and Modernization**

Customs plays an important role in administering international trade. Customs administrations are the key border agency responsible for all international trade transactions and for undertaking functions on behalf of other national administrations. Requirements from business community and international perspective is now on how better Customs to facilitate trade.

Most recent requirement is the WTO Trade Facilitation Agreement which includes freedom of transit. To meet such requirements and expectations Customs constantly need to reform and modernize its way of managing Customs Business. The issues at the border is “Coordinated Border Management” now recognized by the Customs community as a potential solution to the challenges, especially coordination among member countries, particularly border management with neighboring border agency. The issues that apply to ECO member countries are the same.

Customs administrations are introducing measures to obtain as much information as possible in advance, and prior to the arrival of goods to make timely and effective risk-based decisions. This, in turn, has resulted in the introduction of modern information technology that enables the secure, real-time exchange and receipt of information, risk profiling and processing of declarations.

As a result, enhanced Customs-to-Customs cooperation, Customs-to-Business partnerships and coordinated border management arrangements with other government agencies are required.

### **5.2 Evaluation criteria of CRM of ECO**

Considering the importance of CRM referring to Coordinated Border Management the Consultant made such selection criteria to prioritize the on-going and planned CRM.

The criteria is if it is aiming to

1. coordinate border management with neighboring border agency
2. coordinate among ECO member countries
3. computerization of the procedure
4. collecting information in advance
5. improve Risk Management System
6. Customs to Business partnership

Improving the border facility is another important criteria to be considered. therefore the Consultant added:

7. modernize the border crossing facility
8. installing X ray examination machine

The score given to each criteria is set as below and this is decided by the consultant.

5 points	Yes, definitely it is
3points	Yes, not so much but somewhat contribute to the aim
1point	Yes somewhat contribute to the aim
Zero point	No, it has no relation to the aim
All scores will be absolved to Zero	if the donor exist and budget is already secured

### 5.3 List of CRM Project reported and prioritization of the project

Customs Reform and Modernization projects ongoing and planned in the CTQs. In total there are nineteen (19) Projects reported. On-going Projects are sixteen (16) and planned projects are three (3). The detail of the project reported is picked up from the CTQs and listed in 6.1.3 below. Most of the projects are relating to improving and modernizing the border crossing point and its operation. ECO members are already taking good initiative including in electronic information collection and processing of clearance.

Based on above scoring system, The Consultant measured on going and planned Project and seven (7) projects are short listed. Considering that the full score is forty (40) if you set the threshold score is 60% the score would be twenty four (24). Then 5 projects can be selected. If you set it 70% the score is twenty eight (28), then only one (1) can be selected. There are two (2) twenty seven scored projects.

#### 5.3.1 On going CRM Project

	Iran (4 Projects)	Budget allocated	Donor	Criteria Number								Total score
				1	2	3	4	5	6	7	8	
1	➤ Implementation of Integrated Comprehensive Customs system (ICCS)	4.5 mln dollars	National Budget	3	3	5	5	5	3	0	3	(27) 0
2	➤ UNECE-IRU Turkey-Iran E-TIR Pilot Project Phase 2	N/M Not Mentioned	N/M	5	3	5	5	3	5	1	0	27
3	➤ Joint Border Gate Project with Turkey in Bazargan- GÜrbulak & Razi-Esendere	N/M	N/M	5	3	3	5	3	5	5	3	32

4	➤ Equipment of Main border Checkpoints (customs) with X-Ray Container Systems (Scanners)	4 mln Euro for each scanner	National Budget	0	0	0	0	3	3	5	5	(16) 0
<b>Kazakhstan (1 Project)</b>												
1	➤ The Decree of the Government of the RK dated 14 August 2014 No. 933 «About agencies of the central executive bodies of the RK»	N/M	N/M									Completed
<b>Kyrgyz (2 Projects)</b>												
1	➤ Agreement between the Government of the Kyrgyz Republic and the government of the Russian Federation on the provision of technical assistance to the Kyrgyz Republic in the framework of the accession process to the Eurasian economic Union ratified by the Law of the Kyrgyz Republic of May 18, 2015 No. 102	In terms of arrangement and equipment of checkpoints for the sum to 105 590 800,0 USD	The Russian Federation	1	1	3	3	3	5	5	5	(26) 0
2	➤ Regional improvement of border services of the Kyrgyz Republic	\$ 4.2 million	ADB	1	3	5	5	5	5	5	5	(34) 0
<b>Pakistan (1 Project)</b>												
1	➤ Integrated Transit Trade Management System (ITTMS)	US\$ 300 million	ADB & National Budget	1	1	5	5	5	5	5	1	(28) 0

	<b>Tajikistan</b>												
1	➤ CAREC Regional Improvement of Border Services Project	11.120 million USD	Asian Development Bank										
<b>Turkey (8 Projects)</b>													
1	➤ UNECE-IRU Turkey-Iran C2B2C (Customs to Business/Business to Customs) e-TIR Pilot Project	N/M	N/M	3	3	5	5	3	5	3	0	27	
2	➤ UNECE Turkey-Georgia C2C (Customs to Customs) e-TIR Pilot Project	N/M	N/M	5	1	5	5	5	1	3	0	25	
3	➤ ECO ITI (İstanbul-Tehran-İstanbul) Road Corridor	N/M	N/M	3	5	1	1	0	5	1	0	16	
4	➤ WCO e-ATA	N/M	N/M	1	1	5	5	3	5	1	0	21	
5	➤ EU Project named “Modernization of Turkish Customs Administration-VIII”	2.249.100 Euro	EU and National Budget	1	1	5	5	5	3	1	5	(26) 0	
6	➤ EU Project named “Improving the Maritime Customs Surveillance Capacity and Operational Procedures”	5.420.000 Euro	EU	1	1	1	3	5	3	0	3	(17) 0	
7	➤ EU Project named “Improvement of Customs Enforcement Capacity”	5.500.000 Euro	EU and National Budget	1	1	3	5	5	3	0	1	(19) 0	
8	➤ Harmonization of recovery of Customs Debts and repayment/remission of	198.800 Euro	EU	0	0	3	5	3	3	0	0	(14) 0	



Customs Duties Legislation with EU” TR-12-IB-JH-04-TWL														
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### 5.3.2 Planned CRM projects (4)

	<b>Iran (1 project)</b>			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>Total</b>
1	➤ ECO-ITI Road Corridor (Islamabad-Tehran-Istanbul)	N/M	Not mentioned	3	3	1	3	3	3	5	3	24
	<b>Turkey (2 project)</b>											
1	➤ EU project named “Improving Container Control Capacity of Customs Enforcement”	4.500.000 Euro	EU	3	3	5	3	5	3	1	3	(26) 0
2	➤ EU project named “Improving Capacity of Control Command Centre”	3.000.000 Euro	EU	3	3	5	3	5	3	1	1	(24) 0

### 5.3.3 CRM Project reported from respective ECO countries

The detail of the project reported in the CTQs are picked up and listed below by country wise.

#### Islamic Republic of Afghanistan

NO on-going and planned CRM project reported.

#### Islamic Republic of Iran

##### On-going CRM Project

Iran 16 -1

Name of the Project	Integrated Comprehensive Customs system (ICCS)
Area of the Project	All customs offices
Project purpose	Fully computerized Customs procedures
Budget (from your own or any donor funded) and its amount.	National Budget 4.5 mln dollars
Name of donor	Information not provided
Duration of the Project	From Nov, 2013 to now
Expected outputs	Turning all possible Customs procedures paperless
Current project status	Not yet completed

Iran 16 -2

Name of the Project	UNECE-IRU Turkey-Iran E-TIR Pilot Project
Area of the Project	Iran and Turkey
Project purpose	Mechanization of TIR operations
Budget	Information not provided
Name of donor	Information not provided
Duration of the Project	From 2014 to 2016
Expected outputs	Paperless TIR procedure
Current project status	Phase1 is successfully implemented, preparing for Phase 2.

#### Iran 16-3

Name of the Project	Joint Border Gate Project with Turkey in Bazargan- GÜrbulak & Razi-Esendere
Area of the Project	Iran and Turkey
Project purpose	One Stop Border Check
Budget	Information not provided
Name of donor	Information not provided
Duration of the Project	From 2014 to 2016
Expected outputs	Facilitated Trade
Current project status	Not yet implemented

#### Iran 16-4

Name of the Project	Equipment of Main border Checkpoints (customs) with X-Ray Container Systems (Scanners)
Area of the Project	Iran
Project purpose	Non-intrusive inspection
Budget (from your own or any donor funded) and its amount.	National Budget (about 4 mln Euro for each scanner)
Name of donor	Information not provided
Duration of the Project	From 2003 to now
Expected outputs	Facilitated movement goods in transit
Current project status	11 Customs checkpoints has been equipped (Bandar-Abbas(2), Bazargan, Astara, Dogharoun, Mehran, Bushehr, Lotfabad, Mirjaveh, Sarakhs, Bashmaq)

#### Planned CRM Project

#### Iran 17 -1

Name of the Project	ECO-ITI Road Corridor (Islamabad-Tehran-İstanbul)
Customs area of the Project	Pakistan -Iran- Turkey

Project purpose	Facilitation of transit trade
Expected outputs	Information not provided
Budget	Information not provided
Name of donor	Information not provided
Duration of the Project	From 2013 to 2016

**Republic of Kazakhstan**

On-going CRM Project

Kazakhstan 16 -1

Name of the Project	The Decree of the Government of the RK dated 14 August 2014 No. 933 «About agencies of the central executive bodies of the RK»
Area of the Project	Republic of Kazakhstan
Project purpose	Optimization of the activities of the authorities
Budget	Information not provided
Name of donor	Information not provided
Duration of the Project	From to
Expected outputs	Information not provided
Current project status	Completed

Planned CRM Project

No planned project reported.

**Kyrgyz Republic**

On-going CRM Project

Kyrgyz 16 -1

Project title	Agreement between the Government of the Kyrgyz Republic and the government of the Russian Federation on the provision of technical assistance to the Kyrgyz Republic in the framework of the accession process to the Eurasian economic Union ratified by the Law of the Kyrgyz Republic of May 18, 2015 No. 102
Project Place	Checkpoints through external border of member States of the Eurasian Economic Union in the Kyrgyz Republic
The aim of the project	Conversion of checkpoints (the places of moving of goods and vehicles) in accordance with international treaties and acts in the sphere of customs regulation, the right components of the Eurasian economic Union
Budget (sponsored by you or by donors) and sum.	In terms of arrangement and equipment of checkpoints for the sum to 105 590 800,0 USD
Donors name	In accordance with Agreement - the Russian joint-stock company "Crocus international" is the only

	<p>supplier to carry out works, supply of equipment and rendering services and other activities related to the implementation of the "road map".</p> <p>The design and construction of the sole supplier is in compliance with the requirements of technical regulations of the Eurasian economic Union and legislation of the Kyrgyz Republic;</p> <p>- in accordance with article 3 to 129 million US dollars is allocated to the Federal customs service of the Russian Federation to conclude state contract with single supplier to carry out works, supply of equipment and services</p>
The duration of the project	<p>Activities on arrangement and technical equipment of border checkpoints will be conducted between 2015 and 2016 in three stages:</p> <p>Phase I – technical equipment of automobile checkpoints "Torugart" and "Irkeshtam", air passes "Manas" and "Osh" (deadline: 8 may 2015);</p> <p>Phase II technical equipment of the automobile checkpoint "Dostuk", "Kyzyl-Kiya", "Karagach", "Kyzyl-Bel" and rail crossing points "Kara-Suu", "Shamaldysai", "Kyzyl-Kiya" (deadline: February 12, 2016);</p> <p>Stage III – completion of all works on arrangement and technical equipment of automobile checkpoints "Torugart" and "Irkeshtam", "Dostuk", "Kyzyl-Kiya", "Karagach", "Kyzyl-Bel", "the crossing", "Madaniyat" and "Baymak", air passes "Manas" and "Osh", railway crossings "Kara-Suu", "Shamaldysai", "Kyzyl-Kiya" and "Jalal-Abad" (deadline: 12 August 2017).</p>
Expected results	<p>Arrangement and material-technical equipment of the checkpoints (the places of moving of goods and vehicles) in accordance with the Unified standard requirements to equipment and material-technical equipment of buildings, premises and facilities necessary for organization of border, customs, sanitary-quarantine, veterinary, quarantine phytosanitary and transport control at checkpoints on the external border of member States of the Customs Union approved by Decision of Customs Union Commission on June 22, 2011 No. 688 "On the Unified model requirements for equipment and material-technical equipment of buildings, premises and facilities necessary for organization of border, customs, sanitary-quarantine, veterinary, quarantine phytosanitary and transport control at checkpoints on the external border of member States of the Customs Union, classification of points through external border of state members of the Customs Union and the form of the passport checkpoint at the external border of member States of the Customs Union</p>
The status of the current project	Information not provided

#### Kyrgyz 16 -2

Project title	Regional improvement of border services of the Kyrgyz Republic
Project Place	"Karamyk" checkpoint

The aim of the project	Project will support transport corridor development and trade facilitation in the region Central Asia regional economic cooperation (CAREC) by reducing physical and institutional barriers to the movement of goods across the border. In the Kyrgyz Republic the project will consist of three components: - improvement of border crossing "the crossing," including modernization and equipping of the terminals, roads and walkways coated, as well as communications, electricity, water and drainage; - establishment of a national single window in the Kyrgyz Republic; - capacity building in the provision and supervision of the project.
Budget (sponsored by you or by donors) and sum.	The agreement provides for the allocation of grant funds in the amount of \$ 4.2 million. USA credit and a loan in various currencies in an amount equivalent to SDR 2748000 (some seven hundred Cossacks two million forty-eight thousand special drawing rights (2748000=4200000 USD) from the Asian development Fund (ADF)
Donor name	Asia Development Bank
The duration of the project	From 2014 to 2017
Expected results	The expected outcome from the project is the availability of fast, inexpensive and predictable processes for cross-border transport and trade activities. This result will be achieved by eliminating narrow hallways, impeding trade, transport, the introduction of the single documentary system, to streamline, increase the efficiency of processes of design of trade and transport flows.
The status of the current project	Actual

Proposed CRM) project

No planned projects reported.

**Islamic Republic of Pakistan**

Ongoing CRM Project

Pakistan 16 -1

Name of the Project	Integrated Transit Trade Management System (ITTMS)
Area of the Project	Border Crossing Points at Torkham (KPK), Chaman (Balochistan) and Wahga (Punjab)
Project purpose	Facilitating the trade without compromising security of supply chain, reducing dwell time and cost of doing business, harmonizing and simplifying Customs Procedures and bolstering Customs controls. The Project envisages construction of three state-of-the art and fully equipped border complexes at Torkham, Chaman and Wahga to facilitate legitimate trade, besides combating the illegitimate trafficking of goods and persons, so as to secure global supply chain. The three BCPs will be integrated with Karachi and amongst each other through WEBOC.

	Moreover, the entire route from BCPs to Karachi and vice-versa will be geo-fenced to counter any diversions.
Budget (from your own or any donor funded) and its amount.	Total Project cost is US\$ 300 million, out of which US\$ 250 million will be provided as loan by the donors, while US\$ 50 million will be financed by the Government of Pakistan.
Name of donor	Asian Development Bank (ADB)
Duration of the Project	From 1 <sup>st</sup> July, 2016 to 31 <sup>st</sup> December, 2021
Expected outputs	As explained above.
Current project status	<ul style="list-style-type: none"> <li>✓ ITTMS project has been included in FBR's PSDP for FY 2015-16, with token allocation of Rs. 1.00 million;</li> <li>✓ PC-I prepared by FBR has been approved by CDWP and ECNEC.</li> <li>✓ Diligence, Environmental and Socio-economic analysis, Technical Evaluation and Project Appraisal by ADB has been completed;</li> <li>✓ Land Acquisition &amp; Resettlement Plan (LARP) for all three BCPs has been prepared. The same has also been approved by the Steering Committee in its 5th meeting. Agreement with "Kugakhel Shinwari Tribe" for acquisition of land at Torkham on 99 years lease has been negotiated by HQ 11 Corps, NLC and Political Administration. The same will be placed for the approval of the Steering Committee in its next meeting. Process for acquiring land for BCP Wahga is almost finalized, whereas the land required for BCP Chaman is already with the GOP;</li> <li>✓ FBR has conveyed concurrence to Country Operation Business Plan (COBP), project financing facility to ADB, through EAD;</li> <li>✓ ADB has submitted final Aid Memoire after Fact Finding Mission (June-July, 2015), which has also been approved by the Steering Committee in its 4th meeting;</li> <li>✓ ADB has agreed to lend a loan of US\$ 250 million for the Project, for which loan negotiations have been finalized between EAD+FBR and ADB;</li> <li>✓ Loan has been sanctioned by the ADB Board of Directors in December, 2015;</li> <li>✓ Formal loan agreement between ADB and GOP is expected to be signed later this month (i.e. February, 2016);</li> <li>✓ Project Director has been selected, while the process for selection of other staff of the Project Management Unit (PMU) is underway. As per the timelines agreed with ADB, the PMU will become fully</li> </ul>

	<p>functional on 1st July, 2016;</p> <p>✓ Contract for civil and other works at BCP Torkham and Chaman has been awarded to NLC, while that for BCP Wahga will be awarded through International Competitive Bidding (ICB).</p>
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Planned CRM Project

No planned project reported.

**Republic of Tajikistan**

Name of the Project	CAREC Regional Improvement of Border Services Project
Area of the Project	Tajikistan
Project purpose	Increasing of the volume of Export, Import and Transit of freight transport
Budget	<p>Costs and financing.</p> <p>The total Project cost is estimated at \$11.120 million equivalent, inclusive of contingencies. The Government has requested a grant of \$9.202 million equivalent from the Asian Development Fund (ADF) to help finance the Project. The ADB grant will finance 82.75% of the total Project cost. Tajikistan will provide \$1.918 million equivalent as counterpart funding to cover taxes and duties in the form of tax exemption.</p> <p style="text-align: center;"><b>A. Implementation Progress</b></p> <p>The following is a summary of activities to be carried out during the project implementation and achievements by the activities:</p> <p><b>Project activities with Milestones:</b></p> <p><b>1. Improvement of BCP "Guliston"</b></p> <p>1.1. Contracts for works and goods awarded by December 2013</p> <ul style="list-style-type: none"> <li>• Design documents for BCP "Guliston" have been prepared by the design Company and submitted for review and approval to the Government Examination. After approval of Government examination, bidding documents will be prepared and submitted to ADB for</li> </ul>

	<p>review and approval.</p> <p>1.2. Inspection and acceptance of BCP facilities by December 2016</p> <p><b>2. National Single Window Development</b></p> <ul style="list-style-type: none"> <li>The recruitment of the consultant is in process. The main goal of their recruitment is to support institutionally and technically the IA and SUE "Single Window Center". among other companies. Currently, Crown Agents which was selected as a first ranked Company has been invited to the contract negotiations. During contract negotiations there were some misunderstandings. Currently contract negotiations are in progress.</li> </ul> <p>2.1. Single Window design, develop, build and deploy contracts awarded by December 2013</p> <p>2.2. Legal framework review and recommendations support supporting Single Window interoperability and information and data exchange with major trading partners completed by December 2015</p> <p>2.3. Pilot operation of NSW facilities conducted by October 2017</p> <p>2.4. Inspection and acceptance of NSW facilities by December 2017</p>
Name of donor	Asian Development Bank (Special Fund)
Duration of the Project	From January, 2014 to June 30, 2018
Expected outputs	<p>Increasing of Export-Import traffic through improvement of Customs Clearance procedures</p> <p>construction and equipping BCP Guliston (Isfara district, Sogd Province),</p> <p>Development of National Single Window of the Republic of Tajikistan</p>
Current Project status	Ongoing

**Republic of Turkey**  
Ongoing CRM Project  
Turkey 16 -1



Name of the Project	UNECE-IRU Turkey-Iran C2B2C (Customs to Business/Business to Customs) e-TIR Pilot Project
Area of the Project	Turkey-Iran
Project purpose	Computerization process of TIR operations
Budget	Information not provided
Name of donor	Information not provided
Duration of the Project	From 2015 to 2016
Expected outputs	e-environment within the TIR Stakeholders
Current project status	1 <sup>st</sup> Phase is successfully ongoing. (Limited scope) 2 <sup>nd</sup> Phase is under construction. (Widened Scope)

#### Turkey 16 -2

Name of the Project	UNECE Turkey-Georgia C2C (Customs to Customs) e-TIR Pilot Project
Area of the Project	Turkey-Georgia
Project purpose	Fully computerized TIR operations
Budget	Information not provided
Name of donor	Information not provided
Duration of the Project	From 2015 to 2016
Expected outputs	e-environment within the TIR Contracting Parties
Current project status	Some technical issues (mapping etc.) were successfully completed. Under construction.

#### Turkey 16 -3

Name of the Project	ECO ITI (İstanbul-Tehran-İstanbul) Road Corridor
Area of the Project	Turkey-Iran-Pakistan
Project purpose	En route transport/trade facilitation
Budget	Information not provided
Name of donor	Information not provided
Duration of the Project	From 2013 to 2017
Expected outputs	Well-functioning transport and increasing trade volume
Current project status	ToR was approved

#### Turkey 16-4

Name of the Project	WCO e-ATA
Area of the Project	ATA Contracting Parties

Project purpose	Fully computerized ATA Carnet transactions
Budget	Information not provided
Name of donor	Information not provided
Duration of the Project	From 2015 to 2018
Expected outputs	Fully computerized ATA Carnet transactions
Current project status	1 <sup>st</sup> Phase was successfully completed (Turkey, China, EU, Switzerland) 2 <sup>nd</sup> Phase is under construction. (Widened Scope)

#### Turkey 16-5

Name of the Project	EU Project named “Modernization of Turkish Customs Administration-VIII”
Area of the Project	Turkey
Project purpose	Enhancing capabilities of Turkish Customs Enforcement with the latest designed technical systems as mobile baggage scanning systems especially in land borders.
Budget (from your own or any donor funded) and its amount.	Tender Price: 2.249.100 Euro EU Contribution: 1.911.735 Euro (%85) Turkey’s Contribution: 337.365 Euro (%15)
Name of donor	European Union
Duration of the Project	From 2015 to 2016
Expected outputs	18 Mobile Baggage Scanning Systems
Current project status	1 <sup>st</sup> Phase is successfully ongoing. (Limited scope) 2 <sup>nd</sup> Phase is under construction. (Widened Scope)

#### Turkey 16-6

Name of the Project	EU Project named “Improving the Maritime Customs Surveillance Capacity and Operational Procedures”
Area of the Project	Turkey’s Maritime
Project purpose	Supporting implementations and practices of “Modernization of Turkish Customs Administration-VI” EU Project, Developing technical and administrative capacity of Turkey’s maritime with supply and Twinning components.
Budget (from your own or any donor funded) and its amount.	Total Budget: 5.420.000 Euro EU Contribution: 4.807.000 Euro Turkey’s Contribution: 613.000 Euro
Name of donor	European Union

Duration of the Project	From 2015 to 2017
Expected outputs	9 Patrolling Vehicles 4 patrol boats Trained Customs Enforcement Officers and trainers Establishing proper patrolling, rummaging and boarding teams.
Current project status	1 <sup>st</sup> Phase is successfully ongoing. (Limited scope) 2 <sup>nd</sup> Phase is under construction. (Widened Scope)

#### Turkey 16-7

Name of the Project	EU Project named “Improvement of Customs Enforcement Capacity”
Area of the Project	Turkey’s air borders
Project purpose	Strengthening airport controls in the scope of control and surveillance capacity of Customs Enforcement. Within Twinning component, upgrading Customs Enforcement Officers control and surveillance capacity.
Budget (from your own or any donor funded) and its amount.	Total Budget: 5.500.000 Euro EU Contribution: 5.050.000 Euro Turkey’s Contribution: 450.000 Euro
Name of donor	European Union
Duration of the Project	From 2016 to 2018
Expected outputs	Technical equipment including detector dogs, stand-off detector, mobile ID and passport readers, three-wheeled transporter, CCTV control center and etc.  Trained Customs Enforcement Officers and trainers
Current project status	1st Phase is under construction (Widened Scope) 2nd Phase is under construction. (Widened Scope)

#### Turkey 16-8

Name of the Project	Harmonization of recovery of Customs Debts and repayment/remission of Customs Duties Legislation with EU” TR-12-IB-JH-04-TWL
Area of the Project	Justice, Home Affairs and Fundamental Rights
Project purpose	Modernization of customs legislation and practice in line with the EU standards for proper and effective implementation of the Union Customs Code

Budget (from your own or any donor funded) and its amount.	198.800 Euro
Name of donor	EU
Duration of the Project	From December 2015 to June 2016
Expected outputs	<ol style="list-style-type: none"> <li>1. Officers from regional and local offices of TCA get training on the matters of revenue collection, guarantee management and refunding of an amount of duty recovered erroneously.</li> <li>2. Direct and indirect customs representatives get training on the subjects of recovery, repayment and guarantee procedures (especially on the matters of using their rights, time limits, documents used, types of guarantees, payment facilities provided by TCA etc.).</li> <li>3. Comprehensive and applicable secondary legislation on the subjects of recovery and repayment/remission is available.</li> <li>4. The amount of customs duties and taxes recovered by TCA increased by 5 % in the year, which the project completed, compared to the previous year.</li> <li>5. Handbooks and booklets are prepared and distributed local customs offices and economic operators as well.</li> <li>6. Technical support/advises is provided from short –term experts for the program which enables TCA to do all recovery and repayment activities electronically.</li> <li>7. TCA staff is aware of the best practices of the Member States and efficient co-operation with counterpart departments in other Member States is achieved.</li> </ol>
Current project status	The Contract was signed on December 21th and activities will start on February 2016.

Planned CRM Project

Turkey 17 -1

Name of the Project	EU project named “ <i>Improving Container Control Capacity of Customs Enforcement</i> ”
Customs area of the Project	Turkey
Project purpose	Developing Container Control Capacity of Turkish Customs

	Administration. Training customs enforcement officers in order to escalate sufficient controls of containers.
Expected outputs	5 Backscatter Van Trained Customs Enforcement Officers for Container Control
Budget (from your own or any donor funded) and its amount	Total Budget: 4.500.000 Euro
Name of donor	European Union
Duration of the Project	From 2016 to 2017

Turkey 17 - 2

Name of the Project	EU project named "Improving Capacity of Control Command Centre"
Customs area of the Project	Turkey
Project purpose	Developing Command Control Centre's technical and operational capacity. Building efficient databases for intelligence purposes. Training staff for advanced intelligence capabilities.
Expected outputs	Re-designed and improved Control Command Centre Databases on targeting, smuggling and data mining Trained officers about open source intelligence and targeting
Budget (from your own or any donor funded) and its amount	Total Budget: 3.000.000 Euro
Name of donor	European Union
Duration of the Project	From 2016 to 2017

## **6. Conclusions, Recommendations and Plan of Action**

### **6.1. Conclusions & Recommendations:**

Through the studies made on Customs Transit related provisions of TTFA, International best practices on Transit Trade issues such as RKC and Harmonized Convention, research on transit trade related issues on internet, hearings made to stakeholders and field visits to border crossing points, several issues were identified calling for remedial or complementary action some with more exigency. The Consultant will discuss such issues putting them in two categories, namely facilities of borders and field operation at borders considering international requirements and expectations.

Regarding the issues of facilities of border crossing, The Consultant actually visited several borders and found that the border facilities such as those existing at the Kapikule border of Turkey is quite efficient and responsive to the needs including for its wide area of facility equipped with necessary functions and even amenities, that can cope with the requirements associated with millions of people, private cars and trucks passing through the border facilities smoothly and efficiently not facing any serious technical, administrative or logistic related impediments. Most of the border crossing facilities at Turkey are managed by GTI and are subject to renovation as the need for modern facilities are concerned. Comparatively, as concerns the rating of other ECO Member States facilities, The Consultant may allude to the facilities existing in Azerbaijan where the standards observed pertaining to the facilities and the office buildings are assessed as quite acceptable. The border is arranged following the clearance procedural flow of cargo clearance with a well layout in the long and reverse L shaped land area. Other examples of acceptable border facilities The Consultant visited were the ones established at Turkmenistan (Serakhs), Iran (Dogharoun) and Kyrgyz Republic where most of the clearance processing functions are centralized in one reference building (One Stop Shop) and accordingly all necessary examinations are conducted at certain designated area at the border facility.

The Consultant had been instructed by ECO to study the TOBB/GTI BOT approach as a model envisaged for the ECO region. As The Consultant discussed the issue at 5.3 of the current report, applying BOT –for reconstructing or managing the border crossing facility needs to be preceded by a thorough analysis of economies associated with each particular border crossing facility inter alia, to seriously calculate and forecast the adequacy of the revenue you may earn from the site and the justifiability of the returns to the projected investment. This revenue will depend mostly on the volume of traffic of vehicles and passengers and also the amount you may charge. So the applicability of BOT will be case and context- dependent. The relevant authorities of ECO Member States, in their calculations, may consider that part of the service at border is the return of Duties and Taxes, however private companies have to recover investment only from the collected revenue. Of course the land can be provided with nominal fees and the Government can be an investor of the BOT system. However, many issues need to be considered concurrently.

As concerns the field visits the Consultant has conducted, Astra and Sarakhs borders of Iran are considered as sites that are subject to improvement, particularly the Sarakhs border which is currently crossed by only 200 trucks daily but is projected to a four times increase of traffic once the bridge under construction is completed, subsequently hosting a daily traffic of 800 trucks.

Regarding the field operations at the borders, the Consultant observed that most of the legal issues relating to the Customs transit procedures are included in the respective national Customs code and legislations. The issue at stake here is the actual implementation and operationalization of such legal and international requirements. An example to be perused, is the Recommended Practice of RKC Specific Annex 17 (Acceptance of foreign Customs seals) where it recommends that Customs seals and identification marks affixed by foreign Customs should be accepted for the purposes of the Customs transit operation with some exceptional cases. When foreign Customs seals and fastenings have been accepted in a Customs territory, they should be afforded the same legal protection in that territory as national seals and fastenings.

Another example is Article 10 of International Convention on the Harmonization of Frontier Controls of Goods. It is agreed for the goods in transit that “the Contracting Parties shall, wherever possible, provide simple and speedy treatment for goods in transit, especially for those travelling under cover of an international Customs transit procedure, by limiting their inspections to cases where these are warranted by the actual circumstances or risks. Additionally, they shall take into account the situation of land-locked countries. They shall endeavour to provide for extension of the hours and the competence of existing Customs posts available for Customs clearance for goods carried under an international Customs transit procedure.” Long waiting time for crossing the border is always the issue of Transit trade. When the subject transit goods is under the TIR carnet operation or the goods and trucks are just passing through your territory it can be treated without intervention as the guarantee is covering the duties and taxes are concerned.

## **Recommendation 1**

### **Test feasibility study for BOT concession to the border where you can expect certain number of traffic, both by vehicle and people**

The Consultant and PMU studied the Kapikule border crossing which is well functioning and a successful site case where the BOT system has worked. The Kapikule is a passage between Europe and Turkey which is not limited to the passage of Trucks and Lorries but also serves as a conduit through which a lot of people pass for vacation and recreational purposes in Turkey. The border site was well designed for necessary clearance procedures and large enough to handle the volume of cargo, trucks and visitors. The facility is very impressive.

To implement BOT system we must ensure that there are enough volume of border crossing

activity at the site enabling the recovering of the investment and its cost. The following table showing the volume of trucks and persons traffic is provided by the GTI. The cost of construction and management will depend on the scale of facility but we can simply say if the volume is half we have to increase the fee double. We need to conduct careful study of its possibility.

	Truck exit per year	No. of passengers
Hamzabeyli border gate	115.000	1.000.000
Habur border gate	650.000	3.800.000
Sarp border gate	132.500	6.300.000
Kapikule border gate	238.000	4.800.000

In reaching a balanced and optimal fee, it should be taken into consideration that setting an ideal fee to recover the cost of investment is one side of the equilibrium, and whether the user of the facility would agree to its fee is another balancing factor. The GTI given the experience that it has gained by building and managing 15 border crossing site by using BOT of Turkey has indicated its preparedness to contribute to the studies which the ECO Member States might wish to perform.

The Consultant recommends ECO to work with GTI to develop a feasibility study plan for applying the BOT system at certain borders. Whereas, each ECO country seek the possibility to study the applicability of BOT at its border, Perhaps if it is agreeable for Iran the Astra border and Sarakhs border can be good candidates to test its applicability.

## **Recommendation 2**

### **Project for developing faster border crossing lane for TIR Carnet holders**

The TIR carnet transportation must be in principle a system that can cross the border with minimum intervention but the reality at the border is that a number of trucks have to join the document acceptance lane without being differentiated from those not carrying a TIR Carnet, which consequently contributes to the unjustified delay of clearance processing of TIR Carnet carrying trucks. Another factor contributing to the above is the existence of narrow pass of some border crossing points as well as the problem of availability of only one lane or one way bridge. As a result of the above, clearance process is mixed up bringing the non TIR transportation and TIR trucks in a similar situation and to the same queue for crossing the border thus preventing the TIR user benefiting or enjoying fully from its facilitative customs advantage.

International Convention on the Harmonization of Frontier Controls of Goods Article 10 paragraph 1 guides that “The Contracting Parties shall, wherever possible, provide simple and speedy treatment for goods in transit, especially for those travelling under cover of an international Customs transit procedure”.

If the TIR trucks are differentiated from other trucks at the entry gate, it can be processed at the border separately which will contribute to easing the congestion. Each border crossing gate can



consider setting special entry gate and lane for TIR Trucks. This special treatment must be implemented both at entry and exit sides of the border, and its implementation should be guaranteed through a well-exercised coordination tool by border authorities.

It is also mentionable that the IRU is piloting to implement TIR EPD Green lane system, which in combination with the newly developed computerized TIR system, will speed up data input confirmation with other data.

The Consultant recommends immediate action by the ECO Member States for treating TIR separately. Accordingly IRU can help piloting the system at congesting border crossing points to demonstrate the workability of the Green lane system.

### **Recommendation 3**

#### **Large X ray scanning based examination system**

The Large X ray scanning system is a very useful tool for Customs to check the cargo without opening the container or truck cargo loading space. The time needed to process the X ray examination at the border would be about 10 minutes for each container or truck. Moreover recent ICT technologies allow transmitting scanned image to next Customs office where customs can confirm or compare the images. Installment of the large X ray scanning machine is costly as Iran reported in its ongoing project that each system costs about 4 million Euro. This sounds pretty costly but both Customs and Business community will benefit its use as it will speed up examination time.

If the scanned image can be shared among the ECO countries with border coordination or cooperation, the X ray machine can be only one for both border Customs office.

### **Recommendation 4**

#### **Implement Joint Border Gate Project with Turkey in Bazargan- GÜrbulak & Razi-Esendere (as examples)**

As it is examined at 6.1 of Customs Reform and Modernization Project, the implementation of Joint Border Gate (JBG) project get the highest score. The JBG or One Stop Border Post (OSBP) is an ideal system for processing the clearance at the border by working together of both side of border administration in one building.

What WTO Trade Facilitation Agreement Article 8 (Border Agency Cooperation) requires is development and sharing of common facilities, joint controls and establishment of one stop border post control. These requirements imply that both neighboring border agencies need to coordinate and cooperate closely. This in turn will be based on a prerequisite strong political will and mutual trust and respect for reciprocity at the border.

With JBG/OSBP implementation, by coordinating the works with both side of the border

authority, physical examination can be done only one time at the border. Transport operator can process exit and entry procedure at one office or even at single window and this will contribute to speed up the clearance process. To implement this JBG/OSBP system, both sides need to make bilateral agreements on the modalities of processing and coordinating the clearance process, but once it is agreed it is easy to handle.

The Consultant recommends ECO to support this project and test if this approach is applicable to other borders.

## **Recommendation 5**

### **Risk based selectivity system for targeting International Transportation Operator**

The Consultant has observed that in some Member States such as Turkey, risk management tools for physical examination have been applied with considering the factors/aspects such as the origin of the goods, value, consignee, consignor, trading countries, carrier, and/or the holder of the producer, etc. But in some other Member States, the selection of physical examination target is not based on the importer, exporter or transporter but on the goods with high Customs duty rate and intelligence developed. The rate of physical examination is 10% for most of the borders, but if the number of traffic is limited, all the declaration was examined. At Dogharoun border office dangerous drug precursors were intercepted and intelligence based targeting would be working. To develop further an excellent selectivity system you need a centralized database and accumulation of information and intelligence data. The fraud is conducted by people, not by cargo itself. We need to conduct profiling of importers, exporters, customs brokers or agents, warehouse operators, and transport operators. Each country should study the WCO risk management compendium and develop the system that target the people or company. Then the physical examination at the border can be reduced to lower percentage and can input human resources to more needed area.

The Consultant recommends those ECO members that do not apply the Risk Management System to reconsider the criteria utilized for selecting the target and improve their system. Perhaps you seeking the support of WCO could be instrumental in devising an improved Risk Management System.

## **Recommendation 6**

### **Project for suppressing informal payment**

The issue of informal payments was reported many times and is unfortunately exercised broadly. At the field visit the Consultant conducted, cases of unofficial payments were reported. Standard and optimal measure to resolve this issue is computerization and consequently reducing the opportunity of direct interaction between the authority and the persons concerned. The relevant

authorities need to take concrete actions the comprehensiveness of a computerized system and also strict measures to address other surveillance means and random checks to deter counterproductive propagation of such harmful payments.

As a complementary measure, ECO could follow suit other regions practices encouraged by the government whereby the stakeholders are requested to report the incidents of unofficial payment to certain office (such as Non-Tariff Barrier office). The above mentioned governments had then conducted research and issued warning to such persons. A certain government conducted life style check to all government officials to suppress the opportunities. Such measures shall be taken with careful preparation.

The Consultant recommends taking serious measures by all governments in accordance with the recommendations made above to punish and deter all informal/unofficial payments. It is quite important is to punish without exception and open to public if such incident is proved to check and impede corruption.

## **Recommendation 7**

### **Establishment of Customs Technical Unit in ECO**

The WTO Trade Facilitation Agreement requires that its authorities and agencies responsible for border controls and procedures cooperate with one another and coordinate their activities in order to facilitate trade. The one stop shop office where international transporter or Customs brokers can get the import license at one building at the border is already set up at Astra border of Iran and joint control within one country border agencies are somewhat achieved at several office by my observation. However, what WTO TFA requires are joint border controls and establishment of one stop border post, which implies neighboring border agency cooperation and also strong political will for the border management.

If the ECO is really determined to realize economic integration, it has to deal with various Customs related issues such as harmonization of Customs Tariff, development of common data set for ICT clearance system, rules of origin for origin certificate, common control on IPR, and much more.

The Consultant recommends ECO to establish a Customs Technical Unit in the Organization and work to harmonize all Customs related issues.

### **6.2. Plan of Action for modernization of Customs crossing borders of ECO Member States**

In the light of the above, a **5 year Plan of Action** on the Customs Modernization through inter alia full implementation of the TTFA is recommended.

The Plan of Action will follow Customs Modernization through three major components:

(i) Upgradation/Modernization of existing border crossing points services

- (ii) Improvement of customs-related infrastructure;
- (iii) institutional & legal strengthening.

Accordingly, and to enable following up the three above mentioned three major components, the Plan of Action, among other purposes will be targeted at the followings:

- easing the flow and increasing the volume cargo and services of ECO Member States services
- bringing efficiency and simplification to the Customs related administrative procedures and practices including through conduction of a national single electronic window at all border-crossing points of the ECO Member States;
- harmonization of relevant Customs related regulations exercised at the Member States cross-border points through inter alia facilitating their accession to relevant international instruments including Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures of the World Customs Organization
- providing a platform for customs information and communication technology (ICT) for integrating into the e-government systems, realizing the interoperability of IT systems and improving on-line coordination of relevant customs related information among Customs authorities of ECO Member States.
- lowering the incidence of corruption and smuggling,
- Enhancement of duty and tax revenue collection,
- reducing trade barriers, and improve the environment for investment.

To achieve the above mentioned targets, the 5 year Plan of Action will draw in the following findings and proposed course of action which has been based on all inputs received from the Member States and field observation of the Consultancy team and further modifications proposed accordingly.

**Issues identified in the TTFA and proposed Action plan**

TTFA deficiencies identified	Findings and Remarks	Action plans
Article 5: Customs Duties, Taxes and other Levies and Charges Traffic in transit by motor vehicles shall be exempt from customs duties, taxes and other	In some member states, there are no customs duties and taxes for transit vehicles but some other still charge duties	vehicles to be exempted from customs duties and taxes for transit within 3 years

<p>charges except charges for the specific services rendered in accordance with the domestic legislation including toll taxes, road maintenance fee, etc.</p>		
<p>Article 8: Frontier Facilities The Contracting Parties shall provide adequate facilities and related installations needed for road, rail and inland navigation as well as multimodal transport such as combined transport terminals, border crossing points, gauge interchange stations, ferry-link, ports, navigation aids and common radio frequency.</p>	<p>Inadequate facilities were observed in some border crossing points.  The bridges are under construction between Iran and Turkmenistan and Iran and Azerbaijan</p>	<p>The road at border of Iran and Afghanistan needs to be paved. Two large X ray machines for exit and entry lane to be utilized at the territory of each Member State separately. Completion of the bridge within a year.</p>
<p>Article 9: 1. g) facilitate the quick and efficient transit of goods between the Contracting Parties</p>	<ul style="list-style-type: none"> <li>• Long queue was observed at borders.</li> <li>• Sometimes it occupies the road and makes the road narrow.</li> <li>• Risk management system is not fully implemented and ratio of examination of the goods is high (10%).</li> <li>• Each border needs to have clearance procedure at both sides of the border.</li> </ul>	<ol style="list-style-type: none"> <li>1. Differentiate the transit lane and ordinary cargo lane such as TIR-EPD Green lane both for entry and exit.</li> <li>2. Research all the border crossing points if they have at least 2 lanes with wider bridge (not one way) and consider future expansion.</li> <li>3. Study the risk management system that can be applied to transit goods and trucks.</li> <li>4. Consider One Stop Border Post type of border crossing facility where both sides of the border crossing authority work at the same building. For this purpose select one or two border crossing and pilot the activity.</li> </ol>
<p>Article 28;</p>	<p>All ECO Member States are</p>	<p>Pakistan has joined recently to TIR</p>

<p>Establishment of Customs Transit System</p>	<p>contracting parties to the Customs Convention on the International Transportation of Goods under cover of TIR Convention 1975. But this system is not fully implemented in the region.</p>	<p>system. It needs to expedite the process required for full implementation in of the instrument in Pakistan. Afghanistan has reactivated the TIR Convention but it is not fully implemented. Afghanistan should be assisted to expedite full and active implementation of the TIR instrument through enhanced involvement of IRU, ECO Secretariat, Afghanistan relevant authorities and other Member States which are in a position to share their experience. Pilot test run of Trucks under TIR system to be conducted.</p>
<p>Article 29; take measures to simplify the Customs control means of transport, goods, luggage and passengers passing through their territories</p>	<ul style="list-style-type: none"> <li>• Many border crossing points implemented the large X ray scanning system but not all the borders. Even the middle scale borders have not yet implemented the large X ray examination system.</li> <li>• For passengers all the borders visited are equipped with X ray examination system.</li> </ul>	<ol style="list-style-type: none"> <li>1. For transit goods, X ray examination at the beginning and end of transit would be enough. For this purpose consider sharing of scanned image data both starting point, transit point and final destination.</li> <li>2. If scanned X ray image can be exchanged among the ECO members, it would be easier to examine the goods at the middle of transit.</li> </ol>
<p>Article 34: The Contracting Parties undertake to harmonize and simplify their rules, regulations and administrative procedures relating to transit transport in</p>	<ul style="list-style-type: none"> <li>• The way how the transit rules and regulations are defined differs from country to country. If more detailed implementation rules are developed for</li> </ul>	<ol style="list-style-type: none"> <li>1. Activate a Task Force Team among the ECO member countries to harmonize the transit procedure where TIR is not yet exercised and remove obstacles impeding TIR's</li> </ol>

<p>line with the provisions of this Agreement.</p>	<p>ECO countries and at the same time the transit procedures could be equally applied among the countries it would be easier and facilitate Customs related operation for international transport operators.</p> <ul style="list-style-type: none"> <li>• The TIR Carnet is capable of realizing this objective.</li> </ul>	<p>application in the whole ECO region.</p>
<p>Annex VII Article 3. 3.;</p> <p>Goods transported under a financial support of the Guaranteeing Associations of the Contracting Parties or the use of TIR carnet of TIR Convention 1975, shall not be subject to any causeless delays or restraints and shall be exempted from customs duties and taxes.</p>	<ul style="list-style-type: none"> <li>• TIR Carnet Transit can be treated more simply at border crossing.</li> <li>• All TIR Carnet carrying and non-carrying trucks are equally treated in the same queue.</li> <li>• Depend more on TIR guarantee system and reduce the frequency of physical or large X ray examination.</li> </ul>	<ol style="list-style-type: none"> <li>1. Considering the negligible ratio of TIR Carnet violations which only counts for 150 cases out of 3 million carnets issued (0.005%), the regular examination of the transit goods is not necessary.</li> <li>2. Set the examination ratio of TIR carnet 0% and conduct examination only when the authority has tips.</li> <li>3. Make such agreement and set a focal point where such examination report can be confirmed.</li> </ol>
<p>Annex VII Article 7. 2;</p> <p>Customs seals and fastenings affixed by Customs authorities of the other Contracting Parties or of a third country and which comply with the requirements in the Addendum-2, shall be accepted for the purposes of this Annex.</p>	<ul style="list-style-type: none"> <li>• Consultant observed that each transiting country affixed its own respective Customs seals even to the TIR transit operation.</li> </ul>	<ol style="list-style-type: none"> <li>1. Confirm at Customs transit committee meeting of ECO TTFA and agree to respect other country's Customs seal.</li> <li>2. Report irregularities to the relevant Committee and the TTCC.</li> <li>3. Send random Secretariat or a joint intergovernmental field Missions.</li> <li>4. Establish a Customs cross-border Task Force of ECO</li> </ol>

		Member States linked to the Secretariat to look into all cases requiring intergovernmental coordination.
<p>Annex VII</p> <p>Article 11;</p> <p>The Customs authorities of the Contracting Parties shall spontaneously and without delay, <u>notify each other</u> of any serious inaccuracy in a Goods declaration or of any other serious irregularities discovered in connection with a traffic in transit carried out under the provisions of this Annex, in order that the matter may be investigated, any duties and taxes chargeable may be collected and any repetition of the circumstances may be prevented.</p>	<ul style="list-style-type: none"> <li>• This part of notification is made through IRU or TIR issuing body according to the responses to the CTQs.</li> <li>• Requirement here is that “Customs authorities notify each other”. Perhaps Customs administrations have channels to directly contact each other to inform such irregularity.</li> </ul>	<ol style="list-style-type: none"> <li>1. Confirm at Customs transit committee meeting of ECO TTFA and agree a contact directory or utilizing the Task Force proposed above/ or else:</li> <li>2. For this purpose each country set focal point for such information sharing.</li> <li>3. The focal point can be set at the each neighboring border customs office.</li> <li>4. Periodical meeting shall be set.</li> </ol>