



“ECONOMIC GOVERNANCE FOR EQUITABLE GROWTH” (EG4EG) Project
“ЭДИЙН ЗАСГИЙН ТЭГШ ӨСӨЛТИЙГ ХАНГАХ САЙН ЗАСАГЛАЛ” Төсөл

Implemented by

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

Electronic Automation of Business Processes (papers) to Control Supply Chain Costs for Imports and Exports In Mongolia

Recommendations for Facilitating a Mongolia National Single Window
System for Imports and Exports

Robert L.Wallack, International Business Consultant, United States



“ECONOMIC GOVERNANCE FOR EQUITABLE GROWTH” (EG4EG) Project
“ЭДИЙН ЗАСГИЙН ТЭГШ ӨСӨЛТИЙГ ХАНГАХ САЙН ЗАСАГЛАЛ” Төсөл

Implemented by

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

Contents

- ❖ I. Introduction: Statement of Mission, Mongolia Border Trade
- ❖ II. Collaboration: Government, Logistics, Shippers, Customers
- ❖ III. Cost Benefit of Automating Processes: Landed Cost Analysis
- ❖ IV. Mongolia Way Forward: Institutional, Legal, Technical
- ❖ V. How Mongolian Business and Government Benefit From National Single Window Implementation: Examples from Mission
- ❖ VI. Discussion

Introduction: Statement of Mission

- Two weeks interviews with 16 government and business officials in Ulaanbaatar, Zamyn Ud and Erlian, Inner Mongolia, China: Chamber of Commerce, MASM, Customs, ICT, Railway, ZU FEZ, private companies
- Gather Knowledge on Problems and Solutions to Implement MNSW
- Read Reports: MNSW Master Plan, Feasibility Study, Business Process Analysis, ADB Time Cost Distance and related U.S.A. reports
- Determine How Mongolia National Single Window Implementation will take costs out of the supply chain for cross border trade.



Introduction: Mongolia Border Trade

- Logistics Performance Index 2016, 2014, 2012, 2010* Rankings:

Mongolia 108, 135, 140, 141

China 27, 28, 26, 27

Russian 99, 90, 96, 94

-importance of metrics to measure and manage logistics costs on a national level and firm level. Mongolia is 28% and USA is 8.5% of GDP

World Bank LPI Indicators: Customs clearance, quality of infrastructure, ease to price shipments, logistics competence, track/trace, timeliness OTD

Important indicators that businesses investigate before investing. And for

*2016-2010 World Bank LPI



Introduction: Trading Across Borders: Doing Business*

	Mongolia	East Asia	OECD high income
Time to Export Borders (hrs)	37	51	15
Cost to Export (USD)	41	396	160
Time to Export docs (hrs)	115	75	5
Cost to Export docs (USD)	64	167	36
Time to Import (hrs)	22	59	9
Cost to Import (USD)	60	421	123
Time to Import docs (hrs)	115	70	4
Cost to Import docs (USD)	83	148	25

- Documents: (15) Customs declarations, CoO, invoice (810), sales contract (850), 856 ASN

*2016 Doing Business Report, World Bank

Collaboration: Government, Logistics, Shippers, Customers

- Transportation, Logistics and Customs are services to manufacturers and retailers and their suppliers for the end customer that is the consumer in store or e-Commerce
- Manufacturers and retailers suffer from thinning profit margins. **Problem:** How to take costs out of the distribution channel (supply chain) without compromising service (on time deliveries)? This involves improving profitability and competitiveness.
- **Solutions** are found in collaboration tools of on-line Web based (Internet), software applications, and data processing for automating paper processes
- Overarching theme of government (Customs, agencies) is to collect revenues while balance security to the public with trade facilitation for businesses to profit
- Need to collaborate among all since technologies are available for sharing data and forming partnerships among business and government to “speed **time** to market”

Cost Benefit of Automating Processes: Landed Cost Analysis

Return of Investment (ROI): U.S. Business automates 100 transactions per month:

1. Cost of manually handling each transaction is \$50
2. After implementing automation (electronic data interchange) cost is \$5.
3. Initial implementation costs are \$10,000 for business's 100 POs per month.
4. Cost savings by phased implementation month to month are \$60,000 per year
5. Manual cost goes from \$5000 per month to zero by month 10. Automation cost goes from \$10,050 per month to \$500 per month by month 10*

Landed Cost Analysis: Is the total cost of a product once arrived in buyer's door. Variables: Price of goods, choice of INCOTERMS: risks between buyer and seller, buying agents, consolidation, transportation, duty/tax, insurance, Customs, storage, INLAND FREIGHT-Mongolia, demurrage. No paper=reduced costs

World Bank estimated in 2014 that automating customs processes can save about \$115 per container.

*Beacon EDI, Inc. U.S.A., “ROI through non-core EDI transactions”



“ECONOMIC GOVERNANCE FOR EQUITABLE GROWTH” (EG4EG) Project
“ЭДИЙН ЗАСГИЙН ТЭГШ ӨСӨЛТИЙГ ХАНГАХ САЙН ЗАСАГЛАЛ” Төсөл

Implemented by



Mongolia Way Forward: Institutional, Legal, Technical

Governance of Mongolia National Single Window Implementation:

By example: United States, President Obama 2009 State of Union:

“Remove time and redundancies of paperwork among government agencies to improve business competitiveness for imports and exports and fully implement the national single window (Automated Commercial Environment) by the end of 2016”

Single Window discussions in USA started 20 years ago. I worked in EDI Customs brokerage in 1998 and data for other government agencies was coded as (OGA). OGAs are now coded as Partner or PGAs. Change in mindset.

Institutional mechanism is similar in all SW implementations worldwide:

Highest level mandate; business-government coordinating committee that meets quarterly to implement. USA: Commercial Operations Advisory Committee (COAC) established under Customs and Border Protection, Department Treasury

Mongolia: Reconstitute the National Trade and Transport Facilitation Committee to implement the ADB/Parliament approved: \$27 million loan for SW & Borders

Mongolia Way Forward: Institutional, Legal, Technical

Legal

- Pass a resolution similar to the 2009 “Transit Mongolia” for establishing a permanent and perpetual NTTFC with working groups and fund a permanent Secretariat office under the Prime Minister/Cabinet with 2-4 full time permanent staff from business and government charged with coordination and cooperation among all agencies, setting meetings and moving forward on Single Window even when governments change.
- Institute a civil service law to ensure that government employees stay on their posts.
- Trade Law-Needed to define individual traders for Customs declarations by identification numbers so that duties collected and connect to SW.
- Implement laws: e-signature, e-stamp, mutual customs recognition (Mongolia-PRC) and international product standards, and Tripartite Transit Agreements (Mon-Rus-PRC) with cross border data exchanges.

Mongolia Way Forward: Institutional, Legal, Technical

Technical

- Begin a Public Awareness Program on a wider scale to all business and government entities to describe the MNSW program and benefits. This can include a summary in a manual form of the MNSW Master Plan

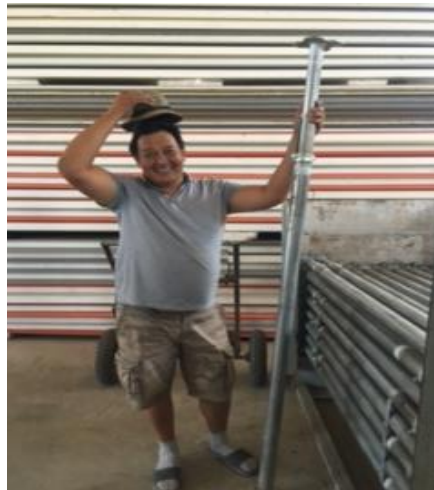
Customs in UB and Zamyn Ud, light manufacturer in Zamyn Ud FEZ and many others in the course of this mission are not aware of MNSW. The MNCCI visited many countries for SW practices which can be conveyed on a website, for example. (Senegal, Uzbekistan, Singapore, Korea, Thailand)

- The MNSW Master Plan (2011) recommends a long term objective of connecting Mongolia Single Window to the neighboring countries. However, the full benefits are possible now with Russia already on a rail electronic platform for documentation and with PRC to start data exchanges in August, 2016.
- E-Kiosk project implementation could provide useful information and lessons from the Information and Communication Technology Authority for MNSW.

How Mongolian Business and Government Benefit From National Single Window Implementation: Examples from Mission

1. Zamyn Ud Free Economic Zone (FEZ), Building Materials company:

This 100% Mongolian invested business is producing from iron metal raw material imported into the FEZ from China and transforming the metal into building materials sold to the Mongolian construction industry. This company is losing orders by demand from Vietnam customers because the MASM process for conformity certification of their imported machines is slow. The MNSW will greatly expedite the process for his license to export



How Mongolian Business and Government Benefit From National Single Window Implementation: Examples from Mission

2. Wagner Asia supply chain is from Caterpillar sources worldwide by ocean and air and overland to Mongolia mining sites, such as OT. Most supplies arrive from the Singapore Caterpillar Regional Distribution Center.

The problem is potentially millions of dollars in lost mining production to customers when an OT production shovel (4) costing \$25 million each and supported by 7-8 moving trucks (\$5 million each) has an emergency part malfunction. The country of origin (CoO) document is processed by the CAT supplier normally in 3-5 days, electronically. The emergency case will require delivery in 48 hours not enough time to process the CoO. The use of the MNSW will greatly improve processing of the CoO, electronically. Moreover, paper based CoO processing is also subject to face to face Customs officials which could not only delay and cost, but also subject the applicant to unofficial fees.

How Mongolian Business and Government Benefit From National Single Window Implementation: Examples from Mission

3. Zamyn Ud Customs and Inspection Rail X-Ray

This new X-Ray technology is important to improve processing time at the borders. The before process was physical inspection by hand and manual checks of documents. Now, the X-Ray machine photographs the wagons on the train as they pass through and digital images are saved for electronic transmissions. The benefit is 1 train of wagons is checked by the X-Ray inspection in 3 minutes. The process was one wagon inspected in 4 hours to 2 days. However, the full benefit is not realized until can connect the digital photographs to the CAIS Customs system and by extension the MNSW for national viewing which requires a 6-7 kilometer cable costing 60 million MNT (US\$30,000)



Discussion

Any Questions for Further Discussion?

Thank you.

Robert L. Wallack, United States of America

Robert.Wallack@RLW-International.com





“ECONOMIC GOVERNANCE FOR EQUITABLE GROWTH” (EG4EG) Project
“ЭДИЙН ЗАСГИЙН ТЭГШ ӨСӨЛТИЙГ ХАНГАХ САЙН ЗАСАГЛАЛ” Төсөл

Implemented by



Contact address:

Economic Governance for
Equitable Growth (EG4EG) project

Building Nr. 10A, 2nd Floor, Nr. 201
Chingeltei District, 4th Khoroo,
Ulaanbaatar8 Mongolia

C.P.O.Box-1264

T +976 77348050
E xxxxxxxx@giz.de
I www.eg4eg.org

This project
is financed by the
EUROPEAN UNION



Implementing partner:

