

## Appendix 12

### ADDENDUM to Advancing Stage 3 of the Systematic Approach to the SCFAP

#### Capacity Building Plan to Improve Supply Chain Performance (2014/SOM1/CTI/029)

##### Project for 2015 BMC2 - *Improving Coordinated Risk Management at the Border through Global Data Standards*

1. **Synopsis:** Hong Kong, China and New Zealand are proposing hands-on technical assistance to deliver a suite of specific pilot projects with the application of particular Global Data Standards (GDS) at product level, with a particular aim to enhancing supply chain visibility as related to traceability and expedited product admission. Technical assistance will be provided primarily for the purpose of improving risk management programmes run by border agencies in volunteer developing economies, such as setting up or improving risk management systems.

Customs and other government agencies apply risk management approaches in order to apply controls to detect fraud and other types of offences while ensuring that goods continue to move as fast as possible. Risk management allows customs administrations to determine which persons, goods and means of transport should be examined and to what extent. The World Customs Organization (WCO) defines "risk management" as "the systematic application of management procedures and practices which provide Customs with the necessary information to address movements or consignments which present a risk". Helping economies improve their risk management systems could include technical assistance to: (1) ensure the legislative base is in place to apply controls on traded and transit goods on the basis of risk management principles (2) establish a common risk management system across the economy to apply controls using selectivity criteria to import, export and transit goods.

For GDS, the objective is to (i) demonstrate whether and how GDS will facilitate the domestic and trans-boundary movement of goods and improve supply chain performance (i.e. proof of concept) and contribute to better compliance, and (ii) identify enablers, challenges and mitigation policies, in addition to (iii) determine if it is cost-effective to adopt GDS in supply chains for relevant stakeholders (e.g. traders, logistic operators and border agencies, etc.). In sum, the application of GDS may enhance efficiency, integrity, quality, visibility and innovation of supply chains, hence contributing to APEC's goals of 10% improvement in supply chain performance (i.e. principle 1 of project inclusion) and facilitating implementation of WTO Trade Facilitation Agreement commitments concerning risk management (principle 3). Participating member economies and their relevant stakeholders along the nominated supply chains will receive targeted technical assistance on using GDS throughout the course of pilot projects (principle 2). Prior to the pilots and at points throughout, economies will first receive targeted assistance on using GDS and other tools in their risk management programmes and later to assess the effectiveness of the technical assistance. Such assistance will cover the use of hardware and software, design of new operation processes and better practices specific to the needs of individual supply chain, customised user training and building connections among relevant stakeholders, including government agencies (principle 4).

2. **Relevant Policy Recommendation(s):**  
Chokepoint 1 - Recommendation 1; Chokepoint 4 - Recommendations 1, 4 & 6; Chokepoint 5 - Recommendations 4 & 6; Chokepoint 7 - Recommendation 6; Chokepoint 8 - Recommendations 2, 4 & 6
3. **Relevant WTO Trade Facilitation Agreement provision(s):**  
Article 7.4: Risk Management
4. **Co-sponsoring Economies:** Australia; Malaysia; and Mexico (others to be confirmed)
5. **Participating Economies:** Australia; Hong Kong, China; Malaysia; Mexico; New Zealand; Peru; and Russia (others to be confirmed)
6. **Overall Estimated Project Cost and Goals:** The overall project cost is to be confirmed, depending on the level of technical assistance required prior to carrying out an unspecified number of pilot projects covering a range of specific products and trade routes. Technical assistance to be provided for participating economies will amount to around US\$40,000 per trade route. A pilot/trade route contains two major costs, namely for (i) the technical assistance to be provided; and (ii) proof of concept and cost-benefit analysis of GDS application and assessment of pilot projects undertaken by the Policy Support Unit (PSU), estimated around US\$26,000 for two pilots.
7. **Available Tools and Methodologies for Implementation:** Some pilots will be built on previous GDS projects and methodologies. Where required, GS1 Hong Kong and GS1 New Zealand will coordinate access to GS1's global network to provide tools and methodologies including those relating to risk management for use in the technical assistance and application in pilot projects. Member economies may also nominate other sources of expertise and tools for potential use in the technical assistance and application in GDS pilots.
8. **Available Technical Experts for Delivery of Technical Assistance:** Experts from GS1 Global and local offices, and other organisations nominated by member economies.
9. **Available Project Resources:**
  - Supply Chain Connectivity Sub-Fund: Volunteers for the technical assistance will work with proponents on terms of reference that will provide detailed requirements for their engagements, which will also describe how the technical assistance will lead to pilot projects for assessing the effectiveness of that technical assistance.
  - Additional self-funded contributions from APEC economies and industry contributions: Other technical assistance and pilot projects not seeking APEC funding will be self-funded by lead and/or participating economies (including Australia, Hong Kong, China and New Zealand); the above-mentioned PSU study will be funded jointly by Hong Kong, China and New Zealand.
10. **Post-Implementation Measurement Tools and Timelines:**  
PSU will first develop indicators/benchmarks, collect relevant data and information before the pilot projects commence and after they are completed, and then translate the benefits of using GDS into numerical and monetary values when applicable for comparison with the cost for assessment. Such data/information collection will be conducted through surveys or direct access to the related data visibility platform. Besides, the PSU will also propose policy recommendations

to facilitate compatibility of economies' framework with the use of GDS. The final report will be available, likely in Q3/Q4 2016.