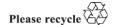# Informal document UNDA1213AA/No. 5 (2014)

**Inter-regional Expert Group Meeting
on the Unite Nations Development Accounts Project 1213AA -
Strengthening the capacities of developing countries
and countries with economies in transition
to facilitate legitimate border crossing,
regional cooperation and integration**

First session
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Regional sub-projects:
Economic and Social Commission for Asia and the Pacific

Gap Analysis of Current Legal and Technical Framework for Electronic Customs-to-Customs Exchange of Transit Information between Kyrgyz Republic and Neighboring Countries

Transmitted by the Economic and Social Commission for Asia and the Pacific

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Strengthening the Capacities of Developing Countries and Countries with Economies in Transition to Facilitate Legitimate Border Crossing, Regional Cooperation and Integration

Report

Gap Analysis of Current Legal and Technical Framework for Electronic Customs-to-Customs Exchange of Transit Information between Kyrgyz Republic and Neighboring Countries

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Abbreviations and Acronyms

BCP	**Border-crossing point**
C2C	**Customs-to-Customs**
CCT	**Customs clearance terminal**
CPP	**Customs processing point**
EDS	**Electronic digital signature**
GPS	**Global positioning system**
ICT	**Information and communication technologies**
KR	**The Kyrgyz Republic**
PEA	**Post-entry audit**
SCS or SCS KR	**State Customs Service of the Kyrgyz Republic**

Background

In December 2011, the General Assembly approved the project "Strengthening the capacities of developing countries and countries with economies in transition to facilitate legitimate border crossing, regional cooperation and integration". In December 2012, a Review Group that met under the auspices of the Department of Economic and Social Affairs approved the final version of the project document.

Crossing borders has always been a problem in international transport and trade. Despite recent improvements, international transport still faces obstacles, costs and difficulties at borders. Border crossing problems most severely affect landlocked developing countries, as they seriously impede access of those countries to the global market and lead to substantial losses for their national economies. The competitiveness of those countries is undermined by cumbersome customs and other control procedures. Overall, limitations to trade and transport facilitation are detrimental to economic growth, regional cooperation and integration.

Control authorities at borders face security challenges related to smuggling, terrorism, illegal trade and immigration. In view of the large volume of cross-border transport operations nowadays, customs authorities are no longer in a position to control every vehicle or container. Instead, they have to apply risk management techniques and identify high risk consignments on the basis of available data. However, the data provided for risk analysis in a given country could potentially be falsified or intended to mislead customs officials. Often, the most reliable data on the transported goods is available at the customs offices of departure at the origin of a transit movement following an export procedure. To the extent possible, these data should be captured and then made available to the customs authorities of transit and destination countries through a common Electronic Data Interchange (EDI) system, prior to the arrival of the goods. The availability of advance electronic cargo information and the establishment of Customs-to-Customs (C2C) network arrangements have been identified as cornerstones of the global supply chain security by the World Customs Organization (WCO).

Today, only a few international conventions provide a legal basis for the exchange of information related to the international transport of goods. Among those, the Customs Convention on the International Transport of Goods under Cover of TIR Carnets, 1975 (TIR Convention, 1975) has the broadest geographical scope (67 countries worldwide). The exchange of electronic information is being addressed in the framework of the so-called eTIR project, which has been administered by the United Nations Economic Commission for Europe (UNECE) since 2002. The eTIR project aims at full computerization of the TIR procedure and will eventually replace customs paper documents with the exchange of electronic messages. The requirements of the necessary electronic systems have already been determined, including the establishment of a centralized C2C information network.

In this direction the State Customs Service of the Kyrgyz Republic (SCS KR) according to the letter № 25-04-09/2769 from 05.08.2014, expressed their willingness to consider the eTIR Project in the Kyrgyz Republic.

Based on the work already completed by the eTIR project and other further innovations to the systems it created, the proposed project aims at implementing and strengthening the capacity to use a versatile C2C information network in up to five pilot developing countries and countries with economies in transition with their neighboring countries and trading partners. This will ensure a secure exchange of information related to

goods in transit, inter alia those under cover of the TIR procedure. In the long term, the network will be designed to facilitate the exchange of C2C and Business-to-Customs (B2C) information globally. The sustainability of such a network could easily be ensured by means of a minimal fee-for-use that would provide the necessary funds to maintain the system. Secure electronic exchange of C2C information will lead to increased security and reduced border-crossing delays.

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) which is in charge of the project implementation in Asia and the Pacific proposed to select Kyrgyzstan as the pilot country in this region. This initiative was supported in Kyrgyzstan by Inter-Agency Working Group on the Promotion of IRU Initiatives under the chairmanship of the Deputy Minister of Transport and Communications of the Kyrgyz Republic, which gave the start to project activities.

The present report identifies the legal and technical gaps that may prevent C2C information exchange of transit data, particularly gaps concerning TIR transports from/to/through Kyrgyzstan.

1.   Key trade and traffic flows from, to and through the Kyrgyz Republic

1.1 Overview

For more than twenty years after gaining sovereignty, the Kyrgyz Republic carries out a course for the development of a market economy and integration into the world economy, trade and transport systems. As a result of measures implemented by the deep economic transformation and restructuring of the real sector of the economy, new legislative and regulatory framework have been created to ensure the necessary international trade and transport and economic relations of the country.

As noted in the Strategy of development of road transport of the Kyrgyz Republic for the years 2012- 2015, approved by the Resolution № 677 of the Government of the Kyrgyz Republic on October 4, 2012, road transport is the main mode of transport in the country, providing 95% of the total freight and 97% of the passenger transport. The value of road transport remains the most important factor for sustainable socio-economic development of the country, one of the main tools in solving economic and social problems of the country.

The role of road transport in the country's international transport communications has significantly increased. Currently, the largest volume of Kyrgyz foreign trade goods is being transported by road.

The dominant position of the road transport industry is determined by the geographical position of the Kyrgyz Republic, as the country has complex structure of mountainous terrain and has no outlet to the sea. Kyrgyz Republic as a country of transit has the potential to become an important route for freight transportation on transport corridors in Central Asia.

The advantage of road transport compared with railway is that the rail network in the Kyrgyz Republic is represented by separate, non-linked lines, geographically divided into two regions, North (323.4 km) and South (101.2 km), providing a way out of Kyrgyzstan to the railway network of the neighboring states of Kazakhstan and Uzbekistan. They are: In the north - Merka (Kazakhstan) – Balykchy, in the south - Andizhan (Uzbekistan) - Jalal-Abad - Osh.

Air transport is not highly demanded in the Kyrgyz Republic in terms of cargo transportation due to absence of a network of local airports and the high cost of transportation of goods.

The key geographical position of the Kyrgyz Republic in Central Asia at the crossroads of major routes connecting Europe and Asia has predetermined role of road transport in the realization of the transit potential of the country.

Through the implementation of national programs and international projects funded by international financial institutions, including programs of the Central Asia Regional Economic Cooperation (CAREC), the Kyrgyz Republic, has rehabilitated the network of roads enough for large-scale long-haul transportation. Thus, the prerequisites for the revival of the historic Silk Road have been created, on which many centuries ago caravans from China to Europe had travelled. The prospects for the development of road transport over long distances between Europe and Asia are most clearly demonstrated by the project "New Eurasian Land Transport Initiative» (NELTI) that was implemented by the International Road

Transport Union (IRU) with the active participation of Kyrgyz road transport companies. It should be noted that there have been significant changes in the field of multilateral regulation of international road transport on the territory of the Kyrgyz Republic and in the whole Central Asian region. The system of international transport under the cover of TIR Carnets on the basis of the TIR Convention, 1975 has been improved and become more effective, including the introduction of mechanisms as Safe-TIR and Cute-WISE, as well as TIR-EPD electronic goods pre-declaring system. All this creates even more favorable conditions for the development of international road transport.

1.2 TIR Operations

According to statistical data of the IRU, as of the end of 2013 the Kyrgyz Republic is 16th out of 57 countries that use the TIR system in terms of the number of TIR Carnets issued (22,200 in 2013)[1].

The most important directions for international carriage of goods under cover of TIR Carnets are in Table 1 below.

Table 1. Main directions of TIR transports by road carriers of Kyrgyzstan

No	Directions of TIR transport	Number of TIR Carnets issued in 2013
1	Lithuania-Kyrgyzstan	9340
2	Turkey-Kyrgyzstan	1766
3	Kyrgyzstan-Turkey	971
4	Kyrgyzstan – Russian Federation	768
5	Kyrgyzstan-Kazakhstan	655
6	Turkey-Kazakhstan	582
7	Russian Federation -Kyrgyzstan	570
8	Latvia - Kyrgyzstan	568

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[1] http://www.unece.org/fileadmin/DAM/tir/figures/TIRCarnets14.pdf

9	Germany-Kyrgyzstan	443
10	Germany-Kazakhstan	406
11	Kyrgyzstan-Tajikistan	317
12	Kyrgyzstan-Germany	228
13	Kyrgyzstan - Turkmenistan	227
14	Kazakhstan -Turkmenistan	213
15	Poland - Kyrgyzstan	200
16	Kazakhstan - Tajikistan	174
17	Russian Federation- Tajikistan	165
18	Kyrgyzstan - Lithuania	164
19	Kyrgyzstan – Iran (Islamic Republic of)	147
20	Tajikistan - Kazakhstan	138
21	Kyrgyzstan-Uzbekistan	137

2. Legal regime for international road transport

During the years of independence fundamental laws were adopted defining the key provisions related to road transport: the law of the Kyrgyz Republic "On transport", "On Licensing", "General Technical Regulations of the Kyrgyz Republic on the Security of Vehicles," "On the Accession of the Kyrgyz Republic to the Agreement on International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage (ATP)". The policy document entitled "Strategy of development of road transport in the 2012-2015" was adopted. The Kyrgyz Republic acceded to eight key international conventions and concluded 34 bilateral and multilateral intergovernmental agreements on

international road transport. The mentioned developments of the legal framework witness the high priority attached by the country's government authorities to road transport.

Table 2. Status of accession of Kyrgyzstan to international conventions and agreements on road transport

№	Conventions /Treaties	Ratification
1.	Customs Convention on International Transport of Goods under Cover of TIR Carnets, 14.11.1975	Law №99 of KR dated 19.12.1997.
2.	Customs Convention on the Temporary Importation of Vehicles for Commercial Purposes, 05.18.1956	Law №94 of KR dated 19.12.1997
3.	International Convention on the Harmonization of Frontier Controls of Goods, 21.10.1982	Law №92 of KR dated 19.12.1997
4.	Convention on the Contract for the International Carriage of Goods by Road (CMR), 19.05.1956	Law №98 of KR dated 19.12.1997
5.	CIS Convention on International Road Transport of Passengers and Baggage - October 9, 1997, Bishkek	Law №20 of KR dated 15.01.2000
6.	Convention on Road Traffic (1968)	Law №41 of KR dated 13.02.2006
7.	Convention on Road Signs and Signals (1968)	Law №48 of KR dated 13.02.2006
8.	Customs Convention on Containers (1972)	Law №7 of KR dated 05.02.2007
9.	Agreement of 1970 of Carriage of Perishable Foodstuffs and the Special Equipment to be Used for such Carriage (ATP)	Law №63 of KR dated 30.06.2011

Table 3. List of bilateral agreements on road transport concluded by Kyrgyzstan with neighboring countries, as of 01.01.2014

Neighboring Country	Name of the signed contract, agreement, document	Date and place of signature	domestic procedures
Kazakhstan	Intergovernmental Agreement on International Road Transport	24.12.2003 Astana	Government of KR decree № 100 dated 25.02.2004
Uzbekistan	Interdepartmental Agreement on the Organization of Transport and Payments in Connection with the Introduction of the National Currency by the Republic of Kyrgyzstan	28.06.1993	Entered into force on the date of its signing, 28.06.1993
	Intergovernmental Agreement on International Road Transport	04.09.1996 Tashkent	Entered into force on 06.02.1996
Tajikistan	Intergovernmental Agreement on International Road Transport	12.07.1996 Dushanbe	Entered into force on 12 October 2010, according with the Ministry of Foreign Affairs letter 17-025 / 4735 of 09.07.2011.
	Intergovernmental Agreement on the Development International Road Transport	06.05.1998 Bishkek	Has not entered into force, Tajikistan has not ratified

China	Intergovernmental Agreement on International Road Transport	4.06.1994 Bishkek	No ratification was required until 1998
	Agreements between the Ministry of Transport and Communications of the Kyrgyz Republic and transport delegation of Xinjiang Autonomous Region of China on:		
	- The opening of regular international bus routes Bishkek, Kashgar, Bishkek-Artush, Naryn-Kashgar, Naryn-Artush;	17.01.1997 Urumqi	-"-
	- The opening of regular international bus routes Osh-Kashgar, Osh Artush;	23.05.2002 Urumqi	-"-
	- The opening of regular international bus routes Jalalabad - Kashgar; Jalalabad - Artush; Kashgar - Karakol; Karakol - Artush.	31.07.2003 Urumqi	-"-

3.   Introduction of Single Window

According to Decree № 464 of the President of the Kyrgyz Republic of 23 October 2007, the following state policy priorities have been identified in the sphere of foreign trade:

-    simplification and streamlining of administrative procedures for foreign trade;

-    adoption of a Single Window arrangement enabling to standardize information and documents by using a single processing channel to comply with all regulatory requirements related to foreign trade;

-    introduction of advance information technology and new mechanisms for external trade operations;

-    introduction of measures aimed at establishing regional transit systems in the area of external trade to meet international standards.

Resolution № 315 of the Government of the Kyrgyz Republic of 19 June 2008 approved the Concept for introduction of the Single Window principle in foreign trade of the Kyrgyz Republic.

According to the Concept the key goal of the Single Window introduction in external trade is optimization of a mechanism for effective information exchange among both involved agencies and organization, as well as among trades and involved agencies and organizations. The Single Window principle in external trade forms a complete information database of documents and other data of traders and is directly linked to customs procedures. The maximum efficiency of the single window operations in external trade is achieved through a complete integration with the customs information system being established.

The single widow principle in external trade is a mechanism enabling the concerned parties to submit standardized (of an aligned format) documents through a single processing channel to meet all regulatory requirements related to import, export and transit, including check points, which operate under the single window principle. The single window principle in external trade envisions that information is submitted only once, in a uniform format and involved authorities and organization receive a copy in electronic format. At the same time it provides for updating the stored information: an updated copy of the document is always stored in the database.

Resolution № 76 of the Government of the Kyrgyz Republic of 4 February 2009:

-   approved the feasibility study for introduction of the single window in foreign trade of the Kyrgyz Republic. (The feasibility study was subsequently updated in January of 2010);

-   approved the Action plan to implement Phase 1 of the project for introduction of the single window for foreign trade of the Kyrgyz Republic;

According to item 3 of this Resolution, the Ministry of Economic Development and Trade of the Kyrgyz Republic jointly with the State Customs Committee of the Kyrgyz Republic[2] and other concerned government agencies of the Kyrgyz Republic should have:

-   taken measures to implement the Action Plan;

-   considered possibility for establishing a state enterprise to implement the project on the single window introduction in foreign trade of the Kyrgyz Republic, and by the end of quarter II of 2009 should have submitted a relevant proposal to the Government of the Kyrgyz Republic.

In this connection the implementation of the planned measures by the customs service has been considered at the initial state as the introduction of electronic notifications about entry (exit) of goods and vehicles to/from the customs territory of the Kyrgyz Republic and of inland customs transit.

According to Order № 5-4/347 of the State Customs Committee of the Kyrgyz Republic of 10 December 2008 "On Pilot Trial of the Electronic Notification of Entry (Exit) of Goods and Vehicles to/from the Customs Territory of the Kyrgyz Republic and Inland Customs Transit", a pilot project is being implemented at Ak-Jol border crossing to introduce the electronic notification about the entry of goods and vehicles to the territory of the Kyrgyz Republic.

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[2] Later renamed into State Customs Service of the Kyrgyz Republic

The Customs authority of the Kyrgyz Republic informed the concerned ministries and agencies of the Kyrgyz Republic accordingly and invited them to participate in this pilot project.

When implementing the pilot on interaction with other inspection agencies, the Customs authority of the Kyrgyz Republic has done the work on:

- developing a single processing channel at the border;

- standardization of the composition and format of information on transported goods;

- developing the procedure for establishment of a database and the Single Interagency Document for controlling agencies.

Border management by relevant government agencies was planned to be performed in the form of documentary inspection in one building equipped with technical and computer equipment allowing establishment of common database on persons, goods and vehicles.

In order to provide technical support for implementation of the mentioned measures, all the control authorities at Ak-Jol border crossing point were located in the same building, and the State Customs Service of the Kyrgyz Republic has equipped the building with working stations for all other control authority represented at that border crossing. Each control authority was provided access to UAIS system limited to data relevant to its sphere of competence.

A Single Interagency Document in the electronic format has been developed under the pilot project to introduce a single processing channel at the state border of the Kyrgyz Republic and to standardize the information on persons, goods and vehicles.

The Single Electronic Interagency Document is being formed **in the UAIS system in XML format** by electronic registration by each controlling body of information related to processed goods and vehicles, as well as individuals engaged in international cargo shipment operations. The above-mentioned information is consolidated in one electronic document.

The UAIS will enable to monitor the control process from the initiation to the completion of relevant procedures. The control process at the road border crossing point can be monitored in a real time mode both in the central office of the customs services and customs houses connected to the server of the automated goods and vehicles movement record and control system.

4. Joint customs control

By adopting the Law No. 92 of 19 December 1997, the Kyrgyz Republic acceded to the International Convention on Harmonization of Frontier Control of Goods, 1982.

The Kyrgyz Republic signed bilateral intergovernmental agreements on border crossing points with the Republic of Kazakhstan, the Republic of Tajikistan and the Republic of Uzbekistan. These agreements envisaged that when required the Parties shall establish conditions for joint control. The procedure of joint control organization and implementation shall be defined by separate agreements among the frontier, customs and other concerned government agencies of the Parties' states.

Practical issues for introduction of joint as one of the forms for simplification of border crossing procedures are addressed under bilateral cooperation between Kyrgyzstan and Kazakhstan.

The Agreement between the Government of the Kyrgyz Republic and the Government of the Republic of Kazakhstan on Joint Control at the Kyrgyz-Kazakh State Border was signed on 4 July 2006.

The parties noted positive outcomes of the pilot joint control exercise (reduced processing time, simplified procedures).

A working meeting of the heads of Customs authorities of the two countries was conducted in April of 2010 and considered further development of joint control elements considering the impact of the Customs Union.

As a result of the working meeting:

-    the Protocol has been signed between the State Customs Service under the Government of the Kyrgyz Republic and the Customs Control Committee of the Ministry of Finance of the Republic of Kazakhstan to implement a pilot for practical implementation of joint control elements starting from 2 April 2010;

-    the Temporary Technological Workflow on clearance procedures for persons, goods and vehicles crossing the multilateral road border-crossing point Chon-Kapka – Aisha-Bibi at the Kyrgyz-Kazakh state border has been approved.

According to this Protocol the Parties agreed to implement the pilot from April 20 through October 20 of 2010.

The State Customs Service under the Government of the Kyrgyz Republic issued Order № 5-4/281 of 23 July 2010 "On Pilot Testing of Elements of Interaction between the Customs Bodies of the Kyrgyz Republic and the Republic of Kazakhstan in Organizing Customs Control of Goods and Vehicles Crossing the Kyrgyz-Kazakh State Border". The customs service of the Republic of Kazakhstan has been duly notified.

Nevertheless, the planned activities on joint control were not implemented since.

5.   **Development of Uniform Automated Information System**

Taking into account that the improvement of the investment climate and the economic situation in the country is impossible without drastic improvements in customs service operations, in 2000 systematic work has been launched aimed at customs reform and modernization. Furthermore, trade globalization and rapid advancement in IT development predetermined a new area for the Kyrgyz customs development – the need for automation of customs operations.

As a result of two-year work undertaken with the support of the Asian Development Bank, the Kyrgyz customs obtained a loan for the amount of US$7.5 million intended to achieve two objectives:

-   development and introduction of the Uniform Automated Information System (UAIS);

-   development of border posts infrastructure.

The development of UAIS includes of three interrelated subcomponents:

(i) development of key UAIS application systems and related systems to support operations;

(ii) development of communications infrastructure to support UAIS operations (i.e. ensuring and enhancing communication links among the customs head office, regional customs offices, border crossing points); and

(iii) conducting training and an awareness campaign to ensure sustainability and wide support to the customs modernization process.

As of today, under the ADB loan the terms of reference have been prepared, a tender has been conducted and the company has been selected to develop the Uniform Automated Information System for the Customs service of the Kyrgyz Republic ("S&TAG", Austria, according to the current contract).

The UAIS was commissioned in December 2012.

The key tasks at the current stage are to establish interaction of the software developers and the working group under the customs service to coordinate and integrate all previously implemented pilot projects given the comments and proposals of all border controlling agencies, as well as traders.

At the same time pilot projects have been extended to regions of the republic.

The automated work stations to control the movement of goods and vehicles have been introduced at 6 customs offices: Bishkek Customs, Manas Airport Customs, Bishkek Free Economic Zone Customs, Naryn, Kara-Balta and Osh Customs and at 11 check points (including border crossing points (BCPs), customs clearance terminals (CCTs), customs processing points (CPPs) and bonded warehouses), namely: Bishkek customs clearance depot, Ak-Jol BCP, Cargo Terminal № 1 CCT, NVC № 1 CCT, Ak-Chyi № 2 CCT, Naryn Customs Processing Point, Kerben bonded warehouse, Kara-Balta CPP , Bishkek CPP, Osh CPP, and Dostuk BCP).

This project enables customs agencies to receive electronic copies of cargo customs declarations and customs pay-in slips, make relevant on-line records against them according to the decisions made and maintain an on-line database.

Table 4. Technical specifications for UAIS of the SCS of Kyrgyzstan

	Items	Data
1	Programming language	The programming language C # (pronounced C-Sharp) - a programming language that combines object-oriented and context-oriented concepts.
2	Database	Microsoft SQL Server 2008 Microsoft SQL Server 2008 R2 Microsoft Visual Studio 2008
3	Software version	Eleed 3.13.14.4
4	Package Installer Web Client Profile Microsoft	Package Installer Web Client Profile Microsoft Net Framework 4.0
5	System Report Generation	SQL Server Reporting Services (Reporting Services SQL Server)

6.   Risk management and post-entry audit

Prompt customs clearance and release of goods at border crossings is a must for the development of international trade. Government agencies in charge of border control, including Customs authorities, however, inevitably face serious challenges with the growth of cargo volume and number of people moving across the border, as they need to safeguard national interests and facilitate trade at the same time. Prompt clearance of goods at border-crossing points should not hinder the efficiency and effectiveness of control. The Customs Service of Kyrgyzstan should actively apply the available good practices and develop the administrative methods from only "cargo control" to the combination of "cargo control" and "trade control" to combine efficient inspection and speedy operations. One of the solutions already applied in Kyrgyzstan is the establishment of the post-entry audit system representing the change in general administrative control to market-based rules and procedures alongside with civil service improvement apart from direct interference with traders' operations.

The system of post-entry audit was established in the Kyrgyz customs in 2001.

Post-entry audit implies the examination and audit by a customs agency of accounting books, account statements, customs declaration forms and other relevant data and related imported and exported goods within 3 years after the imported and exported goods are released, or during customs escort and placement of goods into bonded warehouses, when they are imported under duty reduction or exemption regimes in order to verify the reliability

and legitimacy of import and export operations of the individual subject to auditing.

The direct goal is to verify the reliability and legitimacy of import and export operations of the individual subject to auditing.

The key objective of post-entry audit is to enhance customs supervision and control, streamline import and export regimes, protect legitimate rights and interests of concerned parties, ensure a secured transfer of revenues to the state budget and promote external trade.

Being a relatively new customs system, post-entry audit consists of audit planning and implementation, instructions and evaluation.

Preparation: based on the risk profile and its analysis and trade investigation, we can identify the enterprise and goods, the regime of its operations and characteristics, obtain relative knowledge about the goods and offence records, take specific actions.

Implementation: the customs verifies the reliability and legitimacy of the shipment and relevant documents alongside with the examination of the enterprise's internal controls and its operational procedures.

Case investigation: one of the specific procedures, which is focused on investigation and collecting evidence on suspicious enterprises.

Instructions: is mainly referred to the problems identified in the course of auditing and case investigation, including corrective measures within the specified time limits, payment of customs duties and fees, administrative penalties, permit revocation and referring the case to the Anti-Smuggling Department for further investigation.

Evaluation: the customs evaluates the accuracy of risk profiles, whether the enterprise complies with the requirements, evaluates relevant policies and provisions of the SCS to improve the audit quality.

Based on risk analysis, SCS Post-Entry Audit Department (PEA Department) systematically applies risk assessment for post-entry audit. PEA Department selects high-risk enterprises and goods to conduct specific audits by collecting and analyzing risk-related data, as well as verifying the status of import and export operations of an enterprise. Utilizing risk analysis, the Customs authorities can improve audit accuracy and efficiency.

In order to work effectively, PEA Department could combine routine and specific audits. A routine audit means that the customs conducts audits of enterprises' daily operations. A specific audit is focused on identifying and addressing the problems by conducting a targeted audit of a specific enterprise having analyzed its risks. When combining these measures the Customs authorities of Kyrgyzstan can improve overall enterprise supervision.

The customs audit is an effective measure to normalize import and export operations of enterprises. The ultimate objective of auditing is to improve compliance by enterprises. The customs can help enterprises to observe laws and regulations properly by identifying and addressing problems.

The Kyrgyz customs post-entry audit system has a short history, nonetheless such an

advanced method of customs control shall have a great effect and demonstrate its huge potential, which should promote significant achievements in regulating import and export behavior of enterprises, preventing and fighting smuggling and protecting the national taxation system.

The post-entry audit system shall be developing and progressing further. In order to gradually develop a so called new post-entry audit procedure – 'four-in-one' – consisting of risk analysis, enterprise audit, trade investigation and enterprise management, the Customs authorities of Kyrgyzstan should be able to coordinate its operations with other customs services and become integrated into generally accepted international practice.

The post-entry audit system shall perceive risk analysis as the guidelines for actions, enterprise audit and management as the method, and regulating import and export behavior of enterprises – as the target.

7. Application of TIR procedure and its automation

The SCS pursues the development of transit transport operations by applying generally accepted instruments in the area of transport for goods movement administration. The TIR Convention, 1975 shall be referred to as one of them.

The Kyrgyz Republic accessed to the TIR Convention pursuant to the Law of 19 December 1997 No.99 "On Accession of the Kyrgyz Republic to the Customs Convention on International Transport of Goods under Cover of TIR Carnets".

Development of relationships between the Kyrgyz Republic and the IRU was marked by the Memorandum of Understanding between the Government of the Kyrgyz Republic and   the International Road Union on development of cargo road operations between Asia and Europe and among major global markets via the territory of the Kyrgyz Republic signed on May 18, 2009 in Bishkek.

Pursuant to the Recommendations of the Administrative Committee of the TIR Convention and based on items 1 and 2 of the MoU the SCS has issued Order № 5-4/440 of 24 November 2006 "On Transfer of Information on Issued TIR Carnets".

In order improve customs control of shipments by customs bodies of the Kyrgyz Republic the SCS issued Order № 5-4/441 dated 24.11.2006 "On Approval of the Temporary Provision on the Procedure of Customs Control for Goods Transported under the TIR Procedure".

According to Part II Annex 9 of the TIR Convention to further improve customs control on access by individuals and legal entities to the TIR procedure, the SCS issued Order №5-4/157 as of 30.05.2008 "On Approval of the Procedure for Access to the International Road Transport Procedure and the Use of TIR Carnets by Individuals and Legal Entities Engaged in International Road Transport Operations", which has been duly registered with the Ministry of Justice of the Kyrgyz Republic, published in mass media and posted in the web-site of the SCC of the KR.

According to Articles 20 and 45 of the TIR Convention the SCS issued Order № 5-4/176 as of June 12, 2008 "On Border Crossing Points of the Kyrgyz Republic to Perform

Customs Control of Goods Transported under the TIR Procedure".

As part of the introduction of SafeTIR technology, the Customs Service of the Kyrgyz Republic has updated the Unified Automated Information System, and on 17 July 2013 the new version of the UAIS was launched with embedded block of the automatic transmission of the data on the processing of TIR Carnets from IRU (SafeTIR in real-time mode). The successful transmission of the data to the IRU database in Geneva was confirmed. The UAIS system also includes a module for separate processing of data related to TIR operations.

Thus, the implementation of the SafeTIR system in the Kyrgyz Republic is successfully completed ahead of schedule.

On 25 April 2014 the Agreement on the development of application software for TIR-EPD in Kyrgyzstan between the Customs Service of the Kyrgyz Republic, LLC "Screen", the IRU and the Association of International Road Carriers of the Kyrgyz Republic AIRTO KR was signed. In September, the training of the employees of the Customs Service of the Kyrgyz Republic from all regions of the Kyrgyz Republic was held on the use of TIR-EPD.

8.   Introduction of GPS tracking system

In order to facilitate transit formalities, the SCS is introducing information systems to trace and control the movement of goods and vehicles as an alternative option for physical escorts.

During 2008-2009 a pilot trial of the GPS navigation tracking system for customs purposes has been conducted.

In spring of 2010 a tender was held for provision of GPS monitoring services along the Torugart – Bishkek route.

The Order № 5-4/278 of the SCS of 20 July 2010:

-    approved the Temporary Technological Flow Chart for the customs bodies to apply the GPS system to monitor the movement of bonded goods and vehicles;

-    since August 2, 2010, the GPS-based monitoring of goods and vehicles has been introduced along the Torugart – Bishkek road.

The GPS monitoring will involve the head office of the SCS, Naryn, Issyk-Kul customs houses and the operational customs department for the northern region.

Later on, once the technology of electronic monitoring is improved, the introduction of the GPS monitoring will be considered to be extended to other customs houses.

When fully deployed, the system will accelerate the movement of vehicles (there is no need to wait to form a column of trucks) and minimize physical escorts of goods and vehicles, rationally use budget finding for the payment of business trip expenses for escorting teams and eliminate a high share of ineffectively used operational time of customs staff.

9. Application of special packages for cargo documents ("safe-packets")

Another instrument for regional transit development is the movement of cargo supporting documents in special packages ("safe-packets").

Since 2008 the practical issues of customs safe-packets implementation are addressed by customs services of the Kyrgyz Republic and the Republic of Kazakhstan.

With the technical support from the Asian Development Bank 20,000 safe-packets have been produced for the customs service of the Kyrgyz Republic.

Decree № 5-4/194 of the SCS dated June 11, 2009 approved the Temporary Procedure for filling it and application of safe-packets for customs purposes, which was put in force as of July 1, 2009.

Safe-packets are applied at BCPs Ak-Jol of Bishkek customs (adjacent BCP Karasuu) and Chaldovar of Kara-Balta Customs (adjacent BCP Novovoskresenovka). Safe-packets are applied only for export operations.

When applying the safe-packets at the border, the Kyrgyz customs worked on the issue of introducing safe-packets for inland customs transit and international transit (using safe-packets till the point of destination). A new safe-packet design has been developed for inland customs transit, which can be used both for movement of goods within one country, as well as for delivery of goods to the destination point in another country.

In November of 2009 a working meeting of the Kyrgyzstan-Kazakhstan working group was held to address the issue of applying safe-packets for processing at state border crossing points. The Kazakh party, having approved the proposal of the Kyrgyz party, indicated the need to agree on this issue with other controlling agencies located at the border.

To apply a new design of safe-packets for the inland customs transit procedure, on May 20, 2010 the SCS issued Order № 5-4/183 approving the Temporary Procedure for application of safe-packets for inland customs transit, which was put in force as of June 1, 2010. This document stipulates the uniform procedure for application of safe-packets forwarded by the departure customs body to the destination customs body when goods and vehicles are to be moved under customs control. A new safe-packet design has been produced at the expense of the customs service of the Kyrgyz Republic.

Issues of adapting the safe-packet to the electronic customs document on delivery control have been addressed under the automation of the internal customs document procedure.

During the meeting between the Heads of Customs authorities of Kazakhstan and Kyrgyzstan on 14 July 2010 the issue of using safe-packets for goods crossing the Kazakh-Kyrgyz state border to be used for purposes of internal transit to customs processing points was discussed.

Following-up the results of the meeting, on 30 July 2010 SCS KR submitted to the Customs Service of the Republic of Kazakhstan the following proposals for consideration:

- a draft Technological Flow Chart to apply safe-packets when moving goods and vehicles across the Kyrgyz-Kazakh border and for delivery to the destination customs body;

-   a sample of the safe-packet of the State Customs Service of the Kyrgyz Republic.

10.   Capacity building policy and facilities

To certain extent the customs officers performance from the viewpoint of protecting the economic sovereignty and ensure the economic security of the Kyrgyz Republic depends on the level of their training, therefore a special attention is focused on the staff's qualifications upgrading, improvement of their knowledge and skills, practical management.

The proficiency and knowledge of customs legislation and customs procedures are a decisive factor for successful work of the customs officers of the Kyrgyz Republic. Amendments in customs legislation, new methods of customs fraud require continuous upgrade of the professional skills of customs officers.

Professional training organized by customs bodies plays an important role in this area.

To improve professional training provided to the customs officers, on 3 August 2006 the State Customs Inspection of the Kyrgyz Republic[3] issued Order № 39-l establishing the SCI Training Center, which is managed and operates in accordance with the up-to-date standards.

At present, the Training Center is a structural subdivision of the SCS providing staff training and skills upgrading, educational and methodological and advisory support to managers of customs bodies in organization and conducting professional training for customs staff.

New principles specified by the framework standards for professional training of customs officers adopted by the World Customs Organization and approved by the SCS are the basis of activities of the Training Center.

The following measures shall be taken to implement new approaches in the work of the SCS Training Center in order to improve the organization and conduction of professional training.

In connection with the introduction of the automated customs systems under the donor programs it is necessary to introduce and develop a new format of education – distant education, which enables the following by using information technologies without reducing the quality of education:

-   to provide on-the job training at an adequate pace and in time;

-   to provide individual training programs, including by using case studies, thus improving the efficiency and practical value of training;

-   to reduce training costs by reducing transportation costs.

In parallel with development of distant education, intensive learning methods should be used, which are based on introduction of advanced information and innovative

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[3] Currently the State Customs Service of the Kyrgyz Republic

technologies, such as "e-learning".

E-learning is considered as a complex of intellectual educational manuals and testing systems enabling to use the most recent achievements in ICT in the educational process independently of the education form.

E-learning could include:

- development of electronic educational and methodological complexes allows using computer multimedia technologies to improve the efficiency of both the leaning process and the process of achievements assessment;

- establishment of an automated information system based on advance information technologies, i.e. establishment of an e-library on all customs-related content areas;

- introduction of motivation tools encouraging the staff, which is developing their skills level:

- Development of effective material incentives shall for the staff with scientific degrees and titles, those participating in the educational process, as well as the staff who master foreign languages.

11.   Electronic digital signature

Electronic digital signature (EDS) according to national legislation replaces the handwritten signature of the authorized person and the seal. Digitally signed electronic document has the same legal force as a paper document. With it you can check if the document was modified after the signing, and whether the signing person was the authorized person.

The history of the use of electronic signature in the Kyrgyz Republic is related to the first discussion on e-government that took place in 2001. The 2004 law "On electronic document and electronic digital signature" has given a legal basis for their use and the conditions for the creation of a national center for the production of electronic signature in the country. In order to implement the law in 2007, the specialized state enterprise at the State Agency of information resources and technologies was created. The state enterprise has received the status of National Root Certification Authority.

Until 2010, this company was the only service provider in this field. In July 2010, another private company entered the market.

Each EDS has its validity period, so the user is required to produce a planned replacement of the cryptographic keys at least once in 12 months. Every time a payment is entered again. These rules are governed by special regulations. The regulations themselves are governed by the laws of the Kyrgyz Republic "On informatization", "On electronic document and electronic digital signature".

Although the government authorities, including the SCS, do not currently use digitally signed electronic documents, in the near future the Government of the Kyrgyz Republic plans the introduction of electronic document flow, after which the exchange of official letters and documents be in electronic format would be practiced.

Summary of Findings

At present, Kyrgyzstan obtains a number of prerequisites which can allow the establishment and subsequent development of the system of electronic exchange of data on transit transport between its customs authorities and customs authorities of neighboring countries of Central Asia.

In particular, Kyrgyzstan, as well as its neighboring countries of Central Asia (Kazakhstan, Tajikistan and Uzbekistan) acceded to major international conventions on transport and border crossing facilitation, such as TIR Convention, 1975, and International Convention on the Harmonization of Frontier Controls of Goods, 1982.

TIR system has found good practical implementation in the country and is well-recognized by international transport operators of Kyrgyzstan.

Kyrgyzstan has also concluded bilateral agreements on international road transport with above-mentioned countries of Central Asia which grant transit traffic rights for goods transportation by road.

A number of initiatives have been undertaken by the Government authorities of Kyrgyzstan to increase efficiency of Customs operations and introduce modern technological solutions based on information and communication technologies. Some of these initiatives were undertaken at domestic level, while others require inter-country cooperation.

Domestic-level initiatives and technological solutions such as introduction of Single Window, development of the Uniform Automated Information System (UAIS), risk management and post-entry audit have already brought considerable results in terms of increase of speed of customs procedures, and good experience of their application at national level has been accumulated.

Successful steps on automation of TIR operations (with assistance from relevant international organizations) and on introduction of GPS-based vehicle tracking system have been undertaken.

Kyrgyzstan has also updated its legislation to legitimize electronic digital signature, which is an important condition for introduction of electronic document flow.

Kyrgyzstan has also established specialized training center for customs staff, which can be utilized as the facility for building capacity of relevant stakeholders from customs and other governmental agencies involved into border management in terms of application of new ICT-based technologies.

At the same time, the proposed inter-country level measures on improving the efficiency of customs authorities operations and simplification of customs formalities have not been implemented or have progressed very modestly, even despite the available legal arrangements on implementation of some of those initiatives.

Due to that fact, it appears that the immediate introduction of Customs-to-

Customs Data Exchange Platform for exchange of electronic transit data between the customs authorities of Kyrgyzstan and neighboring countries of Central Asia is currently not feasible and considerable volume of preparatory work at inter-country level needs to be done to establish and implement such system.

It is though desirable to have a discussion of the possibility of introduction of Customs-to-Customs electronic data exchange among the customs authorities of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan both at decision-making and expert level to identify necessary steps and elaborate an action plan for establishing electronic data exchange which could include measures to be undertaken both at domestic and inter-country level in short-term, medium-term and long-term perspective.

The proposed action plan should also consider the impact of latest developments, such as accession of Kyrgyzstan to Eurasian Economic Union planned for 2015, on the cooperation between the customs authorities of the countries concerned.