

Government of the People's Republic of China
United Nations Development Programme (UNDP)

Draft Project Document

China Customs Modernization
for Trade Facilitation and Equitable Development

In order to effectively implement the 11th Five-year Economic-Social Development Programme and to build an all-round XiaoKang (well-off) Society in China, a crucial task facing China today is to find the most modern and cost-effective way to efficiently achieve the goal of promoting broad, equitable economic and social development.

One path to this goal is through the broad-based facilitation of trade. The project will support the goal through two dimensions: (1) further improve the legal and policy environment on a national basis with transparency, uniformity, consistency and accountability. (2) further enhance trade facilitation through a number of capacity building initiatives.

These reforms will significantly enhance trade-related economic development at national level, with particular benefits to small- and medium-sized businesses and businesses in Western, Northeastern and other remote regions, which were often unable to fully reap the benefits from past customs modernization efforts. Furthermore, these changes will promote the complementary Chinese Government and UNDP goals of rule of law, social and economic sustainable development.

UNDAF Outcome:

Social and economic policies are developed and improved to be more scientifically based and human centered for sustainable and equitable growth.

Country Programme Outcome/Indicators:

National efforts to lead and manage Xiaokang/MDG implementation supported through a variety of instruments and capacity building initiatives.

Country Programme Output/indicators:

Policy oriented research on emerging poverty challenges developed and disseminated to key stakeholders.

Government Coordinating Agency and Implementing Partner: China International Center for Economic and Technical Exchanges (CICETE)

Government Cooperating Agency: The General Administration of Customs of China (CGA)

Programme Period: 2006-2010 Programme Component: Achieving the MDGs and reducing human poverty Project title: Duration: 2006-2010 Management Arrangements: National Execution	Budget (US\$) 25, 300,000 Allocated Resources <ul style="list-style-type: none"> • Government 23,000,000 • UNDP TRAC 2,300,000 • Additional Local
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ACRONYMS

AR – Annual Review

CGA – The General Administration of Customs of China or China Customs

CICETE - China International Centre for Economic and Technical Exchanges

IPR – Intellectual Property Rights

MOFCOM – The Ministry of Commerce, of the People’s Republic of China

NEX – National Execution

NPD – National Project Director

RMB – Renminbi Yuan

SMEs – Small and Medium-sized Enterprises

Tripartite –In referring to the annual project meeting it means the three parties involved in this project CGA, CICETE and UNDP.

UN - United Nations

UNDP - United Nations Development Program

WCO – World Customs Organization

WTO - World Trade Organization

CPD- UNDP Country Programme Document

UNDAF-United Nations Development Assistance Framework

PART I: SITUATION ANALYSIS

China is widely recognized for its impressive record of economic growth and for its success in reducing absolute poverty since the initiation of strategic reforms in 1979. China has been the world's fastest growing economy over the past two decades, with real GDP growth at an average rate of 9.4% annually and per capita incomes rising threefold. In the Human Development Index (HDI) ranking, China has climbed 20 places to reach a ranking of 85th among 177 countries since 1990. The country has demonstrated a development trend viewed through the HDI from 0.558 in 1980 to 0.755 in 2003 (UNDP HDR 2005). China has made massive achievements in poverty relief in the past 25 years. Measured in accordance with China's national poverty level standard, the number of absolute rural poor dropped from 250 million in 1978 to 29 million in 2003. If poverty line of PPP\$ 1/day is applied, China's rural poverty population dropped from 280 million in 1990 to 85.176 million in 2003 (UNDP China HDR 2005). The government's long term commitment to reform and development has been a key feature in the transformation of China. By 2003, it had reached an annual per capita income of US \$1100.

One reason for the above mentioned achievements is the substantial increase of international trade volume and revenue collected by China Customs which greatly contributed to the social and economic development in China. China's import and export volume totaled US\$1.42 trillion in 2005, registering a 23.2 percent year-on-year increase. Total foreign direct investment reached US\$60.3 billion, and the country's foreign exchange reserves totaled US\$818.9 billion at the end of 2005. It is estimated that China will increase its total volume of trade in goods and services to US \$2.3 trillion and \$400 billion, respectively, by the year 2010. Much of this economic growth has been and will continue to be closely tied to the open trade and investment regimes of the major economies of the world. Exports account for over 40 percent of China's gross domestic product, and China has depended on the growth of its export sector to spur modernization of its economy and support improved standards of living.

Major Challenges also remain. There are sharp variances in the levels of development among China's 31 provinces, as well as the autonomous regions and municipalities. Regional differences create uneven capacities of customs between east and west in China. Imbalanced capacities within China Customs system not only weaken the uniformity and consistency of the Customs law and regulations but also create obstacles for the local economic and social development especially in western and northeast region of China. China also faces great pressure to create sufficient employment opportunities to ensure stable social and economic development. There is a high need for policies to stimulate SMEs development, especially for SMEs in the western region to obtain more preferential policies and support from China Customs to participate in and benefit from the international trade.

With an anticipated 80 percent increase in trade in goods in the next five years, China Customs will face great challenges to cope with the compliance and trade efficiency mandates with its current workforce if efficiency of trade management are not further increased.

In response to the challenges the 11th Five-year Programme (2006-2010) emphasizes the development priority of the Chinese government on western, northeastern and other remote regions and SMEs in order to promote broad and equitable development for everyone to build an all-round Xiaokang (well-off) Society. With the new strategy and initiatives of the Chinese government for western, northeastern and other remote regions and SMEs, China Customs formulated its Second-Step Development Strategy aiming at facilitating trade on a national basis, rather than the coastal district preferences which were the focus in the past, enabling easy access to trade and foreign investment by enterprises in the targeted areas. This strategy will pay particular attention to customs development in western, northeastern and other remote regions and will contribute to employment and income generation by supporting SMEs development with preferential policies.

In order to meet the new challenge and fulfill the new targets, the China Customs will work on programs of capacity building, system and institutional setting up and strengthening the strategies focusing on both economic and social development.

I.a. Experiences and Lessons Learned

Established in 1950 as a government agency directly under the leadership of the State Council, the General Administration of Customs of China (“CGA” or “China Customs”) is one of the major agencies within the government engaged in law enforcement, revenue collection and trade facilitation in support of national economic and social development. China Customs has employees approximately 48,000 people

In 2004, the customs duties, other taxes and fees collected by China Customs increased to RMB 474.4 billion RMB Yuan, accounting for 32.8% of the state’s central government revenue, which was 1447.6 billion RMB Yuan. In 2005, revenue collected by Customs increased to 527.8, accounting for 32.6% of the central government revenue, which is 1724.98 billion RMB Yuan. In 2004, total trade value was \$1,154 trillion, rising to \$1,422 trillion in 2005, an annual growth rate of 23.2 percent. Customs revenues are essential to the Central Government’s interests in advancing the social and physical well-being of its citizenry, such as environmental protection and poverty reduction.

Experiences:

The development of Customs reform in China has experienced three phases. First phase started at the beginning of China’s opening up to the world when China Customs established basic strategy and framework for modernization that laid foundation for Customs reforms. Second phase began with the clearance operation reform to implement the China Customs modernization strategy in order to enhance trade efficiency by improving customs legislation, system transparency, client focus, integrity and accountability of Customs officials. Third phase started after China entering into WTO when China Customs need to put its reforms and modernization into the WTO framework.

UNDP has been closely associated with China Customs development and provided

support with three phases project from 1990 to 2005. The first phase project (1990-1995) assisted China Customs in formulating concepts and strategy of customs modernization by a series of studies and researches. Second phase project (1996-2000) started establishing modern customs by improving customs legislation, system automation and transparency, increase client focus and capacity building for Customs officials for better integrity and accountability. Third phase aimed at putting (2001-2005) customs modernization and reforms into the WTO framework. Amendment of customs legislation was amended according to WTO requirements. Capacity building for Customs officials was conducted for better understanding of WTO rules and regulations. China Customs automation systems were further upgraded and integrated at national level.

With the three phases' UNDP projects, China customs has made enormous progress in customs modernization in recent decades. This progress has manifested itself in four primary areas:

- Legal reform for making rational rules meeting national needs and international standards and ensuring regulatory transparency, uniformity, consistency and accountability;
- Procedural and formality reform for simplification;
- Information technology and automation for trade facilitation and compliance;
- Capacity building for compliance and professionalism

As shown in the evaluations of the three previous UNDP projects the CGA has made commendable progress in broadening its knowledge of international trade norms and national laws and regulations. It has also strengthened its relations with the international Customs community, has made significant strides in adopting international Customs standards, and has begun to reform its legal norms and establish a national information technology system. The CGA also established the Customs automation system and E-Port project, and conducted training of various Customs officials. Direct results of these efforts are increased volumes of trade and revenue, escalated speed of Customs clearance, improved monitoring of Customs fraud, and increased accountability of customs officers and officials.

Lessons Learned:

With the successful implementation of the previous UNDP projects focused on China Customs modernization, China Customs has demonstrated significant benefits directly traceable to UNDP and other bi- and multilateral assistance. Significant groundwork has been laid and numerous tasks have been undertaken to improve the legal system and to build capacity. While recognizing the successes achieved in most areas, important lessons still can be learned from the previous projects in order to enhance the effectiveness and efficiency of implementation of this project.

1. While customs automation, trade facilitation and other technical renovations are critical for China Customs Modernization, China Customs should dedicate more resources to institutional changes which can develop a more efficient customs administrative structure with and adjust its allocation of personnel and resources to enable implementation of the rule of law, regulatory reform, and social development across China;

2. Considering the implementation of the WCO Framework of Standards to Secure and Facilitate Global Trade and the Revised Kyoto Convention, China Customs need to increase its cooperation on capacity building with the WCO and other multilateral institutions;
3. A large number of technical reports have been prepared in the past decade, but the majority of them were only used by a small number of officials and have not been circulated widely among lower-level customs officials and the public, it is proposed that the technical reports for the major topics of the project shall be open to the customs officials and the public, if appropriate, and that a database be established;
4. A comprehensive train-the-trainer program should be developed, ensuring that more customs officials and trade community professionals can be educated in an efficient and cost-effective way;
5. While the General Office of China Customs is an internal office in charge of this project and a special office will be created for managing and implementing this project, we propose that contact points established within the functional offices for input and feedback, and to focus implementation of the project's goals.
6. Broad information sharing and consultation before the formulation of new laws, regulations, strategies and policies are crucial for the success of formulation and implementation. Regular mechanism for information sharing and consultation with relevant government agencies and regulated communities need to be established for more informed and scientific decision making of China Customs.
7. The China Customs regional development strategy needs to be developed with emphasis on the development in the western and northeast region of China.
8. The China Customs development strategy should not only focus on economic development but also focus on social impact from the Customs reform.

I.b. CUSTOMS MODERNIZATION: Challenges

With the 11th Five-year Programme for Economic and Social Development and the new strategy and the priorities of the Chinese government for developing targeted areas left behind, the CGA is currently faced with a variety of legal, policy, administrative pressures:

1. Based upon achievements of previous phases China Customs need to further improve trade efficiency at higher level and within the frame work of WCO and WTO in the following areas:

- Although the Customs laws were revised in 2000, legal reform continues to be a key factor in the success of the China Customs modernization program. Even with the revisions already made, the current customs laws are in some areas ambiguous, overly general and subject to the exercise of significant discretion by individual Customs officials. This is particularly an issue in those regions of the country where training programs and capacity building initiatives have not been adequate.
- Rapidly increased trade volume and requests from importers/exporters for trade related operational efficiencies to enhance efficient operations and their competitive position require the response from China customs on cost-effective customs management and enforcement. Much closer communication and

cooperation between China Customs and trade community need to be strengthened in order to improve both trade facilitation and compliance.

- In line with the requirements in the WCO Framework of Standards to Secure and Facilitate Global Trade and the Emergency Management Guidance of the Chinese Government, CGA has a significant role in the security and emergency responsiveness areas. In this regard it has limited experience and knowledge on the activities that may be required to support this mandate. The CGA must quickly establish avenues of cooperation and communication with other Customs administrations which are signatories to the WCO Framework in order to assimilate the best practices and establish an information-sharing network. The CGA should also implement a coordination mechanism with other government agencies within China, develop processes and procedures, and issue guidance to make sure a sound emergency responsiveness mechanism is developed and implemented.
- With fast pace of China Customs modernizations and reforms Customs officials and staff are facing great pressure to develop their capacities to fulfill their responsibilities for trade facilitation and compliance in line with the global standard.
- In response to the increased pressure from both trade facilitation and compliance China Customs need to strengthen risk management centered administration system.

2. With the 11th Five-year Programme China Customs needs to develop strategy for both economic and social development.

- SMEs' have contributed significantly to economic and social development and are the main source of employment opportunities in China. However SMEs are facing great challenges from the competition of multinational companies especially after China's entry into the WTO. Customs modernization needs to expand the benefits to the SMEs to encourage their development in domestic and international market ;
- Regional differences create uneven capacities of customs between east and west in China. Imbalanced capacities within China Customs system not only weaken the uniformity and consistency of the Customs law and regulations but also create obstacles for the local economic and social development especially in western and northeast region of China.

Many challenges still remain ahead of the CGA for its modernization; but there are also many opportunities upon which they can capitalize. In line with the 11th Five-year Programme further refinement of their legal framework, a stronger rule-making procedure coupled with adequate HQ staffing, continued upgrading of transparency and uniformity in operations, designing strategies for the use of trade modernization as a tool for equitable and balanced development, nationwide integration of the information technology system, and implementation of compliance programs are important opportunities for China Customs to reform and modernize itself in order to contribute to development towards an all-around XiaoKang Society in China. China Customs needs to continue to follow through on its modernization efforts, based on the knowledge gained through the previous projects and to be gained through this project.

PART II: STRATEGY

II.a. HOST COUNTRY STRATEGY

The 11th Five-year Programme for National Economic and Social Development of the State Council (the “Five-Year Programme”) provides that China will further escalate its opening-up to meet the needs of national economic and social development, and economic and social structural adjustments, particularly economic and social development in the western, northeastern and other remote regions and growth for SMEs.

The "Eleventh Five-Year Programme" is a continuation of the previous plans, but the coming five years are of utmost importance to the progress of China's future modernization. In the next five years starting in 2006, whether or not China's socio-economic development can step onto the track of overall development, which is not limited to simply economic growth, will determine whether the country can build a society where all its people are able to benefit from its economic growth by the target date of 2020.

Based on the provisions of the 11th Five-Year Programme and the directions from the National People’s Congress and the State Council, CGA will clearly be in the frontline of reform and modernization. By improving the capacity and integrity of its officers, making full use of information technology and accepting international trade rules, China Customs will implement reforms that clearly demonstrate the Chinese Government has the commitment to build China Customs into a modernized, transparent, accountable, information technology driven, rules-based, service-oriented and integrated government agency.

In 1998, the Board of China Customs adopted the strategy for Customs modernization to be implemented in two phases to be completed in 2010. In 2004, the full completion of Customs clearance automation system marked the finish of the first phase. In 2005, based on the proposal of the 11th Five-year Social and Economic Development Programme(2006-2010), China Customs set the following objectives for the second phase of customs modernization:

- (1) further improve the customs and trade legal environment with an emphasis on transparency and uniformity;
- (2) enhance trade facilitation through upgrading and integrating automated systems, simplifying procedures, creating a single window and remote entry capability;
- (3) build a close customs-customs, customs-other agencies and customs-trade relationship to aid decision-making and implementation;
- (4) establish cost-effective trade and security compliance programs based on risk management and informed compliance;
- (5) streamline and serve as a point of coordination for port security emergency responsiveness mechanisms;
- (6) strengthen capacity building to upgrade the professionalism and integrity of the customs staff;

- (7) without prejudice, fully support SMEs and the trade facilitation and development in western, northeastern and other remote regions.

II.b. PROGRAMME STRATEGY

The programme interventions are two folds.

First outcome is to support policy development. China Customs will identify areas in Customs laws and policies for improvements according to WTO framework and WCO Framework of Standards to Secure and Facilitate Global Trade and prepare for the next round of revisions, which will include codification of the Customs Law of China. The new customs law legislative proposal and 21 regulations will be completed.

Consistency and uniformity of laws and regulation implementation will be enhanced by establishing unified national standard.

China Customs will open a dialogue with the regulated parties to seek the input that will allow it to make informed decisions on policies and regulations. An advisory committee consisting of representatives from the various segments of the trade community will be established as a means for communicating thoughts and ideas on customs modernization. This committee will enhance the openness and transparency of and the public access to China Customs' decision making process in order to ensure that only reasonable and necessary regulations are enacted and compliance with regulations is feasible.

Second outcome is to support capacity building. This outcome has two aspects:

1. Capacity development for China Customs staff and trade communities with both technical training and training of trainers.
2. Institutional and system development with customs business process re-engineering and equipment procurement.

This project will achieve synergy between the two aspects so that China Customs will obtain a sound rhythm for its reforms and modernization.

Through UNDP platform China Customs will continue to build its capacities by introducing international best practices and knowledge.

There are five goals for the capacity building:

- Trade Facilitation
- Customs Compliance Programs and Risk Management
- Supply Chain Security and Port Emergency Responsiveness
- Professionalism
- Strategy on both economic and social development

Trade facilitation

Customs and trade procedures will be re-engineered and simplified based on business reality, the needs of the parties, and the principles of risk management and informed compliance.

China Customs will further improve and upgrade the hardware and software of its automated system. In particular, to ensure consistency and efficiency across China, CGA will integrate the networks of e-Port into a nationwide network functioning as an integrated portal for trade and customs processing. This will give the CGA the ability to coordinate the inputs from other Government agencies, streamline the trade process and create a true “single window” for addressing all trade related government requirements and process all trade related government and regulated transactions.

Customs Compliance Programs and Risk Management

China Customs will: (1) make every effort to employ risk management methodologies within its operational structure based upon national standards; (2) establish an informed compliance approach as a requirement for the trade; (3) use compliance assessments and other compliance measurement methodologies; (4) develop other tools for internal monitoring of enforcement and compliance efforts for accountability purposes; (5) use trade and customs statistical analysis for assessing and identifying areas of risk; (6) an joint educational campaign by customs and trade be conducted to raise the awareness of and implement the compliance and facilitation programs effectively and successfully. An effective risk management program will be applied on a national basis with the client focused account management concept; (7) strength audit program by redesigning the procedures, making recordkeeping requirements mandatory, and increase the number of more qualified professional auditors.

Supply Chain Security and Port Emergency Responsiveness

In line with the requirements in the WCO Framework of Standards to Secure and Facilitate Global Trade and the Emergency Management Guidance of the Chinese Government, CGA has a significant role in the security and emergency responsiveness areas.

The CGA will build avenues of cooperation and communication with other Customs administrations which are signatories to the WCO Framework in order to assimilate the best practices and establish an information-sharing network.

The CGA will also implement a coordination mechanism with other government agencies within China, develop processes and procedures, and issue guidance to make sure a sound emergency responsiveness mechanism is developed and implemented.

Professionalism

Professionalism includes professional knowledge, integrity, courtesy, customer service and the will to comply with the highest ethical standards. Professionalism goes beyond observing the ethical rules of that profession; professionalism in customs means fairly and consistently serving the best interests of the trade community and the public in accordance with applicable laws and regulations. Professionalism fosters respect and trust among officials and between officials and the public in general. It promotes the

efficient and fair resolution of disputes, and makes service to the trade and the government more rewarding.

In this regard, China Customs and the trade community in China both need to increase their investments in systematic training on customs and trade issues. The laws and regulations, trade procedures and compliance, automated systems and international trade and business transaction will be the essential topics around which training programs for Customs officials and the trade community will be designed. Targeted Customs officials will be the first to receive training with that training including not only a review of the substantive areas of training but also instruction on how to provide training. Those officials will then be used to conduct training of other Customs officials, thereby increasing and diversifying the knowledge base within China Customs. Once this has been completed, an outreach effort to the trade community will be undertaken, utilizing both targeted training programs and participation at various conferences/trade fairs and other organized events to ensure that compliance, transparency and integrity over the import and export process is improved. And gender perspective will be considered for the trainee selection in order to ensure sufficient women participation from China Customs and trade communities.

Economic and Social Development

The CGA will adjust its policies not only focus on economic development but also on the social development. SME development and Customs development in western, northeastern and other remote regions will not only be mainstreamed into all the above mentioned objectives but also will have the following specific targets in the project.

SMEs development strategy will be formulated to guide the next stage reform of China Customs. International best practices and experiences from customs in other countries to encourage SMEs development will be introduced through this project in order to assist the China Customs in formulating policies for SMEs development in China. Tailor made services will be designed and provided to SMEs which will reduce their customs transaction cost and encourage their development in domestic and international market. Trainings and advocacies will be conducted for SMEs in order to inform SMEs on new services for them and on how to access and utilize the service to enhance their development.

Development strategy for the Customs in different regions, especially for remote and western, northeastern and other remote regions of China will be formulated and implemented. Training programme will be designed accordingly to push forward the local customs development. Xinjiang and Chengdu will be the coordinating provinces for the western region and Liaoning will be the coordinating provinces in the northwest region of China.

II.c. INTENDED BENEFICIARIES:

Two sets of target beneficiaries will benefit from this project.

a) Primary Beneficiaries

China Customs and its staff in the CGA, Customs districts and Customs ports will be the direct beneficiaries of the project, particularly in the remote regions of the country. The combination of strategically designed local and overseas trainings, internal and international study tours, and consultancies provided by international and local experts in the areas for legal reform, trade facilitation, customs compliance, risk management and security international trade rules, will greatly improve the capacity of China Customs and its staff to enforce laws and regulations and provide modern, efficient services to the international trading community in a less costly way.

b) Secondary Beneficiaries

By implementing the customs modernization in these areas, CGA will be able to reach the goals of uniform and transparent customs processes in a nationally consistent manner, provide quality and efficient service to the trade community, both in the coastal area and in the inland and remote regions. This will have the effect of reducing costs for trade, particularly for SMEs, and contribute to the equitable development of the national economy. The cumulative effect of the above programs will meet the twin goals of legal reform and poverty reduction. Enhanced compliance by CGA with internationally recognized trade standards will promote the rule of law, reduce transaction costs to the trade and improve efficiency. An aggressive implementation program targeted at remote areas within China and SMEs will promote social welfare, and help eliminate poverty.

II.d. PARTNERSHIP STRATEGY

Customs modernization and reform efforts are based on an understanding of the important role that partnerships will play in its success. These partnerships will be pursued on several different levels and based on three pillars:

1. Customs to Customs partnership

The China Customs has through past UNDP projects built closer working relationships and partnerships with Customs administrations in other countries. In order to simplify trade and customs procedures, to improve efficiency and effectiveness, to mitigate risk and to share knowledge, best practices and experiences, it is planned that this approach will be continued as part of this project. In particular, cooperation with the WCO, the EU (under the EU-China Trade Project) and customs administrations in neighboring countries (e.g. under the UNDP-funded “Silk Road” Project) should be looked to as avenues to:

- identify synergies and opportunities to build on development activities funded by and arising out of those efforts;
- identify ways in which experiences and best practices arising from development activities in China and other countries can be shared among customs administrations to achieve the goals of this project on a broader basis and to contribute to south-south cooperation;
- foster trade-related opportunities for SMEs in the remote regions of China through increased cooperation with their counterparts in neighboring

countries and through cross-border trade facilitation generated by cooperation between the customs administrations of those countries.

2. Customs to Business partnership

The Customs will also strengthen partnerships with the private sector by establishing cooperation mechanisms with business associations, chambers of commerce and professional service providers and organizations in order to provide better services to business, to mitigate risks and to promote corporate social responsibilities. This partnership pillar will also serve as a vehicle for providing private sector input to CGA in the development of regulations and procedures, provide CGA with a channel for communicating information to the private sector, and provide the trade community an avenue for education in compliance.

3. Partnership with Other Government Agencies

In implementing its modernization agenda, including the “single window” concept and the integrated port administration and automation system, the participation of other government agencies will be essential. In particular, China Customs will assist the Office for Public Servant and the Ministry of Personnel to adjust the allocation of human resource between the Customs HQ and the customs districts and reorganization of duties and obligations for relevant government agencies in port management so as to simplify trade and customs procedures and to provide a “one-stop shop” providing integrated trade-related services to the enterprises.

4. Partnership with other Organizations of the International Community

China Customs recognizes that, in the process of implementing the programme, the necessity of the partnership with other organizations of the international community such as EU, OECD, UNCTAD, World Bank etc. to learn professional expertise and experience and lessons of the research and studies conducted by them.

5. Communication strategy

Regular communication mechanism with other government agencies and trade communities will be establish to communicate China Customs reform progress and to enhance cooperation.

Regular advocacies will be conducted to introduce the project achievements to the general public.

PART III: PROGRAMME RESULTS AND RESOURCES **FRAMEWORK**

This section describes the intended outcomes that the project supports together with the related outputs, indicators and the project's partnership. The project results framework then outlines under the project's two outcomes of policy and legal environment and capacity building, nine outputs, the targets related to each output and indicative activities. The text includes outcomes, outputs and targets. The table includes outcomes, outputs, targets and indicative activities.

Outcome 1. Enhanced policy and legal environment with better transparency, consistency, uniformity, efficiency and accountability for customs in China.

Outcome Indicators:

In policy formulation and legal reform, the project will contribute to China Customs modernization and the nation's economic and social development in the following aspect: by reforming Customs law, regulations and procedures, China Customs will implement international rules, simplify procedure and reduce cost for trade, and improve transparency, consistency, uniformity and accountability. The outcomes from this project of customs law and regulations reform, trade facilitation, compliance, security and internal restructure and improvement will significantly contribute to the legal reform, trade development, economic growth, social change and poverty elimination in China and the world at large.

Specific indicators are as follows:

1. The new customs law legislative proposal and 21 regulations completed.
2. Unified national standards for laws and regulations implementation established.
3. Mechanism established to communicate legislative proposals, new laws and development strategies to the key stakeholders.

Output 1.1- The new customs law legislative proposal and 21 regulations completed

Target:

Research, design and draft amendments to customs law and regulations, and the codified Customs law proposal and various regulations completed.

Output 1.2 – Mechanisms for more transparent, consistent and uniformed legislation, policies, decision making and implementation enhanced.

Targets:

- I. Advisory Committee established for better legislation and policy formulation.

- II. Unified, national standards, ruling programme and internal advice for laws and regulations implementation established;
- III. Training on new legislation, policies and implementation mechanism conducted for China Customs staff and trade community.

Output 1.3 – Communication with stakeholders enhanced

Targets:

- I. Mechanism established to communicate legislative proposals, new laws and regulations and development strategies to the key stakeholders.
- II. Workshops held for consultations and trainings.
- III. Communication and cooperation mechanism with customs in other countries established in order to enhance knowledge exchange and cooperation under WCO and WTO framework.
- IV. Knowledge exchange and communication with UNDP ‘Silk Road’ project and other relevant projects will be strengthened and cooperation opportunities will be identified to further enhance trade facilitation and security in China.

Outcome 2: Enhanced capacity for China Customs modernization with particular attention to customs development in western, northeastern and other remote regions in China and customs services provided to SMEs in China.

Outcome Indicators:

In capacity building, the project will contribute to China Customs modernization and the nation’s economic and social development in the following aspects: (1) by improving the Customs Automation Environment, Customs formalities will be accelerated and small and medium size enterprises will also benefit from trade development with more favorable services; (2) by establishing advanced compliance program, risk management, business cost and administration cost for customs and trade compliance will be lowered and customs revenue will be protected; (3) by streamlining port security emergency responsiveness mechanism, the nation’s security interest and social stability will be protected; (4) by upgrading of professionalism of the customs staff will advance the overall service of the customs administration to be provided to the public and private sectors; (5) development strategy for the Customs in different regions, especially for remote and western, northeastern and other remote regions of China will be formulated to guide the next stage of reform within CGA.

Output 2.1 - Institutional arrangements redesigned for further trade facilitation

Targets:

- I. Rearranged segregation of duties among relevant government agencies to simplify trade and customs procedures of the Customs and other agencies by working with the State Commission on Development and Reform and the Office for Public Sector Reform;
- II. Customs automation system upgraded into an integrated nationwide system;

- III. A single window entry process established and remote filing implemented to assist the customs and trade transactions of the western region and the remote area;
- IV. Customs and trade procedures and other government requirements standardized and simplified;
- V. Customs-trade communication channel institutionalized to improve decision-making process and the efficiency of customs and trade regulation.

Output 2.2 - Customs management system improved for more cost-effective customs and trade compliance and accountability

Targets:

- I. Risk management model for China Customs developed and improved;
- II. Informed compliance, compliance assessment and compliance measurement methodologies employed to China Customs and trade Community;
- III. Trade statistics analyzed, areas of risk identified and early alert mechanism established;
- IV. Internal monitoring and assessment of law implementation and enforcement for compliance and accountability be developed and improved;

Output 2.3 - Crisis management and emergency responsiveness strengthened

Targets:

- I. A crisis management program and a crisis management team established,
- II. Best practices from Customs in developed countries introduced
- III. Equipment and systems upgraded for crisis management in order to secure trade, supply chain and social stability.

Output 2.4 Professionalism of customs staff and trade community enhanced

Target:

Training provided to the customs staff and the trade community to upgrade professionalism of the public and private sectors, including Customs legal training for customs officials and the trade, business knowledge training (international business transaction, logistics, commodities, finance, audit...) for customs officials, and professional ethics training for both customs officials and the trade community.

Output Target 2.5 - Public-private sector partnerships enhanced between the China Customs and business community

Targets:

- I. Customs Partnership with business associations and chambers of commerce strengthened by establishing communication and cooperation mechanisms;
- II. The concept of shared responsibilities be introduced and the roles and responsibilities between Customs and the trade clarified and institutionalized;
- III. Workshops and trainings conducted for the China Customs and trade community to raise the awareness of accountability and corporate social responsibilities.

Output Target 2.6 - Customs Support strengthened for International Trade in the western, northeastern and other remote regions

Targets:

- I. In order to enhance consistency of implementation of laws and regulations, development strategy for the Customs in different regions, especially for western, northeastern and other remote regions of China, be formulated to guide the next stage reform within CGA.

- II. Training programs, especially for Customs field offices in western, northeastern and other remote regions of China developed and implemented in accordance with development strategies formulated.

Output Target 2.7 - Customs support strengthened for international trade of SMEs

Targets:

- I. Development strategy of Customs for SMEs formulated to guide the next stage of reform within CGA.

Intended Outcomes and Outputs:

Enhanced policy and legal environment with better transparency, consistency, uniformity, efficiency and accountability for customs in China.

1.1 –The new customs law legislative proposal and 21 regulations completed

1.2 - Enhanced mechanisms for more transparent, consistent and uniformed legislation, policies, decision making and implementation

1.3 - Enhanced Communication with stakeholders

Enhanced capacity for China Customs modernization with particular attention to customs development in western, northeastern and other remote regions in China and customs services provided to SMEs in China.

2.1 - Institutional arrangements resigned for further trade facilitation

2.2 - Customs management system improved for more cost-effective customs and trade compliance and accountability

2.3 - Crisis management and emergency responsiveness strengthened

2.4 - Enhanced professionalism of customs staff and trade community

2.5 - Public-private sector partnerships enhanced between the China Customs and business community

2.6 - Customs support strengthened for international trade in the western, northeastern and other remote regions

2.7 - Customs support strengthened for international trade of SMEs

OUTCOME I: Enhanced policy and legal environment with better transparency, consistency, uniformity, efficiency and accountability for customs in China.

Outcome Indicators:

In policy formulation and legal reform, the project will contribute to China Customs modernization and the nation's economic and social development in the following aspect: by reforming Customs law, regulations and procedures, China Customs will implement international rules, simplify procedure and reduce cost for trade, and improve transparency, consistency, uniformity and accountability. The outcomes from this project of customs law and regulations reform, trade facilitation, compliance, security and internal restructure and improvement will significantly contribute to the legal reform, trade development, economic growth, social change and poverty elimination in China and the world at large.

Specific indicators are as follows:			
1. The new customs law legislative proposal and 21 regulations completed.			
2. Unified national standards for laws and regulations implementation established.			
3. Mechanism established to communicate legislative proposals, new laws and development strategies to the key stakeholders.			
Partnership Strategy:			
Please refer to Part II.e. for detailed partnership strategy.			
Intended Outputs	Output Targets for (years)	Indicative Activities	Inputs US\$ (nature of cost) 2,231,000
1.1 The new customs law legislative proposal and 21 regulations completed	2006-2010 target: Research, design and draft amendments to and codify the Customs law and foreign trade laws, regulations completed	1.1.1 By the end of 2008, 10 international consultants and 10 local consultants specialized in Customs and international trade law will be engaged for 1 month to produce reports on “China Customs and Trade Law Reform: Trade Facilitation and Compliance”, regarding various laws and regulations, the reports will be completed and disseminated in English and Chinese versions. (UNDP: US \$170,000)	350,000 170,000 (70,000 + 100,000) Travel expenses and service fee
		1.1.2 By the end of 2009, 5 groups (30 individuals) of governmental and congressional officials will be sent for observation, review, study and fellowship, reports on the best practices customs and trade laws of the countries. (UNDP: US \$120,000)	120,000 Travel expense
		1.1.3 By the end of 2009, 10 customs officials will be sent abroad for one-month training on customs laws, regulations and WCO Framework and the Revised Kyoto Convention. (UNDP: US \$60,000)	60,000 Travel Expense
		1.1.4 Based upon the reports from the international consultants and the local consultants, China Customs will produce a comprehensive report and legislative proposals on Customs and trade laws regulations reform and submit it to the State Council and the National People’s Congress.	

<p>1.2 Mechanisms for more transparent, consistent and uniformed legislation, policies, decision making and implementation enhanced.</p>	<p><u>2006-2007 target:</u> I. Advisory Committee established for better legislation and policy formulation. II. Unified, national standards, ruling programme and internal advice for laws and regulations implementation established; III. Training on new legislation, policies and implementation mechanism conducted for Customs staff and trade community.</p>	<p>1.2.1 Within the year of 2006, China Customs will conduct surveys on Customs and trade law transparency, consistency and uniformity.</p> <p>1.2.2 By the end of 2008, 5 local consultants and 5 international consultants will be engaged for 1 month to work with China Customs on transparency, consistency and uniformity mechanism and solutions, including Customs HQ reorganization. (UNDP: US\$110,000)</p> <p>1.2.3 By the end of 2009, 5 groups (30 individuals) of governmental and congressional officials will be sent for observation, review, study and fellowship, reports transparency, consistency and uniformity mechanism and solutions, including Customs HQ reorganization. (UNDP: US \$120,000)</p> <p>1.2.4 By the end of 2009, 10 customs officials will be sent abroad for one-month training on transparency, consistency and uniformity mechanism and solutions, including Customs HQ reorganization. (UNDP: US \$70,000)</p>	<p>300,000</p> <p>110,000 (40,000+70,000) Travel expense and service fee</p> <p>120,000 Travel expense</p> <p>70,000 Travel expense</p>
<p>1.3 Communication with stakeholders enhanced</p>	<p><u>2006-2010 target:</u> I.Mechanism established to communicate legislative proposals, new laws and regulations and development strategies to the key stakeholders. II. Workshops held for consultations and trainings.</p>	<p>1.3.1 From 2006 to 2010, five Trade Facilitation and Compliance International Conferences will be held on the annual basis to bring government, trade community, international and local organizations and domestic and foreign experts (5 international consultants for each conference) together for discussions and consultations. (UNDP: 226,000)</p> <p>1.3.2 From 2006 to 2010 and beyond, regular communication, meetings and consultations on legal, regulatory and strategy reform will be conducted with the stakeholders and partner including congress, central government agencies, provincial and local governments and the trade</p> <p>1.3.3 From 2006 to 2010, 500 trainers from government and the trade will be trained.</p> <p>1.3.4 Communication and cooperation with bilateral project assistance to China Customs modernization will be established with UNDP project as a platform to integrate project efforts.</p>	<p>226,000</p> <p>226,000 (126,000+100,000)Travel expense and conference related expense</p>

OUTCOME II: Enhanced capacity for China Customs modernization with particular attention to customs development in western, northeastern and other remote regions in China and customs services provided to SMEs in China.

Outcome Indicators:

In capacity building, the project will contribute to China Customs modernization and the nation's economic and social development in the following aspects: (1) by improving the Customs Automation Environment, Customs formalities will be accelerated and small and medium size enterprises will also benefit from trade development with more favorable services; (2) by establishing advanced compliance program, risk management, business cost and administration cost for customs and trade compliance will be lowered and customs revenue will be protected; (3) by streamlining port security emergency responsiveness mechanism, the nation's security interest and social stability will be protected; (4) by upgrading of professionalism of the customs staff will advance the overall service of the customs administration to be provided to the public and private sectors; (5) development strategy for the Customs in different regions, especially for remote and western, northeastern and other remote regions of China will be formulated to guide the next stage of reform within CGA.

Partnership Strategy:

Please refer to Part II.e. for detailed partnership strategy

Intended Outputs	Output Targets for (years)	Indicative Activities	Inputs
2.1 Institutional arrangements redesigned for further trade facilitation	<u>2006-2010 targets:</u> I. Rearranged segregation of duties among relevant government agencies to simplify trade and customs procedures of the Customs and other agencies by working with the State Commission on Development and	<p>2.1.1 To identify, select and purchase computer hardware and software for the projects, as outlined in the List of Equipment attached to this document (Chinese Government: US\$ 17,000,000)</p> <p>2.1.2 40 customs technicians will be trained for equipment use and maintenance (Chinese Government: US\$ 200,000)</p> <p>2.1.3 By the end of 2010, 5 local consultants and 10 international consultants will be engaged for 1 month to work with China Customs.</p>	<p>350,000 (17,200,000)</p> <p>17,000,000 Government Cost Sharing for equipment</p> <p>200,000 Government Cost Sharing for training</p> <p>160,000 (70,000+)</p>

	<p>Reform and the Office for Public Sector Reform; II. Customs automation system upgraded into an integrated nationwide system; III. A single window entry process established and remote filing implemented to assist the customs and trade transactions of the western region and the remote area; IV. Customs and trade procedures and other government requirements standardized and simplified; V. Customs-trade communication channel institutionalized to improve decision-making process and the efficiency of customs and trade regulation</p>	<p>(UNDP: US\$160,000)</p> <p>2.1.4 By the end of 2009, 5 groups (30 individuals) of governmental and congressional officials will be sent for observation, review, study and fellowship, reports. (UNDP: US \$120,000)</p> <p>2.1.5 By the end of 2009, 10 customs officials will be sent abroad for one-month training. (UNDP: US \$70,000)</p>	<p>90,000) Travel expense and service fee 120,000 Travel expense</p> <p>70,000 Travel expense</p>
<p>2.2 Customs management system improved for more cost-effective customs and trade compliance and accountability</p>	<p><u>2006-2010 targets:</u></p> <p>I. Risk management model for China Customs developed and improved; II. Informed compliance,</p>	<p>2.2.1 To identify, select and purchase computer hardware and software for the projects, as outlined in the List of Equipment attached to this document (Chinese Government: US\$ 2,600,000)</p> <p>2.2.2 15 customs technicians will be trained for equipment use and maintenance (Chinese Government: US\$ 100,000)</p>	<p>350,000 (2,700,000)</p> <p>2,600,000 Government Cost Sharing for equipment</p> <p>100,000 Government Cost Sharing for training</p>

	<p>compliance assessment and compliance measurement methodologies employed to China Customs and trade Community;</p> <p>III. Trade statistics analyzed, areas of risk identified and early alert mechanism established;</p> <p>IV. Internal monitoring and assessment of law implementation and enforcement for compliance and accountability developed and improved;</p>	<p>2.2.3 By the end of 2010, 5 local consultants and 10 international consultants will be engaged for 1 month to work with China Customs. (UNDP: US\$160,000)</p> <p>2.2.4 By the end of 2009, 5 groups (30 individuals) of governmental and congressional officials will be sent for observation, review, study and fellowship, reports. (UNDP: US \$120,000)</p> <p>2.2.5 By the end of 2009, 10 customs officials will be sent abroad for one-month training. (UNDP: US \$70,000)</p>	<p>160,000 (70,000+90,000) Travel expense and service fee</p> <p>120,000 Travel expense</p> <p>70,000 Travel expense</p>
2.3 Crisis management and emergency responsiveness strengthened	<p><u>2006-2010 targets:</u></p> <p>I. A crisis management program and a crisis management team established,</p> <p>II. Best practices from Customs in developed countries introduced</p> <p>III. Equipment and systems upgraded for crisis management in order to secure trade, supply chain and social stability.</p>	<p>2.3.1 By the end of 2010, 5 local consultants and 5 international consultants will be engaged to work with China Customs. (UNDP: US\$63,000)</p> <p>2.3.2 By the end of 2009, 3 groups (20 individuals) of governmental and congressional officials will be sent abroad for observation, review, study and fellowship, reports. (UNDP: US \$30,000)</p>	<p>93,000</p> <p>63,000 (33,000 + 30,000) Travel expense and service fee</p> <p>30,000 Travel expense</p>
2.4 Professionalism	<p><u>2006-2010 targets:</u></p> <p>Training provided to the</p>		102,000

<p>of customs staff and trade community enhanced</p>	<p>customs staff and the trade community to upgrade professionalism of the public and private sectors, including Customs legal education for customs officials and the trade, business knowledge education (international business transaction, logistics, commodities, finance, audit...) for customs officials, and professional ethics education for both customs officials and the trade community</p>	<p>2.4.1 By 2008, the Government code of conduct will reviewed, revised and seriously enforced.</p> <p>2.4.2 By 2008, 2 international consultants and 8 local consultants will be engaged for trainer training on various subjects, 300 trainers will be trained. (UNDP: \$62,000)</p> <p>2.4.3 Training materials will be printed and distributed (UNDP: \$20,000)</p> <p>2.4.4 Some Programme Reports and documents will be printed and distributed (UNDP: \$20,000)</p>	<p>62,000(12,000 +50,000) Travel expense and service fee</p> <p>20,000</p> <p>20,000</p>
<p>2.5 Public-private sector partnership enhanced between the China Customs and business community</p>	<p><u>2006-2010 targets:</u> I. Customs Partnership with business associations and chambers of commerce be strengthened by establishing communication and cooperation mechanisms; II. The concept of shared responsibilities introduced and the roles and responsibilities between Customs and the trade be clarified and institutionalized; III. Workshops and trainings conducted for</p>	<p>2.5.1 By 2007 with Government officials from various agencies and representatives from the trade, 2 international consultants and 2 local consultants will be engaged for 15 days to design the plan and legislation for private-public sector partnership to be implemented in 2008. (UNDP: \$20,000)</p> <p>2.5.2 In the mid of 2007, two groups (12 individuals) of government officials will have study tours abroad. (UNDP:60,000)</p> <p>2.5.3 By the end of 2007, an advisory committee for Customs and trade reform to be established</p>	<p>80,000</p> <p>20,000 (10,000 + 10,000) Travel expense and service fee</p> <p>60,000 Travel expense</p>

	the China Customs and trade community to raise the awareness of accountability and corporate social responsibilities		
2.6 Customs support strengthened for International Trade in the western, northeastern and other remote regions	<p>2005-2006 targets:</p> <p>I. In order to enhance consistency of implementation of laws and regulations, development strategy for the Customs in different regions, especially for western, northeastern and other remote regions of China, formulated to guide the next stage reform within CGA.</p> <p>II. Training programs, especially for Customs field offices in western, northeastern and other remote regions of China developed and implemented in accordance with development strategy formulated.</p>	<p>2.6.1 By 2008, ear-marked procurement of 80 vehicles will be distributed to the regions, and part of the IT equipment will be used in the regions. (Chinese Government: US\$3,100,000)</p> <p>2.6.2 Among the indicative activities listed above, 30% of the participants will be from these regions, and special training programs will be arranged in the coastal customs districts for the customs officials from these region.</p> <p>2.6.3 International trade in remote regions will be taken into consideration as a priority when customs and trade programs are reviewed, especially customs automation system will help this subject.</p> <p>2.6.4 5 local consultants will be engaged to provide reports for this efforts. (UNDP: \$30,000)</p> <p>2.6.5 A plan and strategy to support and encourage international trade in these regions will be made by the Customs HQ by the mid of 2007.</p>	<p>30,000(3,100,000) 3,100,000 Government Cost Sharing</p> <p>30,000 (10,000 travel and 20,000 Service fee)</p>
2.7 Customs support strengthened for international trade of SMEs	<p>2006-2010 targets:</p> <p>I. Development strategy of Customs for SMEs formulated to guide the next stage of reform</p>	<p>2.7.1 5 local consultants and 2 international consultants will be engaged to provide reports for this efforts. (UNDP: \$40,000)</p> <p>2.7.2 A plan to support international trade of SMEs will be made by the Customs HQ by</p>	<p>100,000 40,000 (15,000+ 2,5000) (Travel expense and service fee)</p>

	within CGA	<p>the mid of 2007</p> <p>2.7.3 China Customs will provide special training programs on trade facilitation and customs compliance to SMEs in order to train 10,000 SMEs employees.</p> <p>2.7.4 By the end of 2009, 3 groups (15 individuals) of governmental and congressional officials will be sent abroad for observation, review, study and fellowship, reports. (UNDP: US \$60,000)</p>	<p>60,000 Travel Expense</p>
Project Monitoring and Evaluation	<u>2006-2010</u>	Monitor and evaluation will be conducted by UNDP and CICETE to ensure the achievement of the project output.	<p>50,000 Travel Expense</p>
Project Management Office	<u>2006-2010</u>	A National Project Management Office (NPMO) will be established at the Chief of Staff's Office under CGA to oversee and co-ordinate all project activities and look after the day-to-day implementation of the project.	200,000

PART IV. MANAGEMENT ARRANGEMENTS

The China International Center for Economic and Technical Exchanges (CICETE) is nominated by the Ministry of Commerce of China (MOFCOM) as the Government Coordinating Agency and Implementing Partner directly responsible for the Government's participation in each annual work plan (AWP) of this project. The AWP's describe the specific results to be achieved and will form the basic agreement between UNDP and the Implementing Partner on the use of resources. CICETE as the Implementing Partner is responsible and accountable for managing the project, achieving the project outputs, and for the effective use of UNDP resources. The reference to "Implementing Partner(s)" shall mean "Executing Agency (ies)" as used in the SBAA.

The Government Cooperating Agency of the project is the General Administration of Customs of China. A National Project Management Office (NPMO) will be established at the Chief of Staff's Office under CGA to oversee and co-ordinate all project activities and look after the day-to-day implementation of the project. CGA will appoint a senior official to act as the National Project Director (NPD) to oversee the management and implementation of the project. A National Project Manager (NPM) will be assigned full time to the project and will administrate the NPMO. The NPD takes the responsibility for effective management of the project and oversees the functions of leadership, staffing, planning, scheduling and organization, direction of implementation, monitoring/evaluation and reporting. In accordance with UNDP rules, the NPD also holds the authority to request funds from the project budget. The NPD is not a full-time appointment, but will provide close supervision to the NPM who will be responsible for the day-to-day management of the project.

PART V. MONITORING AND EVALUATION

Monitoring and annual review of the project will be undertaken in line with the UNDAF results matrix .

Project monitoring and annual review (M&A) will be conducted with focus on outcomes and outputs of interventions, institutional results and partnerships, policy advice and dialogue, advocacy and coordination. The M&A should aim at the following key objectives: 1) focus on results at two levels: at output level, the specific products and services from the Project; at outcome level, in which the Project has contributed to overall policy and legal environment and capacity building for trade facilitation and equitable development in China 2) to enhance management efficiency of the project and ensure consultation/participation of all stakeholders and 3) to not only focus on assessment of progress of the project, but also on experiences and lessons learnt to support more informed decision-making and dissemination of project results.

Monitoring progress towards achievement of programme outcomes and outputs will be undertaken at the level of the overall project, and at the individual pilot level. The extent to which the desired outcome of the project has been achieved will be monitored

through a system of M & A activities, annual work plans and budgets, and peer group review and evaluation.

The annual review will be a tool to ensure periodic assessment on whether the approach and interventions will produce the expected outcomes. The NPMO will support convening of the review meetings and will assist CGA, local customs with pilots to prepare annual Project reports.

Monitoring visits will be conducted by UNDP and CICETE to assess project progress and results through consultations with relevant stakeholders and beneficiaries. The Project Managers will prepare quarterly project updates to support day to day monitoring and implementation, as well as information sharing among concerned parties. Peer reviews will be conducted on views and experiences of project participants and beneficiaries regarding demonstration results and capacity building activities. Case studies on lessons learned will be collected and shared regularly during project duration.

CICETE will provide periodic reports (annual review) on the progress, achievements and results of their projects, outlining the challenges faced in project implementation as well as resource utilization as articulated in the AWP.

PART VI: LEGAL CONTEXT

This document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement (SBAA) between the Government of the People's Republic of China and the United Nations Development Programme, signed by the parties on 29 June 1979. The reference to “Implementing Partner(s)” shall mean “Executing Agency (ies)” as used in the SBAA.

PART VII: BUDGET

The duration of the Programme is 5 years, running from 2006 to 2010. The total budget for the Programme is US\$ 25.3 million, including US\$ 2.3 million from UNDP TRAC funding and US\$ 23.0 million as government cost sharing. The Programme will seek further sources of funding on an on-going basis to extend programme activities. Detailed budgeting for project activities is in Part III - Programme Results and Resources Framework. A summary list of budgetary inputs is included in the attached Annual Work Plan.

6.1 Chinese Government Input

The Chinese Government and CGA will invest US\$ 23.0 million to cover the cost of hardware and software for the Customs Automation Environment and customs and trade compliance and risk management including trainings, the details of which will be worked out in the initial stage of the project implementation and the annual procurement plan.

The investment from the Chinese government and China customs in customs automation, risk management, capacity building including, but not limited to, procurement for port security and remote border patrol is critical to the Customs

modernization and Western, Northeastern and other remote regional development, and it is justified by the trade efficiency and revenue protection.

In addition, the CGA will cover the salaries and other related costs of all officials assigned to the project. It will cover the salaries accrued to CGA officials while on study missions or on fellowship overseas and will cover the total cost of Chinese officials participating in training activities and seminars in China. It will cover costs of project office space, training classes and facilities and associated equipment, local transportation, support to visiting missions; local translation, communications and transport service; local surveys, investigations and data collection. It will also cover computer hardware and software and all necessary data, information, reports for the use of this project.

6.2 UNDP Input

- 1) International and local consultants;
- 2) Training & research activities, seminars, workshops, written translation of books, fellowships overseas, and study tours
- 3) Project management, monitoring and evaluation.

The CGA has willingly accepted the Government's directions and support with regard to the modernization of China Customs and, with the benefit of knowledge gained through previous involvement in three UNDP projects, has already engaged in substantial preparatory work for this project. To ensure the achievement of the project objectives, the CGA will commit itself fully to the project.

Provided that the timing of the hardware cost sharing and the software contributions come together as anticipated, the risk is considered to be minimal.

The potential fluctuation of the exchange rate between RMB Yuan and US dollar shall a reasonable risk which deserves to be taken into consideration when the programme is evaluated and approved by the Chinese government and the UNDP.

ANNEX I – LIST OF EQUIPMENT TO BE PURCHASED
(DETAILS AND ACCURATE FIGURES TO BE PROVIDED BY CHINA CUSTOMS
AND REVIEWED BY THE GOVERNMENT AUDIT OFFICE AND UNDP)

2006 -2008

Customs Automation Environment

Large and Medium Computers	10	US\$ 2,600,000
Network Equipments		US\$ 3,000,000
Software		US\$ 2,000,000

E-Port inter-agency automation system

Large and Medium Computers	20	US\$ 3,000,000
Network Equipments		US\$ 6,000,000
Software		US\$ 2,500,000

2007-2009

Risk Management and Compliance Assessment

Vehicles

(Distributed to Western area or other remote Customs offices)	80	US \$3,100,000
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2007-2009

Emergency Responsiveness Supply

2007-2009

Computers and other equipments and software for Risk management and internal control monitoring		US\$ 500,000
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2007-2009

Training		US\$300,000
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GRANDTOTAL		US\$ 23,000,000
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ANNEX II – LAWS AND REGULATIONS TO BE AMENDED AND DRAFTED

Congressional Statute:

1. Customs Law, 2009 (legislative proposal to be completed)

State Council Regulations:

1. Regulations on Customs Statistics, 2006.
2. Regulations on Customs Bonded Areas, 2007
3. Regulations on Customs Bond, 2008
4. Regulations on Customs Supervision and Control, 2008.
5. Regulations on Customs Audit, 2008.

Customs Agency Regulations:

6. *《Regulations on Enterprise Compliance Assessment》* ,2007
7. *《Regulations on Enterprise Classification Management》* ,2007
8. *《Regulations on Managing Customs Data and Digital Documents》* , 2007
9. *《Customs Data Standard》* ,2007
10. *《Regulations on Customs Supervision and Control on Luggage and Articles Carried by Passengers》* , 2006
11. *《Regulations on Supervision and Control on Inward & Outward Postal Articles》* , 2007.
12. *《Regulations on Customs Supervision and Control of Articles Carried by Individuals Working on the Inward & Outward Means of Transportation》* ,2007
13. *《Regulations on Commodity Classification》* ,2007
14. *《Implementing Rules of the Regulations of Origin》* 2007
15. *《Regulations on Customs Valuation》* ,2008
16. *《Regulation on Enforced Customs Duty Collection and Preservation》* , 2008
17. *《Regulation on Control of Commodity with Duty-Reduction and Exemption》* , 2008
18. *《Procedures for Customs Administrative Compensation》* , 2008
19. *《Provisions on Management of Customs Control Area》* , 2008
20. *《Rule on Assessment of Customs Law-enforcement, 2009*
21. *《Measures on Customs Administrative Compensation》* ,2009