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Q1: Respondent details

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Q2: Country or Customs territory

- MULTILATERAL OR REGIONAL DEVELOPMENT BANK

Q3: Organization

Other (please specify) Regional Development Bank

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Q4: Title of case story

Strengthening Trade Facilitation in the Greater Mekong Sub-region through Partnerships with the Private Sector

Q5: Case story focus

Trade Facilitation.

Q6: Case story abstract

The project is developing a series of linked initiatives for public-private partnership in Myanmar which will enhance trade facilitation and inward investment. These initiatives include: (i) the development of a new scheme for training, testing, and licensing customs brokers, designed to improve the accuracy, speed, and quality of customs declarations for goods imported, exported, and in transit; (ii) a scheme for Authorised Economic Operators, fully compliant with the WTO Trade Facilitation Agreement, in which reliable importers will receive significant facilitation benefits in return for sustained compliance with customs regulations; and (iii) the training and establishment, under the aegis of the chamber of commerce, of a multi-disciplinary working group which meets regularly to address and solve bottlenecks in Myanmar's international trade supply chain.

Q7: Who provided funding?

Other (please specify) Asian Development Bank

Q8: Project/Programme type

Regional

Q9: Your text case story

The ADB's project was designed to enhance trade facilitation through the development of effective partnerships between the public and private sectors in all of the countries in the Greater Mekong Sub-region (GMS: Cambodia, Laos, Myanmar, Thailand and Viet Nam), building on national initiatives and synergies between those countries.

Myanmar quickly seized the initiative, and the demands from both the public and private sectors in the country for partnership-based assistance with trade facilitation reform, has been impressive. As a result, significant progress has been achieved through three main initiatives, linked to one another. These are described below, with a clear indication

of the desired outcomes in each case:

New Scheme for Training, Testing, and Licensing Customs Brokers:

All importers and exporters in Myanmar are obliged by law to use a customs clearing agent, licensed by the Myanmar Customs Department (MCD). Licences are currently issued following training delivered, sporadically, by that organisation. The training programme is poorly constructed, out-of-date, and does not cover several important subjects. It is delivered by MCD officials who are not trained trainers, and who usually assemble their own personal training material, leading to inconsistencies in approach. There is no formal process in place for managing the delivery of the training, nor for evaluating and updating the training materials. No standardised testing of the trainees is carried out. Moreover, the MCD has insufficient resources with which to deliver a sufficient number of broker training courses to meet the demand of a rapidly growing market; and it has also traditionally preferred to arrange its training courses in its training school in Yangon, irrespective of the location of the agents/ brokers who require the training. Many prospective brokers therefore decline to take part or are unable to attend, owing to the costs involved.

As an unintended consequence, there are now large numbers of untrained and unlicensed brokers operating throughout Myanmar, and these numbers are growing. In addition, there is a large workforce of broker employees who have received no formal training at all. These deficiencies have contributed significantly to a very high rate of errors – over 25% – in the submission of customs declarations (demonstrated by the project at the outset through a specially designed ‘errors and omissions’ survey of all declarations presented at Yangon Custom House between March and April 2016). In turn, this generates large volumes of corrective work, and at worst to revenue loss and fraud. From a trade facilitation perspective, the hold-ups experienced and costs incurred by importers and exporters, whilst errors in their declarations are dealt with and penalties imposed, are a serious impediment to their ability to do business. Future investment in Myanmar could well be affected.

The project has invested a lot of time in convincing not only the MCD, but also the Myanmar Customs Brokers Association (MCBA) – the recognised representative body for all customs brokers and clearing agents operating in Myanmar – that these problems are serious, and need to be resolved if trade facilitation is to be taken seriously. It has also secured their joint agreement that, whilst it is for the MCBA to take responsibility for training its own members, the MCD knows best which regulatory requirements should be included in the training programme for brokers, and must therefore approve the course of study, as well as the related assessment processes. The MCD should assume a major role in creating and maintaining a programme for ensuring that brokers remain both up-to-date and competent after they have been licensed.

Based on this common understanding, a partnership between the MCD and the MCBA is being constructed. This is based on common rules and standards, in which both organisations play their part in encouraging compliance among the customs brokers community in Myanmar, through their professional development. More particularly, the project is now working with both the MCD and the MCBA to completely overhaul the existing broker licensing and training programme, a process which includes:

- Development of new customs broker licence authorisation processes which take into account the differing needs and responsibilities of the four categories of broker licence in existence in Myanmar.
- The joint development and publication of secondary legislation, rules, and procedures governing the revised broker training, assessment and licensing system, in particular the requirements for qualification and re-qualification.
- Development of suitable training curricula, modules, session plans, and training and assessment materials for each category of broker licence.
- Arranging the training programme in appropriate formats for each category, using classroom learning interspersed with on-the-job experience, to make the learning both more practical and flexible.
- Rigorously assessing suitability of all trainees to hold an appropriate licence through a flexible testing programme incorporating pass/ fail competency-based assessments into the various training modules, and only running a test or examination at the end of the training programme where this is absolutely necessary, so that real capability is being tested.
- Comprehensive training for MCBA trainers in training design, delivery and assessment skills.
- Development of a programme of Continuing Professional Development (CPD) for licensed brokers.
- Approval of the content (but not the training methods) of the new training programme by the MCD.
- Approval of the CPD programme by the MCD.
- Delivery of some broker training and CPD sessions by (trained) MCD officials, and officials from other Government Departments such as the Ministries of Commerce and Agriculture, as guest presenters.

The project will enable the introduction of a new training and assessment curriculum which qualifies and re-qualifies customs brokers to recommended government, industry, and international standards. The new customs brokers training curriculum will be delivered on demand, and in locations throughout Myanmar which enable the widest possible range of applicants to take part, close to their place of work. The project is helping the curriculum updating and upgrading, as well as training and coaching trainers for its effective delivery. The backlog of applications for broker training will be

cleared, and the MCD will be able to focus on its statutory role of issuing broker licences and assessing subsequent performance. In the final analysis, new applicants will perform their customs brokerage services to a higher standard, and existing brokers – all of whom will be re-trained – will either raise their level of performance, or have their licences withdrawn by the MCD.

The project's impact will be gauged by re-running the 'errors and omissions' survey following completion of the training. Success will be measured by a significant decrease in the overall rate of errors with presented customs declarations, as well as a decrease in the number of errors in each case. If this is achieved, the time taken to process declarations, and the associated costs, will be substantially reduced.

Authorised Economic Operator Scheme:

The project is also assisting the MCD with the introduction of an Authorised Economic Operator (AEO) scheme which will involve the official recognition and approval of companies operating in the international trade supply chain. These will be mainly large importers and exporters – often multi-nationals – which are able to meet specified criteria, including having (i) an appropriate record of previous compliance with customs requirements, and (ii) a satisfactory system for managing their commercial records. AEO recognition and approval by the MCD will confer upon such businesses a number of benefits, including simplified and expedited procedures for the clearance and release of their goods at both import and export, in return for improved and sustained compliance.

Following an initial programme of education coupled with thorough, in-depth checks on their commercial premises, systems, and records, with corrective action where necessary, these companies will be allowed to import and export their goods without examination in the vast majority of cases. Control will be exercised through an annual programme of systems-based post-clearance audits, designed to ensure that these traders' internal controls over their business processes continue to ensure compliance with customs requirements. The overall objective of the AEO scheme is to encourage economic growth by making it easier for large businesses to import and export their goods to and from Myanmar, and to invest in the country to begin with.

The project has trained a team of MCD officials in the design and development of the scheme, including approval criteria and facilitation benefits for AEOs, a questionnaire for applicant AEOs, and a set of standard operating procedures. The same group of officials has been trained in systems-based post-clearance audit techniques, so that they are equipped with the knowledge and skills necessary to carry out comprehensive, in-depth audits of potential AEOs, interviewing key personnel, examining relevant systems, and ensuring that adequate internal controls are in place to ensure the prompt and accurate declaration and payment of customs duty and taxes. A major focus, linking this effort to the broker training initiative described earlier, will be upon ensuring that prospective AEOs are not only using properly trained and licensed customs brokers at all times, but are introducing measures which ensure that those brokers remain up-to-date with official regulations and procedures.

All of this development work has proceeded in close collaboration with the private sector. Visits to four large multi-national companies operating in Myanmar have already been arranged for the MCD's AEO team, partly to give those officials insights into how such businesses operate, and the measures which they put in place to ensure compliance with official requirements; and partly to explain the MCD's AEO proposals to these businesses, and receive feedback. These interactions have strengthened the positive mind-set that businesses are genuinely cooperating with government agencies to ensure their continued compliance.

Once the MCD has received the approval of the Ministry of Planning and Finance for the introduction of the AEO scheme, it will test and adjust its new authorisation and control procedures by working with the same group of traders, with a view to their approval as the first batch of AEOs in Myanmar.

International Trade Supply Chain Working Group:

Following its commencement in February 2015, the project consulted widely with stakeholders – importers, exporters, transport operators, freight forwarders, customs brokers, port operators, numerous trade associations, government departments, etc – involved in the international trade supply chain (ITSC) in Myanmar. This was done through a number of face-to-face meetings, and a comprehensive survey which received 400 responses from 500 people canvassed.

A constant finding was that the different trade stakeholders did not fully understand all of the links and interfaces in the end-to-end supply chain, focusing only on their own area of responsibility. They were rarely aware of the multiplicity of processes involved, nor of the roles of other stakeholders. And cooperation between stakeholders was often said to be poor. Given the long-standing and well-known problems with the publication of complete, accurate, and up-to-date information about the rules, regulations, and procedures governing international trade in Myanmar, all of this added up to a significant barrier to trade.

The project initially responded by organising a series of short workshops for ITSC stakeholders. These events were designed to familiarise them, through a series of highly participative exercises, with all of the stages and processes in

the international trade supply chain, and the roles and responsibilities of each of the parties involved. Another important objective was to identify ITSC processes requiring improvement, and possible measures to address them. Over 500 people were trained in this way.

The core material for the workshops was a set of detailed, but easy-to-read, process flowcharts of the 24 import, export, and transit regimes in Myanmar. Each and every component of these processes was validated in advance with the process owner. The processes have subsequently been assembled in a compendium, which has been widely published.

At every workshop, the sharing of the ITSC processes amongst the various private and public sector participants vastly increased their understanding of how those processes work in practice. It also enhanced their appreciation of where problems (duplication, delays, bottlenecks, etc) exist. As a result, every workshop concentrated on finding solutions to the identified problems, with this work often continuing informally between participants after the workshops were over. Amongst the outcomes that can be directly or indirectly attributed to this work are:

- Further pressure for improvements in the performance of customs brokers.
- Publication of an updated 'negative list' by the Ministry of Commerce (MoC).
- Withdrawal of the MoC's mobile control teams .
- A change in the application of the exchange rate for customs clearance in border areas from a daily basis to a weekly basis, thus reducing wait-related delays.
- Establishment of a one-stop service at the Shipping Agency Department in Yangon.
Withdrawal of the MoC's procedure for assessing the price of goods in respect of which an import licence had been applied for.
- Relaxation in previous MoC restrictions on Incoterms applicable to goods on the negative list.

To ensure sustainability, and to meet the continued demand throughout Myanmar, the project then trained a mixed group of private and public sector facilitators (a) to deliver further ITSC workshops, using the training material developed by the project, and running participative learning sessions in the required manner; (b) to organise and administer those workshops; and (c) to evaluate the outcomes. As a complementary measure, the project also proposed the formation of an International Trade Supply Chain Working Group.

To give this initiative credibility and influence, the project persuaded the Union of Myanmar Federation of Chambers of Commerce & Industry (UMFCCI), the principal trade representative body in Myanmar, to take Working Group under its wing. Open to all public and private sector ITSC stakeholders and their representative bodies – not least the MCBA – the ITSC Working Group now meets regularly to identify, collectively resolve where possible, or refer for attention by the Government (or other responsible agencies) all issues which cause problems in any area of Myanmar's international trade supply chain. It works to a focused agenda, prepared in advance, and commits to producing a list of action points at the end of each meeting, with responsibilities for each action clearly assigned.

The ITSC Working Group uses the compendium of ITSC processes originally developed by the project, and will progressively update and publicise it, as the various processes are improved.

Q10: Lessons learnt

Government ownership and commitment is essential for a trade facilitation project of this nature, which can achieve little without it. A key element in securing this buy-in has been rigorous diagnostic work – principally through the survey of the trade-related private sector, and the 'errors and omissions' survey, which have together made an evidence-based case for change.

At the same time, the project's involvement of the private sector in actions – joint activities and shared responsibilities - has avoided using it simply as a mechanism for exerting pressure on Government – often counter-productive – and has instead highlighted its own contribution for trade facilitation, and encouraged positive interaction that will build public sector confidence and develop goodwill. Joint activities have helped enormously in this respect.

Sustainability has been built into the design of each element of the project, all of which inter-relate, and in which several of the same actors are involved. This bodes well for the future, but the fact is that the project began from a very low base – entirely a function of Myanmar's difficult history – and the attempted reforms are extremely ambitious for the timeframe involved. With the benefit of hindsight, a longer implementation period – at least two years – would have been more sensible, since there would have been more time to reinforce some of the learning.

Finally, projects of this kind demand inputs from highly competent and credible customs and trade facilitation experts, including national experts who could ensure constant involvement with the clients. ADB has managed to secure the services of a very well qualified team for this project, and it will be a crucial factor for consideration in constructing similar projects.
